GLOBALISATION AND ITS EFFECTS ON SUSTAINABLE DEVELOPMENT

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PART 1: GLOBALISATION AND ITS EFFECTS ON SUSTAINABLE DEVELOPMENT IN THE POST-UNCED PERIOD

(1) THE BASIC UNCED UNDERSTANDING AND THE SPIRIT OF RIO

The United Nations Conference on Environment and Development (UNCED) was a historic watershed that raised hopes of people around the world of the emergence of a new global partnership. This new partnership, arising from the "Spirit of Rio", would change the present course of international relations, tackle the growing global environment crisis and simultaneously strive for more equitable international economic relations that would be the basis for promoting sustainable development globally and in each country.

The unique and important achievement of UNCED was that through its long preparatory and Summit processes, the world's diplomats and highest political leaders recognised not only the environment crisis in its many facets, but how this was embedded in economic and social systems, and that a realistic and long-term solution lay in dealing with both the environment and the development crises simultaneously and in an integrated fashion.

UNCED also involved thousands of non-governmental organisations, which were able not only to champion their particular issues, but through intense interaction among groups from North and South and from the environmental, development and social spheres, were able to develop a much more integrated approach to global and local problems. UNCED was an important landmark for catalysing the development of a "global citizen movement."

It also provided an opportunity for citizen groups and governments to engage in dialogue on the most pressing global problems confronting humanity and the Earth, an interaction that was beneficial to both sides. It generated an international community, of governmental, non-governmental, and inter-governmental officials, agencies and individuals, that shared an understanding (however tentative) of the integrated nature of environment and development, and a recognition that in the next few years there was the crucial need and the unique window of opportunity to change the course of history, in order to save Humanity and Earth from environmental catastrophe and social disorder.

The "compact" or core political agreement at the Earth Summit, was the recognition that the global ecological crisis had to be solved in an equitable way, through partnership. This was captured in the principle of "common but differentiated responsibility" in the Rio Declaration. This principle acknowledged that the North has historically and at present been more responsible for the despoilation of the global environment, has more resources due to the uneven nature of the world economy, and has a proportionately greater responsibility in resolving environmental problems.

The South is being hampered in meeting the basic needs of its people by its unfavourable position in the world economy, and its national resources are being drained through falling commodity prices, heavy debt burdens and other outflows. Development goals, poverty eradication and provision for basic needs are (or should be) their top priorities. Environmental concerns should be integrated with (and not detract from) these development objectives.

In concrete terms, the North-South agreement, and implementation of the principle of "common but differentiated responsibility" would require that:

(a) The North would change its production and consumption patterns (and its economic/social model). It would take the lead in improving environmental standards, reduce pollution and the use of toxic materials, and cut down the use and waste in natural resources, including through changing lifestyles. By "putting its own house in order", the North would show an example to the rest of the world that there is a need for a change in economic and social behaviour in order to solve the environment crisis;

(b) The North would help the South with financial aid and technology transfer, and through partnership in bringing about a more favourable international economic environment (for example, through more equitable terms of trade and a resolution of the debt crisis). This would enable the South to have greater resources and a larger "development space" that would in turn facilitate a change in development model that would be more environmentally sustainable;

(c) The South, having more financial and technological resources, would manage its economy better, give priority to policies that meet people's needs, improve pollution standards and reduce depletion of resources such as forests.

(d) International agencies and structures would help further this process; for example, by reducing the debt problem of developing countries and reviewing the content of structural adjustment policies, by ensuring that the trade system brings about more favourable results for developing poor countries, by helping to mobilise financial resources and providing technical aid in improving environmental standards.

(e) Issues requiring an integration of economic and environmental concerns (such as the interaction of trade and environment; and the relation between intellectual property rights and environmental technology and indigenous knowledge) should be resolved through North-South partnership in which the development needs of the South would be adequately recognised.

If the above principles are to be followed, then the concept of sustainable development would have at least two major components, each balancing the other: environmental protection and meeting the basic and human needs of present and future generations. Thus, sustainable development would not only involve ecological practices that enable meeting the needs of future generations, but a change in production and consumption patterns in an equitable manner whereby resources which are currently being wasted are saved and rechannelled to meeting the needs of everyone today as well as the needs of future generations. In this concept, equity among and within countries in the control and use of resources in ecologically prudent ways is a critical (or even the most critical) factor.

(2) SOME BASIC WEAKNESSES OF UNCED

Despite the achievements of the UNCED process, there were, however, basic weaknesses and failures. Among these were:

* The refusal or inability of Northern governments to commit themselves to a reform of international economic relations or structures, or to initiate a new North-South economic dialogue. This meant that there was no commitment to resolve structural external problems that weigh heavily on a majority of developing countries (particularly the poorer ones), such as external debt, a review of structural adjustment policies, low and falling commodity prices and the trend decline in terms of trade, and the poor position of developing countries in the world financial and trading systems, all of which result in large outflows of economic resources from the South or in opportunities foregone.

* As a result of the inability of the UNCED process to place these basic items prominently in Agenda 21, the items that dominated North-South negotiations became the pledge for "new and additional financial resources" (with Northern countries pledging to strive to meet the earlier commitments for aid to reach 0.7 percent of their GNP) and the pledge for implementing "technology transfer" (at least for environmentally-sound technologies). These two items are a poor substitute for more basic reforms to international economic relations. Given the situation, they however became the "proxies" or symbols of the North's commitment to help the South in a new global environment-development partnership.

* Even though "technology transfer" was prominently discussed during the UNCED process and is given high profile in Agenda 21, in reality the Northern governments made it clear that the protection of the intellectual property rights of their corporations would not be compromised. This would effectively render technology transfer (even if only of environmentally sound technology) on favourable terms by and large inoperable. Nevertheless, on the insistence of the South, Agenda 21 does have some reference to the need for technology transfer, and for intellectual property rights not to hinder the process. A similar principle is established in the Convention on Biological Diversity. The language and references in both cases are however guarded and ambiguous and relatively weak, although the acceptance of the principle provides grounds for fuller development in the follow-up of UNCED.

* The downgrading of the need for regulating transnational corporations and big commercial interests. As pointed out prominently by the NGO community, the big corporations are the main actors in generating environmental problems such as pollution, resource depletion and unsustainable production and consumption patterns. The UNCED process sidelined this role, and did not give action proposals for regulating or disciplining the behaviour of big corporations. Thus,

the most important action required for sustainable development was omitted, and an opportunity for making the main economic actors more responsible and accountable was missed. This rendered many of the Agenda 21 proposals "toothless" or much less susceptible to implementation.

* The refusal by Northern governments, particularly the United States (whose delegation notably declared "Our lifestyles are not up for negotiations"), to effectively commit themselves to changes in lifestyles as part of the move towards sustainable consumption patterns. Thus a crucial element in the reduction of waste of natural resources was sidelined.

* Despite the many action proposals on environmental problems, there was relatively weak real commitment by both North and South to resolving many of the problems. As a result of not wanting to have constraints put on their growth or development opportunities, Southern governments were not forthcoming in agreeing to disciplines on resource depletion, in particular on deforestation.

There was resistance by Northern governments to place effective environmental safeguards on the development of genetic engineering, or to develop better international regulations on the transfer of hazardous products, projects and activities to the South. The commitment by Northern governments (especially the United States) to reduce emission of Greenhouse Gases was inadequate to the task of dealing with climatic change.

* Given these weaknesses, the concept of sustainable development remained controversial. Whilst there was general agreement that progress on the environment had to be accompanied by development, the place and role of equity, the need for reforms towards more equitable international relations and institutions as well as equitable ways of combining environment and economy nationally, were not agreed upon. Thus whilst the role of equity was implicit, it was not explicitly enough elaborated on at UNCED. This opened the strong possibility of its being sidelined in the follow-up process.

Despite these and other weaknesses, UNCED, its products (Agenda 21, the Rio Declaration, the Forest Principles, the Conventions on Biodiversity and Climate Change and an agreement to institute a Desertification Convention) and its processes (governmental, non-governmental and the interaction between the two), produced an intangible but nevertheless valuable "spirit" of partnership. It was the hope of the officials (from governments and international agencies) and citizen group representatives involved, that the UNCED process and its spirit of cooperation, however flawed and fragile, could be built upon in the follow-up and provide hopes for building a socially better and ecologically more sustainable world.

(3) THE FAILURES OF THE POST-UNCED FOLLOW-UP

Many years after UNCED, it is clear that the "Spirit of Rio" was not converted into practical action. Instead, it seems to have faltered, and whittled down, if not away. The main features of this development are as follows.

(a) A Drop in Aid Volume

Despite the pledges of aid increase at UNCED, the OECD countries' aid fell from US$61 billion in 1992 to $56 billion in 1993, and 14 of 21 donors decreased the share of aid as a ratio of GNP (1). This dismal aid performance only a year after the Earth Summit gave an extremely negative signal, and was unfortunately an early sign of a trend in aid decline. Further, a more and more significant part of the shrinking aid pie has been diverted to East European countries, leaving the South with less. Since the mid-1990s, the situation further worsened, with continuing aid cuts in Sweden, the United States, and Canada, among others. In particular, the US Congress is in favour of a much reduced role for aid and the withholding of funds (to which it is legally committed to provide) to the United Nations. Among Northern governments, "new and financial resources" to the South has become politically a non-issue or worse a "taboo" subject. The start in aid decline coincided with the ending of the Cold War; and it is widely accepted that the Northern establishment has found the use of aid to win friends or maintain influence in Southern countries no longer necessary. The aid budget is thus being cut in line with general budget reductions in most Northern countries. In terms of sending the wrong signal, the timing could hardly have been worse, since aid had become the most important symbol of North-South partnership generated by UNCED. The aid decline is inevitably seen as a lack of commitment and sincerity of Northern governments to implement the Rio agreements, and has robbed the UNCED follow-up processes and institutions of their status and legitimacy.

(b) No Progress in Technology Transfer

There has been no tangible progress in transfer of technology to the South, either in general or in environmentally-sound technology. Instead, since Rio, there has been much greater emphasis on increasing the rights of holders of intellectual property (mainly corporations of the North) and a corresponding downgrading of the rights of the public (and developing countries) in technology transfer and diffusion. This is mainly the result of the Uruguay Round's TRIPS (Trade-related intellectual property rights) Agreement which will require member states of the World Trade Organisation to tighten their national IPR regimes in favour of IPR holders, with detrimental effects on technology transfer or local development of technology. There is already evidence of how such patent regimes hinder transfer of environmental technology to the South. There is also a danger that the emerging IPR regime (whose rules favour commercial companies) will also marginalise the interests and rights of communities that developed biodiversity-based knowledge (in farming, medicinal plants, etc) whilst enabling the patenting of this knowledge by commercial companies. The stress on IPR protection at the expense of technology transfer has, like the decline in aid, robbed the post-UNCED process of its legitimacy, since technology transfer was the second plank of what was seen as the North's commitment to facilitating sustainable development.

(c) Downgrading of Environment Concerns in the North

There have been no significant moves in the North for basic changes to production and consumption patterns or lifestyles. Despite some efforts on the energy front for reducing emission of Greenhouse Gases (which are generally believed to be still inadequate to arrest adverse effects on climatic change), there has been in many Northern countries a reversal of environmental policies

(such as logging of natural forests in the US and attempts to weaken standards) or the lack of progress in critical areas requiring attention (such as the inadequate regulatory response to rapid development of genetic engineering). Generally, there has been a downgrading of environmental concerns in the national agendas, as commercial interests and the need to retain "national economic competitiveness" take precedence.

(d) Little Improvement in Environmental Conditions in the South

In most Southern countries, environmental concerns have also not received the kind of special attention that UNCED had promised. The poorer countries remain enmeshed in problems of external debt and low commodity prices and face additional problems caused by aid decline. They are also bypassed by foreign investment flows. As a result, the lack of financial resources continue to hamper progress towards sustainable development. In the industrialising Southern countries, the pressures of urbanisation, industrialisation and high growth have put additional pressures on the environment, concerns for which have remained low compared to the imperatives of growth. Generally, in the South, there is a lack of progress towards sustainable agriculture or in phasing out the use of toxic substances (although the North-to-South export of toxic wastes may be reduced by the extension of the Basel Convention).

(e) Erosion of Concern for Development

As serious as the downgrading of the environment agenda is the erosion of concern for development as a principle or as a right in the international agenda. This erosion is mainly due to a wave of economic conservatism in many Northern countries and reduced concern in their political establishment for problems of developing countries. More seriously, in the North, the more aggressive commerce-oriented and trade- oriented approach of viewing developing countries as markets (that need opening up) and as potential rivals (whose advantages should be curbed) has replaced the other approach of viewing developing countries as disadvantaged global partners requiring and deserving assistance. As a result, the "development principle" and the "development dimension" which hitherto had been recognised as the cornerstones in North-South relations, have been challenged and eroded, not only through the decline in aid, but also in the much greater reluctance to accord special treatment or advantages to developing countries in UN negotiations.

Of particular importance, the development principle has been eroded in North-South trade relations, especially at the WTO. The "special and differential treatment" for developing countries has been eroded through the Uruguay Round. In the current on-going WTO negotiations, including on new issues, developed countries have sidelined recognition of the development needs and objectives of developing countries and insisted instead on equal treatment for both the weak and strong: for example, "a level playing field" and "national treatment" for their firms. This contrasts with the reaffirmation by political leaders of the world of the appreciation of the development rights and needs of the South, through the Social Development Summit of 1995, and other UN conferences and resolutions. These declarations and processes, which represent the spirit of international cooperation, are being undermined by the more legally-binding and enforceable rules of the trade system. Therefore, instead of allowing the South to have greater development space to facilitate their transition to having a better environment (which was the UNCED understanding), there has been a significant narrowing of that space in the past few years.

(f) Persistence of Development Problems in the South

A major aspect of UNCED was to heighten priority in resolving the pressing development problems in the South. These problems had to be tackled at two levels: improving the negative international economic environment; and improving domestic policies. Although a small minority of developing countries, mainly in East Asia, were able to take advantage of external factors to experience high growth, a majority of developing countries continued to suffer from poverty and social problems, and in some countries the situation worsened. The external environment faced by many developing remained negative. The terms of trade for many developing countries continued to deteriorate, with the prices and demand for commodity exports weakening. The debt crisis persisted. Aid volumes declined. This continued to exert a large external drain of resources from developing countries. Resources for the state continued to dwindle in many countries, reducing their capacity to face the development challenges.

Globalisation in trade and investments had uneven results, with few benefits (and probably net losses) accruing to many of the poorer developing countries. Development policy options were further narrowed through the WTO Agreements and structural adjustment. The negative effects on the external environment have weighed heavily on many developing countries in the past five years. Many of them were unable to gather sufficient resources and strength to overcome their pressing social problems. As a result, there was low or inappropriate growth, reduced social development expenditures, persistence of or worsening poverty, higher unemployment and greater inequities.

(4) THE EFFECTS OF LIBERALISATION AND GLOBALISATION AND THE CLASH OF PARADIGMS

(a) Undermining of Sustainable Development Paradigm by the Free-Market Approach

Perhaps the most basic factor causing the failure to realise the UNCED objectives was the countervailing trend of liberalisation and its brand of globalisation that has swept the world in recent years.

The UNCED approach represents one paradigm for international relations: that of consensus-seeking, incorporating the needs of all countries (big or small), partnership in which the strong would help the weak, integration of environment and development concerns, the intervention of the state and the international community on behalf of public interest to control market forces so as to attain greater social equity and bring about more sustainable patterns of production and consumption.

The liberalisation "free market" approach represents a very different paradigm. It advocates the reduction or cancellation of state regulations on the market, letting "free market forces" reign, and a high degree of rights and "freedoms" to the large corporations that dominate the market. The state should intervene only minimally, even in social services. On the environment, instead of intervening in or imposing environmental controls, the market should be left free on the assumption that this would foster growth and the increased resources can be used for environmental protection. This approach also sidelines concerns of equity, or the negative results of market forces, such as poverty and non-fulfilment of basic needs. It assumes the market will solve all problems. Extended to the international level, the paradigm advocates liberalisation of international markets, breaking down national economic barriers, rights to corporations to sell and invest in any country of their choice without restraints or conditions. Governments should not interfere with the free play of the market, and social or development concerns (for instance, obtaining grants from developed countries to aid developing countries) should be downgraded. The approach advocates a Social Darwinian philosophy of "each man for himself, each firm for itself, each country for itself." In this law of the social jungle, it is the right of individuals and companies to demand freedom to seek advantage and profit and to have access to the markets and resources of other countries anywhere in the globe, to implement their right to profit. The advocates of this approach want a free-market system where the strong and "efficient" are rewarded, and the weak or inefficient may suffer losses but in any case should fend for themselves. The paradigm advocates competition, with prizes for the winners and without the supply of a cushion to compensate the losers for their loss. Aid and special treatment for developing countries should be downgraded.

In the years since the Rio Summit, there has been a dramatic clash of these paradigms in international affairs. The paradigm of partnership and cooperation was represented by the United Nations series of world conferences, in which global problems relating to the environment, women, social development, habitat, and food were sought to be discussed and resolved in a framework of consensus-seeking. It was recognised that the market left to itself could not solve the problems and would indeed be a hindrance, and that thus there were critical roles for governments, the inter-governmental community as well as for NGOs and citizen groups, to temper the market with social and environmental priorities and programmes. The need to build the capacity of the weak and poor was accorded priority, and the role of aid and differential treatment for them was recognised.

In contrast, the free-market paradigm was represented by the Bretton Woods institutions, which persisted in promoting structural adjustment programmes based on market liberalisation, and by the GATT/WTO which was dominated by the Northern governments advocating the opening up markets (especially of developing countries) for the exports and investments of corporations and financial institutions. The conclusion of the Uruguay Round in December 1993 heralded a new era where multilateral trade agreements and negotiations would subject countries much greater to the objectives of Northern governments advocating greater and wider "market access" for their corporations. The Uruguay Round agreements of 1993 and the paradigm they represented turned out to be more powerful than the UNCED agreements and products of 1992 and the partnership approach which they promised. Indeed, in recent years, the liberalisation free-market paradigm, that gained prominence and pre-eminence, has undermined the sustainable development partnership paradigm, which has been sidelined in terms of importance. The market paradigm had strong means of implementation: in the Bretton Woods institutions, structural adjustment can be enforced as conditions for much-needed loans; in the WTO system, the Agreements and rules are enforceable through a powerful dispute settlement system which includes trade penalties and retaliation. In contrast, the partnership paradigm has been deprived of its main means of implementation, which

are financial resources and technology transfer.
The main factor for the triumph of the market paradigm is the strong support and aggressive advocacy for it by the powerful countries, and their deliberate marginalisation of the partnership paradigm. Within these countries, the Commerce and Finance departments of government enjoy far greater influence than the Environment or Overseas Aid departments. This has contributed to the far higher priority given in these countries to national and private commercial interests vis-a-vis environment and development concerns.

(b) Depletion of UN's Role and the Expanding Powers of the WTO and Bretton Woods Institutions

In recent years, the Northern countries have also successfully organised the downgrading of the role, resources and influence of the United Nations in social and economic affairs and policies, and simultaneously enormously increased the powers and influence of the Bretton Woods institutions and especially the WTO in determining international economic and social policies. This shift in institutional location of authority is due to the fact that the Bretton Woods/WTO institutions represent the paradigm advocated by the North, and also due to control the North asserts in these institutions in contrast to the UN system where the South is better represented, due to the differences in decision-making in the different organisations.

With the higher status of the market paradigm, sustainable development concerns have been given lower priority. Governments of strong countries have become obsessed with competitiveness of their firms and countries; this has reduced the commitment to improve the environment and change production and consumption patterns. Deregulation has included the weakening of environmental policies (or their enforcement) in many countries. Interest in implementing the development components of UNCED (and of other Conferences such as the Social Summit) has diminished. The means of implementation of the many action proposals have not materialised.

(c) Failure to Regulate Big Corporations and the Move to Widen their Rights

A major reason why the UNCED objectives have not been realised is the fact that the behaviour and practices of the main economic players (that determine production and consumption patterns) have not been brought under any kind of effective framework of accountability and disciplines. UNCED was itself partly responsible for this, as it did not propose any measures for regulating big corporations. In the past few years, the power of big corporations has increased: they control even more of the world's resources and account for a greater share of production activities, distribution, finance and marketing. There has been no noticeable change in their production patterns. The "business as usual" practice has resulted in continuation or even intensification of environmental pollution and resource depletion. Through globalisation of media, their advertising and sales promotions of consumer products and tastes have had an even much greater impact in spreading the kinds of lifestyles and consumption patterns that are environmentally unsustainable.

The regulatory situation relating to TNCs and business in general has worsened greatly in the past five years. The efforts to finalise a Code of Conduct on TNCs were formally killed in 1993, and the agency in charge of the Code, the UN Centre on Transnational Corporations, was closed down.

Thus, the main international initiative and institution for establishing guidelines (non-binding at that) for the behaviour of TNCs, and that would lay down a code of obligations and rights of TNCs and states, have disappeared, and many years of work and negotiations have come to nought. Initiatives in other institutions, such as the Code of Conduct on Technology Transfer and the Set of Principles and Rules on Restrictive Business Practices, both at UNCTAD, marginalised due to the reluctance of the developed countries for their coming into effect.

Instead, there has been a strong opposite trend, which is now dominant, to reduce and remove more and more regulations that governments have over corporations, to grant them increased rights and powers, whilst removing the authority of states to impose controls over their behaviour and operations. The Uruguay Round has already granted far higher standards of intellectual property rights protection to the TNCs, thus facilitating further their monopolisation of technology and ability to earn huge rents through higher prices. There are strong pressures from Northern governments at the WTO to grant foreign companies the right of entry, establishment and national treatment to all WTO member states. Other proposals on competition policy and government procurement would give them further rights of access to business in developing countries. The ability of governments to regulate the operations and effects of TNCs and companies in general is being severely curtailed. Since it is most unlikely that businesses will voluntarily curb their own practices so as to be in line with sustainable development, especially since there is now an intensification of competition, the removal of the rights of states to regulate business, especially TNCs, is a major and perhaps fatal flaw in the international community's attempt to arrest environmental deterioration and promote sustainable development.

(d) The Failure of Political Leadership

The recent years have also seen the weakening of political leaders in almost all countries in their attempts or ability to address environment, social and development issues. In the North, the political leadership has followed the rationale of the need to maintain competitiveness in a globalising world to place environmental and social concerns much lower on the list of priorities. Instead, these governments are meeting the demands of their corporations to promote liberalisation and to champion their interests domestically and internationally. Thus, at international negotiations, whether at the WTO or at the UN, Northern governments promote proposals that widen the rights of TNCs, whilst blocking or diluting principles and points that are made on behalf of development.

In the international arena, Southern governments are individually and as a group generally inadequately prepared for negotiations, compared to the Northern governments. Despite the dramatic expansion of the importance of international organisations and processes in determining national policies, the political leadership and bureaucracy in most developing countries have not put adequate human and financial resources in preparations for international negotiations. As a result, they often find themselves at a very weak end of the negotiations. This can sometimes lead to their being unable to effectively promote their points, and to having to agree to other points that are detrimental to their interests. Such a situation is particularly dangerous when the negotiations involve legally-binding agreements, as in the WTO.

Many political leaders and bureaucrats may privately agree that the present state of affairs on environment and development is negative and requires drastic reforms. However they go along with the big tide of liberalisation and of catering to the demands and interests of the business elite. Many have declared that they are unable to change the situation, and that the forces of liberalisation and globalisation are too strong to counter. The political capability and will to fight for environment, development and a cooperative model of international relations seem to be lacking all over the world. This of course leads to the question of who, if not the political leaders, are going to take effective action to promote sustainable development.

(5) PUBLIC RESPONSES AND THE POTENTIAL FOR REASSERTING SUSTAINABLE DEVELOPMENT PRIORITIES

Despite the rather bleak picture, there are also positive developments in recent years that keep the hopes for sustainable development, and the spirit of Rio, still alive.

These developments include:

* The still influential role and substantial resources of the United Nations system, despite its budgetary crisis and the attempts to blemish its image. The UN enjoys popular support, mainly because of its socially and environmentally positive positions, and its efforts to promote international cooperation. The partnership paradigm represented by the UN is thus still very much alive where the public are concerned.

* The series of World Conferences organised by the UN and its agencies in recent years has had a positive public impact in highlighting a wide range of global problems, and provided opportunities for a focusing on the existence of the problems, their causes and proposals for action. This has had significant influence on the public, on citizen groups and the media, on the thinking and policies of national governments and on the staff of international organisations. They have produced valuable information and important experiences of having to seek consensus from different viewpoints being put forward by different categories of countries and people. They were also opportunities to advocate or reassert approaches and views that are counter to the dominant liberalisation/globalisation thinking. Thus they have built a useful foundation which can contribute greatly to future work and activities.

* The past few years have seen continued and in some cases strengthened activities of citizen groups that represent alternative approaches and paradigms to promote social and environmental causes. Particularly positive has been the increased networking and collaboration among the groups in North and South, and a cross-fertilisation of interests in different issues, including environment, development, human rights, women's rights, culture and social problems. The emergence of global civil society, advocating alternative viewpoints at international fora and to international institutions, is an important development that can monitor and help shape the globalisation process. This remains a significant hope for the promotion of sustainable development.

* The weaknesses, inequities and limitations of the globalisation model based on free-market

interests are rapidly becoming evident. This has led to growing criticisms of the paradigm by influential members of the political, business, journalistic and academic establishment. The leaders and opinion makers of the system are themselves increasingly questioning and criticising the dominant policies and their effects. As the "consensus" on the orthodox approach breaks, the need to reform the globalisation and liberalisation process will become clearer.

The time may thus be ripe for a "paradigm shift" away from a model based on competitiveness, greed and market expansion (without care for social development or the environment) to the sustainable development approach, premised on cooperation and international partnership, stresses the rights of people, and balances economic activities with social and environmental goals.

PART 2: SOME CRITICAL ASPECTS OF GLOBALISATION

(1) A PROCESS OF GLOBALISATION LINKED TO LIBERALISATION

"Globalisation" has in recent years become a catch-phrase. Its use in policy discussion, in academic discourse, and in international relations, has increased spectacularly. There are however vast differences of opinion on what it means, what its effects are, and whether it is beneficial or harmful to various groups of countries, people and to the environment.

For the purposes of this paper we can acknowledge and discuss the following aspects of globalisation.

The most basic aspect of the current globalisation phenomenon is economic globalisation. It is not a new process, for in the past five centuries firms in the central countries have increasingly extended their outreach through trade and production activities (intensified in the colonial period) to territories all over the world. However, in the past two decades, economic globalisation has accelerated as a result of various factors, especially the policies of liberalisation that have swept across the world. The present globalisation process is thus inextricably linked to liberalisation policies and practices; and in turn it also intensifies liberalisation.

As pointed out by UNCTAD (1996): "Globalisation is the product of liberalisation. But it has also set in motion forces working to accelerate liberalisation. As firms increasingly see transnational production as necessary for their competitiveness and profitability, they are exerting more and more pressures on governments to provide conditions that will allow them to operate worldwide. This involves not only further liberalisation of international trade but also freedom of entry, right of establishment and national treatment, as well as freedom for international financial transactions, deregulation and privatisation."

The most important aspects of economic globalisation are the breaking down of national economic barriers, resulting in an acceleration of the international integration of financial, trade and investment; the international spread of production, especially in the manufacturing sector; and the growing power of transnational corporations. As economic globalisation is a very uneven process, the main activities are focused on a few countries, whilst a majority of countries (especially the LDCs) are marginalised. Thus, uneven development, marginalisation and growing inequalities or polarisation are also hallmarks of globalisation.

Besides in the economic sphere, globalisation is also characterised or facilitated by:

* Developments in and the spread of technology;
* The dissemination of TNC products and the dominant Western-based culture and lifestyles;
* The globalisation of policy-making that hitherto had been under the jurisdiction of nation states;
* In the political sphere, a drastic decline in the resources and authority of the state and a rise in the power and influence of market leaders;
* The emergence of global civil society in response to globalisation and liberalisation.

These aspects of globalisation are elaborated on below.

(2) THE BREAKING DOWN OF NATIONAL ECONOMIC BARRIERS AND GREATER INTEGRATION OF FINANCE, TRADE AND INVESTMENT

A major feature of economic globalisation is the external liberalisation of national economies. This involves breaking down of national barriers to economic activities, resulting in greater openness and integration of countries in the world markets. In most countries, national barriers are being removed in the area of finance and financial markets, trade and direct foreign investment, enabling greater international flows of finance, trade and investments.

(a) Financial Liberalisation

The process has been most pronounced by far in the FINANCIAL AREA, where there has been progressive and extensive liberalistion of controls on financial flows and markets. The demise of the Bretton Woods system in 1972-3 opened up an international trade in foreign exchange that has expanded and boomed at spectacular rates. The volume traded in the world foreign exchange market has grown from a daily average of $15 billion in 1973 to over $900 billion in 1992 and now exceeds $1,000 billion. Much of this transaction is speculative in nature, as it is estimated that only a small portion (less than 2 percent) of the foreign exchange traded is used for facilitating trade. In 1992, world GDP was $64 billion per day, while world exports were $10 billion per day, compared to global foreign exchange transactions of $900 billion. The latter figure is also larger than foreign exchange reserves of all central banks, which were $693 billion in 1992. (Nayyar 1995).

Other features of financial globalisation include:

* The growth of international banking, with growth of loans rising at around 20 percent per annum, almost twice as fast as world trade or output. As a proportion of world output, net international bank loans rose from 0.7% in 1964 to 8% in 1980 and 16.3% in 1991; as a proportion of world trade the proportion rose from 7.5% in 1964 to 42.6% in 1980 and 104.6% in 1991. (Nayyar 1995).

* A similar rapid growth, starting later, in the international market for financial assets. Between 1980 and 1993, the sale and purchase of bonds and equities between domestic and foreign residents rose from less than 10% of GDP in the US, Germany and Japan to 135% of GDP in the US, 170% in Germany and 80% in Japan. (Nayyar 1995).

* A growth in the international market for government bonds. Between 1980 and 1992, the proportion of government bonds held by foreigners rose from less than 1% to 43% in France, from 9% to 17% in the UK, from 10% to 27% in Germany while remaining stable at 20% in the US. (Nayyar 1995).

* A rapid liberalisation of financial markets and an increase in foreign exchange transactions in developing countries, in many of which stock markets have increasingly opened up to foreign investors. There is now significant concern that this increase in financial liberalisation is making developing countries more and more vulnerable to volatility of short-term capital flows and sharp fluctuations in stock market prices and currency levels.

Due to the interconnectedness of financial markets and systems, the vast amounts of financial flows and the susceptibility of faults developing in parts of the system, there is a general and increasing concern about the fragility and vulnerability of the system, and the risk of breakdown in some critical parts or in the general system itself. Due to the extent of globalisation, a fault developing in one part of the world or in the system can have widespread repercussions.

A demonstration of the vulnerability and potential instability of the financial system was given when three separate major financial problems erupted in the space of the three months, December 1994 to March 1995: the Mexico peso devaluation, the Barings Bank collapse due to derivatives-speculation losses, and the sharp fall in the US dollar in March. The latest bout of financial crises, starting with Asia in 1997 and spreading to Russia and Brazil, further demonstrates the contagious effect that such crises can have.

(b) Trade Liberalisation

In the area of TRADE, there has also been a gradual increase of liberalisation and integration, but not at such a spectacular pace as in finance. World exports rose from $61 billion in 1950 to $315 billion in 1970 and $3,447 billion in 1990. This growth was higher than the growth in world output; thus, an increasing portion of world output entered into world trade. The share of world exports in world GDP rose from about 6% in 1950 to 12% in 1973 and 16% in 1992 (Nayyar 1995). The increased role of trade has been accompanied by the reduction in tariff barriers in both developed and developing countries, due partly to autonomous policies and partly to the series of multilateral trade Rounds under GATT.

(c) Investment Liberalisation

In the area of FOREIGN DIRECT INVESTMENTS, there has also been a steady growth, although again on a smaller scale than in international financial flows. The stock of FDI rose from $68 billion in 1960 to $502 billion in 1980 and $1,948 billion in 1992. FDI flows rose from $5 billion in 1960 to $52 billion in 1980 and $171 billion in 1992. As a result, FDI stock worldwide as a proportion of world output rose from 4.4% in 1960 to 4.8% in 1980 and 8.4% in 1992. In the same years FDI inflows worldwide as a proportion of fixed capital formation rose from 1.1% to 2% and 3.7%. In developing countries, this proportion was about 2.5% during 1981-85, rising to 4% in the late 1980s and 7.8% in 1992. (Nayyar 1995).

The post-1980 growth in FDI is shown as follows: Annual FDI outflows averaged close to $50 billion in 1981-85, rose to $243 billion in 1990, reduced to below $210 billion per annum in 1991-94 before climbing sharply to $318 billion in 1995. Much of FDI and its increase are due to flows among the advanced countries. Thus, there has been a concentration of international investments within the developed world, especially in the "Triad" of North America, Europe and Japan.

However, since the early 1990s, FDI flows to developing countries have risen relatively, averaging 32% in 1991-95 compared with 17% in 1981-90. This coincides with the recent liberalisation of foreign investment policies in most developing countries. A significant portion of the FDI to developing countries is now in manufacturing, whereas traditionally it has focused on the primary sector and related service activities in the colonial period. However, again, there is a high concentration of these FDI flows to developing countries: much of the FDI is centred in only a few countries. LDCs in particular are receiving only very small FDI flows, despite having liberalised their policies. Thus, FDI is insignificant as a source of external finance to most developing countries, and is likely to remain so in the next several years.

(3) THE INTERNATIONALISATION OF PRODUCTION BY TNCS

Big corporations are "internationalising" their activities in terms of establishing more and more branches and subsidiaries in more regions and countries to produce and market an increasing range of products. In the past, big corporations have internationalised their production in the primary sector, such as in plantation agriculture or in mining. However, this process has been extended in recent years to manufacturing.

The internationalisation of production in manufacturing has been made possible by lower transportation and communications costs, the developments in information technology and other industrial processes that allow firms to divide up different operations in different locations. The corporation derives benefits from internationalisation, for example by the lowering of costs (by locating production in countries with lower taxes and lower costs of labour, rents and utilities), and through greater ability to gain greater access to, knowledge of and share in the markets of the countries of production and their surrounding region.

According to UNCTAD (1996), the principal driving force in the globalisation process is the search of firms (and more generally, producers and asset holders) for profits worldwide. "To maintain or increase market share and maximise profits in a world economy with rapid technological change, converging consumer tastes and liberalised flows of goods, services, capital and technology across national boundaries, firms are pursuing strategies that allow them to exploit all available sources of competitive strength, combining their own firm-specific assets with assets that are specific to particular locations. They minimise transaction costs and maximise efficiency and profits through appropriate choice of modes of international transactions and distribution of assets and of international production activity."

(4) THE GROWING POWER OF TRANSNATIONAL CORPORATIONS

A major feature of globalisation is the growing concentration and monopolisation of economic resources and power by transnational corporations. This process has been termed "transnationalisation", in which fewer and fewer transnational corporations are gaining a large and rapidly increasing proportion of world economic resources, production and market shares.

In the half century since the end of the Second World War, the process of global economic domination by transnational corporations has accelerated. As Frederick Clairmonte (1) has shown, where a multinational company used to dominate the market of a single product, a big transnational company now typically produces or trades in an increasing multitude of products, services and sectors. Through mergers and acquisitions, fewer and fewer of these TNCs now control a larger and larger share of the global market, whether in commodities, manufactures or services.

The growth and concencentration of power of TNCs by mergers and acquisitions has accelerated in recent years. For example, in December 1996, the merger of two US aeroplane manufacturers, Boeing and McDonnel-Douglas, was announced. This merger narrowed the number of suppliers of large commercial aircraft to just two - Boeing and the European Airbus. A few days later, the merger of the two Swiss giant pharmaceutical corporations, Ciba-Geigy and Sandoz, received approval of the US authorities.

Corporate mergers around the world surged 25 percent to a record US$1.04 trillion in 1996, surpassing the 1995 record of $866 billion, according to a New York Times article. The biggest merger ever, between Ciba-Geigy and Sandoz, was valued at $36.3 billion whilst the Boeing purchase of Mc-Donnell Douglas cost $13.3 billion. In Europe, three of the five top mergers were of financial services companies. "French insurers Axa SA and UAP SA announced a merger to create the world's second-largest insurer," said the report. "Sweden's largest insurer, Skandia Insurance AB, bought that country's largest mortgage bank to create one of the Nordic region's biggest financial institutions. Royal Insurance Holdings merged with Sun Alliance Group to form the UK's second largest publicly traded insurer."

The top 200 global corporations accounted for $3,046 billion of sales in 1982, equivalent to 24% of world GDP ($12,600 billion) that year. By 1992, their sales had reached $5,862 billion, and their equivalent value to world GDP ($21,900 billion) had risen to 26.8%. (Clairmont 1996, p39). In many sectors, more than half the market was controlled by the top five: in software and electronic components, aerospace and electrical equipment, soft drinks, tobacco and beverages. More than half the market was controlled by two companies in fast foods (Clairmont 1996, p44).

(5) THE DEVELOPMENT AND SPREAD OF SPREAD OF TECHNOLOGY

Another feature of globalisation is the development and spread of various technologies, which have facilitated and given an impetus financial and economic globalisation.

The information technology revolution has facilitated the internationalisation of financial activities, linking up banking systems, foreign exchange and equity markets. This has underpinned the explosive increase in international financial flows and transactions, in which for instance a trillion dollars of foreign exchange is traded daily through electronic means.

The spectacular expansion of communications technology and products has led to an international flow of information, images and cultural products. This has facilitated the capacity of firms, institutions and people to communicate much more rapidly and at cheaper cost, thus making international production and other activities more feasible.

According to UNCTAD (1996): "Perhaps the most important single factor permitting the rapid globalisation of production has been the revolution in semi-conductor, microchip technology and its application in combination with technical advances in telecommunications. With the ability to transmit virtually unlimited amounts of data at very low costs, firms can easily diversify geographically the various stages of production without losing managerial control. This technology has thus allowed firms to move beyond economies of scale and to exploit economies of scope, or to combine large-scale production with particularised production for individual and market requirements."

The expansion and globalisation of communications technology and industry has received a further impetus by the finalising of the communications agreement as part of the follow-up to the Services sectoral negotiations at the World Trade Organisation in January 1997. This agreement has resulted in greater liberalisation of the communications sector, including in many developing countries, which will in future allow greater access of entry and operations of foreign firms in telecommunications, as compared to the past where in many countries the sector was under state monopoly.

Similarly, the flow of information technology to many developing countries will increase with the finalising of an Information Technology Agreement (already agreed to in principle in December 1996 at the WTO Ministerial Conference in Singapore). In the Agreement, which major producers and importers of information technology and products will agree to significantly reduce their import tariffs, possibly to zero, for a wide range of products, by the year 2000.

Other important technological developments facilitating globalisation have been:

* Advances in transportation of goods and people, that have led to an increase in speed and decrease in costs, and thus promoted
trade, mobility of personnel and tourism;

* Technological development in manufacturing which makes it feasible to "decompose" production processes.

These two developments have made a vast number of good and services which were formerly non-tradeables into tradeables, and also accelerated the process of internationalisation of production and of services (UNCTAD 1996).

More recently, there has been a rapid growth in the new biotechnologies, especially genetic engineering, which has led in the last few years to commercialising and the first marketing of genetically-engineered foods and the use of genetically-engineered seeds in agriculture. The "globalising" of the technology has already started, with export of genetically-modified organisms (GMOs) and projects or research involving GMOs in many developing countries, often without the knowledge or approval of their governments. Serious concerns over biosafety and bioethics (especially following the first cloning of a mammal, the ewe "Dolly" in Scotland, announced in February 1997) have been raised by scientists, NGOs and many governments. Developments in the new biotechnologies can be expected to have major implications for sustainable development and for the global economy and society.

(6) THE SPREAD OF TNC PRODUCTS AND THE DOMINANT CULTURE

An important feature of globalisation is the rapid dissemination throughout the world of the products and consumption patterns, and the consumer product preferences, lifestyles and cultural identity associated with the dominant Western or Northern societies.

This process has been generated through the international sales of products and services (including foods, fast-foods and beverages; clothes; cars and transport products; household utensils) and the advertising images of transnational corporations. The international spread of products, services (and advertising images) of transnational companies is drastically altering the tastes, expectations and social-cultural practices and product choices of increasing numbers of people throughout the world.

A dominant form of culture, promoted through commercial channels and products, is being "globalised", increasingly creating a "monoculture" of taste, meaning, motivation and behaviour.

The "globalisation" of the dominant Western-based cultural images and patterns, has also spread through communications and information technologies and products such as satellite TV, global TV news and feature programmes, videos, films and pop music. The communications and information products (TV, video, audio cassette recorders, electronic mail services, etc) have spread widely throughout the world and the also generates a "global" flow of information, images and cultural products, with implications for changes in cultural identity and lifestyles.

In the area of culture, the influence of the Western-based international media has already extended to almost all parts of the globe. This will accelerate with the spread of satellite television and the new multi-media "information highways."

There appears little that smaller countries can do to prevent this technological development from further advancing Western films, television programmes and computer-based games and packages.

The recent wave of criticism in Malaysia against the diet of films and programmes depicting sex, horror and violence unfortunately shows that often it is the worst rather than the best of Western cultural products that reach the developing world.

(7) THE GLOBALISATION OF NATIONAL POLICIES

Perhaps the most important and unique feature of the current globalisation process is the "globalisation" of national policies and policy-making mechanism. National policies (including in economic, social, cultural and technological areas) that until recently were under the control of states and people within a country have increasingly come under the influence or control of international agencies and processes or by big private corporations and economic/financial players. This has led to the erosion of "national sovereignty" and narrowed the ability of governments and people to make choices from options in economic, social and cultural policies.

It might be argued that in exchange of "surrendering" part of its sovereignty, or its right to make policies, a country will in return gain benefits by being part of an international community or market, and that therefore on balance there is a gain for the nation. This might perhaps be true if nations begin on an equal footing, and surrender the same proportion of sovereignty and have the same amount or proportion of gain from it. In reality, some countries are far stronger or powerful, and although they may also give up some national rights, they gain more in benefitting from the far greater erosion of rights of other countries, and from their influence or control of the global system, and thus they reap far greater benefits from the global system and market. Thus, on balance, these countries (or at least the elite in them) are the real "winners" from globalisation, and this accounts for why they promote globalisation and liberalisation. Other countries (perhaps a majority) give up much more of their sovereignty and national policy-making rights, which benefits the powerful countries, and in return they do not derive as much or any benefits from the global system. They are thus the "losers", suffering net losses from the globalisation process.

This is the case with the globalisation of national policies. Most developing countries have seen their independent policy-making capacity eroded, and have to adopt policies made by other entities, which may on balance be detrimental to the countries concerned. The developed countries, where the major economic players reside, and which also control the processes and policies of international economic agencies, are better able to maintain control over their own national policies as well as determine the policies and practices of international institutions and the global system. However, it is also true that the large corporations have taken over a large part of decision-making even in the developed countries, at the expense of the power of the state or political and social leaders.

Part of the erosion of national policy-making capacity is due to the liberalisation of markets and developments in technology. For example, the free flow of capital, the large sums involved, and the unchecked power of big players and speculators, have made it difficult for countries to control the level of their currency and the flows of money in and out of the country. Transnational companies and financial institutions control such huge resources, more than what many (or most) governments are able to marshal, and thus are able to have great policy influence in many countries. Certain technological developments make it difficult or virtually impossible to formulate policy. For example, the establishment of satellite TV and the availability of small receivers, and the spread of electronic mail (especially the Internet) make it difficult for governments to determine cultural or communications policy, or to control the spread of information and cultural products.

However, an even more important aspect is the recent process by which global institutions have become major makers of an increasingly wide range of policies that have traditionally under the jurisdiction of national governments, and which they now have to implement according to the decisions and rules of these international institutions. The key institutions concerned are the Bretton Woods institutions (World Bank and IMF) and the World Trade Organisation. There are also other influential international organisations, in particular the United Nations, its agencies and its Conventions and World Conferences. However, in recent years, the UN has lost a lot of its policy and operational influence in economic and social matters, and correspondingly the powers and authority of the World Bank, IMF and GATT/WTO have expanded.

The Bretton Woods institutions wield tremendous authority in a majority of developing countries (and countries in transition) that depend on their loans. In particular, countries requiring debt rescheduling have to adopt structural adjustment policies (SAPS) that are mainly drawn up in the Washington institutions. SAPS cover macroeconomic policies and recently they also cover social policies such as health services. They have been responsible for the move towards liberalisation, privatisation, deregulation and a withdrawal of the state from economic and social activities. Structural adjustment has thus been the major mechanism for the global dissemination of the neo-liberal macroeconomic policy package inspired in some Northern countries by leaders such as President Reagan and Prime Minister Thatcher.

The Uruguay Round negotiations greatly expanded the powers of the GATT system, and the Agreements under the new WTO have established disciplines in new areas beyond the old GATT, including intellectual property rights, services, agriculture and investment measures. Rules made at the WTO are legally-binding on all member states. Non-compliance can result in being brought before a panel, and a negative decision can lead to trade penalties and sanctions. It is the legally-binding nature of rules in the WTO and the strong enforcement capability (through its dispute settlement system) that makes the WTO so powerful. According to several recent analyses, the Uruguay Round has been an unequal treaty, and the WTO Agreements and system (including decision-making system) are weighted against the interests of the South. The existing agreements now require domestic legislation and policies of member states to be altered and brought into line with them. Thus, national governments have to comply with the disciplines and obligations in the already wide range of issues under WTO purview. Domestic policies of developing countries are thus being made in the WTO negotiations, rather than in Parliament, bureaucracy or Cabinet at national level. There are now attempts by Northern governments to further increase the jurisdiction of the WTO to include yet more areas, including rights to be granted to foreign investors, competition policy, government procurement practices, labour standards and environmental issues. The greater the range of issues to be taken up by the WTO, the more will the space for national policy-making (and development options) in developing countries be whittled away.

Thus, the transfer of the space for policy-making from the nation state to international institutions and processes is taking place not only in the economic and financial areas, but also increasingly involves the social sectors (including health and education) and cultural matters. This globalisation of policy-making follows the liberalisation model promoted by the World Bank, IMF and the WTO.

The United Nations also has influence over national policies. Its real power resides in the security arena, through the Security Council and its enforcement of decisions. Other arms of the UN lack the same degree of influence. In economic, social and cultural matters, the UN works on a more open and democratic fashion, and by means of moral suasion, lacking the means of disciplining Members to enforce resolutions or declarations. The recent series of World Conferences (on environment and development, population, women, social development, habitat, food) were valuable in mobilising human and political resources and energies to focus on pressing global problems and their solutions. However, the Northern governments have not been seriously committed to the implementation process in most of the Conferences, and the Southern governments maintain that without financial resources they are unable to fulfil commitments.

In terms of serious global policy making, in which Northern and Southern governments collectively seek solutions which they have the will and intention to put into effect, the UN has not been allowed to succeed. There has in fact been a downgrading of the importance of the UN's influence over social and economic policies and in implementation activities. This decline in their influence has been the result of a deliberate policy of major Northern countries to transfer key international economic and social policy-making powers from the UN to the World Bank, IMF and GATT/WTO, and also to the Group of 7 countries and the OECD, all of them institutions where control resides in the North.

The downgrading of the UN in the social and economic sectors was achieved by the following methods:

** The watering down by Northern countries of the positions put forward by the Southern countries or their umbrella organisation, the Group of 77 in discussions and negotiations at ECOSOC, the General Assembly or the meetings of the UN agencies;

** The non-implementation or selective implementation of action proposals and programmes agreed upon by consensus. For instance, whilst numerous UN resolutions committed Northern countries to raise their aid level to 0.7 percent of their Gross National Product, very few have done so and in fact aid budgets have in recent years been cut by most Northern countries.

** The elimination or downsizing of those aspects of UN programmes that are of practical importance (such as the commodity agreements negotiated and operated under UNCTAD).

The pre-eminence of the Bretton Woods institutions and the WTO and the sidelining of the UN is a reflection of the nature of the globalisation process underway. The former institutions promote the principles of liberalisation, the *laissez-faire* market model and give high priority to commercial interests, and thus they are given the role to lead the globalisation of policy-making. The UN and its agencies represent the principles of partnership, where the richer countries are expected to contribute to the development of the poorer countries and where the rights of people to development and fulfilment of social needs are highlighted. The kind of globalisation represented by the UN is not favoured by the powerful nations today, and thus the UN's influence has been curtailed.

(8) INCREASING POWER OF PRIVATE COMMERCIAL INTERESTS AT EXPENSE OF POLITICAL LEADERS

Globalisation has also resulted in a drastic reduction of the power, authority and status of the state, of political leaders, parliamentarians and bureaucrats. The kind of globalisation taking place has increased the influence and power of economic and commercial actors in the private sector (corporate owners, entrepreneurs and managers), whilst leaders in the political sphere have correspondingly experienced an erosion or downgrading of their ability to influence or control policies and economic or social behaviour. Rapid liberalisation has decreased the resources and influence of the state and correspondingly vastly increased the role and power of the "market" and market forces.

In many developing countries, this is the logical consequence of the drastic reduction in public sector expenditures and personnel resulting from structural adjustment, as well as from privatisation and deregulation policies and a shift in policy mind-set that gives much greater rights and leadership role to the private sector.

Even in developed countries, many political leaders have expressed helplessness in their increasing inability to control policies and developments, due to the power of big corporations, the need of the countries to attract or retain their investments, and their increasing tendency to shift operations abroad in search for advantage and profit.

(9) THE EMERGENCE OF GLOBAL CIVIL SOCIETY

As part of the globalisation process (and in fact, as a response to the dominant mode of globalisation) there has recently been the rise of a global network and movement of citizen groups and NGOs which collectively form "global civil society." In this process, NGOs, social movements and citizen groups of various countries are collaborating to promote or deal with issues which they face at national and international levels. Most of the groups act in response to the deterioration of social and environmental conditions which they see resulting from liberalisation and globalisation.

Increasingly, groups based in their own countries are forming networks and alliances based on specific issues, in order to make their views heard and their presence felt in international institutions (the UN, the World Bank and IMF, the WTO and the regional financial and trade institutions) and in international processes (the UN world conferences, UN-based environment conventions, meetings of UN agencies, meetings of the Bretton Woods institutions and the WTO, etc).

They also attempt to influence the behaviour of big corporations through direct action, consumer

action, influence on the behaviour and choices of investors, and dialogue.
The global citizen movements have to a significant degree been able to influence public opinion globally and in many countries. They have also been relatively successful in influencing opinion, policies and events, with varying degrees of effectiveness at different global events, processes and institutions.

PART 3: GROWING PUBLIC CONCERNS ABOUT GLOBALISATION

There is a rapidly growing negative response to the type of globalisation now taking place. The reaction is widespread, coming from leaders in developing countries, from NGOs and trade unions in both North and South, and also increasingly from political, business and journalistic leaders in the North. There is also a growing body of literature from international organisations, academic and research institutions, and in the media and bookstores, expressing concern about the nature and effects of globalisation.

The following is a survey of some of these responses.

(a) Political Leaders from the South

Among the most outspoken critics of globalisation is the Malaysian Prime Minister, Dr Mahathir Mohammed. In a speech in June 1996, he said the developed countries interpret globalisation as the breakdown of boundaries as barriers to economic exploitation. As a result, every country rich or poor would have access to every other country, and all would benefit.

In reality, however, globalisation would leave the developing countries "totally exposed and unable to protect themselves." The effect of economic globalisation would be the demise of small companies in developing countries. It would also mean the loss of the nominal independence they have.

"Just as the ending of the Cold War has brought death and destruction to many people, globalisation may do exactly the same and maybe more." This, he added, is unfortunately "entirely possible." He however ended on a positive note by calling on the weak and poor to appreciate this possibility and to fight tooth and nail against it. The war, he said, can only begin if there is understanding of what globalisation can mean.

In September 1996, in a speech at the United Nations General Assembly, Dr Mahathir returned to the theme of the inequities of globalisation, warning that globalisation as defined by the powerful countries simply meant the breaking down of borders so that those with capital and goods would be free to dominate the markets. "Linkages to non-trade issues will prevent the poor from ever challenging the rich, in the same way the colonies were not allowed to industrialise."

Dr Mahathir added that the pre-eminence of transnational forces had blurred the definition of national sovereignty. "We must seriously question why a powerful minority are still allowed to bankrupt and coerce the majority to meet their narrow economic and political ends. "The poor are no longer independent. They have already lost control over their own currency. And now they have lost their borders too."

Besides these general comments on globalisation, Dr Mahathir went to give a detailed critique of how the World Trade Organisation was being used by developed countries to "bully" developing countries. "The painfully long history of the Uruguay Round negotiations should have forewarned us that the WTO, although established as a rules-based multilateral organisation to regulate international trade, will become answerable only to the world's wealthiest economic powers."

He added that the rich countries had widened the agenda and pushed for liberalisation in economic areas where they clearly have an advantage. Countries of the South "are now bullied into adjusting their economic policies to meet their new obligations under GATT so that Northern-based corporations can penetrate and capture their markets. "The poor may not reserve their markets for themselves even when they have no capacity to penetrate the markets of the rich." Dr Mahathir said that "fair competition and level playing fields are only for the rich." For example, he added, their attempts to link the environment and labour standards to trade in manufactured goods was a clear attempt to deny developing countries of their meagre comparative advantage.

To compound this unfair interpretation of trade rules, when it came to technology transfer, Northern countries take a fiercely anti-liberal stand, insisting that all WTO member states compulsorily introduce a set of national laws to protect intellectual property rights. "Since most patents are owned by the North, this in effect means legal protection of their technological monopoly and a drastic curtailment of the right of developing countries to have access to new technology. It appears therefore that the Northern interpretation of 'free trade' and 'liberalisation' are slogans that in reality mean liberalisation when it benefits the North but protectionism if it can block the South. Thus while goods and capital are permitted and encouraged to move around the globe, labour and technology may not."

The Prime Minister also criticised the GATT agreement for failing to protect the genetic resources of the South whilst allowing genetically modified materials to be patented." Dr Mahathir said there are many gainers and losers in the world of the WTO, "but we are concerned that the major losers will once again be the poorest and most marginalised countries."

The theme of the poor losing out from globalisation has also been voiced by many other leaders of the South.

At their annual meeting in New York in September 1996, the Foreign Ministers of the Least Developed Countries (LDCs), issued a statement stating their countries confront globalisation and liberalisation with "distinct disadvantages" and asked for support to help them overcome the "risks of further marginalisation". In particular, they voiced "great concern" over the LDCs' marginalisation in world trade. The statement said: "We note with disquiet that the LDCs as a whole may be adversely affected by the agreements of the Uruguay Round."

This statement has contradicted the claims of the WTO Secretariat and the rich countries that everyone had gained from the Uruguay Round and that there were no losers.

The LDC Ministers listed examples of how their countries would lose out:

** The LDCs stand to suffer erosion of preferential margins they have enjoyed for most of their main exports, resulting in a loss in their export market shares and export earnings;

** The net food importing LDCs would face higher food import bills owing to liberalisation of agriculture;

** Many land-locked LDCs face additional constraints.

The Ministers urged that steps be taken to redress these problems, including financial and technical aid, compensation for losses suffered during implementation of the Uruguay Round agreements, and measures to strengthen their ability to compete (for example, by making their exports duty free).

At the UNCTAD-IX Conference in Midrand, South Africa in April/May 1996, (where globalisation was the theme of the meeting) many leaders of South countries challenged the thesis that globalisation and "free trade" benefits everyone and is the panacea for poverty, joblessness and other social ills.

Leaders of many developing countries recounted how trade liberalisation or the opening up of their economies to foreign goods and companies (following policies imposed on them by donors and creditor institutions like the World Bank and IMF) has led to often devastating problems.

At the opening panel of UNCTAD-IX, Tanzania's President Benjamin said that countries undergoing liberalisation and privatisation under World Bank-IMF policies had suffered immense social costs. He cited job losses, cuts in health care and education, immense possibility of instability.

"Opening up of our national economies is also a problem," he said. "The prospects of integrating our countries to the global economy is extremely dim. Meanwhile, such industries as we have will be affected by imported products that run our companies out of business. It is leading to the deindustrialisation of our countries."

On subsequent days, leaders of many more countries spoke of similar problems and the inequities of the trading rules and system. At a Ministerial Round-table debate on trade on 1 May, Bangladesh's Commerce Secretary Mofazzal Karim listed various problems faced by poorer countries as a result of implementing the Uruguay Round agreements (now managed under the World Trade Organisation). These include higher food prices (due to the agriculture agreement); higher prices of technology and pharmaceutical products (due to stricter intellectual property rights laws); erosion of trade preferences; and possible adverse effect on trade balances.

Egyptian Ambassador Mounir Zahran said the credibility of the WTO trading system would be threatened if rich countries did not meet their commitment to help the weak countries. Calling for "globalisation without marginalisation", he stressed that the "freeing" of trade should not weaken the poor countries.

The Economic Planning Minister from Mauritius said his country was not in a position to reap benefits from the Uruguay Round. Yet in having to implement the agreement, "we are in a most disadvantaged position." He cited the erosion of trade preferences for poor countries as creating a "very difficult situation".

China, Uganda, Mali and India were among other countries that also stressed free trade's inequitable effects. Yemen's representative made perhaps the most systemic critique in stating that there are "inherent biases" in the trading system that need to be overcome by changing the trade rules.

Ministers from the poorest nations, the Least Developed Countries (LDCs) also met separately on 1 May and issued a declaration stating that "the LDCs confront the processes of globalisation and liberalisation from a position of disadvantage.

In the short-run (these processes) would do little to address LDCs' trend towards marginalisation."

These many voices of the developing world contrasted with the speeches of many Northern governments and of the directors of the International Monetary Fund and the World Trade Organisation. At various sessions, they kept up the pressure of urging the developing countries to liberalise their economies further, without reservations.

Whilst some Southern nations have taken advantage of the global market, the poorer countries fear that opening their economies at a time when they are unable to compete would lead to problems or even a collapse of their local firms and farms.

(b) Political Leaders from the North

Surprisingly, perhaps, a number of Northern political leaders are also expressing concern about globalisation, and in particular about the tendency of corporations based in their countries relocating abroad. The concern reflects the pressures that politicians get from having to make their countries "competitive" to prevent relocation; the pressures from the powerful business lobbies for more deregulation and liberalisation and more "flexibility of labour markets"; and from the increasingly restless labour force that is protesting against proposed reduction in labour rights and against the rising unemployment.

Unfortunately, the increased insecurity felt in the face of liberalisation in the North is often being linked to blaming the developing countries, for taking away the competitiveness of the North and jobs for its people.

At a NGO seminar in Biel, Switzerland in May 1996, the former Swiss President and current Finance Minister, Kaspar Villiger, took his audience by surprise by his candid views on how globalisation had increased the power of big corporations and eroded the authority of the political

masters.
He also made controversial remarks about how globalisation was posing a threat to Northern countries like Switzerland whilst providing opportunities for poor countries. Villiger's comments were countered by other speakers from the South who stressed that globalisation and liberalisation was at the expense of most developing countries that are unable to successfully compete in the world market.

The one-day seminar on "Expectations from the South" was organised by the Swiss Coalition of Development Organisations, an umbrella body of major Swiss NGO aid agencies, to celebrate their 25th anniversary.

Villiger told the Seminar that as a result of globalisation, companies were pressurised to increase their efficiency through mergers. Giving the example of the Swiss chemical industry, Villiger said that 25 years ago the two companies Ciba and Geigy had merged, whilst recently, Ciba-Geigy itself had merged with Sandoz, creating the new company Novartis. (Participants understood the Minister's statement to imply that these big corporate mergers had adverse social repercussions because the Ciba-Geigy/Sandoz merger will lead to a shedding of thousands of jobs.)

Villiger added: "There is not only increased competition between companies but also merciless competition triggered off between economic locations. Capital, technological know-how and jobs can be shifted across continents at any time. We may have reached the end of geography. This process is placing limits to the power of political authority, as politics loses its influence over economic activities."

Villiger said that "for the rich countries this globalisation process is a threat, whereas for poor countries, this is an opportunity. We belong to those countries whose well-being might be threatened in the long run."

During the discussion, a Swiss Member of Parliament remarked that globalisation was posing a threat to Northern societies like Switzerland because their companies were relocating to Southern countries with lower production cost.

The politicians' speeches reflect a trend in the industrialised countries of blaming developing countries for their growing unemployment and job insecurity. Interest groups such as trade unions and the public in general in the North are increasingly pointing a finger at Third World countries for attracting foreign companies. A growing chorus of voices in the rich countries are calling for action to be taken to prevent the shift of investments to the South. Not only the public but also some government leaders of the North have taken to blaming the South for the threat of job losses and other social problems in their societies.

(c) Leaders of International Organisations

Leaders of several international organisations have also recently voiced concern about the effects of globalisation and liberalisation.

These views emerged at an important session of UNCTAD-IX, where globalisation and liberalisation were debated by the heads of the major international organisations, including the then Secretary-General of the United Nations, the Secretary-General of UNCTAD, the UNDP Administrator, the Director Generals of the IMF and WTO and the Managing Director of the World Bank.

The United Nations' then Secretary General, Dr Boutros Boutros-Ghali, made a summary conclusion at the end of the Opening Session of the 9th UNCTAD Conference, which comprised two round-table discussions involving heads of states and heads of international agencies.

In the conclusion, the Secretary-General said that the globalisation process by itself can create greater marginalisation of the poor, more social insecurity and inequities and disequilibrium within and between countries. Steps should therefore be taken at international level to guide the globalisation process to take account of social and political dimensions.

Dr Boutrous Ghali, who chaired the second panel of heads of agencies, presented the following points as the conclusions of both the roundtables.

Firstly, globalisation and the unification of markets worldwide is a new phenomenon and an irreversible one.

Secondly, there is a real apprehension that globalisation without international control can create more disequilibrium within and among states. It can also create frustration and insecurity among the poor in societies as well as in poor countries.

Thirdly, certain rules and guidelines should be adopted by the multilateral system and coordinated by international organisations. These should include the following five measures:

** To pay attention to the social and political dimensions of globalisation;

** To obtain the participation of grass roots movements, non-governmental organisations, trade unions and the business sector;

** Regionalism should be encouraged among developing countries as a transition to multilaterism;

** We need strong international organisations, a strong multilateral system, and this will depend on the political will of member states;

** Underlying these, the importance of moral values have to be stressed. The logic of competition has to be replaced by the logic of solidarity, in which there is a balance between equity and efficiency.

Earlier, in the roundtable of heads of agencies, Ministers from Costa Rica, Ghana, Jordan, Morocco and Norway posed questions to IMF Managing Director Michel Camdessus, UNCTAD Secretary General Rubens Ricupero, WTO Director General Renato Ruggiero, World Bank Managing Director Sven Sandstrom and UNDP Administrator James Speth.

In their questions and comments, most of the Ministers raised issues regarding the costs of adjustment, liberalisation and globalisation and the need to address poverty and inequities. Whilst the IMF and WTO heads insisted on the need to adhere strictly to the dictates of market forces, the chiefs of UNCTAD, UNDP and the World Bank put stress on the need for "solidarity" with the poor to bolster their capacities and interests in the face of globalisation.

In his question to Ricupero, the Jordanian Minister of Trade said that a greater reliance on the market had increased growth. "But equity has not improved to the same degree, so how can the situation be improved?"

Ricupero said that efficiency and markets are indispensable but not enough. "We are witnessing integration on a planetary basis, with a move towards a single world market. Yet there is so much insecurity, with people becoming so afraid of globalisation." He mentioned the recent French strikes as an example.

The UNCTAD Secretary-General said there were two reasons for public disenchantment over globalisation. "Firstly, people feel uncertain over the future, with the fear of losing their jobs. Marginalised countries feel they can become more marginalised. Secondly, there is not only fear but the feeling of injustice, that the price paid for globalisation is not evenly distributed and the weakest and poorest have to pay the highest price. We must therefore show not only the promises of globalisation but also provide answers to the feelings of fear and injustice over globalisation."

Ricupero added that globalisation is characterised by greater competition. The elimination of trade barriers and protection makes competition more intense, he said, but countries are not on an equal footing. Therefore, with this kind of competition, said Ricupero, there is need for fair rules and for arbiters, which are the governments (to regulate national rules) and the international organisations like the IMF and WTO (for international rules). "We need rules that make people able to compete and create incentives for people to compete, such as opportunities for market access, training, education, aid to countries at the initial stage."

Ricupero quoted a statement by Camdessus (made in Rome in November 1995) that the logic of competition has to be balanced by the logic of solidarity. "What the world needs is not to be afraid of the future or competition. But to have faith in the future, the leaders have to provide hope."

In response, the Jordanian Minister said that: "When we try to promote efficiency, we failed to provide equity. Efficiency has improved at the expense of equity. Efficiency (through privatisation etc) was promoted by international organisations through structural adjustment programmes. In the face of globalisation, we need cooperation, we want the strong to help the weak, the rich to help the poor. Some countries achieve efficiency and equity at the same time but others not. Multilateral institutions must help countries to get both efficiency and equity together."

The then UNDP Administrator, Gus Speth, said despite all the efforts, world poverty was growing faster than population, with 1.5 billion living in poverty. Between 1960 and 1990, the gap between the richest and poorest 20% of world population increased from 30-fold to 60-fold. "Growing poverty and environmental decay will breed despair and from this cauldron of anger and profound injustice will breed conflict and violence."

Speth said it was a myth that growth is being achieved, as a World Bank report shows that half the countries where the UN provides aid are experiencing negative growth, and the LDCs with 10% of world population have only 0.1% of world income. "It's a myth that the market in a globalised economy is enough to replace aid, that the developing countries can hitch their wagon to globalisation and be on a ride to prosperity."

Speth said that even where the right macroeconomic policies were in place, globalisation and liberalisation could result in growth but also to increasing poverty, inequality and unemployment.

An attack on world poverty must include an increase in development assistance. It was not enough to get policies right and rely on market forces. "We need a reformed development assistance that recognises that economies exist for people (and not people for economies), that benefit the poor (not the rich) and that the polity is as important as the economy, growth with employment and environment."

Speth said that the UN's attack on poverty should have five thrusts (which emerged from the UN Conferences of recent years). For the first time, the UN system as a whole (including the World Bank and IMF) had been brought together to implement these thrusts:

** Basic social services for all (UNFPA taking the lead, with UNICEF, WHO, etc);
** Jobs for all (ILO as lead agency, with UNIDO, UNDP);
** Sustaining the natural resource base (led by the post-UNCED machinery);
** Empowerment of women;
** Creating an enabling environment (led by World Bank with UNCTAD participation).

However, none of the plans would be possible without reformed development assistance. "Just when the Cold War is over, when we have learnt how to do development better, support for aid is declining," Speth said. "It is ironic that just when we have understood the links between peace and development, when the UN has assumed greater responsibilities and undertaking far-reaching reforms, the financial means to support the UN are drying up. They are not only ironies but tragedies. We need a cohesive not a fractured globalisation, a worldwide web of opportunity, equity and justice."

(d) Civil Society

There is an upsurge of public opinion in both the North and South expressing fears and concerns on globalisation. This upsurge has increased recently, as demonstrated in the protests by thousands of people at the WTO Ministerial Conference at Seattle in December 1999 and the World Bank-IMF

meetings in Washington in April 2000.
Most of the concerns against the effects of globalisation and liberalisation are expressed at the local and national level. They include the street protests against structural adjustment measures in many developing countries; the rallies of hundreds of thousands of farmers against the GATT agreement (in India); the resistance of many local communities against their displacement or relocation to make way for development projects; the strong fight by labour unions against dilution of social welfare or of labour rights.

There is also increasing joint activities, actions and campaigns among Northern and Southern NGOs on a wide range of issues, responding to global issues or to specific problems resulting from globalisation. They include the groups that work on lobbying the World Bank on its projects, sectoral policies and on structural adjustment; that campaign on environment issues such as forests, organic agriculture, biosafety; and that carry out development activities and lobbying.

In recent years, NGOs and citizen groups have also formed alliances and discussion forums around issues directly relating to globalisation. For example, the International Forum on Globalisation is an alliance created by 60 activists, scholars and writers to "stimulate new thinking, joint activity and public education in response to the rapidly emerging global economy." Representing 40 organisations in 19 countries, the IFG is critical of "the restructuring of global politics and economics taking place at tremendous speed, without public disclosure of the profound consequences affecting democracy, communities, human welfare, local economies and the natural world." The IFG believes the current globalisation trends are not inevitable nor desirable. The negative consequences include diminishing powers of local communities; acceleration of development modes that neglect equity and health and have led the world to the brink of catastrophe; expansion of economic colonisation of South by North and widening gap between rich and poor; sharp rise in unemployment; destruction of nature and ecology; and homogenisation of diverse cultures, values and living patterns. The IFG's activities include study, publication and advocacy "in opposition to the current rush toward economic globalisation and will seek to reverse its direction."

The reaction or backlash of citizen groups against globalisation is usually seen most publicly during meetings of the leading institutions promoting globalisation, when parallel or alternative meetings are planned by the NGOs, for example during the annual meetings of the World Bank and IMF or the Group of 7. In November 1996, during the APEC Summit in November, thousands demonstrated in the streets of Manila against globalisation.

At United Nations conferences on global issues, Northern and Southern NGOs have been speaking up on globalisation issues. For example, at the UNCTAD IX Conference in South Africa in May 1996, over a hundred NGOs presented a well-received statement entitled "Globalisation must not be at the expense of people", capturing the current trend of thinking of international civil society.

"As members of civil society, we are very concerned about the effects of globalisation and a shift of policy focus from broad social concerns to narrow economic competitiveness," said the NGOs. They claimed that key national polcies are now being made by global institutions controlled by the North, eroding the national sovereignty of many Southern countries. "On the basis of our own experiences in many parts of the world, we do not share the "optimism" that freer trade and investment will solve development problems," the statement said. "On the contrary, for poorer countries, liberalisation means opening up to foreign imports and firms, which can and has already run the local enterprises out of business."

The NGOs claimed the WTO is being used by the Northern companies and governments to pry open Southern countries' markets whilst also trying to curb their local development capabilities. Whilst the myths on globalisation are being trumpeted, many developing countries are still trapped in poverty caused by unequal global structures. The NGOs' main point was that: "The uncontrolled spread of globalisation and liberalisation cannot be accepted passively as inevitable and irreversible. Governments and international institutions must control and regulate this process and rechannel it in socially responsible ways."

(e) Business and Opinion Leaders

Several important business leaders have also voiced concern over the present trend of globalisation and liberalisation. In an article entitled "The Capitalist Threat", published in The Atlantic Monthly (February 1997), the world renowned financial investor and speculator, George Soros, caused the establishment to sit up by pointing out the defects of the global free-market system and elaborating on the threats it posed to democracy.

Having made billions of dollars from the financial markets, Soros might be one of the least expected persons in the world to attack the market system. Moreover, he has diverted hundreds of millions of dollars in philanthropy supporting groups in Eastern Europe to overcome totalitarian Communist rule, and to establish "open societies."

In this article, however, Soros makes a startling about-turn: "Although I have made a fortune in the financial markets, I now fear that the untrammeled intensification of laissez-faire capitalism and the spread of market values into all areas of life is endangering our open and democratic society. The main enemy of the open society, I believe, is no longer the communist but the capitalist threat."

Soros says that fascism and communism both relied on power of ths state to repress the freedom of the individual and thus were enemies of the "open society." However, he adds, an open society may also be threatened from the opposite direction, from excessive individualism.

"Too much competition and too little cooperation can cause intolerable inequities and instability. Insofar as there is a dominant belief in our society today, it is a belief in the magic of the marketplace. The doctrine of laissez-faire capitalism holds that the common good is best served by the uninhibited pursuit of self interest. Unless it is tempered by the recognition of a common interest that ought to take precedence over particular interests, our present system...is liable to break down."

According to Soros, because communism has been so discredited, "I consider the threat from the laissez-faire side more potent today than the threat from totalitarian ideologies. We are enjoying a truly global market economy in which goods, services, capital, and even people move around quite

freely, but we fail to recognise the need to sustain the values and institutions of an open society."
The content of Soros' warning may not be new, but is significant for the fact that someone so influential in the business world is now joining the growing chorus of voices warning against replacing the dictatorship of the state with the dictatorship of the market.

The Soros turn-around is part of a little movement of big businessmen who have stared the market in the eye and decided to turn a different direction. Before Soros, there was James Goldsmith, the British billionaire, who now campaigns against free trade and European monetary integration, and Doug Tompkins, owner of the Espirit company, who sold out and now works for the environment.

Influential opinion makers, in media and academic circles, have also been writing on the effects of globalisation. The International Herald Tribune (IHT) carried two articles on its opinion page on globalisation. In one of them, "The Tide Turns Against Irresponsible Worship of the Market," columnist William Pfaff, writing of the World Economic Forum program at Davos, wrote: "The conventional wisdom of the industrial world until recently unqualifiedly endorsed globalisation and the primacy of corporate over social interest in the international economy. The system's apologists insisted that globalisation would inevitably produce not only higher international living standards but a more just society. Mow there is much doubt about the actual political and social results of globalisation."

Mentioning effects such as high unemployment and social unrest in Europe and widening inequalities and marginalisation of part of the workforce in the US and violent labour unrest in South Korea, Pfaff said there was a "widening perception of today's capitalism as a dehumanising force, whose dominating purpose is mere individual agrandization." The critics have now widened from religious leaders to businessmen like Soros. "The most intelligent thinkers in the conservative and pro-business camp now are prepared to acknowledge the social ravages produced by the last two decades' elevation of corporate and individual self-interest over consideration of the common good. The idea that self-interested behaviour in the marketplace would automatically advance the common interest now is recognised as naive ideology, or a self-interested self-deception...

"The natural tendency of the market is toward income inequality. It also tends toward the destruction of those values which do not produce commercial return. It is not unreasonable to speak of the totalitarian tendency of unregulated capitalism. But times are changing and the marketplace now increasingly is judged with political as well as economic discrimination. This is evident in the Davos program and is the most interesting and significant aspect of this year's meeting."

In the other article, based on remarks made at the Davos Forum, University of Minnesota professor, Ethan Kapstein, argues that the welfare state is the corner of the global economy. With job insecurity, workers will rely more on state resources for unemployment insurance and education. "In the absence of these government policies and programmes, political support for globalisation would erode," he says. Governments do not recognise this because their attentyion is focused on the demands of mobile capital rather than on those of immobile labour. "Since capital's main priority is tax cuts, tyhe revenue base for the very programs that the unemployed and uneducated require is being eroded. In recent years the tax burden has increasingly shifted onto labor's shoulders. Recent signs of social disruption around the world should raise a red flag. When workers reach the breaking point, they may bring the global economy down with them...If we are to bequeath social justice and an expanding international economy to our children, we must act to preserve the welfare state." Kapstein proposes that benefits for the unemployed and poor should be maintained; that labour issues should be put on the world's trade and financial agenda; and multilateral action to minimize any further lowering of corporate tax rates.

In another edition of the IHT (20 Feb 1997), the chairman of Goldman Sachs International, Peter Sutherland, argues that: "The greatest economic challenge facing the world is the need to create an international system that not only maximises global growth but also achieves a greater measure of equity, a system that both integrates emerging economic powers and assists currently marginalised countries in their efforts to participate in worldwide economic expansion...After the collapse of ideological conflict between East and West, there has also been a disturbing tendency to look upon the widening gap between rich and poor with indiferrence. Some even see the reduction in support for the poor and the increase in earnings of the wealthy as a positive encouragement for economic growth. There are those who oppose redistribution policies in principle, whether in the domestic or the international context. This is wrong. It is morally wrong, it is pragmatically wrong, and we ought not to be ashamed to say so."

Sutherland adds that although he has been promoting the market system through his entire career, "it is obvious to me that the market will never provide all of the answers to the problems of poverty and inequality. The fact is that there are those who will not be able to develop their economies simply because market access has been provided." Providing poor people and countries with an opportunity to succeed is not enough; "we must also provide them with a foundation from which they have a reasonable chance of seizing that opportunity." He concludes that rich and poor countries should "jointly apply their intellectual capacity to identifying new approaches to the problems of marginalisation and development. We have a shared responsibility for the well-being of the poor of this planet and in our rapidly globalising economy it is profoundly in our own interest to confront that responsibility aggressively."

Several leading thinkers in the South have also voiced misgivings about the globalisation trend. At the same NGO seminar in Biel, Switzerland, Gamani Corea, board member of the South Centre and former Secretary-General of UNCTAD, criticised the way new concepts such as globalisation and liberalisation had been formulated to dispense with the need for development cooperation and for dealing with development problems.

"Globalisation and liberalisation are said (by their proponents) to be like a fast express train. Countries that get onto it are said to be able to reach new heights, whilst those that fail to get on board will be marginalised. Countries have to privatise, liberalise and balance their budgets. Globalisation is thus projected to be like a self-help kit for developing countries. The implication is that there is no need for North-South dialogue, development cooperation or even South-South cooperation."

Corea said this thesis cannot be accepted. He agreed that developing countries should seek to take advantage of changes in the world economy. "But they have to be discriminating in the way they engage with the world economy. They must liberalise their trade regime, but this does not mean they should not leave room for protecting their domestic economy. They must go for export-led growth, but this does not mean there is no space for producing for their own markets. They need foreign direct investment, but this does not mean they should not build up their indigenous capability. There is need to modify the policy prescriptions for developing countries."

(f) Academic and General Publications

Globalisation and liberalisation have also become "hot topics" in academic institutions, with several conferences and courses run on them, and a proliferation of papers and journal articles. Recently there has also been many books and reports critical of various aspects of globalisation, published by academic or general publishers and by international agencies. Some of the notable articles, books and reports are briefly surveyed below.

On the GLOBALISATION PROCESS in general, The Group of Lisbon's report "The Limits to Competition" (1995) provides an incisive analysis of the nature of globalisation and in particular on the role of competition and competitiveness. It argues that extreme free-market competition driving the global economy has reached social and environmental limits, and proposes a new type of economic governance to benefit the largest number of people and nations.

Hirst and Thompson's "Globalisation in Question" (1996) criticises the dominant theories of globalisation and argues that globalisation is not a new phenomenon, genuinely transnational companies are relatively rare, capital mobility is not producing a massive shift of investment and jobs from North to South, and the world economy is not truly "global" but concentrated in Europe, japan and America. In particular, they argue that global markets are by no means beyond regulation and control and that the major powers have the capacity to exert governance pressures on the markets if they wish to do so.

A series of papers by Chakravarthi Raghavan in the SUNS (South-North Development Monitor) has analysed a wide range of globalisation and liberalisation issues, including the evolution and implications of for the South of the GATT/WTO system, the effects of the neo-liberal economic model, and the nature and effects of globalisation.

"The Case Against The Global Economy" (1996), edited by Mander and Goldsmith, collects 43 articles from prominent social, environmental and economic thinkers and NGO leaders, who have been critical of the globalisation process. The book examines the multiple impacts of globalisation (on the Third World, jobs, the environment, homogenization of education and culture, patenting of life, etc.), the "panaceas that failed" (conventional growth patterns, free trade, structural adjustment, conventional development); the corporations and technologies driving globalisation; and measures that promote "relocalisation" as an alternative to globalisation.

On the ECONOMIC DIMENSIONS AND EFFECTS of globalisation, UNCTAD's annual Trade and Development Reports provide an excellent source of analysis on various aspects of the globalising world economy, including (in recent years) the results of the Uruguay Round, unemployment in the North, the dangers of rapid liberalisation of financial markets, and the East Asian development experience.

The UNCTAD Secretary-General's report to UNCTAD-IX, "Globalisation and Liberalisation: Development in the face of two powerful currents" (1996) reviews the nature of globalisation and liberalisation, the opportunities and challenges arising for developing countries, the implications of recent developments in the world trading system, and policy issues relating to enterprise development in the South.

Bhaduri and Nayyar's "The intelligent person's guide to Liberalisation" (1996), is an excellent effort by two eminent Indian economists to analyse many aspects of the liberalisation process (including the underlying assumptions and motives of its international and national proponents) and its effects, using India as a case-study but providing general conclusions for developing countries. It contains a detailed analysis on the roles of the state and the market, and proposes "sensible economics and feasible politics" as the basis for future development."

Chossudovsky's "The globalisation of poverty" (1997) shows how economic reforms implemented by international financial institutions in the South and Eastern Europe have restored colonial patterns, prevented national planning and meaningful democracy and established the framework for growing inequality. As national macroeconomic policies are "internationalised" through the World Bank and IMF's structural adjustment programme, poverty has also thus been "globalised." Besides general analysis on the link between global poverty and macroeconomic reform, the book contains 11 case studies of the effects of the reform on 11 countries.

The South Centre's publication, "Liberalisation and Globalisation: Drawing Conclusions for Development" (1996) challenges the orthodox view that liberalisation is a panacea for meeting development goals. It shows that even in the developed countries, liberal policies have failed, resulting in low growth, the rapid growth in unemployment and greater instability. Examining the East Asian high-growth experience, it concludes that the strong role played by the state was essential, and this contrasts with the orthodox free-market policy advice. The study also examines the different experiences of Asia, Latin America and Africa.

"Managing the Global Economy" (1995), edited by Michie and Smith, examines various aspects of the current international economic situation, particularly the globalisation trends and the disorder resulting from the demise of the post-war era of full employment based on the Bretton Woods system. Among the topics covered are the origins of and collapse of the post-war system; labour markets, TNCs and corporate strategy; international financial policies; and the macroeconomic policy options.

UNCTAD's "Globalisation and Liberalisation: Effects of International Economic Relations on Poverty" (1996) compiles the papers and conclusions of an UNCTAD-organised inter-agency seminar. The major contribution in the book is a paper by Woodward which analyses the effects of various economic policies and developments (the Uruguay Round, foreign investment, structural adjustment, etc) on poverty.

Das's paper, "Deficiencies and Imbalances in the WTO Agreements" is a comprehensive analysis on how the agreements and the trading system are weighted against developing countries. It also

provides several proposals for developing countries.
On TRANSNATIONAL CORPORATIONS, Barnet and Cavanagh's "Global Dreams: Imperial Corporations and the New World Order" (1994) is a comprehensive account of global corporations as they evolved over the last 20 years, and their increasing control of global economy and culture. Using profiles of five major corporations, the study shows how a few hundred companies dominate four intersecting webs of global commercial activity: the global cultural bazzar (communications and entertainment industry); the global shopping mall (global advertising, distribution and marketing); the global workplace (the network of factories, workshops, and services); and the global financial network.

Korten's "When Corporations Rule the World" (1995) shows how a convergence of ideological, political and technological forces are promoting economic globalisation that is shifting power from governments to a few corporations and financial institutions driven by the quest for short-term financial gain. Examining several aspects of the rise and effects of corporate and financial power, Korton concludes that these forces have "transformed once beneficial corporations and financial institutions into instruments of a market tyranny that is extending its reach across the planet like a cancer, colonising ever more of the planet's living spaces, destroying livelihoods, displacing people, rendering democratic institutions impotent, and feeding on life in an insatiable quest for money."

Greer and Bruno's "Greenwash: The reality behind corporate environmentalism" (1996) has a valuable analytical introduction on the treatment of and by corporations in various environmental negotiations (UNCED, Climate Change Convention, etc), and their public relations efforts to convince the public that they have become environmental. With 20 case studies of the rhetoric and the reality, the book shows how TNCs remain the primary creators and distributors of polluting and unsustainbale technologies.

On the SOCIAL EFFECTS of globalisation, UNDP's annual Human Development Reports is a major source of rich information and analysis. In particular, the 1996 Report focuses on the uneven distribution of economic growth and incomes worldwide (showing how only 15 countries enjoyed growth in the past two decades whilst 89 countries were worse off than they were ten years ago) and the links between growth, human development and employment creation.

UNRISD's report for the Social Summit, "States of Disarray: The social effects of globalisation" (1995) provides a comprehensive review and analysis of the globalisation process, the social costs of structural adjustment, international migration, the rise in crime worldwide, ethnic conflicts, the rise of transnational corporations and the rise of global civil society and "global citizenship."

Rifkin's "The End of Work" (1995) analyses how the revolution in communication and information technology and organisational restructuring are displacing workers and creating mass unemployment and job insecurity in advanced countries. The coming biotechnology revolution is also predicted to lay off farmers as laboratory-produced substitutes replace agricultural commodities in future.

PART 4: THE ECONOMIC EFFECTS OF GLOBALISATION

1. THE UNEVEN AND INEQUITBALE NATURE OF GLOBALISATION

This section examines the international economic environment in which globalisation is taking place in a manner unfavourable to developing countries. It elaborates on the possible opportunities but especially the negative economic side effects that result from globalisation. It then looks at macroeconomic policy issues, including the experience of structural adjustment policies (SAPS), the experience of the North with liberalisation, and the lessons from the East Asian experience. It then makes some conclusions about the policy options for the marginalised countries.

"Globalisation" is a phenomenon in which investment resources, growth and modern technology are focused on a few countries (mainly in North America, Europe, Japan and East Asian NICs). A majority of developing countries are excluded from the process, or are participating in it in marginal ways that are often detrimental to their interests. The globalisation process is thus affecting different categories of countries differently. This can broadly be categorised as follows:

(i) growth and expansion in the few leading or fully participating countries;

(ii) moderate and fluctuating growth in some countries attempting to fit into the globalisation/liberalisation framework;

(iii) marginalisation and exclusion experienced by many countries unable to get out of trade and debt problems and unable to cope with problems of liberalisation;

(iv) polarisation, or a wide and rapidly growing gap between the sets of countries, particularly between (i) and (iii).

Globalisation is thus characterised by an extremely uneven global development process, and by growing inequalities in wealth, income and resources.

The uneven and unequal nature of the present globalisation is illustrated by and manifested in the fast growing gap between the world's rich and poor people and between developed and developing countries; and by the large differences among nations in the distribution of gains and losses in economic growth.

The UNDP Human Development Report 1992 highlighted the high and growing income inequality in the world. It estimated that the 20% of the world's population in the developed countries receive 82.7% of total world income, whilst the 20% of people in the poorest countries receive only 1.4%. In 1989, the average income of the 20% of people living in the richest countries was 60 times higher than that of the 20% living in the poorest countries. This ratio had doubled from 30 times in 1950. These figures are based on the average national incomes of countries and therefore dilutes the inequality between individuals since there are also great inequities within each country. When the distribution of income of the world is based on the incomes of individuals (rather than on national averages) the inequality is far worse: the average income of the richest 20% of the world's people was 150 times above the average income of the poorest 20%.

In its Human Development Report 1996, the UNDP highlighted other facets of inequitable and unbalanced world development. It found that over the past three decades, only 15 countries have enjoyed high growth whilst 89 countries are worse off economically than they were ten or more years ago. In 70 developing countries, the present income levels were less than in the 1960s and 1970s. And in 19 of them (including Ghana, Venezuela, Haiti, Nicaragua, Sudan), per capita income was presently less than in 1960 or before. "Economic gains have benefitted greatly a few countries, at the expense of many," said the Report.

The Report also showed that:

* Since 1980 high economic growth in 15 countries brought rapidly rising incomes to many of their 1.5 billion people, or more than a quarter of the world's population.

* However, economic decline or stagnation affected 100 countries, reducing the incomes of more than one-fourth the world's population, 1.6 billion. Of these countries, 89 are worse off economically than they were 10 or more years ago. In 70 of these countries, average incomes are less than they were in 1980, and in 43 countries less than they were in 1970. In 19 countries they were less than the level of 1960 or earlier.

* Between 1990 and 1993, average incomes fell by a fifth or more in 21 countries, mostly in Eastern Europe and among CIS countries.

* Of the $23 trillion global GDP in 1993, $18 trillion is in the industrial countries and only $5 trillion (20% of the total) in developing countries, even though they have nearly 80% of the world's people.

* Between 1960 and 1991, the richest 20 percent of the world's people increased their share of total global income from 70 to 85 per cent. The poorest 20 percent had their share fall from 2.3 percent to a miniscule 1.4 per cent. In 1991, more than 85 per cent of the world's population received only 15 per cent of global income.

* During the years 1975-85, global GNP grew by 40% but this growth benefitted a minority of countries, whilst at the same time the number of poor around the world increased by 17%. In the past three decades, 1.6 billion people were left behind or became more poor.

* Whilst the poor were getting poorer, "the very rich are getting richer," the UNDP report said. To illustrate, it estimated that the assets of the world's 358 billionaires exceed the combined annual incomes of countries accounting for nearly half (45 per cent) of the world's people, or 2.3 billion people.

In a foreward to the Report, the UNDP Administrator concluded: "The world has become more polarised, both between countries and within countries. If present trends continue, economic disparities between industrial and developing nations will move from inequitable to inhuman."

A commentary on these statistics in the London-based Guardian paper was even more scathing. Noting in bold headlines that "358 people own as much wealth as half the world's population", the paper's journalist Victor Keegan called it "highway robbery by the super-rich." Using data from Forbes magazine's annual survey of the world's richest people, Keegan shows that Microsoft owner Bill Gates tops the list with personal wealth of US$ 18 billion, "enough to purchase half a dozen poor countries."

Besides illustrating the inequities and imbalances of the past two to three decades (the period of increasing globalisation), the UNDP 1996 Report also contradicts the conventional wisdom that economic growth has been benefitting most of the world's people. It concludes that more economic growth is needed to advance human development, but conversely economic growth is also not sustainable without human development. It proposed "a strategy for economic growth that emphasises people and their productive potential." If attention is not paid to the quality of growth, the "wrong" kind of growth is bound to occur. The report identifies five such types of growth: jobless growth (the overall economy grows but fails to expand job opportunities); ruthless growth (the rich get richer and the poor get nothing); voiceless growth (the economy grows but democracy/empowerment of the majority fails to keep pace; rootless growth (cultural identity is submerged or outlawed); futureless growth (the present generation squanders resources needed by future generations).

The concentration of the world's wealth and growth in a few countries, and its increase through globalisation, is the subject of a number of other studies. The Group of Lisbon (1995) in its report "The Limits to Competition", gives a sharp analysis of the phenomenon of what it calls "Triadization": "Triadization means that the process of technological, economic and socio-cultural integration among the three most developed regions of the world (Japan plus the NICs from South and Southeast Asia, Western Europe, and North America) is more diffuse, intensive and significant than integration between these three regions and the less-developed countries, or between the less-developed countries themselves. Triadization also exists in peoples' minds. According to the Japanese, the North Americans and the West Europeans, the world that counts is their world where cultural and scientific power, technological supremacy, military hegemony, and economic wealth are all located and, therefore, so is the ability to govern the world economy and society and to shape its future."

Triadization is shown in the geographical patterns of inter-firm alliances (of the 4200 interfirm strategic cooperation agreements in 1980-89, 92% were between enterprises from Japan, Western Europe and North America); and in the concentration of FDI flows among the countries of the Triad; during the 1980s the triad accounted for four-fifths of all international capital flows.

Accompanying triadization is the phenomenon of what the Group of Lisbon terms "Delinking." (This concept is close to "marginalisation", a more widely used term). According to the Group of

Lisbon: "If the target is to win, only a few will succeed. The losers will be excluded and abandoned to their situation. The winners will continue to remain together, and increasingly integrate with one another. The need for maintaining or reestablishing linkages between the excluded and the integrated declines in importance. Thus a new divide in the world appears, coinciding with the emergence of globalisation. Delinking is the process through which some countries and regions are gradually losing their connections with the most economically developed and growing countries and regions in the world. Rather than participating in the processes of increasing interconnections and integration that are constructing the new global world they are moving in the opposite direction." In 1980 the share of world trade in manufactures of the poorest 102 countries was 7.9% of world exports and 9% of imports; in 1990 these shares fell to 1.4% and 4.9% respectively. Conversely the share of the three Triad regions rose from 54.8% to 64% of world exports and from 59.5% to 63.8% of world imports.

Nayyar (1995) examines the same phenomenon, of "uneven development", showing how globalisation mainly benefits the developed world, whilst in the developing world, the benefits of accrue only to a few developing countries. There are only eleven countries which are an integral part of globalisation in the late 20th century. They accounted for 66% of total exports from developing countries in 1992 (up from 30% in the period 1970-80); 66% of annual FDI inflows to developing countries in 1981-91; and most of portfolio investment flows to the developing world. According to Nayyar: "This evidence suggests that globalisation is most uneven in its spread and there is an exclusion in the process. Sub-Saharan Africa, West Asia, Central Asia and South Asia are simply not in the picture, apart from many counties in Latin America, Asia and the Pacific which are left out altogether."

The benefits of integrating with the world economy would accrue only to those countries which have laid the requisite foundations for industrialisation and development. Those that have not could end up "globalising prices without globalising incomes". In the process, "a narrow segment of their population may be integrated with the world economy, in terms of consumption patterns or living styles, but a large proportion of their population may be marginalised even further" (Nayyar 1995, p26).

2. AN UNFAVOURABLE INTERNATIONAL ECONOMIC ENVIRONMENT AND THE OUTFLOW OF RESOURCES FROM THE SOUTH

According to the orthodox thinking, developing countries are lagging behind in development because they have not been sufficiently paticipating in the global economy. The advice to them is to open up their domestic economies more to the global market.

In reality, developing countries in general have in the past three decades been trying to increase their participation in the world market, and in recent years have liberalised their imports even more. The problems they face have more to do with the unfavourable way in which the global market has treated them, rather than inadequate participation in the market. The traditional international division of labour, set in the colonial era, has meant continued reliance on commodity exports for most developing countries. The trend decline in commodity prices *vis-as-vis* manufactures is the major cause of the economic disaster facing the poorer countries. Following the oil price shocks of the 1970s, developing countries also participated in the global financial market by borrowing heavily. The high interest rates, commercial non-viability of loan-financed projects and collapse in commodity export earnings combined to place many developing countries in an external debt trap. The World Bank-IMF structural adjustment programmes accompanying loan rescheduling failed to improve the condition of many indebted countries, especially the poorer ones, and indeed added to the problems of many of them. It is thus inaccurate to blame the lack of development on a reluctance to participate in globalisation. Rather, participation in the global market from an unfavourable location, and liberalisation in externally-pressurised and inappropriate ways, have contributed to the persistence of poverty and lack of development.

Due to their particular location in the globalisation process, the South as a whole is losing large and increasing amounts of financial and economic resources to the North.

Recent South-North outflows are very large, in fact constituting a financial haemorrhage, and at present probably exceeds US$500 billion annually. These outflows arise from the South's adverse position in the international structures of trade, finance, technology and distribution.

The following summarises the mechanisms and magnitude of dependence and resource outflows:

(a) International Trade and Terms of Trade

Many Southern countries still mainly export raw materials and import manufactures. Their terms of trade have declined on a continuous trend for decades. The latest years have been disastrous. Between 1980 and 1992, the index of non-fuel commodity prices fell from 171 to 115, whilst that of manufactures rose from 116 to 164. The terms of trade of commodities *vis-a-vis* manufactures fell from 147 to 71, or by an incredible 52%.

The effects on lost export earnings and incomes are devastating. For Sub-Sahara Africa, already the poorest region, the terms of trade (using 1980 as base year) dropped by 28% between 1980 to 1989. This caused an income loss of US$16 billion in 1989 alone, or equivalent to 9.1% of the region's combined GDP. In the four years 1986-89, the region suffered a total $55.9 billion income losses due to terms-of-trade decline, or 15-16 per cent of GDP.

For another category, 15 middle-income highly indebted countries, the terms of trade also fell by 28% between 1980 and 1989, causing an income loss of $45 billion in 1989 alone, equivalent to 5.6% of combined GDP. In 1981-89 the total income loss from terms-of-trade decline was $247.3 billion. There were also other kinds of net financial transfers from these 15 countries arising from investments, debt repayment and aid flows, amounting to $35 billion in 1989. Thus, combined with the $45 billion lost the same year due to terms of trade decline, the 15 countries lost $80 billion that year, or 10% of the GDP.

The terms-of-trade income losses from Sub-Sahara Africa and the 15 indebted middle-income countries were together $61 billion in 1989. For the South as a whole, the losses would be much greater, if account is taken of the other countries, as well as if a base year earlier than 1980 were to be taken (since real commodity prices have been falling since the 1950s).

According to Augustin Papic, a member of the South Commission, transfers from the South due to terms of trade losses total $200 billion a year.

(b) External Debt and Debt Servicing

External debt has been another major source of financial drain from the South. The inability of many Southern countries to meet their debt obligations is due to many factors. Undoubtedly domestic factors played an important role, including the proliferation of economically unfeasible and socially inappropriate projects, financial mismangement, and corruption of political leaders. The problem was however also largely induced by international factors beyond the control of the indebted countries, including the deterioration of commodity prices and terms of trade (with such devastating effects as we have seen), the increase in interest rates in the l980s, and changes in relative currency rates. Thus, most Southern indebted countries were victims of an "unfavourable external economic environment" which in many cases turned what would have been a problem into a crisis.

Debt servicing of capital-importing developing countries rose from $90 billion in 1980 to $158 billion in 1992. In 1980-92 total debt servicing was $1,662 billion (comprising $771 billion in interest payment and $891 billion in principal repayment).

Despite these astronomical repayment amounts, the South has not cleared its debts. Instead, the countries concerned ended up with still more debt. Their total external debt rose from $567 billion in 1980 to $1,066 billon in 1986 to $1,419 billion in 1992.

The tragic scenario can be gauged from the following. In 1980 the capital-importing developing countries had $567 billion in debt. Over the next 12 years they borrowed another $1,743 billion, but much of this was used to meet debt service obligations (as debt service flows totalled $1,662 billion). As a result, the countries had an even much larger debt stock of $1,419 billion which will require even larger debt servicing outflows in the future.

It would appear that the more you borrow the more you have to repay, and in order to repay you have to borrow more. Caught in this vicious cycle, the South has already paid for its debts yet still has heavier debts to clear. The effects have been devastating, as countries have to divert such a large part of their government budgets and national incomes to debt servicing, and are thus deprived of the means to fulfil their basic needs.

Moreover, the need for debt rescheduling (to avoid default) puts the indebted countries in a vulnerable position of having to accept conditionalities (particularly structural adjustment policies) attached to the World Bank's new loans.

(c) Payments for Trade, Transport and Distribution

TNCs dominate international transport and distribution of goods and derive an overwhelming share of the final price of the products. Since freight charges are high, South countries forgo a substantial part of their export earnings. Southern producers receive only 10-15 per cent of the final retail price of their commodities when sold to Northern consumers.

The South has weak capacity in shipping, insurance and marketing and thus payment abroad for these services is a big drain on foreign exchange and income.

(d) Outflows of Foreign Profits

The inflow of foreign investment is usually considered a source of capital to the South. However it can also be a major source of outflows through the repatriation of foreign firms' profits and dividends. Profit outflow may eventually be more (and even much more) than new investment inflows. In 1980-92, the net outflow of profits and dividends by foreign firms totalled $122 billion and averaged $9-11 billion annually. In 1980-86 profit outflow exceeded new investments by $15.5 billion. However, due to an increase in foreign investment to a relatively few developing countries, in 1987-92 investments exceeded profits by $48 billion. The increased foreign investment inflow (especially since 1991) will however eventually lead to a corresponding rise in the annual stream of profit outflow.

There are also "hidden" forms of profit outflow that are not captured in these statistics. Many foreign firms practice "transfer pricing" to escape tax or (in the case of joint ventures with local firms) to reduce the profit share accruing to the local partner. Through determination of prices, the foreign firm overinvoices the inputs it imports from its branches in other countries and underinvoices for outputs it exports to them, thus artificially underreporting its real profits. A large part of these real profits are thus transferred to its head office or other branches.

The volume of such profits is very high. An UNCTAD study estimated that drug TNCs charged their Latin American subsidiaries 33 to 314 percent above world prices for the inputs they provided. An earlier study showed Colombia subsidiaries of drug TNCs were overcharged by 155% and the average profit rate of foreign drug firms was actually 79% and not the 6% reported. In 1986 foreign-based multinational firms reported combined net losses of $1.5 billion to the US tax authorities. However the tax authorities estimated tax losses from foreign-based multinationals to be $20-30 billion on account of transfer pricing, with another $5 billion lost from US multinationals.

(e) Royalties and technical payments

Dependence on foreign technology, coupled with intellectual property rights laws suited to the North, is another major source of resource outflows from the South in the form of royalties, license fees for technology used and "technical fees" paid by a foreign firm to its overseas headquarters. Again, these forms of outflow can exceed the narrowly defined foreign profit. A UNCTAD study in 1981 estimated that payments by developing countries for using patents, licenses, trade marks, process know-how were $9-10 billion a year. Including other indirect costs, such as transfer pricing, the total cost of technological dependence may be $30-50 billion annually, according to the report.

Since the study in the early 1980s the outflows from the South due to technical payments and transfer pricing must have increased far above $30-50 billion annually. These payments can be expected to rise when the Uruguay Round accord on TRIPS is implemented, as South countries would then have to introduce or upgrade their intellectual property rights laws to the higher standards of the US.

(f) Brain Drain and Capital Flight

Many Southern elites prefer to migrate to the North, or to park their wealth in the form of money or fixed assets in foreign (usually Northern) countries. These of course are a drain on Southern human and capital resources.

A 1882 UNCTAD study found that industrial countries gained $51 billion of human capital from 1961 to 1972 due to migration of professionals from the Third World. The US, Britain and Canada transferred $46 billion in development aid in that period but received $51 billion of human capital due to the brain drain.

Capital flight is also a massive problem. IMF data show the annual capital flight from 13 highly indebted countries was $180 billion in 1988, much higher than the $47 billion in 1981.

(g) Losses from Foreign Exchange Changes

Many Third World countries have suffered massive losses due to changes in the exchange rates of major currencies. Sometimes these changes are induced by decisions of major countries acting individually or collectively. Yet developing countries are not consulted, although these decisions may have such devastating impact.

A Third World country may hold its reserves (or part of it) in a certain currency. The fall in value of that currency can cause major losses to Third World countries, as when sterling fell sharply in 1993.

When major currencies appreciate, countries holding debt stock in these currencies will find the level of their debts (in terms of local currency) would have risen, and it would take more in terms of local currency to service the debt. This has happened a few years ago when the sharp appreciation of the yen led to a significant increase in debt in Southeast Asian countries. Japan would not agree to renegotiate debt repayment terms despite the fact that the increase in debt stock was due solely to factors beyond the control of the developing countries. Earlier in 1994, many poor countries in Africa suffered great losses when the French franc, to which their currencies are tied, devalued.

3. ECONOMIC OPPORTUNITIES AND NEGATIVE ECONOMIC EFFECTS OF GLOBALISATION FOR DEVELOPING COUNTRIES

For the past many years, mainstream academics and international institutions have stressed the benefits of globalisation, which offer opportunities for developing countries to obtain export markets and higher incomes. However, it has become increasingly clear that these benefits have escaped many if not most developing countries. Instead, for them, globalisation is perceived as a potentially disruptive or even devastating process, fraught with many challenges and negative implications.

As pointed out earlier, a few developing countries, mainly in East Asia, had taken advantage of the opportunities of an expanding global market to increase their manufacturing exports and through that route to expand their GDP growth. A policy of integrating in the world market by exploiting (or rather, by creating) advantages can give a boost to economic growth. However, these "successfully integrating" countries have enjoyed a combination of factors and conditions which many other developing countries are unable (or have been unable) to attain. Chief among these conditions is the absence of an external debt crisis and the "freedom" from having to follow externally-designed structural adjustment policies. This enabled the countries to follow their own macroeconomic policies and development strategy, which involved strong state intervention and role in the economy, and policies that combined protection and positive promotion of the domestic sector with a phasing in of liberalisation in a strategic sequencing. In the absence of appropriate conditions, many or most developing countries have been unable to reap the benefits of globalisation, and instead may experience negative consequences from it.

However, the financial crisis that hit East Asia in 1997-98 demonstrated that even the leading "success stories" of globalisation can fall victim to the voluminous and volatile inflows and outflows of short-term capital and the manipulations of financial operators and institutions, which are aspects of financial liberalisation. When the affected countries faced the threat of having to default on their external loans, they had to seek IMF support. The inappropriate financial and fiscal policies imposed on Thailand, South Korea and Indonesia contributed significantly to deep recession in these countries. Thus, even countries that succeeded in seizing the opportunities of globalisation (in the trade area), suffered a devastating reversal of fortune as a result of mismanaging another aspect of globalisation (i.e. financial liberalisation), and as a result also of the structural adjustment policies that were conditions for receiving IMF-sponsored loans.

A useful summary of the opportunities and challenges of globalisation has been given by UNCTAD (1996) in its Secretary General's report to UNCTAD-IX. The main opportunities it lists are:

* Trading opportunities arising from the Uruguay Round. Developing countries can take advantage of: tariff cuts in both industrial and developing countries; the phasing out of the Multifibre Agreement; reduction of discriminatory protective measures through the Agreements on safeguards and subsidies; increased opportunities in agriculture and services; and the strengthened multilateral system of trade rules.

* Opportunities related to international capital flows and financing of development. Since the beginning of the 1990s, private external financing has increased to developing countries, but mainly restricted to countries that avoided a debt crisis (mainly in Asia) and to some Latin American countries. The financing is in the form of loans, external bond issues, international equity issues and portfolio investment. UNCTAD warned of risks involved as well, and noted that the majority of developing countries did not enjoy these facilities.

* Opportunities provided by international production through foreign direct investment and transnational corporations.

FDI is becoming an increasingly important component of long-term resource flows to developing countries. The TNCs bring a package of capital, technology and management skills that can spur development and expand markets.

* There are increased opportunities for economic cooperation among developing countries (ECDC) to boost South-South cooperation in trade, transport, information and technology exchange and infrastructure development.

The UNCTAD report also states that "the processes of globalisation and liberalisation can also give rise to a number of potential negative consequences and challenges to development."
It gives details of the following three problems.

* Loss of policy autonomy. Policy instruments available to developing countries have narrowed as a result of economic liberalisation policies and stringent multilateral disciplines. Specifically, the Uruguay Round Agreements limit the range of policy options: for example, developing countries may not be able to emulate industrial policies previously followed by successful East Asian countries, especially the use of export subsidies, investment performance requirements and compulsory licensing.

Loss of policy autonomy also arises from increased financial openness and dismantling of barriers to capital flows, which reduces the ability of national governments to use macroeconomic policy instruments to influence output, employment and inflation. It is no longer possible to delink national interest rates from those abroad without suffering large capital outflows. It is difficult also to pursue expansionary macroeconomic policies regardless of the pace of demand abroad as this would cause deterioration in the payments position.

* Financial openness and the risk of instability and disruption to development. As many Asian and Latin American countries are integrated into the global financial markets, they have experienced volatility of capital flows due to abrupt shifts in sentiments of external investors. Large surges in inflows of portfolio capital also pose problems for macroeconomic management (such as loss of influence over interest rates and exchange rates). Also, when external deficits can no longer be sustained, a sharp currency depreciation is often inevitable, causing inflation and necessitating deflation to reduce imports. Thus the reversal of a surge in capital inflows can damage the real economy and financial standing of the country.

* The phenomenon of marginalisation. Some developing countries, especially LDCs, are unable to benefit from or meaningfully participate in globalisation. This marginalisation arises from:

(i) Supply-side impediments and structural weaknesses that are a barrier to growth of traditional primary products and non-traditional products and to efficient import-substitute production.

These constraints include weak technological capacity, lack of skills; lack of credit for small farmers, small enterprises and long-term investors; non-transparent legal and regulatory frameworks; deficient physical infrastructure.

(ii) Many developing countries are heavily dependent on non- and semi-processed commodities in production and exports. Due to this, they are unable to take advantage of trading opportunities from globalisation. The decline in commodity prices over the past several decades adversely affects growth, economic stability and creditworthiness. Due to the nature of commodity production, farmers are unable to switch from one product to another in response to demand conditions. Also, the development of substitutes and use of less materials in products of developed countries has displaced primary commodities.

(iii) Difficulties of LDCs and weak economies in attracting FDI. These impediments include: low income, slow growth and small markets; low level of domestic savings and paucity of entrepreneurs, reducing the scope for joint ventures; shortage of managerial and technical skills; lack of good infrastructure.

(iv) Decline in official development assistance. Due to inability to attract FDI and other private capital inflows, LDCs and weak economies continue to depend heavily on ODA but aid flows have fallen since 1991.

(v) Continued difficulties with external debt. The debt crisis persists in many countries and meeting their debt obligations incurs heavy economic and social costs. Despite some relief measures, many heavily indebted low-income countries still face unsustainable debt burdens, especially due to heavy multilateral debt.

Although the UNCTAD report provides a useful summary of some important implications of globalisation, they are by no means exhaustive. Some of the following Sections examine, in greater depth, some aspects of the negative effects of globalisation and liberalisation on developing countries, especially the LDCs and weaker countries.

4. STRUCTURAL ADJUSTMENT AND THE GLOBALISATION OF MACROECONOMIC POLICIES

The "globalisation" of a particular set of macroeconomic policies was achieved through the structural adjustment programmes (SAPS) which the World Bank and IMF designed and exported to more than 80 developing countries. The opportunity for globalising a single set of macroeconomic policies was the debt crisis, and the leverage used by the Bank and Fund was the need for debt rescheduling by those developing countries that otherwise would face a debt default. In exchange for rescheduling and fresh loans, countries agreed to adopt SAPS which replaced their original economic policies.

Analysts like Susan George and Walden Bello have argued that the Bank and Fund used debt repayment problems as a leverage to "discipline" the South. The debt crisis weakened the South's ability to press ahead with the New International Economic Order movement, and the Northern banks, backed up by their governments and the Bretton Woods institutions, devised ways to extract as much debt repayment (with interest) as possible, instead of equitably sharing the loan losses between the creditors and borrowers.

Structural adjustment thus had two roles: to restructure the economies of developing countries so that they can better save foreign exchange to service their debts; and to alter the fundamental macroeconomic and eventually social policies of countries of the South into a single "monocultural" *laissez-faire* economic model that would be compatible with the long-term requirements of the North-dominated world economy.

The advent of the SAP approach coincided with the economic reforms of Reagan and Thatcher in the US and the UK, that included deregulation, privatisation, cutting welfare and social expenditures, tax reductions for the rich and businesses, and a rolling back of the principle of state responsibility in providing for the needs and welfare of citizens. Financial stability and minimising inflation, which are key to the interests of the holders of financial assets (owners of bonds and equities) took precedence over growth and full employment in macroeconomic priority setting.

Structural adjustment was the mechanism for transferring the Reagan-Thatcher economic model to the South. Through SAPs, Southern governments had to reduce the role of the state in the economy and in social services, cut public spending (especially in the so-called "non-productive" social sectors such as health and education and for food subsidies), retrench public-sector staff, impose a freeze on wages and free prices from controls, to deregulate, and to liberalise externally (emphasise exports rather than production for the local market, reduce import tariffs, and liberalise the terms of foreign investment).

SAPs have led to a deflation, negative growth, and increased poverty and social problems in most countries. Many countries undergoing SAPs have suffered a drastic decline in incomes, on average by 15% in most of Latin America and 30% in sub-Sahara Africa during the l980s. Investment per capita fell 75% in Africa and 40% in Latin America during the 1980s whilst in the 42 poorest countries health spending fell by over 50% and education spending by 25%. Infant and child mortality rates rose in many countries. During the 1980s the numbers of the absolute poor increased in developing countries as a whole and in Africa they also increased relative to the total population.

There is a vast literature on the effects of SAPs. Two such studies, one on the effect on poverty and the other on human rights, have highlighted the role played by SAPS in globalisation. The first study shows how poverty has been "globalised" through internationally-generated national macroeconomic policy in many countries. The second shows how policies originating in one country (or in a global institution) can greatly impact on the conditions and human rights of people in many other countries, and thus have a global effect.

The first study is a comprehensive analysis by the Canadian economist Michel Chossudovsky (1993, 1997), who conducted case studies in many countries on the impact of SAPs on the economy and on poverty. He concludes: "Structural adjustment is conducive to a form of 'economic genocide' which is carried out through the deliberate manipulation of market forces...The application of SAP in a large number of countries favours the 'internationalisation' of macroeconomic policy under the direct control of the IMF and World Bank acting on behalf of powerful financial and political interests (for example, the Paris and London Clubs, the G-7). This new form of economic and political domination (a form of 'market colonialism') subordinates people and governments through the seemingly neutral interplay of market forces.

"The Washington-based international bureaucracy is entrusted by the international creditors and multinational corporations with the execution of a global economic design which affects the livelihood of more than 80% of the world's population. At no time in history has the free market, through the instruments of macroeconomics operating at a world level, played such an important role in shaping the destiny of 'sovereign' nations.

"The restructuring of the world economy under the guidance of the Washington-based financial institutions increasingly denies individual Third World countries the possibility of building a national economy; the internationalisation of economic policy transforms countries into open economic territories and national economies into 'reserves' of cheap labour and natural resources. The application of the IMF economic medicine tends to depress world commodity prices further because it forces individual countries to gear simultaneously their national economies towards a shrinking world market."

The implications of SAPs for human rights has been studied in detail in another outstanding report prepared for the United Nations Commission on Human Rights by its Special Rapporteur, Danilo Turk on economic, social and cultural rights. He notes that all states possess varying degrees of legal obligations to fulfil economic, social and cultural rights. These rights are interdependent with and are as legal in nature as civil and political rights.

Turk concludes: "The increasing integration and internationalisation of the global economy, as well as political and social structures and processes, increase the importance of international cooperation and responsibility. Never before have the actions of State X had as much real or potential impact upon State Y than at present. This obvious yet under-emphasised fact, and in particular the relevance thereof to the realisation of economic, social and cultural rights within the human rights framework, must be consistently addressed."

Turk's report provides details on how SAPs have led to the denial of development, and on the negative impact of adjustment on the realisation and enjoyment of selected economic, social and cultural rights. In particular, the report records how harm is done to the realisation of:

- the right to work
- the right to food
- the right to adequate housing
- the right to health
- the right to education
- the right to development

Turk quotes the conclusions of the UN Global Consultation on the Realisation of the Right to Development as a Human Right: "Transfer of control of resources located in developing countries to interests in the developed countries, which intensified in the 1980s, is another obstacle to development. Similarly, the growing burden of indebtedness and structural adjustment falls heaviest on the poorest and weakest sectors of society and has clear human rights implications.

"Failure to take into account the principles of the right to development in agreements between States and the World Bank, IMF and commercial banks with regard to external debt repayment and structural adjustment frustrates the realisation of the right to development and of all human rights. The prevailing terms of trade, monetary policy, and certain conditions tied to bilateral and multilateral aid, which are all perpetuated by the non-democratic decision-making processes of international economic, financial and trade institutions, also frustrate the full realisation of the right to development."

5. RECOGNITION FOR THE NEED TO REFORM STRUCTURAL ADJUSTMENT POLICIES

The SAPs led to widespread public discontent, including street riots and demonstrations, in many countries undergoing adjustment, and opposition by several people's organisations and NGOs in both the South and the North. Problems associated with SAPS reached its highest platform in the World Summit for Social Development (Copenhagen, March 1995) and its preparatory meetings. During this process, the most important set of issues voiced by developing country governments and especially by a wide range of Southern and Northern NGOs was the negative economic and social effect of structural adjustment policies, the non-accountability of the Bretton Woods institutions and the need to resolve the South's debt crisis. They argued that debt and structural adjustment were the most important impediments to social development in developing countries.

The Social Summit was attended by 117 heads of state and government. They signed the Copenhagen Declaration, which in several parts recognised the weaknesses of structural adjustment programmes in neglecting social development concerns. One of the "Commitments" of the Declaration (Commitment 8) was devoted solely to a change in structural adjustment programmes. Under this Commitment, the political leaders pledged to ensure that structural adjustment programmes "include social development goals, in particular eradicating poverty, promoting full and productive employment, and enhancing social integration." They also pledged "to promote basic social programmes and expenditures, in particular those affecting the poor and vulnerable segments of society, and protect them from budget reductions"; to "review the impact of structural adjustment programmes on social development...in order to develop policies to reduce their negative effects and improve their positive impact"; to "reinforce the social development components of all adjustment programmes, including those resulting from the globalization of markets and rapid technological change, by designing policies to promote more equitable and enhanced access to income and resources." They also committed themselves to: "strive to ensure that structural adjustment programmes respond to the economic and social conditions, concerns and needs of each country" and to "enlist the support and cooperation" of international organisations, the UN system and especially the Bretton Woods institutions in the "design, social management and assessment of structural adjustment policies and in implementing social development goals and integrating them into their policies, programmes and operations."

Further, the Programme of Action of the Social Summit, has two paragraphs (91 and 92) on structural adjustment and on the role of international organisations. Paragraph 92 urges the Bretton Woods institutions and UN bodies to "work together with concerned countries to improve policy dialogues and develop new initiatives to ensure that structural adjustment programmes promote sustained economic and social development, with particular attention to their impact on people living in poverty and vulnerable groups." It also urges the UN, in cooperation with the World Bank, IMF and other multilateral institutions, to "study the impact of structural adjustment programmes on economic and social development and assist adjusting countries in creating conditions for economic growth, job creation, poverty eradication and social development."

The Social Summit was the first high-level international Conference to explicitly acknowledge that SAPS had deficiencies in terms of their effect on social development that needed correction. It was also highly significant that the political leaders of so many countries committed themselves to rectify some of the priorities of structural adjustment. There was a recognition that the "safety net" approach (in which SAPS would be designed according to free-market principles and the aid mechanism would be used to compensate for the social costs) alone would not work. Instead, social objectives would have to be built into the design of structural adjustment policies itself.

In 1995 and 1996, in conjunction with the 50th anniversary of the birth of the Bretton Woods institutions, the international NGO movement implemented a campaign called "Fifty Years Is Enough", which focused on the negative social effects of the World Bank and IMF's structural adjustment policies. The NGOs also increased their call for the start of relief of poor countries' multilateral debt (owed to the Bank and Fund). They pointed out that there were already moves for debt relief on commercial and bilateral debt, but that the Bretton Woods institutions had till then refused to contemplate multilateral debt relief.

As a result of these campaigns, and as a follow-up to the Social Summit, the World Bank leadership initiated a move in the later part of 1995 to begin a process of relief on multilateral debt. In 1995 and 1996, the World Bank secretariat leadership also intensified its dialogue with the international NGO community on the effects of and need to review (and possibly reform) its structural adjustment programmes. Following discussions between NGO representatives and the World Bank President and senior staff, it was agreed that a joint NGO-World Bank project be established to examine the social impact of structural adjustment programmes on developing countries.

In a letter to the NGOs proposing the project, the World Bank president, James Wolfensohn, said that policy reform has had a mixed track record, that in Latin America it has led to "some formidable economic wins but not necessarily achieved the reductions in income inequality we had hoped for", that in Africa "the results have been mixed". Wolfensohn said although there is a broad consensus that a sound macroeconomic framework, an open economy and a strong private sector are prerequisites for development, "there is an equally broad consensus that economic reform cannot be at the expense of the poor." The President acknowledged that: "Adjustment has been a much slower, more difficult and more painful process that the Bank recognised at the outset. It has often been beset by political problems, leading to a stop-go approach by governments, particularly where programs have been poorly explained and not debated with civil society. We are still learning about the impact of adjustment measures on specific population groups."

Wolfensohn concluded: "What I am looking for, and inviting your help in, is a different way of doing business in the future. My objective is to ensure that economic reform programs make maximum contribution to poverty reduction, that we fully appreciate the impact of reform on disparate population groups, that we promote measures which narrow income differentials, and that we encourage governments to consult and debate with civil society on policy reforms."

After several meetings between the Bank and the NGOs, preparations are under way for a joint study of the impact of structural adjustment policies in about ten countries. The country studies would be conducted under the joint supervision of the Bank staff and of an international NGO grouping, in consultation with the governments concerned and the participation of local NGOs. Following the country studies, a conference will be held to draw conclusions and learn lessons for future World Bank lending.

Given the recognition of the need for a relook at structural adjustment policies, it is all the more timely to review the literature and draw lessons on the development experience and for future development strategies.

Criticisms against IMF-World Bank policies were heightened as a result of the latest round of financial crises beginning with Asia in 1997 and which then spread to Russia and Brazil. This time the criticisms were made not only by the longstanding critics of the Bretton Woods institutions but also by many leading mainstream economists, including Martin Feldstein (a former Chief Economic Advisor to the White House), Joseph Stiglitz (also formerly a Chief Economic Advisor to the US President and later the Chief Economist of the World Bank until his resignation at the beginning of 2000), Jeffrey Sachs and Paul Krugman of MIT. A Commission set up by the US Congress, the Meltzer Commission, also issued a report in March 2000 that was highly critical of the IMF's policies and which advocated several reforms to the institutions.

6. REVIEWING THE LIBERALISATION EXPERIENCE, AND THE ROLE OF STATE AND MARKET

There is a consensus that for development tosucceed, there must be a "sound macroeconomic framework." There is by no means a consensus on what constitutes such a sound framework, how to attain it, and through which stages and sequencing of policies.

The orthodox approach, favoured in structural adjustment, assumes that the state is a major hindrance to a sound economy and should relinquish as much of its economic and social roles as possible. The market should be made as freely operating as possible, and resources and economic space should be transferred to the commercial private sector. The state should thus cut its expenditure to a minimum, privatise its assets, reduce its economic and social services activities, deregulate prices, devalue the currency, reduce or eliminate subsidies, allow free market prices, and liberalise externally through tariff cuts and elimination of import controls. The competition from imports is expected to increase the efficiency of local firms. The state expenditure cuts and proceeds from privatisation are expected to reduce the budget deficit; and the induced domestic deflation would reduce imports and the trade deficit. If the state is to maintain some social services, as far as possible the public should be asked to pay for the costs. In the vacuum caused by the withdrawal of state activity, private-sector enterprises are expected to step in and take over production. Corporations, liberated through deregulation, are expected to produce for the domestic market as well as exploit export opportunities. External liberalisation should extend to the financial market as well as to foreign investments. The state should create conditions favourable to the inflow of foreign companies in all sectors. All these measures should be taken simultaneously, at the same time. If this is to result in a "shock", the shock therapy is expected to be unavoidable and good, at least in "the long run." In the condition of laissez-faire in the domestic economy and openness to imports, finance and investments externally, the economy is expected to have its best chance to flourish and grow, thus reducing poverty and unemployment.

In reality, many countries undergoing the immediate, simultaneous, shock therapy of comprehensive liberalisation, have suffered from structural deflation and recession (instead of growth). The vacuum created by the sudden and sharp withdrawal of the state led to increased unemployment and a multiplier effect in reduction of domestic demand and thus deflation. Withdrawal of subsidies often led to higher food prices (and public discontent). Social expenditure cutbacks adversely affected health, education, welfare and rural services and thus contributed to lowering social standards and human resource productivity. A major structural impediment was the lack of capacity of the domestic private sector: its lack of resources and skills meant the vacuum left by the state's withdrawal was not filled up by commercial enterprises, at least not adequately. The so-called "informal sectors" of family farms and the urban self-employed were relatively ignored, neglected or faced obstacles (such as lack of access to land and credit) or harrassment, and could not play a leading positive role. The liberalisation of imports caused dislocation to local firms or farmers that were unable to compete. The local enterprises and farms were too weak to meet the needs of the local market, let alone have the resources or sophistication to export. Most of all, those countries that were still facing the overhang of external debt continued to have their most important investible resources drained by debt servicing, and those countries dependent on commodity exports continued to suffer terms-of-trade decline. Their balance of payments continued to face difficulties or crisis. The external sector did not contribute to funding local capacity building; on the contrary it continued to drain the local economy of funds. Liberalisation and globalisation were not the panacea but appeared more like extra impediments.

The above scenario is admittedly stylised but many of these features have been present in many of the countries. Several studies of the experience of poor countries undergoing liberalisation and globalisation have reported on various aspects of this experience.

Of significant relevance to the topic of globalisation of macroeconomic policy is an analysis of the impact of trade liberalisation on growth in least developed countries by the UNCTAD economist Mehdi Shafaeddin (1995). The study examines a major aspect of economic reform, trade liberalisation and currency devaluation that was adopted by LDCs as part of IMF-World Bank structural adjustment. The trade policy reform involved removal of import quotas and restrictions, reduction in import tariffs, devaluation and removal or reduction of export taxes. The degree of trade liberalisation was significant in the countries studied. The study set out to determine if the performance of the countries met with the objective of liberalisation, i.e. an expansion of exports and faster GDP growth. The study found no clear and systematic association since the early 1980s between trade liberalisation and devaluation (on one hand) and the growth and diversification of output and exports of LDCs (on the other hand).

The study then set out to determine the main factors behind successful economic performance. Comparing 41 LDCs, it found that there was no clear relation between trade liberalisation and exchange rate movements on one hand and GDP growth on the other. It found however that (a) in countries with higher growth, there was also a higher growth of investments and import volume, which played a key role in improving supply capability; (b) an analysis of exports shows that some diversification into exports of manufactures has taken place, but it was not accompanied by supply capacity-building in most cases (in most countries real growth of manufacturing value-added was negative or negligible); (c) an export and industrial base requires a wide and modern production structure, which is absent in most LDCs.

The study found three main reasons why trade liberalisation failed in LDCs when undertaken under external pressure: (a) how the reforms were perceived; (b) their context and timing; (c) the particular circumstances of individual countries. In all cases, trade policy reform was regarded as synonymous with "uniform" import liberalisation, applicable "universally" to all developing countries; the level of development, industrial base and special structural characteristics of individual countries were disregarded. It was theoretically assumed, wrongly, that import liberalisation would lead to an efficient reallocation of resources and market forces would lead to industrialisation and export growth in each country in accordance to comparative advantage, and with no need for government intervention. According to Shafaeddin, these assumptions are particularly unrealistic for LDCs, where the industrial production and export base is very small and weak.

The study also found that:

* Trade policy should instead aim at long-run development of supply capacity. This cannot be left to market forces alone as LDCs suffer from structural rigidities, low skills and poor infrastructure. Markets are non-existent, fragmented or imperfect and have to be created or corrected. Hence, government intervention is required to build up infant industrial capacity, whether for export or not, and to create markets or correct market failure. Hong Kong is the only economy which did not initially afford protection to infant industries.

* Many LDCs could not take off because shortage of foreign exchange (due to debt or terms of trade losses) deprived them of imports required as inputs for industrial production. The traditional approach to trade liberalisation neglected the important role of investment and imports in expanding capacity, as well as external obstacles to industrial expansion. Indeed, structural adjustment tended to depress investment. When the industrial base is small and supply structure is rigid, liberalisation puts competitive pressure on the manufacturing sector, while contractionary macroeconomic policy reduces demand for domestically produced goods. The combination of

reduced effective demand and import shortages leads to lower capacity utilisation and a decline in productivity.

* Manufacturing has been the dynamic force behind GNP growth in LDCs and expanding manufacturing capacity (where achieved) has also contributed to rapid export growth. In many LDCs, exports of manufactures did not increase; indeed, many LDCs witnessed deindustralisation. Where there was some export expansion, it was not accompanied by building up supply capacity; in most cases the expansion was based on simple processing and other traditional manufacturing activities.

* A major reason for why liberalisation did not work was the design of policy reforms and SAPs in general. Insufficient attention was paid to structural conditions in LDCs. The orthodox advice on trade liberalisation neglected the importance of long-run development of supply capacity, the limitation of market forces in building capacity, over-emphasised the role of devaluation (overlooking the adverse effects on productivity).

According to Shafaeddin, an alternative approach to trade policy reform is needed to avoid further marginalisation of LDCs. It must take into account experiences of developing countries and each country's situation. The features of this approach are:

* Trade policy should be development oriented, building up supply capacity at national and enterprise level, and be an integral part of industrial and development strategy. It should not be synonymous with trade liberalisation as success in "liberalisation" per se is not a guarantee of "success" in development. Serving development objectives, trade policy may comprise liberalisation of trade in some goods, and at the same time strengthen or loosen the degree of protectionism accorded to others. It may include tariffs and/or quantitative restrictions for particular goods or any other measure suitable for achieving industrial and development objectives.

* Trade policy can vary from country to country depending on needs, aims and characteristics. In countries where there is little industrial capacity, the main need is to develop supply capacity and lay the foundation for an expanding export sector. For countries with already some degree of import substitution, the main issue is to make their industries more competitive at home and abroad and to expand exports. Those with export capability should aim at product upgrading and exploit new opportunities.

* Building up supply capacity requires selective government intervention where no market yet exists or the market is segmented or fails. Some initial protection of infant industry is warranted but should be gradually phased out. Also, trade policy can be mixed. Both import substitution and export development may constitute elements of a trade policy, both at any period in different industries and in a particular industry over time. This was for instance done by South Korea.

* Supply capacity building requires development of physical, institutional and organisational capability, calling for investment in physical assets, human resource development, technological learning and/or innovation, and marketing channels. Government machinery also needs to be

improved in terms of decision-making and analysis and policy design and implementation.

* Incentives for manufacturing exports can be provided by selective measures to improve their competitiveness, rather than through currency depreciation. Measures can include subsidies, and other fiscal and financial measures.

* Success of alternative trade policy reforms requires external support: finance, technical assistance and market access.

Another recent study, by two eminent Indian economists, Amit Bhaduri and Deepak Nayyar (1996), based on the experience of India, arrives at similar conclusions. Both are economics professors in the Jawaharlal Nehru University and Nayyar was formerly Chief Economic Advisor to the India Government. They argue that, contrary to the laissez-faire structural adjustment model, both the market and the state have key roles. "It is now indisputable that an unbridled economic role for the government in the name of distributive justice is often a recipe for disaster in the long run...On the other hand, market solutions are often ruthless to the poor. Even more importantly, government failure does not imply that a reliance only on markets will succeed.

"Economic history of the recent past has shown that command systems which rely on government intervention only have been unworkable...But this recognition must be balanced by the knowledge that there is no historical case of successful late industrialisation, whether in the 19th or 20th century, which did not depend on State support in the form of promotion or protection of domestic industry. It is idle to pretend that the market on its own, with the help from multinational corporations seeking profit, can promote industrialisation of relatively backward countries such as India."

Commenting on trade liberalisation, Bhaduri and Nayyar (p37) reach the same conclusions as Shafaeddin: "The rapid liberalisation of the import regime, which has dismantled import licensing and slashed customs duties across the board except in the sphere of consumer goods, may move the economy from a situation of too little protection and wherever the manufacturing sector is unable to cope with such a rapid transition, the outcome may be policy-induced de-industrialisation...If the industrial sector fails to cope with the pace of import liberalisation, or the practice of dumping, it may enforce closures of domestic firms rather than efficiency at a micro-level and reduce output and employment at the macro-level."

The authors are also critical of the country's rapid opening up to foreign portfolio investment (purchase of shares and other financial assets in the domestic capital market), warning that both dividends and capital gains are repatriable, and it could be a source of destabilising capital outflows, paralleling the recent Mexican experience of capital flight and speculation against the peso.

Reviewing the effects of liberalisation in India, the authors find a rapid rise in inflation, especially of food prices; poor growth performance (especially in manufacturing); a drop in job creation and a more rapid rise in unemployment; and a rapid increase in the incidence of poverty (from 34 to 41 percent between 1989-90 and 1992-3), and the widening of the rural-urban divide.

The study warns against fundamentalism in belief in either state or market. "The socialist command system failed because it lacked any built-in self-correcting mechanism. On the contrary it suppressed intellectual dissent...For precisely the same reasons, the fate of market fundamentalism without adequate provision for self-correction is going to be no different in India or elsewhere." (p64). The authors point out numerous reasons for government failure (inadequate information, divergence between policy design and implementation, bias towards influential interest groups, bad management of state enterprises, corruption and nepotism) as well as market failure (the presence of monopolies and imperfect markets; externalities; inability to provide for public goods; divergence between private and social costs and benefits; the generation of inflation and unemployment, poverty, inequities).

What is important is to recognise both government and market failures and introduce correcting devices against both. The proper functioning of a market needs the support and guidance of the state, whilst conversely the State cannot do without the market.

Economic historians show that the market could become the organising principle of capitalism only when it was embedded in the regulatory mechanism of the nation state. Looking at the experience of the late industralisers, the authors note: "The belief that markets know best, or that State intervention is counterproductive in the process of industralisation, is not borne out by their history. Experience from the second half of the 20th century suggests that the guiding and supportive role of the State has been the very foundation of successful development in countries which are latecomers to industralisation."

Looking at the East Asian experience, the authors show that State intervention created initial conditions for industrialisation through state investment in infrastructure, development of human resources, and agrarian reform. In the early stages of industrialisation, a key role of the state was protection of infant industries through tariffs and other means.

In the later stages of industralisation, the nature of State intervention in the market must change and become functional, institutional or strategic:

(a) Functional intervention seeks to correct market failures in so far as prices give the wrong signals. Situations requiring intervention include overnight speculative booms in the foreign exchange market, in real estate or the stock exchange that has no basis in the real economy.

(b) Institutional intervention seeks to govern the market. It sets the rules of the game for players in the market by creating regulatory frameworks and institutions to monitor the functioning of markets. For example: trade policy reform must ensure that import liberalisation is matched by anti-dumping rules; privatisation of public transport requires safety rules; industrial deregulation requires anti-trust laws.

(c) Strategic intervention seeks to guide the market, to attain broader long-term development objectives. Examples include:

* a strategic exchange rate policy with deliberately undervalued exchange rate to provide an entry into the world market for manufactured goods (Japanese cars and cameras and Korean cars illustrate this strategy);

* the structure of interest rates may be a strategic instrument for guiding the allocation of scarce investible resources and credit in accordance with long-term perspective of comparative advantage or national priorities.

* Restrictions on use of foreign brand names as a strategic means to buy time to develop brand names.

In this manner, State intervention may be an integral part of any industrialisation strategy that strengthens capabilities and develops institutions rather than rely on incentives and markets alone. Strategic intervention complements rather than thwarts the initiative of local industralists.

Another recent study on "Liberalisation and Globalisation: Drawing Conclusions for Development", published by the South Centre (1996), also draws on the East Asian experience to show that the successful industrialisers relied on protectionism (rather than the free market or trade liberalisation) to industrialise. Japan, South Korea and Taiwan implemented "strategic integration" in the world market, involving "varying degrees of integration in different spheres and over time, according to what would best serve the aims of national economic and social development."

7. EFFECTS OF LIBERALISATION IN THE NORTH

If the liberalisation model, globalised through structural adjustment and partly through the WTO Agreements, has led to such important problems in many developing countries, what has its record been in the North, where the model originated and where it is centred? The answer is that the economic and social record of liberalisation and globalisation, since 1980, has also been poor in the developed countries.

Firstly, the growth record of OECD countries since 1980 has been poorer compared to the 1950s and 1960s (South Centre 1996). Average OECD growth was nearly 5 percent a year in the 1960s, 3.2 per cent between 1981 and 1990 and about 1.5 percent in 1991-94. The lower growth of the 1980s and 1990s coincided with the deregulation of the industrial countries' internal financial, product and labour markets, and with the liberalisation of their regulations on international capital movements and trade.

Secondly, there has been a massive growth in unemployment and job insecurity. By 1994, around 35 million people were unemployed in the OECD countries, or 10 per cent of the labour force. In Western Europe the unemployment rate rose from 2 percent (1961-70) to 7.4 percent (1981-90) and 10 percent (1993). The gap between rich and poor has widened; in the US real wages have not increased for nearly 20 years and wages of blue-collar workers have fallen most years since 1973.

There has also been a trend decline in OECD productivity. Between 1980 and 1995, growth in real per capita output rose only 2 percent a year, compared with nearly 4 percent a year during 1950-73. There has also been far greater instability in terms of output, employment and interest rates fluctuations in recent years.

The only positive development is the lower inflation rate (about 3.8 per cent a year for G7 countries in 1983-93).

According to South Centre's analysis, the poorer OECD performance was caused by the change in the social-economic model of the leading industrial countries. In the 1950-73 period, these countries had a "golden age" with nearly 5 percent growth a year. This period coincided with a model of economic development, called the "social market economy" based on social consensus and a "compact" between workers, employers and government. Governments were committed to full employment through fiscal and monetary policies; employers were committed to share the fruits of growth with labour and contribute to funding social security through the welfare state; and workers' organisations undertook to practise wage restraint in return. At the international level, there was cooperation and orderly trade and monetary arrangements under US leadership.

In the late 1970s, the model was abandoned. The US led the move among industrial countries towards restrictive monetarism. The full employment commitment was abandoned in favour of the fight against inflation as first economic priority. There has been a general movement in the North towards a free-market model, with deregulation of financial and labour markets, privatisation, and a dismantling or weakening of social security and the welfare state. This change in model, in the South Centre's analysis, was mainly responsible for the worsening performance.

According to UNCTAD (1995), the restrictive monetary policies of the last two decades shunted the Northern economies into low-growth paths in which low demand growth and low potential output growth fed back into one another, creating a weak economic growth dynamic. Restrictive monetary policies and financial deregulation also pushed up interest rates to historically high levels. Financial deregulation also made interest rates and exchange rates more unstable and this was reflected in increased volatility in consumption, exports and imports. The uncertainty created by volatility discouraged private investment.

8. EMERGENCE OF ALTERNATIVE DEVELOPMENT STRATEGIES

The review of structural adjustment policies, and of the liberal "free-market" model in general, shows that a reconceptualisation of development strategies is required, and that alternative approaches approaches are needed. An important issue is whether developing countries will be allowed to learn lessons from and adopt key aspects of these alternative approaches. For this to happen, the policy conditions imposed through structural adjustment have to be loosened, and some of the multilateral disciplines on developing countries through the WTO Agreements may have to be reexamined.

A major impetus for rethinking the orthodox liberal economic model is the growing awareness that the successful East Asian developing countries did not follow these orthodox policies, and that on the contrary it was the strong economic and social role of the state (and not a laissez-faire policy of leaving it to the market) that was the foundation for their successful model, at least until the financial crisis that started in 1997. The crisis exposed the extreme dangers of rapid financial liberalisation which the East Asian countries had also undertaken. It also showed up the fragility of local corporations that borrowed too heavily for investments in sectors (such as construction and real estate) that were over-developed, and of the banks that lent to these corporations. However, despite the severe setback faced by East Asia, many of the region's development policies are still of relevance for the positive lessons they provide. The rapid recovery of the region from the depths of economic depression has also revived interest in the policy models of various countries that had produced prolonged high growth, in contrast with other developing countries. It should be kept in mind that the East Asian strategy is only one example of possible alternative non-orthodox models.

Besides the weaknesses shown up by the financial crisis, the East Asian models also have other limitations. East Asian countries, whilst attaining success (at least until the 1997 financial crisis struck) according to conventional criteria such as GDP growth, export performance and employment creation, have not distinguished themselves in terms of environmentally-sound sustainable development. Nevertheless, the East Asian strategy serves an important function in demonstrating that in countries where there is an absence of a debt crisis, and of having to follow externally-designed structural adjustment programmes, and did not follow the orthodox free market route, were able to succeed using models of development that combined the roles of the state and the market in complementary ways. The fact that some of these countries' economies plunged into deep recession after they entered debt crises and also after having to follow IMF structural adjustment policies in a way demonstrates that remaining free of debt crisis and of the IMF's policies is a pre-condition for successful growth. There are therefore many rich lessons to be gained from this experience, for the contrast it shows to the liberal/structural adjustment model, and for the elements of policies that could possibly be replicated by other countries.

A research project undertaken by UNCTAD in the mid-1990s on the East Asian experience has thrown some light on the dynamics of the region's development process and the lessons. The conclusions of the study are found in various UNCTAD documents (especially the Trade and Development Report 1996). An UNCTAD seminar on "East Asian Development: Lessons for a new global environment", was also held in Kuala Lumpur in February 1996, to present the results of the research. Although the study was conducted before the financial and economic crisis of 1997-99, nevertheless it has drawn some important conclusions, the value and relevance of which are still valid.

The UNCTAD seminar saw the emergence of a new paradigm of analysis on what it takes to get development going, in a challenge to the dominant thinking that relying on the "free market" would best lead to growth. Economists taking part in the project concluded that successful development requires an active role for the state and that without this, merely relying on market forces would not help poorer countries.

The seminar reached the following core conclusions:

* The success of East Asian economies was due not to following free market policies but to strong state intervention in the economy and government policies to foster industrialisation;

* East Asian economies have very high savings rates, which are converted into high investments that in turn explain the high growth rates;

* There is a unique relation between the public and private sectors, where governments facilitated high savings and profits, whilst corporations invested a large part of profits instead of distributing them as dividends;

* Foreign investments play an important initial role, but for sustained growth, it is essential that the capacity of domestic firms be built up.

- Whilst the initial phase of industralisation can be fired by exports of labour-intensive low-skilled manufactured exports, a country must quickly move on to higher stages of technology and industry based on higher value-added and higher-skilled activities.

Besides the above, there are wider lessons of the East Asian experience for development theory and policy. For two decades, the World Bank and IMF have been advocating "free market" policies for developing countries under the structural adjustment policy (SAP) framework. Underlying the policies is the belief that governments should divest themselves from economic activity and from having interventionist policies to direct the economy, to protect or promote local firms or to build up national capacity.

It was assumed that if the state allowed market prices to be set right and companies were allowed to function without state interference or intervention, then the economy would become more efficient and growth would follow. But following the SAP approach, many developing countries (especially in Africa) failed to attain adequate growth and are still trapped in poverty.

East Asia's high growth resulted from a crucial role by the state in mobilising savings, directing investment, disciplining and fostering the private sector, having an active industrial policy and devising mechanisms to deal with marginalised groups. This is contrary to the orthodox SAP or free-market approach that preaches a minimalist role for the state and free rein to be given to the market. The emerging paradigm's central message is that when national economic capacity is weak to begin with, the state's role is to actively help build up that capacity and not leave it to the market and private sector to do it themselves, for then it is possible or likely that there would be no development.

Thus, the larger East Asia lesson is that there are and can be successful alternatives to structural adjustment and to the liberal-market model. East Asia has proven that the SAP model is not the only one that works, that in fact East Asian countries attained high growth because they did not follow the SAP approach, and that therefore SAP cannot be taken as a model for each and every country (as its proponents have advocated).

Just as SAP is one model for development, so too should the East Asian experience be recognised as a different model, and one which arguably is much more successful than the SAP model. Such a conclusion may have been clouded by the subsequent financial crisis engulfing many of the East

Asian countries. Nevertheless, the East Asian experience had shown that there is no necessity for developing countries to be dominated by a single top-down and imposed socio-economic model and that instead t there is a spectrum of different socio-economic models of development, some of which may differ from the orthodox and may be more successful.

Of course, by no means should the East Asian model or "models" be seen as panaceas, for that would be to repeat the SAP mistake of prescribing one specific set of policies for universal use. Indeed there are also several weaknesses to the East Asian model, and many constraints for other countries seeking to replicate it.

Among the weaknesses are that: (a) Whilst most of the countries have integrated trade liberalisation into their economic policies successfully, they failed to consider the risks involved in rapid financial liberalisation, thus opening the road to the rapid build-up of short-term foreign debt by local companies and banks. When the exchange rate depreciated sharply, the local enterprises were unable to service the loans as some of the countries did not have sufficient foreign exchange to service the foreign debt. Thus, an important lesson is that it is not enough to have appropriate policies and rates of liberalisation in the area of trade; it is just as essential (or more so) to have the correct policies in the degree and type of opening up to financial markets and operators. (b) The model basically follows the same route of industrialisation and commercialisation adopted by countries of the North. This model has been criticised as being "unsustainable" from a global environmental and social perspective. The East Asian "success stories" are in fact replicating the "unsustainable patterns of production and consumption" criticised in Agenda 21 for using up the world's resources; (c) Within the East Asian countries, there is also major ecological deterioration as a result of rapid growth based on environmentally insensitive patterns; (d) In many East Asian countries there is a significant degree of corruption and patronage. This leads to some policies and practices in both the public and private sectors that are adopted which are not based on efficiency or merit, but on other grounds, thus leading to a higher degree of inefficiency and wastage than would otherwise have been the case. (e) The quality of construction and infrastructure in many cases has been poor, resulting in collapses of buildings, highways and bridges, and to landslips and hill erosion; (e) Some East Asian corporations are increasing their overseas investments; the environmental record of some of them has been severely criticised.

Whilst many lessons can be gleaned from the East Asian models, their replicability is constrained by several factors, including the limited total flow of FDI (which means that if FDI were much more evenly distributed, a recipient country might on average obtain a much smaller amount than some East Asian countries have been receiving); the limited world export market (which limits the amount each country can export, even if it intends to be more export-oriented); and the new disciplines in the WTO such as the TRIMS and TRIPS agreements which may hinder local industrial and technological development.

A great value of the East Asia experience is that it illustrates that successful growth (of the conventional type) does not require following the SAP model, and that indeed following the SAP prescription is likely to hinder or obstruct growth and development. SAP and East Asia are only some of the possible models. Allowing for a diversity of these models to co-exist, and to recognise that this is valid and even desirable, would free the developing world from the constraints of having

to follow unsuitable orthodoxy and economic fundamentalism.
There is also increasing work being done on developing economic and development approaches that are based on the principles of sustainable development. It is crucial that the research in this area is increased, and also that examples of components of successful implementation of sustainable and human development policies and approaches are identified and that lessons be drawn from these. The emerging "sustainable and human development" paradigm could then contribute to the debate on appropriate macroeconomic policies; the appropriate relations between state, markets and people; and appropriate development styles and models.

PART 5: THE WTO AND THE ERA OF TRADE AGREEMENTS

1. THE WTO AND THE INSTRUMENT OF TRADE AGREEMENTS

The newest and perhaps most important phenomenon in the globalisation process is the emergence of trade agreements as key instruments of economic liberalisation and as mechanisms used by the major countries to have disciplines and rules placed on developing countries in a wide range of issues. Trade agreements, that are legally-binding and have strong enforcement capability, have become the most important vehicles for disseminating and implementing economic and social policies across the world, policies that have been planned by the few developed countries for developing countries to follow. The World Trade Organisation, which is the organisation of the multilateral trading system, has in fact become the main vehicle of choice of industrialised countries for organising and enforcing global economic governance.

At the regional level, trade agreements are also proliferating. NAFTA is a prototype of a regional legally-binding agreement involving North and South countries, and its model may be extended to South America; APEC is another model with both North and South countries, but without being ruled by a legally-binding agreement; the European Community is of course the main example of a legally-binding regional agreement among developed countries. Regional trade arrangements among developing countries (such as ASEAN, SADC and Mercusor) have also emerged or are also evolving.

However, the WTO is by far the most important institution for evolving and implementing trade agreements. The Uruguay Round, vastly expanded the scope of the multilateral trade system so that it no longer deals only with the conduct of trade in manufactures. Its scope expanded to cover trade in agriculture; trade and investment in services; and beyond trade issues into intellectual property rights and investment measures. Moreover it directed that the new issue of trade and environment be discussed at committee level in the WTO. The change-over from the old GATT to the new WTO with expanded powers and jurisdiction marked the arrival of the age of trade agreements in a new phase of the globalisation of policy making. Due to the extension of issues beyond trade into other areas such as intellectual property, investment and investment measures, and the environment, the WTO is no longer only a "trade" organisation. "Trade" in the context of the multilateral system has become a code-word to include all issues that have come or may come under the purview of the WTO. Moreover the WTO agreements have the most significant implications for non-economic matters; for example the WTO services agreement and the specific agreements on communications and information technology will have far-reaching effects on the culture of countries around the world.

The vastly increased scope of "trade agreements" through the Uruguay Round and now beyond it to the current negotiations in the WTO on a new package of issues has tremendous significance for the shaping of national economic and social policies, for the scope of development options, concerns over equity and marginalisation, and national sovereignty. It is thus crucial to understand the meaning and mechanics of this new era of trade agreements.

The conclusion of the Uruguay Round (UR) was heralded in the mainstream global media as a major triumph for the international economy and a boon for all countries. It is clear however that the results are at best mixed for some developing countries and for many others (especially the poorer countries) the UR is likely to have an overall negative effect that will further drain their economic resources. For all South countries, the Round will also foreclose a wide range of development options.

In a sense, the UR complements what structural adjustment programmes (SAP) are achieving. The Round will lead to a very significant external liberalisation of many sectors and facets of the domestic economy of all the developing country members of the WTO. Structural adjustment affects about 80 indebted developing countries facing repayment problems. Should some of these countries get out of debt crisis and no longer require SAP loans, or should there be a change of government or government policies, the SAP policies can be changed or reversed.

However, once a country's government has signed on to the UR agreements and enters the WTO, that country is obliged to follow the WTO rules. Domestic laws and policies in a wide range of areas have to be changed to bring them in line with these rules. According to several analyses, the UR agreements will severely restrict or constrain the possible policy options in many areas. Non-compliance of the rules can result in complaints being brought against a country, and the threat of trade penalties and retaliation through measures affecting trade and other activities. Due to the "single undertaking" nature of having to sign on to all the multilateral agreements of the Round, and to the "integrated dispute settlement system", countries also risk having "cross-sectoral retaliation". At the extreme, non-compliance can also lead to expulsion from the WTO, and thus the loss of the automatic "most-favoured nation" status granted to a WTO member by all other members. The WTO system has thus a powerful system for obtaining compliance from member countries. It is the organisation with the strongest "bite" in getting its legally-binding rules enforced. Thus, signing onto a WTO agreement is a very serious undertaking. In contrast, signing onto a UN Declaration, even a UN Declaration of over a hundred heads of government, has little enforcement possibility and becomes only a moral commitment.

It would be very difficult, if not impossible, for a developing country Member to change the WTO rules, or to avoid compliance of obligations. The disciplines of the WTO are legally binding on present and future governments. Once the WTO agreements come into force, it would be difficult for a present government to have economic policies relating to foreign trade, investment, sectoral policies in services and agriculture, or technology policy (*vis-a-vis* intellectual property rights) that are in violation of WTO rules. Moreover, the rules are binding on future governments as well.

Thus, should a present opposition party have a different economic programme, it would find it difficult or impossible to implement it (should it come to power) if this were to contradict the WTO rules. In this way, policy options have been significantly narrowed, for a country's policies would have to be made (or changed) within the boundaries of what is permissable by the WTO Agreements.

2. THE IMBALANCED AND INEQUITABLE OUTCOME OF THE URUGUAY ROUND

The Uruguay Round negotiations that gave birth to the WTO resulted in a package of Agreements that were on the whole imbalanced and inequitable in favour of developed *vis-a-vis* developing countries. Various aspects of the asymmetries and disadvantages to developing countries have been brought out in several studies (for example, Raghavan 1990, 1995; Das 1996, 1997; South Centre 1995; Dubey 1995; Nayyar 1995; G. Corea 1995; Shahin 1996).

According to Raghavan (1995): "From the perspective of developing countries generally (and more so of their poor and disadvantaged sections), the new trade order under WTO has more negative than positive features. And while it could be beneficial as a rule-based system (depending on how the major industralised countries implement it in letter and spirit), the rules in some areas of obligations for the majors are ambiguous and vague, while those relating to developing countries are specific and quite onerous such as in the field on TRIPS, where the original purpose of intellectual property rights (namely, rewarding innovation while ensuring disclosure and sharing of knowledge for enabling further innovation), has now been overtaken by attempts to cater to the greed of the corporations and safeguarding their investments through monopoly retntier incomes."

A recent and comprehensive study by B.L. Das (1997) concludes that the Uruguay Round "has been a unique negotiation in which most of the concessions have been made by developing countries without getting anything but meagre concessions in return. It is not because the negotiators or trade policy officials of developing countries ignored the interests of their countries...The results are in fact characterised by the massive gap between the economic and political strengths of developed and developing countries." The study analyses the severe overall imbalance in concessions made by South and North and how the recent trend in WTO enhances the imbalance. It then examines the imbalances and deficiencies in various areas: the dispute settlement system, market access, balance of payments and safeguards; subsidies and dumping; specific sectors like agriculture and textiles; the new issues of services, and IPRs; neo-protectionism; and commitments of developed countries.

Referring to the WTO Agreements, Nayyar (1995) states: "It would seem that the institutional framework for globalisation is characterised by a striking asymmetry. National boundaries should not matter for trade flows and capital flows but should be clearly demarcated for technology flows and labour flows. It follows that the developing countries would provide access to their markets without a corresponding access to technology and would accept capital mobility without a corresponding provision for labour mobility. This asymmetry, particularly that between the free movement of capital and the unfree movement of labour across national boundaries lies at the heart of the inequality in the rules of the game for globalisation in the late twentieth century. These new rules, which serve the interests of transnational corporations in the process of globalisation, are explicit as an integral part of a multilateral regime of discipline."

A significant critique of the Uruguay Round outcome was also made in 1994 by Luis Fernando Jaramillo, then Chairman of the Group of 77 in New York and Colombia's permanent representative to the United Nations. In a speech after the Round's conclusion, he stated: "The Uruguay Round is proof again that the developing world continues to be sidelined and rejected when it comes to defining areas of vital importance for their survival. The Third World confined itself to a role of passive spectator of the decisions adopted...The countries of the Third World have been put in a situation in which they already paid the price of accepting the new terms in different areas of interest for the industrialised countries, without obtaining in exchange satisfactory conditions of market access...According to some estimates, the industrialised countries, which make up only 20 percent of the GATT membership, will appropriate 70 percent of the additional income that will be generated by the implementation of the Uruguay Round. It would seem that this does not allow one to conclude that the Uruguay Round will translate into a positive balance to developing countries...Unquestionably, the developing countries are the losers both individually and collectively."

3. THE URUGUAY ROUND’S COMBINATION OF LIBERALISATION AND PROTECTIONISM

It is a mistaken notion that the Uruguay Round was set up to promote liberalisation overall. As pointed out by Nayyar, the main asymmetry in the Round's results was the liberalisation of those areas which are of benefit of the major countries, whilst protectionism was given a major boost in the area of technology and IPRs, and liberalisation of labour services (proposed by some developing countries) was unacceptable to the North.

When the Round began in l986, many Third World countries were strongly resisting the Northern countries' push to expand GATT's powers into "new areas" such as services, investments and intellectual property rights. Up to then, GATT's jurisdiction was only in keeping the rules in trade in manufactured goods. The Southern countries were rightly concerned that the North was interested in liberalising economic areas in which they had an advantage, where their corporations could penetrate and capture new markets which till then had been relatively protected by Southern governments.

This was certainly the case in services, a fast expanding sector, with transnational enterprises ranging from banking and insurance to motion pictures eagerly awaiting the removal of barriers to their advance into Third World markets.

The negotiations over "trade-related investment measures" (TRIMS) were similarly initiated by the North to pressurise Third World governments to give up their powers to impose conditions on the entry and operations of foreign companies. The "liberalisation" of investments would clearly benefit the North, where most transnational companies are based. The South was concerned that with only weak restrictions permitted to be placed on these big corporations, the smaller-scale

domestic businesses may not survive the onslaught of foreign investments.
On the other hand, when it came to the subject of technology transfer, the North took an aggressively anti-liberalisation stance and instead pushed for all GATT members to compulsorily introduce a standard set of national laws to protect "intellectual property rights". Since most patents are owned by transnational companies, this in effect meant the legal protection of technological monopoly by these Northern-owned firms, and a drastic curtailment of possibilities by the South to learn and use new technologies.

The North's motives for introducing "trade-related intellectual property rights" (TRIPS) in the Round were to enable their firms to capture more profits through monopolistic higher prices, and through royalties and the sale of technology products; and to place stiff barriers preventing the technological development of potential new rivals from the South.

The Northern push in TRIPS proved that "free trade" and "liberalisation" were only nice slogans waved to move the Round forward. The reality was "liberalisation if it benefits me, protectionism if it benefits me, what counts is my commercial interest."

Although in the early and middle stages of the Round, several Third World countries (including the influential India and Brazil) put up a stiff resistance to the Northern push and interpretation of the "new areas", by the final two years the Southern fight had melted, and in the end the Round adopted texts to protect IPRs, liberalise services and prohibit trade-related investment measures. All three issues have thus become integrated with trade in manufactured and agricultural goods, and all now fall under the jurisdiction of WTO.

In effect the Uruguay Round has most benefitted the transnational corporations. The "free trade" so much bandied around by the proponents of the Round has come to mean, in reality, the vastly expanded freedom and powers of transnational corporations to trade and invest in most countries of the world, whilst correspondingly governments now have significantly reduced powers to restrict their operations; and at the same time, these corporations have "freedom" from potential new competitors whose possibilities to develop technologically are now curbed by intellectual property provisions in TRIPS. The big companies, which were the powerful lobbies behind the Northern governments propelling the Round from start to end, have won many more rights without having to meet new obligations: indeed, previous obligations they may have had to observe are now dropped.

4. OUTCOME OF WTO AGREEMENTS FOR DEVELOPING COUNTRIES

On the whole the Round has benefitted the rich industrial nations, and some developing countries (mainly the more advanced ones) whilst many countries (especially the LDCs and weaker economies) have lost out. It is simply not true that "we are all gainers, there are no losers", as some leading proponents of the Round would have it. Some have gained more than others; and many (especially the poorest countries) have not gained at all but may well suffer severe loss to their ecnoomic standing.

The Uruguay Round outcome is expected to bring some benefits to those developing countries able to take advantage of certain changes. A lowering of Northern countries' industrial tariffs will benefit those Southern countries with a manufacturing export capacity. The planned phasing out of the multifibre arrangement will have positive effects on textile-exporting Southern countries. (However, textile-exporting developing countries are disappointed and frustrated that due to end-loading of the implementation schedules of developed countries, the benefits accrue mainly only at the end of the ten year phase-out period). The reduction of agricultural subsidies would improve the market access of those Southern countries that export agricultural products.

These benefits will mainly accrue to the better-off developing countries that already have an export capacity. The weaker countries (and especially the least developed countries) would not be able to benefit, or to benefit much, from these. Several countries (especially in Africa, but also including Indonesia) are projected to suffer absolute losses as a result from the Round agreements. The benefits (which fall significantly short of what had been requested by the developing countries) will also take a long time (10 to 20 years) to come on stream, whilst the problems of compliance are already being felt by developing countries, especially the poorer ones. The LDCs will be particularly hit. At the UNCTAD's Trade and Development Board session in October 1996, the Secretary of the Bangladesh Commerce Ministry, Mr. Farouk, speaking on behalf of the LDC group, said the LDCs are not yet well placed to take advantage of the Uruguay Round's opportunities. He added: "In fact, the opportunities for LDCs stemming from the Uruguay Round are expected to be indirect and would perhaps materialise in the long run. In contrast, the challenges arising out of it are more immediate." This, he said, was due to four reasons: erosion of preferences; limited number of exportable items resulting in their inability to participate effectively in global trade; higher prices for import of food, pharmaceuticals and essential capital goods; and increased administrative cost of compliance with their Uruguay Round obligations.

In exchange for some uneven benefits in the Uruguay Round, the South as a whole has had to make major concessions, especially in agreeing to bring in the new issues of services, investment measures and intellectual property rights, into the GATT/WTO system.

For particular groups of Southern countries, the UR will also result in specific problems. For instance, the agriculture agreement could have severe negative effects on some Third World countries. Most of them (excepting the least developed countries) will also have to reduce domestic subsidies to farmers and remove non-tariff controls on agricultural products, converting these to tariffs and then progressively reducing these tariffs. This will impose competition on the domestic farm sector. Farmers unable to compete with cheaper imports may not survive. Agricultural liberalisation will also raise world food prices, which may benefit food exporters but about 100 Third World food importers will face a higher food import bill and are likely to be among the biggest UR losers.

The UR also for the first time brought services into GATT, and liberalisation of services will be an important part of the WTO's agenda. Although the framework of the Services Agreement does not oblige countries to conduct blanket liberalisation, as liberalisation will be on the basis of a listing of positive offers, there will of course in reality be far increased pressures for liberalisation. In many Third World countries, the services sector is relatively shielded and local enterprises in banking, insurance, trade, the media and professional services have been able to develop. It is feared that under the pressures of liberalisation, the Northern TNCs involved in services will make further

inroads and in some countries may come to dominate some of the services.
The South's collective loss was most acutely felt in the agreement on TRIPS (trade related intellectual property rights) through which countries are obliged to introduced IPR legislatiion similar to Northern standards. This will hinder Southern countries' indigenous technological development. It should be noted that the present industrial countries did not have patent or IPR laws, or laws as strict as will now be imposed through TRIPs, during their industrialising period, and this enabled them to incorporate technology design originating from abroad in their local systems.

It will also give rise to increasing technical payments such as royalties and license fees to TNCs owning most of the world's patents.

The new IPR regime will also have significant impact on raising the prices of many products. By restricting competition, the IPR rules will enable some companies to jack up prices of their products far beyond costs and thus earn rents in terms of monopoly revenues and profits. This is clearly seen in the case of computer software. Also, most Third World countries have exempted agriculture, medicines and other essential products and processes from their national patent laws, but with the passage of TRIPs, everything is subject to IPRs unless explicitly exempted. The prices of medicines are expected to shoot up in many countries, and foreign drug sales will increase rapidly at the expense of local products.

The TRIPS agreement also opens the door to the patenting of lifeforms such as microorganisms and modified genetic materials, thus providing the boost in incentives so much desired by the biotechnology industry. Many environmentalists are concerned that this will be detrimental to the global environment as the present lack of controls and accountability in biotechnology research and application will likely accelerate biodiversity loss and could threaten natural ecosystems.

For plant varieties, TRIPS does permit countries the option to either introduce patents or an alternative "effective" sui generis system of intellectual property protection for a trial period of four years, after which the agreement will be reviewed. Many farmers' groups (especially in India, where huge farmers' demonstrations and rallies have been held against GATT) and environmentalists are concerned that in the end Third World farmers will be disallowed the traditional practice of saving seed for the next season's planting (if the seed used is under the intellectual protection of a company) but forced to purchase the seeds.

In the next few years, these farmers and their supporters may argue the case for a sui generis system to protect their rights as an alternative to corporate intellectual property rights, and it will be interesting what Northern governments and the WTO consider to be "effective" in protecting intellectual property rights.

In the area of TRIMs (investment measures), the most important point is that national policies relating to foreign investments have also now begun to come under the ambit of the GATT/WTO system. Originally the Northern countries proposed that foreign companies be given an automatic "right to establishment" or "commercial presence". This would have given rights to foreign companies that were attained by the colonisers through war and bloodshed in the colonial era.

Eventually the objections of some developing countries prevailed.
In the final TRIMS agreement, "investment measures" such as local content (obliging foreign firms to use at least a specified minimal amount of local inputs) will be phased out. This of course has serious enough implications in terms of prohibiting measures that promote local industry and greater linkages to the domestic economy, and that protect the balance of payments. Just as significant, once the area of "investment" has been brought into the ambit of the WTO, even if only in relation to investment measures (which had already been part of the old GATT rules), it could be easily predicted that the Northern governments would soon resume their pressures to bring in the whole body of "investment policy per se" into the WTO framework. This has now happened, with the current intense pressures by the North to establish a new Multilateral Investment Agreement in the WTO.

5. DANGERS OF THE PROLIFERATION OF "TRADE RELATED ISSUES"

In the recent post-Uruguay Round period, the developed countries have intensified the pressures to incorporate more and more issues which are to their advantage into the WTO. Developing countries, on the other hand, are unprepared individually or as a group, for these new negotiations. It is likely that the WTO will be used for implementing more and new rules that would be detrimental to the interests of the South, unless officials and political leaders in developing countries prepare themselves much better and defend their interests more effectively in the current and future WTO negotiations.

Northern government plans to link trade (and the possible use of trade measures and sanctions as enforcement mechanisms)) to several economic and non-economic issues in ways that are to their advantage. Trade and environment is already being negotiated under the WTO's Committee on Trade and Environment. There have been strong attempts by some Northern governments (especially the US and France), under pressure from trade unions, to link trade with labour standards in the WTO. It is likely that a wide range of other issues, such as human rights, tax systems, cultural behaviour, will also be sought to be linked to trade measures in the WTO in future.

The linking of issues to the possibility of sanctions under the device of attaching a "trade related" prefix to the chosen topics was successfully used in the Uruguay Round to inject IPRs (through a trade-related intellectual property rights agreement) and investment issues (through a trade-related investment measures agreement) into the GATT/WTO system. The justification for introducing these issues was that they were "related to trade." In fact, the real objective was to link the chosen issues to the threat of "trade retaliation and penalties" for non-compliance of disciplines. The device of bringing in new topics by alleging that they are trade-related has continued to be used in on-going WTO negotiations. In fact the pretence of being directly trade-related is no longer even necessary and may unnecessarily restrict the scope of the issues being introduced. The prefix "trade-related" has now been dropped in proposals for these new issues, which are now sought to be brought into the trade arena through simply using the word "and", as in "trade and environment", "trade and labour standards" and "trade and investment."

The device of linking trade with other issues (when the intention is really to link the dispute settlement system of the WTO to new policy areas) is being increasingly used for the purpose of further opening up Third World economies or to reduce their competitiveness in the scramble for world market shares. The WTO could also be used as an instrument to shift a great portion of the burden of future global economic adjustment (for instance, because of environmental imperatives) to the South, which presently has a a very weak bargaining and negotiating position in the WTO forum.

Indeed it is precisely because the South is so weak in the WTO arena, coupled with the fact that the WTO carries the power of "bite" in the form of trade retaliation mechanisms, that this institution has been chosen as a vehicle to institute reforms favourable to the North.

6. THE NORTHERN INITIATIVE FOR A MULTILATERAL INVESTMENT AGREEMENT

By far the most important "new issue" being promoted by Northern countries in the international arena is investment policy per se. What was dropped in the Uruguay Round TRIMS negotiations, as a result of strong opposition from the South, is now being pushed with tremendous energy and resources. The investment initiative has been promoted in two fora: the WTO and the OECD.

The objective is to establish an international agreement that widens the rights of foreign investors far beyond the current position in most developing countries, and to severely curtail the right and powers of governments to regulate the entry, establishment and operations of foreign companies and investors. This initiative is currently also one of the most important development in attempts to extend the scope of globalisation and liberalisation.

The agreement, termed the Multilateral Agreement on Investments (MAI) in the OECD, was being negotiated by the 28 members of the OECD. The intention was that non-OECD countries (who were not invited to participate in the negotiations) would also be invited to also join. However, due primarily to public protests by NGOs in both the North and the South, which weakened the resolve of some of the OECD governments, the MAI negotiations were called off at the end of 1998.

In 1995 and 1996, attempts were also made to introduce an investment agreement in the WTO, particularly by the European Union. Due to growing opposition to such an MAI by many developing countries, the Northern countries instead proposed a "study process" in the WTO to examine the links between trade and investment. They enlisted the support of some developing countries. This was endorsed by the WTO Ministerial Conference in December 1996, which established a new WTO working group to examine the relationship between trade and investment. In the working group, the proponents are advocating for upgrading the study process to negotiations that would lead eventually to an investment agreement.

The process began in the WTO in March 1995, when the EU held a briefing for several Third World trade diplomats in Geneva, where it circulated an EC paper, "A level playing field for direct investment worldwide". It is clear from this paper that the proposed agreement would oblige signatory governments to:

** Grant free access for foreign investments. Foreign firms will have the right to enter and establish themselves, with 100 percent equity, in all sectors and activities except security.

** Grant "national treatment" to foreign investors. Foreign companies would be treated in a "non-discriminatory" way like local firms. Policies that now favour local companies, banks and professionals will have to be changed. Foreigners and foreign firms would have full rights to own land and real estate and to receive government aid, subsidies and contracts, just like locals.

** Take further "accompanying measures" (such as the right to full profit repatriation, changes to tax and company laws to remove existing favourable treatment to locals, etc) so as to create favourable conditions for foreign investors.

The rules being proposed by the EU, and which enjoy support from other developed countries, had thus been resurrected from the Uruguay Round negotiations on TRIMS, where they had been rejected by developing countries as being not relevant to the GATT's mandate.

The proposed rules still go far beyond the current and legitimate concerns of the WTO, which are supposed to be restricted to the trade implications of investment measures. Compared to the WTO's present mandate in investment, which is confined to "trade-related" investment measures, the EU proposal would extend the scope of the issue to national policies, conditions, regulations and operations of foreign investments per se and as a whole. With such an investment agreement, the WTO would no longer be a "trade organisation", but become an agency with the extra powerful function of regulating investments worldwide. This would of course be a very major extension of the WTO's powers. It would also mean the extension and application of the WTO's principles and its system of dispute settlement (including the use of trade sanctions and trade retaliation) to investment policy.

The acceptance of such an agreement would have the most profound effects on the behaviour, operations and effects of foreign investments worldwide, and on each country. Transnational companies would have the greatest freedom and rights to conduct business all over the world, free from the many government regulations they now face. On the reverse side, it would mean that governments would no longer have the right or the power to draw up their own basic policies or laws regulating the entry, behaviour and operations of foreign enterprises in their economies. Existing national laws and policies that now place restrictions on foreigners would have to be cancelled or altered to fit the new multilateral investment treaty.

This would of course have serious implications, since most developing countries now have policies that deliberately seek to promote domestic companies and to protect citizens from excessive control of the economy by foreign firms.

The proposal for an investment agreement attracted a negative response from the international NGO community. A joint NGO statement critical of attempts to introduce the agreement in the WTO, and signed by over 200 groups in 1996, stated: "Such a proposal would abolish the power and legitimate right of states and people to regulate the entry, conditions, behaviour and operations of foreign companies and foreigners in their country. This is a prime and fundamental sovereign right which is essential for any country to determine its own economic and social policies. This is a precious right which is especially vital for developing countries to protect. This is because the domestic sector (comprising local firms, local farms and the public sector) has been weakened through colonialism and still requires a longer period of capacity building.

"The ability to regulate foreign companies as part of economic policy is obviously crucial to enable domestic capacity building which would eventually allow local enterprises to compete successfully in the economy. The removal of the right of developing countries to regulate the area of investments, would effectively close the possibility of domestic economic capacity building."

The NGOs stressed they are not against foreign investments per se, as they recognised that "foreign investment may have a relevant and indeed significant role to contribute in the development process." They however believed that this role has to be placed in an appropriate policy context, which "requires that governments continue to be given the right to regulate the terms and conditions for the entry and operation of foreign investment in the various sectors."

The concerns of the NGOs have much merit. The experience of Southeast Asian countries with foreign investment is illuminating in this context. These countries have successfully attracted large volumes of foreign investments, but the companies have to operate within sophisticated regulatory frameworks. For instance, foreign investors may be welcome in some sectors (manufacturing, oil production) but local firms may be given preference in others (for example, plantation agriculture). Even in manufacturing, there are policies in many countries restricting full equity rights, requiring foreign investors to enter joint ventures with locals. In the sensitive services sector, many developing countries restrict the operations of foreign firms in banking, other financial institutions, media and the professions.

In Malaysia, for instance, the New Economic Policy was formulated to increase the share of Malaysians in equity ownership in the modern sectors. The NEP requires that citizens should own a certain percentage of the shares of companies and restricts the percentage of equity that foreigners can own in various sectors. In 1970, foreigners owned 70 percent of the total share equity. Today the share has fallen to probably about 30 per cent, whilst the share of the Bumiputra community has risen from two to around 20 to 30 percent. There are regulations that require foreign banks and insurance companies to incorporate themselves as local companies; that restrict the ownership by foreigners of houses and land; that limit the scope of operations of foreign banks; and that protect the business of local businesses and professions. It has been argued that without such "social engineering" policies, Malaysia would not have enjoyed the political stability nor the building up of the domestic sector, that underlie the country's socio-economic development.

There are compelling reasons why protection of locals in the area of investment, and the right of countries to regulate foreign investments, is necessary in developing countries:

** Given the colonial legacy, local firms and farms are still too weak in many sectors to compete with large foreign firms. Giving total access to foreign investments would run many local enterprises out of business, leading to loss of jobs and livelihoods.

** To retain a meaningful measure of sovereignty over national resources and economic activity (a principle affirmed by several UN Charters and Declarations), developing countries require the right to limit the degree of foreign ownership overall and particularly in crucial resources (such as land) and sectors (such as finance).

** To avoid a structural problem in the balance of payments, governments should have the ability to regulate foreign investments in such areas as equity share (so that some of the profits will be locally owned and retained), profit repatriation (so that there is sizable reinvestment of profit) and import limitation (to prevent excessive import of capital and intermediate goods).

** To develop local enterprises (including small farmers), governments must have the right to promote their growth through subsidies or preferential policies, at least until such time when they can compete on more equal terms with the larger foreign firms. Removing the right to treat locals more favourably could well foreclose the possibility of domestic enterprise development, and perpetuate or worsen dependence on foreign firms.

** The proposed treaty would also remove from governments the use of a key instrument of macroeconomic, financial and development management.

An additional reason to be wary of having an investment agreement in the WTO is that the WTO is an agency in which trade retaliation or sanctions can be applied against countries that do not live up to their obligations.

The proposed agreement would have the most serious implications for countries which have found it necessary to regulate foreign investments and to promote the growth of local firms. "Trade and investment" is therefore not a "technical trade issue" that can be left to trade officials on the negotiating field alone to handle. It is primarily an issue with great economic, social and political significance, as it will have such an important bearing on economic sovereignty; ownership patterns; the survival of local enterprises, businesses and farms; employment prospects; as well as social and cultural life.

The proponents argue such rules are the best way to promote the entry of foreign investments into the South. Most developing countries indeed are trying their best to attract foreign investors. The issue however is not the desirability or otherwise of foreign investments. It is about the right of governments and peoples to choose the pattern and ownership of investments they want for their country, and in that context, the type of foreign investment they welcome, in which sector, and under what conditions. The power to regulate foreign investment, to obtain better terms and benefits from them, and the right to enact policies to aid the weaker local firms is essential to any country that wants to have a critical minimal degree of control over its economy and social life.

It should come as no surprise why the industrialised countries are putting great efforts and pressure on this issue. They would like their companies to be able to operate much more freely in developing countries, and thus are asking that current restrictions and regulations be removed.

Gaining access to the resources and markets of the South, and to the right to invest and operate in the developing countries, has been a major strategic objective of the governments and companies of the North.

It was this objective that largely prompted the takeover of the Third World's territories in the colonial era. The Opium Wars in China for instance were sparked by British insistence on the right to sell opium to China; they led to the progressive opening up of China not only to trade but to investment rights to imperial powers and to loss of territory, for instance Hong Kong. The Chinese termed the "peace agreements" of the Opium Wars as "the unequal treaties."

It was the need to recapture control over resources, and to have national policies in favour of domestic rather than foreign interests, that spurred the anti-colonial struggles that finally led most colonies to win independence. It would thus be a great irony if the ex-colonial master countries were to succeed yet again to gain rights for their companies to establish themselves and dominate the economies of the former colonies, this time not through military conquest but through the device of a treaty to be agreed to by all parties. This would be the modern version of the "unequal treaties", with possibly the same disastrous effects on many countries.

For it is likely that if governments are not allowed the powers to impose regulations on foreign companies, or to give a helping hand to domestic companies, then the bigger foreign firms will overcome the local ones and win an increasing share of the domestic as well as international markets. The irony would be all the greater should the developing countries agree to such rules without clearly understanding their full significance.

Seeing that there is growing resistance to initiate negotiations on a MIA, in the latter part of 1996, the MIA proponents watered down their proposal to begin an "educative process" in the WTO, with no commitment that there be negotiations for an agreement. At the WTO Ministerial Conference in December 1996, this was accepted, and a working group has been created to examine the trade-investment relationship, without any obligation that this would lead to negotiations for an investment agreement.

Based on the recent record of negotiations on new issues in the Uruguay Round, there is a strong possibility that once an issue is accepted as within the competence of the WTO, even for an educative process, there will be strong pressures that this would proceed into negotiations and a treaty. The pressures within the WTO towards rule-making make the WTO an unsuitable forum for an "educative process", since there would be an atmosphere of tension, fear and suspicion.

As some developing countries at the WTO (and many NGOs) argued, a more suitable forum for discussion and an educative process would be the UN, where the issue can be seen in its many facets (especially the development dimension), and not only from the perspective of rule making and the trading system. At the UNCTAD-9 Conference in Midrand in May 1996, UNCTAD was given the mandate to discuss the issue of trade and investment and the implications of a MIA, at intergovernmental level. Thus, for the next few years, discussions and an educative process could take place at this forum. Arising from such a process, the role of the trading system can be better clarified.

Nevertheless the case against a study process in the WTO did not succeed, and the working group on trade and investment will now be established. Developing countries have to prepare well for the forthcoming negotiations, or else they may be overwhelmed by the intense pressures of the developed countries.

7. THE SINGAPORE WTO MINISTERIAL CONFERENCE OF 1996

(a) The Preparatory Process

The WTO's first Ministerial Conference was meant to be a "review conference", in which members were supposed to review the Uruguay Round results three years after its conclusion; and to enable members (especially the developing countries) to bring up problems they face in implementing their Uruguay Round obligations.

However it was clear during the preparatory process that review and implementation was low on the priority of developed countries. They wanted to use of the Conference to give the WTO a major push in widening further the scope of issues under its jurisdiction and to give another impetus to global liberalisation. They put forward new issues which they wanted the Ministers to endorse as the basis for new working groups and a work programme for the next few years.
These new issues were trade and labour standards, trade and investment, trade and competition policy, and transparency in government procurement.

In the preparatory process, held mainly in Geneva but also at several informal seminars and meetings around the world organised by individual countries, developing countries generally argued that they were against new issues being introduced at this stage in the WTO, as they were already finding it a great strain to adjust to the Uruguay Round agreements which require major changes to many domestic laws and policies. They had little resources left over to take on new issues on the trade agenda, especially since these can have such significant effects on their economies. They argued that a discussion on yet more new issues would divert their resources and the Conference away from the tasks of review and implementation.

Several developing countries also argued against the principle or timing of letting the new issues into the WTO. On labour standards, there was general agreement by developing countries that the issue did not belong to the WTO and should be left to the ILO to handle. They saw labour standards as a social issue that doe not belong to the trading system. They also viewed the attempt to link labour standards to the WTO as a move by the North to eventually increase labour costs in their countries, depriving them of their main comparative advantage.

On investment, many developing countries were strongly against the introduction of an MIA in the WTO. They argued that investment policy per se was not within the purview of the WTO, and that the relevant aspect of investment (trade-related investment measures) were already covered in the TRIMS Agreement. They viewed the MIA as a threat to sovereignty, depriving states of the ability to regulate foreign investments; as being one-sided in giving rights to foreign investors without their having to meet obligations to the host country; and as over-emphasising the trade-liberalisation element whilst totally ignoring the development dimension of investment policy. When the MIA proponents switched to proposing setting up a working group only to study the trade-investment relationship, several developing countries concluded they could go along with this as a compromise. Several other developing countries however opposed beginning a discussion process in the WTO, proposing instead that a discussion would better be done at UNCTAD, where all aspects of the issue could be considered in an atmosphere devoid of the possibility of a binding agreement.

On competition policy and government procurement, several developing countries (similar to the ones objecting to an investment study process) also voiced opposition to beginning a work programme on these issues as they had had no time yet to study the implications of bringing them into the WTO. There was also concern that the objective of the major countries was to use these issues to further open up developing countries' markets for the TNCs.

(b) The Untransparent Process at Singapore

At the Singapore Conference, many Ministers and officials from developing countries were surprised and expressed frustration at the way Conference was organised and its decision-making process, which reflected the normal untransparent way of functioning of the WTO system in Geneva. At the Conference, all Ministers were allocated time to make speeches at the open plenary meetings. But most developing countries were never even invited to the real discussions, on issues where there were disputes, that took place in "informal groups". For most of the Conference, their Ministers and senior officials were kept in the dark on what was going on. "Lack of transparency" was the term most used by delegates, NGO representatives and journalists alike to describe the Conference's manner of operations.

The "open" part of the Conference was the plenary session where Trade Ministers of 120 countries made speeches. Those from developing countries were often articulate in pointing out their problems in having to liberalise their economies after the Uruguay Round agreements, which came into force in January 1995. Many made the plea that no new issues (especially non-trade issues) be brought into the WTO since they were still unable to cope with the problems arising from their existing WTO obligations. But, embarrassingly enough, the Ministers were speaking to an increasingly emptier hall. There were no discussions at all on their speeches, and thus no opportunity to seek solutions to the problems raised.

Meanwhile the "real" negotiations of key issues had gone "underground" in many informal meetings to which only 20 to 30 selected countries were invited by the Conference chairman, Singapore Trade Minister Yeo Cheow Tong, and WTO director-general Renator Riuggiero. The informal group negotiated whether and how the Northern proposals on labour standards and the new issues could be brought into the Conference's Ministerial Declaration.

The untransparent decision-making process, in which the real negotiations took place in within a closed-door "informal group", in contrast with the formal appearance of decision by consensus, enabled the minority of rich countries to more easily have their way over the majority. Because the ratio of North-to-South countries in the informal group was more to the favour of the North than if the meeting were to involve all Members, the Northern countries were much more able to put pressure on the developing countries present to give in. In contrast, discussions are normally held in an open forum in the United Nations and its Conferences.

Meanwhile, the majority of developing countries were shut out of the negotiating process, and their Ministers, Ambassadors and senior officials were left hanging out in corridors or in the lounges, in the dark as to what was happening. Indeed, some journalists and NGOs knew more than the delegates. The Trade Minister of an important developing country, that was not invited to the informal meetings, was shocked to learn from an NGO from his country that the text being discussed on the key issue of investment was very different from what his country had in mind, and from what he had been told was on the table.

Many delegates privately expressed their frustration of being left out of the process and being expected to merely "rubber stamp" whatever agreement or Declaration emerged from the closed doors.

It was only on the night before the Conference's closing, that all the WTO delegations were called together and provided copies of some pages of texts on the controversial issues that the informal groups had pieced together after long negotiations. At that meeting, many of the delegations that had been left out complained about the lack of transparency at the Conference. The Conference chairman and the WTO director-general acknowledged their complaints and promised that the WTO would be more transparent but "without compromising efficiency", and asked the members to give their approval to the texts.

At such a late stage, it would have been difficult, if not impossible, for anyone who had not been in the process, to make objections, for then that country would be accused of preventing a consensus and of wrecking the whole Conference. "Our job was simply to say yes and give the stamp of approval to something we did not know and could not participate in," a senior diplomat said privately. "Although many of us in the developing countries are unhappy with the way the meeting was run and also with the results, which have benefitted the developed countries more than us, we had no choice but to put on a brave front and join the consensus."

The "informal group" system of negotiations used at the Singapore Conference is an extension of the way the WTO operates as a matter of routine in Geneva. What the Conference did was to expose to the international press, to NGOs and to the Ministers themselves how untransparent and to the disadvantage of developing countries is this WTO system of operating.

Before the Singapore Conference, many developing countries had already registered their frustration at the untransparent and undemocratic manner by which the preparatory process for the Ministerial Conference was being conducted, and in particular, the so-called HOD or heads-of-delegation informal process, led by the Director-General, for determining the new issues and the draft declaration.

At Singapore itself, that dissatisfaction increased manifold and extended from the Geneva diplomats to Ministers, other members of the delegations, the NGOs and the media. Even if the

Ministers and their officials confined most of their grumbling in private, journalists from many countries filed reports on the lack of transparency and the marginalisation of developing countries that they had witnessed. At a closing press conference on Friday afternoon, many questions were asked of Yeo and Ruggierio about the complaints of lack of transparency and what could be done to change the WTO's image of being a "rich men's club".

The NGOs present in Singapore were also very disappointed and negative about the process and outcome of the Conference. A very wide range of NGOs, from development groups like Third World Network and Oxfam, to environment groups like Greenpeace, Friends of the Earth and World Wide Fund for Nature, to consumer groups like Consumer International and several trade unions condemned the whole process as well as the substantive outcome of the Conference.

"We came here to lobby for greater transparency and participation of NGOs in the WTO," said a leading NGO activist from a developing country. "But we found that most of our Ministers and officials knew as little as we did, and had even less to do than the NGOs. We at least had our full agenda of activities, and often we had even more information than our Ministers. So we ended up lobbying that our own Ministers and governments should have the right to know and to participate in the WTO! And this reflects the whole irony and tragedy of the WTO. We had to come to the WTO Conference in Singapore to find that out! Having found that out, we will go back and campaign to change this terrible situation..."

Despite the self-congratulatory satisfaction of the organisation's top management and the major countries, which in their own words achieved all their objectives in Singapore, the WTO's credibility and legitimacy has suffered a major blow where the public groups are concerned. At a briefing the NGOs near the end of the Conference, Chakravarthi Raghavan, Chief Editor of the South-North Development Monitor, said in his 18 years experience of following the GATT at Geneva, he had never found such utter lack of transparency as what exists now. "The lack of transparency and democracy in decision-making had made the WTO and its agreements illegitimate," he remarked. "No institution or instrument lacking legitimacy can command or expect obedience or acceptance of civil society."

For many developing countries, their faith in being able to really participate as members (and to avoid being manipulated by the majors and be used as rubber-stamps to produce "consensus" against their own interests) has also been shaken. If it is to regain some of that credibility, legitimacy and faith, the WTO has to seriously tackle the issue of transparency of information and process, and participation of all Members, big or small, when it sits again to follow up on its decisions in Singapore.

Will it be up to the challenge, in the coming 50th anniversary year of the founding of GATT, its predecessor? Or will it be "business as usual", with the Quads making the blueprints, drawing the policies, and through persuasion and pressure, with the help of the Secretariat, and via the secretive "Green Room informal meetings" keep on producing the "consensus" to advance the cause of their global economic governance?

(c) Unbalanced Outcome

The Conference's neglect of the issues of importance to developing countries and its imbalanced results in favour of the North are also reflections of the way the world trade rules in WTO are tilted against the poorer countries and how their concerns are marginalised.

Although the developing countries form four-fifths of the WTO's membership, and the WTO is supposed to decide by consensus, the minority of Northern countries were able to force the agenda with their priority issues, forcing the South countries in the frontline of the discussion to react in a bid at "damage control."

The imbalance at the Conference was reflected in the way liberalisation of their information technology products was put on a super-fast track via the Information Technology Agreement being promoted by the US, whilst liberalisation of products exported by developing countries (for example, textiles and clothing) were neglected. Concerns of the South over continuing protectionism by the North (for example, by the extension of the unilateral trade actions of the US and the protectionist use of anti-dumping measures against Third World products) were also brushed aside.

The problems faced by developing countries in having to meet the Uruguay Round commitments, voiced by their Ministers in the open plenary, were hardly discussed.

Instead, most of the negotiating energy of the Conference was focused on the new issues put forward by the Northern countries. In the end, they succeeded in getting the Conference to extend the boundaries of the WTO to begin discussions and a work programme on new areas (investment, competition, and government procurement). From the statements given, especially after the Conference ended, it is clear the major countries intend to use these new issues to further open the markets of the developing countries for their corporations. The key objective that was often cited by the leaders of the US and EU was the opening up of "market access" for their corporations.

On the new issues, the Conference decided (through its Ministerial Declaration), to:

* Recognise labour standards as an important issue, but that the appropriate body to deal with the issue is the ILO. The Conference thus did not decide on a work programme in the WTO on trade and labour standards.

* Establish a WTO working group to examine the relationship between trade and investment.

* Establish a WTO working group on trade and competition policy.

* Establish a WTO working group on government procurement.

* Establish a WTOP working group on trade facilitation.

(d) Labour Standards

Of all the new issues, the developing countries did best in protecting their interests in labour standards. The Director-General's draft declaration, carried over from Geneva, had not in any case placed labour standards as an item for a future work programme negotiation in Singapore was not about a work programme on labour standards, but how to word the text and whether it should be included in the Declaration.

Whilst a few developed countries (mainly the US and France) made a play for harder language for the WTO to have a larger say on the issue, developing countries in the end succeeded in establishing in the Declaration (para 4) that the Ministers "renew our commitment to the observance of internationally recognised core labour standards", and that (i) the ILO is the competent body to set and deal with labour standards; (ii) growth and development promotes these standards; (iii) the use of labour standards for protectionist purposes is rejected; (iv) the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question; and (v) in this regard, the WTO and ILO secretariats will continue their existing collaboration.

Some developing countries took the position that the text should not be in the Declaration as there was a possibility it still gave an opportunity for bringing labour standards into the WTO. Others argued that putting these principles in the Declaration would settle the way the WTO would look at the issue once and for all.

The latter position prevailed in the end.

In his closing chairman's statement, Singapore Trade Minister Yeo Cheow Tong interpreted the paragraph to mean that "it does not inscribe the relationship between trade and core labour standards on the WTO agenda" and that "there is no authorisation in the text for any new work on this issue."
He also said: "Some delegations had expressed the concern that this text may lead the WTO to acquire a competence to undertake further work in the relationship between trade and core labour standards. I want to assure these delegations that this text will not permit such a development."

The main proponents of labour standards in the WTO appeared to see the outcome differently. The French Trade Minister Yves Galland told the press: "The major debate of labour standards is here to stay in the WTO. It will never go away."

Acting US Trade Representative Charlene Barshefsky, at a post-Conference press conference, “We must recognise issues of workers' welfare and worker rights are absolutely part of the trade debate, whether we like it or not ideologically"… "when we have such an important subject it will always remain an important subject in the WTO."

To sum up, developing countries, supported by some developed countries like the UK and Australia, have succeeded in placing the issue of labour standards within a non-protectionist context and located it in the ILO instead of the WTO. However, the post-conference statements, though these may of course be aimed at the labour constituencies in their respective countries, indicate that the US and some European countries might want to revive the issue in the WTO at a future date and in doing so make use of the paragraph in the Declaration.

(d) The Three New Issues

On the other three "new issues", the developed countries succeeded in getting the Conference to form working groups and to agree to a future work programme on the areas of investment, competition policy and government. Developing countries were, however, able to build in some safeguards in the text of the Declaration, in an effort to protect their interests. There is no doubt, however, that these issues have now entered the ambit of the WTO and there will be intense pressures by the major countries in the Working Groups to have their interpretations and objectives adopted.

Some developing countries had come to Singapore with the intention of blocking the inclusion of any new issue in the Declaration, continuing the strenuous efforts taken by their diplomats in the gruelling preparatory talks in Geneva of the past year. These countries, including India, Malaysia, Indonesia, Egypt, Tanzania, Ghana, Uganda and Haiti, had objected to the mention of investment in the Declaration. Several other countries also objected to competition policy and government procurement, whilst a vast majority of developing countries (supported by some developed countries) were against labour standards.

They felt that integrating these areas in the WTO would allow the rich countries to gain unfair advantage over the South and open the door for them to link non-trade issues to the WTO and its dispute settlement system, including trade penalties for non-compliance. They feared that even a decision to "study" or "examine" these issues would already be accepting the principle and concept of the new issues being within the WTO's competence, and constitute a dangerous opening for full-scale negotiations and eventual binding agreements.

These developing countries fought to exclude the divisive issues from being included in the draft declaration, on the ground that there was an absence of consensus. They argued that in the reports of the various Councils and committees, only points where there were consensus were included, and this general principle should also be used for the draft declaration. They also argued that otherwise the WTO conference's main aim of reviewing the Uruguay Round results and the problems of implementation faced especially by developing countries would be derailed.

This request was overruled by the WTO director-general, who brought the divisive "new issues" to the Singapore conference and organised for them to be negotiated in a small informal group.

The expected resistance of the core group of developing countries opposing the acceptance of new issues softened considerably in the first days itself. Firstly, one of the major resisting countries changed position from opposing the mention of issues on principle, to accepting the formation of the new working groups, but negotiating their terms of reference. Following this, more countries shifted their position and the negotiations changed from whether or not the new issues should be included, to how they should be worded. Damage control replaced damage prevention. From initially arguing against the principle of including the new issues in WTO (at least at this stage), developing countries shifted to an acceptance of starting discussions in the WTO on these issues and attempting to yield as less as possible and building in safeguards in the terms of reference of the future discussions on the issues.

(e) Trade and Investment

On the investment issue, whilst agreeing to establish a working group, developing countries were able to put in some safeguards in an attempt to restrict the scope of the Work programme. Through the Declaration, the WTO will "establish a working group to examine the relationship between trade and investment." The Declaration however has placed this examination within a complex set of terms of reference, including:

* The simultaneous establishment of a working group on trade and competition policy;
* The two groups (investment and competition) will draw on each other's work;
* The group will link its discussions to existing WTO provisions including TRIMS;
* The work undertaken shall not prejudge whether negotiations will be initiated in the future;
* The group will draw on the work of and cooperate with UNCTAD and other intergovernmental fora;
* The development dimension will be fully taken into account of;
* The General Council will review the work of the two groups and determine after two years how their work should proceed;
* Future negotiations, if any, on multilateral disciplines, will take place only after an explicit consensus among Members;
* In organising the work, careful attention will be given to minimising the burdens on delegations, especially those with more limited resources.

After the Conference closed, sharply different interpretations of this text had already emerged.

India's officials were clear that any reference to an MIA was rejected and that the investment study should be conducted as part of a TRIMS review and that there would not be a negotiation towards an MIA, and that "investment does not belong to the WTO."

However, the EU had a clearly different view than developing countries. The EC vice-president and trade commissioner Leon Brittan which said: "On investment, the most important theme of all for the future of the world economy, we have at last put WTO on the map. Investment indeed seems to me THE top priority for WTO in the years ahead...It is also an issue which is primarily for the WTO because it involves the development of an appropriate framework of binding rules...WTO rules will help provide the necessary underpinning." The clear message from the EU is that the Declaration opens the road to a multilateral "framework of binding rules" and that it will argue, once again, that this is necessary for foreign investments to flow to developing countries.

It thus seems likely that the pre-Conference debates on the MIA will cross over to the working party on investment. Now that the "trade and investment" door has been established and the crack has opened, the battle in Geneva will be mainly between:

** The MIA proponents who will push hard for the door to open beyond the hard-won crack to the half-way stage of negotiating for investment rules and then fully into a binding agreement. Brittan's post-Conference statement has given notice that this is the EU's intention.

** The opponents of an MIA in WTO who will make use of the safeguards they placed in the Declaration to restrict the discussions to existing WTO provisions and TRIMS, to push for the discussions to fully take into account the development dimension (and not just the trade aspect), and to ensure that there is no explicit consensus to bring the discussion to the stage of negotiations for rules.

Unless developing countries organise themselves well, on both substance and the tricky processes of the WTO system, the "examination" of trade and investment in the working group could well prepare the ground for "negotiations" for investment rules.

(f) Trade and Competition Policy

One of the WTO Ministerial Conference's most important decisions was to establish a working group on "Trade and competition policy", a new issue that had figured quite prominently in the pre-MC Geneva process. Concerns over the greater concentration of economic power in fewer giant corporations should, in any objective discussion, be the focus of a move to look at anti-competitive behaviour or curb monopoly tendencies and practices around the world. However, this is certainly not what the main proponents of the issue (the US and EU) had in mind.

"Competition policy" in the WTO context has different meanings for different parties. The US and EU are aiming to get the South to establish "effective" domestic anti-monopoly laws so their corporations can have better market access; Hong Kong wants to examine WTO rules in a "globalising economy"; developing countries back Japan and Korea in wanting to look at anti-competitive abuse of trade measures; and some South countries want to bring in the restrictive business practices of TNCs.

Many developing countries had opposed the introduction of this new issue into the WTO. It is likely that many, if not most, of the WTO Members were not really aware of what they had agreed to.

In the post-Conference press conferences, the issue has already generated sharp controversy on what was agreed to.

The Declaration agreed to: "Establish a working group to study issues raised by Members relating to the interaction between trade and competition policy, including anti-competitive practices, in order to identify any areas that may merit further consideration in the WTO framework."

In the WTO's Geneva preparatory process, it was the EC that proposed the item, stating in a paper that its aim was to develop "an international framework of competition rules in the WTO" and that "effective application of competition policy can keep markets open and accessible for foreign competitors." It proposed: (i) commitment by all WTO members to adopt effective domestic competition laws; (ii) core common competition rules or principles and procedures to be adopted at international level; (iii) cooperation between competition authorities; and (iv) to identify how the procedural and material elements can be made subject to the WTO dispute settlement mechanism.

The EC made clear the working group should only explore an "international framework of competition rules" and should not include other competition-related issues like anti-dumping, circumvention and exchange rates.

Japan and Korea agreed to a working party but wanted it to also study how the abuse of trade measures (such as anti-dumping, subsidy and countervailing investigations and measures, 'safeguards' etc) were used for protectionist purposes and thus restricted competition in domestic markets from imports.

Hong Kong proposed an even broader framework, seeking a review of "WTO rules in a globalizing economy", including: (i) the interaction between globalisation and existing rules (including rules of origin and GATT Article IV on border measures to counter unfair trade); (ii) the relation between existing trade and investment rules and competition policy; (iii) and any new forms of anti-competitive behaviour.

Most developing countries were unable to adequately follow the Geneva discussions on competition. Some were, however, concerned that the EU proposal was aimed at ensuring greater market access for their TNCs in the South. The EU was seen as using the WTO to commit developing countries to have domestic competition laws to break down local monopolies or practices that helped local companies maintain their market shares, so that the larger transnational monopolies could break into or enlarge their share of the domestic markets of developing countries.

This suspicion was augmented by the lack of interest of the North in countering the international anti-competitive and restrictive business practices (RBPs) of transnational corporations (such as transfer pricing and other intra-firm practices) which harmed Third World economies (resulting for example in reduced taxes, higher prices or unfair commercial advantages). Proposals by some developing countries on this were received coolly.

The EC proposal thus seemed aimed at ensuring that developing countries institute anti-monopoly laws at the national level, which their corporations and agents could invoke, but would not deal with the anti-competitive behaviour and restrictive practices of their TNCs at international level.

Domestic businessmen of some developing countries were concerned that their business position might be adversely affected. In April, the ASEAN Chamber of Commerce and Industry Council, representing national chambers of Asean countries, issued a joint communique expressing concern about competition policy being advocated at the WTO, saying this issue "must be dealt with care." "Competition laws existing in developed countries should not be limited to trade and should not be imposed on ASEAN," it stated. "The formulation of competition laws should be a domestic matter that is best left to each nation to decide." Some businessmen worried, for example, that competition laws introduced via a WTO agreement would enable the TNCs to make use of local dealer networks built up by domestic enterprises -- the kind of demand that the US made on behalf of its auto-giants *vis a vis* the Japanese market and the Japanese auto-manufacturers.

At an early stage of negotiations in the informal group at Singapore, a few countries that had previously opposed starting work on this issue, changed position by instead proposing changes to the text and thus implicitly agreed to including work on competition policy in the declaration. On condition that the Working Group's mandate would also cover "anti-competitive practices", many of the developing countries in the informal group agreed to the setting up of the Working Group. "Anti-competitive practices" was a code for the abuse of trade measures (such as anti-dumping actions), and for some countries, the restrictive business practices of transnational companies.

Some who were opposed to the investment issue, when its inclusion seemed inevitable, saw much merit in simultaneous work on competition policy questions and the anti-competitive behaviour of TNCs. During the Uruguay Round negotiations, these countries had taken the view that investment measures were a justifiable response to the anti-competitive practices of TNCs. Thus, with the curbing of such measures through the TRIMS Agreement, they had proposed (in Article 9) that the review of this Agreement after five years should include the question of investment and competition policy.

Developing countries at the end of the Singapore meeting felt they had built enough safeguards. But it remains to be seen if all parties will abide by the "bargain" struck at Singapore. Major developed countries were already backsliding even as the Singapore Conference ended.

At a press conference, Acting US Trade Representative Charlene Barshefsky said, "Work on competition will not threaten our laws. We should not undo work within the WTO on anti-dumping issues. The work plan must focus on the problems of cartels and other private anti-competitive behaviour which can impede US exporters' access to foreign markets." Asked by a Japanese journalist whether this meant the US would refuse a discussion on anti-dumping trade measures, she emphatically replied: "For the United States, and for the EU as well, anti-dumping laws are not on the table. There is no question of that at all. The study is going to focus on competition policy and anti-trust laws to counter commercial behaviour that impedes our market access." The Japanese journalist could not contain his shock, and responded: "This is really to my surprise."

The US position appears to confirm the concern or suspicion of that competition policy has been put on the WTO agenda by the major countries to be used as an instrument to change the domestic industrial-commercial-business structures of developing countries, so that the corporations of the developed countries can have greater access to and can better penetrate the markets and economies of developing countries.

At another press conference, India's Ambassador to the WTO, S. Narayanan, said that on the competition issue, it had been India's insistence that the restrictive business practices of transnational corporations should also be studied. He added that Hong Kong, Japan and Korea had also insisted on including the effect of trade policy measures like antidumping on competition.

Meanwhile, EU Commission vice president Leon Brittan, in his post-Conference statement, said: "I welcome the recognition of developed and developing countries alike that better competition rules are essential to a prosperous world economy." This made clear the EC's main objective to get the WTO to establish multilateral rules on competition policy. It is contrary to the Declaration text that study process shall not prejudge whether negotiations for disciplines will be initiated in future and also against the views of some developing countries; for example, the Malaysian Trade Minister said in Singapore that such a study on competition should not lead to negotiations within the WTO.

In the post-Singapore negotiations at the working group, it must be expected that the real intent of the majors, which the US acknowledged, is getting greater "market access" for their TNCs in the countries of the South. It remains to be seen whether the South can defend its interests and promote its own issues.

Among the key sets of issues that different players can be expected to put forward at the working group are: (a) The EU proposals for getting WTO members to commit themselves to adopting and enforcing domestic competition laws; (b) The proposals (originally from Japan and Korea, backed by several developing countries) to study how abuse of trade measures like anti-dumping adversely affect competition; (c) The broader Hong Kong proposal to examine WTO rules in the context of a globalising economy; (d) The restrictive business practices of TNCs, an issue that developing countries have been trying, not too successfully, to put on the international agenda, and on which much work has been done by UNCTAD; (e) The link between competition policy and investment measures; (f) The appropriate role, if any, of the WTO in handling (or not handling) these and other issues.

(g) Government Procurement

The WTO Conference also agreed to establish a new working group to study "transparency in government procurement practices" and develop elements for "an appropriate agreement." Whilst the study, and the agreement, only covers transparency (and not the practices themselves), the major countries pushing this issue have made clear their ultimate goal: to fully integrate the lucrative multi-billion dollar government procurement market into the WTO rules and system. If they succeed, governments in future will not be allowed to give preference to local companies to supply goods and services or to carry out development projects.

The system of government procurement has been taken for granted as very much a matter of national prerogative. This situation is about to change, through the working group. It will initially study only "transparency" in government procurement practices, and evolve an agreement on this limited theme. But the prime mover of this initiative, the United States, has made it clear that in its scenario, this is only a first step towards a full-scale opening up of the "market" for government procurement for foreign companies. With the support of the European Union, the US plans that an "interim" agreement on transparency emerging from this working group will eventually be upgraded into a full-blown agreement on government procurement practices.

This would give "national treatment" rights to foreign companies (to have the same chance as locals to bid for and win public-sector contracts), and "most-favoured-nation treatment" rights to all WTO countries (to be treated in a non-discriminatory way in the procurement awards).

The game-plan of the US and EU was candidly presented at the pre-Singapore preparatory process. The US administration had in fact initially brought the issue up using the term "corruption" but dropped the term because of the negative response it inspired among developing countries which protested against yet another "non-trade" issue being linked to WTO. The discussion on the same issue at the WTO then switched to "transparency, openness and due process" of government procurement practices.

Despite the objections of several delegations of developing countries in Geneva, the WTO Director-General Ruggiero not only brought the issue to Singapore but strengthened the draft text.

At Singapore, the objections on principle were removed and the negotiations centred instead on the text language.

The final Declaration states that the Ministers agree to "establish a working group to conduct a study on transparency in government procurement practices, taking into account national policies, and, based on this study, to develop elements for inclusion in an appropriate agreement."

In practical terms, this decision carries a heavier commitment than the decisions on the other new issues of investment and competition policy, which only mandated an "examination" whilst the procurement group should develop elements for an "appropriate agreement."

Developing countries appear to have accepted the decision because the working group, and the reference to an agreement, refers only to "transparency" in procurement practices. However, the post-Conference statements by the US and EU make it very clear that for them the working group is only an interim measure towards rules to ensure full access for their companies to the multi-billion dollar government procurement business in developing countries.

US Trade Representative Charlene Barshefsky said: "The study on procurement is intended to be the first step toward an agreement on transparency practices in government procurement which should serve to reduce the influence of corruption. This initiative will, as we continue to push it, help create an environment where businesses can expect a fair shake in competing for contracts with foreign governments." EU Commission vice-president Leon Brittan was equally direct: "We have agreed to a study on transparency in government procurement. Europe is determined to see the proposed study forming the basis of a wider multilateral agreement providing for non-discrimination in government procurement."

Thus, as far as the major countries are concerned, the transparency issue is only a first and tactical measure to draw developing countries, step by step, into the larger area of national treatment for foreign firms to obtain contracts for government procurement and projects. The developed countries have not attempted to hide this goal. In the heads-of-delegation process in Geneva over the past nine months, the US and EU papers on made clear they considered government procurement to be a gigantic business which had hitherto remained outside the WTO's ambit and should be brought in through multilateral rules so that their companies could have full access to the developing country markets.

In its first paper in March 1996, the US pointed out: "Procurement markets worldwide account for trillions of dollars in commercial transactions. Large commercially attractive procurement occurs at all levels of government." It cited as examples: municipal government procurement for police, fire departments and local public works; provincial government procurement for health and social security programs; central government procurement for national telecommunications networks, electrical power grids and transportation systems.

The problem, said the US, is that although governments are the largest purchases of goods and services in the world, procurement activities are not subject to basic WTO rules on market access and national treatment, except for the plurilateral Government Procurement Agreement (GPA). It then proposed that "WTO members can create an environment for greater market access opportunity by taking steps to address the lack of transparency, openness and due process that characterises much of procurement worldwide."

In a second paper in June, the US said the interim arrangement should cover both goods and services and in principle should apply "across the board to all government procurement," recognising the variety of governmental structures. The paper concludes: "Government procurement accounts for a substantial value of commercial activity in all countries...Literally trillions of dollars annually are spent by governments in procuring goods and services. Transparency, openness and due process are important first steps...Future steps towards full integration will generate increased opportunities for suppliers to compete on an equal basis in government procurement markets worldwide." A third paper in July stresses there should be no exemption or lower standards for developing countries nor LDCs.

A separate paper by the EC during the Geneva preparatory process equally clearly laid down its aims: "An interim arrangement should focus on basic principles of transparency, openness and due process in government procurement practices on the understanding that the Community's final objective is to achieve national treatment and MFN effectively for all government procurement in all WTO member countries."

There can be no doubt, therefore, that where the EC and US are concerned, what was decided on in Singapore was an initial step (an "interim arrangement") on the road to full access and national treatment for their companies to the government procurement business, especially of developing countries. Developing country delegations should thus be under no illusion that the decision they agreed to in Singapore is of small or limited consequence because it has only committed them to negotiations on transparency and procedures and that the matter will then rest there.

What the major countries especially want to see eradicated in developing countries are the types of government procurement policies and practices that currently favour local enterprises and people -- practices that the major industrialised countries had followed not too long ago within their countries and which had benefitted some of their giant corporations. These policies are adopted in most developing countries in order to help build the domestic sector, strengthen domestic linkages and demand and support local entrepreneurs. Since liberalisation is proceeding so rapidly in other areas, government expenditure remains one of the few (and probably the most important) sectors of economic activity which can be used as an instrument to boost local business and domestic demand.

This crucial "development dimension" is however lost in the "market access paradigm" adopted by the Northern proponents of fully integrating government procurement in WTO rules and dispute settlement systems.

At the working group, developing countries should thus be prepared with positions on the whole issue of government procurement, and not just the transparency aspect. For transparency is just a subset of the general issue of procurement policies and practices. And in the gameplan of the majors, the negotiations for an "interim arrangement" are only a means to a final agreement aimed at full integration of government procurement practices in the WTO multilateral disciplines, single undertaking and dispute settlement system.

8. THE SEATTLE MINISTERIAL CONFERENCE OF 1999

The WTO held its second Ministerial Conference in Geneva in May 1998, which did not have much substantial results. Its third Ministerial Conference, held in Seattle in November-December 1999, was however extremely eventful. Firstly, the public reaction against trade liberalisation and against the WTO in particular had gathered so much momentum that over 20,000 people came to Seattle to take part in street protests and workshops. The protests disrupted the first day's proceedings as the opening ceremony could not take place and the schedule of meetings was delayed. Secondly, Seattle was remarkable in that the Conference itself ended in disarray, without any agreement nor statement. Thus, the ambitious agenda of some of the Northern countries, including the launching of a new Millennium Round, was dashed by events. There was not even a brief joint statement to thank the hosts or decide on the follow up process.

The world media transmitted the drama of the protests by civil society groups representing labour, environment, consumer, pro-poor and Third World concerns. The Seattle protests and the media coverage of it marked a turning point in the public backlash against globalisation and against the WTO. Significant among the protest actions was the "direct action" activists that blocked delegates' access to the Opening Ceremony that was then cancelled. The main message of the protestors was heard loud and clear, that the WTO has gone much too far in setting global rules that "lock in" the interests of big corporations at the expense of developing countries, the poor, the environment, workers and consumers. The impact of grassroots protests against globalisation, already evident in the campaigns on the multilateral agreement on investment (MAI) and against genetic engineering, had its coming-of-age in the street battles of Seattle.

Among the factors that caused the collapse of the official conference was the inability of the US and EU to bridge their differences. The two giants of the trade system were striving for a compact in which the EU would agree to significantly reduce their agriculture subsidies, and in return the US would agree to start negotiations on new issues like investment and competition. As a last chip, the EC also threw its support to the US to form a WTO working group on biotechnology, but this fell foul of the European Environment Ministers who objected to the EC's move, for which they said the EC had no mandate. This open spat between the EC and the Ministers further muddied the last ditch attempt of the EU and US to agree to a new Round.

However, the more basic cause of the Seattle debacle was the untransparent and undemocratic nature of the WTO system, the blatant manipulation of that system by the major powers, and the refusal of many developing countries to continue to be on the receiving end.

The seeds of the North-South battle were sown in Geneva in the weeks before Seattle. Developing countries voiced their disillusionment that five years after the WTO's creation they had not seen any benefits. Worse, the poor countries face potentially enormous dislocation when they implement their obligations arising from the WTO's many agreements. They put forward dozens of proposals to resolve the "problems of implementation" of the WTO agreements, including changing some of the rules. But most of their demands were dismissed by the major powers that instead pushed for their own proposals to further empower the WTO through introducing new areas such as investment, competition, government procurement, labour and environmental standards. The developing countries in general opposed these new issues which they saw would open up their markets further to the rich nations' big companies, or would give these rich nations new protectionist tools to block Third World products from the North.

Worse yet, the WTO Secretariat was used by the major powers to engage in untransparent procedures, such as holding informal meetings on crucial issues in small groups to which most developing countries were not invited. These so-called "Green Room" meetings infuriated the Third World Members of the WTO. At Seattle, in contradiction to her promise to run a transparent meeting, the US Trade Representative Charlene Barshefsky presided over a totally undemocratic process. She announced on the second day her "right" as Chairman to use procedures of her own choosing to get a Declaration out of the meeting, a statement that infuriated the developing country delegations.

Barshefsky and the WTO director-general Mike Moore set up several "Green Room" meetings, some running simultaneously, on key issues of disagreement. Only ten or twenty countries (the major powers plus a few selected developing countries) were invited to a typical Green Room meeting. The plan of the organisers was to get the major powers (mainly the US and EU) to agree among themselves, then apply pressure in the Green Rooms on a few influential developing countries to go along, and then pull together a Declaration to launch a new Round which all Members would be coerced to accept in a special meeting on the last day.

The vast majority of developing countries were shut out of the whole Green Room process. They were not even informed which meetings were going on or what was being discussed. Ministers and senior officials of most developing countries were left hanging around in the corridors or the canteen, trying to catch snippets of news or negotiating texts. Their anger at the insult of being at the receiving end of such shabby treatment boiled over on the third day of the Conference. The African Ministers issued a strong statement that there was "no transparency" in the meeting, that African countries were generally excluded on issues vital to their future, that they were concerned over the intention to produce a ministerial text at any cost. "Under the present circumstances, we will not be able to join the consensus required to meet the objectives of this Ministerial Conference." Similar statements were issued by the Caribbean Community Ministers and by some Latin American countries.

Barshefsky and Moore were thus faced with the prospect that if a draft Declaration were presented at a final session, there would be an explosion of protests and a rejection by developing nations. That would totally expose to the public and the world media the manipulative methods by which the Seattle Conference, and more seriously the WTO in general, had been run.

In the end it was less embarrassing to decide to let the Seattle meeting collapse without attempting even a brief Declaration. But the breakdown took place so fast that Barshefsky at the final plenary did not even try to get the Ministers to adopt a formal statement on the procedures for follow up talks. All that was left is a transcript of Barshefsky's off-the-cuff closing remarks, in which she admitted that "we found that the WTO has outgrown the processes appropriate to an earlier time…We needed a process which had a greater degree of internal transparency and inclusion to accommodate a larger and more diverse membership."

Does the Seattle debacle and Barshefsky's remarks give hope for reform to the WTO's decision-making system? That depends really on whether the developing countries can now make use of the impasse to press for a democratic system, for example by abolishing the green-room process that belongs to the feudal age, and which ultimately sank Seattle. The big powers will however try hard to cling to their privileges and they can be expected to continue to maintain the pressure for launching a New Round, which would include new issues such as investment rules, competition policy, government procurement and labour standards. Whether the WTO goes down that road, with even more enhanced powers, or whether it can be reformed, taking into account the rights and interests of developing countries, will be one of the decisive factors determining the shape and fate of globalisation and sustainable development.

PART 6: SOME SOCIAL EFFECTS OF GLOBALISATION

1. LIBERALISATION, INCREASED POVERTY AND LACK OF SOCIAL SERVICES

This Part of the study examines three aspects of the social dimensions of globalisation: (a) a review of liberalisation and social effects such as on poverty and social services; (b) job security and livelihoods; and (c) rural conditions and food security.

The liberalisation and globalisation process is having social effects that have raised (or increased) fears and insecurity among many people in both developing and developed countries. This is because the process has generally moved towards the principle of "letting market forces operate", in which the system rewards the richer, stronger or more efficient elements, whilst marginalising the

disadvataged groups, and with less and less resources for aiding the latter.
There is a corresponding withdrawal of state social-sector expenditures and thus reduced capacity in health, education or housing services; a switch away from the approach that social services are a basic right which government should help provide irrespective of ability to pay (and which was partly financed by redistribution schemes) to an approach that services should be self-financing and thus provided on the basis of "cost recovery", thus adversely affecting the poorer groups; and a reduction in the principle and practice of welfare provisions for the poor, jobless, homeless or disadvantaged groups.

The social effects of globalisation have been examined in great length in UNRISD's "States of Disarray" (1995), including the social costs of structural adjustment, international migration, crime, drug addiction, and family relations. On the social cost of recession and restructuring, the report states that global economic conditions are such that governments in the South that have used deflationary policies to deal with economic crisis have not been able to rise out of recession, while their people have had to endure the social upheaval demanded by radical free-market organisations. "In fact, even adjustment programmes that are typically held up as "success stories" have been social failures...Most people in highly indebted African and Latin American countries suffered a sharp drop in living standards...Many people in the formal sector lost their jobs and had to seek much more precarious and ill-paid work in the informal sector."

The increase in poverty and inadequacy in meeting basic needs is illustrated by the following UNRISD data:

* Nearly a third of people in developing countries live in absolute poverty.

* One child in three suffer from malnutrition.

* About 1.3 billion people in developing countries do not have access to even minimally adequate amounts of drinking water.

* There are approximately 100 million homeless youth or "street children."

One result of these tendencies is that the gap in wealth, opportunities, income and consumption levels and patterns has increased within most societies and between countries; this rising inequality is also a vital social facet of globalisation.

Moreover, people's feeling of security and predictability in various areas, such as employment, and access to food, shelter and adequate health has been adversely affected. This is largely due to the changing economic framework and environment, which rewards the successful and is increasingly callous towards the failures and losers; and partly due to the deterioration in environmental conditions.

2. SECURITY OF JOBS AND LIVELIHOODS

(a) Global Job Insecurity and the Debate on the Alleged North-South Flow of Jobs

In many countries and among many groups, liberalisation and globalisation have increased insecurity relating to employment and livelihoods. Among a few high-growth developing countries, mainly in South-East Asia, there is a situation of reducing unemployment and increased opportunities through their booming economies. But this is an exception. Even in China, which has probably the world's highest growth rates in recent years, economic liberalisation is expected to create a significant increase of unemployment, as millions of rural migrants seek jobs in cities. In most developed and developing countries, unemployment and underemployment is a rising problem, and although the manifestations may be different, in both groups of countries the forces of liberalisation and global competition are responsible to a significant degree.

In the North, unemployment and job insecurity have emerged as the most serious social problem of recent years, and it is fast rising to the top of the national agendas. Unemployment is especially high in Europe, reaching 10% or more in many countries

As the jobs situation worsens, there is a corresponding serious rise in protectionist sentiments. This time, the finger is increasingly being pointed at developing countries, which are said to be attracting away investments from Northern countries because of their cheaper costs through cheap (and exploited) labour and poor environmental standards. There are fast growing pressures from trade unions in the North for retaliatory action to be taken against Third World countries so as to prevent industries (and jobs) moving to the South. The most important move has been to introduce a "social clause" in the WTO, so that trade penalties may be taken against countries that do not respect internationally-recognised core labour standards. Developing countries argue that this proposed linkage is protectionist in content, with the aim of preventing their being able to enjoy their comparative advantage of having lower labour and social costs. They claim that the best way to protect workers' rights in the poorer countries is to get them to develop, so that more employment opportunities open up.

The growing perception in the North, at least among union circles, that globalisation (in this case, companies moving to countries with lower labour costs and standards in search of higher profits) is mainly responsible for unemployment, has become the basis of great North-South tension. It is also a factor in the deterioration of the spirit of international partnership, where the rich countries are expected to help the poorer countries, since more of the public in the North view the South countries as competitors for their jobs rather than as countries deserving assistance.

However, the view that the South is taking away jobs from the North cannot be supported by facts overall.

Firstly it is a fallacy that so much investments are flowing to the South. Most of foreign investments from the North have been going to other Northern countries. In recent years, the share of foreign investments to developing countries has risen, but the value of this is still a very small share of the total investment level in the North (or in the South). In 1992, total world flows of FDI constituted only 3.7% of world gross fixed capital formation.

In contrast, several hundreds of billions of dollars of economic resources are flowing annually from the South to the North due to losses from terms of trade decline, interest on foreign debt, royalties and technical payments on account of technology dependence, profits accruing to foreign investors as well as capital flight. These resources constitute potentially investible funds, which if they had remained in the South could have boosted investments in developing countries and thus contributed tremendously to job creation.

For instance, prices of Third World commodities are notoriously low and had fallen even lower through the years, thus causing loss of job opportunities and depriving developing countries of revenues which could have generated more jobs. Moreover these low prices greatly affect income levels and thus workers' rights in developing countries.

For every job gained in the South from foreign investment, the South is losing several more jobs to the North because of these massive resource outflows arising from the South's weak position in global economic structures. It is thus inaccurate to blame Northern job loss on the South. Instead, it is more accurate to conclude that, overall, employment opportunities in the South have been lost because of the vast net flow of resources to the North, resulting in the lack of investment resources in developing countries and their resultant high unemployment rates, which are far higher than in the North.

To sum up, whilst increasing numbers of people in the North are suffering greater job insecurity and other adverse social effects of liberalisation, this is largely due to domestic policies in the North itself, and not because the benefits of globalisation are going to the South as a whole. An overall analysis would show that insecurity over jobs and livelihood conditions is a growing and worldwide phenomenon (except in a few high-growth countries) and that this insecurity is largely caused by liberalisation as well as the increased competition pressures accentuated by globalisation.

The following sections summarise how this affects the North and South.

(b) Job Loss and Insecurity in the North

There is a possibility that the South has been pinpointed as a major contributor to growing unemployment in the North because it is more easy and convenient for governments or some interest groups in the North to choose people or factors outside their own society to "blame".

In fact, the major causes of job losses in the North lie within Northern countries themselves: in the Northern governments' macroeconomic policies, in unregulated technology developments, and corporate organisational changes aimed at downsizing of personnel.

In recent years many Northern governments had abandoned full employment (or low unemployment) as the main goal in macroeconomic policy and instead opted for controlling inflation in order to satisfy the demands of bond and equity holders. As a result, higher and higher rates of unemployment had been allowed or even planned for. For example, the concept of "NAIRU" (or the non-accelerating inflation rate of unemployment) is used to show that there is a relationship between low unemployment and high inflation; and that in order to keep inflation at a particular low rate, there had to be a correspondingly high rate of unemployment. For holders of financial assets, high unemployment is thus viewed as a positive phenomenon; this explains why Wall Street share values drop on the news that the employment situation has improved. In policy terms, using the NAIRU approach, a higher level of unemployment is useful for keeping inflation low. Thus, the "full employment" policy, inspired by Keynes and Beveridge, have been overturned by "low inflation" as the prime economic target and priority.

The Keynesian instrument of boosting public investment during recession periods in order to ensure as low a level of unemployment as possible, has been sidelined as the focus in the North has shifted to attaining a balanced government budget. Thus the tendency of the market towards lack of effective demand (and thus towards high unemployment) is no longer adequately offset by public expenditures. Thus, economic liberalisation, to a large extent, explains the growth of unemployment.

Technological change and radical organisational reform has also contributed significantly to Northern unemployment. This is shown in detail in Rifkin (1995). In the North, "jobless growth" has become a worrying phenomenon. A major cause for this is the rise of "technological unemployment" (different from Keynesian unemployment caused by lack of effective demand), or unemployment caused by the introduction of labour-displacing technology. Key aspects of this include:

* Firstly, automation in industrial processes has eliminated several millions of blue-collar jobs. In the auto industry, General Motors shed 250,000 jobs between 1978 and the early 1990s, and announced in 1993 that production changes would eliminate another 90,000 auto jobs (a third its workforce) by the late 1990s. In the steel industry, United States Steel produced roughly the same output in 1990 compared to 1980 but used only 20,000 workers compared to 120,000.

* More recently, computerisation and the information technology revolution has been making many white-collar workers in the service industry redundant, and this trend will continue. In the US banking sector, for example, between 1983 and 1993, the introduction of automatic teller machines eliminated 37% of human bank tellers between 1983 and 1993; and according to one estimate 30-40 percent of existing banking jobs will be lost by the year 2002 (Rifkin 1996).

* Also since recent years, major changes are being made in organisational structures and management practices (for example, following the concept of "reengineering the corporation") which has led to "downsizing" the number of staff, with significant loss of jobs, including at the middle and high levels. There is in fact serious concern and outrage among the Northern public that chief executive officers of major corporations are receiving higher and higher income packages even as they engineer the loss of many thousands of jobs in their companies through "corporate downsizing."

The causes and effects of these technological developments are linked to globalisation, the increasing intensity of competitiveness among firms, and their search for higher profits. As Rifkin points out: "In the past, when new technologies have replaced workers in a given sector, new sectors have always emerged to absorb the displaced laborers. Today, all three of the traditional sectors of the economy - agriculture, manufacturing and service - are experiencing technological displacement, forcing millions onto the unemployment rolls. The only new sector emerging is the knowledge sector...While this sector is growing, it is not expected to absorb more than a fraction of the hundreds of millions who will be eliminated in the next several decades in the wake of revolutionary advances in the information and communication sciences...The restructuring of production practices and the permanent replacement of machines for human laborers has begun to take a tragic toll on the lives of millions of workers."

On the inequitable impact of these technological and organisational changes, Rifkin concludes: "The information and communications technologies and global market forces are fast polarising the world's population into two irreconcilable and potentially warring forces - a new cosmopolitan elite of "symbolic analysts" who control the technologies and forces of production, and the growing numbers of permanently displaced workers who have little hope and even fewer prospects for meaningful employment in the new high-tech global economy." There is also a relationship between higher unemployment and the rising incidence of crime and violence around the world.

An agenda to counter rising unemployment and job insecurity in the North would have to include a review of priorities in macroeconomic policies (requiring a movement back to the goal of high or full employment).

It should also consider a review of technology policy in relation to the technology-jobs relation, and include should greater governmental regulation of technology. Policies that promote technological changes that lead to significant job losses should be discouraged, and the kind of organisational strategies that cause downsizing should also be reviewed. It would be unwise to treat technological change as something uncontrollable or beyond the scope of intervention. In developing countries, the choice of technology is considered a very relevant and legitimate area of concern in development economics and policy. Economists and planners give standard advice that in a situation of high unemployment, government should opt for labour-intensive rather than capital-intensive methods. Similarly, with high unemployment in the North, it is equally legitimate to have a socially-oriented technology policy, to see whether incentives and policies can be adopted for technologies and organisational forms that create rather than destroy jobs.

(c) Impact of Liberalisation on Livelihoods in the South

In most developing countries, there has been a deterioration in the conditions of livelihood and job security. Since 1980, "in many countries in Africa and Latin America, real wages have fallen drastically by 50% or more, and there have been vast cut-backs in employment and, instead of a continuing industrial revolution, there has been de-industrialisation" (Ajit Singh and Zammit 1995). Liberalisation and globalisation are linked closely to this situation.

Unlike the North where Keynesian unemployment (under-utilisation of economic capacity due to lack of effective demand) and technological unemployment are key factors in joblessness, in most countries of the South the major reasons are the lack of access of the rural poor to land and other productive assets (due significantly to unequal land distribution) and the lack of investment and economic capacity required to employ people in urban areas. Added to this are also Keynesian unemployment (due to deflationary policies and in many cases reduced demand or earnings for commodity exports), liberalisation-induced increased competition facing local firms (resulting in closure or labour retrenchment) and technology-related factors. Moreover, the encroachment by powerful commercial interests onto the lands and resources of rural communities have also displaced or otherwise affected livelihoods of the latter.

In some countries of the South, the increase in foreign investments and export opportunities contributed to a rise in manufacturing jobs and income levels. However, this was confined to relatively few countries.

For the many countries implementing structural adjustment policies, there has been significant retrenchment of public sector jobs or by the net loss of jobs from privatisation. Also, many public servants and teachers who remain employed face worsening conditions such as non-payment or delay in payment of salaries.

The deflationary conditions induced by SAPs, producing low or negative growth, also affected jobs or job opportunities in the private sector. Import liberalisation in some countries led to greater competition with local firms, causing closure and retrenchments in some. The removal of agriculture subsidies and the liberalisation in agricultural imports has also had harsh impact on rural livelihoods and incomes (see next Section).

The depression in commodity prices through past two to three decades also adversely affected incomes and livelihoods in the agricultural and mining sectors.

In many developing countries, the livelihoods and living spaces of millions of people living in hitherto more remote areas are being affected by the forces of commercialisation and modernisation and by environmental degradation. These include:

* Many millions of people living in or near forest areas, especially indigenous people, whose lives have been disrupted by logging activities, by the conversion of forests into agricultural plantations and by mining activities.

* Small-scale traditional fisherfolk whose catch are affected by pollution of fishing grounds and the overfishing by trawler boats.

* Hundreds of communities living in coastal zones which have been adversely affected by the proliferation of commercial aquaculture projects in their vicinity.

* The eviction, displacement and relocation of many millions of people to make way for

urbanisation and for infrastructure projects, highways, housing, and industrial and commercial-agriculture projects. UNRISD (1995) estimates that in the past decade 80-90 million people were displaced by infrastructure projects (dams, roads, ports etc).

* The livelihoods of nearly one billion rural residents are at risk as a result of environmental degradation (URISD 1995 p24).

Unequal distribution of productive assets is also a major factor for the continuation and often the worsening of livelihood conditions. In most developing countries, land is unequally distributed. Large tracts of land owned by bigger landowners who may reside in towns are left idle. Millions of poor rural people have little or uncertain access to land and other facilities, and are thus deprived of adequate livelihood opportunities.

The technological developments in the North may also in future threaten the livelihood conditions of people in the South. For example, biotechnology is developing indoor-based substitutes to farm-based agricultural products exported by the South. Chemical companies are investing heavily in tissue-culture production in the hope of removing farming in the soil by the first decades of the 21st century. Vanilla can now be produced from plant-cell cultures in the laboratory; this may threaten the livelihood of 70,000 vanilla-producing farmers in Madagascar, the world's largest vanilla producer (Rifkin 1995).

3. GLOBALISATION, RURAL LIVELIHOODS AND FOOD SECURITY

There are two main issues relating to food security. The first is the appropriateness of agricultural technology, especially in relation to the environment. This aspect is dealt with in the following Part on the Environment. The second is social and economic security for farmers and consumers. This aspect is covered here.

In the area of agriculture food security, international cooperation is slipping from the agenda, despite the holding of the World Food Summit in Rome in November 1996. In its place, globalisation based on the subjection of national agriculture policies to "market forces" has slipped right into the centre.

The first wave of "globalisation" of agricultural policies came with the structural adjustment programmes. In agriculture, the adjustment package usually included cutbacks in government expenditure on the agricultural and rural sector; privatisation of state marketing institutions; liberalisation towards private land ownership; liberalisation of agriculture imports; removal or reduction of agricultural subsidies; the "freeing" of food and other agricultural prices. There is continuing debate whether these policies have been beneficial or harmful to agriculture, and about their impact on poverty and income distribution.

However, there is widespread concern that the rural populations have shared in the general adverse social effects caused by sharp government expenditure cutbacks in health, education and other social and welfare services, as well as by the general deflation of the economy in many countries.

As part of liberalisation and privatisation, land ownership is shifting from small farmers to private companies, including foreign enterprises. In India, state governments are asked to change land ceiling laws (which had earlier been introduced as part of land reform) to allow the corporate sector to acquire vast tracts of land (Shiva 1995). Emphasis on cash crop cultivation has converted millions of hectares from food production to horticultural and oilseed production. There is a change from the previous policy of protecting agriculture from foreign ownership: Cargill and Pepsi opened operations in India to produce seeds for cash crops, and have met with serious resistance from farmers.

The Uruguay Round results will have even more important repercussions than structural adjustment on Third World agriculture. The agriculture sector had previously not come under GATT disciplines. The Agriculture Agreement in the World Trade Organisation covers three main areas: improving market access for imports, reduction of domestic support; and reduction of export subsidies. Under market access, countries are asked to abolish non-tariff barriers (eg import quotas, minimum import prices, discretionary licensing, state trading measures) and convert them to equivalent tariffs; and tariffs (including those resulting from tariffication) are to be reduced by 36% for developed countries and 24% for developing countries. There should also be a minimum access for imports equal to 3% of domestic consumption in 1986-88 established for 1995, rising to 5% at the end of the implementation period.

For domestic support policies, the total level of support (i.e. and not according to individual commodities) given in 1986-88 should be reduced by 20% in developed countries and 13.3% in developing countries. On export subsidies, there must be a reduction of 21% (by volume of exports) and 36% (by value of expenditure on subsidies); these reductions are on a product-specific basis.

The Agreement does have some concessions for developing countries. The time frame to complete the reduction commitments of developing countries is ten years (2004) compared to six years (2000) for developed countries; least developed countries need not make any reductions. For domestic support policies, developing countries that have been given special and differential treatment in the Agreement, are allowed (a) to trade in food security stocks at administered prices; (b) to distribute subsidised domestic food aid to the poor; (c) to give investment subsidies and agricultural input subsidies for poor farmers. Also, there are special provisions recognising adverse effects of expected higher food prices on food-importing developing countries and provides for redress via food aid, technical aid to raise agricultural productivity and possibly short-term aid to finance normal commercial imports.

Despite these concessions, many developing countries are likely to suffer adverse effects. A FAO study on the impact of the Uruguay Round on agriculture concludes: "The Uruguay Round... will affect the agricultural import bills of all developing regions adversely and boost exports to a lesser extent. Apart from higher prices and shifts in market shares towards the more efficient exporting countries, the Uruguay Round will raise food import bills because of the reduction in export subsidies on those products and will lead to a sizeable fall in the value of preferential trading arrangements." It also concludes that the Round "only represents a partial reduction in protectionism" in agriculture and that despite the Round's positive effects, there will be a slowdown in the growth of world agricultural trade to the year 2000, which will be "a disappointment to agricultural exporting countries." (FAO 1995).

A WWF International report by Watkins and Windfuhr (1995) questions the claim that the combination of agriculture subsidy cuts and import liberalisation being implemented by Northern governments (as part of their WTO commitments) will halt the cycle of overproduction and export dumping which had brought the agriculture issue to the GATT agenda. Producers in developing countries will continue to face competition in local markets from subsidised imports, with adverse consequences for their livelihood. Exporters among them will also continue to compete in world markets where prices are artificially depressed by subsidised exports from the EU and the US.

The report says that this failure to tackle the interlocking problems of overproduction and export dumping has serious implications for middle-income developing countries: they have had to reduce domestic support and relinquish import controls on the unfulfilled assumption of real cuts in production in developed countries, which are unlikely to materialise. The tighter rules agreed elsewhere in the Uruguay Round package, while benefitting agricultural exporters, may also make it more difficult for developing countries to protect their farmers and farming systems.

The report concludes that as a result, some developing countries will find it more difficult to improve food security and environmental sustainability. Although it is difficult to assess which countries and communities will be most affected, in general "the further opening of domestic markets in some developing countries, in the face of still depressed world market prices, will reduce the income of many small farmers, and even their chances of staying in production. Treating food under these market-oriented GATT disciplines fails to take account of crucial food security objectives, such as the access of poor households to food, income, and employment opportunities. It also ignores the failure of market mechanisms to provide for effective environmental resource management."

The social impact of agricultural liberalisation has been severe, and is likely to worsen with the implementation of the WTO Agreements. According to UNRISD (1995, p44): "Poor farmers in developing countries undergoing adjustment programmes have had no cushion of social security." In region after region, governments have eliminated subsidies and as a result small farmers have lost access to essential inputs and services, and many have suffered a steep fall in income or have had to leave farming altogether. "Farmers producing food for local markets have also been suddenly subjected to the cold wind of international competition - and may find it impossible to compete with technologically advanced farmers in Europe or North America who can sell cheaply in part because they have benefitted from massive subsidies. Expanding international markets may have created vast opportunities for some wealthier farmers, but the impact on the livelihood of the rural poor in developing countries has been harsh."

Kevin Watkins, Oxfam UK's leading researcher, has analysed the situation of maize farmers in the Philippines to illustrate the potential effects of a lowering of agricultural tariffs in the Third World on vulnerable smallholder producers who have to face drastically increased competition against the industrialised and heavily subsidised farming systems of North America and Europe. Watkins

(1997) concludes that: "Silently, relentlessly, and away from the glare of the world's media, 'free trade' is displacing communities and destroying their livelihoods with all the ruthless efficiency of a civil war." In the Philippines, in the past import restrictions protected domestic food producers in order to bolster rural employment and national food self-sufficiency. Under its WTO commitments, the government is planning to lower import barriers to half their present levels over the next six years. A recent Oxfam report estimated that average household incomes of maize farmers will be reduced by as much as 30% over the six years as cheap imports from the US drive down prices in the local markets. The report estimates that in the absence of trade restrictions, US maize could be marketed at less than half the price of maize grown on the Philippine island of Mindanao; and that the livelihoods of up to half a million Filipino maize farmers (out of the total 1.2 million) are under immediate threat.

According to Watkins, for the US, the case for free trade is self evident as a third of its agricultural output is now exported, earning $40 billion. The agri-corporations need foreign markets to absorb domestic surpluses, and the Pacific Rim region (which already accounts for two-thirds of US farm exports) is expected to be the biggest market. "Hence the drive for free markets and a level playing field. The problem is that the 'free' market in world agriculture does not exist, and that US supremacy in world markets derives less from comparative advantage than comparative access to subsidies. According to the OECD, each US farmer receives a subsidy of about $29,000. This is roughly 120 times the average income of maize farmers in the Philippines. The upshot is that Cargill can offer US surpluses for sale at prices equivalent to half the cost of production - destroying local agriculture and creating a captive market in the process." He concludes that throughout the developing world, "free trade" is creating winners and losers. The winners are the corporate grain traders who market US and European surpluses, the big farmers who get most of the production subsidies, and chemical companies providing the inputs that produces the surpluses and destroy the environment. The losers are the rural communities where the poor compete in a market that is rigged against them.

Another aspect of the WTO, the agreement on trade-related intellectual property rights (TRIPS), will also have serious implications for Third World agriculture and farmers' rights. It requires governments to afford patent protection for microorganisms and biological processes involving them, which includes genetic engineering processes and genetically-engineered animals and plants. It also requires that intellectual rights on plant varieties be protected either through patenting or an "effective sui generis system of protection." This raises concerns that the knowledge of Third World farmers and indigenous communities that has mainly contributed to the development of crops and the use of plants will not be legally recognised, whilst the corporations which genetically engineer biological resources will be unfairly rewarded. Countries of the South would then have to purchase biotechnology products at high prices (which are facilitated by the patent protection) even though they are the origin of the biological resources (and of the knowledge on their utilisation) used in biotechnology. This is likely to lead to higher cost of seeds and food products in developing countries. There is widespread opposition, including from farmers' organisations in India and the Philippines, against the TRIPS agreement.

PART 7: LOBALISATION, LIBERALISATION AND THE ENVIRONMENT

1. GLOBALISATION AND ECOLOGICAL DETERIORATION

If the post-UNCED processes have failed to resolve the development and social aspects of sustainable development, the record in relation to the environment is just as or even more disappointing. The major factors for this is that the powerful commercial and financial interests succeeded in pushing economic liberalisation and the "free market" approach to be the over-riding priority in the policies and policy framework of most governments. Environmental concerns, together with social and development concerns, fell several notches in the political agenda, internationally and nationally.

The inescapable over-riding conclusion of an objective assessment on the environment would find that liberalisation, commercialisation and globalisation together with the logic of the race to retain or gain "competitiveness" have undermined sustainable development as both a principle and a programme.

The most important task to achieve a slowing down or prevention of even greater environmental abuse is to build up (or re-build) public opinion and political will so that there is acceptance of the need to place long-term and public sustainability concerns above (or, to begin with, at least on par with) short-term and narrow commercial interests. Since the liberalisation/globalisation process is the main source of the increased ecological problems, the key to prevent a further worsening of environmental crises is to create conditions for state, inter-state and public intervention in free-market forces. The present reluctance of political leaders (or worse, their belief in the impossibility) to institute policies that alter or temper the present pro-free market approach and to make businesses more publicly accountable and responsible, is at the root of the current environmental impasse.

Liberalisation and globalisation are related to the worsening of the global environment in various ways:

* The failure to internationally monitor and regulate transnational corporations, and instead the moves to widen their rights and access, have led to a spectacular rise in their power and authority. TNCs have generally and rapidly expanded the outreach and volume of their activities. This has correspondingly increased the damage caused to the environment in terms of volume and geographical spread.

* Liberalisation policies and global market integration have facilitated the institutions and activities that led to greater exploitation and depletion of biological diversity and resources such as forests and fishery resources and to promote and expand environmentally-harmful land-based activities (agriculture and aquaculture), that lead to continued reduction in the status of biodiversity.

* Other resources continue to be depleted beyond sustainable rates, such as water, soil and minerals. Liberalisation has opened up more mining concessions and a new wave of environmentally damaging mining activities.

* The lack of financial flows to and resources in most developing countries (accompanied by continuing debt and commodity price problems), and the persistence of structural adjustment restrictions and policies have meant a great lack of resources or "economic space" in many of these countries to implement or change towards environmentally sound production.

* There is little improvement in technology. There is no real will to change harmful production methods. The promised technology transfer to the South has not taken place; instead new obstacles have emerged, such as enhanced IPR protection. Harmful technologies continue to be exported to the South and new technologies are being spread before adequate assessment and regulation.

* There is slow progress in reducing the trade in toxic and hazardous substances and products, and the export of these to the South has continued and even increased.

* The emphasis on the need to be competitive has meant slow progress (and in some countries an actual rolling back) in control of pollution and energy use. Big infrastructure projects that are ecologically harmful are proliferating. The race to earn foreign exchange has led to increased tourism promotion and activities, with their side effects.

* With the accelerated spread of information and communications products, the consumer culture has been more widely spread. In the North and among Southern elite, there is little progress in curbing wasteful lifestyles. On the whole, there is an increase in unsustainable consumption patterns.

Some details of these interactions between globalisation and the environment are given below.

2. THE RISE OF TNCS AND THE ENVIRONMENTAL IMPLICATIONS

On the eve of the Earth Summit in 1992, the Third World Network made the assessment that the "biggest gap in the UNCED documents being signed in Rio is the absence of proposals for the international regulation or control of big businesses and transnational corporations to ensure that they reduce or stop activities that are harmful to the environment, health and development." (TWN 1992). This was because the TNCs account for the largest part of global economic activity and are the main entities responsible for the global environment crisis. TWN expressed concern that the UNCED secretariat had downgraded the need to strengthen regulation of TNCs (for example, by shelving the UN Centre on TNC's recommendations, requested for by the ECOSOC) and instead promoted self-regulation through a Business Council for Sustainable Development. "A voluntary set of principles cannot be an adequate replacement for multilaterally agreed co and regulations which states oblige industry and TNCs to follow," the TWN concluded.

Following the Rio Summit, the trend of deregulation of TNCs and of granting to them more rights and freedoms, without corresponding accountability, has greatly accelerated, particularly with the conclusion of the Uruguay Round agreements. This trend is likely to spurt ahead further if the proposals before the OECD on the multilateral agreement on investment and before the WTO on investment, competition and government procurement succeed.

That TNCs are the most important players and factors involved in environmentally damaging activities can be gauged from the following:

* TNC activities generate more than half of the greenhouse gases emitted by industrial sectors with the greatest impact on global warming.

* TNCs have virtually exclusive control of the production and use of ozone-destroying CFCs and related compounds.

* In mining, TNCs still dominate key industries and are intensifying their activities. In aluminium, for example, six companies control 63% of the mine capacity.

* In agriculture, TNCs control 80% of land worldwide cultivated for export crops; and 20 firms account for 90% of pesticide sales.

* TNCs manufacture most of the world's chlorine, the basis for some of the most toxic chemicals including PCBs, DDT and dioxins.

* TNCs are the main transmitters of environmentally unsound production systems, hazardous materials and products to the Third World. For example, 25% of pesticide exports from the US in the late 1980s were chemicals banned or withdrawn in the US itself.

* TNCs dominate the trade (and in many cases the extraction or exploitation) of natural resources and commodities, that contribute to depletion or degradation of forests, water and marine resources and, toxic wastes and unsafe products.

* Through advertising and product promotion, they also promote a culture of unsustainable consumption.

Case studies of the recent performance of twenty TNCs by Greer and Bruno (1996) show that despite the improved public relations exercise claiming greater environmental responsibility and despite more and more voluntary codes of conduct by industry, there has been little change and much "business as usual", with the corporations continuing with activities that are environmentally harmful.

With the growth in production volume and geographical scope of big companies, based largely on the continuing use of unsustainable production systems (and promotion of wasteful lifestyles), and in many cases displacing more sustainable systems or lifestyles, more environmental degradation worldwide must be expected.

Because of their far greater technological capacity, the use of production techniques or substances that are often more ecologically damaging, and the larger volume of production that they characterise, TNCs usually have a negative effect on the environment when they newly produce in or export to (or increase their activities in) an area. With the increasing spread and market penetration and share of TNCs and big business concerns, the damaging environmental effect has increased. This effect is not confined to Northern-based companies. In recent years there has been a significant increase in overseas investment and activity of companies based in developing countries, especially in East and Southeast Asian. For example, These companies are accounting for a large part of new and increased forest logging and deforestation in Indochina, the Pacific and South America.

3. LIBERALISATION POLICIES AND THEIR ENVIRONMENTAL IMPLICATIONS

Within countries, the processes of liberalisation, commercialisation and deregulation have generally had adverse implications for the environment. This is true in the North as well as the South. In developing countries, whilst much of the research on structural adjustment programmes (SAPs) has focused on the development aspects of sustainability, there is a growing body of evidence that it has also contributed to the process of environmental deterioration.

In the designing of SAPs, environmental concerns have not been explicitly taken into account. The deregulation, privatisation and liberalisation measures that lie at the heart of SAP have accelerated the development of environmentally harmful patterns of production and consumption, whilst the reduction of government budgets has affected the state's capacity to deal with environmental problems.

By promoting external liberalisation, SAP has encouraged an increase in the extraction and export of raw materials in many countries, thus contributing to resource depletion and degradation. The growth of poverty and inequities resulting from debt and SAP has also pushed poor farmers and communities to opening up forests to eke a living from the land.

According to Walden Bello (1994), most of the top 15 Third World debtors have tripled the rate of exploitation of their forests since the late 1970s. This is related to the survival imperative of poor, landless people and the pressing need of nations to gain foreign exchange for debt servicing. Bello has also summarised detailed case studies of four countries that underwent SAP (Chile, Costa Rica, Ghana and the Philippines), demonstrating the dynamics and interrelations between structural adjustment, poverty, market liberalisation and environmental degradation. In these countries, the overriding need to service debts led to an emphasis on expanding exports of natural resources and commodities (such as timber, fish, bananas, cocoa and minerals). Moreover, SAP-induced increased poverty resulted in a situation where landless farmers had to exploit forest, land and fishery resources. The result was rapid depletion and degradation of the fragile natural resource base in these countries.

In Chile, the pressure to gain foreign exchange to repay debt and the desire to attract foreign investment constrained the government from imposing adequate environmental controls over natural resource exploitation, which became the basis for the 1980s export boom. Serious depletion of forest and fishery resources, and heavy pollution from pesticides and mining wastes, was the result.

Under the impetus of SAP, Costa Rica in the 1980s accelerated the growth of banana plantations and cattle ranching to boost exports. This led to severe deforestation, increased use of agricultural chemicals and soil erosion.

In Ghana, after the failure of the SAP-inspired plan to earn more from cocoa exports (as the expanded output led to a price decline), the government revived commercial forestry with World Bank support. Timber production rose almost threefold in the period 1984-7, contributing to forest degradation. According to Ghana economist, Charles Abugre: "Rapid mining of environmental resources, as evidenced by fast depleting forests, bust-fires ravaged savanna lands as well as open-cast mining without land reclamation plans, deep sea over-fishing and the reckless dumping of toxics from mines and industries, are undermining the main assets of the poor - land and water resources."

In the Philippines, the debt-induced recession and structural adjustment also negatively affected the environment. A World Resources Institute study showed how economic contraction triggered by SAP escalated pressures on the fragile resource base. Unemployment that was worsened by SAP led to an increase in migrants that exploited forests, watersheds and fishery resources.

The environment and health condition in many Third World countries has also been adversely affected by import liberalisation promoted through SAP as well as through trade measures of the U.S. administration (through its Super and Section 301 laws) and GATT. For instance, there has been a significant increase in the incidence of smoking in several Asian countries that were compelled to facilitate the increased importation of cigarettes. Import liberalisation has also resulted in the proliferation of modern consumer products (aimed initially at the higher-income groups that have benefitted from SAP) and which promotes environmentally unsustainable consumption patterns. There is a danger these imported and well-advertised products may replace and displace more socially appropriate and environmentally-friendly local products, including those now used by ordinary people.

According to UNRISD (1995), the effectiveness of policy responses to environmental degradation is often curtailed by adjustment: "In general terms, there are three main variants of environmental policy approaches; conservationism, primary environmental care and environmental economics. The potential of all of these to alleviate environmental problems has been limited by the economic and social changes that have accompanied economic restructuring." For example, SAPs-induced agricultural export growth often has negative environmental effects, especially where ecological conditions are such that export crop cultivation is less sustainable than that of traditional food crops. Conservation programmes and environmental protection agencies are also most vulnerable to government spending cuts. Also, SAPs undermines the potential for community-based action anhd weaken the capacity of communities to adapt to changing ecological conditions, thus reducing the possibility of implementing the community-based "primary environmental care" approach.

The environmental effects of trade and trade liberalisation in the transfer of inappropriate technologies, production methods and consumption patterns has been examined in Khor (1996).

The view that "free trade" is the best route to environmental protection (because it generates wealth to pay for protection measures) ignores the role that trade liberalisation plays in facilitating resource depletion and unsustainable production and consumption patterns. The present pattern of trade has in fact helped accelerate environmental degradation worldwide.

Investment liberalisation, without corresponding tightening of regulation but instead accompanied by further deregulation, can be predicted to accelerate the process further. The higher flows of FDI in recent years to developing countries is increasing the tempo of ecologically-damaging activities. The proposed multilateral agreement on investment (developed in the OECD) and similar moves in the WTO to liberalise investment rules will have very wide environmental implications, and have raised serious concerns with many environmental groups.

4. INTELLECTUAL PROPERTY RIGHTS AND TECHNOLOGY TRANSFER

(a) Technology Transfer in the UNCED Process

UNCED recognised that technology transfer was essential for developing countries' transition to sustainable development. Indeed, technology transfer was one of the two critical cross-cutting issues in the North-South compact, the other being financial resources. In the UNCED process, the key issue in technology transfer was intellectual property rights. The South argued that IPRs had to be relaxed in the case of environmentally-sound technology (EST), for otherwise IPRs would hinder the South's access to such technology.

The Northern delegations were very sensitive on this point and refused to concede. Whilst agreeing that concessional terms should be encouraged for the transfer of ESTs, the Northern governments insisted that IPRs (such as patents) be applied and that an exception should not be made in IPR regimes on such technologies.

Finally, the Agenda 21 chapter on technology called for action to promote and finance the access to and transfer of environmentally sound technologies to developing countries on favourable (including concessional and preferential) terms. But it also says these terms must be "mutually agreed" upon and also take into account the need to protect intellectual property rights.

The full application of such rights would of course be a major barrier to technology transfer, and deprive the commitment to transfer technology of much of its content. There is thus a fundamental tension within the agreement on technology, and room for more discussion on how to operationalise the Agenda 21 proposals on technology cooperation, transfer and capacity building. The Southern countries consider this to be an area where assistance from the North is critically needed.

(b) IPRs as Obstacle to Technology Transfer

Since Rio, there has also been little or no progress on facilitating the transfer of environmentally sound technology to the South. Instead, the international IPR regime has become much stricter, especially through the TRIPS Agreement in the WTO, which will have to be translated to policies and laws at national level. Evidence is also emerging that the IPR regime can prevent developing countries from having effective access to environmentally sound technologies (ESTs).

Holders of the patents to these technologies, which are usually Northern-centred transnational companies, can refuse to grant permission to companies in the South to use the technologies, even if they are willing to pay market prices; or else the technologies may be made available at high prices (due to the monopoly enjoyed by the patent holders). Companies in the South may not afford to pay at such prices, and if they do their competitiveness could be affected. As a result, developing countries may find difficulties in meeting their commitments to phase out the use of polluting substances under international environment agreements.

Third World firms find it difficult or impossible to have access to substitutes for chloroflourocarbons (CFCs), chemicals used in industrial processes as a coolant, that damage the atmosphere's ozone layer. This hinders the South's ability to meet commitments under the Montreal Protocol, an international agreement aimed at tackling ozone layer loss by phasing out the use of CFCs and other ozone-damaging substances by certain target dates.

Under the Protocol, developed countries originally agreed to eliminate production and use of CFCs by the year 2000, whilst developing countries are given a ten-year grace period to do the same. A fund was set up to help developing countries meet the costs of implementing their phase-out, and the protocol includes articles on technology transfer to the South on fair and favourable terms.

According to the Indian Commerce Ministry, developing countries like India that manufacture products (such as refrigerators) with CFCs are finding it very difficult to phase out the use of these substances because of the lack of access to environmentally acceptable substitutes controlled by Northern multinationals.

There are five Indian companies that are major manufacturers of products that depend on the use of CFCs. They face closure if they are unable to meet the dateline of eliminating CFCs use by the year 2010. However, the pledged technology transfer on fair and most favourable terms has not materialised. Three of the Indian companies formed a consortium to commission a local institute of technology to produce a substitute for CFCs. The research is at an advanced stage and India now has a real possibility of locally producing the substitute substance, HFC 134A.

However, the implementation of this plan faces a major obstacle because of the WTO's TRIPs agreement. The patent rights to the substitute are held by a few multinational companies. They may not want to grant permission to use the technology to companies in developing countries which they view as rivals. Some of the Indian companies are willing to pay the market price or even higher for the technology. But a multinational holding the patent has refused to license it unless it can take a majority stake in the companies' equity. This example shows how much the developing countries have been put on the spot.

On one hand they are persuaded or pressurised to join international environmental agreements and commit themselves to take painful steps to change their economic policies or production methods. Financial aid and technology transfer on fair and most favourable terms are promised during the hard negotiations, to persuade the South countries to sign on. Then, when the agreements come into force, the funds are far from the promised level, and technology transfer fails to materialise.

Meanwhile in another forum like the WTO, other treaties such as TRIPS are negotiated which produce an opposite effect, and that is to block the South's access to environmental technology. Yet, when the time comes, the South can be expected to be pressured or coerced to meet their full obligations, such as phasing out the use of CFCs (in the Montreal Protocol) or reducing emissions of Greenhouse Gases (in the Climate Change Convention). There is thus an unfair imbalance. The North does not follow its obligation to help the South, but the South has to meet its commitments, which because of the lack of aid and technology, will cause economic dislocation.

One remedy being proposed by some public interest groups and developing countries is to change the international laws on patents so that the full weight of IPRs is not applied to environmentally sound technology.

The Indian government has made out a strong case for amending the TRIPS accord in the WTO in order to recognise developing countries' need for transfer of ESTs on "preferential and non-commercial terms." It tabled a paper on the issue of TRIPS and the transfer of ESTs at the WTO in 1996. The issue will be re-examined in the WTO in future.

(c) TRIPS and Environment at the WTO

In the WTO's Committee on Trade and Environment (CTE), the "TRIPS and environment" is being discussed, under two issues: (a) the relationship of TRIPS agreement to access to and transfer of technology and the development of environmentally sound technology; and (b) the relationship between the TRIPS agreement and MEAs which contain IPR-related obligations.

A key issue, as defined by NGOs and some Southern governments, is an important clause in the TRIPS agreement relating to patentability and non-patentability of biological materials, i.e. the issue of "patenting of life forms."

At the March 1996 meeting, India presented a paper, a brief outline of which is as follows. The paper states that the five types of intellectual protection (IP) covered in TRIPS are relevant in this context: patents, plant variety protection, layout designs of integrated circuits and undisclosed information. Two types of technologies incorporating IP are distinguished: those that harm and that benefit the environment. The use of the first should be discouraged, the second encouraged, by the international community.

On patents, for technologies harmful to the environment, measures needed to discourage their global use may include exclusion from patentability (so that incentives are not given to generate such technologies) and ban of their use or commercial exploitation. The TRIPS agreement recognises this reasoning in Article 27.2 which allows exclusion from patentability "inventions, the prevention within their territory of the commercial exploitation of which is necessary to protect ordre public or morality, including to protect human, animal or plant life or health or to avoid prejudice to the environment, provided that such exclusion is not made merely because the exploitation is prohibited by their law."

For environmentally-beneficial technologies, to encourage their global use, and in cases where other measures for technology transfer are not possible, India proposes three points: (a) Members may have to exclude from patentability to allow free production and use of such technologies as are essential to safeguard or improve the environment. Such an exclusion is not incompatible with TRIPS and may have to be incorporated through a suitable amendment; (b) For currently patented technologies, Members may revoke patents already granted, if this is done in consonance with the Paris Convention and must be subject to judicial review; (c) To encourage the use of environmentally beneficial technology, Members should be allowed to reduce the term of patent protection from the present minimum of 20 years to say 10 years, "so as to allow free access to environmentally-beneficial technologies within a shorter period."

The paper also deals with layout designs of integrated circuits and protection of undisclosed information, and with plant variety protection.

It suggests that amendments to the TRIPS agreement may be required in Section 5 (articles 27, 31, 32, 33), Section 6 (articles 36,37,38), Section 7 (art 39), and an understanding on plant variety protection (Art 27), dispute settlement (Art 64) and undisclosed information (Art 39).

Another key aspect of technology transfer and IPRs is the TRIPs provision in relation to biological materials. It requires governments to afford patent protection for microorganisms and biological processes involving them, which includes genetic engineering processes and genetically-engineered animals and plants. It also requires that intellectual rights on plant varieties be protected either through patenting or an "effective sui generis system of protection." This raises concerns that the knowledge of Third World farmers and indigenous communities that has mainly contributed to the development of crops and the use of plants will not be legally recognised, whilst the corporations which genetically engineer biological resources will be unfairly rewarded. Countries of the South would then have to purchase biotechnology products at high prices (which are facilitated by the patent protection) even though they are the origin of the biological resources (and of the knowledge on their utilisation) used in biotechnology. This is likely to lead to higher cost of seeds and food products in developing countries. There is widespread opposition, including from farmers' organisations in India and the Philippines, against the TRIPS agreement. This provision will be up for review in 1999, and in that process a change or reinterpretation can be proposed.

In its 1996 paper to the WTO, India has stated that on plant variety protection, under TRIPS, IP protection can either be provided by patents or by an effective sui generis law. This and other provisions of Article 27.3 (b) are subject to review by 1 Jan. 1999. The India paper states: "As it now stands, Members are free to incorporate in their sui generis laws any measures for exclusion, revocation, use without the authorisation of the right holder, reduction in the term of protection and even for sharing of benefits with traditional communities, in the context of discouraging the production and use of plant varieties which are injurious to the environment and encouraging the production and use of those that safeguard or are beneficial to the environment, provided that these provisions are otherwise consistent with the TRIPS agreement." It urged the CTE to give this interpretation. These are other related issues in the context of biotechnological inventions and biodiversity should be borne in mind during the review by 1999.

5. GENETIC ENGINEERING AND BIOSAFETY

A major development since UNCED has been the extremely rapid developments in the new biotechnologies, especially genetic engineering. There has been the spread of agriculture and animal husbandry using genetic engineering, and the first sales of genetically-engineered foods (including tomato, soya-bean and maize) in the market. The developments are being driven by biotechnology-related companies, which are investing large funds for research in universities and whose activities and products involving genetic engineering are being significantly "globalised."

These rapid developments have elicited increasing concern with policy-makers (especially in developing countries), scientists, environmental groups about the potential environmental and safety effects of the use of genetically-modified organisms (GMOs) and the general public (large numbers of which in many countries are worried about safety aspects of genetically engineered foods).

These concerns are rising because of plans by corporations to release a wide range of GMOs into the environment. There are many applications pending and even more potential ones being prepared, for the commercial planting of a wide range of crops involving GMOs. The concerns include the lack of adequate regulations, or the total absence of regulations in the case of most developing countries, whilst international transfers of the GMOs are already taking place, often without the knowledge of the governments of importing countries.

In a statement in 1995, an international group of scientists pointed out scientific flaws of the genetic engineering paradigm, showing why it is impossible to predict the consequences of transferring a gene from one type of organism to another in a significant number of cases (TWN 1995). This calls into question the value of genetically-engineered crops. Moreover, genetically-modified organisms (and especially micro-organisms) may migrate, further mutate multiply, and be transferred to other organisms and species, and in some cases the stability of affected organisms and ecosystems could be disrupted and threatened.

According to the scientists' statement, the more specific risks in agriculture are that some transgenic crops could become noxious weeds, and others could become a conduit through which new genes may move to wild plants which themselves could then become weeds. The new weeds could adversely affect farm crops and wild ecosystems. Similarly, genetically engineered fish, shellfish and insects could become pests under certain conditions. There is also a possibility of new viral strains giving rise to new plant diseases. Of particular concern is the risk that transgenic crops may pose a threat to wild plants and traditional crop varieties and thus accelerate the process of the rapid loss of agricultural biodiversity, especially in the developing countries which are world centres of crop origin and diversity.

Another report by an independent group of experts, "Biosafety: Scientific Findings and the Need for a Protocol" (TWN 1996), provides details of recent findings of potential serious threats These include the possibility of certain genetically-engineered bateria unintendedly killing soil organisms, thus reducing nutrient supply to plants and threatening their survival; the rapid transfer of transgenes between oilseed rape (engineered to be herbicide tolerant) to its weedy natural relative; and the survival and spread of genetically engineered organisms from containment.

These documents reinforce the conclusions of other scientists and of environmental groups that the transfer to developing countries of projects or experiments involving genetic engineering could be hazardous, at least until safety regulations are put in place in these countries. There is also the well-justified concern that the development of the new biotechnologies will develop food products which would displace the traditional export commodities of the South.

An expert consultation organised in September 1993 by the FAO in Asia, and attended by senior government and NGO officials, called for a moratorium on the introduction of genetically-engineered products in agriculture until adequate capacity is established to assess their environmental, health and socio-economic effects. They also proposed that the FAO help set up a mechanism to "ensure that there not be the transfer of hazardous genetic engineering experiments, research and products to developing countries."

At the third session of the CSD in April 1995, a group of NGOs and scientists issued a joint statement expressing "extreme disappointment and concern about the unbalanced and scientifically uncritical manner in which biotechnology has been treated in the official Secretariat documents". Their central concern stemmed from the way the CSD documents uncritically promote biotechnology with highly exaggerated and misleading claims, whilst trivialising the real and serious ecological, safety and socio-economic problems posed by genetic engineering. This approach, said the NGOs, is akin to a public relations exercise for the industry, and is obviously seriously biased against ecological and health considerations. Such an approach was most strange and worthy of strong reproach especially when the CSD is the prime international organ for promoting environmental safety.

The statement said the CSD report compounded (instead of offsetting) the inadequacies of Agenda 21's chapter 16 dealing with biotechnology, which had been criticised by public groups for its unbalanced treatment of biotechnology. Unlike the other sectoral chapters promoting environmental protection, it was promoting an industry. Contrary to its title, the chapter had little to do with "environmentally sound management" of biotechnology. It failed to adequately deal with protecting the public and environment from the potential hazards, and it instead made several unsubstantiated claims about the future benefits of this new and untested technology. The NGOs urged the CSD to place much greater stress to the ecological and safety aspects; to assert that the precautionary principle be applied to activities, projects and products involving genetic engineering and to establish proper scientific and ecological capacity for the environmental, safety, health, social and economic assessment of genetic engineering and for risk assessment, making use of the best and up-to-date scientific and ecological standards and methods. It also urged Members states of the CSD to beware of the promotion or provision of low-quality schemes to "transfer technology", the establishment of "technology centres" or the provision of low-quality "biosafety training programmes", which have poor assessments of genetic engineering and would inadvertently aid the process of the inappropriate and potentially harmful infusion of these new technologies to developing countries.

In the Biodiversity Convention, developing countries under the Group of 77 and China, proposed that a legally-binding international biosafety protocol be established under the Convention, in recognition of the potential hazards of genetic engineering. Many developed countries are also in favour of such a protocol. In November 1995 the Convention's Conference of Parties agreed to begin negotiations on an international legally-binding biosafety protocol. After over four years of hard negotiations, an international biosafety protocol (known as the Cartagena Protocol) was concluded in February 2000.

6. THE CONTINUED DEGRADATION OF FORESTS

Concern over tropical rainforests was a central issue in the UNCED process. Many developing countries successfully argued that tropical forests should not be singled out but that UNCED should focus on all types of forests, keeping in mind also that the developed countries had already deforested large portions of their forests. The result was a commitment to address the crisis over all types of forests, in a legally non-binding forest agreement.

Many Northern NGOs pushed for a convention on forests, while many Southern NGOs argued that an international agreement will not save forests nor secure the rights of indigenous peoples and other forest dwellers. At the governmental level, Southern countries with large tracts of forests were adamant against a treaty for fear that a national resource would be "globalised" for control by the North. Meanwhile, the degradation of natural forests has continued at a rapid rate. This is the case with some Northern countries, where there has been environmental protests against logging, for example in the US and Canada. In developing countries, logging has expanded to previously remote and inaccessible forests - for example, in Pacific islands and South America - and the remaining African forests are also under threat. Logging companies from South-east Asian countries have also recently emerged as transnational players, having major concessions in several Asian, Pacific and South American countries, although the market for tropical wood is still largely Japan, Europe and North America.

Since Rio, the condition of the world's forests continue to deteriorate at a rapid rate, indicating a failure so far to check the situation overall, let alone reverse the deforestation process. A new FAO report released in March 1997, "The State of the World's Forests 1997", shows continuing high rates of deforestation in 1990-95 during which an estimated 11.3 million hectares of forests were lost worldwide yearly on average (IPS 1997). In the five-year period, forests in developing countries decreased by 65.1 million ha. This was partly offset by an increase of 8.8 million ha. of forest in developed countries. Thus, in net terms just over 56 million ha. were lost. The report estimated the annual rate of loss in the developing world at 0.65%. Natural forests in developing countries decreased by 13.7 million ha annually in the 1990-95 period. This is still high, although slightly lower than the 15.5 ha per year in the decade 1980-90. Deforestation was also highest in the tropical zone of developing countries, with the highest annual rate of loss of 0.98% in tropical Asia-Oceania.

In developed countries, deteriorating forest condition remains a serious concern in Europe and North America; major threats include forest fires, pests, diseases and air pollution.

The data show that there has hardly been progress overall in the forest situation since UNCED. Where logging is concerned, as the area of loggable forests decline in many countries, timber activities have opened up in several new regions and countries, and there are also further plans to provide logging concessions over vast tracts of tropical forests.

There is the danger that as international wrangling continues at the policy level, on the ground it will be "business as usual" as the process of further liberalisation of the forest sector and the globalisation of commercial timber and other economic activities will lead to further high rates of deforestation.

7. LACK OF PROGRESS ON SUSTAINABLE AGRICULTURE

In the past decades, the globalisation process has spread environmentally-unfriendly agriculture technology to many parts of the South. In recent years, the harmful effects of this model have been recognised. UNCED has agreed that in its place, "sustainable agriculture" should be promoted. Unfortunately, little has been done at the international level to implement sustainable agriculture. This lack of commitment is probably related to the fact that the current dominant models of chemical-based agriculture are relied upon by commercial agribusiness corporations for generating their revenues, whereas ecological and organic forms of agriculture rely on low inputs and are thus not in the interests of commerce. Thus, the commercial interests that finance research and agriculture projects are not eager, to say the least, for sustainable agriculture to make headway.

In the past, most agricultural aid has been for promoting the Green Revolution model, which uses seeds with a high response to big doses of inorganic fertiliser and chemical pesticides. These few seed varieties have displaced a wide range of traditional seeds, thus eroding crop biodiversity. There is also mounting evidence of and growing concern with other ecological problems, such as increasing soil infertility, chemical pollution of land and water resources, pesticide poisoning, and pest infestation due to growing pest immunity to pesticides. These are symptoms of a technological system in decline and the system's main claimed benefit, high productivity, is itself now in question.

Firstly, in areas where the model has operated for a longer period, there is evidence of declining yields. This is one factor that led the then head of the FAO's regional office for Asia and the Pacific, Mr Obaidullah Khan, to conclude that there is a need to move away from the Green Revolution model and instead phase in ecologically and socially sustainable forms of agriculture. In an interview in September 1993, Mr Khan said that in Asia, the rice farming system using the

Green Revolution was in a state of decline and a new technological paradigm was needed to produce more (Khor 1994). Mr Khan revealed that recent statistics had shown a yield decline of one to three percent per year on some fields using the Green Revolution technique, a situation which was described as "a recipe for disaster within one generation" by the FAO regional officer for integrated pest control, Peter Kenmore. Developments on some of the best managed experimental farms have added to the pessimism.

Secondly, there is increasing awareness that the supposed high productivity of the Green Revolution is at best a gross exaggeration and at worst a misleading myth, as shown in the pioneering studies on the Green Revolution by the Indian scientist Dr Vandana Shiva. This analysis is also shared by the FAO's Mr Khan, who agreed that the apparent benefits of monoculture agriculture had been overestimated whilst the productivity of traditionally grown varieties had been understated. Using proper calculations, the total yield of the traditional system would be higher and its efficiency better appreciated.

With disillusionment setting in on the Green Revolution, commercial resources now turning to the new biotechnologies. There is need for great caution in this regard, for the claimed benefits of genetic engineering are far from being proven, whilst there is increasing evidence of real and potential risks (see Section on Genetic Engineering). Given the concerns about biosafety, aid resources should not be channelled to developing the new biotechnologies as a new technological panacea. To do so would mean that the lessons from the Green Revolution experience have not been learnt, and developing countries could then face a new set of ecological and safety threats.

Instead, priority should be given to support to research and projects on ecological and community-based farming practices and systems. So far, relatively little resources have been made available for this. There is a premise that whilst "sustainable agriculture" may be ecologically good, it is inferior and inadequate in terms of productivity. This premise could actually be a prejudice, for there is evidence that ecological farming can be high yielding as well, higher yielding in fact that the Green Revolution method.

Since UNCED in 1992, there has been little official action to phase out chemical-based agriculture nor to promote sustainable agriculture despite a tremendous increase in public demand for organic foods. As pointed out earlier, this inertia could well be due to the fact that organic agriculture is against the commercial interests of agri-business since a switch in that direction would sharply reduce the sale of its inputs.

As a result of lack of support, sustainable agriculture today remains at the level of anecdotes and case studies and the biases against it are deep-seated.

8. PROLIFERATION OF COMMERCIAL AQUACULTURE

Another recent negative environmental impact of globalisation is the damage to coastal land resources and marine resources caused by the mushrooming of large-scale commercial aquaculture schemes in Asia and parts of Central and South America to produce prawns and other marine products mainly for export (Khor 1995). This phenomenon is fairly recent, and has accelerated in speed in the past few years. The farms mainly produce large shrimps (for example, "Tiger prawns")

and other exotic items such as eels, which are mainly exported to the United States, Europe and Japan where shrimps fetch a high price and have become a fashionable and expensive cuisine item.

The rapid expansion of commercial, intensive aquaculture has often been called the "Blue Revolution", following the term "Green Revolution" used to describe the introduction of chemical-based agriculture. Since the 1970s, global production of cultured shrimp has jumped by incredible rates, mostly in Asia which in 1990 produced 556,500 metric tons or 80 per cent of the world output. In the same year, it was also estimated that 820,000 hectares was being used for coastal shrimp aquaculture in Asia.

Whilst the problems associated with the Green Revolution are now increasingly showing up, the so-called Blue Revolution is already being plagued by a wide range of environmental and social ill effects. The projects have destroyed the coastline ecology (including valuable mangroves and wetlands), polluted seawater, deprived fisherfolk of their landing areas, depleted groundwater and poisoned farmlands of surrounding villages. Thousands of miles of shoreline in India, Bangladesh, Thailand, Malaysia, Ecuador and Mexico, among others, are affected. Hundreds of farming and fishing communities are protesting against the intrusion into their lands and the despoliation of their land and water resources by the aquaculture farms.

Another negative feature is that many the aquaculture projects appear to have a very short lifespan, as ecological factors make them physically unsustainable within a few years. This has been the experience of some of the most important producing countries, especially Taiwan and Thailand. In Taiwan, cultured shrimp output tumbled from the 1987 peak (when it was Asia's biggest producer) of 100,000 metric tons to 20,000 tons in 1989 due to epidemic-level diseases due to over-intensive production and the indiscriminate use of toxic chemicals and antibiotics also decreased the resistance of shrimps to diseases. In Ecuador, export of the western white shrimp fell from 70,000 tons in 1980 to 35,600 tons in 1983, recuperating to 48,000 tons in 1990, also due to environmental reasons.

In late 1996, in a case filed by communities affected by aquaculture, the Indian Supreme Court made an order to close down all commercial aquaculture projects in a country, a decision hailed as a major victory for social and environmental concerns. During the case, a cost-benefit analysis commissioned by the Court concluded that shrimp aquaculture in two states caused more economic harm than good. In Andra Pradesh, the social and environmental costs outweighed the economic benefits by a ratio of four to one whilst in Tamil Nadu the losses were one and a half times greater than the gains.

Meanwhile, many hundreds of fishing and farming communities in several countries continue to be affected by the negative effects of commercial aquaculture, and protests by these communities are increasing.

9. DEPLETION OF FISHERIES

The depletion of the world's fish stocks has worsened since the early 1990s due to overfishing and pollution and the FAO has warned that 69% of the world's fishery resources are fully exploited, over-exploited or seriously depleted. The global fish catch rose fivefold between 1950 and 1989 to 100 million tonnes a year, but growth has since stagnated.

In a survey of the Asian region, which accounts for over half the global fish catch and consumption, Saywell (1995) reported that there has been gross overfishing by fishing fleets using increasingly powerful techniques, including aircraft, radar and satellites to track shoals. Trawlers using drift nets increase both the catch and "by-catch" (species inadvertently netted and discarded); a quarter of all fish caught is estimated by the FAO to be discarded. Increased competition has led to several conflicts among fishing fleets from different countries and increased regional tensions. The number of fishing vessels has continued to rise worldwide since 1989. A fishery researcher was quoted as saying: "New boats are rolling off the docks all the time, big monsters processing 200,000 tonnes a day, operating around the clock and competing with each other. The older fishing boats have to compete even harder. It's a madhouse out there."

The depletion and falling catch has led governments in the region to promote aquaculture as a source of future rapid growth in fish products. The share of farm-based fish has nearly doubled from 1984 to 1993 to 22% of total supply. However, the aquaculture industry has itself resulted in severe environmental and social problems (see section above).

Continuing development of coastal areas (land reclamation and other infrastructure) and pollution from land-based activities have also increased since UNCED, thereby adversely affecting fisheries.

10. FRESHWATER RESOURCES

Agenda 21 clearly recognised the freshwater crisis, citing the current development model as environmentally destructive. Since UNCED, more reports have sounded the alarm. The situation is so serious that freshwater availability, access and cleanliness is possibly the most critical environmental constraint and certainly a potential social as well as geo-political time bomb.

The World Water Council, pointing out that the demand for freshwater doubles every 20 years, reported that in 1950, only 12 countries with 20 million people faced water shortages; by 1990 it was 26 countries with 300 million people and by 2050 it is projected to be 65 countries with 7 billion people, or 60% of world population.

According to a report of the CSD Secretariat, over 8% of the world's population now live in countries that are highly water stressed and another 25% in countries with moderate to high water stress (ECOSOC Document E/CN.17/1997/2). If current trends in water use persist, two-thirds of world population could be living in countries with moderate or high water stress by 2025. The report said an analysis under the Comprehensive Assessment of Freshwater Resources of the World "gives rise to serious concerns as to the sustainability of current pathways of water resources

development and utilisation in many developed and developing countries alike."
Competition for scarcer water resources is now widely predicted to be a increasingly important source for conflict between countries sharing waterways, and also within countries. Whether it is the Pacific Northwest of the US or the Mekong River basin, water conflicts are on the increase as the fight for uses of the resource as well as pollution increases. These conflicts are geographical as well as social. There is a tendency for poor people losing out to commercial interests and those who can pay.

Industrialisation, urbanisation, tourism, commercial agriculture are among the biggest users and competitors. Since these processes and activities have continued to expand, greater stress has been put on availability and quality of water.

Better watershed management and an integrated approach to water conservation was called for in Agenda 21, but since the Rio Summit, the situation has worsened. Activities such as logging, mining, tourism and export crop agriculture are threatening watersheds. The displacement of poor people from lowlands to upland areas continue in many countries, again disturbing sensitive watersheds.

Water pollution also is a major problem, with industrial, agricultural and urban wastes being the primary causes. Groundwater resources have received scant attention in most countries and at the global level. These are not regulated and thus not managed, ending up as a "free for all" resource. According to the CSD Report (ECOSOC 1997), "fresh water reserves continue to be used as a sink for the dumping of wastes from urban and industrial sources, agricultural chemicals and other human activities. Current estimates indicate that about 90% of waste waters from urban areas are discharged without any treatment in many developing countries. Altogether, water quality has degraded rapidly, and has in some regions become so bad that ground water is not suitable even for industrial use."

Awareness of scarcity and pollution has given rise to proposed market-based solutions, including raising the price of water to reflect scarcity. Whilst this will increase disincentives to wasting of resources, if not carefully planned, the rise in water prices could also reduce access of poorer consumers to water.

A more fundamental approach would be to identify and reduce the sources of water depletion and pollution, through environmental laws and development planning, constraining the economic activities responsible. For example, the intensity of water use should be a major factor in the consideration of industrial policy and projects and urban planning; and the degree of threat to watersheds should be the key factor in determining development proposals in hill areas.

Hydropower development continues to be controversial with proponents claiming that multipurpose dams offer sound water management. Opponents assert that huge dams are environmental and social disasters. In the post-UNCED period, there has been a significant increase in plans for building large dams. The Three Gorges Dam (n China), Bakun Dam (in Sarawak, Malaysia) and the Mekong projects (in Indochina) are notable examples. In some developed countries, there has been increased awareness of the negative effects of large dams, and the decommissioning of some dams and efforts at environmental rehabilitation.

11. MINING ACTIVITIES

The extraction of minerals, including fossil fuels, was conspicuously absent from the UNCED negotiations, and thus from Agenda 21. It is a serious anomaly and deficiency in Agenda 21, which should be rectified. Perhaps it was an admission that mining cannot be sustainable: the destabilisation of local environments caused by mining is undeniable, with forests stripped bare, soils degraded and water channels polluted. Besides suffering the ecological effects, millions of people also find their land rights and livelihoods are threatened by mining activities.

According to Chee (1997), the escalation of mining projects in recent years is alarming. Massive projects are underway or proposed in every continent, accompanied by violent protests in a number of cases. These include Venezuela, Ecuador, Ghana, Nigeria, Papua New Guinea, Burma, Borneo, the Philippines.

As technology advances, and the more accessible deposits are exploited, mining companies are penetrating more remote areas. These are usually remaining forests, watersheds and mountainous regions. To mine these areas would be to cause more devastating environmental damage. Most of these areas are also indigenous peoples' lands, recognised or claimed.

TNCs from Australia, Canada and the US are extending their spread more aggressively. In Africa, South African based companies are moving across the continent. While specific companies in specific instances have been highlighted (e.g. SHELL in Nigeria and CONOCO in Ecuador) there is no systematic monitoring of TNCs to match the increased activity in the mining sector.

At the same time, pressure on the South to open up their countries to foreign investors have led to new or amended mining laws that will damage the environment and result in widespread dislocation of communities and social chaos.

In a study of recent trends in the global mining industry, Corpuz (1997) concluded: "In the mid-l990s technological advances coupled with the fast globalization and liberalization of the mining industry, which is called the "the mining sustainability framework", allowed the transnational mining corporations to temporarily ease themselves out of a crisis (that they faced in the 1980s due to low prices). The higher profits by the mining TNCs, however, meant higher sacrifices on the part of the majority who are marginalized and greater devastation for the global environment. Among those who have suffered the most from the liberalization of mining are indigenous peoples, the women, and even the workers, despite the promise that this will increase employment." The study also reveals the following.

By the mid-1980s, the states in many developed countries started to divest themselves of their interests in mining and metals companies. By l993 there was significant reduction in state control for nearly all minerals. In the South, liberalisation took a different form: liberalisation of mining laws, derestriction and deregulation. The common trend in many Third World countries is the removal of most barriers and instruments previously used by governments in the preservation, development and the utilization of their mineral resources. Around seventy countries in Latin

America, Africa, Asia-Pacific are now fully liberalizing their mining laws and implementing deregulation in a wide range of areas, including land rights and mineral rights, taxation, environment protection, in order to attract foreign mining investors.

This liberalisation policy at national level is accompanied by the globalisation of mining operations. Mining TNCs have developed a framework which they call "mining sustainability" which refers not to "sustainable development" but to lengthening of the lifespan of mining operations. It refers to the acquisition by mining companies of large tracts of mineral lands worldwide and removal of restrictions to their control and use of such lands so that mining operations should no longer be hampered by territorial boundaries and planning can be done on a global scale.

Due to intense competition, to maintain their industry position, mining companies have to be aggressive in extending their borders and compete to acquire mineral lands. Canadian mining companies for example have around 1,700 mine projects outside of the Canada and the US, mostly in Central and South America and Africa but including Asia. Another trend is the increase in mergers among mining companies; in 1996 there were mergers of CRA of Australia and RTZ of England, Western Mining Company of Australia and ALCOA of the US, Broken Hill Property of Australia and Magma Copper Co. of the US, Cyprus and Amax, Billiton within Gencor, American Barrick and Lac Minerals, Inco and Diamond Fields Resources, Anglo American and Ashanti, and Battle Mt. Gold and Hemlo.

Such mergers concentrate the power of mining TNCs even further, putting them in in a better position to further expand their control over mineral lands. Increased operations will lead to more ecological problems and the displacement of people.

Mining TNCs are motivated to open up in the Third World because of the tightening environmental standards in their own countries, increasing resistance from the indigenous peoples and environmentalists in their own countries and depletion of their mineral resources. To escape from the high environmental regulations which require them to install expensive anti-pollution technologies and devices and other environmentally sound technologies, many companies transfer their operations to countries which no or low regulations.

A good illustration of the effects of the recent liberalisation of mining laws on sustainable development and people's livelihoods is provided in Corpuz (1996). In recent years in the Philippines there has been a major policy shift, where land previously restricted to foreigners has now been opened up to foreign mining companies. Much of the untapped mineral lands are in regions populated by indigenous peoples, and also where small-scale local miners operate. The new Mining Act of 1995 allows foreign mining companies 100% control of their local subsidiaries (in contrast to previous requirement of 60% Filipino ownership). The law has a provision on the Financial or Technical Assistance Agreement (FTAA), an agreement between a mining company and the government, under which the former can invest in mining by committing up to US $50 million; in return it is granted a maximum of 81,000 hectares of mineral land to mine for 25 years, which can be extended for another 25 years, and allowed 100% control of its local subsidiary. The law also provides for tax holidays and other exemptions, and gives other rights such as Water Right and Timber Right (or prior rights to the company in the use of water and forest resources) and a

"Easement Right" (the right to evict people from the mineral areas). Mineral lands are also exempted from the issuance of ancestral land claims and ancestral domain claims.

According to Corpuz (1996), there are already 100 FTAA and 1454 Mineral production Sharing Agreements (MPSA) applications pending approval. Two FTAA contracts involving 37,000 hectares and 99,000 hectares have also been approved. The applications cover around 13 million hectares. Taking the lands applied for and including existing and already approved mining operation areas, 45% of the entire 30 million-hectare land area of the country is affected by mining applications and operations. Of the 100 FTAA applications, 16 cover the Cordillera region (populated by indigenous people). The 16 applications cover 1.082 million hectares or over half the region's total land. The indigenous people in another region, Mindanao, will face a similar problem as it has attracted 25 FTAA applications.

There have now been several protests by communities affected by the applications against the policies and even during the exploration stage the companies are being met with strong resistance. Conferences and meetings in different regions to discuss the mining policy have called for the rejection of the Act. The indigenous people in particular have protested against the violation of their land rights and the dislocation the proposed mining activities would bring to large numbers of them.

Recent years have also witnessed heated controversies over the granting of mining contracts and often violent clashes and protests by affected communities against mining activities in many parts of the world.

A recent International Conference on Women and Mining held in the Philippines and attended by representatives from many countries of NGOs and community groups affected by mining activities came to the conclusion that mining (especially large-scale operations) have many severe impacts, including:

* Appropriation of lands of indigenous peoples which result in massive displacements of communities.
* Large-scale destruction of lands, mountains, forests, agricultural lands, which include erosions, siltation, deforestation, desertification, and flattening of mountains.
* Pollution of soils and rivers with toxic chemicals used in mining and with the toxic mineral-by products. Air pollution is generated by the dust from bulldozing and transport activities.
* Frequent occurrences of mining accidents from collapse of underground tunnels, and bursting or overflowing of mine-tailings dams, which cause further pollution of lands, rivers, and the ocean, which lead to the decrease of marine biodiversity, and killing of plants, animals and even human beings.
* The mineworkers, the people in the mining communities, and even those who are at the receiving end of toxic mine-tailings, are faced with serious health problems such as skin- diseases, respiratory diseases (tuberculosis, silicosis, asbestosis) gastro-intestinal diseases, cancers, problems in reproduction.
* There is a significant erosion or destruction of traditional values, customs, which have been key

in sustaining community, tribal, clan, and family solidarity. Mining corporations have also deprived women in matrilineal societies (such as those found in the Pacific, PNG, Bougainville) of their rights to their ancestral lands. There is a high incidence of alcoholism, drug addiction, and prostitution, gambling, domestic violence in many mining communities.

* Increasing protests and resistance of communities against the entry of mines, land displacement, and pollution of the land and waters, has meant increasing militarization in many communities.

12. TOXIC/HAZARDOUS WASTE AND SUBSTANCES

(a) Hazardous Waste

In recent years, there has been significant progress in the control of the hazardous wastes trade, when the Basel Convention was upgraded from its original restriction (export being allowed only on a prior-informed-consent basis) to an outright ban of such wastes from OECD to non-OECD countries. Nevertheless, there is evidence of violations in practice, strengthening the need for increased capacity in monitoring and liability on the part of the culprits. In 1996, a series of cases were reported of US and European domestic waste being dumped in China; these were shipments conducted in the name of recycling. Two well-known incidents involved the rejection of shipments by the Chinese authorities. The Indian Supreme Court also ordered the banning of waste imports. But in many developing countries, recycling has become a huge business, making it harder for control.

The physical environment is more and more contaminated and soil and freshwater resources are poisoned. Disposal sites for waste are becoming scarce due to lack of space and/or intense opposition from citizens who vehemently say "Not in my backyard" to proposed treatment/disposal sites.

In many communities across the world, health problems caused by hazardous wastes have emerged and these continue to escalate. The United States which set up a multi-billion dollar Superfund for "cleaning up" toxic waste sites now admits that the programme has failed. In almost all cases, clean-up has not been possible. Many of these sites have in fact been declared to be so contaminated that they can never be safe again.

Many developing countries have been pursuing the same development model of the developed countries that generated the waste crisis in the first place. East and South-east Asian countries are witnessing exponential increases in waste generation. Meanwhile, industrialised countries in the OECD grouping are fighting to regain economic growth. While many of their hazardous industries have been relocated to developing countries, they are still faced with unresolved problems of wastes generated in the past few decades. Hence the dumping of wastes in the South, including in the guise of export of recyclable wastes.

(b) Radioactive Wastes

Radioactive wastes are yet another threat to human health and the environment. These are generated in the nuclear fuel cycle as well as nuclear applications, that is, the use of radionuclides in medicine, research and industry. As of 1992, nuclear power production every year generated 200,000 cubic metres of low-level and intermediate-level waste and 10,000 cubic metres of high-level waste (including spent nuclear fuel destined for final disposal). These amounts are increasing as more and more nuclear power plants are built and operated, nuclear facilities are decommissioned and the use of radionuclides increases.

While high-level radioactive waste has the largest risk, recent data on low-level radiation confirms that the latter is also an ominous threat. Moreover, even though waste volumes from nuclear applications may be much smaller than power plants, the activity concentration (especially in sealed radiation sources) might be high, thus presenting high risks.

Strong public opposition in the US and Western Europe has stalled new nuclear power projects, but the industry is aggressively promoting the technology in developing countries. Concerns are growing over the spread of nuclear power plants in Asia. With fast growing economies in the region, power demands have escalated in the past decade. Indonesia, for example, has ambitious plans for nuclear power generation, and the first plant is already under construction. China is moving rapidly ahead with more plant construction even though the Daya Bay plant, a French project, has been plagued with safety problems since its operation two years ago. Japan has started receiving its re-processed wastes from Europe, amidst domestic and international protests from environmental and citizens' groups. The leakage from a reprocessing plant in March 1996 again highlighted the hazards of nuclear waste. In early 1997, Taiwan approved another plant in the face of tremendous public and parliamentary objections. South Korea is similarly expanding its nuclear power programme; again public protest is strong. The most recent development is the plan by Taiwan to send its waste to North Korea.

The problem of how to ensure "safe" disposal of radioactive waste from nuclear power plants still remains unsolved. OECD countries with accumulated waste have yet to deal with the situation effectively.

(c) Hazardous Materials, Products and Industries

Since the Rio Summit, there has been some progress in establishing new international arrangements for controlling the movement of hazardous materials and products. Two new international entities have been formed: in 1994 the Inter-Organisationa Programme for the Sound Management of Chemicals (IOMC), where governments cooperate on risk assessment and management of chemicals; and in 1995 the Intergovernmental Forum on Chemical Safety (IFCS), to coordinate efforts of various UN agencies and the OECD to assess and manage chemicals. In the area of prior informed consent (PIC), a legally-binding instrument for PIC procedure for the trade in certain hazardous chemicals and pesticides is being concluded. Also being concluded is a global, legally-binding instrument to reduce or eliminate emissions, discharges and where appropriate the manufacture of POPs.

However the plans and measures have not been adequate or have been too slow to prevent an expansion in the production, trade and use of unsafe and ecologically damaging chemicals and other substances. Hazardous pesticides continue to be exported to developing countries, incurring a heavy toll in lives, health and pollution. There is also a phasing out of some industries using or producing toxic chemicals (such as chlorine) and other substances (such as asbestos) from developed countries and their export and phasing into developing countries with much less stringent laws.

Moreover, in the new field of new technologies, there has been little control till now. Surveys have discovered the transfer of dozens of projects and products involving genetic engineering to developing countries without the knowledge or consent of their governments. A biosafety protocol is being developed under the Biodiversity Convention, but the speed of negotiations is unable to keep up with the current rapid rate of genetic engineering.

Moreover there is hardly any international control in the trade in hazardous products. Many pharmaceutical drugs that are deemed toxic enough to be banned or restricted to only certain uses are sold in developing countries with little restriction. The same is the case for contraceptives. With tobacco products coming under more severe control in developed countries, the industry is promoting cigarettes in developing countries (including getting the US government to make use of unilateral trade measures to pry open their markets). There is not yet any control of the trade in these hazardous products.

A major problem is the lack of financial resources to carry out activities at international or national levels to control the movement of toxic substances, products and industries. Instead, the budgets for managing toxics have fallen in some cases.

13. TOURISM

Tourism is one sector where the globalisation process has had a major direct impact, for it is the globalisation of transport and communications that facilitated tourism. In turn tourism has contributed to the globalisation of consumer culture and affected the ways of life and environment of people even in the most remote areas. Mass tourism had been subject to increasing criticism for causing environmental degradation and social disruption during the period of the UNCED process. Since UNCED, the tourist trade, and related industries such as airlines and hotels, have grown further at phenomenal rates.

Whilst the environmental and cultural effects of tourism have been well studied, there is a new trend since UNCED. When sustainable development became the official rhetoric, concerted efforts were undertaken by the tourism industry and the World Tourism Organisation to promote a new image. The results include eco-tourism, nature interpretation workshops, sustainable tourism and the like. These are projected as environmentally friendly, conserving biodiversity and involving local communities. A series of conferences and seminars were organised in Europe and Asia for this purpose.

In that scenario, golf courses and theme parks featured heavily as "green" projects. The reality is the involvement and concentration of more TNCs in the tourism industry: construction companies and developers, airline companies, hotel chains the food and beverage industry, commercial banks, advertising and mass media. Also related to tourism is the development of infrastructure such as

airports and highways.
One after another, countries in the South have latched on to tourism as the next big revenue earner. The most rapid developments are in Asia where golf tourism exploded in the late 1980s into the mid-1990s. Coastal areas, coral reefs, islands, forested hills have all been targetted for by tourism development, often with devastating ecological effects such as soil erosion and damage to watersheds caused by hill cutting, and pollution of seas and beaches. Massive amounts of freshwater are siphoned to tourist resorts, depriving rural people of irrigation water in a number of cases. Tourism projects also take up large areas of land (including for golf courses, large resorts and roads) whilst also often displacing farming, fishing and poor urban communities.

The General Agreement on Services concluded in the Uruguay Round has tourism as a key sector to be liberalised. This will further enable the big international corporations to gain a larger share in the lucrative tourism market, and the effects can be expected to also increase.

PART 8: THE SEARCH FOR SOLUTIONS

1. INTRODUCTION

Given the unequal economic effects of the present process of globalisation, and its adverse social and environmental costs, there is a need for fundamental reforms of policy and practice, at both the international and national levels. This concluding chapter provides suggestions on a range of areas in which such changes are necessary, in order for individual countries and the world as a whole to be able to strive more effectively towards sustainable development.

2. NEED FOR APPROPRIATE AND DEMOCRATIC GLOBAL GOVERNANCE

In order for developing countries to be on the road to sustainable development, they must be given the space and opportunity to strengthen their economies and to develop their social infrastructure, whilst having environmentally sound practices.

For this to happen, there has to be a much more favourable international environment, starting with the democratisation of international relations and institutions, so that the South can have an active role in decision-making. The role of the United Nations should be strengthened whilst the IMF, World Bank and WTO should be made more accountable to the public and to the poor. There should also be international economic and financial reforms (including better commodity prices, and more debt relief) to reduce the widening gap between rich and poor countries. Most importantly, reforms have to be made to structural adjustment policies and to the WTO rules so that adequate space and possibilities are given to developing countries to have macroeconomic and development options between alternative national policies.

The first and most important element in providing meaningful options for developing countries is greater democratisation of the international order, to give the South greater participation in decision-making and benefits in world development.

People and their social movements and NGOs in the South have spent a lot of energy in broadening the democratic spaces in their own national societies, in removing the barriers to people's participation, in helping social movements regain their right to land and other resources, to promote their right to good health and adequate nutrition, to safety, housing and a sustainable environment. All these things are needed for both social justice and a sound environment and development policy.

At the same time the fight for democracy and "good governance" has to be extended to the international arena, where the lack of democracy and of appropriate governance is so obvious. International democracy is needed just as much as national democracy.

There must thus be a review of the behaviour or performance of the major economic actors, including the transnational corporations, the international banks, the World Bank, IMF and the WTO. These institutions, which make decisions that so much affect the developing countries, should be made much more accountable to the public. The decision-making processes in these institutions must be opened up for public participation and scrutiny.

Southern governments and also local communities in the South must have the opportunity to participate in the design of programmes, the monitoring of effects and so on. The regulation and control of these institutions from the environmental, safety, social and economic aspects must be a pre-requisite for reforms in the global economic order.

3. REBUILDING THE ROLE OF THE UN

As it is the most universal and democratic international forum, the United Nations and its agencies should be given the opportunity and resources to maintain their identity, have their approach and development focus reaffirmed, and strengthen their programmes and activities. The recent trend of removing the resources and authority of the UN in global economic and social issues, in favour of the Bretton Woods institutions and the WTO, should be reversed.

In particular, those Northern countries that have downgraded their commitment to the UN should reverse this attitude and instead affirm its indispensable and valuable role in advocating the social, equity, developmental and environmental dimensions in the process of rapid global change. The developing countries in particular, and the world's people in general, require that these dimensions be kept alive and indeed strengthened greatly, otherwise there is a danger that a monolithic laissez-faire approach will rule in monopolistic fashion.

Only a programme of strengthening of the UN will allow it to play its compensatory role more significantly and effectively. But of course a complementary "safety net" function is the minimum that should be set for the UN. For the South and indeed the international community to make progress towards redressing the basic inequities in the international system, the UN must be able to make the leap: from merely offsetting the social fallout of unequal structures and liberalisation, to fighting against the basic causes of poverty, inequities, social tensions and unsustainable development. The more this is done, the more options and chances are there for developing

countries in future.
It is vital that the UN continues to promote developing countries' rights and interests, an equitable world order and the realisation of human and development rights as its central economic and social goals. There is a danger that some UN agencies (and the Secretariat itself) may be influenced by conservative political forces to join in the laissez-faire approach or merely be content to play a second-fiddle role of taking care of the adverse social effects of laissez-faire policies promoted by other agencies. The UN should therefore keep true to its mission of promoting appropriate development and justice for the world's people, and to always advocate for policies and programmes that promote this mission, otherwise it would lose its credibility and its reason for existence.

4. GREATER POLICY COORDINATION AMONG DEVELOPING COUNTRIES

In order to widen its policy options in the future and to strengthen their bargaining power, developing countries should organise themselves to fight for a more democratic global system.

Countries of the South, at many different fora, have collectively reaffirmed their view that the social and economic role of the UN and its agencies is even more necessary in view of globalisation. At a meeting of the Trade and Development Board in September 1995, Colombia's ambassador Guillermo Alberto Gonzalez, speaking on behalf of the Group of 77 and China, said that UNCTAD should remain a counter-balancing force to ensure bold and innovative plurality of thinking, when such thinking is in danger of being increasingly dominated by the Bretton Woods institutions.

Whilst countries of South have spoken up, they have to do even more to assert their belief in the UN's role and to intensify the fight to reverse its decline. They should also strengthen South- South cooperation, with the support of UN agencies such as the UNDP and UNCTAD, as well as through their own mechanisms and organisations. This cooperation should include an increase in trade, investment and communications links at bilateral level and between regions, as well as joint projects involving several South countries.

Equally or even more urgently required is South-South cooperation in the area of policy coordination in reaching common positions. This is especially because policies that used to be taken at the national level as the prerogative of national governments are increasingly being made at fora, institutions and negotiations at the international and regional level. Without a more effective collective voice at such international fora, Southern countries will find even more that their national policies on economic, social and cultural matters being made and dominated over by the more powerful Northern governments and the institutions they control.

The first South Summit, organised by the Group of 77 and held in Havana in April 2000, came up with a detailed Programme of Action endorsed by heads of governments and states of develooping countries. The Programme includes sections on North-South relations, South-South cooperation and knowledge, science and technology. It also agreed to form a South Coordination Council to coordinate the implementation of the Summit's decisions. It is important that these initiatives be seriously and concretely followed up, for if they are then there can be an improvement in the South governments' negotiating strength, and in South-South economic and social linkages.

However, the strengthening of South-South links need not be confined to governments. There is perhaps even more scope and promise that South-South and also South-North collaboration and networking will significantly expand at the level of civil society and social movements.

5. THE NEED FOR INTERNATIONAL ECONOMIC REFORMS

In order to widen the options for developing countries in the future, there has to be a drastic improvement in the international economic environment that has such great influence over their national economic outlook. The substance of the demands for a new international economic order should be seriously addressed instead of being ignored or treated as extremist. The present world economic system is very unbalanced, with a concentration of control in investment, production and trade by TNCs and other Northern institutions. The outflow of real and financial resources from South to North (up to US$300-400 billion a year) far exceeds the flow of aid from North to South ($50 billion annually). The transfer of resources from the South makes it extremely difficult, if not impossible, for Third World countries to adequately implement sustainable development policies, even if they wanted to. Thus, of major importance is the reversal of these South-to-North flows of resources.

A major area of reform is in the terms of trade between Northern and Southern exported products. The poor and deteriorating terms of trade for Third World commodity exports *vis-a-vis* Northern manufactured exports has been a major source of the lack of foreign exchange and income in the South. The low prices of raw materials have also contributed to the high volume of extraction and production (to maintain export earnings); and thus become a big factor in natural resource depletion. To rectify the unfair economic trade terms as well as reduce resource depletion, the prices of raw materials could be significantly raised to reflect their real and ecological costs. This may require a new round of commodity agreements or other mechanisms. Improving the terms of trade for the South is thus an important part of the movement to a fair and ecological world order.

There is thus a need to establish a new or more comprehensive international trading institution under UN and democratic principles whose objective would be the promotion of a more balanced North-South trade relationship, where the need for trade is tempered by the need of the South for stronger domestic economies simultaneously with a stronger position in world trade and economy. The role of UN agencies such as UNCTAD in giving a more favourable balance to the South should be promoted in this regard. However, policies to enhance the South's trade position should also undergo prior assessment in the light of sustainable development imperatives. For instance it is already outdated to promote the expansion of supply of (or even demand for) of Third World raw materials, for this depletes natural resources.

The key issue in commodities (that combines environment and economic concerns) is how to reduce the volume of production and exports (to conserve resources) whilst raising prices to reflect their social and ecological values and thus enable the Third World exporting countries to retain their export earnings. The shortfall in volume can be made up by price increase: thus there would be North-South (or producer-consumer) cooperation in the sharing of the economic burden of adjusting to ecological principles. A reformed UNCTAD with more environmental expertise and more political teeth could play a role in combining economics and ecology in new trading arrangements.

Another essential economic issue is the huge external debt of the Third World. Servicing this debt is draining away substantial resources and has contributed to the economic crisis now plaguing many countries. The HIPC (highly-indebted poor countries) initiative for debt relief could be considered a step forward, but its results has been insignificant. A more fundamental approach to debt relief, as proposed by the civil society-led Jubilee Campaign, should be adopted if the problem is to really be resolved. The recent financial crisis involving high external debts in East Asian countries again highlights the need for countries of the South to guard against falling into a debt trap. A fair resolution to the existing debt problem, that would not continue to squeeze Third World economies, is important to widening the options of developing countries for the future.

In the area of investment and technology, the South and the UN had in earlier decades tried to establish codes of conduct for TNCs and for the transfer of technology, but eventually these efforts were abandoned in the early 1990s. Instead the Northern countries are attempting to establish a multilateral agreement on investment rules, under the WTO (since their efforts to create one under the OECD failed). The investment policy rules sought by the North would largely prevent the developing countries from having meaningful options for policy-making over strategic investment and development issues. Developing countries should therefore exercise their membership rights and not allow the WTO to negotiate investment rules. Instead, the right of Third World countries to determine their own economic policies, and to have control over their natural resources, should be recognised in practice as well as in principle. This would include the right to determine the terms under which foreign companies can invest in a country.

6. REVIEWING THE BRETTON WOODS INSTITUTIONS AND THEIR POLICIES

As pointed out earlier, the "globalisation" of a particular set of macroeconomic policies was achieved through the structural adjustment programmes (SAPs) which the World Bank and IMF designed and exported to more than 80 developing countries.

The SAPs led to widespread public discontent, including street riots and demonstrations, in many countries undergoing adjustment, and opposition by several people's organisations and NGOs in both the South and the North. The most important issues voiced by developing country governments and especially by a wide range of Southern and Northern NGOs were the negative economic and social effect of structural adjustment policies, the non-accountability of the Bretton Woods institutions and the need to resolve the South's debt crisis. They have argued that debt and structural adjustment were the most important impediments to social and sustainable development in developing countries.

These are indeed the key issues in the required reform of the Bretton Woods institutions and their policies. The external debt overhang of highly indebted developing countries should be resolved as soon as possible (as earlier mentioned). And in light of the new round of debt and structural adjustment problems arising from the Asian crisis, it is urgent that a process of reform or revamp be initiated on the IMF and World Bank, including on their processes of decision-making and on their inappropriate economic policies. Unless this is done, many developing countries that are still under structural adjustment programmes would find it very difficult (and more difficult as well) to maintain the right to make policy choices.

A serious search and review of the elements of an appropriate approach to macroeconomic policies and development strategies, including the proper balance of roles between the state, the public sector and the private sector, is essential. The ideas and conclusions drawn by recent studies (including the ones highlighted in Chapter 4) should be the basis for an on-going review, and of a reform of the orthodox policy advice (that stresses laissez-faire policies) that many international agencies provide to developing countries.

7. REFORMING THE WTO

Given the central role of the WTO and the manner in which developing countries' policy options are increasingly constrained by the WTO's rules, it is imperative that the developing countries strengthen their negotiating strength in this organisation and redress the existing imbalances. At the same time, they should resist the attempts by some major countries to introduce yet more new issues in the WTO that would probably have a negative effect on national policy options.

The WTO should be made more transparent and accountable to the larger international framework of cooperation and development. This is critical because the rapid developments in the WTO have such major ramifications for sustainable development and yet there is a lack of information and participation from the public, from many sections of national governments and Parliaments, and from other international institutions.

There is a need to assess the implications of existing WTO agreements and to address the imbalances and deficiencies that lead to unequal outcomes at the expense of developing countries. The WTO agreements have on the whole benefitted the stronger trading countries much more, and many weaker countries are likely to suffer net losses in many areas. The inequities should be redressed during the review of the agreements that is mandated to take place in the WTO in the next few years.

In particular, the WTO agriculture agreement has not taken into account the needs and interests of small farmers, especially the non-commercialised farmers in developing countries that form a large section of the population. The Agriculture Agreement should thus be reviewed and reformed to take into account its impact on situation of small farmers and in the context of food security and sustainable agriculture.

The TRIPS (trade-related intellectual property rights) Agreement should also be reviewed as the "upgrading" of intellectual property rights regimes under the TRIPS agreement of WTO is hindering the transfer of technology, making it much more difficult for developing countries to upgrade their technology or to fulfil their environmental obligations.

The patenting of life (including crops, medicinal plants, animals, microorganisms and even human beings and human parts) is opposed by many NGOs of the North and South on grounds of environment, development, equity and ethics. It is a major sustainable development issue, and has become an issue of public controversy and unease due to recent developments in genetic engineering, such as the cloning of animals, the sale of genetically-engineered foods and the safety and ecological effects of genetic engineering. Developing countries should be given clear options to exclude patentability of life forms. They should be supported to find alternatives to commercial patenting of crops, such as helping farmers and indigenous communities to develop a sui generis system of protecting their community intellectual rights and protect them (and the public) from corporate patenting (or "biopiracy") of indigenous knowledge in the use of biological materials.

On trade and the environment, there is on one hand the reality that trade liberalisation is expanding and spreading the existing unsustainable patterns of production and consumption, with adverse environmental effects. We must recognise the need to reform trade patterns as we do the need to change production and consumption patterns since "business as usual" is not working. On the other hand in the adjustment process, the principle of "common but differentiated responsibilities" must be adhered to, so that the burden is carried by the strong and rich and not shifted to the weak and poor. The equity principle must be central to all trade reform processes.

The special and differential rights of developing countries should be strengthened and operationalised. In this context, the main operational principle of the WTO, which is liberalisation and "national treatment" for foreign products, should be reviewed in the light of the experiences of many developing countries, which have suffered adverse effects from liberalising their imports too rapidly, whilst not being able to increase their export capability, access and earnings. Developing countries that encounter problems arising from liberalisation should be able, in practice, to make use of their right to special and differential treatment, so that they can have the option of having the right balance between opening to the world market and promoting the interests of local firms and farms.

Finally, the WTO should not take up issues that are not trade-related. The attempts by some countries to introduce such new issues as investment rules, competition policy, government procurement and labour standards, should not be allowed to succeed, as developing countries will be disadvantaged by the way the WTO is likely to treat such issues, and moreover the WTO would be seriously overloaded with such an expanded portfolio when most developing countries are already unable to cope with the current set of agreements and with the present volume of negotiations.

8. THE SEARCH FOR ALTERNATIVE DEVELOPMENT STRATEGIES

The review of structural adjustment policies, and of the liberal "free-market" model in general, shows that a reconceptualisation of development strategies is required, and that alternative approaches are needed. For example, the recent Asian financial crisis makes it crucial to reflect on the dangers of to a country of excessive openness to foreign funds and investors.

An important issue is whether developing countries will be allowed to learn lessons from and adopt key aspects of these alternative approaches. For this to happen, the policy conditions imposed through structural adjustment have to be loosened, and some of the multilateral disciplines on developing countries through the WTO Agreements have to be reexamined.

In the search for alternative options for developing countries, approaches based on the principles of sustainable development should be given high priority. The integration of environment with economics, and in a socially equitable manner, is perhaps the most important challenge for developing countries and for the world as a whole in the next few decades. So far there has been a recognition that something should be done but the real work has only now to begin.

It is crucial that the research in this area is increased. It would be very useful if economic arguments could be put forward to show policy makers that it makes better economic and financial sense to take care of the environment now, even as the country progresses, rather than later. More work needs to be done, including at regional and national levels in developing countries, to produce evidence and to make both the public and policy makers aware that environmental damage is economically harmful, and that environmental protection and eco-friendly technology and practices are themselves economically efficient ways of conducting development. It would also be very useful to highlight examples of components of successful implementation of sustainable and human development policies and approaches and to draw lessons from these. The emerging "sustainable and human development" paradigm could then contribute to the debate on appropriate macroeconomic policies; the appropriate relations between state, markets and people; and appropriate development styles and models.

In the ecological sphere, the series of negotiations initiated by UNCED is an opportunity for all countries to cooperate by creating a global framework conducive to the reduction of environment problems and the promotion of sustainable economic models. However, international discussions on the environment can only reach a satisfactory conclusion if they are conducted within an agreed equitable framework. The North, with its indisputable power, should not make the environmental issue a new instrument of domination over the South. It should be accepted by all that the North should carry the bulk of the burden and responsibility for adjustment towards more ecological forms of production. This is because most of the present global environmental problems are due mainly to the North, which also possesses the financial resources and the economic capacity to reduce their output and consumption levels.

There should be much more focus on changing economic policies and behaviour in order that the patterns of consumption and production can be changed to become environmentally sound. What needs to be discussed is not only the development model of the South but even much more the economic model of the North, and of course the international economic order. Key issues to resolve include:

** How to structurally change the Northern model of production, and consumption or lifestyles;

** How to promote ecologically sound and socially just development models in the South;

** How to structurally adjust the world economic institutions so as to promote fairer terms of trade and reverse the South-North flow of financial resources;

** How to come towards a fair distribution of the sharing of the burden of adjustment necessitated by ecological imperatives, as between countries and as within countries.

Whilst the international elements of a fair and sustainable global order are obviously crucial, there must also be substantial changes to the national order as a complement. In both North and South, the wide disparities in wealth and income within countries have to be narrowed. In a situation of improved equity, it would be more possible to plan and implement strategies of economic adjustment to ecological and social goals.

In the South, the policy option can be taken to adopt more equitable and ecological models of development. With more equitable distribution of resources such as land, and greater access to utilities and housing, the highest priorities of the economy should be shifted to the production of basic goods and services to meet the needs of the people. Investments (including government projects) should be channelled towards basic infrastructure and production, in contrast to the current bias for luxury projects and status symbols of progress. Social investment in primary health care, education, housing for people, public transport and popular cultural activities should also be emphasised, rather than the high-level luxury services that now absorb a large portion of national expenditure. In this social context, changes also have to be made to make the economy follow the principles of ecology. There should generally be a reduction in the extraction and production of primary commodities: this would reduce the problem of depletion of natural resources such as forests, energy and minerals.

The decline in output and export volume could be offset if commodity prices were to rise, thereby providing a fair value of export earnings. In agriculture, the ecological methods of soil conservation, seed and crop diversity, water harnessing and pest control, should replace the modern unecological methods. With a reduction in production of agricultural raw materials, more land can also be allocated for food crops. There should be as much conservation of primary forests as possible; and the destructive methods of trawler fishing should be rapidly phased out whilst fishery resources are rehabilitated and the environmentally-sound fishing methods of small fisherfolk are promoted. In industry and construction, ecologically-appropriate forms of production should be given priority. There should be strict limits on the use of toxic substances or hazardous technologies, a ban on toxic products and the minimisation of the volume of toxic waste and of pollution. Of course, to make this move towards a better global order possible, there must be people's participation, because the radical changes being called for can be realised only when there is popular will. It is crucial that information be provided to the people through the media and popular education methods, and that the people be given the freedom to make their views known to the policy makers and to others.

It should be stressed that the elements proposed here for a fair and sustainable global order have to be taken together, as a package. Social justice, equity, ecological sustainability and people's participation are all necessary conditions for this order, and the change must apply at both national and international level. Policies that promote equity alone would not necessarily result in a more environmentally-sound world. On the other hand, measures to solve the ecological crisis without being accompanied by a more equitable distribution of resources could lead to even greater inequity and injustice.

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