

Reform the WTO! - But where are the Ideas?

The ‘Battle of Seattle’, the disaster that befell the ‘Millennium Round’ of further trade liberalisation attempted by the WTO in December 1999, was widely held by anti-globalisation NGOs and other civil society groups as a major victory. But having successfully forced their way on to the world stage with massive demonstrations and slogans calling for reform of the WTO and an end to corporate globalisation, the enormous assortment of Green and other organisations now suddenly find themselves struck dumb when faced with the inevitable and legitimate question of what specific proposals they have for reform. Indeed, a cursory examination of almost any recent internal agenda of these organisations reveals their frantic search for a new ‘big idea’ or other coherent response to the seemingly unstoppable – and its proponents would say ‘inevitable’ – onslaught of free-trade and globalisation. A recent interview of Lori Wallach, the activist widely reputed to be behind the Seattle protests, demonstrates the problem: “If given a free hand to reform world trade,” she was asked no less than three times by the interviewer, “what reforms would you *specifically* propose?” The answers, beyond generalities, were difficult to find. Furthermore, answers NGOs and activist groups *do* put forward are undermined by the charge that they are un-elected bodies and their views therefore have little democratic legitimacy whereas, whatever view one may have of the WTO, it is at least the off-spring of democratically elected governments.

The scant and vague proposals that can be discerned seem to call either for a ‘de-powering’ of the WTO, or for it to build in labour and environmental standards into its decisions. Alternatively, it is proposed that labour and environmental issues be dealt with by other supra-national bodies such as the ILO (International Labour Organisation) or some yet to be invented “World Environment Organisation”. But would such proposals be likely to lead to an improvement in environmental and labour standards?

On the face of it, they would. But despite the apparently united front of the protesters and their claim to represent the interests of down-trodden developing countries, many such countries see tighter environmental and labour restrictions as running counter to their interests. Their fear is that such restrictions would act as an effective barrier to their exports. (And it is just such barriers that US trade unions who supported the Seattle protests would welcome in order to protect US jobs.) “Such relatively high standards are alright for rich countries,” many developing countries say, “but we can’t afford those luxuries, much as we sympathise with their intent.” Indeed, some delegates from poor, southern developing countries did not appreciate being lectured at by white, middle-class, American protesters.

What all this seems to point to is what should be perfectly obvious: that we live in a world of nations at vastly differing stages of economic development and, therefore, with widely varying priorities in terms of how labour and environmental considerations should impact on their economies. To expect Guatemala, for example, to have the same environmental and labour standards as Germany would be wholly unrealistic. So to expect any organisation to develop, adjudicate upon and enforce rules that are fair to most, let alone all nations is surely little short of ridiculous. Furthermore, ‘trade’ is the exchange of the end products of often complex production stages taking place in different parts of the world and carried out under widely varying labour and environmental conditions. To seek to equate a spoon produced under responsible environmental and labour conditions in one factory with one produced under sweat-shop conditions in another, and to call such trade ‘free’ as the WTO does, points up the hollow neo-liberal assertion that

'free' trade is necessarily 'fair'. In this context, 'de-powering' the WTO or vesting the interests of labour and the environment in other supra-national bodies, who would then compete with one another for the supremacy of their particular standpoint, seems calculated only to result in yet more confusion and is therefore hardly likely to lead to greater fairness.

In considering what reforms might be appropriate, NGOs need to look rather deeper than just the WTO. For they need also to recognise that the motor of today's neo-liberal global economy is competition. The ability of capital and corporations to move, or merely threaten to move, elsewhere now means that nation states and politicians are no longer in control of the global economy but are themselves subject to its competitive forces and must themselves compete for capital and jobs. For today, their ability to implement any policy that might incur the displeasure of world currency or bond markets in the face of the threat of capital and jobs moving elsewhere has all the robustness and resistance of a chocolate fireguard. Similarly, tighter national laws to promote environmental or labour protection have become but hollow platitudes when markets and corporations can switch investment and jobs to any country offering more attractive, less restrictive (i.e. less costly) conditions. Little wonder that implementation of even the current, very mild, Kyoto climate change agreement stands in jeopardy. Indeed, it can now truly be said that the unfettered free movement of capital has engendered a world market in government policies: an international competition which causes the will of the people to become subordinate to the will of the markets. Even more frightening, however, is the fact that governments are powerless to re-regulate capital markets and corporations because, if attempted, such action would result in capital and corporate flight. Even the G-7 acting together would be powerless for fear of capital fleeing to Singapore, Zurich or the Cayman Islands. So it can truly be said that the free market represents the global institutionalisation of unrestrained competition: competition that is now beyond the control of any single nation nor of any group of nations. It should also be clear that global free-market competition, such as we have it today, is not a basis upon which fairness, environmental or labour protection can result. Indeed, competition is not about *fairness* – it's about *winning*.

In the light of this lack of control on the part of national governments, it is perhaps inaccurate to see the WTO as the cause of our global ills. After all, financial market deregulation and the ability of transnational corporations to move production across national borders are both phenomena which clearly pre-date the establishment of the WTO. But having unwittingly lost control over the global economy, and having then found themselves abandoned to its competitive forces, the only response national governments could make was to ensure that competition be allowed to exert its power more rigorously and 'fairly' by setting up the WTO for the purpose. The WTO should, therefore, more properly be regarded as a symptom of the absence of control over the global economy rather than its cause.

Only if the WTO were, at the behest of all its member governments, to perform a complete about-face and, instead of underpinning the free movement of capital and corporations, were to re-regulate them, could one expect any real improvement. Given that such a prospect appears unlikely, simply 'de-powering' the WTO or hiving off national responsibilities to other such bodies will neither change nor stop the forces of global free-market competition. NGOs are absolutely right to insist that free-market competition represents an unacceptable paradigm but what, one might well ask, is the alternative?

At this juncture, free-marketeers will, with some justification, intone that an abandonment of global *laissez-faire* (were that still to be possible) would be synonymous with a return to protectionism: a tit-for-tat international competition of rising import tariffs often cited as one of the causes of past wars. If that argument is accepted, it seems that neither global *laissez-faire* on

the one hand, nor protectionism on the other, can offer an image of a global economic framework likely to encourage fairness in trade between nations whilst protecting the environment and providing for appropriate labour conditions.

Here, then, lies the rather knotty problem faced by NGOs today. Since both protectionism and free-trade are characterised by unsustainable levels of competition, it seems that quite a different vision for a future world economy is needed. And that is to say nothing of the effects of global warming which by way of unprecedented extreme weather conditions is already signaling an unmistakable and urgent need for a new, world economic order.

In searching for that new vision, it might perhaps be worth noting that if uncontrollable competition is the unavoidable by-product of *both* the hitherto available paradigms, surely some study of competition itself might not be such a bad starting point. In the current free-market environment competition is taken for granted as being necessarily a good thing. We are all exhorted to be 'more competitive', for today any activity, business or product whose cost is higher than its competitors is immediately branded 'uncompetitive' and its right to existence immediately denied. Furthermore, competition is almost universally hailed as the 'engine of innovation' and lower prices for consumers. But if that were the case, the global economic competition we have today would represent nothing less than utopia which, with the possible exception of the top 20% of the world's population, it most certainly does not. Global warming and environmental degradation, growing numbers of refugees and asylum-seekers, an increasing gulf between rich and poor and an increasing recourse to far-right political parties are all compelling evidence not of utopia, but of a quick-sand of competition in which we are all caught and which is sucking us into a deepening global sickness.

In considering competition in more depth, it quickly becomes clear that, to be fair and rewarding, it must always occur within the framework of a fair and universally accepted and respected set of rules. Be it a competitive children's game, an Olympic athletics race or trade in the global economy, competition must always be *held subordinate* to co-operation. If it is not, as any parent knows, even a children's game can quickly get out of hand and turn into a small war. Because no nation state, nor group of states, is now able to re-regulate global capital flows or transnational corporations, and the WTO only serves to underpin their free movement, I suggest that competition can indeed be said to have escaped from its controlling cooperative framework and is now running rampant and quite out of control. Little wonder that free-marketeters hail globalisation as 'inevitable'.

Faced with this perilous predicament, therefore, the first thing NGOs must do is to recognise and accept these facts and to resist the temptation of sticking their heads in the sand by pretending this potentially catastrophic situation somehow doesn't exist. One way some critics of the global economy delude themselves is to pretend that nations can still control global capital, citing examples of nations that have re-imposed capital controls such as Malaysia or Chile. But they ignore the fact that those countries only implemented controls when threatened, during the South American and South East Asian financial crises, by imminent capital flight. In other words, imposing capital controls was the lesser of two evils, faced, as they were, with the even more daunting prospect of total capital hemorrhage – what George Soros appropriately refers to as the 'wrecking ball'. Imposing capital controls therefore remains a highly exceptional possibility and, even then, such crises are likely to threaten only weaker developing economies. All the while there exists somewhere more attractive for capital to fly to, re-imposition of capital controls will always remain a forlorn hope, even for the G-7. Indeed, it is surely examples like Malaysia and Chile that serve only to prove that global capital is now beyond uni- or multi-lateral re-regulation.

Only global, or virtually global and simultaneous regulatory action could provide a satisfactory and secure solution.

The same applies to multi-national corporations. Their ability, or mere threat, to move production and jobs elsewhere has too often forced governments to provide them with generous subsidies at taxpayers' expense. This points up the global 'free' market as merely a kind of protectionism on behalf of the multi-nationals who now roam the earth like a herd of cannibalistic bull elephants in search of ever-larger profits, driven on by the relentless demands of shareholders, fund managers and the fear of hostile takeovers. That one out of a herd of hundreds might every so often fall foul of US anti-trust law, as Microsoft has, should be of little comfort when one considers how many others go un-checked. Indeed, Microsoft's predicament amply demonstrates the hypocrisy the US free market model. After all, the natural result of global free-market competition has been unprecedented corporate consolidation and fierce competition characterised by aggressive marketing techniques. If Microsoft has become too dominant as a result of its executives having fulfilled their duty to 'act in the best interests of the company', it is not surprising they are bewildered at now finding themselves penalised for doing what is, after all, only their job. Indeed, the Microsoft case only confirms that *all* corporations require regulation to bring them back under national, democratic control and accountability. But again, such re-regulation could, logically, only occur globally and simultaneously.

NGOs must firstly, and above all therefore, have the courage to face the facts of this situation: a situation that politicians themselves are no longer in control of. It should secondly be obvious that attempting to apply conventional pressure on politicians to change something over which they have already lost control is likely to prove futile. Indeed, such is our perilous predicament that any new vision for a new world economic order must be much more than just a vision: it must not only make clear *what* is being asked of politicians, businessmen and others, it must also show them *how* that vision can be achieved. It must demonstrate a clear and practical method of making a secure and responsible transition from the existing sick paradigm to the future one we all desire. In short, the challenge is *how* to get from A to B. Indeed, so intractable has our current predicament become, that developing an appropriate method for making that vital transition has become even more important than envisioning the new paradigm itself.

That new paradigm will doubtless be one of global economic cooperation between nations in which a regulatory framework for capital and corporations as well as other aspects of economic activity is upheld by all nations. Such a framework would also be characterised by national and regional economic self-reliance whilst recognising and respecting the richness and diversity of the world's nations and cultures. It would also entail a mode of economic development for poor nations based not on debt and dependency but on freely donated funds and assistance. Such a framework would therefore encompass both unity and diversity and the knowledge that 'the good of each nation is contained in the good of all'; a mode of human relations which is, perhaps, more commonly known as 'community'.

And as to how we reach that goal, to my (uncertain) knowledge, there is only one organisation that has yet developed a methodology capable of doing so.

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