

## **Beleaguered on the Shores of Lac Léman: the WTO Invites the Activists to Tea**

As the founder of a growing NGO promoting a new solution to the problem of corporate globalisation, a few weeks ago I posted an article on the 'WTO-Activist' list serve entitled "*Reform the WTO! – But Where are the Ideas?*" Rather to my surprise, about a week later I receive an e-mail from the WTO External Relations Division expressing strong interest in the article and inviting me to make a presentation at a WTO Symposium on "*Issues Confronting the World Trading System*". So it seems the 'big ears' of officialdom are listening. But are they really interested in genuine dialogue and constructive engagement? Or is this Symposium merely a 'window-dressing' exercise aimed at bolstering the image of yet another tarnished global institution? I accepted their invitation and went to Geneva to find out.

### **Trade and Prosperity**

It came to my attention during the Symposium that in the preamble to its articles, the WTO has the stated goal of promoting global prosperity on an equitable basis – a wholly laudable objective. So first of all, we should perhaps think a little about prosperity itself and how it is created. For it should not be too difficult to surmise that if we define 'prosperity' as equitable and sustainable development, that must surely depend not just on trade but also on a healthy environment and a fairly paid and reasonably fully employed labour force. Rather like a Tristar jet, having only one or two of its three engines running just will not do: all three are needed if prosperity is to result. But here we can learn our first lesson about the nature of the WTO's problem; that it is occupied with only one of the three engines: trade. The environmental and social 'engines' are left out of the equation on the assumption that, if sufficiently liberated, the trade engine will automatically fuel the other two. So whilst the responsibility for trade liberalisation and dispute settlement have been abdicated by nation states to the WTO, social and environmental protection issues remain solely within the ambit of individual nation states who, as the pervading theory goes, should not need to worry because increased trade will take care of them.

We should, however, be clear about why 'trade' occurs at all. Well, as a businessmen (as well as an activist) I can answer this question quite easily: trade only occurs when a profit can be made from the transaction. And to profit to the maximum extent, costs must clearly be reduced or, preferably, eliminated altogether. Unfortunately, however, labour is a cost and so is environmental protection. In the trade equation, profit is a 'plus' and labour and the environment are inescapably 'minuses'. So there is obviously a natural tendency for trade to occur at the expense of the environment and with an ever-present drive to minimise or eliminate labour. And in today's highly competitive environment, failure to minimise those costs as efficiently as one's competitors ultimately means going out of business. Strangely though, politicians, trade negotiators and economists seem to be rather blind to this simple truth.

Now free marketeers will tell us that increased trade is needed to create the necessary wealth to support labour and protect the environment: the one will necessarily lead to the others. They say that the rich countries first underwent rapid economic growth during the 1960s which produced the necessary wealth then spent on achieving higher environmental and social standards. To demonstrate this, they confidently wheel out the famous 'Kuznets Curve', as did one speaker at the opening plenary of the Symposium. This purports to demonstrate how trade initially makes environmental conditions worse but, with time, the wealth created from trade is used to improve environmental and social protection. And so it will also be, they say, for poorer countries if only we further liberalise trade today and grant poorer countries better access to Northern markets. Hence the rationale for focusing on the trade engine of our 'prosperity Tristar' whilst ignoring the environmental and social engines on the assumption that, in time, they will run all by themselves.

Unfortunately, however, the above rationale ignores some fundamental structural changes which characterise today's global economy and which were not generally present in the 1960s and 1970s. In those days, capital was not free-flowing as it is today and corporations tended to be national rather than

global. This meant that in the 60s and 70s capital and corporations generally remained within the regulatory ambit of national governments who could then impose the necessary measures to protect labour and the environment without fear of capital and corporations moving elsewhere. They were also in a position to implement redistributive taxation and other necessary measures resulting in a virtuous prosperity circle. So governments, as the pilots of our plane, were able to maintain a reasonable balance of fuel supply between the three engines – each engine could be harnessed to reinforce the others to promote yet more prosperity.

### **Who Should Carry the Can?**

In today's global economy, by contrast, these conditions no longer apply. For capital and corporations now move across national borders to wherever costs are lowest and profits highest. This forces nation states into competition with one another to maintain inward investment and so protect jobs. But in their quest to maintain their 'international competitiveness', they must progressively down-level social and environmental protection, increase privatisation, compete in lowering taxes and so on to maintain an economic environment 'conducive to business needs'. All of this translates into a deteriorating environment, a rapidly expanding gulf between rich and poor, an unraveling of social cohesion and a noticeable tendency of under-privileged sections of society to resort to far-right political parties. Not for nothing do we witness rioting in many northern English cities and other signs of social breakdown in other countries. Indeed, the dynamic of today's global market has removed from governments of any political leaning, the freedom to pursue those restorative policies their predecessors of the 60s and 70s were able to benefit from. Instead, the power of today's markets is such that governments have effectively become the puppets of a quasi-dictatorship of transnational capital which demands business-friendly policies regardless of the party in power.

So when WTO Director-General, Mike Moore, said in his opening speech that "...trade alone is not the answer, but it is part of the cocktail necessary for progress. Good governance, debt-relief, infrastructure investment, education, sustainable development, health programmes all have a role to play", he was right. But what he unfortunately fails to understand is that the competitive dictates of today's globally mobile capital markets leave nation states in no position to ensure these other necessary ingredients of the cocktail actually get into the drink. In fact global competition systematically ensures that they don't. George Soros was the only speaker who recognised this fact when he said "free trade is great for producing private goods but lousy for producing public goods." And for heaven's sake, having broken the Pound out of the European Exchange Rate Mechanism (ERM) in 1987 at huge cost to British tax payers, isn't he in a good position to know?

So this is where the WTO now finds itself: nation states have mandated it to do a job and expect it to achieve high scores, not just for trade, but for global prosperity as a whole. But this mandate is based on a premise which no longer obtains. And as such, there is no way the WTO can fulfil its stated objectives. Furthermore, since neither nation states nor the WTO can re-regulate the competition induced by freely mobile capital which systematically prevents environmental and social considerations from being taken into account, it's not the WTO which should be the focus of our attention. Instead it is *the global free movement of capital and corporations*. For it is the international competition their free movement has set in train which has, as it were, interfered with our Tristar's fuel supply system ensuring that the trade engine gets all the fuel while systematically depriving the others. But running, now, on only one wing engine as the global economy is, our plane can only keep going round and round in circles – until, of course, it eventually runs out of fuel. So it's not the WTO who should take the lion's share of the blame. Instead it was our politicians who de-regulated capital markets in the first place. It is *they* who should carry the can.

On top of this, governments are also largely powerless to control the rapid increase in corporate dominance and power. As free markets have served to increase competition, so the need for corporations to take shelter from competition and hostile takeovers has in turn forced a drive to unprecedented consolidation through daily mergers and acquisitions. Furthermore, their ability to move production to lower cost countries, combined with the competition between those countries for inward investment, serves merely

to destroy First World jobs and to keep Third World wages at sweat-shop levels. This points up the fallacy that increased trade will significantly benefit poorer countries. For it is not the poor who benefit, but mostly the foreign corporations. The dramatic difference in wage levels between rich and poor countries is, of course, pocketed by the corporations to fund further takeovers and excessive executive salaries all in the name of 'increasing shareholder value'. It therefore remains highly questionable whether granting greater access to Northern markets will have any substantial long-term impact on poverty and development in the Third World. Indeed, with an increasing proportion of world trade now controlled by a few global corporations who rank as larger economic units than many nation states, here we see another paradox of the global 'free' market: that far from increasing competition or benefiting poor countries or lowering prices for consumers, unfettered competition has the ultimate effect of producing its very opposite: cartels and monopolies and a concentration of market power in ever-fewer hands.

Indeed, in the current economic environment, governments cannot possibly hope to balance public and private interests. So captive have they become that private goods are actually eating up public goods as governments find themselves increasingly unable to raise adequate taxation to fund schools and hospitals. Instead they must turn to the "efficient" private sector through creeping privatisation, out-sourcing of public services to private contractors and mortgaging their nation's future through so-called "Public-Private Partnerships" or other similar devices. Now subject, therefore, to what are irreversible, business-friendly political conditions, the notion that increased trade can eventually result in improved social or environmental conditions is either pure wishful thinking or outright deception. Our Tristar jet is fast losing two of its engines and global warming, inner city rioting, Third World debt, poverty, bloated prison populations and a widening gap between rich and poor are all evidence that our plane could soon flip over and crash if appropriate action is not taken soon.

### **Teaching the Dogs to Eat the Carpet**

All this reminds me of an incident which is said to have occurred in the Nixon White House. Nixon was disturbed by the fact that his dogs had taken to nibbling at one of his favourite Persian rugs. In an attempt to prevent this, Nixon threw chunks of steak to his dogs to distract them but the carpets kept on getting nibbled. One day Henry Kissinger walked in on this ritual and proceeded to suggest to Nixon that, far from preventing it, throwing steak to the dogs was actually *encouraging* them to eat the carpet. The more carpet they nibbled, the more steak they got! And is this not the vicious circle we now see occurring in today's global economy? The imbalance in kerosene distribution to our plane's engines promotes a myopic mind-set which, when confronted by evidence clearly showing that increased trade simply isn't working for the poor or the environment, induces a response which triggers *yet more* trade liberalisation as the solution. It therefore exacerbates the problem while thinking it is actually solving it. As the global economy faces a dramatic slowdown, global environmental problems continue apace and the gap between rich and poor keeps on widening, is it any wonder that instead of questioning fundamentals, the WTO and its more powerful members are instead all calling for a new "development" round of trade liberalisation?

So a further lesson we are learning here, is that an integrated management approach which ensures that economic, social and environmental concerns are all adequately and equitably met to produce the maximum prosperity for the common good is vital. Yet nation states appear incapable of re-regulating transnational capital and corporations; the factors which prevent them from providing that management.

### **Rules are Not Governance**

Since governments are incapable of looking after social and environmental concerns in the global market, some commentators argue that the WTO should be required to build social and environmental concerns into its ambit of trade rules. But while this may sound like a great idea, we should think about this very carefully. After all, the WTO operates by agreeing, and then rigorously imposing, a set of rules. But 'rules are rules' and that necessarily means a 'one size fits all' regime for all nation states. Now this might at first sound perfectly fair. But we must remember that the nations of the world find themselves at dramatically different stages in their development. Can it be right, realistic or fair, for example, to expect

Guatemala to have the same environmental standards as Germany? Would we expect a featherweight boxer to be pitted against a heavyweight? Of course not. But these are the outcomes of a rules-based system which necessarily ignores fundamental differences between the world's nations and their ability to compete on a level playing field. So although a 'rules-based system' may sound eminently fair and reasonable, we would be foolish to pretend it will necessarily result in fair or appropriate outcomes. Indeed, rules alone are not enough.

What is also needed are methods of raising global taxes; of redistributing incomes across borders to the poorest; of providing debt-free technical assistance to non-industrial and developing countries to help them out of poverty and to meet higher environmental and social standards and so on. In other words, what is needed are all those traditional strategies which were once available to the governments of individual nation states to keep all three engines running but which are now denied them. In other words, we need more than merely 'rules'. What we need is GOVERNANCE. But the free movement of capital and corporations now dictate that it is now needed on a global scale. However, to give such powers to the WTO, or even to the UN, when neither institution has any form of direct, democratically elected parliament would be to court global dictatorship – benevolent or otherwise.

So as global problems worsen and existing institutions offer no way out of our dilemma, our true quest is for a form of global governance which can at once allow nations to regain control of global capital and corporations while providing a global framework of co-operation which allows each nation the freedom to pursue social and environmental objectives in such a way that is respected and upheld by all. Instead of abdicating these responsibilities to institutions such as the WTO who, as we have seen, are wholly incapable of producing desired outcomes, nation states should once again shoulder these responsibilities themselves. But simply doing so in the current mode of blindly and selfishly pursuing 'the national interest', is not the answer. For underlying the present trade liberalisation is an intense international competition for economic supremacy which, as we have seen, no nation can ultimately win and, as our Tristar analogy shows, all are likely to lose. Equally, a simple return to the tit-for-tat competition of old-style protectionism also provides no satisfactory answer. For that, too, is a competition no one can win. But how on Earth can these vital objectives be achieved in a practical, responsible and secure way which is acceptable and beneficial to all? How can global *governance* be achieved without the pitfalls of global *government*? How can a transition be made from global competition to global cooperation?

Radically innovative yet practical ideas are now surfacing which show how politicians, the growing body of civil society activists, and disaffected voters can begin to find answers to these questions. One such idea is expressed in the initials 'SP' – the Simultaneous Policy -- a new and achievable way of removing the barriers of fear and destructive competition which today prevent us from finding solutions.

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Copies of “*Reform the WTO! – But Where are the Ideas?*” are available from ISPO at the above address.

A full explanation of the Simultaneous Policy (SP) campaign is set out in “*The Simultaneous Policy – An Insider’s Guide to Saving Humanity and the Planet*” by John Bunzl. Copies available from the above address.