
Towards Democratic Globalization: To WTO or not to WTO?

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No one is calling for an end to trade or trade rules. But what will those rules be, and who will write them? (Lori Wallach, 2004: 71)

In his paper on 'Economic globalization and institutions of global governance', Keith Griffin (2003) adopts a welcome forward-looking focus. Griffin is committed to symmetric and democratic globalization and presents policies towards implementing this; I will comment on his argument and then focus on the WTO.

According to Griffin, 'greater globalization, not less, is desirable' (2003: 793). Here the question is of course what kind of globalization or on what terms? In welcoming 'greater liberalization, not less' (ibid.: 792) Griffin is on a similar track as Paul Krugman, Jagdish Bhagwati, Megnad Desai and others. In basic terms this is an obvious case. Developing countries lose about US\$ 100 billion a year due to export subsidies and trade barriers in developed countries. Tariff barriers against manufactured goods from the developing world are, on average, four times higher than those against products from the industrialized world and the poorest nations face higher tariffs than less poor nations (Oxfam, 2002; World Bank, 2002). 'Trade not aid' has long been the guiding motto. But obvious as the case may be, the question again is not 'trade or liberalization, or not', but 'trade and liberalization on what terms?'. Griffin objects to trends towards protectionism, in particular restrictions on the movement of unskilled labour and the regime of intellectual property rights, and proposes 'to create a rule-based system of global economic governance as it applies to international trade' (ibid.: 797). For the global economy Griffin proposes what others propose, in broad outline, with regard to global politics (Held's cosmopolitan democracy), international law (Richard Falk) or global culture (Ulrich Beck's 'methodological cosmopolitanism').

Griffin advocates terminating the World Bank and strengthening the IMF and WTO. Keith Griffin defending the WTO is like Richard Falk invoking 'just war' theory to justify the Afghanistan war. It is high-minded, yet doesn't it fly in the face of unfolding realities? How does Griffin's prescriptive, normative account of the WTO meet the reality test of the Cancún ministerial and the FTAA (Free Trade Association of the Americas) meeting in Miami? Both cast doom on trade liberalization — if not the

principle, the practice. If developing countries decide en masse that ‘no deal is better than a bad deal’ and walk out of the Cancún talks, then why should Griffin stay in? Brazil, India, China and South Africa led the walkout by the Group of 20, which in turn stands for the group of 90 countries comprising the African Union, the ACP and least developed countries. This is a formidable momentum, almost a rebirth of the non-aligned movement and at any rate a clear verdict on the epoch of neoliberal globalization.

With the Doha agenda facing US\$ 300 billion in annual agricultural subsidies in the US and EU, and the demand for the elimination of the subsidy on cotton (US\$ 4 billion in the US) unmet, there will be no progress on the Singapore issues of liberalizing foreign investment. Supachai Panitchpakdi, director general of the WTO, argues that

failure to restart the talks means that the US\$ 1 billion a day spent on farm subsidies in OECD countries will continue unabated. . . . It also means that the trade rules whose revision is needed to ensure their continued relevance in a 21st century economy remain as they are. The inequities of the trading system that have become apparent will not be addressed. (Panitchpakdi, 2003: 12)

Contrast this insider view with other comments on Cancún. According to Brazil’s foreign minister, ‘Development goals cannot be an afterthought in rules tailored to the needs of developed countries; a footnote in agreements which largely ignore the developing world’ (in Ballvé, 2003: 19). An observer notes that the walkout in Cancún ‘represents the rejection of a fundamentally antidemocratic trading system’ (ibid.: 18).

Arguably this is not an occasional matter of process but is embedded in the WTO principle of nondiscrimination, which is fundamentally biased against developing countries: ‘when players are of unequal strengths, non-discrimination is a wrong principle to apply. After all, we do not let boxers of different weights compete against each other’ (Chang, 2003: 12). As Ha-Joon Chang notes (ibid.: 13):

The system is so thoroughly biased against the developing countries, and the manner in which the developed countries run the organization is so undemocratic, corrupt, and patronizing that the developing countries — despite their economic and political weaknesses, which the developed countries are willing to exploit to the full — find it impossible to agree to the demands made on them by the developed countries.

Griffin’s WTO is not the WTO of Cancún or Singapore (perhaps it was Doha’s WTO but ‘the collapse of the Cancún ministerial shows that the Doha meeting was really an aberration’; Chang, 2003: 13). The WTO in process and principle is part of the neoliberal project and the ‘counter-revolution in development’ that eliminated the premise of special treatment of developing countries. Other efforts at trade liberalization have not been faring well either. After ten years of the North American Free Trade Agreement (Nafta) the outcome is dire: incomes in Mexico have declined, particularly in agriculture, and manufacturing jobs have been relocating to China; US jobs have been lost and incomes shrinking.

At a University of Amherst symposium in 2001, Griffin presented the same position as in his 2003 article, in similar wording (Griffin, 2001) and

received similar comments. J. Mohan Rao noted that the WTO 'has come into being in an era of neoliberal dominance when the slogan of "level playing fields" has replaced the idea of developing-country exceptionalism. . . . The WTO mandates and procedures, both informed by market fundamentalism, are creating arbitrary concentrations of bureaucratic power at the global level' (D'Arista et al., 2001: 10).

Normative considerations are welcome because the status quo is unacceptable and technical reforms are insufficient, and policies are welcome because the proof of the pudding is in the eating. But what is missing from Griffin's account is a diagnosis and analysis of the *rapport de forces* that would enable the outcomes he seeks. Policies and values need to be contextualized in political realities. Trade liberalization is desirable but trade negotiations reproduce the existing disparities of power which inhibit trade liberalization coming about in an equitable manner. Here lies the actual fault line and *not* at the general level of globalization, trade or liberalization.

American and EU positions in tariff negotiations reflect entrenched corporate interests and structural trends (with manufactures down, farm exports are a significant plus factor in the negative US trade balance; in the EU agricultural subsidies are part of an old social contract and political compromise). The summer 2004 WTO talks in Geneva yielded a promise of a 20 per cent cut in US and EU agricultural subsidies, while leaving industrial tariffs untouched. Whether this meagre outcome is sufficient to restart the Doha round is unclear. Developing countries' reactions are divided and the negotiation process alienated many. What compromise has been achieved was made possible by the collective walkout in Cancún. But a wider question is to what extent the WTO still matters. The Bush II administration has opted for 'competitive liberalization' or the principle that what cannot be achieved via the WTO is pursued regionally and what cannot be achieved regionally is pursued bilaterally. Bilateral free trade deals with Jordan, Chile, Singapore, Morocco and Australia have been completed and many other countries are on the list (although Congress is not particularly keen; Bergsten, 2004). Joe Stiglitz (2004) notes that 'The bilateral agreements reveal an economic policy dictated more by special interests than by a concern for the well-being of our poorer trading partners'. In addition, these trade deals sideline the WTO. For the Bush II administration the WTO may be no more than a holding operation, akin to the Road Map in the Middle East: kept going to control the agenda and keep other things from happening or spinning out of control, and for decorative purposes, while pursuing US and corporate interests. In the WTO this refers, in particular, to intellectual property rights and patents for multinational enterprises; in bilateral trade deals the beneficiaries include pharmaceutical companies (in drug pricing that affects Morocco and Thailand) and telecommunications corporations and banks (as in the lifting of capital controls in Chile).

Caution: Roadworks Ahead

Thus trade negotiations remain a politics of pressure and questions of global regulation and trade cannot be intelligently discussed outside the context of global power dynamics. Massive realignments are taking place in the global political economy. We should take a large step back, disentangle the knot of issues and rethink the entire situation.

The United States has long been riding the crest of the wave of globalization but is now experiencing its downsides. What is good for multinational capital is no longer good for the US and the American economy. The US has undergone structural deindustrialization and now service and software jobs are going offshore. Trade and outsourcing are now deeply contentious issues in the US. The general benefits of free trade apply under conditions of full employment but not in a stagnant post-bubble economy (see Anderson et al., 2004). Combine the structural trade deficit (US\$ 489 billion in 2003) and massive current account deficit (over US\$ 500 billion) with deep tax cuts and gargantuan military spending and the outcome is profound economic instability. If the weak dollar does not lead to higher interest rates foreigners will cease to supply the US\$ 4 billion plus that the US now borrows each trading day; if it does lead to higher interest rates, growth will turn negative and major roadworks lie ahead. In either scenario the American market is likely to shrink: domestic purchasing power is down, protectionism up, and debt is unsustainable. An economic correction is inevitable; a Democratic administration may be able to navigate a soft landing, another Bush II administration will yield a hard landing. Either way a landing is on the cards (cf. Nederveen Pieterse, 2004a; Wallerstein, 2003).

As the United States can no longer follow the path of unlimited globalization, exporting countries can no longer rely on export-led growth because exports to the US market are not likely to be sustainable. Instead they should refocus on inward and regional development, a transition that is already taking shape in several East Asian countries and China. For the EU, enlargement and a widening Euro-land market offer scope for continued growth. European and Asian surplus capital has been withdrawing from American assets.

I share Griffin's commitment to democratic globalization but I am more pessimistic about the scope for reform of existing institutions. Amid the profound ongoing changes the multilateral institutions are largely non-functional. They are mortgaged by their commitment to neoliberal globalization or have been made non-functional by zigzagging American policies. The United States practises 'multilateralism à la carte'. The Washington institutions are immersed in the ideological and policy framework of neoliberal globalization, beholden to the Treasury, Wall Street and Congress, and generally beyond repair. The WTO is being eroded by US actions. The World Bank is dwindling to a hegemony service organization

(bidding for subcontracts in rebuilding Iraq).¹ The IMF issues warnings to the United States about the global consequences of its economic policies.

Griffin may be right that environmental and labour standards do not belong in international trade rules because international trade would become a juridical arbiter and the WTO a mammoth burdened by legal battles. But the alternative of leaving labour standards to the ILO is not viable; the ILO is too weak, under-funded and has no means of enforcement, precisely because of US actions. There are no viable international bodies regulating environmental standards either. In fact, what about global futures at a time when the world power adopts a doctrine of preventive war (read: offensive war) and 'permanent war' as policy? When even the minimum of global decorum is gone, when the world hegemon scraps international rules and treaties and withdraws from the Kyoto Protocol or the International Criminal Court, what of more far-reaching proposals? By logic, the impulse towards democratic globalization must now come from other quarters.

The World Social Forum is immensely important as a platform for the articulation of global social demand, but as an open forum it is not suited to agenda-setting and it tends to be oppositional in temperament ('anti-globalization') or vague ('another world is possible'). The WSF remains divided between those who are anti-globalization and those who seek inclusive democratic globalization; anti-globalization views have gradually given way to proponents of alternative globalization but this has not been settled (note Walden Bello's proposal for deglobalization, 2003). So far the WSF has not been able to settle on a positive common agenda other than 'another world is possible' (Schönleitner, 2003). The WSF is suited to counter-hegemony and so preoccupied by neoliberal globalization and more recently by anti-war and anti-imperialism that it may be behind the curve in relation to the gradually unfolding hegemonic transition (discussed in Nederveen Pieterse, 2004a, 2004b).

At a time of hegemonic transition constructive agendas beyond critique become necessary and possible as part of the roadworks towards an alternative hegemony. For transnational civic organizations to take up these agendas involves a shift of emphasis from anti-neoliberal globalization to forward agendas and more issue-oriented organizations — such as ATTAC, advocating the Tobin tax, and labour organizations. But roadworks towards an alternative hegemony involve heavy lifting that cannot just be left to transnational social movements and trade unions; it is also an agenda of international institutions and an intergovernmental agenda.

The G20 is probably not capable of taking this further; its unity is occasional, based on the Doha demands and with little common ground beyond opposition to WTO high-handedness. Besides, one outcome of the 2004 Geneva talks has been to split the G20. ASEAN + 1 (or +3) faces many

1. 'If there has been one big voice in the global arena promoting neoliberalism as ideology, it surely has been the World Bank', notes J. Mohan Rao (in D'Aristo et al., 2001: 7).

internal problems (uneven development, corruption and democracy) and so do Latin America and other developing regions. The EU is preoccupied with the problems of enlargement, democratic deficit and balancing its social charter and neoliberal trends, and burdened by the Maastricht treaty. The strong euro outprices EU exports. The shape that the EU and ASEAN + 3 are in is also a function of and adaptation to US-led neoliberal globalization. Now that the United States is increasingly becoming a victim of globalization, and neoliberalism may be gradually imploding, lines of action that were previously closed open up. In view of the probably shrinking absorption capacity of the American market a shift in exporting countries from export-led growth to domestic demand-led growth is a logical precaution. The Enron episode and related crises show the fragility of Anglo-American shareholder capitalism. Rehabilitating stakeholder capitalism and strengthening social investment now appears both possible (the pressure for unrelenting growth is less, the drain on financial resources is reduced) and wise (social investments are productive in the long run). Arguably, then, the terms of global competitiveness may be changing in favour of Asian and European capitalisms. This in turn opens the possibility of new social coalitions in Asia and developing countries with local and regional social movements to develop and implement human and social development agendas. Once the pressure of neoliberalism is reduced and the immense pull on financial markets recedes the possibility arises for global alternatives, including a possible convergence on social market or stakeholder capitalism.

Major conditions for this taking shape are, on one side, the further decline of American hegemony and the accompanying decline of neoliberalism and, on the other side, the emergence of alternative centres. Both these trends are now in motion. A further condition is an alternative ideological and policy direction and here the contribution of social and labour movements is of fundamental importance. This is part of the roadworks that lie ahead. Eventually the sole possibility for breaking the WTO stalemate may be through a dialogue and rapport between global social democratic forces in Europe and Asia and the G20 in the framework of an overall world development perspective. Since no institutional matrix now exists to implement such a policy reorientation it would have to take shape on an interregional basis and break new ground.

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