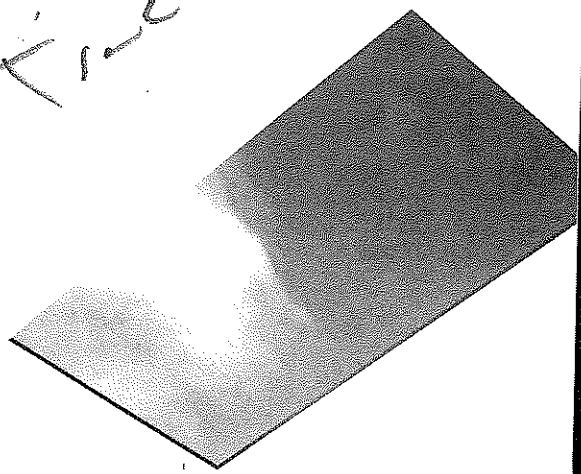


Ch 2
Globalization
It's Not About
Free Trade



Another World Is Possible

Globalization & Anti-Capitalism

REVISED EXPANDED EDITION

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GLOBALIZATION: IT'S NOT ABOUT FREE TRADE

"These deals aren't about trade. They're about the right of these guys to do business the way they want, wherever they want."

— Eugene Whelan, Canada's former Agriculture Minister

A favorite pastime of the globalizers has been to label their opponents "anti-trade." *US News and World Report*, for instance, mocked the Seattle protesters with the headline "Hell No, We Won't Trade." In the same vein, a *Washington Post* article began with the sentence, "A guerrilla army of anti-trade activists took control of downtown Seattle today." And a business writer for the *Globe and Mail* ridiculed "anti-free trade" critics who drink coffee, or eat fresh vegetables in the winter, since without trade they would not be able to enjoy these things in Canada.

Having seized on trade as the issue, pro-globalization types often shift into near-hysterical overdrive. Suggesting that humanity has progressed by "trading" and "sharing" goods and knowledge, they claim their anti-trade opponents will destroy human culture and civilization. WTO head Michael Moore, for instance, pronounced that the Seattle demonstrators represented "an umbrella for everything that is wrong with the twenty-first century."

Yet, the more intelligent of the globalizers must know that these arguments are bogus. After all, global justice activists do not oppose the exchange of goods and services around the world. They do not object to goods crossing national borders. What they

criticize is the framework in which global production and trade takes place: the way it empowers a few and exploits so many.

As all but the most ignorant of neoliberal pundits surely know, corporate globalization and the economic agreements designed to entrench it have little to do with trade. To prove this point, let's look at some of the main myths globalization advocates have developed.

The Myth of Globalized World Trade

Among the main claims made by globalization advocates are that recent decades have seen an unprecedented rise in the significance of world trade, and that, as a result, we are moving toward a much more open world. Neither of these claims is supported by the evidence.

From its beginnings, in the sixteenth and seventeenth centuries, capitalism has sought to profit from the exploitation of the peoples and natural resources around the globe. Enormous world movements of cotton, sugar, tobacco – and, most unconscionable, of enslaved Africans – fueled the accumulation of capitalist wealth. The colonization of huge areas of the globe – Ireland, India, the aboriginal lands of North and South America, China, much of Africa – were all central aspects of capitalist development. In chapters 3, 4 and 5, I will look at the dimensions of all this. For the moment, I merely want to underline the fact that capitalism has always been global in orientation.

Over 150 years ago, Karl Marx highlighted this in his dissection of modern capitalism. Of the emerging capitalist class, or bourgeoisie, and its new economic system, he wrote:

The discovery of America, the rounding of the Cape, opened up fresh ground for the rising bourgeoisie. The East Indian and Chinese markets, the colonization of America, trade with the colonies ... gave to commerce, to navigation, to industry, an impulse never before known ...

The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country... All old-established national industries have been destroyed or are daily being destroyed ... by industries that no longer work up indigenous raw material, but raw material drawn from the remotest zones; industries whose products are consumed, not only at home, but in every corner of the globe.

The bourgeoisie ... compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to adopt what it calls civilization into their midst, i.e. to become bourgeois themselves. In one word, it creates a world after its own image.¹

These passages are even more pertinent today. And they ought to disabuse a fair-minded reader of the notion that the development of world markets and world trade are new phenomena. In fact, the evidence strongly suggests that, in terms of trade, the world capitalist economy nearly a century ago was probably more internationalized than the global economy today.²

Economists customarily gauge the degree to which economies are globalized by measuring their imports and exports – the volume of goods sold outside the country in which they are produced (which is known as merchandise trade) – as a proportion of all national production (normally measured as gross domestic product, or GDP). A largely self-sufficient economy receives few imports and sends out few exports and thus has a low ratio of merchandise trade to GDP. In an economy highly integrated into world markets, on the other hand, imports and exports will comprise a considerable proportion of overall GDP. And economies becoming more globalized – our central concern for the moment – will show a rising ratio of merchandise trade to GDP. With these considerations in mind, let's consult the following Table which looks at major countries at a 60-year interval, taking 1913, the year before the disruption of the First World War, as the starting point.

Table 2.1 – Ratio of merchandise trade (imports and exports) to GDP at current prices

	1913	1973
United Kingdom	44.7	9.3
France	35.4	29.0
Germany	35.1	35.2
United States	11.2	10.5
Japan	31.4	18.3
Netherlands	103.6	80.1

Source: A. Maddison, "Growth and Slowdown in Advanced Capitalist Economies."³

These data indicate that the world's major economies did not become more internationalized over the course of the six decades following the First World War. In fact, by this measure, all except Germany became less globalized during this period. It's true that after about 1950, following the dislocation of the Great Depression and the Second World War, world trade expanded as a share of global production. But, as the Table above shows, as late as 1973, most major economies were less internationalized than they had been 60 years earlier. Since 1973, there has been a partial trend toward increased reliance on world trade – but not for the economically developed nations. Instead, it is countries in East Asia and parts of Latin America that have become more integrated into global trading systems.

In fact, economist John Weeks has shown that during the key decades of "globalization" – the 1980s and 1990s – the high income countries of the world had lower export shares than their postwar trends would have suggested. In an important sense they became less globalized.⁴ Throughout the 1990s, for instance, exports represented about 12 per cent of the GDP of the economies of the United States, Europe and Japan, not particularly high by historic standards. If anything, then, the trade of the richest countries has been less globalized in recent years, not more so.

Moreover, if we turn to the late nineteenth century as a point of comparison, we find a world in which people travelled without passports, and in which governments imposed no controls on currency movements. By historic standards, then, there is little basis for saying that world trade is more globalized today than in the past. Whatever is going on with the rush to strengthen the WTO or create a Free Trade Area of the Americas, it has little to do with the fact that we live in a more integrated world economy today.

Managed Trade and Protectionism: The Myth of Freer World Trade

Since it is untrue that the richest nations are more globalized today, it would be convenient for the globalizers if they could show that world trade had become "freer," subject to fewer restrictions. Unfortunately for them, the evidence does not support that claim either. If anything, trade today may be more restricted than it was twenty years ago.

It is true that there has been a decline in the most conventional of trade restrictions – tariffs, a sort of tax slapped on imports or exports when they cross borders. However, at the same time as tariffs are being reduced, quotas and other non-tariff barriers are rising. Between 1975 and 1992, for example, the share of imports into the US subject to such barriers rose from 8 to 18 per cent. In fact a wide range of trade restrictions, as well as special subsidies given by governments to exporters based in their territory, have been on the rise. As a result of a variety of non-tariff restrictions – quotas, production and export subsidies, international strategic alliances, local-content rules and import-limiting agreements – huge chunks of world trade today are managed. So widespread are such non-tariff barriers that one expert estimates only about 15 per cent of world trade is truly "free" in the classical sense. Perhaps most significant, the evidence suggest, as the authors of *Managing the World Economy* argue, that trade becomes more managed the more globalized firms become.⁵

This should come as little surprise, since close to half of all world trade consists of transfers of goods and services between divisions of multinational corporations, that is, between different units of the same firm.⁶ These are anything but open market transactions. Instead, they are internal transfers of parts, components and services from one unit of a corporation to another unit based in a different country. Technically, this is "trade." But in fact, there is no ordinary open market sale going on at all; "prices" of these goods are doctored in ways that work best for the multinational corporation when it comes to evading taxes and manipulating financial statements. So when we hear about world trade, it's important to remind ourselves that about half of it consists of little more than goods and services circulating inside powerful global companies.

This half of world trade is also clearly managed, not "free," i.e. not the result of the undirected play of market forces. As for the remaining half, as we've seen, much of this is subjected to a whole slew of non-tariff restrictions. And then there is the outright protectionism in which nations, particularly the most powerful ones, regularly engage.

In fact, none of the world's nations are committed to free trade, if by that we mean the unrestricted flow of goods and services in open markets. "Free trade" is a slogan used to attack practices designed by competitor economies to protect their own interests. It is not a policy to which any of the dominant powers adhere, but a battering ram for conquering each other's markets. The dominant nations advance the idea of free trade for industries in which they have an advantage, and they try to evade it wherever they are at a disadvantage. As a result, "free trade" is a policy imposed on the weakest and evaded by the most powerful.

Rich nation programs designed to give preferred treatment to firms based in their own countries are nowhere more blatant than in agriculture. As I discuss below, the rich countries massively subsidize agricultural production. Beyond agriculture, they squabble about trade in everything from lumber to steel. In early

2006, for instance, the French government proudly defended its "economic patriotism" when it cobbled together a deal to block the sale of energy company, Gaz de France SA by an Italian power company. But such moves are by no means unique to France. All major national governments engage in economic nationalism, using financial maneuvers, legal action, political pressure and intimidation to promote banks and corporations based in their own countries. In fact, governments in Europe, North America and Japan systematically subsidize and protect their auto, aerospace and defence industries, among others.

In June 2001, for instance, the US government of George W. Bush launched a sweeping trade action to protect America's steel producers by curbing imports of cheaper steel and offering financial subsidies to US firms. Bush did so by utilizing a piece of US trade law known as section 201, which allows him to restrict imports, ban them entirely, or provide financial aid to American companies. Of course, America's biggest competitor, the European Union (EU), where eighteen steel companies affected by the US action are based, immediately responded with trade actions of its own. Rather than being exceptional, trade disputes like these are the norm, with one major power after another engaging in deception and hidden practices in order to support its own multinationals. Often, these conflicts involve charges by one nation that another is "dumping" exports into its market below cost in order to hurt local firms. "Anti-dumping" claims are then invoked in order to impose duties against foreign importers or to subsidize local companies. Most of these claims are pure and simple bully tactics, attempts to protect domestic firms from foreign competition. Even the World Bank concedes that anti-dumping cases are a "packaging of protectionism to make it look like something different." And this way of evading "free trade" is on the rise. In 2000, for instance, the number of such cases brought before the WTO hit a record of 328, up from 232 cases a year earlier.⁸

But anti-dumping cases are far from the only form taken by such economic disputes. In June 2001, the WTO ruled in favour

of a European Union (EU) complaint against multi-billion dollar tax breaks the US government provides to major exporters such as Microsoft and IBM. The EU charges that these tax breaks represent illegal subsidies of these US companies to the tune of \$4 billion in recent years. As one of a number of retaliatory moves, Bush responded in 2004 by grieving the very nature of the EU itself.⁹

One of the most interesting things about these disputes is that they do little to eliminate world trade barriers. In fact, those who lose cases before the WTO have the option of removing their restrictions on trade or accepting the imposition of contravening trade sanctions by the competing nation. Most offending countries have chosen the latter option. As a result, instead of reducing trade restrictions, WTO rulings have the effect of increasing them. In what must seem a gigantic paradox to those who believe the rhetoric of free trade, the WTO has created an environment in which, as one commentator notes, nations are “effectively raising barriers to trade in the name of freer trade.”¹⁰ In a world of gigantic capitalist monopolies, many of these trends can be expected to get worse, not better. After all, as Canada’s federal competition watchdog put it recently, “The impact of cartels is much more severe in a globalized economy.”¹¹

The Globalizing Monopolies

While globalizers are famous for the hymn they sing to the virtues of open, liberalized, competitive market economies, the reality of the world economy they defend could scarcely be further from this image. Like free trade, the terms “openness” and “competition” are purely ideological constructions designed to conceal immense concentrations of power. The more globalized the world becomes, the more control of wealth and resources becomes concentrated in fewer and fewer hands. At the heart of the globalization agenda is the creation of corporate monopolies with global reach, enormous firms that are able to write the rules of economic life on the planet.¹² Consider the following:

- As of the year 2000, a tiny minority of the world’s companies – 500 corporations – accounted for 70 per cent of world trade. That makes these corporations more powerful global economic actors than the vast majority of nation-states.
- According to a December 2000 report by the Institute of Policy Studies, fifty-one of the one hundred largest economies in the world are corporations, and only forty-nine nation-states.¹³
- In fact, many of these corporations have assets greater than the GDP of large nations. Judged in these terms, by late 1999 Microsoft was as big as Spain, General Electric the same size as Thailand, Wal-Mart as large as Argentina, Cisco Systems as big as Iran, Lucent Technologies the size of South Africa, and IBM equal to Colombia.¹⁴
- As of 1997, according to the United Nations Conference on Trade and Development, the world’s one hundred largest non-financial corporations held assets of \$1.8 trillion, employed six million people, and exported products worth \$2.1 trillion.
- As a result of mergers (where companies combine) and acquisitions (where one company buys another), the big just keep getting bigger – and they’re doing so at ever-faster rates. In 1980, for instance, the top twenty pharmaceutical drug companies held roughly five per cent of the world trade in prescription drugs. Twenty years later, they controlled well over 40 per cent.
- The agricultural chemicals industry offers an even more dramatic example. Twenty years ago, sixty-five companies were competing in this industry’s world markets. Today nine of them account for 90 per cent of international sales of pesticides.¹⁵
- In 1983, Ben Bagdikian estimated, in his book *The Media Monopoly*, that fifty firms dominated the mass media. Seventeen years later, in the 2000 edition of the work, he put the number

at ten, among them Disney, Time Warner, General Electric, Viacom, and Sony.

It should be obvious that most medium-sized businesses, never mind small ones, have no chance of survival in competition with these global behemoths. We can see this clearly if we take two of the Latin American nations that have most religiously followed the globalization model. In Argentina over the course of the 1990s, 38,000 medium-sized enterprises went bankrupt or were effectively destroyed by crippling debt. In Mexico, meanwhile, fully 750,000 firms have in recent years joined an organization of bank-indebted companies.¹⁶

These effects are particularly dramatic in agriculture at the moment. As I document in more detail in the next chapter, western governments subsidize their agri-businesses to the tune of \$360 billion per year while demanding that Third World nations open their markets. Having forced open agricultural markets in countries like India, the Philippines, and Mexico, western nations then dump farm products at subsidized prices that are impossible for Third World farmers to meet. (In the next chapter, I will explore the specific effects these practices have in impoverishing cotton growers, sugar producers and others in the Global South.) In this way, "free trade" policies are used by the West to manipulate agricultural prices and drive small farmers from their lands. So, while Third World farmers struggle to survive on less than \$400 a year on average, every farmer in the US, Canada and Europe receives between \$16,000 and \$21,000 from their governments per year in order to undercut producers elsewhere — all in the name of "free" trade.¹⁷ On one count after another, rather than markets becoming more competitive, they are continually becoming less so. Contrary to the neo-liberal myth of a free and open world market, therefore, we live in a world in which an ever-smaller number of multinational corporations dominate the global economy — and as a result of new trade rules their wealth and power is increasing at unprecedented speed.

Andrew Shapiro of the Harvard Law School's Center for Internet and Society twigged on to the sheer hypocrisy of the global monopolizers in an open email message to Bill Gates. Reflecting on the hype about the liberating effects of the so-called Internet revolution, Shapiro challenged Gates: "If the whole idea of this revolution is to empower people, Bill, why are you locking up the market and restricting choices?"¹⁸

The answer is that the Internet revolution is not about empowering people anymore than are globalization and "free trade." They are about helping the richest economic actors in the world to become richer and ever more powerful. As Canada's former Agriculture Minister, Eugene Whelan, put it, "These deals aren't about free trade. They're about the right of these guys to do business the way they want, wherever they want." And judged in those terms, they are a wonderful success.

Freeing Capital, Not Trade

If we want to actually understand the economic agreements that are proliferating, we need to look behind the obfuscating rhetoric of "free trade" to decipher what's going on behind the scenes. Once we do so, clues as to what is occurring are not hard to come by.

Consider, first, an article by former Canadian Prime Minister Brian Mulroney who presided over Canada's initial "free trade" agreement with the United States. Writing in a national newspaper on the eve of the April 2001 Summit of the Americas in Québec City, Mulroney rhymed off a series of ostensible benefits of the current NAFTA accord. At the end of his list he reminded his readers that NAFTA "establishes a regime to protect investors."¹⁹ Next, take the aggressive push in the late 1990s to negotiate a comprehensive economic pact known as the Multilateral Agreement on Investment (MAI). While these negotiations collapsed in 1998, in large measure because of public opposition, it is worth contemplating what the world's richest nations hoped

to achieve. Especially instructive for our purposes is that, rather than refer to trade, the very name of the failed agreement specifically mentions investment.

Reflecting on these clues, we could be forgiven for thinking that the major purpose of global economic agreements is not so much freeing trade as it is protecting the rights and privileges of international investors. Once we investigate the globalization agenda in these terms, a lot of things start to fall into place.

As an initial observation, we should note that what distinguishes the era of globalization since the mid-1970s is not the growth of world trade (which as we've seen is not much greater in relative terms than it was in 1913) but, rather, the explosion of foreign direct investment and, most crucially, the emergence of the multinational corporations that drive it. It is here that we find the unique features of the globalization era.

Prior to the 1950s, there were few corporations that actually invested directly outside their home country. Until then, most foreign investment took the form of various kinds of financial loans (often known as "portfolio investment"). Capitalists would put up large sums of money to be loaned to foreign governments, banks or investors (in return for tidy profits). But these loans were in "liquid" form – advances of sums of cash in return for paper assets (like stocks and bonds) which provide interest payments. These investments are considered liquid because they can almost always be turned back into cash (and withdrawn from the country in which they are held) quite quickly by selling the paper assets, like stocks or bonds, to another buyer. Thus, while foreign capitalists profited handsomely from the exploitation of labour and natural resources in the colonial world and elsewhere, rarely did they involve themselves in long-term fixed investments such as factories, mines, or communication systems. Such investments are considered fixed, rather than liquid, since they often can't be converted back into cash overnight (there's not always a buyer for a factory or a mine, after all, but there almost always is for a stock or a

bond, especially if the seller is eager to sell and willing to lower the price).

After the Second World War, however, US-based firms saw tremendous opportunities for investing directly in foreign countries. With much of Europe just beginning to recover from the ruination of war – which had destroyed factories, roads, airports, and houses along with millions of people – American firms were eager to enter those markets. In many cases, investing directly in foreign countries by building factories and other business operations was highly attractive since, by so doing, US companies could position themselves near large markets (thus ensuring low transportation costs) and draw upon skilled labour supplies. In this way, American corporations hoped to capture markets from companies in war-torn Europe and elsewhere. Throughout the 1950s and 1960s, this sort of expansion of US-based firms (largely into Europe and Canada) led to the rise of the modern multinational corporation.²⁰

If anything has defined the era of globalization, it has been large-scale foreign direct investment (FDI) and the growth of the financial flows that accompany it. Not only is this a relatively new phenomenon, but FDI has also been growing much more rapidly than the world economy as a whole. Put simply, capitalists are now setting up shop in other parts of the globe at a faster rate than the international economy has been expanding. During the 1960s, for instance, FDI grew twice as fast as the output of goods and services, and during the 1980s it increased four times as fast. But the truly staggering acceleration comes in the 1990s. Across that decade, FDI soared by 314 per cent, utterly eclipsing the 65 per cent increase in world trade and the 40 per cent increase in world gross domestic product.

This is the context in which multinational corporations desperately wanted new rules governing world-wide investment. By 1998, total outward foreign direct investment hit a record level of \$649 billion in a single year; the following year it jumped to \$865 billion, pushing the world stock of FDI (the total value of

direct investment in foreign nations) to US\$5 trillion. According to experts at the United Nations, outward FDI hit US\$1 trillion in 2000. Once we understand foreign direct investment by multinational corporations as driving the "globalization" process, then foreign trade rightly recedes into the background. Since the early 1980s, after all, global firms have done much more business through their foreign-based affiliates than by exporting goods from their home countries. In order to grab a share of foreign markets, in other words, they more typically set up shop there, rather than ship goods to the intended market. By 1998, in fact, the total sales of foreign-affiliates hit \$11 trillion, massively eclipsing world exports which totaled \$7 trillion. All of this, as the World Investment Report notes, makes "international production globally more important than trade in terms of delivering goods and services to foreign markets."²¹

If international production, not trade, is the key process driving globalization, the multinational corporation is its principal institution. Looking at the previous period of globalization (roughly 1880-1914) we discover that there were at most a few hundred multinational firms in 1914; today there are about 60,000. These firms account for virtually all FDI and, as we've seen, their internal cross-border transfers of goods and services comprise about half of all world trade. In fact, just the largest 100 of these corporations hold over 40 per cent of all foreign assets (in excess of \$2 trillion), making some of the largest wealthier than sizable nations. With all this in mind, one of the most thorough analysts of globalization states that the multinational corporation today "is the single most important force creating global shifts in economic activity."²²

Again, we need to remind ourselves about some of the misleading connotations of the term globalization. It is simply untrue, after all, that these firms are "trans-national" in character. While they do indeed conduct business in many regions of the globe, their head offices are based in specific countries and the bulk of profits flow there. In 2004, for instance, the *Financial Times* of

London published a comprehensive ranking of the world's 500 largest multinational firms. Of these, nearly half are based in the United States and about one quarter in Western Europe. In short, fully three-quarters emanate from the traditional centers of world capitalism. Another 18 per cent are based in Asia, notably Japan. If we narrow the list to the top 100 multinationals, we find that 75 are US-based, 20 are housed in Europe, while the remaining five are based in Japan.²³ In short, "multinational" firms are overwhelmingly based in the dominant capitalist nations, and they conduct the bulk of their business there, or in other "developed" countries.

Nonetheless, there have been significant trends toward investment by multinational corporations in *parts* of the so-called "developing world," particularly Asia. Between 1975 and 1985, for instance, the share of FDI going into Asia increased from 5.3 percent of the world total to 7.8 percent. But the really large flows of FDI into developing countries happened in the 1990s. In the space of two years, from 1991 to 1993, foreign direct investment into developing countries doubled. Still, this foreign investment remained concentrated in a handful of countries. In 1994, in fact, half of all FDI flows to developing countries were going to East Asia, particularly Indonesia, Korea, Malaysia, China, and Thailand. By the later 1990s, parts of Latin America, especially Mexico and Brazil and to a lesser extent Argentina, had also become major recipients of FDI. Indeed, 55 per cent of all FDI in the developing world went to only five countries in the late 1990s: China, Brazil, Mexico, Singapore and Indonesia. (It is worth mentioning too that a large part of this investment in developing countries has involved takeovers of domestic companies by multinational ones, not investment designed to create new facilities and means of production, a point to which I shall return.) Meanwhile, the world's forty-eight poorest nations attracted only 0.5 per cent of world-wide FDI.²⁴ Rather than actually going global, international investment is still overwhelmingly concentrated in the dominant nations and a handful of select countries in the de-

veloping world. This is one reason, among many, that capitalist globalization is increasing world inequalities, not reducing them, as I will discuss later in this chapter.

Once we recognize that economic globalization is about an explosion in foreign direct investment by multinational corporations, not about trade, we are in a position to make sense of the global corporate agenda. While economic pacts may not have much to do with freeing trade, they have everything to do with freeing capital – with creating new global rules that make foreign investment and takeovers easier, and which give powerful legal protections to foreign investors anywhere in the world. In fact, an extensive international study of more than one thousand changes made between 1991 and 1999 to laws on foreign investment revealed that 94 per cent of these changes increased the rights and freedoms of foreign capitalists.²⁵ The “free” movement of capital – anywhere, any time, according to rules of its own making – is the real secret of the globalization agenda.

Alongside this goes a liberalization of short-term capital flows – money that moves around buying stocks, currencies, government bonds, real estate, and various sorts of complex financial instruments, for a matter of hours or days before selling again. Such investment is purely *speculative* in nature, since it consists of short-term bets as to which way prices will move for things like oil or currencies, but it doesn't invest in the productive infrastructure of a country (like machines of factories). With huge sums now flowing through these short-term markets (currency markets alone see movements of about \$1.9 trillion US every day, about thirty times more than the daily exchange of goods and services), the whole of the global economy has become much more volatile, as countries like Korea and Argentina have painfully learned. Yet the globalizers insist that, whatever the consequences for the people of a country, world financial markets must be perfectly free for world traders and speculators.

Expanding the Rights of Property, Not People

Government and business leaders love to proclaim that international economic agreements are about extending democracy. Yet, not one clause in any of these accords – from NAFTA to the WTO agreements – establishes a single addition to the civil or human rights of people. What they do accomplish, however, is an unprecedented extension of the legal rights and powers of corporations.

Perhaps the clearest example of this is Chapter 11 of NAFTA, which allows investors to sue governments if they believe their firms have suffered a loss because of a breach of free trade and investment rules. In the past, most legal systems have given governments – as theoretical custodians of the public interest – the right to override private interests if they could demonstrate a clear public interest in doing so. Protecting the environment from corporate polluters is an obvious example, as are laws prohibiting private firms from using child labour. For generations, the only agents to international treaties have been nation-states. But NAFTA's chapter 11 changes all of this. For the first time ever in international law, it bestows on corporations the right to directly enforce a treaty to which they are not parties. Furthermore, it does so while imposing absolutely no obligations on them, such as to be good corporate citizens or respect the environment. As a result, NAFTA reverses the relationship that is supposed to exist between governments and private bodies (albeit a relationship that has often only existed in theory) by subordinating governments to international investment rules that are designed to protect the property rights of huge private corporations. A number of NAFTA decisions indicate just how insidious this elevation of property rights over the rights of the public can be.

One of the most notorious examples is the complaint brought against the Mexican government by the US toxic waste processing company, Metalclad. In 1992, the company received permission from Mexico to build a plant that would handle 360,000 tons

of hazardous waste every year at a landfill site in San Luis Potosi in central Mexico. Three years later, as the company's plant was being constructed, area residents began a protest campaign, arguing that the firm had no right to proceed without the approval of local governments. Responding to mass pressure, the state's governor blocked local approval. Metalclad then notified Mexico that it would file a Chapter 11 complaint and in 2000 a NAFTA tribunal ruled in favour of the company, ordering Mexico to pay \$16.7 million in damages to the corporation.²⁶ Under NAFTA, in other words, the right of corporations to bring thousands of tons of hazardous waste into local communities overrides the rights of residents to protect their health.

And the Metalclad case is just the beginning. In recent years a Canadian company, Methanex, which makes a methanol-based gasoline additive called MTBE, has sued the state of California for trying to phase out use of the additive after gasoline containing MTBE was found to have contaminated the water supply in Santa Monica – compelling the state of California to shut down most of the area's municipal wells. Similarly, a Canadian mining firm, Glamis Corporation, launched a suit against the state of California, demanding the right to undertake open pit mining that would destroy watersheds on native lands. In the same vein, United Parcel Service, America's largest courier company, has filed a \$200 million Chapter 11 suit against the Canadian government alleging that Canada Post's monopoly on ordinary mail constitutes an illegal subsidy of the post office's courier services. In the largest – and what will probably be the most controversial – case, Sun Belt Water Inc. of California is suing the Canadian government for \$14 billion in damages after British Columbia banned bulk water exports in 1993. So intimidated have governments become that the mere threat of a Chapter 11 suit is often enough to force governments to back down, as Canada did by withdrawing a ban on hazardous PCB imports after S. D. Myers, a US waste disposal company, launched a NAFTA complaint action.

None of these decisions are made by elected or accountable officials, nor are their procedures or rulings made public. Instead, they happen in secret, outside the scrutiny, never mind the control, of citizens. We shouldn't be surprised, then, when the president of the US consumer watchdog group Public Citizen charges that NAFTA tribunals represent a kind of "secret government." As a *New York Times* correspondent explains:

Their meetings are secret. Their members are generally unknown. The decisions they reach need not be fully disclosed. Yet the way a small group of international tribunals handles disputes between investors and foreign governments has led to national laws being revoked, justice systems questioned, and environmental regulations challenged. And it is all in the name of protecting the rights of foreign investors under the North American Free Trade Agreement.²⁷

The key to free trade agreements is the package of new legal rights and protections they give to investors. At the end of a twenty-five year period in which foreign direct investment has grown massively, multinational capital now seeks a new legal regime where the rights of global property owners – international investors – take precedence over all others.

"An Eye to Property": Deciphering the WTO Agreements

Capitalism, as I argue in the next chapter, has always been about the rights of property over people. Agreements like NAFTA and the WTO represent concerted efforts to move toward a capitalist utopia where multinational behemoths can get their way, riding roughshod over the laws, practices and traditions of communities.

Nowadays, however, political and business leaders like to pretend that what they're up to has to do with much more uplifting things: democracy, global prosperity, human rights. These claims for democracy are, in historical terms, quite recent. Only

in the twentieth century did most mainstream political parties and heads of state come to embrace “democracy.” I look at some of these issues with respect to democracy and capitalism in detail in chapter 6. For the moment, however, I want to look at a time when they did not couch their views in democratic terms, as doing so can clarify many issues about the present. When capitalism was in its infancy, a startlingly candid debate occurred about the conflict between the rights of property and the rights of the people – a debate that sheds much light on what is transpiring today.

The year was 1647, the country England. A king had just been defeated by an army of ordinary working men – farmers, artisans, sailors and the unemployed – presided over by a group of wealthy landlords who mistrusted the king’s respect for their property. Known as the New Model Army, these forces of the people had vanquished the royal army and captured the king. Now they confronted the task of deciding what sort of constitutional order should replace the monarchy. Worried that wealthy leaders might betray them by bringing in a less than democratic system, rank-and-file soldiers convened a council and invited the two most important army generals, Oliver Cromwell and Henry Ireton, to meet with them at a church in Putney. Aply assisted by a radical group known as the Levellers, the soldiers had drawn up a document called the Agreement of the People which proposed that all adult males should have the vote.²⁸ Fortunately for posterity, someone kept a record of these discussions (which historians have come to call the Putney Debates). As a result, we have written documents of one of the most extraordinary debates in political history.

What happened at Putney is extraordinary in part because poor men were challenging their wealthy superiors. But it is equally so because of the terms in which the debate was cast: as a clash between property and democracy.

Stating the case for the democrats, Colonel Rainborough of the people’s army told the generals: “I think that the poorest he that is in England hath a life to live, as the greatest he; and there-

fore truly, sir, I think it’s clear, that every man that is to live under a government ought first by his own consent to put himself under that government.” For Rainborough and the Levellers, such consent could only be accomplished by voting.

Speaking for the wealthy landowners and merchants, General Ireton directly attacked Rainborough’s argument. “No person hath a right to an interest or share in determining or choosing those that shall determine what laws we shall be ruled by here – no person hath a right to this, that hath not a permanent fixed interest in this kingdom.” And only a small group has such a permanent fixed interest, he maintained: “the persons in whom all land lies, and those in corporations in whom all trading lies.”

And why should the right to choose the government lie exclusively with men of vast property? Because, if you grant that we are all politically equal – and therefore all ought to have the right to vote – then why not hold that we all ought to be socially and economically equal too? If “one man hath an equal right with another to the choosing of him that shall govern him,” said Ireton, “by the same right of nature he hath the same [equal] right in any goods he sees – meat, drink, clothes – to take and use them for his sustenance. He hath a freedom to the land, to the ground, to exercise it, till it.” In short, argued Ireton, if we adopt the equal right to participate in government, we will soon have to accept equality across the board, and that will be the end of unequal ownership of property. The reason he could not accept democracy, he proclaimed, “is because I would have an eye for property.”²⁹

An eye to property: here is the key to so many debates that have swirled across the history of capitalism – no more so than today as opposition to globalization builds. The confrontations that are taking place in the mountains of Chiapas, the villages of India and China, the city squares of Argentina and Bolivia, the barrios of Venezuela all harken back to the debate at the church in Putney more than 350 years ago: do rights belong to people as people, or merely to wealthy property-owners?

For the architects of NAFTA, the MAI or the WTO accords the answer is clear: they intend to create new rights for multinational capital that will not be available to ordinary citizens. More than that, they seek a negotiating process – at world economic meetings – that is not even accessible to citizens' groups. As one senior WTO official admitted to the *Financial Times*, "The WTO is the place where governments collude in private against their domestic pressure groups."³⁰ Among other things, that collusion has resulted in the further impoverishment of millions of people.

Globalizing Poverty and Inequality

When supporters of globalization are confronted with evidence of the alarming new powers being bestowed on multinational corporations, they usually shift the terms of discussion. Whatever the weaknesses of these accords, they intone, the one great thing about globalization is that it spreads prosperity around the globe. *New York Times* columnist, Thomas Friedman, has been one of the foremost promoters of this view. "The driving force behind globalization is free-market capitalism," he writes. "The more you let market forces rule and the more you open your economy to free trade and competition, the more efficient and flourishing your economy will be." Almost every aspect of this statement is wrong. As we have seen, globalization is not about "free markets" or "competition." And it certainly hasn't made economies "more efficient and flourishing," as I shall show in a moment. Yet, the facts of the matter have not stopped a crescendo of mainstream voices that echo Friedman's views. The *Globe and Mail*, the most influential paper in Canada, for instance, ran a seven-part series prior to the 2001 Summit of the Americas in Québec City which sang this chorus repeatedly. "Globalization," proclaimed the paper's editors, "is a powerful force for good, with the potential to lift millions out of poverty and make the world a safer, richer, better place." They returned to the theme the next day: "For the first time in history, the end of mass poverty is in

clear sight. For the hundreds of millions who live in want, there is finally a way out. That way is globalization." In the spirit of flogging a dead horse in the hope that it will move, the editors took up their tune again five days later pronouncing, "globalization is a force for good, with the potential to lift millions out of poverty."³¹

Now, if this was true, if globalization for all its unhappy effects actually raised millions out of poverty and hunger, if it truly made the world a safer and better place, then many opponents would feel obliged to think twice. Curiously, however, the globalizers are notoriously short on hard facts. Neo-liberal free trade rhetoric and ideology seemed to be enough to persuade them of their cause. But for millions the world over, rhetoric won't feed the children, provide clean drinking water, or stem the tide of disease. And once we look at the actual facts of the matter in these and other areas, the globalizers' arguments look highly unpersuasive.

Globalization has produced lower rates of economic growth

To begin with, there is no serious evidence that the changes associated with globalization have done anything to raise the rates at which economies expand. Indeed, the evidence overwhelmingly shows exactly the opposite. While we should not make a fetish of growth, especially given the environmental consequences of capitalist-style industrial growth (a point to which I return), it nonetheless remains significant that *on their own terms*, the globalizers' arguments fail. As the Washington-based Center for Economic and Policy Research has shown, compared with the previous twenty years, the globalization period has been characterized by sub-standard rates of growth. Placing all the world's countries into five groups according to wealth, the Center uses International Monetary fund data to demonstrate that all groups of nations, even the richest, have experienced slower growth throughout the era of globalization (1980-2005). And reduced rates of economic growth are a major cause of slower rises in living standards. In-

deed, in many parts of the world, the growth slowdown of the globalization era has been associated with catastrophic declines in standards of living. For regions like Latin America and Sub-Saharan Africa, the results have been devastating, as Table 2.2 illustrates.

Table 2.2 – Growth of Per Capita Income, 1960-80 and 1980-2000

	1960-80	1980-2000
Latin America	+73 percent	+7 percent
Africa	+34 percent	-23 percent

Source: Murray Dobbin, "Democracy and the Québec Summit," *Financial Post*, April 30, 2001.

The impact of globalization on economic growth in these two regions has, in short, been disastrous. While Latin America, which "has led the world in trade liberalization," as the United Nations puts it, has undergone a devastating collapse in economic growth rates, Africa has experienced nothing short of outright calamity, with per capita income plummeting by nearly one-quarter, and life expectancy dropping in many countries.

Using more recent data, the Center for Economic and Policy Research has shown the dramatic dimensions of the slowdown of economic growth in these two regions.³² In Table 2.3, I use their data to compare average annual growth in these regions during the pre-globalization (1960-79) and globalization eras.

Table 2.3 – Average Annual Growth in Income per Person, 1960-79 and 1980-2005

	1960-79	1980-2005
Latin America	+ 4 per cent	+0.7 per cent
Sub-Saharan Africa	+1.8 per cent	-0.75 per cent

Source: Data derived from Center for Economic and Policy Research, *The Scorecard on Development* (Washington, 2005).

Not only has the globalization period been one of less robust improvements in living standards, as these figures show; it has also produced poorer rates of improvements for infant and child mortality in most nations of the world. In short, more infants and children are dying worldwide than would have been the case if pre-globalization era trends had continued. The same is true for adults. In all these regards, then, globalization signals a cruel deterioration in human welfare for most of the world's people, and particularly for the poorest inhabitants of the planet. Translating these trends into more tangible human terms, we learn the following:

- According to the 2004 *Human Development Report*, the people of 46 countries are poorer today than they were in 1990.
- As a result, the number of countries with per capita incomes of less than \$900 per year (the United Nation's cutoff for the category of "least developed" countries) has doubled since 1971 – from 25 to 49.³³
- One of the results has been a decline in life expectancy in eighteen countries – ten of them in Africa, and eight in Eastern Europe and the former Soviet Union.
- According to the 2005 *Human Development Report* published by the United Nations, more than one billion people in the

world live on less than \$1 a day. Another 1.5 billion struggle to survive on one to two dollars daily. That's 40 per cent of humankind condemned to unrelenting poverty and hardship. In addition, a billion people on the planet lack access to safe water. In fact, according to the definition used by major international agencies, more than seventy-seven per cent of the world's people are poor.

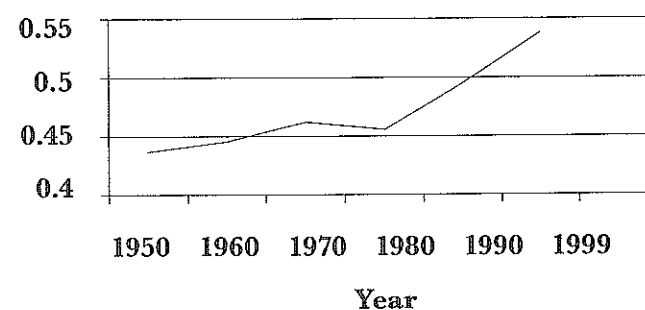
- Related to all of the above, every year more than 10 million children die before their fifth birthday. Again according to the UN, "most of these deaths could be prevented by simple, low-cost interventions" like vaccines for measles, diphtheria and tetanus.³⁴

Globalization has increased world inequalities

At the same time as globalization has been associated with more sluggish economic growth (or with outright contraction) it has also generated greater inequalities in the distribution of wealth – precisely the opposite of what the globalizers claim. Drawing on new studies done for the World Bank, Robert Wade of the London School of Economics has shown that under the globalization regime the rich have gotten richer, the poor poorer. Looking at the distribution of world income over a mere five years (1988-93), Wade concludes that “the share of world income going to the poorest 10% of the world's population fell by over a quarter, whereas the share of the richest 10% rose by 8%.” His basic results have been confirmed by study after study. The United Nations reports, for instance, that of 73 countries for which data are available, 53 of these – containing over 80 per cent of the world's population – have experienced increases in inequality. While a few countries have experienced declining inequality, they account for a mere four per cent of the planet's population. For ninety-six per cent of humankind, therefore, there has been no improvement in social equality. In fact, for four-fifths of the world, things have gotten more unequal in recent decades. The preponderance of such evi-

dence has forced even conservative mainstream commentators, at least the honest ones, to take notice. William Easterly of the World Bank, for instance, now describes the globalization era as “the lost decades” for developing countries. Another World Bank economist, Branko Milanovic, has gone further, producing a series of highly comprehensive studies which show that globalization has substantially increased inequalities between rich and poor.³⁵ In fact, as the chart below indicates, Milanovic's research shows that international inequality, i.e. the inequality between nations (measured according to what is known as the Gini coefficient), has risen by more than 20 per cent during the globalization era, after having been relatively stable over the previous thirty years (1950-80).³⁶ Moreover, global inequality shoots up most sharply during the 1990s, when neoliberal globalization most fully came into its own. Put simply, inequalities between rich and poor nations have sharply increased throughout the globalization period.

Chart 2.1 – International Inequality, 1950 – 98, measured by the Gini Coefficient



Source: Branko Milanovic (2002) "The Two Faces of Globalization."

The human results of these trends are obscene:

- The richest two hundred people in the world more than doubled their net worth in the four years leading up to 1998 to more than \$1 trillion.
- Merely three billionaires have assets greater than the combined gross national product of the world's "least developed" nations and their 600 million inhabitants.
- The world's 793 billionaires have a combined wealth greater than the gross domestic product of all but six countries in the world according to *Forbes* magazine's 2006 ranking of the world's super rich.
- The income gap between the one-fifth of the human population living in the richest countries and the fifth living in the poorest countries has gone from 30:1 in 1960, to 60:1 in 1990, and up again to 74:1 in 1997. Taking the richest ten per cent and the poorest ten percent of those on the globe as of 2005, we get an inequality ratio of 103:1.
- In the United States, the ratio of Chief Executive Officer (CEO) income to that of the average worker has risen from 35:1 in 1965, to 80:1 by 1980, and to an astonishing 450:1 today (2005).
- Microsoft CEO Bill Gates has more wealth than the bottom 45 of all American households. In fact, Gates is worth more than the combined Gross National Product of Central America – Guatemala, El Salvador, Cost Rica, Panama, Honduras, Nicaragua and Belize all combined. In fact, as of 1998, we could add Jamaica and Bolivia to this list and Gates would still come out on top.
- Executive pay at top US corporations rose 571 per cent from 1990 to 2000, at the same time as in the poorest countries one

billion adults are illiterate, 2.4 billion lack basic sanitation, and one billion have no access to safe water.³⁷

As some of this data indicates, it's not just global inequalities between nations that have increased, so have inequalities within nations. Take the examples of the two most "globalized" economies in Latin America. In 1975, the income ratio of the richest 20 per cent of the population of Argentina compared to the poorest 20 percent was 8:1. As neoliberal reforms took hold, this ratio doubled by 1991; it then soared to 25:1 by 1997. In Brazil, meanwhile, the inequality ratio between these two groups has hit 44:1.³⁸ Put baldly, globalization has been nothing less than a mechanism for a massive transfer of wealth from poor to rich – in other words, exactly what it was designed to be.

World Trade has impoverished sub-Saharan Africa

While the globalizers love to claim that trade in world markets is the path to prosperity, they conveniently ignore the evidence from the world's most impoverished region, sub-Saharan Africa. After all, as Table 2.3 indicates, this region exports a much higher share of its output than does any other part of the world.

Table 2.4 – Share of GDP exported to foreign markets

OECD countries*	19%
Latin America	15%
Sub-Saharan Africa	29%

*The OECD (Organization for Economic Cooperation and Development) countries are the economically developed nations of North America, Western Europe and Japan.
Source: United Nations, *Human Development Report* 1999, pp. 2, 31.

Yet, contrary to the free trade mythology, high rates of exports have done nothing to help the people of the region. Ac-

According to the World Bank, per capita incomes in sub-Saharan Africa fell by 25 per cent between 1987 and 2000. People on the African subcontinent have become even more impoverished, both absolutely and relatively, during the globalization period. In 1950, Africans made on average 16 per cent of what people in the Global North earned. Yet, by 2001 their relative earnings had plummeted to less than seven per cent of average incomes in the North.³⁹ Not surprisingly, as we have previously noted, with falling incomes has come a decline in life expectancy throughout much of the region. In fact, four sub-Saharan African nations have seen staggering declines in life spans: a drop of 14 per cent in Botswana, 15 per cent in Uganda, and 17 per cent in both Zambia and Zimbabwe.⁴⁰ With world market prices for raw commodities from coffee to copper plummeting, these trends are likely to continue. Yet, desperately needing foreign currency to pay off debts to foreign banks and lenders such as the IMF, African nations have no choice but to continue mass production of those goods for which there is international demand, irrespective of the fact that their prices are collapsing. In fact, sub-Saharan Africa currently pays as much as \$500 million *per day* in debt payments – an amount that completely eclipses any “aid” that comes from rich nations. The entire region is thus caught in a debt trap in which exports generate declining revenues that are sent to world banks and financial institutions instead of contributing to local investment, health care, or education. The results have been utterly – and tragically – predictable: with lower incomes, poorer diets and weakened immune systems have come cholera and tuberculosis epidemics, an HIV-AIDS pandemic, and the rising child mortality rates discussed above. Let us take just one example to put some flesh on these points. Since 1990, tuberculosis rates have tripled in 21 African countries. Every year, more than two million Africans are diagnosed with the disease and half a million die of it. In fact, most of the deaths of HIV-positive people in Africa are due to tuberculosis. Yet, a curative six month treatment costs a mere \$15. Still they die, however, since global capitalism’s imperative that

debts must be paid starves governments of desperately needed resources for health and education.⁴¹ The idea that the rising tide of world trade raises all boats is nothing less than an incredibly sick joke where the peoples of most of Africa are concerned.

In fact, as we have seen, all the real evidence shows that neoliberal policies are destroying lives across the continent. Let us take just one recent case, the 2005 “famine” in Niger, the world’s second-poorest country, where hundreds of thousand died of hunger. A British journalist recently described the reality of this country’s “free market famine”:

In Tahou market, there is no sign that hard times are at hand. Instead, there are piles of red onions, bundles of glistening spinach, and pumpkins sliced into orange shards. There are plastic bags of rice, pasta and manioc flour ...

A few minutes drive from the market ... aid workers coax babies with spidery limbs to take sips of milk, or the smallest dabs of high-protein paste.

Starving infants are wrapped in gold foil to keep them warm. There is the sound of children wailing, or coughing.

... This is the strange reality of Niger’s hunger crisis. There is plenty of food, but children are starving because their parents cannot afford to buy it.

The starvation in Niger is not the inevitable consequence of poverty or simply the fault of locusts or drought. It is also the result of a belief that the free market can solve the problems of one of the world’s poorest countries.

... Prices have been rising because traders in the country have been exporting grain to wealthier neighbours ...

The UN ... also declined to distribute free food. The reason given was that interfering with the

free market could disrupt Niger's development out of poverty.⁴²

On the altar of free market dogma, in other words, the poor and the vulnerable have been sacrificed, permitted to starve in the midst of plenty. This, as we shall see in the next chapter, is anything but an aberration. Confronted with this sort of evidence, the globalizers tend to fall back on the claim that these nations just need to stick to the neoliberal road a bit longer, and sooner or later they'll see the payoff. Unimpressive as this argument is, let's examine it by looking at some of the developing nations that have most fully embraced the neoliberal model in recent years – South Korea, Argentina and Mexico. Then I will turn to the two latest cases embraced by the globalizers: China and India.

Global Integration and Economic Meltdowns: South Korea and Argentina

Developing on the basis of state-assisted industrialization from the mid-1950s, South Korea emerged in the 1970s as one of the world's most powerful "newly industrializing countries." By the 1980s, the country had become a significant force in global electronics, steel, automobile and shipbuilding industries.⁴³ At this point, the American government launched an offensive to force Korea to open its markets to foreign goods and investments. In 1983 US President Ronald Reagan visited Korea and issued ultimatums to that effect. Then the US government used its "Super 301" trade law – which authorizes Washington to retaliate against "unfair" traders – to break open the Korean economy. So effective was this offensive, all couched in neoliberal jargon, that Korean imports of US agricultural goods skyrocketed from \$1.8 billion in 1985 to \$5 billion by the end of 1991. In fact, Korea now consumes more American farm products than any other foreign nation.⁴⁴

With Korea's markets pried open, international investors and speculators began pouring in, targeting other East Asian coun-

tries such as Thailand, Indonesia, Malaysia and the Philippines as well. Between 1990 and 1995, foreign capital flows into these five Asian countries nearly quintupled, soaring from \$20 billion to \$95 billion (US). But, as happens in all unregulated markets, the influx of speculative capital overshot all real opportunities for profits. As soon as that became clear, foreign capital started to flee the region. Economic troubles in Thailand then triggered an avalanche of fleeing capital. The inflow of foreign capital to the five countries did a dramatic U-turn, declining by \$115 billion (resulting in a net outflow of \$20 billion) in 1997, precipitating a catastrophic meltdown. In just a matter of a few weeks, a million people in Thailand and a staggering 22 million in Indonesia were rudely shoved below the poverty line.

Once the pride of the region, neoliberalized South Korea now found itself reeling from the effects of its open markets. At the peak of the crisis, 10,000 workers received layoff notices every day – a job loss rate of 300,000 per month.⁴⁵ Rather than see here a social and human tragedy, global capital – and the IMF, the US government and American-based corporations in particular – perceived an opportunity for pillage. As a condition for loans to nurse Korea through its crisis, they demanded new laws opening the country's banks and corporations to foreign ownership. With those changes in place, US businesses moved in for the kill, buying up twice as many Korean businesses in the first five months of 1998 as they had in any previous year – and at rock bottom prices as a result of the crisis. As a case in point, General Motors bought up the auto manufacturer, Daewoo Motors – a deal the American firm signed only after Daewoo agreed to lay off one-third of its 22,000 employees.⁴⁶ Similar transformations were forced upon Indonesia and Thailand, resulting in what some analysts believe is the largest transformation of domestic assets to foreign owners in half a century. Economic instability and insecurity, layoffs and falling living standards, and bank and industry takeovers by foreign capital: such are the rewards for following the neoliberal road.

But if any country has been perversely punished for accepting the globalization model, it is Argentina. Unlike Korea, which was beaten into submission, at the beginning of the 1990s, Argentina's rulers embraced neoliberalism with the fervour of a religious convert, chopping trade barriers and privatizing 400 public corporations. Having found the religion of the free market, Argentina's government became Washington's staunchest ally in Latin America. No other country in the region agreed to send troops to participate in America's 1991 war against Iraq; and only Argentina among Latin American states voted consistently with the US in international bodies. So enthused by its pro-US policies was the government that Argentina's foreign minister described his country's ties to the US as "carnal relations."⁴⁷

On the economic front, the country pursued the whole gambit of neoliberal policies: privatization, opening of markets, vicious cuts to social spending. On top of that, the government agreed to dollarization – the policy of tying its currency (the peso) to the US dollar. As a result, every time the US dollar rose, so did Argentina's peso, even though this made its goods more expensive in world markets. As prices for its goods rose, Argentina's exports fell, and the country's trade deficit mounted. This compelled the government to turn to foreign borrowing to pay its way. With a cruel inevitability, the dollarization policy pushed by Washington, the IMF and the World Bank led to steadily mounting foreign debt, which hit \$141 billion (US) in 2001.

While the country was sliding deeper into debt, the people were reeling from the effects of privatization, social service cuts, and mass layoffs. The *Wall Street Journal* estimates that during these years four million people fell below the poverty line, some ten per cent of the population.⁴⁸ At the peak of the crisis, 18 per cent of Argentines were officially unemployed, one of the highest rates of any industrial country in the world (and the real number was certainly much higher). And the IMF and World Bank managed to make a difficult situation desperately worse.

As the crisis worsened, a "Technical Memorandum of Understanding" was signed between the government and the IMF in September 2000 under which Argentina was required to make a \$1.2 billion budget cut in 2001, at the very time it was obviously sinking into recession. In an astonishing section entitled "Improving the Conditions of the Poor," Argentina was directed to cut \$40 per month from the salaries paid under the government's emergency employment program – thereby driving hundreds of thousands more into poverty.

With the economy in obvious collapse, and industrial production plummeting by 25 per cent, the World Bank president boasted that the country had slashed \$3 billion in government spending and cut labour costs. Ignoring economic collapse, soaring poverty and mass layoffs, Bank President James Wolfensohn excitedly praised the country's new-found "labour market flexibility" (read lower wages).⁴⁹ Meanwhile, the official poverty rate soared to 44 per cent of the population, double its rate ten years earlier; at the peak of the crisis, more than half of all Argentines were impoverished.⁵⁰ As the downturn turned into an avalanche of poverty and despair, provoking riots that toppled successive governments, the Bank and the IMF refused to provide funds to address a debacle they had created. As in Korea, they did, however, encourage massive foreign takeover of the country's banks. For a decade of slavish devotion to American-style neoliberalism, the people of Argentina were rewarded with a financial collapse, bankrupt industries, soaring poverty and massive foreign debt. Neoliberalism had indeed produced what film maker Fernando E. Solanas called "social genocide" in his award-winning 2004 documentary on Argentina's collapse. These cases highlight one of the major consequences of the globalization model: full-fledged integration into global markets, alongside privatization and massive cuts to social spending make smaller economies incredibly vulnerable to financial and economic collapse – precisely the opposite of what globalization orthodoxy claims.

Fittingly, Argentina's economy began to recover only when its government openly rejected the policy prescriptions of the IMF.⁵¹ But this move by government was merely a pale reflection of a popular radicalization throughout the country, and throughout much of Latin America, which has involved, as we shall see in Chapter 6, a growing revolt against neoliberal globalization.

NAFTA Devastates the Mexican People

If any nation should be a globalization success story, of course, it is Mexico. Closer than any other poor nation to the world's largest market, and the only developing country included in NAFTA, Mexico ought to be ideally located to reap the benefits of globalization. Moreover, unlike Sub-Saharan Africa, Mexico has received massive amounts of foreign direct investment in recent years. As I noted above, Mexico is one of the five largest recipients of foreign investment in the developing world. Indeed, the country's free-trade exporting zones, known as the *maquiladoras*, have seen new factories built at a staggering rate. By the end of 2000, there were 3,700 *maquiladora* factories employing 1.35 million people – an increase of a million jobs since 1987.⁵² By globalization standards, then, Mexico is a boom town. Yet, for ordinary people, the results have been devastating. Since the implementation of NAFTA in 1994:

- The real minimum wage has fallen by 40 per cent;
- The gap between US and Mexican wages has grown by 30 per cent;⁵³
- In the automotive industry – a major actor in the *maquiladora* zones – Mexican workers now earn one-twelfth of the wage of an American auto worker – down from one-third in 1980;
- Hundreds of thousands of people have left the land, as NAFTA-induced declining prices for rice, corn and coffee make it impossible for small farmers to make a living on their land.

- Thirty-six million people with jobs now live below the poverty line – 62 per cent of the working population;
- Since 1995, says the Organization for Economic Cooperation and Development, real wages in Mexico have declined by 10 per cent (probably a considerable underestimation) while workers' productivity has soared by 45 per cent.⁵⁴

The last point is crucial. Soaring productivity and falling wages translate into massive profits. And that, as I've been emphasizing, is what NAFTA and similar agreements are all about. The very essence of the globalization agenda is a concerted campaign to raise the profits of multinational corporations by lowering wages, cutting taxes, loosening environmental regulations, and weakening labour rights. Not surprisingly, then, as one mainstream commentator notes, "Because of NAFTA's focus on cutting business costs, and because Mexico's workforce has grown so rapidly, Mexican workers have not benefited."⁵⁵

What this comment leaves out is an essential aspect of the corporate bonanza in Mexico under NAFTA: police and military repression. After all, Mexican workers, peasants and indigenous peoples have fought back against the globalization agenda. But they have consistently been greeted with brutality by the state.

In the *maquiladoras*, attempts by workers to organize independent unions have been crushed repeatedly. In June 2000, for instance, police brandishing pistols and rifles attacked peaceful strikers at the US-owned Duro factory, beating workers and arresting their leaders. While an international campaign won the release of the strike leaders, the company fired more than one hundred of the strikers and the government refused to certify their union. Far from an isolated example, the use of police and thugs to injure, arrest, and intimidate workers in the *maquiladoras* is widespread. Moreover, belying all the pious claims about human improvement, in ten years not a single worker has been returned to her or his job, and not one independent union has been granted legal rights or a contract through NAFTA.⁵⁶

And this, as the Zapatistas well know, gives us an important clue to one of the dirty secrets of the neoliberal agenda: that it rests on repression and violence. Indeed, without the use of police and troops, the globalization agenda could scarcely get off the ground. But before turning to this issue, let us first look at the cases of India and China.

India and China: Globalization Success Stories?

If a new mantra has been heard from the business press in recent years, it is that India and China prove the success of the globalization model. It is certainly true that each of these enormous nation-states, particularly China, has experienced growth rates higher than the norm. But before we pronounce these countries "success stories" for neoliberal globalization, we would be wise to look at the details – for it is there, as they say, that the devil lurks. Let's start with India.

Between 1980 and 2005, India's economy grew by about 3.8 per cent a year in per capita terms. And since 1990, the country's exports have grown by more than 10 per cent each year. But let's put this in perspective: as of 2005, India still accounted for just 0.7 per cent of world exports. In short, despite all the hype, it remains a very minor player in world markets.

Even if we grant, however, that India's growth is significant, the globalizers will have a hard time taking credit. After all, it was in 1991 that India's government undertook a rapid series of neoliberal reforms – privatization, reduction of trade barriers, greater opening to foreign investment, and so on. Yet, since that time, economic growth has not been as rapid as it was in the 1980s, prior to neoliberalization.

But it is when we turn to human welfare that the real picture comes into sharpest relief. For the growth of the export economy and the expansion of software engineering and call centers has done virtually nothing to improve employment and earnings. True, there is now a small middle class more capable of buying

cell phones. But this has little to do with the lives of the vast majority. After all, fully 92 per cent of Indians who work do so in the "unorganized sector" – as street vendors, migrant labourers, farmers or truck drivers – where they lack job security, stable incomes or basic benefits. As the *Wall Street Journal* notes, across India "the poverty rate is more than 20 per cent and many people are chronically underemployed." In fact, in spite of the flurry of business articles on the topic, employment in "outsourced" industries, like customer service agencies and software engineering, amounts to a mere statistical blip: one quarter of one per cent of all jobs in India.⁵⁷

And when we turn to rural India, where the vast majority live, the effects of the globalization era are especially disquieting. The effect of neoliberal reforms has been to open India to cheap (and heavily subsidized) agricultural imports from the Global North, while also pushing up costs for power and fertilizer, and making it more difficult for poor farmers to get credit in lean years. The result has been a crisis of falling incomes and soaring debt for millions of peasants. So desperate have farmers become that tens of thousands have committed suicide – up to 3000, for instance, in the state of Andhra Pradesh in a six year period. By and large, however, this story – of tens of thousands of suicides in response to neoliberal impoverishment – has failed to register in the mainstream press. One exception is a *New York Times* reporter who accurately observed, albeit with incredible understatement, that "the dead farmers are also the canaries in the mines for India's agricultural economy – indicators of dire straits."⁵⁸

It comes as little surprise, then, to learn that the globalization era has seen no improvement in poverty in India. One in every 11 Indian children dies in the first five years of life. And malnutrition affects fully half the children in the country.⁵⁹ But try finding those stories in the world's business press.

Let us now turn to the case of China. Here, the record of economic growth is indeed exceptional, much more so than in India. Since 1980, for instance, China has tripled its weight in the world

economy, now accounting for 14 per cent of world output, compared to five per cent twenty-five years ago. During that period, China's exports of manufactured goods rose 10 fold, generating worries in the United States and elsewhere about the emergence of a new economic powerhouse. Once again, however, growth figures taken on their own tend to obscure more troubling trends, especially with respect to poverty and social inequality.

In fact, as the World Bank has noted, in less than twenty years (from the early 1980s to 2000), inequality between rich and poor in China *doubled*. Incredibly, social inequality grew faster in China than in any other country in the world, making it one of the planet's more unequal societies and destroying whatever pretensions to "socialism" might still have existed.⁶⁰ As in India, poverty and hunger in the countryside have mounted precipitously. Even the World Trade Organization concedes that China's rural poor have suffered a "sharp six per cent drop" in living standards since China joined the WTO in 2001. For the poorest rural dwellers, the drop has been much more calamitous, with tens of millions falling into abject hunger and misery. Indeed, the World Bank estimates that over 200 million rural Chinese subsist on less than \$1 a day, while other analysts believe the number is at least twice as high. According to one comprehensive report done in 2006, nearly 700 million people in China, or just under half the population, live on less than \$2 a day – in short, they struggle to survive in conditions of "absolute poverty," to use the World Bank's expression.

At the same time, millions of urban dwellers – many of them recently displaced from the countryside – also struggle to survive. On top of this, some 36 million workers lost their jobs as a result of layoffs and plant closures by state-owned enterprises. Then, as millions flooded into the cities, struggles over urban space began. In Shanghai, for instance 1.5 million people were "relocated" between 1991 and 1997 in order to clear space for luxury apartments, skyscrapers and shopping malls. Amidst small pockets of extreme wealth, great concentrations of poverty have grown.

Some of the worst effects of poverty can be found in the health-care field. As China has climbed on the globalization bandwagon, medical care has been increasingly privatized. Today, fully 60 per cent of all healthcare spending in the country comes directly from people's pockets. Worse, more than three-quarters of those living in the countryside have no health insurance whatsoever; the same is true for nearly half of all urban dwellers. Studies suggest that at least half of these people cannot afford to seek medical attention when they are ill. Despite robust economic growth, like India, China's record on child mortality has worsened as its economy has increasingly adhered to the globalization model.⁶¹

Meanwhile, workers in the country's sweat shops generally work 60-70 hour weeks. Two-thirds have no medical insurance, and more than 90 per cent have no pensions. They also work in some of the world's most hazardous and unhealthy environments.⁶²

What has happened in China in recent decades, therefore, is an accelerated process of *class differentiation*. Small numbers of Chinese have indeed become substantially wealthier – the country contributed eight new billionaires to the world list in 2006, for instance – while huge numbers have become poorer. As elsewhere in the world, neoliberal globalization has enriched a few while impoverishing the many. Hou Wenzhou, who heads a human rights organization called the Empowerment and Rights Institute, rightly observes that "Chinese society has evolved into something like Karl Marx's society, where some of the powerful and wealthy class are depriving the poor of the opportunity for justice or equality." And he further notes that this has led to intensified conflict between rich and poor.

The Chinese government acknowledges as much. Its own statistics show that the number of social protests, or "mass incidents," as it calls them, has soared from 8,700 in 1993 to 74,000 in 2004. Equally significant is the growth in the size of such protests. During the 1990s, typical "incidents" involved 10 or fewer protesters; by 2003, the average protest consisted of more than 50

people – and a growing number saw the mobilization of hundreds of thousands of participants. At the same time, the number of strikes and labour protests has also soared. Conflicts over seizures of land have become especially volatile. In 2004, for instance, up to 100,000 poor farmers fought thousands of police in a battle over the seizure of farmland to build a hydro plant. A particularly brutal struggle erupted in late 2005, when hundreds of villagers in the fishing town of Dongzhou confronted riot police bearing automatic rifles. At least 20 villagers appear to have been killed, and many more wounded, when police opened fire.⁶³ Here, Chinese authorities join hands with globalizers around the world for whom violence and repression are central instruments in the neoliberal arsenal.

Policing the City, Locking Up the Poor: State Violence and Neoliberalism

Given the way the globalizers spout off interminably about freedom, it is all the more important that we insist on this point. After all, the neoliberals are law and order fanatics. No voices are more vociferous than theirs when calls are heard to crack down on youth, create boot camps, clear parks of homeless people, lock up drug users, detain refugees, use the death penalty, criminalize political dissent, or justify torture and abuse of prisoners in America's "war on terror". Behind their fluffy rhetoric about free trade and free markets lurks a hostility toward freedom for ordinary people – and a love affair with police and prisons. Their heroes are not sweatshop workers standing up for their rights, indigenous peoples reclaiming their lands, or homeless people who resist a police beating. Such people give them nightmares. Instead, they adore jackbooting police with automatic weapons, and they rush to defend police who shoot unarmed protesters and beat the daylight out of youth of colour. Brutality, egregious violations of civil rights and freedoms, even murder are acceptable to them in the battle to utterly defend the "freedom" of propertied interests.

Anyone who has participated in global justice protests in cities like Seattle, Washington, Bangkok, Buenos Aires, Melbourne, Seoul, Frague, Québec City, or Genoa knows the truth of this. Under assault from riot cops bombarding them with tear gas, pepper spray, rubber bullets, water cannons and more, many sensed that it was only a matter of time before police murdered a protester at world trade meetings. That moment came on July 20, 2001 when twenty-three-year-old Carlo Giuliani was killed by police in Genoa, Italy. But, much as we need to remember Carlo and name his murderers, we must not treat his death as an isolated event. That would be an injustice to so many others killed in one country after another, from Vietnam to Colombia, to protect the property of the wealthy. I discuss many examples of this in the next two chapters. For the moment, however, I want to focus on the globalizers' infatuation with state repression.

Among the finest studies of the neoliberal cult of police and prisons is Christian Parenti's book, *Lockdown America*. Parenti documents how the current trend to paramilitary policing in the US began as a response to the social upheavals of the 1960s and early 1970s – the anti-Vietnam War movement, the Black Panthers, the early women's movement, militant workers' strikes, and so on. But it was during the Reagan-Bush-Clinton era that began in 1980 – the very time the globalization agenda emerged – that police and prisons became the preferred way of dealing with the inevitable fallout from massive cuts to social programs. As poverty and homelessness soared, billions were spent to contain "crime" by building prisons and giving police military weaponry.

Over the last twenty years, several key components of America's law-and-order crusade were carefully constructed: the creation of a public frenzy about drugs; social cleansing policies to get the poor off the streets in order to gentrify chunks of inner cities; a crackdown on immigrants and refugees, particularly on the Mexican border; and a racist law-and-order regime in the inner cities designed to intimidate those sections of the population who, with virtually nothing to lose, might be the most likely to rebel.

Not surprisingly, from New York to Cincinnati to Los Angeles, police violence – the shooting of a Black or Latino youth in particular – has often been the detonator for community uprisings.

There are several essential components to what is sometimes called “the prison-industrial complex.”⁶⁴ First, a wave of US laws – with names like Violent Crime Control and Law Enforcement Act, 1994, or Anti-Terrorism and Effective Death Penalty Act, 1996 – gave police sweeping new powers (often in the name of the “war on drugs”) and reduced the rights of the accused. Similar laws can be found in countries like Britain, Canada and Australia. Second, police have been increasingly militarized, receiving automatic weapons like M-16s, helicopters, grenade launchers, and armoured personnel carriers. Thirdly, America in the 1980s and ‘90s witnessed a massive wave of prison construction to the tune of \$7 billion per year at its peak. The combined results of all this are shocking:

- Every week during the 1990s the prison population in the US grew by 1,000 bodies.
- In the year 2000, the number of people in American prisons and jails passed two million – up from 500,000 in 1980.⁶⁵
- Two-thirds of the people imprisoned in the US are Black or Latino; the number of Black women in prison for drug offenses has soared.
- One in every three Black men in America is in prison or under some form of criminal surveillance (such as parole or probation).
- Of the 675 people sentenced to death in the US between 1995 and 2000, Blacks constituted fully half of that number and Latinos 20 per cent.⁶⁶
- Of those in prison, only three in ten are there for alleged violent crime. The rest are there for drug offenses, property offenses (usually theft), or public disorder.⁶⁷
- In 1998, 682 residents of the US per 100,000 people were in prison – eight times higher than the comparable figure for

France (where resistance to neoliberalism has been particularly strong).⁶⁸

All of this has been happening at a time when crime rates are falling – although the public has been indoctrinated by media and government to believe otherwise.⁶⁹ In fact, what we have been witnessing is not an escalation of crime on the streets, but the systematic militarization of policing. As one commentator has noted, the new model for crime control “represents not the police but the military.” As a result, crime is being “dealt with as if it were an insurgency.”⁷⁰ And, as we have seen, the reason is not escalating crime. Instead, it is a key component of the neoliberal agenda: the enforcement of new regimes of discipline and social control on the working class and the poor. The poorest neighbourhoods and communities are treated as enemy territory that must be conquered and subdued, and the poor themselves as threats to law and order who must be intimidated and brutalized. Inevitably, then, while the impoverished – especially poor people of colour – are being effectively criminalized, those responsible for controlling and harassing them become more racist, brutal and bigoted. Consider just two recent US examples:

Washington – An internal affairs probe uncovered more than one million racist, sexist and homophobic messages sent between officers through onboard laptop computers in police cars.⁷¹

Los Angeles – A massive investigation of the Los Angeles Police Department uncovered shocking brutality, especially within the LAPD’s Community Resources Against Street Hoodlums (CRASH) program. Evidence showed that LA police routinely took Black and Latino men to their headquarters where they would “tie their hands behind their backs and beat them bloody, break their limbs, choke them to the verge of unconsciousness or batter their heads into concrete walls.” CRASH officers were awarded with plaques from their commanders every time they shot someone. As one reporter noted, “Routine activities

included beating or coercing confessions out of suspects, intimidating witnesses into false testimony or silence, planting guns or drugs on people, shooting people without cause, tampering with death scenes and planting guns on people to justify improper shootings, paying informants with drugs, lying in court and selling seized drugs.⁷²

Lest anyone think cases like these are unique to the American criminal justice system, let us take a look at the case with which I am most familiar, policing in Canada. The following examples illustrate the trends.

Racist imprisonment of native peoples – In a scathing 1999 ruling, the Supreme Court of Canada blasted the use of incarceration as a weapon to dominate native people. The Court pointed out that a native male is twenty-five times more likely to be admitted to a provincial jail than a non-native, while a native woman is 131 times more likely to be behind bars than her non-native counterpart.⁷³

Discrimination against Blacks in Ontario – The 432-page report of the Commission on Systemic Racism in the Ontario Criminal Justice System (1996) described the heightening trend to imprison black people as “shocking.” The Commission judged that systemic discrimination toward blacks existed at every level of the criminal justice system in the province, particularly incarceration.⁷⁴

Criminal, trigger-happy police in Toronto – As part of an investigation into allegations of widespread police corruption in Toronto, a lawyer has alleged that the city’s downtown drug officers are “members of a criminal organization, whose members habitually cheat, lie and steal.” Another report showed recently that, when judged in terms of the city’s murder rates, police in Toronto are much more likely to fire their guns than police in either Washington or Los Angeles.⁷⁵

Montreal cops return to work after conviction for killing cab driver – A twelve-person jury ruled that police killed taxi driver Richard Barnabé after assaulting him in detention in 1993. Barnabé suf-

fered a fractured skull, broken nose and teeth, and such severe blows that one of his teeth was lodged in his throat. Despite the jury’s verdict, a judge ruled that his killers could return to police duty.⁷⁶

Refugees and immigrants have been especially mistreated by the repressive law and order agenda. Among the many sad ironies of globalization is that, while they argue for the free movement of capital, neoliberals overwhelmingly endorse clampdowns on the movement of people. And throughout the North, governments have moved to block, detain, imprison and deport more people crossing borders in search of a better life. Still, people desperately fleeing violence, civil war, repression and poverty continue to make their way to countries in the North. There they find themselves considered to be – and incarcerated. Let us look at just two of the more egregious examples: Britain and Australia.

The British government has been the most hardcore of European supporters of America’s “war on terror,” which I discuss in a later chapter. And this has involved a “national security” agenda that discriminates against people from the South. In fact, the British government has amended its Human Rights Act to make it easier to deport people without giving them adequate legal representation, and to return people to countries where they might face torture. Of course, governments across the whole of Europe, like their counterparts in Canada, the US and Australia, have been cracking down on the movement of poor people from the Global South (rich people, of course, typically have no problem crossing borders). More and more, refugees who arrive in the North find themselves thrown into huge prisons where they are denied access to lawyers and frequently subjected to racist and dehumanizing treatment. Britain’s Yarl’s Wood detention center, designed to hold 900 “asylum seekers,” illustrates these trends. As religious leaders in Britain have testified, detainees at Yarl’s Wood are often deprived of mattresses and covers and fed as if they were animals. Their religion and ethnicity is often mocked by guards. One such incident, in which guards prevented a woman named

Eunice Igbegwe from going to the prayer room, was one of the sparks for a riot in which parts of Yarl's Wood were burned down by irate detainees. As journalists covering the subsequent trial noted, almost everyone charged after the riot had been a victim of cruel and mean-spirited repression by immigration officials and the criminal justice system, and a number had attempted suicide in despair at their imprisonment.⁷⁷

But few countries are more notorious for their brutal treatment of asylum seekers than Australia. That country has seen an upsurge of anti-immigrant bigotry in recent years. Perhaps no institution more symbolizes this bigotry than the Woomera detention camp, one of six such camps in the country, which has held as many as 1,500 refugees in intolerable conditions in the Australian outback. As one journalist describes it:

The detention camp lies low on the desert, in rows of narrow barracks surrounded by three rows of fences topped by barbed wire, and razor wire lining the ground between. In summer, the temperature rises to well over 40 degrees.

... Some of the detainees have climbed to the roofs of the barracks and jumped on the razor wire, lacerating their bodies in an attempt to escape.

Hundreds have cut their arms with wires or hanged themselves.⁷⁸

It is important to emphasize that these people are not accused of any act of violence. They have not robbed, assaulted or threatened anyone. In fact, about a third of them are children. Their "crime" is to have fled desperate conditions in search of a better life. Yet, the globalizers, who genuflect before "free trade," and an "open world", are only too happy to have these poor people from the South locked up, humiliated, criminalized, and deported back to frequently unsafe conditions. Somehow, they expect us to take seriously the claim that they stand for freedom and human well-being.

It's Not About Freedom Either

These examples could be multiplied many times over. Moreover, as I show in the next chapter, the picture is much worse when we consider the use of military forces, US-backed death squads, and paramilitaries to suppress dissent, crush indigenous peoples, smash unions, and protect the power of the rich in some of the world's poorest countries.

What all of this should make clear, however, is that just as globalization is not about trade, so it also has nothing to do with human freedom. Instead, it is about a regime of discipline and repression designed to more successfully control and exploit working class people. Like their predecessors more than 350 years ago, the globalizers have "an eye to property." That is what their trade deals are about. And it is why they meet at economic forums, why they invest in various parts of the world, and why they support the use of massive amounts of social wealth to police and lock up the poor.

Their order is a system of power, privilege, oppression and inequality. And they have backed it up with an infrastructure of police, courts, jails and prisons whose fundamental purpose is to intimidate and control the poor. Their order is a system of class domination, where police and prisons are instruments of class rule – of the organized power of the owning class.

About eighty years ago, the great American socialist Eugene Debs brilliantly captured how all this works. For leading mass strikes and carrying on radical agitation, Debs spent four years of his life behind bars. But prison did not stop his political work: as Prisoner No. 9653 he received nearly one million votes in 1920 as the Socialist candidate for the US presidency. In a book published after he died, Debs laid out his view on capitalism and prisons:

Crime in all its varied forms and manifestations is of such a common nature under the capitalist system that capitalism and crime have become almost synonymous terms ...

The few who own and control the means of existence are literally the masters of mankind. The great mass of dispossessed people are their slaves...

To buttress and safeguard this exploiting system, private property of the capitalist has been made a fetish, a sacred thing, and thousands of laws have been enacted and more thousands supplemented by court decisions to punish so-called crimes against the holy institution of private property.

A vast majority of the crimes that are punished under the law and for which men are sent to prison, are committed directly or indirectly against property. Under the capitalist system there is far more concern about property and infinitely greater care in its conservation than in human life.⁷⁹

As an example, Debs proceeded to describe situations where governments refuse to prosecute capitalists responsible for factory fires that kill workers. And this is no antiquated crime of the past. In the spring of 2001, fifty-two Bangladeshi women died in just this way in the country's thirtieth factory fire since 1995, a majority of which have taken human lives.⁸⁰ That so little has changed over seventy-five years when it comes to the priority of property over human life should tell us we are dealing not with accidental features of our society, but with deep-rooted social and economic structures and practices.

Debs clearly understood that it is these arrangements that are criminal – arrangements that protect the system by which the powerful grow rich through the exploitation of the majority: "Private appropriation of the earth's surface, the natural resources, and the means of life is nothing less than a crime against humanity."⁸¹

That criminal system has a name: capitalism.

Notes

- 1 Karl Marx and Frederick Engels, "Manifesto of the Communist Party" in Marx, *The Revolutions of 1848*, ed. David Fernbach (Harmondsworth: Penguin Books, 1973), pp. 68, 71.
- 2 Much of this evidence is nicely and convincingly summarized by Paul Hirst and Grahame Thompson, *Globalization in Question* (Cambridge, UK: Polity Press, 1996), pp. 26-31. An important contribution to this discussion is Robert Zevin, "Are World Financial Markets More Open? If So, Why and With What Effect?" in *Financial Openness and National Autonomy: Opportunities and Constraints*, eds. Tariq Banuri and Juliet B. Schor (Oxford: Clarendon Press, 1992), pp. 43-83.
- 3 Data derived from A. Maddison, "Growth and Slowdown in Advanced Capitalist Economies," *Journal of Economic Literature*, v. 25, n. 2, June 1987, pp. 649-98.
- 4 John Weeks, "Globalize, Globa-lize, Global Lies: Myths of the World Economy in the 1990s" in *Phases of Capitalist Development: Booms, Crises and Globalizations*, eds. Robert Albritton, Makoto Itoh, Richard Westra and Alan Zuege (New York: Palgrave, 2001), pp. 268-9.
- 5 References for the claims in this paragraph are available in my article "Globalization, Trade Pacts and Migrant Workers: Rethinking the Politics of Working Class Resistance" in *Restructuring and Resistance: Canadian Public Policy in an Age of Global Capitalism*, eds. Mike Burke, Colin Mooers and John Shields (Halifax: Fernwood Publishing, 2000), p. 266.
- 6 The exact measurement of intra-firm trade, as it is called, is difficult. While Steven Shrybman puts it at 40 per cent of world trade in his book *WTO: A Citizen's Guide* (Toronto: Canadian Centre for Policy Alternatives/Lorimer, 2001), p. 3, Canada's former ambassador to the Organization for Economic Cooperation and Development, Kimon Valaskakis, estimates it at 60 per cent in his article "It's about world governance," *Globe and Mail*, April 19, 2001. The *Wall Street Journal* (July 5, 1991) claimed that more than half of all trade involving US companies consisted of intra-firm transfers. More recently, some American economists have put the figure at 42 per cent. See Timothy Appel, "Global firms give trade a new twist," *Wall Street Journal*, May 31, 2005. Taking all such estimations into account, it seems reasonable to suggest that close to half of all world trade falls into this category.
- 7 The World Bank as quoted by Alan Freeman, "Has the Empire Struck Back?" in *Phases of Capitalist Development*, p. 212.
- 8 Guy de Jonquiere, "EU leads surge in anti-dumping claims," *Financial Times*, April 17, 2000.
- 9 Adrian Croft "WTO rules against U.S.," *Globe and Mail*, July 24, 2001; Scott Miller, "U.S. files surprise complaint against EU," *Wall Street Journal*, September 22, 2004.

- 10 William Thorsell, "Energy, trade, crime and the Web," *Globe and Mail*, April 16, 2001.
- 11 Shawn McCarthy, "Global cartels a growing threat, watchdog says," *Globe and Mail*, July 9, 2001.
- 12 Some economists insist on the need to distinguish monopolies, single firms that control the whole market in a specific good, from oligopolies, enormous firms that share market control with a handful of others. For purposes of this discussion, I use the term monopolies in a looser sense to indicate giant firms that, with a handful of others, dominate markets.
- 13 Institute for Policy Studies, *Top 200: The Rise of Corporate Global Power* (Washington: IPS, 2000).
- 14 Gretchen Morgenson, "A Company Worth More than Spain?" *New York Times*, December 26, 1999.
- 15 Data on pharmaceutical and pesticides is drawn from Pat Roy Mooney, "The ETC Century: Erosion, Technological Transformation and Corporate Concentration in the 21st Century," *Development Dialogue*, 1999:1-2, p. 74.
- 16 James Petras and Henry Veltmeyer, *Globalization Unmasked: Imperialism in the 21st Century* (Halifax: Fernwood Publishing, 2001), pp. 84-5.
- 17 See Natividad Yabut-Bernardino, "An Impact Study of Agricultural Trade Liberalization in the Philippines" (Manila: International South Group Network, 2000), pp. 9-10, available at www.isgnweb.org; Michel Chossudovsky, *The Globalisation of Poverty: Impacts of IMF and World Bank Reforms* (London: Zed Press, 1998), p. 141; Walden Belló, *Dilemmas of Domination: The Unmaking of the American Empire* (New York: Metropolitan Books, 2005), p. 153.
- 18 As quoted by Naomi Klein, *No Logo: Taking Aim at the Brand Bullies* (Toronto: Vintage Canada, 2000), p. 164.
- 19 Brian Mulroney, "What's in free trade for Canada?" *Globe and Mail*, April 17, 2001.
- 20 Within the political economy literature there are differences between those who prefer the term "transnational corporation" and those who choose "multinational corporation" to describe firms with global operations. Both sides to this debate have scored some points. I have chosen to stick with the term multinational corporation, whatever its shortcomings, because I worry that "transnational corporation" suggests that these firms have direct operations in virtually all parts of the globe (when in fact they ignore most of the world) and that they have transcended links with specific nation-states, a highly misleading notion in my view. By and large, these companies are nationally based but operate in a number of strategically selected parts of the world economy (i.e., they are multi-national enterprises). For some useful evidence in this regard see Hirst and Thompson, *Globalization in Question*, and Paul N. Doremus, William W. Keller, Louis W. Pauly and

- Simon Reich, *The Myth of the Global Corporation* (Princeton: Princeton University Press, 1998).
- 21 United Nations Conference on Trade and Development, *World Investment Report 1999* (New York and Geneva: United Nations, 1999), p. 14. Other data in this paragraph drawn from pages 9 and 12 of this report and updated on the basis of UN information presented by Peter Cook, "Who's winning the war over globalization?" *Globe and Mail*, October 9, 2000.
- 22 Peter Dicken, *Global Shift: The Internationalization of Economic Activity*, 2nd edn. (London: Paul Chapman Publishing, 1992), p. 47. Dicken prefers the term transnational corporation which, for reasons outlined in footnote 20 above, I choose not to use.
- 23 "Global 500: Special Report," *Financial Times*, May 27, 2004.
- 24 World Investment Report 1999, pp. 18-19, 11.
- 25 United Nations, *World Investment Report 2000* (New York and Geneva: United Nations, 2000).
- 26 A basic account of this case is provided by Anthony DePalma, "Nafta's Powerful Little Secret," *New York Times*, March 11, 2001.
- 27 DePalma, "Nafta's Powerful Little Secret."
- 28 Some radical groups known as True Levellers and Diggers also contemplated extending the vote to women. On the Levellers see H. N. Brailsford, *The Levellers and the English Revolution*, ed. Christopher Hill (Nottingham: Spokesman Books, 1976); G. E. Alymer, ed., *The Levellers in the English Revolution* (Ithaca: Cornell University Press, 1975); A. L. Morton, ed., *Freedom in Arms: A Selection of Leveller Writings* (New York: International Publishers, 1975).
- 29 A. S. P. Woodhouse, ed., *Puritanism and Liberty: Being the Army Debates (1647-49) from the Clarke Manuscripts*, 3rd edn. (London: J. M. Dent and Sons, 1986), pp. 53, 54, 58, 57.
- 30 As quoted by Barlow and Clarke, *Global Showdown*, p. 74.
- 31 Thomas Friedman, "Manifesto for a Fast World," *New York Times Magazine*, March 28, 1999; "The myths about globalization (1)," *Globe and Mail*, April 12, 2001; "The myths about globalization (2)," *Globe and Mail*, April 13, 2001; "The myths about globalization (7)," *Globe and Mail*, April 19, 2001.
- 32 Mark Weisbrot, Dean Baker, Egor Kraev and Judy Chen, *The Scorecard on Globalization 1980-2000: Twenty Years of Diminished Progress* (Washington: Center for Economic and Policy Research), pp. 7-8, 16.
- 33 Richard Gwynn, "Global economy isn't global," *Toronto Star*, April 18, 2001; Constant Brand, "Poorest countries demand more help," *Globe and Mail*, May 15, 2001.
- 34 United Nations, *Human Development Report 2005*, pp. 24-25.
- 35 Robert Wade, "Global Inequality: Winners and Losers," *Economist*, April 28, 2001, p. 74; William Easterly, "The Lost Decades: Developing Countries' Stagnation in Spite of Policy Reform 1980-1998," World Bank, Febru-

- ary 2001; Branko Milanovic, "The Two Faces of Globalization: Against Globalization as We Know It", World Bank Research Department, May 2002.
- 36 The Gini coefficient is expressed as a number between 0 and 1. A ranking of 0 means everyone has the same income, and a ranking of 1 means one person has all the income and everyone else has none. It is only one of a number of measures of inequality. Whatever its shortcomings, it does capture the basic trend towards an increase in inequality between nations. For more on its use in this regard see Branko Milanovic, *Worlds Apart: Measuring International and Global Inequality* (Princeton: Princeton University Press, 2005).
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3. THE INVISIBLE HAND IS A CLOSED FIST: INEQUALITY, ALIENATION, AND THE CAPITAL- IST MARKET ECONOMY

"If you think the IMF is scary, wait until you hear about capitalism."

— Placard carried by an anti-IMF protester in Washington

Many in the anti-globalization movement, particularly in North America, have displayed a definite shyness about using the term "capitalism," though this has started to change, especially in Latin America. Perhaps fearing they will be seen as crazy radicals, or identified with the legacy of authoritarian Communist Party regimes, many global justice advocates in the North have tended to finger ideological beliefs such as "neo-liberalism" or "free-market economics" when assigning responsibility for the growing gaps between rich and poor, the destruction of the natural environment, and other ills of globalization.

Yet, this avoidance of the term "capitalism" comes with a cost: it encourages critics and activists to see the problem not as the system that organizes our lives, but merely as a set of policies pursued by those currently at the top. The effect is to de-radicalize the movement by proposing to change merely the ideology that drives government policy, not the system as a whole. Consistent with this, critics reluctant to name capitalism as the problem fre-