

SECOND EDITION/UPDATED AND EXPANDED



Alternatives to Economic Globalization

A BETTER WORLD IS POSSIBLE

John Cavanagh and Jerry Mander, editors

A REPORT OF THE INTERNATIONAL
FORUM ON GLOBALIZATION

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An Excerpt From

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A Better World is Possible***

by John Cavanagh & Jerry Mander, editors
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Preface to the Second Edition

Since mid-2002 when the original manuscript of the first edition of this book was completed, the world has gone through dramatic changes. The military responses to the terrorist attacks of 9-11 have polarized world opinion and the body politic, driving great wedges into what had formerly seemed to be firm alliances and bringing entirely new and unexpected power shifts among nations. This is reflected not only in military terms but in others as well, including economic alliances and power centers, creating a new context for discussions about globalization. In a world that is increasingly alarmed by U.S. unilateralism, we have seen counterbalancing efforts from new European alignments, new South American alignments, and new alliances of the world's poorest nations—all of these in reaction to the apparent reach by the United States toward furthering its vision of some kind of “democratic” military and economic empire under its own domination.

Another new important counterbalancing force is global civil society, as reflected in the massive street protests over both war and globalization. In early 2003, the *New York Times* termed global public opinion “a second superpower.”

The ever more visible failure of the economic experiment we variously call *economic globalization*, *neoliberalism*, or *corporate globalization* to live up to any of its own announced goals—and despite rhetoric to the contrary, to be transparently and obviously indifferent to such goals, especially those benefiting the poor countries—has led the poorest nations on earth into a kind of rebellion against the richest nations. This burst forth in late 2003 at the

WTO meeting in Cancun and at the Miami meeting of the proposed Free Trade Area of the Americas. It is likely that the international public resistance to American unilateralism and militarism in Iraq emboldened the many previously coerced nations to rise against the phony deals and self-serving offers from the great powers, offers that they had clearly learned from previous WTO rounds were not designed to benefit them. But the net result is that two movements—peace and global justice—seem now to be flirting with merger; when one sees colonial behavior in both military *and* economic activity, the distinctions start to blur.

In any case it became clear to the authors of this volume that it was necessary to include a new context for the discussion of globalization, and we have done so in our new introduction, “Turning Point,” which follows right after this preface. This introduction contains our reflections on the impacts of the Cancun and Miami debacles, as well as recent U.S. military adventures. (In addition to the text, there is a new box by Antonia Juhasz of the IFG staff concerning the way the military occupation in Iraq has been directly used to further a draconian free market ideology and to pry open pathways for global corporations.)

We are writing this in May 2004. As far as we know, *Alternatives to Economic Globalization: A Better World Is Possible* remains the only comprehensive attempt to answer the question most asked after Seattle: “If you are not for globalization, then what are you for?” Other documents address pieces of an alternative to economic globalization, but there has been no overall synthesis besides this one. This was and remains a central motivation for this book: to create a comprehensive menu of ideas and actions toward alternatives to economic globalization that are rapidly emerging at the local, national, and global levels.

We have made significant revisions throughout this second edition, adding several new chapters, considerable new material in prior chapters, and updates throughout.

Following the introduction, we have arranged the book into three sections. Part 1, “A System in Crisis,” provides a critical look at the ideas and instruments of globalization. Chapter 1, “Conflicting Worldviews” speaks of just that: the enormous gap between the way globalists see the world and the way civil society tends to; that gap is at the root of many problems.

Chapter 2 describes the central theories of the globalization experiment and reports on the latest failures of these theories to realize their stated goals. (Readers of the first edition will find two new boxes, one on the relationship of globalization to climate change, by Edward Goldsmith of *The Ecologist*, and the other on a hot issue in the 2004 U.S. presidential campaign: outsourcing and job loss. This was written by Sarah Anderson and John Cavanagh of the Institute for Policy Studies.)

The third chapter examines the bureaucracies that emerged from the Bretton Woods meetings of 1944, when the current experiment in global design was conceived. We look closely at the performance of the World Bank, the International Monetary Fund, and the World Trade Organization, with passing references to other major trade agreements and their unfortunate consequences. There are also updated boxes: “Global Economic Apartheid,” by Robin Broad and John Cavanagh, and “Argentina and the IMF and the World Bank,” by Sarah Anderson.

Part 2 of the book, “Alternatives in Action,” starts with chapter 4, which discusses the ten central principles that a new global economic system should further, a new hierarchy of values that is the opposite of the present one that places corporations and their profits at the top. Some of the principles have been expanded from the first edition.

Chapter 5 raises a new and controversial argument, that elements of the commons—both local and global—should be firmly excluded from the global trading system. Some of these elements, like freshwater, the oceans, the air and sky, and biodiversity, are things that human beings have always expected to share as the natural right of all people but are now seeing privatized by various means, with devastating outcomes. We also raise the issue of what we call “the modern commons” of government services that we have come to depend on in the modern world.

Chapter 6 looks more deeply at one of the more controversial stances we have collectively taken. We have concluded that a centralized global economic model not only does not work but *cannot* work. Its most intractable problem is that it has moved power, authority, and activity out of the hands of the people who are most directly affected in local communities. *Subsidiarity* is the word now being used to describe a reversal of power, away from the global toward the local. Whatever economic decisions can be made

at the local level should be, and all systems should be designed consciously to favor decentralized local empowerment.

In chapters 7 and 8, we turn to discussions of what needs to be done to reform the most essential global operating systems: energy, transportation, manufacturing, and agriculture. These systems are where “the rubber hits the road,” as it were, in terms of the effects of globalized systems on local options on an everyday basis. We focus on means of furthering *disconnection* from the global systems. (In the agriculture section we add two new boxes. The first, by Debi Barker, focuses on WTO biases against small farmers. The second, by Edward Goldsmith, describes how changes in agriculture away from industrialized systems can reduce climate change.)

We also discuss prevailing measuring systems (like the gross domestic product) by which societies now determine the success or failure of their operations. The current systems are a major problem because they emphasize corporate growth and resource depletion as positive indicators; we describe a significant list of alternative measurements that include sustainability and other values.

In chapter 8, we have added two entirely new sections. The first is on media, which is both an operating system and a system that influences all the other systems. The second, “Peoples’ Alternative Initiatives,” celebrates and describes more than two dozen organizations worldwide—only a sample of hundreds that could have been included—that have seized the day to redefine and control their own economic destinies.

Part 3 of this second edition, “Global Governance,” looks at that issue and what to do about it. The problems at this time are rooted in global corporations and global bureaucracies, so we offer lengthy chapters on each. The central purpose of chapter 9 is to review ideas for reversing the powers of unelected global corporations that serve as the central driving force of society today, though they operate on values that are diametrically opposed to our own ten principles. We offer an extensive series of proposals to effectively diminish corporate power and change corporate structure.

Chapter 10 looks squarely at what to do about the Bretton Woods trio—the World Bank, the IMF, and the WTO. We argue strongly for *replacing* all of them with new international institutions, mostly under the auspices of a highly reformed and decorporatized United Nations system. These new institutions would operate in the many areas in which international agree-

ments are still required: labor rights, human rights, environmental protection, laws of the sea, dispute settlement, information exchanges, technology, culture, and so on. The question is this: How do we design agencies that answer those needs, without attempting to extend power over local institutions and processes, and that operate in a framework of mutual, democratic accountability? We have many suggestions for your perusal.

Finally, the new chapter II discusses how you can personally get involved, offering a series of doable, practical ideas, mostly at the local community level, but some national and international possibilities as well. This menu of what you can do is posted at the IFG Web site (www.ifg.org) and we encourage you to download and distribute the chapter as a pamphlet. We also encourage you to e-mail the IFG other ideas you may have on what individuals can do. Finally, the book concludes with a new resources section—good organizations that need your support and participation.

A Living Document

The process of creating this book began in January 1999, nearly a year *before* Seattle. Meetings were held among some thirty IFG board members and key associate members, twenty-one of whom have been writing papers and holding regular meetings to develop this consensus report. It was frankly an extraordinary undertaking to reach consensus among so many strong-willed individuals, and it was only possible because of the many years of collaboration and friendship among the authors as part of the International Forum on Globalization over the last decade.

Typical of any consensus document, not every contributor agrees totally with every other one, or with every idea contained in these pages. But all are in agreement on the overall direction of the arguments and with the overwhelming majority of points. It has been an inspiring process for each of us.

The first edition of this book, now in print in seven languages, was shared with thousands of citizen and policy groups throughout the world, and we are now involved in a global process of regional meetings to get direct feedback from these groups as well as public officials and to learn about the many new local initiatives that are already under way. The first meeting-symposium was held in Santiago, Chile, in April 2004 and another

is set for Europe later in 2004, with others to follow in Asia, Africa, and North America.

The goal of these regional meetings is to promote dialogue, criticism, feedback, and further development of the concepts in this book, all for the purpose of their application and actualization. At a future moment we will offer yet a third edition, which will encompass what we learn from the regional meetings, and we will continue to project these ideas as aggressively as we can. The authors of this volume strongly believe that the ultimate success of citizen movements depends on their becoming more proactive in creating the world that can be. We view this report, therefore, as one that will constantly evolve: a living document.

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Finally, we offer our acknowledgment and deepest thanks to IFG board member and cofounder Martin Khor and the Third World Network. No individual or organization has contributed more to our collective thinking and analysis before and throughout this process. Many of us think of Martin as our Paul Revere for his ability to warn us well in advance of crucial new developments in the World Trade Organization and other trade bodies, and to steer us toward viable alternative strategies. We are indebted to him.

And thanks also to Steve Piersanti and his tremendous team at Berrett-

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May 1, 2004



A Note on Sources

Readers will note that we have not used footnotes in this book. Key sources are indicated in the flow of the text, and all sources can be found in the sources section on page 369. All URLs cited in this book were confirmed on March 23, 2004.

Introduction

Turning Point

THREE LANDMARK EVENTS in 2003 punctuated the end of “the Golden Era” of corporate-driven economic globalization, the domination of the so-called Washington Consensus, and the ability of the United States to unilaterally dictate the course of global economic and political affairs.

One key event took place alongside the sunny beaches of the Mexican resort city of Cancun. Thousands of delegates representing governments and nongovernmental organizations (NGOs) from all over the world, plus tens of thousands of protesters, joined trade ministers from all member countries of the World Trade Organization to see if global trade talks, shattered in Seattle in 1999, could be successfully revived. On September 14, 2003, they got their answer: the talks collapsed.

Three months later in Miami there was a second stunning failure for the advocates of the prevailing economic design: the breakdown of negotiations for a new Free Trade Area of the Americas (FTAA).

In both cases, the crucial factor was an unprecedented new alignment among dozens of the world’s poorest countries paying heed to their outraged citizenries. In Cancun, for example, a powerful collection of nations called the Group of 21, led by Brazil, China, India, South Africa, Egypt, and sixteen others—representing over half of the world’s population, and supported in the streets by tens of thousands of demonstrators at home and thousands in Cancun—refused to acquiesce to the self-interested positions and proposals of the world’s richest and most powerful nations. Then, in

Miami, a new generation of national leaders from South American countries, including Brazil, Argentina, Venezuela, Ecuador, and Bolivia, held tightly together to demand that the United States change its policy on agricultural subsidies and its refusals to ease entry for South American products. They too were saying that they would not be manipulated by the great power to the North.

After nearly a decade, the poor countries of the world had clearly grasped that the current global economic system was never designed to be responsive to them, despite public relations rhetoric to the contrary from the rich countries.

To the degree these alignments sustain themselves in future situations, the world will be permanently changed.

The third landmark event was the overwhelming global reaction and resistance to the U.S. invasion of Iraq. On February 15, 2003, several million people of all nationalities, races, and religions took to the streets in hundreds of cities around the world in the largest peace demonstration in human history. All but a very few of the world's governments, mostly small states that are financially dependent on the U.S. government, refused to give *any* economic, military, or even verbal support for the U.S. action. Virtually all the governments that joined—most notably Britain, Spain, Poland, and Italy—did so over the strong objection of a substantial majority of their own citizens. This international resistance to American unilateralism and aggression held firm even among nations normally friendly to U.S. interests and supportive of the prior excursion into Afghanistan.

Thus emerged a new set of alignments led by Germany, Russia, France, and China that stood firmly against the increasingly transparent aspirations of the Bush administration to build a global empire through economic and military coercion.

These three landmark events were but the most visible demonstrations of the growing awareness on every continent of the failure of the present global economic system and its ruling institutions. The demand is growing for a global system grounded in new principles and institutions that embody values of justice, democracy, and sustainability.

The global movement for peace and justice is at a turning point. Though we must continue to criticize and detail the many ways in which the dominant economic paradigm creates grave problems for the world, we now also

turn toward articulating new futures. A movement that was once reactive and critical of events is becoming increasingly positive and visionary. It will be the main thrust of the second edition of this volume to amplify these emerging visions and begin a process of developing new realizable strategies and ideas toward achieving a better, more democratic, and ecologically sustainable world.

Cancun: The Outbreak of Democracy

The collapse of the WTO negotiations in Cancun was not widely anticipated. In response to the breakdown of the WTO process in Seattle, there were loud assertions at the intervening ministerial meeting in Doha, Qatar, in 2001 that henceforth the WTO's primary mission would be to serve the economic needs of the poor countries. It was thus generally assumed that the richest nations would make a few compromises to induce consensus and get negotiations on track. It was clear by the final days of the Cancun meetings, however, that the draft text participating nations were asked to sign was produced in the same insulting manner as in previous years—in private backroom huddles among the wealthiest nations who then sought to coerce the rest to accept. In Lori Wallach's words in *Foreign Policy*: "Developing countries were expected to provide more privileges for foreign investors, subjugate their government procurement policies to WTO disciplines, prioritize facilitation of imports over other domestic policy goals, and adopt uniform 'competition' policies that enable megaconglomerates to further consolidate markets."

But this time, the poor countries, aided by the work of a highly focused contingent of NGO representatives, negotiated as a bloc and would not accept a deal they had no part in creating, one that mainly served the corporate interests of the rich nations. In so doing, most of these governments were responding to long-standing and increasingly powerful campaigns by their own citizen groups.

For example, in the Philippines, small-scale farmers, factory workers, and antipoverty activists had spent years pressing the government to stand up for their interests at the Cancun WTO summit. Their message to the Philippine government was simple, and it was aimed at the heart of the WTO agenda:

- Don't let Cargill and other giant agribusiness firms from rich nations use their governments' ample farm subsidies to dump their corn, rice, and wheat on our markets at low prices, displacing millions of peasant farmers.
- In the era of Enron and WorldCom, don't give in to the U.S. government and corporate demands that vital public services like health care, education, and water be offered for sale to those same global firms.
- Don't agree to new negotiations that will further handcuff governments' ability to steer incentives away from foreign firms toward smaller, locally based domestic firms.

Many of these Filipino activists traveled to the Cancun WTO summit and were joined by an estimated ten thousand to fifteen thousand protesters from across Mexico and the rest of the world. Barricades manned by thousands of Mexican police prevented most of the protesters from getting within miles of the government officials who were supposed to be negotiating in their interest. Despite the barriers, the Third World representatives got the message.

One especially shocking event behind the metal barricades occurred among a contingent of South Korean farmers and students who were deeply frustrated by the unfair rules of the WTO. A farmer named Lee Kyung Hae, the former head of South Korea's farmers' union, plunged a knife into his chest on the meetings' opening day. Lee took his life to dramatize, in his own words, that "multinational corporations and a small number of big WTO members are leading an undesirable globalization that is inhumane, environmentally degrading, farmer-killing, and undemocratic." His suicide note lamented the dumping of subsidized food in poorer countries like South Korea by global corporations based in the rich countries. He asked for a global trade system that would allow poor country governments to offer adequate protection to their farmers.

The flashpoint of the WTO meeting was clearly agriculture. But the democratic revolt and its new alignments were about far more than that. Beyond the Group of 21, an even larger affiliation of nearly one hundred developing country governments banded together to make the case that the poorest of the poor nations should receive what they called "special and differential treatment" in global trade and investment rules. This represented

a kind of affirmative action program, to make up in part for the prior ravages of colonialism and the grossly distorted trading system.

Yet another group, with participants from the first two groups, insisted that the WTO negotiating agenda should not be expanded to include a new list of rich country proposals intended to favor foreign investors over local investors. The rejected proposals would have prohibited governments from favoring local over global firms in public contracts, requiring firms to hire local workers, limiting the percentage of foreign ownership in domestic enterprises, or requiring foreign investors to keep some profits in the country. These proposed new rules would have deprived small countries of their remaining control over their own economies and placed their economic fate entirely in the hands of foreign owners. (Such rules are precisely what the U.S. Coalition Provisional Authority has proposed for Iraq. See also Box A, page 12.)

Overall, however, developing country negotiators inside the barricaded conference rooms and the protesters marching in the streets worked together to reject the “one size fits all” development model of the WTO. It would be hard to overestimate the sweeping implications of this new solidarity among poor and developing nations asserting their collective interests in global negotiations for the first time since the 1970s.

By derailing the globalization agenda of the WTO in Cancun, these poor country governments, together with an increasingly skeptical and restless global public, were not rejecting the necessity or wisdom of global rules on trade and investment. To the contrary, they were putting forward an abundance of alternative proposals—as spelled out in the chapters that follow—for replacing the obsolete WTO approach with fairer rules and institutions that operate according to a different set of values. A framework of intelligent and equitable rules is essential to allow governments to put legitimate checks and balances on trade and investment to fulfill their responsibilities to their own people—for example, efforts by Mexico, South Korea, and Japan to protect traditional farming practices considered vital to their cultures, by Brazil to produce affordable generic AIDS drugs to treat its AIDS victims, and by Bolivia to develop its natural gas resources in ways beneficial to its own citizens. Such new rules would shift the priority from increasing trade and investment at all costs to creating frameworks that build healthy communities, dignified work, and a clean environment.

Miami: Regime Change in Latin America

The negative outcome of the Miami negotiations for a Free Trade Area of the Americas was more predictable. The countries of South America had gone through enormous political upheaval, much of it in reaction to the devastating neoliberal dictates of the World Bank, the International Monetary Fund, and the WTO. The promise that economic globalization will bring prosperity rings nowhere more false than in Africa and Latin America. But in Latin America people have been able to do something about it.

Five governments had recently been thrown out of office in South America, including in the region's largest economy, Brazil. In every case one of the primary issues that determined the voters' choice was the devastating failure of economic globalization, so-called structural adjustment, and poverty alleviation programs pressed on them by wealthier nations through the IMF, the World Bank, and the WTO. New governments prevailed in Venezuela, Bolivia, Ecuador, Argentina, and Brazil, all of them to varying degrees resistant to economic globalization. It would be fair to categorize the South American continent as the first major region of the world to turn away from neoliberalism in an active political way.

So when negotiations began in Miami in December 2003, similar issues to those that devastated Cancun immediately surfaced, with even less possibility of their being accepted by the people whose lives they would further devastate. It quickly became clear that if the United States continued to refuse to compromise on agricultural subsidies and other matters—for example, allowing Brazilian oranges into Florida (thus potentially costing President Bush that state in the 2004 elections) or allowing Brazilian steel into the U.S. Midwest (for the same reason)—no deal was possible.

Several South American countries, joined by Caribbean countries, held together as a bloc of resistance to the FTAA. Thwarted by the collective power of these nations, the United States has subsequently sought to use its power advantage over individual countries by turning from multilateral agreements to the negotiation of a complex set of bilateral agreements designed to achieve the same ends as the FTAA. The United States is also pressing hard for a new Central America Free Trade Agreement (CAFTA),

although as we go to press it has not yet been approved by the U.S. Congress and has become a political hot potato.

The political turnaround in Brazil is particularly noteworthy. Brazil is now the world's fifth most populous nation (after China, India, Indonesia, and the United States) and boasts the world's eighth largest economy, although it has not yet been invited to join the powerful Group of Eight.

Brazil's economic success is in part a consequence of the fact that it never embraced the corporate globalization model as fully as many of its neighbors; it didn't privatize as much as many other countries, and it really only started opening its economy to foreign interests in the 1990s. Cognizant of the extreme suffering in neighboring Argentina, which applied the free market formula to the extreme, in October 2002 Brazilians firmly rejected the corporate globalization path by electing a former metalworker and union member as their president: Luis Ignacio da Silva, or Lula.

Lula's government was at the center of the Cancun rebellion against the established order. It led the Group of 21 and was involved in all of the developing country negotiating blocs, and its firm resistance was a major factor in the collapse of the talks. U.S. trade representative Robert Zoellick accused Brazil of leading the bloc of "won't do" countries.

Two weeks after Cancun, Lula used the venue of the United Nations General Assembly in New York to meet with the political leadership of India and South Africa to create an informal "Group of Three" that would continue to meet. So Lula convened the most powerful nations of the three vast continents of the global South (with China showing sympathy but eschewing leadership in Asia) and has potentially changed global power relations in so doing. In the weeks that followed, Lula's government expressed its discontent with the ongoing talks over a proposed Free Trade Area of the Americas, which the United States wanted to have modeled on the corporate-friendly North American Free Trade Agreement. Brazil's rejection of that model in Miami, as in Cancun, was decisive and has contributed to the growing sense of a waning U.S. ability to coerce smaller nations to its will.

The Iraq war experience provides an even more vivid illustration of this surprising demise.

Iraq: The Failure of Empire

The common wisdom among the millions of people who have taken to the streets against the virtually unilateral U.S. invasion of Iraq is that the war has essentially been an attempt to further U.S. drives to achieve global empire. Actually, however, it is as much an expression that a U.S. empire that already exists—an *economic* empire—has begun a precipitous decline. Like most prior empires dating back to Rome, failing systems become desperate, trying somehow to save their far-flung, overextended lines of supply and control, and can become extremely dangerous. If economic controls start failing, then war is an option.

In a speech at the Heinrich Boell Foundation's McPlanet Conference in July 2003 in Berlin, Walden Bello summarized the U.S. problem this way: "The great problem for unilateralism is overextension, or a mismatch between the goals of the United States and the resources needed to accomplish the goals. Overextension is relative, . . . to a great degree a function of resistance. An overextended power may be in worse condition even with a significant increase in its military power if resistance increases by an even greater degree." Resistance has obviously been growing, as evidenced by those voices on the streets and the majority of governments opposed to the war and to U.S. economic domination.

But signs of failure for U.S. imperial aspirations were already apparent long before the Iraq war and even before Cancun and Miami. The Asian, Russian, and Argentine financial crises were all early signs of the unworkability of the model that was being imposed and its tragic impacts on poor countries. The defeat of the multilateral agreement on investment (MAI) was another indication of rising opposition, as victims of the model are no longer willing to continue to play the game. (In chapter 2, we provide an extensive critique of the system.)

The failures of the entire neoliberal project are built right into its underlying economic model because it requires certain unachievable conditions. In order to sustain itself, a globalized economy on the neoliberal model requires (1) a never-ending, always-expanding supply of inexpensive resources; (2) an ever expanding supply of accessible new markets; and (3) a steady supply of cheap labor to exploit. It also requires a multitude of compliant governments to collaborate on the project. Such conditions can be

achieved in the short run, as they partly were, especially for the model's perpetrators in the 1980s and 1990s. But they cannot continue for long on a finite planet.

Many global resources are already seriously depleted and becoming expensive: oil is certainly among them. Iraq may offer a short-term solution, a cheap oil supply to keep the system going, but other resources are also running out: water, forests, fish, farmable land, and certain key minerals. All of these shortages will worsen if global climate change proceeds as predicted.

The power of empire is all the more precarious when resource supply lines reach thousands of miles across land and sea, as oil does, making them vulnerable to interruption by political change, war, terrorism, or breakdown and very costly to protect—as we now see in the desperate efforts of the United States to secure its long-distance supplies by military force. Exacerbating the problem is a national leadership so wed to oil that it refuses to turn to viable local renewable energy options.

Markets are also finite. In the United States, markets have largely stagnated; even the very rich can only buy so many private planes, luxury yachts, and trophy homes. And a middle class increasingly stretched by long working hours, falling wages, and increasing consumer debt can only buy so many cars, refrigerators, TVs, and DVD players. Companies seeking rapid growth find they need to cast elsewhere. So reaching for and prying open foreign markets is mandatory—whether through coerced trade agreements or military force.

As for cheap labor, it is less and less willing to be cheap or to accept the meager security it is offered by mobile global corporations. Even those labor organizations that had won decent conditions, as in the United States, are finding themselves caught in a competitive race to the bottom against the world's poorest and most oppressed workers. They have good reason to be resentful of the fact that corporate CEOs are making tens—or even hundreds—of millions of dollars annually while their own benefits and wages decline or stagnate.

And few governments are quite as compliant as they were only a few years ago.

None of the preceding mandatory conditions for the success of neoliberalism is sustainable. When a great power comes to realize that, more extreme means may be used to keep things afloat a bit longer.

As Walden Bello has written, the United States “is very wary of a process of globalization that is not managed by the U.S. [to] ensure it does not diffuse its own economic power.” The Bush administration is actually two-faced on trade, as evidenced by the many U.S. protectionist moves, from agriculture to pharmaceuticals to steel. The motto of the United States, says Bello, may be “protectionism for the U.S. and free trade for the rest of us.”

The war in Iraq is primarily an attempt to keep an overstressed U.S. economic juggernaut, one now gasping to sustain its huge need for resource flows and supply lines, breathing a little longer. It’s a kind of CPR for a system that’s having a hard time breathing for itself.

But it is also a metal-fisted warning to other nations of the region and the world about who’s in charge, who comes first, and how we’re going to live. Yet it is not as credible or convincing a statement as it may have been in the past.

COALITIONS OF THE NONCOMPLIANT

By now the whole world has understood the falseness of the claims underpinning the Iraq war. We have learned about the “neoconservative” passion (among officials who are now high up in the Bush administration) to invade Iraq *ten years before 9-11*, and to reshape the Middle East into a free-market globalist framework intended to keep those resources flowing to the United States.

The Bush administration’s 2002 “national security strategy,” although wrapped in eloquent language about the need to protect and project “freedom,” made an open declaration of its intent to pursue preemptive war to protect whatever a U.S. president might define as a U.S. interest. That doctrine explicitly equated “freedom” with free markets and free trade—even going so far as to suggest that “lower marginal tax rates,” and “pro-growth legal and regulatory policies” are integral to its concept of freedom. Its implicit premise is that threats to the market freedom of U.S. corporations anywhere in the world are threats to U.S. security and may justify future preemptive war.

The Iraq war was the first physical implementation of this doctrine based on the premise that Iraq possessed weapons of mass destruction and was colluding with Al-Qaeda and other terrorist groups to use them against the

United States. The evidence, now well confirmed, that there were no weapons of mass destruction, no connection between Saddam Hussein and Al-Qaeda, no Iraqi threats to its neighbors, and no imminent Iraqi threat to the United States to justify a military response was simply ignored.

The U.S. performance in these matters was so poor that it has brought on a crisis of confidence and believability in all U.S. assertions and an extreme loss of moral authority, stimulating peoples and nations to band together in new ways in opposition to U.S. aims. Few nations supported U.S. policy, the U.N. Security Council did not back it, and public opinion showed opposition everywhere in the majority, often as high as 90 percent.

The United States invaded anyway and succeeded in eliminating the government of a corrupt and ruthless dictator, arresting Saddam Hussein, and occupying the country. It now seems highly unlikely, however, that any other announced goal will be achieved. It will not bring democracy or peace to the Middle East, and by increasing Middle Eastern resentment of Western nations has significantly worsened the world terrorist threat.

The consequences have been disastrous even for the United States, which finds itself increasingly isolated and discredited diplomatically, overstretched militarily, and on the verge of fiscal disaster as a consequence of growing federal budget and national trade deficits. In his assessment of the situation, James Webb, U.S. Secretary of the Navy under the Republican administration of Ronald Reagan, wrote in *USA Today* that by launching an unnecessary invasion of Iraq:

Bush arguably has committed the greatest strategic blunder in modern memory. To put it bluntly, he attacked the wrong target. While he boasts of removing Saddam Hussein from power, he did far more than that. He decapitated the government of a country that was not directly threatening the United States and, in so doing, bogged down a huge percentage of our military in a region that never has known peace.

In a report published by the People-Centered Development Forum, *Global Civil Society: The Path Ahead*, authors David Korten, Nicanor Perlas, and Vandana Shiva describe the futility of imperial policy, whether by economic or military means in the modern world.

All imperial endeavors that are dependent on long-distance control, long-distance supply, and a high degree of suppression of alternative approaches are “inevitably self-defeating,” they write. They argue for alter-

BOX A: IRAQI “FREEDOM”—CORPORATE STYLE

By Antonia Juhasz, International Forum on Globalization

The U.S. invasion of Iraq was more than just a grab for cheap, steady oil supplies. In keeping with the U.S. national security doctrine, it was a test case and model for future actions to bring “freedom,” by which was largely meant market freedom. Iraq was to be the poster child for the benefits of military muscle in the cause of free trade. Any doubts about this disappeared on September 15, 2003, when L. Paul Bremer, administrator of the Coalition Provisional Authority, issued Bremer Order No. 39, which imposed new rules for foreign investment in a “free” Iraq: rigidly neoliberal, highly beneficial to U.S.-based global corporations, but not so good for Iraqi freedom. As we go to press, by all accounts these Bremer orders have been incorporated into the operating rules of the new “sovereign” interim Iraqi government under Prime Minister Allawi. We anticipate they’ll be sustained by future Iraqi governments in the shadow of U.S. authority.

The following are a few examples of the rules contained in Bremer Order No. 39:

- *Privatization:* The order allows full privatization of all two hundred of Iraq’s state-owned enterprises. The initial list to be sold to private corporations included cement and fertilizer plants, phosphate and sulfur mines, pharmaceutical factories, and the country’s airline.
- *One hundred percent foreign ownership:* The order allows for 100 percent foreign ownership of businesses in all sectors except oil and mineral extraction, banks, and insurance companies (discussed in following paragraphs).
- *National treatment:* The order states that “a foreign investor shall be entitled to make foreign investments in Iraq on terms no less favorable than those applicable to an Iraqi investor.” This copies the “national treatment” provision of the WTO and other international trade regimes. As a result, the government of Iraq cannot favor local investors, businesses, or providers over foreign ones. It cannot require that U.S. companies with billion dollar reconstruction contracts hire any local contractors. It cannot require that qualified local Iraqi companies receive contracts over foreign-owned companies in order to boost the Iraqi economy.
- *Unrestricted repatriation of profits:* The order permits foreign investors to “transfer abroad without delay all funds associated with [their] investment, including shares or profits and dividends” (among others). Foreign investors can put their money wherever they like and take it out whenever they want to, “without delay.”
- *Forty-year leases:* Iraq’s government and businesses will be locked into contracts signed under these rules for forty years, with an option of unlimited renewal.

CONTINUED

BOX A: CONTINUED

Thus, order 39, as long as it continues, in effect allows U.S. corporations operating in Iraq to own *every* business, do all of the work, and send all of their money home. Nothing needs to be reinvested locally to boost the Iraqi economy or be targeted to help damaged regions, communities, or services. All the profits can go home with the foreign owners, and they can take out their investments at any time. No Iraqi need be hired, no public services need be guaranteed, no rights of workers need be protected, and no resources need stay in the country. Iraq and its people are reduced to raw materials to be exploited by U.S. corporations and the global economy.

Other relevant Bremer orders were 40 and 37:

- *Bremer Order No. 40* turns the banking sector from a state-run to a market-driven system overnight by allowing foreign banks to enter the Iraqi market and purchase up to 50 percent of an Iraqi bank. J. P. Morgan-Chase, the second-largest bank in the United States, which was implicated in the Enron scandal, has been awarded a contract to run a consortium of thirteen banks from thirteen countries that will constitute the Trade Bank of Iraq. The Trade Bank may be just the point of entry for J. P. Morgan, giving it “first dibs” on the full privatization yet to come.
- *Bremer Order No. 37* implements a flat tax in Iraq by providing for a marginal income tax rate of 15 percent

for both corporations and individuals. Historically, flat taxes reduce the tax burden on the poorest, increase the burden on the middle class tremendously, and drastically reduce the taxes paid by the wealthy.

The occupying authority also has big plans for trade liberalization. Iraq has already achieved “observer” status in the WTO, and Iraq’s laws are being made 100 percent compliant with WTO rules. And a plan prepared for the Coalition Provisional Authority by Virginia-based BearingPoint, Inc., lists oil, “other natural resources,” and luxury export-oriented agricultural crops such as “high-value fruit, vegetables, flowers, and seeds” as the leading exports.

The exact manner of dealing with oil investments and exports—a highly controversial issue—remains secret at this time. We do know that Chevron-Texaco gained the first contract to market Iraq’s oil and has experienced enormous profit from that activity.

As of March 21, 2004, according to the *San Francisco Chronicle*, extensive reconstruction contracts were already given to such U.S. companies as Halliburton/KBR (\$12.6 billion), Bechtel (\$2.8 billion), Washington Group (\$2.1 billion), Fluor (\$1.1 billion), Perini (\$1 billion), and Parsares (\$974 million). Much of the reconstruction is of Iraqi infrastructures destroyed by the U.S. invasion.

Finally, President Bush announced plans for a new U.S.–Middle East Free Trade Area (MEFTA). Iraq will be a charter member.

native approaches, such as are contained in this book, that do not project power globally but root it locally.

The viability of complex systems depends on localizing decision making and keeping interdependence within manageable limits. Elite globalization has created an unstable and ultimately self-destructive system, because it ignores this essential principle. The crisis of social and environmental system failure can be resolved only by the decentralization of power and control based on the principles of partnership and community. . . . Wise and rational leaders would by now have abandoned [the push toward empire] in favor of more constructive alternatives.

New Awakenings

Given all of the preceding, now is clearly a moment for new directions. *A turning point.* The great news is that tens of millions of people around the world are not waiting around for governments or international bureaucracies or agencies to make better decisions—though we all struggle nearly daily to encourage that. As readers will discover in the chapters that follow, notably chapters 7 and 8, “Alternative Operating Systems,” communities everywhere are challenging the assumptions of globalization’s inevitability and resisting the efforts of specific countries to force it on them. But they are also seizing this moment as an opportunity to try new ideas, to reclaim powers long denied: the power to determine their own destinies, control their own economies, secure their rights to water, land, dignity, a healthy environment, and live in harmony, peace, and dignity.

So we begin this volume with a sense of cautious optimism about the prospects for citizens and their governments to construct alternatives to economic globalization. Whereas even a few years ago proposals such as we advance in these pages might have seemed wildly unrealistic to some, today they seem far less so.

In many ways this period may be akin to the 1960s and 1970s, when the development debate was still very vibrant. Local, national, and global alternatives flourished. During that period, civil society joined with Southern governments to sketch out alternatives that were implemented on the ground in many countries.

History is likely to view the corporate-driven globalization of the 1980s and 1990s as an anomaly, a time when a single dominant model was promoted *despite* its inherent unsuitability to the reality and needs of its time. Since the mid-1990s, the inevitability of the model's failure has become ever more evident, bringing drastic changes in the political scene that culminated in the turning point events of 2003. The World Bank and International Monetary Fund have come under tremendous criticism by civil society, governments, and even a bipartisan commission of the U.S. Congress (the Meltzer Commission, which released its report in 2001). In the wake of the Enron and WorldCom scandals, global corporations have lost a great deal of public trust. Global citizen alliances found new strength in the growing size and success of demonstrations around the world. Tens of thousands of representatives of civil society organizations now gather annually at the World Social Forum (WSF) to strengthen their alliances and share a new vision of a world that can thrive if it is freed from the grip of corporate globalization. And the spirit and principles of the WSF are being projected into a growing number of regional and national social forums all around the globe, engaging people by the hundreds of thousands in intelligent, focused dialogue on the world that is possible.

There are also the beginnings of an expanded alliance between civil society groups and some governments of the global South reminiscent of the 1970s alliance between citizen groups and the Group of 77 nations, which articulated and promoted their collective economic interests through proposals for a "New International Economic Order." The protests that contributed to a breakdown of the 1999 WTO meeting in Seattle emboldened some governments of Southern countries to be more forthright in their challenge to WTO procedures and proposals harmful to their national interests. The subsequent April 2000 protests in Washington, D.C., against the World Bank and the IMF called for debt relief and a rollback of structural adjustment policies. These protests coincided with a meeting of the Group of 77 heads of state in Cuba, where several of them issued statements sharply critical of the World Bank and the IMF, expressed support for the Washington protesters, and called for a transfer of some responsibilities for global economic policies from the Bretton Woods institutions to the United Nations. And at the negotiations around the Free Trade Area of the Americas, members of the Brazilian and Venezuelan government teams rou-

tinely ducked out of negotiating sessions to brief international civil society representatives on important developments.

Southern nations have much to lose from business as usual under the Bretton Woods regime and much to gain from new procedures like those proposed in this volume—especially debt relief, removal of structural adjustment conditions, and controls on speculative financial flows. These countries account for a majority of the votes in the United Nations General Assembly, a power they have previously been reluctant to use in defiance of the powerful Northern industrial countries. But the recent experiences in the WTO and the growing alliances with civil society are strengthening popular support in both the North and South for taking an independent stand in the interests of democracy, the environment, and the well-being of the poor.

There are precedents for a grand alliance of progressive Southern leaders, global civil society, and sympathetic politicians in the North with the power to achieve sweeping institutional reform at the global level. Years ago, similar alliances between progressives in the North and popular leaders in the former colonies resulted in the dismantling of the trans-Atlantic slave trade and later of the empires of Europe's colonial powers. Recent events give credence to the view that a new cycle of change is under way both at the institutional and grassroots levels, and that a new grand alliance may evolve with the potential to remedy the injustices of our time.

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