UNCTAD meet foreshadows the demise of globalization

by Mary Burdman

Although the theme of the tenth United Nations Conference on Trade and Development (UNCTAD) meeting in Bangkok on Feb. 12-19, was to "make globalization an effective instrument for the development of all countries and all people," as the final "Plan of Action" states, in reality, the conference would be better characterized as "globalization's wake." The relatively polite official papers notwithstanding, what emerges from reports of the discussion at the conference, attended by representatives of 190 nations, is that the vast majority of the world's nations and people have been devastated by the mad reign of what is known as the "Washington Consensus," and that, one way or another, globalization is meeting its end.

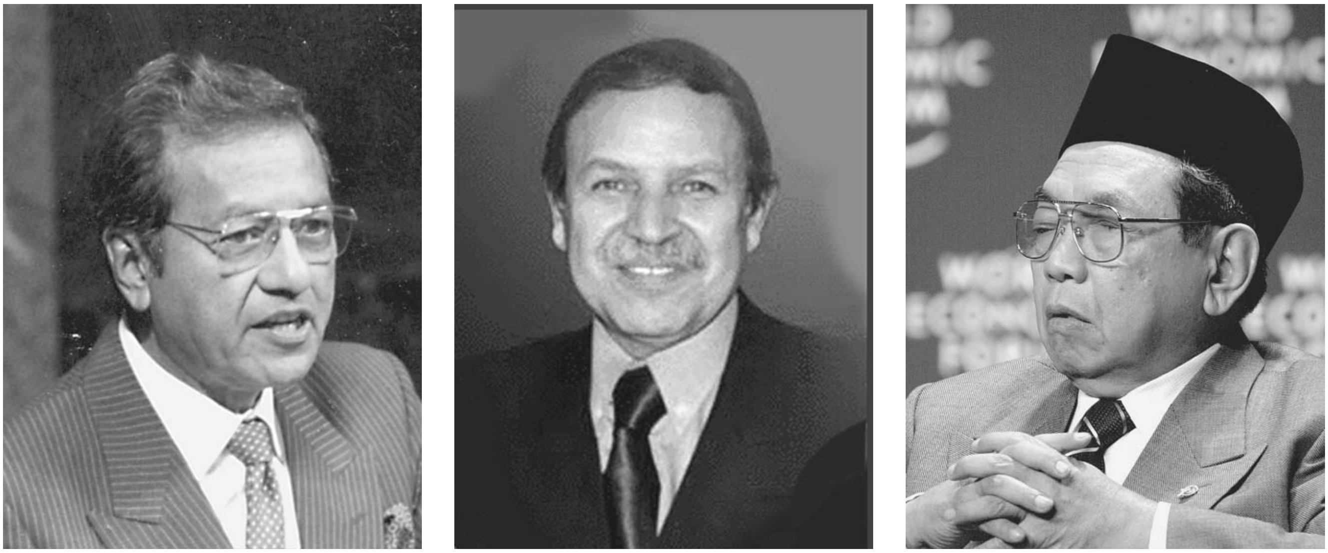
At Bangkok, which UNCTAD Secretary General Rubens Ricupero of Brazil dubbed the "World Parliament on Globalization," world leaders, ranging from Malaysian Prime Minister Dr. Mahathir bin Mohamad, International Labor Organization Director General Juan Somavia of Peru, Algerian President Abdelaziz Bouteflika, to outgoing International Monetary Fund (IMF) Managing Director Michel Camdessus, recounted the disasters that have been wreaked by the "Washington Consensus" mantra of ever more deregulation, privatization, and liberalization, and ever greater power for the private markets. One leader after another warned of financial, economic, and social crises to come, unless the current regime is replaced by some new form of a world economic order.

The primary "accomplishment" of the Washington Consensus, which originated with the shock therapy "reforms" against Russia, agreed to at IMF headquarters in Washington, has been to *privatize* the world economy, as UNCTAD documented. "Official Development Assistance" from national governments, IMF lending, and all other such resources, have totally collapsed, and are now dwarfed by private capital flows. The result has been, to wipe some regions, especially Africa, off the world economic map, and to force even such institutions as the IMF and World Bank, to the sidelines. As atrocious as the IMF's record has been over the past decades, even its role as a public institution is too restraining for the extreme advocates, such as U.S. Treasury Secretary Lawrence Summers, of the current Wall Street/City of London-run world financial system.

As the UNCTAD Plan of Action, issued Feb. 18, reports (in a rather understated manner), the world has seen the increasing privatization of "resource flows" to developing nations. "International investment flows increasing at faster pace than world output and world trade since early 1980s. . . . International investment and in particular Foreign Direct Investment (FDI), has emerged as one of the driving forces in the world economy, contributing not only to the integration of markets, but also, increasingly, to the integration of national production systems. The composition of capital flows has changed, with FDI and Foreign Portfolio Investment (FPI) accounting for the largest shares of total net resource flows to developing countries." FPI—otherwise know as international speculation—the report dryly notes, is "more volatile" than FDI.

Such foreign investment, even if you get it, is certainly a mixed blessing, UNCTAD conference participants stressed. FDI flows in a concentrated way into just a few countries, for financial gain. It was these countries, especially the "Asian tigers," that suffered the biggest reverses from the Asian financial crisis.

The UNCTAD discussion was in contrast to the euphoric endorsement of the "new economy," based on free trade, globalized financial markets, and "information technologies," which dominated U.S. President Clinton's State of the Union address, and his statements and those of British Prime Minis-



Meeting in Bangkok, leaders of the developing sector gave a "Bronx cheer" to the globalization policy of the financier oligarchy, which Malaysia's Dr. Mahathir called a worldwide oligopoly. Left to right: Malaysian Prime Minister Dr. Mahathir bin Mohamad; Algerian President Abdelaziz Bouteflika; Indonesian President Abdurrahman Wahid.

ter Tony Blair at the World Economic Forum at Davos in late January.

The bathos of Clinton's recent proposal, "From Digital Divide to Digital Opportunity," made at the behest of Vice President Al Gore, to solve world economic problems by making "access to computers and the Internet as universal as the telephone is today," was shown by UN Secretary General Kofi Annan's report in Bangkok on Feb. 12. Annan said that "half the world's population have never made or received a telephone call, let alone seen a computer."

Only one leader of the Group of Eight nations, Prime Minister Keizo Obuchi of Japan, attended the UNCTAD meeting. While most developing nations sent high-level trade ministers, the United States saw fit to send only Harriet C. Babbitt, deputy administrator of the U.S. Agency for International Development. But the advanced sector is scarcely safe from the rising dangers, as Secretary Gereral Ricupero acknowledged. During the discussion, he compared the situation in Europe now to that after World War I.

The 'crisis of development'

The leaders of North America and Europe would do well to attend to what was said at UNCTAD, although it is not even an official negotiating body. In his report to the conference, Ricupero warned: "In the poor parts of the world, that is, on much of the planet, the very possibility of sustainable development has been called into question by the economic crisis that started in Asia two years ago. This, the fifth serious monetary and financial crisis of the last 20 years, truly deserves to be called a 'crisis of development.'. . .

"Events since 1996 have worked to undo the advances recorded in the late 1980s and early 1990s. Global financial instability has posed mounting difficulties to development. . . . Growth in the developing world taken as a whole has collapsed."

Despite giving undeserved praise to the "knowledge economy," and offering mealy-mouthed approaches for cleaning up the world financial system, Ricupero's report has a very serious warning: "A world economic system that fails to offer poorer countries, and the poorer parts of the populations within them, adequate and realistic opportunities to raise their living standards, will inevitably lose its legitimacy in much of the developing world. And without this legitimacy, no world economic system can long endure."

The poorest nations

Before the conference opened, UNCTAD released its "The Least Developed Countries 1999 Report." The LDCs, the world's poorest nations, have *doubled in number* over the last 30 years. In 1971, there 25 LDC states; now, the number is 48. Of these, 33 are in Africa, 14 in Asia, and 1 in the Caribbean.

The report's introduction states: "Whilst the 1980s were dubbed the 'lost decade' for developing countries in general and LDCs in particular, the 1990s have become, for LDCs, the decade of incresing marginalization, inequality, poverty, and social exclusion. The violence and social tensions which afflict several LDCs are caused, in part at least, by increasing deprivation and inequality." The LDCs constituted about 10% of the world's population in 1997, including 45% of the people of Africa, but their share of the world's imports was only 0.6%, and of exports only 0.4%. This drastic decline of more than 40% since 1980, is "testimony to increasing marginalization of LDCs," the report states.

The LDCs have suffered falling GDP growth rates every year since 1995. A central reason, is that the amount of Overseas Development Assistance (ODA), which is the only source of investment many of these nations receive, has collapsed 23% since 1992, due to the austerity budgets of industrialized countries.

For many LDCs, Overseas Development Assistance accounts for up to 70% of their development budgets, and 40% of their overall budgets. Yet, the share of such assistance in the industrialized countries' budgets, fell from 0.33% to 0.22% in 1997, the lowest since 1970, when the United Nations called for a target of 0.7% of budgets for ODA. While the United States enjoys its so-called "unprecedented prosperity," it has cut ODA by more than 40% since 1990!

The world's poor nations are forced to go to the private capital markets, and these do *not* lend to the LDCs. In both 1995 and 1997, there was a *net outflow* of private capital from the LDCs. These nations' share of FDI was less than 0.5% in 1998. This financial apartheid, also means technological apartheid. Whatever technological investment developing nations generally get, they get as part of foreign investment. No funds from the industrialized nations, also means no technology.

'Dangerous period of twilight'

Throughout the discussions in Bangkok, each day brought more warning of economic and financial catastrophe. Perhaps most startling, was the extremely gloomy farewell message from departing IMF Managing Director Camdessus. On Feb. 13, Camdessus said that the world economy has entered a "dangerous period of twilight."

In the world financial system, there are again visible symptoms, like those seen in East Asia before the crisis hit in 1997. "Of course, things never reproduce in an identical way," Camdessus said. "But I am ringing the alarm bell to our member countries to tell them that we run the risk of a new financial crisis." He pointed to problems of the U.S. economy, such as the low savings rate, the rapidly growing current-account deficit, and the high stock prices. However, "there are also worrying vulnerabilities in other parts of the world," which are made worse by generalized complacency and euphoria in the international financal community, he said.

The growing income gap is potentially socially explosive, Camdessus warned. The poorest countries are now more determined than ever to "own" their policies, and to focus on development. However, his only "solutions" were to encourage private capital flows to LDCs, and to emphasize poverty reduction.

The speeches of both Prime Minister Mahathir, and Indonesian President Abdurrahman Wahid were "extremely forceful, and persuasive, almost dramatic, at times touching, in their personal accounts of the ordeals endured by their peoples," wrote Ricupero in his summing up of the conference.

Speaking on Feb. 12 at a parallel meeting of Asian nations, Mahathir warned of a "worldwide oligopoly." "Frankly speaking, I'm frightened and worried by preparations being made by certain corporations in order to take advantage of liberalization and globalization," he said. "Some of the corporations are more powerful than mid-sized countries. . . . A worldwide oligopoly seems already to be emerging; these oligopolies may turn out to be monopolies."

Mahathir said that investors' complaints about alleged "lack of transparency" in the developing nations, was little more than a pretext for "discomforted" investors to pull out, regardless of the consequences. He also rejected the charges of "corruption and cronyism"; the real culprits, he said, are the international speculators. Had the currency speculators and others not pulled out of Asian stock markets in 1997, he said, the Asia crisis would not have happened. Unfortunately, since then, while the major powers have talked much about reform, they have done nothing.

The 'casino economy'

Speakers' reports became more blunt by the day. Juan Somavia of Peru, the director general of the UN International Labor Organization, said that globalization is spawning a "casino economy," and it will collapse unless policymakers can "make markets work for everybody." In his keynote on Feb. 15, Somavia said that large capital flows are careening from one corner of the world to another, threatening international stability. "Putting the social pillar to globalization is the only answer," he said. "Trade policies have not benefitted the developing countries, period. We know that the global economy is not capable of delivering decent work for enough people. . . .

"The benefits of the global economy are not delivering enough to enough people—hence the backlash. I find the situation frankly dangerous, politically."

During the conference, the plight of Africa in particular was repeatedly emphasized. The most compelling—and truthful—report was by Algerian President Abdelaziz Bouteflika, in his keynote speech on Feb. 18. "Ultimately, a new map of the world is being drawn, from where an entire continent, Africa, is being erased," said Bouteflika, who is also currently head of the Organization of African Unity. The power of market forces has downgraded the basic requirements of human development and aggravated inequalities in the developing nations, yet they are being excluded from decision-making. He urged that a plan for relieving the debt of the world's 48 poorest countries, be widened to include poor nations, such as Algeria, which are not the worst off, but are now sinking.

Bouteflika said that attempts by African leaders to turn their countries around run into trade barriers erected by rich nations, which keep out imports from poor nations. At the same time, the rich nations are demanding debt repayment, which the poor nations cannot afford because they cannot export to earn hard currency.

On trade issues, Bouteflika said, the wealthy nations demand "good governance," or what they term "transparency, democracy, and no corruption," while at the same time they impose financial demands that undermine social stability and lead to dictatorial rule. Meanwhile, "the developing countries, representing the sweeping majority of mankind, are excluded from the process of consultation and collective decision-making."

Zhou Keren, China's Deputy Minister of Trade and Economic Cooperation, called economic globalization a "double-edged sword," and warned that, while providing opportunities for development, globalization will "inevitably bring about severe challenges and risks." Developing countries must "keep a sober mind, and take effective measures to face up to the challenges and risks, . . . and actively participate in the reform of international economic system."

Even Singapore, that former bastion of British free-trade ideology, has taken the lessons of the Asia crisis to heart. Prime Minister Goh Chok Tong told UNCTAD that the "developed countries must avoid a sterile triumphalism or a one-medicine-cures-all prescription. Globalization is undoubtedly a Western concept and bears a strong imprint of American political and economic power."

Need for a 'new deal'

Discussion in Bangkok was heated and to the point, as the unofficial account of the plenaries during Feb. 12-19 makes evident. Delegates stressed that the years of globalization have undermined social cohesion, traditional values, and cultural diversity. Statehood and national governments have been undermined, as globalization has weakened governments' ability to enact national economic policies.

Instead, transnational corporations are becoming more and more dominant. While oligopolies and even monopolies gather more and more power worldwide, anti-monopoly measures exist only on the national level.

Existing international institutions, delegates emphasized, have been proven unable to handle globalization. The current international financial system, based on market forces, does not generate funds for economic development. Investment is purely for financial gain—for the foreign investors. The recipient nations, instead, suffer financial devastation.

While the Western delegations kept up their obsessive whining about alleged "flaws" in the Asian nations' financial systems, most participants considered the Asian crisis "systemic in nature." The Asian crisis revealed the inadequacy of the world system, to either prevent crisis or to provide an adequate response. The IMF's imposition of high interest rates and tight liquidity, had severely contracted the real economy.

Several speakers at the UNCTAD conference called for a "new deal" for development, and a review of the principles of international cooperation. Agreement was widespread, at least among the developing nations, on the need to reform the international financial system, which some participants said, means *restructuring* the international financial and monetary institutions.

Reducing volatile capital flows, curbing short-term speculative flows, and financing development, are what is needed, not any ideological agenda, participants stated. The international financial institutions must shift from imposing austerity to promoting social safety nets.

Yilmaz Akyus, chief of the Macro-Economic and Development Policies Program of UNCTAD, said at the session on the "Causes and Sources of the Asian Financial Crisis," that this economic upheaval has shown that "when policies falter in managing integration and regulating capital flows, there is no limit to the damage that international finance can inflict on an economy. It is true that control and regulation over such flows may reduce some of the benefits of participating in global markets. However, until systemic instability and risks are adequately dealt with through global action, . . . the task of preventing such crises falls on governments in developing countries."

The moral imperative

"The economic discourse of the past decade was dominated by the so-called Washington Consensus, 12 rules of economic policy with which all sensible people were supposed to agree," stated Secretary General Ricupero in his closing statement of Feb. 19. But after the free rein given liberalization, deregulation, privatization, and the private markets, recognition is dawning, even among some closest to these policies, that these rules did not work. "Even the World Bank, in the person of Joseph Stiglitz," and British Chancellor of the Exchequer Gordon Brown, have stated that current world financial policy has proven "inadequate for the insecurities and challenges of globalization."

Now, reported Ricupero, there is "increasing acceptance of ideas that have been denied persistently by advocates of 'uncritical market triumphalism.'. . .

"Despite the commitment of many international agencies to the complete liberalization of capital markets right up to (and beyond) the hour of Asia's crisis, the same agencies now say that they can see some virtues in certain types of capital controls. At last, then, a more realistic evaluation of the limits of unrestricted capitalism is evident. . . .

"Globalization is *not* an unstoppable change sweeping inevitably across the face of the world," Ricupero concluded. "We are now increasingly aware that both governments and markets require a *moral* basis for their proper functioning. . . . Economic development has been historically exceptional, and not a general rule," and achieved only by the exercise of religious views, of human cooperation, and the good functioning of social institutions.

As Indian Minister of Commerce and Industry Murasoli Maran put it, the world needs new dreams of justice, and a new world economic order, bridging the interests of both the developed and developing nations.