

**World Forum  
On Globalization  
And Trade**

Beirut 5 - 8 - November 2001



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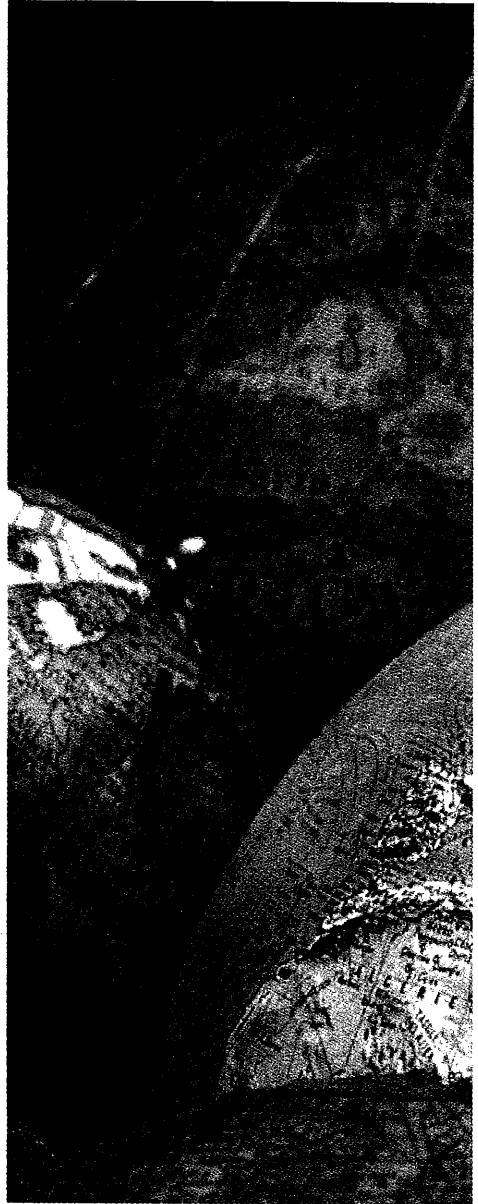
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- Part 1  
Introduction



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## Foreword

The Arab NGO Network for Development joined the "Our World Is Not for Sale" coalition after becoming signatory to the text of "Our World Is Not for Sale: WTO Shrink or Sink". The text considers that the events of Seattle, during the 3rd Ministerial of the WTO, and the following actions, culminating in Genoa during the meeting of the G8, prove the imbalances caused by the global economic and trade systems.

The coalition had called for the widest possible movement in opposition to the agenda of the 4th Ministerial to be held in Doha. The main points of contention were on the launching of a new round before evaluating the consequences of the Uruguay round. The latter had led to agreements affecting sectors in developing countries vital to the livelihood of poor social segments, such as agriculture, services, and intellectual property.

The coalition also notes that developed countries, while attempting to impose agreements on the developing world, do not commit to agreements that would affect their own population, such as agriculture and textiles. In addition, adjustments dictated by accession to trade agreements have caused tremendous harm to the economic, social, and cultural situation in developing countries who are unable to utilize conflict resolution mechanisms in the WTO due to the lack of human and financial resources.

ANND started preparing for the World Forum on the WTO, planned for the eve of the Doha meeting, as part of the mobilization called for by the coalition. The Lebanese Platform on the WTO was created to prepare and organize the meeting. The platform included labor and trade unions, women's organizations, farmers' unions, environmentalists, youth and civil groups, and various NGOs.

The forum was held in the beginning of November, less than two months after the events of 9/11. In spite of the challenges this caused, mainly on attendance, the Lebanese Platform insisted on continuing the work. The 4 days of the forum included general discussions as well as teach-ins on specific issues related to globalization, the WTO, and the challenges in the Arab World under the current world order, in addition to cultural and artistic events.

More than 150 international and Arab intellectuals, sociologists, and economists attended the forum, along with NGOs, unions, farmer organizations, and environmentalists from around the world. It was the first event of its kind in the Arab world and it led to launching a new debate on globalization and the WTO within the Arab and Lebanese civil society.

This book is a collection of the papers, reports, and letters presented and discussed during the World Forum on the WTO, in addition to the final outcomes and recommendations of the conference that were adopted by the coalition as the position of Arab civil society. We hope that their publishing will benefit researchers, activists, and the general public alike.

In conclusion, we believe that this event will not have been possible be it not for the efforts of the young volunteers from the various universities who worked around the hour, in addition to the activists and colleagues in the Lebanese Platform who had to face many challenges during preparations. We would also like to thank all those who traveled those long hours in order to participate. Finally, our thanks go to the organizations and individuals whose donations contributed to the success of the forum.

Ziad Abdel Samad  
Executive Director  
Arab NGO Network for Development  
July 2002



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## **Our world is not for sale**

This is the slogan of the meeting held by the "World Forum on World Trade Organization" in Beirut between November 5- 8, 2001.

Many meanings lie within this slogan, but it mainly implies the dangers a human life faces, that of transforming life into a commodity, as well as that of turning social life into a market.

Thus, the policy that WTO adopts, in the name of the supreme power of market and profit law seeds misery, sickness and death among those who form the third of humanity.

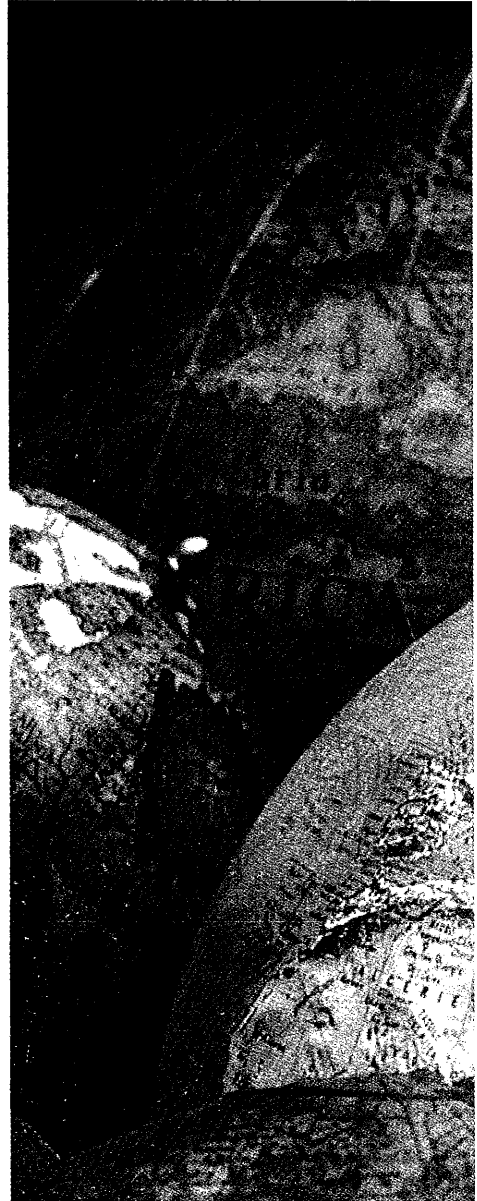
The objective of this forum was to encourage participants to declare their refusal out loud, a refusal to all legends that cover the numeric equations of development and freedom of trade; especially that they see - in contrary to the presumptions of a neo-liberalist speech- that economic liberalization in such international unequal conditions among countries will never yield economic prosperity that would benefit to us all; it has, and will continue, to produce some economic recession accompanied by an increasing disparity in wealth distribution as well as an aggravation of poverty and marginalization (see human development reports 1990-2002). The participants wanted the forum to be an essential milestone on the road of the organizations refusing "this globalization" after Davos, Seattle, Porte Alegre, Genes and Egypt. All participants have tried, through studies and researches, during a whole weeklong, to contribute and find alternatives and to look for " a human globalization' where free trade is the result of development because it can't be its cause (Samir Amin).

We, NGOs, parties and personalities who have participated to this forum, look forward to prove that "the value of life is more important than that of the market" and that free trade should stop when human needs and necessities appear.

We really believe that "another world is necessary and possible".

Fahmieh CHARAFEDDINE  
Third world forum





## Part 2 Opening Session



# OPENING SESSION OF THE WORLD FORUM

5 November 2002

**Amin Farchoukh** welcomed on behalf of the Lebanese Platform on the WTO the participants and presented a brief reminder on why Beirut was chosen to host and organize the World Forum. He then presented the speakers.

**Ahmad Ben Bella** started by linking Globalization to the war in Afghanistan. He argued that Globalization is a continuation of capitalism that emerged 500 years ago with the discovery of America by Europe and the fall of Grenada. Capitalism, in its latest stage, has engulfed the world. While American capitalism is based on the genocide of Native Americans and the exploitation of black people, global capitalism is based on colonialism of the South.

Ben Bella said that globalization is key to this process as it is based on the drive to control the resources of the Third World (85 percent of the world's population). There is a direct link to crises facing the world, like hunger. There is enough food to feed the world, but it is not distributed equally. Also, the burden of the debt crisis weighs heavily on developing countries. The health crisis, chiefly AIDS ? the modern equivalent of the black plague ? is spreading even more quickly because of the monopoly on drugs by multinationals. There is also a scientific crisis. Science is geared to the military-industrial complex (85 percent of scientists' work for the military-industrial complex). This system is direct cause of the ills that the world is facing, including wars and the

Osama bin Laden phenomenon.

Ben Bella spoke about the first anti-Davos (World Economic Forum) conference in Zurich, Switzerland in 1999, which progressed and grew.

'We needed to tell people that we were against capitalism. Today, in the heart of the West, youth are protesting this system and demanding a more humane system: another world'.

**Jose Bove** stated that '[if] I am active against globalization today, it is because I am for the globalization of rights. My visit in the morning to the farmers of South Lebanon, so close to the Israeli settlements, made me realize that globalization is happening in this country'.

He argued that the livelihood of the farmers of south Lebanon is being destroyed by imports; and diversification is not a solution because it reproduces the same outcome. The goal of globalization is to put forward an ideology, that of free trade, a process that leads to the elimination of sovereignty. The objective of free trade is to say that the market is more important than the future of the peoples of the world and their perception of their own future. In other words it is the elimination of the political for the profit of finance.

He argued that in the world, there are two parallel logics: that of the creation of free trade zones and that of the World Trade Organization (WTO). The former is based on a strong partner who imposes his will on a certain geographical sphere. This is the second phase of colonialism. Today, if the Arab world puts a stop to this process, it will strengthen the resistance in other parts of the world. The second logic, that of the WTO, is also based on the perverse notion of comparative advantage ? which arbitrarily imposes a division of economic tasks on the countries of the world. Today, it is

the multinational corporations that control world capital and free trade to serve their needs. The west will try to impose this logic in ministerial meeting in Doha. This failed in Seattle because thousands of people decided to protest and because 77 of the poorest nations decided to resist. Today, the pattern is being repeated. It the task of the state to assume the responsibility of the public sector without which there is no equality and social justice.

The logic of the liberalization of agriculture is a criminal one because, today 60 percent of the world's population are farmers and agricultural workers. The Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement, as we have seen it in South Africa and Brazil, has a deadly impact on millions of people.

Globalization has two weapons, the market and war. During the last decade, the military wing of globalization has hit the world, beginning in 1991 against the people of Iraq and continuing with the genocide against the people of Palestine.

**Samir Amin** followed by focusing on 3 points concerning globalization

First, globalization entered its military phase with the gulf war, then the Yugoslav war, until the current war in Afghanistan. The objective of the United States (US) is neither Osama bin Laden nor the Taliban, but the control of Central Asia, its oil fields and a geo-strategic position, to pressure Russia, China, India and Iran. It is an attempt to impose economic globalization by military force, which proves that the 'invisible hand' of the market does not work. But, can all of the new issues of the WTO be imposed with military might? Despite what the neo-liberals say, the current global economic system did not lead to economic growth but quite the contrary. This may lead to resistance from the peoples of the world against the violence of the system.

Second, there is a transformation of the colonial process. In the past, colonialism was multi-centered, today it unified in a trinity (US, Europe and Japan). Today, we are facing collective colonialism void of the violent conflicts between imperialist rivals. The rules of competition have imposed new common interests among the holders of capital. In the past, a company had to serve nationally before competing internationally. Today, it is the other way around. We cannot rely anymore on the secondary contradictions between the big economic powers.

Lastly, America is trying to impose its hegemony worldwide.

'We have to unite against neo-liberal globalization, to which we are told there are no alternatives. That is untrue, there are alternatives, we want another kind of globalization'.

**Elias Saba** noted that globalization took half a century after WW2 to emerge.

Globalization is a product of the victory of supply economics, the non-intervention of the state in economy after the collapse of the Soviet model and the third industrial revolution, the information revolution. Why didn't the WTO emerge before the collapse of the USSR? Because of hegemony, the WTO is a product of a unipolar world. So, what is new? Well, the process is in its beginning but we can already see a contradiction: economy is global but politics remain national.

The main line of defense of free trade is that it is a guarantee of maximization of profits, despite the fact that, according to the same principle of liberalism, the process requires perfect competition. This is not the case in today's world, the maximization of profit will happen for a few countries and the loss will be a burden on the rest.

Even if there was perfect competition, then why

do the 'globalization theologians' forget to include 'free migration' of people in their arsenal of barrier breaking?

The same question can be asked of the free transfer of technology from developed countries to under-developed countries.

If the state came to be accepted as the regulator and the redistributor of wealth in each country, why can't that logic, regulating redistribution, be applied in the globalization process?

He concluded by saying that it is not an exaggeration that the September 11 attacks on the US may lead to the reevaluation of the global system. 'Our weapon in the coming struggle is our solidarity'.



## General Sessions: 6 November 2001 The WTO

### First Session:

**President: Samir Amin, Third World Forum**

**Samir Saifan**, a prominent Syrian economist, chose to concentrate on the financial issues concerning the WTO.

He started by indicating that until now, a multilateral agreement on investment has not been achieved, but bi-lateral ones involving member states of the WTO have. The services sector has increased drastically between 1994-98 (27.5 percent of world trade). Therefore, the services sectors are the target of liberalization, in other words, preferential status of national enterprise is to be eliminated. This will lead to the increases of profits of globalized capital without any commitments to the local people. For example, Syria has just permitted private banking but on the condition that 51 percent of the capital be Syrian. If it joins the WTO, it cannot apply this policy anymore.

Countries of the Third World will compete to attract investments that will become more and more volatile and mobile, thus, those countries will never be able to secure long-term investments, leading to losses in national income. To compensate the loss of tariffs, value added tax (VAT) will be applied, in other words the transfer of burden from the business sector to the consumers, leaving national and internal capital free from contributing to the public purse. So developing countries are left with no resources to insure the continuation of public services like education and health. Development becomes nearly impossible and the state is unable to redistribute wealth. Even if the state could manage to get hold of loans, this would only lead to the vicious circle of the 'debt game' ? countries never being able to repay in time. This will pave the way for

multinational corporation to take control over the finance and banking sector, for example, which in turn will lead to even more speculation, which will mean even more potential of bubble bursting in the stock markets with the dire implication on the lives of most people.

Is it possible to not enter the WTO? Developing nations cannot just rely on themselves to achieve sustainable development. It takes too long. On the other hand, if they rely on the attraction of investments it is also a no-win situation because it may not be able to keep the investments. The Arab world had, in 1998, \$800 billion invested in foreign markets while foreign investment in the region was only \$2.5 billion. The solution would be to regroup and collectively get new and better conditions from the WTO and other international institutions.

**Mohammed Doudar**, from the Beirut Arab University,

He said that 1993 ended the cycle of rounds of negotiations on the issue of international trade with the resulting creation of the WTO, which is an international organization like the International Monetary Fund (IMF). This organization has a legal status and a role that we may call part of the 'holy trinity', with the IMF and the World Bank.

Doudar summarized the main elements of the new world economy:

The world economy differs from the past in the marked division of labor between different countries in production, industry and agriculture. In the past, countries tried to have diverse production, today they are producing only specific items. Not only that, but the present phase of capitalism has shaped the world economy so that a country may not even produce an item of a manufactured good in its entirety. Production is so integrated that different stages of production may be done in a different country.

The world economy today tends to be monopolistic. Global corporations lead a production trend that is created in the following manner: a series of specialized units that, put together contains the whole economic process: financing, production, and distribution. The unification of the world markets increases this trend.

The world economy today continues in its trend of integrating its sectors in a unique economic and legal structure. The monetary system has been integrated, with the US dollar in the pivotal role. The debt system, controlled by the IMF and the World Bank, is also integrated. Nevertheless this trend of integration doesn't exclude conflict. Quite the contrary, the increase in the competitive drive leads to the increase in conflicts.

Within this context of conflict in global capital, the world economic system tends to favor economic mergers of corporation in order to increase the capacity for market control.

This trend in the integration of the world market is creating a contradiction between the global monopolistic interests of corporation and certain countries that aim at preserving, or achieving, their national interests.

Lastly, the main characteristic of the present system is the crisis that has persisted since the 1970's: overproduction followed by recession. It is an indication that the system has not managed to use adequately the existing labor resources and productive potential.

Douidar summed up the philosophy of the WTO:

Betting on the global market to compensate for the saturation of industrialized countries' markets and the opportunity to profit from new technology while avoiding its transfer to developing countries.

Reorganizing the economy in order to secure the free flow of capital and the expansion of the market.

The institutionalization of international market regulations to secure the primacy of developed countries' capital.

The factors that pushed for the gambling, in international trade organization negotiations, are: the neo-liberal trend, the importance of new technological advances and the comparative disadvantage of the South.

In the same times four factors/issues were import in these negotiation: the need to organize the international trade in goods, the need to organize the trade in services and transfer of technology and the need to tackle the issue of the work force as a product of trade.

## **Second Session:**

**President: Francois Hutart, Center Tri-Continentale, Foreum des Alternatives.**

**Roberto Bossio**, Social Watch Executive Director spoke of what is going to happen in the Doha round of the WTO negotiations.

He compared the situation to George Orwell's 'double-speak': Words meaning the contrary of what they are supposed to.

Globalization means we are going to face the first global recession. Until now, it was countries or regions that had recessions, that is, before September 11. It is being said that the opening of a new round in Doha would counteract this global recession in which is a major threat to the lives of millions. According to the International Labor Organization (ILO), 140 million people will lose their jobs around the world. Now, Doha is about to start trade negotiations that, even if time-bound, will take 3-5 years before they achieve any results. By that time, the recession will be over. There is no link between the Doha round and global recession, yet, counteracting the recession is being used as an argument by the press to pressure delegates in a form of a question: 'Are you going to be responsible for the losses of these jobs?'

Second, Doha is not about terrorism. Nothing related to oppression or human rights is on the conference agenda. So, opposing the new round is not supporting terrorism. We also tend to think that Doha is about trade, in fact it is in many ways not about trade at all. The philosophy is that free trade is good for everybody, a declaration of principles everybody makes at first, but the saying in Geneva goes, 'It is like heaven, we all want to go there, but not yet, maybe we want our enemies to go there before us.' The WTO is not about free trade, it is about how to negotiate

free trade and what areas to protect. It has always been a club for the rich. The areas of interests to the developing countries, like agriculture, textiles even oil were not in the WTO and they were handled bi-laterally with the former colonial powers. That is why, in the 1970's the slogan was 'trade not aid: open your markets to our products, let us work and we will not need any aid.' These markets were not opened until the Uruguay round of 1986. This lasted 4 years. The idea was that trade is finally going to be discussed. But, with that round, it was clear it was not about trade anymore but about trade-related issues. Now any human activity is, in a way, trade-related. The issues picked up for discussion were intellectual property, services, investment, etc. Migration and labor are also trade-related, but they were excluded.

The WTO is a binding agreement. It has teeth. The problem is that the trade rounds have become international criteria, international laws have to be ratified. This is a difficult task. The terms placed by the IMF are, like the Mafia, that you cannot borrow money without accepting the conditions.

The whole process is very undemocratic. Theoretically everybody has one vote, so the Third World has a majority. This, however, has never been the case. It was replaced by consensus. In other words, a small group of countries meet and decide then give five minutes to the rest to decide whether to accept or not. It is a way to apply pressure. No country is going to stand up and say we are against the 'consensus'. The WTO also attempts to introduce new issues as subjects of study groups when faced with opposition, despite the fact it is not a research organization. That is how the Uruguay round was organized. In Doha, if this is attempted again, the outcome should be like Seattle. 'In Seattle, for the first time, ministers, not only protesters, said no.'

**Mohammed Raouf Hamed**, professor of pharmacology at the National Organization for Drug Control and Research in Egypt, spoke about the impact of TRIPS. He began by clarifying some misconceptions.

TRIPS is not new, it has been around since 1988 and had been given to the secretariat of the General Agreement on Tariffs and Trade (GATT) by multinational corporations despite the fact that, as non-states, they are not members.

Practically at the same time that it happened, the US passed a law imposed sanctions on countries that did not abide by TRIPS's rules.

There is a belief that the North will give technological assistance to the South. This is a mistaken belief. They will give assistance to implement the agreements.

In 1989, transfer of technology was supposed to be agreed upon in negotiations that lasted 10 years (1979-89).

In 1995, Zbigniew Brezhinsky, the National Security Advisor to US President Jimmy Carter, said in a 500-strong meeting that the global economy can be run by 20 percent of the world work force.

Multinationals say that it is too hard and complex for the South to produce the required medicines. But studies showed that the cost of creating new medication is always overpriced and that some small countries, like Cuba, have managed to do what the multinational could not.

He indicated that the cost of lobbying, for example, also determines cost of medicine research. Patents can be put aside if governments have the political will to do it. There are generic drugs that can be made, but that would lead to lowering the prices of the drugs to their real prices and will cut into the drug companies' profits.

Hamed turned his attentions on what changes should be introduced to TRIPS.

There should be transparency concerning the real costs of research in order to evaluate how much the patent should last, since royalties are paid for the inventor so he can invent some more.

Traditional medicines should not be patented. It is not acceptable that a company can forbid the use of a particular traditional medicine on people who have been using for centuries. If a company introduces many changes in the manufacturing of the medicine, the developing country should get 25 percent royalty and if the changes were minimal, it should get 75 percent. If a country patents a medicine it should be considered that it is patented to all member states of the WTO.

- i. Companies should not have complete freedom in pricing.
- ii. The WTO itself should play a role in resolving conflicts between developing countries and developed countries and their companies.
- iii. Life forms should not be patented.
- iv. Government should have the right to produce medicines in health emergencies.
- v. Patents for essential life-saving medicines should be held by international organizations.
- vi. Patents held by developing countries should be allowed to continue, without the erroneous notion that the North uses every time, that developing countries are using knowledge taken from western companies.
- vii. There should be clear national policies concerning medicine and health as well as policies on intellectual property that should not be in contradiction with the needs of sustainable development.

Hamed concluded by saying that 'we do not need the WTO, but we need a World Economy Organization and before that a World Knowledge Organization'.

## GENERAL SESSIONS: 7 November 2001 Globalization

### First Session

#### President: **Mahdi Al Hafez: Arab Institute for Economic Research**

The second gulf war was a turning point for the Arab world according to **Izzat Abdel Hadi** of the Bisan Center for Research and Development in Palestine. The foreign military presence signaled a new facet of globalization. The September 11 attacks will undoubtedly leave their marks on the region.

Abdel Hadi noted that globalization could be either the ticket out of underdevelopment, or a fatal danger. Bad globalization, unequal globalization, is not an unchangeable destiny? it all depends on political, social and economic policies and on the ability to influence events.

'This is a call for all activists, intellectuals and organizations to formulate a clear-cut program that will allow us to influence events for the benefits of local communities'.

Taking the Arab-Israeli conflict into perspective, Abdel Hadi pointed out that an unjust solution to the conflict might lead to either an independent Palestine or the maintaining of tension in the region and thus the elimination of all hopes of sustainable development. All UN resolutions point out that foreign military occupation is a hindrance to social and economic development. These are not trivial issues for the Arab World, there are foreign troops in the Gulf and Iraq is under embargo. These are aspects of the militarization of globalization.

Any solution to these problems will not only have an impact on development but also on democracy, taking into account the fact that the legitimacy of Arab regimes are put into question. 'We should concentrate on the structural side of the society and the economy,

in addition to political reforms and the cultural level. In replying to Islamists, we should try to reach an acceptable identity within a democratic framework.'

Abdel Hadi argued that we need a dual strategy. 'On one hand, we should work with local communities and mobilize them to voice their demands, on the other, we should be able to translate these demands into effective official policies'.

Speaking about the role of NGOs, he indicated that the most urgent task is to release information since it is unlikely that local communities know anything about the WTO. It is up to civil society to inform local communities about it and its impact on their lives. Information is power and key to the participation of people in decision-making. There should be a debate on trade issues in the Arab world. Civil Society should transform challenges to opportunities. It should also be clear about its positions, since there is no clear relationship between political parties and NGOs in the Arab world for example.

**Lindsey German** brought the greetings from the anti-war movement in the UK. She argued that in the last decade we have seen the Gulf War? the destruction of Iraq through bombing followed by ten years of sanctions. The Yugoslav War was no different, when it ended it was revealed that the Yugoslav army emerged intact and the only damage had been to civilians.

If we look at the world today we can see that there are two regions where normal life cannot be restored: Iraq and Kosovo. The people in Iraq suffer from shortages of food and medicines. In the Balkans we now have two effective colonies, one in Bosnia and the other in Kosovo, run by the western powers. The biggest US military camp outside its borders is in Kosovo. This means the chances for peace

are remote ? actually, the conflict is overflowing to Macedonia.

To justify the war in Afghanistan, big words are being used in the UK and the US, 'the war against terrorism' as well as 'the war of civilization against barbarism.' She argued that if this was really the case, then there are other, better examples. Israel, for one, should be called 'terrorist'. The Prime Minister, Ariel Sharon, is the best case in the world to be tried as a war criminal.

Since September 11, every domestic conflict has been labeled 'a war against terrorism.' The Indian government has stepped up the war in Kashmir, Russian like-wise in Chechnya and of course the Israelis in the Occupied Territories. If it is a 'war against terrorism' then why, when the British were fighting a so-called war on 'Irish terrorism' in Northern Ireland, did they not bomb the Irish capital, Dublin like they are bombing the capital of Afghanistan, Kabul?

The truth is that when you look at what is going on in the world, the question of double standards comes up. Harvard University professor Samuel Huntington can write a book called 'The Clash of Civilizations' where everybody is less civilized than the Americans. Interestingly the author is the inventor of the idea of carpet-bombing in Vietnam more than 30 years ago. Now, the same B52s are carpet-bombing Afghanistan in the name of civilization. Iraq is classified as a rogue state but, the no less deadly Turkey, is not because of its ties to the US. We don't hear of women liberation and human rights when talking of Saudi Arabia, because it is the close US ally in the region and controls a massive proportion of the world's oil.

To explain the situation, German said that the magic word is 'oil', if we look at the wars of the last ten years, they are either about oil or about the routes of oil pipelines. Afghanistan is no exception. Pipelines from parts of the former

Soviet Union are planned to go through the country. People laughed when we said that the Kosovo war was about oil pipelines from the Caspian Sea that come out of the Black Sea and the Mediterranean Sea. Since the end of the war, there has been an agreement for a pipeline through Macedonia to Albania.

Concerning the Taliban regime, it is appalling, but it is up to the Afghan people to decide what to do with it. The bombing of a country makes the regime more secure in the minds of the population, not less secure.

As for the arguments being used to justify the war, German said that it is reminiscent of the old colonial discourse. Globalization has a military wing in the sense that there is a constant drive towards the arms spending. Bush's Star Wars weapons program has had a terrible cost on ordinary Americans, millions are without health care. This is another indication of priorities in the system in which we live.

German said that 'the slogan of the anti-capitalist movement is that there could not be no McDonalds without McDonald Douglas, and what this means is that you can not have US economic power without the military to back it up when things go wrong and this a very strong feature of the globalized capital world in which we live'.

'The fight against globalization and the fight against war are closely connected, we must oppose imperialism on one hand and to state all the time that our world is not for sale'.

**Christophe Aguiton** of French anti-globalization movement ATTAC-France, said that the Gulf war is the starting point of a new globalization cycle. After the collapse of the USSR many people thought it meant the return to a multi-polar world. In fact, the US military intervention in defense of its regional allies Saudi Arabia and Israel means that there is but one choice, one way, and one who decides.

He indicated that after the war this incredible military power was used for economic goals. They forced Japan to open its markets. They imposed the paradigm of the information society to open the world markets in three sectors: the computer industry, the telecommunications industry and the entertainment industry. During the 1990s' these were the main sectors of growth in the US. Now that they have stagnated, there is a new war.

According to Samir Amin, the first phase of globalization ended in the middle of the 19th century, the second phase was between 1846-1879. The end of these phases were caused by a deep recession that led to mass social movements, which in turn, led governments to safeguard their power by introducing high taxes on imports. This opened the phase of colonialism that led to two world wars.

Today we are in a similar position. There is a world recession and an economic crisis. We are also in an age of big social movements and phenomena like Osama bin Laden. But the same causes will probably not produce the same effects, because their objective is to maintain globalization. Our camp should follow the parallel path. The first phase of globalization [until the mid 1800's] was also the first phase in the building of a world movement, the first workers international. Aguiton pointed out that today the world is facing a double challenge. The first is the challenge of the system in crisis, the second is the challenge of building a social opposition.

He said that if globalization is to continue, the demands of the social movements have to be met. The strength of the anti-globalization movement shows through this forum, organized after the September 11, and in the fact that Europe had four big anti-war demonstrations, thus signaling the linking of the anti-war movement with the anti-globalization

movement. This can be used to link new movements to old issues of conflict in parts of the world like Palestine, since it is not possible to solve the world crisis without the resolution of major conflicts. An international alliance must be built, maybe it will take place in Porto Alegre 2002.

**Mr. Samir Amin**, chairman of the Forum of the Third World, considers that the first stage of globalization took an end at the middle of the nineteenth century, while the second stage was between 1846 and 1879. The reason was a lasting wave of recession that resulted in the emergence of a great deal of social movements that pushed the governments to protect themselves through imposing high taxes on import. This has opened the door for colonization that ended by the break of the two world wars.

Today, we are living the same circumstances. There is an international recession as well as an economic crisis. We are also living an era of great social movements and of a Ben Laden phenomenon. Nevertheless, the same reasons may not have the same impacts, because their objectives are based on safeguarding this same globalization. Our camp has to follow the parallel way. The first globalization stage (until the nineteenth century) was also a first stage in building the worldwide movement i.e. the first Labor World Movement. Mr. Aguiton has noted that the world is facing today a double challenge; first, the challenge of the system through its crisis. Second is the challenge of building a social opposition.

Amin said that if globalization had to persist and continue, the social movements must accompany it. The strength of the anti-globalization movement lies in organizing this forum after the September 11 events, like in Europe with the four big demonstrations against

war. This shows that the movement against war is linked to the movement against globalization. This may be used to link the new movements to old issues in existing conflicts in some parts of the world, such as the Palestinian issue, because it is impossible to solve the world's crises without solving the biggest conflicts. It is therefore a must to build international alliances, and Porto Allegre 2002 may be the right place for that.

According to **Munir al-Himsh**, from the Bureau for Studies and Research in Syria, the nation-state is a nation with delineated and internationally recognized territorial boundaries and is not the private property of a ruling family. This means that it is a recent phenomenon, where sovereignty is recognized between states as exemplified by the treaties of non-interference in internal matters. In turn, these treaties played a role in solidifying the authority of the state on the land and the people.

Al-Himsh started his presentation with an introduction to the concept of the nation-state. The emergence of the nation-state in the 18th century was in concordance with the industrial revolution, which permitted capitalism to shape a new society. In this new society, market mechanisms were introduced to supply the consumers' demands. The nation-state protected capitalism and helped to develop it to the point of permitting the oppression of workers. The bourgeoisie then managed to achieve the formation of the nation-state which in turn developed capitalism and in that process shaped the economic role of the state, helping capitalism. That role passed through three phases:

The first phase was of mercantile capital accumulation and industrialization.

The second was the mercantile period. The state expanded until the end of the Napoleonic

wars, where several factors combined to weaken the economic role of the state like the end of capital accumulation, the conflict between the merchants and the state and the rise of Adams Smith's theories of free economy. The third phase, that of the period between the First World War and the Second World War, the great depression, saw the return of the State with an active and direct economic role.

Al-Himsh said that after the Second World War three state models emerged

The Keynesian State in the West, made big progress in technology, science and production.

The Socialist State in the East, made great progress in social aid and growth rates.

The developmental state in the developing countries, which faced many difficulties and ended in the debt trap.

In the seventies, the industrialized countries of the West were faced with severe economic crises that led to the gradual abandoning of their Keynesian model and the rise of neo-liberalism. At the end of the 1980s, with the fall of the Berlin wall and the collapse of the USSR, the socialist model disappeared. That gave the rare opportunity for neo-liberal capitalism to declare victory.

Al-Himsh argued that globalization is the interconnection of politics, economy, culture and social issues without consideration either to national sovereignty or to governmental policy. Globalization is, thanks to the technological revolution, a group of state-reductionist economic policies that would open markets for investment capital accumulated in a phase of recession. The implementation of these policies demands the marginalization of the state. The sovereignty of the nation-state has an internal dimension, the complete authority in legislative matters and their enforcement, and an external one, the capacity to avoid intervention in internal matters by foreign entities. Globalization is an external intervening process

that has through the unification of the global market marginalized the state in its national decision making capabilities.

The globalization discourse is based on the notion that the time for Nationalism has passed. 'Capital has at last freed itself from national attachment, 'economy is free from politics', etc. The latter also represent the core content of this discourse. The WTO as one of the institutions of this 'freed capitalism' is pushing hard through its agreements to strip the state of all its sovereignty. The economic role of the state has sharply decreased but there is no indication that the nation-state is about to disappear.'

To conclude, he said that September 11 brought security factors in the mix, which led to the Security Council resolution on terrorism. That law tries to curb the mobility of 'terrorist related money,' which is the opposite of what globalized finance demands. 'This may mean the end of economic liberalism as we know it.'

**Samir Amin**, president of the Third World Forum, refused to separate economy from politics or economic globalization from its various political manifestations. He also pointed out that most economy policy makers and technocrats in the Arab world do not share this stand. They think that economic globalization is not bad and that what happens in the political sphere is something else and that it has no bearing to it. While military globalization started since the Gulf war, it is necessary to implement the economic side of globalization. He agreed with Aguiton that the US managed to impose its hegemony even on its allies. But this hegemony, this violence in international relations will create resistance and not in the positive sense. He argued that resistance could be a negative reactive one, which serves as an objective ally to military globalization. External factors alone cannot explain these negative

reactions, internal social political and cultural factors play a role.

Amin noted that the question of national sovereignty is not just a question of the impact of capitalist globalization in its last stage, but also a question of contradictions borne out of a long historical process between the nation-state and demands such as human rights, political rights and the various social rights. This is a new phenomenon. Until recently these rights and demands were considered internal, national matters not international ones. The way to face this contradiction is to strive for a global law not an international one. A law that supersedes all national laws, a law that safeguards sovereignty and human rights, both political and socio-economic.

The real challenge is what we call 'the clash of civilizations' ? the clash between two sides that have a globalized nature in an unbalanced power scenario. The first side is multinational capital that has global hegemony and the recognition of regimes, political currents and economic institutions (like the WTO). This leads to common interests between the US, the EU and Japan despite secondary contradictions. This side is well organized. The other side is the peoples of the world in general. This side is not organized. It lacks institutions even in comparison to the past (the International). But that doesn't mean that these forces don't have potential. On the contrary, in the last ten years, these forces have imposed themselves and cannot be ignored anymore ? which explains the attempts to 'criminalize' them through different means.

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## **Second session:**

**President: Georges Corm:**

**Former Minister of Finance In Lebanon**

**Raphaella Bollini** from the ARCI Social Forum network in the Italian city of Genoa began with an introduction on the Italian Movement for the Globalization of Rights, formed of social movements, NGOs, trade unions and political parties. She said that the movement is not a new party but a network that is based on a tradition of involvement for peace and international solidarity.

Bollini pointed out that 10 September will be the anniversary of the universal declaration of human rights, which is approved by most states but is daily destroyed by economic power. She said that it is our task to make this declaration a kind of banner.

She also said that we need positive symbols, the anti-globalization movement is full of negative symbols: WTO, IMF and even the 'anti' in its name. We need to fight these institutions, but we also need to fight for our 'rights'. We need to build our identity not only as protesters but also as defenders.

Bollini noted that the human rights declaration is the basis for other declarations made by the UN. The idea of rights is being broadened. We need to defend these declarations, because if we want a world with human rights as a priority, we need the institutional tools for it. We also need the power and the tools to be given to these institutions so they can defend human rights everywhere. Concerning what is happening in the US after the September 11, she said that there are gross violations of human rights of thousands of people.

She reminded the audience that in Italy, three hundred thousand marched against the war, for the defense of human rights and against terrorism. The demonstrators also called for international justice and a new UN system ?

because the UN is a disaster. It is dependent on big powers, is weak and full of bureaucrats. Nevertheless it is the only system we have, but its reform is not enough. A sort of revolution in the system is needed. This is something we have to fight for.

Bollini said that the anti-globalization movement is going to Porto Alegre to try and build a world coalition with the aim of changing the UN. This could be by demonstrating in front of the UN building telling them that we are global citizens and that it needs to change because of it.

Finally, she indicated that the Italian movement would spend new year week in Jerusalem calling for a UN intervention force in Palestine.

The capitalist system, according to **Awatef Abdul Rahman**, the President of Cairo University's Department of Journalism, has been named globalization because of the technological revolution. It allows the world to be linked up in a 'global village'. Technology is, as is economics and politics, a face of globalization. The information and communication revolution is the third cycle of civilization in human history, after agriculture and industrialization.

She said that if we consider the multi-national corporations as the first line of penetration of economic and political boundaries of the weakened state, then we should consider a parallel line of penetration, that of all the communication and information tools (satellite, phones). These technological tools are the makers of the virtual economy. Their function is to render capital mobile. The role of these tools is to ensure the unification of tastes and historical memory ? to make it serve the market and the market ideology. Communications is an integral part of international trade, 18 percent to be more precise.

Rahman indicated that the communications

sector has replaced the school and the family as the teaching model, with the aim of conditioning and transforming people into consumers for the global market.

As for advertising, Rahman noted that it is not only an excellent propaganda tool for market ideology, but also a means for cultural penetration. The more economically powerful cultures penetrate others and transform them into their likeness. Technology made more information possible but the information is more of the same, or worse, even if it is more diverse than before. She indicated that political institutions and political life are becoming more and more dependent on new types of information, TV polls in the electoral process, for example.

Rahman said that one positive impact could be the international nature of the news ? any news can become world news. But the gap between the North ? were all of the communication and international information companies are to be found ? and the South is huge. One of the victims of this phenomenon is collective communication ? communication between the people. The new system is based on individual interaction.

She said that we should not forget that national sovereignty in the media is also undermined by the communication revolution. Even in undemocratic countries hegemonic control has passed into more dangerous hands. Finally, Rahman pointed to the marketing of a 'central culture' ? the American one ? destroying many diverse cultures along the way.

As for the process of the new communications revolution, Rahman noted that it has not been able to eliminate censorship ? an example would be what is happening in the US right now. Neither has this process offered diversity nor knowledge. More channels do not necessarily mean more choices. Too much information supply means too little intellectual

processing.

Rahman also spoke about the problematic nature of technology transfer to the South and the challenges the communication revolution have brought about in technology. She clarified that while culturally it is as dangerous, we should be careful that when we say 'the US', we do not mean that it is a specific culture. We use the term to mean a consumer culture ? a market culture ? that produces the majority of this globalized culture.

Rahman concluded by noting that even industrialized countries refuse to include culture in the WTO because that would mean the total transformation of culture to a mere product to be traded.

**Reda Goueia**, Professor in Economic, Tunis concentrated on three points; the literature on globalization and its impacts, economic understanding of globalization and the social and economic impact on the Arab World.

Goueia said all the literature on globalization agrees that it is a manifestation of a number of radical changes but differ on the date of emergence of this phenomenon. Some consider that this is an old one (19th-18th century), a contemporary of the industrial revolution. Others think it is a more contemporary manifestation linked to the technological revolution in the communication sector.

The economist's understanding of globalization goes across the spectrum. Some are enthusiastic of all its facets others evaluate it positively while others consider it to be a new form of colonialism and imperialism. He said that between them we might find those who do not have a 'black and white' analysis, but who tend to perceive more negative impacts or more positive impacts. Some have divided up those impacts into various sectors: globalization of poverty, globalization of finance, globalization

of production, globalization of culture, etc. These analyses furthered the understanding of the sectoral impacts of the phenomenon, but at the same time, rendered the understanding of the process more vague. This is why many analysts insist on the 'global' nature of globalization, which could not be segmented. Nevertheless there is a difficulty in analyzing it because it is an ongoing process.

Gouveia summarized the different manifestations of globalization in the following points:

- i. The speed in the globalization of capital: in the year 2000, direct capital was \$1300 billion, a rise of 18 percent, while in 1969, the direct capital was \$1075 billion.
- ii. The growing role of multinational corporations is a direct cause of the increase of competition in the world. These corporations have technological, financial and human resources to the point that they no longer perceive the world as a group of countries, but as a whole.
- iii. The rapid expansion of international trade in goods and services.
- iv. The rapid harmonization of laws and rules in the world.
- v. The rapid globalization of production. Around 55 percent of the Sony Corporation's workforce, for example, is outside of Japan.
- vi. The rapid globalization of consumption habits. The Americanization of the modes of consumption is apparent everywhere.

Gouveia indicated that the impact of globalization can be seen by analyzing some of the main weaknesses of the region, mainly the trade weakness, since, until now a unified Arab market has not materialized. Economically, Arab countries rely on commodities or natural resources (oil), not manufactured goods or services. He said that there is lack of technological capabilities and the inability to finance the transfer of technology and those who can finance the transfer of technology do

not have the adequate human resources. Inter-Arab tensions and conflicts is also a weakness. Lastly, he said, there is the institutional weakness of the state in the Arab World ? a fragile Arab world can only be weakened further from globalization.

Gouveia concluded that in order to fight the negative impacts of globalization we should mobilize locally and by link our struggle with similar movements around the world.

**Wenonah Hauter**, from Public Citizen and the Global Safe Food Alliance, stressed on the unity between the participants in the forum. Globalization affects everybody's quality of life. We can call it imperialism, the domination of nations by other nations, or the looking after the interests of the global elite. Today, force is exercised to protect global investors and their economic system. This hegemony is so strong that the developing countries have become a haven for capitalists.

Hauter noted that millions of people do not have a good quality of life. They live in slums. They are destitute. They suffer from diseases. Not just in the Third World but in the industrialized countries also. For example, in the US, 1 percent of the population owns 50 percent of the wealth ? out of a population 230 million, 35 million live below the poverty line. With this new war, social conditions are even more neglected because the money is going to the military. The welfare programs are not that adequate anyway, now they are being downsized or eliminated. Hauter noted that those most affected are the weakest and the most marginalized section of society. That translates into more death, more diseases and more poverty. She said that delocalization has shifted the labor market to small 'flexible jobs', which increased unemployment in industrialized regions. The resulting environment in the US has alienated most people from the political

system to the point that, for some, it is laughable to even call it a democracy.

On the subject of quality of life, Hauter said that this does not just mean the basic needs to survive. We should go beyond that to define what makes a high quality of life. Life as seen in the movies may be nice, but its cost is not shown:

- i. The cost is the changing climate with its negative impact.
- ii. The cost is in our food system that is being polluted.
- iii. Livestock for meat production are kept in large concentration camps ripe for bacteria. If that was not enough, the meat is full of chemicals. The processing moves so fast that inspection cannot handle it ? only 1 percent of the meat is inspected.
- iv. Out of fear of bacteria, meat is dipped in chemicals. Now they want to use radiation. Rather than solving a problem another one is created.
- v. The whole way of life is bad. No time to cook means junk food. Vacation, about two weeks per year, means sitting even more in front of TV.

Hauter noted that people in industrialized nations have the responsibility to organize and hold their government accountable for their actions around the world, but they also have to network with movements in the rest of the world to increase their strength and their efficiency. She pointed to the global movement against the privatization of water as an example. Another example is 'Via Campesina', a farmers' organization that not only defends farmers but also the quality of food.

Hauter concluded that the history of imperialism is also a history of rebellion and resistance ? which has never been stronger than today.

**Najat Rochdi**, from the United Nations Development Program (UNDP), talked about

the digital divide and the divide between the haves and the have-nots and their access to Information and Communications Technologies (ICT), information and communication technology.

Rochdi argued that the existing digital divide is a manifestation of an already existing social and developmental divide. It is a social problem, not a technological one. It exists not just between countries but also among people in each country. It is not as much a problem of access to technology as a problem of access to education, to health, etc.

Rochdi said that more and more people are part of ICT, meaning more information at a lower cost. She asked: 'Where do the Arab states stand on this issue?' Their contribution is so small that it does not appear on the chart. In addition, in Africa there are 14 million less phones than Tokyo and while one in two Americans is on line, one in 250 Africans is.

To bridge the divide, she said that we should use ICT to break down the information hierarchy through partnership between governments, NGOs, international institutions and the private sector. This partnership can set the stage for ICT development.

The NGOs are the front-line troops. They work in development and civil society issues with a large network of contact and knowledge of the community. The private sector has a social responsibility to fuel the growth of social development and governments and multilateral partnerships set up the framework and the infrastructure.

Rochdi concluded by warning that ICT is not the panacea of development problems but a tool to enable and accelerate the process.



## General sessions 8 November 2001 Resistance and Alternatives

### First Session

**President: Labid Abbawi: Al Amal Association/ANND, Iraq**

**Fakhri Karim**, Center for Socialist Research and Studies in the Arab World, argued that globalization in its neo-liberal 'American' context is the result of the gap in development between the North and the South, between industrialized nations and within capitalist societies themselves. This globalization cannot be separated from the loss of will in Third World countries caused by dark centuries that paved the way for colonialism and oppression.

To talk about the positive aspects of globalization on the Third World, that process should solve underdevelopment and the gap of wealth existing between North and South as well as the ignorance that lingers in the latter.

Karim said that since the world is divided according to wealth, the cultural expressions of globalization is going the way of the Americanization of culture. These expressions are not independent of the political, economic or military expression of the same process, but are the ideological basis of the same process. These expressions claim to be highly adaptable to other cultures, but are in fact destroying it.

Karim noted that cultural expressions get their capitalist legitimacy from the market and free trade:

- i. 20 percent of the world population own 80 percent of the world GDP and 84 percent of world trade. 358 individuals have more wealth than 2.5 billion people.
- ii. One in twenty people use the internet worldwide ? 10 percent of them are in North America that has 5 percent of the global population.
- iii. In India, one quarter of a million villages

have no phones.

- iv. Tokyo has more telephones than all of Africa.

Karim deduced that the darling of globalization, information technology, is causing the widening of the gap between rich and poor.

Advertisement is usually presented as a right to choose.

- i. In Germany, 10 companies produce 25 percent of all advertisements.
- ii. 90 seconds of an international add costs the average price of a European movie.
- iii. In Indonesia, 30,000 Nike employees put together make less than the sport-star Michael Jordan.

Pointing to the Arab World, Karim said that the 280 books translated each year make a fifth of the number of books translated in Greece and all the books translated to Arabic since the Abbasid period (10,000) amount to the number Spain translated in one particular year.

He concluded that these numbers refute the statements concerning the independence of these cultural expressions and of their humanist content. These "Americanized" expressions are not a source of enlightenment but are a direct cause in the maintaining of oppressive regimes in our countries. It is the same kitchen that makes people like Osama bin Laden and his ilk. Karim called for a regroupment of human resources in the Arab World in order to resist the increasing censorship, bigotry, post-modern tribalism and the deep silence that leaves our society without any adequate defense mechanisms. He believes that the challenge is to be able to mobilize the new generation with new means and spirits and face the dangers. We should not only content ourselves with forums and debates. A Mexican president once said 'poor Mexico so far away from god and so close to the US'.

**Jamal Hermez**, Amel Association/ANND,

tackled the issue of media strategies from the technical point of view.

The first example was the recent coverage of a negative report on Lebanon by the IMF. She said that the media was used to scare public opinion about the future of the Lebanese economy and thus able to pave the way for more direct taxes and potential sale of the gold reserves.

Another strategy is that of seduction, while hiding the real aim. A Lebanese example that applies is the signing of the TRIPS agreement where the media mirrored Microsoft's claim that it will open its regional office in Lebanon and hire locally. The media only focused on computer software and copyrights of books and music and did not mention medicine.

A third strategy is that of a condescending behavior: telling the audience that they are not smart enough. The case of the VAT illustrates this perfectly. The media presented it a modern tax, 'just like the West'. The logic was that if you want to be modern you have to approve of the VAT. If you do not approve, then you are backwards and your opinion does not matter.

There is also another variation of that strategy which relies on giving a large amount of information in hermetic wording, leaving the public with the feeling that it is unable to comprehend and thus unable to judge.

Selectiveness is an often-used tool. The media talks about parts of a given matter thus conditioning the response it will generate. One can also be selective in the type of media one chooses ? problematic issues are discussed in low circulation papers for example. This empty shell strategy relies on mimicking your opponent. This leads to everybody saying the same thing and thus devaluing the content of a particular opinion ? non-secularism and anti-corruption are the most common topics used by all politicians in power.

Another strategy is that of linking a particular

opinion to a specific group, thus creating an adverse reaction in other groups. Opposition to privatization is linked to communists for instance, forcing other groups to chose between identifying with communism or accepting privatization.

The simplest tool is silence, avoiding altogether a particular topic.

Interviews and debates can also be tools, choosing an inadequate opponent to weaken arguments you oppose. It is also an attempt to condition public opinion.

As a response, Hermez called for the launch a counter media campaign on the WTO. In order to do so, we should specify what is the target group of our campaign. We should formulate a clear and simple message delivered impartially and we should use specialists in a specific topic. We should carefully choose the type of media for each target group. We should focus on the hidden facets. We should use the strategy of fear but coupled with alternatives or solutions.

**Jihad el-Zein**, form the daily An-Nahar newspaper hoped that the Beirut Forum signaled the age of Arab participation in the anti-globalization movement because until now it has been very marginal. Unlike Latin America there is no social build-up in the Arab World like in the 1950's and 1960's. There are active social groups in Latin America, like the peasant movements, while here in the Arab region, peasant mobilization like that of Egypt in the 1940's and 1950's is nowhere to be found.

El-Zein indicated that September 11 pointed to active social strata that went against leftist expectations such as cultural Islamism in the Gulf. This is a challenge facing the anti-globalization movement in the West, Latin America and in the Arab World. How to take into account Islamic discourse into the movement? This discourse is pivotal today's

global struggle. How can integrate actively in the anti-globalization movement?

El-Zein said that Islam challenges the 'traditional' structures of anti-globalization. It is not sufficient to say that our struggle is also the struggle of Muslims. Shared poverty is not adequate appreciation for 15 of 19 suicide hijackers coming from Saudi Arabia.

In conclusion el-Zein hoped these questions will open a debate in the anti-globalization movement so it would contribute to getting the Arabs out of their marginal status in the movement.

According to **Philip Marfleet** from the University of East London it is now appropriate to talk about globalization from below, because it brings the center of attention to the question of resistance. The idea of resistance allows us to link issues that are often separated including globalization, imperialism, Palestine and the present war in Afghanistan.

He said that in order to confront globalization we need to confront the dominant powers ? those with the key economic interests of imperialism. If we are in support of Palestinians, then we have to question the whole process of globalization that rests on the denial of their existence, since Israel is an integral part of imperial structure in the region.

Marfleet focused on the contradiction within globalization. In the 1990's we were told that the new world order is going to bring social and economic advance for all and prosperity and harmony to the world without meeting any resistance. Critics were considered of the past. A decade later, after American scholar, Francis Fukoyama published *The End of History*, we find that poverty has increased in the world and so have conflicts.

According to the World Bank, the ratio wealth of the richest fifth to the poorest third in the 1990's was 30 to 1; today it is 87 to 1.

In the late 1990's the average African family

consumed 25 percent less food than the average American family did in the 1960's.

The eleven richest men have a combined wealth equal to the combined domestic product of India and China.

Although we might have expected that over the last 30 years the world would see some improvements, the World Bank statistics say otherwise. We are facing regression rather than integration. The world faces disintegration, especially in the most marginal states. Whole areas have imploded while some states have become disproportionately strong.

Marfleet asked: ?What does globalization mean? His answer is that it is an ideological notion, in the strict sense used by Marx ? ideas used to justify and perpetuate an unequal. Globalization needed liberalism in its attack on the state.

Marfleet noted that there is resistance to globalization seldom shown in the media and a relation between the aggressive policies of globalization and resistance. The first IMF structural adjustment policy was applied on Peru in 1974 triggering a massive strike against the IMF and the government. Since then, the phenomenon repeated itself, like in Egypt in 1977. These actions may be called patents of solidarity and imitation. After the poll tax demonstration in the UK in 1991, the black workers of South Africa imitated it and held a huge demonstration. This was possible thanks to the communication revolution of globalization and its tool, television. He said that a similar occurrence is happening with the Palestine coverage in Europe, sympathy is being generated for the Palestinian cause.

Since globalization is transnational it affects everybody, so the response also must be collective. People in England are campaigning against the war because it is in their interests ? they are fighting against neo-liberalism and privatization.

In conclusion, Marfleet said that Karl Marx was right when saying that capitalism, while spreading, created the first global system that brought great wealth to the world that could end poverty. But it only increased suffering. It also gave birth to those that resisted it. We should reinforce our links in order to increase our capacity of collective resistance.

**Fahmiyeh Charafeddine** from the Third World Forum asked: 'Why isn't there an Arab reaction, excluding the Osama bin Laden one, to what is happening now in the world? Why isn't there a position that shows that it is not either Bush or Osama bin Laden?'

She answered that the internal conditions of Arab societies are not yet prime. With this situation, it is not possible for social forces to emerge and lead genuine mobilization against globalization or against the regimes. Globalization from below put us to the test. First it puts us in confrontation with globalization of capital then it gives us an alternative, a globalization of people and finally it gives us the right response, against a global threat? defense can only be global.

Charafeddine said that we are in a new stage.

'We cannot content ourselves to oppose globalization on our own. We must be part of the wider mobilization. If the Arab response has been timid, it is because the social forces that should play a leading role are absent. We must honest with ourselves and try to pinpoint the problems that will do not permit the presence of objective conditions for mobilization.

'The results are reactions whiteout specified goals. The September 11 attack is a prime example. It is not an organized response to the state of affairs of the world with the aim of changing them.

Charafeddine believes that in the Arab World, living under repressive regimes, we need a lot of courage to call things by their name. 'After

this forum,' she said, 'we are called to learn the means of protest and dissent from other experiences. Here we are intellectuals and the civil society elite, but it is our responsibility to transmit the awareness as broadly as possible by the tools at our disposal'.

She argued that we should increase our networking ? especially in the context of the crisis of Arab political parties ? and transform our NGOs into pressure groups than could educate, build capacity and mobilize Arab masses.

'We have entered the 21st century', **Atef Kubursy** from McMaster University in Canada said, 'and we have been flooded with books proclaiming the end of history. The implications are clear, that globalization is inevitable and that it will move like a juggernaut, unstoppable, driven by a relentless technological change has crushed space and time and that we do not have no choice, no alternative but accept it, since it has the capacity to bring a win-win situation to all'.

Kubursy said that this position did not remain unchallenged. It was even said that this is not globalization and that we are not more globalized than the 19th century. It took the world between 1913 and 1970 to gain the same proportion of trade it had reached in 1913. In the 19th century, the world devoted 49 percent of its total savings for investments abroad and created a global movement of capital, the like of which we have not experienced yet. Computer technology is not more revolutionary than the invention of steam or electric engine.

Kubursy indicated that the profound change is in the institutions that have crumbled, like the state that could have prevented the blind effects of globalization. Ideology stands behind the emasculation of the state. Computers do not trade with each other, people do. They are subject to rules made by the state. It is political

will that is creating this phenomenon.

What is happening, Kubursy indicated, is the change of nature of governments that have succumbed to these globalized forces. The governments, less concerned with the lives of people and more with the approval of the markets, have become the protectors of capital. On the other hand, labor does not have the freedom to move to compensate the absence of protection of the state, while capital has mobility which gives it stronger bargaining power. The outcome of this is the gradual loss of Labor's social gains.

Democracy is being fundamentally eroded, he added. Democracy is limited and cannot be exercised on an international level, so globalization is undemocratic. So we must strengthen democracy where it is found, locally and where it is not found we must build it.

'The competitive dynamics are eroding the stability of the world. Globalization is not a force of fair redistribution. The few, who managed to exploit this phenomenon, benefit while the rest of the world is left behind'.

The US, he pointed out, moves \$53 trillion across its borders on a weekly basis, through networks totally divorced from the 'real' economy. That would explain why a strong country like Korea succumbed to financial crisis. The conditions imposed for joining the OECD dismantled all the mechanisms (e.g., the public planning board) of its economic success, so by the time the speculators came, the government did not have the means to resist them.

Lastly, he concluded that the WTO is asking the world to play in a rule-based system, but the world should ask whose rules are those and who is really benefiting from the formulation of these rules?

**Islah Jad**, from Bir Zeit University in Palestine, concluded the session by noting that

many studies stated that liberalization, while weakening the state, strengthened civil societies. It is classical liberal theory that is being applied today. But we can see that societies are being weakened too. Even more, we have seen a turn to non-civil society forms of institutions: like the family, the tribe and the ethnic group.

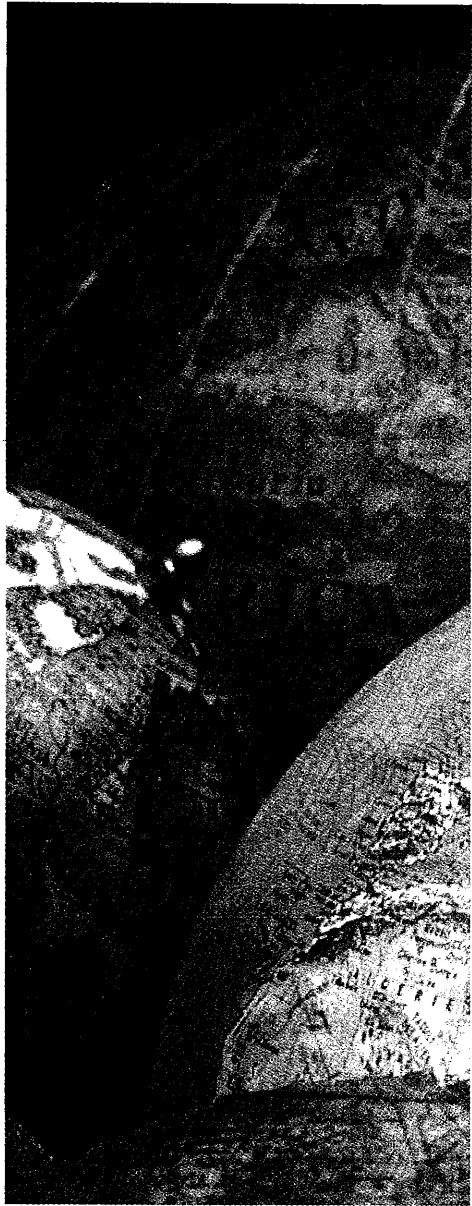
From this perspective, Jad states that the poorer classes and especially women were the most hurt from the absence of the state. Women in their productive role, in their health and their reproductive health are hurt from the absence of social services. With the absence of the state, women become victims of patriarchal authority, religious extremism and/or racial violence.

She said that the decline of the state in the Arab region started in the 1970's with the beginning of structural adjustment policies. At the same time, the state repressed any attempts to form civil society organizations, paving the way for traditional structures (family, tribe) to the point that this same state had to adapt to these structures to maintain its authority.

Jad argued that fundamentalism presented an alternative to globalization based on the rejection of consumerism and religious cultural specificity. Fundamentalism focused on women, who the West tends to treat as objects of consumption. In this context a question should be asked: Why did some NGOs concentrate on gender equality and women's rights before democracy? This separation between human rights and women's rights on one hand and between women's rights and social rights is detrimental. The social aspects of women's rights mean that a civil political struggle should take place to ensure their application. This separation between the political and social eliminates, theoretically, the perspective for a political party. So what is to be

done? Demand the return of the nation-state? The weakening of the state did not strengthen civil society.

She disagreed with what some believe that NGOs could play a mobilizing role as well as an educating one. To give an example of two NGOs in the Arab world, the Ibn Khaldoun Center in Egypt and the Palestinian Association for Human right, they both were clamped down on when they crossed the red line drawn by the state. That does not mean that NGOs do not have a role to play, on the contrary. On the other hand, we should not have illusions about rapid change and mass mobilization. The fragmentation of social groups resulted in a number of social movements emerging after successfully mobilizing their target groups. Even these social movements need to translate their social demands into a political program to maintain their initiative. But social movements are not the best vehicles for political programs; they still need parties to have a program of power accession. If we are critical of our parties, then let us make them internally democratic. If they are not reformable, then we should create new parties.



## Part 3 Working Groups



## Working Groups

6 November 2001:

### Group 1: Environment

**Vice Yu**, the WTO Program Officer of Friends of the Earth International, started the workshop by stating that the organization he represents is an umbrella for 68 independent national NGOs working for ecological sustainability and social justice. His focus is on the legal and technical aspects of the WTO agreements and its impacts on environment.

He indicated that in the charter of the WTO there is a preamble, which says that one of the primary objectives is to insure that, among members, trade takes place in order to promote sustainable development and to promote the sustainable use of resources in the course of trade. There are many references in support of that preamble. For example, the sanitary agreement regulates the extent to which a country can provide regulations which seek to promote human, animal and plant life, as well as health and environmental protection. The other agreement dealing clearly with the environment is TBT, Technical Barriers for Trade Agreements, which regulates how a member governs standards, such as packaging, labeling, product quality and other environmental considerations.

The next agreement he looked at is the agricultural agreement. The reference to environment can be found in article 20. Then there is TRIPS, with the article 27/3/b, which governs the patenting of life forms (micro-organisms). Also, the dispute settlement mechanism in of the WTO has an importance in our perspective.

Yu indicated that the WTO decision on environment and trade aims to look at the effect of trade on the environment. The WTO does

not take enough account of environmental factors. Because if you look at the structure, you will see it is an exception and not the rule. The general rule is that we push forward trade liberalization and, insofar as environmental considerations are taken into account, we view them as the exception. The priority is trade, full stop. For environmental regulation to be accepted, it should be the least restrictive alternative. The language is very well crafted in order to offer only the minimum, 'the minimum standards'. The WTO hinders the countries' capability in imposing standards under the logic that trade should not be hindered and that one country's product should not be favored over another country's product.

He added that public opinion and the desire for better health do not count for much, as long as there is a scientific opinion that disputes the health risks. It leads to contradictions between the WTO agreements and the Kyoto agreements on trade and the environment.

Yu pointed to the other substantive issue is the use of precautionary principles. The WTO does not recognize precautionary health measures. This is when countries, in absence of sufficient data, take precautions until acceptable scientific results are known. The WTO, by not accepting precautionary principles, leaves the door wide-open to genetically modified organisms entering any country 'like any other product'. A genetically modified (GM) product has the same 'market function' as the similar non-genetically modified product.

Yu pinpointed another issue that should be highlighted. It is the concern of many of developing countries about the use of environmental regulations for trade protection purposes. This is a legitimate concern. Developed countries can use those regulations to restrict imports from the Third World. We are facing a dilemma, on one hand, the demand to strengthen the environmental aspect of the

WTO and, on the other, the fear that these aspects will serve as tools against developing countries. At present, environmental aspects are emerging in the WTO, not through state-to-state negotiations, but by judicial actions through the dispute settlement system.

Then he concluded with the following:

'What (Friends of the Earth) International is saying is that it wants more environment in the WTO, but it is critical of the general rule exception format. All regulations in their formulation should take into account the environment in context, in impact and in implementation. Trade should not be tackled narrowly in policy-making but should be integrated in a holistic view: how it impacts Life'.

**Jeorgen Kneirsch** of Greenpeace criticized the plan of the WTO to have new regulations, environmental or otherwise, because the WTO should not expand the number of its regulations before evaluating its old ones. The WTO should concentrate on the genuine implementation of its existing rules such as the closure of developed markets to textile goods from developing countries. These are some of their most competitive goods and they cannot trade in them internationally because they have been arbitrarily excluded from the agreement. This goes against free trade!

The WTO, he stressed, should also concentrate on transparency and internal democracy. If it has the mean to sanction its members, they should enjoy full rights regarding participation in decision-making as well as guaranteed fairness. The logic is to impose on it the same transparency that it is demanding from its members.

Kneirsch noted that WTO rules are interfering with governments' compliance with the public need on environmental issues and regulations. GM crops have been banned in Sri Lanka, for example. The decision had to be reversed,

because according to WTO rules, the US said there is no scientific evidence to prove they are harmful.

He added that the WTO should not interfere with international environmental agreements, which should have sole regulatory powers concerning the environment.

Kneirsch concluded that the WTO should distinguish between the sustainable use of natural resources and their horrible over-use.

**Malek Ghandour**, of Lebanese Gathering for the Environment, pointed that, in the context of anti-globalization mobilization worldwide, the rulers had a violent reaction and that has environmentalist everywhere worried. They are wondering what are the plans of the policy-makers concerning the changes in the global environment. Today, the WTO faces these challenges ? greenhouse effect, ozone depletion, etc. Concerning the greenhouse effect, 80 percent of the countries of the world are for the curbing of gas emission. An exception is the US, which is probably the biggest producer of carbon dioxide in the world. In addition, the Montreal Protocol on the ozone is still ink on paper and the bio-diversity agreement faces the same outcome. Even the agreement banning the trade of dangerous chemicals and pesticides has not been implemented satisfactorily.

'What are needed are agreements on the environmental security of the world. Globalization may have positive sides like the bringing of people closer together, but it has also given a tremendous boost to unlawful economy structures'.

'Finally, if China joins the WTO, maybe the developing nations will have leverage in the organization'.

**Hala Achour** of Green Line concentrated on the impact of trade liberalization on the

environment in Lebanon. She summed up corporate globalization with a famous advertising slogan: The world is in your hands. Within this context of dominance by multinational companies, Lebanon faces many challenges:

Today, Lebanon relies on food imports to cater its needs (90 percent of needs are met through imports). That sets the pattern of consumption, which in turn has an impact on biological diversity and wildlife. This challenge will only grow when Lebanon joins the WTO and increases its trade liberalization.

The second challenge is the national debt, which is right now about \$30 billion and rising. This is the beginning of the vicious circle, where debt leads to IMF intervention, which leads to the encouragement of foreign investment, which leads to sidelining environmental protection for the comfort of investors.

All that leads to the third challenge ? labor. It is not so cheap and coupled with non-advanced technical capabilities, means Lebanon is not competitive.

She concluded by pointing out that, through trade liberalization, GM foods will enter Lebanon, thus endangering biological diversity and polluting the fauna and flora. Through that process, Lebanon could also endanger its natural resources ? its cost will be gobbled up by foreign invested tourist resorts at the expense of green areas. Finally, modes of consumption will increase thus causing increase in polluting waste.

### Discussion

The suspicion that environment is being used as an excuse to stop some exports from the developing countries has been insisted upon.

The question of banning chemical and nuclear weapons was raised as a priority in environmental protection.

### Group 2: Services

**Tetteh Hormeku**, from the Third World Network, talked about the General Agreement on Trade in Services (GATS) as an illustration of what developed countries managed to include, in the new trade agreement, what is beneficial to them and not necessarily for developing countries. Nevertheless, this agreement represents a compromise between what the developed countries originally wanted and the resistance of the developing countries. This case can serve as an example because, today, the EU is trying to pass a compromise on the investments issue, since the original plan met great resistance.

Hormeku indicated that GATS is problematic because services are not strictly a trade question ? the production of services is like the production of goods. The way you produce the services and the way you provide them become part of the goods themselves. Developed countries did not want that kind of interpretation of services i.e. as a tangible product. They focused on the way that services are offered. In health services, for example, they wanted the private sector to have the same status as the public sector. So, the question is not about health services but about who will provide it. This meant, for developing nations, the introduction of market standards in key social sectors. The market is taking the place of national and local government. In the developing world the market is and can only be one of the options because, locally, it is weak and needs developing. The market's only option would leave all the services in the hands of companies from the developed countries and at a price beyond the affordability of the local populations.

He noted that the shift is clear ? it goes from the original idea of regulating external trade to interference in internal governmental

policy-making, adding that, in GATS there are specific rules and generally applicable rules:

- i. The general applicable rules that must be applied at the moment of entry into the GATS agreement.
- ii. The Most Favored Nation rule that bans discrimination or, put more simply: 'What you give to one country you must give to the other countries.'
- iii. The national treatment rule that bans discrimination among companies.
- iv. Specific rules about specific areas or sectors you choose to liberalize.

Unlike other agreements, Hormeku said, it is not across the board ? Where you liberalize everything except what you specify. The limitations of the agreements are:

- i. It is basically liberalization and companies of developing countries cannot competitively offer services to developed countries in any of the sectors.
- ii. Even if competitiveness was present, it is harder for companies of developing countries to implant themselves in developed countries because of the latter's tougher legislation and because of immigration issues.
- iii. In the entire services sector, there is a domination by major companies, which renders the market practically sealed.

In fact, Hormeku concluded, it is not a 'fair' freedom of markets. The imbalance is not just in the agreement it is also in the dependencies and economic realities. Once liberalization happens, it is practically impossible to go back. Even if a country chooses what sectors it wishes to liberalize, the interconnection between sectors makes it hard not to expand liberalization in order to truly liberalize one sector. All that poses a threat to the idea of a public services sector at an affordable price for ordinary people.

**Benny Kuruvilla** from Equations Bangalore,

followed by stating that the reform of WTO agreements is based on peoples 'survival things' like water, education and health ? things that cannot be traded. Then, he added, that Tourism is also a fundamental issue because of a number of clauses in the GATS agreement.

He pointed out that the strategic importance of tourism can be shown through figures released by the world tourism organization: 60 percent of vacations were taken in Europe in 1995, by 2000 it had dropped to 56 percent and the estimate for 2020 is 46 percent. Like in most other services sectors, the North dominates tourism ? which is the big tourist supplier as well as the big tourism generator. Tourism in the South growing faster than the North. That shift explains the importance of tourism for the GATS agreement ? liberalizing so the tourist suppliers from the North can control and determine the development of this sector in the South.

Kuruvilla pointed out that 120 of 142 countries in the WTO have made a commitment to open up at least one of the tourism sub sectors, which are hotels, restaurants, tour operators, tourist guides.

He indicated that a very important issue is that the agreement is trying to increase the clauses that are applied across sectors like the following rule that is already being applied: the Most Favorable Nation rule. This leads Tourism to be seen as a huge threat to biodiversity, which leads to attempts to regulate the sector to insure sustainable tourism. These rules will be ratified in 2002 in the COP 6 conference (Sixth Session of the UNFCCC Conference of the Parties) and they will be in conflict with most of the commitments under GATS.

In conclusion, Kuruvilla stated, there is a proposal by developing countries that there should be a cluster approach to tourism. What this means is that the UN has a classification of tourism called 'the CPC' and every sector listed

in it should be taken into account. There are around 26 sectors connected to the tourism industry, including water, waste management, education and health.

Kuruvilla summed up by saying: 'This is unlikely to happen but it indicates what can happen.'

**Riccardo Petrella**, adviser to the European Commission and Professor at the Catholic University of Leuven, presented the general problematic of services as a distinct controversy of globalization. He started by noting that if one accepts the paradigm that we are in the service economy and that what is being talked about is the service economy, which has entered its stage of globalization, one is stuck in the logic of the WTO. Because globalizing the service economy must be organized as trade, since it is trading in time, where everything is interchangeable, everything is a transaction. An alternative paradigm must be formulated.

Petrella indicated that the question of water is being linked to the service sector based on two arguments:

- i. Water becomes a commodity and no longer a resource as soon as you transform it into a final service for consumption. Since it has a cost, you have to give it an economic value, thus transforming a common resource into an economic good. By becoming economic goods, they have a value, which is determined by price, which in turn is determined by market, which in turn is determined by etc. So, through services you transform nature's resources into economic goods to be treated like any goods.
- ii. Water is becoming more and more expensive leaving many countries and cities unable to get the sufficient financial resources to invest in infrastructure, in maintenance, in upgrading the quality in water waste treatment and so on. Since the private sector has finances, these

services are privatized. This pattern is legitimized, according to this argument, on the basis that the majority of people do not want to pay taxes ? therefore the state will cease to have financial resources. This argument adds that this will stimulate private investments, thus creating jobs (but the problem that it leads to privatization, which leads to loss of jobs).

Petrella argued that this logic starts from 'tax-reduction increases job creation' to 'water should become part of global services.' An economy regulated by this logic is justified by the conviction that public authorities are inadequate as a form of political regulation. The replacement is the private sector in the form of PPP (Public-Private-Partnership) where Public has the task to put the rules and to insure control, Private, as in private investor, is in charge of investments, operations and management.

In conclusion, he said that we should stress that water is a common good, a common heritage to mankind and not fall into the trap of national sovereignty. Water is a fundamental source of life, but this argument is not enough. We have to stress, also, that access to water is a human and social right. We also have to state our opposition to the WTO because—we consider that the financing of the provision of all goods in services to satisfy the human social rights to water should be collective without any private financing.

### Discussion

The position stating that water is not within the boundaries of national sovereignty raised some criticism on the basis that the same argument was used to justify privatization.

The 'legitimacy' strategy adopted by the World Bank and similar regional banks was detailed ? they entrust local think tanks to

produce papers demanding privatization deregulations and/or they organize meeting to parliamentarians and their staff explaining to them what legislative changes are needed.

The differentiation between the private sector and privatization as reform was mentioned: privatization was described as an ideological policy to facilitate the building of the power of multinationals.

### **Group 3: Problems of Implementation & new issues**

**Martin Drewry**, Christian Aid's head of campaigns, stated that for the first time, through the Jubilee 2000 campaign, people saw the issue of mass poverty as having political causes needing political solutions. This was significant since, for the first time, all the organizations that worked in development worked together making it possible to organize mass demonstrations around the world. Now it was vital, he emphasized, is to work on international trade as well as debt.

He explained that the Jubilee 2000 campaign formed an alliance of 25 organizations, called the Trade Justice Movement. What is being attempted is to reproduce the success of Jubilee 2000, which popularized economic concepts like poverty and debt. To make change in trade rules, you have to make it accessible to the mass public.

Drewry argued that the first step is a pin (a scale symbolizing trade and justice showing an imbalance) will be worn in order to initiate discussion in the streets. The symbolic use of these pins with mass movements can be very successful.

He indicated that in terms of public communication it was very difficult to make the issue into one campaign rather than many. It is difficult to go in-depth into segments of the WTO agreements because each issue demands a campaign on its own. Instead, the focus was on a simple message, using this analogy: the Driving Rules Handbook. People are asked to imagine what it would contain if the objective was not public safety but to get more cars into the road. Slowly, it becomes obvious how dangerous it can be to the lives of people. The outcome is that rules have to be changed. We need to link the campaign to poverty reduction aims.

Drewry stressed that the issue has to be made a political issue not an economic one, because a moral issue is easier to understand than a technical economic one. The issue of a global regulating body for poverty reduction and development is something that people can understand also. The logic used is when facing crime you don't ask that no crime is to be committed but you enforce rules.

He explained that the new tactics should be to try to focus the attention away from the WTO, the 'vehicle of choice', but a vehicle nevertheless. The focus should be where the blame lies ? the governments of the big industrialized nations.

Drewry added that people have been brought in who would not normally participate in radical movements ? this scares the governments even more.

He concluded that even in regulating multinationals and reforming WTO regulations the blame has to be attached to the governments of the North.

**Roberto Bissio** of Social Watch started by reminding the audience that, originally, the WTO was about goods going through international borders, but with the Uruguay Round some new issues were incorporated. In services, some investments measures and intellectual property. Ever since the first ministerial meeting in Singapore, the main industrialized countries started to push for the inclusion of more issues ? other investments measures, government procurement, etc. National preference or positive discrimination in government buying would be illegal, you cannot treat a foreign company worse than a national one but you can treat it better. This is an important issue, since the economy of many countries is driven by government procurement. He insisted that the concept of transparency is part of that. It sounds very democratic and

anti-corruption, etc. but this is not the case. The best example is the Fuji/Kodak fight. Fuji controlled the Japanese market and when Kodak entered that market, nobody would buy Kodak, because the Japanese bought Japanese and because Fuji had a large distribution network. Kodak considered this as unfair competition since making films and distributing them were two different industries, so in order for the competition to be fair, Fuji has to distribute Kodak films. Unfair competition can be anything. Culture can be also considered as unfair competition.

Bissio then followed by saying:

'The newest new issue is the EU proposition to introduce the issue of environment ? this will keep the environmentalist NGOs in Europe happy. In practice this is form of protectionism, an excuse for not opening their agricultural markets'.

He explained that Third World countries are saying that the problems of implementation should be considered. They signed a huge package and did not know the implications. There was an old GATT rule, 'special and differential treatment' (the heart of the concept of development), which meant that trade is good when done among equals and gives a protectionist exemption for emerging industries of the South until they can be naturally competitive. The WTO replaced this with the Most Favored Nation treatment, which means everybody is treated the same.

The rules, Bissio indicated, are so complex that they can only help the North. Agricultural subsidies and its gradual reductions is an example: the North can still finance that sector better than the South, thus giving them the advantage.

Bissio concluded that Third World countries consider their attempts to implement the agreements will increase social problems ? therefore, their position is that before starting

any new round 'we have to discuss the old issues.'

know their size and their importance, which will secure their impact.

### **Discussion**

The fact that protectionist measures can be hidden in environmental measures was stressed upon. There are other international bodies for human rights, for labor and the environment. The South considers that introducing clauses such as the environment in the WTO is protectionist, precisely since it cannot forbid any procedure ? it can only estimate the undue advantage and penalize.

It was indicated that the environmental measures only apply to export not production.

Other assessments were agreed upon

i. Environmental measures have been likened to social Darwinism as means to impoverish half the world population in order to eliminate it.

ii. The developed/developing conflict was debated because it hides the conflict between the haves and have-nots within developing countries.

iii. The question of the near-monopoly of the armament industry, which is very lucrative for the North, is important

iv. Expert analysis on why the system is bad and how it can change is found. A small number of passionate activists are also found around the world. What is needed is millions of people wanting change.

v. E-mail can be a tool to coordinate mass mobilization around the world.

vi. The numbers of people needed to make an impact is less than one would first think.

vii. Even if demonstrations were not covered in the media, the politicians would

#### **Group 4: Globalization of Trade and the Interests of the People of the South: Results of the Regional Seminar in Cairo, 23-24 October 2001**

Third World Forum President **Samir Amin** stated that the aim of the meeting is to discuss a statement to be sent to the media and to the WTO conference in Doha. The statement is designed to make the representatives of the South aware of the Arab World's a point of view. The letter that came out of Cairo expresses the opinion of the South on international trade and the demands of the southern NGOs to their government.

The letter is in two parts:

The first attempts to analyze the different problems and the North-South relationship in this globalized context, not much different from what Dr. Douidar presented in the plenary session.

The second and maybe more importantly, the formulation of proposals to the government representatives in the Doha meeting:

**Fahmieh Charafeddine** organized the debate around the main proposals:

- i. Prioritizing the issue of development in all the aspects of the WTO.
- ii. Recognizing the gap in development between the North and the South, thus all agreements of the WTO should take that into consideration in the implementation and the conditions of the agreements themselves.
- iii. Based on the two previous demands, the developing countries should be given the possibility to renegotiate previous agreements.
- iv. The issues of debt and technology transfer should be taken into consideration because of their role in development.
- v. The developed countries commitments, made during the signing of the agreements,

should be scrutinized.

- vi. The WTO should not open a new round of negotiations on new issues.
- vii. Certain fundamental sectors, education and health, should not be included in any form in trade related issues
- viii. The plan to further cut tariff rates on manufactured goods should be resisted.
- ix. The WTO's trend to expand its authority from trade to different sectors should be resisted.
- x. Transparency and democratic participation in the WTO should be given the utmost importance.
- xi. The membership of Israel should be frozen on account of its responsibility in the destruction of the economic infrastructure of Palestine and the other occupied territories.

#### **Discussion**

Two different strategies were debated: whether to reform the WTO or to disband it and whether a country should enter the WTO and advocate from the inside or refuse to adhere.

The second point in the debate was whether to adopt the Cairo declaration or to write a new one. A drafting committee was formed to prepare the draft version of the Beirut declaration to be discussed in the final session.

On the issues of the condemnation of the war in Afghanistan and on the suppression of the Intifada in Palestine, it was agreed that a second statement emanating from the forum would tackle the issue.

Nevertheless there was some opposition to the position adopted towards the WTO as too moderate. There was an insistence to take up the slogan: No to the WTO.

## Group 5: Agriculture:

**Irma Yanni** and **Riduan Munthe**, from Via Campesina, gave an overview of the impact of globalization on their country, Indonesia. They indicated that the majority of the population works in traditional agriculture. In the 1980's, the green revolution was started but ended in failure. In the 1990's, economic crisis hit the country so the IMF imposed privatization and the reduction of tariffs to zero. As soon as that was implemented, basic food imports practically flooded the market.

They also argued that the problem of globalization is that it is impossible to stop genetically modified seeds from entering the country. It was done to the main crop cotton. The peasants burned their crops because they were below standard. Peasant organizations are now suing the government.

They added:

'Genetically modified seeds enslave the farmers to multinational corporations, that is why we came to the conclusion that the WTO opens the door to the destruction of our lives and human rights, thus agriculture should be left out of the WTO'.

'The South is unable to buy food from the North thus in the name of food safety the WTO should get out of the agriculture sector'.

'TRIPS should be renegotiated. Liberalization should be stopped and agricultural reform should take its place. There should be an international debate on sustainable development'.

**Hassan Abbas**, from the Union of Lebanese Farm Workers, enumerated the impacts of globalization on agricultural workers:

- i. The future of the workers is linked to the future of the sector.
- ii. Globalized agriculture leads to the unemployment of agricultural workers.
- iii. Agricultural workers are the most fragile

group in the face of globalization.

- iv. The agricultural sector is livelihood of 35 percent of the Lebanese population.
- v. Food security is in danger if the sector is thrown into a big crisis.
- vi. The workers are even more impoverished.
- vii. The salaries of the sector are being reduced.
- viii. An unhealthy competition between the Lebanese workforce and cheaper foreign workforce is being created.

Abbas concluded that the solutions are:

- i. Support the agricultural sector by making it more competitive;
- ii. Open venues for agriculture in industry;
- iii. Create a public food reserve to insure food security;
- iv. Ban genetically modified products;
- v. Support farm workers in building cooperatives that improve their quality of life;
- vi. Form a broad coalition against this unfair globalization and for the globalization of social justice.

**Jose Bove** from Via Campesina noted that the agricultural rules of the WTO came from the US and Europe. These are the two regions with the biggest agricultural exports. Actually, their combined share adds up to the bulk of the international trade in that sector.

It isn't logical that new trade rules are imposed on the agricultural sector, he said, since 90 percent of what is planted in the world is sold where it is grown. Only 10 percent of the world's crops are traded internationally. This would mean that rules made for 10 percent are applied on the remaining 90%.

Bove then tackled the issue of subsidies. The US and Europe have the highest levels of subsidized agriculture for export in the world. They have a protectionist advantage over the rest of the world and now they want to use it. Everybody is treated equally in the WTO. That

means cuts in subsidies are on the same percentage rates; for example 50 percent for everybody, but in Europe a farmer receives \$3000 and no developing country could initially give this kind of sum to its farmers, thus the advantage for developed countries remain.

Bove stated:

'Europe's export subsidies are 129 percent of the world market price of the agriculture, that is why we are against subsidies for export and the right of each country to protect its agriculture.'

'So we in Via Campesina are going to Doha to make our voices heard'.

'Everyone should pressure their governments to stop it from giving in on that issue'.

'TRIPS is linked to food security it should be revised'.

'Lastly, we hope to get the support of farmers in the region for our common fight'.

### Discussion

- i. Via Campesina was evaluated as the best means of networking farmers around the world to protect their rights and safe agriculture.
- ii. Fair globalization was differentiated from the present market-aimed globalization.
- iii. Liberalization was considered as the most dangerous tool of globalization, because it has the greatest impact and because it hit all sectors.

## Group 6: Intellectual property rights

**Mohammad Raouf Hamed** an expert on Intellectual Property Rights outlined two hindrances or contradictions in the TRIPS agreement:

The first contradiction is that there is no specific time period in patent protection, which differ from country to country.

The second issue is a hindrance: the difficulty in obligatory patenting. The difficulties are both political and technical. Political because of the pressure from big countries on small countries. The reason is that the former stand to gain a lot. Taking this example, a patented AIDS drug from a company that can set its own price because of monopoly will cost between \$10,000 and \$15,000, while a non-patented drug would cost between \$350 and \$600. Worse, it is an occasion to patent the human body and life.

He indicated that TRIPS could reach the extent where a rich company can patent a traditional medicine that has been used by a population for centuries. The outcome would be that they couldn't use it anymore without paying the patent owner.

**Greetje Lubbi** from OXFAM informed the audience that her organization has been campaigning for the last six to seven months to raise public awareness around the world on the issue raised by Dr. Hamed.

She gave the following example:

Every year, two million children die of pneumonia, almost all of them in developing countries. Drugs giant Pfizer has good antibiotic for pneumonia, but it is patented, so it costs as much as in Kenya as it does in Norway, but Kenya spends \$17 per head on health care while Norway spends \$2,300. Kenya is not allowed to import from India an equivalent drug that costs just 20 percent of Pfizer's price. If the rules had come in earlier, it would also have been impossible for India to

even manufacture the drug.

Lubbi indicated that, unfortunately, the rich countries are blocking the attempts by the developed countries to reduce the harmful effects of these rules. If no advance on this issue occurs in Doha, it will further undermine public confidence in WTO.

Lubbi emphasized that US protection of patents threatens the lives of millions. The developing countries are asking for rules to be clarified and interpreted in a way that improves the ability of governments to insure access to affordable medicines. She added that the US is even opposing a special session of discussion and is denying that there is a problem. The big companies in that country are making \$36 billion a year from royalties and licensing, which account to half of the world's licensing and royalty fees.

Lubbi concluded:

'Now the proposal by a number of developing countries is to amend TRIPS. At the same time, pressure is being exercised, by developed countries, on developing ones to include similar rules in their national legislation thus binding them even more.'

### Discussion

Other TRIPS related issues were raised and discussed, like agriculture and genetic modification, its impact on health, food security and economic well being.

The impact on technology transfer and knowledge was also discussed.

The cases of Brazil and South Africa in their conflict with the big companies were raised as an example of means to pressure multinationals.

Cuba was cited as a country leading medical research that does not overprice its products.

## Group 7: Labor

**Kamal Abbas**, from the Center for Trade Union and Workers Services in Egypt, focused on labor clauses and trade because it is an essential issue of debate in the WTO. It is true that the organization seems to have accepted to leave this issue to the International Labor Organization (ILO), but this is not final yet. There is a discrepancy between the position of the North, which is for labor clauses in the WTO and that of the South, that is for keeping it under the prerogative of the ILO. At first, it seem logical, the North justifies its position on the basis that only the WTO has the implementation means through sanctions. The aim for example is to stop the South from benefiting from child labor with its lower wages that give an unfair advantage, not stopping child labor on humanitarian grounds. So the issue is not rights ? human, child, labor, or other wise, but competitiveness.

He argued that structural adjustment policies that are being applied in Egypt, for example, are an indication of the aims of the institutions of Globalization. Privatization went hand in hand with the targeting of social gains of the workers. The first gain to be lost was job security ? many workers became unemployed, or had an early retirement, or were even only offered a small sum of money to open a small business. These are many faces for the same outcome ? unemployment. All forms of social coverage were decreased, if not practically eliminated. Worse, in the name of fostering private investments, tax incentives were offered with the outcome being the creation of whole industrial cities where workers have no unions or labor laws to protect them. To put some numbers on this issue, in the city of Al-Asher Min Ramadan (in Egypt) there are 600 factories, only 8 have unions, six of which are with the consent of the owners (practically

appointed by them).

Abbas added that the logic of labor clauses should be that workers everywhere should have the same rights and protective measures. The danger comes from the movement of capital that accentuates competitiveness and sacrifices social gains.

He explained the following:

'We should be for keeping these clauses within the ILO even with all its shortcomings: inability to enforce measures, shared interests between two (governments and employers) of its three components and absence of any sanction capabilities. And in the cases, like Egypt, where trade unions are controlled by the state, the ILO becomes a threesome of shared interests (state-controlled unions, state officials, and the pro-government private sector). So, if we choose the ILO, we must reform it in such a way as to insure its independence from the forces of capital. Reforms should not stop here but should also include the unions. These unions worldwide were a product of era of the industrial revolution where the factories had a massive workforce in the tens of thousands. Today, factories are more numerous and with smaller workforce of hundreds. Unions have not taken into consideration a new phenomenon: working from the home'.

'On the positive side, Seattle proved that NGOs could carry the torch of representing the interests of the people and obtaining their demands. Also, it pointed to the increasing cooperation between NGOs and unions. There is a need for a higher stage ? for cooperation to a more permanent and integrated link. That is a necessary step in order to move from 'reaction' to 'action', from the defensive to the offensive. Common interests should be the bases for wide all-inclusive regrouping to face the challenges ahead'.

**Eugene Sensenig-Dabbous** from the

Diversity Center presented his experience in union-NGO co-operation especially on the issue of gender. He talked of the experiences in the developed countries where the issue of anti-discrimination has made a lot of progress, since open discrimination based on race or sex has been outlawed. In the 1960's, in the US, it was racist discrimination in the workplace that was the topic, then, in the 1970's, in the West, it was gender. In the 1980's, it was disabled people and in the 1990's, the topic of work place discrimination was centered on sexual orientation. Today, he said: 'We have moved a step further to positive action ? where you do not only outlaw discrimination but you try to make up for the past damage. After ages of discrimination, the question is how to give the victims a push so that the competition becomes fairer'.

Sensenig-Dabbous emphasized that Gender issues are not only a concern to women but men can also benefit. It is about a life balance. If women become more and more active in the workplace men can become more and more active at home, on the family front. It is not strange that in Europe women are pushing for that particular issue. In order for a woman not to sacrifice her career for the sake of the children, men should have time for them. Right now, it is a lose-lose situation.

He then stated the following:

'Today, in the EU, gender mainstreaming is the norm for all funding in all sectors. From gender, it will lead to diversity, in other words, fusing all areas of discrimination.'

'Today, through the bargaining power of the unions, the rebalancing of the life of a couple can be introduced in the work place. Not only that, European unions have noticed, for example, that they did not pay attention to gender issues in the past because they have not been sensitized to the issues since they are led by men. Today, in six countries, through the

initiative of the biggest leftist trade union confederations, gender mainstreaming through collective bargaining and other means is being introduced. One of the other means is to award employers who do not discriminate. Next year there is going to be a diversity award from the EU for companies that respect: race, religion, sexual orientation, disabilities, age and gender. That will give people a possibility to choose the products of a company that is respectful of diversity over one that is not'.

'Now, companies use their mobility to extract the most benefits from developing countries. How can one counter that? By applying 'global leveraging' ? in other words, using the progressive laws of the countries of origin of these multinationals to pressure them into changing their ways. So, if a company applies anti-discrimination measures in its country of origin, it will also apply it in other countries.'

Sensenig-Dabbous explained that the strategy is to pressure these companies where it becomes more beneficial for them to comply. In the South, however, there should be also a demand of equal opportunities.

He concluded by saying that if foreign companies introduced wage gender equality program, the domestic companies will be pressured to do so.

### **Discussion**

The presentation of the gender issue in the west was criticized on the ground that, in fact, as more women progressed, so did workplace flexibility with less time for the family as an outcome. While the parallel between the sexism of the company and that of the unions was also criticized as being unfair since that latter are fighting for shorter hours of work to the benefit of men and especially women, while the former are resisting these demands.

The debate lead to 'double-edge sword nature' of flexibility, actually, in most cases, flexibility is being used against workers.

The most fragile sector of the workforce is immigrant women, take the example of Sri-Lankan women in Lebanon, no one is trying to organize them in unions.

On the issue of NGO-union co-operation, the example of the successful movements of the unemployed in France was given.

The discussion also centered on the present weakness of the unions as an outcome of the disintegration of the working class as a class in its own right because of the severe changes and crises in the economic system.

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## **Group 8: Mechanisms of the WTO**

**Tang Xiaobing** of UNCTAD, presented the problems of implementation of WTO agreements. He indicated that, following the setback of the Seattle conference, there has been a wide-spread recognition of the issues and areas of concern of the developing countries deriving from the experience with implementation of the WTO Multilateral Trade Agreements (MTAs) and the need to address the issues and areas of concern with a view to reduce their impact on the trade and development of developing countries. However, the most contentious topic of discussions has been related to issues of implementation. While each country may have its own perception of implementation problems, he stated that these could be broadly categorized as follows:

Problems that developing countries face in implementation of the MTAs:

It is recognized that there has been a range of imbalances and deficiencies within the MTAs and the implementation of some of these agreements has caused serious concerns to developing countries. Some rules of the ASCM (Agreement on Subsidies and Countervailing Measures), particularly those relating to subsidies other than to export, appear to be biased against developing countries. Subsidies used by developing countries for development, diversification and upgrading of their industry and agriculture are actionable.

While more flexibility is provided to developed countries under agriculture and textiles agreements, developing countries' hands are tied up under the TRIMs (Trade Related Investment Measures), TRIPS (Trade Related Aspects of Intellectual Property Rights), and SCM agreements. As a result, developing countries have faced great difficulties in the implementation of their commitments under

these agreements and believe that these agreements are against their interests, as their policies that favor domestic goods are now incompatible with the multilateral trading rules. A number of developing countries have requested to extend the transitional periods under the TRIMs agreement, whereas some believe that systemic deficiencies in these agreements cannot be resolved even with longer transitional periods. A long-term view of development needs to be adopted and requires policy flexibility to address fundamental structural deficiencies in the economies of the developing countries.

As a result of previous experience in the implementation of some agreements, many developing countries view that certain provisions and panel rulings are against their interests, disregarding the structural inequalities among countries and aiming at maintaining the industrialization gap between developing and developed countries. In some cases, developing countries felt that they are under pressure to implement these agreements beyond the frontier of current obligations and commitments undertaken by them under these agreements, such as compulsory licensing.

As a result of their institutional constraints and the lack of financial and human resources, many developing countries face difficulties in meeting the various procedural and enforcement obligations of the MTAs. They feel that the transition periods under some of the agreements are unrealistic, with high financial burdens and economic implications for domestic adjustment.

Developing countries in general lack the capacity to challenge the unfair practices of others, particularly in the area of subsidies. As a result, over the past six years none of the developing countries have been able to make any counter-notifications in relation to measures undertaken by other members.

Problems deriving from the inadequate implementation of the MTAs by developed countries:

For many developing countries the major concern with regards to the implementation of the MTAs is that progress towards liberalization in specific sectors is lagging behind. In this regard, few agreements have given rise to as many concerns as the Agreement on Textiles and Clothing (ATC) given the great importance of trade in textiles and clothing for developing countries. However, the implementation of the ATC so far has failed to meet its legitimate expectations. After being in operation for more than 6 years, the committed progressive liberalization of quotas has not yet materialized in meaningful terms. As a result, only a few quota restrictions have actually been eliminated, leaving the great bulk of restrictions still in place.

The massive domestic support and subsidized agricultural exports by some developed countries have created serious imbalances in the rights and obligations for many developing countries under the Agreement on Agriculture. This is mainly due to the fact that export subsidies by developed countries have not been effectively reduced or eliminated and that no multilateral disciplines on export credits have been developed and agreed upon. Recent figures have shown an increase in the use of export subsidies and agricultural subsidies provided by major developed countries to their farmers. Consequently, world prices for these products have dropped and market access improvement to exports from developing countries has been insignificant.

In the area of rules, the increased recourse to anti-dumping measures together with rising disputes has become a major concern to many developing countries. The lack of precision in the disciplines has made implementation problems a result of importing countries

permitting domestic complainants to make full use of flexibility provided in the agreement that has ambiguous conditions. The greater degree of complexity in anti-dumping rules and procedures weighs disproportionately against developing countries and their small firms. As a result, these measures create instability and uncertainty in the developing countries' markets that continue to be the main targets of anti-dumping measures. In reality, the adverse impact on developing countries may be greater than the actual trade involved, since the initiation of an anti-dumping investigation can have an immediate impact on trade flows and would prompt importers to seek alternative sources of supply. Even if final duties are not imposed, the initiation of investigations entails huge burdens on respondents.

At the same time, developing countries' expectations of the benefits from the special and differential treatment provisions have not yet materialized.

In order to help developing countries install sophisticated systems in the areas of SPS, TBT and customs valuation, the relevant MTAs provisions require the provision of technical assistance from developed countries. However, developed countries have not implemented these provisions effectively and meaningfully.

The main implementation issues and areas of concern of developing countries, which need further work, included:

- i. Improved and ensured market access conditions, including improved and more clearly defined rules.
- ii. Removing the inherent asymmetries and imbalance from the MTAs.
- iii. Decreasing the difficulties developing countries face in their compliance with agreements.
- iv. Trade liberalization in the sector of textiles and clothing.
- v. Ensuring improved market access conditions

for developing countries through lowering agricultural export subsidies mainly by the major developed countries.

vi. In the area of trade in services, little gain has been given to the areas of interests of developing countries such as movement of natural persons.

**Raghav Narsalay** of Focus on the Global South, gave a general presentation on the mechanisms of the WTO, from both the structural and political viewpoints. Basically, the mechanisms are:

- i. The ministerial meeting,
- ii. The general council,
- iii. The whole process of consultation prior to the ministerial meeting,
- iv. The dispute settlement mechanism of the WTO and the emerging mechanism of coherence between the World Bank, IMF and the WTO.

Narsalay argued that the ministerial process, as a mechanism, is very important because it delivers a political message to the world about the intentions of the membership. He then added that it is being manipulated through the preliminary drafting meetings where they decide what goes in the draft declaration. Therefore, the real decision-making is in the drafting process.

Narsalay then argued that the way the secretariat is staffed is also a mechanism, since the staff is hugely in favor of developed countries. The chair of any committee in the WTO is highly dependent on the secretariat for comments and drafting. These minutes are never discussed with the membership, creating an information asymmetry model. In other words, most members do not have at their disposal all the relevant information to make the choices that secure their interests.

He stated that the whole process of mini-ministerial meetings is also an important

mechanism in the WTO. These meetings are held in the presence of most developed countries and some developing countries, which are there mainly for PR reasons and their positions are not taken into consideration. That indicates the level of undemocratic nature of the WTO mechanisms. No developing country can be expected to know what all the rest of the developing countries interests are, therefore the process cannot and should not, be representative of the developing world's interests.

Narsalay stated that the dispute settlement mechanisms are an aberration, since five people decide the fate of millions in the world. These five are appointed politically so it is quite logical that the outcome be politically motivated. It is less about justice than it is about power.

He concluded by indicating that World Bank, IMF and WTO coherence is an emerging mechanism. The World Bank and the IMF do not have the legally binding dispute settlement structure of the WTO ? the later is the route where they can pressure a country into agreeing with their demands.

**Vice Yu** of Friends of the Earth International, said we have to note that the WTO, despite having a one-country-one-vote system, makes decisions through a passive type of consensus. This means that if you do not object, or you are not present you are deemed to have accepted. He noted that the make-up of the membership is overwhelmingly from the developing countries, around 80 percent. Logically, this should give them the power in decision-making. However, if the number of delegates in the delegations of developing nations is taken into account the picture changes. The average number of members of a developed country's delegation is 3.5 delegates while the average for a developed country is 7.5 to 8 delegates. These numbers brings into question the ability

of a developed country to attend all the meetings, to tackle all issues and to have a well thought-of position.

Yu stressed that another key mechanism is the secretariat's composition. The secretariat is composed of a 500-strong staff, 80 percent of whom are citizens of developed countries (that make up 20 percent of the membership of the WTO). According to most developing countries' delegates, the WTO, staff-wise and secretary-general wise, has displayed a very apparent bias in favor of developed countries on all levels of their functions.

He indicated that resources are a mechanism in the WTO. Most of the developing countries lack the financial resources or the qualified personnel to play their role in the WTO and have an equal footing with developed countries. Yu concluded by saying that NGO participation can also be counted as a mechanism. There is no NGO participation in the WTO ? not in drafting meetings or any meetings. They can intervene in dispute-settlement hearings, but only if the countries concerned accept their presence. Worse, there is no permanent accreditation process in the WTO as in other international organizations. That points to the intention of the secretariat to control which NGOs have access to the WTO.

### **Discussion**

A large part of the debate concentrated on the legal mechanisms of the WTO and their impacts on member states.

- i. The mechanisms will gradually replace national law systems with an international law, meaning that WTO rules will supersede national legislation.
- ii. The WTO will harmonize objective rules to all agreements, present or future, especially concerning goods, services, technology and intellectual property.

iii. There will be the gradual creation of an enforceable private/trade international law at a time when there are no similar public laws.

iv. There is an introduction of an obligatory dispute settlement mechanism ? this is an improvement from the GATT days because it encourages discussions before the settlement is more organized along specific stages

Other issues were:

i. The need for developing countries to put their resources together, financial and human. In other words, they need to form a negotiating block, for drafting and for decision-making.

ii. The need to take a position concerning advocacy on decision-making mechanisms in the WTO ? demanding that voting be 'reinstated' ? which favors developing countries, or changing the consensus rule from passive to active, which means that all member states should accept a given point before it is passed.

## Group 9: Lebanon and the Challenges of Globalization:

**Hamid el-Abdallah**, Syndicate of Lebanese farm workers, catalogued the political parties according to their position on globalization. He indicated that 'local' parties did not oppose the tariff removal and the increase in direct taxation, necessary for entrance in the WTO. Most are members of the government. These are political forces not interested in the challenges of globalization despite representing a large segment of sectors in the firing line (the agricultural and industrial sectors).

He noted that globalization is based on competition, on giving economy more importance than politics, on shaping every facet of people's lives, on marginalizing a lot of people and on dehumanizing them.

El-Abdallah indicated that the Arab nationalist parties strongly oppose globalization. These parties also recognized a renewed colonialism that hides in globalization. But their position is an emotional one not a scientific one. Born out more out of nostalgia of the past, long gone, than to the precise analysis of the impacts of globalization.

He continued his enumeration with the Marxist left parties that also strongly oppose globalization, but, because there is a 'but', they suffer from extreme theoretical confusion. They shouldn't have this confusion; on the contrary they should be the ones with the theories to analyze history and economy. Even more, these Marxist parties should express the Marxist perspective. After all, el-Abdallah explained:

'Didn't Marx say that the bourgeoisie will engulf the world and impose capital to shape the world in its image and perception?'

He concluded with the statement that all Lebanese political parties have not given

enough adequate importance to the issue of globalization, the discussion and analysis has been limited to a small circle of intellectuals.

### Discussion

- i. There were severe criticisms of the classification as too vague or not exact enough.
- ii. The presentation was considered narrower than the title suggested.
- iii. The fact that trade unions were not mentioned was raised.
- iv. There was a heated debate on how to evaluate the unions' position on globalization.
- v. The need to not generalize was proposed for there are differences between organizations: unions should not be put on the same level as parties and the farmers unions should not be likened to the General Confederation of Labor.

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## **Group 10: Role of the Global System in Regional Conflicts**

**Anne Alexander**, Campaign for Palestinian Rights/UK, does not see the difference between this century and the old one. Both are ages of revolutions and war. To the Middle East, the 21st century will mean more blood and more war crimes by the likes of Ariel Sharon, George W. Bush and Tony Blair. As instability increases so do civilian casualties. That is the exact opposite of what was promised more than ten years ago at the end of the Cold War. There is no peace and no prosperity. In this forum, the relationship between capitalism and war has been stressed more than once. Thomas Friedman, the American journalist, said there is no MacDonal'd's without (arms manufacturer) McDonnell Douglas ? meaning no globalized economy without armament. Around the world, the competition between multinationals is leading to armed conflicts.

She argued that the main beneficiaries of September 11 are the weapons industries. On the September 11, at a trade unions conference in Brighton, there was a moment of silence for the victims but at the arms fair nobody stood for a minute of silence. Within this context of economic competition for resources and markets, we can understand the attacks on Iraq and the correlation with oil. The Afghan wars can also be understood as an economic competition as there are companies competing for the extraction of oil and for natural gas pipe-transportation in the country. Therefore, all the money the CIA and their Pakistani counterparts poured on the Mujahideen was for the protection of interests of Unigaz, a US company.

Alexander noted that the multitude of conflicts worldwide gives us the opportunity to globalize resistance. Then, international opposition to war can lead to international opposition to the

causes of war: the capitalist system. The question of Palestine means that in the UK there is a whole new generation of militants against globalization of capital. Even in Genoa, there were a lot of protesters with Keffiehs, which became the symbol of protest and resistance. Opposition to the economic side of globalization should be linked to the opposition to globalization's military side. The same argument to legitimize war is used in legitimizing privatization, that there is no alternative.

She concluded by saying:

'Our answer should be: There is an alternative to the globalization of war and the WTO and there is an alternative choice of action: that of globalized resistance'.

**Mohammad Jassem** from Iraq, said that his country can be seen as the first test of the New World Order. The aim of operation Desert Storm was to get the Iraqi Army out of Kuwait. The means to achieve that end showed a different picture: six days of bombing all the infrastructure of Iraq. The rebuilding of the country is not possible now without international aid, in other words, without the IMF and the WTO. An oil-exporting country is now in debt beyond its capacity. If that was not enough, sanctions have been imposed. All these measures have not weakened the regime but destroyed the fabric of Iraqi society. The aim of destroying the capabilities of the country was to insure that it no longer had a strategic role to play in the Arab-Israeli conflict. The Madrid peace process without the destruction of Iraq's capabilities would not have been possible, neither would the control of one of the richest regions in oil.

He stressed that control does not just necessitate direct military presence but also economic dependency, which was achieved through letting the Gulf countries finance the war effort.

Jassem went on to say that sanctions only prolonged the suffering of the Iraqi people, with hundreds of children dying as a consequence. The UN's Food for Oil program may have helped them survive, but the real benefits went to international economic interests, with funny/tragic details like the fact that Iraq cannot import pens because they can have a double purpose (a weapon).

He pointed out that it is difficult to mobilize Iraqis under the heading of anti-globalization, but it is possible under related headings such as the removal of economic sanctions, which is an expression of military globalization. This mobilization is aimed against the US and its companies with all the potential economic benefits they could get out of the situation.

Jassem concluded by saying that the US benefited from the expansionism of the Iraqi regime in the First Gulf war, benefited from the loss of its capabilities in the Second Gulf War in order to impose an unjust peace and benefited from the continuous tension in the Gulf that permits the direct control of oil resources.

### Discussion

A concrete applicable plan to get Iraq out of its situation was proposed: An Arab economic union that will guarantee the non-belligerence of the country and its development.

The issue of the Oslo Agreement and its economic implication has been raised. Oslo may not contain a process of privatization but of increasing the dependency of Palestinians on the Israelis, to the point of locking their economies. Similarly, Iraq, with the destruction of its economy has the 'prospect' of liberalization to look forward to. The Iraqi regime, also, has to be blamed for the dire situation of the country.

War does not only impact the daily lives of

the bombed. When Britain and the US spend \$240 billion on new military equipment for the new war, they tell their people that there is no more money for schools, for health, or for public transportation.

Some criticized the term 'militarization of globalization' since it is just a new word for colonialism.

The New World Order is the reinforcement of the US as the world policeman.

The use by the West of minority rights as a means for interference sparked a debate on that topic and its priorities.

The unipolar world, under the dominance of the US, cannot implement itself without encouraging ethnic violence and conflict around the world. It is a new version of 'divide and conquer'.

A differentiation between 'globalization' and 'globalization of capital' was presented, the first being a process born out of the communication technology revolution and the second being the strategy of big corporations to expand and unify the markets under their control.

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## **Group 11: Globalization and Human Rights**

**Elham Sawaya**, Civil Society Current Lebanon, stressed that the title of the workshop gives a clear statement that globalization poses a threat to Human Rights. The neo-liberal world order confiscated the human rights discourse in order to defend its interests, those of capital and of the market. Globalization has succeeded in hitting the human rights movement by dividing it and pushing it to the defensive. All that, because since the 1993 Vienna conference, this movement was on the offensive through its criticism of structural adjustments policies and its pressures on the UN and its agencies.

She introduced the following problematic:

First, that of terrorism. It is a mistake to demand that terrorism, as a concept, be defined; this marginalizes the Human Rights Charter, which clearly defines the right to self-determination, the right to resist occupation and the right for self-defense.

The second problematic is why these same rights aren't used on the economic level? There are more than 60 international human rights agreements that can be used against the institutions of liberal globalization.

The third problematic, that of development and environment rights, begs the question of whether the system of protective measures of the UN or other regional unions can stand up to the WTO and its Multilateral Trade Agreements.

The fourth problematic is whether the Arab region can establish a social protection net and whether it can also stand up to the WTO. Especially that the Arab Charter of Human Rights was dormant until the issuing of the Islamic charter of Human Rights. Both of these charters are below the expectations and the standards of the International Charter of Human Rights.

Sawaya noted that the question becomes: Can all the legal structures built through the years survive the 'attack' of the WTO?

She concluded by saying the following:

'In order not to finish on a bleak note we should say that the anti-globalization movement is rising all around the world and we should render its struggle more efficient by not neglecting the legal struggle'.

**Nemeh Jom'a**, from the Lebanese Organization for Human rights, started by presenting the most visible contradiction of our globalized age: On one hand, space exploration is progressing and on the other, a large amount of people in the world are facing starvation. While September 11 shed the light on our present situation, with Bush, the 'anti-terrorist crusader', telling us we are with him or against him and with Osama bin Laden, the 'champion of Islam', telling us the same thing. To answer both of them, we can only be a force of democratic change in our societies, which have structural deficiencies, paternalistic and oppressive and we should aim to reinforce its civil transformation.

He noted that Globalization started with an economic face and now it is becoming more and more political and military. It is also becoming more and more American controlled. While the UN, with all of its charters detailing all the rights of peoples and individuals, is being marginalized by the Security Council, which abides by American wishes.

Juma pointed out that today, the interpretation of international laws and resolutions is left to the discretion of the US, while we in the Arab World, do not even have a single international law association that could contribute efficiently in the battle of interpretation.

He stressed that activists of human rights organizations have to play a role in the international context because they have

managed to impose themselves as a pressure group. They can constitute a fifth authority (estate), which can also play a role against the deteriorating political climate nationally and internationally.

Juma indicated that the US, through its hegemony over the Security Council, short-circuits all international charters, thus short-circuiting all protective mechanisms, in turn and in conjunction with privatization, this paves the way for the WTO and its policies.

He added that the Arab governments had very shy positions concerning the lists of terrorists proposed by the US, while organization of the North tend to concentrate on individual cases of human rights and neglect people's rights, like the Palestinians. Our partnership with these organizations should be a full partnership based on a unified position.

'In conclusion this world cannot remain a unipolar one.'

**Salaheddin el-Jurshi**, from the Tunisian League for Human Rights, reminded the audience that the impact of globalization on the structure of international human rights is still beginning.

He enumerated the following points:

- i. Globalization is an issue raised in all the international and national human rights organizations.
- ii. We should differentiate between globalization, which is an economic processes and mechanisms that aim to impose themselves through market unification and the world-wideness of human rights.
- iii. We should maintain a comprehensive perspective of human rights, civil and political, as well as socio-economic and cultural. This is the basis that we should retain; globalization forces us back to the basics.

When looking at globalization, the American fingerprints are quite visible. When talking of

globalization, we find ourselves talking about an American project in alliance with the European Union and Japan. The US maintains the separation, nationally and internationally, between civil and political rights, on one side and socio-economic rights on the other side. So when it tries to impose its globalization, it has no problem in sacrificing socio-economic rights in the name of its own interests.

The next main point indicated by the speaker was globalization and the nature of the State in the Arab World:

The State lacks any legitimacy and has historically relied on direct and indirect violent force. The Arab World lacks free and fair elections, separation of powers and suffers from nepotism. The Arab State does not recognize anything that is genuinely independent, which makes it difficult to create a balance between it and civil society. The small amount of freedom given by the state can be taken back anytime it wishes. More importantly, most of the Arab States have joined the WTO ? the economic conditions of globalization have been already implemented (since the 1970's in Tunisia). The Arab States also separate socio-economic rights and political ones ? they are eager to divest from their socio-economic duties in order to maintain their sectarian hold of politics.

Now, the impact of globalization on Human rights is negative. Liberalization of the economy is the cornerstone of globalization, so all what has been gained, in the sixties and some of the seventies, in all sectors ? employment, education, health and the emancipation of women ? will be destroyed in the name of profit. While the impact on the cultural front is not different, since unification of the market demands the unification of trade-related habits and traditions. This process will lead to a form of protest embodied by the Islamist movements in all their colors, as movements of cultural

defense. Globalization destroys social structures leaving identity-based specificities to explode out of control, which leads to conflicts and wars.

The political manifestation of globalization is an increasing security grip on society, as witnessed in Palestine daily. Human rights organizations in the Arab World and in the rest of the world are faced with the problem of creating equilibrium between sovereignty and the over-expansion of the state. The first is decreasing heavily under the impact of globalization, but the preservation of sovereignty should not lead to the over-expansion of the state because it will only increase our hardships.

El-Jurshi concluded by saying:

'Our position on globalization should be a legalistic one not ideological one and that should be translated in our discourse, perception and methods. We should increase the scope of responsibilities of the Human Rights movement as well as the links with other social movements'.

since it is not enough for human rights organizations to link internationally but they should link themselves with other kind of organizations and social movements in order to have a real impact.

### **Discussion**

- i. The fine line between politics and law was debated, along with the issue of the political visibility of human rights organizations.
- ii. The issue of people's rights was presented as usually sidelined in favor of the rights of individuals.
- iii. The impact of globalization on human rights was weighted against the impacts of repressive regimes on these same human rights.
- iv. The issue of the level of representativeness of human rights organizations and national and international structures was raised.
- v. The strategy of networking and international coalitions was discussed,

## Group 12: The UN and system of international relations

**Mumtaz Kiklik**, United Nations Development Program (UNDP), stated that they are trying to come up with an alternative to the current system or innovative ways to address the issue of global governance of trade from a human development perspective. The project started a year ago, the key assumption were:

- i. The Seattle scandal demonstrated that there is a historical and structural unequal system that is governing the global trading regime. We need an appropriate global governance of trade, which is the most crucial substantive area to prioritize.
- ii. The global governance of trade cannot be separated from its outcomes, for example rules and enforcement mechanisms. In other words the ways in which the agreements are formulated reflect the substance and the outcomes of the trading regime. This is important, because in order to address the specific agreements, rules and mechanisms, one has to delve into the way they are generated.
- iii. There is an urgent need for an assessment of the current trading regime from a human development perspective. So far, this has not been done agreement per agreement or rule per rule.
- iv. On a more political note, the trading regime gives a very important opportunity to realize the converging positions between governments of developing countries and their civil societies. This could be used as social capital and UNDP could use the opportunity to bring together these two groups, because our vision of governance requires the participation of both these groups.
- v. Next is the methodical consideration. We needed to involve civil society and government consultation in the project. We needed to have

some feedback during the process, so we started with these assumptions and set the following objective:

The globalization process of the last two decades has produced more bad than good for developing and poor countries. Benefits of globalization can only be realized if the global system assists developing countries in prioritizing human development rather than making them concentrate their political and economic energy on unsustainable and questionable aspects of development process such as greater market access for its own sake. Any debate on trade openness in developing countries should take place from the Sustainable Human Development (SHD) perspective, rather than market access perspective, as there is no guaranteed relationship between greater market access achieved only through trade liberalization policies prescribed to developing countries in the last two decades and SHD. Even the relationship between trade openness and economic growth has not proven to exist.

It must be understood that trade can help SHD, but not always. Increased trade volume could be very important for development, but it should take place for the right reasons and with the right vehicles. Trade for the sake of trade and only through traditional trade liberalization measures, is not necessarily good for developing countries. Accordingly, trade and market access should be perceived as possible vehicles for achieving sustainable human development and not as the panacea of human development.

The relationship between sustainable human development and trade should be perceived as a two way process. The role of trade should be to contribute to sustainable human development; but in order to benefit from trade, there is a need to have a certain threshold level of human development. Components of SHD

such as existing sustainable employment opportunities, minimized wage differentials across different social categories especially genders, equality of asset distribution, existence of enhanced entitlements and capabilities, again across social categories and so on, must be prioritized in trade reform.

At the national level, the development process must prioritize human, institutional and productive capacity building as well as equitable distribution of outcomes across social categories. For this to happen, trade rules at the international level have to allow for diversity in national institutions and standards, such as property rights, regulatory institutions, institutions for social insurance and so on. Furthermore, they need to acknowledge the right to protect their own social arrangements and institutions, without crossing the border of imposing their own institutional and productive preferences on others.

Multilateral trade agreements are very important to ensure that trade goals are geared towards sustainable human development, as the production system of goods and services at the international level requires cooperation and monitoring to avoid exploitation of developing countries by developed countries. This is especially important because such exploitation has been known to impede the human development process in the former group. Accordingly, an asymmetry in trade rules for the benefit of developing countries and more and better market access in the North for the products of the South are needed for SHD in developing countries. This will eventually benefit developed countries as well. Only then will developing countries be able to 'participate in,' rather than 'integrate to' the global system in a sustainable and equitable way. In order to make the most out of trade reform at both national and international levels governments must understand that the world-trading regime

must be at the service of development needs of developing countries and not vice versa.

Despite a number of its positive characteristics, from an SHD perspective the existing multilateral trading regime could use improvements in the following areas:

Considering the inadequacy of the structure based on reciprocity, there should be fundamental structural improvement to redress the problem of overall imbalance in the multilateral trade regime. Similarly, there should be structural changes to compensate for the handicaps of the developing countries in the system. In this context, there is a need to give differential and more favorable treatment to developing countries. This implies that obligations in the trading regime should be a function of the level of development, which in turn, means that it should be formally accepted that developing countries would undertake comparatively lesser levels of obligations than developed countries.

Rules and provisions on specific issues such as tariffs, national treatment and TRIMs, subsidies, labor and environmental standards should be formulated with the disadvantaged position of developing countries in mind. In every step of the way, the formulation should be based on the fact that developing countries are in the process of development, where they have to modulate and fine-tune their trade policy instruments so as to support and encourage the growth of specific sectors as a dynamic process. Sectoral protection and subsidy issues should be taken into account with the consideration of a system of 'development asymmetry of the rules.'

Implementation rules of the agreements should also be formulated to assist developing countries in achieving their development goals. This requirement takes two. In crucial development sectors in the South, such as agriculture and textiles, high subsidies and

protection in agriculture in developed countries will be effectively reduced. At the same time, developing countries should be allowed greater flexibility. This is especially important in the agriculture sector to guarantee food security. Tariffs and production escalation in the industrial sector in developed countries in products that are of export interest to developing countries should also be brought down to enable developing countries to expand their manufactured exports and to contribute to the upgrading of developing countries' efforts to make better use of their raw materials and natural resources through processing and manufacturing. In fact, developed countries should effectively eliminate all unjustified restrictive trade measures. This should be closely monitored.

There is a need to address problems that developing countries are facing in terms of the implementation of specific agreements. The starting point should be general reviews of developing countries implementation problems of specific agreements. This should be supplemented by a 'human development impact assessment of the implementation of specific trade agreements.' Then the agreements should be enhanced with necessary clauses geared toward the protection of developing countries. For instance, in the case of the agriculture agreements, food production for domestic consumption as well as the protection of small farmers in developing countries should be excluded from the disciplines of the Agriculture Agreement on Market Access and Domestic Subsidy. There is a need to introduce and implement a Special Safeguard Mechanism for developing countries.

In the case of the services agreement, only after overcoming the lack of data and assessment problems on services, should developing countries make new commitments.

In the case of TRIPS, there is an urgent need to consider:

- i. The relevance of the agreement to the trading regime.
- ii. The immense implementation problems that are now emerging. Taking this into account, the transition period for developing countries should be extended until after a proper review of TRIPS is carried out and appropriate changes are made to the agreement.

In implementing TRIPS through legislation, developing countries should be allowed to make full use of the flexibility (including avenues of compulsory licensing or parallel imports, exemption of certain goods from the agreement) to choose different options, without undue and inappropriate influence asserted on them. Likewise, in the TRIMS agreement, the transition period should be extended according to the development needs of the South. The agreement should rigorously consider the implementation of 'development conditions' such as the local requirement. Flexibility in rule-making and implementation for human development in developing countries is absolutely necessary.

The structure and the operation of the Dispute Settlement System are such that developing countries are not able to benefit fully from them. In order to solve the structural and substantial problems regarding the System, it is necessary to take into account power asymmetry between developed and developing countries. For example, since the ultimate means of enforcement is retaliation and a developing country may not find it a practical, there should be a mechanism in the rules to provide for joint action by all members against an erring developed country. Furthermore, the time and monetary cost of the process of bringing an issue to a closure is very high. There is also a need to solve systemic problems relating to the structure and operational aspects of the dispute

settlement system and the need for the genuine independence of the panels and appellate body.

The multilateral trading regime should take into account additional issues such as lack of productive, human and institutional capacity in developing countries and the decline in commodity prices and terms of trade in developing countries.

Last but not least, there is an urgent need to help strengthen the knowledge of negotiators from developing countries about the implications of possible trade agreements as well as their negotiation capacity in global trade.

**Tang Xiaobing**, UNCTAD, talked about trade in the international context. After the Second World War and with the emergence of the UN, there was to be an International Trade Organization (ITO) according to the Havana Charter. This charter tackled issues of free trade and matters more relevant to the Third World such as commodity issues and the transfer of technology. But the US Congress, in 1949, did not ratify the charter because of conflicts of interests between the developing countries and the multinationals ? the ITO never came to existence.

He added that, in order to avoid a commercial war like in the 1930s', the UN took the commercial part of that charter, the GATT, on the basis of provisional application. Most of the negotiations (first six out of eight rounds) were on tariff reductions and anti-dumping. Other issues waited for the seventh round.

Xiaobing stated that the problem is that negotiations did not take the developmental dimension into account. Many issues in GATT were never discussed. With the independence of Third World countries, development became an important issue. UNCTAD was set up in an attempt to give it a mandate to look into the

remaining issues in addition to new issues like financing and the oil crisis. The remaining issues were commodity prices, restrictive business practices, monopoly, south-south cooperation, how to shift from primary products to manufactured products, technology transfer and supply capacity. The special differential treatment was included in GATT.

He pointed out that, in the 1970s', GATT recognized that the rich countries are entitled to give aid in a special non-reciprocal manner to developing countries. Today, this is conditional. The Third World pushed for a commodity fund to help stabilize commodity prices, which they depend on.

Xiaobing argued that UNCTAD had an impact on GATT now it does not have an impact on the WTO, since the latter is a rule-based organization, which means everybody is treated equally. UNCTAD is set up to help Third World countries when they become interested in international trade and face new problems. For instance, every sector they became competitive in, like textiles, was excluded from GATT. While in other sectors, their percentages were minimal. Nevertheless, those sectors were included in the agreement for benefit of rich countries. Developing countries lost interest in the system, while developed countries were not interested in their inclusion. Until that period, the participation process in the trade system was easy, since it was voluntary and on the basis of individual agreements.

He added that in the 1980's there was 'linking' between development and trade so there was a rush to join the system. At that time, it was easy; there were not that many conditions for implementation. In the Uruguay round, developing countries saw that they could restore the ITO by pushing for their developmental interests, thus making the system better. They did not succeed. The interests of developed countries were

integrated while theirs were not. The process was filled with conditions.

He stressed that the institutionalization of the WTO was not the aim in the Uruguay round. That process was accelerated because of the dispute settlement capacities. In other words, mechanisms of sanctions were possible and that encouraged corporations to push the inclusion of non-trade issues in the WTO. Intellectual property is an example. Originally, it was about counterfeit products, then it became about patenting. The financing issue was pushed in the same manner but they did not succeed, only part of it was introduced.

Xiaobing concluded by saying that, in the middle of the 1990's, developed countries thought that they need to give a legal status to GATT and they thought that, this way, they tie the hands of the US congress. So the WTO was born.

### **Discussion**

Most of the debate concentrated on these points:

- i. The WTO is expanding into sectors which are the responsibilities of other international organizations, like the ILO, WHO. This is creating most of the problems in international trade.
- ii. The UN is not playing its role to the full, which leaves the way to the WTO to increase its influence on international issues.
- iii. Development is an issue always mentioned internationally but never actually considered in multilateral agreements.
- iv. The membership of developing countries in the WTO was debated with the issue of evaluating whether it was beneficial or harmful.

## **Group 13: Globalization and the World's Food Supply**

**Wenonah Hauter**, of The Global Safe Food Alliance, talked about community-supported agriculture in the US, or the organic subscription vegetable program. In other words, fresh organic vegetables are delivered to the subscriber. This one of the forms used to maintain family-run farms in the US.

She argued that American farm policies are pushing for food irradiation and that the Arab countries have also been targeted for this. The US government's view is that agriculture does not really have a place in the industrialized world and that, on the long run, it should be left to the third-world, which will lead to cheaper products and less restrictions (such as use of pesticides and other chemicals). That does not mean the developed world will lose its grip on the international trade of agricultural goods since with genetically modified agriculture, the North controls the southern farmers.

Hauter added that, when talking about irradiation, we are talking about a very high level of irradiation. Some of the methods use nuclear waste, while others use technology that is a by-product of military institutions.

She noted that the objective of the Bush administration is longer shelf-life for food and facilitating the transport without fear of invading species. What is missing is genuine health concerns. Genuine, because the US government actually promotes food irradiation technology as 'safety technology'. Safety, because US agriculture is too industrialized. The agro-business practices in the meat industry translates into huge confined 'concentration camps' for animals where viruses spread very quickly. When these animals are transported, they are covered with chemicals. The meat inspection system, which has been privatized, can only inspect a tiny

percentage of the carcasses, so the slaughter line moves very quickly: 200 chickens a minute and 300 to 400 cows an hour.

This means, she said, that the meat is processed with bacteria in it. Rather than cleaning up the slaughter system, which costs a large amount of money and reduces the profit margins of agro-business, they use chemical washes and plan to use irradiation to keep their profit margins.

The farmers in the US are in crisis. Every year, thousands are forced to sell their farms, therefore the sector is consolidating into the hands of a small handful of agro-business corporations.

**Mohammad Idriss**, Farah Social Foundation/ Lebanon, said that in November 1996, heads of states and governments celebrated the World Food Summit in Rome and solemnly adopted the Declaration of Rome and a Plan of Action (PoA). At that time, they were criticized for the central objective: to reduce the number of hungry people by half in 2015. The target was considered as an unacceptably slow. Five years later, the governments started to become nervous; it was obvious that even this moderate objective will be difficult to achieve. In 1996, the number of the hungry worldwide was estimated to be around 840 million. Today the figure is 826 million, 792 million of them living in developing countries and 34 million in industrialized countries. While the Food and Agriculture Organization of the United Nations (FAO) is highlighting that this is a success, because the population of the world is growing and the number of undernourished is decreasing, the overall development can only be judged as a trend, because figures are generally not very accurate. It becomes clear how difficult it will be to achieve the objective of halving the number of the hungry in the world by 2015.

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He noted that food has been declared a basic human right by many international agreements, such as the Universal Declaration of Human Rights, the Preamble of the FAO Constitution, the International Covenant of Economic, Social and Cultural Rights, among others. Yet, the right to food is continually denied. Worse, it is now considered more as an item for trade than for sustenance.

Idriss added that, after five years, we demand that national governments and international institutions accept the responsibilities and consequences of their failed 'experiments' and make this acceptance known to the poor.

He indicated that grassroots communities, including peasant farmers, landless agricultural laborers, small fisher-folk, rural women, indigenous peoples and forest dwellers have the right to access productive resources, such as land, water, forests, seeds, genetic resources and indigenous knowledge. They should be given the freedom to determine their own means to meet their food needs. Moreover, they have the primary right to benefit foremost from the transformation of their resources done with their prior and informed consent.

It is a paradox that peasants who produce food to feed the world are the ones suffering most from hunger and malnutrition. Subsistence and sustainable agricultural systems, which for centuries have been the basis of their livelihood are being obliterated by the concentration of land ownership in a few hands and its corporatization, as well as the encroachment of agribusiness on small holder farms. These activities dilute the culture and way of life of peasants with the ultimate aim of profit for the few.

Idriss stressed that the globalization process, perpetuated by the G8 countries and institutionalized by the World Trade Organization (WTO), international financial

institutions, like the IMF and multilateral development banks, particularly the World Bank and the Asian Development Bank, has merely benefited a few transnational corporations. They have gained a monopoly of food, genetic resources and agriculture and imposed the dumping of subsidized, unhealthy food and agricultural products, including chemical pesticides and fertilizers, into our countries. This has created massive debt problem; increased landlessness and displacement leading to rural out-migration; eroded our food sovereignty; increased land and environmental degradation including the destruction of biodiversity, the biopiracy of indigenous knowledge, pesticide poisonings and unabated land conversions for non-agricultural purposes; in addition to mega-dams, mega projects, and ill-development. Globalisation has further marginalized peasants particularly women and children.

He noted that by imposing debt bondage the World Bank and IMF's model of market-oriented land reform subverts national efforts to implement genuine agrarian reform. This model does not aim to distribute land to the landless; but rather it increases the concentration of land with the landed elite. The Asian Development Bank, through its privatization program, is even attempting to transfer peasants' rights and access to water as a public resource to private corporations and large-scale producers.

Idriss pointed out that the rights of indigenous peoples are on the verge of extinction, with the uncertain recognition of their contributions to food security. There is a critical need to distinguish the contribution of indigenous peoples, local communities and farmers especially on their own seeds under the forthcoming International Undertaking of Plant Genetic Resources. The peasants must be empowered to ensure the achievement of our goal of food for all. Food security can only be

achieved if the world's cultivating peasants themselves own the agricultural lands and have access to resources required for healthy and safe food production and sustainable livelihood with gender equity.

In response to the Summit commitments, peasant movements and their partner NGOs and CSOs have also been working on their own initiatives towards ensuring food security. These include:

- i. Policy advocacy and lobbying to sensitize and strengthen peasant movements, although there is still a need to strengthen these initiatives further;
- ii. Sustainable development programs to raise levels of self-sufficiency and self-reliance through increasing domestic production by establishing local-level seed and grain banks; conservation of biodiversity; formulation of village plans by the villagers; land, water and forest management; low-external input; sustainable agriculture; and utilization of local resources and local and indigenous knowledge systems.
- iii. Forging the political will to uphold the 'Right to Food' through people's participation, supporting efforts towards democratization, gender equity and improving agricultural services, especially in the provision of support services and proper developmental management of food and emergency aid.
- iv. Introducing support measures that restore food sovereignty to peasants, where the people themselves can have control over the productive resources and can make decisions on matters regarding their food security and discourage the establishment of corporate farms and big commercial fishing corporations.
- v. Recognition and operationalizing of farmers' rights in the International Undertaking of Plant Genetic Resources and installing mechanisms to ensure that farmers primarily benefit from their traditional knowledge, contributions and

resources.

- vi. Assessing the environmental, social and economic impacts of Genetically Modified Organisms (GMOs) on Food Security, with the full and informed participation of NGOs/CSOs and prior and democratic consent of people in the South; and meanwhile, calling for a moratorium on all field-testing, commercialization and trade of GMOs in food and agriculture.

### **Discussion**

The issue of international solidarity was raised: making the connection between what happens to consumers in the North and the effects on peasant farmers in the South.

Consumers' food supplies have been polluted for the sole benefit of large agricultural companies.

There are neither quick solutions nor sectional ones; the only solution is a change in society from its basic structure.

The responsible party for this system should be pointed out.

The classification of some Third World countries as poor was criticized. India was given as an example: 40 percent of the population is below the poverty line and a huge amount of financial resources goes to arms production, nuclear and conventional.

The need to resist the total industrialization of agriculture was stressed and the mean is pressure on three levels: national, regional and international.

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## **Group 14: Justice, War and the Militarization of the Planet**

**Lindsey German**, Stop the War Coalition in UK, talked about the relationship between global capital and war. The history of the 20th century is that of an increased tendency to war, involving more and more civilian deaths, coupled with the ever-increasing development of weapons of mass destruction. As an example, in First World War, 15 percent of the casualties were civilian, the rest, 85 percent, were military, today the proportions are roughly the reverse. Today, the vast majority of people killed have no direct involvement in the military conflict. If you look at the role of US and Britain, during the Second World War, with their bombing of Dresden that killed 35,000 people in one night, despite the fact that this city had no strategic/military importance, it was a city of refugees, the aim was to terrorize the population. The dropping of nuclear bombs on Hiroshima and Nagasaki when the war with Japan was effectively over is another example. In Korea, dams were targeted to flood rice fields causing famine and hunger among the native population. In Vietnam, the damages sustained from chemical warfare can still be seen.

She argued that, despite the fact that some wars have been presented as wars for humanity, in fact, all of these wars were about territorial expansion and hegemony. It is not a coincidence that the First World War and the Second World War followed the race of colonization of Africa in the 19th century. Although Second World War was presented as a war against fascism, in the US and in the UK, ordinary people perceived it as such while in Egypt and in India they perceived British colonialism as more threatening than German fascism.

German continued by saying:

'Now, to talk more specifically about what happened since the September 11 and about the nature of the war we are facing. That date was a turning point. Watching the events on TV lead to a number of thoughts. First, how terrible and upsetting to people that was. Second was the certainty of an American reaction that would be terrible because it was an attack on US power. Thirdly, it was a terrible way to die but it was seen live on TV, on the other hand we didn't get to see the death of 300 passengers of the Iranian plane that was shot down by the US army, nor the Iraqi victims of the 1991 bombing.'

She pointed out that sometimes war can be justified, but in general wars should be opposed. Lives in the US should not be worth more than lives in Afghanistan ? they should be equal. This sentiment is shared by many of the people involved in the protest movement against global capital over the last 20/30 years. The people who protested in Genoa would also like to protest against the war. Despite the big wave of patriotism people in the US protested against the war. In Italy, people made the connection between anti-capitalism and anti-war and 250,000 of them protested. Most people can distinguish between the people of America and the US government, between what is told in the media and what is truly happening. During the Gulf War, nearly everybody who was against the war supported sanctions as a peaceful alternative to bombing. Today, after ten years, nobody thinks it is a good idea, as witnessed in Iraq.

German indicated that the question is how to build a movement? We have to take into consideration that there is probably a majority of people against the war even if they haven't demonstrated or said so. All opinion polls show that populations who have experienced bombing tend to oppose that strategy. The

experience of war makes people more humanitarian, not less. It is very easy for people in other parts of the world to assume that everybody in the UK and in the US are backing their governments. There is a movement resisting global capital; we should link that with the movement resisting the war. The prospect seems optimistic. It took three years to have a big demonstration against the Vietnam War. This time, within a month, we had a 100,000 strong demonstration. All that is in conjunction with the fact that the western governments do not really know what they are doing. Opposing the war is not just the responsibility of the people in the West; it is also the responsibility of all people everywhere, even if in countries like Lebanon. Naturally, the majority has anti-war sentiments ? they should 'actively' oppose it and built a large movement. That is the only way for the war not to become a crusade, like the West puts it.

She stressed that building the movement should be around a basic and simple premise: no to war. It is not support to Osama bin Laden, or the Taliban. It should be a broad-based coalition that does not require adherence to a regime or ideology. Like the lesson of the Vietnam War, the important issue is not how armies wage war but what civilians around the world do about it.

**Adib Nehme**, Center for Development Studies in Lebanon, described Lindsey German's presentation as a scientific criticism of the idea of a vertical break that the media is trying to market, specifically as a clash of two worlds. On both sides of the conflict, the first media victim was objectivity. The Arab media is, in a lot of ways, worse than the western media. Both reinforce the so-called clash of civilization.

Then he proposed preliminary ideas for discussion. First, the present war in

Afghanistan is not an answer to the events of the September 11. The latter was a means ? not a reason ? to wage the war. Now the war has its own logic and mechanisms. The US took the opportunities of this terrorist attack to further its own interests. One of the aims is precisely to curb democracy in the West ? because after Seattle, Genoa and Durban the governments are feeling the heat and losing control of the situation. Their failure to manage the world economy, as witnessed by the Asian crisis caused by speculation, is pushing them to go against their 'liberal' credo. They took the opportunity to militarize globalization as a mean to insure its perpetuation.

Nehme added that taking a look at the new phenomenon of violent reactions in our societies, we are bound to stop and think. This leads to the knowledge that factors inherent to the present globalization process are giving birth to these extreme forms of violence. Of course, these are not caused by one factor and not limited to one region in the world.

He asked the following questions:

'What is the difference between the suicide hijacker who flew into the World Trade Center and George Soros who speculated on the pound, making a profit of one billion in one day? Isn't the second a kind of virtual destruction of the World Trade Center?'

Nehme pointed out that the specificity of our times is the coexistence between extreme poverty and the availability of information thanks to the advance of communication technology.

He declared the following:

'The poor, unlike in the past, have access to information about others; this only increases their sentiments of marginalization, impotence and frustration. They are excluded from development, from participation and from the possibility to maintain their dignity. This is not an accidental outcome of globalization; it

destroyed social structures as well as political organization that could serve as a mean of expression to the people. 30 years ago, a member of an ideological current in the world felt that he is part of a movement and believed that it could change the world; today, when he perceives his situation as not having any tools of change, he is psychologically prepared to embrace this form of extreme violence. As for the Al-Qaeda, it is not only an outcome of this general process but also a direct creation of the US and its allies. The lesson from this war is that we should further our criticism of globalization, not just economically, culturally and even politically, but globally, as a way of life, as a civilization. Many people's opposition to globalization springs from the spiritual and the ethical. The anti-globalization movement should aim to integrate this side. People should be integrated into this movement on the basis of their opposition to the present blueprint of a globalized society, not on its details, in order to maintain the broad all-encompassing nature of the regroupement. People in the Arab World should actively integrate in this movement that builds a world-front against globalization and war. In order to do so, we should have a clear picture, identity, discourse and concepts that permit us to interact with the rest of the world. We cannot achieve that if we adopt the 'clash of civilization' theory, which is prevailing, unfortunately. We should oppose this theory and in the process create a democratic alternative to the prevailing dichotomy: on one hand, ruling despotism and oil and on the other, Islamist backwardness. Civil society, progressive organizations and trade unions are all components of the democratic alternative that permits the integration into the world anti-globalization movement.'

Nehme concluded by saying:

'Democracy becomes the pivotal issue. Democratic change of our governments and

also our societies and political and social organizations is then needed. Even further, democratic reform of religious thought and awareness is a must'.

### Discussion

The fact that globalization offered the contrary to what it advertised was underlined. Globalization was supposed to bring global peace and harmony, but only brought more wars: Somalia, Kosovo. Thus, to bring an end to wars we should oppose globalization.

The militarization process started before the September 11 as witnessed in the arms spending of the US.

If the objective is the overthrow of a dictatorship, there is a plausible alternative to foreign intervention and bombing: both in Serb and in East Timor the regimes fell through mass action from below.

War waged by states to further their interests is not similar to people struggling against occupation or dictatorship.

Emotional responses are understandable concerning September 11, but one should let his humanitarian side prevail. If in the Third World there were more victims than in New York that does not change the fact that the latter were victims. The logic of competition in 'who's more of a victim' is sterile, there should be the same value to every human being.

A clarification on the religious reform issue was presented in the following manner: It is not the task of the secular progressives to reform religious thought; they should have their own discourse; it is the task of religious thinkers themselves.

The link between war and imperialism was stressed; all the recent wars had economic interests behind them, both in Kosovo and in Afghanistan, the issue of oil-pipelines is crucial.

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## Group 15: Globalization and Gender

**Iqbal Doughan**, president of the Lebanese Women's Council, proclaimed that corporate globalization would lead to a world without the participation of women. The WTO is a direct threat to the developing countries that comprise 85 percent of the world population, more than half being women.

She indicated that, despite the rise of awareness in natural resources management and of food production, in the 1990s, poverty and the decline in food security and environment are still a daily fact in the world.

Doughan added that all the unfair trade competition practiced by the developed countries carries direct threats to women. It threatens small agriculture where women work in large numbers. Free trade impacts the gender of job opportunities, gender development and reproductive health. In the last twenty years, women's positions in the labor market may have improved in the developed nations (not meaning in decision-making) but they have deteriorated in developing countries.

She pointed out this improvement in the West is also to be taken in relative terms because it has meant more working hours, less pay and greater instability of family life. While in the South women's situation is becoming more and more fragile without social safety nets thus rendering their chances of contributing to the decision-making process practically nil, which hampers the potential of development of all of society. Women become a source of extreme cheap labor for the multinationals. Trade should have a developmental perspective and gender should be an integral part of it.

Doughan noted that greater paid work hours for women did not lighten their non-paid working hours. So the quality of life of women did not

improve, nor did their health perspective. Job security for women is even less than for men in the free market.

She concluded that, politically, women in developed countries still suffer from social and cultural discrimination. They stand to benefit the most from another world and least from this one.

**Mariama Williams**, of International Gender and Trade Network, asked why are women's group organizing around trade? What are the links between trade and gender? And what are the positions of these groups about the WTO?

She indicated that the Gender perspective of trade liberalization tries to look at how it impacts women and men differently in terms of social and reproductive adjustment, in terms of employment, wages, overall poverty and socio-economic empowerment and, finally, what different constraints that change in trade policy imposes on men and women in the economy?

Williams pointed out that the evidence shows that some women benefited from trade liberalization in terms of increased access to paid employment, which contributed to greater autonomy and empowerment in the household and community, while men still hold an advantage in more skilled jobs. There is a demand for unskilled women labor (feminization of the labor force), but as the skilled requirements increase so does the demand for men.

The costs of trade on women, according to Williams, are:

- i. Extra burdens in terms of responsibilities as they enter the labor force.
  - ii. Import displacement: cheap imports displace the market of food production out of local women's hands, which impact their income and that of their family.
  - iii. Increase of food insecurity: The loss of
-

subsidies leads to import displacement, immigration to cities, change of diet habits and reliance on imported food products (that may be less healthy)

iv. Decrease in government spending, which translates to decrease in education, health and other social spending, thus leaving the most needy to community care (full circle: women have to spend more time to take care of children and elderly).

Williams indicated that it has been said that trade brought increase of women's employment. When government increases export promotion, women are targeted to work in commercial agriculture, but on the other hand, but WTO's decreasing of a country's chances to export textile goods to the developed world, the textile industry in many countries dies and the mainly female workforce lose their jobs.

She enumerated some facts:

- i. There is a regional and a global competition between women and it is not clear if the employment gains are sustainable.
- ii. The issue is whether globalization has eliminated wage disparities. Again, it is not clear that it did so.
- iii. The technological globalization of industry, like in the textile industry, is evidence to the trend to shift the job from women to men.
- iv. Change in trade policies may not mean automatic better conditions for women; it may mean more gender discrimination.

**Aida Nasrallah**, from the League of Lebanese Women's Rights, talked about the impact of globalization on gender. Firstly, she said that gender is a new terminology in the women's movement, but an old concept. In short, in social and economic terms, women and men can play the same role. Women organizations have fought for decades against discrimination and for equality.

She pointed out that the question of gender has not come out of nothing; it is the outcome of years of struggle. World conferences on women unified women's issues by giving them an international forum and linking to economy, politics, power, education and the family. That brought increased awareness. The Fourth World Conference on Women made a lot of headway, which is today threatened by globalization.

Nasrallah noted that, since the impact of globalization is total, women's conditions contribute to that. The impacts also increased negatively because women are marginalized sector of society. The weakest are hit the hardest.

She stated that women may have benefited from globalization in some economic sectors, but that was done without the participation of the State, which means without guarantees of sustainability. The weakening of the nation-state, a male creation, did lead to equality, social or economic, between the sexes. The weakening occurred in the developing countries to serve globalized capital.

Nasrallah added that the present globalization is only for the strong, for the oppressor and for profit - Women remain the weakest link in the chain. Structural adjustment policies hit women hardest, and the poorest among them, first. The sectors that employ women are also the least able to withstand these policies, which mean unemployment on a large scale.

She concluded that the polarization of the world along income is increasing; the 20 percent rich are becoming richer and the 80 percent poor poorer. The WTO is one of the main instruments of globalization and its free market values. These values contradict all other values and rights. Worse, they aim at transforming people, women and men, into products. That is what we must refuse. To do so, we must unite

internationally to protect what progress we have achieved and to reach new gains.

### **Discussion**

The issue was raised as why globalization's impact on women, the first victim of discrimination in the home and in the workplace, the main victim of wars and the most marginalized economically, has only been raised by women in this forum.

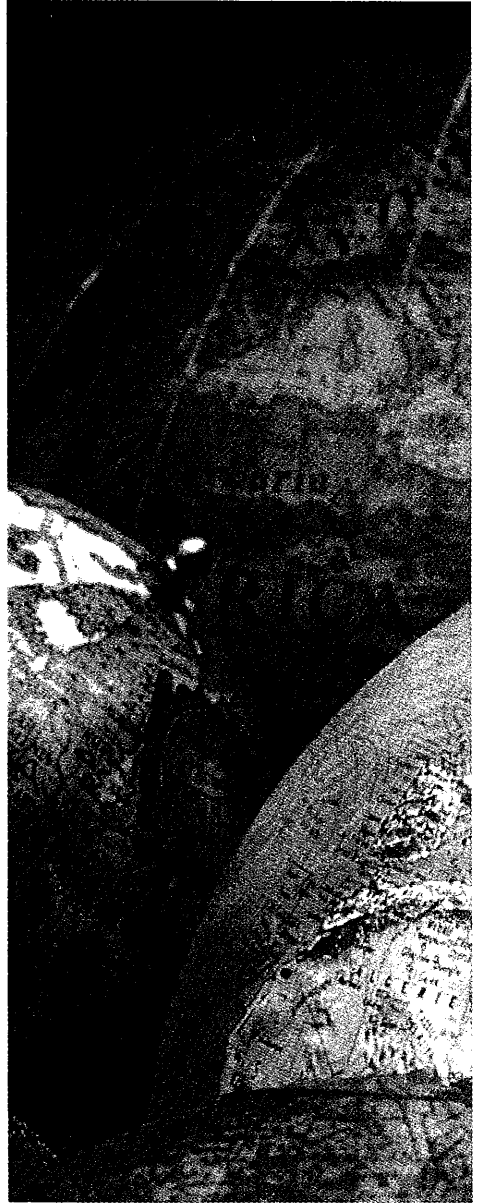
International trade and the debates on its issues have been considered as gender blind, but there is gender specificity in its impact.

A question was raised on how, in an undemocratic political environment, could women reach positions in decision-making since they and only they can defend their rights and take up their cause?

On the issue of women benefiting from market liberalization, it was pointed out that it was only so because of lower wages.

In the Arab World, according to UNDP figures, the number of women working in paid labor is falling.

The link between gender wage differentiation and export growth was stated as quite clear in many Third World countries.



## Part 4 Closing Session



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**Part 4**  
**November 8, 2001**  
**Final session**  
**Deliberations and recommendations**

Chairman: **Izzat abdel Hadi**- Bissan center for development studies/ Arab Non-Governmental Organizations for Development Network, Palestine

The drafting committee met during the conference in order to put the final statement. It suggested two statements that were presented by **Adib Nehme**, member of the Lebanese Meeting on the World Trade Organization, on behalf of the committee.

1- The first declaration is addressed to the fourth Ministers meeting at the WTO scheduled for the following day. The statement has made clear the position of the Civil Organizations participating in the Forum. It has stressed upon requests concerning the mechanism of "the World Trade Organization", the commercial conventions as well as many new issues.

2- The second declaration concerns the effects of globalization on the world from a perspective of social justice, development, peace and Arab issues.

The participants having accepted the suggestions, discussions started. The first statement was discussed in details especially the issue of a position against the war, because a link will be established between the WTO and the war against Afghanistan.

It was then agreed upon stressing on the title of each of the two statements as well as each of their objectives: the first statement is addressed to the delegates at the ministers meeting, the second to the public opinion.

As to the second important part of the discussions, it concerned the details; the World Trade Organization must not be given a volume greater than its own value, and no doors must be

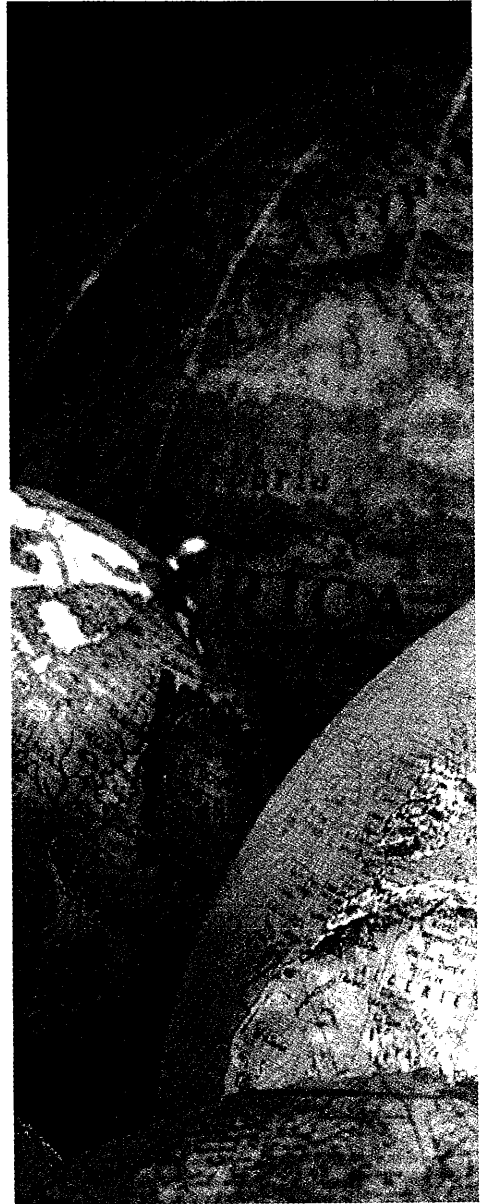
open to enable it use them against the Forum intentions. Discussions tackled also social issues that may be subject of discord between delegates of the South and others of the North. The Forum reached the following agreement concerning the position of the World Trade Organization:

- 1- No more sessions to discuss new issues.
- 2- All old issues are open to further discussions; South issues should be taken into consideration.
- 3- In order to achieve all that is above, transparency in decision-making should be adopted and internal democracy should be promoted.

The second statement was unanimously voted, and tackled the issue of the war in Afghanistan. As to the Palestinian issue and the Arab-Israeli conflict, they were exhaustively discussed. Discussions encompassed detailed claims. But at the end, the participants decided not to integrate any detailed claims in the declaration so to make it more efficient in targeting the international community and to enable it encompass the essential general claims concerning Palestine.

At the end, the secretariat took the suggestions in order to put the two final statements and publish them before the WTO meeting.





Part 5  
**ANNEXES**  
Papers Presented  
in General Sessions



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## **The impact of the World Trade Organization on the Financial Sector**

by Dr. Samir Seifan<sup>(1)</sup>

Economist and Financial Consultant, Syria

What is the view of Third World countries on the liberalization of the financial sector's liberalization according the World Trade Organization (WTO)?

What are the practical positions on liberalization?

Is it possible to resist joining the WTO?

Is it possible to join at little cost?

Is there a way to avoid the disadvantages?

Is it beneficial to join?

What are the policies that can be applied to impose better conditions on the WTO leading members?

All these questions, as well as others, face Third World countries, decision-makers, regardless of their individual differences and circumstances.

The WTO is the third apparatus of the financial globalization order, after the World Bank and the International Monetary Fund (IMF). Together, these institutions form the system that rules the financial polices and international markets. This influence will be further reinforced following the Multilateral Agreement on Investment (MAI). The OECD countries that launched this agreement, are currently trying to generalize it. MAI stipulates the liberalization of trade, services and monetary and fiscal policies of developing countries.

In general, services' constitutes is advantageous to globalization's political powers after the tangible commodities' liberalization. Figures show that services' trade evolved rapidly when compared to goods' trade. Between 1994 and 1998, services' trade grew by 27.5% (from US\$ 1,035 billion to US\$ 1,320 billion) compared to 7.7% for goods' trade (US\$ 4,890 billion to US\$ 5,270 billion). Financial services are considered

a major component of these services.

### **First: The impact of joining the WTO on the financial sector, whether at present or after the MAI endorsement**

According to the first article of the services, liberalization agreement, foreign companies should be treated as local companies. Such an agreement limits the government's ability to impose any type of constraints. It, thus, becomes difficult to set the number of service providers, put qualitative or quantitative constraints on operations and capital requirements, control the maximum number of employees, require technology transfers, command a minimum employment of local staff and resources, restrict speculation, and finally forbid income and capital outflows. The State's role is further weakened because international litigation would replace local litigation in case of conflict, according to the Agreement. In general, the global environment has become a single space open to free capital movement, and limitless profit making, without no regard to national accountability to the exploited societies.

#### **1- The effects on government revenues:**

First: The impact will generally reduce custom duties according to a set schedule. The government will have to search for other sources of revenue.

Second: The tax cuts on the business sectors will stimulate investment flows. All countries will have equivalent tax reductions to avoid capital flight, since movements are unrestricted. This contest to attract investment will further reduce the revenues of the government, which would have to look for alternatives. A solution would be to replace the sales' tax, which charges businesses by the value-added tax, which charges citizens. Accordingly, the hosting countries would reap little benefit from foreign investment. Cheap labor and raw material production sites attract such export production invest-

ments. The exports would be sold in countries where they are tax exempt while profits are transferred outside the country, thus also escaping tax payments.

**2- The cutback in Treasury revenues** and the inability of the government to impose taxes or fees will drive down government spending on education, health, culture, and social services, in general. The State will not be able to serve societies in the making. Nevertheless, a strong central authority is required to unite the country and execute the collective functions, since the private sector -particularly low-income private sectors - cannot satisfy the developing countries, social services needs. Within this context, economic growth and social development would be negatively affected.

**3- The potential impact on the trade balance and balance of payments:**

Under the prevailing conditions and once protection is removed, weak national industries are expected to deteriorate, especially if no large national or foreign capital is invested in alternative industries. As a matter of fact, this is the case in most developing countries, where imports are rising and exports declining. Trade deficits are growing, creating balance of payments' deficits. This would lead to a drop in government revenues and a rising need to borrow. Nevertheless, the States' deteriorating economic conditions would reduce their chance of finding lenders and increase their inability to secure debt servicing.

**4- The potential impact on financial services:**

Large financial conglomerates, offering a number of financial services and activities, like banking, insurance, accounting, and consulting, would compete with much smaller local financial activities providers in the Third World. The financial services' liberalization will unleash a

fierce competition that would clearly benefit the larger companies. Similarly, multinationals would invade all categories of the services' sector including, education, telecommunication, health, consulting, intellectual property and others. In parallel, realized profits will be transferred out.

**5- The potential impact on investment:**

- The rising negotiations on investment liberalization and capital mobility would allow speculation, which can induce financial crises. The developing countries do not have a strong financial sector and cannot endure any speculative attacks. Hence, it is not of their interest to completely remove barriers on capital and investment mobility. Imposing the openness through liberalization agreements would only result in critically damaging consequences for developing countries. During the last fifteen years, five financial crises resulted in severe losses and led a large speculator such as George Soros to recommend in his book, the "Crisis of Global Capitalism", the imposition of capital barriers and market regulation.

- The big conglomerates operate in countries providing the cheapest raw materials and labor, the least restriction on the labor market, the lowest tax rates and custom duties, no environmental regulation, and the lowest health standards. This will allow these companies to produce at minimal cost and, then, to export, while making high profits that would be transferred abroad. So, what would be left for the developing countries?

**6- The WTO agreement** is based on extreme liberal principles arising from the idea of living market activities to the "invisible hand" for the best regulation. However, the "invisible hand" is nothing but the visible hand of the powers that control the market. It is a coalition of some people's interests and decisions. Claiming that the

"invisible hand's" is a neutral process is falsified by a number of facts.

The present implementation of the liberal policies is based on the largest nations' needs and the conglomerates' requirements, which are confident they will retain their dominance. These same nations have followed different paths of openness and closed economic policies according to their private interests. Although the big countries have themselves formulated the agreements, they are currently selective in their application. For instance, the OECD countries' agricultural subsidies are double the developing countries agricultural export value. OECD countries insist on the protection of agricultural sectors and impose protection on any production that can threaten the sector, like the carbon tax and others. They also impose technical constraints, environmental and health barriers, origin and dumping regulation, and other barriers to deter any undesirable product. OECD countries also hinder labor mobility, contradicting one of the major economic liberal principles that they promote. In addition, these States refuse to pay any compensation for such protection measures, yet they require from developing countries to open up completely, promising them a better future. While this system's disadvantages are currently materializing and assessed, the potential future advantages remain undetermined.

In any case, market openness under the existing conditions will put national growth and investment at the mercy of the international market forces. It will weaken the local authorities' capability to direct the economy, even though national sectors would need the support national powers' support in dealing with the large international conglomerates. The national businesses call for local support, in order to strengthen their position and negotiation abilities and in order to get fair conditions when facing the large conglomerates.

### **Second: is it possible for developing countries to stay away from joining the WTO or similar international institutions?**

The advanced countries have a surplus in their production capacity generated as a result of the evolution in technology. They also accumulated capital surpluses, due to rising productive capacity and to the exploitation of Third World countries, which increased during the past ten years with the reduction in social services, wage cuts, labor market liberalization, the introduction of investment incentives, and the removal of all related barriers. Whatever the source, capital surpluses search for investment, which would create savings for developing countries. Financing through investment is better than borrowing for several reasons. It brings in sophisticated technologies, managerial skills and access to international markets. These factors are lacking in developing countries and their materialization through regular growth would take a long time. However, nowadays, time is a major determinant in the development process.

Benefiting from this openness and the prevailing conditions is still possible yet only to a few countries which annex the countries of the center. The free markets are by nature polarizing, which is clearly reflected in the development of some countries of the world versus an underdeveloped majority. Perfect open markets can drive out capital as well as attract capital inflows, regardless of the condition and situation. For example, figures show that US\$800 billion of Arab capital was invested in 1998 in international markets versus US\$2.5 billion of foreign capital invested in the Arab markets. Thus, the data leads to a negative conclusion.

On the other hand, it is not possible to restrict national capital to their respective countries, when international markets provide attractive returns, no matter how many barriers exist. In

fact, when capital control is very strict and the hurdles are high, capital is expected to flee. The channels for outflow are not impossible to find, regardless how difficult it is to convert currencies and regardless how strict the penalties are. The Syrian case serves as an example since this country has been a capital exporter since 1960.

We do not think it would be feasible to distance ourselves from the international system, with most countries already integrated in it. Marginalization would cost much more. However, to accept all what is imposed by the largest powers would allow the latter to push further in the same direction, increasing more and more the losses of developing countries and of the populations of advanced countries themselves. The only solution is "an active integration", as noted by Samir Amin, **who incites all the world's nations to resist and impose more equitable terms under the WTO agreement and other agreements that were ratified or will be ratified in the future, to govern the financial sector or other sectors. This meeting, currently taking place is an effective activity.** Other examples of such meetings are those held by the United Nations Conference on Trade and Development (UNCTAD), the coordination meetings bringing together developing countries during the WTO rounds, the regional blocks between countries outside the G7, the coordination between the parties and other organizations of developed countries that are harmed by the extreme liberal policies and that agree with the demands of Third World Countries, and the creation of an international front united against extreme liberalism. Add to these, the cooperation between G7's small and medium companies and their counterparts in other countries. All these events can result in better conditions. The global capital's extremist alliance has to be offset by a global alliance of groupings, populations, and countries that

would defend themselves.

The most effective tool, in the long-run, is the generation of economic growth in developing countries. Accordingly, the relations with the WTO or other similar organizations should be managed and, consequently, directed towards achieving better conditions that nurture economic and social growth, and should not aim towards getting aid, although financial conditions are among the major prerequisites for growth.

1) Syrian Economist and financial Consultant

## **The Economic Philosophie of the WTO and an overview of International Trade**

**by Dr. Mohamad Doudar**

**Professor Political Economy/School of law  
Alexandria University - Beirut Arab University**

The Uruguay round, that took place after seven years of negotiations within the context the General Agreement on Trade and Tariffs, developed into an international agreement plan in December 1993. The objectives of the agreement are the following.

-International trade liberalization. The liberalization includes not only tangible merchandise but also services and technology, which are treated as commodities. Considering technology a commodity and liberalizing its trade will lead to a review of the intellectual property rights system.

-The creation of a new international economic organization that will enforce the new Agreement's implementation, especially with regards to the unification of substantive trade laws and regulations.

This new entity would become a forum, hosting negotiations on free trade expansion, whether at the international or peripheral levels. It would also provide the international markets with tools for the settlement of international trade conflicts. This organization was named the World Trade Organization (WTO).

The agreement was signed in Marrakech on April 14, 1994 and was put into practice starting December 1, 1995, the date that became the WTO anniversary. The WTO joined the World Bank and the International Monetary Fund (IMF) to form the regulatory triad governing the international economy. While the latter two focus on the international financial market and the related economic, monetary and fiscal national policies, the WTO controls the international trade market and related commercial and technological country policies.

In order to understand the new organization's economic underpinning, it is necessary to examine the international economic specificities that prevailed during the last decade and the resulting global market restructuring efforts undertaken by the international economic institutions. This review will reveal that there is a predominant trend to turn the global economy into a single market with no barriers against commodities, exchange (tangible or technological goods) and capital mobility. Accordingly, a single legal system incorporating substantive laws that regulate international commercial and financial operations will prevail and influence the member countries' regulatory systems. Within this context, we can discern the organization's general economic philosophy and underlying principles and also its legal dimensions. In essence, these dimensions have to be investigated further, yet we can explore them with respect to the Arab countries' legal system and the threats arising from the agreement's legal application on the Arab member countries at present.

It is important to consider this issue from the economic point of view of underdeveloped countries (with underdevelopment being a scientific attribute and not a moral one) within the context of a contemporary global capitalist economy. Thus, the issue will look into the difficulties these countries are facing, either because of their status under the agreement or because of biased implementation affecting these countries. This is the case when private interest replaces international commercial relations while the WTO is unable to redress such practices. Hence, it would be beneficial to look into the nature and elements of the ensuing conflict since the establishment of WTO, especially those affecting underdeveloped countries.

We will use the following approach to deal with the subject.

- In **chapter one**, we review the general characteristics of the international economy during

the last decades.

- In **chapter two**, we look into the economic philosophy and principles underlying the WTO agreement.
- In **chapter three**, we go over the legal dimension of the WTO establishment Agreement
- In **chapter four**, we highlight the Agreement's legal fundamentals, with respect to the Arab countries legal systems.
- In the **last chapter**, we evaluate the WTO, according to the actual practices of international commercial exchange from two angles. On one hand, we consider the practices from the underdeveloped countries' perspective, during the past five years, especially after the economic crises that hit Southeastern Asian countries and that has been affecting the rest of the world since then. On the other hand, we study these practices, taking into consideration the economic improvements resulting from the resolution of conflicts involving these countries.

## **Chapter One**

### **The general characteristics of the international economy during the past decades**

We will limit our overview to the most important and distinctive features of international economic activity, in terms of prevailing capitalist social relations. These features are upshots of the capitalist economic evolution. Though such developments change continuously, it is possible to identify the following primary features.

**First:** the international economy is currently characterized by a structural division of capitalist activity that is completely different from the division that prevailed between the mid 19th century and the Second World War. During that period, countries had specialized in producing completed final goods. Advanced economies focused on industrial production, supported by agricultural production. This specialization was essentially based on scientific and technological production. The underdeveloped economies (with underdevelopment being a scientific attribute and not a moral one) specialized basically in the production of agricultural and mineral primary resources. Each economy specialized in one or two export commodities. Exports would determine the type and scope of imports and would ensure the necessary conditions for production continuity. These conditions are only realized through international markets.

On the other hand, the current structural trend shaping the international capitalist activity is revealed through a long process of the structural transformation capitalist project's. The social production process of a single commodity became divided into a number of manufacturing activities, based on labor specialization. This change was the result of the technological advancement of the production process moving from manual work, to mechanical, then automated, to finally reach the prevailing electronic

operations. These developments raised productivity tremendously. Thus, the current trend of global capitalist production stems from a long structural transformation of advanced economies' production systems. Production moved from the old branches to new areas that are prominent in economic activity, especially industry. The old branches were either transferred or abandoned.

The international economic division of labor, which started in the 1970s, retained certain characteristics of the previous trend, since a number of industrial specializations moved to various parts of the world. The advanced economies focused on scientific and technological formation and on mass production of technology-intensive goods. The international tendency was not anymore based on countries' specialization in manufacturing complete commodities' but on specialization in production of parts of a final commodity or a number of commodities, with the assembly taking place in a completely different area, specializing in assembly. This structural change in the international division of capitalist activity is distinguished by the rising technological developments, which are the basis for comparative advantages formation and, accordingly, for being competitive. The economic specialization trend includes a new type of historical production internationalization that increases the social intertwinement amongst the different part of the global society. Hence, under such a system, the interaction amongst its different parts is heightened. The resulting impact affects the social forces that compose this system. The outcomes also influence the international division of capitalist activity, by determining the scientific and technical knowledge for each economy and consequently affecting the countries' educational system (including training and formation). It also provides an indicator for schools on labor force needs so that a corresponding cultural foundation is formed

through the educational system.

**Second:** The contemporary global economy is also characterized by international monopolies governing the capitalist system. Multinational companies are leading this international structural division of labor. These companies provide productive, commercial, and financial activities and, generally, belong to financial groups. They have an extensive network of activities in all markets and follow strategic plans, at the international level, to further expand and dominate markets, through mergers, acquisitions, and capital concentration. Production takes place in diverse areas of the world, to benefit from the diversity of countries' economic and energy resources. These companies aspire to turn the world economy into a single free market through its sales volume, its bylaws, its financial and banking systems, and its organizational relations. The reach of global capital extends to labor markets. Accordingly, the international capital discretionary labor force exploitation is facilitated through selective employment across the world according to labor force skills and its technical and intellectual levels (a need for intellect at one place, for technical cadres at another, for skilled labor at third place, for cheap labor instead of costly labor at a fourth, and so on). Such developments would require a flexible labor force that can move across different economic sectors around the world to meet capital requirements. Accordingly, the educational system is liable to furnish the labor force with the requirements for flexibility and mobility, which is not anymore limited to national boundaries but can be across international labor markets.

**Third:** The international capital's attempt to combine the world's economic units under one economic organization and regulatory system, since World War Two, is another feature of the contemporary economic system. The idea is to

join the world under a single diplomatic corps, that is the United Nation (UN) and its related agencies. The UN will be used to reach the international capital's targets under an international legitimacy, which is nothing, in the end, but capital's legitimate authority. The monetary market's structure further reinforces this system because it revolves around the US dollar as the main benchmark with respect to international currencies. The World Bank and the International Monetary Fund are the main organizations that ensure the preservation of such a system.

The creation of a single economic organization and regulatory system is pursued through the regulation of markets for goods and services, as well as technology, which is considered an intellectual property. The common purpose is to transform the global society into a single market to the advantage of international capital. Within this context, capital mobility is free and unrestrained while labor force's mobility, within the international labor market, is constrained according to capital requirements in the diverse world's markets. The markets' economic unity calls for the formation of a single regulatory system that would govern the different parts of the international economic system. International market assessment reflects economic and political power trends, which are the result of the development of capitalist production relations and are the determinants of the social and economic progress of the various societies in the world. However, the unity of the international capital market does not revoke the emergence of conflicts. Instead, it builds on different types of conflicts. The basic conflict is between capital and labor (and its different divisions). In addition, there is a general struggle between capital investments at the international level seeking, particularly, to dominate the world. This type of conflict includes international, ethnic, and racial clashes that have intensified.

Capitalist development during the last decade further shattered any attempt to attenuate the contradiction between opposing international forces. Instead, it incited a historical emergence of violence and power manifestations, shattering human and social clusters to promote the globalization of the capitalist market.

**Fourth:** Within the context of the prevailing contest between international capital, the global economy is moving further towards internationalization and a relative pre-eminence in productivity and marketing, in order to raise the competitiveness of each cluster of capital to face rivalry and dominate globally. Consequently, the outcome of this contest will restructure driving forces governing the contemporary global economy. Currently, the trend is characterized by the ascendancy of American capital (as opposed to European and Japanese capital). The contest also involves a clash of cultures between the different civilizations of the advanced nations, especially where they have a strong economic, cultural and language influence. The impact is also direct at the level of the educational system.

**Fifth:** Nevertheless, the developments in the global economy are producing paradoxical particularities. It is the contradiction between the global monopolies and the globalization of their activities on one hand, and the tendency of some countries or one country on the other hand, to preserve and carry out private national interests. In other words, it is an opposition between the multinationals' activities expanding outside their mother country and the nationalist movements obstructing these companies' entry to their countries and markets. This is also evident, since international capital seeks to limit the national state's role. However, this weakening appears at different times and intensity levels, depending on the capital's need for the

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State's economic, political, or cultural power. The curbing of the State occurs as its social and economic functions are reduced by various means, such as ending its control of certain economic, educational, and social services' units. Hence, would the development of capitalism abolish the State, which is a historical social form of social structure, after using it as a regulatory of human clusters? The capitalist system employed the historical existence of the state for its development and, currently, does not need it anymore except for political purposes in developed countries. As to the underdeveloped areas, the international capitalist system favors the abolition of the State because it would possibly be related to local entrepreneurs and would serve local national resistance. The power of the international capital around the world is a mean to eradicate the State's potential national resistance against multinational companies' activities, using military rule as primary mean to destroy it.

**Sixth:** The global economic system has been facing a structural crisis since the 1970s, highlighting the system's inability to fully utilize human and material productive power. As a result, income disparities are increasing. The crisis is reflected in the growth rates' slowdown, a recurring rise in unemployment, the exclusion of working strata from social productive activities, and structural inflationary pressures. All these factors are contributing to divergences in income distribution and a rise in poverty around the world, whether in advanced nations or underdeveloped nations. This is also reflected in the international monetary system's instability, at the level of prices and exchange rates, and the prevalence of speculation, especially since debt financing is done through paper issuance putting indebted countries at the mercy of international capital. Financial crises became the primary expression of the international econom-

ic system's crisis, which is aggravating the social crisis experienced by various underdeveloped societies, including Arab societies. Such difficulties are creating institutional organization problems in affected societies.

## Chapter two

### The economic philosophy of the World Trade Organization

1- Since World War Two till the end of the 1970's, an objective view of the global economy reveals a rapid expansion as a result of reconstruction. This period lasted till the 1970s, as the global economy went into a structural inflationary and reversionary crisis. On the overall, cyclical changes affecting economic performance mixed with the capitalist countries' economic policies accentuated the difficulties of the ensuing inflation and recession. This prevailed as capitalist countries economic policies focused on monetary stability, favoring price stability at the expense of labor. Hence, unemployment was disregarded especially under the prevalence of electronic businesses, leading to an excess of labor when compared to the capital needs.

The aggravation of the economic crisis led to an aggravation of the social crisis, especially with rising unemployment and the increasing divergence in income and wealth distribution. Markets in developing countries are characterized by a limited market size and hence the international markets are considered.

- This focus on the international markets is exhibited, at the organizational level, by a rise in competition between the large monopolies, within a context of increasing mergers to improve international competitiveness. Mergers and groupings intensify capital concentration at the international level. The role of multinational companies role, thus, opposes the traditional institutions of capitalist societies, such as the state, labor unions, and other unions, in addition to "civil societies".

Targeting the global market requires comparative advantages' formation in order to be competitive. Such advantages are acquired only through technological innovation. Thus, the role of technology is the following:

- Gaining comparative advantages in goods and services trading
- Trading technology itself on the global market
- The above two points bring about the fundamental issue of intellectual property rights when considering technology as a commodity, i.e. as an intellectual product to be sold. In addition, this raises the issue of the state's policies regarding technology as a commodity.
- Considering the global market from the perspective of relative productivity and competitiveness of international capital, it becomes clear that the USA's productivity and competitiveness have been declining. This is a threat to the USA, despite its ascendancy in the goods and services' exports.

2- The evolution of the international capitalist system, since World War Two, called for the regulation of international markets in order to expand. These markets are the monetary, financial, commercial, and, particularly, technological markets. The objective was to create a global market where capital can move freely. As expected, US capital was behind this initiative, being the capital that dominated after the Second World War, yet with different objectives at different times. The first stage is between the end of the War and the end of the 1970s and the other stage started in the 1980s and continues to exist to this date.

**The first stage:** Following the US ascendancy in terms of relative productivity and its absolute economic ascendancy, and following a monetary and financial organization of the world that guarantees the dominance of American capital, an international regulatory system of commercial markets was set, providing the US with a legal framework to impose its economic (as well as political and military) power according to its private interests. Hence, the GATT organization started in 1947 as a club for the rich dominated by American capital. Towards the end of this stage, the global economy started facing a cri-

sis as European and Japanese capital emerged with high competitive standards while the American capital competitiveness was declining.

As the crisis aggravated, the USA and Europe's breach of the GATT articles increased.

**The second stage:** This stage is characterized by a deterioration of the US economic power and the abatement of American capital domination. However, as the crisis had social and political spillovers, American capital attempted to organize the international markets ensuring laws implementation by the related parties while allowing itself to violate them using political and military power (in the absence of any other opponent). A new entity was being formed during the Uruguay round between 1986 and 1993, with all members treated equally but under the rule of a minority of advanced countries' economic power. Accordingly, using such regulation, the USA can offset the losses it incurs from a reduction in competitiveness. The GATT developed after the Uruguay round in December 1993 into an international trade regulatory system. Then, on April 14 1994 in Marrakech, member countries announced the birth of the World Trade Organization on January 1st 1995.

3- The first stage started with a US initiative to organize the monetary and financial stability of international markets during the Havana conference, discussing the organization of commercial markets, following the 1944 Breton Woods agreement. The conference ended with a proposal that was not approved by the American congress, yet it retained article five which is about international trade liberalization. This article was to be later the basis of the General Agreement on Trade and Tariffs (GATT) approved in 1937 (30 October) and implemented since January 1st 1948. The purpose of the GATT is to liberalize trade, removing all custom and non-custom barriers. The agreement was characterized by its flexibility as negotiations took place through several rounds in order to

foster a dual promoting globalization, through continuously increasing members and expanding multilateral negotiations between parties in order to facilitate and liberalize trade.

The Anglo-Saxon concept of trade liberalization was promoted because it encourages the international division of activity, i.e. division by economic specialization, according to its their respective competitiveness. This requires the elimination of all barriers to trade, which can only be achieved through negotiation and a mutual renunciation followed by further negotiations. Accordingly, a number of eight rounds took place from 1947 till 1993.

The agreement was based on two principles. The first stipulates treating import as local products, with no discrimination against foreign products. The second allows all member countries to benefit from gains resulting from trade liberalization based on a bilateral agreement between two countries.

The seven rounds between 1947 and 1986 were on trade liberalization of tangible goods while placing agriculture and agricultural products under a special scheme, outside the Agreement.

4- During the Uruguay round between 1986 and 1993, a qualitative change regarding trade liberalization agreement appeared. Since the beginning of these rounds, the focus became on a new international division of a capitalist production trend (based on dividing the production process of a single commodity into several operations in a number of countries). This new trend was led by multinational companies, which are increasing capital concentration at the global level. Consequently, competition heightened during the advanced countries' economic rises, generating a protectionist reaction, by various economies, obstructing free trade, especially when it comes to the USA and Europe, which led to what was called a "corrosion of GATT ethics".

Though the economic crises resulted in a slow-down in international exchange, yet since the early eighties, trade growth followed the increase in international production. Coupled with direct foreign investment, this growth reflected the rising multinational companies' dominance in the international markets, while differentiating between tangible goods and services trade. In 1993, services' trade amounted to US\$ 1000 billion (accounting for 22% of international trade). Tangible goods' export was organized according to regulation at the level of countries' boundaries. Services' exchange regulation, on the other hand, (which requires the transfer of people and money from the exporting to the importing country where the service is sold) extends beyond the boundaries of the state to organize the service execution within the recipient country.

5- In order to understand the risks and difficulties faced during the last GATT negotiations and the Uruguay rounds, it is worth observing the features of the rising international competition from the sixties till the eighties. The main issue here is the result of interaction (or mutual impact).

- A promotion of liberalism at the international level led by multinational companies. Accordingly, and with reconstruction of the advanced economies that lost during the Second World War and with the integration of the southeastern Asian economies raised, the number of competitors increased.

- A mounting significance of the technological innovation in economic activity. Technology is the basis to generate new comparative advantages and change the previously acquired favorable conditions (i.e., increased rate of variation in trading conditions according to comparative advantages).

These two factors explain the commercial conflicts between the North and North and between North and South at the same time, as a result

of the increasing rate of change in trading conditions, as the countries of the North are introducing technological improvements to enhance their comparative advantage. In addition, the South countries lack the capabilities to face countries of the North, in terms of acquiring better technologies and strengthening their comparative advantage. (Not to mention some operating branches of multinationals in underdeveloped countries where improved technologies are introduced along with the cheap cost of production to raise exports' competitiveness). The above two factors reveal the countries that were able to acquire export competitiveness. The two factors also explain the commercial conflicts arising amongst countries of the North and between countries of the North and South, yet on one essential condition: to place these conflicts within a theoretical and practical accurate international trade framework, which reveals cases whereby State policies (i.e. State intervention) to create comparative advantages for national economies. This is why the agreement highlights the importance of uniting State policies. Such a unification will definitely be to the advantage of the most powerful economy, which had already formed, in reality, comparative advantages, based on high performing economies or previous State intervention. The advantage is for the party that has the capability to constantly introduce technological improvements and create renewed comparative advantages to the national economies. Hence, the unification of State trade policies, based on liberalism, left out the "weak" countries, while the State retaining - if not increasing - its political function in underdeveloped countries.

On the other hand, the increasingly important role of technological innovations (in creating comparative advantages) explains the industrialist countries' focus on technological policies. It also explains the importance given to technology transfer issues (through international pro-

grams). Technological policies and transfer lead to the question of intellectual property rights. Trade can take place only along with the availability of intellectual property, and consequently, trade in technology as a commodity can only be based on intellectual property rights. Thus, the liberal economic agreement excludes weak economies states, ruling out the possibility of generating (new) comparative advantages through interventionist policies. Moreover, the advanced countries' monopolies of scientific and technological research that prevailed since the nineteenth century up to date will ensure the preservation of their current and potential comparative advantages generated by technological innovation and will not allow the underdeveloped countries to change the privileged status they have.

6- The above-mentioned factors (the pressure to follow economic liberalism and the rising importance of technology) give an idea about the Uruguay round schedule, especially at the level of international capital within the context of the predominance of the American capital. The engagements can be classified into four categories.

A- The first finalizes the organization of tangible goods exchange.

- At the level of the exchange, agricultural products and textiles are included in the agreement but, in return, underdeveloped countries are to accept the inclusion of services to the agreement.

- At the level of organization and regulation, there is the resolution of problems arising from penal measures, problems rising from bilateral trade policies, and the problems arising from national policies, especially in terms of aid.

- At the level of measures, work is to be done to abolish non-monetary barriers.

B- The second plan is about the regulation of international services' exchange, extending the international system to include these activities.

This is a major change because, as previously mentioned, it would cross boundaries to include the regulation of activities within countries, since the services' export requires an implementation in importing countries. Some services remained excluded, reflecting conflicts between advanced countries.

C- The third is on the organization of the technology commodity exchange. The arrangement by international capital is based on the advanced countries' technology monopoly and scientific research, following the previous trend of international division of economic activity. This comes as a result of the increasing technological innovations' importance in creating comparative advantages for goods and services' trade and as result of the trade in technology as a commodity itself. It is, thus, normal that the arrangements should include setting technology and technology transfer policies and intellectual property rights standardization, which are the basis of technology as commodity trading.

D- The fourth arrangement is related to the international labor market, with labor treated as a commodity. The international capital preoccupation at this level revolves around the exclusion of labor services from the agreements' regulations, i.e. keeping the labor force away from other components of the international market such as (the tangible goods' market, services' market, and the technology as commodity market). This means that the labor exporting countries cannot benefit from the "poverty-related" comparative advantage of cheap labor in the international market. Accordingly, labor force regulations differ by country. The multinationals benefit from these national differences. Countries thus have to forgo a lot in terms of labor regulation, competing to keep in foreign capital and to resist its "cowardly" flight to secure foreign direct investments.

7- According to the Marrakech (April 1994) agreement, exceptions for member countries

can only take place under one of the following situations:

- To face other countries' dumping policies
- To guarantee the production of food products or another essential good.
- To avoid a damage affecting some industry
- As part of an economic block, yet with the condition that this block does not harm other countries.
- To implement a developmental policy in underdeveloped countries.

To benefit from these exceptions, objective conditions should prevail and the World Trade Organization should give its approval. Thus, these conditions depend on a strong national State in the economy. One of these exceptions, the case of economic blocks, can actually create a nationalist element, as would be a possibility for Arab countries.

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In conclusion, the above analysis reveals that the essence of the World Trade Organization agreement is to liberalize goods, services, and technology trade. There is no real concern for the divergence North and the South, nor is there any concern for the multinationals' increasing concentration and monopoly of technology creation and its application as they are increasing their control over the world's economic resources and technological developments. Accordingly, these conglomerates are excluding a rising share of the labor force not only from production but also from social life pushing them towards the edge. Moreover, there is an economic interest to exclude labor force as a commodity and its mobility from international regulation and agreements. Accordingly, labor force mobility from one country to another will be determined by the laws of national political elites.

The main concern, thus, is to liberalize the mar-

kets for tangible goods, services, and technology (including property rights). So how do we read such economic engagements at the level of the legal organization of international trade?

### Chapter three

#### The legal dimension of the World Trade Organization

##### 1- The legal dimension of the WTO agreement are determined by the following.

■ **First**, it is important to identify the Uruguay round process and take into account the economic interests at the level of international trade regulation. This is related to legal systems, substantive regulation of the organization, and the nature of the duties that bind member countries.

■ **Second**, it is also necessary to consider the course of action imposed by the regulatory process on member countries (including Arab countries which became members), as per the agreement and since the Marrakech agreement was put into effect on January 1st 1995. This regulatory process of the international trade is not only effective at the initiation of the agreement but will prevail in the future. As a matter of fact, the agreement features an internal auto-mechanism that allows it to continuously adjust its articles in order to expand its reach, whether in terms of members or in terms of trade relations:

##### **First: Interpretation of the economic interests at the level of trade regulation**

2- The economic concerns about the different forms of trade organization, that appeared during the Uruguay round, brought about directives underlying the legal framework to be implemented according to the Marrakech April 1994 agreement's articles. In view of that, the WTO was conceived to complement the World Bank and the International Monetary Fund. The WTO coordinates with the latter two organizations and specializes in international trade issues. Accordingly, countries pledge to eliminate all the contradictions between national laws and the WTO principles following a gradual sched-

ule and depending on the stage of the country's economic development and according to the type of traded goods. The general principles of the agreement at the level of trade regulation are:

a) A move to unify substantive laws that govern international trade contracts of tangible goods. A private law for the financial transactions underlying trade of tangible goods. The principles behind this law were inherited from old practices during the previous decades.

b) A step to unify substantive laws that govern international services' trade without discriminating against foreign financial and banking services, contracting services, tourism, cultural activities, professions (including lawyers, research, and legal consultations), consulting, and other services (based on the definitions and the services included in the agreement and to be included following future WTO negotiations). The idea is to have substantive laws that govern the services sector activities and the trade of services as commodities. The agreement's rules are applied according to monetary values and are gradually modified according to internal legislative articles. Hence, the tendency is to have unified substantive laws that govern trade and the application of services across member countries.

c) A move to unify substantive laws that govern intellectual property rights and to set technology prices used in international trade and technology transfer in all social domains (including economic activity), cultural domain (including the general notion of culture in terms of scientific and technological knowledge as well as creation of ideas, philosophical values, ideologies, literary, and artistic ideas). The Marrakech Agreement included articles on intellectual property rights that were already implemented following international conventions in Paris, Rome, and Washington. As to countries that do not have intellectual property rights, these need

to introduce regulation that conforms with the agreement. Countries that already have such regulation need to make sure that they are in harmony with the agreement's articles (with some differences in conditions related to timing and type of intellectual property).

d) The fourth step is related to the exclusion of labor force commodity from international trade regulation as per the Agreement. The labor force working relations' law follow the national regulatory system. The main characteristics of such measures are the following.

- The organization of labor and working relations, considering the political and structural weaknesses of the labor force, will actually be subject to deliberation between the underdeveloped nations' states and multinational companies, within the context of investment regulation, mainly foreign direct investment in those regions. A number of such cases can be taken from the Arab world.

- The relations' actual structure will continue to be subject to political and union conflicts like the French case and other western countries (since November/December 1995).

- The exclusion of the labor force commodity from international trade regulation dismisses family planning, though the family is the main producer of labor, under the rule of national regulation. At this stage, civic status will also remain outside the international trade regulatory system.

e) The substantive laws and rules governing nations' internal affairs and activities will remain under the authority of "national" legislation, though the principles of economic liberalism constrain the State's functions within its territories. However, in this respect the developed regions differ from those that are underdeveloped.

- Capital aims to reinforce the State in order for the latter to control local social powers that were not under its control. Consequently, capi-

tal can buttress itself at the expense of these forces, in order to face international competition (whether at the regional level or international level), even if it is also at the expense of traditional democratic principles and as result of the emergence of new Form of Nazism.

While capital is following this path, countries' "local laws and regulations" display the weakness of the State, as an economic and social power in underdeveloped countries, although the State aspires to be much more powerful in terms of political control.

- In both cases, the capitalist State is facing a severe crisis threatening its existence, since it cannot be powerful unless it is based on solid social and economic foundations. This power is only derived from its ability to resolve people's economic, social, and cultural problems. Hence, with the globalization trend followed by multinational companies, capitalist States are facing a challenging contradiction. This opposition is the result of having internal power that controls other social forces on one hand, and the necessity of opposing nationalist movements, on the other, in order to maintain the internal balance with respect to the external trend governed by international capital entities, such as multinational corporations.

3- As such, the trend is moving towards placing the whole world under a single regulatory ceiling, aiming to eliminate all barriers against the free movement of capital, in the commercial and financial markets. This is done through the standardization of laws governing economic and markets' relations. The laws regulate tangible goods' exchange, services' execution, intellectual property rights, and technology transfer. Financial services regulation will, subsequently, follow suit, in general, while keeping away the civil status and labor regulations from any similar attempts. Hence, under such a regulatory structure, capital is ensured free mobility across countries while labor is banned from such a

privilege. This system also reflects the historical structure of social relations: capital versus labor, highlighting the fact that the freedom and internationalization of one party (capital) negates the liberty of the other (labor). Capital can cross national boundaries and States while labor's movement remains restricted to satisfy the capital's requirements.

4- It is actually worth cautiously noting (since this issue is critical), that the regulatory framework governing international trade is adopted from the Anglo-Saxon legislation experiences and principles. Thus, the articles regulating financial operations will also follow Anglo-Saxon legislation. The issue is quite sensitive for countries where the Mediterranean civilizations inspire the legal system, which is historically based on Roman law, itself, derived from the old eastern Mediterranean civilizations' legal systems. It is within such a setting that the Anglo-Saxon legal system is being presented, assertively. So just like the Anglo-Saxon capital dominates, (American as well as British with the difference that the latter accepted, economic diversity while the latter, is monopolizing), it is also normal for Anglo-Saxon legislation to overrule other forms of legal systems. In fact, two social development laws explain this situation.

**First:** In class-divided societies, the regulatory system is predetermined and not constructed.

**Second:** People follow the values of their kings, unless they develop a power to rise up against them, through historical awareness. However, as we know, when kings "enter a village, they tend to corrupt it".

**Second: The type of the process used in creating the regulatory system: Presenting the Problem:**

5- Understanding the nature of the regulatory process prevailing in the different societies of the world and following up this process under capitalist development

6- After the Western Europe's capitalist development since the fifteenth century, the general approach regarding the regulatory system was characterized by:

- The prevalence of various internal legal systems inspired from different legislative systems inside and outside Europe based on conflicting grounds (diversity is not useful as a foundation).

- The legal system's applicability is based on territoriality, with the emergence of some exceptions for foreigners following the abolition of feudal barriers.

- This exception appeared with the development of the barter and capitalist economies, as an international dominant trend. Exchange stipulates the mobility of people and money across countries. Then, the private international law appeared, as a result of possible clashes of subjects under the internal private law.

- The evolution of the international law started in the seventeenth century. International legitimacy is identical to capital's legitimacy in general (in peace and war) and international capital's legitimacy, in particular.

7- Following capitalism's development and expansion outside Europe, the basic underpinnings of the international legal system started appearing and prevailed until the break of World War Two.

- Regarding internal regulation: Attention was diverted towards the rising importance of the commercial law, which started as a law for traders, but then evolved to regulate all economic activity and transactions. Its relation with the civic law is based on an increasing significance of the relation between transferable wealth and real estate wealth, as well as, on the significance of economic activity, which is primarily industrial in most societies.

- The application of Western laws, mainly Anglo-Saxon Latin and Germanic (to a lesser extent) laws in new and old colonies, like Egyptian

society, especially with regard to financial transactions of old colonies' societies (an that is if the civil status is kept as it used to before the western capitalist countries' control).

- Within the context of a global society based on international division of labor (a trend prevailing since World War two), foreign direct investments, and international trade, there was a tendency to formulate substantive rules to organize the "internal private laws" through international agreements and conventions. Then, these rules were included in the Agreement and approved, i.e. the articles became part of "internal private laws", which implies two points:

- The international legal system's gradual infiltration in the local regulatory systems despite the fact that these derive from the different underlying laws.

- The surge of a dominant international private law based on the agreements' substantive rules and international practices and governing private activities between individuals and entities from different nations.

- The general international law was extended to involve the regulation of international economic resources, seas, and the international environment. Members also increased, as the first international diplomatic organization (the United Nations) and its related agencies were created. Even relations with countries and other organizations that are not part of this system are being subjected to the general international law, in terms of liberalization measures and human rights relations.

8- The present stage of capitalist development is characterized by:

A new trend of international specialization and division of labor, driven by the internationalization of production of the multinational companies. The international economy comprises of:

- A tendency to globalize economic activity, as indicated by the growth in foreign direct invest-

ment, projects' relocation outside capital's home country, rising international trade volumes, and trade sectors (tangible commodities, services, and intellectual resources).

- A possible clash between multinational companies' globalization tendency and the "patriotic" drive of "nationalist" countries (unless foreign capital and local capital ally at the expense of other social forces within the country).

- The existence of a factual operation initiated by the internationally dominating capital to organize international economic relations, as a result of the opposition and difficulties it faces and through a number of international trade, monetary and financial organizations, and other economic active organizations.

- At the legal level, the present phase is witnessing the following:

- An increasing importance of the international codification process for "private" activities across borders and under cluster agreements. In other words, the multilateral trade agreements have gained importance. These agreements are the source of the private international law's substantive ground rules.

- Both trends are moving towards a unification of substantive regulation of financial operations starting with an international codification, which would affect the internal legal systems.

- There is a tendency to globalize institutional international trade regulation at different levels (at the level of tangible goods, services, and technology as a commodity based on intellectual property rights). Accordingly, there is also a move to unify the substantive laws governing exchange starting with the GATT (October 1947) to the World Trade Organization (April 1994), as well as the laws governing financial operations through the World Bank and the International Monetary Fund. The unification process was carried from 1944 (Breton Woods), to 1947/48 (GATT) till December 1993 (the last Uruguay round) to finally reach April 1994 (the

Marrakech Agreement endorsement of the World Trade Organization agreement starting January 1995).

9- With the development of capitalism, the nature of the regulatory process changed, especially as global capital's expansion reached the peak. Starting with the international codification (first through bilateral agreements, then limited multilateral agreements and finally through a multilateral agreement incorporating the majority of countries or even all of them when considering wealth), the international trend was moving towards a single legislative system in terms of financial transactions initiated by the bylaws of the general agreement.

- Some countries have to reformulate their financial regulatory systems to conform with the rules according to the General Agreement. It is not anymore acceptable to determine only some of the substantive local laws according to an international agreement. Instead, the national financial operations' substantive laws have to be completely based on the international codification of financial operations.

- Thus, the global trend to unify financial operations, substantive laws is being implemented through an international codification process (i.e. the WTO agreement and the ongoing multilateral negotiations that constitute this standardization process).

10- As a result of this substantive legal unification, international conflicts are resolved according to the WTO regulations. National laws in contention are fading away, within the context of the WTO agreement adoption. The private national laws' functions are reduced to the civic status laws and labor laws. Actually, the unification of laws is occurring during a historical phase whereby the American capital is dominating (along with its Canadian, English, and Australian alliances) and competing with the European and Japanese capitals particularly, in order to control the global economy. It is, thus,

normal to establish the financial operations' unified substantive laws from the Anglo-Saxon fundamentals. The international legal system is shaped by the dominant capitalist system. Just like the American capital has absolute power over the world, the unified legal system achieves supremacy not only through global codification but also through economic practice. For example, the approach regulation of fiduciary agreements tends to follow the English laws, the business civic law or the New York state law applicable to Wall Street, since the former law used to be the number one international financial center in the world since the nineteenth century and is still of high importance, while the latter currently governs the leading financial center in the world (Wall Street).

11- So what would does all the above mean in terms of classification of the traditional legal branches? The question here is not solely about classification but touches upon the nature of the regulatory process and the essence of the prevailing substantive laws.

- The question is whether we are proponents of the predatory expansionist nature of capital, placing the world under one legal system. It is also whether we approve of the application of this single law around different areas of the world based on the international substantive codification and the Anglo-Saxon values and some accordance with other legal systems values in the rest of the world. Thus, the international legal system would have expanded to cover:

- Not only international relations between individuals and organizations of the world, but also the regulation of financial operations between the entities of the private law and others of the general in the traditional sense of the word.

In other words, are we facing a general international law that governs all types of relations whether between nations or as a result of finan-

cial operations between private or general legal entities (according to the classical classification of the internal bylaws)?

Are we facing a new legal branch derived from the international codification that binds nations and people? The private law (in its traditional sense) regulates financial operations between parties of the same countries or from different countries. It incorporates articles from the internal law that do not oppose international regulation. This is the law, which is emerging while the private international law is fading away. If this is true, the dialectical dynamism of capitalist development is completed with respect to the international private law. The expansion of capitalism with the creation of a global market, through which the global economy developed to include huge flows of individuals and money across border, excluded the regional implementation of a "national" law and the related conflict resolution tools in private law subjects (attribution rules which are the rules of the private international law). Just as this exclusion ensued, the capitalist development and the economic and trade globalization trend resulted in the formation of substantive unified international regulation that eliminate any potential legal conflicts but that also eliminate its underlying foundation and that is the private international law.

12- Within this context the WTO agreement's legal dimension materializes as a result of:

- The prevalence of an international regulatory process instead of a national legal process,
- The unification of substantive laws at present and the possibility of other unification measures to govern commercial transactions in tangible goods, services, and technological goods markets (with the related laws on intellectual property rights), under the aegis of the WTO. The tendency for the Anglo-Saxon laws to govern excluding labor market regulation from this unification,
- The move to create a private international law

at a time when the application of primary force is abolishing the origins of the general international law, with an absolute power ruling over the relations between nations and imposing the rules of the private international law and their implementation all over international commercial markets,

- The introduction of obligatory arbitration for members to resolve conflicts. This system promotes conflict resolution through negotiation first. Arbitration is based on more precise system than the one used under GATT. To resolve conflicts, this system has more precise stages within a time schedule including the appeal stage, which is only accepted under certain legal conditions. The verdict of the panel of jurists is applicable automatically unless there is a consensus on its rejection by the DSB.

13- Within the context of legal conditions under the WTO, what are the legal implications for the Arab countries?

## Chapter four

### The legal implications of the agreement with respect to the Arab nations' legal systems

1- Following colonization and imperialism invasion, the Arab countries applied Western principles related to financial transactions and work relations (Latin laws in general and Anglo-Saxon in some cases). Arab countries witnessed the development of a regulatory system that has historical roots in the Islamic and Latin laws, as well as some features acquired from the legal and jurisprudential experiences of various countries. Within the context of political exploitation and the resulting legal sovereignty, the Arab countries put efforts to unify their regulatory system based on their common social composition characteristics. They consequently were able to achieve some kind of unification in their legal systems, especially at the level of the private law coupled with some kind of united litigation procedures in these countries.

In light of the above, the regulatory aspects of the Agreement are of significance to the Arab nations' legal systems.

2- The first aspect is methodological: How do we approach the analysis of the Agreements' legal implications (Marrakech Agreement)? Should we consider the sectoral division of subjects, looking into the implications according to the different legal divisions (based on the existing legal system) and following regular legal techniques? Or should we have at first a critical overview to understand the truth of the matter and to decipher the developments at the institutional and international regulatory system level and accordingly to position ourselves based on the relevance of our ideas and analytical tools?

3- The second implication is at the informative level: to understand the Agreement's articles. It is worth understanding the Anglo-Saxon laws in relation with other laws especially the ones that

prevail in the Arab world. Hence, it is important to understand the essence and different principles of the Anglo-Saxon laws. Despite the relatively increasing importance of legislation in countries where the Anglo-Saxon laws are applied, historical legal precedents remain the backbone of the legal system of these countries since World War two. Actually, its executive principles have certain peculiarities that are unfamiliar to us. Hence, understanding the Anglo-Saxon laws is not anymore a choice but has become a fair necessity in order to:

a) Avoid the muddle that would face the current generation of legal experts once Arab countries enter the agreement.

b) Be ready to deal with the differences between the Arab laws and those of the agreement once the need to conform with them arises.

c) Enable the regulatory system with a self-fulfilling capacity that can safeguard national interests under the Agreements rules.

d) In addition to the above, another reason for understanding the Anglo-Saxon laws is to be able to face the difficulties once the Agreement's articles are interpreted and implemented. Legal experts are required to have an accurate understanding of the Anglo-Saxon legislative system and need to master the methods and techniques needed for interpreting the law.

4- The third effect is due to the risks arising from the Agreement's rules generalization, which threatens the historical unification of substantive private and administrative laws, in most cases.

5- A fourth effect is at the level of commercial disputes' litigation. The conflict resolution system is characterized by the legal experts' and the national legal system's specialization, especially in relation to international arbitration expert definition of the private laws' knowledge which is widening the gap between the devel-

oped and underdeveloped countries. This aspect is not restricted to the arbitration carried out by the WTO, which resolves disputes according to its Agreement. However, it reflects the underlying legal fundamentals of the international capitalist system when it comes to underdeveloped countries. It is a move towards an arbitration of international transactions that have a private aspect, leading the underdeveloped countries into a new realm of foreign concessions, especially since local states are weak, relative to the multinational corporations influence. Accordingly, the "arbitration expertise" will be related to the international capital circles.

This possibility arises since the Agreement's clauses allow individuals to present their claims to the organization but only through their respective State, since arbitration will be on the subjects of the Agreement.

6- The fifth effect concerns the legal profession in the WTO member Arab countries, which face foreign competition at the level of studies, consultations, arbitration, contracts, legal documents formulation, and other fields. All these activities are part of the services sector. In practice, according to the Agreement, foreign providers of such services are not treated like local providers during the first stage. Yet this implies that:

- Working is under the aegis of the State, i.e., any favored treatment provided to another country (under a bilateral agreement) is generalized to the other members of the trade liberalization Agreement. However, the question that arises subsequently is whether the preferential mutual treatments between the Arab countries in the domain of law practice are subject to the above condition or whether such privileges can be granted in cases of regional blocks.
- The differences between foreigners and locals should not increase with time. In other words, the State should not impose barriers on foreign-

ers' practice of the legal profession in the Arab countries, once the Agreement's implementation starts.

- Gradually, the State would remove the barriers that hamper law practice by foreigners, following a time schedule.

- It is thus clear that after a certain period, the Agreement's articles move towards treating the local and foreign law practice alike in the Arab countries that signed the Agreement. As a result, locals are expected to quickly gain an accurate and detailed understanding of the Anglo-Saxon laws. Public and professional institutions are supposed to introduce serious training efforts in this respect, taking into consideration the difficulties arising from competition with the professionals of the developed countries since:

- In developed countries, large offices, and generally corporations, have significant capital and financing accessibility offer these services. In addition, these entities benefit from advanced technologies and telecommunication systems, unlike Arab countries where the law profession takes the form of a proprietorship. Arab professionals in this field also face difficulties because they don't know the foreign languages used in legal resources and because of cultural differences that disadvantage Arab practitioners.

In any case, this issue will not be easy for law professionals of the Arab WTO member countries, because the individual and international contracts signed with multinationals usually contain clauses that allow these companies to bring in their legal experts in negotiation and implementation of the contract, even assigning all required studies and related consulting services. Hence, local lawyers' tasks will be reduced to a representation task at the level of the internal legal system. Nevertheless, this will only be a limited period until trade is liberalized. At this point, the requirement to treat foreigners and local legal experts alike will be enforced in the member countries.

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7- The sixth effect of the WTO agreement regards the features that are required within a type of economic and legal framework. The issue is related to the required efforts to create a generation of legal practitioners that can handle the new type of jurisdiction, since we have unconsciously accepted, as disadvantaged parties, to sign on a "group" agreement and an international codification, resulting in a new regulatory system's based on the Anglo-Saxon laws. Thus, this is also related to the Arab universities teaching jurisdiction and related institutions' awareness of the problem and its risks and the ability of these entities to bare responsibility.

8- The seventh effect is related to the legal tasks imposed on Arab member countries according to the Agreement.

a) First is the interpretation of the agreement's articles in light of the historical reference sources, the different versions in the origination countries, international trade conditions that are the subject of legislation, and the national interest of the member Arab county.

b) Second is the accurate understanding of the agreement's decrees in different fields. This task involves an understanding of problems that are being restructured in different directions with a focus on intellectual property rights issues, the services sector and free professions' regulation, and connivance problems.

c) Third, there are a number of rules to be issued to offset the side effects of the Agreement including: foreign trade regulation with respect to textile, food, and pharmaceutical manufacturing, short-term capital flows, national currency trading, dumping laws, labor and social protection laws, privatization laws, and consumer protection laws.

9- The last upshot is related to an objective of reinforcing the jurisdiction understanding based on a critical and scientific approach. This reinforcement is needed in order:

- First, to avoid the unconscious dependency, which would turn into a mean to consume national interests.

- Second, to form potentials that are capable of understanding comparative legal systems, particularly the systems that are promoted by the international capital in the global market. Without these capabilities, no legal system can face the original international system while preserving the autonomy of the Arab legal system, safeguarding the Arab interest and opposing oppressive interests that promote "liberalization and market economies". This legal knowledge coupled with the scientific and critical approach, allow an implementation of Arab laws that protects the practitioners' interests while enabling them to defend national interests, in cases of international litigation.

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Having introduced the economic philosophy of the World Trade Organization, its legal dimensions and the corresponding effects with respect to the legal system and practices in the Arab countries, we think that what is left to cover is only an overview of international trade during the first stage of the WTO's existence.

## Chapter five

### The World Trade Organization and International Trade Current Practices

During the fifteen years before the mid nineties, international trade increased by 14 times while international production grew by 5.5 times. Since the eighties, trade has been growing at a faster pace than production, with the share of services in trade increasing. The United States is leading the top ten list of countries exporting services (including European countries and Japan), accounting for 26% of the list's services exports. In the eighties, international direct investment increased at rate equivalent to three times the growth in international trade. While it had previously targeted advanced countries, since the nineties, investments targeted different regions (Asian countries and China). Although the economic growth rates in Europe and the United States decreased in the early nineties, the rates in Eastern Asia doubled in general. The latter region represented a large market for the products of advanced countries and a cheap consumption source for Europeans, Americans, and Japanese consumers. Unemployment rates and economic indicators deteriorated during the second half of the nineties in Europe. In parallel, the US rates showed improvements in these indicators, as a result of the economic effect of the Gulf War, the settlements paid by the Gulf countries, the expansion in the arms' market with the US relative share of traditional weapons' sales expanding, and the drastic change between the oil and US, Europe, and Japanese produced commodities trade rates to the benefit of oil importing countries. During the second part of the nineties, financial crises increased internationally and recurred in emerging markets from Mexico to southeastern Asia, to Brazil... and other places. Based on the primary analysis of international trade, we can deduce the types of international exchange that drive the Organization:

1- The data on international trade during the second part of the nineties showed the following:

a) An increased awareness that the conditions and trends governing international exchange mirror the global economy's overall structure. The international economic driving forces, that do not benefit the underdeveloped countries in the short and long run, are reflected in international prices. From the year 1974 to 1994, the industrial products' terms of trade between countries of the South and European countries deteriorated to the advantage of the latter at an annual rate of 2.2%. The same indicator registered a 2.3% annual drop when considering Mediterranean countries (Algeria, Egypt, Cyprus, Jordan, Lebanon, Malta, Morocco, Tunisia, and the former Yugoslavia) in relation to European countries. This is the case, let alone other products' terms of trade, like oil (its real price in 1999 plummeted to below its 1955 level). Subsequently, "liberalization of trade" laws and regulations surface to bolster this type of exchange trend, in support of the party enjoying better terms of trade, i.e. the party with a stronger economy. Economic power is actually protected by the laws and the regulatory system, especially in cases where jurists are experts in international trade affairs.

b) Valid questioning on the relevance of the pressures placed on southeastern Asian countries to liberalize their economies (we all know the substantial role that the "Generals" States played in these countries' economic activity). The link is between these pressures and the crises' explosion within a context of a free movement of international financial capital and southeastern Asian countries' resistance to banking and financial services' liberalization until 1996. However, the countries signed at the peak of the crisis in December 1997.

c) The South countries awareness (through the G15 meeting) of the actual and substantive un-

fairness of the WTO system at the liberal economic level, which ignores the huge structural disparity between the advanced and underdeveloped capitalist economies. This divergence results also from an accelerated historical monopoly of technology and scientific research by countries of the North, accompanied by a monopoly of the principal channels of technological innovation, which are the primary determinants of renewed comparative advantages for international trade. The South countries expressed these issues in the Organization's meetings around the end of April 1998 in Geneva during the deep East and South East Asian crisis. Hence, an opposition between the South and North appears. The South countries confirmed this disagreement during the WTO Secretary General nomination in March 1999 when Morocco (the country that hosted the endorsement of the agreement on 14/4/1994) withdrew its representative under American/British pressure. The move was to the advantage of New Zealand's representative in opposition of the South countries' candidates i.e. the Moroccan and Malaysian candidates, although the former had the lowest number of proponents.

d) The nineties' facts also include US economic measures that do not conform with the Agreement's principles even after its signature in April 1994:

- It reincorporated the Super 301 clause trade regulations. According to this law, a party is allowed to apply unilateral commercial measures against trading partners that are deemed unfair. The US is applying this clause in a confrontation launched against Japan for setting quantitative specifications of US exports to the Japanese market.

- It issued, on March 13, 1996 an American law imposing sanctions on foreign non-US companies that deal with Cuba, Libya, and Iran. The European Union and Russia objected this measure because it opposes the general inter-

national law, which asserts nations' sovereignty and their rights to establish economic relations amongst each other. Other countries having strong economic and commercial relations with the USA, such as Canada and Mexico, are also disapproving. European countries, mainly Italy, Germany, and Spain are trying to exclude Libya, settling for the UN sanctions. The European Union also unanimously opposed the American decision regarding Iran because it includes restrictions on oil companies' transactions exceeding US\$ 40 million, as well.

- Moreover, the USA uses political pressure to execute big commercial deals, in order for the American companies to compete with other companies, as was the case in the civilian aircrafts deal worth US\$ 6 billion for five aircrafts. The Boeing/McDouglas company won the transaction that had been assigned to Airbus, a company owned by France, Germany, Britain, and Spain.

- Furthermore, the US Defense Department subsidizes Boeing/McDouglas' exports in order to sell below cost. Thus, where are the free markets laws and what happened to the WTO regulations regarding export subsidies?

- The USA also uses human rights' violation as a weapon to face other countries and prevent the State from its protection right, which is considered by the USA as a key notion in trade liberalization, and a foundation of the WTO agreement.

- In fact, the USA is using double standards in trade. It is benefiting from the trade liberalization advantages, within the context of the WTO agreement, and rushes to open other markets, especially the Asian markets, using the WTO for this purpose (44% of the conflicts within the WTO are USA complaints). However, it also upholds the "directed trading" and bilateral trade arrangements to adjust what free trade cannot correct.

e) During the second part of the nineties, the

structure of the international economic forces, including the WTO and the Multilateral Investment Agreement (MIA), became clear to the social and labor forces in the world. Accordingly, these forces had been fighting against the MIA signing since the end of 1995, in France and the rest of Western European countries until negotiations were frozen end of 1998.

f) The heightened conflict between leaders of OECD countries, especially the USA, European Union, and Japan, is another feature of the above-mentioned period. It is a conflict whereby all economic, commercial, political, and even military weapons are used. Large countries used military weapons for defense and to act against smaller countries. The most recent conflict was the Banana War between the USA and Europe on Central America, and the war against the rest of Europe in the Balkans. The countries' productive energy and labor force are depleted in conflicts reducing export capacity to nil or beyond nil. The imbalance of comparative advantages is increased affecting international exchange. Is there a link between the Balkan War and the Banana War? Possibly. Both aim to expand markets and get rid of competitors, commercial competitors in the case of the Banana War and sectarian competitors in the case of Balkans. Hence, the stronger entity dominates the powerless, at the economic and political levels in the international market contest. Currently, the Western countries through the North Atlantic Alliance (NATO) are imposing their rule using military tools, not only to face the Balkans and Eastern Europe, but all of the world. Accordingly, the rest of the world should be concerned when considering balancing the commercial exchange with the capitalist west.

2- A primary analysis of the WTO conflicts, up to March 1998, shows the following international trade features.

a) With respect to parties at odds, the US is the party most frequently in conflict. In 44% of the

cases, the USA is the protester while in 33% it is the subject of protest. Europe is another party frequently in conflict. Thus, the USA puts as much effort to ensure the Agreement's implementation, as it puts to apply its commercial interests that drive it into commercial dispute.

b) The conflicts between the larger parties i.e OECD countries amounted to 44 (with some being recurrent), including 20 disputes between the USA and Europe and four between Japan and the USA. The rest are related to other OECD countries. The conflicts amongst underdeveloped nations total nine.

c) The WTO role in conflict resolution remains superficial, limited by the legal framework set by the Marrakech Agreement. It does not look into the concerned parties' economic position or the economic and social contextual situation prevailing in the countries in conflict.

d) The conflicts are about the following subjects. The advanced countries dispute is on alcoholic drinks, meat products, agricultural and dairy products (which are major these countries' products), computer equipment, photography films, government goods, intellectual property, and services organization. As for underdeveloped countries, the disputes are on coconut products, textiles and clothing, cement, which are all traditional manufacturing products, and investment organizational measures. Only the aircrafts exported by Brazil are an exception. Regarding conflicts between the advanced and underdeveloped countries, they include bananas, meat, poultry, textile and clothing, leather goods and shoes, medication, cars, anti-dumping policies, intellectual property rights, and American film revenues.

The above list and the conflicts' synopsis for underdeveloped countries show that the goods in question are mainly offshoots of the advanced countries' traditional industrial activity which was transferred to the South countries through contracts with multinationals, either in

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the form of joint ventures and direct participation, or based on a reliance of the mother company's technologies. The underdeveloped nations have comparative advantages, due to poverty, in all these products, i.e. cheap labor force. The internationally traded non-strategic goods are limited. The new conflicts in international arbitration subjects is related to services or to government purchases. Where are we from the goods of crucial importance in international trade, i.e. the intensive technology-based goods like arms, technology sales, aircrafts and ships, satellites, and international contracting? Is because these goods are monopolized that they are far from being disputed?

we hope we did not rush into the conclusion, from the above WTO conflicts' analysis, that the Agreement's legal basis and conflict resolution mechanism meet its objectives, when it is the law is applied on commercial transactions of non-strategic-goods, which reinforces the concept of "borderless markets". Accordingly, within this imposed system, the international monopolies exploit these markets without any barrier and strategic goods are traded internationally. These goods are, actually, not related in any way to underdeveloped countries according to the international division of labor. Eventually, some of these products, like aircrafts and ships, could end up unused if services' trade is liberalized and countries fail to face foreign competition in this field.

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**TRIPS (a South Perspective on the background, contradictions and demands of change)**

**by Dr. Mohammed Raouf Hamed**

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If rapid change is the characteristic of this age, in general, and of globalization mechanisms, in particular. If the peoples of the South face, because of that, increasing hardships and challenges proportional to the speed of international and global changes. Then, the central key for an efficient interaction of Southern entities with these challenges may be in the need to benefit from this characteristic (rapid change). We mean by that, that Southern entities should intervene in the task of managing the process of change and direct it to their interest. That would mean that the South should overcome the interaction based on just receiving the shocks of change from the North that lead-and still leads-in many instances, to the lasting fall of the South in the vicious circle of handling change.

In this context it is expected that TRIPS (Trade-related intellectual property) to be one of the most important globalization mechanisms candidate to change from a southern perspective in the coming years. We should be careful because this agreement has been launched and has developed, thanks to the vicious efforts of multinational corporations, developed countries and especially the USA (in great speed for the developing nations). In this context, we will try to point to three main points:

- A) The process in which the agreement was reached, which definitely lead to the birth and the developing of southern opposition to TRIPS (in its present form) that advocate its change.
- B) Contradictions and central problems within the agreement.
- C) The changes required for the agreement to reach, to an acceptable degree, the level of fairness to the developing countries.

**First: The predictability of the emergence of an opposition from a southern perspective:**

This predictability comes from the many facets present in the international atmosphere that support the agreement, which are the following:

1- The main player that secured the inclusion of TRIPS in the GATT agreement was the multinational corporations, through a position paper presented to the secretariat (in June 1988). Ironically these corporations imposed their paper despite not being part of GATT, which is limited to states, even if that was made possible thanks to the UN's World Intellectual Property Organization .

2- On the same position as the corporations, we find that in august 1988 (two months after the former paper was presented) the American president signed a trade-related law that gives the USA the right to impose sanctions on countries that have unfair practices in trade related technological intellectual property.

3- It was rumored in TRIPES related literature that the North will present technological aid to the South, in truth it is only limited to the implementation of the agreement (to the sole benefit of the North and the corporations).

4- It should not be forgotten that there are dire implications concerning the southern development when the shift occurred from UNCTAD to the WTO. The former aimed at "making trade in the service of development" while the second aimed at " development in the service of trade", it should be noted that UNCTAD tries to make 1979-1989, the decade of technological transfer from he North to the South, that did not happen because of Northern resistance.

5- In September 1995, in the same year that the GATT agreements become operational, the North, represented by 500 of influential business and political men, began a strange orientation, in San Francisco, that global economic activity needed only 20% of the workforce and

the remaining 80% should live of the benefits of these 20%. This is an orientation in opposition to the South and to the populations of the North.

### **Secondly: the handicaps and the problems in TRIPS:**

**First kind:** imposing a minimum of 20 years of protection on patents. With the constant development in science and technology the life cycles of products have shortened. Which means that 20 years of protection is not logical since the life span of a product is shorter than that, thus it is a form of over-protection. That leads to great lateness in the general benefit from this product, especially in the third-world. In the mean time big corporations have super-benefits that outweigh by far the costs of research. The prime example is the pharmaceutical industry.

According to studies and reports by consumer protection associations in the USA there is a pharmaceutical company that lobbies to extend for three more years one of its patents, it assembled a team of politicians and decision-makers, among them (according to Public Citizen) is the wife of the Minority leader in the Senate as well as Clinton 1996 campaign manager. The cost of this lobbying was 18, 2 million\$ on four years, while the drug in question netted 2, 7 billion\$. It should be noted that the extension of the patent means no other company can produce this medication, even under another name. The production under a generic name means the decrease of the retail price by 20% that would make it more accessible to low-income patient around the world.

Corporations have other means than political pressure to extend patent protection. They resort to minor changes in the making process which would probably extend the patent for another 10 years. Of the 857 application for registration of medicine at the Food and Drugs Ad-

ministration only 311 can be considered as composed of new chemicals the others are a variation of marketed products.

### **Second kind: difficulties in implementing Forced license**

Forced license means that, as is recognized by Trips, a state has the right to give a license to a national company to produce a patented product in case a national urgent need that cannot be met because of monopoly and high prices. For example an AIDS drug costs 18\$ while it could cost only one third of a dollar if locally produced. The South African government tried to implement this right but the multinational companies fought against this move and accused the government of stealing, the conflict lasted for months while AIDS-related deaths could be counted by the millions. In practice there are great difficulties in implementing this clause. There may be technological or scientific difficulties concerning the production of generic products but political difficulties remain the most important and dangerous difficulties. It is expressed in terrorizing behavior by the big multinational corporations or their home-base countries. We underline the political will of the state in opposing the high pricing of medicines. (In Brazil, it managed to lower the prices by 79% which positively impacted on the number of deaths and on hospital budgets).

### **Third kind: Monopoly of patents on discoveries in the human body**

Trips gives patent rights for gene sequences that are responsible for sickness-related changes in the body. The patent here is not an indication of competition in scientific discovery but more than that it is a possibility to patent a sickness that can happen to anyone anywhere. Because this patent is related to knowledge so the monopoly of knowledge would mean that the fate of every man, woman and child in the globe does not rest on scientific medical breakthrough but on the policies, alliances and inter-

ests of patent holders.

**Thirdly: The changes and reasoning that are demanded to be included in TRIPS:**

Taking into account the environment in which it was made and the difficulties it contains the need for introducing changes becomes necessary, in order to make it compliant with the interests of humanity, especially the interests of the people of the South. As examples of these changes we propose the following:

1- Changing the duration of the patent protection based on the nature of the product and its life span. The duration being routinely adapted to changes of life span of the product. Paragraph 33 should be changed.

2- Organizing the transparency concerning the economics of the products in order to serve the determination of patent protection with the aim of encouraging inventions and financing research and not with the aim of increasing and maintaining license profits.

3- National Participation in ownership of patents owned by foreign companies if they are product based on national heritage or national culture. The companies should first get permission to do research or experiment on these items, then they should give the country a share of the profit, the percentage depends on the level of changes introduced in the product, 70% if the changes are minor and 15% percent if the changes are radical.

4- Considering the registration of patents by developing countries' citizens as a registration everywhere.

5- Introducing legislation to limit the pressure the corporation or developed state exercise on countries trying to implement forced registration.

6- The use of new mechanisms that aim to help the developing nations to overcome the financial and technical difficulties in conflict arbitra-

tion. The mean could be by creating a fund based on a percentage of payment by rich countries and big firms.

7- Excluding life forms and living process from patenting, that requires changing paragraph b) 27.3.

8- Encouraging the preferential pricing of products based on the economy level of the countries.

9- Encouraging and organizing the possibility of governmental use of patenting in the public interest, it is right that developed countries use efficiently.

10- Permission of automatic forced licensing to any product considered by international organizations as essentials for the maintaining of life.

11- Considering the achievement of complete personnel data on factory and hospital studies on medicines as a way of rational drug use that means it is not a breach of patent, that requires a clarification and good use of paragraph 39.3.

**Conclusion:**

Developing countries should avoid the implementation of the agreement that limit its national use of patents that requires focusing on national interest in policies and legislation.

## **The National State and Globalization What after September 11, 2001?**

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A paper presented to the world economic forum on the world trade organization

In this paper I will attempt to present a compact summary of this important subject, within the specified time, hoping that this forum will achieve its objectives.

**First:** The nation state is a nation with certain specific features and is located on territory bound with international border. It is not part of a royal family's possessions as was the Ottoman Empire, the Hapsburg, or Romanov Empires. This definition implies that it is a relatively modern concept. The Nation's sovereignty, in the modern sense of the word, refers to a political phenomenon characterized by its exclusive power on specific land. Sovereignty is reinforced by an accord amongst countries, within the framework of agreements that rule out intervention in internal affairs. These agreements play an important role in the assertion and reinforcement of the power of the state on its people and land.

The eighteenth century witnessed the development of the nation state concept as previously described; this came about along with two other major events:

**The first event** is the industrial revolution that allowed Western capitalism to form a new society. This revolution enabled mankind to be productive using an alternative means of energy (mechanical energy vs. physical and other more primitive means of energy). This evolution resulted in the emergence of a wealthy and entrepreneurs' class capable of taking more risks. Monetary trading replaced barter trade with production meeting consumer needs, and not anymore the specific needs of individuals (accord-

ing to request). Consequently market mechanisms that did not exist in pre-capitalist economies emerged.

**The second event** is that this nation state supported capitalism and enabled it to grow. It protected the system to the extent that it allowed the labor exploitation (especially children and women) and issued laws that facilitated capital accumulation. It developed international maritime trade, with military fleets escorting commercial fleets. It also assisted in national capital and wealth accumulation through the plundering of its population and other well-known colonization means.

**Second:** We note that the bourgeoisie supported the emergence of such a national state, which played a part in promoting the development of capitalism. Within this context, the state's economic role was set to satisfy capitalist interests. This turned out to be necessary for capitalism's development. Accordingly, the state assumed three roles through three stages to intervene in the economy.

**1- The first stage:** The onset of capital accumulation and the establishment of industries characterized this period. State intervention, at this stage, was noticeable. It aimed to support, directly and indirectly, capital accumulation and the establishment of industries, which were the objectives of this era.

**2- The second stage:** This is identified as the "the guardian state" stage which started to appear gradually and prevailed in Europe between the 1500s and 1800s. Economic thought labeled it as the mercantilist or commercial stage. Gold was used as the mean to spread the nation-state's power and might in Europe. It was also used to expand trade, acquire external markets for industrial production, and secure raw material. As a result, a wealth of gold and silver was to be accumulated with the state's support.

After which, natural philosophy ideas, along with Adam Smith's ideas on the state's role and free economy theory emerged. Conflicts between traders and producers' interests on one hand, and the state's endeavors and intervention in the economy, on the other hand, appeared. In addition, the Napoleon wars started while, on the other side, the capitalist accumulation phase was already surpassed. Within such a context, the role of the state was reduced to the setting up of a general environment whereby individuals can operate in complete freedom.

**3- The third stage:** This is the period of economic crises prevailing between the two twentieth century World Wars including the great recession. During this stage, the state assumed new functions beyond its previous role of a "guardian state".

**Third:** After World War Two, three different models of the modern state emerged

**The first model:** The Welfare state or the Keynesian state, mainly in the United States and Western Europe, promoted state intervention in economic affairs. This model surged as a result of a concern to reconstruct what the war had destroyed and also to compete with socialist system of the Soviet Union.

**The second model:** The socialist model was based on state control and management of the whole economy and on social ownership of the means of production.

**The third model:** This is the developmental state model prevailing in developing countries that recently got their independence. State intervention was for the purpose of achieving social and economic development to catch up with the advanced world.

The Keynesian model was able to achieve significant progress in technology, scientific learning, and production fields. The socialist model, on the other hand, achieved high economic

growth and social services development.

In parallel, developing countries' economies faced numerous difficulties but the majority were trapped with external debt.

**Fourth:** In the early seventies, capitalist countries began to face severe crises that resulted in the abandonment of the Keynesian state. The liberal right was pushing for solutions as the Keynesian model waned. This uncertain period ended with the British prime minister elections of Thatcher (1979) and the US presidential election of Reagan (1980), that boosted the economic liberalism momentum.

On the other hand, socialist countries headed by the Soviet Union started to disappear. It was evident that bureaucracy and intellectual rigidity hampered reforms and stalled the required dynamism for such changes. The economic, political and social difficulties became much greater than what the state and parties could resolve. Hence, by the time the perestroika program was formed, it was already too late.

**Fifth:** By the end of the 1980s, the socialist countries crisis was in its last stage. The fall of the Berlin Wall pushed them towards their end; and, finally, the Soviet Union fell apart and the socialist system collapsed. This major historical point was a rare chance to the benefit of economic new liberalism, proclaiming the capitalist system's victory in its confrontation with the socialist system. The cold war ended with the United States' triumph in its war against Iraq. The world, thus, entered a new era with strong momentum. Science and technology, especially in the fields of media and telecommunications, clarified the dimension and depth of this new world. Subsequently, these features began to build-up with the emergence of the extreme liberalist right's theories about the "end of history", the "clash of civilizations", and globalization.

**Sixth:** Globalization is briefly defined as "the clear intertwinement of economic, social, political, cultural, and behavioral matters, without reference to sovereign national boundaries and without the need for government interventions".

We perceive globalization, to be, in essence, a major liberal capitalist plan with a new formula ensuing from developments within the system itself and around the world. This change occurred particularly, after the Soviet Union's collapse and within the context of technological progress and economic mechanisms.

Accordingly, the political, economic, financial and commercial policies that reflect the above mentioned points are promoted by the new liberalism and focus on:

- Absolute freedom of capital, goods, people, ideas, and data mobility across borders with no restrictions.
- Floating exchange rates.
- Deregulation of the banking sector.
- Privatization of state owned entities.
- Providing foreign capital with facilities and incentives.
- Elimination of labor and middle class' benefits.

These measures came as a result of a crisis that the capitalist system was facing during the last quarter of the century. This crisis is characterized by:

- The prevalence of lasting recessionary aspects within the capitalist economies
- A growth in savings exceeding investment at the global level. This is due to the absence of profitable investment outlets in the productive sectors which are facing decreasing returns
- A significant growth in daily money transfers of thousands of billions of dollars, the equivalent of more than 50 times of good transfers.

The global capitalist system is, under this situation, facing the threat of a great recession that will abolish all financial profits accumulated throughout the years.

Consequently, the new liberal programs' objec-

tive is to provide other investment alternatives that can absorb the huge financial surpluses. In particular, this plan requires the following.

- The liberalization of external trade and the exchange rate.

- The downsizing of the national state and the marginalization of its economic functions.

- Pressuring developing countries, including Eastern European countries to apply new liberal social, political and economic policies to meet the requirements of globalization.

- While the Western governments (headed by USA) are selective in the implementation of the global policy applying what is to their advantage, the governments of the rest of the world have to simply abide.

- As a matter of fact, "abiding" is a mild description of the neoliberal requirements. What is actually demanded is a submission to these policies and a strict application of the World Bank and International Monetary Fund's (IMF) recommendations at the social, monetary, and fiscal policy levels. Joining the World Trade Organization and abiding by its principles stipulating the opening of borders for unrestricted goods, money and ideas' mobility (within certain conditions) are also required. However, it is worth noting that this openness is unilateral when it comes to human mobility. There would be no entry restriction on nationals of the USA or Western Europe. On the other hand, these countries will not be open for developing countries' nationals under excuses such as reduction of immigrants or the obstruction of the fundamentalists and terrorists' entry.

All the above conditions require a weak and marginalized state in third world countries. The state marginalization was pushed further because of the following:

- Technological progress.
- Increased productivity and the need for larger markets.

National markets were not sufficient anymore to

absorb the of industrial countries' production. A global market was needed, especially after the evolution of new means of production and the progress in technology. Within this context, transnational companies emerge to gradually replace the state and bypass its political boundaries. These corporations rise above international and national monetary policies. They also overstep any information and ideas' limitation, that are disseminated by the gigantic media corporations, cable channels, and the Internet. These mediums cross over national cultures replacing the old adherences (country and nation) with new concepts that serve the interests and objectives of the globalization and new liberalism, which became the transnational companies objects.

**Seventh:** The nation state's sovereignty has an internal and external facet. Internally, sovereignty is reflected in the absolute power to impose laws and their implementation on the population within the country. Externally, sovereignty is embodied in safeguarding complete independence and in deterring any outside interference. Certainly, both facets (external and internal) are tightly interrelated.

In this sense, sovereignty is related to two other factors the territory and the population. The state's sovereignty can be used only on its population and within the political boundaries internationally recognized.

With the development of democracy, the concept of legitimacy emerged as part of sovereignty. Legitimacy represents here the extent to which individuals accepts this power. Sovereignty is not sufficient on its own. It needs to be approved by a general agreement in order to legitimize it.

Based on this concept of sovereignty, the state (and its role in society) witnessed a number of developments. Some consider the idea of sovereignty relates to standard and constitutional

laws and intellectual property rights and should be applied within this framework. Others introduce new constraints on state's sovereignty for the following reasons:

- Increased awareness of the constitutional limitations.
- Human rights.
- Economic and technological considerations.
- The intertwinement of the global economy.
- The emergence of lobbying groups.

During the twentieth century, the national state acquired means to manage and direct national economies either through planning, as was the case of socialist countries, or through Keynesian administrations in Western countries. The states, therefore, became domineering social entities and the boundaries between the state and society became really interconnected. The state governed society in both the socialist and capitalist worlds; in addition to the third world that was mostly following a planned economy. Nevertheless, as previously mentioned, this perception of the state changed especially in 1980s and early 1990s when the Soviet Union and Eastern Europe started to change, and, subsequently, views on the state's inability to command to the benefit of the international operations circulated.

The intervention of the strong state in the social and economic lives of its citizens was necessary during the cold war between the capitalist and socialist systems. After the cold war, the importance of the nation state faded with the emergence of the market economies and the assent of national economies under a single global economy that is dominated by the transnational corporations. In this sense, the states became similar local administrations within a global system.

The new globalizations' discourse is based on new liberalism and opposes politics. The new globalized economy, free of politics, allows companies and markets to allocate factors of

production, while maximizing profits and excluding the imperfections caused by state intervention. Thus, the globalization proponents expect national policies to become more like of municipalities' policies which provide standard services. Accordingly, the traditional political game with its active political parties will lose its dynamism.

**Eight.** Globalization's discourse emphasizes that the "nation state" era has ended. Its ability to rule at the national level diminished within the context of rising international political driving forces. National policies and decisions are dismissed, to the advantage of the international market forces that are much stronger than the state.

Capital is liberated from any national constraints and travels freely, attracted by the highest profits, while labor force movement is relatively rigid and stable within the national framework. Social security laws, just like monetary and fiscal policy, are getting ancient and obsolete. The national state was turned into an ineffective entity for economic management. Its only function is the provision of social and public services at the lowest cost and corresponding to global capital's needs.

This new political discourse, which derives from the liberal ideology and opposes national politics, advocates an apolitical global economy. As such, markets and companies would maximize profits from the allocation factors of production and the elimination of the imperfections caused by government intervention. Free trade, transnational companies, and global markets freed businesses from political constraints allowing them to provide consumers with the best quality and cheapest goods.

Globalization would fulfill the values of liberalism, which gives primacy to free businesses. Political power's role is only to protect free trade.

Hence, the nation state functions and authority are decreasing under globalization. The economic power of globalized capitalism is not offset by any supra-national political power that can create the balance necessary to protect society from the costs and risks of profit seeking, destructive economic activity, and the marginalizing survival of the fittest rationale.

Globalization produced its own organization as the International Monetary Fund and the World Bank that work on the international monetary policies, international investment and funding. The World Trade Organization (WTO) was added (1994) to replace the GATT (1947). The WTO's functions are:

- The supervision of trade agreement implementation.
- Organizing negotiations on suspended and new issues.
- Resolution of conflicts arising between member countries.
- Entry assessment for new members.
- Coordination of international economic in participation with the International Monetary Fund and World Bank.
- This institution symbolizes globalization's "darkest side" because it serves capital by joining the countries of the world under one international capitalist system and under a single legal and economic system. Its objective is to unify the world's markets to the benefit of the free capital movement and investment, which in the end, marginalizes the nation state and reduces its sovereignty.
- While the GATT (1947) was limited to the goods' trade and provided a special treatment for developing countries to help their progress, WTO agreements include services, intellectual property, investment, and other issues that are not commercial by nature.

The WTO is, currently, formed of 142 member countries with China expected to join during the next round. However, this number is not an indi-

cator of its success. Developing countries that rushed to become member were influenced by a number of factors:

**The first factor:** The changes in the international environment following the collapse of the Soviet Union and the second Gulf war.

**The second factor:** Most countries were highly indebted

**The third factor:** The industrial countries promises to provide developing countries with aid In addition, some countries were actually convinced of globalization discourse on the trade benefits that generate economic growth.

As time passed, developing countries began to feel having rushed to accept the unjust conditions of the organization, especially since they accepted to abandon its decision-making power in the economy. Hence, these countries got nothing in return except losses and damage, since industrial countries abstained from offering significant aid, maintained agricultural subsidies and border protection, and put restrictions on the entry of developing countries' goods. In brief, the developing countries were deceived and were abused by the developing countries.

**Ninth:** In parallel to the globalization's organizations that worked on the roll-over of the nation state and its sovereignty, the World Trade Organization is pushing its members to sign on a multilateral project as a unified investment law. This step is an assault on the nation state's sovereignty and it lawmarking right. The industrial countries are also calling for the member countries' approval on an international business law, yet the developing countries were able, until now, to postpone these laws.

**Tenth:** There is no doubt that a major change in the nation state's role occurred. The economic liberalization, stabilization and structural adjustment programs, and the IMF's and WB's recommendations have reduced the state's role in the economy. Privatization of public utilities

and infrastructure like roads, railways, airlines, and phones, which were the property of the state is another reason behind this change. Moreover, in a number of countries, the state is moving away from business relations and reducing social services. For all these reasons, the nation state's future role is being questioned. Nevertheless, the latest events in the 1990s do not indicate that the state's role would vanish but would change. We definitely never doubt that this role is coming to an end.

**Eleventh:** On 11/9/2001, the USA, which heads the industrial countries and the international capitalist system, witnessed the destruction of the World Trade Center in New York and attacks on the Pentagon in Washington.

These events will not only impact the USA but also all the countries of the world. Although, the USA had previously witnessed other terrorist attacks (referring to its nomenclature), such as the attack in Yemen and the bombing of the two embassies in Africa, yet the latest events have different significance.

1- They took place within the US territory, wiping out the argument claiming that US security cannot be remote from external threats.

2- No warning preceded the attack, which surprised everyone especially the American Intelligence system that had promoted itself invincible.

3- The weapon used to attack on the World Trade Center and Pentagon was unexpected. Civilian aircrafts (including passengers and kidnapers) hit the buildings. Such a weapon cannot be eliminated. Hence, a new formula that is difficult to control entered the equation of security.

4- These events revealed the hatred and anger that the USA is facing. Some individuals sacrificed their lives to highlight this perception, yet these people hit more than one target implicitly. There is no doubt that what happened shook

the US prominence as well as its internal and external standing. For this reason, the US president stated that what happened was a war proclamation and that the USA declares war against "terrorism".

5- The USA resorted to the Security Council to issue a decision that did not only condemn terrorism but was a turning point in history. Resolution 1373, released by the Security Council on 28/11/2001, was based on article seven of the United Nations' charter. This decision shattered all the political and economic liberal values and mobilized the whole world to serve the sole objectives of American politics.

#### **What is the 1373 article about?**

The article is composed of several critical decisions that countries are obliged to implement, in relation to the following.

- 1- The prohibition and obstruction of terrorist activities. Nationals of the country are not allowed to channel any funds to be used for terrorist activities. In addition, resources, funds or assets that belong to any individual involved or attempting to become involved in terrorism are to be frozen. Similarly, any entity that is related or belonging directly or indirectly to terrorist activities is to be held up. Moreover, any money incoming from such related activities or individuals or is to be banned from entering their country.
- 2- The restriction of any kind of implicit or explicit support to terrorist activities and the ban of military supply to terrorists.
- 3- Taking all necessary measures to stop terrorism.
- 4- Indicting whoever is financing, supporting or conducting terrorist activities.
- 5- The guarantee to hand in all those financing, supporting, preparing, or implementing terrorist activities to justice. Also, the guarantee to incorporate terrorist activities as serious criminal activities in local laws and accordingly to stipulate

the appropriate punishment for such considerable crimes.

6- The cooperation, coordination and exchange of information between countries in investigating and sentencing cases related to terrorism financing and support. This is to be done through any bilateral and multilateral agreements that prohibit, control and take all necessary measures to against terrorist attacks.

The above-mentioned points that are the main elements of the decision imposed by the United States and issued by the Security Council will mainly affect the following.

- 1- Capital mobility: Such an outcome is actually against financial globalization, which is a major embodiment of economic liberalism.
- 2- Turning nations into agents and guardians apparently working for each other but actually serving only the USA.
- 3- The absence of a definition for terrorism in this decision. This gives a big room for different interpretations and application of the term for hidden agendas.

In addition, the decision was coupled with measures that western nations and the USA adopted using national security justifications. Following are some examples of the measures:

- 1- Security measures in the airports.
- 2- Email messages' monitoring.
- 3- Telephone lines monitoring.
- 4- Car inspection checks on public roads.
- 5- Banking accounts investigation.

These measures are considered a clear breach of civic and individual liberty rights contradicting the principles of political and economic liberalism.

To top it up, a research institution conducted a survey in the USA on the opinion of Americans regarding these measures. The results showed that 66% of participants were for such procedures as long as they get national security in return.

Should we bid farewell to liberal democracy and

free markets?

I would say it is early to conclude. However, the difficulties of international capitalism before and after September 11, 2001, the brutal war of the US against Afghanistan and its reverberations, and the long lasting war against terrorism declared by Bush, all these factors will place the world, and not only liberalism, against numerous alternatives. Certainly, the "end of history" is not one of the options, while the end of liberalism seems more plausible than any other.

The measures that the USA adopted after the petrifying New York and Washington attacks are obviously opposed to liberal political and economic philosophy. Some people considered the war against terrorism declared by Bush a step in the right direction to suppress terrorism. Others have viewed this step as a strong coup against trans-border capital and monetary free mobility, which would, consequently, hamper investment.

I read a declaration by an American banker announcing that the accounts of 27 entities (individuals and organizations) were frozen. The banker was questioning the idea of hampering investments and savings for millions for the sake of 27 individual or organizations.

A large number of European bankers are concerned about the "selectivity" of the future steps that can hamper the growth of large accounts that prefer tax havens and environments with little control on investment. Similarly, a number of bankers are afraid that strict supervision and other related measures would put pressure on liquidity, especially liquidity coming from Islamic funds, which are currently brought to front in the investigation about terrorism financing.

For all these reasons, the future of economic and political liberalism is questioned. This ambiguity will further increase in the next stage when the anti-terrorism Bush campaign is uncovered, especially since terrorism was not defined. This lack of a clear understanding serves

Zionist objectives since the continuous condemnation of the Arab and Islamic world will ultimately lead to an obscure and long situation of unclarity, chaos, and doubt in reaching a possible solution.

Certainly, actions of the US and its allies in their war against terrorism have placed the world in front of a new era. The implemented measures are definitely going to affect economic activity in terms of goods and merchandise trade, monetary flows, and people's mobility, which would challenge the liberal principles. Consequently, this will definitely influence the nation state's role, sovereignty, economic functions, and future.

## **Globalization and its impact on the economies of Arab countries**

**by Dr. Rida Gouuia**

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### **I- Introduction**

Globalization has become the most attractive phenomenon and the most studied by economic and political analysts, social scientists, and others. The discussion on identifying the concept underlying this phenomenon and its impact is continuous and varies among academic, political and cultural circles in all developed and developing countries.

There is no doubt that the intellectual concept underlying globalization has not been fully shaped yet. Accordingly, the studies and analysis on this issue are numerous, just like other economic and social phenomena that attracted the interest of researchers. Moreover, this phenomenon's impacts and manifestations on societies of the center and periphery have not been identified yet, in a scientific and accurate approach.

Most intellectuals agree that globalization embodies a set of radical changes that have reciprocal impacts. Most important of these is the integration of national economies in the global economy and the increased opening up of markets towards an international market. However, we can note numerous differences between the available scientific studies on this phenomenon. The most important are:

**First: The difference in the date of emergence of this phenomenon:** A number of researchers go back to as far as the sixteenth and seventeenth century to try and pinpoint the beginning globalization phenomenon, because this era was known for flourishing international trade, capital mobility, and the progress of modern technologies used at the time (Munir Ha-

mash, Harbi Mohammad Ouraiykat, Jalal Amin)<sup>(1)</sup>. Some have claimed that Marx, Engles, Lenin, and other eighteenth and nineteenth century analysts of the capitalist system have mentioned globalization claiming that the goods that leave capitalist factories will spread east and west with no wall to obstruct them, not even a wall as the China wall<sup>(2)</sup>.

Others consider globalization as a modern phenomenon having organic relations with a new important and influential element, which is the rapid scientific and technological progress. The organic link between technological achievements and globalization cause most researchers to mix the two phenomena, limiting their analysis on globalization to its technological aspect and its impact on production and social relations (Mehdi Hafez)<sup>(3)</sup>.

Considering the opportunities brought about by the media and communication technologies buttressing the economic, cultural, political, social and other relations between different societies and shortening distances and bringing closer the visions of populations, it is not strange anymore for some thinkers to label the world as a "global village" nor is it strange to talk about a global factory (Taha Abdel Aalim Taha).

In addition to the modern technological progress that is deepening and facilitating globalization, some thinkers relate the phenomena's recent emergence to growing international trade, the collapse of the Soviet Union, financial activity, the removal of barriers obstructing capital mobility, and the increased need of industrial countries to open up markets and free trade. With the recent upsurge of these factors globalization emerged in the nineties supported by three cornerstones:

- 1- The International Monetary Fund (which plays the role of the guardian of the international system, according to some thinkers).
- 2- The World Bank (that works on invigorating

the new international system).

3- The World Trade Organization (that aims to liberalize trade).

**Second: The difference in the evaluation of globalization's upshots:** At this point, it is possible to differentiate between various type of studies. Some thinkers and the promoters of the official international institutions' ideologies consider globalization, the spread of new liberalism, the international opening of markets, and trans-national corporations as the ideal channels to catch up with advanced nations and the modernization of the world economy. Globalization is, thus, accepted with no restraints, being the future era's language while ignoring some of its dangerous side effects.

Others only consider the negative consequences of its expansion and underlying mechanisms, such as the stabilization and structural adjustment programs that affected most countries in the world. For example, in an analysis of the Egyptian case, Jalal Amin deduced that Egypt's integration in the global economy resulted in higher unemployment, an increased divergence between income and consumption patterns, and a growth in the informal sector's share with respect to national income and employment. The national culture was also hit by the worsening of the Arabization forces. The national environment's deteriorated stake.

Furthermore, Munir Hamish considers globalization as a new international economic framework based on the ideologies and concepts of a new liberalism that is evident in the globalization of consumption patterns, markets, investments, and production and that is used by the international organizations (the World Bank, the International Monetary Fund, the World Trade Organization, and others). Globalization is not an international economic setting based on mutual exchange, as it is promoted. It is instead a form of a fierce commercial and monetary fierce

struggle that is further amplified as the gap between countries of the North and the South widens and on top amplifying social problems globally as a whole.

Similarly, considering the negative consequences of this phenomenon, others focus on the power of globalization in industrialized countries, like the United States, which dominates through global banks, international monopolies, and transnational corporations. Thus, these thinkers infer that globalization is a form of a new imperialist<sup>(4)</sup> pattern because its outcomes reinforce consumption markets, reduce purchasing power, and cut income, particularly in the periphery countries. Globalization had negative impacts on the urban and rural areas of the industrialized countries (including unemployment, wage cuts, marginalization of large population groups, reduction in social services expenditures, and the cancellation of a number of international achievements), and the standard of living of developing countries in general, and Arab countries in particular (especially oil economies). It also destroyed economies, as a result of intentional manipulation of market forces and income reduction.

As to the third type of globalization analysis, it is less emotional than the previous two, since it includes both favorable outcomes of this phenomenon as well as the unfavorable effects, which should be abridged. As such, Jalal Amin notes that globalization has provided certain limited benefits as a result of economic openness. These include the linkages in the field of modern medicine and the introduction to diverse cultures and living patterns. However, there is no single globalization channel that does not have negative consequences that affect human development.

**At the economic level, Amin notes** that globalization would result in higher economic growth rates in an economy experiencing recession, because of the interaction with another

economy experiencing economic growth. Then, trade will not be the only cause driving growth. The same outcome can be achieved as a result of capital and technological inflows. The writer adds that these effects are not always valid. The opposite could happen if the developed countries experience a reduction in growth rates or a recession.

Hence, some conclude that globalization is not a feature, but it is a living trend and not a free choice (to accept or reject), but is almost a doom. Having said that, it would be beneficial to try and understand globalization and accept that it would be difficult to obstruct<sup>(5)</sup>.

Mahdi El Hafez, for instance, concluded in his methodological study, that it is only possible to coexist with globalization, which is an objective phenomenon and a scientific and technological achievement. He also deduced that it is only possible to try to benefit from it, based on a comprehensive and tangible plan, just like it would have been the case for any human or natural phenomenon that faces the international society. Accordingly, the writer called for the study and identification of ways to benefit from globalization and its mechanisms for humanitarian, advanced, and equitable objectives. Consequently this would also eliminate the possibilities of directing globalization to marginalize developing countries and to diverge them from the industrialist countries. Within this context, Elsayed Yassin notes that the globalization challenges in the Arab world are numerous and complex. They have cultural, economic, and political dimensions. They require huge efforts on behalf of Arab decision-makers, Arab universities, and research centers. Hence, the only way to deal with these recent international changes is by having a positivist and creative reaction. Globalization is actually not a political or economic decision but a historical outcome, which no country can control.

### **Third: The differences in the methodologies used to study globalization:**

In fact, some economic specialists and social scientists have considered globalization from a narrow point of view, disregarding the fact that it is a multidimensional phenomenon that cannot be segregated. Hence, some studied economic globalization (Hozad Al Hitti), globalization of production (Taha Abdel Aalim Taha), banking and financial markets (Ramzi Zaki), poverty globalization (Wolf, Mohammad Mustajir, Fathi Rakkik), or cultural globalization.

For example, Ramzi Zaki identified a number of factors explaining the speed of financial globalization that started around the end of the nineteenth century (as noted by Rodolphe Helger Dinge, Lenin, and Rosa Luxembourg). Its main characteristics are:

- 1- The ascendancy of financial capitalism.
- 2- The emergence of a relative surplus of large capital.
- 3- The emergence of financial derivatives.
- 4- Technological progress.
- 5- The growth of bond markets.
- 6- And finally, privatization.

Thus, the above-mentioned studies have, on one hand, deepened the understanding of the concept and highlighted the different globalization facets and components, but, on the other, they widened the gap between various opinions and theories on the issue. Accordingly, other studies treated globalization as a comprehensive and modern phenomenon.

### **II- Globalization as a modern and comprehensive phenomenon**

To conclude from the above, globalization is a complicated phenomenon and is difficult to understand since it cannot be confined under an exclusive definition and explanation. It is a continuous phenomenon that reveals every day one of its several aspects. According to Simon Reich, globalization is a series of economic phe-

nomena related at core. These phenomena include liberalization of markets, and removal of barriers, privatization, reduction of jobs, the spread of technology, the distribution of industrial production, and the complementarities of capital markets. All these phenomena started appearing during the past years.

In other terms, globalization can be identified as a modern phenomenon that accompanied the new industrial revolution based on media and communication technologies. This conjunction confused some thinkers and analysts. The technological revolution is among the mechanisms that facilitated the spread of globalization, just like transnational corporation played an important role in the internationalization of the production process and in the spread of new liberalism and free markets culture<sup>(6)</sup>.

**So what is Globalization?** It is a number of forces aiming to unite the international economy through the elimination of all barriers that prevent the free flow and free trade of economic factors. It is an organic relation between all countries in a financial, commercial, technological, and cultural network that is controlled by the advanced countries headed by the United States. In other words, it is an intertwinement in time and scope of economics, politics, culture, consumption markets, and other elements.

Thus, globalization is a process that did not emerge arbitrarily but was the result of a number of earlier complex developments. Its pace was further accelerated by the technological revolution.

In reality, in our opinion, this phenomena is still in its beginning and we are still very far away from the global village or the global factory presented by a number of thinkers and analysts. Globalization is expected to grow following an irregular trend, depending on the reactions of international forces and on reactions of governments leading vulnerable natural resource-based economies. Hence, globalization's evolu-

tion around the world (its completion) is, directly or indirectly, affected by certain events such as anti-globalization demonstrations around the world and the rejection of some governments to integrate in the international system succumbing to market forces and to the rapid unplanned incorporation in the international markets and the new capitalist system.

**What are its characteristics and constituents?** As a matter of fact, the characteristics of this phenomenon proliferated during the last years. Some of these features were old but developed and appeared during the past years while others emerged with the technological revolution. Among these features, it is worth mentioning:

1- Internationalization of capital: Foreign Direct Investment increased lately in the world, turning into the cornerstone supporting globalization and the new economic system. In the year 2000, foreign direct investment amounted to US 1,300\$ billion increasing by 18% with respect to the volume registered in the year 1999 (US 1075\$ billion)<sup>(7)</sup>. This growth rate outweighs all other economic indicators' variations, including growth in global production, international trade or capital accumulation.

2- The rise of transnational corporations: The number of these corporations reached in 2000, 60,000 mother companies, in addition to 800 thousand subsidiaries spread around the globe. These companies play a unique role in the world in terms of production (7% of gross national production), marketing (one third of international exports), investment, and even politics. The corporations have risen to the top, in terms of competitiveness due to their technological capabilities, creative production, and administration. Consequently, they set their strategies based on their vision of borderless nations. The production's scope changed from national to global<sup>(8)</sup>.

3- The rapid developments in international

goods and services' trade: Although trade is old and has been going for centuries, it registered during the last decade a remarkable growth rate of at least 5% (5.5% for developed countries) while the global growth trend does not exceed 2% annually.

4- The accelerated harmonization of international rules and norms: International organizations spread the faith in market mechanisms and neo-liberalism to generate growth and progress. International agreements between countries to form regional blocks (EU, NAFTA, ASIANA...), partnerships (Europe and the Mediterranean countries), or to follow structural adjustment programs (World Bank & the International Monetary Fund) played an important role in opening opportunities for capital, spurring free trade, downsizing governments, propagating market mechanisms, and stimulating the private sector in the productive, services, cultural, and other sectors.

5- Hastening of production's internationalization: Although this operation was somewhat old, it witnessed, lately with the rising importance of transnational corporations, a significant qualitative change, at the level of country relations the corporation is concept itself (the national and network corporations). The figures show these production changes:

- More than 50% of Ford employees are non-residents.
- 55% of Sony's staff are from outside the mother-company's home country (96% in Nestle and 82% in Electroluxe).

6- The quick internationalization of consumption patterns and other concepts: Much has been said during the past years on the Americanization and MacDonaldisation of consumption patterns in developing as well as developed countries. The modern media direct consumption patterns and unit tastes all over the world to the benefit of transnational corporations. Accordingly, most countries adopted concepts such as in-

dividual freedom, political and economic democracy, and even natural and environmental protection. Non-Governmental Organizations, role was recognized in a number of countries to the extent that they replaced national governments in economic and cultural domains. Therefore, the intervention of national governments intervention in national economic administration decreased. These practices became more accepted in most countries to the benefit of the private sector and some non-governmental organization (the concept of the State was challenged). As some analysts would think, the objective of cultural globalization is to allow the western culture to dominate other cultures in the world, making use of modern communication.

### **III- Plausible conclusions on globalization's effects in the developing countries in general and Arab countries in particular:**

A lot has been mentioned on globalization's effects, particularly on labor, human capital, and the role of governments in the production process and human management. The analysis will not raise all these problems but will concentrate on particular social and economic sectors. It is worth providing a few remarks on the realities of Arab countries in a globalized world:

1- Considering the difficulties the Arab countries are facing in creating a common market while all attempts to stimulate internal trade and to create a unified Arab stance have failed, it is observed that the region is suffering from economic and commercial weaknesses when compared to the economic blocks of industrial countries. These weaknesses will negatively affect the countries' negotiation power. Consequently, agricultural, industrial products, and services will lack competitiveness in the international markets.

2- By nature, Arab economies rely heavily on

raw materials, natural resources, transformative industries with the exceptions of a few countries. However, such products are very sensitive to price fluctuations in international markets (like gas, oil, lead and other raw materials)<sup>(9)</sup>. Thus, the nature of such products will increase their vulnerability towards external forces and reduce their competitiveness.

3- Most Arab countries (especially developing countries) manufacturing rely on inputs, equipment, and technology imports from industrialized countries. Dependency is further increased with the revolution in manufacturing techniques, corporate management, environmental protection, and other factors.

4- Their small populations do not only hamper the Arab economies but also the low income and purchasing power of the Arab consumer. The spread of poverty and the shrinking of the middle class are expected to aggravate. Similarly, Arab corporations suffer from the absence of economies of scale and are not benefiting from internal markets' dynamics. Actually, this is reflected in the lack of industrial diversification, in addition to the focus on export-oriented industries to pay external debts and cover the rising imports of necessities.

5- The size of industrial, agricultural, and services organizations in the Arab countries is still insufficient for the private companies to have a major role in the creative origination of technology and business administration. The technological revolution relies, at present, on huge investments in research and development (R&D) and on creating partnership dynamics as a result of mutual interactions between companies, especially giant companies. Hence, it becomes imperative for Arab countries to resort to foreign direct investments.

All the above features will not only determine globalization's effects on Arab countries but will also influence their whole destiny and the future of their population, economies and progress. In

other terms, such characteristics would determine the benefits these countries would derive from globalization in terms of opportunities and capabilities (positive results on companies as a result of increased competition, partnerships with larger corporations, or the expansion of markets and the spread of technology, etc.). At the same time, these features will determine the exposure to the risks of this phenomenon and to the resulting unfavorable economic changes of the international economic system. It will also subject these economies to external economic pressures driven by fundamental political and other opposing forces.

So what are the negative economic spillovers? In our opinion, the following is expected.

1- Structural and organizational changes of the countries' productive sectors: The services sector is expected to grow at the expense of other agricultural and industrial sectors because of the technological revolution in the communication and media fields. While this case is acceptable for industrialized countries, which built their economies on complementarities of sectors (in agriculture and industry), it is considered a complicated and challenging difficulty for developing countries in general and among the Arab world in particular. The relative neglect of the agricultural sector and the inflow of imported agricultural goods as a result of fierce competition will increase food dependency<sup>(10)</sup>, widen the gap between countries and reduce the possibilities of growth and development.

2- Deepening the specialized production between countries: This will allow the industrialized countries to receive better quality of raw materials using advanced technologies at little cost. A process of production specialization was imposed as a result of the new "individual" or "personalized" consumption patterns, the technology availability, and the creativity of the North countries based on investments in research and development. This process and its

rapid pace did not only bridge the production life cycle but it became safe to contract the production process to countries of the South while countries of the North specialize in planning and marketing. Although such economic specialization would have some considerable positive impacts (a cut in cost and quality production), it will nevertheless benefit mainly the party in charge of designing and marketing that raise the good's international competitiveness.

3- The widening of the "export-at-any-cost" entrapment: This outcome started emerging in some Arab countries. The spread of open-market policies, the adoption of neo-liberal ideologies which is a cornerstone of the globalization phenomenon (The World Bank, The international Monetary Fund, and the World Trade Organization), the increased external debt servicing, and the divergence between the exports and imports' prices would all require an increase in exports at any cost. Based on the above analysis, exports would be directed towards basic and essential goods, which would deplete the primary and natural resources of Arab countries.

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### Note:

- (1) Refer to Rida Gouuia (2001) *Arab Economic Research* publication .
- (2) Mohammad Ouraiykat p. 50. Ouraiykat adds the rising discussions on globalization during the past ten years are not due to its emergence but to its rapid growth. According to the writer, there is an upsurge of a monetary globalization during the past years, as a result of the current technological progress in the industrial countries and particularly the United States p. 51/52.
- (3) Mehdi Hafez combines, in his analytical on globalization, this phenomenon with the technological revolution.
- (4) Some thinkers considered imperialism in the past as political imperialism while currently it developed into economic imperialism, which ultimately leads back to political imperialism. The new bourses have become a mean to extract the surpluses from developing countries to the benefit of advanced countries working on the financial crises of the peripheries.
- (5) Jalal Amin considers globalization as an old phenomenon

though it was only labeled recently. Throughout history globalization was beneficial only to the countries of the center and the neighborhood; it was disadvantageous to the countries of the periphery including Arab countries.

(6) Ramzi Zaki attempts to identify the risks of financial globalization facing developing countries and leading to costly financial crises, like Mexico (1994) and South East Asian countries (1997), Brazil and Russia (1999). The writer also lists other risks resulting from sudden capital movements, destructive market and speculative crises, capital outflows, dirty money inflow and, finally, weak monetary authority and sovereignty.

(7) Most countries in the world, (not to say all countries) put efforts in order to attract foreign direct investment, by providing all its requirements, infrastructure, legislation and administrative changes.

(8) Ouraiykat considers these corporations as a main constituent of the globalization phenomenon. They are the backbone of the expanding globalization economic network and the main drive behind the expansion and deepening of economic internationalization. Ouraiykat adds to these corporations the North Atlantic alliance, the World Bank, the International Monetary Fund, the World Trade Organization, the Security Council, the Media channels and systems and the modern information systems, which are all considered as tools for globalization p. 51.

(9) Some studies observed that extractive industries play a large role in the majority of Arab countries, at the expense of transformative industries, which have a secondary role and do not exceed 18% of the GDP of most important countries.

(10) It worth noting that with the exception of a few countries, most Arab countries are considered as net importers of food.

## **REVISITING THE ROLE OF THE STATE IN SOCIOECONOMIC DEVELOPMENT**

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### **Introduction**

There is hardly a question in economics that has received more attention than that of the appropriate role of the state in economic development. It follows that there is not much that one can say or write about this matter that has not already been said by others. There is, however, a striking fact about the history of thought on the role of the state in economic development. It seems to swing between extremes, from one set of ideas that give primacy to the role of state over markets to another that gives supremacy to markets and stresses their advantages over the state and then back again. The subject is, therefore, dynamic and drastic changes can be expected. In this sense there are always surprises, novelties and discoveries.

The earliest systematic thinking on the role of the government in the economy came from the Mercantilists. They advocated sweeping government intervention in industry and trade. Adam Smith's *Wealth of Nations* was in large part a reaction to mercantilist beliefs. The "invisible hand" doctrine of Smith was advanced to liberate markets from state interference. It became the dominant idea in economics and culminated in the 19th century "gold standard". Major counter ideas emerged with Marxism, Fascism and Keynesianism in the late 19th and early 20th century. Each contributed in a special way its special ideas about why the state needed to intervene in order to achieve desirable socioeconomic outcomes.

Economic development policies in Third World countries have reflected this pendulum like shifts in ideas about the role of the state. In the 1950s and 1960s, most developing countries adopted

development planning and gave the state a key role in economic transformation, both through intervention in markets and through the establishment of state enterprises<sup>(1)</sup>. The debt crisis in the 1980's gave lenders and their financial institutions, including the World Bank and the International Monetary Fund, the chance to repudiate these policies. The policy reforms of the "Washington Consensus" were informed by a minimalist conception of the role of the state, which is confined to the provision of secure property rights, sound macroeconomic policies, adequate education and some infrastructure<sup>(2)</sup>. The Washington Consensus policy prescriptions are heavily in favor of reducing the role of the state in the economy. The earlier optimism about what the state would be able to achieve has been replaced by excessive pessimism.

The recent rush towards globalization and a sense of triumphalism about capitalism in the aftermath of the disintegration of the Soviet Union and communism have combined to revert much of the economics profession to a new fundamentalism about the virtues of markets and the shrinking of government. There is today a stunning imbalance in ideology, conviction and institutions that favor markets over the state. Ironically, capitalism that thrives on competition is now virtually without competitors.

This triumphalism has been challenged both on theoretical and empirical grounds. The pendulum is swinging back under the force of systematic and highly refined theoretical questioning of the orthodoxy and the re-assessment of the Southeast Asian experience.

### **The Theoretical Perspective**

At the core of the celebration of markets is a relentless tautology. If we were to begin by assuming that nearly everything can be conceived as a market and those markets optimize outcomes, then everything leads to the same conclusion-marketize. If, in the event, a particular

market does not optimize, there is only one possible conclusion-it must be insufficiently marketized. This is a no-fail system for guaranteeing that the theory trumps evidence. Should some human activity fail to behave as an efficient market, it must logically be the result of some interference that should be removed. There is no admission anywhere that the theory could mis-specify human behavior or fail to account for deviations from its enormously rigid assumptions.

Economists are increasingly dissatisfied with simple rules of thumb (such as nonintervention, simplicity, uniformity, transparency and non-discretion) that are often advocated as guides for policy based on naive neoclassical economic models. The recent formal approaches to political economy have relied heavily on the integration of a number of transaction costs in addition to standard market failures that render the policy formation process more complex but more relevant and effective. Policy making, and the role of the state in the economy has to contend with imperfect and asymmetric information, adverse selection problems, moral hazard, inability to monitor effort, opportunistic and rent-seeking behavior, multiplicity of principals (principal agent problems), time inconsistency, bounded rationality and incomplete markets. All of these constitute formidable transaction costs that influence the policy making at the conceptual level as well as at the implementation level and call for a more nuance-role for the state in the economy. Avinash Dixit (1996) makes this point so well that it is worth quoting at length.

My starting points are simple to the point of being trite-one must accept markets and government are both imperfect systems; that both are unavoidable features of reality; that the operation of each is powerfully influenced by the existence of the other; and that both are processes unfolding in real time, whose evolution is dependent on history and buffeted by surprises. Most important, I

will argue that the political process should be viewed as a game between many participants (principals) who try to affect the actions of an immediate policymaker (agent). What follows from these observations is orthogonal to, and perhaps destructive, of the whole "markets versus governments" debate. The equilibrium or the outcome of the game will typically not maximize anything. Any attempts to design, or even identify, the desiderata of a truly optimal system are doomed to failure, and no grand or general results about the superiority of one organizational form over another can be expected. What we can do is to understand how the whole system consisting of markets and governments copes with the whole sets of problems of conflicting information, incentives, and actions that preclude a fully ideal outcome<sup>(3)</sup>. The message is clear, once governments cannot be wished away and that they necessarily face multiple political pressures in an environment of incomplete information and markets, the traditional dichotomy of governments versus markets does not make sense and the simple minded advocacy of laissez-faire, even in its ideal form, becomes irrelevant<sup>(4)</sup>.

Perhaps more interesting is the realization that what appears to be government inefficiency and delays in decision-making and implementation are often the natural outcome of a constrained Nash equilibrium. In other words, they are a reasonable way for the system to cope with transaction costs<sup>(5)</sup>.

Research by theorists over the past two decades has not been kind to the tidy story of the competitive equilibrium model the center piece of neoclassical economics. The simple message of this model to decentralize and that price would act as sufficient statistics for optimal equilibrium, have been challenged from many quarters. Equally challenged is the notion that distributional decisions can be separated from those on allocation.

First, the lesson that competitive prices are suffi-

cient statistics for all relevant information has been shown to be incorrect when information can be used to further an agent's own welfare or where acquiring and transmitting information is costly. The importance of this finding here is that it re-opens one of the central questions of the socialist controversy of the 1930s (Grossman and Stiglitz, 1976)<sup>(6)</sup>. Once information problems are introduced, the view of the world embodied in the general competitive equilibrium model does not hold. To begin with, the existence of equilibrium becomes doubtful. Even when and if an equilibrium does exist, it might not be a market-clearing price-taking one, but may instead involve other phenomena such as credit rationing. The trusty normative criterion, Pareto efficiency, becomes ambiguous with incomplete information, Holmstrom (1985)<sup>(7)</sup>. Thus there is no generally accepted optimality concept that may apply to the world of creative destruction rife with information costs and asymmetries. These points gain added significance on noting that informational problems are more central in developing countries than in advanced capitalist countries. The fact that the neoclassical paradigm says little about real-world institutions for dealing with transaction costs is of marked significance in judging its applicability to the design of policies and in pronouncing on the appropriate role of the state in the economy.

Second, entry and exit processes—the creation of wholly new sectors and activities, the weeding out of inefficient stag enterprises, and the integration into the world economy—will be of crucial importance during development and reform. But to understand the costs and benefits of markets with entry and exit, it is necessary that we employ a very different perspective on human behavior than is embodied in the traditional rational actor model.

When future-oriented decisions (like entry and exit) are made in the absence of complete set

of futures and risk markets, economic agents must form expectations about the behavior of other agents. In some sense, each rational actor would need a whole model of the economy. In such a conceptualization of economic behavior, as K. Arrow (1987) remarks, "the superiority of market over centralized planning disappears. Each individual agent is in effect using as much information as would be required for a central planner"<sup>(8)</sup>.

What is clear here is the fact that once the assumption of complete risk and futures markets is violated, then the use of neoclassical rationality leads to the violation of the assumption of informational decentralization that is often used to propound the virtues of markets. Decision-making under bounded rationality seems to be inherent in entry and exit decisions. There is as a matter of fact no theory of the comparative properties of different economic systems under conditions of bounded rationality. Nelson (1981) makes this point rather forcefully in his discussion of the relevance of neoclassical welfare economics to an assessment of the strengths of private enterprise<sup>(9)</sup>.

Third, in a world of product differentiation, consumers gain from increases in variety but lose from the suppression of economies of scale. Thus a large number of outcomes are possible when trading off between varieties and larger production facilities. The competitive economy chooses on the basis of profits and leads to different results than those that maximize consumer surplus. The superiority of one economic system over others in a world of product differentiation is not supported by theoretical considerations. It may come to depend on bureaucratic costs of organizing production versus the cost of too many varieties and the loss of economies of scale. Surely these are empirical considerations over which theory has very little to offer.

Fourth, the second welfare theorem implies a

separation of distributional decisions from allocation decisions. When private information affects both allocation and distribution, that information can be used to improve a person's welfare, possibly at the expense of efficiency. There is a vast literature on the question of the "incentive compatibility" of economic mechanisms that developed from this observation. The literature has changed the conventional wisdom regarding the possibility of achieving Pareto efficient allocations through decentralized markets<sup>(10)</sup>.

Fifth, the market mis-describe the dynamics of human motivation, ignores that civil society needs realm of political rights where some things are not for sale, and prices many things wrongly.

The market model imagines a rational agent maximizing utility in an institutional vacuum. It misses the point that real people also have civic and social selves. The act of voting can be shown to be "irrational" because the expected benefits derived from the likelihood that one's vote affecting the outcome is not worth the "cost". But people vote as an act of faith in the civic process. Self-interest is not the only motivation of people. There are innumerable instances where altruism prevails. In the absence of this notion we will be unable to explain much of human behavior. People help strangers, return wallets, do not cheat on exams, leave generous tips in restaurants they will never visit again, give donations to charity when theory predict they would generally "free ride". To conceive altruism as a special form of selfishness misses the point utterly<sup>(11)</sup>.

In a market everything is potentially for sale. While the market keeps trying to invade the polity, we typically refuse to sell our dignity, public office, and our notions of fairness and justice. Market forces left to their own device lead to lower investment levels, avoidable panics and recessions. History is rife with examples of sub-

optimal results generated by the exclusive reliance on markets. Intervention is quite often necessary to rescue the market from its own excesses. The state provides oases of solidarity for economic as well as social ends, in realms that markets cannot value properly, such as education, health, public infrastructure, and clean air and water.

Sixth, there are a number of issues about the role of the state that were inspired by the work of Friedrich List and the German Historical School<sup>(12)</sup>. The German economic vision differs from the Anglo-American view embodied in Adam Smith's *Wealth of Nations* in many ways. These differences are profound and the choices offered are real and substantive that no developing country can afford to ignore. Below we list some of the crucial differences:

#### **Automatic growth versus deliberate development**

The Anglo-American view exaggerates the unpredictability and unplannability of economies. Technologies and tastes change. The best way to plan in this world is to leave the adaptation to the people who have their money at stake. No planning agency can have better information than they about the direction of events are moving, and no one could have a stronger incentive than those who hope to make a profit and avoid a loss. By this logic, if each individual does what is best for him or her, the result will be the best for the nation as a whole. The German school was more focused on "market failures". The standard illustration involves pollution. If the law allows factories to dump pollutants into the air or water, then every factory will do so. Otherwise competitors will have lower costs and will squeeze them out of the market. This rational behavior will leave all worse off. List argued that industrial development entailed a more sweeping sort of market failure. Societies did not automatically move from farming to

small crafts to major industries just because millions of small merchants were making decisions for themselves. If each person invested in what gives him the best return, it does not follow that the nation will derive the most good. For it to do so, List argued it needs a plan, a push, an exercise of central power. He drew on history where Britain encouraged manufacturing (Corn Laws, tariff and physical protection of domestic industry, and subsidies) and the fledgling American government deliberately discouraged foreign competitors and built canals and railway.

**List wrote in 1837 the following:**

The lessons of history justify our opposition to the assertion that states reach economic maturity most rapidly if left to their own devices. A study of the origin of various branches of manufacture reveals that industrial growth may often have been due to chance. It may be chance that leads certain individuals to a particular place to foster the expansion of an industry that was once small and insignificant just as seeds blown by chance by the wind may sometimes grow into big trees. But the growth of industries is a process that can take hundreds of years to complete and one should not ascribe to sheer chance what a nation has achieved through its laws and institutions. In England Edward III created manufacture of woolen cloth and Elizabeth founded the mercantile marine and foreign trade. In France Colbert was responsible for all the great power needs to develop the economy. Following these examples every responsible government should strive to remove those obstacles that hinder progress of civilization and should stimulate the growth of those economic forces that a nation carries in its bosom.

**Consumers versus producers**

The Anglo-American approach assumes that the ultimate measure of a society is its level of

consumption. Competition is good because it kills off inefficient producers with high prices. Cleansing, the system of inefficient producers is good, because more efficient producers will give the consumer a better deal. Foreign trade is great because it means that the most efficient suppliers in the whole world will be able to compete. It does not matter why competitors are willing to sell for less. They may really be more efficient (large economies of scale, the advantage of first comers, etc.); they may be determined to dump their goods for reasons of their own. In either case the consumer is better off and that is what counts. The consumer will have the computer and the car he wanted plus the money he saves by buying foreign goods. List believed this logic leads to false conclusions. In the long run List argued a society's well-being and its overall wealth are determined not by what the society can bury but what it can make. This is the corollary of the adage-Give a man a fish and you feed him for a day. Teach him how to fish and you feed him for life. List was not interested in the morality of consumption. Rather, his interests focused on a strategic concern. In strategic terms nations ended up being, dependent or independent according to their ability to make things for themselves. Why were Latin Americans, Africans and Asians subservient to England and France in the 19th century he asked? Because they could not make the machines and weapons Europeans could. He argued that in material terms a society's wealth over the long-run is greater if that society also controls advanced activities. That is, if you buy the ton of steel or cask of wine at bargain rates this year, you are better off, as a consumer, right away. But over ten years, or fifty years, you and your children may be stronger as both consumers and producers if you learn how to make steel and wine yourself. Because if you make steel, you may be able to make machine tools. If you are able to make machine

tools, you will be better able to make engines, robots and airplanes. If you are able to make airplanes and robots your children and grandchildren will be more likely to make advanced products and earn high incomes for decades ahead. The German School argued that emphasizing consumption is self-defeating. It would bias the system away from wealth creation and ultimately make it impossible to consume as much. List wrote.

The tree, which bears the fruit, is of greater value than the fruit itself... The prosperity of a nation is not greater in proportion in which it has amassed more wealth (values of exchange), but in the proportion in which it has more developed its powers of production.

#### **Process versus result**

In economics or politics the Anglo-American theory emphasizes how the game is played, not who wins or loses. If the rules are fair, then the best candidate will win. If you want a stronger economy you need to concentrate on reforming the rules by which economic success is measured. Make sure every one can bring products to the market. The role of government in this system is not to tell people how they should pursue happiness or grow rich. Rather, its role is that of a referee - making sure no one cheats or bend the rules of "fair play". The government is basically involved in guarding the process, not to steer the results. It requires corporations to publish detailed financial reports, so that investors will have the same information. It takes companies to court-Microsoft-whenver they seem to be growing too fast and stunting future competitors. The market will always price correctly things and will ensure that scarce resources are allocated to where they produce the largest returns.

The German view is more paternalistic. People might not-choose the best for society. The market may be myopic and will not price correctly things. Returns may not be optimal. According

to this view the state should be involved in both the process and the results.

#### **Individuals versus the nation**

The focus of the Anglo-American view is on individuals. It does not care much about communities and nations. These are no more than a sum of individuals. If you care for individuals, communities and nations care for themselves. As for nations, outside the narrow field of national defense they are not presumed to have economic interests. The German view is more concerned with the welfare and indeed the sovereignty of people in groups. List fulminated against "cosmopolitan theorists" like Adam Smith, who ignored the fact that people lived in nations and that their welfare depended to some degree on how their fellow citizens fared. In the real world happiness depends on more than how much money one takes home. If the people around you are also comfortable, you are happier and safer than if they are desperate. List wrote...

Between each individual and entire humanity, however, stands the Nation, with its special language and literature, with its peculiar origin and history, with its special manners and customs, laws and institutions, with the claims of all these for existence, independence, perfection, and continuance for the future, and with its separate territory; a society which, united by thousand ties of mind and of interests, combines itself into one independent whole.

Within this view economic policies are judged as good or bad depending on whether they take into account the national interest which more than the sum of the individual interests within the group.

The German view contrasts rather markedly with that of the Anglo-American. Instead of being grouped horizontally on a flat field, nations have always been organized vertically in a hierarchical division of labor. The structure of the

world economy more accurately resembles a pyramid. Nations that industrialize and organize their development will rise; the rest will be condemned to a destiny of servitude. The state has a major role to play in the economy and development. The theoretical foundations of this role are solid and profound. The historical record is clear and blatant. The empirical evidence is equally compelling and persuasive. The Anglo-American view of economic ideology, organization and institution is being foisted on the world in the name of globalization. It runs counter to theory, history and evidence.

Like astronomers, economists must rely primarily on natural and historical experiments for their data and facts. In the next section, I will deal with two natural experiments. Both unfolded in Southeast Asia. The first covered the period 1960 to 1996 during which the state played a major role in leading development and in transforming a basically underdeveloped region into a major economic success story. The second started in 1996 and continues until the present. In this experiment the state failed to ward off the negative effects in a major financial crisis in some countries and succeeded in few others. In both cases, the state is at the center stage of events. The message in these experiments is simple--the state when it is dynamic and committed and when it is weak and indifferent makes the whole difference to whether the economy will succeed or fail.

### **The Role of the State in the Asian Miracle**

The remarkable success of the Southeast Asian economies in the early 1960's and beyond raises a fundamental question: what explains this success? It is an undeniable fact that in the eight economies that are part of the "Southeast Asian Economic Miracle"--Indonesia, Thailand, Japan, the Republic of Korea, Malaysia, Taiwan, Singapore and Hong Kong the state was

responsible for economic growth<sup>(13)</sup>. The real question is which policies and what actions taken by the state contributed to the success these economies, and why?

There is a general consensus about the main ingredients of this success. The ingredients cannot be separated as they form a complete interacting package. Among the most important ingredients are the following:

- High rates of savings
- High rates of investment in human and physical capital
- High levels of exports
- Equitable distribution of income and wealth
- Stable governments
- Macroeconomic stability

Each country in the region is unique and different. Some, such as Hong Kong and Singapore are city-states. Others are large. Many are racially homogeneous but Indonesia and Malaysia are culturally diverse. It does not make sense to attribute the success of each of these countries to special and specific factors; it makes more sense to look at common factors and explanatory variables.

Why were saving rates so high? This was not always the case. In the 1950s and 1960s many of these countries had much lower savings than developing countries elsewhere, for example Egypt and many Latin American countries. The Republic of Korea annual domestic savings rate between 1955 and 1965 averaged only 3.3 per cent of GDP compared with 14.8 per cent in Mexico, 16 per cent in Brazil and 21 per cent in Peru. Between 1990 and 1994 Korea recorded an average domestic savings rate of more than 35 per cent of GDP. The corresponding rates for Mexico, Brazil and Peru during the same period were 17.2 per cent, 20.4 per cent and 18.9 per cent, respectively<sup>(14)</sup>. But again who was responsible for this shift in the savings function. It did not come by compulsion, but then how did it come about?

If there were a sort of a propulsive force driving the East Asian economies, it surely was capital accumulation both in physical and human terms. But again who revved up the engine to encourage a higher rate of capital accumulation. There are more metaphors than the engine one that has been advanced to explain the growth miracle in these economies. Stiglitz uses two other metaphors-the chemical metaphor where the government acted as a catalyst without being consumed in the process. He also uses a biological metaphor where he shows that governments in these economies were adaptive systems. Their policies were flexible and responsive to change. The East Asian economies demonstrated that governments could be highly adaptive and seem to have learned quickly from mistakes. The real question remains, what set these countries apart from other developing countries<sup>(15)</sup>?

The East Asian experience points out clearly to the visible hand of government in (promoting and accelerating development. The state in East Asia did not replace the market but complemented it and ensured that it has a place but it kept it in the right place. These governments recognized the limitations of markets and their failures to generate desirable outcomes and pursued deliberately a specific set of policies, which involved the following:

- \* Gave Precedence to economics over politics.
- \* Generated overall macroeconomic stability.
- \* Regulated markets to ensure that they function properly.
- \* Created markets when they did not exist.
- \* Directed investment towards high growth and high export sectors.
- \* Created a conducive environment for private investment and private initiative within publicly defined goals.
- \* Reversed market inequitable outcomes and distributed resources more equitably.
- \* Minimized rent-seeking behavior.

\* Created a merit-based civil service system.

The government intervened in all markets, but its intervention was measured and carefully balanced. They made sure that government does not suppress the markets. They also worked to intervene in a way that reduced the likelihood of rent-seeking behavior and increased their ability to adapt to changing circumstances. They designed a novel system of Performance-Based Reward structure that provided strong export and growth oriented incentives and formed the basis for allocating government subsidies. The application and design sought to minimize corruption. What worked best for them is that they were able to develop a meritorious civil service system, which compensated employees well and built safeguards against corruption.

State lead development manifested itself into five major areas; I will discuss each in details.

### **Industrial Policies**

This relates to an elaborate selective industrial policy that sought to encourage high growth sectors, develop domestic technological capabilities, promote exports and build domestic manufacturing capacity in a range of intermediate goods (steel and plastic). This overt state policy which started in Taiwan in the late 1950s and in Korea in the early 1960s took many forms from the support of technical education particularly that of science and engineering that provided a solid intellectual infrastructure that facilitated the transfer of technology to the discouragement of investment in real estate through financial repression (which practically meant more capital was available for industry and technology) and increased profitability of investment. As well, the state directly promoted exports and developed science centers and industrial parks that offered services directly to both private and public firms that did not have research and development facilities of their own

and allowed firms to reap external economies and reduce barriers to entry. The state also nationalized banks and financial institutions and provided credit at concessional terms (negative real rates of interest) to selected industries it wished to promote while keeping high interest rates to encourage domestic savings. It also promoted higher rates of profits for industry to levels unknown in the west (e.g., the Statute for Encouragement of Investment in Taiwan)<sup>(16)</sup>.

While not all countries promoted foreign investment, a prevailing non-xenophobic and accommodating attitude towards foreign investment prevailed in most of the East Asian countries (Korea is an exception here.) All promoted capital flows and tried to ensure that technological and human capital would accompany the capital inflows. All of the countries in the region sought to maintain stable and credible macro-economic policies, stable political environments, and well managed labor and capital markets. The government participated fully in the negotiation of foreign investment contracts to wrestle more concessions from the competing foreign parties (Japanese, European and American) and to raise more capital, empower domestic entrepreneurs and speed the transfer of technological know-how-. They did well but discouraging competition among buyers of the foreign technology and increased the competition among sellers. The state succeeded in appropriating more of the surplus associated with the transfer of technology than could have been captured otherwise<sup>(17)</sup>.

Market failures played a significant role in justifying state interference. East Asian governments recognized quickly that their capital markets are weak, incomplete and inexperienced. They also recognized that these market failures bias prices and make them inadequate signals for investment allocation. They moved quickly to build new institutions. In the rural areas they established and promoted postal savings

banks, they also created development banks to extend long-term credits. They developed bond and equity markets. They went beyond the development of financial and capital markets, they directed the allocation of capital to industries and activities they deemed desirable for growth and social objectives.

Private markets in developing countries do not have much incentive to allocate funds for technological development and large industries. The risks are often too high. Markets are typically myopic and in developing countries the legal systems often prevent private firms from appropriating adequately the returns on adoption and adaptation of new technologies. Government interference is required to complement the market and to ensure that the legal deficiencies do not thwart private investment in this field. Besides marketing spillovers are rampant, and public involvement is critical for the provision and sustenance of this strategic activity. In Singapore marketing of exports is left to the all-powerful Economic Development Board and in Hong Kong the government levied a special tax and allocated its yield to promote Hong Kong exports. In Taiwan, the government promoted the production for exports under recognized brand names. In all of the countries their embassies were instrumental in marketing their exports in foreign markets.

It is almost axiomatic that firms in developing countries are typically too small and that the large number of these firms typically reduces the profitability of all. From Japan to Thailand, governments encouraged the formation of clusters and condoned and cajoled concentration. Japan promoted rationalization of the steel industry and at one time tried to discourage Honda from entering the car market. In both Korea and Taiwan a significant number of public enterprises in basic industries were established in the 1960s and 1970s. These enterprises received generous budget allocations and favora-

ble credit terms. The public enterprises accounted for a large share of manufacturing output and investment in each country and their importance actually increased during the take off years in the 1960's<sup>(18)</sup>.

Economies of scale and capital shortages can easily stunt the growth of small firms in the industry. These small firms simply cannot expand to take advantage of increasing returns either because they cannot raise capital or because the only capital they have access too is very expensive and risky (credit). Government help was necessary to reduce the cost of capital by socializing risk and increasing access to capital. Increasing return to scale and imperfect markets lend support to the necessity of government interference and government subsidies. This is at the heart of the infant industry argument of List, which the East Asians applied unabashedly.

The absence of markets in developing countries by necessity implies that prices not only fail to reveal the true scarcities of resources and products, they also fail to perform their coordination role. This means that government must take over this role. This has been manifested well by government undertaking upstream and downstream investments at critical junctures in the development process when markets failed to create them. From balanced growth theory, it does not make sense to develop a steel industry if there isn't a steel using industry. If both wait, nothing happens<sup>(19)</sup>.

If a large steel industry is required and with it a large steel using industry to take advantage of increasing returns to scale, market failures will preclude the possibility of establishing these industries. For one there does not exist in the developing countries markets that can divest the inherent risks in these industries. No single entrepreneur or a collection of entrepreneurs could raise the kind of capital to undertake these projects in most of the developing coun-

tries. Indeed, these problems can be dealt with through trade, but there are many industries where trade may not be the answer. Consider the set of sectors in the East Asian countries that represented the take-off sectors, such as textiles, footwear, sporting goods and toys - these were the sectors in which economies of scale and, or coordination failure were not evident and trade solved most of their growing pains. But consider the intermediate sectors that supplied the inputs to these sectors. There is no question that these downstream activities played a significant role in supporting and engendering the take-off industries and in promoting the deepening of industrial experience in these countries. Importing these inputs would have been a poor substitute, as it would not have supported all the backward and forward linkages that sustained the manufacturing development effort. The suppliers of intermediate goods are often unable to capture all the benefits that their greater availability provides. It is here where state interference has improved the user-producer interface and the advantages to proximity prevail. In Malaysia it is believed that the production of cars provided significant spill over effects to the parts manufacturers that ultimately made the car industry more profitable and encouraged and promoted other manufacturing activity.

These industrial policies have been unsuccessfully used in many developing countries; they ended up financing infra-marginal investments and succumbed to rent seeking activities and corruption. So why were they successful in the East Asian countries? They certainly had some very powerful initial conditions working in their favor such as a highly educated labor force and a cohesive society. But one cannot exaggerate the importance of these policies and the way they were implemented and the overall environment that these countries have so doggedly ensured. There are also a number of contributing

factors. These include the fact that most investment decisions were left to the firms but influenced heavily by government intervention. Second, the government instituted an elaborate network of consultation between business and government. Third, the government made mistakes, but seems to have been open and flexible. It made major changes and was not heavy handed. It did not force its opinion on business. Fourth, the government did not literally pick winners; it instead picked a winning development strategy. Fifth, it avoided micro management of the economy. Even when the government identified industries for support, it typically left it to the discretion of banks whether or not to support the chosen industry. Sixth, the industrial policies seem to have focused not on picking winners as much as on dealing with market failures-where social benefits and social costs diverge from private ones. Encouragement of technology transfers and underwriting of training are examples where the government felt that the market would under-invest in these activities because private concerns cannot appropriate the returns to their investments. Picking winners conjures the image of a government picking from a fixed pool of applicants. It fails to appreciate the entrepreneurial role of government when it stepped in to fill the existing gap in these skills in the early stages of development.

### **Encouragement of Cooperation**

When market failures are rampant, individual pursuit of self-interest does not lead to public good. The government must step in to reconcile private interest with the public good. The East Asian countries recognized early on that firms have better information about investment than they do, but that this information base can be expanded and improved. Japan, for instance, developed formal and informal business councils that brought business and government to-

gether. These functioned well because they were long term and depended on developing sustainable relations and reputation that rose the long term returns on cooperation over the short term gains from pursuing self-interest. Few tried to cheat and free ride knowing that they could be ostracized. Many cite cultural factors here as the main reason for the success of the cooperative effort. This Stiglitz argues is not true because many countries with similar cultures to Japan have not been equally successful<sup>(20)</sup>. The government rewarded honesty and punished dishonesty. Cooperation created rents that the government appropriated and distributed as rewards to cooperative behavior and reduced bankruptcies giving businesses long-term security. Restricting credit raised the value of credit to those who could access it. The stability of the political system gave more value to long-term associations and to reputation and the effectiveness of incentives. The "recession cartels" that the government created during recessions to avoid the problem of excess capacity in capital-intensive industries, are excellent examples of using cooperation to deal with difficult problems where individual action could produce disastrous outcomes for all.

The labor and capital markets provide other examples of the importance of cooperation. Long term employment prospects and bonuses created the necessary cooperative framework that allowed workers to feel as if they were co-owners of the enterprise, which reduced shirking and monitoring costs. Besides, basing wages on group performance instead of individual performance allowed each worker to monitor his or her peers and signaled the importance of cooperative behavior. When workers feel that their interests coincide with those of owners, they are not likely to resist long-term productivity innovations that raise profits or even those that involve labor-saving techniques.

The fact that banks were allowed to own shares

of industries encouraged their involvement in the affairs of these firms when they faced trouble. This reduced the risks inherent in credit financing and created a coincidence of interest between lenders and borrowers.

### **Managing Competition**

The encouragement of cooperation runs the risk of creating collusion to raise prices and restricting output and entry. There is always the risk of rent seeking behavior and corruption when discretionary powers by government are exercised. Fostering competition increased efficiency and reduced the possibility of abuse of discretionary powers. The East Asians looked at competition in terms of its effectiveness and not in terms of the number of firms, more in terms of outcome than of process. The state sponsored contests within the firm and between firms. Those who succeeded were rewarded (firms that achieved higher exports relative to others received more credit at lower real rates of interest and higher tariff and tax exemptions). The criteria for success were made clear and the rules of the contest were well specified including who will evaluate performance. The system reduced the scope for abuse and corruption.

### **Equitable Growth**

Industrial policy in East Asia followed a determined effort to redistribute wealth. Most of the countries in the region introduced land reforms and balanced the relationships governing urban/rural affairs and capital/labor relationships. This balancing of opportunities and capacities paid well. Raising income and education in the rural areas, gave them purchasing power to buy domestically produced goods and the ability to save more and invest in the domestic economy. Higher education meant a steady supply of competent workers and bureaucrats to man the growing needs of industry and government. Eq-

uitable distribution of income, wealth and opportunities sustained the political stability of the countries. In contrast, Latin American countries embarked on import substitution policies within the existing income and wealth disparities. Those who commanded the purchasing power had low marginal propensities to buy domestic goods and when they saved they allocated their saving to unproductive investment (real estate speculation) at home or luxury goods from abroad. The massive inequities were perpetuated and resulted in the destabilization of most of the polities in the region. The Latin American import substitution policies failed while those in East Asia prepared the grounds for the massive transformation of their economies.

Targeting equitable distribution of income resulted in higher wages but did not reduce the high rates of savings. Higher wages (efficiency wages) were matched by increasing productivity and the high rates of bonuses in workers incomes engendered the high savings rates despite the more equitable distribution of resources. Discouraging investment in real estate prevented housing prices from rising as well as raising investment in productive assets. The early pursuit of universal literacy formed a corner stone of the distribution policies of the state. These policies promoted greater equality and the emphasis on female literacy reduced fertility, population pressures and increased the supply of educated labor. Affirmative action in Indonesia and Thailand protected the indigent population and thwarted any imbalances that could have arisen from asymmetric abilities and opportunities.

The East Asian experience torpedoed the presumed conflict between growth and equity. High rates of growth generated the resources to use to promote equity, just as the more equitable distribution of resources and opportunities sustained the high growth rates<sup>(21)</sup>.

### **Export-Lead Growth**

Early on East Asians were worried that profit signals in the presence of market failure may not be the appropriate signals for allocating resources and investment. They found quickly that exports provide a better measuring rod. Domestic sales performance is not a good measure of efficiency because it could result from the monopoly position of the firm in the domestic market. For the same reason, profits may be the result of similar forces and represent a transfer from consumers and as such they cannot be used as measures of social gain. Those who succeed in foreign competition must be more efficient. But banks typically prefer to finance domestic operations because these are often less risky. The governments in East Asia focused on promoting exports by way of correcting the market failures inherent in bank finance, tariffs and other restrictions on imports. The government instituted performance-based subsidies and erected a host of export promotion activities. This they did through the provision of infrastructure, differential access to credit and foreign exchange, licenses and other regulatory procedures designed to enhance the reputation of the country's exports and the development of export markets. They did not help by increasing the profitability of exporting relative to domestic sales as some suggest, they seem to have taken some direct initiatives to open markets and increase the reputation value of exports.

The success of the East Asian countries in 1960s until 1996 and the failure of some states in the region in managing and thwarting the financial crisis in late 1990s have called into question the standard decentralized markets paradigm. Advances in economic theory further challenged the simplistic interpretation and policy prescriptions of Neoclassical economics. In the next section, I will focus on how the Asian financial crisis has contributed to the debate

about the appropriate role of the state in economic development. It seems that the state again when strong and when weak it can make a substantial difference to the health of the economy and society. It is ironic that those who have championed weak roles for the state in developing countries have pursued unquestionably strong state action themselves.

### **The Role of the State and The Asian Financial Crisis**

Why has East Asia become embroiled in financial turmoil and why has it turned savage? Just when there seemed to be a growing acknowledgement across the economic and political disciplines that state involvement was vital to the rapid growth of the Southeast Asian economies, along came the financial hurricane and with it a reconsideration of the consensus.

Though commentators disagree about the fundamental causes of the crisis, two different views emerged. One focuses on internal variables within the nation-state, giving primacy to domestic vulnerabilities (i.e., flawed policies and institutions). The second directs the focus outward to international financial markets (i.e., speculators and investor panic)<sup>(22)</sup>.

The crisis had two faces-- a normal face and an abnormal face. Linda Weiss (1999) argues that this schematic approach is more fruitful than the internal/external dichotomy. Financial crises have always been a normal pattern of capitalist development<sup>(23)</sup>. Whether one's perspective is 15 or 150 years it appears that the history of capitalism is strewn with financial crises of one form or another. The implication that no country is immune does not mean that all countries are equally susceptible to financial crises. In the world of volatile capital flows, some countries have become more vulnerable than others. These are countries that have domestic weaknesses, which before the crisis were thought to be benign<sup>(24)</sup>. But the Southeast Asian coun-

tries were model economies with striking prospects for continued growth. Most of them enjoyed high savings, balanced budgets, disciplined and highly educated labor force, strong private sector investment, low inflation, a relatively egalitarian income distribution and a long and unbroken record of strong exports. Vulnerability should be put in perspective: it seems to be a condition not a cause of the crisis<sup>(25)</sup>. The crucial issue is why has a problem that should have been transient and quite quickly rectified, like so many others before, turn into a full-blown disaster<sup>(26)</sup>? Domestic factors can explain a country's vulnerability but cannot explain why has the crisis turned lethal. They cannot explain why the bursting of the property bubble in Thailand, for example, turned into a full-blown capital flight. The real answer should be seen by examining why were some East Asian countries more vulnerable than others to the financial meltdown. In other words why has the crisis been so uneven in its occurrence (Why Korea was more vulnerable than Taiwan) and why was it so severe in the East Asian setting relative to economic fundamentals and to earlier crises in Mexico and elsewhere?

The main arguments here is that while global financial markets obviously and directly produced the Asian crisis (by way of speculative runs and sudden withdrawal of funds\_ the so called investor panic or herding), they were not the primary determining factor. For the financial markets to precipitate the crisis in the first place, two less obvious variables had to be present. The first has to do with domestic vulnerability in the real economy. Here it is the weak and decomposing institutional capacities, particularly those of the state. This in turn exacerbated real economy vulnerabilities such as falling exports, rising current account deficits and surplus capacity. There is also a necessary second factor. This is the externally induced vulnerability. The common denominator of the

second vulnerability is the strong external power of the United States pursuing its own national economic agenda (with strong input from its domestic financial interests), partly on its own and partly in concert with the IMF<sup>(27)</sup>. Both arguments implicate state power. The basic thesis here is that the relative weakness of State Capacity (in Southeast Asia) and its marked if not complete decomposition in Korea made these economies prone to speculative investment (in Korea's case over-investment in excess capacity sectors), asset bubbles, current account deficits and consequently to unabated financial crisis. The flip side of this argument is the reason that explains why Taiwan, Singapore and China were able to avoid the crisis.

In the Korean case, it was not institutionalized weakness per se but the gradual decomposition of core capacities of the state that paved the way for high-risk and short term borrowing as well as over-investment by Chaebol, which in turn exposed Korea to sudden downturns and capital flight. Ironically, the weakening of domestic state power to deal with the crisis was accentuated by the relative strength of US international state power.

In what way, then, is state power at issue in the crisis? When analysts invoke the state's role to explain the crisis, they typically draw on one of two quite different interpretations. By far the most common is "excessive state interventionism" or "too much state power" thesis<sup>(28)</sup>. According to this view the Asian crisis as a demonstration of the folly of state intervention in the economy. The excessive intervention and too much state power have brought the crisis down by distorting the market. For if the state were not so interventionist in their economies in the first place, there would be fewer distortions (corruption, cronyism, and rent seeking) blocking efficient market allocation. The crisis was an inevitable consequence of state-led-capitalism (the Japanese model) that has recently proved

its failure<sup>(29)</sup>. For all its crude overtones that replay the fruitless "stateversus-market" dichotomy, this is probably the most popular version of what has gone wrong in Asia. It is favored by the IMF, top officials of US Treasury and the Federal Reserve, and by liberal economists generally.

Alternatively there are those who contend that the crisis was an inevitable consequence of the absence or the weakened regulatory regimes and little state control. As Joseph Stiglitz, Nobel laureate and ex-chief economist and vice president of the World Bank puts it, "The Crisis was caused in part by too little government regulation (or perverse or ineffective government regulation)"<sup>(30)</sup>. The too little control thesis is chiefly concerned with the laxity of regulatory control over capital inflows that came in the wake of financial liberalization (hence over exposed to unhedged short term debt). After all the opening of the capital account is central to the whole story of what has gone wrong in Asia. The crux of the matter is too much short-term capital (denominated in foreign currency) coming to service long-term investments (at pegged exchange rates). The moral is clear. If the state were a stronger regulator\_ preventing dangerous inflows\_ there would be no crisis. It seems very plausible but there are more at issue than the regulatory capacity the real issue is why has capital flowed in such massive amounts in the First place. In other words, what were the capital being used for and how did that use reflect underlying institutional weaknesses and exacerbate economic vulnerability? Why has capital flown out in a seemingly unstoppable hemorrhage\_ to the point that Indonesia, as the worst case, would become totally disconnected from the international banking system.

Identifying weaknesses in the real economy is not a difficult task in the Southeast Asian experience. These include falling export growth, which caused the ballooning current account

deficits in the two years prior to the crisis, slowness to upgrade skills, products and technology, and an over-reliance on price-sensitive goods that are being produced more competitively by new producers down-market (Thailand). The real question here is why have these countries been unable to stop over investment, and speed the process of upgrading skills, products and technology? In all of these cases (Thailand, Indonesia, and South Korea) the reason is squarely weakened institutional discipline and the decomposition in the power of the state to co-ordinate investment and to guide the transformation of the economy. While these factors were crucial weaknesses, a hostile external environment that exacerbated the crisis complemented them.

In Thailand and Indonesia the state failed to coordinate investment into productive sectors of the economy and to hasten upgrading of skills and technology. This failure paved the way for high levels of speculative investment, particularly in real estate, falling export growth, and rising current account deficits. In Southeast Asia, the flip side of this institutional failing manifested itself in increased foreign indebtedness by private corporations and financial institutions, massive investment in non-tradable products, and ultimately property bubbles which burst, triggering the first phase of the crisis. In Korea, state capacities had been gradually decomposing and the government stood helpless as private companies and banks borrowed excessively in foreign short-term markets and companies over invested in leading export sectors (steel, petrochemicals, semiconductors and cars). The over supply resulted in falling exports, massive interest payments, a spate of corporate collapses and finally a full-blown financial crisis.

What is clear from the financial crisis in all the Asian countries that experienced it is the transmission of the real economic difficulties into the

financial economy and back into the real economy. In Thailand, the fall in exports resulted in current account deficits. The latter required borrowing. The borrowed funds were invested in non-tradable sectors (real estate). When repayment difficulties were experienced, interest rate hikes were used to attract more foreign capital to finance the deficits. These triggered a massive decline in real estate prices that burst the bubble economy. Invited speculative attacks against the currency, massive capital flight and ended up triggering massive unemployment and output losses. Had the economy moved to higher level exports, as did Taiwan and Korea (in the past) by way of a selective industrial policy, which linked credit allocation and tax incentives to investment in high productivity sectors, the cycle of difficulties above may not have been encountered. The end result for Thailand was the massive capital inflows whose composition and destination the state has appeared neither able nor willing to shape.

The decline in the transformative capacities of the state in Asia had another consequence<sup>(31)</sup>. These weaknesses have tended to underpin weak regulatory control in the financial sector. Conversely, where the transformative powers remained robust as in Japan, Singapore and Taiwan - the approach to financial liberalization has tended to **reaffirm rather than remove state control over capital flows**. Korea and Taiwan affirm this proposition by the way each went about liberalizing the corporate bond market. In 1993, the Koreans folded the Economic Planning Board. When they approached the liberalization of the capital account in the early 1990s, they did so with a view to preparing the ground for further dismantling state control over the economy - not to maintaining it. Rising wages and declining exports in the 1990's made Korea less attractive to foreign lenders, thus placing a premium on long-term interest rates. Long-term loans became more expensive, harder to ob-

tain, and recorded a net outflow. It was against this background that the Ministry of Finance took the decision to relax Chaebol greater access to short term portfolio investment. The result was a surge of foreign capital inflow in excess of \$27 billion between 1991-94. The contrast with Taiwan's deregulation of the corporate bond market in 1993 is instructive. The Central Bank allowed for the first time corporations to remit proceeds of overseas bonds for domestic use. However, this was accompanied by new rules that such foreign currency remittances must be invested in plant expansion, and the total national aggregate of these inflows must **not exceed \$3 billion**. Moreover, the Central Bank backs up the regulations with close monitoring, intervening under its emergency powers when it suspects foreign inflows are not being used for the designated purposes. In the early 1990's, the Central Bank **closed the Taiwan Stock Market for a year** when it suspected that capital inflows were not invested but used to speculate against its currency.

To the extent that the Korea-Taiwan differences suggest different routes to liberalization, Korea appears to have moved towards state role minimization, market-enhancing direction, While Taiwan, like Japan, has chosen a more state-enhancing path via regulation. Korea succumbed to financial difficulties that Taiwan avoided without much difficulty.

There remains the issue of external pressure and the strong state intervention by the US, the IMF and other western powers to prevent first the Koreans and then the Japanese from dealing with the financial crisis before it burst. The first such manifestation of the foreign pressures came when Korea was preparing to enter the OECD. It is then that the US made Korea's membership in the OECD conditional upon greater opening of the capital market<sup>(32)</sup>. It may be misleading to leave the impression that external pressures were the main push factor for

nodding Korea into a more liberalizing stance. The drive to liberalization has been underway throughout the 1980s. It manifested itself in many forms and small decisions that coalesced into a major liberalization program. External pressure simply made the transition easier and more certain.

The Korean financial crisis, which began in January 1997 with the collapse of the Hanbo group, has a lot to do with private sector excesses: uncoordinated over investment exacerbated by state retreat, that is, massive private borrowing or investments in sectors not only already well-supplied by other Chaebol (steel, petrochemicals, and semiconductors) but also price sensitive and subject to downturn. It certainly had nothing to do with weak-state cronyism (crony capitalism) or even of a strong state overriding efficient market logic<sup>(33)</sup>.

The domestic vulnerabilities, by themselves, do not produce financial crisis of the magnitude experienced in Asia. Moreover, the kinds of vulnerabilities identified above are not lethal. Many suggest that it was investor panic, self-fulfilling expectations and sheer herd behavior where everyone withdraws from the market simply because that is what everyone else is doing. But what sustained and nurtured the panic in the first place? To invoke panic is to provide not so much an explanation as a restatement of the problem. Why has capital flight been so massive, so relentless and so damaging? There is no escape but to look outside the nation state for answers<sup>(34)</sup>.

Of the three international power actors involved in deepening the crisis, it has been the US Treasury-finance nexus that has been least visible yet the most damaging. While the IMF is also implicated in the unfolding drama, its role has differed on two counts: its interventions have neither enjoyed the level of autonomy disposed by other actors nor deployed their more calculated self-interest. The key proposition is

the US administration has not merely used the crisis as a leveraging opportunity to prize open markets once closed to foreign financial institutions; it has played a critical role in deepening the crisis.

First, the US did not act with due speed to contain the panic, indeed appeared also to prevent containment by Japan or the IMF, intervening only after the situation had deteriorated to an alarming degree. The US and the IMF could have easily persuaded the lenders to roll over their loans without IMF guarantees and by calming the foreign exchange markets by ensuring that lenders understood that Korea's problem of inadequate reserves was a temporary problem of liquidity, not insolvency. This is precisely what the US and the IMF did during the 1996 Mexican currency crisis. Their timely intervention worked perfectly. It was not until Korea's foreign exchange reserves were depleted and after the major damage had already been done that the US Federal Reserve in January 1998- took the steps that would have earlier averted the crisis: bringing together the major players to co-ordinate a program of debt restructuring and Short term debt rollovers.

By not intervening the US was merely bringing policy into alignment with the new geopolitical reality in the aftermath of the dismantling of the Soviet Union. In the post-cold war environment, there was no longer a significant national "security" interest in protecting Asia that in the past would so often override the economic interest of opening Korean markets to US goods and finance. Deputy Treasury Secretary (now Secretary) Lawrence Summers proclaimed in February 1998 that "The IMF has done more to promote America's trade and investment agenda in Korea than 30 years of bilateral trade talks"<sup>(35)</sup>.

While global and national are commonly portrayed as antithetical, mutually exclusive principles of organization and interaction, the Asian

Crisis has shown that they are in fact interdependent and mutually reinforcing. The extent and sustainability of financial liberalization "ill continue to depend on the solidity of domestic structures. Where these structures are weak, global networks merely end up undermining their conditions of existence. Indonesia's case is a good example of domestic collapse that had gone hand in hand with the country's involuntary detachment from the global financial system. At the other extreme lies the Malaysian response of voluntary semi-detachment from global finance, ostensibly in an effort to build and strengthen its institutional capacities. Somewhere between these two extremes, others like Hong Kong, Taiwan, and Singapore are drawing lessons from the crisis by tightening and improving capital controls. Above all the lesson from the Asian Crisis is that of the implausibility of a world economy sustained by unlimited global flows, and draws attention instead to the underlying institutional limits to liberalization.

### **Conclusion**

Due to the increased importance of trade, the options available to national governments have narrowed appreciably over the past two decades. Governments are now scrambling to maintain international competitiveness. In the process they are loosening their grip on their economies and retreating from their traditional role of providing social safety nets, moderating the negative outcomes of the market and correcting market failures.

Ironically, a key component of the implicit social contract between labor and capitalists in the advanced economies throughout the 1950s and up to the late 1980s had been the provision by government of social insurance and social safety nets that included unemployment insurance, severance payments, universal medical insurance, etc. in exchange for the adoption of freer

trade policies and stances. Today Globalization and freeing of trade are eroding these social contracts and their programs leaving labor and vulnerable groups helpless and defenseless in the face of massive restructuring of industry, biased and polarized income distribution regimes and massive employment losses. There are two seemingly contradictory trends in the post-war period in both developed and developing countries-the growth of trade and the growth of government. Before the Second World War, government expenditures averaged about 20 % of GDP of the industrialized countries. By the mid 1990s this figure had more than doubled to 47 %. These increases in the government role in the economy is more striking in advanced countries like the United States where it increased from 9 to 31 %, in Sweden where it increased from 10 to 69 % or the Netherlands where it increased from 19 to 54 %. It should not come, as a surprise that the more open an economy is the more the government has to do to minimize the social impacts of openness to the international economy. It is now clear that the social welfare state was the flip side of the open economy. It is here where Globalization is perhaps sewing the seeds of its demise. Openness and freer trade are increasingly eroding social programs and polarizing labor markets and income and wealth distribution. Greater and more pronounced openness of the economy is taking place against a backdrop of government retreating from the provision of social programs and from playing the adjudicating force over negative market outcomes and continuing to lead and nurture development and growth.

A whole new nexus of institutions, values, techniques and management have combined to underpin the new economy. At the heart of all these changes is the ability of the new economy to develop, train and expand labor and organizational skills that can lead, manage, co-

ordinate, program and innovate success in this complex, rapidly changing and highly uncertain world. The change was not about adoption of techniques and the purchase of the appropriate technology. Rather, it was about building institutions, about restructuring activities, and about overhauling the entire old Fordist structures. These changes are massive and drastic. They cannot happen piecemeal and they were not left totally to market forces and the private sector. Where the transition was successful, whether in developed or in developing countries, the transformative power of the state have guided and protected this transition. It was also done within a broader context than the small and fragmented nation states. Major trading blocs emerged and solidified the Globalization trends. The jump into the world arena, for many if not all the successful experiments, was cushioned and involved preparation through regional arrangements.

The US has exploited and will continue to exploit its new unchallenged technological and military superiority. The US has pursued opportunistic strategies in dealing with the rest of the world. The example in Korea, discussed above, is only one of many. The US has quickly realigned its policies with the new geopolitical reality, which is basically unencumbered by the past cold war constraints. The rest of the world is facing the stark choice of either accepting US hegemonic interests and dictates or face harsh measures, some of which have included the kind of military bashing that Iraq and Yugoslavia had to endure and now Afghanistan. This has prompted many to suggest that the American digital economy is being complemented by binary politics of extreme zero/one choices. You are with us or with the terrorist logic of the "Bush Doctrine" enunciated in Congress after the September 11 attacks.

As long as developing countries have underdeveloped or missing markets, imperfect informa-

tion, imperfect capital markets, small and disarticulated firms and as long as development requires acquiring new technology (new information), merit based bureaucracies; the provision of training, credit and subsidies, market mechanisms cannot be relied on exclusively to gear or even spur economic development. A major role for the two is still necessary and the real issues are those associated with the nature, timing and character of its role and not with whether it is needed or not.

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- (20) Stiglitz. (1996). P. 164.
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- (22) For a different classification see K. Jayasuriya. (1998). "See Through a Glass Darkly: Models of the Asian Currency Crisis 1997-1998". Western Australia. Asia Research Centre, Murdoch University.
- (23) See Linda Weiss. (1999). "State Power and the Asian Crisis". Working Paper in the Institute on Globalization and the Human Condition. McMaster University. Hamilton, Ontario.
- (24) J. Bhagwati remarks that "Like cats, crises have many lives, and macroeconomists, never a tribe that enjoyed a great reputation for getting things right or for agreeing among themselves, have been kept busy adding to the taxonomy of crises and explanations". See "The Capital Myth" *Foreign Affairs*. May/June, 1998. P.10.
- (25) L. Weiss. (1999). *Ibid.*
- (26) See Charles Kindleberger. (1996). *Manias, Crashes and Panics*. New York: John Wiley.
- (27) See the excellent discussion by Linda Weiss. (1999).
- (28) Linda Weiss. (1999). *Ibid.*
- (29) B. Lindsay and A. Lucas. (July 1998). "Revisiting, the Revisionists: The Rise and Fall of the Japanese Model". *Trade Policy Analysis*. No.3, P.1.
- (30) J. Stiglitz. (February 27, 1998). "The Role of International Financial Institutions in the Current Global Economy". Address to the Chicago Council on Foreign Relations.
- (31) By transformative capacity is meant the national contexts where the sociopolitical project of the state and the organization of state-society relations are biased towards improvement of the production regime. See Linda Weiss. (1999). *Ibid.*
- (32) L. Weiss. (1999). *Ibid.*
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- (35) Dani Rodrik. (1997). *Ibid.*
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## **TRADE IN TOURISM THROUGH THE GATS:**

### **Interests of developing countries at stake**

**by: Benny Korfolia**

#### **EQUATIONS**

In the ongoing debate on the GATS much attention, and rightly so, has been focussed on how some services in the classification list are not just commodities - which consumers can do without if they cannot afford them. These services among which include the provision of Health, water, energy and education though worth billions of dollars are cross cutting issues for civil society because access to these are necessary for survival. Critics of the GATS, both from the developed and developing countries are undivided in stating that provision such services cannot be left to the selective efficiencies of the market by being part of the multilateral trading system. Tourism is therefore seen as a tradable service and has thus escaped the attention of many critical groups fighting this fundamentally flawed document. This paper will show that the reasons to oppose tourism, a complex and fragmented industry, span economic, environmental, sovereign and livelihood imperatives.

Often described as the world's largest industry, Tourism has been identified as one of the main engines of growth in a globalised world- not only for developed countries from where the major tourism providers originate but for developing countries as well. Multilateral tourism trade is expected to bring in substantial amounts of foreign exchange, generate income and employment for countries of the south, especially those that are faced with a crisis in their primary and secondary sectors. Predictably it is an important sector in the GATS coming under Tourism and Travel related services (sector 9 in the classification list) - commitments for which ranked higher than for any oth-

er service sector with 120 of the WTO's 142 members opening up at least one of the 4 tourism sub sectors.

- Hotels and restaurants (including catering)
- Travel agencies and tour operators services
- Tourist guide services
- Other

#### **The search for the elusive tourism dollar**

When the idea of GATS was first proposed in the early 1980's most developing countries were opposed to the idea given the incipient stage of their services industries. Similar to other services, trade in tourism is also characterized by huge imbalances in the share of business and distribution channels between tourist sending and receiving countries, with the bulk of the economic and political power held by developed countries. Tourism's continuous geographical spread and diversification of destinations has implied that the share of Europe and the US - the major tourism players has decreased and is expected to fall further. In 1995 Europe's share of tourist arrivals was 60% of the World total. By 2000 it had fallen to 57.7%. The World Tourism Organization (WTO-OMT) forecasts that it will fall further to 45.9% by 2020. With Nature and culture as today's catchwords more and more travelers set out in search of exotic cultural experiences the developing world has to offer. The signs are clear - destinations will shift south. It is thus necessary for the big tourism players to intervene in the burgeoning tourism sector of these countries. The destination maybe half way across the world but the design of the GATS ensures that they can be controlled by Multinationals from the north.

There is no questioning the fact that Tourism is an immensely lucrative activity and is a source of employment -both direct and indirect, for millions worldwide. While much research has gone

into the multiplier effect of tourism in an economy, lesser talked about but crucial to countries that rely excessively on international tourism is the question of leakages. Leakages are inherent in any industry that has a substantial level of foreign participation but when it exceeds specific levels it can virtually negate the positive impacts of international tourism. Leakages can take the form of repatriated profits to the country of origin of the hotel chain, repayment of foreign loans, imports of equipment, materials and consumer goods to cater to the needs of the international tourist.

A substantial chunk of the mass tourism market is controlled by TNC's (in Europe more than 60% of the tour packages are sold by integrated suppliers<sup>2</sup>). Without the clauses of the GATS the tourism industry has used various anti competitive techniques like de-racking, exclusive use of the Global Distribution Systems (GDS) and Computer Reservation Systems (CRS) as barriers to market entry to secure higher commissions from the smaller tour operators and hotel chains in the receiving countries.

In India, the Swiss Multinational Kuoni, by taking over the major domestic player, controls a majority of both the inbound and outbound tourists. With the GATS clauses coming into effect it is clear that the domestic economy gets only a nominal amount of the profits generated. Article XVII on national treatment implies that there can be no discriminatory treatment of foreign players. Selective promotion of SMEs (Small and Medium Scale Enterprises) and restrictions regarding cross border payments will have to go if a country has committed to National treatment and market access.

There are a few major domestic hotel chains in India but the huge chunk of the Tourism industry consists of SMEs. They have borne the burden of the anti competitive practices of the big tour operators and most of them are likely to go

under if there is unrestricted foreign entry. They do not have access to cutting edge technologies to get direct bookings and the possibility of imposition of labour and environmental standards will ensure their exit from the market. Most of the SMEs are locally based and thus backward linkages to the economy - like local employment and purchase of local commodities - are strong. These are important factors to note while developing countries commit their tourism sectors.

In spite of only 60 cents of each dollar<sup>3</sup> brought in by Tourism being retained in the economy Tourism is a huge source of foreign exchange and employment for the Caribbean economies. There is concern, however that the proposed deregulation of the sector under the GATS will bring in more multinationals and hence increase the level of leakages. Jean Holder the Director General of the Caribbean Tourism organization believes that a lot of what the Caribbean offers will be under pressure from the liberalization of their tourism sectors.

### **The myth of safeguards**

Article IV of the GATS recognizes the basic asymmetry in the area of services and establishes certain obligations on the part of developed countries to extend benefits to developing countries. This includes transfer of technology and ensuring that there is liberalization in areas that are of benefit to developing countries. Even though it is mentioned that the transfer of technology has to be on a commercial basis the safeguards have remained notional.

When they acceded to the GATS one of the few advantages that developing countries saw was in Mode 4 - the movement of natural persons. India has been one of the strongest advocates of this, being one of the sponsoring countries of the annex on movement of natural persons. Even a cursory glance of the commitments will show that developed countries have shown little

interest in this sector. The movement of labour is either linked to commercial presence or the conditions attached to the commitments are so onerous<sup>4</sup> as to render many of the commitments void. Labour mobility under Commercial presence has ensured that it is limited to the top-level executives of MNCs. In Thailand tourism is perhaps the most visible industry in terms of ownership by foreigners. Expatriates manage nearly all the major hotels, many of the tour operators and most international airline offices.

An assessment of the safeguards (found under Article IV, XII and XIX) is essential before any new commitments are negotiated. Developing countries should also push for the expansion of the scope of the safeguards and see that the WTO plays an active role in its implementation.

#### **Conflicting initiatives-both at the multilateral and local levels.....**

Tourism's direct role in the environmental degradation of areas where it is concentrated is now well documented. Even acceptable forms of tourism like eco tourism have opened the doors to more forest destruction and indigenous people have been forced out of their traditional lands. Determined efforts by groups that have been critically looking at the impacts of Tourism have resulted in a rethinking on the tourism development model. A clearly visible area of success is the acceptance of policy makers of its impacts on the environment. Though at the 1992 Conference of Rio no separate chapter in the Agenda 21 was devoted to tourism, it is now an issue in the Rio follow-up process with the United Nations Commission on Sustainable development adopting an international programme of work on tourism and sustainable development since April 1999. Tourism's adverse impact on bio diversity is also a significant area of deliberations in the Convention on Biological Diversity, which has been ratified by 175 coun-

tries. Since the 4th meeting of the Conference of Parties [COP4] in May 1998 efforts have intensified at the international level to develop tourism programmes that are in agreement with the three objectives of the CBD, which are contained in Article 1

- The conservation of biological diversity
- The sustainable use of its components
- And fair and equitable sharing of the benefits and in particular to encourage the knowledge and practices of indigenous people.

The 5th meeting of the Conference of parties to the CBD [COP-5], May 2000 accepted formally the invitation to participate in the international work programme on sustainable tourism development under the UN Commission for Sustainable Development. The CBD secretariat requested for a workshop to be convened that would prepare a proposal for contribution to guidelines related to sustainable tourism. The workshop on Biological Diversity and Tourism, convened in Santo Domingo in June 2001, was asked to use as a basis for their work, concepts developed in other documents that were relevant to the subject matter such as the

- Berlin Declaration -1997 on Biodiversity and Tourism.
- WTO-OMT Manila declaration on the Social impact of Tourism.

Extract from the Manila declaration (22May 1997) by the Secretary General of the WTO-OMT Francesco Frangialli "the function and integration of tourism has taken on a new dimension: it is transported to the scale of human society in its entirety; it affects a growing number of countries at different economic stages...It is very bad at carrying out its duties to bring integration and social commitment. Whole regions and large social groups either remain sidelined or even suffer harmful effects. Very unsecure conditions for wage earners, exploitation of children, prostitution, serious weakening of traditional communities, impoverishment of cultural tradi-

tions, standardization of craft output, deterioration of the environment at scenic tourist spots, natural open spaces and the major monuments. It is only right therefore in the spirit of agenda 21 applied to the countries opening up to tourism, to look for a restoration of the balance - on other words achieving a more sustainable development, which has greater respect for people and the natural environment and is culturally and socially richer.

- The United Nations Environment Programme guidelines for sustainable Tourism.
- Declarations by indigenous and local populations.
- The WTO-OMT Global Code of ethics for Tourism.

The draft guidelines will soon be presented to the necessary technical bodies in the CBD process like the SBSTTA- Subsidiary Body on Scientific, Technical and Technological Advice. When the CBD endorses these guidelines they become binding on member states, nearly all whom are members of the WTO.

On the other hand, the GATS only vaguely address environmental concerns in Article XIV and XX dealing with "general exceptions" and "exhaustible natural resources". With respect to measures to control trade the WTO says that it "could take the form of defining certain standards for the service concerned or limiting the effect of the service activity". These restrictions will result in a number of complexities, especially if a country has unlimited commitments in a sector. The WTO goes on to say that this does not imply that Article XIV can be used to justify the imposition of these restrictions and an alternative available for members would be to request renegotiations of their commitments.

The Market Access provisions (Article XVI) clearly state that if a country has made unlimited commitments in a sector it cannot then limit the number of service providers. The GATS Committee on Specific Commitments has stat-

ed that even if you do not discriminate against foreign providers, you cannot limit the number of service suppliers, domestic or foreign.

To put this in tourism parlance it negates the core principles of eco tourism and sustainable development. For e.g. this clause calls into question the viability of a hotel complex being denied entry into an ecologically fragile area on the basis of national and local environmental laws. Relevant jurisprudence is critical given the fact that areas identified for Tourism development are usually those of high ecological sensitivity<sup>5</sup>.

If countries make unlimited commitments and later find that it is conflicting with their developmental and environmental priorities they will have to renegotiate their commitments. The process of renegotiations is also flawed as it is allowed only where countries have committed i.e. in national treatment and Market access. General obligations like the MFN are not negotiable. New Rules on domestic regulation - Article VI are being formulated and it is still unclear as to whether they would fall under horizontal or vertical commitments.

Renegotiations are devoid of any meaning through what is known as the ratchet effect. Article XXI that allows for modification or withdrawal of a commitment states that due notice must be given after the commitment has been in place for three years. It requires negotiations with all the affected members and is subject to compensation by the affected parties. Ultimately it may be subject to retaliation within the rules, by countries affected.

Domestic regulations have tremendous significance for the success of sustainable tourism. The GATS is very clear on its pre-eminence to local laws. Article 1[3] of the legal text of the GATS which talks of the scope of the GATS agreement mentions that in " fulfilling its obligation and commitments, each member shall take such reasonable measures as maybe available

to it to ensure their observance by regional and local governments and authorities and non governmental bodies within its territory". **Article VI** stipulates that domestic regulations, licensing requirements and technical standards must not constitute an unnecessary barrier to trade in services.

Modifications of existing regulations in order to harmonize them with the GATS requires tremendous economic, environmental and social change in developing countries. The importance of a locally responsive social and environmental framework to guide Tourism development cannot be overemphasized. In many developing countries Tourism has already alienated indigenous communities and adversely impacted the environment without the GATS. Sustained efforts by host populations have led to several local and regional governments accepting the importance of decentralization of tourism policies.

The example of CAMPFIRE (Communal Area Management Programme for Indigenous Resources) in Zimbabwe is a successful example of a network of communities that organized when traditional land rights in national parks lands were removed for tourism development. They were successful in voicing their protest and now have the right to direct and control tourist ventures on their own lands.

In the Indian state of Goa there is a practice of issuing restaurant licenses only to locals. Similarly only tourist taxis whose owners are from within the village are permitted to park their taxis in front of the hotel in the village. An unfair trade practice under the GATS but it ensures that locals benefit from Tourism. In the neighboring state of Kerala the government has devolved substantial powers to local bodies in deciding the kind of development that is appropriate for their areas including the right to reject excessive Tourism development. -

Following years of struggle Ecuador has seen

growing political autonomy at the grassroots level. With legalized jurisdiction over enormous extensions of Amazon rainforest and thus greater scope for self-determination local people have the means to get a grip on the Eco-Tourism happening in their back yards.

Similar examples of preferential treatment can be found in several fragile areas all over the world. Such measures could include limitations on the extent of Tourism activities in the area like a limit on the number of tourist excursions, limitations on the number of resorts, or even certain concessions given to particular firms if they commit to employing local people and contribute to conservation activities in the area. These kinds of limitations, even if they are applied so as not to discriminate between local and foreign firms are clearly violating market access commitments of the particular countries under the GATS.

Tourism in the GATS is far too removed from the local realities in tourism destinations. The language of sustainability, benefit sharing, conservation and democratisation is excluded from the GATS lexicon. But ironically sustainable development is not exactly removed from the WTO- it is part of the charter

### **"The Parties to this agreement"**

Recognizing that their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing real income and effective demand, and expanding the production of and trade in goods and services, while allowing for the optimal use of the world's resources in **accordance with the objective of sustainable development**, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development".

Yet the WTO, and thus the GATS, operates under an economic paradigm that believes that trade liberalization pursued under the principles of non-discrimination will ultimately benefit developing countries, achieving the goal of sustainable development along the way. The WTO should recognize that the principles of fora like the CBD and the CSD are also equally legitimate policy objectives. These are also more democratic platforms where developing countries have a more meaningful participation. Harmonizing of laws across the board in contravention to other binding agreements to facilitate trade is unacceptable. In the case of Tourism each area has its unique specificities and it is essential that the local or regional law making body decide the regulation of development. The pursuit of trade should not be allowed to dominate other pertinent issues. Comprehensive environmental and social impact assessment should be carried out by the CTE (Committee on Trade and Environment) before any further commitments. This should be done in active consultation with all relevant fora for every service sector. In the case of Tourism it would include the CBD, CSD and the WTO-OMT.

### **Tourism specific development in the GATS**

#### **The annex proposal and the cluster approach**

In 1999 the Dominican Republic, El Salvador and Honduras developed a proposal for an annex in the GATS to specifically deal with tourism related services. This proposal was subsequently reiterated in December 2000 with Nicaragua and Panama joining the former three.

The proposal is intended to focus commitments in tourism into a single cluster of varied services that are connected to Tourism. These are drawn from the UN central product classification [CPC], which is a comprehensive list of ser-

vices closely linked to tourism. The list was formulated jointly by the WTO-OMT and a host of other organizations to measure the exact economic impact of tourism. The main advocate of the cluster approach for tourism in the GATS has been the World Tourism Organization-WTO-OMT, which has been disappointed at the treatment meted out to tourism in the GATS. The WTO has also felt the need to revise the Tourism list in the form of the SICTA - Standard International Classification of Tourism Activities. The EU, US and Australia have been active proponents of the cluster approach since the lack of clustering in the architecture of the GATS is seen as one of the major constraints for any meaningful liberalization in sectors that are profitable for these countries. The rationale is simple. It is felt that the option to commit has led to a lack of coherence in commitments with a divergent pace of liberalization in sectors that are closely connected to each other. India for example has liberalized Hotel and restaurants and Tour operators but has not committed air traffic - a sector that is closely connected to the Tourism industry.

Most developed countries have clearly voiced their support for the cluster approach and hence support the annex proposal. Some Developing countries have been non-committal and have looked at the annex with skepticism. The annex has been sold under the label of a developing country proposal notwithstanding clear signals that it involves changing the structure of the GATS by negating the positive list approach.

The positive developments in the annex though few are important to mention. The annex proposal views tourism as a development issue and aims to introduce the concept of sustainability into the tourism trade. The annex takes note of the disturbing fact that there has been no monitoring of the impacts of progressive liberalization on developing countries. Mode 4 of the

GATS, which deals with the presence of natural persons, has been virtually ignored. The annex also mentions that in spite of the presence of safeguards in the agreement the anti competitive behaviour of foreign tourism providers still continues. The proposed transfer of technology is yet to materialize. The annex rightly highlights the increased incidence of vertical and horizontal integration of Tourism providers in developed countries, which is likely to see a huge drop in the market independence of local players. The importance of the access to and use of information systems like the GDS and CRS according to transparent, reasonable and objective criteria is taken note of.

The cluster approach to address the above concerns is unfeasible for the simple reason that it takes away probably the only flexibility that the GATS has - the request offer /positive list approach. Clustering will enable the GATS negotiations to move into a fast track mode, thereby negating the ability of developing countries to undertake no or minimal liberalization in specified service sectors. Very few industries have the kind of far-reaching cross cutting impacts that Tourism has. The privatization of essential services, which is being pushed through the structural adjustment programmes of the World Bank and the IMF, is now reinforced by the fact that these services figure in the classification list. The local populations access to basic resources is often curtailed in tourism areas when these are diverted to the benefit of the wasteful consumption patterns of the industry. In 1995, water privatization in Puerto Rico meant poor communities went without water while US military bases and tourist resorts enjoyed an unlimited supply. Golf courses, amusement parks, and the abundant use of water in dry residential areas - the possibilities under the GATS are endless. Attributing the SICTA- (Standard International Classification of Tourism Activities) Tourism dedicated Activities to the GATS Ser-

vices Sectoral classification list shows that all the 12 service sectors can be shown to have interlinkages with the Tourism trade. Which could imply that in a Tourism dependent area under the SICTA virtually all the service sectors should be opened up for multilateral trade. This is unlikely but this close interlinkage of other services sectors with tourism is indicative of the chaos that will ensue if the cluster approach is adopted.

### **Moratorium on further commitments**

#### **\* The case of the missing data**

Services negotiations began in February 2000 as part of the built in agenda and now there are several negotiating proposals (mainly on market access) on the table. Most developing countries are still grappling with these proposals and their implications.

Even large developing countries like Brazil and Egypt lack the necessary expertise to make informed commitments in their sectors. In India trade statistics are available only for a few service sectors. Several of the important services such, as communication, construction, finance, cultural and recreational services are not adequately represented. Though travel is represented in the Balance of payment statistics, a huge segment of the tourism trade the SMEs most of which is in the informal sector, is virtually unmapped. Given this lack of information, developing country representatives have maintained that it is necessary that the WTO carry out its mandated assessment of trade in services. The importance of commitments only after a complete understanding of the respective sector [also the complex interlinkages between sectors] cannot be overemphasized.

The WTO should recognize that the institutional capacity of developing countries is underdeveloped and weak to facilitate a bottom-up democratic discussion of GATS provisions. Even in a country like India where civil society plays an

active role in public policy the GATS is largely understood as a mispronunciation of GATT.

Our experience shows a high level of ignorance at the local level-inside and outside government. More time is required to promote consultations between Central and State governments before commitments are made. Commitments made without such consultations are likely to stimulate protests at a later date. The impacts of the Agreement on Agriculture on Indian farmers has already led to widespread agitations and a regional government suing the central government for not consulting it while agricultural tariffs and quotas were withdrawn.

Even though 120 countries have committed at least one of their tourism sub sectors an examination of the schedules reveal a more nuanced picture. Some countries have already reached a level of liberalization that was higher than what they had committed to in the GATS. For example Turkey and the Dominican Republic had substantial foreign participation in their tourism sectors even before the GATS. India has been cautious in its commitments leaving most of them in the unbound category. Its autonomous liberalization for Hotels is 100% foreign participation while in the GATS it is 51%. In a new round it is clear that most of the developing countries will be under tremendous pressure to commit further.

In India Tourism policy is formulated by the Ministry of Tourism and Culture. India is a signatory to and has ratified the Convention on Biological Diversity. The mandate to enforce its principles is on the Ministry of Environment and Forests. GATS is seen as a trade issue and the Commerce ministry is authorized to make commitments in the trade negotiations in Geneva. There is no coordination between these ministries while arriving at the national consensus on Tourism commitments in the GATS. On the other hand the central ministries are also far removed from the realities on the ground. Most of

the sectors that are being committed are ones that regional governments are jointly responsible for. Most countries make commitments without such consultations thus contributing to the creation of a rules based international system that is built on violating democratically evolved regulations in their countries.

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- 1- Source - World Tourism Organization statistics
- 2- Benavides Diaz David, " The sustainability of International Tourism in developing countries"- paper presented at the seminar on Tourism policy and economic growth Berlin, 6-7 March 2001.
- 3- Canute James, "Tourism and remittances are essential: CARRIBEAN ECONOMIES" Financial Times, Mar 19, 2001
- 4- Quotas, Subjective test, economic needs test are some of the methods used
- 5- It was on the basis of such jurisprudence that in 1997 one of the biggest players in the Indian Tourism industry had to abandon plans to set up a jungle lodge in India's ecologically fragile Western Ghat forests.

World Forum on the WTO, Beirut, November 2001  
Trade in Tourism through the GATS - Interests of developing countries at stake  
EQUATIONS - November 2001

## **LABOR STANDARDS & MARKET LIBERALIZATION**

**by Kamal Abbas**

**Center For Trade Union and Workers Services / ANND Egypt**

Labor and environmental issues have been suggested on the agenda of the World Trade Organization as a category of new issues, which the WTO has been planning to involve in the new round of negotiations in its fourth ministerial meeting. This new approach on part of the organization has stirred the attention of many developing countries who are concerned regarding the entanglement of those issues in the tight net of the organization and its harsh mechanisms. Developed countries on the other hand have been pushing towards the organization's adoption of those issues using a language of humanitarian civilization and human rights. However the nobility of that language did not manage and would not have managed to conceal the truth, so clear to everybody. The protection of trade interests and the expansion of markets are the most important, if not the only, objectives behind the desired expansion of the mandate of the organization whose extensions are about to engulf and control the total world economy, ensuring that it is guided only by the so called laws of free competition.

At the beginning we would like to clarify our position. We are actually not very sympathetic with the position of the governments of the developing world, although we had wished that they would have managed to resist the new wave of WTO, at least to be able to absorb the consequences of the Uruguay round, the results of which continue to shake its countries. However, although we know that the language of defending labor measurements is not a genuine component in the new World Economy, we are also aware that the majority of governments in the developing world consider that the issue of labor regulations and work-

ers rights in general constitute a restriction on its freedom in the distribution of the social reserve excluding the working class interests in a particular and the working classes in general. They are unfortunately usually more ready to surrender to the requirements of free trade than to sacrifice the economic oppression they exercise on the working classes in their countries.

We would also like to clarify that while we seem to side with the governments of developing countries and chose to defend their legitimate demand, which we wish they would continue to adopt as regards the refusal of a new round of negotiations and the postponement of looking into new issues, we are in fact first and foremost defending and siding with the rights of peoples who have not gained except poverty, unemployment and various forms of economic and political oppression over the past few years from a the constellation of policies enforced by the WTO, the international monetary organizations and the governments of the big industrial countries. More human suffering is awaiting the peoples in those countries over the coming years, leaving no space for talking about human rights or labor measurements unless the cruel conditions of the WTO agreements are changed.

The bundle of restrictive economic policies enforced by the IMF on the different countries and peoples of the world over the past two decades has directly led to the violation of economic and social rights of the people of the south. The reduction of the expenditure on social services and the decline in the subsidy offered to the popular classes has directly led to a redistribution of the social reserve at the expense of those classes. Also, the trade liberating policies, under the pretext of free competition, leads to nothing else but the diversion of that reserve from the South to the North and increasing the gap between developing and industrially advanced countries.

It may seem absurd to talk about ensuring fair

labor measurements while trade liberation agreements practically lead to the obstruction of any possibility to industrial development and subsequently the absorption of labor force. On the contrary they lead to rising unemployment, a restructuring of labor force and decrease in labor wages, a gradual decrease in the workers' share in the value of their labor production. As long as free competition lacks the most basic values of honor, since it takes place between powerful and weak parties, it will remain a clear injustice to talk thereof. It is also misleading to speak about ensuring fair labor measurements as long as cheap labor force and stricter working conditions remain the only conditions for survival in the brutal market of competition and as long as the rise in unemployment remains an inevitable consequence of liberation of trade and subordination of the local market to its requirements.

We oppose, with all other forces of opposition, a new round of WTO negotiations and the expansion of the mandate of that organization, which has already expanded to the extent that it has come to resemble a global government, the only government almost which is in charge of punishment and control mechanisms. However, it is by all means a non democratic government since it is controlled by the hegemony of the stronger parties while weaker ones are squashed amidst a cruel machinery that continuously draws on the resources of the deprived to the interest of the more privileged.

We also oppose the encroachment of WTO on all aspects and its inclusion of all issues on its agenda as if it were the only structure that owns the power of obligation. It is our concern that those mechanisms be especially used to open the markets in front of a few and closing it to the majority for the benefit of inclusion and merging. This concern is legitimate in view of the previous path of the implementation of WTO agreements which has been quite selec-

tive in its obligation criteria, overlooking the non-commitment of big industrial countries to their obligations while drowning countries of the South into mechanisms of conflict resolution. It has also been quite permissive regarding the protection of markets in the North from the southern spinning and weaving industries while at the same time haunting southern countries with the necessity that they should abide by their back breaking heavy commitments.

As we refuse the abuse of fair labor measurements, which are the outcome of the struggles of the working classes in all parts of the globe for centuries, we also refuse their inclusion as a means of pressure on developing countries. We also categorically refuse the sacrifice of labor measurements in developing countries under the pretext of realization of national interests and promoting the competitive capacity in international markets. This is not only because the ability to compete or achieve partial gains and space in the international market is meaningless if the price therefore is the inability of workers to maintain a humane standard of living, but also because the achievement of any actual economic progress cannot be realized without a real development of all human resources and a fair distribution of social reserves.

As we chose to side and everywhere call for fair labor measurements and demand them in all, we also refuse their abuse or ignoring for reasons related to opening of new markets or maximization of profit. We refuse that labor measurements are used as means of pressure on the governments of developing countries, as much as we refuse to consider them internal matters for those governments where they can undertake any measures with no monitoring or accountability. Labor measurements, like human rights and all other democratic rights are the product of the struggle of humanity and is the property of all humanity, of all people of the earth, of all workers of the earth.

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The struggle for the promotion of fair labor measurements should free itself from any blackmail, no matter of what source and mature. In themselves they are an objective to struggle for irrespective of all attempts to use or abuse them. In that regard we should note the following:

- Fair labor measurements, like all other economic and social rights, have been subject to major violations in view of the economic policies enforced by the international monetary organizations and later the WTO, which has been gaining in power and brutality since the Uruguay round of negotiations and which has directly led to an increase in poverty and the gap between the North and the South.
- The price of those policies is foremost paid by the popular classes and the most vulnerable social groups in the countries of the South resulting in a redistribution of social reserve and decline in real wage.
- All promises made by the Uruguay agreements of WTO regarding encouragement of development and rise in the rate of investment flow into developing countries have led to no actual improvement in that respect. On the other hand the liberation of trade has led to the collapse of essential national industries in countries of the South. It also had the worst implications on the process of industrialization and employment of manpower, as the unequal competition has led to a major retreat in the industrial growth rates, a decline in the investment rate of industrial resources and an increase in unemployment rates.
- Unequal competition has also led to the use of labor as a relative advantage of countries of the South since they are cheaper, which again led to more severe working conditions, reduction of wages and even a rise in child labor. Hence the squashing of human beings has become a means for maximization of profit, whose laws and conditions have won over all human rights values and conventions. It has also led to the

state's withdrawal from providing protection to the workers who are the weaker party in the labor relation. It follows that all policies targeting the treatment of any resulting social imbalance have come to a halt.

- The state has also seized to play an active role in the economic field. In countries of the South this never led to an alleviation of the powerful control of the oppressive state. On the contrary it has increased that control. Workers, popular classes and the socially vulnerable groups thereby find no means to express their interests and defend their rights, rendering them the only party qualified to pay the bill for the total liberation of trade.
- The alliance with fair labor measurements, the alliance against child labor is exactly the same like an alliance to a non-polluted environment. It foremost requires the provision of a chance for people of the South to resist poverty inducing policies. Similarly the alliance with economic and social rights entails an increase in expenditure on health and education and not the reduction of such expenditure as per a universalized international prescription. It entails the respect to the right of life, which requires a respect of the right to health services and not its total monopolization for the benefit of intellectual property rights.

Because of all of the above it is difficult to assume good intentions behind the tendency to incorporate labor measurements within the mandate of the WTO. All ongoing developments do not at all indicate an interest regarding the protection of labor measurements, environment or human rights, especially if we take into consideration the selective attitude and the double standards that characterizes the relationship between big industrial and developing countries. We can also not foresee the continuity of the present situation of unfair labor conditions especially in countries of the south. According to an ILO report our world today includes:

- 160 million unemployed.
- 250 million children working on the labor market.
- 500 million citizens whose income is less than 1\$ per day.

Is it possible for this situation to persist?

The previous five years have been absolutely the worst in the lives of Egyptian workers. National industries have collapsed. The Spinning and Weaving industry which could have been considered a relative advantage of Egyptian economy fails to penetrate into the international market while at the same time it has lost its local market in an unfair competition. The Iron and Steel industry fails to resist the flooding of the market with Ukrainian iron. And according to the agreed prescription public sector companies have been privatized and sold at the cheapest prices or have been liquidated in cases where there was no body to buy. At the same time the private sector is unable to undertake any real development projects in the context of the prevailing economic conditions.

The previous years have reversed, or have almost reversed, the historical gains of public sector workers. They lost their legal protection and have thereby become an easy prey to management structures that compete over their exploitation, as if that exploitation is the only evidence for their success. Workers are fired for the most trivial reasons, as trivial as entering their companies through a different entry than the one specified for them. Workers are deprived of their incentives for open periods of time that can extend for years and subsequently work for a wage that is less than one third of their actual income. That is how the structural reform of public sector companies has started in Egypt as if its only meaning is to enforce more difficult working conditions, reduce the wage item in company budgets and open the door wide to get rid of the workers through the early retirement scheme, into which some work-

ers were forced while others had to seek refuge in it escaping from the hell of arbitrary measures or out of fear of an unknown future in companies that await to be sold or liquidated.

Public sector companies closed their doors in the face of any new worker. It even started to reject its own workers. Four million workers have been pushed out of the labor force filling the labor market with the unemployed. The only way around unemployment has become the acceptance to work in a slavery-like market provided by the private sector.

In the majority of private sector companies workers work without any legal or trade union protection, without protection of any sort: black labor relations launched in their first encounter with a resignation and the "format 6" signed in advance as a precondition to start work. No work contracts or work contracts that go beyond any imagination, which explicitly violate all established labor measurements, starting from the workers concession to accept the job irrespective of its nature or location and an obligation not to demand equal pay to any other work colleagues even if they were performing the same job up to exaggerated punitive measures should the workers engage in an other job, even if with his relatives, even if without a wage, while he is at the current job or sometimes even five years after he has left the current job!!!

In the context of the anecdotal minimum wage specified in existing laws and legislation, which cannot be depended on and sometimes cannot even be specified given the exiting legislative defects, the employer becomes free to specify what he pleases for a worker's wage. The maximum hours of work per day determined by law becomes mere words on paper that bind nobody. Working 12 hours a day or more has become the only means for workers to earn a living that can maintain the basic requirements of everyday life. On the other hand the employer

does not commit himself except to the worker's insurance according to that trivial wage, a commitment that he can easily bypass and omit considering that there are hundreds of ways to avoid insurance obligations, especially in with the collapse of all monitoring and supervising mechanisms especially with businessmen who borrow billions of pounds from banks and enforce whatever conditions they want for repayment.

In that context public sector company managements enjoy the freedom of reducing real wages, also called changing wages and are only checked in that regard by the will of the workers and their ability to stand up and struggle for the rights they have for so long struggled for. Those changing wages, although they constitute the majority for the real wage of the worker, do not enjoy the legal protection that workers' wages should enjoy. Some managements can deprive a worker of the majority of his real wage under the disguise of "depriving him of the incentive" and that they could do for any reason, no matter how trivial. Others can encroach on the rate of incentives and profits under the pretext of a low profit rate, which is usually a result of bad administration or weak marketing capacity. Or they could rationalize this in view of the reduction of the wage item in the budgets, which usually double due to the high honoraria paid to high management employees.

Thus the legal protection of workers has retreated a few steps backwards and instead of correcting the exiting imbalances; in stead of filling the gaps in the existing legislative structure governing labor viz. a viz. the unequal labor relations enforced by the market laws; instead of labor legislation playing its role in protecting the more socially vulnerable; the government with the full approval of the General Federation of Trade Unions suggests a proposal for a new labor law that reinforces the existing imbalance and unjust labor relations.

The state withdraws from the protection of workers and gives up its role in providing and protecting basic labor rights and its fair measurements, leaving labor relations to be settled according to the prevailing power balance in the labor market. That same abalone has been shifted by the heaviness of unemployment on the one hand and lightened on the other by the inability of workers to organize pressure and advocacy groups, the inability to organize in real trade unions.

Since legal protection of the working class in withdrawing and the state is withdrawing itself as its protector and maintainer, should it not logically follow that the gap left by the state withdrawal should be filled? How else could it be filled except with a trade union organization that takes over its role in the social and economic defense of workers' interests and rights. How could workers have access to fair wages and fair labor relations if those are not granted by law and if they remain deprived of their organization which enters into negotiations on their behalf using all available measures for lobbying and advocacy.

Companies in the public business sector are liquidated and workers, despite themselves, are forced into retirement while they are still in their thirties finding no body to defend their right to work. Workers in the private sector live for months without wage. They knock at all doors, first in protest and then organize sit ins without finding anybody in the trade union organization who is capable of defending them. For the first time in tens of years workers are being interrogated by the military prosecution because of a strike they organized in protest to the death of one of their colleagues during work and because of the demand of their right to fair compensations, better working conditions and real safety measures in the working environment.

Could this situation persist? Could Egyptian workers remain deprived of their trade union

freedoms, their basic rights to strike and organize meetings, their right to form their independent trade union structures that submit only to their will and that join hands and unify only by their decision to do so; viable democratic organizations established by the workers, monitored by the workers; where they decide its policies and approaches; where they are the ones who either accept or refuse its negotiations or agreements.

We call for fair labor measurements for Egyptian workers. We call for the implementation of effective measures that can enforce labor measurements and monitor their implementation in defense of workers' rights.. people's rights and not use them in the game of power in the context of the New World Economic Order.

The established labor measurements are the product of the struggle of the labor movement for many years. The establishment of the ILO itself is the product of that struggle, as it was established as one of the UN organizations, unique for a special representation of the state: the tripartite representation of governments, workers and businessmen. It is also the organization whose mandate involves the protection, defense and implementation of labor measurements. Throughout its history it has managed to produce a number of international agreements and conventions that maintain fair labor measurements and basic trade union freedoms.

Why then does WTO encroach on this area that is far placed from its assumed mandate as a trade organization. Furthermore WTO is a governmental organization. Even governments cannot join the organization without ensuring that they fulfill certain criteria related to the economic and trade legislation and policies they adopt and implement.

Liberalization of trade and competition may be counter effective factors to the enforcement of fair labor measurements. Our realities prove that they have been as such. It follows that la-

bor measurements should remain the concerns of the international organization within whose mandate fall those measurements and whose structure and origination overlap therewith.

### **Absence of necessary measures to protect and defend labor measurements**

All that makes it only logical to conclude that WTO should not interfere with labor measurements. However this logical conclusion does not seem so matter of fact for many others. Equally objective reasons explain that attitude:

- The fact the ILO lacks the enforcing and accountability mechanisms deprives the organization of its assumed effectiveness, since agreements are usually signed and then violated with incredible ease.
- ILO, which is based on a tripartite representation, has witnessed some degree of an imbalance during the past few years, where the influence of businessmen has gained in power and impact.
- On another level we have a crisis of the trade union organizations at a global level, which subsequently influences the effectiveness of those organizations and their ability to develop their performance in the context of rapidly changing labor conditions. Since those are the organizations representing workers in the ILO its crisis has undoubtedly impacted the effectiveness of the organization in the enforcing and maintaining labor measurements.
- All this may lead to the organization's inability to keep pace with the consecutive developments in world economy and their impact on labor markets and labor conditions and subsequently develop its mechanisms and agreements accordingly.

### **The crisis of trade union and workers' organizations**

If the established labor measurements have

been achieved through a long struggle by all workers everywhere, then the protection and implementation of those measurements and also their development depends on the ability of the international workers' and trade union movement to effectively exercise its role. However international trade union organizations did not escape the effects of the vigorous changes in world economy, as shown by the following:

- International trade union organizations have shown a visible retreat in the size of its membership. Membership in France, for example, declined by 11%.
- No doubt a change has occurred in the structure of the workers movement, with an apparent shift of weight from heavy industry labor (mines, metallic industries) to service labor (banking services, tourism, transportation). Also new forms of labor have merged such as domestic labor.
- While it was assumed that the increasing internationalization of production and the increasing space occupied by the transnational companies would lead to more solidarity among the workers' movement on an international level, yet some contradictions emerged between workers in the North and South.
- While all those variables should have led to the development of the trade union structure to render it more viable and flexible enough to absorb larger numbers of workers and to benefit from the different forces and resources, yet the international trade union movement did not yet succeed in progressing into that direction to gain the necessary viability and flexibility.
- Many of trade union rights in developing countries are restricted and most trade union organizations lack their independence and democracy.

### **Crisis of the Egyptian trade union organization**

The Egyptian workers movement suffers its

deprivation of its right to establish its own independent trade union organizations. The only existing trade union organization is imposed by power of law. According to law also, it is a hierarchical structure, with all its power centered in its top. It is not a voluntary union between independent trade union organizations. Trade union law no. 35 for the year 1976 and its amendments restricts the right to their independent formation, their merging or separation. One huge, ineffective trade union organization. Its membership is almost compulsory that takes place automatically in the public sector (currently the public business sector); members do not exercise any of their rights except for nomination and voting during elections, again both of which suffer tens of restrictions. Other than that they have no rights. Their general assemblies have no right to meet and cannot express themselves nor exercise any democratic practices. It is a structure that has been controlled by the state to the extent that it has lost its differentiation therefrom. Workers frequently see it as an extension of state agencies and accordingly they have lost all trust therein.

With the collapse of the public sector and the shrinkage in its labor force and the increasing weight of the private sector, the trade union structure has come to face a structural crisis that is inevitable. There is no space of an automatic semi-compulsory membership in the private sector. There is no space for exchanging roles with the management. Hence the trade union organization has become unable to progress to any extent in the new industrial sites, while its leadership has become ineffective and many of the high trade union positions are occupied by people who are already in retirement, with no sites to represent and yet this same organization still monopolizes the representation of Egyptian workers in the International Labor Organization!!

### **New forms of the Movement**

From within globalization developed a popular globalized movement. And from Seattle to Doha many forces came to the rise and joined in a global movement in defense of the economic and social and political rights of the peoples. Social movements developed in flexible changing forms responding to the requirements of struggle in the times of globalization. NGOs started to play an increasing role since they too managed to form transcontinental organizations. It became necessary for the workers and trade union movement to develop its organizational structures so that they can interact with that movement and build bridges of confidence and joint work with them. The urgently pending mission has become the development of democratic trade union structures and the creation of more viable and flexible organizational structures.

The trade union movement has to bridge the distance to the social movements and NGOs and to overcome its skeptical attitude towards them. We are all facing challenges that should not be ignored or missed.

The NGO and protest movements have managed to win the confidence and trust of many through its achievement of a number of victories. Yet it still continues to react in defense, to the extent that it sometimes seems to be chasing major monetary institutions and the WTO. Also despite its progress in coordinating among itself, it is still in need of more organization of its joint activities to ensure an orchestrated progress towards its solid and sustainable strategies.

### **In pursuit of fair labor measurements**

The working class is probably the most harmed by developments taking place in our world today. It should therefore be the leader in developing mechanisms of organization and resistance and the mobilization of the workers'

movement in defense of its rights and the rights of others.

To ensure fair labor measurements there should be a mechanisms that can enforce them, mechanisms for the international workers' movement itself to exercise its power and influence in addition to international mechanisms that draw their effectiveness from the effectiveness of the workers' movement, the peoples' movement, their social movements and the movement of its civil society organizations.

We have to support a greater and more effective role of those movements so that they can exercise their role in the monitoring and defense of fair labor measurements in addition to all other economic and social rights for all peoples of the world.

## **GLOBILIZATION AND FOOD SUPPLY**

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### **Globalization and Food Supply**

In November 1996, heads of states and governments celebrated the World Food Summit in Rome and solemnly adopted the Declaration of Rome and a Plan of Action (PoA). While they were criticized at that time for the central objective, to reduce the number of hungry up to 2015 by half, because it was considered as an unacceptable slow targeting, five years later the governments start to become nervous, because it is

obvious that even this moderate objective will be difficult to achieve. In 1996, the number of hungry worldwide was estimated to be around 840 Million people. Today the figure is 826 Million, 792 Million of them living in developing and 34 Million living in industrialized countries. While the Food and Agriculture Organization of the United Nations (FAO) is highlighting that this is a success because the population of the world is growing and the number of undernourished is decreasing, the overall development can only be judged as a trend, because figures are generally not very accurate. At least it becomes clear how difficult it will be to achieve the objective of halving the number of the hungry in the world by 2015.

#### **Box 1**

##### **Declaration of the World Food Summit**

We, the Heads of State and Government, or our representatives, gathered at the "World Food Summit" at the Invitation of the Food and Agriculture Organization of the United Nations, reaffirm the right of everyone to have access to safe and nutritious food, consistent with the right to adequate food and the fundamental right of everyone to be free from hunger".

##### **Commitments of the Plan of Action**

- (1) We will ensure an enabling political, social, and economic environment designed to create the best conditions for the eradication of poverty and for durable peace: based on full and equal participation of women and men, which is most conducive to achieving sustainable food security for all.
- (2) We will implement policies aimed at eradicating poverty and inequality and improving physical and economic access by all, at all times, to sufficient, nutritionally adequate and safe food and its effective utilization.
- (3) We will pursue participatory and sustainable food, agriculture, fisheries, forestry and rural development policies and practices in high and low potential areas, which are essential to adequate and reliable food supplies at the household, national, regional and global levels, and combat pest, drought and desertification, considering the multifunctional character of agriculture.
- (4) We will strive to ensure that food, agricultural trade and overall trade policies are conducive to fostering food security for all through a fair and market-oriented world trade system.
- (5) We will endeavor to prevent and be prepared for natural disasters and man-made emergencies and to meet transitory and emergency food requirements in ways that encourage recovery, rehabilitation, development and a capacity to satisfy future needs.
- (6) We will promote optimal allocation and use of public and private investments to foster human resources, sustainable food, agriculture, fisheries and forestry systems, and rural development, in high and low potential areas.
- (7) We will implement, monitor, and follow-up this Plan of Action at all levels in cooperation with the international community.

Food has been declared a basic human right by many international agreements such as the Universal Declaration of Human Rights, the Preamble of the FAO Constitution, the International Covenant of Economic, Social and Cultural Rights, among others. Yet, the right to food is continually denied. Worse, it is now considered more as an item for trade than for sustenance.

After five years, we demand that national governments and international institutions accept the responsibilities and consequences of their failed "experiments" and make this acceptance known to the poor.

The grassroots communities, including the peasant farmers, landless agricultural laborers, small fisher folk, rural women, indigenous peoples and forest dwellers' have a right of access to productive resources, such as land, water, fo-

rests, seeds, genetic resources and indigenous knowledge. They should be given the freedom to determine their own means to meet their food needs. Moreover, they have the primary right to benefit foremost from the transformation of their resources done with their prior and informed consent.

It is a paradox that peasants who produce food to feed the world are the ones suffering most from hunger and malnutrition. Subsistence and sustainable agricultural systems, which for centuries have been the basis of their livelihood, are being obliterated by the concentration of land ownership in a few hands and its corporatization, as well as the encroachment of agribusiness on smallholder farms. These activities dilute the culture and way of life of peasants with the ultimate aim of profit for the few.

**Box 2:**

Excerpts from the statement of the NGO-Forum to the World Food Summit "**Profit for Few or Food for All**".

The NGO-community was challenging the development model chosen by governments in the **Plan of Action**:

"We propose a new model for achieving food security that call into question many of the existing assumptions, policies and practices. This model, based on decentralization, challenges the current mode, based on a concentration of wealth and power, which now threatens global food security, cultural diversity, and the very ecosystems that sustain life on the planet..."

**Concerning the Right to Food:**

"We affirm first and foremost the basic human right to food."

The NGO-community was challenging the development model chosen by governments in the Plan of Action:

"We propose a new model for achieving food security that call into question many of the existing assumptions, policies and practices. This model, based on decentralization challenges the current mode, based on a concentration of wealth and power, which now threatens global food security, cultural diversity, and the very ecosystems that sustain life on the planet..."

"Negotiations should be carried out to develop more effective instruments to implement the right to food. These instruments should include:

A code of Conduct to govern the activities of those involved in achieving the Right to Food, including national and international institutions as well as private actors, such as transnational corporations.

A Global Convention on Food Security to support governments in developing and implementing national food security plans and to create an international network of local, national, and regional food reserves. Such a convention must be signed to ensure that the Right to Food will have precedence over any other international agreements such as the World Trade Organization".

The globalization process, perpetuated by the G8 countries and institutionalized by the World Trade Organization (WTO), international financial institutions, like the International Monetary Fund (IMF) and multilateral development banks, particularly the World Bank and the Asian Development Bank, has benefited merely a few transnational corporations. They have gained a monopoly of our food, genetic resources and agriculture and imposed the dumping of subsidized, unhealthy food and agricultural products and inputs, including chemical pesticides and fertilizers into our countries. This has created massive indebtedness, increased landlessness and displacement leading to rural out-migration, eroded our food sovereignty, worsened land and environmental degradation including the destruction of biodiversity, the biopiracy of indigenous knowledge, pesticide poisonings and unabated land conversions for non-agricultural purposes, mega-dams, mega projects and maldevelopment. It has further marginalized peasants particularly women and children.

The WB/MF model of market-oriented land reform subverts national governments to implement genuine agrarian reform by imposing debt bondage. It does not aim to distribute land to the landless but rather increases the concentration of land with the landed elite. The Asian Development Bank, through its privatization program, is even attempting to transfer peasants' rights and access to water as a public resource to private corporations and large-scale producers.

The rights of indigenous peoples are likewise on the verge of extinction with the uncertain recognition of their contributions to food security. There is a critical need to distinguish the contribution of indigenous peoples, local communities and farmers' rights especially on their own seeds under the forthcoming International Undertaking of Plant Genetic Resources. The peasants must be empowered to ensure the

achievement of our goal of food for all. Food security can only be achieved if the world's cultivating peasants themselves own the agricultural lands and have access to resources required for healthy and safe food production and sustainable livelihood with gender equity.

In response to the Summit commitments, peasant movements and their partner NGOs/CSOs have also been working on their own initiatives towards ensuring food security. These include:

- \* Policy advocacies and lobbying to sensitize and strengthen peasant movements, although there is still a need to strengthen these initiatives further.
- \* Sustainable development programs to raise levels of self-sufficiency and self-reliance through increasing domestic production by establishing local-level seed and grain banks, conservation of biodiversity, formulation of village plans by the villagers, land, water and forest management, low-external input, sustainable agriculture, and utilization of local resources and local and indigenous knowledge systems.
- \* Forging the political will to uphold the Right to Food through people's participation, supporting efforts towards democratization, gender equity and improving agricultural services, especially in the provision of support services and proper developmental management of food and emergency aid.
- \* Support measures that restore food sovereignty to peasants where the people themselves can have control over the productive resources and make decisions on matters regarding their food security and discourage the establishment of corporate farms and big commercial fishing corporations.
- \* Recognize and operationalize farmers' rights in the International Undertaking of Plant Genetic Resources and install mechanisms to ensure that farmers primarily benefit from their traditional knowledge and contributions and resources.

\* Assess the environmental, social and economic impacts of Genetically Modified Organisms (GMOs) on Food Security with the full and informed participation of NGOs/CSOs and prior and democratic consent of people in Southern countries and meanwhile call for a moratorium on all field-testing, commercialization and trade of GMOs in food and agriculture.

**As NGOs and CSOs, we commit to:**

- Make the right to food and food security as central to national and regional agenda without forgetting that this is a principal issue of peasants.
- Forge stronger alliance against anti-poor/peasant policies and put pressure against these entities including Transnational Corporations, World Bank, IMF, SDB and the WTO.
- Accelerate the process and implementation of genuine agrarian reform and other forms of resource rights entitlements for peasants to have control over their way of life and for the nation's sovereignty on its capacity to produce its own food.
- Adopt a rights-based instead of the welfare approach to development work where entitlements for peasants are demanded on the basis of their rights and accountability of governments and other institutions are required because it is their duty to protect and uphold the rights of peasants.
- Continue the work of empowerment of the grassroots by raising their consciousness of their ability to secure food for themselves and their community and to preserve the community-based alternative livelihood systems that save them during times of emergencies.
- In Addition, create awareness and understanding on the impacts of the globalization processes.
- Identify, document and publicize self-reliant, self sufficient, sustainable production and consumption practices, programs and initiatives.

- Work towards ensuring food security and promote partnerships and linkages between urban and rural poor.
- Conscientize the general public about everyone's role in perpetuating an unjust and unequal social economic system through our consumption practices.

**RECOMMENDATIONS**

**We recommend that our governments:**

- \* Adopt an international code of conduct on the human right to adequate food to govern the activities of different actors including the state parties and international institutions to end malnutrition and hunger.
- \* Food aid should not be used as a political weapon. Governments should be accountable to guarantee the right to food of vulnerable populations including displaced persons, victims of disasters and internal conflicts, as well as refugees.
- \* Review the implementation of land reform programs including violations thereof and formulate and implement genuine agrarian reform founded on progressive land legislation, which ensures equitable access to resources, sustainable agriculture and gender equity.
- \* Ensure policies and programs that enable communities to own and manage productive resources and disallow mega development projects, which displace populations and peoples, destroy the environment, livelihoods, and indigenous cultures.
- \* Formulate effective strategies to combat the threats to food security and prevent the shift of the control of agriculture from the producers to the market forces.
- \* Reject the policies and practices of Bretton Woods Institutions, especially the conditionalities attached to debt relief, credits and other financial assistance.
- \* Rescind the WTO Agreement on Agriculture,

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Trade Related Agreements on Intellectual Properties (TRIPS), Sanitary Phytosanitary Measures (SPS), and General Agreement on Tariffs and Trade (GATT) and oppose the revival of MAI.

- \* Oppose the WTO General Agreement on Trade in Services (GATS) and the revived Multilateral Framework of Investments.

- \* "Deglobalize" and focus on strengthening domestic economy and optimal use of local resources for local communities.

- \* Remove burden of usurious debt affecting peasants particularly loans linked to the promotion of chemical-based agriculture.

- \* Create a public body or forum to review government expenditures and restructuring in favor of peasants and rural economies.

**We recommend that the FAO and inter-governmental organizations:**

- \* Adopt a World Convention on Food Sovereignty and Trade whose principles include the right of peasants and people to ensure their food and agricultural policies, food self sufficiency, control and access to land and resources, gender equity, fair prices and fair trade as well as sustainable agriculture.

**Our Calls today are:**

- \* Assert that all people have the right to safe and healthy food.

- \* Implantent Land to the Tillers<sup>(1)</sup>.

- \* Adopt and celebrate a World Peasants' Day.

- \* Oppose biopatenting and biopiracy.

- \* Demand End World Hunger. Take WTO out of Agriculture.

**Note:**

(1) Land to the Tillers also include the right of peasant women to own land.

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## **SOME ISSUES RELATING TO FOOD SECURITY IN THE CONTEXT OF THE WTO NEGOTIATIONS ON AGRICULTURE**

### **Introduction**

This note highlights some salient issues for consideration in the context of the WTO negotiations on agriculture in relation to incorporating food security concerns in a revised WTO Agreement on Agriculture. It presents recent data (Tables 1-3) on the state of food insecurity, notes the requirements for enhancing food security in those parts of the world (countries) with large proportions of food insecure people, and makes some policy suggestions for enhancing food security in relation to the WTO Agreement on Agriculture.

### **Definition of food security**

Food security as defined by the 1996 World Food Summit is a situation in which all people at all times have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life. Indicators of food security can be defined at different levels - for the world as a whole, for individual countries, or for households. Ultimately, however, food security concerns the individual and its principal determinant is the individual's entitlement to food - ability to produce and/or purchase food.

At the national level, adequate food availability means that on average sufficient food supplies are available, from domestic production and/or imports, to meet the consumption needs of all in the country. Similarly, as in the case of individuals, purchasing power at the national level - the amount of foreign exchange available to pay for food imports - is a determinant of national food security.

The opposite to food security is food insecurity. Food insecurity can be transitory (when it oc-

curs in times of crisis), seasonal or chronic (when it occurs on a continuing basis). A person can be vulnerable to hunger even though he or she is not actually hungry at a given point in time<sup>(1)</sup>.

### **The state of food insecurity**

An indication of the absolute and relative number of people living with hunger and fear of starvation (chronic food insecurity) in developing countries is presented in Table 1. The data, which are based on the latest estimates of undernourishment (as an indicator of chronic food insecurity) around the world by the Inter Agency Working Group on Food Insecurity and Vulnerability Information and Mapping System (FI-VIMS) indicate that 792 million people in 98 developing countries were not getting enough food to lead a normal, healthy and active life.

Another 34 million people in the industrialized countries and especially in countries in transition also suffer from chronic food insecurity. Overall, the bulk of the chronically food insecure people (undernourished) live in countries with very low per capita incomes, with countries in sub Saharan Africa and South Asia having the highest proportion of undernourished.

### **The link between food security and poverty**

The common bond of undernourished and vulnerable people is poverty. Their incomes are too low to provide adequate nutrition

Table 1 also provides information on the proportion of people, by country, living on less than \$2 a day, a benchmark defined by the World Bank as the upper poverty line<sup>(2)</sup>. As will be noticed, there is a high degree of correspondence between the proportion of people below the poverty line and the proportion of undernourished people across countries.

Similar information is also provided in Table 2, by region, on the number of people living on

less than \$1 a day, which is the World Bank's lower poverty line. In 1998, about 1.2 billion people were below this lower poverty line, 98 percent of whom were in developing countries. Sub-Saharan Africa and South Asia had the highest proportion of poor people, respectively 46 percent and 40-percent of their populations.

### **Policies for countering chronic food Insecurity**

To combat hunger and food insecurity the ultimate solution is to provide undernourished people with opportunities to earn adequate incomes and to assure the physical availability of food supplies from either domestic production or imports, or both.

With 70 percent of the world's extremely poor and food insecure people living in rural areas, the role of agriculture, which is the predominant economic activity in rural areas, is crucial in the eradication of poverty and food insecurity. The rural poor depend on agriculture both for their incomes and food entitlements. More generally, in most countries with a high incidence of food insecurity, agriculture is the mainstay of the economy. It accounts for a large share of gross domestic product (GDP), employs a large proportion of the economically active population, represents a major source of foreign exchange and supplies the bulk of basic foods (see Table 3).

Thus chronic food insecurity can be addressed most effectively through policies that tap the huge agricultural potential of developing countries to increase agricultural productivity and food production.

The contribution of food imports to food security, while crucial, is limited by the foreign exchange earning capacity of developing countries. Thus, closing the food gap through commercial imports is not a realistic possibility for most countries that have poor prospects for substantial increases in foreign exchange earn-

ings and/or already face heavy external debt burdens.

As the information provided in Table 3 indicates, for some countries, food imports accounted for more than 50 percent of total export earnings, minus debt servicing. Food aid, which has been in the past used in some cases to meet uncovered market demands as well as to feed hungry people directly, has been on the decline and in any case is not a sustainable solution

In sum, policies that raise incomes of the poor, accelerate agricultural productivity and food production and enhance the ability of the country to import food (by strengthening its export earning possibilities) are key for confronting food insecurity in many developing countries.

### **The WTO Agreement on Agriculture and food security**

The focus of the WTO Agreement on Agriculture (AoA) is not food security. Its objective is to establish "a fair and market-oriented agricultural trading system through "reductions in agricultural support and protection". The expectation is that this would result in "correcting and preventing restrictions and distortions in world agricultural markets". As is well known, the focus of the framers of the AoA was a perceived need to correct a situation of mounting production surpluses in a number of food products produced in a number of developed countries through rising levels of budgetary support and protection. The most direct trade distorting aspects of this situation was the escalating use of export subsidies (subsidy "wars") to dispose of these mounting surpluses on world agricultural markets.

On the other hand, for the vast majority of developing countries the situation was different. Rather than excessive support and rising production surpluses, their situation was one of inadequate production and lack of resources to

raise agricultural productivity and food production in line with their food needs and agricultural potential. Hence, the situation of many food insecure countries is fundamentally different, and, accordingly, requires a different approach from that of reducing support - to agriculture.

### **Lessons from the history of agricultural development**

Several lessons from the history of agricultural development, in different parts of the world, are worthy of note.

**Firstly**, hardly any country has been able to initiate and sustain modern economic growth without first exploiting and developing their agricultural potential. The initial effects were to raise rural income, assure a growing food supply and increase the national standard of living through reductions in poverty and food insecurity.

**Secondly**, successful take-off to sustained agricultural growth was achieved through a judicious mix of subsidies (e.g. inputs and water management subsidies), pricing policies and border measures, as well as other institutional and infra-structural support measures (agricultural credits, extension services, land reform, seed banks, crop insurance, storage facilities, road and transport, market and distribution systems). This policy mix provided the incentives and the means for peasant farmers to produce and innovate.

**Thirdly**, in terms of the specific measures, "coupled" rather than "decoupled" policies have been most effective in rapidly raising agricultural productivity and production. For example, one dollar spent on coupled policies would produce more outputs than the same dollar spent on decoupled measures.

### **The relative distorting effects of policies and countries**

A related issue is the relative contribution of various policy measures and countries to distor-

tions in world agricultural markets. The "policy classification" approach, which implicitly was used in the Agreement on Agriculture, is to separate policy measures into boxes ("Amber", "Green", "Blue") based on a pre-assignment as to their expected trade distorting nature. Another approach is to focus on the impacts of individual countries on markets based on their relative size.

The policy classification approach, because it is not based on actual policy impacts, can lead to anomalies. For example, some countries can technically be in compliance with their commitments under the AoA by shifting, i.e. re-instrumenting, their support from the Amber to the Green Box with basically the same effects on markets<sup>(3)</sup>. On the other hand, some other countries, because of their negligible size in world agricultural markets, either as exporters or importers, could utilize policies - classified as highly trade distorting without contributing any discernible effect on world agricultural markets. This raises the question of the best approach for reducing distortions in world agricultural markets while allowing "non-offending" countries to continue to have policy flexibility.

In any event, even in those cases where a relatively large food insecure developing country may make a discernible contribution to distortion on world agricultural markets, there needs to be an evaluation of the trade-off between enhancing the food security of several hundred million people versus the distorting impact of policies on world markets.

### **Some policy implications in the context of the WTO negotiations on agriculture**

As data presented in this note show (see Tables 1-3) there are large differences in food insecurity between richer WTO members and poorer ones. Given the magnitude of the food insecurity problem in poorer WTO members, increased, rather than decreased, support to agri-

culture in these countries is required for greater agricultural productivity and production growth. Increased support in these countries will likely have negligible effects on "distortions in world agricultural markets". In any case, the benefits of improvement in living standards and reduction in food insecurity are likely to far outweigh any contributions to distortion in world agricultural markets.

Accordingly, food insecure countries (i.e. those with a high proportion of undernourished population and/or people living in households that consume less than US\$1 or US\$2 per day) should be exempted, as LDCs are currently, from reduction commitments under a revised Agreement on Agriculture. Their policy flexibility should be unconstrained, unless it can be demonstrated, on a country specific basis, that the use of otherwise prohibited policies have led to this country obtaining in a particular product an increased share in world trade above a defined "de minimis" level<sup>(4)</sup>.

**Note:**

(1) FAO (2000), the state of food security in the world 2000, gives the example of Benin where close of half the population is vulnerable to hunger whereas only one seventh of the population is undernourished, using the FAO estimate of undernourishment.

(2) World Bank (2001), World Bank Report 200/2001: Attacking Poverty, Table 4.

(3) Domestic support in the OECD countries is increasingly provided under Green Box payments and other exempt policies (see OECD, the Uruguay Round Agreement on Agriculture: an evaluation of its implementation in OECD countries, OECD, 2001, Paris. Analyses have also shown that not all policies exempt from reduction commitments (Green Box and Blue Box) are indeed production and trade neutral, as often assumed (See for example the results reported in Policy Evaluation Matrix, document AGR/CA/APM (2000) September 2000, OECD, Paris).

(4) A number of threshold limits are utilized in several Uruguay Round Agreements. For example, LDCs and other de-

veloping countries with per capita GDP of less than US\$ 1 000 are exempted from the prohibition on export subsidies so long as the export of the country does not exceed 3.25 percent of world exports of a particular product for two consecutive years (see Article 27 of the Agreement on Subsidies and Countervailing Measures).

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## **Gender and Trade in the International Economy: A Brief Overview<sup>(\*)</sup>**

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### **The International Overview on gender and trade**

#### **Introduction**

Gender relations play a critical role in influencing the outcome of macro-level policies and these policies impact, positively or negatively, but rarely in a neutral manner, the economic and social status of men and women in the economy. Women and men are located differently in the economy with different entitlements and capabilities--access to resources, skills, knowledge and training. Thus macro level policy shifts, whether of the fiscal and monetary varieties, or trade and investment, which are transmitted via meso level institutions--labor markets, goods markets, the credit and financial markets--to the micro level of the household etc, may exacerbate or improve existing gender inequalities.

Trade policy, now being undertaken primarily via trade liberalization, is now a key macroeconomic policy in the search for economic growth and development. Trade liberalization represents a directional shift in trade policy management. It is associated with the systematic elimination and or reduction of tariffs and quantitative restrictions on imports as well as restrictions on the nature and scope of support measures a government may undertake in support of domestic production. Increasingly, trade liberalization, as it is being implemented under the auspices of the World Trade Organization, is including areas such as services, intellectual property rights, investment, competition policy and government procurement. Thus trade poli-

cy, specifically trade liberalization, is now dictating and conditioning the parameters of public and social policies. Given its broad and ever widening scope trade policy/trade liberalization poses significant challenges, opportunities and constraints for gender relations and hence, women's and men's social and economic advancement.

It is not surprising then that gender lens is being focused on trade policy/trade liberalization and the WTO.

#### **Part I: The essentials of a gendered Approach to Trade Liberalization**

Gender analytical approach to trade policy and trade liberalization seeks to identify the key mechanisms and pathways through which trade policy/trade liberalization impact women and men differently in terms of social burden, earnings, employment, poverty, survival and wealth generating strategies. Emphasis is placed on how trade liberalization impacts gender differentiated roles, gender-based constraints, women's time and access and control of resources. In this framework a critical emphasis is also placed on the collection and analysis of gender disaggregated data.

Gender analysis raises a number of critical questions vis a vis trade liberalization<sup>(1)</sup>:

- \* How and in what ways do trade liberalization affect women and men's access and control of resources? Does it worsen or improves women access to, and control of resources, such as land, credit, technical assistance, technology and common property resources?
- \* How does trade liberalization affects the day-to-day time allocation of men and women's time?
- \* How does the trade liberalization process affect men's and women's time availability: task allocation within the household and at the micro level?
- \* Does export expansion lead to increased fe-

male intensity of employment, or does export expansion result from increased female share of the labor force?

\* Are women substituting for men, or is their employment increasing as a result of the growth of 'feminized' jobs in which they have a comparative advantage?

\* Does this comparative advantage derive from perceived or actual skills of women (e.g. in clothing manufacture) or from women's role as "cheap labor", not only in terms of wages, but also lesser social benefits, and lower resistance to exploitative conditions?

(Sequino, Wood, Ozler, cited in Baddeley 2000).

### **Part III: Gender dimensions of trade liberalization**

Response to the above questions are being articulated from at least two orientations : 1) the studies women and NGO activists working on issues of development and the impact of structural adjustment programs implemented in the nations of the global south since the 1980s by the International Monetary Fund and the World Bank; and 2) almost six years of experience with World Trade Organization led trade liberalization in the South which is currently being discussed and analyzed by NGO activists and feminist researchers.

Though this research and activism is still at an early stage, two strong tendencies have been noted:

1) Trade liberalization policy may exacerbate existing gender inequalities thereby worsening women's economic and social status; alternatively, trade liberalization may present new challenges and opportunities for improving these variables, and 2) Existing gender inequalities can undermine the effectiveness of trade policy because they may adversely affect the factor re-allocations that are critical to the successful implementation the policy.

Though research results are inconclusive as to

the impact of trade liberalization on women, trade liberalization has been associated with rising female employment in many countries and it may also promote the expansion of women owned and operated businesses. Both of these opportunities provide women with income, which can contribute towards increasing their autonomy and empowerment in the household and the community.

**But trade liberalisation policy may also exacerbate existing gender inequalities thereby worsening women's economic and social status.**

For example:

\* Given the existing gender division of labour, which assigns primary responsibility for social reproduction to women, trade liberalisation policies that increase the employment of women in the formal and informal economy, without complementary measures such as day care, may simply increase the work burden of women.

\* Trade liberalisation may also reinforce gender segregation and gender-typing of occupations and industries in which "women's jobs" have lower pay and less secure tenure than "men's jobs." Many of these jobs are linked to traditional areas of unpaid domestic work (Beneria and Lind 1995).

\* In many countries women lack productive resources such as credit and land. Trade liberalisation will not necessarily move resources to women and may even reduce women's access to resources. For example, when there is a switch from subsistence to cash crop production for export, women generally lose traditional access to land (Bifani-Richards 1999, Joekes 1999).

**Existing gender inequalities can undermine the effectiveness of trade policy because they affect the factor re-allocations that are critical to the successful implementation of such policies.**

For example:

\* It is generally assumed that men and women, as formal sector workers, have the same employment needs. But women workers face particular constraints, such as childcare and housework, which may affect their ability to respond appropriately to price signals etc.

\* Likewise, women farmers and women business entrepreneurs face gender barriers in accessing credit, technical assistance and training that may also negatively affect their ability to expand production and take advantage of new opportunities. Beneria and Lind (1995) noted that, because of the implicit assumption that women are not as productive as men, resources, opportunities and training that emerge from changing trade rules are often likely to go men. The interplay between existing gender inequalities and trade policies results in a number of broader areas of gender-differentiated impact of the operation of the trade system.

These includes:

A- Trade-induced fiscal adjustment and gender

\* Decreased tax revenues from the liberalization of imports having adverse impact on the fiscal deficit resulting in cut backs in government spending on social programs special programs geared towards girls and women.

\* Introduction of mechanisms such as privatization and commercialization of services, which are necessary correlates of trade liberalization often shift the burden of social reproduction to the household sectors.

B- Trade induced employment effects and gender

\* Feminization of the labour market and or the informalization of work (see subcontracting, homeworking etc).

C. Destruction of internal markets

\* Increase imports of products such as vegetable, meat, power milk and milk substitutes which in some countries are the domain of women.

\* Threats to craft and dressmaking from machined produced import substitutes and increase cross border trade in second hand clothes

The next section presents a cursory look at some of the gender dimension of trade policy/trade liberalization in different sectors and regions of the world.

#### **Part IV: Regional and sectoral differences and similarities in examining gender and trade issues.**

On the global level there are serious questions being raised about whether the South, in particular, the least developed countries, have been able to increase their exports as much as or in proportion to the degree to which their markets have been swamped by cheap imports from the North. There is clearly pronounced impact from trade liberalisation on the survival strategies of different groups within the economies of the South. For example, increased exports may mean more employment for some women but increase imports means more cheap goods entering the economy which has particular implications for women in import competing sectors (such as agriculture, vegetable production etc.) In Jamaica, decrease in tariffs may have helped to improve and promote informal women' market and expansion of women in trade in the island and among the islands. But it has had severe negative impacts on farmers many of who are women small farmers or farm labourers.

**Agriculture:** Examples of negative impact of trade liberalisation on women's livelihood strategies are particular pervasive in traditional agriculture domain. Senegalese women activists reports that local Senegalese women farmers are facing stiff competition in tomatoes, garlic and onions from cheap, heavily government subsidies imports from the European Union (reported by women activists at a WTO Symposium, Geneva 1998). Similar scenario are re-

ported for the Philippines where women activities argue that the country's commitments to the WTO has led to the reduction of tariffs and the free entry of all agricultural products into the country which is threatening the "traditional products of the peasants such as onions, garlic and potatoes (which) were earlier protected by law", Oliveros 1997). In the Caribbean the most widely known fall-out from trade liberalization has been the Banana industry which is a significant employer of women, especially in the Win-Ward Islands.

Alternatively, in Latin America women seem to have gained in terms of opening up of employment in non-traditional, commercial agriculture in areas such as horticulture, fruits, ornamental plants, shellfish etc. The consequent modernization of agriculture with new technological features 'have created a large demand for female labour in activities such as reaping, harvesting, processing and packing' (Bifani-Richard, 1999, p.83. In the Chilean fruit sector women comprise 52% of the 84% workers in the sector; in Costa Rica women workers are 36% in the non-traditional agricultural production. Many observers note that these new export activities have engendered expansion of trade in these areas have led to dynamization of the rural economy. However, jobs are contingent and low paying (lower paying than men's salaries).

**Manufacturing:** Manufacturing used to be the area that was most dependent on female labour. For many developing countries (such as Dominican Republic and Bangladesh), a strong link between the rising share of exports in manufacturing and the share of women in the manufacturing work force. This is particularly the case in clothing, light electronics etc where women have gained increased employment opportunities, especially in export processing zones. But it must also be noted that in some countries women workers have been dislocated by the process of trade liberalisation. Overall,

women are vulnerable to temporary, part-time work without proper health and safety safeguards or trade union rights.

**Services:** It is well recognized that women have been incorporated into traditional service such as public sector, social welfare sector and government administration in most countries. With regard to the modern services women tend to dominate in the information processing sector. Research in the Caribbean and elsewhere show that women in these countries almost exclusively dominate the data entry segment. Women provide data entry for the processing and coding of information on credit cards, airlines, mail orders, and rail systems. This industry is characterized by low wage. Women are not yet in significant numbers in the higher paying software and programming end.

**Informal sector:** The informal sector is multidimensional with links to agriculture, manufacturing and service sector. Subcontracting, particularly, in the garment industry-- through outsourcing and home working--is the primary way that the informal sector and the manufacturing sector interface. This is a common feature within the garment industry where there is a high percentage of home workers (38% in Thailand, 25-39% in Philippines, 30% in Mexico and 30-60% in Chile and 45% in Venezuela). The major service sector related activities to be found in the informal sector are small-scale commerce and catering. The agricultural link is the informal cross-border and domestic trading in vegetables etc.

The gender dimension of the informal sector is very stark. In most countries women account for a large percentage of participants, 53% in Tanzania, 40% of the labour force in the informal sector in Peru (Bifani-Richard 1999). Research on the gender dimension of informal sector activities in African and Latin America point to women's heavy concentration in trade and service sector activities while men tend to

undertake transformation process and create small industries in the context of small-scale labour intensive and low profile skill enterprises' (Bifani-Richard 1999) such as 'patch and mend' repair shop activities.

In general research results are inconclusive as to the impact of trade liberalisation on women. This is so for at least three reasons: 1) The twin sides of liberalisation: export promotion and increase imports (via decreased tariffs etc) [In theory, liberalisation should be a simultaneous process of increasing exports as well as increasing imports]; 2) inter sectoral shifts in export composition; 3) the nature and extent of global competition between women.

Items one and two which represent intra country gender dynamics and have been discussed above so we will now turn our attention the third inter item, inter country or global gender dynamics

Trade liberalization has also intensified competition between women within the local economy, regionally and globally. In the first instance, while it was the case that opportunities in the manufacturing sector accommodate all women and especially created employment for poor women with little education, opportunities in the newly emerging modern service sector would seem to privilege educated and middle class women over their not so educated and poor sisters.

Regionally, the operations of trade blocks that liberalizes trade may lead to trade diversion from one country or region to another resulting in loss of income in the country from which the business entity has shifted operations from. Meanwhile in the receiving country the resulting process of trade creation creates employment for women. This is certainly been the case with the NAFTA agreement which have significant impact for Caribbean women workers in textile and clothing sector. This has been accompanied by intensive intra-regional competition

within the Caribbean Basin rim, as between Jamaica, El Salvador and Honduras. A striking case is between Jamaica and Mexico. Though causation has not been accurately establish, there is clear correlation between the lost of access and gain of access from one country to another. In 1995 Jamaica was the largest exporter of underwear to the US (40% of US imports, however by the third Quarter of 1996 (approximately two years after NAFTA came into force), Jamaica's export to the US declined by 12% while Mexico's NAFTA access grew by 40% with 10% share of the US market (King 1996, cited in Wedderburn 1998). In September of 1997 the industry lost close to 16,000 jobs due flight of factories (the Observer, Sept. 16, 1997, cited in Wedderburn 1998). Yet another example is the re-location of South African clothing enterprises into other areas in southern Africa to take advantage of cheaper labour.

Globally, it is been now becoming clear that women in Africa are losing local textile and clothing market due to competition from cheap clothing in Asia. Likewise, there is inter-regional competition as some garment firms move out of the Caribbean region all together to relocate in places such as Bangladesh. With the gradual phase out of the Multifibre agreement and full liberalization of clothing and textile many countries now benefiting from MFA will be at a severe disadvantage. As noted by Bhattacharya (1999), there may be 'skewed welfare gains' for the South in the sense that 'China, Indonesia and South Asian countries will gain more compared to Latin America and the Caribbean and sub-Saharan Africa. But even within Asia there will be differential impact as it is hypothesized, based on current trends, that 'higher cost exporting nations, such as Hong Kong, South Korea and Taiwan which control the largest share of the market will cede ground to lower cost suppliers (such as China and India), Bhattacharya (1999)<sup>(2)</sup>. In the final analysis new and

low cost countries (Bangladesh and Sri Lanka) may be squeezed out of the market due to small size and lack of product diversification and low productivity (Bhattacharya 1999).

As noted above, the research result from case studies trying to examine the impact of trade liberalization on women and men is inconclusive. There are significant hurdles in data collection and analysis. But more importantly the problem of attributing causation is a tricky one. Since trade liberalization comes from multilateral trade agreements, regional agreements but also from structural adjustment programs. In addition, many economies are also undergoing economic reform which introduces privatization, de-regulation and commercialization in spheres of the economy that were either very public or under state enterprises, very protected and carefully regulated and services which were offered as part of social policy/social welfare programs. It is difficult therefore to isolate the cause and effects of persistent unemployment, casualization of work and change in economic well-being.

Trying to pinpoint cause and effects and the specific impact of a particular set of trade liberalization policy call for deepening the analytical underpinning of case studies as well as a more complex interweave and greatly nuanced feminist application of gender analysis into trade theory and policy.

Some questions that women in the Middle East, Eastern Europe and transition economies can pose in this context include:

What are the gender based constraints and considerations (such as access and control of resources: land, credit and technical assistance) in your country/region?

What have been the specific directional shifts in trade policy and how is trade liberalization occurring?

What are the possible impacts of trade liberalization/export promotion on women and gender

equality

(This points to new or increasing factors that affects women's traditional access to productive resources. For example, the elimination of import barriers and other restrictions on the inflow of cheap products from abroad or the elimination of restrictive licensing requirements so that now foreign producers have greater encouragement to enter the market.)

What is the nature of the change in competitive environment? To what extent has it caused shift in the use of the factors of production?

In general has trade liberalization worsened or improved women's access to, and control of land, credit and common property resources?

To what extent have government export promotion incentives (tax credits etc) affect women jobs and access to credit etc.

What is the trend in terms of power and access to resources between women and men in your country and region? How has trade liberalization have affected the following?

- a- women's versus men's employment
- b- the range of alternatives available to members of the households
- c- intro household power and income distribution

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\* Talking points for presentation on gender and trade in workshop, Gender and Globalization. A more expanded version of this paper was contributed to the Seminar on "Financing for Development: New tendencies, new exclusions and new strategies for women in the Region". REPEM-DAWN Cartagena de Indias, Colombia, July 15-1, 2001 and the NEWW Gender Policy

Conference on Women's Economic Justice, Cracow, Poland. July 11-12, 2001.

**Note:**

(1) The first four questions posed are adapted from Joekes 1999.

(2) An alternative scenario discussed by Bhattacharya is the possibility of ' increase or shift of flow of FDI from quota restricted to non-quota restricted or less restricted countries. So there may be a reverse flow of FDI from relative new suppliers as the sourcing of textile and clothing products may gravitate back to the larger and more efficient exporters (Hong Kong, South Korea and Taiwan) Dowlah, 1998 cited in Bhattacharya 1999, p.202.

## **The World Forum on Globalization and the World Trade Organization**

**by Aida Nasrallah**

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Precipitating events have shaped the last stage of the past decade and the beginning of the current decade. Profound political changes, international economic, social and cultural policy transformations have been taking place. The influence was further accelerated, as a result of the enormous technological progress, particularly in the field of telecommunications and media. Other factors also had an impact, like the emergence of a unipolarity that rules international affairs, promotes capitalism as the poor and developing countries' only choice, and attempts to impose globalization as its main apparatus, in order to restructure the world's politics and economics according to its interests. As a result, the gap between the rich and the poor widens and the development efforts and fight against backwardness and poverty get stalled. Among globalization goals, is the imposition of market mechanisms on all the social sectors, namely in the domains that have specific effects on people's daily livelihoods (nutrition, water, electricity, services, education, health, heredity, nationality, wages... etc). It also seeks to reinforce the supremacy of a group of the large industrial countries headed by the United States. Globalization employs, as well, military force to subdue the nations totally or partially rejecting its policies.

Globalization weakens smaller nations' ability to formulate independent policies. Structural adjustment programs, launched by the International Monetary Fund (IMF) and the World Bank, inflict on these governments policies that can be summarized by the following:

- Market liberalization and the opening of all

boundaries for foreign investment exploitation.

- Modification or cancellation of laws regulating economic institutions, social and political working conditions for the purpose of limiting government expenditures on wages and consumer protection, health insurance, social services and education programs. The government expenditures' austerity measures would mainly reduce the services available for the poor.

- Privatization that calls for sale of state-owned assets to the private sector. Most of the times the buyers are foreign investors and the privatization process is accompanied by arbitrary layoffs and wage cuts to benefit of capital.

- Imposition of fees on government provisions.

- Intensification of export which exploits land as a result of large-scale agriculture cultivation for foreign markets, resulting in increased rural migration and poverty.

This is, in a very short summary, my opinion, of what globalization and its objectives are about.

So what are the globalization's effects on gender, social groups, or the relation between men and women in terms of equality, rights, obligations and roles?

Gender, obviously, is a concept that was lately introduced by the United Nations to denote men and women's social roles, responsibilities, and the ensuing appropriate behavior, as set by a specific society or culture. These roles differ according to societies, social classes, and time periods. Moreover, this concept indicates that the division of roles is not set biologically. It is the result of the social stratification deeply embedded in the social culture and the dominating ideologies. The gender concept distinguishes between men and women's biological differences and the social role that can be changed according to political decisions, public opinion, and development policies. It is worth noting at this stage, that, though this concept entered women's dictionary, it is not a novelty in terms of subject matter. In fact, we have been working

on this concept for a long time. We have not been limited to the issue of equal rights in our radical women organizations. Instead, we have been promoting a notion that reflects to a large extent the concept of gender in order to include woman and integrate her in the development process and decision-making. The innovation brought about by the gender concept is that equality and integration raised the issue of male and female's equal employment and income in public administrations. Gender was introduced not only in women's organizations and civil society but also in official agencies, through lobbying to include gender ratio (the ratio of men to women) in economic planning. Whatever the nomenclature is, what we care for is the following end result:

A woman has all the potentials and capabilities. A human being is not be classified as man or woman in a work and employment environment.

Following the overview on globalization and gender, I would like to discuss the effects on gender roles resulting from globalization, more specifically, the relation between men and women and the subject of equality.

There is no doubt that international conferences as well as the accompanying local and regional conferences have unified and globalized the women's cause, in the sense that the issue was raised to the international level. Consequently, the understanding of equality was developed and deepened, and was related to economics, finance, political authority, family, education... etc. There is no doubt that the concept of gender did not crop up from a void but was the result of accumulated women's struggle all over the world.

**I will not go over the details of the four international conferences on women:**

- Mexico (1975) with the pertinent slogans on freedom - equality - the elimination of all discrimination and equal participation in political

and public life.

- Copenhagen (1980): the implementation of the strategies presented in Mexico.

- Nairobi (1985): it was considered a stepping-stone in the formulation of strategies that upgraded women's roles until the year 2000, following the motto of women's empowerment - participation - and the qualitative gap reduction - the benefit of human rights - equality between the two sexes in the field of participation and development.

- International Conference on Human Rights Vienna (1992) that discussed topics directly related to women (violence against women among these rights).

- International Conference on Population and Development Cairo (1994) which looked into the empowerment of women.

- International Conference on Women (Beijing 1995), which had promoted work for equality, development, and peace. It called for a consolidation of efforts in order to eradicate poverty; eliminate discrimination in education, training, health care, labor, the economic force, environmental protection; limiting the inequality in decision making and authority; modification of legislation in order to make power relations more equitable between men and women; and institutionalizing social groupings in most ministries and governments.

As result of globalization, I have to say, we are concerned about the end results achieved in these conferences!! No doubt, globalization has broad impacts, but its effect on marginalized groups and particularly on women will be much harsher!! This will lead to the deterioration of women's situation all over the world due to their poverty, illiteracy, and unemployment, and due to inequitable laws. In addition, women have become a commodity that was liberalized under globalization and sold in public for the pleasure of the largest financiers in the world.

Thus, we note here the following:

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- Globalization has possibly created new employment for some women. Only these possibilities are presented without state coverage, labor union protection, or any other guarantees.

- Technological progress (and not globalization as a social economic and political system of the world) expanded communication between women and facilitated the formation of alliances.

- The downsizing of the national state, that was used by men to institute their authority through the state's different manifestations (citizenship duties - public life leadership...) and that excluded women from its structure for a long time, did not lead to the breakup of the prevailing structure and to an improvement in the social and economic equality between men and women.

We also note here the following two remarks: The power of the nation state waned only in developing countries to serve the global capital!!

This globalization has a place only for the powerful exploiter - commodities and its free exchange, with profits being its ultimate goal. Women, in parallel, remain the weakest agent.

Women's life was influenced by the economic instability in most countries as a result of the State's downsize in the interest of trans-national corporations (a component of globalization).

The structural adjustment program imposed by the International Monetary Fund and the World Bank (being the channels for globalization) affected women.

\* The privatization of state-owned-entities led to drastic layoffs. Women are usually the first to lose their jobs and the last to get them, while also obtaining lower wages.

\* The reduction of government expenditures and the austerity policies resulted in a reduction of the provisions available for the poor (health insurance, social services, education) with women being the poorest.

\* Women were shoved into irregular and unorganized employment (which means instability and poverty).

\* Mergers of small with larger companies to increase profits destroy the former group, which is generally run by women.

\* Interest rates increase, under national economies' structural adjustment programs, makes it difficult for small companies managed by women to obtain loans at reasonable costs. These end up shutting down.

\* Trade liberalization and custom duties elimination on industries and local agriculture lead, in developing countries, to massive and arbitrary lay-offs, especially in light industries where most of the workers are women (the cancellation of duty on the acajou fruit in Mozambique).

\* Unemployment increases in general and in particular amongst women.

\* The concept of gender calls for training women and enabling them with skills to be effective in their work. Hence, within the context of the globalization imposed on the poor and impoverished developing countries, how can women acquire such trainings and skills? Would it be possible to consider gender in economic planning of governmental and non-governmental organizations within the context of this rule of jungle, whereby the strong that has money and power controls, and within a context of a system glorifies the 20% rich people and the transformation of the remaining 80% into beggars at the doors of the rich people's palaces?

\* Democracy and human rights which are instruments used to lobby for women's rights and the concept of gender have been waning, in the wake of the globalization strategies that have no values but those of the market and of profit-making.

\* The World Trade Organization arrangements (the most important mechanism and the most dangerous) that seek to increase liberalization and formulate agreements in the field of intellectual property, industry, pharmaceuticals, education, energy, environment, investment, agriculture, and services to the benefit of

transnational companies increased the deterioration probability, especially for the poor, women and marginalized categories.

\* The rise in poverty led to the devastation of all efforts seeking to establish equality between the two sexes. It also made it impossible to integrate women in development and achieve the concept of gender. Women trafficking increased either to benefit from their labor or to exploit them sexually.

\* The price increase of food items and basic goods in developing countries as a result of competition with imported products, the opening of borders and the removal of subsidies on basic items (sugar- flour- electricity - fuel) raised the need for these products, increased the poverty of the poor. Women are the most vulnerable to this effect.

\* Servicing the debt in developing countries is multiplying at a terrifying rate and is directly affecting the momentum of to acquire women's rights and the concept of gender.

\* Globalization has increased the differences between men and women since, according to a female researcher, only a minority of women can use the Internet. In addition, there are huge differences in terms of intellectual property, raw material ownership, and capital attainability. Globalization does not take into consideration the integration of women during the development process, as development is not one of its strategies and instead focuses on increasing investment and wealth.

In conclusion, globalization remains an intricate concept to define, yet it turned humans into tradable goods and increased the differences between men and women. It also led to the breaking of conflict in several parts of the world as a result of the domination of military, political, or economic power.

I will not suggest solutions and I am not in a position to do so, since the impact of globalization on gender and gender itself are universal is-

sues that are also complicated subjects. However, it is worth raising the discussion and to start rejecting what is conveyed to us. Instead, we need to research and learn more about it. Then, we must broaden the horizons of our women's organizations and other organizations through international solidarity, creating alliances to explore opposing strategies in order to preserve our achievements, and to work on attaining an acceptable gender standard and the integration of women in development. To obtain this, we ought to impose the implementation of the Agreement on the elimination of all forms of discrimination against women.

Based on the claim that globalization is not a fate that cannot be rejected, we seek an alternative globalization that is more humanitarian, a globalization that has humans and humanitarian development as its objective. We seek to put pressure in order to cancel all the debts of developing countries, and to oppose the World Trade Organization and its agreements. In order to implement all of this, we will not run out of means.

## **WTO Fourth Ministerial Conference Cairo NGO Seminar on WTO and South interests**

**Cairo - October 23-24/2001**

Participants in Cairo Seminar held on 23-24 October 2001 on "WTO and South interests", who represent major civil society organisations in Arab and other developing countries would like to address this message to the peoples, governments and civil society organisations participants of WTO Fourth Ministerial conference/ Doha, Qatar on 9-13 November 2001.

### **First: Occurrences and facts:**

Seven years after the establishment of WTO, the time is appropriate to evaluate the results of different agreements that materialised during the Uruguay Round (1986-1993) and which are monitored by WTO in terms of their impact on international trade and production in general and development conditions in South countries in particular. During this period a number of practical facts and practices were monitored by statistics gathered by several international organisations that suffice to assess to what extent the commitments made by industrial developed countries were realised with regards opening their markets to the exports of developing countries. Moreover, in light of actual practices, it is possible to examine to what extent the fears of the developing countries as to the effects of the Uruguay agreements on their development programs are justified.

A realistic assessment could constitute a sound basis for recognising shortcomings in the rules contained in the world trade system, which WTO seeks to implement. It is also a good launching pad for the developing countries to reach a unified position regarding various issues that will be raised in WTO Fourth Ministerial Meeting.

The results of liberalising trade under the WTO

have been a disappointment to the hopes of many including those who advocate economic liberalisation. They were also totally different from what was promised to developing countries in terms of a boost in trade and production in the wake of the Organisation's establishment.

1- At the international level, the average growth rate in world exports during the 90's was less than the 70's and 80's; the period described as non-liberal. Even during the 90's. The average growth rate of exports in the years following the establishment of WTO (1995-1999) was lower than those in the preceding years (1990-1994): 10% as compared to 21%. This decrease was clearly reflected on international exports in agricultural goods that fell to 5.7% during 1995-1999 after having reached 19% during 1990-1994. At the level of developing countries, there was no tangible change in the average rate of trade in commodities since 1989.

2- Concerning GDP at the world level, the rate did not exceed 3.2% in the 90's as compared to 4.6% in the 60's and 70's. The average growth rate in developing countries was 3.6% in the 90's as compared to 6% during 1965-1980. Annual growth rate in South countries - except African states - during 1995-2000 was less than in 1995.

3- Regarding the flow of capital to developing countries (direct and indirect investments), the average rate in the 90's was but a return to the former level realized in 1975-1982 (nearly 5% of GDP in developing countries).

4- Consequences were severe on industrial growth and employment in many developing countries. National industries suffered an acute drop with regard demand for their products as a result of open markets before cheap goods coming from advanced industrial countries as well as newly industrialised countries. Many industries were shut down as production capabilities were exploited by 20% to 30%. Unemployment rates increased and real wages dropped

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drastically. The effects of liberalising trade policies were very painful for Sub Saharan African countries. It is not an exaggeration to state that liberalising trade banished industrialisation from the South.

5- Although many developing countries reduced tariff rates on their imports from advanced industrial countries, their exports suffered greatly to penetrate into the markets of industrial countries. For, in advanced countries, tariffs levied on agricultural exports are still very high and subsidies on domestic goods and exports were not reduced. In fact, advanced countries constantly urged the developing countries to remove all forms of subsidies that support development. Agricultural subsidy in OECD countries reached 406 billion dollars (i.e. more than one billion dollars a day). This sum is double the amount required to reduce the rate of the populations suffering from malnutrition in the world to an acceptable level by 2015, that is 180 billion dollars.

Although average tariffs on industrial goods in the developed countries do not exceed 4%, yet tariffs on important commodities exported by advanced countries are much higher. In fact, advanced countries are still stalling in liberalising trade of textiles and clothes and hold itself a high quota of these commodities, a matter that contravenes the spirit of the agreement reached in the Uruguay Round. On the other hand, customs duties on the exports of developing countries have increased according to the degree of the commodity's production. This in turn will obstruct the course of industrialisation within developing countries. Furthermore, developing countries suffer from exporting to the advanced owing to the latter's imposition of other barriers such as technical and environmental restrictions, mainly to protect their national interests.

6- TRIPS Agreement imposes strict restrictions on the right of developing countries to provide

health care to their peoples, develop pharmaceutical industries and secure drugs at affordable prices to the majority. This Agreement blocks any attempt of technology transfer from the developed to developing countries and does not avail any protection of the cultural heritage nor the genetic account of these countries in the face of multinationals.

7- The developing countries are faced with many difficulties due to dumping lawsuits raised against them before WTO. This costs huge expenses and saps much efforts and time because of its limited technical cadres. Equally, the mechanism of disputes settlement in WTO does not help the developing countries- mostly small and poor- in gaining their rights because the power to impose penalties is given to the disadvantaged country. It is well known that the technical capability of small and poor countries to impose penalties on powerful countries is very weak, bearing in mind political and military considerations as well as trade in relations between these two groups. Furthermore, the complicated mechanisms of disputes settlement take a long time that may reach a year or more during which the consequent damage due to the anti-dumping measures persists with no guarantee of indemnity or compensation.

8- Developing countries are confronted with immense problems in implementing some of their obligations to WTO owing to their inadequate technical, administrative and financial potential. Implementation difficulties also increase when advanced countries do not execute the stipulations on granting preferential and special treatment to developing countries. They have not even adhered to their commitments in terms of granting financial aid, technical and administrative assistance and facilities for transferring technology to developing countries.

Generally speaking, the developing countries feel that they have not received anything significant compared to their considerable conces-

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sions in the Uruguay Round. Moreover, they believe that they have entangled themselves when they accepted commitments beyond their implementation capacity while advanced countries give no sufficient assistance in this respect. Moreover, heavy pressures are exerted on the developing countries to initiate a new round of trade negotiations, which will include new issues, a matter that will entail more burdens on the developing countries. Anyway, The developing countries strongly believe that important issues related to their development are not given enough importance by WTO such as foreign debts, transfer of technology and aid. In fact, development issue has been marginalized in WTO.

**Second:** Recommendations In light of what was presented, it is possible to indicate several demands, that reflect the general situation, and which should be claimed by developing countries in the WTO Fourth Ministerial Meeting. These are:

1- The meeting should recognise the imbalance in the current WTO agreements between the obligations of developed and developing countries respectively in view of the different level of socio-economic development realised by each side, as well as the different level of administrative, organisational and financial capabilities available in both groups in terms of executing their commitments.

The logic result of such recognition is that the development issue should occupy a special position and be given significant importance by WTO. Developmental considerations should be addressed upon determining the concessions made by various parties in trade negotiations held within the framework of the WTO. It is not possible that development should be marginalized in an Organisation where almost all its members are developing countries whose main concern is to achieve development. The extent

to which the liberalisation of trade can reach must also be linked with what liberalisation can offer in the interest of development.

2- Development issue should be given top priority on the TWO agenda. It is imperative to adopt the principle that obligations should be commensurate with the degree of economic development of these countries and with what was achieved regarding the living conditions of their population. Therefore, special and preferential treatment should be applied to developing countries instead of the principle of transitional periods specifying certain duration in the current agreements. For development cannot be realised in five or ten years. Developing countries should not be deprived of utilising the instruments of trade and industrial policies as did the old and new industrial countries for long periods under GATT and even before it appeared in 1947. Enjoying certain levels of preference might be linked to specific values with the synthetic indicator for comprehensive development that urges the reduction of preferential levels with the increase of the value of this indicator.

3- A basic result should emerge from the two preceding demands. Firstly: The right of developing countries to review most of their commitments made under immense pressures in WTO agreements. Signing these agreements was a result of pressure and terrorism a matter that violates the principle of a free will. This was accompanied by back of knowledge of the consequences of implementation of the agreements. The developed countries further have not fulfilled their commitments. All these conditions legally permit a review of the current agreements and non-implementation of some of the subsequent commitments. It is important to note that the required evaluation is not only related to so-called implementation issues that might only demand the lifting of technical or administrative or even financial obstacles concerning the execution of certain existing agreements. In fact,

this does not concern procedural, technical or financial matters that prevent the implementation of reasonable or acceptable obligations. The core issue is that these obligations are imperfect and unbalanced from the developmental point of view. Therefore, the implementation issues must be explained widely, meaning the amendment of regulations contained in the agreements and re-evaluation of commitments in light of development requirements.

4- Placing development issue before other issues and giving it priority in WTO does not only imply the revision of the commitments of developing countries, but rather giving particular attention on a number of issues that concern these countries. These are related also to growth of developing countries trade in particular and in the world trade in general. The main of these issues are: relationship between trade and foreign debt, trade and transfer of technology and trade and foreign aid, as well as freedom of labour movement and deterioration of trade exchange rates of developing countries.

5- Just as WTO is closely monitoring developing countries and their compliance with their various obligations, it should also ensure that developed countries are honouring their commitments with respect to developing countries. This includes barriers set before the exports of developing countries to their markets by means of manipulating certain texts in agreements on subsidies; dumping and technical obstacles before trade as a form of illegal protection of their industry and exports. This also includes what developed countries have pledged as aid to compensate developing countries for high prices of agricultural and food commodities; as well as what they have pledged to facilitate the transfer of technology to promote technical, organisational and administrative capabilities of developing countries in order to enable them to discharge their obligations in the WTO agreements. Moreover, all glittering and vague prom-

ises made by developed countries should be translated into specific and clear obligations accompanied by penalties on those countries that fail to execute these obligations.

6- Developing countries should refuse to hold a new round of multilateral trade negotiations. This was acceptable to a certain extent during the GATT period because of the absence of an international organisation with a recognised legal entity and strong influence. With the establishment of this Organisation in the wake of the Uruguay Round, there was no need for such rounds. The WTO is a permanent forum for negotiations in accordance with existing agreements and what they contain in terms of resuming talks on certain issues, and due to its organisational and legal structure comprising specialised councils and many working groups. Therefore, working through rounds is duplication and a repetition of work in the Organisation and is quite unnecessary. Moreover, rounds exhaust the representatives of developing countries in the Organisation who have to follow up a great number of negotiations on many issues usually on the agenda of these rounds. In other words, this method is in contradiction with the limited technical, administrative and financial capabilities of developing countries. Any persistence in this respect is practically a form of marginalizing developing countries in negotiations going on in these rounds. On the other hand, the developed countries' persistence to hold a new round seems as going through the back door to thrust a number of new issues on the Organisation's agenda, which is rejected by developing countries for reasons provided herewith.

7- It is the right of developing countries to reject the review of any new issues of which: competition, investment, governmental purchases, trade facilities, labour and environment issues. The reasons for this opposition can be summarised as follows: developing countries are currently burdened by the implementation of the

commitments contained in existing agreements. They are also committed to many obligations, which they are incapable of executing and which need to be reviewed from the developmental aspect. It is impossible to impose new obligations on developing countries before concluding this revision and to give ample time to implement the amended commitments.

Furthermore, a number of new issues that do not concern the Organisation, either because these are not trade issues or there are other international organisations that deal with them (e.g. labour issues handled by ILO, about it a declaration was promulgated in 1998: "Labour Principal Rights Declaration". We welcome this declaration and its emphasis that such rights are not to be taken as a pretext for trade sanctions or protectionist measures against the developing countries. This applies as well to the environment handled by UNEP and many other organisations.). Nevertheless, industrial countries insist on thrusting them on the Organisation's activities for reasons of their own. These include taking advantage of the power of imposing implementation and penalties (such as intellectual property rights, which is not a trade issue and is addressed by other organisations and international agreements). This also includes protection of the trade interests of developed countries by opening the markets of developing countries before their trade and investments without any restrictions especially those on boosting domestic production and exports. This also includes depriving developing countries from utilising important instruments such as directing foreign investments and government expenditures (government purchases) in order to increase employment, enhance domestic industries, address economic recession, and support developmental efforts in general. This indicates that adding new issues on the Organisation's agenda undermines development issue. Therefore, developing countries must resist this decisively.

8- It is necessary to resist the pressures brought to bear by developed countries to commence negotiations on new reductions in customs duties on industrial goods, and to alleviate non-tariff restrictions on them. This is a new issue, as it was not placed on the agenda according to the Uruguay Round. On the other hand, developing countries cannot bear any more reductions in tariffs determined on their industrial imports due to their deteriorating national industries and the increase of tariff and non-tariff barriers imposed by industrial countries on industrial exports to their markets in general. It is unfair that developed countries should stall in removing restrictions on their industries (textiles and clothes) while developing countries are demanded to speed up lifting barriers before incoming products from developed countries to their markets.

9- Developing countries must resist the trend of expanding the competence of WTO to comprise matters other than trade across national borders, whether under the pretext of introducing new issues or exacting the implementation of existing agreements. The competence of WTO has expanded in terms of legislation, monitoring implementation and penalising those who break the rules to the extent that it has become a form of an international ministry for economy and trade. By this, it has encroached on much of the powers of national countries particularly, developing countries. It is time to redress matters by preventing the expansion of the Organisation's competencies and even reducing those in force. It is incumbent that the work of the WTO Secretariat is to be confined to the facilitation of performing the tasks of consultation, negotiations and the like on the part of the member countries. This role is to be done with full neutrality i.e. without any impartiality to the interests of the advanced industrial countries. This role is not to exceed the set limits in a manner that does injustice to the major effective authorities in WTO, namely governments representatives

10- The issue of transparency and democratic participation should be addressed by the Organization's activities. In this respect, all dictatorial practices in decision-making within WTO shall be abandoned. A small group of the industrial countries representatives meet in camera to formulate the provisions of the different agreements and decisions, to be imposed later on the developing countries that represent the majority in WTO. Pressures are then exerted to sign them without any ample chance to examine these agreements and decisions. In particular, more opportunities should be available for serious participation before the large bloc of members, namely developing countries including small and poor. Better opportunities for following discussions and negotiations and for participations in WTO conferences must be offered to civil society organisations concerned with issues raised in the Organization, especially organizations in developing countries. Civil society organisations should also be provided with enough information in this concern. It is necessary to create specific effective mechanisms to enable civil society organisations to voice their opinions in the WTO issues, participate and effect the promulgation of the different decisions.

11- The WTO is asked to freeze the membership of Israel due to the destruction of the economic infrastructure in Palestine and other occupied territories, the forcible economic siege that impedes trade flow to the occupied territories and the racial discrimination against the population and the Arab labour in the occupied Palestine and the other Arab territories. All this cripples the trade and development process in Palestine, the other occupied territories and the whole Arab region.

Cairo, 24 October 2001

**World Forum on the WTO  
Beirut 5-8 November 2001**

**Beirut Declaration For Global Peace  
and Social Justice  
NO TO THE MILITARIZATION OF  
GLOBALIZATION  
Towards a Global Front for Global  
Peace and Social Justice**

Between 5 and 8 November 2001, the World Forum on globalization and global trade was held in Beirut organized by the Lebanese Platform on the WTO and coordinated by the Arab NGO Network for Development. The forum attracted participation from civil society representatives from around the world. The sessions and workshops that spanned 4 days were attended by more than 1000 persons, including representatives of 65 Arab organizations, 55 organizations from around the world, and more than 200 Lebanese organizations ranging from Social, Developmental and environmental NGOs, to women's groups, to youth groups, to labor and farmer unions.

**Introduction:**

1- The Fourth Ministerial Meeting of the World Trade Organization in Doha will be held while the United States is leading a war in Afghanistan that is expected to expand into the sectors of finance, economy, and media. The military activities will possibly reach other regions and countries under the pretext of eradicating terrorism. The war goes hand in hand with indicators that serious setbacks in human rights, liberties, and democracy are taking place both on the global and local levels.

2- The Doha ministerial on November 9, 2001 is the first global meeting of its scale since the September 11 attacks, and after the start of the war on Afghanistan. This gives it a special importance. It is also held for the first time in an

Arab country, close to besieged Iraq, and near Palestine, witness one of the hottest conflicts in the past decades, where the Palestinians are still facing one of the few remaining models of direct foreign colonial occupation. An occupation that spreads into two other Arab countries, Syria and Lebanon.

3- The World Forum on Globalization and Global Trade, held in Beirut between 5 and 8 November 2001, acknowledges the strong link between the economic, political, and military aspects of globalization. It recognizes, owing to the latest developments and their significance, that there is a linkage between the current globalization process and the push for a global trade system.

**Militarization of Globalization and the  
War Against Afghanistan:**

4- The participants, after exploring the dramatic global changes taking place, have seen what can be termed as the "Militarization of Globalization". This can be considered as an extremist reaction, albeit a logical conclusion to the failure in managing the unequal economic and social globalization by the established economic means and tools. It also reflects the untamed desire of the US for direct control over economic, cultural and intellectual capacities of the world.

5- The Non-Governmental Organizations participating in the World Forum had condemned, single-handedly and collectively, the terrorist attacks against innocent civilians in the US on September 11, they also denounced the Taliban extremist approach and behaviors. They renew this denunciation today, but they also believe that the current war on Afghanistan goes beyond the reaction to the events of September 11, and into an independent agenda and an international plan by the US to strengthen its hold on the global order.

### **The War on Afghanistan:**

6- We, at the World Forum on the Globalization and Global Trade, denounce the war on the Afghani people and warn against the dire consequences that might ensue. We also caution against the expansion of the current war to reach other countries, as proclaimed many times by American officials. We warn against using the pretext of war against terrorism to exert more pressures on the people of the world, particularly in developing countries, unilaterally or multilaterally, in order to impose more economic and political provisions beginning in Doha, continuing into other forums, and in bilateral negotiations.

7- The current war is conducted by the US under different names and pretexts, whether ideological, political, or racist, such as the "clash of civilizations". The classification of the world into two camps, "with the US" or "against the US" (i.e., "with terrorism") and the claim of carrying out a Third World War against terrorism are all expressions that lead to intensifying the "clash" between peoples and to the charging of bigoted practices especially since the current phase of globalization goes hand in hand with the increase in poverty and marginalization, the increase in the rift between North and South, and the rich and poor, the reign of double standards in international standards, and the absence of democracy, participation, respect of human rights, and social justice.

8- In this context, we call on the United Nation's General Assembly, being an international representative body, to immediately hold a meeting to put an end to the one-sided control of the world and take the necessary measures to stop the war on Afghanistan, to allow for the free self-determination of the Afghans, to the formulation of a balanced and just concept regarding the content and shape of international relations and their related institutions, including the definition of terrorism, especially after the growth of

extremism, irrationality, military threats, international conflicts, and the activation of military alliances after September 11.

### **The Palestinian Question and Israeli Occupation:**

9- On the other hand, the latest developments took place while Israeli aggression against the Palestinians and occupation of the Arab land in Palestine, Golan Heights, and Lebanon continues. The developments concur with the dispossession of Palestinians of their rights to their freedom, their self-determination, their return to their homeland, and the building of their sovereign state on their land.

10- Confronting the militarized globalization will not be complete without the removal of the last bastion of foreign colonialism in the region, i.e., the Zionist colonialization of Palestinian, Syrian, and Lebanese land, according to the various resolutions of the UN and its conventions. It is clear that strengthening security and the opportunity for economic and social development in the Middle East depend to a high degree on putting an end to Israeli occupation and guaranteeing the basic rights of Palestinians, particularly the right of return, the right to self-determination, and the right to an independent state according to international charters.

### **The Blockade against Iraq:**

11- The participants in the World Forum on Globalization and Global Trade believe that the continuing suffering of the people of Iraq due to the unjust blockade and the continuing US presence in the Gulf is, in turn, a threat to global security and peace, and a hindering to the process of economic and social development in the Middle East.

12- We, at the World Forum on the Globalization and Global Trade, stress the need to immediately end the embargo on the people of Iraq, to allow them their right to free self-

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determination according to democratic bases and principles without any external intervention.

**Democracy and Human Rights:**

13- The participants in the World Forum on Globalization and Global trade, while repudiating American hegemony, and refuse the religious extremism, especially in Arab countries, call on national governments in the region to answer to the demands of their people and the representatives of their civil societies towards the strengthening of democracy, popular participation, the respect of human rights, and social justice in their respective countries.

**Towards a Global Front Against the War and For a Alternative Globalization:**

14- The meeting on Globalization and Global Trade in Beirut is a turning point in the strengthening of relations between institutions, and civil and grassroots organizations from the North and South. It was a clear stand of solidarity on the part of representatives of NGOs from around the world with the peoples of the Arab world and its civil society during these critical times. It was also a frank declaration of the refusal of the logic of war and the clash of civilizations. This meeting will be an additional step in the forging of strong and deep-rooted international coalitions based on a rational view of neo-liberal globalization and its dangers, and on potential alternatives built on solidarity.

15- Holding the 4th WTO ministerial in Doha is an important opportunity to reaffirm our commitment, both in the North and the South, to the building of a world governed by peace, justice, tolerance, freedom, and democracy.

Beirut 8/11/2001

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**World Forum on the WTO  
Beirut 5-8 November 2001**

**Final Declaration and  
Recommendations  
NO TO A NEW ROUND IN DOHA**

Between the 5th and the 8th of November 2001, on the eve of the 4th ministerial meeting of the WTO in Doha, a world forum on globalization and global trade was held in Beirut. The meeting was attended by civil society representatives from 5 continents to take a position on the Doha meeting of the WTO and its agenda. The meeting also discussed new global developments and the atmosphere of militarization and war that is currently dominating all aspects of life on the planet.

After numerous sessions and workshops, the participants declare the following:

The importance of the Doha meeting is in the fact that it will be the first global meeting after the September 11 attacks and after the start of the war on Afghanistan. It is also held for the first time in Arab country, not far from besieged Iraq and from Palestine, where the Palestinian are facing a continuing Israeli occupation.

This new reality should make us cautious against pressures on developing countries to make more concessions. We refuse any use of global trade or its mechanisms as a tool in the current declared war.

Seven years since the creation of the WTO has given us ample time to examine the promises of prosperity, development, opening up of markets to the products of developing nations, and the numerous benefits that the latter would have enjoyed from joining the organization. What really happened was completely the opposite. Economic stagnation spread to include more and more countries. Developing countries faced huge losses in their economies and exchange. Protectionist measures in the countries of the

global north remained an obstacle to the products of the South. Agriculture and food security was hit with tremendous losses and damage. The technological divide between north and south became unprecedented, while barriers to the transfer of technology became stronger, and the workforce was barred from free movement.

The implementation of WTO agreements and its mechanisms has shown that it is completely biased in favor of big multinationals and global capital. The WTO does not give any consideration to international justice, nor to the interests of developing countries, not to the people of the global north themselves. It goes completely against development, and peoples' rights of development, this explains the emergence of a global movement opposed to the existence of the WTO, its role and mechanisms.

The rhetoric of the free market is an ideology biased in favor of global capital. What the WTO seeks is in complete opposition to the principles of social justice, human rights, and international charters. Our criticism of the WTO is based on what humanity had agreed upon decades ago: the UN charters for human rights. The Human Rights declaration of 1986 states, in its first article, that the human right for development requires the complete implementation of the right of self-determination. That includes the complete and unconflicted sovereignty of people over their natural resources and wealth.

The WTO aims to become a trading authority above countries and nations, thus practically eliminating their ability to formulate social, economic, and financial policies that achieve development. The WTO also removes the authority of national legal systems in all areas that fall within its scope. This drains the right for development, and the majority of economic and social right of people and individuals, from their meaning. It deprives people from political, institutional, and legal tools that would allow them

to create national development policies and the means to achieve them.

The rules at work in the WTO aim to make trade an absolute and comprehensive principle. They push development, human rights, and the interests of people to the side, where they are readapted to global trade and not the opposite.

The creation of a global organization with such power and authority is a dangerous issue in itself. It becomes more and more ominous in light of the current push to militarize globalization and the unipolar hegemony on the global decision.

Based on the above, the participants in the Word Forum in Beirut, and at the conclusion of their discussions, declare the following positions to the 4th ministerial meeting in Doha on the 9th of November 2001:

- 1) We refuse a new round of negotiations in the WTO and any inclusion of new issues on the agenda, especially those connected with investment, competition, government procurement, and other issues that will overwhelm the meeting and puts the delegates of developing countries in a position where it is impossible for them to follow negotiations on all those issues at the same time.
- 2) We call for the reevaluation of previous agreements in light of the practice of their implementation that showed a great bias against the interests of developing countries. This includes the reevaluation and the correction, or the annulment, of harmful agreements, or those that were signed under pressure or ignorance. Those being factors that eliminate will and corrupt the contract.
- 3) We call for the cancellation of agreements on intellectual property that inhibit developing countries from providing adequate health care to their people; that block the transfer of technology, and that protect the interests of supranational organizations and facilitates their pilfering of cultural and genetic heritage of

developing countries.

4) We call for the exclusion of agriculture from the scope of the WTO and the ban on dumping practiced by multinational corporations. This means the lift of agricultural subsidies in industrialized countries, and the opening up of their markets to the agricultural products of developing countries. It also includes the right of developing countries to create national policies to develop and protect their agriculture and farmers. It also means the refusal of any measures that aim to monopolize the production of seeds through patents and genetic modification.

5) We refuse to basic services (water, health, education, etc.) in trade agreements, since these are connected directly to the well being of people. These should remain under the control of people through their national institutions and not market forces and the purpose of quick gain.

6) We refuse the inclusion of labor standards in WTO agreements and call for the adherence to the standards of the ILO.

7) We refuse any transgression of international environmental treaties, and we call for the adherence of trade agreements and practices to the respect of environmental safety and health standards.

8) We refuse the internal mechanisms of the WTO, especially its conflict resolution process, since they are neither democratic, nor transparent, nor do they provide equal representation in the decision-making process. We call for new mechanisms based on those conditions and the abilities of developing countries.

Global economy and global trade should follow the bases of the consolidation of global justice and equality. They should allow all countries to benefit from economic, scientific, and technological advancement. This way global trade will strengthen peace and global stability and not become an instrument in the creation of conflict and war.

Our world is not for sale and peoples' lives and well being are not a material for trade.

The global protest movement that succeeded in stopping the meeting in Seattle two years ago, because of the accumulation of the struggle and coordination and solidarity between its components, is now capable of stopping the new round in Doha and in enforcing the respect of peoples' rights and the rights of developing countries in particular to achieve development, social justice and peace.

Changing the location of WTO meetings from one country to another in order to avoid what happened in Seattle in 1999 will not solve the problem. What we demand is that the WTO changes its mechanisms and content, not the location of its meetings. If the WTO does not do so, then any meeting, wherever it may be, will become another Seattle.

Beirut, 8 November 2001

**Message of Solidarity from the Institute for Philosophy and Social Progress to the Organizations Assembled at the World Forum on the World Trade Organization in Beirut, November 2001**

The Institute for Philosophy and Social Progress sends its greetings and extends its solidarity to the organizations assembled in Beirut at the World Forum on the World Trade Organization.

This is clearly a time of trial for the peoples of the earth as we struggle to find a way forward in a world dominated by a system which systematically holds back the development of human capacities, individual and collective, and which deforms human character at its very core. As we continue the search for alternatives to the global market, and for an effective strategy for change, we propose that the following principles guide our reflection.

1- The aim of all our work is to promote the full development of human capacities --both the capacities of individual human persons and the collective capacities of human civilization as a whole, as part of humanity's larger calling to contribute to the evolution of the universe towards ever higher degrees of organization, to use a somewhat older vocabulary, the realization of the potential for spirituality which is latent in matter itself (Mansueto 1995, 1997, 1998). We struggle against the market order because, as Socrates, Plato, and Aristotle suspected, and as Marx clearly demonstrated over 150 years ago, the market holds back the full development of human capacities. Responding only to the motion of supply and demand, the market has no access to information regarding the impact of various activities on the development of human capacities, or on the integrity of the ecosystem and the social fabric. More specifically, as Marx demonstrated, as economies become

more technologically sophisticated, (other things being equal) the rate of return on capital declines, leading to a systematic reallocation of resources to low wage, low technology activities where the rate of return is higher, thus holding back technological progress (Marx 1867/1978). The market system also forms people morally and intellectually to work only in order to consume, and thus turns human beings away from their cosmohistorical vocation as authentic participants in the creative life of God and thus habituates them to seek the lesser over the higher good (Fromm 1947).

The popular front against market driven globalization must also be a popular front in search of a new social order which promotes the full development of human capacities.

2- Making this sort of judgment presupposes a substantive doctrine of the Good --some standpoint from which we can determine that human development really is a value, and one which takes precedence over individual luxury consumption. Nihilistic doctrines which leave judgments of meaning and value ungrounded also leave the working classes ideologically disarmed and indirectly legitimate the market allocation of resources. Unable to find an adequate ground for their moral ideas, people become incapable of judging --and thus of seeing injustice. Unable to find an adequate ground for hope, they become incapable of action on behalf of the Good.

The popular front against market driven globalization must also be a popular front against nihilism and despair.

3- Human beings have historically arrived at their principles of value in two different ways: on the basis of religious traditions and by way of the *via dialectica*, a rational ascent to first principles in terms of which the universe can be explained and human action and human society ordered. The broad movement in opposition to the global market includes elements which

have arrived at their criteria of value by both paths. Many of the religious traditions which motivate opposition to the global market have, furthermore, long histories of conflict with each other, tensions which articulate profound and authentic differences with regard to questions which bear powerfully on the direction of any future human civilization. There also remains a profound tension between the partisans of the *via dialectica* and practitioners of traditional wisdoms who see dialectics as Eurocentric and covertly exclusivist in its universalism. One of the principal tasks facing our movement is frank and open dialogue among these various tendencies. While it is neither necessary nor possible, nor even desirable that we arrive at a unified ideological perspective, we will not be able to mount an effective resistance to the market order so long as rage against the market order, which holds back the development of all our many and diverse civilizational projects, is redirected against each others' sanctuaries and sacred places, or channeled into internecine warfare.

The popular front against market driven globalization must also be a popular front against fundamentalism, ideological repression and civilizational exclusivism of every kind.

4- Some of the tendencies involved in the struggle against the global market conserve premarket forms of oppression, especially the oppression of women. This in turn weakens the participation of women, many of whom continue to see the market order as a liberation from ancient, patriarchal forms of oppression, in the resistance to market-driven globalization. While we cannot make some one specific feminist doctrine a point of unity of our movement (any more than we make any one specific critique of the market order a criterion of participation in our struggle), we must uphold the liberation of women as a constitutive goal of our movement and point out the ways in which the market or-

der, far from liberating women, in fact compounds their burdens.

The popular front against market driven globalization, as a movement for the full development of human capacities, must also be a movement for the liberation of women.

5- The historic (and continuing) role of the United States as the economic headquarters and the principal political, military, and ideological agent of the global market order makes it a legitimate target of political resistance to that order. At the same time, it is necessary to remember that it is the market order itself, and not the United States as such, which is "the principal enemy of the peoples of the Earth." The US government is merely an instrument of the market order. The working classes and oppressed peoples of the United States are themselves the victims of the global market order and an important element in any global antimarket alliance. The diverse, multinational working classes and oppressed nationality communities of the United States are, furthermore, themselves carriers of many of the ideological and religious traditions which motivate resistance to the market order throughout the rest of the world. Political and military actions which target US civilians undermine the unity of the antimarket alliance and in fact threaten to turn potential allies into bitter enemies. They also risk a global war which will lead not to authentic social revolution but to civilizational collapse. Our strategy within the United States should center on tapping into ideological and religious traditions which might motivate opposition to the market order, or at least neutralize support for US economic, political, military, and ideological interventions, not on actions which provoke and polarize.

The popular front against market driven globalization must aim not at global war but rather at cultural hegemony, building a broad global movement which unites the vast majority of hu-

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manity in the construction of a new global order which permits the flourishing of diverse civilizational paths towards human development.

Seek Wisdom and Do Justice.

Unite Humanity to Chart the Next Steps in the Human Civilizational Project.

The present darkness notwithstanding, our future is brilliant.

Anthony Mansueto

President

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Vice President and Secretary

Gallup, New Mexico

31 October 2001

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## **ENDLESS WAR?**

by **Walden Bello**<sup>(\*)</sup>

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The assault on the World Trade Center was horrific, despicable, and unpardonable, but it is important not to lose perspective, especially a historical one. For a response that is dictated primarily by fury such as that now displayed by some American politicians, while understandable, is likely to simply serve as one more proof for Santayana's dictum that those who do not remember history are bound to repeat it.

### **THE MORAL EQUATION**

The scale and consequences of the World Trade Center attack are massive indeed, but this was not the worst act of mass terrorism in US history, as some US media are wont to claim. The over 5000 lives lost in New York are irreplaceable, but one must not forget that the atomic raids on Hiroshima and Nagasaki killed 210,000 people, most of them civilians, most perishing instantaneously. But one may object that you can't really compare the World Trade Center attack to the nuclear bombings since, after all, Hiroshima and Nagasaki were targets in a war. But why not, since the purpose of the nuclear bombings was not mainly to destroy military or infrastructural targets, but to terrorize and destroy the civilian population? Indeed, the whole allied air campaign against Germany and Japan in 1944-45, which produced the firestorms in Dresden, Hamburg, and Tokyo, that killed tens of thousands had as its central aim to kill and maim as many civilians as possible. Similarly, during the Korean War, terror bombing of civilians was the policy of the US Air Force's Far Eastern Command, which was instructed to pulverize anything that moved in enemy territory. So successful was the policy that in the summer of 1951, the commander was able to report that "there is no structure left to

be targeted".

During the Cold War, mass elimination of the enemy's civilian population, alongside the destruction of his armed forces or industry, was institutionalized in the strategy of massive nuclear retaliation that lay at the center of the doctrine of Deterrence. In Vietnam, where the US was frustrated by the fact that combatants and civilians were indistinguishable, indiscriminate killing of civilians was a central part of a "counterinsurgency war" in which 20,000 civilians were systematically assassinated under the CIA's Operation Phoenix Program in the Mekong Delta.

But must not such actions against civilians be judged in the context of a broader strategic objective of sapping the enemy's will to fight and thus bring the war to a conclusion? But then how different is this justification from the terrorists' aim to change the foreign policy of the US government by eroding the support of the country's civilian population?

The point is not to engage in a "maleficent calculus," as Jeremy Bentham would have called this exercise, but to point out that the US government hardly possesses the high ground in the current moral equation. Indeed, one can say that terrorists like Osama bin Laden, an ex-CIA prot?g?, have learned their lessons on the strategic targeting of the civilian population from Washington's traditional strategy of total warfare, where damage to the civilian population is not simply seen as collateral but as essential to achieving the ends of war.

### **THE CLAUSEWITZIAN CALCULUS**

In the aftermath of the World Trade Center assault, the perpetrators of the dastardly deed have been called "irrational" or "madmen" or people that embody evil. This is understandable as an emotional reaction but dangerous as a basis for policy. The truth is the perpetrators of the deed were very rational. If they were indeed

people connected with Osama bin Laden, their goal was most likely to raise the costs to the United States of maintaining its current policies in the Middle East, which they consider unjust and inequitable, and this was their way of doing it. They very rationally picked the targets and weapons to be used, paying attention not only to maximum destruction but also to maximum symbolism. The choice of the World Trade Center towers and the Pentagon as the targets, and American Airlines and United Airlines planes as the delivery vehicles doubling as warheads, was the product of cold-blooded thinking and planning. The loss of their own lives was factored into the calculation. What we saw was a rational calculus of means to achieve a desired end. In the view of these people, terrorism, like war, is the extension of politics by other means. These are Clausewitzian minds, and the worst mistake one can make is to regard them as madmen.

### **PEARL HARBOR OR TET?**

One metaphor that the Washington establishment has used to capture the essence of recent events is that of a second Pearl Harbor, with the implication that, like the first, the September 11 tragedy will galvanize the American people to an unprecedented level of unity to win the war against still unidentified enemies. The other side, one suspects, operates with a different metaphor, and this is that of the Tet Offensive of 1968. The objective of the Vietnamese was to launch massive simultaneous uprisings that, even if defeated separately, would nevertheless add up to a strategic victory by convincing the other side, especially its civilian base, that the war was unwinnable. The aim was to rob the US of the will to win the war, and here the Vietnamese succeeded.

The perpetrators of World Trade Center assault are operating with a similar calculus, and, despite the current jingoistic talk in Washington, it

is not certain that they are wrong. Will the American people really bear any burden and pay any price in a struggle that will persist way into the future, with no assurance of victory, indeed, with no clear sense of who the enemies are and of what "victory" will consist of?

The media is full of news about the creation of an alliance against terrorism, conveying the impression that coordination among key states combined with the outrage of citizens everywhere will give a Washington-led coalition an unbeatable edge. Perhaps in the short run, although even this is not certain. For the problem is that, as in guerrilla wars, this is not a war that will be won strictly or mainly by military means.

### **THE UNDERLYING ISSUES**

If it was bin Laden's network that was responsible for the World Trade Center attack, then the underlying issues are the twin pillars of US policy in the Middle East. One is subordination of the interests of the peoples of the region to the US' untrammled access to Middle East oil in order to maintain its petroleum-based civilization. To this end, the US overthrew the nationalist government of Mossadegh in Iran in 1953, cultivated the repressive Shah of Iran as the gendarme of the Persian Gulf, supported anti-democratic feudal regimes in the Arabian peninsula, and introduced a massive permanent military presence in Saudi Arabia, which contains some of Islam's most sacred shrines and cities. The war against Saddam Hussein was justified as a war to beat back aggression, but everybody knew that Washington's key motivation was to ensure that the region's most massive oil reserves would remain under the control of pro-Western elites.

The other pillar is unstinting support for Israel. That Arab feelings about Israel are so elemental is not difficult to comprehend. It is hard to argue against the fact that the state of Israel was born on the basis of the massive dispos-

session of the Palestinian people from their country and their lands. It is impossible to deny that Israel is a European settler-state, one whose establishment was essentially a displacement from European territory of the ethno-cultural contradictions of European society. The Holocaust was an unspeakable crime against humanity, but it was utterly wrong to impose its political consequences--chief of which was the creation of Israel--on a people who had nothing to do with it.

It is hard to contradict Arab claims that it was essentially support from the United States that created the state of Israel; that it has been massive US military aid and backing that has maintained it in the last half century; and that it is deep confidence in perpetual US military and political support that enables Israel to oppose in practice the emergence of a viable Palestinian state.

Unless the US abandons these two pillars of its policies, there will always be thousands of recruits for acts of terrorism such as that which occurred last week. And while we may condemn terrorist acts--as we must, strongly--it is another thing to expect desperate people not to adopt them, especially when they can point to the fact that it was such methods that targeted civilians as well as military personnel, combined with the Intifada, that forced Israel to agree to the 1993 Oslo Accord that led to the creation of the Palestinian entity.

Yet another reason why the strategic equation does not favor the US is that there are a great many people in the world that are ambivalent about terrorism. In contrast to Europe, there has been a relatively muted response to the World Trade Center event in the South. A survey would probably reveal that while many people in the Third World are appalled by hijackers' methods, they are not unsympathetic to their objectives. As one Chinese-Filipino entrepreneur said, "It's horrible, but on the other hand, the US had it coming". If this reaction is com-

mon among middle class people, it would not be surprising if such ambivalence towards terrorism is widespread among the 80 per cent of the world's population that are marginalized by current global political and economic arrangements.

There is simply too much distrust, dislike, or just plain hatred of a country that has become so callous in its pursuit of economic power and arrogant in its political and military relations with the rest of the world and so brazen in declaring its cultural superiority over the rest of us. As in the equation of guerrilla war, civilian ambivalence in the theater of battle translates strategically to a minus when it comes to the staying power of the authorities and a plus when it comes to that of the terrorists.

In sum, if there is one thing we can be certain of, it is that massive retaliation on the part of the US will not put an end to terrorism. It will simply amplify the upward spiral of violence, as the other side will resort to even more spectacular deeds, fed by unending waves of recruits. The September 11 tragedy is the clearest evidence of the bankruptcy of the 30-year-old policy of mailed fist, massive retaliation response to terrorism. This policy has simply resulted in the extreme professionalization of terrorism.

The only response that will really contribute to global security and peace is for Washington to address not the symptoms but the roots of terrorism. It is for the United States to reexamine and substantially change its policies in the Middle East and the Third World, supporting for a change arrangements that will not stand in the way of the achievement of equity, justice, and genuine national sovereignty for currently marginalized peoples. Any other way leads to endless war.

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| 30. Hanan Younes        | 69. Rawan Nasif         | ٦٩ . روان ناصيف      | ٣٠ . حنان يونس      |
| 31. Housein Gharib      | 70. Rayan Fakh          | ٧٠ . ريان فقيه       | ٣١ . حسين غريب      |
| 32. Housein Salloum     | 71. Rodin Mouhamad      | ٧١ . رودين محمد      | ٣٢ . حسين سلوم      |
| 33. Housein Yaakoub     | 72. Said Soulayman      | ٧٢ . سعيد سليمان     | ٣٣ . حسين يعقوب     |
| 34. Housein Younis      | 73. Samar Osman         | ٧٣ . سمر عثمان       | ٣٤ . حسين يونس      |
| 35. Housein Zibawi      | 74. Sasine Kaouzali     | ٧٤ . ساسين كوزلي     | ٣٥ . حسين زيباوي    |
| 36. Houssam Nassif      | 75. Shadi Hannoush      | ٧٥ . شادي هنوش       | ٣٦ . حسام ناصيف     |
| 37. Ihab Naser          | 76. Tarek Fleyhan       | ٧٦ . طارق فليحان     | ٣٧ . إيهاب نصر      |
| 38. Imad Mortada        | 77. Tarek Mrad          | ٧٧ . طارق مراد       | ٣٨ . عماد مرتضى     |
| 39. Iman Saleh          | 78. Wael Ladiki         | ٧٨ . وائل اللادقي    | ٣٩ . إيمان صالح     |

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## Lebanese Platform on the WTO

The Lebanese Meeting on World Trade Organization is a coalition of Lebanese organizations. It was established in preparation for the world forum on the eve of the 4th ministerial meeting of the WTO that was held in DOHA. It is an open place for all organizations of the civil society that agree with the general principles. Its members are:

Arab NGO Network for Development  
General Confederation of Trade Unions  
League of the Teachers in Secondary Schools  
Syndicate of Lebanese Farm Workers  
Union of Farmers in South Lebanon  
Union of Syndicates in Mount Lebanon  
Collectif des ONGs au Liban  
Coordination Forum for NGOs Working in the Palestinian Community in Lebanon  
Lebanese Women's Council  
Lebanese Coordination for the Disabled  
Lebanese Council for the Defense of the Environment  
Union of Mutuals in Lebanon  
Lebanese Federation of NGOs Contracted with the Ministry of Social Affairs  
Lebanese Federation of NGOs for the Defense of Children's Rights  
Civil Society Current  
Workers Liberation Front  
Humanitarian Group for Social Development  
League of Lebanese Women's Rights  
Grassroots Action

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SOCIAL WATCH

THIRD WORLD FORUM

INTERNATIONAL STATE OF ALLIANCE "OUR WORLD IS NOT FOR SALE"