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After Globalisation

Development Policy in the 21st Century

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Foreword

by Foreign Minister Micheline Calmy-Rey,

Globalisation is affecting us all. Civil society is taking an active part in the discussion on the global rules of the game. The Swiss Coalition of Development Organisations Swissaid, Catholic Lenten fund, Bread for All, Helvetas Caritas and Swiss Interchurch Aid represents the voice of the South. These six major agencies in Switzerland are very well established amongst the Swiss population and have long years of practical experience in development cooperation with countries in the South. They know the needs of the disadvantaged population groups and here in the North, can act credibly as a voice for the South.

This book documents the Swiss Coalition's analysis of globalisation and its development policy strategies. Even if as a representative of the Government I do not agree with all the analyses and demands, the debate on the topics at hand and a frank dialogue on the main development policy challenges are very dear to my heart.

I would like to offer some thoughts on globalisation and Swiss development policy from the Government's point of view. As a country with an export-oriented economy, Switzerland is undoubtedly profiting from globalisation. Yet we must be aware that globalisation has its losers, both worldwide and in our own country. Globalisation is fast becoming world domestic policy. Switzerland favours a globalisation that will bring benefits for all, including the poorest countries.

The international organisations, in particular the United Nations, have a pivotal role to play with respect to the global challenges. Long and difficult though the UN decision-making procedures may be, the resolutions passed by the General Assembly are broadly supported and sound. As a small country with a system of direct democracy, Switzerland believes that all countries should be able to help shape global solutions on an equal footing. We therefore support the strengthening of UN bodies and have tabled concrete proposals for United Nations reform.

Some 46 per cent of Africa's population still live on less than a dollar a day. The biggest international task for the coming decade is to halve extreme poverty worldwide. This challenge is being tackled together with the eight Millennium Development Goals unanimously adopted by the UN in 2000. Their objectives are, *inter alia*, better education, reduced child and maternal mortality, and combating AIDS and other diseases. Switzerland too is committed to these goals and has reoriented its development cooperation more firmly along these lines. More funding will be required in the future if they are to be implemented. Yet money alone is not enough. The Monterrey partnership for development also commits us to easing access to markets, knowledge and work for the developing countries. Failing this, our investments in development cooperation will have no major long-term impact.

I am aware that the further opening of our markets to developing countries raises fundamental political problems. Traditional domestic policy areas such as agriculture or health have today become internationalised and now fall into a global context. How can we for example preserve a meaningful level of agriculture in the future, while permitting access to our market for emerging countries such as Brazil? Switzerland must address these difficult questions so as to arrive at a unified and coherent foreign policy.

The Federal Council has set itself the goal of allocating 0.4 per cent of gross national product to development cooperation by the year 2010. In this book, the Swiss Coali-

tion of Development Organisations reminds us that the UN recommendation is substantially higher, i.e. 0.7 per cent of GNP. This target was confirmed in the Millennium Declaration. For it is only with significantly more resources that it will be possible to meet the Millennium Goals. Despite efforts to make savings, Switzerland must consider how it will meet its international obligations in the future.

Through development cooperation we are helping countries in the South to come to grips with their problems. Diseases and epidemics, migration flows and the side-effects of conflicts do not stop at our borders, however. Development policy is therefore an investment in our own security and future.

Introduction

Becoming involved with and influencing politics requires that current trends are followed closely and that policy goals and strategy are reviewed from time to time.

This applies also to the Swiss Coalition of Development Organisations comprised of the six agencies Swissaid, Catholic Lenten fund, Bread for All, Helvetas, Caritas and Swiss Interchurch Aid. These agencies created the Swiss Coalition in 1971 in order to underpin their work in developing countries with joint lobbying and outreach work in Switzerland. On-the-spot, concrete work is indeed important and necessary to combat poverty and misery and help people take charge of their own destiny. At the same time, however, policy changes in the North and new economic and political rules of the game will be needed if poor countries are to have a chance to determine their own path to development. The Swiss Coalition of Development Organisations endeavours to influence and change Switzerland's policy in favour of the developing countries and the poorest of this world.

The combination of help for self-help in the South and political work in the North is today more pressing than ever. The international environment and global power relationships have changed to the disadvantage of the poor and the developing countries in recent years. The hopes raised by the end of the Cold War in the early 1990s have now vanished. The gap between North and South, between poor and rich has grown wider. Proposals for making the world more sustainable, or for protecting the environment for future generations have run aground. The industrialised countries lack the political will to implement the poverty reduction targets formulated and approved at international conferences. Military interventions to secure selfish power interests are again commonplace.

At the same time, a broad-based international movement has arisen in opposition to these trends and cannot simply be ignored. It is demanding another globalisation, one that protects the public goods of our world and guarantees the equitable use of land and water resources and the right to health and education.

What is the stance of the relief agencies or the Swiss Coalition regarding these trends? What do they see as the most important developmental challenges now at the dawn of the 21st century? What concrete alternatives do they suggest? Is «globalisation with a human face» at all conceivable, and if so, on what terms? What strategies must the Swiss Coalition pursue in order to represent its concerns effectively in Switzerland?

The Swiss Coalition together with its six member organisations have led an intensive discussion on these issues over the past three years. The process has produced three documents. In the paper «After Globalisation. Development Policy in the 21st Century», Swiss Coalition Director Peter Niggli analyses the international context in which developing countries and development workers must operate today. On the basis of that study, the Swiss Coalition has drawn up development policy guidelines for a new international economic policy, global governance and development policy. They offer concrete and realistic alternatives to the now dominant policy of economic globalisation and lay the programmatic groundwork for the Swiss Coalition's activities in Switzerland. They are an invaluable guide for all those may wish to join us in striving for a more just world.ⁱ

Caroline Morel

President of the Swiss Coalition of Development Organisations;
Director Swissaid

Berne, July 2004

«Capitalism is viewed outside the West with increasing hostility as an apartheid regime most cannot enter. There is a growing sense, even among some élites, that if they have to depend solely and forever on the kindness of outside capital, they will never be productive players in the global capitalist game (...). That is why outside the West advocates of capitalism are intellectually on the retreat. Ascendant just a decade ago, they are now increasingly viewed as apologists for the miseries and injustices that still affect the majority of people.»

Hernán de Sotoⁱⁱ

1. Dashed hopes

A new spirit of liberal revolt invaded some countries in South America in the late 1980s. The bid by Peru's internationally renowned author Mario Vargas Llosa for the presidency on a liberal-capitalist manifesto was emblematic in that regard. Its main planks were the mistakes of the past – populist politicians who were generous with words when it came to deploring the enormous injustices of South America's class societies, but who did little or nothing to change them. The liberal revolt tapped into the widespread disgust with politics as no more than cheap talk, whether from nationalist populist, nationalist anti-imperialist or leftist circles. In contrast, the liberal rebels were perceived as fresh and attractive by some segments of the public. If the world market had made South Korea or Taiwan wealthy, then true capitalism would also enrich South America's poor, they promised.ⁱⁱⁱ

The successes of South America's liberal revolt were spectacular but short-lived. For a few years, Argentina was regarded as the most shining example of successful conversion to the right form of capitalism, until the end of 2001 when it had to renege on its debt servicing obligations to the International Monetary Fund (IMF) and succumbed to a severe economic crisis. Today the spirit of South America's liberal revolt is dead. Whoever wants to win democratic elections in South America today promises alternatives to neoliberalism and to Washington's heavy hand. The *zeitgeist* is no longer represented by the Vargas Llosas or Fernando Cardosos, but rather by labour leaders such as Lula da Silva, who won Brazil's presidential elections in 2002.

On the other side of the globe in East Asia, the United States was imposing a programme of liberalisation on those countries that Vargas Llosa had taken as models. In the late 1980s, young US-educated technocrats radically opened up their countries' hitherto protected financial sector. The World Bank welcomed the liberalisation of capital flows as the removal of last obstacles to the integration of the (South) East Asia nations into the world economy. Within a few years, this had led to capital inflows worth several hundred billion dollars into countries that were by no means cash-strapped, but instead had one of the highest savings and investment rates in the world. There were massive over-investments and misdirected investments, trade balances deteriorated steadily and currency speculation became rife. The investment boom in East Asia was the first major international financial bubble of the 1990s. It burst in 1997/98. The so-called «Asian financial crisis» spread rapidly and virtually dragged the world financial markets down with it. The funds swallowed up by the second financial bubble – the IT and telecommunications equipment boom of 1996-2000 – included capital that had been withdrawn from Asia in panic.

In Asia, the financial crisis had robbed the globalisation propaganda and liberalisation euphoria as promoted by Washington and western elites of all credibility. Since then, only those who can bring a national and Asian perspective to capitalism in their own country have any political future at all. Symptomatic of this were the celebrations held by the Thai government in the summer of 2003 when it repaid ahead of schedule to the International Monetary Fund the \$12 billion in credits that it had contracted after the financial crisis. Prime Minister Thaksin Shinawatra lauded the repayment as Thailand's «liberation». He promised his people that their country would never again «fall prey» to foreign capital or beg for help from the IMF. Yet Thaksin – the opponent of any illegitimate influence of «international capital» – is no Lula. Before winning the 2001 elections he had been one of Thailand's leading neo-capitalists and had become a dollar billionaire from mobile telephony.^{iv}

Although the liberal revolt proved a political failure, the past 15 years have seen the rapid spread of a deregulated and world market-oriented capitalism across developing countries. So free and unbridled it is in most places that by comparison, the USA – homeland of free market policies – is a well-padded, over-regulated welfare state.^v This is precisely why the political hopes engendered by the liberal revolt proved to be illusions and came to nothing. Be that as it may, in 2000 one of its best known theoreticians, Peruvian economist Hernán de Soto, drew the resigned conclusion cited at the beginning of this chapter.

The ruling elites in the industrialised countries, and in particular the USA, underwent a similar transition from hope to disappointment. Following the collapse of the Soviet Empire around that time, the whole world seemed to be joyfully reaching out for capitalism and liberalism (and quite incidentally opening their markets to the industrialised countries). A whole series of «enemy» countries had disappeared from the world map. Heads of State who until 1989 had been given to couching their political plans in nationalistic, non-aligned, anti-imperialist or Marxist language were now embracing the rhetoric of market economics and democracy and courting US friendship. Despite some significant irritations such as Saddam Hussein's 1990 invasion of Kuwait or the failure of various states that sank into the chaos of civil strife and gang warfare, the elites in the industrialised countries believed that the world as a whole was moving in a direction in line with their wishes.

The economic boom of the second half of the 1990s only reinforced them in this conviction. In the USA, it was believed that they had found the way to achieve inflation-free economic growth, raise productivity and overcome the boom-and-bust cycles of the capitalist economy. The head of the US Central Bank Alan Greenspan, then regarded as something of a demi-god, as well as leading Anglo-Saxon economists announced the emergence of a wonderful new economy that was no longer bound by the outdated «laws» of the «old economy». The messages of salvation were beamed in real time to Europe's elites via the meetings of the World Economic Forum (WEF) at Davos, from where they could capture mainstream European public opinion, Switzerland included. The 2001/02 stock market meltdown shattered those beliefs in miracles. The «new economy» ended in a run-of-the-mill world economic crisis, no different from the many we had seen before. Besides, it soon became common knowledge that the mind-boggling figures attesting to the success of the new economy resulted largely from manipulating the balance sheets of major corporations.

The euphoria got its first jolt from the 1997/1998 Asian crisis. It was no chance matter that the protest movement against globalisation gained momentum in these years and was enforcing the shift of opinions within the elites in industrialised countries.^{vi}

The protest movement signalled the appearance in the international arena of currents of opinion whose precursors had lapsed into a lethal crisis in 1989. In the 1980s, the hopes that had been engendered by the liberation of former colonies as well as Latin America's attempt to free itself from US domination were badly shaken. The «third way» between capitalism and communism seemed to boil down to no more than oppression, national debt, runaway inflation and mismanagement. Those developing countries that had chosen the «socialist path» presented often an even more desolate picture. These years of disappointment and disillusionment culminated with the collapse of the Soviet Union in 1989. Political forces in developing countries who had perceived the Soviet Union as a political ally against the United States and the former colonial powers and in some cases even as a model, found themselves on the defensive, or went under. The potential impacts of the new protest movement will depend not least of all on its ability to make a levelheaded analysis of the theory and policies of its precursors, to grasp the mistakes then made and to avoid the temptation of a farcical replay of the 1950-1980 anti-colonial liberation struggle.

The governments of the industrialised countries as well as the top brass of global corporations reacted to the backlash against globalisation with rhetorical readiness for reform. They promised to give globalisation a «human face» and to combat the most grinding poverty. The subject of the international wrangling in which industrialised and developing countries as well as the protest movement are locked is whether the changes they are willing to make to create more «humaneness» are enough or whether they fall short of the mark.^{vii}

The terrorist attacks of 11 September 2001 came amidst the fuss over globalisation and the demystification of the new economy and by and large shattered the «world confidence» that our elites had drawn from the triumph of 1989. Today, huge sectors, predominantly in the United States, are again seeing the world as divided into friend and foe. If it was believed that 1989 had ended the East-West divide and that the North/South gap would be eliminated in the foreseeable future, since 2001 some influential currents of opinion in industrialised countries have been seeing a revived «West versus the rest» of the world positioning itself to defend «our civilisation» against «barbarism».^{viii}

«Your poverty makes me sick!»

A sticker^{ix}

2. The problems

Fifteen years on from the inception of the «new world order», we are grappling with problems symptomatic of disorder, tension and destabilisation.

The crisis of the state system. As the corset of the Cold War fell away, the international system of states was also coming unstuck in many places. More specifically, historically very young states cobbled together at some point to suit the interests of European colonial powers began to show signs of disintegration. Some have simply collapsed. The problem is particularly acute in Africa. It is common knowledge that the colonies not only cut across traditional political entities but very often also merged the former states of the slave hunters with the territories of their victims. The forced unification of such bitter opponents held down the cost of controlling the colonies, but poisoned the future prospects of the independent African States.

Centrifugal forces also surfaced in numerous multi-ethnic States after 1989, not least of all in the Soviet Empire and its successor states, and in Yugoslavia. In these cases the ruling elites lost the basis of their legitimacy in 1989. The end of the Cold War considerably weakened other countries whose governments had been closely aligned with Moscow or Washington and therefore had over-proportionate means of coercion with which to hold the territories together and neutralise opposition forces. Lastly, some countries that had served the Cold War adversaries as the theatres of proxy wars and then abandoned to their own fate suffered long-term disruption (Angola, Afghanistan, Guatemala, Honduras, El Salvador, Nicaragua).

The problems being engendered by the crisis of the state system are enormous. First, it is destroying the economic basis or even the physical existence of millions of people who have lived in these areas since time immemorial. Second, the armed gangs and mercenaries who control these regions also represent a danger to neighbouring countries. Third, it is by no means clear how any lasting remedy can be found. Devising internal solutions is all the more difficult, for on one hand the warlords are able to smother the first stirrings of any civil movement, and on the other, they have ways and means of mobilising external resources (drug and diamond trafficking, support from interested governments). It is extremely difficult to cut off these resource flows. Some temporary respite may be secured via outside remedies – in other words, through armed interventions by foreign states «to restore order» or for «humanitarian» reasons. But as with all interventions, which after all bear their share of blame for the present crisis of the state system, there is a major risk that they may simply create new antagonisms (see Ch. 6, page 37ff in this connection).

Since 11 September 2001, however, intervention has become a cherished means – à la carte of course – depending on the interests at stake and the costs involved. Western governments look upon failed states or states threatened with failure as the greatest global security risk. Since al-Qaeda started enjoying Afghanistan's hospitality, every failed or failing State has come under suspicion of being misused as a base by international terrorists. In addition to direct interventions, which generate enormous costs, the USA and its allies are also encouraging indirect, low-cost

interventions, which further aggravate destabilisation. Such is the case, for instance, when the US allows the Ethiopian Government a free hand in the area of the former Somalia and which Ethiopia is using to undermine attempts to re-structure the state from the bottom up based on the remnants of traditional clan and tribal institutions.

It goes without saying that the crisis of the state system is not just hindering all economic development in the areas affected. More than this, negative economic developments and shocks in individual cases have contributed to or triggered the crisis.

Fragile progress in democracy and human rights. The collapse of the Soviet Empire swept away some of the worst dictatorships and placed dictatorial regimes elsewhere the world in something of a predicament. There was talk of a «third wave» of democratisation and some saw the spread of market economics and liberal democracies as two parallel, mutually reinforcing processes.

Yet the rash of democratic revolutions ended in disappointment in many places. No small number of fledgling «democracies» are in fact authoritarian regimes with a democratic facade. They have introduced a modicum of press freedom, allowed the formation of non-governmental organisations (NGOs) and privatised state-run enterprises – though as a rule the former elites and a new generation of protégés have been able privately to appropriate former «state» property. Most of these states hold general elections with multi-party participation. The resulting parliaments, however, only serve to secure international legitimacy for the new power bloc. Political movements that could endanger the power of those in charge are still being thwarted or suppressed altogether. There is no genuine alternation of power through elections in these «democracies».

If the shaky democratic structures could initially be excused as transitional, today it is much more realistic to assume that the new elites are keen to preserve the shortcomings for as long as possible. This is what prompts Marina Ottaway of the Carnegie Endowment for International Peace to speak of semi-authoritarian regimes that combine a touch of political liberalisation with perpetuating the power of a small elite.^x This is true of most of the successor states of the Soviet Union, some states that emerged from the former Yugoslavia and of many countries in Africa, the Middle East and Asia.

Where democracy could more clearly be instituted, as in South America, growing social injustices as well as financial and economic crises have undermined confidence in the state. In some South American countries, the lower classes and Indian peoples feel entirely excluded from any part in the democratic process and react with protests akin to insurrection. The latest opinion polls show that a small majority of those questioned would prefer an authoritarian regime, provided of course that it brings more economic progress.^{xi}

Dangerous politicisation of cultural and religious «identity». The global spread of unbridled capitalism – which some love to sell under the label of globalisation as a process by which the world is growing together into a global village – has not brought people any closer together. On the contrary, fear of «opening», of «intermingling» and of loss of «identity» are dictating policy everywhere. Ethno-political, theo-political or chauvinist militant groups are committing massacres and mass expulsions of people on a scale not seen in the world for a long time now. This policy of fear and hatred is being justified, as convenient, by nationalistic, racist or cultural-religious considerations.

In Islamic countries, politics have been dictated for 20 years now by movements that have honed religion into a political ideology. In Europe, in states originally colonised by European settlers (USA, Canada, Australia, Israel), and in some developing countries – e.g. India – xenophobic, racist or theo-political parties are on the rise. This is also true of Switzerland. In parallel, while the industrialised countries impose complete freedom of movement for capital, goods and the global minority of the well-to-do, they are also stepping up their efforts to close their borders to the majority of people from developing countries. Only wealthy individuals or experts trained at the expense of developing countries are welcome.

The politicisation of national, cultural or religious identity is a reactionary variant of the backlash against globalisation. It is often being encouraged in industrialised countries by political forces that approve and foment runaway economic globalisation.

Economic disparities. The breakdown of political and social cohesion is being exacerbated by the way the world economy is evolving. Expectations of prosperity that had been raised with the triumph of capitalism have not been fulfilled. The following is now beyond doubt:

- But for a few countries, economic globalisation has increased the prosperity of the few and the poverty of the many instead of increasing wealth and eliminating poverty. This is true of rich and poor countries alike.
- instead of lifting developing countries out of «underdevelopment», economic globalisation has exacerbated the inequalities between rich and poor countries.
- instead of taking the former industrialised countries of the Soviet communist empire into the promised land of mass consumption, it meant de-industrialisation and a sharp decline in mass incomes for many of them.

If the overall economic performance of the past 15 years is anything but pitiable in statistical terms, it is thanks to India, China and a number of smaller Asian countries that scored tremendous successes with their own economic policies. As these countries are home to more than one-third of humanity, their advances count for a lot. When the World Bank underlines the reduction of worldwide poverty in the 1990s, that achievement is attributable to the successes of India and China and has nothing to do with the performance of the other developing countries.

Inequalities. If we think of the 6 billion human beings as members of one and the same society, then we live in a crass class society. Somewhat more than one-thousandths of the world's population (7.7 million of 6 billion people) are dollar millionaires. Just under one per cent of this one-thousandth, or 17,000 so-called ultra high net worth individuals, own a fortune of over 30 million dollars. This small tribe of super rich owns the lion's share of all of the world's publicly protected assets.^{xii}

The army of the poor is immense by comparison. The World Bank and our governments classify the 1.2 billion or 24 per cent of humanity who live on less than a dollar a day as the poorest. Their number is to be halved by 2015 thanks to aggressive international assistance. The 600 million poorest, who should be faring better in 2015, will perhaps be earning as much as two dollars per day, which is the current daily income of 3 billion people, or half the world's population.

For a true appreciation of the rather low one-dollar poverty line – no-one from the North would know how to survive on their own on a dollar a day in Sudan – a comparison with the gross domestic product of the poorest countries would be meaning-

ful. According to World Bank figures, it averaged \$430 in 2002, or \$1.17 a day. From this we must subtract the disproportionate incomes accruing to those in power, owners of capital and the ruling elites, the costs of preserving their power and running the state, as well as the amortisation of the capital stock and new investments. The bulk of the remainder goes to men, the crumbs to women and children.

The World Bank's poverty line conveys the misleading impression that the other half of the world's population that has more than two dollars per day is doing comparatively well. World Bank economist Branko Milanovic paints a more accurate picture in his studies.^{xiii} He defines as the rich class all those with a yearly income of over \$PPP 8,000 (purchasing power parity), which is the mean income for Italy. This wealthy class covers only 11 per cent of all humanity. Another 11 per cent represents something like a small global middle class with an income of \$PPP 3,800-8,000, where \$ 3,800 is the average income in Brazil. By this calculation, 78 per cent, or almost four-fifths of the world's population fall into the class of the poor.^{xiv}

The great dilemma. As far as we know, spreading the industrial production and consumption patterns of the world's wealthy class to 6 billion people would seriously deplete the natural resources vital to human survival. This is even more true for the 10 billion people expected by middle of the century. That is one side of the dilemma.

On the other hand, the North-South gap and the world's crass class society will hardly be overcome without some catch-up industrialisation in the developing countries. This could be essential to preserving humanity's vital social resources as well as a measure of global peace and human freedom. The billions of people now living in cities and megacities have no practicable way back to traditional agriculture let alone a path to modernised, high-output and hence less labour-intensive farming. There is thus a certain contradiction between preserving humanity's social resources and preserving the natural ones. And each cannot be preserved at the cost of the other without reaching the realm of the absurd.

As it is defined in the Brundtand Report and by the 1992 UN Rio de Janeiro Summit, sustainable development is an attempt to come to grips with the dilemma in practical political terms. Sustainable development attempts to propagate industrial production and consumption patterns worldwide, while simultaneously halting and reversing the concomitant process of environmental degradation. It further strives to strengthen the social cohesion that is being permanently undermined by industrialisation, the erosion of traditional social bonds and by environmental setbacks.

Critics have been observing from the outset that sustainable development is inherently contradictory. Yet it is that very contradiction that makes the concept attractive. All players felt included, even the most powerful, and it seemed that everyone could benefit from a clever policy mix. The promise to turn serious conflicts of aims into pure win-win situations was tempting, for the privileged above all, because social or environmental improvements did not seem to be at their cost. Many who did not believe that all conflicts could be harmoniously resolved still judged the concept positively. If the ruling classes realised that their activities were running into serious conflicts of aims, then – it was to be hoped – they would take more balanced decisions, examine conflicting interests and strike genuine compromises.

If sustainable development is to progress beyond mere rhetoric, then efforts must be concentrated on the environmentally sustainable conversion of industrial production and consumption patterns. Only in this way can it be extended to all mankind while avoiding environmental meltdown. The centrepiece of this is giving up energy production from non-renewable energy sources whose combustion is undoubtedly harming

the climate. In addition to the shift to renewable energy sources, it is also vitally important to switch industrial production to closed raw materials circuits and in general to promote the «dematerialisation» of the economy.

Much of what would have to be done was discussed exhaustively as much as three decades ago. There is now a variety of technologies for harnessing energy from renewable sources. Scientific and technological investment must nevertheless be drastically stepped up if any real headway is to be made with respect to closed raw materials circuits and more broadly in the «dematerialisation» of the economy. The tasks to be done are enormous and cannot simply be left up to the «invisible hand of the market», not least of all, for as Stiglitz quips, it is invisible because it does not exist at all.^{xv} It is clear – and was even written into the Rio declarations – that the industrialised countries must take the lead in converting industrial production methods. They are the ones chiefly living above their environmental means. They have the means of actively pursuing this conversion. And they provide the role model for catch-up industrialisation, and often the requisite hardware as well.

Yet the industrial countries and their big corporations are pursuing «technological revolutions» of another kind whose environmental sustainability (except for communication technologies) is dubious. Generally speaking, despite our leading elites' reiterated commitment to sustainable development, we are treating the environment in a manner that does not guarantee the survival of humanity beyond the 21st century. Most environmental indicators have deteriorated over the past 15 years. Of greatest global significance is climate warming, which if allowed to continue unchecked is likely to destroy the living space of hundreds of millions of people especially in developing countries. Besides, there are signs of serious shortages when it comes to the key resources for human survival, i.e. water and fertile land.^{xvi}

Rather than any strengthening, the past 15 years have seen the weakening of the political will to tackle environmental risks and to convert industrial production patterns. The policy of economic globalisation has fostered the opposite of sustainable development. And in the core industrial countries, substantial currents of conservative opinion are now pouring scorn over the scientific bases underlying the predictions of environmental risks and are setting about dismantling existing environmental policy instruments in their countries and undermining the few international agreements concluded. There is no doubt that environmental risks are greater for those less able to find the wherewithal to protect against negative environmental impacts. Not only is the *laissez-faire* environmental policy resulting from the conservatives' denial of reason shoring up the crass worldwide class society, it is also compounding the plight of most of humanity.

«Some of [the failures of the Clinton administration] arose because we naturally had a focus on domestic politics. Global leadership has been thrust upon us. We [...] did not have a vision of a new post-Cold-War international order, but the business and financial community did: they saw new opportunities for profits. To them, there was a role for government: helping them gain access to markets. The policy framework that we pushed abroad was the one that would help our businesses do well abroad.»

Joseph E. Stiglitz^{xvii}

3. The argument about globalisation

«Globalisation» is a *zeitgeist* concept that became fashionable after 1989 and lends itself to several definitions. That is its charm. It means something to everyone. To understand the foreseeable future as a process of globalisation is corresponding to a widespread feeling – that the world has become «smaller»; that we are happily relaxing the narrow confines of the nation-state in favour of more «world citizenship»; that products, services and ideas today embody components from all corners of the globe; that the major human problems can now only be approached jointly.

The openness of the concept does not facilitate an understanding of the disputes over globalisation. Since the 1999 WTO Ministerial Meeting in Seattle and the massive international demonstration there are supporters and opponents of globalisation, who are struggling to come up with an appropriate self-designation. Are they «anti-globalisation», as the media and governments are given to calling them? Or are they «critics of globalisation»? Lucky are the speakers of French, who can call themselves *altermondialistes*, thus encapsulating with a single word the protest against a particular form of globalisation and the yearning for «another» globalisation.

To grasp the crux of the dispute, we must look more closely at the various concepts of globalisation.

Globalisation as a liberal utopia or as a Darwinian struggle for survival. At the onset, the discussion over globalisation was strongly pervaded by salvation fantasies that arose from the wide open future prospects after 1989. The liberal currents amongst the ruling elites in the industrial countries were hoping that in the new era of globalisation, economic players across the world would learn the «right lessons» from the collapse of communism, free themselves from «government tutelage and patronisation», break out of the narrow confines of their respective nation-states and look more toward the sheer unlimited possibilities offered by the world market. In October 1998, the US investment bank Merrill Lynch – one of the pillars of Wall Street – jubilantly announced in a full-page advert headed «The world is 10 years old»: «Many world markets are only recently freed, governed for the first time by the emotions of the people rather than the fists of the state.» And Thomas Friedman, a leading propagandist of the new age, believes that globalisation flows «from the people's very souls and from their deepest aspirations».^{xviii}

Construed in this way, globalisation is not only the worldwide propagation of «unadulterated» market economics, but also, in the spirit of the Enlightenment, humanity's way out of dependency. In this world view, political action jeopardises freedom, and the state, including the democratic state, is a potential enemy of freedom. Mar-

kets on the other hand bring individual freedom, offer unlimited choice and hold political power in check.

This concept of globalisation has a strong utopian connotation. No longer limited by the East, the elites of the old West see the new era as the fulfilment of history, which enabled Francis Fukuyama to proclaim its end. This utopianism pervades all the final declarations from the summit meetings of industrial governments and leaders of global corporations of the past 15 years. They usually give the assurance that globalisation will eventually free all people from poverty and «backwardness», break the arbitrary power of the state over the individual and create a world community free of national and cultural narrowness. Yet these glowing promises run into problems the communist propaganda has had: there is no practicable way from real globalisation to the utopia they hold out. To distinguish the ideology of globalisation from its real processes, several authors describe this utopia as «globalism».^{xix}

Globalism has also been criticised for some time now by the American Right and its utopian content held up to ridicule. That Right of course supports the spread of capitalism to every nook and cranny of the world. But it doubts that this process will bring happiness for everyone and also feels very little obligation to see to this. For that Right, which now holds sway in the US Government and Parliament, globalisation is more an endless tragic wrangling between winners and losers – or, seen from the Christian Right, between good and evil, between the God-fearing and heathens. «Globalisation is Darwinian», writes Robert D. Kaplan, who advises the Pentagon on future war scenarios. «It means economic survival of the fittest – those groups and individuals that are disciplined, dynamic, and ingenious will float to the top, while cultures that do not compete well technologically will produce an inordinate number of warriors».^{xx}

For 10 years now, Kaplan has been warning in countless books and reports about the implosion of the order and the new «barbarism», he sees emerging on the fringes of the «civilised world». He sees globalisation as a process that is fuelling rather than eliminating dangers. Because Kaplan, like the Right in general, is reluctant to desist from further entrenching globalisation, he concludes that the USA must be prepared to use all possible means of power to secure it, including bellicose means. It bespeaks the realism embodied in the conservative variant of the globalisation concept that it expressly mentions deploying political power and military might, rather than merely viewing globalisation as a wondrous economic *perpetuum mobile*.

The scientific version of globalisation. Leading academics and spin doctors offer a kind of officially vetted scientific version of the liberal concept of globalisation that strongly pervades the discourse from the IMF, World Bank and from line ministries in industrial countries. The «scientific» version views globalisation as a longstanding historical process in which the world market has been gaining predominance over national markets, capital is increasingly being deployed in accordance with global criteria, leading ultimately to the worldwide convergence of prices and incomes and the disappearance of global differences in prosperity. It holds that a first age of globalisation started in the 19th century and culminated before 1914. World economic integration was then comparable to the present day. At that time the poorer countries were deemed to have caught up and all were wealthier. Unsound policies, above all misguided protectionism, had thwarted the beneficial mechanisms of globalisation, fuelled conflicts between states and spawned the world economic crisis of the 1930s. According to this version, the second era of globalisation began after World War II and only managed to return to anything like pre-1914 levels of integration in 1989.

It is significant that this globalisation saga overlooks all the aspects of political power and military might. It cannot account for World War I, which bloodied the wonderful idyll of globalisation. It remains silent about the fact that in 1914, the «markets» of Asia, Africa and Latin America were under the direct or indirect control of the European colonial powers and the USA. It neglects to mention that these powers first had to «open» the colonial markets, and indeed with military might in many instances. And it would sooner forget that this opening met with bitter resistance from «natives», who were frowned upon as «inferior races» by the conquerors. In short, it took extremely powerful political and bellicose interventions to facilitate the breakthrough of «market forces» and create a global world market.

Yet this version of globalisation is also historically flawed. The world economy or world system of which it speaks did not start only in the 19th century. Globalisation has been in progress since 500 years ago when European powers set out to conquer the world, when European settlers «ethnically cleansed» and took control of three continents, finally destroying the ancient kingdoms of Asia and colonising Africa. Supported by this deployment of power, the capitalist world economy expanded. It has outlived the empires of Spain, Holland or Britain that created it, and is today spreading under shelter of the American empire. Henry Kissinger appropriately said «The basic challenge is that what is called 'globalisation' is really another name for the dominant role of the United States».^{xxi}

The major question for the future is whether this global economy will go under in a few decades' time with the possible end of the American empire or will again transform itself and live on as an imperial exercise by formerly colonised peoples of Asia. This prospect is already causing concern to the propagandists of globalisation, especially since 11 September 2001. Editor-in-chief of *The Economist* Bill Emmott says in his book «20:21 Vision. Twentieth Century Lessons for the Twenty First», that two questions will determine the course of the twenty-first century, namely whether given the contradictions and tensions that it produces, capitalism will continue to survive, and whether the USA will also continue to secure «world peace and hence the spread of capitalism».^{xxii}

We have therefore come full circle. While 1989 seemingly held out the promise of an end to antagonistic power rivalry and to binary ideologies, new antagonistic world views are today emerging. They are putting the populations in industrialised countries – ever more frequently equated by our governments with the «civilised world» – in the mood for major confrontations that lie ahead.

What is it about globalisation that is ultimately in dispute? Our characterisation of the liberal and conservative variants of the globalisation concept suggests that there is ample scope for political controversies. To understand the present wrangling between globalisers and *altermondialistes*, it is worth pinpointing what distinguishes the past 15 years of world development from other periods in the growth of the capitalist world economy – in short, what comprises the period that strictly speaking we call «globalisation». We believe there are three central points that circumscribe the areas of conflict. First, the liberalisation of capital flows; second, the attempt to use the World Trade Organisation to impose world market rules that take precedence over national market regulations; and third, the loss of democratic control over key aspects of economic policy formulation.

Liberalisation of capital flows. In the late 1980s and early 1990s almost all countries removed controls governing cross-border capital flows. Up to that juncture, even

many industrialised countries had had rudimentary forms of capital controls in place. The deregulation of capital flows reflected the wishes of the West's financial industry and of transnational corporations. The US Government elevated this to the plane of a global postulate and, starting in the late 1980s, lost no time in imposing it almost universally as the cornerstone of a «market-friendly economic policy». The G-7 was even keen to build an obligation of full liberalisation of capital flows into IMF's articles of agreement and thereby make it legally binding on all member countries. They desisted from this only in 1998, after the «Asian crisis» had dragged on for months. Since then the initiative has been put on hold but not removed from the agenda. The industrialised countries are still exerting massive pressure on a case-by-case basis on those countries that have not fully liberalised their capital account. They are targeting mainly India and China – countries that were not drawn into the maelstrom of the 1997/98 financial crisis for precisely that reason.

The deregulation of capital movements is problematic from two points of view. It has drastically curtailed the scope for political action and decision-making available to all countries, including the industrialised ones. We will be examining this in detail below. It is also often far beyond the control of the institutions supervising developing countries' financial markets. The result is that they have become vulnerable to sudden foreign capital inflows and outflows and to currency speculation – in short, to serious financial crises. For an average of four months every year during the 1990s there was a serious financial crisis that completely engulfed at least one country, while negatively impacting others. The countries concerned were usually developing and transition countries, mostly so-called emerging markets.

Priority for world market rules. Since the 1980s, the industrialised countries had been insisting at international negotiations on the extensive opening of all national goods and services markets. This was codified and made binding under international law with the founding of the WTO in 1995. The thrust of the WTO agreement far surpassed the tariff-cutting rounds of the former GATT. The respective legal regulations governing individual national markets then came to be regarded as barriers to trade. They had to be neutralised by new international WTO rules and disciplines. Stipulations governing national markets dictated by environmental, social or any other public considerations came under the blanket suspicion of hampering free trade and thus being at odds with the new WTO rules and disciplines. These rules and disciplines had been crafted by US and transatlantic business associations and private sector think tanks. Spearheaded by the US and the EU, western governments were able to enforce them over fierce resistance from the developing countries. The WTO drastically expanded the freedom of action of transnational corporations in general and their access to the markets of developing countries in particular.

The new WTO rules were aimed, *inter alia*, expressly at the policy mix of state promotion of industry, selective domestic market protection and stipulations for foreign investors, with which many developing countries had launched their industrialisation processes following independence. The intention of the US and the EU was to weaken these national industrialisation strategies, which they saw as trade barriers and protectionism, and appreciably expand access to the markets of developing countries, above all the more successful ones. The result: one-sided WTO agreements that favour the industrial countries. These are at the root of the disagreements amongst WTO members since Seattle 1999.

Loss of democratic control. Coinciding with this, all Western governments were implementing a policy of «market reforms» in their own countries. They presented it as

an absolute necessity, as the only way for our countries to survive in the new world market conditions that they themselves had created through a process of permanent liberalisation. Whoever rejected the reforms would go under in now much tougher international competition. Homogenizing the world market through a policy of permanent liberalisation quickly removed many crucial economic policy issues from the domestic sphere, which is the only one in which relatively democratic debates can take place. In the new era of globalisation, governments function simultaneously as the legislature that lays down international economic law and as the executive that implements those self-enacted rules. National parliaments are increasingly being forced to rubberstamp the overall outcomes of international negotiations – for disapproval would be inconceivable without risking severe disadvantages.

The policy of permanent liberalisation rests on what in the Anglo-Saxon world is bluntly called «neo-classical counterrevolution» in economics and «anti-Keynesian counterrevolution» in economic policy. Supported by the intellectual armoury of the «counterrevolutionaries», the Thatcher Government in Britain and the Reagan Administration in the USA had largely broken with the post-war economic and social model in the early 1980s and introduced a policy that relieved the state of any active role in steering the economy. It was instead assigned the role of improving the microeconomic operating conditions for enterprises and drastically increasing the freedom of action of owners of capital. The generally accepted mantra was now that if «market forces» were not «stifled» by political interventions, they would yield optimum economic and social results for all.^{xxiii}

Over the past 20 years, these economic policy decisions have fundamentally altered societies and institutions in the industrialised countries and created a new regulatory system for capitalism, often called neoliberal. After 1989, that system made a great leap in global dominance and is today shaping the world's economic architecture.

At the core of the argument about globalisation is this system of regulation and its global dominance. Conflicts are arising between developing and industrialised countries because many developing country governments view the present regulatory system of the world economy as an impediment to their development and are demanding fundamental changes. Conflicts are being sparked by the loss of democracy, people's feeling that they are losing control over their life and their material destiny. Disagreement also stems from the inequalities between the global minority of economic players that are «clearing» the market, and the vast majority of humanity whose economic action remains locally or nationally limited. Other causes include frictions between the Anglo-Saxon model of capitalism, which is the purest form of neoliberal regulation, and those of societies where capitalism remains partly shaped by older institutions whose influence is still being felt in the new era. These include societies in continental Western Europe or the emerging industrial countries in East and South Asia.

In the public debate, globalisers are given to portraying their opponents as hopelessly silly modern-day luddites. IMF Deputy Managing Director Ann Krueger describes critics of globalisation as luddites lacking in credibility. They are «beneficiaries of the technological transformation they are fighting», for they «are dependent on e-mail and mobile phones».^{xxiv} As is typical for this controversial line of argument, Krueger portrays globalisation as a naturally occurring and unstoppable event being driven and defined by technological revolutions. In the spiritual cosmos of the globalisers, these revolutions (communication, «life sciences», nanotechnology) occupy the place held in vulgar Marxism a century ago by historical progress or the «development of productive forces».

Unless it is a matter of publicly denigrating the criticism of globalisation, the globalisers are aware that the protest movement is not directed against computers, communication networks or understanding amongst nations, but is striving to change the institutional arrangement, and hence the regulatory regime governing globalisation. This has nothing to do with opposing technological progress, but is normal politics. *The Economist* magazine made that acknowledgement on behalf of all global players in autumn 2000, when it stated that the critics of globalisation were right in that globalisation could indeed be changed or «reversed», for it was the outcome of a series of policy decisions by governments. The greater the pressure from the street, the greater would be the inclination of governments to tone down pro-globalisation policy.^{xxv}

The worst thing would be if western governments were heeding the demands of the protest movement. Globalisers may well grant that the protest movement has drawn attention to globalisation's lack of a «human face». They insist, however, that if implemented the movement's political ideas would lead straight to an age of the grimmest protectionism and chauvinism – a second misconception that we will explore in the next chapter.

«Its proponents regard globalization as a deus ex machina for many of the problems, such as poverty, illiteracy or inequality that beset the developing world. The only thing that a country needs to do is to open up its borders, reduce tariff rates, attract foreign capital, and in a few generations if not less, the poor will become rich, the illiterate will learn how to read and write, and inequality will vanish as the poor countries catch up with the rich. This is the view conveyed implicitly and subliminally by many serious papers and publications.»

Branko Milanovic^{xxvi}

4. Economic development through world market integration?

The efforts to put a «human face» on globalisation include the admission by its champions that the globalisation process has its «winners» and «losers». They are convinced, however, that what the losers lack is more globalisation, or more specifically, greater integration into the world market. In this regard they also perceive globalisation as the central force capable of lifting developing countries – so far also the «losers» – out of poverty and «underdevelopment», if the countries work toward rapid and complete world market integration.

This strategy has been known since the end of the 1980s as the «Washington Consensus» and underlies the policy of the industrial countries, World Bank and IMF toward the developing countries. Most countries in Latin America and black Africa have adopted it over the past 20 years – they had no choice if they wished to re-schedule their debts, obtain new hard-currency loans and development assistance. In addition, they underwent radical processes of «structural adjustment» that came at a very high social and economic cost.

The strategy of «development through world market integration» is increasingly a matter of international discord.^{xxvii} Since the Asian crisis, diverging views and criticisms have been forthcoming even from mainstream economists who had helped formulate it. They have been prompted not least of all by the fact that the developing countries that are following completely different, heterodox strategies are faring much better in the globalised world than those that must pursue the orthodox strategy.

From the «wrong» to the «right» economic strategy. In the view of the defenders of globalisation, the integration strategy was implemented 20 years ago to correct the supposedly misguided development strategy that had previously led developing countries to ruin. This criticism is aimed at the policy of import substitution that had prevailed in South America, Africa and parts of Asia from the 1950s on. That strategy was intended to tap the existing demand for industrial goods that were being imported from the metropolises so as to produce those goods locally and thus replace (substitute) the imported goods. It was hoped that such incipient industrialisation and its demand-pull effect would provide an escape from the trap of low-level economic stagnation and dependence on tropical agricultural goods and their volatile world market prices, thereby triggering a self-sustaining industrialisation process.

The champions of world market integration regard this as a failed strategy that had led to misinvestments, over-industrialisation, excessive foreign debt, rising inflation and the disruption of public finances. The debt crisis of 1982 and the subsequent dramatic economic slumps in many developing countries were in their eyes the ulti-

mate outcome of its inner contradictions. The new policy of world market integration had helped correct the distortions in the economic structures that had resulted from import substitution, restoring them to a more sustainable path of growth. In that view, the permanent liberalisation in the post-1989 globalisation age has underpinned the «healing process» and created new opportunities for developing countries. This version has been carefully cleansed of all the political factors attendant on the end of the import substitution strategy at the time.

The paradigm shift in development economics was a reaction by the industrialised countries to the very forceful demands made by developing countries in the 1970s. It was at Algiers in 1973 that the non-aligned countries first called for a «New International Economic Order» that would change the international division of labour in favour of the Third World and at the expense of the former colonial powers, in other words the industrialised countries. The resulting dispute dominated North-South politics until the 1982 debt crisis. John Toyne, one of the doyens of British development economics, stated in 1987: «The threat of a New International Economic Order, particularly one imposed by the South and supported on moral grounds by influential opinion in the North, acted as a strong spur to the counter-revolution in development policy. It has mounted an effective defence of the Old International Economic Order.»^{xxviii} The paradigm shift in development economics was part of the anti-Keynesian counter-revolution in the economic policy of the industrialised countries and was promoted internationally by the Reagan and Thatcher Governments. The 1982 debt crisis created the economic lever with which the change could be implemented. It sealed the end of the era of anti-colonial liberation struggle. At the time, the former colonial masters secured their control of the post-colonial world for another few decades – we are now right in the middle of that period.

Export orientation and foreign direct investment. The strategy of world market integration revolves around three points: export orientation, actively attracting foreign investment, and *sound money*, regarded by IMF economists as a «healthy» monetary and fiscal policy. It is expected to limit the national budget deficit or transform it into a surplus and keep down inflation, being often bound up with relatively high, growth-inhibiting interest rates. Sound money most often also meant eliminating social subsidies, reducing the size of the civil service, and privatising state-run companies. The impact of this policy was that the government spending ratio of all developing countries declined slightly between 1980 and 1995.^{xxix} The share of debt service in government budgets increased over the same period. By way of comparison, the already higher government spending ratios of industrial countries rose further during this period, while debt servicing increased less dramatically than in developing countries.

Broad-based industrialisation promoted by an active «development state» was no longer considered desirable. Throughout the years of import substitution, the USA and the World Bank were somewhat opposed to any political, state-led efforts by developing countries to improve the disadvantageous international division of labour that had been created by the colonial system. Instead they advocated that it be left to market forces to transform the inherited division of labour. The policy since the 1980s has been that developing countries should focus their economic endeavours on areas in which they were capable of participating in the world market from the outset, in other words where their exports could compete. Economic branches that were not competitive on the world market would have to be spoon-fed and protected at too great a cost to the economy. That protection in turn would risk prolonging their uncompetitiveness indefinitely. The IMF and World Bank imposed a policy of export orientation on all countries that had been made dependent on them by the debt crisis. The intended side effect of this was to some extent to ensure that debts would be serviced.

Was the debt crisis of 1982 a crisis of the import substitution strategy?

The globalisers attribute the 1982 debt crisis and the ensuing economic crisis to the inherent shortcomings of the import substitution strategy. But was that the real cause of the 1982 debt crisis? Even if it could be ascribed to this, there is still no explanation of how Latin America and Africa had managed, for over 30 years under the import substitution system between 1950 and 1980, to achieve rather impressive per capita growth rates (Latin America 2.5 per cent, Africa 2 per cent) – at any rate much higher than thereafter.

A better explanation of the crisis that engulfed both continents after 1980 would turn the spotlight on the debts and the US monetary policy of the day. In the 1970s, western banks and governments, often with World Bank assistance, forced billions in credits on what would later become debtor countries, and in the process opened up countries pursuing import substitution to the world capital market. It was at that time that many of the costly investments that remained unused and soon fell into disrepair – the so-called «white elephants» – were conjured up. Swiss companies were also involved in this. High inflation and low, sometimes negative real interest rates in industrialised countries made the massive misallocations of capital attractive. The creditors received (much) higher interests than on investments in the industrial countries – while the debtors could speculate on the creeping devaluation of the loans owing to inflation.

The feast ended when the United States Central Bank multiplied interest rates in late 1979, which drove up the dollar's exchange rate and at a stroke made credits several times more costly and plunged the «favoured» developing countries into insolvency. Rising oil prices in the wake of Iranian revolution reinforced the economic shock. The western world was then faced with the choice either of writing off its credits and thus itself bearing the costs together with the negative consequences – or transferring responsibility and costs fully to the debtors. They chose the latter course, for obvious reasons. That signalled the start of the structural adjustment measures imposed by the Bretton Woods Institutions. To preserve creditworthiness, the economic policies of the concerned countries had to be thoroughly overhauled and reoriented as a matter of priority toward foreign currency generation.

The debt crisis and the ensuing debt regime of bitter austerity was the first serious economic crisis to hit many of the affected countries since their independence. The economic slump had badly shaken and in many instances destabilised their often fragile political institutions, in turn compounding the economic problems. The only developing countries that remained relatively unscathed by the shocks of the 1970s (oil price, post-1979 interest rate and dollar price shock) were those whose political institutions had to some extent succeeded in peacefully resolving the conflicts over distribution that had been generated by the crisis.^{xxx}

For a fuller appreciation of the problem, it is enough to consider the political and social rigidities affecting Switzerland's stable political body because for the first time since the war, its economy has stopped growing and stagnated at just above zero. At the domestic level, those developing countries that were engulfed by the debt crisis had to cope with double-digit percentage slumps in their economies. The last time that Europe experienced a comparable economic slump, the Nazis triumphed in Germany and prepared a new world war.

Chile had demonstrated what the new strategy could mean. The Chilean Government, though, did not act under pressure but with the zeal of the convert anxious to realise an economic utopia. The military junta completely dismantled the instruments of Chile's development state, applied the first «shock liberalisation» of the post-Keynesian era, thereby causing the bankruptcy of many industrial and agricultural companies geared toward the domestic market. On a visit to Chile in 1975, the international guru of the anti-Keynesian counterrevolution, American economist Milton Friedman, encouraged General Pinochet to make a clean sweep. He urged him to amputate as quickly as possible the diseased parts of the economy afflicted by statism, before they could cause any further harm.^{xxxix} The immediate consequences of this economic surgery, which had been preceded by police interventions to rid the society of its Marxism-infected parts, were mass unemployment, a descent into depression, thousands of broken lives and undernourished children. Today, Chile lives from working its rich copper deposits – still through a state-run company it should be noted – and from specialised export-oriented agriculture that concentrates mainly on producing contra-seasonal fruit for sale to the industrialised countries. These are export items whose world market prices, by comparison with the prices of the industrial and technological products that Chile must import, are constantly falling.

Besides export orientation, foreign investment is the second pillar of the world market integration strategy. It is intended to take the place of the self-sustaining industrialisation being actively promoted by the development state through national enterprises. Foreign investments hold out the immediate promise of matching world market demand and world market prices and of delivering leading edge technology. This automatically guarantees export capability, so to speak. The only thing is that it is now foreign corporations, generally from industrialised countries, that are determining a developing country's place in the international division of labour.

Following the deregulation of cross-border capital flows, direct investments in developing countries surged from 28 billion dollars in 1990 to peak at 194 billion in 1997, ahead of the Asian crisis.^{xxxix} This included a substantial component of short-term speculative funds. In the post-1989 euphoria, direct investment was seen as the better form of development aid. It would mobilise more capital than development aid, leave behind the state and its misguided appetite for intervention, directly strengthen the operation of the «market forces» and thus more effectively combat poverty. Yet most of this foreign investment flowed into a small number of countries whose economies had already attained considerable levels of development. China, South East Asia, Brazil and Argentina were the leaders. Poor countries received just a few crumbs from the investment windfall. At the same time, development aid from OECD countries contracted by almost one-half during the 1990s and recovered only after the shock of 11 September 2001.

The problems inherent in the strategy of rapid world market integration through export orientation, foreign investment and a conservative, recessionary monetary and fiscal policy can be examined from several points of view. We will single out two of them: (1) its impact on economic growth was negative rather than positive; (2) developing countries that followed other strategies were much more successful.

(1) Negative economic growth impacts. The policy of world market integration had been launched in order to rescue developing countries from the crisis triggered by the debt meltdown and lift them to a higher, more sustainable level of economic growth. At the time, higher growth was also a postulate of the new neoliberal economic policy that was to take over from the Keynesian economic model in the industrial countries.

This central promise was not fulfilled either by the new development policy or the new neoliberal policy in industrialised countries. On the contrary, the new era saw world economic growth rates contract by one-half. Only South and East Asia preserved or even improved their performances, while other regions such as Africa or the countries of the former Soviet Union slumped dramatically. In retrospect, it is now clear that the world had never recorded such sustained high growth levels as during the period of Keynesian economics and import substitution.

The past 20 years of weak growth have been difficult if not catastrophic for many developing countries. A study by the *Centre for Economic and Policy Research* in Washington compares the economic growth of the 1960-1980 import substitution period with the 1980-2000 «era of globalisation».^{xxxiii} The study produced the following findings:

- Between 1960 and 1980, the group of poorest countries grew 1.9 per cent, after 1980, their economic growth fell by 0.5 per cent annually.
- between 1960 and 1980, an intermediate group of poor countries grew by 2.1 per cent per annum and by 0.8 per cent after 1980.
- after 1960, the wealthiest group of poor countries grew by 3.6 per cent, and by 1 per cent after 1980.

The study also demonstrates that over the same time lapse, progress in areas such as health (life expectancy and child mortality) and education also slowed by comparison with the much-reviled period of import substitution. These findings are diametrically at odds with the official discourse about the blessings of globalisation.

One of the ironies of the growth problem is that globalisers believe that they have come up with the economic concepts that will generate strong growth in the poor countries. What is more, they are convinced that their critics, be they NGOs or *altermondialistes*, have an anti-growth stance and like idealistic simpletons, wish to eliminate poverty from this world through redistribution rather than growth.^{xxxiv} Hence the emphatic announcement of the World Bank that «Growth is good for the poor», designed to contradict the slogan «Redistribution is good for the poor», which it had put in the mouths of its critics.^{xxxv}

Yet even the critics of globalisation do not dispute that growth is beneficial to the poor. All they are saying is that no growth is taking place! It has stagnated drastically in the era of market reforms and forced world market integration. And the suspicion naturally arises that some of the blame must go to the prevailing economic development strategy itself.

It is also striking that in most of their studies on development successes, the IMF, World Bank or the OECD Development Assistance Committee choose temporal comparisons that make it possible to conceal the downturn in growth and the disastrous social consequences of the low or even negative economic growth that followed 1980. One preferred approach is to compare today's data with that of 1950 («in the past 50 years»), because this makes it possible to add up the results of both periods (import substitution and world market integration). Alternatively, data from the 1990s are also compared with those of the 1980s – the decade of the debt crisis and forced «structural adjustment». For the 1990s did yield somewhat better results.

Transition countries – transition where to?

The economic collapse of the former Soviet-dominated countries is a growth story of its own kind. Before 1989, they were typically industrialised economies and urbanised societies. After 1989, a strategy was sought for their «transition» from centrally planned to fully-fledged market economies. The right policy mix was seen to be a combination of rapid world market integration and thoroughgoing structural changes to gear them toward the market economy. The US calculated that the transition countries could complete the changeover in five years. Western European government sources were more cautious in their reckonings, which foresaw ten or more years.^{xxxvi} The transition is now 15 years old. Robber capitalism has taken hold in many places, and the new elites, who are faring marvellously on the private property front, could hardly be less interested in changing it.

The IMF along with special teams from the USA acting on behalf of the government provided advice for implementing the transition strategy. Together with the new post-communist rulers, they rapidly implemented price deregulation, privatisation and the opening of the capital and goods markets to foreign players. In Russia, the new republics of the former Soviet Union and in some weaker Eastern European countries, the so-called «shock therapy» led to extremely widespread de-industrialisation, mass unemployment, an incredible spread of poverty and massive capital flight.

Washington's course soon sparked intense controversy in the Bretton Woods Institutions. Joseph Stiglitz, then Chief Economist of the World Bank, resisted that policy – in vain. His public criticism of the mistakes for which the IMF was answerable precipitated his departure from the World Bank in early 2000. In the USA, his criticisms engendered a heated debate as to who had «lost» Russia. In his book assessing his years at the World Bank, Stiglitz points out that the only former planned-economy countries to have made the transition successfully were those that had followed strategies specifically adapted to the country, for example Poland, Vietnam and China – this latter country being the one that has recorded the strongest economic growth worldwide for the past 20 years.^{xxxvii}

(2) The successful developing countries follow heterodox strategies. The Bretton Woods Institutions (BWIs) produce studies that show the paltry economic successes of countries that implemented the world market integration strategy under their tutelage. And they are also producing studies that prove the opposite, thanks to the clever handling of data. Hence, there is awareness that things are always a bit more difficult than in the theory. As a rule, the BWIs attribute the failure of the world market integration strategy to political circumstances, power struggles or the irresponsible behaviour of the ruling classes in individual countries – factors that undoubtedly have a major impact. On the other hand, they pay very little attention to the question of whether their own development strategy contributed to the failure. They completely sidestep the question of whether the success of many Asian and some other developing countries with very high growth rates over the past 20 years is not attributable to a better development strategy.

On the contrary – since some years the BWIs and the governments of the industrialised countries are pretending that the performance of successful developing countries can also be put down to the development strategy of forced world market integration.

The example of the South East Asian Tigers. The «Tiger States» have followed and are still pursuing a development strategy that has nothing to do with the strategy of world market integration. State interventions played a major role in their rapid industrialisation and their impressive growth rates. The South East Asian elites had developed their own variant of a strong developmental state that was inspired by the example of Japan's catch-up industrialisation and combined domestic market protection with government incentives to companies that could compete on the world market, in other words, those capable of exporting. Like Brazil, the «Tigers» imposed conditions regarding technology transfer, the use of local primary products, export ratio, etc., on multinational corporations that wanted to invest. As of the second half of the 1970s, they entered the world market as aggressive exporters of industrial goods with steadily growing technological sophistication. Notwithstanding the counterrevolution in development policy taking place in the early 1980s, they had forged ahead with their mix of domestic market protection and aggressive exportation.

The Bretton Woods Institutions were given to a selective view of reality in East Asia. They closed the eye that saw the domestic market protection and policy of state support to industry and business practised by the Tigers, keeping open only the one that saw the aggressive export orientation and world market integration. Thus, blind in one eye, they spent the first half of the 1990s holding up the South East Asian Tigers to their poor cousins in South America, Africa and the rest of Asia as a model. At the time, the economic policies of those countries that were to emulate the Asian example had already been under the strictures of the Washington Consensus for years. Where they had existed at all, the development state's instruments and institutions for intervening in the economy had already been debilitated or destroyed.

Yet there is also a political side to the success of the (South) East Asian Tigers, on which the World Bank and IMF remain silent. For a long time the USA had viewed the countries reaching from South Korea across Taiwan to South East Asia, including Japan, as the front line against a «communist Eurasia» (Soviet Union and China). In terms of strategic importance, the region was comparable to Western Europe, and after 1948 benefited from an Asian version of the Marshall Plan. This meant for instance that between 1945 and 1978, the USA provided South Korea with economic aid comparable in scale to its total aid to Africa over the same period.^{xxxviii} Until the mid-1980s, the Tigers also enjoyed preferential access to the American market, for which they were required to accord no «reciprocal rights». This preferential position began to slip when «communist Eurasia» crumbled, China started developing its own brand of capitalism, and relations with the Soviet Union thawed significantly toward the end of the 1980 decade. At that time, the USA began to claim from its East Asian allies reciprocal rights of access to their goods and capital markets and to criticise the peculiarities of their development toolbox.

In the first half of the 1990s, the opening of capital markets brought the Tigers a glut of capital similar to that which had ruined Africa and Latin America 15 years earlier. Logically, their heady prosperity ended in the 1997/98 financial crash. Until the summer of 1997 they had still served the Bretton Woods Institutions as model pupils of market economics. During the financial crisis, the US Government portrayed them as a daunting example of handicapped and immature capitalism in which the state had much too large a role and where crony capitalism prevailed instead of efficient market mechanisms. The USA, IMF and many European governments (including the Swiss Government) now blamed the crisis on state involvement in directing investments, the presence of domestic market promotion and protection as well as the geo-strategically motivated, one-sided access to the US market, in other words, precisely those instruments that had paved the way for the (South) East Asian «economic

miracle». At any rate, most of the South East Asian nations recovered relatively quickly from the crisis thanks to that very toolbox and know-how.

The example of India. For two or three years now, India has been regarded by the Bretton Woods Institutions and all globalisers as a brilliant example of world market integration. The fact that India is now a relatively industrialised, emerging trading power with millions of the best educated people resulted from an independent development strategy that had long been followed with the greatest suspicion from Washington. After 1980, India had pursued its own variant of import substitution and achieved growth rates that have never been replicated in Latin America and Africa since then. Besides, India too was spared the debt crisis – its governments had been traditionally reserved about foreign currency credits and remained aloof from the dubious lending spree of the 1970s. India relaxed its domestic market protection and its central economic planning only in the 1990s – and in fact on terms and conditions that were dictated by its own elites rather than Washington. Indian industry is still so highly protected today, that the professionals in Switzerland's foreign trade bureaucracy see red whenever they hear the word India. India has still not fully liberalised its capital market, although for over ten years now every western state visitor to that country has been passionately echoing the appropriate calls for opening from the financial industry. Because it did and could remain steadfast on this point, India, like China, was not sucked into the maelstrom of the Asian financial crisis.

Today, the industrialised governments and Bretton Woods Institutions are maintaining that it was liberalisation measures taken in the 1990s that enabled India to emerge from the economic stagnation caused by its decades-long government-controlled import substitution policy. That is sheer counterfactual propaganda. From 1981 to 1990 India's average economic growth of 5.9 per cent per annum was even higher than the 5.6 per cent for the 1991-2000 period. A sharp upswing in productivity had already occurred after 1980 – far ahead of the 1990s – and indeed without liberalisation.^{xxxix} Along with China, India is an example of a delayed and gradual opening to the world market – after long years of domestically-oriented agricultural production and modernisation and an independent industrialisation policy – precisely what the counterrevolution in development policy had denounced as the surest way to disaster.

The example of China. The champions of the one true development strategy are given to situating the developing countries along an axis where the two poles are the state-run economy (import substitution) and the market economy (world market integration). The closer a country to the state-run economy pole, the lower its rating. The closer it is to the free market economy pole, the greater the economic and social progress it should achieve, the theory goes. This gives the impression that developing countries must choose between past and future, between «Communism» and a kind of tropical Anglo-Saxon capitalism – say, between North Korea and Singapore.

It is not devoid of irony that as proof of the beneficial effect of globalisation and hence of world market opening, the World Bank adduces, in addition to India, China first and foremost -- a country that is rather far removed from the ideologically correct pole on the axis of state-run versus market economy. Both the model example of China and the likes of Vietnam as well have a system of property rights that, under the prevailing economic theory, should lead straight to economic hell. Worse yet, rather than being a burden on the economy, the very widespread Township and Village Enterprises in China, owned by municipalities, city districts or some other community and subject to rather hazy property guarantees, are its most dynamic sector. There is significant state ownership of the capital stock in other non-communist Tiger States as well. In

Taiwan, the «capitalist» rival of the «communist» People's Republic, the state was 50-per cent owner of all invested capital up until the 1990s. That country «nevertheless» succeeded in raising real incomes by 400 per cent over the past 30 years, a major achievement that will never be realised by any developing country that must follow the Washington Consensus.

Are not the developing countries themselves to blame?

It may be objected that this depiction of the problem relieves the elites and rulers in developing countries of all responsibility. Obviously it makes big difference whether BWI loans to governments in fact go to finance the programmes for which they are intended, or whether, through the system of offshore financial centres, they find their way into accounts belonging to the rulers, their families and friends, held in Switzerland for example. It also makes a big difference whether national governments, under pressure to reduce state budgets, curtail spending in the social and educational sectors or on the army and secret services. And so on and so forth – the list could continue ad infinitum. Generally speaking, the sum of the economic initiatives taken by domestic players and the sum of the social, political and not infrequently bellicose confrontations in individual developing countries is the factor that ultimately determines the path and success of their development. The elites shoulder the greatest share of responsibility for both the basic conditions for their citizens' economic initiatives and the outcome of the confrontations.

Yet this fact does not relieve all those external institutions that intervene in the affairs of developing countries of their responsibility for the impact of their interventions within the countries concerned. Therefore, if with the help of the international institutions they control, industrialised countries impose a dubious economic development strategy wherever they have the requisite financial leverage to do so, then criticism may also be appropriately laid at their door.

After all, it is not that the successful developing countries that were fortunate enough to be able to reject the prescriptions from Washington are not suffering from the very same «development problems» as the customers of the Bretton Woods Institutions. Corruption is present in South East Asia, China and India as well. The elites of these countries too siphon off public monies into offshore accounts. And just like those in power elsewhere, neither are they toiling from morning till night to improve the lot of their less fortunate fellow citizens. For a long time now, Indian governments have been investing vast sums of money in nuclear weaponry for the armed forces – sums that would have been better spent on social and infrastructure development. China's Communist Party is pumping massive amounts of money into army, police and secret services to preserve power, while hundreds of millions of Chinese would doubtless be better off with less police state and more social investments.

The successful developing countries too are beset by full-blown economic development problems. Their successes must be seen in the proper perspective. Thus, per capita gross domestic product for 2002 was \$940 for China and \$480 for India. That is 40-80 times less than Switzerland's per capita product. That modest base means that in economic terms, most people are badly to very badly off. Both countries face enormous social problems and a great many conflicts. The income disparities are considerable, being greater today in China than in India. In both countries, however, they are smaller than in the emerging markets of South America.

The progress engendered by rapid economic development must therefore be seen in context. It does however make a very big difference to the disadvantaged whether there is such progress at all or whether it is largely non-existent.

The World Bank study that enthroned China – and India – as frontrunners, was not honest enough to admit that both countries had succeeded because they disregarded the development strategy of the Bretton Woods Institutions. Only one tiny sentence of the 200-page report admits that China and India's position as the biggest «winners of globalisation» did not automatically mean that they had followed free market and free trade policies.^{xI} What is more, the draft of the study had mentioned Argentina as another shining example of successful globalisation, but shortly after the drafting, that country had to declare its insolvency. Argentina had followed Washington's economic prescriptions like no other country, and like many others, ended up running headlong into disaster because of the contradictions of the deregulation of capital flows.

It is generally true that the successful developing countries did protect their domestic markets so strongly for years if not decades, that in accordance with Bretton Woods philosophy they ought to have grown acutely sclerotic. Besides, they all intervene whether moderately or heavily in their economies. Some introduced labour reforms from the onset of their development drive rather than at the end as a «reward». A case in point is Mauritius, which decreed minimum wages – a tool that in the eyes of the Washington economic bureaux, not even the wealthiest industrial countries could afford without becoming completely paralysed.^{xii}

In contrast, those developing countries that are on the IMF and World Bank drip and must implement the strategy of forced world market integration are almost invariably faring much worse. They had to scale back or completely dismantle their often only rudimentary policy instruments for promoting economic development and industrialisation. Instead they opened up to the world market prematurely and too extensively, without being prepared for it. They therefore lost substantial parts of their industry and their trades to stronger foreign competitors and jeopardised local food production. These unfortunate countries had been more successful before 1980, and have been scoring only meagre or negative results since being compelled to follow the pure doctrine.

A change of course is needed. Even as world market integration was taking hold as the only true strategy, classical development economics was losing ground as an academic discipline and as a politically influential school of thought. The new orthodoxy held that it had been contaminated by Keynesianism and disproved by the ostensible failure of the import substitution approach. The removal and banishment of development economics was politically welcomed in the highest places. The US representative in the Asian Development Bank said in 1985: «The United States completely rejects the idea that there is such a thing as development economics».^{xiii}

The champions of globalisation held the basic premise that irrespective of national or developmental differences, there was only one set of economic «laws» for the whole world, namely the US neoclassical school, from which came the policy of sound money and free trade as the universal panacea. All the remaining heterodox schools of economic thought – of which there is a surprising number – were excluded from the formulation of the economic prescriptions of the Washington Consensus. As the *pensée unique*, the imperially prescribed economic ideology soon became a major butt of criticism in the confrontations over globalisation.^{xliii}

Anti-globalisation grassroots movements and nongovernmental organisations from developing countries set great store by this topic. Since the Asian crisis, forced world market integration has also been dominating the dispute between developing and industrialised countries. This emerges clearly at the special United Nations conferences

on global economic, social and environmental issues, in the Bretton Woods Institutions insofar as developing countries have any say in them, and above all in the WTO.

The general thrust is clear: the one-size-fits-all economic corset that underlies the operations of the Bretton Woods Institutions must be cast off. The economic conditionality being attached to lending must be radically overhauled. The theoretical and practical value of the experiences of successful developing countries must at last be properly appreciated. We must discard the policy of forced world market integration as economic nirvana. Besides, the global rules in the financial and trade sectors must be so designed to allow developing countries sufficient leeway to pursue independent development strategies. The regulations must make it possible to focus on developing the domestic market and to step up regional South-South economic integration.

Global economic rules that benefit developing countries will halt the permanent liberalisation that pervades the present policy of globalisation. The free trade ideologues argue that interrupting the ongoing liberalisation process would lead to the collapse of what has been accomplished so far and end in complete market protection on all sides. Just as a cyclist dares not stop pedalling if he is not to fall over, so states must press ahead steadfastly with trade liberalisation so as not to destroy the progress made so far. It is either free trade or total protectionism – this is the choice we are being given by the free traders.

In reality, that choice does not exist. So far, successful catch-up industrialisation has been based on individual and evolving combinations of protectionism and openness to world trade. The history of the old industrialised countries includes the same experience. Moreover, there was a rather well crafted system of global regulations in the Keynesian era comprising a mix of openness and protection. To date, that era has been the most successful in the long history of the capitalist world economy.

*«Those we elected have no power.
And those who have power we did not elect.»*

A demonstrator's placard^{xliv}

5. Global governance, state and democracy

Talk of the state's loss of meaning in the era of globalisation is now commonplace. This so-called loss of meaning refers, *inter alia*, to its ability to steer the economy or its ability to exclude global problems from its territory (e.g. migration) or to deal with them single-handedly (e.g. global warming). While the ruling elites in industrialised countries welcome the first loss of meaning, the second is seen as inconvenient and tends to be played down.

Internationalisation and depoliticisation of economic policy. The ideologues of the anti-Keynesian counterrevolution see the state not as part of the solution but rather as part of the problem. In the Anglo-Saxon countries, above all the USA, this has been shaping the politics of leading political parties for 20 years now. Neoclassical theorems hold that in nation-states, where economic decision-making processes come under pressure from vested interests, the result is «irrational» solutions that «inappropriately» interfere with the operation of the market and distort «market forces». Put another way, the implementation of pure market economics is opposed by national vested interests, against which decisions cannot be taken.

From that viewpoint, this is where the advantage of international economic rules resides. They are worked out by governments or «specialised bureaucrats» amongst themselves, far away from national interest groups. Intergovernmental negotiations therefore tend to produce market-oriented (or «rational») solutions. These internationally agreed rules in turn react upon individual nation-states like «external shocks» (similar to «oil price shocks»), forcing them to adopt «free market reforms» and helping to overcome resistance from local interests: For entrepreneurs driven to bankruptcy by tougher international competition, like the jobless, are naturally unable to offer much more resistance. Jean-Daniel Gerber, Switzerland's new State Secretary for the Economy, highlighted and lauded this mechanism before the Swiss-American Chamber of Commerce. In his words, «Better access to foreign markets is closely bound up with domestic policy, because trade negotiations bring about domestic market opening. This makes it possible to exert additional pressure on hardened and protectionist vested interests».^{xlv}

The procedure is well known to us. We are sold countless economic policy reforms with the advice that we must adapt to the «world market» (whose rules our governments are constantly rewriting) or be forced by «tougher international competition» (triggered by market opening and the deregulation of capital) to be more flexible, quicker and more market-friendly. There is a clear advantage in portraying the domestic «market reform» agenda as an externally imposed necessity. As such, no-one is really to blame – those seeking political culprits can be referred to «external» forces and the international context.

The internationalisation of economic decision making is occurring at the expense of interest groups within the nation-state that have no global reach and are not globally mobile, in other words, at the expense of trade unions, farmers, companies geared toward the domestic market and «simple» citizens. For their part, those representing the interests of the global players (capital investors and multinational corporations)

understand very well how to influence intergovernmental economic negotiations. The good thing is that at this level they need no longer wrangle with opponents and can convey their concerns to well-disposed governments in an unfiltered and direct manner. Therefore, globalisation strictly speaking has not diminished the significance of the state but of democracy, in that it has removed vast areas of economic policy from the democratic debate between various social forces within nation-states. International economic policy is now the preserve of governments, which are concentrating executive, legislative and judicial functions in themselves and their multilateral organs and ruling without checks and balances.^{xlvi}

«Depoliticising» national economic policy by shifting it to the international arena has not quite worked, however. That shift was in fact one of the causes of the widespread discontent with globalisation and the emergence of the protest movement against globalisation. It has led to the unintentional and extreme politicisation of all international decision-making procedures.

The policy that is diminishing the meaning of democracy. The Western countries created the biggest «external shock» with a sustained impact by deregulating cross-border capital flows and then imposing this virtually worldwide. Today, all countries must live in fear – the poor ones more, the rich ones less so – of capital flight and currency speculation should they take fiscal, social, environmental or economic policy measures that are perceived by international capital investors as a threat to their returns. Globalisers laud this mechanism as the «golden straitjacket» of the financial markets, and regard daily stock market operations as a democratic plebiscite amongst investors on governments' economic good governance. The second pillar of globalisation (see page 17) – permanent trade liberalisation in the WTO framework – is creating international law that neutralises national market regulations and thereby further narrows the available policy space.

It would be wrong to interpret this development as a general «loss of power» by states. The new world economic order could be imposed only because powerful states wanted it. And it will survive only if these states are willing to use all their power to protect the globally exposed fabric of property claims.^{xlvii} It would therefore be more accurate to speak of the state's shifting role in the era of globalisation. In the North, the move is from the welfare state to a kind of «national competition state».^{xlviii} In the South, the shift is from the development state to a kind of state providing a bridgehead for the world market, which is able to safeguard the interests of global elites and control the aspirations of the vast majority of people, who are excluded from worldwide capitalism. In this context, it is misleading to generalise about the «state» without distinguishing between over-powerful, strong and weak states. Switzerland or Bhutan have always been less sovereign than the USA or India.

Even if the «economic loss of meaning» was intentional, it is true, post festum, that no longer can individual states single-handedly change the rules of economic globalisation – except for the USA which, should it unilaterally opt for change, could so destabilise the overall system as to place itself in a position to negotiate and possibly impose new international rules. The same was of course true of the Keynesian era. For although nation-states then enjoyed a relatively high degree sovereignty in economic policy, the Keynesian regime rested on an internationally guaranteed order (e.g. fixed exchange rates), which presupposed international rules and cooperation. The USA unilaterally sounded the death knell of that system when, in a sovereign act in 1971, it removed the dollar from the gold standard and two years later allowed the dollar's exchange rate to float freely.

The rhetorical internationalisation of environmental and social policy. The leading economic players have their own ideas as to what should be regulated internationally and what domestically. Their view is that unlike economic policy, priority should be given to the national or even sub-national regulation of fiscal, social and environmental policy. Only market rules should as far as possible be set internationally in order to guarantee all players a level playing field and thereby create pure competition. On the other hand, any social or environmental problems that are not solved by the operation of the market itself – and they do believe that free markets automatically solve most of these problems – should be tackled subsidiarily, at the lowest possible level.

In practice, however, such market fundamentalism cannot be implemented on a one-to-one basis. There is too obvious a need for global problems affecting many or all countries to be tackled jointly. This applies to several policy areas, though we will pick up just two that have been of overarching significance in the controversies of the past decade. These are social and environmental policy. Alongside economic policy, they too underwent an internationalisation that may best be described as rhetorical. Even the emancipation of women and the gender roles were rhetorically internationalised. UN conferences on these matters produced «soft» declarations of intent by governments and «harder» conventions of international law which are only being reluctantly implemented, if their very making is not yet being torpedoed (Kyoto Protocol). Specifically, these areas of international law lack the power of enforcement that industrialised countries have built into the WTO system of sanctions, the «golden strait-jacket» of financial markets and into the system of credit financing for dependent developing countries. National sovereignties remain better protected. The tangible outcomes of international environmental and social policies are accordingly negligible by comparison with the obvious consequences of international economic policy.

Powerful and weak multilateral institutions. The difference between economic and rhetorical global governance is reflected in two different groups of multilateral institutions. By and large, the United Nations and its agencies today represent the rhetorical, soft global governance, while the Bretton Woods Institutions and the WTO make up the core of the real, hard global governance. The latter are dominated by the industrialised countries, the USA having a formal veto as in the IMF and World Bank, or effectively taking stop-and-go decisions in the WTO. The UN system by contrast is more permissive and more representative of the entire community of states and much more open for developing countries. It represents the world and its majority much better than the Bretton Woods Institutions or even the WTO.

But interestingly, there is no institutionalised voting majority for the industrialised countries and the USA holds no special veto power in the WTO. In terms of form, it is structured like a United Nations without a Security Council. In theory therefore, because consensus is required, each state can block new WTO rules. When the organisation was being established in 1995, the industrialised countries made the de facto assumption that they would be able to determine the substance of WTO agreements – they were confident in their own globalisation euphoria at the time. Since they have been meeting with relatively staunch resistance from developing countries in the WTO, they have been making it clear, pre-emptively, that they will never accept majority decision-making in the WTO and can in any case pursue their foreign trade policy outside the organisation.

Except for the WTO, these institutions all sprang up in the wake of the Second World War, long before the era of globalisation. In the 1970s, the developing countries attempted, by promoting a New International Economic Order, to convert the UN into a

tool of comprehensive global governance that would accommodate their interests. Western business interests and conservative political circles then perceived the move as a revolutionary venture bent on expropriation, and it ended with the counterrevolution in development policy (see page 20f.). After the debt crisis, the USA in concert with Western European countries curtailed the importance and influence of the UN. Besides, they aligned the mandate of the Bretton Woods Institutions – which they dominated – with the anti-Keynesian policy reversal and expanded the role of those institutions. The creation of the WTO in 1995 provisionally completed the shift in weight amongst the multilateral organisations in favour of the industrial countries.

The impact of these multilateral institutions is to create a system of international law and internationally agreed rules that are theoretically applicable to all. The fact that relations amongst states are being increasingly influenced by a network of legal arrangements is being viewed as progress by all and sundry. But the effectiveness of the system is being impaired by the fact that the USA expressly claims the right to take decisions on a case-by-case basis, flouting the rules entirely. The US approach in particular is protecting many other governments that are silently availing themselves of the right to abide by international law and regulations only when it suits them.

All told, the present system of global governance has had a telling impact in the economic realm, albeit of dubious economic usefulness. It has also had considerable social and environmental side-effects and comes at the expense of greater democracy in individual states. In contrast, its impact is slight in those areas where more commitment would be desirable – such as realising all human rights pacts and changing environmental policy, on which humanity's survival depends at any rate. Lastly, it reserves too much decision-making and veto power to the United States and the industrialised countries at the expense of other states that are home to the immense majority of humanity.

Global governance European style. In European circles (including governing Social Democrats and centre parties) the case is being made for international environmental and social policies to be intensified in order to help cushion the negative impacts of economic globalisation. They characterise globalisation as a power imbalance between an «internationalised economy» and «nationally confined politics». In their view, this imbalance can only be corrected through the «internationalisation of politics» or by buttressing political global governance. Since it is no longer possible to steer the economy domestically toward desired economic, social and environmental goals, this must take place internationally. For them it comes down to creating international institutions of global governance or strengthening existing ones for that purpose. What they are in effect proposing is the prospect of «recapturing» an economy that is «on the loose» and rampant worldwide, and «subduing» it in a kind of world state.^{xlix} The European countries were largely instrumental in bringing about the rhetorical internationalisation of social and environmental policies in the 1990s despite the patent indifference of the USA, and in its seeming rise in importance for a time.

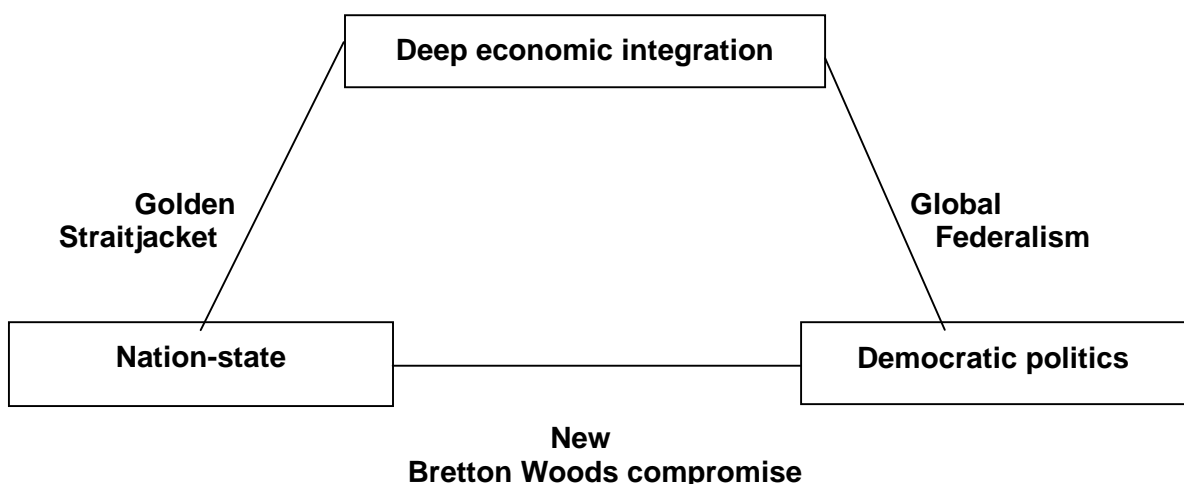
Yet those same leaders in Europe have made common cause with the USA to promote the programme of economic globalisation, eliminate national policy space and to turn the economy «loose», in other words, they helped create the situation they are trying to remedy through strong global governance. It would be hard to grasp their way of thinking without looking at EU experience and the construction of the European internal market, for this has shaped their policy outlook. European politicians have a tendency to conceive of economic globalisation as something akin to constructing the European internal market, and see the mission as creating something

similar at the world level. In other words, their concept of global governance embodies some acceptance of the programme of economic globalisation as promoted over the past 25 years. But they would like to complement it by adding social, environmental and other soft rules leading to the creation of a kind of worldwide «Brussels».¹

This specifically European conception of global governance has been mired in crisis for some time now. The Bush Administration abruptly terminated the benevolent multilateralism of the Clinton era, ridiculed European global ambitions and provoked a split amongst EU members over global questions that will be hard to mend even after the Bush era. At present, the USA does not seem inclined to consider any internationalisation of policy beyond the securing of its own imperial interests and imposing free markets. Besides, powerful political protest is rising within the EU against European governance and its democratic deficit. The shift of economic policy competences to the EU has heightened frictions with all those social groups that until just a few years ago were pleased to hold a certain negotiating weight in national politics. Lastly, the eastward enlargement of the EU – for the time being at least – is causing some softening of Europe’s gentle sense of mission in matters of global governance.

The political trilemma of the global economy. Europe’s ideas on global governance are not without their problems. They contain mutually incompatible goals. According to Harvard economist and G77 adviser Dani Rodrick^{li}, full economic integration of all countries, the spread and strengthening of democratic politics and the self-determination that is possible in nation-states all make up the «political trilemma of the global economy» (see diagram). The three goals are not all compatible with one another – only two can be pursued at a time.^{lii}

If the objective is deep economic integration within the framework of the nation-state system, as pursued for years now by the politics of globalisation, then the golden straitjacket of financial markets considerably reduces the scope of democracy. «Once your country puts on the golden straitjacket», jokes US globaliser Thomas Friedman, «its political choices get reduced to Pepsi or Coke – to [...] slight alterations in design to account for local traditions, [...] but never any major deviation from the core golden rules. [...] The Golden Straitjacket narrows the political and economic policy choices of those in power to relatively tight parameters. That is why it is increasingly difficult these days to find any real differences between ruling and opposition parties in those countries that have put on the Golden Straitjacket.»^{liii}



Friedman and others believe that this loss of choice will be more than offset by the incredible economic prosperity produced by the system. Given the choice between fundamental political options or enough income to be able to afford the supermarket, most people would go for the latter. Two comments are in order here. First, no-one has tested this choice in practice and no-one has ascertained the will of the majority. Second, the «golden straitjacket» does not bring wealth. It does indeed take a lot of chutzpah, after 25 years of «golden straitjacket», to continue to pretend that everyone's prosperity is growing, when – leaving aside the super-rich – all the facts prove the contrary.

If we want something akin to democratic decision-making in a fully integrated global economy, it will require a «world state» underpinned by some democratic procedure, which takes precedence over the nation-states. In his diagram Rodrick calls this «global federalism». We must imagine extending to the whole world, first the «European Union», and then at a «more advanced» stage of development the «United States», and it will then become clear that we are light years away from a functioning world state. A world state does not seem feasible even in the form of US military domination, to say nothing of a democratic project based on the approval of today's 6 billion people, who would perhaps number 10 billion by the time such a project were realised.

If on the other hand we want democracy and nation-states, then we must abandon the goal of full economic integration and radically change the course of the current politics of globalisation. In the event, Rodrick continues, we would need a «new Bretton Woods compromise». An «old» Bretton Woods compromise operated during the Keynesian era, which allowed individual nation-states the freedom to develop economic institutions and market regulations of their choosing, provided that they eliminated certain obstacles to cross-border trade and guaranteed equal treatment for all trading partners. On the other hand, they were reserved the right, indeed even encouraged, to control cross-border capital flows. For Keynes and the other architects of the post-War economic order, free international capital flows and national economic stability were mutually incompatible.

The demands of the *altermondialistes*, of grassroots movements from South and North and thousands of NGOs lie in the direction of a new Bretton Woods that is suited to our times and therefore has a strong environmental component, unlike that of 1945. The main planks of the protest movement against globalisation are in line with this – re-regulating financial markets; removing whole sectors from the scope of WTO rules and disciplines, e.g. agriculture, investment or public services; cutting back the powers of the WTO to the regulation of cross-border trade flows, with no further interference in domestic market regulations; eliminating the financial conditionality with which the Bretton Woods Institutions are currently hampering effective economic development strategies. Amongst others. Not all these demands and planks are fully compatible. Not everything has already been thoroughly thought out. But the general direction is the right one. In the view of Walden Bello, a leading light for the *altermondialistes* and Director of Focus on the Global South in Bangkok, «deglobalisation» is necessary in order to make way for «another globalisation».^{iv}

«We should invade their countries, kill their leaders and convert them to Christianity! We weren't punctilious about locating and punishing only Hitler and his top officers. We carpet-bombed German cities; we killed civilians. That's war. And this is war.»

Ann Coulter, This is war^{lv}

6. Imperialism with a «human face»?

A new Bretton Woods compromise is possible. It is in the interest of most developing countries, for it will decisively improve their development opportunities.^{lvi} Since the Asian crisis, developing countries have been putting up some resistance to the permanent liberalisation being promoted by the USA and the industrial countries. The viewpoints emanating from the G20, which was initiated by the Brazilian Government together with India and South Africa and in which China also plays an active part, are in line with a new Bretton Woods compromise. Besides, this also serves the interests of the mainstream of the protest movement against globalisation and many social forces in developing countries. Lastly, it could garner the interest of broad sectors in industrialised countries, whether for material reasons, because they are not internationally mobile and their economic security is being undermined by the «golden straitjacket», or for idealistic reasons, as they feel revolted by the social Darwinism and militant greed that are part and parcel of the culture of economic globalisation. Should these three groups pool their efforts, they could – though not necessarily – generate sufficient power, impetus and pressure to wrest a new Bretton Woods compromise from the ruling elites who are benefiting from the status quo.

But a new Bretton Woods is also the clear and practical answer to the question of what could be the «human face» that the elites in industrial countries wish to put on globalisation. Such a compromise would bring us a good deal closer to a more humane, albeit somewhat less economically globalised world. If the liberal globalisers are serious about their world view and grant that all people are entitled to prosperity, freedom to develop their lives, untrammelled participation in public affairs and to equal opportunity, then they should treat the individual elements of a new Bretton Woods compromise as negotiable. The main point at issue is still of course the policy of forced world market integration, which for the time being is benefiting the economic elites in industrialised countries. What will need to be thrashed out is the realisation that the policy of forced world market integration is seriously damaging the long-term interests of the industrialised countries by widening the North-South gap and threatening to ramp it up politically into a «hot» conflict, and because it is leading us all toward environmental disaster.

One world or hostile worlds? A «New Bretton Woods» is an optimistic scenario. Those who could realise it do believe in such a thing as *one world* and in equal dignity and rights for all people. They believe that the conflicts of interests between industrial and developing countries and between the globally mobile elites of all countries and the rest of humanity are indeed considerable but can still be handled in a relatively rational manner.

But the optimistic scenario is no inevitability. The events of 11 September 2001 badly shook the trust in the world held by ruling circles in the USA and other wealthy, vulnerable industrialised countries. New world views and fantasies have been emerging in their wake, raising questions about the unity of the global village. In the

euphoria of globalisation, street vendors in Bolivia, market women in Senegal, rice farmers in Vietnam or rickshaw operators in Dhaka – just like currency dealers in Zurich – were all considered equal «stakeholders» in the budding new people's capitalism, which had been liberated from the heavy hand of the state. Since 11 September, however, at least the market women in Senegal and the rickshaw operators in Dhaka have fallen under the suspicion of being in league with the worst enemies of «our civilisation».

The new world views that are agitating public opinion in the western world are binary in nature. They divide the globe into civilisation and barbarism. They are also «proprietary», which means that they only match the intellectual and emotional software of Europe and European settler states. This contrasts with the message of the global village. That too was concocted in North America and Europe, but is attracting followers far beyond those confines – because it looks «inclusive», whilst the new world view is «exclusive».^{lvii}

War against whom? The western world's security establishment and many of its governments regard the terror attacks on New York's Twin Towers as the start or the founding event of a new strategic era. «September 11th was for me a revelation», said Tony Blair. There was of course nothing new about terrorist attacks that claimed numerous civilian victims. Neither were the perpetrators new – Islamist groups have long engaged in terrorist activities. There was also nothing new about targeting the USA. What distinguished September 11 was «that in one go it illustrated what the use of weapons of mass destruction by terrorist groups» could mean.^{lviii} What was new was a perception of a threat that could materialise in the future with potentially much more horrific consequences than the terror attacks of September 11, which were executed with considerable technical sophistication, but using conventional means.

Since then, the USA and its allies have been contemplating possible cooperation between terrorist groups and states possessing weapons of mass destruction as the main global threat that must be countered by all possible means. They see this threat as one of apocalyptic dimensions: «What galvanised me», said Blair, «was that it was a declaration of war by religious fanatics who were prepared to wage that war without limit. They killed 3000. But if they could have killed 30,000 or 300,000 they would have rejoiced in it».^{lix}

There are three problems with this perception:

1. It led Washington to react to the attacks by declaring a «war on terror» with the army in the leading role, instead of fighting terrorist networks with police and intelligence methods and bringing the guilty to justice. In addition to terrorists, the Bush Administration defined as its war enemies those countries that currently support terrorists or could do so in the future. This is the logic underlying the war against Afghanistan and Iraq. The war operations are also covering territories that could serve terrorists as staging areas, including failed states as well as peripheral regions in the national territories of kindly disposed governments. Cases in point are Somalia, parts of Saudi Arabia and Pakistan's North West Province. For a long time now the US Army has also been targeting «wide-open, relatively desolate areas of Africa», which it does not want to turn into «another Afghanistan». Accordingly, special American units have been working together with local armies in Mali, Chad, Mauritania and Niger under the Pan-Sahel Initiative. The danger is that such operations could well create just what the US is trying to prevent – in other words, countries which, like Afghanistan, slide (back) into long drawn-out tribal wars, because old disputes in the Sahel between the nomadic and sedentary people's are being revived.^{lx}

The available information on al-Qaeda indicates that it has had no ties with the incriminated states since the fall of the Taliban. There are probably less al-Qaeda operatives in Mali than in Hamburg, New Jersey or Paris, for instance. The cadres that were either caught or who killed themselves do not come from the regions figuring prominently in the war on terrorism. They were recruited from amongst former Afghan fighters now scattered across the world, from the Muslim diaspora in Europe, from Saudi Arabia and Pakistan, and even include American converts to Islam. Not to put too fine a point on it, the war on terror is therefore tending to miss its real enemies and create new ones instead. Hence the recurring criticism in the USA that Bush's war on terror is encouraging rather than containing terror.

2. Not only does the war on terror run the risk of missing the terrorists of September 11. It is also leading states to throw themselves into the arms of the war alliance in order to obtain US help in dealing with their own problems. Governments that are grappling with separatist movements or an armed opposition are now receiving Washington's blessing to proceed with unrestrained military might against them. The more Muslim those movements, the stronger the blessing. The Philippines, Indonesia, India and Nepal, the Central Asian dictatorships, China, Russia, Algeria and others are cashing in on this. The result is that the war is being extended to conflicts that lack the remotest connection with September 11 and the problems behind it. After 1989, the international community and the USA had tended to pressure such states to seek political solutions to problems with armed movements, for whose emergence they were usually responsible in large measure. Now the USA is wiping out those efforts. This is in direct contradiction to the programme tabled by the Bush regime at the G8 summit in June 2004 for enforcing democracy in the Arab world.

3. With their apocalyptic interpretation of September 11, the USA and its allies are ultimately evading the task of exploring the political causes of the terrorist attacks, identifying perpetrators' potential demands and limits or even of determining clearly who the perpetrators regard as their enemies. Western leaders have often portrayed the attack to their public as an attack «on us all». An attack that remained «inconceivable» and for which no rational motive could be recognised. That was simply the irrational way of «religious fanatics» and «nihilists». Deep in their confused hearts they would hate our democracy and culture or be deeply resentful of the fact that after 200 years of industrialisation in the West, women may well not yet enjoy equal rights but nevertheless are no longer family property.

This culturalisation of the conflict – «mediaeval» religious fanatics versus enlightened, modern, pro-women democrats – is misleading, and it clouds any understanding of the causes. The causes for which the USA is itself answerable include its foreign policy interventions and alliances in the Middle East and the Islamic world, encouragement of repressive «stable» regimes, and its protracted flirt with Islamic and later Sunni fundamentalism, which it viewed as a bulwark against Nasser's Pan-Arabism, the Arab left, the PLO and the Iranian Revolution. The causes also include US partiality toward Israeli governments in the conflict with the Palestinians. Lastly, the deep friendship with Saudi Arabia and Pakistan, which did much to facilitate the greater jihad against the Soviet Union in Afghanistan both financially and militarily – a strategic achievement that American government personnel still look upon with pride today.^{ixi} The causes to be considered also include the situation of Muslim immigrants in Europe. Their integration has suffered major setbacks and is being further complicated by islamophobic sentiments that have grown over the past 15 years and are being fanned by right-wing parties. This accounts for the politically charged re-islamisation of Turkish, Arabic and Pakistani immigrants.

These causes do not excuse the murder of 3000 cleaning women, house technicians and employees who symbolically had to pay for the misdeeds of the «crusaders». Nor

does the task of eliminating the causes dispense with the obligation to neutralise the terrorists themselves. But as US journalist William Pfaff wrote on the day of the attack, for the US and other Western countries, the only real defence against external attack is «serious, continuing and courageous effort to find political solutions for national and ideological conflicts that involve the United States [and Western Europe]». ^{lxii}

«Clash of civilisations» or «civilisation against barbarism»? Broad segments of public opinion in the Western world interpret the conflict embodied by September 11 as a struggle between the Islamic and Christian civilizations. The world view of Usama bin Laden's fighters, who see themselves as frontline combatants against the imperialism of «crusaders» and «Zionists», seems to confirm the 'clash of civilizations' reading. Journalists often resort to Samuel Huntington's theses about the worldwide «clash of civilizations» that is now taking over following the age of struggle between hostile ideologies. After September 11, raw anti-Islamic propaganda found new ground in the USA, while in Europe it grew stronger. Parts of the American Right are openly swearing revenge against Islam and, like Ann Coulter who is quoted at the beginning of this chapter, are in favour of a second crusade to Christianise the Muslims by force. ^{lxiii} Right-wing parties in Europe have been engaging in similar agitation against Islam and immigrants of the Islamic faith. ^{lxiv}

The fundamental criticism of Huntington's ideas also applies to the interpretation of September 11 as a conflict between Christianity and Islam. «Cultures» or «civilisations» are not players or entities capable of action, nor are they tangible, hard-and-fast identities. People are not slaves to their «culture», but thanks to differentiation, are not all the same. Conflicts within and between societies follow the dividing lines of competing interests and cut diagonally across religions and cultures. Yet acute conflicts of interests can be invested with cultural or religious significance and used to stir up and set people against one another in the name of religion, culture or nationality. Therefore, those who view the world's conflicts as a «clash of civilizations» and act accordingly risk bringing about the very thing they are warning against.

US Governments and their Western European allies generally distance themselves from the interpretation of the war on terror as a clash of civilizations and repeatedly underline that they are not at war with Islam. They prefer to talk about a conflict between civilisation and barbarism. In his anniversary speech in defence of the Iraqi invasion, Bush said: «There is a dividing line in our world, not between nations, and not between religions and cultures, but a dividing line separating two visions of justice and the value of life. [...] There is no neutral ground in the fight between civilization and terror, [...] good and evil, freedom and slavery, and life and death». ^{lxv}

The intellectual background to the «life and death» struggle is furnished by a wealth of theories that make analogies with the fight of democracies against fascism. ^{lxvi} They hold that the world is moving toward a new global conflict with forces that embody the revolt against modernity and enlightenment, and that there are reactionary political forces in the Islamic world comparable to European and Japanese fascism in that they are bent on using modern means to destroy modernity. Opposed to them is the «legitimate idea of the West, that is to say, the world's liberal democracies», which also includes the «fragile Asian democracies». This conflict will cut across cultures and will be fought out principally in the Islamic world. ^{lxvii}

This analysis also has a following in Europe. The German Foreign Minister Joschka Fisher assured the US before the G8 Summit in 2004 that despite all the divergences over the Iraq war, Germany viewed the world situation in a similar manner. Islamist terror was the new totalitarianism and the greatest global threat. ^{lxviii}

Just how far Islamic fundamentalism can be seen as analogous to fascism is a matter of dispute and remains to be seen. Yet when Western governments sell «the war on terror» as a reproduction of the fight against fascism or totalitarianism, such propaganda amounts to a grotesque and disproportionate distortion. Of course Islamist terrorists are able to carry out horrendous attacks in the USA or in other countries. Still, they pose no strategic challenge because they lack the instruments of power required to disrupt Islamic states let alone the world's powerful countries. The major Sunni fundamentalist parties have distanced themselves from al-Qaeda and other violent Islamist sects and are following entirely different strategies to boost their influence in their societies. And once in power, as in Turkey, they are already against al-Qaeda for reasons of preserving their power. Shi'ite fundamentalists and the Iranian Government are hostile to them, too.

The «rogue states» pose just as negligible a strategic threat. However capricious, cruel and inhumane their leaders may be – they are no ghosts of «Hitler», for their countries lack the industrial, technological and financial apparatus even of a country as small as Switzerland. The all-important difference is whether murderers are in command of highly industrialised countries or middling-to-small, semi-industrialised Third World ones. There is absolutely no factual basis for the propagandistic equation of the attackers of September 11 or of Saddam Hussein's Iraq with the fascist threat.

A new «liberal imperialism» with a mandate for «re-establishing order». The exaggerated threat scenarios ultimately bespeak fears that far outreach the conflict with the terrorists responsible for September 11. Is al-Qaida just a foretaste of violent reaction from the «Wretched of the Earth» against this world's glowing islands of wealth? Can the industrialised countries stave off politically and militarily channelled anger and desperation on the part of the billions living on the downside of globalisation? Such questions are no doubt a subliminal indication of the mood that has descended on some of the West's elites since September 11.

This can also be discerned from the geostrategic assessments being made by security personnel in industrialised countries, which have very little to do with a global market uniting all peoples. As the US army puts it, globalisation's «gaps» are located in Asia, Africa and Latin America, which are regions «plagued by politically repressive regimes, widespread poverty and disease, routine mass murder, and [...] chronic conflicts that incubate the next generation of terrorists». Under this analysis, the emerging market countries are located at the «seam» between the gaps and the «core of globalisation» comprised of the industrialised countries. Their role is crucial to the defence of the industrial countries, and includes providing forward bases for interventions into the «gaps».^{lxi}

For now, the «seam states» are friendly marshalling zones against the enemy. The crucial question in security circles is of course whether they will 'stay with us or act against us in the future'. Tony Blair's foreign policy adviser Robert Cooper cautiously anticipates that they could also turn «against us». Cooper's world consists of three zones: (1) a «pre-modern» one where the state has failed and a «war of all against all» is underway, comparable to the US Army's «gaps». (2) the zone comprised of «traditional, modern states», by which Cooper means the emerging market countries or «seam states», which, as in the 19th century, give absolute priority to their national interests and show imperialist tendencies. This makes them a potential threat to zone (3) comprised of «post-imperial, post-modern states». At the top of the evolutionary ladder, this latter group observes law and justice and renounces force in its internal dealings. In this group Cooper includes the EU and, with some restrictions, the other states of the Western world.^{lxx}

By the logic of such world views, leading circles in USA and some other Western countries see the «re-establishment of order» or the «restitution of a global order of stable nation states» as the «paramount question in world politics» in our time – referring mainly to the «gaps» or the «zone of modern states».^{lxxi} They consider the conventional means of international cooperation and the UN system to be unsuitable for that purpose, and are calling instead for a new imperialism.

That new imperialism comes imbued with good intentions. Unlike earlier times, it ought not serve the selfish interests of the imperialists or pander to their racial arrogance, but instead, as Cooper says, be «acceptable to a world of human rights and cosmopolitan values», in a word, it should be «liberal». And who better to «implement» this «liberal» imperialism than the USA? In making the case for the USA as «a reluctant imperialist», Washington Post columnist Sebastian Mallaby maintains that when the alternatives to the new imperialism are at all workable, it is only to a limited extent.^{lxxii} Development aid had so far served as an alternative. Still, it had failed «to shake up the most dysfunctional countries out of poverty, especially in regions such as sub-Saharan Africa». Mallaby hopes that the new imperialism will succeed where development aid has failed. One wonders what makes him so confident. Successes of European colonialism that we may have overlooked? The new imperialism is finding supporters even amongst liberals such as Canadian human rights champion Michael Ignatieff, whose hope is that the USA will proceed vigorously against genocide.^{lxxiii}

Typically, Mallaby and the other champions of this new «human» imperialism are trying to make the old imperialism seem better. Cooper writes that the «most logical way to deal with chaos, and the one most employed in the past» was «colonisation». Ignatieff's view is that the old imperialism had a civilising mission, «with a view to schooling tribes and so-called inferior races in a lifestyle of self-discipline».^{lxxiv} Ignatieff naturally criticises the arrogance that went along with the civilising mission. But elevating imperialism to the plane of compulsory schooling in Calvinist and Protestant virtues far surpasses the essential facts. To its victims, imperialism brought the destruction of industry and the expropriation of the best agricultural lands, slavery and widespread forced labour – hardly what one would call a «lifestyle of self-discipline». Kaplan for his part sees imperialism as «the most ordinary and dependable form of protection for ethnic minorities and others under violent assault». He adduces the example of the protection afforded Jews in the Ottoman Empire. This is a beautiful story, but hardly that of European world domination and colonisation! Colonisation did not bring «order» to the societies that were subjugated or exterminated, but plunged them into such «chaos», the effects of which are still being felt to this very day.^{lxxv}

When it comes to the means, the defenders of the new imperialism believe it should be unflinching. In his manifesto-like book *Warrior Politics*, Kaplan advises the leaders of the USA and their allies to turn to the «pagan» rather than the «Christian ethos» in dealing with the hordes of fanatic young men and capricious rulers who posed a threat to western democracies. Cooper calls for the use of «double standards» in dealing with states and forces from the modern and pre-modern zone: «Among ourselves, we [the post-moderns] operate on the basis of laws and open cooperative security». When dealing with the others «we need to revert to the rougher methods of an earlier era - force, pre-emptive attack, deception. [...] When we are operating in the jungle, we must also use the laws of the jungle.» Cooper's «jungle» encompasses all that lies outside the western world. That perception was no different in the era of European imperialism, which ended less than a century ago.

Fantasies abound in this climate to the effect that a decisive military crackdown by the good imperialist could solve many of the problems besetting the planet. That would

be far more effective than long drawn-out processes of social and political emancipation in the individual countries or multilateral negotiations, diplomatic efforts and international cooperation. In this, the war on terror is finding its true mission: armed enforcement of free markets, democracy and human rights. It is meant create order and protect the empire of globalisation. Yet this is possible only on a case-by-case basis, for even the resources of the USA and the industrialised countries together are not enough to intervene wherever they scent danger.

Anyone who believes that complex problems in developing countries – some self-made, some caused by earlier outside interventions – can be solved through drastic military action is oblivious to the fact that Latin America, Africa and Asian remember the armed interventions by Europe and its settler states as synonymous with disaster, humiliation and dishonour. When George Bush wonders «why they hate us», and indeed even in Christian Latin America, he could easily find his answer in the history of those interventions, if he wanted to know at all. For recalling the US defeat in Vietnam, our liberal imperialist Michael Ignatieff also warns that imperialistic interventions, which he considers necessary, could be an affront to nationalist sentiment and the desire for self-determination in developing countries.

Besides, the interventions in Afghanistan and Iraq provides ample illustrative material that even an «imperialism of liberation» from despised rulers does not solve the problems that are the social breeding-ground for dictatorial forms of government. This is most striking in Afghanistan. After the Northern Alliance marched triumphantly on Kabul with US support, pictures flashed around the world showing men shaving their beards, women casting off the burka and music again being played in public. An enormous celebration of deliverance seemed to be in progress. Two years on, women are again hiding behind the burka, and countless Afghans are living in fear – of Northern Alliance leaders, other warlords and the menace of revenge by the Taliban, who have regained some power.

There is strong worldwide resistance to the new imperialism. Some European States even ventured to snub the USA in the run-up to the Iraq war. The UN Security Council saved its honour by refusing to approve the war on Iraq, which was being justified with a fabricated web of lies. And since it became public that the US defenders of civilisation against barbarianism have been torturing the liberated in Iraq, talk about a «liberal imperialism» has also been internationally discredited.

Ultimately, however, all are prisoners of the new, critical situation created by the USA. The rapid withdrawal of the intervention forces would be more likely to compound rather than improve the situation of the people in both countries. But nor does the alternative look very bright, and can just as easily end in disaster. A NATO quasi-protectorate is now being installed in Afghanistan, where Germany is making a strong stand to atone for its sins in connection with the Iraq war. The Swiss Government is considering a role in it. The USA has received a UN-mandate to set up a kind of protectorate to ensure stability in Iraq and avert a looming civil war. Both protectorates could end with the intervention powers shoring up and rearming those local power groups that seem best placed to repress their rivals, secure law and order and cater to western demands. The cycle of problems leading to state implosion would then recommence.

It is crucial for the US Government to meet resistance to the militarisation of its world policy. Outside pressure is vital to bringing about changes. Irrespective of the presumptuousness of the new imperialism, it is of paramount importance to press ahead with strengthening international law in state-to-state relations instead of ridiculing it, to buttress multilateral institutions and to redistribute power to the benefit of developing countries. Europe could play a pivotal role here.

Yet its elites see the post-September 11 world in a manner similar to the USA, and fear «of the South» is complicating its plans as well. Moves to create a European military intervention force, whatever its structure, for deployment under the shelter of the «reluctant imperialist» are one outcome of this. Under the European Union's new security policy, all foreign relations are to be subordinated to security considerations, more specifically development cooperation and North-South policies – and this over protests from all of Europe's leading private development organisations.

Naturally, the deciding factor will ultimately be domestic political developments in the USA and other industrialised countries. A Bush re-election can only signify another four lost years during which the West's dominant power will be irresponsibly fanning the flames of all manner of international conflicts. But even «regime change» in the USA will not guarantee an automatic end to the politics of fear. It will take substantial changes in the domestic policy landscape of the major industrialised countries to push back «imperialism with human face» and open the way for a new Bretton Woods compromise. And to defeat «terrorism».

Notes

ⁱ The «Development Policy Guidelines» together with Peter Niggli's situational analysis have been published as a book in German and French. In English, the three documents (including the third text, «The Strategy of the Swiss Coalition of Development Organisations») are available at www.swisscoalition.ch.

ⁱⁱ Hernán de Soto, *The Mystery of capital. Why Capitalism Triumphs in the West and Fails Everywhere Else*, New York 2000, p. 191.

ⁱⁱⁱ Vargas Llosa lost the election – to Alberto Fujimori, who had rejected his economic programme during the electoral campaign, but nonetheless implemented much of it as President. According to Vargas Llosa, Fujimori was welcomed by the political Right and much of the business community, who hailed him as «the Pinochet for whom they had been secretly hankering». Welcome to South America's real-life capitalism! See Mario Vargas Llosa, *Der Fisch im Wasser. Erinnerungen*, Frankfurt/Main 1995, p. 674.

^{iv} Pasuk Phongpaichit and Chris Baker call this establishment radicalism in their book *Thailand's Crisis*, Chiang Mai (Thailand) 2000, p. 234.

^v Amy Chua of the Yale Law School is critical: «The United States is aggressively exporting a model of capitalism that the Western nations themselves abandoned a century ago.» Together with the rawest form of democracy, the package is being forced upon «the poorest, most frustrated, most unstable, and most desperate countries» – a sure way to destabilisation. Amy Chua, *World on Fire. How Exporting Free Market Democracy Breeds Ethnic Hatred and Global Instability*, New York 2003, p. 195.

^{vi} In 1998 and with the help of the first internet-supported global campaign, the movement led to the collapse of the OECD *Multilateral Agreement on Investment (MAI)*. The industrialised countries wanted to use the MAI to circumvent opposition from the developing countries to an agreement on investment within the World Trade Organisation (WTO).

^{vii} The ease with which our elites are able to talk about globalisation or capitalism «with a human face» is astounding. In the 1960s, Czech reform communists were said to be aiming for «socialism with a human face», which implied that unreformed socialism was an inhumane system. Can it therefore be inferred that they also regard globalisation or the present variety of unbridled capitalism as inhumane?

^{viii} The expression «The West Versus the Rest» was coined by Samuel Huntington in his notorious 1993 essay «The Clash of Civilisations», which he later expanded into a book of the same name. See *Foreign Affairs*, Vol. 72, No. 3, Summer 1993, p. 39.

^{ix} This sticker was available to motorists in the 1990s. Cited in Carl Amery, *Hitler als Vorläufer. Auschwitz – der Beginn des 21. Jahrhunderts?*, Munich 1998, p. 184.

^x See Marina Ottaway, *Democracy Challenged. The Rise of Semi-Authoritarianism*, Washington 2003.

^{xi} UNDP published a report on this in 2004. See Warren Hoge, «Latin Americans down on democracy, UN finds», *International Herald Tribune*, 21 April 2004.

^{xii} See the annual World Wealth Report by Capgemini and Merrill Lynch. The above figures refer to 2003 and were drawn from the 2004 Report (www.ml.com/about/press_release/20040615-1_world_wealth_pr.htm).

^{xiii} Shlomo Yitzhaki and Branko Milanovic, *Decomposing World Income Distribution: Does the World Have a Middle Class?*, 2001. (<http://econ.worldbank.org/view.php?type=5&id=1423>) Yitzhaki und Milanovic use data from the year 1993. If transposed to the present day, the values for income thresholds between classes would shift – the lowest class would probably contract slightly while the middle class would expand slightly owing to developments in China and India.

^{xiv} Outside of Europe and North America, the global class pyramid also takes the form of a «race pyramid». See for example the historian Pontinan Godfrey Okoth of the Maseno University in Kenya: «The minority whites occupy the pole of affluence, while the majority of other races occupy the pole of poverty». Cited in *Sunday Nation*, Nairobi, 18 January 2004, p. 12.

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- ^{xv} Joseph Stiglitz, *The Roaring Nineties. A New History of the World's Most Prosperous Decade*, New York 2003, p. 13.
- ^{xvi} See Lisa Stadler and Uwe Hoering, *Das Wasser-Monopoly. Von einem Allgemeingut und seiner Privatisierung*, Zurich 2003.
- ^{xvii} The Nobel Prize laureate for economics was member and Chairman of the Clinton Administration's National Economic Council from 1993 to 1997. Joseph Stiglitz, *The Roaring Nineties. A New History of the World's Most Prosperous Decade*, New York 2003, p. 23.
- ^{xviii} Thomas L. Friedman, *The Lexus and the Olive Tree. Understanding Globalization*, New York 1999, p. 285. The Merrill Lynch advert cites Friedman on page xiii.
- ^{xix} See Ulrich Beck, *Was ist Globalisierung? Irrtümer des Globalismus – Antworten auf Globalisierung*, Frankfurt/Main 1997, p. 26.
- ^{xx} Robert D. Kaplan, *Warrior Politics. Why Leadership Demands a Pagan Ethos*, New York 2003, 2nd Edition, p. 119.
- ^{xxi} Henry Kissinger, Lecture at Trinity College, Dublin 12 October 1999, cited in Chakravarthi Raghavan, *Statement on behalf of the Third World Network*, October 25, 1999, Committee of the Whole (in preparation of UNCTAD X) www.twinside.org.sg/title/unctad2-cn).
- ^{xxii} Bill Emmott, *Vision 20/21. Die Weltordnung des 21. Jahrhunderts*, Frankfurt/Main 2003. p. 32 et seq.
- ^{xxiii} Daniel Yergin's Bestseller *The Commanding Heights. The Battle Between Government and the Marketplace that is Remaking the Modern World* (New York, 1998) depicts globalisation as the outcome of the «liberation struggle» by *homo oeconomicus* to escape the deadly embrace of the state.
- ^{xxiv} Anne Krueger, «Educating Globalization's Luddites», *Financial Times*, 16 April 2004.
- ^{xxv} «The case for globalization», *The Economist*, 23 September 2000, p. 17.
- ^{xxvi} Branko Milanovic, «The Two Faces of Globalization: Against Globalization as We Know It», *World Development*, Vol. 31, No. 4, 2003, p. 667.
- ^{xxvii} Because of this criticism and the Asian crisis, the Washington Consensus was revised. The post-Consensus period is marked by a series of additional demands. Not only is an economic policy of opening and deregulation now being demanded, but so is the strengthening of a range of institutions. Jessica Einhorn, a former World Bank Administrative Director, criticises that institution for its tautological definition of development: «To argue that developing countries need market-friendly policies, stable macro-economic environments, strong investments in human capital, an independent judiciary, open and transparent capital markets, and equity-based corporate structures with attention to modern shareholder values is to say that you will be developed when you are developed.» See Jessica Einhorn, «The World Bank's mission Creep», *Foreign Affairs*, September/October 2001. Vol. 80, No. 5, p. 31.
- ^{xxviii} John Toye, *Dilemmas of Development. Reflections on the Counter-Revolution in Theory and Policy*, Oxford (UK) 1987, p. 141. Toye was then Director of the renowned Institute of Development Studies of the University of Sussex.
- ^{xxix} World Bank, *The State in a Changing World. World Development Report 1997*, Washington/ New York. See Figures 1.2 and 1.3, p. 22 et seq. There are marked regional differences. The appreciable decline in the government spending ratio in South America contrasts, for example, with a relatively sharp increase in that same ratio in South Asia.
- ^{xxx} See Dani Rodrick, *The New Global Economy and Developing Countries: Making Openness Work*, published by the Overseas Development Council, Washington 1999.
- ^{xxxi} Cited in Joseph Collins and John Lear, *Chile's Free-Market Miracle: A Second Look*, published by the Institute for Food and Development Policy. Oakland CA, 1995, p. 28.
- ^{xxxii} Direct and Portfolio Investments. *Reality of Aid 2000*, p. 8.
- ^{xxxiii} Mark Weisbrot, Dean Baker, Egor Kraev, Judy Chen, *The Scorecard on Globalization 1980–2000: Twenty Years of Diminished Progress*, Center for Economic and Policy Research, Washington 2001.

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- ^{xxxiv} An egalitarian redistribution of world economic output would considerably boost the prosperity of most of humanity. Such a distribution would have meant a per capita product of \$5,080 in 2002 – Africa as a whole can only dream of any such thing. Yet it is clear that no country or group of countries could divide its wealth by a two-digit factor for redistribution without creating political and economic chaos that no government or state would survive.
- ^{xxxv} David Dollar//Aart Kraay, *Growth Is Good for the Poor*, World Bank, 2000.
- ^{xxxvi} Janine R. Wedel, *Collision and Collusion. The Strange Case of Western Aid to Eastern Europe 1989–1998*, New York 1998, p. 22.
- ^{xxxvii} Joseph Stiglitz, *Die Schatten der Globalisierung*, Berlin 2002.
- ^{xxxviii} Walden Bello and Stephanie Rosenfeld, *Dragons in Distress. Asia's Miracle Economies in Crisis*, published by the Institute for Food and Development Policy, San Francisco 1990, p. 4.
- ^{xxxix} Because India's demographic growth rate declined over the same period, the per capita growth figure of 3.7 per cent for the 1990s was somewhat higher than in the decade before (3.6%). Figures drawn from World Bank, *Global Economic Prospects and the Developing Countries, 2002*, p. 234 et seq. For a discussion of India's productivity and the debate surrounding that country, see *The Economist*, 29 May 2004, page 76: «Who put the shine into India?»
- ^{xl} See World Bank, *Globalization, Growth and Poverty: Building an Inclusive World Economy*, Washington, January 2002. The sentence cited is on page 34.
- ^{xli} Dani Rodrik publishes a series of country studies on successful and failed world market integration. See Rodrik, *The Developing Countries' Hazardous Obsession with Global Integration*, 2001, www.ksghome.harvard.edu/~drodrik.academic.ksg/papers. For additional information see Branko Milanovic, «The Two Faces of Globalization: Against Globalization as We Know It», in *World Development*, Vol. 31, No. 4, 2003. Outstanding Alice H. Amsden's study, *The Rise of the «Rest». Challenges to the West From Late-Industrializing Economies*, New York 2001.
- ^{xlii} *Newsweek*, 13 May 1985. Cited in Thandika Mkandawire, *The Need to Rethink Development Economics*, UNRISD, 2001. See www.unrisd.org/engindex/research/rethink.
- ^{xliii} Naturally, development economics has not died out, despite the official anathema. There are numerous contributions and criticisms from heterodox economists on the situation of developing countries. There have also been more recent attempts to launch a veritable regeneration of development economics. In this regard, see the minutes of the 2001 UNRISD Conference in Cape Town, «The Need to Rethink Development Economics». (www.unrisd.org/engindex/research/rethink)
- ^{xliv} Cited in Ulrich Beck, *Macht und Gegenmacht im globalen Zeitalter. Neue weltpolitische Ökonomie*, Frankfurt/Main 2002, p. 13.
- ^{xlv} Jean-Daniel Gerber, «The Challenge of Globalization: The Swiss Way», Address to the Swiss-American Chamber of Commerce, 21 June 2004, printed text, p. 5.
- ^{xlvi} Balanyá et al., *Konzern Europa. Die unkontrollierte Macht der Unternehmen*, Zurich 2001.
- ^{xlvii} See Ronen Palan, *The Offshore World. Sovereign Markets, Virtual Places, and Nomad Millionaires*, New York 2003, p. 86 et seq.
- ^{xlviii} Joachim Hirsch speaks of the «national competition state» in *Der nationale Wettbewerbsstaat. Staat, Demokratie und Politik im globalen Kapitalismus*, Berlin 1995.
- ^{xlix} See the review in Ulrich Brand et al., *Global Governance. Alternative zur neoliberalen Globalisierung*, published by Heinrich-Böll-Stiftung and WEED, Munster 2000.
- ^l The idea of bringing social and environmental clauses into the WTO agreements can be traced back to this concept.
- ^{li} In the UN system, the term Group of 77 designates the group of developing countries that numbered 77 when it was established. The G77 often operates in international negotiations as a negotiating platform for developing countries.
- ^{lii} Dani Rodrik, «Feasible Globalization», July 2002, www.ksghome.harvard.edu/~drodrik.academic.ksg/feas.glob.pdf.

^{liii} Thomas L. Friedman, *The Lexus and the Olive Tree. Understanding Globalization*, New York 1999, p. 87.

^{liv} See Walden Bello, *Deglobalization. Ideas for a New World Economy*, London and New York 2002.

^{lv} Ann Coulter is a prominent opinion-leader of the American Right. Cited from Coulter, «*This is war*», 12 September 2001. <http://www.anncoulter.org/columns/2001/091301.htm>.

^{lvi} The losers would be the island states and other small developing countries that for the past 20 years have staked their economic prosperity, often with World Bank encouragement, on various lines of offshore business. They would need help in reorienting themselves.

^{lvii} See the American sociologist Ahmed S. Akbar, *Islam Under Siege. Living Dangerously in a Post-Honor World*, Cambridge (UK) 2003.

^{lviii} Olivier Roy, *Les illusions du 11 septembre. Le débat stratégique face au terrorisme*, Paris 2002, p. 10.

^{lix} All Blair quotes come from his speech in defence of the war on Iraq war, delivered on 5 March 2004. (<http://www.number-10.gov.uk/output/Page5461.asp>)

^{lx} See David Josar, «EUCOM slated to step up role in Africa. Stars and Stripes», 15 March 2004. (<http://www.estripes.com/article.asp?section=104&article=15472&archive=true>)

^{lxi} Zbigniew Brzezinski, National Security Adviser to Jimmy Carter and architect of the Islamist International against the Soviets in Afghanistan, said in 1998: «What was more important in the world view of history? The Taliban or the fall of the Soviet Empire? A few stirred up Muslims or the liberation of Central Europe and the end of the Cold War?» (Interview in the *Nouvel Observateur*, 15–21 January 1998).

^{lxii} *International Herald Tribune*, 12 September 2001.

^{lxiii} Bush himself called the war on terror a «crusade» and thus caused a huge outcry. The Administration immediately corrected itself and prohibited any further use of the term.

^{lxiv} For those circles whose sustenance and legitimacy were jeopardised by the demise of the Soviet Union, Islam has served to incarnate the enemy since 1989. See Peter Niggli and Jürg Frischknecht, *Rechte Seilschaften*, Zurich 1998, p. 254–272, and the literature indicated there.

^{lxv} See David Stout, «Bush, after a year, vows to fight on», *International Herald Tribune*, 20–21 March 2004.

^{lxvi} Texts of that kind are content to overlook the fact that Stalin's Soviet Union was also an ally of the democracies, because these theories see the October Revolution as reaction against modernity that was comparable to Hitler's seizure of power.

^{lxvii} Ian Buruma and Avishai Margalit, «Seeds of Revolution», *New York Review of Books*, 11 March 2004, p. 10ff.

^{lxviii} Cited in John Vinocur, «Unlikely expressions of support for Bush», *International Herald Tribune*, 8 June 2004.

^{lxix} Jim Lobe, Pentagon Moving Swiftly to Become «Globocop», *Foreign Policy in Focus*, 12 June 2003.

^{lxx} Cooper situates the USA between the post-modern and the modern states because of its unwillingness to surrender any of its sovereignty, as is possible under the system of post-modern states. His analysis is an indirect British response to the ideas of the neoconservatives whereby Europe has constituted itself into a dream world of peace and justice while leaving the dirty work of wielding power and securing peace through force to the USA. Cooper, *The New Liberal Imperialism*, *The Observer*, 7 April 2002, <http://observer.guardian.co.uk/print/0,3858,4388912-102273,00.html>.

^{lxxi} Kaplan, op. cit., p. 88; Ignatieff, op. cit., p. 125.

^{lxxii} See Sebastian Mallaby, *The Reluctant Imperialist*, in *Foreign Affairs*, March/April: *Foreign Affairs*, March/April 2002. p. 2ff.

^{lxxiii} See Michael Ignatieff, *Empire Lite. Nation Building in Bosnia, Kosovo and Afghanistan*, London 2003. To varying degrees, some German intellectuals too are warming up to an «imperialism of democracy». See their essays in Ulrich Speck und Nathan Sznaider (Eds.), *Empire Amerika. Perspektiven einer neuen Weltordnung*, Munich 2003.

^{lxxiv} Cited by Norman Paech, «Der neue Imperialismus», in *Entwicklungspolitik*, 5 June 2004, p. 63.

^{lxxv} Kaplan, op. cit., p. 147.