INTERNET EDITION

GLOBALISATION

SOUTH ASIAN PERSPECTIVE

Editor

Ratnakar Adhikari

SAWTEE

Published by : South Asia Watch on Trade, Economics and Environment (SAWTEE).

Copyright © : 2000, SAWTEE.

The material in this publication may be reproduced in whole or in part and in any form for education or non-profit uses, without special permission from the copyright holders, provided acknowledgment of the source is made. The publisher would appreciate receiving a copy of any publication, which uses this publication as a source.

No use of this publication may be made for resale or other commercial purposes without prior written permission of the publisher.

The views expressed in this publication are personal opinions of the authors. They should neither be considered as the official position of SAWTEE nor of the organisations, which the authors represent.

Citation : Adhikari, Ratnakar (ed.), 2000. *Globalisation: South Asian Perspective, iv+45,* SAWTEE, Kathmandu, Nepal.

Layout : Krishna Prasad Subedi

Cover Design : Rajesh Manandhar

Available from : South Asia Watch on Trade, Economics and Environment (SAWTEE)
P.O. Box: 14307
Gautam Buddha Marg, Anam Nagar, Kathmandu, Nepal
E-mail: rmadi@propublic.wlink.com.np

Table of Contents

Backgrounder and Executive Summary

Despite the fact that rich countries do not take UNCTAD seriously, they have attempted in the past to make it dance to their tune, as and when such opportunity had arisen. Seattle Debacle having come as a blow to the developed countries, they wanted to heal their wounds by making some dent at the UNCTAD X. However, they did not succeed in their endeavour.

The globalisation *pundits* – who do nothing except for chanting globalisation *mantra* – became the target of attack during the entire process of UNCTAD X. Critiques were right in asserting that if the present trend of globalisation, devoid of checks and balances, continued, developing countries would be further marginalised, let alone the least developed countries (LDCs). In fact, the Northern intellectuals too are not happy with the process of globalisation that is taking place at present. In the words of Prof. Jeffrey Sachs, a noted economist from Harvard University "the prosperity of the richest countries is at an all time high, and so is their capacity to look beyond their own immediate needs. At the same time, the crisis of poorest countries is acute, and the shortcomings of the current strategy of globalisation painfully evident."

During UNCTAD X, Mr. Juan Somavia, Director General, International Labour Organisation, UNCTAD Secretary General Mr. Rubens Ricupero and UN Secretary General Kofi Annan denounced the present trend of globalisation. Mr. Somavia even went to the extent of equating the present trend with 'casino economy'. Words such as 'globalisation with human face', 'sustainable human development', 'growth with equity', 'just and peaceful global order' etc. have become commonplace but remained incarcerated within the conference halls and at the most within the corridors or cafeterias of the conference centers.

South Asia is the second poorest region in the world to have been affected by the onslaught of globalisation. Despite the fact that South Asia region needs to attack the global problems collectively, the intra-regional feud steaming out of petty and avoidable issues, has delayed the process of whatever precious little it could have gained by integrating the region into the global economy.

The idea of bringing out this publication was mooted during the two day seminar titled "From Seattle Ministerial to UNCTAD X: Issues of Concern" organised by SAWTEE together with its member organisation from India – Consumer Unity and Trust Society (CUTS), Jaipur in New Delhi from 22 to 23 January 2000. The main objective of the seminar was to prepare a common position of the civil society organisations of the South Asia region to be fed into the NGO declaration, which was going to be submitted to UNCTAD X.

The session on "Globalisation and its Impact on South Asia" was the last session of the Delhi seminar. After the brilliant presentations from the five speakers during the session, Prof. Muckund Dubey, who was chairing the session, made an outstanding summing up and added a few food for thought for the participants to take back with them. He too like the participants, was impressed with the presentations made during the session and suggested that the organisers bring out a monograph titled "Globalisation: South Asian Perspective". His idea was to use to monograph for sensitising a vast array of target readers ranging from layperson to the trade negotiators and policy makers.

Since none of the speakers had prepared the paper for presentation during the session, due to time constraints, they were requested to make ex-tempore presentations. When the idea of publishing the monograph was unequivocally approved by the participants, the responsibility of requesting and following up with the authors fell on SAWTEE. Finally, after eight months of requests and persuasion all the papers were received. The long period of waiting has undoubtedly been worthwhile.

Although the main focus of all the papers included in this monograph is the impact of globalisation in South Asia, the authors have written them, through their own approach. Some have focused on globalisation as a whole, some have focused their attention on trade liberalisation alone. Yet some others have made the imperatives of regional cooperation as the main element. Some others have tried to link the issue of globalisation with the ground reality.

The first chapter titled *Some Strategic Observations on Implication of Globalisation for South Asia*, written by Prof. Arif Waqif deals with the position of South Asia in the global economy and the possible impact it could make. Prof. Waquif argues that in order to overcome the twin challenges of development, i.e., poverty and unemployment, South Asian countries must put in place adequate safety nets. He concludes maintaining that the "invisible" hand in both domestic and international markets needs to be guided by the "visible arm" of the government.

The second Chapter titled *Implications of Globalisation: A South Asian Perspective*, written by Prof. Mustafizur Rahman, underscores the imperatives of South Asian countries' integration into the global trading system. The author has also put up a strong case for enhanced regional cooperation on trade issues and economic development of the countries in the region. Prof. Rahman, however, argues that the least developing countries (LDCs) within the region should be provided preferential treatment by other partners.

The third chapter on *Globalisation: South Asian Perspective* written by Dr. Saman Kelegama discusses the various aspects of globalisation including the role of transnational corporations (TNCs) in dictating the economic agenda of the nation-states. Given the unequal benefits and opportunities of globalisation, Dr. Kelegama emphasises the need for the South Asian countries to press for having a better say in the international institutions. He finally underscores the need to have a structured forum of civil society in place to take up these issues.

The fourth chapter titled *From Seattle to Bankgok : A Tortuous Road* written by Dr. Veena Jha provides a brief exposè on how and why Seattle process failed. Then the author goes on to highlight the imperatives of cohesiveness among the countries of the region. She concludes the paper by underscoring the significance of the UNCTAD, which faces a challenge to analyse and suggest mechanisms for redressing the imbalances created by knowledge based growth.

The fifth chapter titled *The Age of Simplicity is Over* written by Mr. Khalid Hussain maintains that the "liberalisation project," promoted by the vested interest groups, is not likely to benefit the people at large. Also highlighting the interface of globalisaiton with the governance issues, he argues that when nations states become corrupt they tend to succumb to the pressures of the institutions promoting globalisation. Mr. Hussain concludes saying that "nobody can win by changing the rules of the game, it is that game itself that needs to be changed now."

The final chapter on *The Globalisation Mantra: Implication for Developing Countries* authored by Mr. Ratnakar Adhikari is a more generic type of a write up, which attempts, to some extent to touch upon the issues discussed in the five previous write ups. A common thread that runs through the entire chapter is the role of transnational corporation (TNCs) in shaping the national, regional and international economic agenda. He finally concludes maintaining that the dormant SAARC process should be rejuvenated if the

South Asian region were to receive a better deal from the process of globalisation.

We record our gratitude to Prof. Muchkund Dubey for having proposed the idea of publication of this monograph and Mr. Pradeep S. Mehta of CUTS for having seconded the same, and the entire participants for unanimously approving the proposal.

We are highly indebted to all the authors who have prepared the papers despite their hectic schedules. Since no prescribed outline was provided to the authors, all the papers have been written by them in their own style and as per their convenience. This was done intentionally as we did not wish to restrict or obstruct the flow of ideas of the learned authors at any moment.

We welcome comments and suggestions from our esteemed readers both on the contents of this monograph as well as approach of our presentation.

Ratnakar Adhikari
General Secretary

Some Strategic Observations on Implications of Globalisation for South Asia

Prof. Arif A. Waqif*

Given the shortage of time I am making some broad observations on the topic without going into data and specifics. My observations are structured around four areas. The specific strategies in each area would need to be based on economy-wide and sector-specific development audit studies on the impacts of globalisation and liberalisation processes.

South Asia's Position in the Global Economy

The combined Gross Domestic Product (GDP) of South Asia Association for Regional Cooperation (SAARC) countries is less than 2.5% of global GDP. Even Sri Lanka's per capita GDP, second highest in the region after Maldives', amounts to about 3 per cent of the average per capita GDP of 26 High Income Countries. It is thus obvious that the South Asian countries have very low combined negotiating strength in the international fora.

Such negotiating strength of the region can be enhanced by accelerating regional cooperation within South Asia, and by strengthening relevant SAARC processes and fora. There is also a need to identify common issues and concerns in respect of specific WTO agreements, and in respect of specific sectors of interest to South Asian countries. Among other aspects the WTO meeting in Seattle has shown that even within the developed countries there are segments which are not satisfied with the on-going globalisation process. Accordingly, it should be possible to evolve strategic coalitions within the SAARC region and beyond, focusing on specific sector based concerns and issues. This may involve strategically aligning with like-minded governments and peoples' organisations within the developing regions as well as across the North-South divide.

* Dean, Faculty of Management, University of Hyderabad, India

Sectoral Composition of South Asian Economies

In most of the South Asian countries the contribution of the services sectors to the GDP far exceeds the respective contributions from agriculture and industry. In a few countries like India, the GDP contribution of services exceeds the combined contribution of agriculture and industry. However, agriculture remains the predominant sector in terms of providing employment in the region.

The South Asian countries should therefore collectively seek increased access to services and agricultural markets in the developed countries and elsewhere on competitive basis. They also need to seek access to reasonably priced technologies and resources for improving the outputs and productivities in the services and agricultural sectors.

Relevant Openness of South Asian Economies

Based on the conventional measure of openness, namely, trade to GDP ratio, most South Asian countries can be considered relatively less open than those in East and South East Asia. Another way to interpret this fact is to say that the domestic economies in South Asia are much more proportionately important than their interaction with the international economy. However, given the relatively high foreign debt to GDP and foreign debt service ratios, the need to generate sufficient exportable surpluses is nevertheless urgent in all the South Asian countries. As such, more efforts could be directed to promote, especially in the larger South Asian countries, domestic growth led exports, rather than vice-versa.

The rapid grounding of the proposed South Asian Free Trade Area (SAFTA) in the not too distant future can be generally expected to promote South Asian exports both within and outside the region. The South Asian countries together with other affected countries need to ensure that the market access commitments and special and differential treatment provisions of the WTO are implemented in letter and spirit by the developed countries, to help provide fair and reasonable access to their markets. Freer movements of goods, services, capital and technology within the region, specially if they are financed by local currencies through an appropriate payments clearing union, could help reduce pressures on foreign exchange requirements of South Asian countries. Such regional economic cooperation could also create opportunities for intra-regional import substitution.

Unemployment and Poverty Alleviation

There is emerging international consensus that globalisation and liberalisation should ultimately help in reducing unemployment and poverty in the developing as well as the developed countries. The pressures of globalisation and liberalisation themselves add to the existing levels of unemployment and poverty, even if transitionally.

The South Asian countries therefore have to evolve effective and efficient policies, programmes and projects to help ease the structural dislocations in the short run, by creating appropriate social nets and redeployment strategies. It is also becoming increasingly evident that globalisation and liberalisation processes tend to result in jobless growth, particularly in traditional areas of industry and manufacturing. Given the sectoral compositions of the South Asian economies, the prospects for increasing employment and income generation opportunities would appear to lie more in the services sectors and in agro based and labour intensive industries.

The South Asian governments have therefore a clear responsibility not to allow the potential employment and income generating opportunities in these sectors to be overrun by the processes of globalisation and liberalisation in general. More particularly, it is also now being commonly recognised that the employment and income generating potentials within the South Asian countries could be significantly enhanced and effectively realised if these economies pay greater attention to rapidly developing and efficiently managing various infrastructural and institutional services, and by placing much more emphasis on manpower development through wide-spread education, training and continuing skill upgradation.

The Way Forward

Based on the analysis outlined above it becomes clear that the South Asian countries individually and collectively need to move away from the more traditional development approaches based on export led growth and growth led employment. Instead, they should evolve approaches, which are based on employment led growth and poverty alleviation, and growth led exports.

In the emerging environment, “the invisible hand” in both domestic and international markets needs, therefore, to be guided by the “visible arm” of the government, and to be grounded by the “nimble fingers” of people's organisations. Only such policies and approaches, which are not too different from those adopted by the now-developed countries as well as by the countries in East and South East Asia during their formative stages, can help

ensure the increasing inclusion and integration of various underdeveloped segments within South Asian countries in the more dynamic and globalised regional mainstream. Such approaches would also contribute to arresting if not reversing the increasing marginalisation of the South Asian region in the global economy.

Implications of Globalisation: A South Asian Perspective

Prof. Mustafizur Rahman*

Introduction

Five of the seven South Asian countries, Bangladesh, India, Maldives, Pakistan and Sri Lanka are members of the WTO. Nepal has an observer status and has applied for membership; Bhutan has an observer status but is yet to apply for membership. In effect this would mean that most of South Asia is poised to participate in the rule-based system of the emerging global trading regime. For South Asian economies, with varying degrees of exposure to global markets, important changes in the way trade in commodities and services will need to be conducted in future. This prospect has its dangers as well as potential gains. Whether the potential gains outweigh potential risks will critically hinge on three factors: (a) how the individual countries prepare to face emerging globalisation; (b) how South Asian cooperation is put to use for strengthened participation in the process of globalisation and (c) how as a group the South Asian countries are able to project a unified front in addressing the emerging challenges stemming from globalisation.

South Asian countries will need to forge an effective partnership in order to tackle the important issues which are emergent in each of the three levels of issues mentioned above. This is to say that exploitation of common resources, getting the best out of economic complementarities within the region, and building of commonalties of interest are of critical importance for South Asian countries from the perspective of the development of their own economies. South Asia, thus, has a shared future.

The Current State of Play

As of now, however, the state of South Asian partnership in the area of economic cooperation leaves much room for improvement, both in terms of its width as well as its depth. It is true that in the recent past South Asian economies have been opening up at a very fast rate; in effect, as a region, this

* Fellow, Centre for Policy Dialogue (CPD), Dhaka, Bangladesh

rate is one of the fastest in the world. Average import tariff rates for manufactures was as high as 85% in Bangladesh, 56% in India and 64% in Pakistan in the early 1990s. At present, the corresponding import tariffs are only 17%, 20.3% and 25.2%.

The degree of openness indicates a growing integration into the global economy - as against 0.18 for the region as a whole in the early 1980s, the index stood at 0.36, 0.23, 0.40 and 0.72 for Bangladesh, India, Nepal and Sri Lanka in the late-1990s. Inspite of the rapid pace of participation in the global market, both as exporters as well as importers, South Asian countries have till now failed to translate a growing global participation into a growing regional cooperation and to take advantage of the opportunities of such enhanced cooperation for further strengthened participation in the global trading system.

In spite of the three rounds of negotiations under the aegis of the SAARC Preferential Trading Arrangement (SAPTA), translating the concessions into effective trade enhancing tools have been constrained by critical missing links. Number of items on which concessions were received in terms of preferential tariff treatment has increased from 106 in the first round, and 601 in the second round to reach 2339 in the third round. However, effectiveness of such concessions have tended to be weakened because critical items of trade importance for individual countries have been left out of preferential treatment, and also because preferential measures have not been complemented by commensurate and adequate intra-and extra-regional investment flows. Consequently, intra-regional trade in South Asia as a percentage of South Asia's global trade has tended to stagnate at under 4% throughout the 1990s.

This state of intra-regional trade fares very poorly when compared to other proximate regional blocs such as Association of South East Asian Nations (ASEAN), not to speak of the European Union. This sorry state of cooperation within the region is not devoid of its implications for South Asia's participation in the global trading system. The marginalisation of South Asian countries in the global trade is manifested by the fact that for most of the 1990s its share in the world trade had hovered around only 1.0%.

Required Interventions …

…at the Regional Level …

The critical policy interventions which could help South Asia to move towards a free trade regime within the ambit of a well designed programme

with appropriate phasing and sequencing include both trade and non-trade aspects.
As a matter of fact SAPTA stipulates that intra-regional trade cooperation would be achieved through a combination of 4 methods which include (a) product by product approach; (b) across the board concessions; (c) sectoral approach; and (d) direct measures. Till now preferential treatment has been provided only on a product by product basis. It appears that a more effective way forward would be to follow a *two-dimensional two track* approach: a *fast track* and a *normal track* in terms of concessions, and a fast track depending on the level of development of individual countries i.e. differential approach for LDC and non-LDC members of SAARC. The LDCs need to be provided across the board tariff concessions and the number of items under preferential treatment should be expanded at a faster rate for the LDCs compared to the non-LDC members of the SAARC.

During this transition the commodity by commodity approach will need to be replaced by broad category by category approach, to be followed by a negative list approach. Perhaps a more prudent way would be to follow a *negative list* of preferences rather than a *positive list of preferences,* with the negative list being reduced in a phased manner. At the same time, urgent steps need to be taken to eliminate the various trade-distorting non-tariff barriers (NTBs) such as licences, quota restrictions and outright bans which are still in place in some of the member countries.

The issue of *rules of origin* (ROO) also needs to be clarified and modified during the transitional phase. Before the markets of LDCs such as Bangladesh are opened for duty-free access for the non-LDC members, special efforts will need to be taken in order to promote intra-regional joint ventures and FDI flows with a view to offset the existing bilateral trade deficit, specially those with the major trading partner in the region, India. Here, guaranteed buy back options can be a possible mode of cooperation. To this end, special incentive schemes may need to be designed for encouraging intraregional flow of foreign direct investment (FDI) to SAARC LDCs.

Simulation exercises have indicated that greater regional cooperation in transport can yield potentially rich dividends for countries in the region. A study conducted at the Pakistan Institute of Development Economics (PIDE) has shown that even if existing networking facilities are considered, enhancement of transport cooperation would result in an incremental benefit of about $ 1.96 billion for countries of the region. It is to be recalled that for a long period India had denied transit facilities to Nepal and Bhutan for transport of goods through Chittagong and Mongla ports. Similarly Bangladesh has denied India both the corridor facility (movements of goods

to and from the North Eastern states of India through Bangladesh) as well as the transit facility (export and import by India through Bangladesh ports). As is known, in a recent move India has granted transit facilities to Bhutan and Nepal for conducting trade through Bangladesh.

Simulation exercises carried out by Srinivasan and Canonero has shown that a free trade area (FTA) could potentially increase intra-regional trade in South Asia by manifold: trade between Bangladesh and other South Asian countries are expected to go up by 9.5 times; for Pakistan this factor is 8.9; the corresponding increase in intra-regional trade for India, Sri Lanka and Nepal would be 12.8, 10.3 and 17.2 times.

It needs to be recognised that Bangladesh is strategically situated as the outlet of a vast hinterland. As some studies have pointed out Bangladesh's ports can serve as regional hub for Nepal, Bhutan, East and North East India, western port of Myanmar and perhaps Unan province of China and coastal areas of Orissa. The transit facility can also provide Bangladesh with lucrative re-export business. However, if intra-regional trade relation is to be stimulated through enhanced transit via Bangladeshi ports, a substantial amount of investments will need to be made in development of transport and port infrastructure to handle the incremental trade.

At present the port facility is quite inadequate both at Chittagong and at Mongla. A comprehensive regional cooperation here would require uniformity of laid down procedures, coordination in planning and exchange of information. Of course substantial investments would be needed for implementing a comprehensive regional infrastructure and transport plan. A number of potential funding arrangements have been suggested by experts: (a) Build-Operate-Transfer (BOT) and Build-Operate-Own (BOO); (b) joint venture between government and private investors; (c) sale of licence to investors to develop and equip *green field* location; (d) corporatisation/commercialisation of port authorities; (e) lease of existing site and equipments; and (f) creation of joint development fund by the regional countries for development of ports in which foreign capital as well as donors may be invited to participate.

Other avenues aimed at complementing and strengthening regional cooperation need also be exploited to the fullest advantage of the regional countries. The idea of creating a growth quadrangle between Bangladesh, Nepal, Bhutan and the seven North Eastern States of India (Assam, Meghalaya, Tripura, Manipur, Mizoram, Nagaland, Arunachal Pradesh) has been mooted in recent times. The Growth Quadrangle area, including Bhutan and Nepal, is the hinterland of Chittagong and Mongla ports.

Investment cooperation with, and transit facilities through Bangladesh can be a great boost to developing this area. Geographical proximity, and complementarities existing in this region could play an important role in promoting economic cooperation in this area which, whilst not going against the spirit of regional cooperation within the ambit of SAARC, can at the same time stimulate the pace of trade and economic cooperation in the region covering proximate areas of the four member countries. Cooperation with other regional blocs in the proximity need also be kept in the perspective.

and …at the Global Level

Apart from concrete measures to exchange intra-regional trade the SAARC countries will also need to forge partnerships in projecting a common front in the global arena. Here a common approach will need to be worked out in terms of (a) committing the developed countries to fulfill UR obligations towards developing countries and the LDCs; (b) review of the built-in agendas in the WTO; (c) designing of the positive agendas that reflect trade related interests of the South Asian countries; (d) ensuring enhanced market access in commodities of interest to South Asian countries; (e) forging a common front in opposing imposition of new trade-constraining measures; and (f) designing a common agenda for any future negotiations.

Of special interest to SAARC countries is to ensure that the *Special and Differential* (S & D) status provided to the LDCs are backed by concrete measures and are supported by adequate measures in the form of technical assistance which address both demand side as well as supply side constraints. Institutions such as *Dispute Settlement Bodies* (DSBs) are becoming increasingly important in the WTO system. SAARC countries could create a common fund to make the best use of DSB in order to protect their common trading interest in any potential conflict of interest with extra-regional countries. Of critical interest for the SAARC countries will be to project a common platform in their fight against any attempt to inject protectionist agendas in the guise of such non-trade issues as labour rights, trade unions in the export processing zones (EPZs), environmental issues and other non-tariff barriers of this kind. Since the threat of such issues being hijacked by protectionist lobbies of the developed countries is very real, it will serve the critical interests of the South Asian countries to cooperate amongst themselves in confronting these emergent issues.

Conclusive Submission

It has been well recognised by now that globalisation has both its opportunities as well as challenges. For developing countries and the LDCs at

least, whilst most of the opportunities are *potential*, the challenges are very *real*. Translating challenges into opportunities and opportunities into real gains constitutes the major task for countries of the South Asia as they struggle for global integration from a position of strength. The success with which South Asian countries will be able to accomplish this task will critically hinge on how effectively they are able to cooperate within the region, and how effectively they are able to service the interests of the region in multilateral platforms outside the region.

Globalisation : South Asian Perspective

Dr. Saman Kelegama*

Introduction

The World is witnessing technological advances in global communications accompanied by technological advances in production techniques. These two developments facilitate the process of globalisation. However, globalisation is not driven by technological advancements alone. It is facilitated by ideological shift to neo-liberal *laissez faire* economies and it is promoted by Transnational Corporation (TNCs), Bretton Woods institutions, WTO, Internet, etc.

Role of TNCs

The TNCs play a key role in the globalisation process. The increases in production via technological advances is far in excess of domestic requirements and this has led TNCs to engage in a drive to open markets of developing countries with the support of International Finance and Trade Institutions to provide easy market access to surplus production. National markets are too small for TNCs and they are constantly merging with or getting acquired by the rival firms, opening sales outlets to capture new markets abroad, relocating their production bases in order to obtain cost advantages, and so on. The top 300 TNCs control 70 per cent of the world foreign direct investment (FDI).

The East Asian currency crisis and the consequent full liberalisation policies imposed by the IMF as a condition for its assistance have provided an excellent opportunity for the TNCs to take over the troubled Asian firms at rock bottom prices. Examples of mergers and acquisitions are: BASF (Germany) and Daesang (Korea); Commerzbank (Germany) and Korea's Exchange Bank; Bosch (Germany) and Mando Machinery Corporation (Korea); Volvo (Sweden) and Samsung heavy Industries (Korea); Tesco (UK) and Lotus Supermarkets (Thailand); AES (US) and Hanwa Energy (Korea); Coca Cola (US) and Korean bottlers; ABN-AMRO Bank

* Executive Director, Institute of Policy Studies (IPS), Colombo, Sri Lanka

(Netherlands) and Bank of Asia (Thailand). Many other cash stripped Asian firms are being acquired by TNCs almost daily with the blessings of the IMF. In fact, there is now a reaction against increasing foreign ownership of domestic assets in several quarters while at the same time reducing competition.

They also crush and swallow up large and profitable firms in developing countries. In the wake of India's liberalisation for instance, foreign TNCs appeared to be gaining control of Indian industries by buying up domestic companies with whom they had formed joint ventures. For example, the Korean Daewoo raised its share in the car venture with DCM, British Carlton Communications bought up a television venture of the Mody family, General Electric bought out its partner in a lighting venture and Coca Cola and Pepsi Cola bought out local soft drink bottlers. It is in this context that the Indian Prime Minister pledged to protect domestic industries by giving a "Swadeshi" thrust through a selective approach instead of an open door one to foreign investment.

In short, TNCs:

- threaten national security;
- use their power to change governments (e.g., United Fruit Company's role in Central and Latin America);
- influence their governments to open markets in other countries (e.g., Motorola influenced US government to secure market share of Japan for celltells);
- threaten to shift their operations if the government does not change policies;
- can contaminate the environment (e.g., as the Freeport MacMoran did in the Pacific);
- hold 97 per cent of world patents; and
- can threaten competition (for example, the EU raided Coca-cola in UK, Germany, Austria and Denmark to investigate whether the company unlawfully forced retailers into stocking products over those of rivals).

In fact, TNCs always want the so-called enabling environment for markets to flourish and not for the domestic people to enjoy long, healthy and creative lives.

Unequal Opportunities and Benefits of Globalisation

The biggest beneficiaries of globalisation are developed countries and the richest people who live in these countries. However, the main causalities are the poorest developing countries and the most impoverished people living in them.

Unequal growth in trade, investment, and income

Following are some of the disturbing features that can be highlighted due to unequal growth in trade, investment and income:

- In 85 countries, people are worse off than a decade ago.
- Per capita income in 40 LDCs is less today than 20 years ago.
- The poorest 20 per cent in LDC's share of world income declined from 2.3 per cent in 1960 to 1.3 per cent in 1997.
- Average consumption levels in Africa fell by 20 per cent in the last 25 years.
- During 1983-1997, the number of malnourished children increased from 5 to 25 per cent.
- Developing countries' exports increased, but these exports were concentrated among a few of them. In fact, 85 per cent of exports came from only 15 developing countries, which were the beneficiaries of globalisation.
- FDI increased but the concentration during the 1990s was among 20 countries, which received 80 per cent of the investment. East Asia accounted for 4 per cent of GDP of FDI in 1997 compared to 0.7 per cent of GDP by South Asia.

Global economic integration by globalisation is dividing developing countries into those that are benefiting from global opportunities and those that are not.

Decline in Commodity Prices

During the period between 1980 and 1997 real price of commodities, viz, metals, minerals, beverages, rice, cotton, copper, palm oil, rubber, iron ore, coconut oil, etc. have fallen by 39 per cent. Most developing countries are primary exporting countries and there are no longer commodity market stabilisation schemes or common funds controlled by the UNCTAD. The world also witnessed fewer raw materials used for industrial production because of the usage of synthetic substitutes mostly produced by developed countries.

Unequal Distribution of wealth and Income

There is polarisation between the developed and developing countries accompanied by polarisation between the haves and the have-nots and the knows and know-nots.

Insecurity and Uncertainty

Globalisation has not only created insecurity and uncertainty in the minds of the people, but the sovereignty of the nation states is under constant threat. Some examples of the insecurity and uncertainty perpetuated by the forces of globalisation are as follows:

- ***Job Insecurity*****:** There is substantial corporate firing due to automation, computerisation, and the presence of large TNCs. Large TNCs are gradually acquiring domestic firms and there is significant worker retrenchment. Farmers in developing countries are threatened by subsidized cheap imports of rice, milk, etc., from developed countries. An effective safety net to combat job insecurity created by globalisation is yet to emerge.

- ***Financial Volatility***: Strong capital outflows have resulted in countries such as Indonesia experiencing decline in per capita income. East Asia lost 13 million jobs and 11 per cent of GDP due to the East Asian crisis.

- ***Criminalisation of the Society***: Internet has become an easy vehicle for traffic in drugs, women and children through untraceable networks. It is estimated that US$ 1.5 trillion a year is accounted by organised crime.

- ***Threat to Indigenous Culture***: One of the biggest US exports is Hollywood films from the entertainment industry. Culture has been made an economic good and identified as a commodity that could be traded at the neglect of the community, customs and traditions.

The TNCs have been successfully using the media to stimulate consumption habits and build a consumerist society and enslave people to money and material and trap them to debt. They propagate a culture that glamorises affluence, avarice, individualism that is calculated to undermine traditional culture in countries such as those of South Asia which ennoble the virtues of altruism, moderation, and sacrifice. One of the casualties of globalisation is care and altruism, care of children and the elderly and the sick.

Challenge for South Asia in Controlling Globalisation

While globalisation has many negative features it is not possible to reverse it or follow a policy of isolationism to avoid its adverse impacts. Globalisation must be given a human face – made to operate for the people and not only for profits. South Asian countries should strengthen the advantages and minimise the negative features of globalisation. Overall, the real wealth of a nation is the people and development is creating an environment for the people to enjoy themselves.

Growth and equity can be achieved only by moderating the adverse side of market forces which underlie globalisation. Oscar Lafontaine once said: "Globalised markets need a framework that create internationally binding rules for free and fair competition."

A national development strategy in areas such as food security need not be sacrificed for globalisation. It must not be forgotten that USA was one of the most protective countries in the world at the start of the 21st century. McKinley tariff and the Dingley Tariff of 1890s provided the required protection for US industries to flourish. Japan too followed a protectionist strategy to develop its industries. This is not to say that protectionist policies should be followed, but where necessary State intervention should be applied to promote a national development strategy because most South Asian countries do not possess the "early start" advantage.

A national strategy alone would not be adequate to control the adverse impacts of globalisation. It has to be complemented by international action. South Asian countries should have a bigger say in international institutions such as the World Bank, the IMF, the WTO, which are dominated by rich countries and operate with little transparency. South Asian countries should strive for more favourable commodity prices, larger flow of FDI and official aid, gaining more access to developed country markets, having more debt relief, should stand for a code of conduct for TNCs, and have adequate safeguard for short-term capital inflows.

It is a pity that South Asian countries do not have any structured forum for civil society institutions to express their views. Steps should be taken to work towards a structured forum for civil society and also for South Asia to speak with one voice on certain international issues.

From Seattle to Bangkok : A Tortuous Road

Dr. Veena Jha*

Introduction

Several analyses of the Seattle debacle have appeared since the ill-fated meeting of the WTO at the end of last year. Perhaps the most striking thing about the WTO "Battle in Seattle" is that it raged inside, as well as outside, the Ministerial Conference. Inside, the member countries were deeply divided and the proceedings were supremely disorganised. Outside, the protesters were both united and organised. As a result, trade negotiators are bitter and exhausted while "civil society" is exultant. And the rest of us have serious cause to be worried about the way these factors will shape international relations in the early years of the new century, at WTO and beyond. But there were no winners at Seattle, and absolute victory would in any case be Pyhrric. The old song from forest campaigns applies also to non-discriminatory rules for trade and the WTO itself: you won't know what you've lost till it's gone.

It has also led to some feverish activity on the part of several member countries and civil society groups to ensure that such events are not repeated. Despite Mike Moore's repeated utterances that WTO is back on track, no member country or the civil society appears to take these views seriously. Till a new president is installed at the White House it is very likely that any move to get a new agenda together would be mere administrative hiccups. The oft repeated cant of developing countries is that they cannot make a rules-based trading system work for all its members, large and small, rich and poor. The important question that now arises is whether Multilateral Trade Agencies are inclusive institutions which incorporate concerns of all countries, or whether they simply exacerbate the marginalisation of the poorer countries.
To see whether Seattle provides a turning point in the history of trade negotiations, it would be useful to go back to the Pre-Seattle deliberations of the member countries. Two events are significant: first of all the prolonged

* Project Co-ordinator, UNCTAD, C/O UNDP, New Delhi, India.

debate between the member countries to elect the Director General of the WTO. The clear division on North South lines on this issue with the Asian partners chipping in for Mr.Supachai and the others for Mr. Mike Moore was a foretaste of things to come. Second the refusal of developed countries to engage in any discussion on implementation issues was a clear indication of a North South battle.

While on trade issues the interests of developing countries seldom converge, and clear groupings between the countries are visible, they do come together when it comes to issues such as labour. This is considered by many to have been the final straw at Seattle. It should be noted that the introduction of labour issues indicates a lack of commitment on the part of US administration to the WTO as it is difficult to believe that the skilled US trade negotiators would not have anticipated such a move when labour was placed on the agenda. In fact this was the only clear consensus that emerged out of the G 15, the G77, and other developing country groupings prior to the Seattle meeting.

However political the move might have been, it does bring into the limelight the very shaky foundations of multilateralism on which the present global order rests. In a sense the Seattle process has also unleashed a post-Washington consensus where equity issues appear to play a dominant role. It has also brought into question the possibilities or rather the impossibilities of the Bretton Woods institutions delivering an equitable global order. Questions on whether there is an effective alternative to multilateralism and whether the players and the game should be different are springing up at almost every seminar and conference. At the same time governments are becoming very conscious of the possibilities that bi-lateralism offers them. It appears to governments to be a more efficient route where gains and losses can be negotiated on an equal basis. The increasing attention being given in South Asia to court both the United States and the European Union bilaterally bears testimony to this hypothesis.

While it is crucial for South Asia that issues relating to improved market access and competition from richer countries' agricultural subsidies be addressed, the possibilities of the developed countries implementing their Uruguay Round commitments are getting increasingly remote. While quotas on textiles may be removed it is very likely that tariff peaks and tariff escalation on agricultural products, textiles and other items of export interest to developing countries may require a separate round of negotiations altogether. This is why it becomes attractive to go into bilateral free trade deals where a basket of products of mutual export interest are negotiated together. Similarly the EU's commitment to remove agricultural subsidies or

to treat agricultural products as other traded products is very unlikely to materialise. South Asia is therefore left with onerous obligations, non compliance with which may lead to retaliatory action, whereas obligations imposed on developed countries have not been met and are unlikely to be met.

Initiatives to be Pursued at the WTO

This broad picture is emerging on the global scenario. It is important in this context that South Asia rethinks its strategy to obtain more benefits out of a global order. First of all it is necessary to examine whether there are effective alternatives to the WTO which can be examined by these countries. Given the size of our economy as well as our limited engagement in global power equations, it would appear that we would be net beneficiaries from a multilateral trading system. However participation in a Multilateral trade order, does not preclude conclusion of meaningful free trade agreements with larger or smaller trading partners as the case may be. For this region multilateralism is not a substitute for bilateralism, rather the two reinforce each other.

Second, the Uruguay Round showed that this region was forced to undertake commitments without first examining whether the political, social and economic conditions can sustain such commitments. Furthermore, WTO rules have been framed with industrialised countries, and more specifically the US's interests in mind and in consonance with their legal systems. The question is whether mid-course correction in WTO disciplines or in the way they are applied can be made to better serve the interests of this region? This would necessitate addressing implementation concerns and some concerted regional initiative would help.

Third, is the rather complicated issue of the expiry of the transition periods in some WTO Agreements which is a more immediate and complex part of implementation concerns? The difficulties faced by South Asia in implementing some of these agreements, as well as some of the inherent disadvantages that accrue to us from their implementation makes a mockery of small concessions such as transition periods.

Be that as it may, a constructive approach that combines immediate action on renewing or extending transition periods with the establishment of a review mechanism for implementation issues would be required. Developed countries should also be restrained from disputes on agreements which involve transition periods, or they should be persuaded to give waivers when dealing with transitional periods and other implementation difficulties.

It is to be noted that over a dozen disputes related to implementation of some of the more complex Agreements such as Trade Related Aspects of Intellectual Property Rights (TRIPs) and Trade Related Investment Measures (TRIMs) have been brought to the WTO since Seattle. Far from showing restraint, developed countries are using the dispute settlement mechanism to force developing countries to the Negotiating table for a New Round of negotiations.

Fourth, WTO's internal procedures for consultation and decision making have to be changed. The consensus principle which is at the heart of the WTO system should be upheld in an inclusive manner. The new voice which is being heard in the WTO reflects a growing membership where developing countries are clamouring to be heard. Given the nature of WTO negotiations however, it is even more urgent that interest groups around issues be formed with common spokesmen or several countries will be left in the fray. It is in this context that a regional group, with adequate civil society participation becomes very important.

Fifth, South Asia should support the initiatives for granting duty free and quota free access to products from least developed countries. Given that the South Asian region has four least developed countries, such an initiative would foster regional cooperation and regional development.

Lastly, the benefits of a rules based system can only protect the interests of member states if the set of rules themselves are equitable. So far rules such as the provision of non-actionable subsidies for agriculture, but none for other goods, non-discriminatory treatment for foreign suppliers of services, and intellectual property rights are by no means equitable in their impacts. It is imperative to find meaningful solutions to the inequities and imbalances existing in various agreements by discouraging attempts to overload the WTO agenda with non-trade issues. The biggest sacrifice to equity considerations has been the Intellectual Property Rights agreement which seeks to protect the rights of the innovator over and above all other concerns such as development, environment, and even ethical considerations.

It is these very considerations which UNCTAD is supposed to uphold that forms an effective link between UNCTAD and WTO. The relationship between UNCTAD and WTO is central to the trade and development question, and should be the basis for more wider and productive economic cooperation. The relationship so far is an uneasy one, where initiatives in one are supposed to impact on the other. However the relationship appears to be one-way, with rules in WTO providing fodder for analysis at UNCTAD.

Whereas its analysis has proved very useful to several developing countries in formulating their positions, some large developing countries such as South Asia which have developed their own national capacities to generate information and research appear to be disengaged in this organisation. This position is to be contrasted with that of Latin America which while shoring up its WTO participation has not let go of its engagement at UNCTAD.

The Bangkok Process - a Window of Opportunity

UNCTAD X by a strange quirk of circumstances, not unrelated to the Seattle process as well as discrediting of IMF, acquired a centre stage position in the aftermath of Seattle. Civil society groups especially in the South flagged this as an opportunity to redress the imbalances of the Seattle process. Strangely enough the voice of the civil society of the North which was very prominent in Seattle was silent in the Bangkok process.

UNCTAD X was also a much better prepared conference with several rounds of preceding discussions at various levels, in various countries and with extensive participation of the civil society. Remarking on the process, Mike Moore was forced to comment that WTO had something to learn from UNCTAD in the organisation of conferences. It was also a process of revival of UNCTAD's original mandate which was to provide an effective voice to the trade and development concerns of developing countries. Various civil society meetings and parallel events helped to bring a rich array of views, facts and perspectives to the table. It was also often discussed that enlightened self interest of the developed countries lies in enabling forums such as UNCTAD to voice development concerns. However, some did remark that UNCTAD was rich in rhetoric and low on substance.

UNCTAD's mandate however was substantively renewed at Bangkok and the engagement of countries in debating the “Plan of Action” was the ultimate testimony of the importance of UNCTAD in the current global scenario. However there are a few trends which should be noted. First of all large developing countries, such as India, Brazil, China, and Argentina which spearheaded development discussions in the 1980's are getting steadily disengaged from UNCTAD.

While these countries are very vocal in their support for UNCTAD and in getting issues on UNCTAD's work plan, their engagement in UNCTAD is more rhetorical than substantive. Several reasons have been advanced for it, but most have to do with the divisions that have emerged in the G77 front. Most of these large countries also feel that what happens at the inter-governmental level at UNCTAD has little influence on the binding nature of

WTO and other Bretton Woods commitments. Moreover, they negotiate on a one to one basis in these institutions and while UNCTAD research is very useful for providing general trends and patterns, it does not address their specific concerns. These countries have thus developed substantial research capacities nationally which is tailored and custom made to meet their specific needs.

Extensive civil society participation and globalisation of information has enabled them to keep abreast with global developments. Thus while research emanating from UNCTAD is beneficial in a general sense, disappointment is often expressed about the lack of specificity, as well as vague, non-specific negotiated language of inter-governmental processes which yield little tangible benefits to these countries. The process of consensus building also appears to result in sharper divisions between the north and the south, between regional groups and other groupings. This feeling was also manifest at the Bangkok meeting where it was felt that UNCTAD did not go far enough to meet their concerns. However, these misgivings, whether valid or not, must be weighed against the fact that this is the only forum where established orthodoxy on globalisation can be challenged, where the status quo on unequal trade rules is not considered acceptable, and where equity concerns in all international negotiations are discussed openly. However, diluted may be the conclusions emanating from inter-governmental processes it should be borne in mind that a half-full glass is better than a half-empty one.

Second, there is distinct change in the attitude of the North towards favouring initiatives for least developed countries rather than developing countries. This is because rapid economic growth in some sectors in the more advanced developing countries has successfully in some cases challenged the competitiveness of developed countries. Thus inefficient industries in the developed countries want to seek protection behind social and environmental clauses, extensive recourse to anti-dumping and other non-tariff barriers to trade. Thus they feel safe with concessions to the least developed countries which these countries may be unable to utilise, but reluctant to extend the same concessions to other developing countries.

Witness their reluctance to agree to extending Article 66.2 of the TRIPS Agreement to other developing countries in addition to least developed countries at UNCTAD X. This is leading to further divisiveness among developing countries some of which experience far greater levels of poverty than the least developed ones. Again in this context, developing countries should show more magnanimity towards least developed ones and build south-south production and trade networks by which they can benefit from

the extended market access accorded to least developed countries. Even in this case it would be very useful for South Asian countries to coordinate at a regional level.

Thirdly, the importance of regional frameworks in promoting economic development in many cases overshadows the importance of integration in global frameworks. The degree and mode of regional integration have generally influenced the way globalisation forces affect different countries. Developing countries that have enjoyed export-led growth which include the South East Asian nations and several Latin American nations have also achieved significant regional integration. The benefits of globalisation often translate to new trading opportunities in neighbouring countries. However, economic interests of those within and outside regional trading arrangements sharply diverge. Thus concern has been expressed by South Asia that NAFTA has displaced South Asian exports of textiles to the United States with Mexican exports, and Turkey has similarly displaced South Asian exports of textiles and garments to the European Union.

Free trade agreements thus shift the balance of comparative advantage against those outside such agreements. It also makes developing country partners of regional trade agreements unwilling to take strident development stands in forumns such as UNCTAD. This further diminishes the utility of multilateral forums and divides the support base of UNCTAD. However, for most developing countries free trade zones and customs unions themselves cannot generate sufficient benefits, and the risk of marginalisation of small players still remains significant. This further reinforces the need for a forum such as UNCTAD.

The Way Forward

Given this divisiveness and a certain overlap in the WTO and UNCTAD agenda, an interesting issue that emerges is how should the process be carried forward. Whereas, increasing globalisation appeared inevitable in the 1990's, the realities emerging from Seattle and Bangkok appear to suggest otherwise. Debates on globalisation began with a sense of their irreversibility, with developing countries being restricted to their abilities to use negotiating spaces created by the disagreements between the major trading partners, in most cases the quad. In going forward from Seattle, it is vital to rebuild the basis for civil dialogue and action on trade policy, both among WTO members and between WTO members and NGOs. Rebuilding trust and laying the ground for productive WTO negotiations will not be easy, nor quick. But it must be done, it must start now, and NGOs should try to encourage the process rather than exploit or deride it.

Seattle gave rise to a new reality, for the first time it became evident that countries could agree to disagree if pushed beyond a point. It also questioned the established orthodoxy that if the EU and US agree, then the rest have to fall in line. At Seattle, the twain did not meet, but more importantly several other divisive factors were highlighted.

At Bangkok on the other hand, countries engaged in a more open way. The civil society spoke in several voices, there was a constructive engagement of the civil society and governments. However, the plan of action that emerged was a compromise text, still pointing to the deep divisions between the north and the south on the trade agenda. In Seattle it was felt that the divisiveness and the exclusive method used by the WTO was at fault. It became evident at Bangkok that you can have a perfect meeting, well organised and include all viewpoints, develop a congenial atmosphere, but yet the willingness of developed countries to buy into the trade agenda of the developing countries, even that of the least developed countries is very limited.

Globalisation will only exacerbate inequalities and break group cohesiveness. However, if overloaded, a globalisation agenda can crack under its own weight. It will take a long time, and several intensive bilateral dialogues for a meaningful multilateral globalisation agenda to emerge again. In fact this is a good pointer to the WTO to consolidate and analyse the gains and losses from the Uruguay Round for different groups of countries at different stages of development, i.e investigate implementation issues. Or else, Seattle will be repeated several times. Having tasted blood once, and given the weight of developing countries in WTO's membership it is unlikely that their voice will again go unheard. Thus if the WTO tries to load the agenda with non-trade issues, or issues of interest to only developed countries, such an agenda will be non-sustainable.

The big challenge ahead of UNCTAD is to analyse and suggest mechanisms for redressing the imbalances which are created by knowledge based growth. It would be incumbent to address the inequities nationally and internationally which would be created by knowledge based growth. It would be very important to start restoring equity through social safety nets, through developing mechanisms for tapping into knowledge based societies, for developing mechanisms for rewarding traditional knowledge, and for developing hitherto unexplored mechanisms which can anticipate such inequities.

The Age of Simplicity is Over

Khalid Hussain *

Introduction

Ambassador Muchkund Dubey said and I quote, “the age of simplicity is over.” It indeed is. With the benefit of hindsight, one may say its demise was inherent in the evolution of technology, economics and the politics that has shaped the world we all inhabit. We in the world of NGOs can testify to the complexity that obtains in all our personal, professional and national lives today.

The complexity inherent in the array of technologies that shape modern life throughout the planet cannot help generating further complexities in the social, economic and political spheres. The ongoing project that has been given the apt explosive acronym of LPG (Liberalisation, Privatisation, Globalisation) is a manifestation in point. It has effectively succeeded the comparatively simple development project that had been underway since the Second World War. The range of actors and issues and conflicts and fronts of engagements obtaining in what I will collectively refer to as liberalisation belies the new complexity.

There is a clear convergence of ideas and forces in the liberalisation project. This is supplemented by a similar convergence in the ideas and forces of those opposed to it, including NGOs. And the informal groups and networks of NGOs have successfully displayed their newfound political clout in derailing the Seattle Ministerial.

Stakeholders of Globalisation

The process engages the United Nations, state parties, and commercial and financial institutions. NGOs have become engaged in this process to “represent” people at large in this process whose lives are affected by the outcomes of this complex engagement. But how do NGOs themselves fare in

* Chairman, Development Visions, Multan, Pakistan

this process? What does this engagement entail for them in terms of their own courses of action?

The sheer bulk of interests at stake and the spread of the engagement front places it beyond the scope and capacity of almost all NGOs to engage effectively. NGOs are converging in their resistance to the project of liberalisation from their involvement in areas ranging from human rights, gender, labour, education, agriculture, water and economics. All these areas have a history of engagement processes that have in turn mostly been beyond the capacity of NGOs to dominate, and hence, change.

Discourses are specialised in all these areas and have a peculiar history of evolution. In a world where states find themselves unable to man all the fronts in an engagement process like liberalisation, it is worthwhile to ponder the implications of such an engagement for NGO actors notwithstanding their latest success in Seattle.

The very size and scope of dominant interests creates a situation in which a vast number of microscopic decisions they make have enormous effects on others. The sheer size of trade interests creates a management problem in which avoiding devastating outcomes for the not-dominant actors is impossible - even if this was the goal of the dominant interests, which it cannot be.

Commodification of Water

I am new to the discourses and debates on liberalisation. My compulsion to engage arises out of my work on water. I can, therefore, only share my own perspective that is rooted in my geography.

I am strongly against the project of liberalisation through which commercial and political interests are asserting their hegemonic control over water resources in Pakistan. Processes are on at the global level to redefine the essential nature of water as a commons and declare it a market good that may be traded and sold to the highest bidder for the sake of “efficiency”.

Control over a scarce and vital resource like water will, of course, become a source of guaranteed profits. As John Bastin of the European Bank of Reconstruction and Development has said, “Water is the last infrastructure frontier for private investors.” Water is, however, too basic for life and survival and the right to it is the right to life. To Quote Vandana Shiva, “privatisation and commodification of water are a threat to the right to life.”

Pakistan's biggest development undertaking the World Bank funded US$ 785 million National Drainage Programme (NDP) is spearheading institutional reforms in the Indus Basin Irrigation System (IBIS) that are highly contentious to say the least. Cost issues formed the justification for the set of controversial institutional reforms underway but there is little effort to control the tied aid phenomenon in the IBIS that has been historically pushing costs way beyond the ability of the system to pay.

The World Commission on Dams (WCD) is now well on its way to fulfil its mandate of assessing the development effectiveness of large dams. The Commission has identified eight river basins for case studies that will feed into the Commission's inquiry report. Additional inputs will come from thematic reviews of allied issues. Pakistan's Tarbela dam is among the first projects where the WCD case study process has begun.

The process of inquiry in the case study being followed by the WCD fails to distinguish between the impact of the dam technology per se versus the impacts that the use of this technology has registered in societies. This has led the WCD to ignore political dimensions that shape the nexus of dams and development. The technology of dams makes control of river flows possible. How that control is used is a political decision. As the Tarbela Dam Case Study confuses the distinction it necessarily lumps the two sets of impacts as one and thus adds to the confusion already prevailing around the “development effectiveness of dams”. In the process, the whole debate on dams is shifted away from the political arena to the technical one.

Similarly, the political fallout of the liberalisation project also gets articulated in non-political discourses. So severe water shortages that will get steadily worse, reduced agricultural productivity and so on and so forth, all become issues in the 'great environmental awareness to save our planet”. These discourses and the actions they generate, camouflage the cruelty of exploitation, extortion and its continuation. The new forms of colonisation are hidden under the specialised discourses helping the system to continue.

Interface with Governance Issues

The inability of successive regimes in Pakistan to ensure good governance underlines the weakness of the so called “developing countries” in the process of liberalisation. Pakistan is again under martial law. The 1973 Constitution guaranteeing basic civil liberties stands suspended. Former Prime Minister Nawaz Sharif is under house arrest. The world (led by the U.S.A. and urged by many including India) is crying foul and is asking the army to restore democracy. The army says it is unable to do so right away since it had moved under compulsion.

Pakistan, burdened with an over U.S. $ 43 billion foreign debt, cannot remain solvent without external financing. International financial institutions have tightened the economic screws on Pakistan, who has foreign exchange reserves barely enough to pay for eight weeks' worth of imports. Meanwhile, IMF is withholding a US dollars 280 million instalment to Pakistan.

The outside world is blaming the generals for usurping civilian rights. The army is accusing former Prime Minister Nawaz Sharif for forcing its hand. Nawaz Sharif is fuming against his opponents, both in politics as well as in uniform. But who is the real culprit? And what has all this to do with water and indeed liberalisation?

All these developments have a direct bearing on the way water is managed in Pakistan. Issues of resource allocation, policy formulation and governance are needed to be addressed afresh for an efficient and equitable management of water resources in the country. Also, water is so essential to life that any change in the environment, social, economic or political, reflects on the way water is used and abused in a society. Therefore, it is our compulsion to ponder upon the recent upheavals in Pakistan and try to find the roots of the tumult.

The present coup d'etat has been the most dramatic one in Pakistan's chequered history. There was a long drawn out struggle both between the ousted civilian outfit of Prime Minister Nawaz Sharif and the army generals as well as within the army itself immediately before it moved to take-over the country. Apart from differences on security perceptions, the conflicts basically stemmed from the way Pakistan's economy was managed by Prime Minister Nawaz Sharif.

He was in the habit of capitulating to all demands made by the dominant world interests and the multilateral financial institutions working under their control, namely the IMF and the World Bank. This had led him to become highly unpopular among the people within 30 months of coming into power with the biggest ever majority in the democratic history of Pakistan. Foreign debt increased by some 14 billion dollars during his tenure. The economy shrunk in direct proportion.

His deals with the IMF to steer from the brink of total economic collapse straightened the official books but worsened the lot of the people who saw prices spiralling to new heights making living all the more difficult. Debt

servicing became the single largest expense on Pakistan's budget under his rule. The process of adjustment under IMF tutelage that had begun in 1977 with Pakistan's signing the first Structural Adjustment Facility has made the state totally dependent upon infusions of cash from abroad to remain solvent.

People are fed up. There have been no new jobs in Pakistan since the IMF started administering its macro-economic prescriptions. Corruption has become the norm. Governance has collapsed. But all this is quite understandable. Salaries of all public servants are substantially less than what they used to be before the process of adjustment began. It is common sense that when you do not pay in proportion to the responsibility and authority that you give a public servant, you are inviting corruption.

This corruption has eaten the vitals of the Pakistani society. The top echelons of power and money are all corrupt without any exception. No wonder Pakistan has run up a whopping bill of over US dollars 80 billion for domestic debt as well. Dominant actors who lead the process of engagement on the liberalisation front like the USA have selectively encouraged such corruption to take root in Pakistan to serve their strategic interests. Now there is no way that Pakistan can ever hope to repay the debt it owes to its foreign lenders.

The nature of Pakistan's economic woes makes it impossible for it to continue playing this game for much longer. The country is earning substantially less than it used to despite the fact that it has increased its exports (trade) substantially over the years.

This no-win situation is actually behind the real denial of freedom to the people of Pakistan. The generals will be gone sooner or later but will the global financial and trade regimes change to accord countries like Pakistan some breathing space. The coup is symptomatic of a fault in the stressed society that has had too much to cope.

Role of Civil Society Organisations

The process of engagement also brings to the fore the reality that the fruits of progress in the past 1000 years have been mostly monopolised by a progressively shrinking proportion of humanity. Ensuring more than a fair share has always been cruel. That the organic conclusion of injustice is an end to it is manifest in the “limits on growth” on “our planet”. Since most of the discourses are initiated, sustained and steered by the dominant population they logically show that a continuation of past growth is not possible. The resulting sense of crisis and its associated psychological and emotional burden articulate “end of history”.

This is the context in which the process of engagement takes place for Pakistani NGOs who find themselves unable to articulate their own positions and are swept away with the momentum of the process sustained and steered by the dominant interests. They might have won a few battles but they simply cannot win the war. And NGOs are just about as financially and economically independent as the countries of their origin.

The engagement is truly global not only in the sense that it covers the entire world, but also in the sense that it involves all arenas of competition: economic, military, political, cultural and ideological. For example, the distinction between NATO, the IMF and the United Nations seemed to have become irrelevant, as all are equally bent to tasks set for them by the dominant players in this engagement.

The specialised inquiries, debates and conflicts revolving around water, agriculture, trade, security, banking and sustainability at the global level have a number of characteristics in common. These characteristics are also shared by a host of similar processes in other areas of global interest, for instance, education, health, gender, governance and human rights, among others.

Each discourse has a specialised vocabulary, a set direction of debate and hence choice of issues. What they also share is the compulsory reduction in worldview to the targets set by a given process. All professedly strive for the good but collectively ensure continuation for the forces of injustice and ecological disaster.

A cursory look at the statistics–that hide live people and real tragedies–in any of the excellent Human Development Reports by UNDP is enough to show that things are changing for the worse for a majority of people sharing what many insist on calling “our planet”.

However, there is little going on in the political arena at the global level – where the economic and social spheres are sorted out or messed up depending upon your perspective – that promises rectification of past errors. Be it the Kyoto Protocols presently going through international rule making for emissions trading, or the millennium round of the WTO ministerial conference, the hegemons refuse to budge. Indeed they not only want the right to continue in the old ways but demand extra concessions as well. Such actions can only stem from a reduction of global concerns into bargaining

chips to be bought at the cheapest possible price and sold at the highest possible profit.

The playing field is extremely uneven and the engagement for NGO actors can be likened to taking the bull by the horns and trying to steer it in a more desirable direction. They can be only as successful in the process as they are powerful. Politics and not trade address power. Indeed, as Ambassador Dubey has said the process is a political one. The sovereignty of nations may be eroding but the age ensuing from the treaty of West Philia is not over yet. Eminent domain of the state is still real and relevant. This is also evident in immigration controls erected by the dominant actors as well as in the very process of trade negotiations involving state actors.

The process of engagement entails serious risks for southern non-profit organisations even in the informal world of NGOs. NGO relations and roles in this process of engagement are reflective of their respective states of charter. The imperatives of action for northern NGOs are different from ours for the simple reason that our contexts do not match.

In this political process, one finds that northern NGOs are very well connected to political processes at home just like the political players in the rich hemisphere who are in close networking relationship. Such networking is not found between the disadvantaged state actors of the world. Is it the same in the case of southern NGOs?

Ironically, most NGOs are professedly “non-political”. Let's reflect why is it so? NGOs claim to think globally and act locally. The essential difference in scale differentiates them from politics that has a much larger jurisdiction. However, the local may necessarily not be the micro-level at which NGOs have demonstrable success. Local in the case of an Indian NGO may be bigger than all of Scandinavia in geographical terms.

Conflicts around trade are political conflicts between the populations of the west with those living in the poorer regions of the world. We must articulate the political nature of this whole process for our selves. No strategy can be articulated in the absence of such an articulation. The political dimension of reality has to ascend to the center-stage, as it should since it is the central question in view of global actors being states and not individuals or corporations. Corporations, after all, operate on the basis of the political legitimacy claimed by the countries that issue them their charters.

Then societal processes of employment, production and organisation also fall squarely in the political arena where states are the actors in charge. Such an articulation will also mean reviewing the role of NGOs and their strategic position in this process. Alliances between NGOs and politics thus become imperative. Such compulsions are mirrored in oft-repeated demands by many NGOs to revive the pre-San Francisco charter of the UN.

The political nature of the conflict is also born out in literature on liberalisation especially the recently completed study by CUTS, India, "Liberalisation and poverty: Is there a virtuous circle?" What else are the non-trade barriers?

Only by asserting the political nature of this involvement can the disadvantaged groups steer the discourses and their consequent impacts out of the "market" which is an abstraction that only hides the political manipulation of the whole process that culminates in continuity. Continuity is in favour of the political groups that are the net beneficiaries in this engagement. Markets have no faces, no identities and indeed no liabilities. While the political arena makes it impossible to hide identities and disclaim liabilities.

The array of issues is too large for any NGO or Network to address by themselves. Politics is the only institution available locally that can become the bridge and the essential link to the whole without which the engagement remains limited and hence more easily controlled. Linkages with politics at the local level will help NGOs impact the whole.

The Way Forward

The beneficiaries of the current regimes of commerce and trade and consequently the process of liberalisation are racing against time. It is not possible to keep winning that race forever. Multiple global environmental, ecological and political crises and an increasing evidence of poverty on the planet are thus corollaries of each other. So the strategy for those in a race against time is to buy time. They do so by camouflaging the political nature of the process of liberalisation and its allied discourses and debates.

However, this should be obvious that it cannot be the strategy of choice for those who have historically been and continue to lose. Their strategy can only be to resist all efforts that are aimed at buying more time. They should assert the political nature of all these discourses and should, therefore, demand their resolution in the political arena. Such a strategy will also bring the realisation home that politics is their natural ally.

An alliance of NGOs with local politics can only improve both and pave the way for the birth of a new politics that will ensure sustainability for all people

and places on this planet. Nobody can win by changing the rules of the game. It is time to change the very game. An alliance with politics gives NGOs the potential to try changing the very game of engagement so that there are no losers.

The system is too complex for the poor of the world. But complexity has never taught human beings failure. It has led them to surge to new heights of knowledge and awareness.

The Globalisation *Mantra* : Implications for Developing Countries

Ratnakar Adhikari*

Background

The decade of 1930's witnessed a major recession in the global economy. No sooner than the global economy could come out of the inescapable grip of the recession, the World War II took place. A sum total of these two developments resulted in the devastation of the world economy of the worst possible order. Therefore, the governments of the developed countries decided to organise an international meeting with the objective of hammering out the strategy for the restructuring of the global economy. In 1944, a meeting of the government representatives was organised in Bertten Woods, New Hampshire, USA. The meeting decided to create three separate international bodies to look after the tasks of economic reform, financial stability and promotion of free trade. The former two institutions envisaged under the Bretton Woods agreements did come up. They are known as the World Bank and the International Monetary Fund. However, the third arm of the Bretten Woods institutions, namely, the International Trade Organisation could not be established because of the resistance from the US Senate.

The seed of globalisation was sown in Bretton Woods. But the idea behind the creation of these institutions were to establish global prosperity and reduce global imbalances. But due to the voting structure of the Bretton Woods Institutions[i], the rich countries continue to dictate their agenda and consequently global prosperity and reduction in imbalance have remained elusive goals.

These institutions provide loans to the governments of the developing countries. When they see that their loans are turning bad, they, as any other banks, impose conditionalities to the countries concerned. If they are not fulfilled, no further loan would be granted. However, the sad part is that

* General Secretary, South Asia Watch on Trade, Economics and Environment (SAWTEE), Kathmandu, Nepal

virtually all of their conditionalities have made the situation bad to worse in almost all the countries. Another interesting part is that their so-called "independent" governing board toes the lines of the developed countries.

When the companies of the developed countries realised that their market reached to a plateau, they started making pressures to their respective governments to liberalise the global economy. Bretton Woods Institutions, which were asked to make this happen, bowed down to the dictation of the developed countries and started making an unfettered push for liberalisation of the economies of the developing countries.

By the 1970s, the simple model of the sovereign nation-state with its national economy, national polity, national legal system and national identity was under attack. Major corporations were outgrowing their national boundaries and local markets. The number of companies operating multi-nationally expanded rapidly as they sought out new markets and innovative ways to circumvent domestic barriers.[ii]

Globalisation "Created"!

Globalisation is not something that has taken place in the evolution of the human civilisation, but it was designed and created by certain vested interest groups to promote their markets. The transnational corporations (TNCs) of the North were the dominant forces designing and creating globalisation. Until 1994, "creating" globalisation was the exclusive responsibility of the Bretton Woods Institutions, but after January 1, 1995 these institutions are joined by yet another ally, namely the World Trade Organisation (WTO).

When one talks about globalisation, structural adjustment programme initiated by the Bretton Woods Institutions becomes the prime concern for the developing as well as least developed countries (LDCs). The structural adjustment programme (SAP), though mainly designed to reduce the government expenditure so as to make them capable of servicing and repaying the debts obtained by them from the Bretton Woods Institutions, resulted in massive social problems in a number of countries.

As per the SAP, government is required to prun its functions so as to reduce its expenditure. The only way the government could do it is by the privatisation of its functions. Then the move for privatisation of public sector enterprises began, despite the fact that profit-making was not the sole intention of some of these enterprises. Under the pressures from the Bretton Woods Institutions, the capability as well as sustainability of these enterprises began to be tested on the basis of "how much they earn?" as opposed to "how satisfactory is the quality of services they provide?"

Further, while designing the privatisation policy of each country, they were required to do so keeping in mind that foreign investors would be the key bidders, thus opening new vistas for foreign investment. Under SAP, those governments, which were known to invest huge amount of their resources in such "unproductive" social sectors like health and education were instructed to curtail their expenditure in such sectors and invite private players to take up the responsibility of managing these sectors.

They were further instructed to liberalise their economy not only for foreign goods and services but also for foreign investment. The catch, however, remains that the sectors in which the developed countries have comparative advantage have been liberalised through every possible means, but the sectors in which developed countries have their comparative advantage have not been liberalised as yet. This will be discussed later under the rubric WTO: The Third Pillar of Globalisation.

They were also instructed to augment their foreign exchange reserve through intensification of their export performance. The underlying assumption was that the increased foreign exchange resources would be spent on debt servicing and repayment of instalment to the Bretton Woods Institutions as and when they fell due. In their bid to increase the export earning some countries have started converting their fertile land into cash crop "factories", with the expectation that they would be able to reap the benefits of globalisation by exporting their products. The assumption here is that food could be imported as and when required. However, this assumption is not as simple as one would think. The problem faced by Indonesia to import food and feed its population during the financial crisis of 1997 is a testimony to the fact that relying on trade to meet the demand for food is not free from risks.[iii]

Structural adjustment, writes Jane Kelsey (2000), "follows a standard line. In 1990, United States academic John Williamson set out what has been termed the 'Washington consensus' of key elements for a structural adjustment programme. These include maintaining fiscal discipline, public expenditure priorities, tax reform, deregulation, removing barriers for foreign direct investment, financial liberalisation, rationalising exchange rates, trade liberalisation, privatisation and ensuring security of property rights under law without excessive costs."

"This model has been elevated to the status of economic truth, a necessary 'adjustment' to the economies of the world. Fundamental changes are conveyed as shifts of technique – how we regulate markets, control inflation,

maintain labour relations, deliver education, health or housing, levy taxes, provide policy advice or ensure accountability. It is what political scientist John Toye calls 'the realm of the Empowering Myth', where people are told there is no alternatives and no alternative voices are heard."[iv]

WTO: The Third Pillar of Globalisation

The World Trade Organisation which was established in 1995 carries a distinct history of an unimpeded free trade. The General Agreement on Tariff and Trade (GATT) which was established in 1948 started a practice of voluntary reduction of tariff and various rounds of talks were held in that process. Upto the sixth round the talks solely centred on tariff. Some non-tariff issues were raised in the Tokyo Round. The eighth round of talk took place in Punta de Leste of Uruguay in 1986. Various new subjects were entertained in the discussion and some decisions were also made.

The fundamental principles of the WTO are as follows:

- While providing trade facility to any Member Country the facility should not be less than one enjoyed by the most favoured nation. This provision is referred to as "most favoured nation" or MFN.
- A member state must treat the goods produced in another country at par with its own goods. This provision is referred to as "national treatment".
- Any dispute arising between member countries must be submitted to dispute settlement body under the WTO. The body should, to the best of its ability, try to resolve the dispute through consultation and mediation. If that is not possible it should be resolved through a dispute resolution panel. If the arbitration of the panel is not acceptable to one of the disputants, the other party can impose a trade sanction against the former. But the trade sanctions must not be unilateral.
- All decisions must be made on the basis of consensus. Failing to reach a consensus, majority decision can be followed.
- Developing countries and LDCs should be given special and differential treatment.[v]

If the above principles were observed in letter and spirit, the norms of unhindered and free trade would appear to have been honoured. But this is not so in reality. In reality the developed countries are engaged in what is known as "rachetting market access"[vi] There are various reasons behind it, some of which are explained below.

Though the WTO decisions are said to be made on consensus basis, there is hardly any participation of developing countries and LDCs. As a result, developed countries are able to make any decisions they like. While developing countries have not been able to implement some of the provisions of the WTO due to lack of capacity and resources, developed countries have implemented the commitments in a dishonest manner.

Though it has been mentioned in the Marrakesh Declaration (based on which the WTO came into being) there is a provision for providing special and differential treatment to the developing countries. However, it has not been implemented because of the "best endeavour clause" inserted in this section of the declaration.

The United States of America frequently threatens to apply Super 301 section of its Internal Trade Legislation unilaterally against the Member Countries of the WTO found to hurt its commercial interest despite the fact that all the actions within the WTO system should be made on a multilateral basis not on the basis of unilateral threats. Moreover, developed countries compel the developing countries to speak in favour exerting their economic and political pressures on them.

Developing countries and LDCs cannot put their ideas and views in an effective manner since they have no or very limited numbers of experts. Due to lack of resources and trained lawyers, developing and LDCs are unable to achieve expected success in the protection of their trade interests even through dispute settlement body of the WTO.[vii]

While the capital and technology (including the so called "genetically modified organisms") move freely across national boundaries there is a restriction of the movement of the labour.

WTO is about opening up the markets for goods and services from each and every direction. It does not envision a system wherein market opening would be like a one-way street, i.e., one side fully opening its market and the other side creating real as well as artificial barriers to entry of good and services from the other end. However, this is precisely what is happening. Whereas the Southern countries have opened up their market to the extent possible, the Northern countries have made use of various "legal loopholes" within the

WTO to create further barriers for the entry of the goods and services from the developing countries.

Agreement on Textile and clothing is one such agreement deserving special mention. Developed countries, which authored the WTO Agreement have utilised a technical loophole in this Agreement to delay the integration of items under quota system. Under the Agreement, importing countries are free to decide which products to integrate at each of the four stages of integration.

As the Agreement defines the percentage of integration in volume terms, importing (developed) countries have "fulfilled" their obligation by first integrating those products into the Agreement which are of least export significance for the developed countries. They have reserved the items that are of crucial export significance of the developing countries towards the later phase of integration.

This phenomenon has robbed the developing countries of the market access opportunities. By the end of the second phase of integration which completed in 1998, theoretically 33 percent of import volumes of textile and clothing was "integrated" into the WTO disciplines. However, it represented only 6.77 percent of items restricted under the quota system.[viii]

The tariff distortion practices of unimaginable scale being adopted by the developed countries including dirty tarrification and maintaining of tariff peaks, tariff escalation and tariff dispersion are becoming hurdles for the industrial development of the South. Dirty tariffication, for example, is a practice followed by the developed countries to protect their "sensitive" agricultural products' market from being taken over by the developing countries exporters. This was done by converting non-tariff barriers (such as: quota, variable import levies, minimum import prices, discretionary licensing, non-tariff measures maintained through state trading enterprises etc.) in the agricultural products into tariff barriers – through a process known as tariffication under the Agreement on Agriculture.

What the developed countries actually did in this case was to simply inflate the monetary value of the non-tariff barriers with the sole objective of protecting their agriculture markets. Examples of some of the so called sensitive products in which dirty tariffication are prevalent in Quad bloc include Canada imposing a tariff of 360% on butter, European Union levying a tariff of 213% of beef, Japan imposing 388.1% tariff on wheat products and USA charging 244.4% duty on sugar.[ix] If one compares these figures with the prevailing rate of tariff on these products in most South Asian countries one finds that they are between zero and 10 percent in all the above-mentioned cases.

As if this was not enough developing countries trying to sustainably industrialise are faced with increasing barriers to their exportable products as they fail to satisfy the technical regulations considered mandatory by the importing country. Non-tariff barriers (NTBs) such as sanitary and phytosanitary (SPS) measures, technical barriers to trade (TBT), anti-dumping, safeguards and rules of origin threaten to be dynamic hurdles for the developing countries trying to enhance their export earnings.

Further, developed countries are trying to bring in a host of non-trade issues within the WTO proscenium. Some of the major ones include labour standards and environmental standards. Applying labour standard for the developing countries and providing legal validity to the "sweatshops" and applying environmental standards for the developing countries and dumping of domestically prohibited goods and toxic substances in their market by developed countries with absolute impunity are going to be some of the features of so called "global system of equity and justice" in days to come.[x]

A Push for Mutlilateral Investment Regime

Rightly or wrongly, in the present context, foreign direct investment (FDI) is viewed as a panacea to all the development ills inflicting the developing countries and LDCs. Due to reduction in official development assistance (ODA) and shifting of its priority from development area to humanitarian aid or disaster relief programme, the resource starved poor countries are finding attracting foreign investment the only *mantra* for financing their development initiatives.

The TNCs housed in the North found an opportunity in this desperate pursuit of the poorer countries and started pushing for a global investment accord, popularly known as Multilateral Agreement on Investment (MAI). The main intention of this accord, which was initially proposed to be included in the WTO, was to protect "investors' rights" – albeit without even whispering about the "investors' responsibilities". Due to the lopsided nature of the accord coupled with vehement opposition from the developing countries, it failed to make inroads into the WTO. Then the accord was moved to the Organisation for Economic Development and Cooperation (OECD) proscenium. There too sensible developed countries like France and Canada opposed the accord based on the potentiality of the accord to encroach upon the sovereignty of the nation States to decide what kind of investment they require.

If this accord were signed, it would have created havoc in the poorer countries. As per the publication of Friends of the Earth (1998), *License to Loot: The MAI and How to Stop It*, the agreement had the following salient features.

- Foreign investors could invest and operate under terms as good as or better than those enjoyed by the local companies.
- They could operate free of "performance requirement" such as requirements to take a local partner, hire a minimum number of local employees or transfer technology.
- They could transfer money in and out of a country without restrictions, despite the dangers of speculative investments demonstrated by the Asian financial crisis of 1997.
- They would be compensated when government takes the assets of an investor, both when property is directly expropriated and, more alarmingly, when the regulations "have the effect" of taking assets.
- They could directly sue governments for monetary damages as a way of enforcing MAI rules.
- They would enjoy the MAI rules for a minimum of 20 years – even when the country withdraws from the agreement.[xi]

Though the proposed global accord on investment has died its natural death, fear is ripe that "experts" working on a similar type of investment accord to be presented to the WTO, could come out with anything. Thanks to the Seattle Debacle[xii] that this agreement could not be brought into the WTO. However, European Union, the initiator of the proposal to have a more comprehensive round of the multilateral trade negotiations within the WTO, has been making a hell bent effort to see it included in the next round of global trade talks.

Attacks on Globalisation

Globalisation is an unstoppable phenomenon, but its pace can certainly be controlled. The major proponents of globalisation namely, the World Bank, the International Monetary Fund (IMF) and the WTO have come under severe attack in the recent past because of their relentless pursuit for globalisation without paying attention to the suffering of the millions of people in the poorer developing countries especially in Sub-Saharan Africa and South Asia.

The manifestation of frustration and anger have come in different forms ranging from street demonstration at the time of World Bank's annual meeting in Washington or at the time of third ministerial conference of the WTO in Seattle, or during the World Economic Forum in Davos. Or even worse, by throwing pie on the face of Mr. Michel Camdessus, the outgoing Managing Director of IMF on February 13, 2000 during the UNCTAD X itself that too within the premises of Queen Sirikit Convention Centre, the official venue for the UNCTAD X. There are more such pies in the making if these institutions do not learn from their mistakes and do not exhibit more benevolent attitudes towards the plight of the poorer countries.[xiii]

During UNCTAD X itself, Mr. Juan Somavia, Director General, International Labour Organisation, delivering his keynote speech on 15th February, challenged the entire premises of globalisation. In his view the globalisation has not been able to fulfill even minimal aspirations of the people, which has resulted in a blacklash to it. He opined that over the so many years in the past globalisation has only benefited the richest nations and people, thus promoting what is known as "casino economy".

Globalisation is not an end but only means to an end which is much border than even the most vociferous protagonist of globalisation could comprehend. One has to wholeheartedly welcome globalisation if it results in increased employment opportunities, reduction in poverty, economic equity and development that could be sustained for generations together. On the contrary, if globalisation results in reduction in employment opportunities, increase in poverty, economic inequity and short-term development, it deserves a well-argued criticism. If it continues to neglect the interests of the masses, it would lose its legitimacy.

As rightly pointed out by UNCTAD Secretary General Mr. Rubens Ricupero "a world economic system that fails to offer poorer countries, and the poorest parts of the populations within them, adequate and realistic opportunities to raise their living standards will inevitably lose its legitimacy in much of the developing world. And without this legitimacy, no world economic system can long endure."

Since the heads of the UN bodies and other multilateral institutions echoed the concerns raised by the developing countries and they were aptly reflected both in the Bangkok Declaration and Plan of Action endorsed by 146 participating member countries, UNCTAD X was hailed as a victory for the developing countries.

Bangkok declaration, among others, expressly mentions that development issues will be made part of the proposed new round of trade negotiations in the WTO. The declaration further says that success of international development efforts depends on account being taken of all stakeholders, including the private sector, non-governmental organisations (NGOs) and academia.

The declaration asserts that globalisation needs to be managed properly if it were to become a powerful and dynamic force for growth and development and to lay the foundations for enduring and equitable growth at the international level. It also speaks of the need to integrate the LDCs into the multilateral trading system, if the benefit of the same were to be shared proportionately.

It also underlines the need to raise the overseas development assistance from industrialised nations to the committed level. Finally, the declaration seeks the commitment to provide debt relief to poor countries by writing off existing debts, but only if the amount has been diverted for social development.[xiv]

Any Hope to Democratise Them?

The root cause of the North-South conflict is poverty. If globalisation does not help bring almost half the global population from the grip of poverty, it is bound to create further tensions at the global level. During UNCTAD X, the retiring Managing Director of IMF, Michael Camdessus, made his last speech on February 13, 2000. His choice of words was unprecedented coming from the IMF:

> Poverty is the "ultimate threat" to stability in a globalising world… The widening gaps between rich and poor within nations, and the gulf between the most affluent and most impoverished nations, are morally outrageous, economically wasteful, and potentially socially explosive…poverty will undermine the fabric of our societies through confrontation, violence and civil disorder.[xv]

After years of lobbying, multilateral organisations now accept that eradicating poverty should be the main objective of globalisation. They know for a fact that their prescriptions have accentuated poverty rather than abating it. Despite their failure stories, they are still pursuing the policies that are highly prone to exacerbating the problems.

Due to intense pressures from the civil society organisations, World Bank has slightly changed its strategies over the past few years. They have started engaging civil society organisations in their works. Also due to the pressures from civil society organisations, the move to provide debt relief to the so-called "highly indebted poor countries", popularly known as HIPC initiative has begun.

Though IMF is yet to learn any lessons from its past mistakes, WTO has gradually started changing for better. The developing member countries of the WTO have come of age to understand the significance of "consensus-based" decision-making approach espoused by the WTO. Since they are in majority in the WTO, they could make decisions turn in their favour in this forum provided they continue to take united stand on majority of the issues, if not all. Indeed, developing countries have tested the blood on two separate occasions - at the time of appointment of the Director-General of the WTO last September and its third ministerial meeting held in Seattle during November-December last year. Therefore, chances are that they feel more emboldened.

Capacity of this grouping to deal with issues being discussed under the WTO has considerably improved over the past few years. They have also understood that they cannot be taken for a ride anymore by the developed countries or befooled all the time.[xvi]

All that developing countries now require is to focus on improving their capacities to negotiate better in the WTO platform and get the best possible deal out of it, rather than preaching the destructive ideologies such as boycotting the rule based trading system established through the most acrimonious process of negotiations. Undoing the damage caused to them by the Uruguay Round should be their prime focus.

The Way Forward

The debate is not whether globalisation was created or it is an outcome of the part of the process evolved spontaneously over a period of time. The fact of the matter remains that globalisation is here to stay no matter how much we harp on reversing the process. Since the things are changing for better in most of the institutions promoting globalisation there is a ray of hope at the end of the tunnel. Globalisation does offer some opportunities. Participation in the global economy, for example, provides an access to ideas, information, technologies and a number of critical resources that are important for a nation's development. Globalisation also diffuses the wave of democratic governance across the globe and is increasingly involved in the moderation of the behaviour of nations states.

The attitude of developing countries to look upon themselves as a hapless lot has led them to the present pathetic state. Therefore, there is a need for radical

shift from this attitude. Rather than harping on the negative side of globalisation, these countries should be united to take a proactive stand on each and every global platform and make sure that globalisation works for their benefits and not for the vested interest groups promoting globalisation as a means to exploit the global market.

The problem lies in managing globalisation. The previous five chapters of this monograph have aptly highlighted the fact that South Asia region is lagging far behind any other region in the world in terms of managing this process. It is not possible for all the South Asian countries to have a common voice or position in each and every issue relating to globalisation, but a vast majority of issues are of the nature that South Asian countries could only stand to gain if and only if they have united voice in the global fora or during the international negotiations. The best way to achieve this goal is by rejuvenating SAARC process, which is unfortunately pretty much dormant at this stage.

ENDNOTES:

[i] Voting pattern of these institutions are decided on the basis of financial contributions made by countries to their budget. Due to this economically powerful countries have a greater say in these institutions.

[ii] Kelsey, Jane (1997), "Structural adjustment: a curse on the world" in Focus on Trade, Number 11, February 1997, Focus on Global South, Bangkok

[iii] Adhikari, Ratnakar (1999), *Hungry Backyards : Impacts of Liberalisation on Food Security*, a paper contributed at International Conference on Food Security organised by Consumer International – Regional Office for Asia and the Pacific, March 6-8, 1999, Penang, Malaysia.

[iv] Kelsey, Jane (1997), *above*, note 2.

[v] Adhikari, Ratnakar (1999), *Political Economy of GATT/WTO*, a paper presented at the Orientation on WTO, organised by Nepal Community Support Group (NECOS) and MS-Nepal, July 22-24, 2000, Bhairahawa, Nepal.

[vi] Chatterjee, Bipul and Narsalay, Raghav (1998), *Market Access and Trade Liberalisation* in Rachetting Market Access, Consumer Unity and Trust Society, Jaipur, India.

[vii] Mehta, Pradeep S. (1996), *The Freezing Effect – Lack of Coherence in the New World Trade Order*, No. 1, March 1996, Consumer Unity and Trust Society, Calcutta, India.

[viii] Ghimire, Hiramani (2000), *Integrating the Least Developed Countries into the Multilateral Trading System: Need for a Bond between Promise and Performance*,

Briefing Paper No. 1, February 2000, South Asia Watch on Trade, Economics and Environment (SAWTEE), Kathmandu.

ix Das, Bhagirath Lal (1999), *The World Trade Organisation: A Guide to the Framework for International Trade*, Zed Books Ltd, London and Third World Network, Penang.

x Adhikari, Ratnakar (2000), "World Trade Organisation Legalising Double Standards," in The Kathmandu Post, September 21, 2000, Kathmandu.

xi Friends of the Earth (1998), *License to Loot : The Multilateral Agreement on Investment and How to Stop It*, Washington, D.C., USA.

xii The failure of the third Ministerial Conference of the WTO.

xiii Adhikari, Ratnakar (2000), "Casino Economy Under Fire", in *AP Consumers*,No 19, April 2000, Consumer International – Regional Office for Asia and the Pacific, Penang, Malaysia.

xiv UNCTAD (2000), *Bangkok Declaration*, Tenth Session of the United Nations Conference on Trade and Development (UNCTAD X), February 12-19, Bangkok, Thailand.

xv New Economics Foundation (2000), *Paradigm Lost : Critical voices on globalisation and the big hole in finances for development*, New Economics Foundation, London, UK.

xvi Adhikari, Ratnakar (1999), *Lessons from Seattle Debacle*, The Kathmandu Post, December 8, 1999, Kathmandu, Nepal.