



Chapter 1 - How did we get here? The politics of globalisation

Tue, 05/09/2006 - 11:50

It's about the consolidation of power into the boardrooms of major companies, away from elected parliaments. It's about a massive increase in the power of global institutions like the IMF, World Bank and World Trade Organisation.

But how did we get here? And who brought us this far?

A defining moment in the advent of globalisation was the USA's triumph over the Soviet Union in the late 1980s. It was not long before a new generation of pro-globalisation pundits came to dominate the think tanks, academic institutes and the columns of leading magazines.

The old era Kremlinologists and foreign policy 'realists' were pensioned off in the 1990s to make way for the 'globalists' whose job was simple: to celebrate the victory of the market over state intervention into the economy.

Thomas Friedman, Jeffrey Gerten, Daniel Yergin and a raft of others littered the bookshop shelves with purple prose in praise of US leadership, US values and above all the USA's right 'indeed duty' to export these to the rest of the world.

George Bush proclaimed a 'new world order' and in a rush of enthusiasm the pundits suggested that conflict between nation states was over 'at least as a defining framework for foreign policy.

The USA could use its power to promote 'democracy' across the globe, they said. But they had a funny idea of democracy: it meant locking every country into a global economy with clear rules that would, over time, bypass governments and establish clear bonds between citizens and corporations. Fukuyama's famous theory that we'd reached the 'end of history' was the highpoint of this line of thinking.

But the wars in Iraq and Somalia in the early 1990s were a rude awakening. The vision narrowed and shifted: no longer could the US be expected to impose the rule of law and respect for human rights upon a lawless, chaotic and ungrateful world.

But nor could the US afford to disengage and withdraw to its tent. Rather, selective military engagement alongside the open promotion of US corporations became the new rationale of American diplomacy.

Clinton's Trade Secretary Ron Brown summarised his brief as 'commercial diplomacy' 'the intersection of foreign policy, government power and business deals'. In the absence of a military rival 'business is the natural basis of foreign policy'.

The new prevailing orthodoxy insists that the USA is so powerful, has such superior 'way of life' that it has the duty to press its interests on other nations and actively intervene in conflicts to secure its national interest.

It was now time to fight for the American way as the only way of doing business, said the gurus of globalisation.

The Bush and Clinton administrations of the 1990s took full advantage of their triumph over the USSR. They provided the route map for fast-track capitalist restoration in the ex-USSR and Central Europe; they pushed through new rules for world trade; subjected the United Nations to a make-over that put it totally in the hands of the Pentagon, and gained

a windfall in economic assets after the Asian meltdown in the latter part of the 1990s.

The USA used unprecedented and unrestrained force to intimidate Third World states that refused to play ball. It overcame its hesitation and imposed repeated settlements in the Balkan conflicts by deploying US armed force.

So globalisation is not just a spontaneous tendency, driven by technology and economics. It is also about boosting the economic, political and cultural dominance of the world's only hyperpower, the most powerful imperialist capitalist nation on the planet.

The major corporations that bankrolled Clinton into office were handsomely rewarded: they increased their wealth and power during the 1990s more rapidly than at any time since the 1950s.

The Clinton regime represented the triumph of Wall St over Main St - and with this the agents of the financial markets and investment banks came to prominence inside the two Democrat administrations.

By 1995, stocks of foreign assets held by US companies topped \$600bn, around three times their level of a decade before. Exports climbed from 9 to 13 per cent of GDP. As the Financial Times put it:

"US companies that once saw the world market as a place to channel their excess domestic production are now waking up to find that a third, or even a half, of their sales will soon come from abroad."

And with this global reach came a determination to fashion a more interventionist foreign policy designed to protect their assets.

Wall Street gained in the 1990s in an unprecedented manner from speculation on convertible currencies, on fees from managing privatisation programmes of state-owned enterprises and overseeing an unprecedented wave of mergers and acquisitions.

The Rubin-Clinton bail out of Mexico in 1994-5 to the tune of \$38 bn - bypassing Congress in the process - was a gift to the Wall St bond holders who stood to lose massively if the Mexican government defaulted.

Clinton's free-market policies went even further than previous administrations. Traditional IMF sponsored structural adjustment programmes were aimed at countries in balance of payments crisis.

But Clinton bowed to corporate pressure to go further and apply - market discipline- to even the poorest countries in the world in the attempt to open up their resources and cheap labour to US companies.

The weapon this time was not denying them emergency loans to stabilise a currency or debt payment crisis - but taking a knife to official aid programmes.

In a visit to Africa in 1998, Clinton proclaimed -trade not aid- would be Uncle Sam's contribution to eliminating the continent's poverty. In fact, official aid to Africa had declined from \$32 a head in 1991 to less than \$19 by the time Clinton visited the continent.

The shortfall in aid would be made up by US corporate investments - providing of course that African governments privatised their state industries, reduced tariffs and taxes. Clinton even refused to donate public money to help combat Africa's AIDS crisis, urging these countries to turn towards corporate saviours.

Perhaps Clinton's biggest legacy in economic globalisation was overseeing the transformation of two key pillars of the post-war order: the GATT and United Nations, into more naked instruments of US global policy.

From GATT to WTO: In 1944 the USA prevented the creation of an international trading body with real power, preferring to leave General Agreement on Tariffs and Trade as a looser body. Through GATT, the USA could negotiate trade liberalisation but maintain powerful protection and subsidies for farmers in the USA and other developed

countries.

But in the 1990s the USA wanted to scale back protection for agriculture. The Uruguay Round of GATT trade negotiations began in 1986 and aimed to massively reduce barriers to trade.

It also agreed to transform the GATT into the World Trade Organisation, realised in 1995. The Uruguay Round, and the formation of the WTO were a major step in advancing US corporate interests in trade.

Restrictions on investment have been reduced virtually everywhere in the 1990s. Across the globe there have been 570 rule changes governing foreign direct investment since 1991 ? all of them removing barriers to the profit-mongers. By 1997, 1,330 bilateral investment treaties, involving 162 countries, were in place: three times as many as in 1992.

The WTO is a secretive executive body under the dominance of the G8 powers in which corporations can lobby to overturn national laws that seek to protect workers or the environment against the uncontrolled actions of big business.

And perhaps Clinton's biggest legacy was, by bribes and bullying, to bring the vast new markets of China to the point of joining the WTO.

Globalisation also meant redefining USA's attitude to Third World agencies. The US had agreed to the formation of UNCTAD in the 1960s ? a Third World development agency that sponsored national industrialisation policies ? as a lesser evil to these countries falling under the influence of the USSR.

But in the 1990s the USSR was history. Now, bodies like UNCTAD were obstacles to further US corporate dominance. UNCTAD has been gutted of much of its power.

With the United Nations, change came slower due to the spinelessness of Gorbachev and Yeltsin. They bent over backwards to help the USA get UN backing for its imperialist adventures in the 1990s. In return the USA bankrolled capitalist restoration and saw that the personal bank accounts of the Russian autocrats did not go empty.

For a time it seemed that Clinton might advance US interests mainly behind the facade of a pliant United Nations. But the disastrous intervention into Somalia changed all that. After Somalia, naked US power and interest came to the fore. The USA vetoed the renewed appointment of Boutros-Gali to head the UN in 1996: he was too critical of American policy. And Clinton crippled the UN's ability to intervene after the Bosnian war by refusing to pay \$1.6 bn in debts.

NATO, by contrast, was transformed into the real world policeman ? only it was a policeman paid for by the main criminals.

NATO was a creation of the Cold War, supposedly a defensive alliance to deter Russian aggression in Europe. But while the Cold War ended, NATO got stronger. The US administration argued for an enlarged and more global role for NATO. NATO enlargement was pushed for in order to ?put pressure on communist backsliders? in East Europe, in secretary of state Madeleine Albright's words.

In 1998 NATO claimed a new right: to launch attacks first, including nuclear attack, ?out of theatre", that is outside Europe, wherever the US detected ?rogue states? resisting its power.

Marginalising the UN and enhancing NATO expresses the new post-Cold War freedom and power of the USA to act, ? first and without restraint on the world stage.

It would be short-sighted to believe that only the USA has promoted the ideology of globalisation or only its corporations benefited from the extension of free trade and liberalisation of capital flows. The European and Japanese multinationals also stood to gain and did in fact prosper as Uncle Sam battered down barriers to foreign investment and foreign imports.

The EU's most powerful countries certainly gained from the opening up of the ex-USSR and East Europe while

Japan's big corporations greatly expanded their presence in East and South Asia during the 1990s despite a stagnant economy at home.

But US led the charge, swept aside objections, bullied to get its way in the multilateral forums, often against the doubts and objections of others.

By the end of the 1990s, with an economic boom in full swing, the USA seemed unchallengeable. The message was that military power and economic affluence gave it the right to impose its 'successful' model on the rest of us.

To the sound of champagne corks popping at the launch of new dot.com companies, the pundits of globalisation began to cheer the arrival of a new form of capitalism: one where technology and neo-liberalism had abolished economic cycles of boom and bust.

So what happened next surprised them.

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