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THEIR OPPONENT'S ARGUMENT
DO NOT COMPLETELY
UNDERSTAND THEIR OWN.

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Booklist

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Opposing Viewpoints®







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Chapter Preface

Moreoritics of globalization accuse economic free trade of forcing Western—or, more specifically, American—culture on the diverse populations of the world. In their view, freeing up global markets is simply a means for American products—from sneakers to foodstuffs to movies—to saturate foreign countries and dominate indigenous trade, traditions, and values. Advocates of globalization believe that the people of the world are just expressing their right to purchase the goods and entertainments they desire, but opponents contend that local crafts and cultural outlets simply cannot compete with the inundation of Western products. As university instructor Danny Duncan Collum writes in a 2007 issue of Sojourners magazine, globalization is "creating a global monoculture, dictated by the overwhelming economic power of the United States."

Some who decry the pervasive power of this Americanized monoculture not only fear what impact it may have on localized cultures but also what type of backlash it may provoke. As Jonathan Weber, a professor of journalism, wrote in Wired just five months after the September 11, 2001, al Qaeda terrorist attacks on the United States, anti-American sentiment may have much to do with exports—and the value system they promote—being foisted on unwilling consumers. "The fury of the terrorists—and of the alarming number of people around the world who viewed the attacks as a deserved comeuppance for an arrogant, out-of-control superpower," Weber stated, "is sparked in part by a sense that America is imposing its lifestyle on countries that don't want it. And one needn't condone mass murder to believe that a new world order that leaves every place on the globe looking like a California strip mall will make us all poorer."

Before the September 11 attacks, however, globalization's champions touted the way in which free trade brought people together, eroding the divisiveness that led to conflict. David Rothkopf, a professor of international affairs at Columbia University, speculated in Foreign Policy in 1997, "the decline of cultural distinctions may be a measure of the progress of civilization, a tangible sign of enhanced communications and understanding." And though in the post-9/11 world, few hype its power to level cultural distinctions, many promoters still claim globalization is enhancing communication and aiding cultural understanding through the global reach of the Internet and the international economic ties established through open markets. And most boosters see this cultural exchange as a twoway street, giving the economic powerhouses of the West a chance to learn from and sample the cultural offerings of once-distant and perhaps economically secluded nations in the developing world.

In the following chapter, the authors examine the impact of globalization on diverse cultures. Some see globalization as a bridge that connects populations, quelling old antagonisms and fostering new dialogues. Others, however, consider globalization as a steamroller, flattening indigenous cultures and inflaming a backlash against the threat of the oncoming monoculture.

Viewpoint

"Governments that grant their citizens a large measure of freedom to engage in international commerce find it dauntingly difficult to deprive them of political and civil liberties."

Globalization Promotes Democracy

Daniel T. Griswold

Daniel T. Griswold is director of the Center for Trade Policy Studies at the Cato Institute, a public policy organization that promotes free-market solutions. In the following viewpoint taken from a speech he gave at a trade conference in Norway, he argues that the world has become a safer place because of free trade and other globalization policies. In Griswold's view, opening nations economically allows more citizens to acquire goods and services and gives them a taste of what freedom of choice can provide. When more people share in the prosperity offered by free trade, they have more money to travel and communicate with the rest of the world, and they learn more about the liberties enjoyed in free nations, he contends, and adds that this makes them hungry for expanding freedoms at home and em-

Daniel T. Griswold, "Peace Through Trade" Conference, Center for Trade Policy Studies, April 20, 2007, Copyright © 2007 by Cato Institute. Republished with permission of Center for Trade Policy Studies, conveyed through Copyright Clearance Center, Inc.

bracing democratic rule. Griswold also maintains that global economic ties induce countries to abandon warfare in favor of peaceful, beneficial trade.

As you read, consider the following questions:

- 1. In Griswold's view, how does a growing middle class promote democracy in not-free nations?
- 2. Why does Griswold believe that imposing economic sanctions on not-free countries is a wrongheaded policy?
- 3. What are the three main ways in which free trade has promoted peace in the world, according to Griswold?

In Washington, as in Europe, trade policy is fought almost exclusively on the battlefield of bread and butter. What does it mean for exports, jobs, wages, and competition? At the Center for Trade Policy Studies, we think that the evidence is clear that trade benefits the U.S. economy and American families. Expanding trade, foreign investment and competition deliver lower prices, more choice and higher incomes for consumers. Globalization has opened fantastic opportunities for American and European companies to deliver goods and services to hundreds of millions of new customers in emerging markets.

The rising flow of capital across borders has raised returns for people who save and invest while funding new investment opportunities that spread good paying jobs and technologies around the globe.... But trade policy is also about the kind of wider world we want to live in.

A More Peaceful World

During the decades of the Cold War, Republican and Democratic presidents alike in the United States advocated international trade as a necessary tool for promoting human rights and democracy abroad, and ultimately a more peaceful world. Trade expansion was seen as an instrument not only for rais-

ing living standards but also for knitting together our Cold War allies and spreading the values and blessings of freedom to a wider circle of mankind. Trade was seen, rightly, as an instrument of peace in a world that had suffered two calamitous world wars only to face another totalitarian power in the Soviet Union.

This year [2007] marks the 60th anniversary of the founding of the General Agreement on Tariffs and Trade [GATT]. Sixty years ago [in 1947], representatives from 23 countries, including Norway and the United States, met in Geneva [Switzerland] to negotiate lower tariffs on goods within a framework of nondiscrimination and the rule of law. The participating countries understood all too clearly that the "beggar thy neighbor" protectionism of the 1930s had been an economic disaster. They also understood that economic warfare had deepened the despair and resentments that led to World War II.

In my remarks today, I want to go beyond bread and butter to talk about how free trade is tilling the soil for democracy and human rights around the world and how the expansion of economic liberty and democracy have done more than any army of U.N. blue helmets to promote peace.

Tilling Soil for Democracy

In one of my studies for Cato, called "Trading Tyranny for Freedom," I examined the idea of whether free and open markets promote human rights and democracy. Political scientists since Aristotle have long noted the connection between economic development, political reform, and democracy. Increased trade and economic integration promote civil and political freedoms directly by opening a society to new technology, communications, and democratic ideas. Along with the flow of consumer and industrial goods often come books, magazines, and other media with political and social content. Foreign investment and services trade create oppor-

tunities for foreign travel and study, allowing citizens to experience first-hand the civil liberties and more representative political institutions of other nations. Economic liberalization provides a counterweight to governmental power and creates space for civil society.

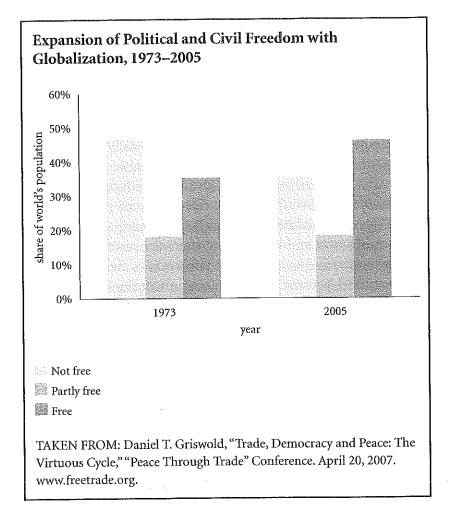
The faster growth and greater wealth that accompany trade promote democracy by creating an economically independent and politically aware middle class. A sizeable middle class means that more citizens can afford to be educated and take an interest in public affairs. They can afford cell phones, Internet access, and satellite TV. As citizens acquire assets and establish businesses and careers in the private sector, they prefer the continuity and evolutionary reform of a democratic system to the sharp turns and occasional revolutions of more authoritarian systems. People who are allowed to successfully manage their daily economic lives in a relatively free market come to expect and demand more freedom in the political and social realm.

Wealth by itself does not promote democracy if the wealth is controlled by the state or a small, ruling elite. That's why a number of oil-rich countries in the Middle East and elsewhere remain politically repressive despite their relatively high per capita incomes. For wealth to cultivate the soil for democracy, it must be produced, retained, and controlled by a broad base of society, and for wealth to be created in that manner, an economy must be relatively open and free.

Freedom Is Spreading

In my study for Cato, I found that the reality of the world broadly reflects those theoretical links between trade, free markets, and political and civil freedom.

First, I examined the broad global trends in both trade and political liberty during the past three decades. Since the early 1970s, cross-border flows of trade, investment, and currency have increased dramatically, and far faster than output



itself. Trade barriers have fallen unilaterally and through multilateral and regional trade agreements in Latin America, in the former Soviet bloc nations, in East Asia, including China, and in more developed nations as well. During that same period, political and civil liberties have been spreading around the world. Thirty years ago democracies were the exception in Latin America, while today they are the rule. Many former communist states from the old Soviet Union and its empire have successfully transformed themselves into functioning democracies that protect basic civil and political freedoms. In

East Asia, democracy and respect for human rights have replaced authoritarian rule in South Korea, Taiwan, the Philippines, and Indonesia.

Freedom House, a human rights think tank in New York, measures the political and civil freedom each year in every country in the world. It classifies countries into three categories: "Free"-meaning countries where citizens enjoy the freedom to vote as well as full freedom of the press, speech, religion and independent civic life; "Partly Free"—those countries "in which there is limited respect for political rights and civil liberties"; and "Not Free"-"where basic political rights are absent and basic civil liberties are widely and systematically denied." According to the most recent Freedom House survey, political and civil freedoms have expanded dramatically along with the spread of globalization and freer trade. In 1973, 35 percent of the world's population lived in countries that were "Free." Today that share has increased to 46 percent. In 1973, almost half of the people in the world, 47 percent, lived in countries that were "Not Free." Today that share has mercifully fallen to 36 percent. The share of people living in countries that are "Partly Free" is the same, 18 percent.

In other words, in the past three decades, more than onetenth of humanity has escaped the darkest tyranny for the bright sunlight of civil and political freedom. That represents 700 million people who once suffered under the jack boot of oppression who now enjoy the same civil and political liberties that we all take for granted.

Strengthening Human Rights

Next, I examined the relationship between economic openness in individual countries today and their record of human rights and democracy. To make this comparison, I combined the Freedom House ratings with the ratings for economic freedom contained in the Economic Freedom of the World Report. That study rates more than 120 countries according to

the freedom to trade and invest internationally, to engage in business, access to sound money, property rights, and the size of government. The study is jointly sponsored by 50 think tanks around the world, including the Cato Institute, the Fraser Institute in Canada, and Norway's own Center for Business and Society Incorporated, or Civita. When we compare political and civil freedoms to economic freedom, we find that nations with open and free economies are far more likely to enjoy full political and civil liberties than those with closed and state-dominated economies. Of the 25 rated countries in the top quintile of economic openness, 21 are rated "Free" by Freedom House and only one is rated "Not Free." In contrast, among the quintile of countries that are the least open economically, only seven are rated "Free" and nine are rated "Not Free." In other words, the most economically open countries are three times more likely to enjoy full political and civil freedoms as those that are economically closed. Those that are closed are nine times more likely to completely suppress civil and political freedoms as those that are open.

The percentage of countries rated as "Free" rises in each quintile as the freedom to exchange with foreigners rises, while the percentage rated as "Not Free" falls. In fact, 17 of the 20 countries rated as "Not Free" are found in the bottom two quintiles of economic openness, and only three in the top three quintiles. The percentage of nations rated as "Partly Free" also drops precipitously in the top two quintiles of economic openness.

A more formal statistical comparison shows a significant, positive correlation between economic freedom, including the freedom to engage in international commerce, and political and civil freedom. The statistical correlation remains strong even when controlling for a nation's per capita gross domestic product [GDP], consistent with the theory that economic openness reinforces political liberty directly and independently of its effect on growth and income levels. One unmis-

takable lesson from the cross-country data is that governments that grant their citizens a large measure of freedom to engage in international commerce find it dauntingly difficult to deprive them of political and civil liberties. A corollary lesson is that governments that "protect" their citizens behind tariff walls and other barriers to international commerce find it much easier to deny those same liberties.

Even when we look at reform within individual countries, we see a connection. A statistical analysis of those countries shows a significant and positive correlation between the expansion of the freedom to exchange with foreigners over the past three decades in individual countries and an expansion of political and civil freedoms in the same country during the same period. Countries that have most aggressively followed those twin tracks of reform—reflected in their improved scores during the past two decades in the indexes for freedom of exchange and combined political and civil freedom-include Chile, Ghana, Hungary, Mexico, Nicaragua, Paraguay, Portugal, and Tanzania. Twenty years ago, both South Korea and Taiwan were essentially one-party states without free elections or full civil liberties. Today, due in large measure to economic liberalization, trade reform, and the economic growth they spurred, both are thriving democracies where a large and well-educated middle class enjoys the full range of civil liberties. In both countries, opposition parties have gained political power against long-time ruling parties.

Our best hope for political reform in countries that are "Not Free" will not come from confrontation and economic sanctions. In Cuba, for example, expanded trade with the United States would be a far more promising policy to bring an end to the Castro era than the failed, four-decades-old economic embargo. Based on experience elsewhere, the U.S. government could more effectively promote political and civil freedom in Cuba by allowing more trade and travel than by maintaining the embargo. The folly of imposing trade sanc-

tions in the name of promoting human rights abroad is that sanctions deprive people in the target countries of the technological tools and economic opportunities that nurture political freedom.

A More Democratic China

In China, the link between trade and political reform offers the best hope for encouraging democracy and greater respect for human rights in the world's most populous nation. After two decades of reform and rapid growth, an expanding middle class is experiencing for the first time the independence of home ownership, travel abroad, and cooperation with others in economic enterprise free of government control. The number of telephone lines, mobile phones, and Internet users has risen exponentially in the past decade. Tens of thousands of Chinese students are studying abroad each year.

China's entry into the World Trade Organization in 2001 has only accelerated those trends.

So far, the people of mainland China have seen only marginal improvements in civil liberties and none in political liberties. But the people of China are undeniably less oppressed than they were during the tumult of the Cultural Revolution under Mao Tse-tung. And China is reaching the stage of development where countries tend to shed oppressive forms of government for more benign and democratic systems. China's per capita GDP has reached about \$7,600 per in terms of purchasing power parity. That puts China in the upper half of the world's countries and in an income neighborhood where more people live in political and civil freedom and fewer under tyranny. Among countries with lower per capita incomes than China, only 27 percent are free. Among those with higher incomes, 72 percent are free. Only 16 percent are not free, and almost all of those are wealthier than China not because of greater economic freedom but because of oil.

By multiple means of measurement, political and civil freedoms do correlate in the real world with expanding freedom to trade and transact across international borders. Nations that have opened their economies over time are indeed more likely to have opened themselves to political competition and greater freedom for citizens to speak, assemble, and worship freely. And around the globe, the broad expansion of international trade and investment has accompanied an equally broad expansion of democracy and the political and civil freedoms it is supposed to protect.

The Peace Dividend

The good news does not stop there. Buried beneath the daily stories about suicide bombings and insurgency movements is an underappreciated but encouraging fact: The world has somehow become a more peaceful place.

A little-noticed headline on an Associated Press story a while back reported, "War declining worldwide, studies say." In 2006, a survey by the Stockholm International Peace Research Institute found that the number of armed conflicts around the world has been in decline for the past half-century. Since the early 1990s, ongoing conflicts have dropped from 33 to 17, with all of them now civil conflicts within countries. The Institute's latest report found that 2005 marked the second year in a row that no two nations were at war with one another. What a remarkable and wonderful fact.

The death toll from war has also been falling. According to the Associated Press report, "The number killed in battle has fallen to its lowest point in the post–World War II period, dipping below 20,000 a year by one measure. Peacemaking missions, meanwhile, are growing in number." Current estimates of people killed by war are down sharply from annual tolls ranging from 40,000 to 100,000 in the 1990s, and from a peak of 700,000 in 1951 during the Korean War.

Many causes lie behind the good news—the end of the Cold War and the spread of democracy, among them—but expanding trade and globalization appear to be playing a major role in promoting world peace. Far from stoking a "World on Fire," as one misguided American author argued in a forgettable book, growing commercial ties between nations have had a dampening effect on armed conflict and war. I would argue that free trade and globalization have promoted peace in three main ways.

First, as I argued a moment ago, trade and globalization have reinforced the trend toward democracy, and democracies tend not to pick fights with each other. Thanks in part to globalization, almost two thirds of the world's countries today are democracies—a record high. Some studies have cast doubt on the idea that democracies are less likely to fight wars. While it's true that democracies rarely if ever war with each other, it is not such a rare occurrence for democracies to engage in wars with non-democracies. We can still hope that as more countries turn to democracy, there will be fewer provocations for war by non-democracies.

A second and even more potent way that trade has promoted peace is by promoting more economic integration. As national economies become more intertwined with each other, those nations have more to lose should war break out. War in a globalized world not only means human casualties and bigger government, but also ruptured trade and investment ties that impose lasting damage on the economy. In short, globalization has dramatically raised the economic cost of war....

A third reason why free trade promotes peace is because it allows nations to acquire wealth through production and exchange rather than conquest of territory and resources. As economies develop, wealth is increasingly measured in terms of intellectual property, financial assets, and human capital. Such assets cannot be easily seized by armies. In contrast, hard assets such as minerals and farmland are becoming relatively

less important in a high-tech, service economy. If people need resources outside their national borders, say oil or timber or farm products, they can acquire them peacefully by trading away what they can produce best at home. In short, globalization and the development it has spurred have rendered the spoils of war less valuable.

Of course, free trade and globalization do not guarantee peace. Hot-blooded nationalism and ideological fervor can overwhelm cold economic calculations. Any relationship involving human beings will be messy and non-linear. There will always be exceptions and outliers in such complex relationships involving economies and governments. But deep trade and investment ties among nations make war less attractive.

A Grand, Virtuous Cycle

The global trends we've witnessed in the spread of trade, democracy and peace tend to reinforce each other in a grand and virtuous cycle. As trade and development encourage more representative government, those governments provide more predictability and incremental reform, creating a better climate for trade and investment to flourish. And as the spread of trade and democracy foster peace, the decline of war creates a more hospitable environment for trade and economic growth and political stability.

We can see this virtuous cycle at work in the world today. The European Union just celebrated its 50th birthday. For many of the same non-economic reasons that motivated the founders of the GATT, the original members of the European community hoped to build a more sturdy foundation for peace. Out of the ashes of World War II, the United States urged Germany, France and other Western European nations to form a common market that has become the European Union. In large part because of their intertwined economies, a general war in Europe is now unthinkable.

In East Asia, the extensive and growing economic ties among Mainland China, Japan, South Korea, and Taiwan is helping to keep the peace. China's communist rulers may yet decide to go to war over its "renegade province [Taiwan]," but the economic cost to their economy would be staggering and could provoke a backlash among its citizens. In contrast, poor and isolated North Korea is all the more dangerous because it has nothing to lose economically should it provoke a war.

In Central America, countries that were racked by guerrilla wars and death squads two decades ago have turned not only to democracy but to expanding trade, culminating in the Central American Free Trade Agreement with the United States. As the Stockholm Institute reported in its 2005 Yearbook, "Since the 1980s, the introduction of a more open economic model in most states of the Latin American and Caribbean region has been accompanied by the growth of new regional structures, the dying out of interstate conflicts and a reduction in intra-state conflicts."

Much of the political violence that remains in the world today is concentrated in the Middle East and Sub-Saharan Africa—the two regions of the world that are the least integrated into the global economy. Efforts to bring peace to those regions must include lowering their high barriers to trade, foreign investment, and entrepreneurship.

Finally, those of us who live in countries that have benefited the most from free trade and globalization should rededicate ourselves to expanding and institutionalizing the freedom to trade.



"Globalization is a logical extension of imperialism."

Globalization Undermines Democracy

Michael Parenti

In the following viewpoint, Michael Parenti argues that free trade subverts democracy because it privileges the rights of corporations over the national rights of citizens. Parenti claims that free trade agreements are made without popular or legislative consent, yet the provisions of such agreements often take precedence over the economic rights and other personal liberties guaranteed by national constitutions. For this reason, Parenti believes globalization erodes national sovereignty and runs contrary to the democratic process. Michael Parenti is a political analyst and lecturer who has written several books, including Democracy for the Few and The Cultural Struggle.

As you read, consider the following questions:

1. Why does Parenti believe that free trade does not equate with fair trade?

Michael Parenti, "Globalization and Democracy: Some Basics," CommonDreams.org, May 26, 2007. Reproduced by permission of the author.

- 2. According to Parenti, what happened under NAFTA when Mexico was flooded with cheap, high-tech corn stocks from the United States?
- 3. In Parenti's view, how are free trade agreements in violation of the U.S. Constitution?

The goal of the transnational corporation is to become truly transnational, poised above the sovereign power of any particular nation, while being served by the sovereign powers of all nations. Cyril Siewert, chief financial officer of Colgate Palmolive Company, could have been speaking for all transnationals when he remarked, "The United States doesn't have an automatic call on our [corporation's] resources. There is no mindset that puts this country first."

With international "free trade" agreements such as NAFTA [North American Free Trade Agreement], GATT [General Agreement on Tariffs and Trade], and FTAA [Free Trade Area of the Americas], the giant transnationals have been elevated above the sovereign powers of nation states. These agreements endow anonymous international trade committees with the authority to prevent, overrule, or dilute any laws of any nation deemed to burden the investment and market prerogatives of transnational corporations. These trade committees—of which the World Trade Organization (WTO) is a prime example set up panels composed of "trade specialists" who act as judges over economic issues, placing themselves above the rule and popular control of any nation, thereby insuring the supremacy of international finance capital. This process, called globalization, is treated as an inevitable natural "growth" development beneficial to all. It is in fact a global coup d'état by the giant business interests of the world.

Nations Must Bow to Corporations

Elected by no one and drawn from the corporate world, these panelists meet in secret and often have investment stakes in

the very issues they adjudicate, being bound by no conflict-of-interest provisions. Not one of GATT's five hundred pages of rules and restrictions are directed against private corporations; all are against governments. Signatory governments must lower tariffs, end farm subsidies, treat foreign companies the same as domestic ones, honor all corporate patent claims, and obey the rulings of a permanent elite bureaucracy, the WTO [World Trade Organization]. Should a country refuse to change its laws when a WTO panel so dictates, the WTO can impose fines or international trade sanctions, depriving the resistant country of needed markets and materials.

Acting as the supreme global adjudicator, the WTO has ruled against laws deemed "barriers to free trade." It has forced Japan to accept greater pesticide residues in imported food. It has kept Guatemala from outlawing deceptive advertising of baby food. It has eliminated the ban in various countries on asbestos, and on fuel-economy and emission standards for motor vehicles. And it has ruled against marine-life protection laws and the ban on endangered-species products. The European Union's prohibition on the importation of hormoneridden U.S. beef had overwhelming popular support throughout Europe, but a three-member WTO panel decided the ban was an illegal restraint on trade. The decision on beef put in jeopardy a host of other food import regulations based on health concerns. The WTO overturned a portion of the U.S. Clean Air Act banning certain additives in gasoline because it interfered with imports from foreign refineries. And the WTO overturned that portion of the U.S. Endangered Species Act forbidding the import of shrimp caught with nets that failed to protect sea turtles.

Globalization Trumps Rights and Freedoms

Free trade is not fair trade; it benefits strong nations at the expense of weaker ones, and rich interests at the expense of the rest of us. Globalization means turning the clock back on

many twentieth-century reforms: no freedom to boycott products, no prohibitions against child labor, no guaranteed living wage or benefits, no public services that might conceivably compete with private services, no health and safety protections that might cut into corporate profits.

GATT and subsequent free trade agreements allow multinationals to impose monopoly property rights on indigenous and communal agriculture. In this way agribusiness can better penetrate locally self-sufficient communities and monopolize their resources. [Consumer advocate] Ralph Nader gives the example of the neem tree, whose extracts contain natural pesticidal and medicinal properties. Cultivated for centuries in India, the tree attracted the attention of various pharmaceutical companies, who filed monopoly patents, causing mass protests by Indian farmers. As dictated by the WTO, the pharmaceuticals now have exclusive control over the marketing of neem tree products, a ruling that is being reluctantly enforced in India. Tens of thousands of erstwhile independent farmers must now work for the powerful pharmaceuticals on profitgorging terms set by the companies.

A trade agreement between India and the United States, the Knowledge Initiative on Agriculture (KIA), backed by Monsanto and other transnational corporate giants, allows for the grab of India's seed sector by Monsanto, its trade sector by Archer Daniels Midland and Cargill, and its retail sector by Wal-Mart. (Wal-Mart announced plans to open 500 stores in India, starting in August 2007.) This amounts to a war against India's independent farmers and small businesses, and a threat to India's food security. Farmers are organizing to protect themselves against this economic invasion by maintaining traditional seed-banks and setting up systems of communal agrarian support. One farmer says, "We do not buy seeds from the market because we suspect they may be contaminated with genetically engineered or terminator seeds."

In a similar vein, the WTO ruled that the U.S. corporation RiceTec has the patent rights to all the many varieties of basmati rice, grown for centuries by India's farmers. It also ruled that a Japanese corporation had exclusive rights in the world to grow and produce curry powder. As these instances demonstrate, what is called "free trade" amounts to international corporate monopoly control. Such developments caused Malaysian prime minister Mahathir Mohamad to observe:

We now have a situation where theft of genetic resources by western biotech TNCs [transnational corporations] enables them to make huge profits by producing patented genetic mutations of these same materials. What depths have we sunk to in the global marketplace when nature's gifts to the poor may not be protected but their modifications by the rich become exclusive property?

Markets Set the Rules

If the current behavior of the rich countries is anything to go by, globalization simply means the breaking down of the borders of countries so that those with the capital and the goods will be free to dominate the markets.

Under free-trade agreements like General Agreements on Trade and Services (GATS) and Free Trade Area of the Americas (FTAA), all public services are put at risk. A public service can be charged with causing "lost market opportunities" for business, or creating an unfair subsidy. To offer one instance: the single-payer automobile insurance program proposed by the province of Ontario, Canada, was declared "unfair competition." Ontario could have its public auto insurance only if it paid U.S. insurance companies what they estimated would be their present and *future* losses in Ontario auto insurance sales, a prohibitive cost for the province. Thus the citizens of Ontario were not allowed to exercise their democratic sovereign right to institute an alternative not-for-profit auto insurance system. In another case, United P[arce]l Service charged the

Canadian Post Office for "lost market opportunities," which means that under free trade accords, the Canadian Post Office would have to compensate UPS for all the business that UPS thinks it would have had if there were no public postal service. The Canadian postal workers union has challenged the case in court, arguing that the agreement violates the Canadian Constitution.

Under NAFTA, the U.S.-based Ethyl Corporation sued the Canadian government for \$250 million in "lost business opportunities" and "interference with trade" because Canada banned MMT, an Ethyl-produced gasoline additive considered carcinogenic by Canadian officials. Fearing they would lose the case, Canadian officials caved in, agreeing to lift the ban on MMT, pay Ethyl \$10 million compensation, and issue a public statement calling MMT "safe," even though they had scientific findings showing otherwise. California also banned the unhealthy additive; this time a Canadian-based Ethyl company sued California under NAFTA for placing an unfair burden on free trade.

International free trade agreements like GATT and NAFTA have hastened the corporate acquisition of local markets, squeezing out smaller businesses and worker collectives. Under NAFTA better-paying U.S. jobs were lost as firms closed shop and contracted out to the cheaper Mexican labor market. At the same time thousands of Mexican small companies were forced out of business. Mexico was flooded with cheap, high-tech, mass produced corn and dairy products from giant U.S. agribusiness firms (themselves heavily subsidized by the U.S. government), driving small Mexican farmers and distributors into bankruptcy, displacing large numbers of poor peasants. The lately arrived U.S. companies in Mexico have offered extremely low-paying jobs, and unsafe work conditions. Generally free trade has brought a dramatic increase in poverty south of the border.

Governments Seem Powerless to Act

We North Americans are told that to remain competitive in the new era of globalization, we will have to increase our output while reducing our labor and production costs, in other words, work harder for less. This in fact is happening as the work-week has lengthened by as much as twenty percent (from forty hours to forty-six and even forty-eight hours) and real wages have flattened or declined during the reign of George W. Bush. Less is being spent on social services, and we are enduring more wage concessions, more restructuring, deregulation, and privatization. Only with such "adjustments," one hears, can we hope to cope with the impersonal forces of globalization that are sweeping us along.

In fact, there is nothing impersonal about these forces. Free trade agreements, including new ones that have not yet been submitted to the U.S. Congress have been consciously planned by big business and its government minions over a period of years in pursuit of a deregulated world economy that undermines all democratic checks upon business practices. The people of any one province, state, or nation are now finding it increasingly difficult to get their governments to impose protective regulations or develop new forms of public sector production out of fear of being overruled by some self-appointed international free-trade panel.

Usually it is large nations demanding that poorer smaller ones relinquish the protections and subsidies they provide for their local producers. But occasionally things may take a different turn. Thus in late 2006 Canada launched a dispute at the World Trade Organization over the use of "trade-distorting" agricultural subsidies by the United States, specifically the enormous sums dished out by the federal government to U.S. agribusiness corn farmers. The case also challenged the entire multibillion-dollar structure of U.S. agricultural subsidies. It followed the landmark WTO ruling of 2005 which condemned "trade-distorting" aid to U.S. cotton

farmers. A report by Oxfam International revealed that at least thirty-eight developing countries were suffering severely as a result of trade distorting subsidies by both the United States and the European Union. Meanwhile, the U.S. government was maneuvering to insert a special clause into trade negotiations that would place its illegal use of farm subsidies above challenge by WTO member countries and make the subsidies immune from adjudication through the WTO dispute settlement process.

Excluding Congress, Excluding the People

What is seldom remarked upon is that NAFTA and GATT are in violation of the U.S. Constitution, the preamble of which makes clear that sovereign power rests with the people: "We the People of the United States ... do ordain and establish this Constitution for the United States of America." Article I, Section 1 of the Constitution reads, "All legislative Powers herein granted shall be vested in a Congress of the United States." Article I, Section 7 gives the president (not some trade council) the power to veto a law, subject to being overridden by a two-thirds vote in Congress. And Article III gives adjudication and review powers to a Supreme Court and other federal courts as ordained by Congress. The Tenth Amendment to the Constitution states: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people." There is nothing in the entire Constitution that allows an international trade panel to preside as final arbiter exercising supreme review powers undermining the constitutionally mandated decisions of the legislative, executive, and judicial branches.

True, Article VII says that the Constitution, federal laws, and treaties "shall be the supreme Law of the land," but certainly this was not intended to include treaties that overrode



Mistaking Capitalism for Democracy

Why has capitalism succeeded while democracy has steadily weakened? Democracy has become enfeebled largely because companies, in intensifying competition for global consumers and investors, have invested ever greater sums in lobbying, public relations, and even bribes and kickbacks, seeking laws that give them a competitive advantage over their rivals. The result is an arms race for political influence that is drowning out the voices of average citizens. In the United States, for example, the fights that preoccupy Congress, those that consume weeks or months of congressional staff time, are typically contests between competing companies or industries.

While corporations are increasingly writing their own rules, they are also being entrusted with a kind of social responsibility or morality. Politicians praise companies for acting "responsibly" or condemn them for not doing so. Yet the purpose of capitalism is to get great deals for consumers and investors. Corporate executives are not authorized by anyone—least of all by their investors—to balance profits against the public good. Nor do they have any expertise in making such moral calculations.

Robert B. Reich, Foreign Policy, September/October 2007.

the laws themselves and the sovereign democratic power of the people and their representatives.

To exclude the Senate from deliberations, NAFTA and GATT were called "agreements" instead of treaties, a semantic ploy that enabled President [Bill] Clinton to bypass the two-thirds treaty ratification vote in the Senate and avoid any treaty amendment process. The World Trade Organization was approved by a lame-duck session of Congress held after the

1994 elections. No one running in that election uttered a word to voters about putting the U.S. government under a perpetual obligation to ensure that national laws do not conflict with international free trade rulings.

What is being undermined is not only a lot of good laws dealing with environment, public services, labor standards, and consumer protection, but also the very right to legislate such laws. Our democratic sovereignty itself is being surrendered to a secretive plutocratic trade organization that presumes to exercise a power greater than that of the people and their courts and legislatures. What we have is an international coup d'état by big capital over the nations of the world.

Globalization Builds Corporate Empires

Globalization is a logical extension of imperialism, a victory of empire over republic, international finance capital over local productivity and nation-state democracy (such as it is). In recent times however, given popular protests, several multilateral trade agreements have been stalled or voted down. In 1999, militant protests against free trade took place in forty-one nations from Britain and France to Thailand and India. In 2000–01, there were demonstrations in Seattle, Washington, Sydney, Prague, Genoa, and various other locales. In 2003–04 we saw the poorer nations catching wise to the free trade scams and refusing to sign away what shreds of sovereignty they still had. Along with the popular resistance, more national leaders are thinking twice before signing on to new trade agreements.

The discussion of globalization by some Marxists (but not all) has focused on the question of whether the new "internationalization" of capital will undermine national sovereignty and the nation state. They dwell on this question while leaving unmentioned such things as free trade agreements and the WTO. Invariably these observers (for instance Ellen Wood and William Taab in *Monthly Review*, Ian Jasper in *Nature*, *Society*

and Thought, Erwin Marquit in Political Affairs) conclude that the nation state still plays a key role in capitalist imperialism, that capital—while global in its scope—is not international but bound to particular nations, and that globalization is little more than another name for overseas monopoly capital investment.

They repeatedly remind us that Marx had described globalization, this process of international financial expansion, as early as 1848, when he and Engels in the *Communist Manifesto* wrote about how capitalism moves into all corners of the world, reshaping all things into its own image. Therefore, there is no cause for the present uproar. Globalization, these writers conclude, is not a new development but a longstanding one that Marxist theory uncovered long ago.

The problem with this position is that it misses the whole central point of the current struggle. It is not only *national* sovereignty that is at stake, it is *democratic* sovereignty. Millions of people all over the world have taken to the streets to protest free trade agreements. Among them are farmers, workers, students and intellectuals (including many Marxists who see things more clearly than the aforementioned ones), all of whom are keenly aware that something new is afoot and they want no part of it. As used today, the term *globalization* refers to a new stage of international expropriation, designed not to put an end to the nation-state but to undermine whatever democratic right exists to protect the social wage and restrain the power of transnational corporations.

Free Trade Is Anything but Free

The free trade agreements, in effect, make unlawful all statutes and regulations that restrict private capital in any way. Carried to full realization, this means the end of whatever imperfect democratic protections the populace has been able to muster after generations of struggle in the realm of public policy. Under the free trade agreements any and all public services can

be ruled out of existence because they cause "lost market opportunities" for private capital. So too public hospitals can be charged with taking away markets from private hospitals; and public water supply systems, public schools, public libraries, public housing and public transportation are guilty of depriving their private counterparts of market opportunities, likewise public health insurance, public mail delivery, and public auto insurance systems. Laws that try to protect the environment or labor standards or consumer health already have been overthrown for "creating barriers" to free trade.

What also is overthrown is the *right* to have such laws. This is the most important point of all and the one most frequently overlooked by persons from across the political spectrum. Under the free trade accords, property rights have been elevated to international supremacy, able to take precedent over all other rights, including the right to a clean, livable environment, the right to affordable public services, and the right to any morsel of economic democracy. Instead a new right has been accorded absolutist status, the right to corporate private profit. It has been used to stifle the voice of working people and their ability to develop a public sector that serves their interests. Free speech itself is undermined as when "product disparagement" is treated as an interference with free trade. And nature itself is being monopolized and privatized by transnational corporations.

So the fight against free trade is a fight for the right to politico-economic democracy, public services, and a social wage, the right not to be completely at the mercy of big capital. It is a new and drastic phase of the class struggle that some Marxists—so immersed in classical theory and so ill-informed about present-day public policy—seem to have missed. As embodied in the free trade accords, globalization has little to do with trade and is anything but free. It benefits the rich nations over poor ones, and the rich classes within all

nations at the expense of ordinary citizens. It is the new specter that haunts the same old world.

Organizations to Contact

The editors have compiled the following list of organizations concerned with the issues debated in this book. The descriptions are derived from materials provided by the organizations. All have publications or information available for interested readers. The list was compiled on the date of publication of the present volume; the information provided here may change. Be aware that many organizations take several weeks or longer to respond to inquiries, so allow as much time as possible.

American Enterprise Institute (AEI)

1150 Seventeenth Street NW, Washington, DC 20036 (202) 862-5800 • fax: (202) 862-7177

Web site: www.aei.org

Since its founding in 1943, AEI has been working to espouse the ideas of limited government, free market economics, individual liberty and responsibility, and a strong national defense as the basis for a strong and successful United States. Generally, the institute has been supportive of globalization, seeing this trend as necessary to improving the global economy, reducing poverty, and spreading democracy. AEI's official magazine, the *American*, has published articles concerning globalization, many of which are available on the organization's Web site along with additional commentary and reports.

American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)

815 Sixteenth Street NW, Washington, DC 20006 Web site: www.afl-cio.org

The AFL-CIO is a membership organization serving national and international labor unions comprising workers in varying professions including teachers, truck drivers, musicians, min-

organization's mission is to better the lives of working families by ensuring economic justice in the workplace and social justice nationwide. With regard to globalization, the AFL-CIO cautions that in many cases this trend benefits the American elite and already-wealthy corporations while placing increased economic burden on the American working class. Reports and commentary exploring the impact of globalization on the United States can be accessed online.

Cato Institute

1000 Massachusetts Ave. NW, Washington, DC 20001-5403 (202) 842-0200 • fax: (202) 842-3490

Web site: www.cato.org

The Cato Institute, a libertarian think tank, promotes public policies exemplifying the values and principles of a free market economic system coupled with limited government intervention into the private lives of American citizens. The institute insists that globalization will benefit all members of the global community by opening up markets for increased participation and profit, thereby providing opportunity for those living in poverty to advance their economic and social situations. Cato's triannual *Cato Journal* and the quarterly *Cato's Letters* are available online; in addition, the organization's Web site offers access to additional reports and commentary about the benefits of globalization.

CorpWatch

1611 Telegraph Ave., #720, Oakland, CA 94612 (510) 271-8080

Web site: www.corpwatch.org

CorpWatch works to ensure that corporations are held accountable for their actions, human rights are observed worldwide, and environmental crimes, fraud, and corruption are exposed. For CorpWatch, globalization encompasses numerous and varied subissues relating to topics such as poor labor conditions, offshoring, human rights, and international monetary

gross inequalities that exist in the current global economy and provide information about the involvement, or lack thereof, of nongovernmental organizations, such as the World Bank and International Monetary Fund, in addressing these problems. Additional reports and commentary discussing the many facets of globalization can be read on the CorpWatch Web site.

Council on Foreign Relations (CFR)

The Harold Pratt House, 58 E. Sixty-eighth Street New York, NY 10065 (212) 434-9400 • fax: (212) 434-9800

Web site: www.cfr.org

CFR is a nonpartisan think tank seeking to provide unbiased educational information on government foreign policy to its members, government officials, the media, the public, and any interested individual. The council does not endorse any single viewpoint and provides scholars an opportunity to debate current foreign policy issues. With regard to globalization, topics of interest covered by the organization range from democracy and human rights to economics to global governance. CFR's bimonthly journal, *Foreign Affairs*, publishes articles relating to these topics, and the council's Web site provides additional commentary and reports.

Economic Policy Institute (EPI)

1333 H Street NW, Suite 300, East Tower Washington, DC 20005-4707 (202) 775-8810 • fax: (202) 775-0819

e-mail: epi@epi.org Web site: www.epi.org

The goal of EPI is to see a prosperous and fair economy thrive in the United States. It seeks to achieve this goal by facilitating public debate about the most appropriate strategies to advance the U.S. economy and providing citizens with the tools they need to make informed decisions concerning economic policy making. The institute advocates for a new outlook on the global economy that places greater emphasis on the rights of workers. The EPI also serves as the secretariat for the Global Policy Network (GPN), a consortium of organizations from around the world dedicated to analyzing and providing suggestions to improve the state of global affairs. The official publication of the institute is the *EPI Journal*, and more information about GPN can be found at www.gpn.org.

Global Policy Forum (GPF)

777 UN Plaza, Suite 3D, New York, NY 10017 (212) 557-3161 • fax: (212) 557-3165 e-mail: gpf@globalpolicy.org
Web site: www.globalpolicy.org

GPF serves as a watchdog over policy making at the United Nations, ensuring accountability within this organization, acting as an advocate for significant international peace and justice issues, and providing citizens worldwide with the information they need to actively participate in the global society. GPF believes that security and economic justice are the keys to human development. The forum fully explores the benefits and costs of globalization and seeks to ensure that the positive impact of this trend will ultimately outweigh the negative. Reports and discussion of globalization can be read on the GPF Web site.

The Heritage Foundation

214 Massachusetts Ave. NE, Washington, DC 20002-4999 (202) 546-4400 • fax: (202) 546-8328

e-mail: info@heritage.org Web site: www.heritage.org

A conservative public policy institute promoting policies consistent with the ideas of free enterprise, limited government, individual freedom, traditional American values, and a strong national defense, Heritage has taken a firm stance on globalization and America's role in international relations. The foundation believes that American foreign aid should be less related to monetary gifts and more focused on the promotion of democratic principles and the observance of human rights.

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that will ultimately strengthen a country's ability to prosper. Additionally, Heritage maintains that open markets are the best way for the global economy to thrive. Heritage Web-Memos and Backgrounders providing detailed information about the organization's stance on these topics and others are accessible online.

International Forum on Globalization (IFG)

1009 General Kennedy Ave. #2, San Francisco, CA 94129 (415) 561-7650 • fax: (415) 561-7651

e-mail: ifg@ifg.org Web site: www.ifg.org

The IFG has been working since 1994 to critique the process of globalization imposed by nongovernmental organizations such as the World Bank, the World Trade Organization, and the International Monetary Fund. The IFG worries that the development model promoted by these organizations benefits corporations and investors more than the workers and citizens of developing countries. Analysis of these organizations and their work is available on the IFG Web site.

International Monetary Fund (IMF)

700 Nineteenth Street NW, Washington, DC 20431 (202) 623-7300 • fax: (202) 623-6278

e-mail: publicaffairs@imf.org

Web site: www.imf.org

The IMF was created following World War II to promote international cooperation and trade in order to facilitate improved economic stability and the reduction of poverty worldwide. The IMF Web site provides background information on the topic of globalization as well as current information regarding the impact of the global financial crisis on the process of globalization. Additional articles examining the globalization of finance, labor, trade, and other processes can be read online.

Peterson Institute for International Economics

1750 Massachusetts Ave. NW, Washington, DC 20036-1903 (202) 328-9000 • fax: (202) 659-3225

e-mail: comments@petersoninstitute.org

Web site: www.petersoninstitute.org

Widely renowned for its neutral views, the Peterson Institute offers nonpartisan research on international economic policy. The institute addresses the issue of globalization as it relates directly to trade and jobs, but also examines the impact of globalization with regard to foreign investment in the United States, the current global financial crisis, and global warming. Policy briefs, working papers, speeches and testimony, and additional commentary on these topics and others can be read on the Peterson Institute's Web site.

Progressive Policy Institute (PPI)

600 Pennsylvania Ave. SE, Suite 400, Washington, DC 20003 (202) 547-0001 • fax: (202) 544-5014 Web site: www.ppionline.org

PPI attempts to move away from traditional views and the left-right debate to provide a progressive approach to public policy making, advocating policies that strengthen international and political freedom. The institute sees the benefit in globalization for both American workers and the global economy and encourages in-depth discussion of related issues. Commentary, testimony, and additional reports on these topics can be read online.

World Bank

1818 H Street NW, Washington, DC 20433 (202) 473-1000 • fax: (202) 477-6391 Web site: www.worldbank.org

The World Bank is a financial institution made up of two development institutions owned by 185 member countries, the International Bank for Reconstruction and Development, and the International Development Association. Together these in

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stitutions provide financial assistance to developing countries, aiding them in improving social and financial infrastructure, such as educational systems, health care, public administration, and agricultural development and sustainability, to name a few. While acknowledging that globalization has resulted in increased inequality and environmental problems, the World Bank maintains that globalization can be a catalyst for positive change. Reports on the impact of globalization can be read on the World Bank Web site.

World Trade Organization (WTO)

Centre William Rappard, Rue de Lausanne 154 Geneva 21 CH-1211 Switzerland

+41 22 739-5111 • fax: +41 22 731-4206

e-mail: enquiries@wto.org Web site: www.wto.org

The WTO is an international organization providing a forum for member governments to discuss and negotiate trade agreements with the overarching goal of improving and opening global trade. The WTO sets the guidelines for the trade of goods and services, defines the protections afforded to intellectual property, and works to settle trade disputes. Detailed information about the workings of the WTO can be read online.

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