Focus-on-Trade is a regular electronic bulletin providing updates and analysis of trends in regional and world trade and finance, with an emphasis on analysis of these trends from an integrative, interdisciplinary viewpoint that is sensitive not only to economic issues, but also to ecological, political, gender and social issues. Your contributions and comments are welcome.

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IN THIS ISSUE

THIS ISSUE is being cast off into space on the eve of what will certainly be the biggest international anti-war mobilisation we have known. At the latest count, there will be protests against the US war-mongering in 610 towns, villages and cities in every continent of the earth. This is not just a testament to peoples' disgust at the US' cynical plans to wage war on Iraq, but a sign that we are at the beginning of a new dawn of internationalism, radicalism and mobilisation. The proposal to set 15 February as the international day of protest was planted in the UK and germinated at the European Social Forum, when more than one million took to the streets of Florence to protest the war. The seeds of the idea spread to Cairo and Hyderabad, and then onto the World Social Forum in Porto Alegre where the meeting of the social movements reinforced the call to the streets. Tomorrow, we will see the colour and shape of our flower.

At the same time, we are witnessing a tremendous and fascinating moment in history. Not only is something new emerging but we are watching - every day, with gruesome fascination — a bitter power play between 'old Europe' and the 'new Empire'. This is something more than traditional US unilateralism: it seems to me that the US is exercising an unprecedented and wholly new form of antagonism and cynicism (but maybe others who are older and with better memories can correct me). In the past, US unilateralism has been arrogant and self-interested. Now it is that, plus more: it is destructive. It is not enough simply to ignore or flaunt the multilateral organs, as they did with Kyoto and the International Criminal Court. The US now seems bent on actually destroying them: NATO, the UN Security Council, the WTO, by raising the stakes to such impossible heights that the institutions collapse under the contradictions. (If it weren't for the terrible consequences for Iraq and the Middle East , I'd risk saying that Bush might be doing us a favour.)

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In this issue of Focus on Trade, Aileen Kwa reports on the latest Geneva failure, Walden Bello speculates about the new balance of power and we include Arundati Roy's powerful speech from the World Social Forum. Herbert Docena joins the Lula fan club and Jagdish Baghwati says that the IMF gets such a low grade, he would kick them out of his class (but you have to read to the end).

AGRICULTURE PROPOSAL WILL INCREASE DUMPING, UNEMPLOYMENT AND HUNGER

Developing countries must reject Harbinson text

By Aileen Kwa*

WTO's Agriculture Committee Chair Stuart Harbinson has released his first draft modalities paper on agriculture, ahead of this weekend's mini-ministerial meeting in Japan where agriculture is expected to be high on the agenda. The exclusive Tokyo gathering will be attended by just 25 trade ministers.

The negotiating modalities put forward in Harbinson's paper are a sham. They are intended to give the green light to transnational agri-businesses to take over developing countries' agricultural markets. More dumping of cheap subsidized food can be expected and developing countries forced to import more food will also be importing unemployment. Hundreds of millions of small farmers in India, China, most of Africa, countries in South Asia and Southeast Asia, as well as Latin America will be faced with unemployment and poverty as domestic markets are flooded with cheap subsidized imports and commodity prices plunge.

The proposal is clearly in line with the aims of the world agricultural exporters as outlined by President Bush when he introduced the US Farm Bill: "We want to be selling our beef and our corn and our beans to people around the world who need to eat".[1] The EU's policy – "to consolidate its position as a major world exporter"—will also be advanced [2] as will the interests of major Cairns Group exporters, Australia, Canada, New Zealand.

The draft seems to deliberately ignore many of the proposals put forward by developing countries to protect their producers against dumping and address the problems of rural unemployment and food insecurity plaguing a large number of developing countries.

Focus on the Global South calls on developing countries to reject the text because it will not rebalance the inequity in agricultural trade. At stake are farmers' livelihoods; access to food especially of women and children; and given the centrality of the rural sector in the South, also the long-term economic development of most developing countries.

1) Dumping to Escalate: Indirect forms of export subsidies are being legalized and legitimized. The present Agriculture Agreement's domestic support loopholes remain. Export subsidies and AMS (trade-distorting subsidies) will be shifted into the Green Box (supposedly non-trade distorting). There are no caps on the Green Box. An overall cap on total Green Box support, called for by developing countries, has not been taken up in the Harbinson text. The Green Box is where OECD direct payment programmes are housed.

Such subsidies to producers provide an implicit support to agri-corporations, allowing them to buy food cheaply from Northern producers, and export food at prices so low it undercuts domestic producers in developing countries.

2) The treatment of 'strategic products' will increase, not abate hunger and food insecurity
The draft says that strategic products (the number to be determined) will have lower tariff cuts – 10 per cent, with a minimum of 5 per cent per tariff line. Most of the staple crops and livelihood crops for developing countries are exactly those that are being highly subsidized in the US and EU – corn, wheat, rice, soya, dairy products, sugar, beef. Some developing countries have asked for total exclusion of food security crops from further commitments. Instead, they are again called upon to reduce these tariffs. One Southern delegate said: "Some countries are already grappling with very low tariffs on their sensitive food security crops. The required 10 per cent cut will have very negative effects".

3) Rebalancing /Countervailing Mechanism Denied to the South, Tariffs Instead to be Slashed
Developing countries have asked for the structural imbalance in agricultural trade to be redressed, via a rebalancing /countervailing instrument that can defend their producers from the $1 billion a day OECD subsidies in agriculture. Such an instrument would allow countries to put up tariffs on crops which are subsidized by the OECD by amounts proportionate to the subsidies. These proposals have been ignored in the Harbinson text. Instead, for developing countries, tariffs greater than 120 per cent are to be slashed by 40 per cent. Those between 20 –120 per cent decreased by 33 per cent. No linkage to OECD subsidies is made.

4) Real Special and Differential Treatment Provisions (SDT) for the North! Due to the structural imbalances, the real SDT provisions will flow to developed countries. The SDT provisions for developing countries, littered throughout the text are intended to pull the wool over the eyes of developing countries' Ministers. Eg. best endeavour (non-mandatory) clause about providing more market access to developing countries' products; expanding the Green Box for developing countries' to subsidise small farmers when they cannot afford to do so anyway.

5) Special Treatment to Developed Countries on the Special Safeguard Provision (SSG) for another Decade.
Developing countries have requested the use of a temporary safeguard measure for all products, so that in case of import surges or price drops, they are able to have recourse to a temporary additional tariff or quantitative restriction. The current Safeguard provision is available to only 30, mostly developed countries. The draft says that developed countries can continue to use the SSG until the end, or two years past the end of the implementation period for tariff reductions (ie another 5-7 years upon completion of the Doha programme). Developing countries' recourse of the SSG will be limited to the few "strategic products" (probably 2-3 per country) identified. And to crown it all, it says that this access to the SSG will be dependent on completion of a review to be conducted to make "operationally effective" the current SSG! The Special and Differential Treatment negotiations emerging from Doha, (to strengthen and make operational SDT provisions) where the deadlines have been missed and no political will has been shown by the majors, makes a mockery of this promise.

[1] Lawhon, H 2002, Brief Analysis No. 413, National Centre for Policy Analysis, August 15.
[2] Commission des CE 1997 'Agenda 2000 – Volume I Communication: Pour une Union plus forte et plus large", DOC/97/5

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THE REEMERGENCE OF BALANCE-OF-POWER POLITICS

By Walden Bello*

People speak and write today about feelings of utter powerlessness to prevent the coming war. So powerful is the US. And so determined to strike.

Impotence in the face of the supremely powerful. With our imagination limited by memories of the superpower standoffs and ambiguous victories and defeats of the Cold War period, it is tempting to see the current situation as unique.

et the world has been here before. In the summer of 1940, after the fall of France, when Nazi Germany's determined drive to global dominance seemed unstoppable by any possible combination of forces. In the Europe of the early 1800's, when a seemingly invincible Napoleon put to rout in battle after battle any military alliance its many foes could muster.

The last few years and the coming ones have been and will be bad for world peace. They are, however, rich in lessons about international power relations. And the lessons are not all grim.

Hegemony and Insecurity

To be sure, the first lesson is discouraging: that unchallenged superpower status stimulates conflict, not peace. This did not seem so clear in the immediate aftermath of the Cold War. Then, there was widespread in the West an expectation that the US would use its sole superpower status to undergird a multilateral order that would institutionalize its hegemony but assure an Augustan peace globally. Even some people not enamored of the United States speculated that with superpower rivalry gone and all other potential rivals taking themselves out of the competition, Washington's quest for military superiority and strategic advantage would slow down. Europe, Japan, and China seemed ready to settle down to a condition of controlled competition in the economic sphere while accepting long-term American dominance in the security area.

In fact, as the nineties rolled on, it became clear that what the end of the Cold War ushered in was a volatile period more dangerous than the Cold War, when the superpower standoff warded off big wars, contained smaller wars, and gave relations among states a certain predictability. The instability of the new era did not stem primarily from the emergence of "irrational" non-state actors that were prepared to engage in "asymmetric warfare" against conventionally powerful state actors, though many Beltway intellectuals made their names painting terrorists as the greatest threats to global peace and stability in the post-Cold War era. It came from the transformation of the balance of power in the global state system.

THE BALANCE OF POWER

The balance of power among states is the subject of John Mearsheimer's magnum opus The Tragedy of Great Power Politics. Regarded as the definitive work on the subject, the book argues persuasively that in all balance of power systems, great powers aim not so much to achieve a defensive balance against their rivals as to achieve a significant degree of military and political advantage over them. Mearsheimer is also correct that "bipolar" systems such as the US-Soviet faceoff that dictated the dynamics of the Cold War period are more stable and less likely to break down than "multipolar" systems like the pre-Word War II situation, which was marked by relative equality among a number of powerful states.

What Mearsheimer fails to tell us, however, is that the situation most productive of conflict, tension, and instability is one where there is one overwhelmingly dominant power surrounded by a number of midget powers—meaning today's world. He quotes with approval Kant's comment that "It is the desire of every state, or of its ruler, to arrive at a condition of perpetual peace by conquering the whole world, if that were possible." Yet he does not seem to appreciate the fact that Kant's insight is perhaps of greatest relevance in the post-Cold War world, where American military and political preponderance is unmatched.

This intellectual failure is jarring, and it stems from a primordial belief that Washington, unlike other great powers, is not just motivated by naked realpolitik but by the desire for a benign global order as well. These ideological blinders prevent Mearsheimer and many other American intellectuals from appreciating the fact that the US has switched its role from that of being an "offshore balancer" against would-be hegemons like Hitler and the former Soviet Union to being itself an aggressive power bent on achieving world hegemony.

THE UNILATERALIST CONJUNCTURE

Many critics of US power, for their part, attribute George W. Bush's unilateralism to the self-centered, provincial worldview of the American right. This explanation confuses cause and effect. Bush's unilateralist ideology is a product of a unique structural conjuncture: the consolidation of the civilian-military "defense establishment" that won the Cold War as the dominant faction of the US elite and the disappearance of an effective countervailing force to US power in the global state system.

To mask its shift from containment to hegemony, however, the defense establishment needed a rationale,

and the last decade saw its invoking a succession of actors to fill the role vacated by the Soviet Union—North Korea, China, Al Qaeda, the "Axis of Evil." Paying very little respect to the actual state and capacity of the targeted regimes, this process was embarrassingly opportunistic and failed to achieve credibility even among a critical mass of its prime target group, the American people. From this perspective, the September 11 attack was a godsend that consolidated domestic support for the open-ended and preemptive unilateralist interventionism that was articulated in George W. Bush's historic speech on Sept. 17, 2002.

As for the multilateralist paradigm, this was never a serious alternative entertained by any significant faction of the US elite except perhaps for marginalized old liberal circles and personalities like Jimmy Carter. Bill Clinton, who distrusted fellow Democrat Jimmy Carter, may have invoked multilateralist rhetoric but he did not hesitate to act unilaterally—as he did when he ordered the bombing of Serbia despite European objections during the Kosovo crisis.

CONTAINING WASHINGTON

That is the bad news. The good news is that even when backed up by overwhelming force, unchallenged hegemony is a transient state. As was the case in Napoleonic Europe, lesser powers may calculate that a posture of compliance or subservience may be necessary in the short-term, but they know that it is disastrous as a long-term strategy, for it is simply an invitation to more aggression.

This is what the UN Security Council standoff over Iraq is all about. It is less about Saddam's compliance and more about containing a hegemon that feels it has a blank cheque to intervene, topple, and depose anywhere in the world with the dangerous rationale of preventing a threat, no matter how abstract, from "reaching the American people." If France and Germany at this point seem willing to go the distance in stubbornly blocking the US from waging war on Iraq, it is to discourage future US moves that might pose a more direct threat to their national security. Cultural bonds or a sense of generosity for being liberated from Nazism 50 years ago are weak rationales when compared to the fear of encouraging aggressive ambitions that could translate into economic bullying in the short term and military blackmail in the long term.

However the current Iraq crisis is resolved—and indeed France and Germany may yet capitulate under pressure—it has already accelerated the decline of the Atlantic Alliance of the Cold War era, a development captured in US Secretary of Defense Donald Rumsfeld's disdainful comments about recalcitrant "Old Europe." And it marks the rebirth of balance of power politics, with the lesser powers moved into active cooperation to contain US aggression. Joining France and Germany in what is emerging as this era's version of the pre-World War I Triple Alliance are China and Russia, with the more weighty developing countries like Brazil and perhaps even South Korea eventually hopping on board. Though individual members may change, this coalition is likely to be long-term. And, unlike currently, where its real dynamics are clouded by the debate over the question of Saddam's alleged possession of weapons of mass destruction, its basis will eventually be more clearly articulated as the defense of national and global security against the American threat.

GLOBAL RESISTANCE

This reemergence of a system of containment at the level of the state system must be seen in the context of the advance of other movements of global resistance. There are, of course, the Islamic fundamentalists, who have made tremendous gains among the Arab and Muslim masses owing to the US mailed-fist response to September 11 events and its alliance with Israel. The coming war on Iraq is likely to drastically weaken the so-called moderate regimes in the Arab and Muslim world and eventually give rise to governments uncompromising in their resistance to US interventionism. Not too long from now, we may see radical Islamic regimes in Pakistan, Saudi Arabia, and Indonesia.

Then there is the burgeoning global movement against corporate-driven globalization, which has, in the last year and a half, fused with the anti-war movement to form a powerful anti-US front at the level of international civil society. Like the Islamic fundamentalist movement, elements of this diverse movement are likely to assume state power in a number of countries in the coming years. Indeed, they already have in a number of Latin American countries—in Brazil, Venezuela, and Ecuador.

Islamic fundamentalism and the anti-corporate globalization movement will not mainly function to add diplomatic and material weight to the containment of the US. What they will do is something equally important though, and that is to erode the legitimacy of the American enterprise and expose it for what it is: a naked bid for hegemony. This is critical since the staying power of hegemons is ultimately based on the perception of their legitimacy.

The next few years and decades are likely to witness ever more brazen efforts to reorder the world to better serve US interests. But they will also consolidate an anti-US coalition of the less powerful while accelerating the spread of anti-US movements in global civil society. This is not the unchallenged hegemony that Washington aspires for, but the classic dynamics of overreach, of overextension. For if there is one unambiguous lesson in the history of nations, it is that empire is transient while resistance is permanent.

CONFRONTING EMPIRE

Arundhati Roy*

I've been asked to speak about "How to confront Empire?" It's a huge question, and I have no easy answers.

When we speak of confronting "Empire," we need to identify what "Empire" means. Does it mean the U.S. government (and its European satellites), the World Bank, the International Monetary Fund, the World Trade Organisation, and multinational corporations? Or is it more than that?

In many countries, Empire has sprouted other subsidiary heads, some dangerous byproducts — nationalism, religious bigotry, fascism and, of course, terrorism. All these march arm in arm with the project of corporate globalisation.

Let me illustrate what I mean. India — the world's biggest democracy — is currently at the forefront of the corporate globalisation project. Its "market" of one billion people is being prised open by the WTO. Corporatisation and Privatisation are being welcomed by the government and the Indian elite.

It is not a coincidence that the Prime Minister, the Home Minister, the Disinvestment Minister — the men who signed the deal with Enron in India, the men who are selling the country's infrastructure to corporate multinationals, the men who want to privatise water, electricity, oil, coal, steel, health, education and telecommunication — are all members or admirers of the RSS. The RSS is a right wing, ultra-nationalist Hindu guild, which has openly admired Hitler and his methods.

The dismantling of democracy is proceeding with the speed and efficiency of a Structural Adjustment Programme. While the project of corporate globalisation rips through people's lives in India, massive privatisation, and labour "reforms" are pushing people off their land and out of their jobs. Hundreds of impoverished farmers are committing suicide by consuming pesticide. Reports of starvation deaths are coming in from all over the country.

While the elite journeys to its imaginary destination somewhere near the top of the world, the dispossessed are spiralling downwards into crime and chaos.

This climate of frustration and national disillusionment is the perfect breeding ground, history tells us, for fascism.

The two arms of the Indian government have evolved the perfect pincer action. While one arm is busy selling India off in chunks, the other, to divert attention, is orchestrating a howling, baying chorus of Hindu nationalism and religious fascism. It is conducting nuclear tests, rewriting history books, burning churches, and demolishing mosques. Censorship, surveillance, the suspension of civil liberties and human rights, the definition of who is an Indian citizen and who is not, particularly with regard to religious minorities, is becoming common practice now.

Last March, in the state of Gujarat, two thousand Muslims were butchered in a state-sponsored pogrom. Muslim women were specially targeted. They were stripped, and gang-raped, before being burned alive. Arsonists burned and looted shops, homes, textiles mills and mosques. More than a hundred and fifty thousand Muslims have been driven from their homes. The economic base of the Muslim community has been devastated.

While Gujarat burned, the Indian Prime Minister was on MTV promoting his new poems. In January this year, the government that orchestrated the killing was voted back into office with a comfortable majority. Nobody has been punished for the genocide. Narendra Modi, architect of the pogrom, proud member of the RSS, has embarked on his second term as the Chief Minister of Gujarat. If he were Saddam Hussein, of course each atrocity would have been on CNN. But since he's not ‹ and since the Indian "market" is open to global investors ‹ the massacre is not even an embarrassing inconvenience.

There are more than one hundred million Muslims in India. A time bomb is ticking in our ancient land.

All this to say that it is a myth that the free market breaks down national barriers. The free market does not threaten national sovereignty, it undermines democracy.

As the disparity between the rich and the poor grows, the fight to corner resources is intensifying. To push through their "sweetheart deals," to corporatise the crops we grow, the water we drink, the air we breathe, and the dreams we dream, corporate globalisation needs an international confederation of loyal, corrupt, authoritarian governments in poorer countries to push through unpopular reforms and quell the mutinies.

Corporate Globalisation — or shall we call it by its name? Imperialism — needs a press that pretends to be free. It needs courts that pretend to dispense justice.

Meanwhile, the countries of the North harden their borders and stockpile weapons of mass destruction. After all they have to make sure that it's only money, goods, patents and services that are globalised. Not the free movement of people. Not a respect for human rights. Not international treaties on racial

discrimination or chemical and nuclear weapons or greenhouse gas emissions or climate change, or — god forbid — justice.

So this — all this — is "empire." This loyal confederation, this obscene accumulation of power, this greatly increased distance between those who make the decisions and those who have to suffer them.

Our fight, our goal, our vision of Another World must be to eliminate that distance.

So how do we resist "Empire"?

The good news is that we're not doing too badly. There have been major victories. Here in Latin America you have had so many — in Bolivia, you have Cochabamba; in Peru, there was the uprising in Arequipa; in Venezuela, President Hugo Chavez is holding on, despite the US government's best efforts.

And the world's gaze is on the people of Argentina, who are trying to refashion a country from the ashes of the havoc wrought by the IMF.

In India the movement against corporate globalisation is gathering momentum and is poised to become the only real political force to counter religious fascism.

As for corporate globalisation's glittering ambassadors — Enron, Bechtel, WorldCom, Arthur Anderson — where were they last year, and where are they now?

And of course here in Brazil we must ask... who was the president last year, and who is it now?

Still... many of us have dark moments of hopelessness and despair. We know that under the spreading canopy of the War Against Terrorism, the men in suits are hard at work.

While bombs rain down on us, and cruise missiles skid across the skies, we know that contracts are being signed, patents are being registered, oil pipelines are being laid, natural resources are being plundered, water is being privatised, and George Bush is planning to go to war against Iraq. If we look at this conflict as a straightforward eyeball-to-eyeball confrontation between "Empire" and those of us who are resisting it, it might seem that we are losing.

But there is another way of looking at it. We, all of us gathered here, have, each in our own way, laid siege to "Empire." We may not have stopped it in its tracks — yet — but we have stripped it down. We have made it drop its mask. We have forced it into the open. It now stands before us on the world's stage in all its brutish, iniquitous nakedness.

Empire may well go to war, but it's out in the open now — too ugly to behold its own reflection. Too ugly even to rally its own people. It won't be long before the majority of American people become our allies. Only a few days ago in Washington, a quarter of a million people marched against the war on Iraq. Each month, the protest is gathering momentum.

Before September 11, 2001 America had a secret history. Secret especially from its own people. But now America's secrets are history, and its history is public knowledge. It's street talk.

Today, we know that every argument that is being used to escalate the war against Iraq is a lie. The most ludicrous of them being the U.S. government' s deep commitment to bring democracy to Iraq. Killing people to save them from dictatorship or ideological corruption is, of course, an old U.S. government sport. Here in Latin America, you know that better than most.

Nobody doubts that Saddam Hussein is a ruthless dictator, a murderer (whose worst excesses were supported by the governments of the United States and Great Britain). There's no doubt that Iraqis would be better off without him.

But, then, the whole world would be better off without a certain Mr. Bush. In fact, he is far more dangerous than Saddam Hussein. So, should we bomb Bush out of the White House?

It's more than clear that Bush is determined to go to war against Iraq, regardless of the facts and regardless of international public opinion. In its recruitment drive for allies, the United States is prepared to invent facts. The charade with weapons inspectors is the U.S. government's offensive, insulting concession to some twisted form of international etiquette. It's like leaving the "doggie door" open for last minute "allies" or maybe the United Nations to crawl through.

But, for all intents and purposes, the New War against Iraq has begun.

What can we do?

We can hone our memory, we can learn from our history. We can continue to build public opinion until it becomes a deafening roar. We can turn the war on Iraq into a fishbowl of the U.S. government's excesses. We can expose George Bush and Tony Blair and their allies for the cowardly baby killers, water poisoners, and pusillanimous long-distance bombers that they are. We can re-invent civil disobedience in a million different ways. In other words, we can come up with a million ways of becoming a collective pain in the ass.

When George Bush says, "you're either with us, or you are with the terrorists," we can say "No thank you." We can let him know that the people of the world do not need to choose between a Malevolent Mickey Mouse and the Mad Mullahs.

Our strategy should be not only to confront empire, but to lay siege to it.

To deprive it of oxygen. To shame it. To mock it. With our art, our music, our literature, our stubbornness, our joy, our brilliance, our sheer relentlessness and our ability to tell our own stories. Stories that are different from the ones we're being brainwashed to believe.

The corporate revolution will collapse if we refuse to buy what they are selling their ideas, their version of history, their wars, their weapons, their notion of inevitability.

Remember this: We be many and they be few. They need us more than we need them.

* Arundhati Roy is an Indian writer and commentator. She made this speech at a public event "Confronting Empire" at the World Social Forum.

LULA IS AN ABERRATION, OLE OLE LULA!

By Herbert V Docena*

PORTO ALEGRE, BRAZIL – Dashing off to catch a glimpse of the man everybody here calls Lula, we run into a throng of people milling around a TV set: Lula's already at the park addressing thousands and thousands of Brazilians. We're late. We race towards a taxicab and slam the doors shut. "To the park, por favor," we tell the driver in broken Portuguese.
It's Lula's voice booming on the cab's AM stereo. "Is that Lula?," we ask. The driver nods and flashes the thumbs up.
"Bom?" Is he good?
"Muito bom!" Very good!

The driver pushes hard on the pedal. He swerves maniacally. It's as though he senses how much we – a group of foreigners attending the World Social Forum – want to see Lula in flesh. "The driver wants to see Lula as badly as we want to," another companion corrects me, as the driver overtakes furiously.

Lula, of course, is Luis Ignacio "Lula" da Silva, the new President of Brazil, who won a landslide 62% of the votes in last October's election – the biggest ever garnered by any presidential candidate in Brazilian political history. His name is on t-shirts that are still selling like hot-cakes, altrhough it's months after the election campaign. His face has even replaced that of Che Guevara's in some of those most sought-after red pins.

We stop beside another cab at the intersection. The driver gestures towards his fellow driver to check that he's also tuned in. He gives the thumbs up. He's listening to Lula too. Then another cab. Another thumbs up.

'Did you know that one of the first things Lula did when he became President was to tour his ministers in the favelas (slum communities) to tell them, "This is how Brazilians really live. Keep that in mind when you fulfill your duties'?," says one of my Indian fellow-travellers.

"Did you know that one of the first things he did when he assumed power was to cancel a contract for jetfighters in order to use the money for schools?"

Already, the (true) Lula stories are becoming mythical.

We listen intently to the live broadcast. Lula's speaks in Portuguese and we can barely pick out the words. Pais. Problemas. Esperenca. Ah, he's talking about his country. He's discussing problems. And he's talking about hope.

All the other words in between I couldn't decipher. But the things that couldn't be translated I could discern:

There was a raw sincerity to his words. His voice rang with a promise that even I – a foreigner, a non-Brazilian – wanted to believe.
"Ole-ole-ole-ole, Lula, Lula!" chanted the thousands, punctuating the President's speech, as though he had just scored the winning goal in the World Cup championship.

BRAZILIAN ERAP?

I thought I had seen this before.

Back home, hundreds of thousands of unwashed and un-powdered Filipinos also gave former President Joseph "Erap" Estrada the kind of devotion that the unwashed and un-powdered of the Brazilians are now giving Lula. Like Lula, Erap rallied around the poor and vowed to fight for them against the ruling classes that have exploited them for so long. Like Lula, Erap's popularity among the masses was historically unprecedented. And for the true believer, Erap represented what Lula now symbolizes for many Brazilians: the rise of the dispossessed after a long period of oppression.

Lula, however, in hindsight and in comparison, seems to be the real thing. He's really one of them: As a boy, he almost died from starvation and had to escape a drought in his province via a long and torturous journey to the city. Erap, in contrast, comes from 'old money' and has probably never experienced hunger.

And he has really fought for them: A former metal worker, Lula spent most of his adult life as a trade union leader fighting the Brazilian dictatorship. Erap also devoted most of his life fighting on the side of the poor – but only in the movies. In real life, he was very cozy with Ferdinand Marcos the dictator.

ALL NEW

The otherwise empty road was suddenly jammed. All routes seemed to lead to the park. In front of us, a man proudly waves Lula's party flag – the red star of the workers party — from inside his car. Stalled, we decide to join the crowds still sauntering towards the park to catch a glimpse of their President– even if his speech has already ended. This is no rent-a-crowd: these people have not been packed up from their communities and sent in a bus by their local political operators, with a bag of goodies. They arrived on their own, expecting nothing, except Lula.

I have not seen this before and it is all enjoyably new.

Where I come from, people regard most politicians with nothing but disdain and contempt. In just twenty years, we have twice become so disgusted with our Presidents, Marcos and Estrada, that we kicked them out of office. But here in Brazil, in some of the conferences, just the mention of Lula's name by a speaker was enough to provoke the crowd into a sudden convulsion and a rapturous cheering of "Ole ole Lula!"

In the Philippines, political leaders inspire nothing but suspicion and cynicism; here Lula seems to inspire trust and hope. Back home, elections are often a choice among the least devious devil. Here, it appears like there could have been no better choice.

I come from a country where for the youth have grown so wary of politics that most won't have anything to do with it. But here, Lula's most ardent followers are the young: they were at Lula's rally in massive numbers – shirtless, holding their girlfriend's or their boyfriend's hands while listening raptly to Lula's every word, kissing and embracing each other after applauding him feverishly.

I come from a country where the leader of the most organized segment of the Left is daring enough to call for an overthrow of the state, but not bold enough to come home from a comfortable exile.

Here in Brazil, Lula's vision is not only bold but he is here and he has won. The Brazilian Left has achieved what the most organized segment of the Left back home had deemed unimaginable: It had wrested ultimate leadership of the state without having had to kill anyone – not the reactionary elements, not even former comrades in arms.

It remains to be seen, of course, whether Lula can steer this state towards its revolutionary aims but he has already shown that the first and most important step – to take control of it and to mobilize the masses behind it – can be done.

FREAK SHOW

And here, perhaps, lies the reason why Lula arouses so much excitement even from the cynical and the hardened. He is an aberration. In today's order of things, his victory seems so much like just a happy freakish accident, unbelievable but true.

In a world dominated by politicians out to serve the interests of the few and the powerful, in a world marked with political systems that inherently give undue advantage to these kinds of politicians, we could not expect a Lula to prevail. In a continent where the United States has routinely done everything to prevent leaders like Lula from coming to power and from doing anything but its wishes, we could not expect Lula to overcome. In a period when the establishment has – almost everywhere — suppressed the opposition, when elites scramble over each other for power and when the Left self-destructs, we have not expected Lula and his party to show the way.
I stood there, along with the Brazilians lining the road, waiting for Lula's car to pass, chanting "Ole ole Lula!" hoping for many more political aberrations like Lula.

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BHAGWATI AND BELLO SQUARE OFF ON FREE TRADE AND FREE MARKETS

(The debate between Walden Bello and Jagdish Baghwati was filmed at Stanford University for the program Uncommon Knowledge and moderated by the show's host, Peter Robinson. The show has been airing on the Public Broadcasting System in the United States.)

Peter Robinson: Today on Uncommon Knowledge: free trade—win-win or win-lose? I'm Peter Robinson. Our show today: free trade in the balance. According to a recent study, over the last half century, nations that were open to free trade experienced a rate of economic development that was double that of those that were not. So why would anybody oppose free trade? And yet many, particularly in the developing world, do oppose free trade, believing that the rules of global trade are rigged in favor of the rich, developed north and against the poor, developing south. Who's right? And with President Bush's own commitment to free trade unclear, he did after all enact a new tariff on steel imports, where does the United States itself stand in this debate?

With us today, two guests. Walden Bello is executive director of Focus on the Global South, a development policy program in Bangkok, Thailand. Jagdish Bhagwati is a professor of economics at Columbia University, a senior fellow at the Council on Foreign Relations, and the author of the book, Free Trade Today.

Peter Robinson: Nobel Prize winning economist Joseph Stiglitz: "The trade liberalization agenda has been set by the north (that is by the rich countries) or more accurately by special interests in the north. Consequently, a disproportionate part of the gains has accrued to the advanced industrial nations. And in some cases the less developed countries have actually been worse off." Free trade making the rich countries richer and the poor countries poorer. Jagdish?

Jagdish Bhagwati: I think even a Nobel Prize laureate can be totally wrong. I think it's fundamentally…

Peter Robinson: Totally mistaken.

Jagdish Bhagwati: Totally mistaken.

Peter Robinson: Walden?

Walden Bello: I think he's right on target. I think he's…

Peter Robinson: Ah, marvelous, we have just what a television host likes to hear, a nice clean disagreement. Let's begin if we could with just the sort of the fundamental, in effect, the classroom principles. What's so special about free trade? As the argument goes, and you are one of the planet's leading proponents of the argument, why should nations open their borders to trade?

Jagdish Bhagwati: Fundamentally it's a question of sharing mutually from exchange. If I have surplus toothpaste and you have surplus toothbrushes and if we exchange one of each, teeth are going to get whiter, right, provided we remember to brush our teeth. So fundamentally that's the argument. That is really the underlying logic of any trade transaction and I think there's empirical evidence of a very substantial sort in the post war period, which underlies the wisdom of this, including for developing countries.

Peter Robinson: So it's the same argument that you'd make for the development of a nation's own economy. We should all simply specialize in the tasks that we tend to do best in which we have comparative advantages. And the argument is the same among nations as it is among individuals or among firms?

Jagdish Bhagwati: Yes, but remember that the comparative advantages can shift with a whole lot of policies like education. If I build up an educated labor force in India then I can get a Silicon Valley there like in Bangalore and then that becomes our comparative advantage. So that shifts the argument a little bit further into what kinds of general policies also you have for your society. But fundamentally wherever you are at or wherever you're going to, having an open economy is really going to be good for you whether you're poor or rich

Peter Robinson: Now do you have any disagreement with Jagdish in principle?

Walden Bello: Well, I really would prefer to move from the theory of free trade to the actual practice of free trade.

Peter Robinson: So you grant the principle that he just laid out?

Walden Bello: I'm agnostic on that but in terms of the practice of free trade, what it has done really is that it has consolidated the advantages of a number of countries, a minority in the world economy, and this has created structural disadvantages for many of the late comers.

Peter Robinson: Let's see what Walden makes of the conclusions of a 1998 report on free trade by the Organization for Economic Cooperation and Development: over the last half century, this OECD report says, and especially over the last decade, the 90s are important here, "Nations that have been more open to trade have experienced double the annual growth rate of those that have been closed." The OECD report goes on to draw a very sharp contrast between two regions of the world. First, Asian nations of Korea, Taiwan, Singapore, Hong Kong, Malaysia, Thailand,

and Indonesia, they started with closed economies, gradually opened them, and some three billion people in those countries have been lifted out of poverty. Second, African nations such as Nigeria, Cote d'Ivoire, and Tanzania, they start with closed economies and, by and large, they keep their economies closed and they remain poor. Open economies, look what happened in Asia. Closed economies, look what happened with certain countries in Africa. Now how do you handle that argument?

Walden Bello: Well…I would say this is that this is a very simplistic picture that they're giving of Africa and Asia. If you look at the east Asian economies, these were not free trade economies, these were hard hitting protectionist mercantilist economies with a great deal of state intervention, state support, state subsidization, that in fact made them blockbusters on the world markets. So, if you look at what, in fact, is a much more accurate comparison. Compare these mercantilist, protectionist, integrating to the world economy, East Asian economies, to the Latin American countries, the African countries, and the Eastern European countries that were subjected to structural adjustment by the International Monetary Fund -- that is, radical free market reform — and it's fairly clear. The ones that, in fact, integrated into the world economy with a sophisticated, non-free trade, strong state intervention type of model, perform much better than the radical free trade economies. So this is why I think that this sort of statistics and this sort of picture is inaccurate—let me just say that there's all the world of a difference between a free trade economy like Haiti, and Vietnam.

Peter Robinson: Now I have to say I know so little about Vietnam. Vietnam in other words has a strong state sector?

Walden Bello: Sure.

Peter Robinson: It is engaging in importing and exporting but the government is directing that to a large extent.

Walden Bello: It's a very heavily regulated economy like China is.

Peter Robinson: And it's growing at leaps and bounds.

Walden Bello: It's growing by leaps and bounds, it has become…

Peter Robinson: And in Haiti you have almost no functioning government as I make it out—almost no system of laws.

Walden Bello: Right, sure.

Peter Robinson: So they're open and there's no government—so your argument is Haiti in some sense should be a libertarian's dream?

Walden Bello: They're open and dead just like Argentina is open and dead.

Peter Robinson: Open and dead. All right, there's a nice term, open and dead.

Jagdish Bhagwati: I think Walden is making a mistake in saying that it's too simplistic. It is true that one can be overly simplistic but you can have a lot of governmental intervention for creating infrastructure for helping initially to an import substitution phase for industries and so on. But, essentially, what the Far Eastern economies did, for instance, was to have a lot of intervention. It was not a libertarian hands-off government, but the question was what was the nature of that intervention? They consistently routinely made it clear to their people that outward orientation was the important way to go. And open economy in the sense that you are not fearful of world markets, not fearful of direct foreign investment, you use the external world to learn from it, to profit from it. So, you take countries like the four Far Eastern economies, South Korea, Taiwan, Hong Kong, and Singapore. Hong Kong is the most libertarian in a way, but even that has a substantial amount of intervention, but it's pure free trade. Singapore is almost pure free trade—no intervention of any kind on the trade front, which is really what we're talking about. South Korea and Taiwan went through a phase of import substitution for a while, but then they turned outward. And the secret of their success was that they went in for very rapid expansion of exports.

Peter Robinson: What about Walden's example of countries that are open but dead—Haiti and Argentina, they're quite different countries.

Jagdish Bhagwati: But you can die—I mean, you know, despite being open because being open helps you but it doesn't prevent you if you're dying of cancer. Or, you know, having fresh air might be great for you in terms of your general health, but it's not going to do anything if you're dying of cancer. So you've got civil strife for instance like in most of Africa, which is another of Walden's examples. Or you've got dictatorial governments, which are really printing money, spending it through the budget, having massive inflations. I mean you have inflation during the period in which Walden was I'm sure talking about in South America, which was four digits, it makes your mind boggle actually if you're an Asian. Now those are the things which unsettle their economies. It has nothing to do with being outward oriented or inward oriented.

Peter Robinson: Back to an earlier question: is Walden philosophically opposed to free trade or not? Other things being equal, that marvelous phrase that makes any argument that follows completely artificial. But other things being equal—so you have a country—well, you have two countries which are in every way

identical and one of them engages in free trade and the other does not. In your judgment, which country is making the right policy decision?

Walden Bello: Well this is exactly what I'm trying to say Peter, is that it's not accurate, it is fundamentally mistaken to say that Taiwan and Korea, or China, in their periods of rapid growth were free trade economies. What I'm trying to say here is that these were extremely protectionist when it came to their domestic market. I mean you know, it's only been in the last ten years that you have had Japanese cars come into Korea. I mean this is amazing. What I'm trying to say is they're not free trade economies, certainly they opened up, but they opened up while they at the same time protected their domestic markets.

Peter Robinson: Let me put on the table a question for the two of you because what you have now is a layman who has a problem. We look at the experience of the so-called Asian Tigers, and Jagdish says that good news is taking place because they're free trade and in spite of occasional protectionist interventions by the government. And Walden is saying, no, no, no, the good news is taking place almost in spite of the free trade, largely driven by the protectionist interventions and other kinds of economic interventions of strong central governments. So the question is, is there some statistical approach, is there some way to—you're both looking at the same picture and giving opposing accounts of why that took place, is there some way to settle this—some objective way to settle it?

Jagdish Bhagwati: Walden is both right and wrong. I mean, there has been massive protection to begin with in these systems. Certain types of protection, like on the car industry, on heavy industries, continued. But there's a great deal of literature now which shows that this is exactly the wrong kind of industrial policy because as long as those interventions were reinforcing the comparative advantage in light manufacturers, Korea managed to reinforce what, in fact, the market would have done anyway by choosing light manufacturers, just the way Japan did. When it started going into industrial policy and interventions for the heavy industry sector, ship building and a variety of things, that's when it lost its way like most people do.

Peter Robinson: Where they did not have a comparative advantage in the international marketplace in the first place.

Jagdish Bhagwati: And there was no clear signal from the marketplace as to where you want to go.

Peter Robinson: Right. The market wasn't screaming for ships from Korea.

Jagdish Bhagwati: So at some stage, if you look at Japan for example, and industrial policy in these countries, where it does seem to be succeeding is where, in fact, they're trying to predict the comparative advantage evolution.

Peter Robinson: Next topic, how badly have recent American actions damaged the movement toward freer trade? In recent months, President Bush has taken a couple of actions that bear on free trade. First he imposed tariffs of up to 30 percent on imported steel, which The Economist magazine called "America's most protectionist single action for two decades." And a few months after that he signed a farm bill that raised subsidies to American farmers by 80 percent, providing them something like $170 billion over the next decade. Now, it's not just in the United States. The overall level of subsidization of agriculture in the OECD countries, which is basically the industrialized countries, doubled from 182 billion in 1995 to 362 billion in 1998. So, the question here — at least as regards agriculture and also as regards other politically sensitive industries— why I was talking about steel? steel—politically sensitive, the president imposes a tariff—the rich countries are not playing fair. So is Walden correct that free trade is something that the poorer countries ought to think twice about? That they're going to get ripped off by these rich countries.

Jagdish Bhagwati: But you don't get ripped off. I think that's the wrong way to look at it. My old teacher, a great radical, Joan Robinson at Cambridge used to say, if you throw rocks into your harbor, that's no reason for me to throw rocks into my own. Essentially what she was saying was that it's good for me to have no restrictions—or reduced restrictions on trade because trade leads to gains—true. If your door is closed, you know, I would get less by their trade. But it doesn't mean that I should then close my own door because then I get doubly hurt. But I would simply go on to say also, to be partly on Walden's side but in a nuanced way, which is because today we are all sort of saying, look here are all the statistics which you read out. Right. And things are even getting worse and what is bad about the U.S. actions is that while we are entering a multi-lateral trade negotiations post-Doha, we have actually used the WTO consistent procedures to increase protection. So we are sending out all the wrong signals. My worry is not about this in itself, because they're hurting themselves and they're hurting the rest of the world too, but…

Peter Robinson: The Americans are and the Europeans who subsidize agriculture are.

Jagdish Bhagwati: But the real problem is that when we do things like that and we are supposed to be the ones who are most free trade oriented, the big proponents of free trade, ideologically and so on, when we do this it's very difficult for President Arroyo of the Philippines, for the Prime Minister of India, who are all trying to move a little closer to free trade. We are never going to be at free trade, but you know, we are trying to

liberalize here and there as the democratic processes permit, then you see all the people who oppose liberalization. And then you say look the big dog on the block is doing something which is hypocritical and that makes our life more difficult in the developing countries.

Walden Bello: Well I think definitely, whatever our respected positions on free trade, I think Jagdish and I have a consensus on the double standards that, in fact, operate in the world economy. Basically what the United States does is that when it suits me I'll do free trade, but I will also be unilateral. But for you guys out there, okay, you only have to bring your tariffs down. You guys have to practice free trade.

Peter Robinson: So would Walden support free trade if he thought the rich countries were playing fairly? Are you opposed to free trade or is it simply the hypocrisy that you see in an action like this by President Bush—the hypocrisy that you see in the European Union by saying to the so-called Third World, you must engage in pure free trade while we subsidize our farmers and every other political group that we need to get elected. Is that what really annoys you? If the first world would behave better, would you then be more in favor of free trade?

Jagdish Bhagwati: You see that reinforces the point I was making which is that when people like Walden pick on this sort hypocrisy or double standards, when intellectuals, I mean he's one of the influential intellectuals in the Third World, they will reinforce the lobbies, the industrial lobbies, and so on, which don't want to have reduced protection. So in that sense, it is an extremely important downside of what President Bush has been doing.

Walden Bello: Well, I think in response to your question Peter, as I said, you know, I'm not really that hung up on, you know, the theory of free trade. I'm a pragmatist, you know. I don't oppose trade. I'm for trade but it all depends on what the rules are for trade and I'm for fair trade, and this is what I'm trying to say here. That the history of East Asia shows, you know, that interventions, even protectionist interventions, in fact, build up capacity so that at a future time these countries like Korea, were able to become efficient, effective, economies. So what I'm saying here is that we really, really need to be pragmatic about trade policy. There are times when you're a protectionist and that's the rational thing to do, there are times when you liberalize. But the important thing is the national interest that guides you in terms of developing your economy. So basically Peter I'm saying, I would put above everything else as somebody from the Third World, development over trade. Thus trade, certain trade policies assist in development, if they do, fine. If they don't, then I'm not going for that. And certainly the so-called structural adjustment free trade policies that have been imposed by the IMF and the World Bank, they have consistently eroded the capacity of Third World countries like the Philippines to be able to develop.

Peter Robinson: How would you grade the IMF and the World Bank? Walden has several times now said that they have imposed rigid, liberal in the sense of small government free market regimes, or attempted to do so, imposed these strictures on Third World countries and that's caused trouble and resentment and so forth. How would you grade the World Bank?

Walden Bello: And not only on trade but on capital.

Peter Robinson: Capital, right. Monetary policy...

Jagdish Bhagwati: The policies extent of the IMF extend not just to trade, which is very minimalist, but to pushing countries rapidly into capital account convetability or, as it is sometimes called, financial liberalization. So our financial firms can, you know, go in, you know, and basically operate without any restrictions but people can take their monies out and so on. And that was very imprudently done and there…

Peter Robinson: You give them a low grade?
Jagdish Bhagwati: I'm afraid I do. A low grade is, a low grade—no, I would expel them from…

Peter Robinson: Ah, that bad.

Jagdish Bhagwati: …university.

Peter Robinson: Because it seems to me…

Walden Bello: Very significant quote!

Peter Robinson: Walden is saying I'm a pragmatist; I want to know what works. And it strikes me, listening to Walden, that in the developing world it would be easier to see that free trade works if there were not this overlay of the western world pushing it, backing, trying to jam it down their throats—the IMF, the World Bank, and then President—this entire overlay that just makes it hard to take.

Jagdish Bhagwati: I think the last few years they were going by analogy with trade as far as financial liberalization was concerned. And one thing you learn in the classroom is that, you know, there are similarities between financial liberalization and trade liberalization, but they are fundamentally…

Peter Robinson: Quite different.

Jagdish Bhagwati: So the differences are much more important. When you're dealing with financial liberalization, unless you're very prudent and cautious and putting monitoring in place, adapt the local institutions like the banking procedures, debt equity ratios, you're playing with fire and then the analogy is

playing with fire. It's good for you, you know, but on the other hand, it can burn down where you're living.

Peter Robinson: Last topic, predictions about the future of free trade. The Economist magazine again: "The lesson of the early twentieth century is that globalization is reversible." Globalization is reversed by the First World War and then it's reversed by economic policy, trade policy, during the Depression—people become protectionist and so forth. I continue the quotation, "This time, the current time, global integration might stall if the risk and cost of doing business abroad rises, perhaps as a consequence of fears about security," that is the terrorist threat, "or if governments once more turn their backs on open trade. Either of these threats could prove decisive." So, the question is, this is not a question of ideology or even of principle or even really of past practice, but a question about the future. Has the movement toward freer trade already crested, perhaps in the 1990s, and might we see a reversal in the years ahead? Walden?

Walden Bello: Nothing is determined…things can, in fact, be reversed. But what I would say is that I think countries would like to integrate into the world economy, but what they're asking for are good rules, okay, that are very sensitive to the different places where countries are in the world economy. And I think that if the North, if the developed countries are willing to see that they're not going to jam down doctrinal rules about free trade on countries, but instead look into the needs of these countries that, in fact, they need to develop, and that has to be respected so that you can't have a one shoe fits all type of trade regime, then I think the south countries, you know, will integrate…

Peter Robinson: Are you optimistic that it'll actually happen that way in the coming three years, four years, five years?

Walden Bello: Well, I'm not optimistic precisely because I think that there is in the North either a doctrinal view about free trade or there is this very, what we've already talked about, this sense that I can be unilateral if I want to and I can be a free trader when I want to. And this is in fact what you have in Washington at this point. So, I would say here Peter that there's a lot of dissatisfaction in the South at this point because we were sold a bag of goods like free trade that has created enormous problems for our economy. And beyond that there's also the hypocrisy.

Peter Robinson: Jagdish, are you an optimist on this matter?

Jagdish Bhagwati: Yes, I think I am at the moment because I think it's fundamentally a lot of things of changed compared to the, you know, to the early part of the twentieth century. And the policymakers are still keen in the developing countries, not necessarily all the intellectuals that certainly Walden doesn't buy into that, but I think the policymakers have tried alternate models and are now saying look, we were too fearful of the outside world, we want to use it the way the far eastern economies did. Let us, like the Mexicans looking across Rio Grande, you know. Porfirio Diaz said years ago, "Poor Mexico, how far from God and how near the United States." Today they turned it around and said, look what a wonderful thing, Mexico is next to the United States. It gives us opportunities.

Peter Robinson: Jagdish Bhagwati and Walden Bello, for Uncommon Knowledge, thank you for joining us.