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.

Focus on Trade

Number 89, July 2003

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IN THIS ISSUE: With just two months to go before the 5th WTO ministerial meeting in Cancun, Mexico, opinions are divided about what is likely to be achieved. Some analysts, such as Focus' Aileen Kwa, are seeing all the signs of Doha revisited, with discussions in Geneva going "underground", draft texts appearing from nowhere and the possibility that the rich countries will, once again, ram through agreements using all the means at their disposal. On the other side – perhaps employing the precautionary principle — WTO Director General Supachai Panitchpakdi and EU trade commission Pascal Lamy are in "counter-spin" mode, cautiously labelling Cancun a "stocktaking" rather than a milestone.

Agriculture has been one of the main sticking points and following last week's "breakthrough" in reform of the EU's common agricultural policy, some analysts wondered whether there might be a similar breakthrough in the WTO agriculture negotiations. "No" seems to be the answer, judging from the reaction of the Philippines representative to the WTO (see below) who assessment is that narrowing the enormous gap between what developing countries want and what developed countries are offering requires far more than either the EU or the US is prepared to give. Although the language of the Philippines' delegate is opaque and technical, reading the longer piece that follows on the decimation of the Philippines agricultural economy following its entry into the Agreement on Agriculture provides plenty of flesh and blood to support the bones of the ambassador's argument.

For many "old-time" German Green activists, the McPlanet conference, held in Berlin 27-29 June and attended by more than 1,500 (mainly young) activists and would-be activists, was not only breakthrough in linking radical green and "no-globo" politics but a sign that the floundering German environmental movement may be on the verge of a revival. Also significant was the overwhelmingly negative assessment of last year's WSSD

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in Johannesburg by many leading green activists. This is a welcome sign of a break with traditional NGO politics which has, in the past, worked almost entirely inside the logic of the existing multilateralism. Barbara Unmussig, co-director of the Green party's Heinrich Boll Foundation captured this new orientation in her closing remarks to the conference when she said "just because there is a crisis of multilateralism does not mean that we should support the WTO." We have included here the full text of Walden Bello's speech to the McPlanet conference: it's a good read.

Finally – but not least — there is an invitation from the UNDP to join the discussion forum "The Multilateral Trade Regime seen through a Global Public Goods Lens." Focus supports this initiative to engage in a wider public debate on trade and hope many of our readers – and not only those who are trade specialists and activists – will contribute to the discussion. The details of how are below.

INVITATION TO JOIN UNDP DISCUSSION FORUM

Dear Colleagues,
We invite your participation in the discussion forum "The Multilateral Trade Regime Seen Through a Global Public Goods Lens: New insights on old problems" to be held on the global public goods Network (http://www.gpgNet.net) platform from 7 July to 21 July 2003.

You may subscribe to the discussion forum by sending a blank email to subscribe-gpgnet-trade@groups.undp.org

In the last fifty years, there has been a marked expansion of the multilateral trade regime-more commonly known as the World Trade Organization (WTO)-both in terms of coverage of issues and membership. Its expanded scope, particularly covering so-called behind-the-border-policies across a growing number of countries, makes this regime easily display global public goods characteristics of de facto non-exclusivity and non-rivalry. This regime is being placed in the global public domain-affecting all-largely through the confluence of individual countries' policies.

Yet even as the 5th WTO Ministerial meeting 2003 in Cancun, Mexico approaches, there is still a raging debate as to the net benefits that developing countries gain from membership in this regime. Many in the developing world argue that the last major round of trade negotiations-the Uruguay Round-generated skewed benefits in favor of the industrialized countries. Still there are those who support further trade liberalization and expansion of the WTO. Perhaps most important in the present context, the issue of whether and to what extent a new "development round" could be launched is at the center of ongoing discussions.

Prospects for a "development round" in Cancun seem bleak at present. Already, there appears to be a stalemate on many issues of interest to developing countries, including, among others, those on further agricultural liberalization in Northern countries and the balance between Trade Related Aspects of Intellectual Property Rights (TRIPS) and health. The complete background paper to the discussion is available at http://www.gpgnet.net/discussion.php

Please join us for this debate and share with us — and the global public-- your observations on this topic.

Yours sincerely,
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exchange and discussion on issues concerning the theory, policy design and practice of providing global public goods

* 7 July to 21 July 2003: gpgNet.net Forum on “The Multilateral Trade Regime Seen Through a Global Public Goods Lens: New insights on old problems.” Read the complete background paper to the discussion at http://www.gpgnet.net/discussion.php

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PHILIPPINES’ LASHES OUT AT EU, US INTRANSIGENCE

Philippines Statement to the Special Session of the WTO Committee on Agriculture
1 July 2003

Mr. Chairman, it is with much interest and concern that we followed the debates last week and today. While our interest has surely not flagged, our concern has grown as many of the developed country members continue to maintain their respective stands on their own versions of further trade liberalization without due regard and, more importantly, linkage to the other pillars mandated for equally quantum reforms in the so-called Doha Development Agenda.

Given that the prime target of what appears to be obsessive market insecurity of these countries is our developing country markets, this delegation cannot be a party to the fulfillment of such an obsession without symmetric reform commitments in trade distorting export competition and domestic support measures. Or as your draft’s [the Harbinson draft] architecture suggests and implies, without the two windows of flexibility in SPs (special products) and SSM (special safeguard mechanisms) for condoning the persistence of trade distorting support in these other two pillars.

Mr. Chairman, we have waited for crucial domestic policy decisions to be made by two major players to these negotiations with the hope of breaking the inertia. To the credit of one, such domestic policy decision, upon resolution, has been translated into a comprehensive proposal, though singular on market access, de facto measuring trade liberalization with further tariff reductions, while suffering from anemia in the other two pillars and special and differential treatment (S&D). Nevertheless, we welcomed this development as another important step forward.

The other recently resolved, per the press releases, their common policy on agriculture. As in the case of the first, we welcome this development as a necessary but not sufficient condition to move these currently inert negotiations forward. We have to see, very soon, what these decisions mean in terms of positively moving forward these negotiations.

As these parties appear to insist that their own so-called domestic ‘reform’ programs be the de facto parameters of our global reform commitments in contravention of the Doha Mandate owing to their gross inadequacy of ambition in trade distorting support, developing countries like the Philippines have no choice but to insist on the availability of adequate flexibilities afforded by appropriate provisions on SPs and SSM.

These cannot provide the balance and equity that has so preoccupied developing country proposals since the mandated Article 20 phase but without them in the current architecture you propose and in which we have positively and constructively engaged, the whole exercise will just be further exposure of our markets to heavily supported competition to the prejudice of our agricultural economies' development goals.

We have been asked, Mr. Chairman, about the proper economic justification for SPs. Let me tell colleagues that if these negotiations are robustly hinged on and are about proper economics, the elimination of those persisting trade distorting support and non-tariff barriers should be equally important targets of the reform program. Our agricultural sectors that are strategic to food and livelihood security and rural employment have already been destabilized as our development program initiatives are frustrated by the gross unfairness of the international trading environment. Even as I speak, our small producers are being slaughtered in our own markets, even the more resilient and efficient are in distress.

At the end of the current implementation period, the Philippines will have no tariffs higher than 50per cent (with the possible exception of one), with most in the 7 – 15per cent range. We have paid our dues well in advance to move this so-called reform program and we cannot afford the political, social and economic consequences of the implosion that would result from an unfair share of the adjustment burden while some continue to wallow in their profligate policies that drown us with trade distortions.

Mr. Chairman, I cannot find a more appropriate economic justification than the survival and the preservation of whatever opportunities exist for our sectors that determine food security, livelihood and employment. Furthermore, our producers also have the right to diversify and fully express their competitiveness beyond our markets. I dare add, Mr.
Chairman, that these are far more robust justifications than those that have been advanced in allowing the persistence of trade distorting support, now under the skirt of the political policy parameters of the developed [countries].

In view of the foregoing, Mr. Chairman, the Philippines is of the position that SPs, along the lines you defined be self-declared, as one country's policy measures to attain sustained food and livelihood security and rural development cannot be competently dictated nor prescribed by any multilateral negotiation. On the other hand, the issue that needs to be negotiated should be that limited number of tariff lines at the 4-digit level. Further, due to the very nature of SPs, we further propose their automatic recourse to the SSM.

With regard to special safeguards, Mr. Chairman, we agree that the provisions of Article 5 of the subsisting Agreement should cease to apply for developed countries, period. Since special safeguard measures are intended to counter the surge in imports which may result from further market opening, access to the application of measures, either volume or price triggered, must be linked to the degree of market access. The proper issue that needs to be negotiated is therefore the threshold level of tariffs below which there should be universal access to special safeguard measures.

Mr. Chairman, we have been told that the only flexibility developing countries need is the SSM that must be targeted to the tariff lines we propose to be covered by SPs. Mr. Chairman, this, at the very least, represents a poor understanding of developing country agriculture and political economy, and, at its worst, the ultimate in insensitivity. SSM addresses the susceptibility of developing country markets to the peculiar perturbation of import surges, while SPs enable us to ensure the survival and nurture of our strategic agricultural sectors in an international trading environment jaundiced by trade distortions.

Mr. Chairman, some parties to these negotiations pull developing countries in opposite directions on the issue of further tariff reductions: one would have us cut so mechanically that it is S&D-blind and the other would freeze us in the present medieval world of tariff peaks and tariff escalation. We can live with your proposed multi-band formulae. You can at least address tariff peaks by an upward revision in the upper bands.

Mr. Chairman, we exhort you and colleagues to engage more intensively and aim for a mature set of modalities in these two crucial areas in the next few weeks, that what we bring to Cancun may be incomplete but already properly developmental in character as Ministers mandated. Rather than outright dismissal, we exhort colleagues, particularly the developed countries, to positively and constructively engage. You have arrived at your policy parameters as we already have ours: it is time we commence in earnest our travel to the East.

Thank you Mr. Chairman.

THE AGREEMENT ON AGRICULTURE & THE DEMISE OF PHILIPPINE AGRICULTURE

By Walden Bello*

(This article is excerpted from the recently published report "Multilateral Punishment:
The Philippines in the WTO, 1995-2003, published by Focus on the Global South and Stop the New Round! Coalition, Philippines. The full report can be downloaded as a PDF file at http: / / focusweb.org)

For the Philippines, the Agreement on Agriculture (AOA) was the most important agreement in the WTO. The reason was that the country's agricultural sector continued to employ nearly half of the labor force and contribute over 20 per cent of gross domestic product. However, as one paper asserts, when "all economic activities related to agro-processing and supply of non-farm agricultural inputs are included, the agricultural sector broadly defined accounts for about two-thirds of the labor force and 40 per cent of GDP." (1) Agriculture thus plays "a strategic role in the country's overall economic development through its strong growth linkage effects as a source of food and raw material supply for the rest of the economy, and as a source of demand for non-agricultural inputs and consumer goods and services." (2)

During the national debate on WTO ratification, the government based its pro-WTO stance on the argument that free trade would increase the efficiency of Philippine agriculture. This was not a case of agricultural liberalization forced on reluctant technocrats as in other developing countries. The neoliberal technocrats that began to dominate state economic agencies during the Aquino and Ramos administrations wanted to liberalize agriculture. Indeed, the two administrations pushed through a comprehensive liberalization program (Executive Order 470) that embraced both industry and agriculture.

Agricultural liberalization, however, lagged behind owing to resistance from farmers big, medium, and small. Indeed, the Magna Carta for Small Farmers passed in 1991, was seen as a far-reaching attempt to consolidate protection by providing for the banning imports that were deemed to be produced locally in sufficient quantity. In this context, subjecting the country's agricultural sector to the discipline of the WTO's Agreement on Agriculture was seen as a key instrument to destroy agricultural protectionism.
Moreover, entry into world of the Agreement on Agriculture would make Philippine agriculture more productive by promoting the cultivation of high value-added agricultural (HVA) commodities such as broccoli and cut flowers. With HVAs regarded as the "export winners" that would increase Philippine share of world markets, (3) agricultural technocrats saw the trade liberalization that came with WTO membership as leading to the gradual phasing out of much rice and corn production which involved most of the rural work force. The Medium Term Agricultural Development Plan of the Fidel Ramos administration—prepared with possible entry into the WTO in mind—envisaged limiting rice and corn production to 1.9 million hectares and freeing up some 3.1 million hectares currently planted to rice and corn for raising cattle and cultivating commercial crops. (4)

To secure popular support for the ratification of GATT, the government projected that the AOA regime would, among other things:
- create 500,000 new agricultural jobs annually
- increase annual agricultural export earnings by P3.4 billion annually, thus improving the balance of trade in agricultural products
- increase the annual gross value added of agriculture by P 60 billion. (5)

To ease transition pains, Congress appropriated 128 billion Philippine pesos (P), to be released at some P 32 billion annually, to improve agricultural infrastructure and create "safety nets." With ratification, the government moved to make Philippine legislation consistent with the WTO. The Magna Carta for Small Farmers was repealed. Comprehensive legislation, Republic Act 8178, was enacted ending quotas and transforming them to tariff rate quotas (TRQs). The TRQ system covered 15 tariff lines of "sensitive" agricultural imports, including live animals, fresh and chilled beef, pork, poultry meat, goat meat, potatoes, coffee, corn, and sugar. For these commodities, the Philippines was required to provide "minimum access" at low tariffs to a volume equivalent to three per cent of domestic consumption in the first year of WTO implementation to five per cent on the tenth year. Beyond the quota, imports would be taxed at a much higher rate. For corn, for instance, using the agreed-upon period of 1986-88 as the basis for calculating domestic consumption, the minimum access volume (MAV) allowed to come in at a low tariff of 35 per cent would be 65,000 metric tons in 1995, rising to 227,000 in 2004. (6) Beyond the MAV, the tariff rate rose to 65 per cent.

Under Annex 5 of the AOA, countries were allowed to retain a quota on "a primary agricultural product that is the predominant staple in the traditional diet." (7) In the case of the Philippines, this was rice. The country was nevertheless required to increase the quota from one per cent of domestic consumption on the first year to four percent on the tenth year, or from 30,000 metric tons in 1995 to 227,000 metric tons in 2004. (8)

As in the case with the other agreements comprising the WTO, the US served as the Geneva-based body's local enforcer, watching with an eagle eye Philippine legislative and implementation processes. This process could be quite intrusive and went beyond the scope of the letter of the AOA. For instance, the US intervened in the issuing of licenses to importers for pork and poultry meat, accusing the Philippine government of allocating "a vast majority of import licenses to domestic producers who had no interest in importing." (9) When the Philippines balked, the US threatened to suspend the preferential tariffs for

Philippine exports covered by the General System of Preferences (GSP). The Philippines gave in, and after a memorandum of understanding detailing its concessions was issued in 1998, according to a USTR report, "the review of the Philippines' eligibility to receive preferential access under the General System of Preferences…was terminated." (10)

By the end of the decade, not only had the promised benefits of AOA membership failed to materialize but Philippine agriculture was in the throes of crisis. (11)

Far from increasing by 500,000 a year, employment in agriculture actually dropped from 11.29 million people in 1994 to 10.85 million in 2001. (12)

Agricultural exports such as coconut products were supposed to rise with WTO membership, but the value of exports registered no significant movement, rising from $1.9 billion in 1993 to $2.3 billion in 1997, then declining to $1.9 billion in 2000. On the other hand, massive importation, the big fear of GATT critics, became a reality, with the value of imports almost doubling from $1.6 billion in 1993 to $3.1 billion in 1997 and registering $$2.7 billion in 2000. The status of the Philippines as a net food-importing country was consolidated, with the agricultural trade balance moving from a surplus of $292 million in 1993 to a deficit of $764 million in 1997 and 794 million in 2002. (13)

Key sectors of Philippine agriculture were in a pretty bad state by the end of the decade.

THE CRISIS OF RICE PRODUCTION

Rice production in the country was in crisis owing to a number of factors, including failure of effective government support programs. However, the government's policy of resolving short-term "supply crises" by massive imports could not but have the effect of further discouraging increased rice production. The rice exception under Annex 5 limited the Philippines to import a volume that was only one per cent of domestic consumption in 1995 rising to four per cent by 2005. In fact, the government, citing necessity, imported amounts far beyond the quota, with imports shooting from 263,000 metric tons in 1995 to 2.1 million metric tons in 1998, 836,999 metric tons in 1999, and 639,000 metric tons in 2000. (14)

Such massive volumes kept the price of rice low, making it unattractive for farmers to increase production. Average farm-gate prices of rice from 1997 to 2001 grew at a "measly 0.89 annually." (15) Not surprisingly, total rice production increased marginally in the late 1990s and came to an average of 1.9 per annum for the whole decade—far below the rates registered in the Philippines' two key rice suppliers: 3.0 per cent per annum in the case of Thailand and the 4.5 per cent in the case of Vietnam. (16) In other words, massive above-quota imports were contributing to the continuing erosion of the rice sector, in turn making rice importation more and more of a permanent fixture of the agrarian economy.

Neoliberal technocrats, the Asian Development Bank, and the WTO took advantage of this situation to press for the elimination of the rice quota, which the Philippines could still take advantage of after 2005 under Annex 5 of the AOA. At a tariff rate of 100 per cent, which was being considered by House Bill 3339—the so-called "Rice Safety Nets Act"—the price of imported rice would be the same as that of locally produced rice. However, it would provide little protection to local rice producers since, as one study pointed out, the rate would be "insufficient to negate the potential convenience and advantage of sourcing products from one single source abroad than incurring costs attendant to consolidating and building stocks from many [local] suppliers and farmers." (17) In other words, many costs and uncertainties would be eliminated by relying on one or a few foreign suppliers than on many local suppliers.

At a tariff rate of 50 per cent, which some quarters at the Department of Agriculture were considering, the tariff rate would allow imported rice, at 2002 relative prices, to be priced at P11 to P12 a kilo, which would be lower than the P14 per kilo that was the lowest price of domestic rice. (18)

Yet these considerations to eliminate the rice quota and move to tariffs were made with the current AOA in mind. The controversial "Harbinson draft" (named after its author WTO Agricultural Negotiations Chairman Stuart Harbinson) that serves as the negotiating paper for further agricultural liberalization under the AOA proposes to slash developing country tariffs above 120 per cent by 40 per cent and those between 20 per cent and 120per cent by 33 per cent. Tariffication of rice in conjunction with the WTO's adoption of the Harbinson proposal would definitely lead to an even graver crisis of the country's rice sector. (See statement of the Philippines representative to WTO, above.)

With very little sympathy for their plight from a neoliberal technocracy and with tremendous pressures coming from different quarters for liberalization, the fate of the two million farmers involved in rice production—some 20 per cent of the agricultural work force—was highly uncertain.

CORN—IN TERMINAL CONDITION?

The plight of the corn sector was equally grim. The main corn production area in the Philippines is Mindanao, and the cost of corn from Mindanao in Manila is less than the landed cost of foreign corn by two pesos per kilo. (19) As in the case of rice, a sector that had long been neglected by government has been opened up to international competition that it was ill-prepared to meet. Unlike rice, however, corn imports were not subject to quota restrictions. A minimum access volume (MAV) starting from three per cent of domestic consumption in 1995 to five per cent in 2004 would be taxed at a low tariff of 35 per cent. Beyond that, the AOA still allowed corn to come in with no volume limitation, though the tariff rate would be increased to 100 per cent.

How much protection these arrangements gave was open to question. An Oxfam Great Britain study in 1996 claimed that imports from the US, the world's largest corn exporter, could be available at a price 20 per cent below the current domestic price by the end of the nineties. It went on to note that by "the year 2004, the price gap may have widened to 39 per cent, as tariffs are scaled down under the Uruguay Round agreement." (20)
From practically zero imports in 1993 and 1994, corn coming into the Philippines shot up to 208,000 metric tons in 1995 to 558,000 in 1996, 462,120 metric tons in 1998 and 446,430 in 2000. The government appeared to be quite liberal in managing the MAV for corn. According to one report, a significant portion of the volume of corn that came in above the MAV of 135,000 metric tons in 1996 appeared to have come in at the 35 per cent tariff rate rather than the 100 per cent rate, thanks to an administrative order allowing expansion of the MAV limit during "shortages." (21) This stemmed from the growing strength of an alliance between foreign corn exporters and local end-users, such as feedmillers and livestock raisers, that had a great deal of interest in lower-priced corn imports.

Among the factors depressing the price of corn was cheap corn from the United States coming in under the PL 480 program of the United States, which sought external markets for US corn by giving foreign governments long-term low interest export credits to import US agricultural commodities, including soybean, rice, and corn. PL 480 was one of several dumping devices that were legitimate under the AOA. An average of $20 million of US agricultural commodities has arrived under the program since 1997, with the figure rising to $40 million in 2001. (22) In 2002, $2 million worth of corn was brought in under the program, (23) causing local growers to protest that PL 480 yellow corn imports were particularly harmful, in terms of depressing local prices, if they arrived during the corn harvest. (24)

Not surprisingly, Mindanao was being ravaged by the new import-biased agro-trade regime. Already, the limited trade liberalization of the late eighties was plunging corn production into crisis prior to the AOA. As Kevin Watkins of Oxfam noted after a field trip to Mindanao, "increasing imports of corn have been associated with a marked decrease in domestic corn production, and in the area planted. In South Cotabato, where most of Mindanao's corn is produced, there was a 15 per cent decrease in production last year." (25)

The trend appears to have accelerated after the country's adherence to the AOA. After a trip to Bukidnon in 1996, Charmaine Ramos, an analyst with MODE, reported: "I found out that the southern part of the province is steadily being converted from corn to sugar." (26) Several years later, Focus on the Global South analyst Aileen Kwa claimed that corn farmers in "Mindanao... have been wiped out. It is not an uncommon sight to see farmers there leaving their corn to rot in the fields as the domestic corn prices have dropped to levels [at which] they have not been able to compete." (27) This observation was supported by macro data. While production remained stagnant, land devoted to corn across the country contracted sharply from 3,149,300 hectares in 1993 to 2,510,300 hectares in 2000. (28)

Traditional corn and rice farmers, the government admitted during the GATT-WTO ratification debate, would be among the losers during under the AOA regime, with some 45,000 corn farmers among those displaced annually. This would be among the 350,000 agricultural producers that were estimated to be displaced annually according to Department of Agriculture estimates. (29) However, the growth of employment in selected and export and high value added crops that was supposed to be a fallout of the WTO would translate into a net gain of 500,000 a year. But these estimates were highly questionable. According to the secretary of agriculture at the time of the WTO ratification debate, the 45,000 corn farmers slated for displacement would be absorbed by the silage growing industry that would service the cattle-growing industry stimulated by the WTO regime. (30) Yet cattle raising turned out to be a very disappointing industry in the next few years, stunted by a very liberal beef and "carabeef" import regime put in place to comply with the AOA itself. Cattle production barely moved, registering 213,000 metric tons in 1995 and 261,000 in 2001. (31)

The depressing reality for corn farmers was underlined by Charmaine Ramos:"[O]nly farmers with relatively bigger farm lots are able to shift easily. Small farmers are forced to lease their lands simply because they have no means to finance the capital requirements of shifting to high value crops." (32)

An explanation for this trend was offered by Kevin Watkins: "[T]he argument that displaced food staple producers will simply shift to the production of commercial crops has a somewhat surreal quality. The high capital costs of entry into commercial food markets and the importance if infrastructure, which is non-existent in the more marginal areas from which people will be displaced, means most of the benefits from commercial agriculture will accrue to more prosperous producers." (33)

The "more realistic scenario" for corn producers under the AOA regime was "more intensive poverty, displacement, and migration to urban center." (34) Indeed, during the hearing on the WTO conducted by the House of Representatives' Special Committee on Globalization, the one sector that the Department of Agriculture was willing to recognize as having suffered from entry into the AOA was corn. (35)

THE ASSAULT ON THE MEAT, POULTRY, AND VEGETABLE INDUSTRIES

The negative impact of trade liberalization under the WTO regime went beyond traditional crops like rice, corn, and sugar to encompass higher value-added products like pork, poultry, and vegetables.

Massive importation of chicken parts, especially from the United States, nearly killed the industry after pressure from Washington resulted in liberal issuing of import licenses, with chicken parts imports rising by 101 per cent in 1998 and 2021 per cent in 1999. The import price of chicken in early 2000 came to P25.83 per kilogram, which was 50 per cent lower than the average farmgate price of P53.17 per kilogram price of local chicken. (36)

Adding to the woes of local industry was liberalization of the importation of frozen beef, which was seen by consumers as a substitute for both chicken and pork. Imports of cheap beef and "carabeef" were reported to have grown fivefold between 1993 and 1998, a trend that threatened to accelerate when an executive order withdrew beef imports from coverage under MAV. (37)

Cheap imports as well as other factors stemming from the Asian financial crisis led to the shutting down of two of the country's big poultry integrators, some 30 commercial farms, each producing 100,000 heads of cattle, and five cooperatives in 1997. (38)

Poultry growers were joined in 2003 by hog producers in their threat to "mount a food blockade through their refusal to sell their poultry and livestock." (39) The hog raisers claimed that looser food imports under the AOA regime brought a yearly reduction of P5 to P 10 per kilo in the farmgate price for pork, a figure which shut up to P14 to P17 in 2002. This translated to a 50 per cent decline in price in just one year. (40) Data supported the claims of local producers of a sudden and massive surge in imports owing to trade liberalization. Pork imports rose from less than 1000 metric tons in 1993 to 7000 metric tons in 1997 to 15,790 metric tons in 2000. (41) In 2002, imports were expected to hit almost 47 million kilos, up 43 per cent from the 2001 figure of 33 million kilos. (42)

Vegetable producers were supposed to be among the gainers from AOA-led trade liberalization. Indeed, the AOA was expected to shift producers from cultivating rice and corn to producing high-value added crops such as broccoli, lettuce, carrots, and cauliflower. Trade liberalization, in fact, hit a growing industry and hit it hard. From only 10,000 kilograms in 1999, the volume of imported fresh vegetables rose to 1.1 million kg in 2000 and 2 million kg in 2002.(43) Combined with smuggled fresh vegetables, the influx resulted in imported lettuce, for instance, selling at only P90 per kilogram compared to local lettuce, which was retailing at P200 per kilogram. (44)

Contributing to this massive differential was the application of a seven per cent tariff on imported vegetables in accordance with Executive Order 470, a much lower rate than the 40 per cent tariff that the Philippines committed under the WTO. Even with a 40 per cent rate, however, imported produce would still enjoy a price advantage over local produce.

If Mindanao, the country's corn bowl, was threatened by maize imports, the country's salad bowl, Benguet, was endangered by the foreign vegetable invasion. According to one report,
"…vegetable producers in Benguet have lost PhP2 billion in failed transactions between July and August 2002 because of the dumping of at least a million kilograms of vegetables from China, Australia, New Zealand, and the Netherlands. The deluge of kilograms of imported vegetables (whether smuggled or not) in the markets of Benguiet. Mt. Province, the Cordilleras, Pangasinan, Central and Northern Luzon, and Metro Manila pose considerable risk and bring gross disadvantage to the nation's small vegetable growers." (45)

The report went on to warn that P 6 billion would be lost yearly and "ten of thousands of growers will be displaced if the unabated influx of foreign vegetables continues." (46)

KEEPING OUT PHILIPPINE TUNA AND BANANAS

In becoming a member of the WTO, the Philippines entered the worst of all possible worlds: even as it opened up its agricultural markets to foreign products, key foreign markets continued to remain closed to Philippine exports.

The US, for instance, brazenly kept up its double standards game. Administrative Order No. 25, which required importers of meats to obtain additional safety certification, was put on hold in 2002, a year after it was issued, after the US threatened to file a complaint with the WTO. (47) Meantime, the US itself issued a new directive requiring certification by a Philippine government agency that certain beef and pork products meet certain processing standards. (48)

Particularly disturbing were new market access restrictions imposed by the agricultural superpowers in defiance of WTO rules. The tuna industry was threatened with severe dislocation when the US and the European Union imposed high tariffs on tuna imports. While allowing duty free imports of tuna from the Andean countries, the US slapped tariffs ranging from 6.5 to 30 per cent on Philippine tuna imports. The EU allowed preferential tariffs for its former colonies (the so-called ACP countries) while slapping a 24 per cent duty on Philippine tuna. Export earnings from canned tuna fell precipitously from $130 million in 1998 to $64 million in 2001. (49)

With the US accounting for 38 per cent of its tuna exports and the EU for 15 per cent, these brazen protectionist moves posed a serious threat to the viability of the Philippine tuna industry. Possible losses from the discriminatory treatment in the US market alone were estimated at $50 million a year by the Department of Trade and Industry. (50)
An EU decision to lower the tariff on Philippine canned tuna exports was hailed as a victory by the government. But it was hardly significant once one read the fine print. As the Philippines daily Business World reported, "the 12 per cent levy applies only to a specific amount of tuna

imports called the tariff rate quota (TRQ). This TRQ will be shared by the Philippines, Thailand, and Indonesia. Of the quota, the Philippines will get 9,000 MT while Thailand will account for 13,000 MT, and Indonesia will get 2,750 MT."(51)

Even Australia, an ally of the Philippines in the so-called Cairns Group, a grouping of developed and developing agro-exporting countries, beat up on the Philippines by invoking sanitary and phytosanitary standards (SPS), a standard Washington tactic. In mid-2002, after years of being petitioned to admit Philippine Cavendish bananas, the Australian government decided against the import. The ostensible reason was the risk of the Philippine banana carrying pests and diseases that could ruin the Australian banana industry. Yet the Philippine bananas had been shipped since the sixties to countries with high quarantine standards, including Japan and New Zealand.

The real reason was a strong lobby from the Australian banana industry. The Australian industry produced 20 tons of bananas per hectare, compared to the Philippines, which turned out 50 tons per hectare, a difference that led to a marked disparity in price: 60 US cents for each kilo of Australian bananas compared to 20 US cents per kilo for Philippine bananas. (52)

THE ABDICATION OF THE STATE

Eight years after entering the WTO, there is now widespread acknowledgment that the Philippines' agricultural sector was unprepared for adherence to the Agreement on Agriculture. Indeed, few would now dispute the contention of critics that trade liberalization combined with government neglect of agricultural development has proved to be a deadly formula.

Neoclassical specialists in Philippine agriculture have been caught between an ideological propensity for liberalization and a recognition—though grudging—that protectionism is not the main problem of Philippine agriculture. In fact economist Ramon Clarete, one of the prime intellectual managers of the Philippines' entry into the AOA, admitted, prior to entry into the WTO, that the agricultural sector had "the lowest effective tariff protection in the economy," with food items having an even lower effective protection than the rest of agriculture. (53) Effective protection for agriculture the 1970s and much of the 1980s for agricultural products ranged from five to nine per cent, while effective rates of protection for the manufacturing sector for the manufacturing sector ranged from 44 to 79 per cent. (54) Effective rates of protection for manufacturing and agriculture tended to even out by the mid-1990s owing to tariff reforms, but this was largely owing to bringing manufacturing tariffs being brought down.

Not agricultural protectionism but problems relating to "a weak technology base, price distortions, weak property rights structure, constraints on land market operations, insufficient public support services, and poor governance," were identified by a team of neoclassical economists as the main bottlenecks to greater agricultural productivity. (55) Though they could not spell out the problem owing to the anti-state bias of their ideology, what these economists were, in effect, saying was that it was lack of effective, comprehensive, and coordinated government intervention in agriculture that lay at the root of the anemic state of Philippine agriculture.

The virtual abdication of government from agriculture is indicated by the fact that while most of the work force was employed in agriculture and the sector contributed about 21.5 per cent of gross value added, the budget allocation for agriculture in 2001 was only P12.8 billion or 3.4 per cent of government spending. (56) Of the annual budgetary appropriations, less than 40 per cent "have been historically allocated for productivity-enhancing expenditures such as irrigation, research and development, fishery extension, and other support services." (57) Research and development expenditures, at 0.27 per cent of gross valued added by agriculture, was far below the one per cent benchmark. (58)

Not surprisingly, only 1.34 million hectares out of 4.66 million hectares of irrigable land was actually irrigated. Only 17 per cent of the Philippine road network was paved, compared to the 82 per cent in Thailand and 75 per cent in Malaysia. Crop yield across the board was anemic, with the average yield in rice of 2.87 metric tons per hectare way below average yields in China, Vietnam, and Thailand. (59)

Confronted with governments that played an aggressive, activist role in protecting and promoting their agriculture not only in the US and European Union but in neighboring Asian countries as well, the Philippines was ill-equipped to enter the AOA

To prevent the agricultural sector from becoming a roadblock to the ratification of the WTO Agreement, the Fidel Ramos administration promised to appropriate and release funds for agricultural modernization and safety nets. The fund promised—called the Department of Agriculture Action Plan—totalled P128 billion, to be released at the rate of P32 billion annually. (60) The figure included "P27 billion for the improvement of irrigation facilities, P8 billion for the construction of farm-to-market roads, P762 million for the improvement of post-harvest facilities, and P64 million for the installation of grain centers." (61)

However, according to one agricultural expert, only 44 per cent of the 32 billion promised for 1995 was appropriated. Of this amount, funding for new projects—that is projects begun after ratification of the WTO Agreement—amounted to the exceedingly small sum of 2.8 billion. In 1996, the proposed P32 billion was reduced to P14.6 billion, of which the funding for new projects was, at P2.2 billion, even lower than the 1995 figure. (62) Seven years later, the Department of Agriculture admitted that only 50 per cent of the proposed Department of Agriculture Action Plan had been released. (63)

The failure of the safety net program was supposed to be addressed by the Agriculture and Fisheries Modernization Act (AFMA) passed in 1998 which provided for comprehensive government assistance covering such areas as irrigation, post-harvest facilities, credit and financing, and research and development. But, as one report noted, "despite having a legislated annual budgetary allocation, AFMA was not able to take off the ground as government could not even meet the annual budgetary needs of the Department of Agriculture." (64)

During the ratification debate, pro-WTO advocates promoted the vision that the AOA would create a situation where the Philippines would fill production niches in which it would have the "comparative advantage," such as the cultivation of high value-added export crops such as cutflowers, asparagus, broccoli, and snow peas. These advocates, such as then Secretary of Agriculture Roberto Sebastian, did not do their homework.

For farmers to shift to "high value non-traditional export crops" (NTAEs) requires investment that is simply within the reach of small producers. For instance, the case of cutflowers, data from Ecuador reveals an average initial capital investment of $200,000 per hectare. Annual input costs are also high, with the costs of agro-chemicals alone coming to over $18,900 per hectare. (65) In the case of snowpeas, broccoli, and cauliflower respectively, annual production costs, according to data from Guatemala, comes to $3,145, $1,096, and $971 per hectare respectively, compared to $219 per hectare for corn. (66)

Moreover, competitive advantage in these crops can only be achieved through significant outlays in technological support and research and development. As many analysts have pointed out, NTAE cultivation is biased against small-scale producers because "many traditional crops require considerable technological sophistication, relative to traditional production, as they are either new to the region, require special care at harvest because of their perishability, or are being produced to meet the more demanding cosmetic quality standards of foreign consumers." (67)

Without massive government financial support, there was simply no way that the Philippines could launch significant production of high value crops, much less attain comparative advantage in producing them.

Not surprisingly, Philippine agriculture entered the worst of all worlds in the mid-1990s: massive trade liberalization amidst a continuing lack of effective support from government. Despite their grudging recognition of the fact that the lack of comprehensive state support was the sine qua non of agriculture's survival, the neoclassical economists and technocrats who had gained control of the strategic heights of the economic bureaucracy in the eighties and nineties supported the WTO liberalization drive. In many cases, in fact, as in case of vegetable and meat imports, they supported deeper cuts in tariffs than was required under AOA rules. Tragically, doctrine had supplanted observation and analysis.

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THE CRISIS OF THE GLOBALIST PROJECT & THE NEW ECONOMICS OF GEORGE W. BUSH

By Walden Bello*

(Prepared for the McPlanet Conference, Berlin, June 27, 2002. The original version of this piece will appear in the Fall issue of New Labor Forum.)

"Capitalism constantly erodes man and woman's being-in-nature (creature) and being-in-society (citizen) and, even as it drains them of life energy as workers, it moulds their consciousness around one role: that of consumer. Capitalism has many "laws of motion," but one of the most destructive as far as the environment goes is Say's law, which is that supply creates its own demand. Capitalism is a demand-creating machine that transforms living nature into dead commodities, natural wealth into dead capital."

Walden Bello, McPlanet Conference, Berlin, 27-29 June 2003

I would like to thank the Heinrich Boll Foundation, ATTAC Germany, and all the other organizers of this conference for inviting me to this very important meeting. What I would like to do in this introductory talk is to discuss the key elements of the global conjuncture. I would like to paint, in broad strokes, the global political and economic context in which we must situate our environmental activism.

Let me begin by taking you back to1995, the year the World Trade Organization was born. The offspring of eight years of negotiations, the WTO was hailed in the establishment press as the gem of global economic governance in the era of globalization. The nearly 20 trade agreements that underpinned the WTO were presented as comprising a set of multilateral rules that would eliminate power and coercion from trade relations by subjecting both the powerful and the weak to a common set of rules backed by an effective enforcement apparatus. The WTO was a landmark, declared George Soros, because it was the only supranational body to which the world's most powerful economy, United States, would submit itself. In the WTO, it was claimed, the powerful United States and lowly Rwanda had exactly the same number of votes: one.

Triumphalism was the note sounded during the First Ministerial of the WTO in Singapore in November 1996, with the WTO, International Monetary Fund (IMF), and the World Bank issuing their famous declaration saying that the task of the future was the challenge now lay in making their policies of global trade, finance, and development "coherent" so as to lay the basis for global prosperity.

THE CRISIS OF THE GLOBALIST PROJECT

By the beginning of 2003, the triumphalism was gone. As the fifth Ministerial of the WTO approaches, the organization is in gridlock. A new agreement on agriculture is nowhere in sight as the US and the European Union stoutly defend their multibillion dollar subsidies. Brussels is on the verge of imposing sanctions on Washington for maintaining tax breaks for exporters that have been found to be in violation of WTO rules, while Washington has threatened to file a case with the WTO against the EU's de facto moratorium against genetically modified foods. Developing countries, some once hopeful that the WTO would in fact bring more equity to global trade, unanimously agree that most of what they have reaped from WTO membership are costs, not benefits. They are dead set against opening their markets any further, except under coercion and intimidation. Instead of heralding a new round of global trade liberalization, the Cancun ministerial is likely to announce a stalemate.

The context for understanding this stalemate at the WTO is the crisis of the globalist project—the main achievement of which was the establishment of the WTO—and the emergence of unilateralism as the main feature of US foreign policy.

But first, some notes on globalization and the globalist project.

Globalization is the accelerated integration of capital, production, and markets globally, a process driven by the logic of corporate profitability.

Globalization has had two phases: the first lasting from the early 19th century till the outbreak of the First World War in 1914; the second from the early 1980s until today. The intervening period was marked by the dominance of national capitalist economies characterized by a significant degree of state intervention and an international economy with strong constraints on trade and capital flows. These domestic and international constraints on the market, which were produced by the dynamics of class conflict internally and inter-capitalist competition internationally, were portrayed by the neoliberals as having caused distortions that collectively accounted for the stagnation of the capitalist economies and the global economy in the late seventies and early eighties.

As in the first phase of globalization, the second phase was marked by the coming to hegemony of the ideology of neoliberalism, which focused on "liberating the market" via accelerated privatization, deregulation, and trade liberalization. There were, broadly, two versions of neoliberal ideology—a "hard" Thatcher-Reagan version and a "soft" Blair-Soros version (globalization with "safety nets.)" But underlying both approaches was unleashing market forces and removing or eroding constraints imposed on transnational firms by labor, the state, and society.

THREE MOMENTS OF THE CRISIS OF GLOBALIZATION

There have been three moments in the deepening crisis of the globalist project. The first was the Asian financial crisis of 1997. This event, which laid low the proud "tigers" of East Asia, revealed that one of the key tenets of the globalization—the liberalization of the capital account to promote freer flows of capital, especially finance or speculative capital — could be profoundly destabilizing. The Asian financial crisis was, in fact, shown to be merely the latest of at least eight major financial crises since the liberalization of global financial flows began in the late seventies. How profoundly destabilizing capital market liberalization could be was shown when, in just a few weeks' time, one million people in Thailand and 21 million in Indonesia were pushed below the poverty line.

The Asian financial crisis was the "Stalingrad" of the IMF, the prime global agent of liberalized capital flows. Its record in the ambitious enterprise of subjecting some 100 developing and transitional economies to "structural adjustment" was revisited, and facts that had been pointed out by such agencies as the United Nations Development Program (UNDP) and United Nations Conference on Trade and Development (UNCTAD) as early as the late eighties now assumed the status of realities. Structural adjustment programs designed to accelerate deregulation, trade liberalization, and privatization had almost everywhere institutionalized stagnation, worsened poverty, and increased inequality.

A paradigm is really in crisis when its best practitioners desert it, as Thomas Kuhn pointed out in his classic The Structure of Scientific Revolutions, and something akin to what happened during the crisis of the Copernican paradigm in physics occurred in neoclassical economics shortly after the Asian financial crisis, with key intellectuals leaving the fold—among them Jeffrey Sachs, noted earlier for his advocacy of "free market" shock treatment in Eastern Europe in the early 1990s; Joseph Stiglitz, former chief economist of the World Bank; Columbia Professor Jagdish Bhagwati, who called for global controls on capital flows; and financier George Soros, who condemned the lack of controls in the global financial system that had enriched him.

The second moment of the crisis of the globalist project was the collapse of the third ministerial of the WTO in Seattle in December 1999. Seattle was the fatal intersection of three streams of discontent and conflict that had been building for sometime:

- Developing countries resented the inequities of the Uruguay Round agreements that they felt compelled to sign in 1995.

- Massive popular opposition to the WTO emerged globally from myriad sectors of global civil society, including farmers, fisherfolk, labor unionists, and environmentalists. By posing a threat to the well being of each sector in many of its agreements, the WTO managed to unite global civil society against it.

- There were unresolved trade conflicts between the EU and the US, especially in agriculture, which had been simply been papered over by the Uruguay Round agreement.

These three volatile elements combined to create the explosion in Seattle, with the developing countries rebelling against Northern diktat at the Seattle Convention Center, 50,000 people massing militantly in the streets, and differences preventing the EU and US from acting in concert to salvage the ministerial. In a moment of lucidity right after the Seattle debacle, British Secretary of State Stephen Byers captured the essence of the crisis: "[T]he WTO will not be able to continue in its present form. There has to be fundamental and radical change in order for it to meet the needs and aspirations of all 134 of its members."

The third moment of the crisis was the collapse of the stock market and the end of the Clinton boom. This was not just the bursting of the bubble but a rude reassertion of the classical capitalist crisis of overproduction, the main manifestation of which was massive overcapacity. Prior to the crash, corporate profits in the US had not grown since 1997. This was related to overcapacity in the industrial sector, the most glaring example being seen in the troubled telecommunications sector, where only 2.5 per cent of installed capacity globally was being utilized. The stagnation of the real economy led to capital being shifted to the financial sector, resulting in the dizzying rise in share values. But since profitability in the financial sector cannot deviate too far from the profitability of the real economy, a collapse of stock values was inevitable, and this occurred in March 2001, leading to the prolonged stagnation and the onset of deflation.

There is probably a broader structural reason for the length of the current stagnation or deflation and its constant teetering at the edge of recession. This may be, as a number of economists have stated, that we are at the tail end of the famous "Kondratieff Cycle." Advanced by the Russian economist Nikolai Kondratieff, this theory suggests that the progress of global capitalism is marked not only by short-term business cycles but also by long-term "supercycles." Kondratieff cycles are roughly fifty to sixty-year long waves. The upward curve of the Kondratieff cycle is marked by the intensive exploitation of new technologies, followed by a crest as technological exploitation matures, then a downward curve as the old technologies produce diminishing returns while new technologies are still in an experimental stage in terms of profitable exploitation, and finally a trough or prolonged deflationary period.

The trough of the last wave was in the 1930s and 1940s, a period marked by the Great Depression and World War II. The ascent of the current wave began in the 1950s and the crest was reached in the 1980s and 1990s. The profitable exploitation of the postwar advances in the key energy, automobile, petrochemical, and manufacturing industries ended while that of information technology was still at a relatively early stage. From this perspective, the "New Economy" of the late 1990s was not a transcendence of the business cycle, as many economists believed it to be, but the last glorious phase of the current supercycle before the descent into prolonged deflation. In other words, the uniqueness of the current conjuncture lies in the fact that the downward curve of the current short-term cycle coincides with the move into descent of the Kondratieff supercycle. To use the words of another famous economist, Joseph Schumpeter, the global economy appears to be headed for a prolonged period of "creative destruction."

ENVIRONMENTAL CRISIS AND CAPITALIST LEGITIMACY

I have been talking about moments or conjunctural crystallizations of the crisis of the globalization project. These moments were manifestations of fundamental conflicts or contradictions that were unfolding unevenly over time. A central smoldering contradiction was that between globalization and the environment. I would now want to devote a few words to how the environmental crisis has proven to be a central factor unravelling the legitimacy of the globalization project, indeed of capitalism as a mode of economic organization itself.

Both before and after the World Summit on Environment and Development in Rio de Janeiro in 1992, the sense was that while the world environmental situation was worsening, consciousness of this fact was leading to the creation of the global institutional and legal mechanisms to deal with the problem. The Rio Summit's agreeing on Agenda 21, a global program for environmental improvement that would have counterpart country programs, seemed to mark a major step forward in terms of global cooperation.

The late eighties and early nineties were, moreover, a period when a number of multilateral environmental agreements were inked and appeared to be making headway in reversing the global environmental crisis, like the Montreal Protocol putting controls on the production of CFCs to preserve ozone layer, and the CITES Treaty putting tough controls on trade in endangered species. Also, with the coming to power of Bill Clinton and Al Gore in 1992, an environmentally correct administration seemed to be in place.

Several moves stalemated this process.

First, the establishment of the WTO. As Ralph Nader put it, the WTO placed corporate trade "uber alles," meaning practically all dimensions of economic and social life except for national security. In other words, laws protecting natural resources and the environment needed to be changed if they were seen as imposing standards that were seen as unfair to foreign trading interests. In a series of landmark cases—the tuna-dolphin case between the US and Mexico, the turtle-shrimp controversy pitting the US and Asian countries—it seemed that national environmental laws were being subordinated to free trade. The thrust seemed to be to bring environmental protections in different countries to the lowest common denominator rather than to bring them up to the highest standards.

Second, the aggressive push by corporations to exploit advanced food technology and biotechnology alarmed environmentalists and citizenries all over. The EU's ban on hormone-treated beef from the US—enacted in response to popular demand in Europe— continued despite the WTO's viewing it as illegal. Likewise, genetic modifications in agricultural production coupled with resistance to ecolabelling on the part of US firms such as Monsanto triggered a consumer backlash in Europe and other parts of the world, with the precautionary principle being invoked as a powerful weapon against the US corporations' criterion of "solid science." Also, the aggressive effort by US biotech firms to extend patenting to life forms and to seeds led to strong resistance by farmers' groups, consumer groups, and environmentalists to what was denounced as the "privatization" of the aeons-long interaction between nature and communities.

Third, the strong resistance of the US industrial sector to acknowledge the fact of global warming, at a time when the speed of the melting of the polar ice caps was accelerating, was perceived as a brazen attempt to put profits ahead of the common interest. This perception could only be reinforced by the successful corporate effort to stalemate a collective global effort to effectively deal with global warming during the Clinton administration and finally to kill it when the Bush administration refused to sign and ratify the already weak Kyoto Protocol on climate change.

The aggressive anti-environmental posture of US corporations was one of the factors that led to a great distrust of business even within the United States, with 72 per cent of Americans surveyed by Business Week in 2000 saying that business "has too much power over their lives," leading the country's prime business weekly to warn: "Corporate America, ignore these trends at your peril."

At the same time, developing countries felt that the US was using environmental arguments to slow down their development with its position that the greenhouse gas emissions of developing countries needed to be also subject to substantially the same restrictions imposed on the developed countries before Washington would sign the Kyoto Accord. Indeed, such suspicions were not unfounded, since Bush administration people were targeting China, whose rapid development was seen as a strategic threat to the US. Environmentalism was being deployed in the US's effort to maintain its geo-economic, geopolitical edge.

By the early 2000s, then, the global consensus represented by the Rio Summit had unraveled, and it all but collapsed under the massive corporate greenwashing campaign that was unleashed at the World Summit on Sustainable Development (also known as Rio + 10) in Johannesburg in September 2002. "Sustainable development," a vision that attempted to reconcile economic growth with ecological stability fell by the wayside, and Herman Daly's apocalyptic image of an economic system marked by hyper-growth outstripping in record time an ecological system created over aeons seemed closer to realization as US, European, and Japanese capital worked closely with a pollution-friendly government to make high-growth China both the workshop and wastebasket of the world.

A few years ago, many agreed with economist Herman Daly that ecological deterioration is due to the inexorable drive of the man-made system of production to fill with geometric speed the limited space created over eons by nature. From this perspective, slower growth and lower rates of consumption were the key to environmental stabilization, and this could be achieved through policy choices supported by the public.

Increasingly, this analysis is giving way to the more radical view that the main culprit is an unchecked capitalist mode of production that unceasingly transforms nature's bounty into commodities and incessantly creates new demands. Capitalism constantly erodes man and woman's being-in-nature (creature) and being-in-society (citizen) and, even as it drains them of life energy as workers, it moulds their consciousness around one role: that of consumer. Capitalism has many "laws of motion," but one of the most destructive as far as the environment goes is Say's law, which is that supply creates its own demand. Capitalism is a demand-creating machine that transforms living nature into dead commodities, natural wealth into dead capital.

Environmentalism, in short, has regained its radical edge over the past decade, moving the critique of globalization to a critique of the dynamics of capitalism itself.

THE NEW ECONOMICS OF THE GEORGE W. BUSH

The interlocking crises of globalization, neoliberalism, capitalist legitimacy, and overproduction provide the context for understanding the economic policies of the Bush administration, notably its unilateralist thrust. The globalist corporate project expressed the common interest of the global capitalist elites in expanding the world economy and their fundamental dependence on one another. However, globalization did not eliminate competition among the national elites. In fact, the ruling elites of the US and Europe had factions that were more nationalist in character as well as more tied for their survival and prosperity to the state, such as the military-industrial complex in the US. Indeed, since the eighties there has been a sharp struggle between the more globalist fraction of ruling elite stressing common interest of global capitalist class in a growing world economy and the more nationalist, hegemonist faction that wanted to ensure the supremacy of US corporate interests.

As Robert Brenner has pointed out, the policies of Bill Clinton and his Treasury Secretary Robert Rubin put prime emphasis on the expansion of the world economy as the basis of the prosperity of the global capitalist class. For instance, in the mid-1990s, they pushed a strong dollar policy meant to stimulate the recovery of the Japanese and German economies, so they could serve as markets for US goods and services. The earlier, more nationalist Reagan administration, on the other hand, had employed a weak dollar policy to regain competitiveness for the US economy at the expense of the Japanese and German economies. With the George W. Bush administration, we are back to economic policies, including a weak dollar policy, that are meant to revive the US economy at the expense of the other center economies and push primarily the interests of the US corporate elite instead of that of global capitalist class under conditions of a global downturn.

Several features of this approach are worth stressing:

- Bush's political economy is very wary of a process of globalization that is not managed by a US state that ensures that the process does not diffuse the economic power of the US. Allowing the market solely to drive globalization could result in key US corporations becoming the victims of globalization and thus compromising US economic interests. Thus, despite the free market rhetoric, we have a group that is very protectionist when it comes to trade, investment, and the management of government contracts. It seems that the motto of the Bushites is protectionism for the US and free trade for the rest of us.

- The Bush approach includes a strong skepticism about multilateralism as a way of global economic governance since while multilateralism may promote the interests of the global capitalist class in general, it may, in many instances, contradict particular US corporate interests. The Bush coterie's growing ambivalence towards the WTO stems from the fact that the US has lost a number of rulings there, rulings that may hurt US capital but serve the interests of global capitalism as a whole.

- For the Bush people, strategic power is the ultimate modality of power. Economic power is a means to achieve strategic power. This is related to the fact that under Bush, the dominant faction of the ruling elite is the military-industrial establishment that won the Cold War. The conflict between globalists and unilateralists or nationalists along this axis is shown in the approach toward China. The globalist approach put the emphasis on engagement with China, seeing its importance primarily as an investment area and market for US capital. The nationalists, on the other hand, see China mainly as a strategic enemy, and they would rather contain it rather than assist its growth.

- Needless to say, the Bush paradigm has no room for environmental management, seeing this to be a problem that others have to worry about, not the United States. There is, in fact, a strong corporate lobby that believes that environmental concerns such as that surrounding GMOs is a European conspiracy to deprive the US of its high tech edge in global competition.

If these are seen as the premises for action, then the following prominent elements of recent US economic policy make sense:

- Achieving control over Middle East oil. While it did not exhaust the war aims of the administration in invading Iraq, it was certainly high on the list. With competition with Europe becoming the prime aspect of the trans-Atlantic relationship, this was clearly aimed partly at Europe. But perhaps the more strategic goal was to preempt the region's resources in order to control access to them by energy poor China, which is seen as the US' strategic enemy.

- Aggressive protectionism in trade and investment matters. The US has piled up one protectionist act after another, one of the most brazen being to stall any movement at the WTO negotiations by defying the Doha Declaration's upholding of public health issues over intellectual property claims by limiting the loosening of patent rights to just three diseases in response to its powerful pharmaceutical lobby. While it seems perfectly willing to see the WTO negotiations unravel, Washington has put most of its efforts in signing up countries into bilateral or multilateral trade deals such as the Free Trade of the Americas (FTAA) before the EU gets them into similar deals. Indeed the term "free trade agreements" is a misnomer since these are actually preferential trade deals.

- Incorporating strategic considerations into trade agreements. In a recent speech, US Trade Representative Robert Zoellick stated explicitly that "countries that seek free-trade agreements with the United States must pass muster on more than trade and economic criteria in order to be eligible. At a minimum, these countries must cooperate with the United States on its foreign policy and national security goals, as part of 13 criteria that will guide the US selection of potential FTA partners." New Zealand, perhaps one of the most doctrinally governments to free trade, has nevertheless not been offered a free trade deal because it has a policy that prevents nuclear ship visits, which the US feels is directed at it.

- Manipulation of the dollar's value to stick the costs of economic crisis on rivals among the center economies and regain competitiveness for the US economy. A slow depreciation of the dollar vis-à-vis the euro can be interpreted as market-based adjustments, but the 25 per cent fall in value cannot but be seen as, at the least, a policy of benign neglect. While the Bush administration has issued denials that this is a beggar-thy-neighbor policy, the US business press has seen it for what it is: an effort to revive the US economy at the expense of the European Union and other center economies.

- Aggressive manipulation of multilateral agencies to push the interests of US capital. While this might not be too easy to achieve in the WTO owing to the weight of the European Union, it can be more readily done at the World Bank and the IMF, where US dominance is more effectively institutionalized. For instance, despite support for the proposal from many European governments, the US Treasury recently torpedoed the IMF management's proposal for a Sovereign Debt Restructuring Mechanism (SDRM) to enable developing countries to restructure their debt while giving them a measure of protection from creditors. Already a very weak mechanism, the SDRM was vetoed by US Treasury in the interest of US banks.

- Finally, and especially relevant to our coming discussions, making the other center economies as well as developing countries bear the burden of adjusting to the environmental crisis. While some of the Bush people do not believe there is an environmental crisis, others know that the current rate of global greenhouse emissions is unsustainable. However, they want others to bear the brunt of adjustment since that would mean not only exempting environmentally inefficient US industry from the costs of adjustment, but hobbling other economies with even greater costs than if the US participated in an equitable adjustment process, thus giving the US economy a strong edge in global competition. Raw economic realpolitik, not fundamentalist blindness, lies at the root of the Washington's decision not to sign the Kyoto Protocol on Climate Change.

THE ECONOMICS AND POLITICS OF OVEREXTENSION

Being harnessed very closely to strategic ends, any discussion of the likely outcomes of the Bush administration's economic policies must take into account both the state of the US economy and the global economy and the broader strategic picture. A key base for successful imperial management are expanding national and global economies—something precluded by the extended period of deflation and stagnation ahead, which is more likely to spur inter-capitalist rivalries.

Moreover, resources include not only economic and political resources but political and ideological ones as well. For without legitimacy—without what Gramsci called "the consensus" of the dominated that a system of rule is just—imperial management cannot be stable.

Faced with a similar problem of securing the long-term stability of its rule, the ancient Romans came up with the solution that created what was till then the most far-reaching case of collective mass loyalty ever achieved till then and prolonged the empire for 700 years. The Roman solution was not just or even principally military in character. The Romans realized that an important component of successful imperial domination was consensus among the dominated of the "rightness" of the Roman order. As sociologist Michael Mann notes in his classic Sources of Social Power, the "decisive edge" was not so much military as political. "The Romans," he writes, "gradually stumbled on the invention of extensive territorial citizenship." The extension of Roman citizenship to ruling groups and non-slave peoples throughout the empire was the political breakthrough that produced "was probably the widest extent of collective commitment yet mobilized." Political citizenship combined with the vision of the empire providing peace and prosperity for all to create that intangible but essential moral element called legitimacy.

Needless to say, extension of citizenship plays no role in the US imperial order. In fact, US citizenship is jealously reserved for a very tiny minority of the world's population, entry into whose territory is tightly controlled. Subordinate populations are not to be integrated but kept in check either by force or the threat of the use of force or by a system of global or regional rules and institutions—the World Trade Organization, the Bretton Woods system, NATO—that are increasingly blatantly manipulated to serve the interests of the imperial center.

Though extension of universal citizenship was never a tool in the American imperial arsenal, during its struggle with communism in the post-World War II period Washington did come up with a political formula to legitimize its global reach. The two elements of this formula were multilateralism as a system of global governance and liberal democracy.

In the immediate aftermath of the Cold War, there were, in fact, widespread expectations of a modern-day version of Pax Romana. There was hope in liberal circles that the US would use its sole superpower status to buttress a multilateral order that would institutionalize its hegemony but assure an Augustan peace globally. That was the path of economic globalization and multilateral governance. That was the path eliminated by George W. Bush's unilateralism.

As Frances Fitzgerald observed in Fire in the Lake, the promise of extending liberal democracy was a very powerful ideal that accompanied American arms during the Cold War. Today, however, Washington or Westminster-type liberal democracy is in trouble throughout the developing world, where it has been reduced to providing a façade for oligarchic rule, as in the Philippines, pre-Musharraf Pakistan, and throughout Latin America. In fact, liberal democracy in America has become both less democratic and less liberal. Certainly, few in the developing world see a system fueled and corrupted by corporate money as a model.

Recovery of the moral vision needed to create consensus for US hegemony will be extremely difficult. Indeed, the thinking in Washington these days is that the most effective consensus builder is the threat of the use of force. Moreover, despite their talk about imposing democracy in the Arab world, the main aim of influential neoconservative writers like Robert Kagan and Charles Krauthammer is transparent: the manipulation of liberal democratic mechanisms to create pluralistic competition that would destroy Arab unity. Bringing democracy to the Arabs is not so much an afterthought as a slogan that is uttered tongue in cheek.

The Bush people are not interested in creating a new Pax Romana. What they want is a Pax Americana where most of the subordinate populations like the Arabs are kept in check by a healthy respect for lethal American power, while the loyalty of other groups such as the Philippine government is purchased with the promise of cash. With no moral vision to bind the global majority to the imperial center, this mode of imperial management can only inspire one thing: resistance.

The great problem for unilateralism is overextension, or a mismatch between the goals of the United States and the resources needed to accomplish these goals. Overextension is relative. That is, it is to a great degree a function of resistance. An overextended power may, in fact, be in a worse condition even with a significant increase in its military power if resistance to its power increases by an even greater degree. Among the key indicators of US overextension are the following:

- Washington's continuing inability to create a new political order in Iraq that would serve as a secure foundation for colonial rule
- its failure to consolidate a pro-US regime in Afghanistan outside of Kabul
- the inability of a key ally, Israel, to quell, even with Washington's unrestricted support, the Palestinian people's uprising
- the inflaming of Arab and Muslim sentiment in the Middle East, South Asia, and Southeast Asia, resulting in massive ideological gains for Islamic fundamentalists—which was what Osama bin Laden had been hoping for in the first place
- the collapse of the Cold War Atlantic Alliance and the emergence of a new countervailing alliance, with Germany and France at the center of it
- the forging of a powerful global civil society movement against US unilateralism, militarism, and economic hegemony, the most recent significant expression is the global anti-war movement;
- the coming to power of anti-neoliberal, anti-US movements in Washington's own backyard—Brazil, Venezuela, and Ecuador—as the Bush administration is preoccupied with the Middle East
- an increasingly negative impact of militarism on the US economy, as military spending becomes dependent on deficit spending, and deficit spending become more and more dependent on financing from foreign sources, creating more stresses and strains within an economy that is already in the throes of stagnation.

In conclusion, the globalist project is in crisis. Whether it can make a comeback via a Democratic or Liberal Republican presidency should not be ruled out, especially since there are influential globalist voices in the US business community—among them George Soros— that are expressing opposition to the unilateralist thrust of the Bush administration. In our view, however, this is unlikely, and unilateralism will reign for sometime to come.

We have, in short, entered a historical maelstrom marked by prolonged economic crisis, the spread of global resistance, the reappearance of the balance of power among center states, and the reemergence of acute inter-imperialist contradictions. We must have a healthy respect for US power, but neither must we overestimate it. The signs are there that the US is seriously overextended and what appear to be manifestations of strength might in fact signal weakness strategically.

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