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Rethinking Global Strategies

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The APEC Conference in Vancouver in November 1997 witnessed considerable political drama. This centred on the conflict between the Prime Minister's Office and student demonstrators, the federal government's attempts to discredit and control the media reporting on the events, and the subsequent unsatisfactory investigation of the infringement on citizens' rights. While the legal problems of Prime Minister Jean Chrétien and CBC reporter Terry Milewski have taken the spotlight in post-APEC news, another drama associated with APEC deserves attention. Tensions arose among popular sector groups in the pre-APEC period over strategies opposing international agreements such as the FTAA and the MAI.

Two competing possibilities for action are presented, with gradations and variations in each position. Some activists oppose free trade and investment agreements and confine their actions to continued opposition to all proposed and existing trade and investment agreements. Others see the most promising political route as one which establishes strong social, labour and green clauses in the trade and investment agreements themselves.

The considerable international opposition to the MAI and the large international women's conferences at APEC meetings are examples of the position of groups who oppose new international agreements. These conferences, which include 'Against APEC' in their titles, have left no ambiguity about the position being taken. In contrast, the Canadian Labour Congress (CLC), in its work with the OECD, has attempted to insert a labour clause in the MAI. Various groups who produced *Alternatives for the Americas: Building a People's Hemispheric Agreement*, go even further in this direction.¹ They argue that economic integration can be a positive measure for achieving a just and sustainable

development if labour, social and environmental issues are dealt with in investment and trade agreements.

These distinct positions need to be bridged. In the past popular sector groups worked together both to understand and confront the implications of 'globalization', particularly through joint efforts on the FTA and NAFTA. While the temptation to 'go-it-alone' and seek special exemptions for specific sectors was strong during the early stages of dealing with the FTA, ultimately all realized that it was a temptation which would leave the public interest considerably weakened and that they needed to join forces to oppose the agreements. But now that the agreements are in place and even more virulent ones are likely, the political strategies need to change.

I argue that there is a need to regulate capital which is distinct from relying either on the rejection of international agreements or using them to meet social, labour and environmental objectives. It is necessary first to explain why ultimately neither approach will be a sufficient long-term solution to confront the might of corporate power as an international force.

The focus on opposition to new agreements

Opponents of the initial free trade agreements tried to win public support by presenting a logical argument which showed the incompatibility between social welfare, democracy and free trade. The argument was that homogenization of economic systems would affect nations' ability to respond to peoples' demands. National conditions vary and so do the goals of people within them. Uniform international economic rules prevent individual nations from devising policies to deal with special needs. In Canada, a country very different from the USA, copying US economic policy would adversely change the character of the nation. Critics also argued that trade liberalization removed the ability of nations to adequately control corporate behaviour, so that the kinds of protection from exploitation which people had struggled to obtain would be lost through the logic of international corporate rights.

These were important arguments and the anti-free trade movement was successful in persuading people that free trade would not be in their interests. The majority of Canadians polled were against Canada participating in the FTA and NAFTA, although this did not inhibit the respective Conservative and Liberal governments from entering them. But there were political risks associated with the success of this analysis.

By insisting that the globalization process is incompatible with strong systems of social welfare, progressive activists were marching, inadvertently, in step with the arguments of the supporters of globalization and, in some respects, contributed to the assertion that 'there is no alternative' to the changes which are occurring.

The corporate sector, and intellectuals on the right, shifted their argument over time from assertions that the trade agreements would not affect national sovereignty to the assertion, once the rules of homogenization applied, that government 'interference', by way of expensive social programmes, high taxes and inflexible labour legislation, was incompatible with globalization. For the Right, the argument served to ensure that the obligations and constraints demanded by national governments were replaced by international economic rights for corporations. The Left insisted that virtually all that Canadians cherished about public policy would be destroyed. This approach highlighted how dramatically our world ultimately would be affected by trade liberalization.

Now that free trade agreements exist, these earlier predictions place activists in an unenviable position. Their argument insisted that Canadian sovereignty would be overridden by the rules of free trade, but now these activists want to maintain national programmes and exert national sovereignty to do this. The only logical position, then, is to continue to resist events which are speeding up liberalization. This is a reasonable and consistent strategy: corporate rule of the world needs to be opposed. In the case of the MAI, it was an effective strategy which worked because of a variety of favourable circumstances and strategic activities.

First, good analyses of the potential implications of this type of 'investment' treaty existed as a result of a long-term examination of the issues by popular sector groups. This enabled them to analyse the MAI quickly in a professional and credible manner. Without the body of information which had been developed previously, this kind of rapid analysis could not have occurred. So, at least, the past experiences with the FTA and NAFTA can be seen not as political failures, but as part of a continuum through which critics have gained considerable and sophisticated insights into the implications of international trade and investment liberalization.

Second, in confronting the MAI, the Internet eased the spread of opposition across international boundaries. Jan Hunter, the assistant to the Chairman of the MAI negotiating group, noted, in an analysis of the defeat of the MAI, that 'what ultimately proved to be most effective

of all [was that] NGO's began to exchange information and ideas through the Internet... This medium turned out to be the worst enemy of the MAI.²

Third, some international actors who normally could have been counted on to support an agreement of this sort, such as the French government, perhaps influenced by its artistic and intellectual community, believed that the MAI was yet 'another American-inspired instrument of ultraliberalism, posing a threat to the artistic and literary freedom and cultural diversity in France'.³ Also, the only world-wide business organization, the International Chamber of Commerce, felt that the multilateral investment agreement should be world-wide, and therefore preferred the WTO to the OECD as the relevant organization to institute the framework.

According to Hunter, those trying to negotiate the MAI learned important political lessons from the MAI debacle: 'The main problem with the MAI is that its negotiators did not expect to have to sell it politically.' The mistakes will not be repeated in the next attempt to institute an international investment. Hunter argues that in the next round, labour and environmental issues will be undertaken at an early stage, in order to contain them; the process will be conducted in a way that is open to public scrutiny; and it will be conducted through the WTO.

Popular sector groups are buoyed up by the way in which their efforts stopped the MAI. But, while opposing new agreements and institutions such as the MAI and APEC is a necessary strategy, it is not sufficient to deal with agreements which already exist and the problems which have been created by the globalization process.

International deregulation is occurring so rapidly that structures are virtually in place before we even learn about them. This certainly does not escape the consciousness of politicians and corporate leaders. As Zbigniew Brzezinski lamented, 'We live in a world that is already in fact very different from the one which we have begun to comprehend, and by the time our comprehension has caught up with the new reality, the world is likely to be even more drastically different in ways that today may seem unthinkable.'⁴ Confining action mainly to opposition to new agreements and the repeal of existing ones can be an ineffectual way of dealing with rapidly changing institutions. It is a position that can quite easily lead to despair, particularly as the 'inevitability' of trade liberalization and deregulation seems to accelerate. An analysis which shows the dangers in the new conditions will lead to despair if the alternatives to it are not sufficiently compelling.

Negotiating clauses

The alternative most discussed involves protection for labour, the environment and social programmes within the trade agreements themselves. This is the course which the CLC has taken both with regard to the MAI and new trade and investment agreements in the Americas. Bob White, President of the CLC, in writing about the CLC's position on the Canada–Chile Trade Negotiations, explained:

We are not suggesting that Canada shouldn't enter into a trade agreement with Chile. We are saying there should be full public input...Canada has the unique opportunity to enact a trade agreement...that encourages trade and growth, but one that also encourages fairness for workers and sustainable development.⁵

In a document prepared for the April 1998 Peoples' Summit of the Americas, which has been described as a 'historic gathering of activists determined to change the prevailing approach to trade and investment policy', a similar approach is taken, with specific emphasis placed on the need for trade and investment as the 'instruments for achieving just and sustainable development'.⁶ Proactive measures to ensure social, political and human rights are envisaged but, unlike the critique taken by opponents of trade and investment liberalization, it seems to accept, if not support, economic integration. It calls for remedies to social problems to become part of the agreements: 'The future hemispheric accord must include provisions that guarantee basic worker rights, that ensure proper assistance for adjustment as markets are opened up, and that promote the improvement of working and living standards of workers and their families.'⁷

The attempt to include labour, environmental and social clauses came closest to reality in the MAI negotiations, primarily because of the efforts of the Trade Union Advisory Committee (TUAC) of the OECD. Bob White, the President of the CLC, is also President of TUAC. The CLC was in an awkward position, because it was both opposing the MAI and supporting negotiations for labour protection and environmental standards within the MAI.⁸ TUAC called specifically for four main things to be associated with the agreement:

- incorporating the OECD Guidelines for Multinational Enterprises
- an obligation for governments to set up National Contact Points to implement these Guidelines

- a statement in the Preamble committing governments to protect basic workers' rights
- a statement that governments not try to attract foreign investment by violating core workers' rights⁹

Since these additions would be unenforceable, their value, as is recognized by the CLC, would primarily be one of 'moral weight'.¹⁰ Even if real and enforced social clauses materialize, they would not solve the international problems created by capital mobility and the strength this gives corporations.

The new international rules of trade are *designed expressly to create markets – not to control them*. Trade rules are designed to *control the activities of nations* and this is the heart of agreements. Corporations understand that an international authority which controls nation states' activities enables them to be more autonomous and enhances capital mobility.

The agreements work towards establishing one giant global market, while limiting international institutions' ability to control these markets. The discipline exerted through the trade agreements is not on corporations, but on nations. The effect is to create circumstances such that corporations are able to play nations off against each other and escape the kind of control exercised within nations themselves.

The experience with labour and environmental clauses in trade agreements, specifically those within NAFTA, has been dismal. There have been relatively few complaints about labour violations under the North American Free Trade Side Agreement on Labour Co-operation. The agreement allows for three levels of review, the highest of which is reserved for only three labour issues: occupational health and safety, child labour, and the minimum wage. A panel must determine if there has been a persistent pattern of failure by the country to enforce *its own labour standards* effectively. So far, no complaint has moved beyond the first stage.¹¹ As with the labour complaints, no environmental complaints have been upheld.

The lack of legal action does not mean that these clauses are useless to labour and environmental groups. Their value, however, is mainly as a vehicle for highlighting the most serious kinds of labour and environmental abuse which occur in any one of the three countries. Because the agreements exist, it makes sense for groups to use them in whatever way they can to make their issues public. But there is a difference between using the relatively ineffective mechanism which exists in NAFTA and working to replicate that law in other international agreements.

Poor countries have not been supporters of labour and environmental clauses and for good reasons. If strong social clauses are included in free trade agreements, the effect on poor nations could be devastating. If poor countries must abide by the employment and environmental standards of wealthy countries *and, at the same time, maintain the same type of economic system which benefits wealthy, not poor countries*, as is mandated by the trade and investment agreements, they will be put in impossible positions. They are, essentially, barred from pursuing collective-type public policies which might better meet their socio-economic needs. The effect of the standards will be to eliminate poor nations from trade.

The inclusion of social, labour and environmental clauses poses little threat to corporations in wealthy countries. The corporations within their own national boundaries increasingly are escaping control through the deregulation processes. The very minimal requirements of the social clauses are easy to meet and do not threaten business activities within wealthy nations.

Internationally, corporations will remain free to pursue their rights as world citizens. Lack of regulation at the international level will lead to criticism of their treatment of labour, the environment and the abuse of human rights. Western corporations will sympathize, point fingers at each other, but will shore up a strategy which insists that the best, and only realistic, route to improvement of world-wide corporate behaviour will be to strengthen (on a volunteer basis) 'corporate responsibility'. Getting corporations to work out their own, unregulated, rules of 'corporate ethics', the corporations' preferred route, will then become the main focus for action for public groups interested in change.

What to do

Action to address globalization needs to occur in both the local and international arenas. The focus here will be on the strategies at the international level. The intent is to indicate the direction for popular sector groups so that some of contradictions which now exist in the approaches to dealing with globalization can be eliminated.

Economic pluralism

The ability of existing international institutions to insist on uniform economic policies regardless of the historical, cultural or geographical problems of any country needs to be reversed. This is a long-term

project requiring considerable political effort on the part of those supporting national capacity to implement distinct economic policies. Virtually all calls for some type of increased global governance appear to accept as inevitable and permanent the liberalization and homogenization of economic regimes, even as they recognize the destabilizing effect this is having on political, social and environmental systems.¹² Blind acceptance of the homogenization of economic systems as an inevitable consequence of trade liberalization must be actively confronted.

The economic argument in favour of economic pluralism can be made even within the logic of comparative advantage itself. If comparative advantage is understood to be a production technique to determine what will be imported and what will be exported by specific countries, then gains from trade occur as long as world relative prices differ from domestic opportunity costs of producing something. How the difference in price comes about is not significant, only that there are differences. So, in order to have gains from trade, it does not matter why other countries have different prices. These can arise from 'different resources, different climates, different technologies, different tastes, different labor laws, or different environmental standards'.¹³ Paul Krugman was making this argument in order to argue *against* the international harmonization of standards on labour and the environment. My approach is different, but Krugman's point about the irrelevance of how price differences arise is a valid and important one. Price differences can also occur because of different economic policies stemming from different economic systems. No country can support all industries equally; therefore differences in prices which arise because of government policy will advantage some industries and some exports, but no country will be able to have an unfair advantage over all industries. Other countries, then, will make decisions about what to produce for export and what to import in exactly the way that trade theory implies: that is, on the basis of relative prices to determine where the comparative advantage lies.

Uniform economic policies greatly aid the mobility of capital, but they also greatly undermine the power of people to shape societies in their own interests. Economic pluralism needs to be recognized in international trade and investment agreements. Tolerance for economic pluralism requires that different goals, conditions and cultures throughout the world need very different economic solutions to problems. One system, based on the US model, will not serve the needs of all people in all circumstances.

Dealing with existing institutions

Activists need to continue work to push back the trade regimes that are now in place. To do this it is necessary to identify the sectors in which negotiations will take place, and concentrate on them with international allies. For the next few years, the focus will be on 'non-tariff barriers', trade in agriculture, patent laws, health, and education. In being strategic, groups need to focus specifically on who is involved in setting 'international standards', including reregulation exercises conducted by existing international institutions. New 'standards' should not be mistaken for international regulation designed to replace the regulations now imposed on capital by nations. The most specific danger is that existing institutions which have a specific function to support non-corporate groups could, through the institutions of globalization, become part of the deregulation framework.

For example, the ILO has been unusual among institutions under UNs auspices because it is organized on a tripartite structure intended to promote mutual understanding between workers, employers and government.¹⁴ It has a long history of providing its members with models for new labour legislation and assistance in implementing labour standards. Recently, however, the role of the ILO has shifted, prompted by the increased strength of international capital and, specifically, by the adoption of international trade agreements. One of its recent documents states, 'The [ILO] is generally optimistic about the net impact of free trade and increased foreign investment on economic growth and the level of employment.' Such harmonization with international policy is significant because the ILO sees itself as 'at the international level... comparable to that of a labour ministry in the national policy framework'.¹⁵

Employer representatives at the ILO have adopted the international corporate agenda of deregulation and have attempted to substitute the existing enforceable standards that advance workers' rights with new standards that promote corporate competitiveness and self-regulation. The expanding business lobby inside the ILO has paralleled the ILO's growing ties with the World Bank and the WTO. Given the shifting terrain at the ILO, its advisory capacity to the WTO on labour issues is alarming. Many popular sector groups unthinkingly support the work of the ILO, supposing it to be labour-friendly, or at least neutral as a policing body for workers' rights. But depending on the ILO at the international level to put forward the needs of labour should be rethought. International, market-controlling institutions should be

independent from existing institutions which are dominated by corporate power. Above all, new institutions must be democratic and accountable to the people on whose behalf they supposedly function.

Institutions to control capital

A third element in confronting the changes brought about by new trade and investment regimes is the demand for the creation of independent international institutions to control capital. A stronger regulatory regime to address the threats posed by liberalized financial markets has received attention, particularly in light of the vulnerability of all countries to the contagious effects of financial market failures. Financial deregulation and the consequent hypermobility of finance capital creates problems which even those normally in favour of deregulated markets realize is a dangerous situation. But the destabilizing effect of deregulation on labour, the environment and social systems has not yet reached the critical point to trigger serious thinking about international institutions to constrain corporate power.

In designing new international institutions, *the focus for discipline must shift from the nation to the international corporation*. Virtually all of the international regulatory regimes work through the nation state: they assume states are responsible for the discipline of corporations. But the very rationale for capital mobility is to take advantage of the economic climate in countries which are either politically corrupt or too weak to protect their people or their environments. International institutions which disciplined corporations, rather than countries, would begin to replicate some of the work of national institutions, work which was effective when nations exerted more power over corporate behaviour.

Just as the WTO has been established to work internationally to expand markets, parallel institutions could be established to regulate the corporations which are engaged in international production. Corporations such as Disney in Haiti, Shell in Nigeria, and Canadian mining companies in Russia and Spain are not easily disciplined by the countries whose people and environments they exploit. These corporations understand the ways in which their operations outside wealthy Western nations offend, for example, the core labour standards which trade union groups want to see observed internationally.¹⁶ An international body which regulated their behaviour would obviate the need to rely on nations to control corporations which are often more powerful than the nations themselves.

Related to the institutions to control capital is the need to establish, internationally, redistributive functions now in the purview of the nation state. As long as enormous disparities exist world-wide, the corporate sector will be able to blackmail nations into submitting to their demands for a 'favourable' climate for business. This redistributive function requires an ability for an international governing institution to raise money and to decide where money should go. Financing for global governance now relies primarily on taxing national governments, an approach which is not particularly fruitful for raising substantial amounts of money.

Proposals to shift the burden from nation states to the corporations which benefit from globalization include a tax on international financial transactions (the Tobin tax) in order to both discourage excessive speculation and to raise money. Another is to charge for the use of common global resources. Economic rents for resource use is a common tool within countries such as Canada and it is a principle which could be expanded to deal with global resources which are currently 'free'. Other possibilities suggested by the Commission on Global Governance are designed around market instruments for use of the international 'commons', including user fees for ocean, non-coastal fishing; parking fees for geostationary satellites; a surcharge on airline tickets for use of congested flight lanes; a charge on ocean maritime transport to control pollution; and special user fees for activities in Antarctica.¹⁷ These types of activities are taxed within national boundaries and it is reasonable that, as the national boundaries are removed, international governance should be financed by the groups which benefit substantially from the globalization process.

International allies

International co-operation is essential among popular sector groups as they confront globalization. In this, feminists, trade unionists, environmentalists, indigenous groups and peace activists throughout the world are well-positioned to lead discussions for a future which would make a global economy socially viable. All have strong international connections which can be strengthened through attempts to control corporate power together. As trade liberalization unfolds, the experiences of different peoples in different parts of the world will be distinct, but the ability to learn from each other and to explore ideas for collective action could lead to significant political initiatives for change.

Bringing about international institutions to control capital and to permit economic pluralism requires not only long-term planning and concerted organizational effort, but it will also need a strategy to confront the full might of corporate power. Establishing a strategy in an international context is exceedingly difficult. While large international gatherings have been (and continue to be) important in raising the level of consciousness about the implications of globalization and in consolidating genuine political action in specific regions where they are held, they are rarely places where genuine debate about strategy occurs. At the Vancouver Peoples' Summit on APEC, the focus on generating information about APEC and then crafting a collective response to the threats it posed meant that the real issues about strategies became buried under the need to present solidarity among the people at the conference through a unity statement. A similar side-stepping of issues of strategies occurred at the Asia Pacific Peoples' Assembly in Kuala Lumpur in November 1998.¹⁸

The *Alternatives for the Americas* document which emerged from a large-scale meeting of popular sector groups on the FTAA shows the difficulties which can arise in attempting to construct a document which is inclusive and reflective of the various levels of experience of the participants. In this case wording entered the document which was optimistic about the ability of foreign trade and investment to generate just and sustainable development, as long as the agreements dealt with issues such as labour, the environment and social programmes. The difficulty for any group working on these endeavours is that agreeing to compromises for the sake of solidarity with international groups can seriously compromise the type of calls for alternatives among allies within national boundaries.

In some cases the alliances with international groups actually determines what position will be taken within domestic boundaries. This seems to have occurred with the CLC's relationship with TUAC over the MAI. The desire to 'do something' and achieve common ground with others is understandable, but it needs to be handled with extreme caution and with the recognition that positions may get solidified before adequate debate and discussion over alternative forms of action occurs.

Ending

International economic integration undermines the ability of nation states to achieve balance between the needs of people and the

demands of corporations. This fact, coupled with the knowledge of the destabilizing effects of globalization, is accelerating the demands for new forms of global governance.

Core labour rights, environmental protection and the ability to maintain redistributive initiatives needs to be protected at the international level, particularly as more corporations which were regulated on these matters at the national level are evading this regulation through their international activities. Some popular sector groups have focused on international regulation through international trade and investment agreements. I have argued that this is an inappropriate venue for meaningful initiatives to control international capital. Rather than trying to fit the control of capital into institutions which are expressly designed to deregulate national governments, these groups should focus on the establishment of new international structures which are independent from the trade and investment initiatives. Regulations by these new institutions should focus on the behaviour of international corporations, rather than on nations.

National governments accept the responsibility for the well-being and protection of the people within the nation. The instruments of globalization have curtailed the ability of nations to be creative in designing economic and social systems to do this as a result of the features of international agreements which demand economic homogeneity among trading partners. At the same time that new international institutions need to be created to focus specifically on the behaviour of international corporations, the rules of trade and investment need to be rethought to allow for the participation of distinct and different types of economic systems.

Notes

- 1 Alliance for Responsible Trade, *et al.*, *Alternatives for the Americas: Building a People's Hemispheric Agreement* (Ottawa: Canadian Centre for Policy Alternatives, 1999).
- 2 J. Hunter, Conference paper, 'Trade, Investment and Environment', Royal Institute for International Affairs, London, England, October 1998.
- 3 *Ibid.*
- 4 Z. Brzezinski, *Out of Control: Global Turmoil on the Eve of the Twenty-First Century* (New York: Scribners, 1993), p.x.
- 5 B. White, 'Opportunity Knocks', *The Morning NAFTA: Labour's Voice on Economic Integration*, 6 (October 1996), p.1.
- 6 *Alternatives for the Americas*, pp.8-9.
- 7 *Ibid.*, p.31.
- 8 'MAI Alert: Workers rights must be included', *CLC - Hot Issues*, CLC webpage, June 1998.

- 9 'The Multilateral Agreement on Investment: The Treatment of Labour Issues', TUAC Briefing Note, February 1997.
- 10 'Statement by the Canadian Labour Congress to the House of Commons', *CLC - What's News*, 6 November 1997.
- 11 L. McGrady, 'NAFTA and Worker Rights', paper, Trade Union Research Bureau Labour Research Forum, Vancouver, BC, 22 June 1998.
- 12 *Our Global Neighborhood: The Report of the Commission on Global Governance*, (Oxford: Oxford University Press, 1995).
- 13 P. Krugman, 'What Should Trade Negotiators Negotiate About', *Journal of Economic Literature*, Vol. XXX (March 1997), 113-120.
- 14 For a fuller discussion of the ILO see M.G. Cohen, L. Ritchie, M. Swenarchuk, and L. Vosko, *Globalization: Some Implications and Strategies for Women* (Toronto: NAC, 1998), 11-14.
- 15 R. Kylho, 'Governance of Globalization: ILO's Contribution', (ILO Working Paper, 1996), 4.
- 16 These core labour standards are the right to freedom of association and free collective bargaining; a prohibition against child labour; a prohibition against use of forced labour; equal pay for equal value; and a prohibition against discrimination in employment. See, 'MAI Alert,' Op. Cit.
- 17 The Commission on Global Governance, Op. Cit., 217-21.
- 18 A. Choudry, 'Another Year Another Summit?' available from gattwd@corso.ch.planet.gen.nz.