



Sleepless since Seattle: what is the WTO about?

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Post-Seattle, the WTO is under investigation for alleged conspiracy to establish a system of undemocratic rule and rule making for managing the global economy. The fall-out from the so-called 'millennial round' is a debate about WTO procedure, about channels of representation and transparency, about content of rules, and even about the WTO's viability and right to exist. It is too early to say how this debate will progress and how the WTO will evolve as an institution. But it is timely to comment on the world-historical significance of the WTO crisis.

The question about the WTO's representativeness ultimately concerns the hasty and little publicized launch of the Organization by governments around the world in 1995. In the negotiations over the transformation of GATT into the WTO only corporate access to government delegations was allowed. Rather than the WTO being viewed simply as an evolving bureaucracy in step with the expanding scale of economic integration, in order to understand the nature of the crisis it is important to situate the WTO in its world-historical context. This context involves the corporate attempt to secure global market rule, framed by a pervasive discourse of neoliberalism, and to impose it as the preferred model of the dominant capitalist state. When Marx declared in the *Manifesto* that:

the bourgeoisie has at last, since the establishment of Modern Industry and of the world-market, conquered for itself, in the modern representative State, exclusive political sway. The executive of the modern State is but a committee for managing the common affairs of the whole bourgeoisie

(Marx and Engels, 1970: 37)

he was perhaps presaging the formation of a political body like the WTO. Accordingly, we can think of the WTO as the would-be executive of the modern state *system*, acting as a committee for managing the common affairs of transnational corporate and financial interests. Marx, a perceptive political sociologist, was also observing that modern states comprise both an executive branch of governing bodies and ministries and a substantive relationship of civil representation, at the same time as they embody the political history of capitalism and its structuring of power.

The WTO, however, is not a state, it is a disembodied executive. The crisis of the WTO centres on the issue of representation, but it ultimately concerns power. Comprised of member states, the WTO not only instrumentalizes the competitive and hierarchical relations among those states, but it also denies full representation from civil society. The WTO denies broader civil representation in two senses: by operating via secretive, bureaucratic tribunals removed from public scrutiny, and by using this mechanism to undermine and reverse the substantive representational institutions, social protections and laws that constituted the member states in the first place.

As Marx and Polanyi observed in the nineteenth century, market construction is inherently political, and, as such, it is contested. As markets recompose social relations and structures of power, countermovements act to preserve traditions of moral economy and/or to secure political, civil and social rights. Such struggles have defined states, insofar as states are constituted as relations of power between governments and citizens across time and space. The so-called welfare state was the outcome of this evolving power relation whereby capitalist institutions such as the market and private corporations came to be socially regulated.

It is this social regulation, including its constitutional foundations, that the WTO is perceived to threaten since it is the principal vehicle of market rule. The compromise of public institutions repoliticizes civil society as social protections are threatened. Citizens are recognizing that nation-states embody distinct social and political histories which may be reversed through the restructuring of public institutions to manage unstable global circuits of money and commodities. The attempt to impose market rule is a rerun of the nineteenth-century installation of markets, but this time via multilateral agencies on behalf of a politically assertive form of capitalism. This assertiveness stems from the accumulated power of transnational banks and corporations (whose principal supporter is the USA), and targets the historic bridling of capital by the welfare/development state. Capital's assertiveness has three forms: (1) the attempt to elaborate a global state function to manage capital's affairs; (2) the subordination of individual state policies to the surveillance of financiers and currency speculators; and (3) a hegemonic ideology that development is a private, not a public, function.

(1) A GLOBAL/COLLECTIVE STATE?

The notion of a global, collective state managing capital's affairs is foreshadowed in the organizational structure and operation of the WTO: composed of member states which author and operationalize rules through collective, binding agreement. The key function is that of guaranteeing corporate rights and freedom to operate across state boundaries, in the mobility of products and, eventually, of capital. As yet, the WTO is empowered only to rule on 'trade-related investments' (TRIMS), providing the framework to restrict or eliminate the rights of nations to determine domestic policies regarding finance and investment, such as local content and performance requirements (Barker and Mander, 1999: 36-7). Meanwhile, the 1997 WTO Financial Services Agreement promoted the right of commercial presence in new markets for transnational banks and financial corporations, and in 1998 the IMF moved to amend its Articles of Agreement to obtain global authority to impose full capital account liberalization on member states. Since protectionism has historically defined individual states, notably in the post-Second World War era of 'embedded liberalism' (Ruggie, 1982), the deployment of a 'collective state' to abolish protectionist barriers to the movement of money and products is historically significant.

Arguably this project has already taken effect: by 1999 transnational corporations accounted for a third of global exports, according to the UNDP, and cross-border mergers have created an unprecedented centralization of capital, where control of sectors by their ten largest corporations accounts for 86 percent in telecommunications, 85 percent of pesticides, 70 percent of computing, 35 percent of pharmaceuticals and 32 percent of commercial seed (Borosage, 1999: 20). It is important to note the geopolitical concentration of the TNCs: of the world's largest 500 TNCs, 477 are based in OECD countries. Their target is global presence, and especially access to southern resources. The urgency follows a rising share of world GDP controlled by TNCs: from 17 percent in the mid-1960s through 24 percent in 1984 to 33 percent in 1995, and a growing concentration, where just 1 percent of the world's corporations are responsible for 50 percent of all global foreign direct investment (Hoedeman *et al.*, 1998: 159). Laying the discursive foundation for world market rule, EU Commissioner Sir Leon Brittan commented in 1995:

Investment is a desirable and desired thing... Nonetheless, governments still sometimes find it threatening, because free direct investment limits administrations' ability to control and shape their countries' economic destiny. This is a small price to pay for allowing private sector decision-makers to generate economic benefits worldwide.

(quoted in Hoedeman *et al.*, 1998: 154)

The 'collective state' function, while anchored in the WTO, undoubtedly depends on its ongoing collaboration with the Bretton Woods institutions. During the would-be millennial round of the WTO in Seattle, the heads of the WTO, the World Bank and the IMF signed a joint statement on 'coherence', in order to coordinate their policies regarding international trade and investment:

We shall build on the strong collaboration between our three organizations to enhance the capacity of developing countries – to foster their economic and social development, and we will continue to work together closely, under our Cooperation Agreements, to help them increase the coherence of economic policy-making.

A confidential report circulated within the World Bank in 1998 stated: 'The globalization of economic activity has made it useful to put the existing structures of cooperation on a more formal basis' (Paulsen, 1999).

The 'collective state', however, is a contradiction in terms. It is no secret that the initiative for the establishment of the WTO came from the USA and its corporate lobby. Washington favoured the dispute resolution and enforcement mechanism of the WTO as a decided improvement on the more diffuse rules and operation of GATT. However, the enforcement of trade sanctions against member states violating 'free trade' rules would have dramatically different impacts since some states are more equal than others. Further, the original ambivalence on the part of Japan regarding its industrial system and its rice culture, and of the EU regarding protection of agriculture, as well as the southern states' preference for plural institutions and negotiations rather than a single trade bureaucracy, still disrupt the attempt to establish a uniform set of rules. Finally, strong-arm measures orchestrated by the US Trade Representative in Seattle, via the exclusive 'green-room' negotiations, only confirmed Caribbean and African (and Latin American) states' perceptions of the WTO as an instrument of the superior trading power of the north, which has garnered 70 percent of the benefits of WTO trade liberalization (Fleshman, 2000). This dynamic arguably has accelerated global inequality, where, according to UNCTAD, the income gap between north and south has widened to 74:1 from 31:1 in 1960 (Hilsenrath *et al.*, 2000).

(2) STATE SUBORDINATION TO SURVEILLANCE BY FINANCIERS AND CURRENCY SPECULATORS

Beyond building a global institutional complex, the political assertiveness of capitalism drives the structural adjustment of states, justified by neo-classical economic ideology. The neo-classical revival was conditioned by the financial surpluses of the late 1960s, exacerbated by the

declining profitability of productive investment (see O'Connor, 1986). The structural need to accommodate 'financialisation' (Arrighi, 1994) began with the shift to floating exchange rates, offering an outlet for financial speculation as a form of crisis management, favouring speculative profiteering over productive investment (Amin, 1997). Symbolically, the dismantling of the Bretton Woods regime in the early 1970s was also the end of a coherent political economy of development and the beginning of the 'globalization' era. That is, financial capital, aided by significant deregulations from the 1970s on, gained considerable relative power, shaping policies of debt management originating in the 1980s in the interests of the solvency and profitability of global banks, and encouraging a turn towards fictitious, rather than productive, capital accumulation. Management of the debt crisis included financial liberalization with currency devaluation and export intensification across the south, as tools of recolonization and shifting the burden of indebtedness from north to south, from capital to working citizens.

Arguably, structural adjustment programmes managed by the IMF and the World Bank contribute to a 'decomposition' of the national economy (reorganizing it as part of the global cheap labour economy through domestic deflation) and a 'recomposition' of consumption through trade liberalization to allow imports of luxury commodities for the upper classes, and exports for their foreign counterparts (Chossudovsky, 1997: 78). The connection between financial discipline and export intensification expresses the securing of global circuits of money and goods in the WTO regime of market rule.

Nation-state 'decomposition' does not mean states are eliminated, rather they are reconfigured to secure global circuits of money and commodities. Arguably this is also part of a regime of crisis management. Today the total value of global financial transactions is twice the total value of world production. Since the value of money is no longer governed by the effective command of wage labour (Marazzi, 1995: 74), rather by speculative circuits of financial capital, global regulatory policy is geared to avoiding financial collapse. It has two goals: to underwrite and reschedule debt on a decidedly *ad hoc* basis (and with apparently increasingly frequent occurrence); and to use debt rescheduling as a lever to liberalize national financial systems. This is and was exemplified in the emergency financial bail-out of beleaguered Asian Pacific national banking systems in late 1997, by IMF packages supplemented with northern financial assistance. The IMF's role was to extract financial adjustment in the assisted states to sustain global capital flows.

Globalization, today, involves a profound reformulation of money and states (McMichael, 1999). For the nineteenth-century world, Polanyi noted 'the constitutive importance of the currency in establishing the nation as the decisive economic and political unit' (1957: 203). The

principle of territorialism within a world market depended on the national currency and its coordination with gold, as the standard of value, via national central banking policy. In turn, the politics of currency management encouraged constitutionalism to represent domestic social interests affected by changes in value of the national currency. In the era of dollarization and now financialization, citizens and governments no longer have effective control of national currencies. The evaluation of currency values occurs in real time, via information technologies and the 'information standard', which abstracts the determination of value from territorial and social criteria.

Currency is now an object of speculation, and currencies (and hence countries) are brought directly into competition with one another. The effect is to force states to adopt competitive market policies in order to defend their national currency. As Altwater and Mahnkopf argue:

When interest and currency rates are no longer determined politically by legitimate institutions of the nation-state but rather are formed by global markets, the market dynamic can no longer be politically regulated according to directives which are *incompatible* with it. . . . Politics does not disappear, but its rationality is synchronized with the economy.

(1997: 463)

It is not surprising that Malaysia's Trade Minister, Rafidah Aziz, should request increased bail-out money from the west at the thirtieth meeting of ASEAN (December 1997) thus: 'Forget politics. It is pure survival of the global economy' (quoted in Mydans, 1997: D6). But politics is not totally rationalized. A dramatic example, in early 2000, was the broad resistance by the Ecuadorian Confederation of Indigenous Nationalities, CONAIE, to the government's devaluation of the *sucre* as it embraced dollarization to stabilize and synchronize Ecuadorian financial relations with the global economy.

(3) DEVELOPMENT AS A PRIVATE, VERSUS A PUBLIC, FUNCTION

On 4 March 1998, the WTO Director-General Renato Ruggiero declared:

More than ever before, the world's prosperity – and America's – rests on maintaining an open international economy based on commonly agreed rules. Joining the WTO is not like joining a political forum or an organization which can provide loans or grants; it means hard negotiation with existing members and very often major changes in national policies in order to be able to sign on to binding commitments across the whole trade spectrum. But

countries which join the WTO gain security and predictability in their trade relations, and gain the assurance of equal access to the dispute settlement system. *Most important of all, by opening their economies these countries accelerate their development, while their partners know that unilateral economic reforms are henceforth bound into an international legal framework.*

(1998; italics added)

The message was clear: development now depends on the management of global markets, and this requires the institutionalization of a 'free trade' regime within state regulatory structures to establish common trade and investment policies. In effect, development becomes less a socially purposeful national initiative, and more a reward for joining the global market. Within the terms of the WTO regime, development is deemed to be the function no longer of states but of private capital and a world market presented in naturalized terms. In a post-Seattle spin, the WTO Director-General Mike Moore declared: 'Globalisation is not an ideology, not a political theory, but economic evolution' (*Washington Post*, 12 February 2000).

The 1997 Asian crisis exposed this private model of development, of 'fast-track capitalism' (Bello, 1998). In Asia, 'fast-track capitalism' depended on the stabilizing effect of massive regional inflows of Japanese capital, following yen revaluation in 1985, and a demonstration effect, attracting capital from the regional NICs, the USA and Australia. By the 1990s, structural changes in global markets (privatization, financial liberalization, economic integration) encouraged institutional investors to target the South-East Asian markets and their high interest rates as sources of quick yields on the huge savings, pension, mutual, government and corporate funds that they managed. Arguably, the tolerance shown by the Bretton Woods institutions towards the accelerating foreign debt was because it was privately financed (Bello, 1998). The attraction of funds *followed* financial liberalization. As currencies tumbled, broad segments of the G7 citizenry's savings were implicated, requiring the IMF, as the instrument of US diplomacy, to resolve the crisis in favour of the banks and their investors. In global terms, the reality is that vulnerable states (with weakened currencies) cushion, by absorbing, financial crises.

A pattern had emerged in the 1990s where financial liberalization integrated money markets on the one hand, but rendered the global financial system more vulnerable to financial (including currency) speculation on the other. In the Asian case, governments used a 'dirty float' to link their currencies to the dollar as a device to attract foreign capital, and, implementing the private development model, exercised little control over the largely speculative disposition of the capital inflow. The increasing

fragility of South-East Asian debt eventually attracted the attention of the currency traders. The IMF-supervised Asian currency devaluation was a politicized correction, shifting the burden of capital loss onto the citizens of the adjusted states, from South Korea to Indonesia. For South Korea, the 'showcase' of the era of US hegemony (Grosfoguel, 1996), the absorption of debt through drastic devaluation, fire sales of Korean assets to foreign investors and even chaebol break-up, the crisis revealed that global market rule takes no prisoners, since it now privileges management of financial crisis. That is, South Korea is no longer so much an example of successful development, as it was *made an example of*, through adjustment, in order to manage the financial crisis.

Given existing global power relations (expressed in a currency hierarchy), while all states surrender power to anarchic global financial markets, some states must pay for the casino-like movement of short-term funds in search of quick profits. Arguably, this renders the new private model of development quite problematic – not only because it is not universally replicable, but also because it obscures the regressive redistribution of income (nationally and internationally) associated with this model.

CONCLUSION

This brief article has argued that the WTO crisis must be set in context. That context is the attempt to implement market rule globally in order to facilitate corporate access to markets and raw materials, and investor and speculator access to financial markets, and to recalibrate the ideology of development as a global project. The WTO is a tool of the counter-mobilization by transnational capital against social protections. The problem is that the WTO, being authored by states, is also accountable to them, or at least their competitive relations. Further, within the framework of the neoliberal project state-authored rules of the global market have been well insulated from democratic input. Both of these areas of accountability continually return to roost.

The politics of market rule concern not simply its institutionalization in rival states, and in the WTO as a surrogate 'collective state', but also the appropriation of the rights, historic entitlements and culture of its 'subjects', in the name of 'development'. The naturalization of the market in WTO-inspired discourse has become its blind-spot, where the political relations of the market are fetishized and obscured. As the intensification of market rule reveals these relations, the WTO becomes the lightning rod of contention. Nowhere was this more evident than in Seattle, where the WTO was confronted with a crisis, much of its own making: a crisis of representation, of all members of the collective state, of citizens, and of social goals.

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