The Neoliberal Tide II:
An Unrelenting Quest for Wealth Accumulation

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From time to time TJSGA will issue essays on topics relevant to The Living Wages North and South Initiative (TLWNSI). This paper is the Tenth in the series "The Neo-Capitalist Assault" –a collection in development about Neoliberalism.

This essay completes the analysis of the neoliberal assault by discussing two fundamental assault actions perpetrated by Neoliberalism: the privatization of the economy, which has succeeded, and the complete liberalization of investment rights, which has largely failed. The author also discusses the dire situation of Russia, to illustrate the predatory nature of untrammelled Capitalism, and the reaction that Civil Society is showing to contain this assault on true freedom. The author opens by commenting on the central focus of the essay.

Summary

- Neoliberal Privatization
- The MAI: Free reign to Foreign Direct Investment and to Stock Market Speculation
- The Plight of Russia
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In the first essay devoted to the "neoliberal tide," I presented the main characteristics of the current neoliberal ethos in which much of the world has been immersed since the beginning of the 1980s. The second part of this presentation focuses on two specific neoliberal actions that destroy the sovereignty of nation-states to seek the policies that best procure the general welfare of their civil societies. These major actions are the privatization of public companies, and other entities, and the liberalization of investments. These two actions constitute some of the best illustrations of the neoliberal paradigm in concrete action against Civil Society. I will also discuss the current state of the Russian Federal Republic in its, so far, failed transition into a market economy; for it is a unique example of the predatory nature of neoliberal capitalism. It clearly shows how economic Neoliberalism does nothing for Civil Society while it rewards the oligarchy with the full support of the centres of economic power. It exposes the clear inclination of Neoliberalism for undemocratic practices and, thus, its obvious siding with autocratic groups that attempt to overtake political and economic power. Lastly, I will briefly touch on the most relevant actions of civil society, in the last two years, in response to the overt abuse by the neo-capitalists of civil society's welfare, culture and natural entourage.

Neoliberal Privatization

Privatizations are an essential part of the process of market liberalization into the neoliberal *laissez faire* paradigm and are being predominantly carried out with the global corporations as the major participants. There is strong debate in favour of and against privatizations, but the basic rationale in support of privatizations is to eliminate deficit spending from the public budget. Eliminating monopolies and increasing quality and service at competitive prices are also good reasons, from a consumer standpoint, to privatize airlines, or telephone services, for instance. It is true that privatization, when executed with strategic savvy, and in a professional and ethical manner, works, it works in the sense that it succeeds in becoming a profitable business venture, it is unlikely to increase the general welfare of the population. On the contrary, in order to become efficient from a business perspective, it will surely need to shed a good portion of its work force and keep labour costs efficient. That is, privatization treats labour as a commodity, does not show any social accountability by not having any social considerations, and uses downsizing as a measure of first recourse.

The problem is that this is done, of course, with complete disregard for the fact that state enterprises are owned by national civil societies and with no consideration as to how efficiently and honestly they are run. That is, state-run companies, in a democratic society, must be operated with the sole objective of contributing to the general welfare of society, and thus, it is the taxpayer who should decide whether this general welfare is better fulfilled by privatizing a state-run company or service. It should be clear that privatizing a state-run enterprise implies changing its purpose from public to private interests. Profit becomes the sole objective, and public responsibility and accountability is eliminated.

In spite of the fact that privatizations must be democratically decided, the prescriptions of the Bretton Woods Institutions for structural adjustment make privatizations a critical aspect of the "new economy" for they are intended to eliminate public deficits. It is assume that they always lose money. In this instance, structural adjustments refer to the transition from Keynesian regulation to free market liberalism. With the imposition of Neoliberalism, the privatization of state companies has been carried out in both developed and developing countries alike. During the Thatcher era, Great Britain carried out a large-scale privatization of state companies and services. The other Western European nations followed the same path at different degrees of intensity. However, in many nations, privatization was used not only for companies that provided products or services to the general public, but also for some of the institutions that comprise part of the Welfare State. England sold a total of £60 billion in state assets to the private sector, and under Thatcherism, it outsourced many social and public services to the private sector. As a result, public and civil servants were drastically reduced from 770,000 in 1979 to about 50,000 by 1995 when the Tories left government.[1] Many of the companies, especially the monopolies in charge of public utilities and transportation, were sold to the MNCs. To be sure, the multinational corporations have been instrumental in the deregulation and privatization of many sectors. They have exerted tremendous pressure on governments to privatize companies with little guarantees that they will provide better and more affordable service. In fact, in many instances, we have moved from public monopolies to private monopolies or oligopolies. The phone companies in many countries, after they were privatized, remained in a very market-dominant position and offered no benefit to the taxpayer.

In the U.S., there was little to privatize. Thus, the deregulation of industries was carried out as previously mentioned. In the case of developing countries, privatization was frequently imposed in the worst possible style of crony capitalism; and, of course, many of the companies sold were later caught in huge scandals. The privatization of the banking system in Mexico is likely the best example of corrupt capitalism. This is costing Mexican taxpayers a bailout of the banks of over $100 billion dollars, after huge frauds were discovered. And, until recently, no hope of prosecuting the culprits was possible since gangsters in the highest offices were the perpetrators.

By 1992, almost 6800 state companies were privatized in 80 developing countries, following the instructions of the IMF for conditional adjustment programs, which were supposed, but failed, to bail them out of heavy debts.[2] And, again, the MNCs were, for the most part, the only ones with the resources necessary to buy these companies on the stock market or in public offerings.

During the post-war years of Keynesian regulation, many governments got too immersed in an entrepreneurial spirit. In some cases, such as in Iberian America, 30 to 40% of the economy of some countries was in public hands. This is a clear extreme, for there is little doubt that many products and services bring no social benefit in the hands of the state. Banks, for instance, should always be in private hands. Some governments had the practice of buying bankrupt companies in all kinds of industries to sustain the level of economic activity by maintaining the employment base; appliances, textiles, kitchenware, bicycles are only a few cases where the sole logic was to preserve the jobs of the workers. But many of these companies were permanently bleeding, and the governments, as impresarios, frequently made them worse. Taxpayers invariably paid the bill because the cost of operating these businesses far outweighed the benefits of supporting aggregate demand by protecting the workers. These practices have no justification. However, the other extreme, where Neoliberalism has taken capitalism to all areas of government activity, equally has no justification. Privatizing prison systems, departments of motor vehicles, retirement programs and public health care systems, to name a few, with the intention of leaving everything to the free forces of the market, represents the complete abandonment of the social responsibilities of so-called democratic governments. Where does the government's responsibility go when there are large segments of the population who cannot afford to pay for vital services, traditionally provided by the government, because these services where privatized? In these cases, the responsibility to procure the common good is ignored in order to fulfil the demands of very private interests. In many instances, governments purposely legislate to create the legal ethos that would respond to the demands of the big players of the neo-capitalist system. This is done in such a way that it is hard to miss the obvious bias of governments in favour of the MNCs and large domestic companies. For instance, developing countries sanitize the companies being sold in order to allure bidders to buy them. To do this all the liabilities are absorbed by the state and the company is sold with a clean balance sheet. The liabilities are then passed on to the taxpayer via public debt. Then, assuming that no crony practices get in the way, the businesses are typically sold below their real market value. Buyers strike a great business, acquiring these newly sanitized companies and making them profitable. A clear case is Mexico's Banca Serfin. In 1999, the government took control of Serfin, which was technically bankrupt, and gradually spent $3.1 billion to sanitize it from its huge bad debt portfolio. At the time of the takeover, Serfin had a market value of $1 billion.[3] A year later, the bank was sold to the Spanish bank Santander Central Hispano for $1.5 billion.[4] Thus, the government recovered less than half of the amount spent in making it attractive to bidders. Lastly, when a company is impossible to sell and unbearable to keep, then it is typically closed with a big loss and passed on, once again, to the taxpayer. Although this is a common practice in many countries, the scenario could hardly been more unequal, for the practice implies the privatization of the benefits and the socialization of the losses through taxpayer monies.

Not only have MNCs played a central role in the privatization and deregulation of many sectors but also, in many cases, governments continue to pay private companies, with taxpayer monies, to provide specific services formerly provided by the public sector. Once more, the only beneficiaries in this process have been the MNCs, the governments that now respond to them and the local oligarchies who work in partnership with them. This is only possible because, in many developing countries, high-level public servants systematically steal in governments overtly corrupt or discretely profit by protecting the MNCs and abandoning their public mandate. These officials have indeed used privatization for the benefit of their very private interests.

The MAI: Free reign to Foreign Direct Investment and to Stock Market Speculation

The last and least successful element of the neo-capitalist assault has been an attempt to achieve the complete free movement of capital by corporations, institutional investors and individuals. It has been the least successful because the assault on society suffered a major setback when the Multilateral Agreement on Investment, or MAI, was defeated. This intended agreement was killed at the OECD when the intentionally concealed negotiations failed to produce an agreement. This was due, largely in part, to the activism of many groups from the civil societies of many nations and the opposition of some key governments, especially France, which withdrew from the negotiations in October 1998.[5]

The MAI is the quintessential element of Neoliberalism. It is the clearest illustration of neoliberal philosophy where the MNCs take clear precedence over national states and their civil societies. For the rules that the MAI attempted to impose virtually destroy the concept of democratic states and their right to protect the interest of the majority. Here, more than everywhere else, the few get to keep most of the benefits whilst the many bear the losses. Professor Pierre Bourdieu of the *Collège de France* provides a clear description of its essence as the political measure designed to call into question any and all collective structures that could serve as an obstacle to the protection of foreign corporations and their investments from national states; for the logic of the pure market aims to transform and destroy the obstacles: the nation, the workers and their unions, associations, co-operatives and even the family.[6] The MAI was initiated at the OECD when it launched its negotiations in 1995, and it was officially abandoned in December 1998 due to major disagreements among key members and public pressure. Non-Governmental Organizations were instrumental in its defeat. The MAI was not accessible to the public until it was leaked and published on the website of an NGO in February of 1997, and it was not made public by the OECD until a year later, in February of 1998.[7] However, in less than a week more than 600 NGOs from 68 countries organized to denounce the MAI as an agreement in direct conflict with many "widely-ratified international treaties supporting human, social and cultural, economic and political rights of men, women and children", and demanded an agreement that is put together with full citizen participation and approval.[8] The NGOs demanded to fully include labour and environmental considerations,[9] which goes in direct conflict with the real intentions of the MAI of eliminating any national laws that regulate investment flows, by establishing criteria that protects civil society at large.

In an analysis by the NGO: "Public Citizen - Global Trade Watch," The purpose of the MAI was, in the words of its OECD architects, "to create state of the art standards for the treatment and protection of foreign investment and to set into motion a mechanism for the progressive liberalization of investment regimes by establishing rights for foreign investors and by constraining the power of governments to regulate the activities of foreign and, in some cases, domestic investors." To achieve this, the MAI proposed to significantly limit stock market safeguards, performance requirements on foreign direct investment (FDI), restrictions on foreign ownership of real estate and even strategic industries, and direct controls on the movement of capital.[10] As former WTO Director General Renato Ruggiero said in a speech before the UNCTAD in October 1996, *we are writing the constitution of a single global economy*.[11]

First of all, the MAI encompasses every kind of asset that an investor owns or controls in every sector of the economy. The central idea is to provide equal treatment to foreign investments and investors, without any consideration for national policies for industrial, commercial and employment generation and their protection and for the protection of the environment. The objective is to provide Most Favoured Nation status (MFN) to all foreign investors. According to the MAI brief provided by the OECD:[12]

• The MAI Parties will commit themselves to treat foreign investors and their investments no less favourably than they treat their own investors ("National Treatment").
• They will also agree not to discriminate against the investors or investments of different MAI Parties ("Most-Nation-Nation Treatment").

As the MAI puts it, "Investment" in the MAI will be defined broadly to include direct investments, portfolio investments, real estate investments and rights under contract. The MAI will provide legal protection for both the investment itself and the making of an investment. And, relative to its effect on government, the MAI aimed to cover "measures" taken at all levels of government: central, federal, state, provincial and local. "Measures" will include laws, regulations and administrative practices.[13] Other important provisions according to the OECD document were:[14]

• *Transparency*: Laws, regulations and procedures of general application must be made publicly available.

• *Transfer of Funds:* Investment-related payments, including capital, profits and dividends, must be freely permitted to and from the host country.

• *Entry and Stay of Key Personnel:* Investors and key personnel, such as senior managers or specialized technicians, should be granted permission to enter and stay temporarily to work in support of MAI investments.

• *Performance Requirements:* Certain requirements imposed on investors, such as a minimum export target for goods or services, would be prohibited.

• *Expropriation:* May only be undertaken for a public purpose and subject to prompt, adequate and effective compensation.

• *Dispute Resolution:* While the agreement has provisions for resolving disputes through consultations, the agreement will provide for binding arbitration of disputes, between host and home states or between the investor and the host state.

The OECD provides its own justification for the loss of national sovereignty in the MAI. It positions it as a give and take situation, where states, in exchange for giving up sovereignty, gain a more competitive environment to attract foreign investors. But the MAI has no regard for the individual citizen. As it explained, it was designed to provide protection and other benefits to investors and not to protect civil societies. The OECD explained that the MAI was not going to inhibit the normal "non-discriminatory" exercise of regulatory powers by governments and such exercise of regulatory powers would not amount to expropriation.[15] The concept is tantamount to forcing governments to not use measures to protect local actors in economic sectors where MNCs would enter with clear competitive clout based on their global scale and resources. In other words, those nations with incipient or, simply, less competitive players in specific industries or areas of commerce, would allow foreign investors to enter their markets and have the freedom to compete using their far greater financial, technological and market scale resources, which would almost automatically destroy their local industrial base in the sectors directly affected. For protecting its national industrial and commercial base implies discriminating against stronger foreign competitors. The Public Citizen's analysis explains that the Investment Guarantees of the MAI ask for foreign investment to be treated "as favourably as" (or more favourably than) domestic investors.[16] This idea is especially destructive in developing countries that have followed a strategy of providing incentives to local companies with the goal of enabling them to acquire a competitive position domestically and exporting to foreign markets. In fact, the MAI was designed with special emphasis on the protection and the promotion of FDI in those developing countries that have been identified in Asia and Iberian America as the most strategically attractive markets for their inclusion in the global strategy of MNCs. These are the emerging markets of the periphery: the Asian tigers and the largest Iberian American economies, some of which have already joined the OECD (South Korea and Mexico).

The other major aspect of non-discriminatory treatment to foreign investment is the creation of absolute standards for the treatment of investors and investment. In this way, the MAI forbids the use of performance conditions by governments on foreign investment. For instance, if a government provides tax exemptions for investment in a specific industry, but subject to specific standards of performance based on economic (e.g. domestic content), environmental (e.g. installed a water treatment system) or social policy (i.e. specific new job creation goals), the MAI envisioned banning these standards even if they are universally (domestic and foreign) applied.

The absolute free transfer of funds is another dangerous aspect that, even without the MAI, already has had profound effects on the economic health of a nation. The MAI intended to provide a free and purposely ambiguous regulatory climate for the transfer of capital between nations. Thus, the MAI's investment protection clauses effectively socialize the risks of investment by transferring them to the taxpayers of the host governments and by extending extraordinary rights to foreign investors. In this way, these rights go further in protecting foreign investors than domestic laws and even surpass protections enjoyed by individual citizens of those countries.[17] For instance, a U.S. citizen is usually penalized if he moves funds from certain investment instruments before a specified term, such as a certificate of deposit, a 401K or an IRA, whilst a corporation, according to the MAI, would have no restrictions on the movement of capital. This means that regulatory initiatives, such as the Tobin Tax,[18] would have been banned as a tool of governments to protect their economies from speculative stock market attacks or from MNCs that decide to go to other host countries that are more willing to abandon their civil societies to the whim of the global players.

This is one of the most dangerous aspects of the neo-capitalist assault on Civil Society and on the sovereignty of nation-states. The spirit of the MAI provides the freedom for corporations to move freely with no responsibilities to their host countries and, ultimately, their civil societies. In the case of FDI, corporations can roam the planet looking for the host country offering the most competitive conditions. It will take advantage of incentives in the form of tax exemptions, free utilities and free infrastructure, all of these paid by the host country's taxpayers. However, if, after a brief period, the conditions change and there are other host countries that offer even better incentives than the current host, the multinational can decide to leave and move to another host country. This is because, for example, there is more social pressure to pay higher wages and the host government is not willing anymore, or is simply unable, to control the demands of the unions. Thus, the corporation can move to an undemocratic host that offers far cheaper workers and allows no protests. This is especially the case of corporations that establish a manufacturing operation in a country because of the very low cost of labour and not because of the size of its domestic market. In these situations, with the MAI, the host government would have been unable to impose specific conditions of performance and a minimum term of commitment before offering the incentives to a corporation. In addition, a host country would have not been allowed to demand a minimum standard of local content in the finished product. Most importantly, the host country would have had no leverage in the movement of profits, since the MAI's definition of an investment includes the products of the investment. With the MAI, corporations would have simply looked at host countries as a source for raw materials, infrastructure and, especially, cheap workers, and they would do as they please. Indeed, the MAI's absolute rights for investors would have promoted frequent capital mobility by minimizing its risk. U.S. companies would no longer need to use the Overseas Private Investment Corporation (OPIC) insurance, which employs environmental screening criteria, when the risks of investment, normally regarded as a cost of doing business, would have been assumed by the host government. Thus, MNCs would have enjoyed levels of host state protection that would have far surpassed those provided to domestic entities.[19]

The other large aspect relative to the free movement of capital is the movement of purely speculative investment in the stock bourses of participants in the system and, especially, in currency trading. Institutional investors, the managers of stock and bond funds, can shift large funds of money from one market to the other in a matter of seconds. The same can be said of professional speculators that trade in currencies. Over 90% of the daily trade in currencies is not done with the purpose of executing productive direct investments, but to profit from the fluctuations in the value of currencies. Currency speculators trade $1.8 trillion dollars on a daily basis.[20] This is an area where foreign speculative investment, under the provisions of the MAI, would have clearly been at an advantage over domestic speculative investment, since, generally, foreign investment is far more prone to flee a country than domestic investment when there is speculation of an imminent crisis.

A particularly disturbing aspect of the spirit of the MAI is the fact that the OECD would have departed from its traditional policies on capital flows. Even under the OECD's rules of liberalization, members are allowed to impose capital controls when they think it is necessary. The MAI denies this sovereign right to signatories by prohibiting countries from adopting and implementing the following strategies to prevent capital flight:[21]

• Imposing limits on currency convertibility during a financial panic to avert full-blown capital flight by requiring licenses for currency exchange.
• Imposing "speed bumps" to encourage long-term investments.

The Chilean style capital controls are a good example. There, policies have been designed specifically to avert speculative capital flight and penalize investors depending on the length of time that the investment stays in the country. If investors did not reach the minimum threshold they would have to pay the Chilean Tobin Tax.

This kind of controls would have been banned with the MAI.
By the same token, the following policies, which limit inflows of foreign investment, would have been banned with the MAI:[22]

- Imposing a ceiling on foreign borrowing by domestic banks.
- Imposing a reserve requirement for portfolio investment.
- Withholding government-subsidized insurance for the bank deposits of foreign investors.
- Requiring administrative permission for a foreign bond issue.
- Imposing minimum maturity periods for foreign bond issues.
- Imposing a less favourable exchange rate on the capital transactions of foreign investors.

Simply stated, the MAI would have given total freedom of passage to speculative investment, with no regard to the consequences of capital flight even if it threatened the ability of a country to comply with its balance of payments commitments. I should point out that, even without the MAI, countries such as Mexico and, as a domino effect, Argentina and Brazil, suffered heavy losses when an adjustment in the value of the Mexican peso triggered a huge speculative flight of foreign capital at the end of 1994. Regardless of the mismanagement of the economic situation previous to the crises, the country was totally incapable of controlling the capital flight. There were no capital control instruments in place. In a matter of days, the Mexican peso lost 60% of its value when huge amounts of capital left the country. Total portfolio equity investment fell by almost 90%.[23] As a consequence, foreign investors in the Mexican bourse who had purchased Mexican treasury bills suffered big losses; but they were saved by direct intervention of the U.S. central bank, which provided the funds [up to $50 billion] to bail out U.S. investors at the expense of the Mexican taxpayer. Here again, even without the MAI, investors did not bear the losses that come naturally with the risk of stock and currency speculation.

The Asian financial crises of 1997 had similar consequences for the five most affected economies: Indonesia, South Korea, Malaysia, Philippines and Thailand, particularly with regard to speculative capital inflows and, to a lesser extent, to the take over of Asian corporations by Western MNCs.

Turmoil erupted in the financial markets of these countries, triggering a sharp decrease in private external capital flows. And, while FDI inflows remained stable in 1997 and decreased but stayed positive in 1998, foreign portfolio equity flows and foreign bank lending turned to very large outflows. Between 1996 and 1997 portfolio flows moved from a $10 billion inflow to a negative outflow of close to $5 billion, and foreign bank lending moved from an inflow of $55 billion to an outflow of $30 billion.[24] This is because portfolio equity investment is completely speculative and, thus, short-term. Bank lending tends to be also short-term. This is why speculative investment flows may become extremely volatile and become the main contributors to the emergence of bubbles. This environment provides full mobility at very low costs to portfolio investment, which in turn can drastically dislodge private capital flows at times of crises, which may then spill over into the productive sector, for equity investments constitute an important source of productive capital, especially for developing countries. Mexico became a classic case of this situation at the end of 1994.[25] The consequences of speculative attacks on a country or region with huge outflows of short-term capital and a large devaluation also have profound consequences on the acquisition of assets in the real economy. This is because, after a steep devaluation, the cost of industrial and commercial assets of the afflicted economies becomes much cheaper. Thus, this provides a window of opportunity for foreign companies to take them over. This has been absolutely the case both in Asia and Iberian America. To be sure, there has been a tremendous loss of national control over companies as a result of the Mergers and Acquisitions (M&As) in which multinationals overtake domestic companies. In the last two decades, there has been a consistent trend of M&As that has transformed the world's capitalist system into an oligopolistic system reminiscent of the times of Mercantilism of the Absolutist Era. This has become a classic feature in the process of neoliberal globalization and has made of M&As a major concern in both developed and developing countries.[26]

FDI acquisitions can certainly come as a result of privatization policies, but the sudden outflows of speculative capital, which may trigger or worsen a devaluation, certainly present a special opportunity for MNCs to acquire assets in host countries. In fact, after most state-owned assets had been privatized by 1997, M&As became the most significant case in Iberian America, where $43.8 billion in acquisitions [13% of the World's total] took place, surpassing the corresponding value for Asia.[27] In the case of Mexico, after the 1994-95 crisis, FDI in the form of M&As shot up 245% from $2.3 billion in 1994 to $8 billion in 1997.[28]

The Prime Minister of Malaysia, Mahathir Mohamad, a favourite for vilification by proponents of Neoliberalism, has blasted speculators for the damage that they inflict to developing economies and implemented capital controls in his nation to stop the outflow of short-term capital. During the January 1999 meeting of the World Economic Forum in Davos, the club of the MNCs and of their protective governments, Mohamad demanded greater controls on international speculators and questioned why they are allowed to do as they wish if they abuse the system?[29]

The fundamental question is that if financial speculators and MNCs have enjoyed this amount of freedom without the MAI, what would have happened with the MAI in place? It is important to note that the MAI was intended to be proposed not only to OECD countries, a club of twenty-nine mostly developed nations, but to non-OECD governments as well, mostly developing nations. The mere fact that the MAI would have been applied to OECD and non-OECD countries alike, naturally gives the advantage to those countries that are developed, for they have already established standards in areas such as living wages and the environment. Thus, providing national treatment to foreign corporations in developed economies does not affect them as much as in a developing country that is trying to provide special support to national companies in developing stages. Furthermore, although I have previously stated that corporations pledge national allegiance only as long as they get their way, developed nations still would have benefited dearly from the MAI. We should consider that the centres of power, while they were developing, never provided national or most favoured nation treatment to foreign corporations. However, with the MAI they wanted developing countries to abandon their development policies on behalf of their MNCs. Concurrently, in the draft of the MAI, developed countries had no intention of playing a fair game since many of the most developed countries limit the penetration of foreign investment into their economies. The World Wildlife Fund (WWF) reported that exceptions to liberalization provisions in the OECD-MAI totalled over 1000 pages when negotiations collapsed in October 1998.[30] Therefore, I deem it necessary to ask when, then, should developing countries enjoy the opportunity to focus on forming a globally competitive national industrial base? The answer is that they are not expected to focus on such an objective, but rather, they are expected to focus on playing the role preconceived by the centres of global economic power, through their official governments and multilateral institutions. Thus, developing nations with very few or no MNCs of national origin, would not be able to compete equally in the global economy. Capital outflows going to foreign MNCs as profits, royalties, technology and services, to name a few, would far outweigh the inflows coming to developing nations from FDI or from "capital repatriation" from their few MNCs.

In the area of privatization and monopolies, the spirit of the MAI draft allowed countries the liberty to set their own policies in order to protect the common interest. However, the MAI allowed this 'liberty" as long as it did not interfere with the principles of national treatment and of MFN. A situation that, once again, defeated the purpose, since foreign companies must be awarded equal rights as domestic companies when competing for a state asset that is being privatized. In the case of monopolies, signatories when maintaining, designating or eliminating monopolies, they are expected, one more time, to give national treatment and MFN status to interested foreign parties. Finally, in the case of the environment, the MAI remained consistent with its approach of MFN treatment and tried to impose lower environmental standards by limiting existing ones. A detailed analysis on FDI by the WWF concluded that:[31]

• The OECD-MAI would have undermined efforts to achieve sustainability by outlawing mandatory requirements for technology transfer, joint ownership and local content, even though these can be powerful ways of improving the environmental performance of domestic business.

• The OECD-MAI conflicted with policies to strengthen local or communal control of natural resources and reduced the ability of governments to gain fair benefits from natural resource exploitation. Future investment agreements must respect community rights over natural resources and give sufficient policy flexibility to maximize benefits to host countries.

It is clear, in the opinion of the World Wildlife Fund, an international organization with one of the strongest reputations among NGOs, that the MAI simply tried to override existing Multilateral Environmental Agreements (MEAs) in the name of the forces of the global capitalist economy; where, as I have previously mentioned, 75% of trade is controlled by the MNCs. The WWF, in one of its fundamental conclusions, says that the OECD-MAI clashed with MEAs because these typically seek to spread evenly the benefits of environmental protection instead of letting market forces allocate them. In this way, the Rio principle of "common but differentiated responsibility" allocates obligations and benefits between countries on the basis of their level of economic development; and these distinctions, which include financial resource and technology transfer obligations, can discriminate between investors.[32]

I have devoted a good portion of this essay to the MAI, despite its defeat, because its spirit represents the clearest evidence of the philosophy of the Neo-capitalist assault. The greatest peril to the majority of the world's population who live under the capitalist system is the attack on democracy and freedom under a disguise of freedom and choice. As Chomsky asserts, allowing the free movement of capitals constitutes a powerful weapon against true democracy and the social contract, because it undermines the efforts of governments to advance social protection. In this way, those countries that try to protect or expand their welfare programs are typically instantly punished by flight speculative investment.[33]

How can governments that are truly dedicated to their national interest and the common good allow the interests of the MNCs to subject the fate of millions of citizens to their selfish monetary interests? The MAI was defeated, largely in part, to its extreme position in favour of multinationals, which triggered the movement of hundreds of NGOs throughout the world. However, the crude reality is that, the current defeat of the MAI notwithstanding, Neoliberalism has imposed its paradigm because democracy has not functioned, and most governments have traded their democratic mandate in exchange for individual economic retribution, clearly corruption, from the proprietors of money. This has caused entire nations to become subject to the whim of multinational marketeers and money speculators who feel compelled, with their sheer economic power, to set the economic agenda of each nation on pain of being punished with an immediate outflow of monetary resources. Chomsky comments that, since the Bretton Woods agreement [and Keynesian economics] were dismantled, we are now ruled by a "virtual senate" of financial capital that sets social and economic policy just because they can shift funds around.[34]

The greater danger is that this "dictatorial senate" of neo-capitalists has not given up on its intentions of overriding democracy and completing the neoliberalisation of the entire territory of capitalist nations. The goal is to profit over their civil societies and own the world. Thus, we have not seen the last word on multilateral investment, and we can rest assured that the neo-capitalists will attack again. There are already clear signals of their movements. The TransAtlantic Business Dialogue or TABD is one good example of where the new attempt may be brewing. The TABD is, according to its website, an effective framework for enhanced cooperation between the transatlantic business community and the governments of the European Union (EU) and United States (US).[35] The very low profile group has directors in Brussels and Washington and is regularly chaired by two CEOs who are rotated annually, one from a European Union MNC and one from a U.S. multinational. For instance, the chairs for 2000 wee George David, Chairman and CEO of United Technologies, a producer of high technology products to the aerospace and building systems industries, and

Bertrand Collomb, Chairman and CEO of Lafarge, a French world leader in construction materials. The goal of the TABD is to create a process whereby European and American companies and business associations develop joint EU-US trade policy recommendations, working together with the European Commission and US Administration.[36] In a nutshell, the TABD is a powerful guild of multinational corporations organized to directly influence the positions of the U.S. and European Governments to advance their interests. The TBAD, simply stated, is a lobby of MNCs.

In the Berlin Conference of October 1999, Pascal Lamy, European Commissioner for Trade, spoke of the lessons to be learned from the failure of the MAI negotiations. He thought that the Seattle Round [the WTO Round in Seattle of December 1999] was the scenario to establish investment rules that address the interests not only of investors, but also of developing countries and of the First World's civil societies.[37] As we all know, the Seattle Trade round was defeated, not only because of the demonstrations and open criticism of the NGOs, but also because many developing countries' representatives were outraged at the clear attitude of the U.S. and the EU to keep decisions and discussions on transcendental issues to themselves and the rest of the rich countries [and a few emerging economies]. This scandal was widely criticized and exposed in the international press.

Unfortunately, many governments from developing nations, especially Mexico and South Korea, have embraced the spirit of the MAI to a considerable degree. The case of Mexico is particularly clear with the adoption of NAFTA. The traditionally autocratic Mexican government eagerly and enthusiastically negotiated, behind its Civil Society, a treaty that completely abandoned the welfare of the population and accepted rules that would totally favour the large corporations, especially U.S. and Canadian MNCs. Indeed, the MAI's documents constantly made reference to the North American Free Trade Agreement (NAFTA) as a good framework of reference for drafting the MAI. According to several documents prepared by various OECD working groups involved in the drafting of the MAI, the "blueprints" for the MAI's provisions were the investment chapters of the NAFTA, and the WTO would have been the model for its scope; and yet the MAI was going to surpass both of these agreements."[38]

The Plight of Russia

To complete my exposure of the major deeds of the neo-capitalist assault on Civil Society, I cannot find a better illustration than the economic and social events in Russia after the fall of the Berlin Wall. What has happened to Russia since then is one of the clearest examples of Darwinian practices in the bringing of a centrally-planned economy into the realm of Capitalism. And, again, the main responsibility falls in the hands of the U.S. and the European Community through the manipulation of the Bretton Woods institutions.

What occurred was the descent on Russia of the U.S. and the other G7 nations, as real vultures, looking for the quickest and easiest way to profit over the demise of the Soviet Union, by trying to gain the most opportunistic position. The manoeuvre was so deprived of balance that it became obvious that the key players were there only for the taking. No wonder the majority of the population acquired a sense of conspiracy and greedy interest coming from the West. The way the centres of power handled it didn't even make sense from a business perspective. For instead of supporting Russia in implementing the structure necessary to make the transition successfully, and in achieving a reasonably efficient and competitive economy, they just went in with a very short-term mind set looking for a quick buck. From a business standpoint, a gradual transition with a long-term vision would have represented, potentially, a much stronger market for the products and services of the West. However, their vision has been so narrow minded, that, instead, they have made most Russians completely lose faith on democracy and Capitalism. For poverty has permeated more than half of the population whilst they see a mafia of so-called "oligarchs" profit with the major assets of their nation in machination with the West.

There has also been a tremendous degree of arrogance. The triumphant attitude of the centres of power, especially of the U.S. and Britain [who were irrepressibly exuberant in claiming the defeat of the "evil empire"] made it seem as if Capitalism were an immaculate light of justice that would immediately radiate onto the former domains of evilness. As a consequence, besides the invasion of all sorts of adventurers and of not too few MNCs, the Washington Consensus sent its Bretton Woods financial instruments to apply their recipes for homogenization. The IMF was given the leading role in "helping" Russia become one more "good boy" and eventually graduate as a subject of Neoliberalism. The IMF's role, as previously mentioned, is to assist countries in coping with problems with their balance of payments as long as they accept its conditions/ prescriptions for market liberalization. Thus, in the case of Russia, the arrogance of the West decided that Russia should go through the exact same process of monetary and fiscal policies with privatization and market liberalization. No consideration was given to the effects of a sudden aperture for Capitalism in a country ill prepared, not just to compete, but to function as a market economy. This is the perfect example of neoliberal arrogance claiming to have a "scientific" and thus, infallible and universally applicable paradigm. As a result, in a country with no structure to produce and generate aggregate demand, drastically reducing deficits by cutting budgets designed to provide a minimum welfare, produced instead massive poverty and destitution. This has been, in my opinion, one of the meanest disregards for the welfare of millions of human beings.

The results were devastating. The IMF focused on fighting inflation and it triggered an implosion. With the deflation of the economy, it lost its monetary base and the tax revenue collapsed. Concurrently, the liberalization of the economy gave the freedom to the "oligarchs" to plunder many of the assets of the state and take the moneys outside to financial havens in Switzerland and other corners of the world. In a far worse case than in Mexico and other economies where the economic power has been traditionally concentrated in a tiny plutocratic class of high-ranking bureaucrats and their industrial cronies, the Russian economy fell prey to a clubby group of criminals who moved around Yeltsin and who had the blessings of the U.S. and its Treasury Department. This also resulted in the development of a purely speculative finance market around Russia's treasury bonds (the GKOs) where the plutocrats and several of the best-known investment banking firms and other financial pundits on Wall Street had strong vested interests, as we shall see further in this essay.[39] This speculation with the GKOs further resulted in a dramatic overvaluation of the ruble, which did not help at all to make Russian products competitive for exports.

Yet, the Washington Consensus refused to accept that, through the IMF and the politics of the U.S. Treasury department, it was doing exactly the opposite of what Russia and the Russian people needed to make a successful transition. Professor Jacques Sapir, Director of studies at the *Ecole des Hautes Études en Sciences Sociales*, calls it the West's autistic view of Russia: Clearly, sheer arrogance and evilness all in the sake of profit.

What appears to have happened at the Bretton Woods Institutions was a very strong conflict of views, particularly between the World Bank and the IMF. It is widely believed, although it cannot be demonstrated, that Michel Camdessus, the French fund's managing director, resigned as a result of the great criticisms that came from many fronts in the aftermath of the Asian Crisis of 1997 and following the Russian Crisis in the summer of 1998. Camdessus resigned a year later in November 1999, in the middle of the Russian crisis, alleging personal reasons as could be expected. He had been at the head of the IMF for thirteen years and his last term was not supposed to end until 2002. In his final months, he complained about the constant criticism for the lack of foresight on the crises of Iberian America, Asia and Russia.[40]

Indeed, the Russian debacle became a clear example of the IMF's autistic style, allowing the U.S. Treasury department to exert heavy influence on its actions. Joseph Stiglitz, former chief economist of the World Bank from 1996 until November of 1999, precisely during the period of the Asian and Russian Crises, offers a rare account into the heavy-handed politics that give form to the ethos that is breathed at the BWIs in an article published in the spring of 2000. The article is an acrimonious account of the clash of two visions at the BWIs relative to the transition of Russia into a market economy. He explains that two schools of thought emerged around the transition of Russia: One that wanted a gradual approach and another that wanted to impose the orthodox recipes of Neoliberalism, traditionally used by the IMF in dealing with economies in crisis.[41] With this article, Stiglitz became the main critic of the IMF, and James Wolfensohn, the former World Bank's president, shared his opinion. Moreover, it is said that, while on the surface the criticism remains strictly in the realm of economic strategy, underneath it centres on the manipulation of the BWIs by the U.S. to satisfy its geopolitical interests. What occurred is that the so-called Washington Consensus had broken down.[42] The geopolitical interests of the U.S. were getting too much in the way of those who were supposed to determine the right economic strategy for each specific crisis. Such is the case of the massive aid from the IMF to "rescue" U.S. investors in Mexico, which was done when the U.S. decided to make Mexican taxpayers cover the losses of U.S. investors after speculating with Mexican treasury bonds. The IMF simply followed the instructions of its boss.

Stiglitz's article is an eloquent account denouncing the blind arrogance of the IMF. His gradualist view for Russia, shared by many mainstream economists, emphasized the importance of the institutional infrastructure of a market economy, from legal structures that enforce contracts to regulatory structures that make a financial system work. Whilst the second group consisted largely of macroeconomists, whose faith in the market was almost blind, they usually ignored the history or details of the Russian economy and arrogantly didn't believe they needed any knowledge.[43] The great arrogance lies in the fact that the neoliberal economic doctrines followed by the IMF are expected to work universally and, just in case they didn't, the U.S. Treasury and the IMF did not allow any open debate, explains Stiglitz.[44]

He also openly accuses the U.S. Treasury Department of supporting the oligarchs in gaining control of state assets through a rapid process of privatization and of sending their illicit gains to Cypriot and Swiss banks, while the government lacked the funds to even pay pensioners.[45]

In Russia, the U.S. and the EU focused on supporting leaders who they regarded as "friendly and liberal" in the most primitive state; for they are real gangsters who use freedom to operate above the law. This is a clear case where the West backed those who they considered the most convenient to pursue their own self-interest with no regard for the population. Obviously, with the institutions of the Washington Consensus promoting untrammelled free-market liberalism, there was no room left for criticism or backtracking in the processes of privatization and deregulation in Russia.

Not everyone inside the U.S. government agreed and there was a good degree of struggle. Both Sapir and Stiglitz coincide in that the State Department got the upper hand, in alliance with the US Treasury Department, in giving priority to shortsighted policies of privatization and economic austerity. As incredible as it may sound, the Pentagon and the CIA [of all institutions] dissented with them, for they were in favour of a more gradual transition. They were far more concerned for the welfare of the Civil Society and the socio-economic stability of Russia.[46] However, the State and Treasury Departments refused to listen and put deaf ears into the information reporting on the dramatic plight of Russia. This information on the real state of Russian society, and on the criminalization of its "friends" in Russia, was systematically rejected. Such is the case of a CIA report sent to Vice President Gore, only to have it returned with critical comments attached.[47] These kinds of positions have always been perceived as the most convenient to advance the U.S. and G7's interests. Thus, the G7 decides, and the IMF executes and applies the same formulas blindly. This is consistent with the traditional support of autocratic governments with deeply-rooted corrupt cultures, such as the PRI governments of Mexico, as long as they are perceived to benefit U.S economic and political interests. In both cases, the U.S. has supported the traditional oligarchy of Mexico and the now famous "oligarchs" of Russia.

However, I find Sapir and, particularly, Stiglitz, somewhat naive to accuse the U.S. and the other G7 nations of really looking for their best interest in manipulating the BWIs. For this has always been the case since the creation of the IMF and the World Bank at Bretton Woods. Despite the fact that their rhetoric always talks about democracy and being the good guys who support the developing world, I find it natural that the centres of power, from their own perspective, always seek their own benefit regardless of the consequences on others. This reality, notwithstanding, and what I find extremely interesting, is the allusion to the role played by key players in the U.S. government in decisions that appear to directly favour the interests of Wall Street financiers. It poises the question of whose vested interests are being protected. Both Sapir and Stiglitz denounce the cosy friendliness of the Treasury Department, the State Department and several economic advisers with the Russian oligarchs. Stiglitz talks about the friendliness of Larry Summers, Robert Rubin's successor as Secretary of the Treasury, with Anatoly Chubais, the chief architect of Russian privatization.[48] Sapir provides more details. He talks about clear signals of collusion and thus, corruption. He points out that Robert Rubin, US Treasury Secretary from 1996 to early 1999, had formerly been the head of the Russian Department at Goldman Sachs, the bank that played a major role in opening up Russia's financial markets. As for Larry Summers, he explains that he was a student of Stanley Fisher, a deputy-managing director of the IMF. And he comments that, in the last few years, high-society dinner parties in New York have seen a growing presence of the "nouveaux Russes" involved in the Bank of New York money-laundering scandal.[49]

The common denominator, on both accounts, is that a veil of secrecy that goes against democracy and choice surrounds the actions of the instruments of the Washington Consensus, and particularly of the IMF. We should consider the grave implications that these actions have on thousand of millions of people across the globe. Furthermore, the strong influence of the U.S in international economic policy, when the U.S. is, supposedly, the most democratic nation, is not democratic. As a result, in the particular case of Russia, the economy has imploded throughout the 1990s, output plummeted by half and poverty has grown to close to 50% compared to 2% during the Soviet Era. The high price of oil has given some air to breath; but, compared to ten years ago, there is tremendous inequality, and most Russians are embittered with heavy handed Capitalism; although they don't know that it has been heavy handed, for this is the only kind of Capitalism they've known.

The Stance of Civil Society and its NGOs

As the transition from the paradigm of the Keynesian/Regulation School to the paradigm of the Monetarist/Neoliberal School gradually took place, Civil Society also gradually became aware of the complete change of faith for the individual citizen. For the last twenty-five to thirty years, Civil Society had been organizing itself to protect its interests against those from powerful political or economic groups. These groups, namely the various oligarchies, had been advancing their own agendas with no consideration given to the civil societies of the different countries and regions of the world whose interests they affect. I will expand in more detail in Part V on the critical role of Civil Society and on its actions to organize and protect itself from private interests. For now, suffice it to say that, typically, Civil Society has organized to protect its rights as they are declared on the social contract of each nation-state. Namely, the concerned citizenry of individual nation-state have organized in the form of Non-governmental Organizations, or NGOs, to protect their common interests. This has been the result, as previously mentioned, of an increasing awareness of the huge void that so-called democratic governments have left in fulfilling many of their principal responsibilities that they abandoned in order to serve the corporate citizen.

NGOs first emerged as defenders of human rights. The constant siege of human rights is the most basic and overt violation of humanity's natural rights and dignity, albeit human rights violations have proven to be also an inextricable part of human nature, for they have existed since the dawn of humanity. However, with the ascent of democracy since the beginning of the post-war, the defence of human rights has become a logical consequence. Then, in the 1970s, an increasing awareness of the depletion of natural resources, by private and public entities, triggered the formation of NGOs to protect the environment. Ironically, as democracy consolidated at the rhetorical level, the increasing abandonment of its principles, by most so-called democratic governments, triggered the growth of NGOs. Certainly, some degree of true democracy has been achieved, for no NGO would exist without democracy. Still, the vast array of social issues, negatively affecting the citizenry, that governments are either ignoring or directly creating, has fuelled the will of Civil Society to take a stance. Thus, in the last twenty years, the creation of NGOs has been enormous, especially in developed countries. Indeed, since the 1980s, NGOs have been organizing to take a stand on behalf of Civil Society to defend a common interest in a vast array of topics. Some have developed into international networks, while others are limited to a local scope within a country. As a result, we have witnessed an increasing specialization in the mission and scope of each NGO.

As part of this evolution, one major theme is social justice, which encompasses all the issues that affect the right that individuals have to earn a dignified life through their work. This right is a basic element in the social contract that each national society has established under democratic principles. Thus, with the ascent of neoliberal globalization, the movement in defence of social justice has exploded. This is because, albeit the great complexity in visualizing its components and how they operate, Neoliberalism has shown a clear increase in poverty, in alienation and destitution, as I have explained throughout this book. This has obviated the unfairness of the system and the need to take action to stop the process and establish an ethos that balances the interest of private concerns with the interests of the civil societies of the participating nations at large.

As the development of the NGO movement evolved, so did its level of sophistication. Initially, the majority of NGOs was born as the creation of volunteers from the citizenry. Nowadays, many have permanent staffs with full-time paid positions and, increasingly, their academic and professional backgrounds provide the specific skills and knowledge required to identify the issues and actors that are at play on the problems at hand and the different solutions available. For instance, many PHDs in economics and political science are studying the specific issues and developing the arguments against the views of pundits supporting neoliberal globalization. Thus, gradually, NGOs have been going through a process of professionalization. Still, the growing network of NGOs relies substantially on volunteer work, since it depends on grants and donations to sustain its activities. But, the limited resources of NGOs notwithstanding, they have been able to attain for themselves a key role in the international community as the representatives of Civil Society before the traditional players: governments, multilateral institutions and private concerns. Their actions have gradually created a good degree of awareness of their purpose, specific roles, views and potential, before the general public at large. More than anything, they have succeeded in bringing, with their demonstrations, the major issues that affect capitalist societies to the awareness of the ordinary man on the street. Through very successful public relations strategies, they have succeeded in raising the level of awareness in Civil Society of the key events and actions that the centres of power are taking without a real consultation of their constituents. NGOs have made issues affecting the daily lives of hundreds of millions of people, which were purposely managed with a low profile, major transcendental themes of public opinion. NGOs have become Civil Society's watchdogs, advocating respect for human rights, the environment and the attainment of social justice above anything else. In a nutshell, NGOs have become the key advocators of real democratic due diligence for any decision affecting the lives of the individual members of democratic civil societies.

It is in this manner that the NGOs have taken a stand against the major players in the process of implementation of neoliberal globalisation. In this way, in the last two years, NGOs have focused on protesting the concrete advances and planned intentions of Neoliberalism at both the macro and micro level. With their success in denouncing the agendas of the advocators of neoliberal globalization, they have become the major interlocutors on behalf of civil society. At the macro level, the major gatherings of the key players in Seattle, Davos, Washington, D.C., Prague and Genoa have become clear victories of the NGOs in the public relations battle for public opinion, by denouncing and disrupting the agendas of the participants. At the micro level, they are increasingly vigilant of the activity of multinational corporations all over the world and are denouncing their wrong doings in both developed and developing countries.

In Seattle, at the end of 1999, NGOs converted the so-called "Millennium Round" into a true historic occasion for the broad coverage that the demonstrations achieved in the press. More than 20,000 protesters composed of an eclectic group of young and mature ecologists, unionists, anarchists, pacifists and nationalists from many developed and developing countries, created huge havoc in spite of the police force that was previously prepared to contain them. With the slogan of "Down with Babylon" they denounced the WTO as the engine of globalization on behalf of the MNCs.[50] The protesters were extremely successful in bringing the trade round to a complete failure. The Seattle round was expected to last for a minimum of three years. All the rounds with the GATT, the forefather of the WTO, lasted for several years. The Uruguay Round, the last GATT round before the creation of the WTO, began in 1986 and concluded in 1994, lasting almost eight years. In Seattle, instead, the official participants declared its failure by announcing their inability to reach any meaningful agreement on any aspect. Of course, the failure of the Seattle gathering cannot be attributed solely to the protesters, it was also the open infighting of the official participants that brought the meetings to a dismal conclusion. On one side, the triad of the G7 exposed its old conflicts. The U.S. pressed for the opening of the European and Japanese markets in the sector most protected: agriculture. The Europeans and Japanese refused and accused the U.S. of abusing its anti-dumping practice to block imports of many of their products such as steel and cement.[51]

At the same time, there was strong pressure on developing countries to include the issue of labour practices in the agenda. Unexpectedly, the Clinton Administration had bent to the pressure of U.S. unions who see in cheap labour, with good reason, the greatest danger to the sustainability of their jobs. But developing countries expressed their complete opposition to the inclusion of labour standards in the discussions. Before the meeting, developing nations had been demanding that labour standards be put off-limits.[52] For they view cheap labour as the critical element in maintaining their competitive advantage. Of course, this is the view of the governments supporting the oligarchies and the MNCs and not the view of the workers.

Nonetheless, there was another big conflict at the Summit. Third World countries, except for a few of the so-called emerging economies, were being excluded from key meetings. Many countries expressed outrage at WTO procedures, which they considered secret and exclusionary. On Friday, the last day of the meeting, an angry group of eight Iberian American trade ambassadors informed WTO Director General Moore that they had been excluded from key deliberations and would not support a deal;[53] and unhappy Caribbean and African delegates accused Charlene Barshefsky, the U.S. trade representative, of freezing them out of a "sham" negotiating process.[54] Camilo Cuello, the Dominican Republic trade representative, angrily denounced that the draft that Barshefsky was trying to get countries to sign was identical to the one he had seen from Geneva and contained none of the major concessions sought by the developing world. The rumour of the apparent subterfuge spread like wildfire between the Iberian American and African delegations.[55]

In the meeting there were representatives from some of the most recognized NGOs such as Oxfam, the international network of NGOs that provides more than $200 million a year in food aid to the poorest countries of the world. NGOs' representatives accused the organizers of using them to improve their image but not really having the intention of sustaining a serious discussion with them. They said the organizers tried to lead them to believe that they were participating with them with the intention of keeping them from talking to the delegates.[56] However, it was the protesters outside in the street that, beyond their disruption of the schedules and meetings, enormously increased the awareness about the repercussions of these summits on the daily lives of the individual citizen and on the welfare of civil societies at large. What the message of the protesters clearly delivered was the need and the demand to put trade under citizen control.[57] This was a great success, but a victory in a battle that is just one of many to come.

Since the events in Seattle, Civil Society has been closely monitoring and protesting the main gatherings where the proponents of Neoliberalism and their institutions have met. At Davos 2000, in the middle of winter, almost 2000 protesters demonstrated against Neoliberalism and managed to break the smoothness of the World Economic Forum or WEF. They blamed their participants for being the culprits of the increase of poverty in the world.[58] The WEF is the summit of the proponents of Neoliberalism at its highest level. This is where every year, at Davos, Switzerland, and for the past thirty years, the chairmen and CEOs of the largest MNCs mingle with leading neoliberal economists and, of course, with the top managers of the Bretton Woods institutions and the WTO, to discuss the major issues facing the management of the world economy. In 2000, even Bill Clinton and Tony Blair, along with other presidents and prime ministers attended the event. One could already see the change of perspective in their speeches in reaction to Seattle and the close following of these events by NGOs. In his rhetoric, Clinton called for the consideration of the views of the groups that criticize the globalization of the world economy in order to obtain greater popular support for the opening process, liberalization and technological revolution of the economy. He talked about the need to give a human dimension to globalization and said that the failure of Seattle is the first warning for the need to reform the institutions and consider the opinions of the NGOs, so that a new round that benefits the poorest countries be launched.[59] It should be clear that, so far, these have remained strictly rhetorical statements.

In Oporto, Portugal, fifty thousand workers, mostly French, Italian, Spanish and Portuguese, and many NGOs protested against Neoliberalism and demanded full-employment. This was done during the gathering of the EU leaders. Protesters demanded that the leaders review the documents of the Treaty of the European Union to build Europe based on social policies with full-employment, equality between men and women and the recognition of social-labour rights.[60]

As could be expected, the 2000 meetings of the Bretton Woods Institutions in Washington, D.C. and Prague were also plagued with thousands of demonstrators. In D.C., during the spring meeting, ten to fifteen thousand demonstrators from more than 120 NGOs and other groups maintained a constant siege of the World Bank and IMF buildings and even of the homes of people like James Wolfensohn, then President of the World Bank, until the police arrested hundreds and placed Northwest Washington under virtual curfew. The demonstrators succeeded again, by making the protests the headlines in the newspapers of the world with help from the police who contributed to making the protests even more evident.[61] They succeeded in capturing the central focus of the event; and, although they did not shut down the summit, they were able to disrupt the gathering and cause many participants to miss the meetings.[62]

In Prague, during the 55th WB/IMF annual meeting, over ten thousand demonstrators from all over Europe clashed against eleven thousand policemen and almost two thousand reinforcements from the military. Many others were stranded at border entries, stopped by security forces that denied them entry into the Czech Republic. This has been one of the most violent clashes, over fifty people from both sides, mostly policemen, were injured, with twelve sent to the hospital.[63] For the protesters it was another battle where they reached complete success. Not only did they disrupt the schedules of the participants, but also they forced the summit to end one day earlier. As could be expected, the organizers did not credit the protest for being the culprit of the abrupt ending; instead, they argued that they ran out of topics for discussion since they had delivered all the speeches scheduled???[64] However, as a Spanish journalist explained, in his ten years covering this event, not once have they finished before noon of the third day, so the argument provided by the organizers was very dubious.[65]

Beyond the disruption of schedules and street fights, the real substance of the opposition to the policies of the Bretton Woods institutions has been a gradual change in attitude. James Wolfensohn has shown the most sensitivity to the demonstrations. In his speech at Prague, he said that he acknowledges the legitimacy of the issues raised by the NGOs protests and that he accepts the commitment of the new generations against poverty.[66] Wolfensohn said that something is wrong in the world when 20 percent of the world holds more than 80 percent of the wealth and the median income of the 20 wealthiest nations is 37 times greater than that of the 20 poorest nations, a gap which has doubled in the last thirty years, and he said that it is time to realize that we all live in the same world and not in two.[67] Horst Köhler, in contrast, was much more defensive. He said that they should be concerned about many of the issues raised by those who criticize globalization, but he affirmed that if the IMF did not exist, it should be created today, for it would be necessary more than ever to help organize globalization.[68] Larry Summers, U.S. Treasury Secretary, said that there is still a lot to do to reform the IMF and the World Bank, albeit already some important efforts have began.[69]

These acknowledgements from some of the key players notwithstanding, it should be clear that this has remained plain rhetoric, and even some of this rhetoric is clearly lukewarm, if not opposed, to the idea of social responsibility and citizen control. All the managers of the multilateral institutions and the leaders of governments insist that globalization cannot be reversed, and they mean neoliberal globalization, as it currently stands. Some, like Blair, Clinton and Schroeder have tried subterfuges to mask Neoliberalism under the so-called Third Way, but absolutely nothing in practice has been done to change the structures that are creating a lot of wealth for a few and dire poverty for the billions. Some showed real stupidity, such as Mexican President Zedillo who, in his speech at Davos 2000, labelled opponents of globalization as "globaliphobics," as if it were a matter of taste or preference, of intolerance, and not a matter of social conscious and solidarity.

Regardless of the real substance in the statements of the perpetrators of globalization, what is a fact is that they are no longer free to do and undo as the please. The message has been clearly delivered: "The world is not for sale, and you have to respond to Civil Society." Darwinian capitalism, designed for the survival of only the fittest, will have to bend to a majority with a completely different set of morals. Indeed, Mexican politician Adolfo Aguilar Zinser recently asserted that the debate has no easy solution and it will not be resolved with technical arguments. Ultimately, it represents the clash of two moral conceptions with principles and language radically different, whose outcome cannot be predicted. However, what is undisputable is that the events in the last twelve months have altered the terms of the public debate about globalization. For the first time in more than a decade, economic liberalism is on the defensive.[70] I predict that Civil Society will take charge of its own responsibility to demand that democratic governments respond to it and only to it. For the corporate citizen has no rights, only the individual citizen, embodied in Civil Society, does.

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a Alvaro J. de Regil is Executive Director of The Jus Semper Global Alliance

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17 *ibid*

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