A DIVIDED ECONOMY IN THE WORLD

The world's richest people more than doubled their net worth between 1995 and 1999: their combined wealth now equals the total annual income of the world's poorest 2.5 billion people. Similar inequalities are observed lower down the scale. In Indonesia, 62% of the stock market value is held by the nation's richest 15 families; in the Philippines it is 55% and 53% in Malaysia. This accelerating inequality is a by-product of a free market, capitalist economy. These gaps are going to grow – a recent WTO estimate suggests that income disparity will double in a century and a half at the current trend.

Many argue that without widespread land reform, there can be no sustainable development of extensive public provision of social services and redistributive income policies. However, there is no doubt that a number of countries, notably in East Asia, have managed to lift themselves out of both poverty and inequality in a relatively short space of time, with export success being a critical ingredient. The inequality, instability and ecological unsustainability of the current pattern of corporate globalisation are now under increasing assault, both intellectually and politically. Six major fault lines can be observed:

- Ignoring Equity: Market opening creates winners and losers – indeed, its purpose is to reallocate assets and livelihoods towards those most able to compete. Even the WTO admits that "poverty may be exacerbated temporarily". But liberalisation has generally been pushed through without mechanisms in place to compensate the losers with some of the increased net wealth that market opening is supposed to bring. It is therefore entirely rational for those whose livelihoods are threatened by freer trade to oppose liberalisation.
- Pulling up the Ladder: What worries a growing number of developing country governments — though not apparently the government development agencies of the North — is that many of the policy instruments used to achieve development in East Asia and elsewhere are now viewed as inconsistent with the rules of the WTO: seeing the emergent competition from the South, the industrialised world is pulling up the ladder of development. In this context perceived attempts to incorporate social and environmental clauses in trade agreements are seen as ways to stop the South prospering - rather than as measures to achieve balanced and sustainable development.
- Speaking with Forked Tongue: The commitment of the North and the dominant international institutions to free market policies is, of course, only partial. It is severely constrained in practice by the $700 billion worth of barriers to Southern exports, notably agriculture and textiles. With minor

exceptions, the North cannot agree to give tariff-free access to the least developed countries – and their latest proposals were described by Bangladesh as "confidence shattering". But while these privileges of the rich remain non-negotiable, the South is forced increasingly to open their economies to subsidised goods, destroying markets for local producers. Quite understandably, developing countries have been opposed to a new round of negotiations at the WTO until the impacts of the Uruguay Round have been fully assessed and the agenda for the next is weighted in their favour.

- Removing the Foundations: Enabling the South to have more discretion in its development trajectory and removing barriers to market access would, however, fail to address the ecological costs of corporate globalisation – in fact, it could further erode the natural foundations for development. Though multinational corporations can often be cleaner and more efficient than local producers in the South, the resource intensive patterns of production and consumption that they embody are becoming further diffused and entrenched through globalisation. Ten years after the Earth Summit, little has been done by the North to 'put its house in order' – and hence little has altered in the predominant trajectory of development currently stimulated by trade and investment deregulation.

One of the critical dilemmas for the South is how to generate wealth without becoming locked into the ecologically obsolete technologies – such as fossil fuel combustion – dominant in the North. While evidence is growing that radical reductions in pollution and resource use in the post-industrial economies of the North are necessary, possible and viable, the changes in lifestyles, regulation and corporate strategy required to achieve these are still resisted. Equally taboo are discussions of measures to address the North's massive 'ecological debt' to the developing world (for example, the costs of climate change borne by the poor).

- Building up Goliath: Corporate globalisation has brought a massive shift in the balance of power from the state to the firm over the last 30 years, notably multinational corporations, who dominate international trade and investment. The retreat of the state from productive activities through privatisation and deregulation has certainly brought notable efficiency benefits. But it has rarely been accompanied by parallel measures to hold companies to account and match company size to that which is compatible with democratic governance in the global economy. This limits the capacity of developing country governments to negotiate with multinational investors and retain value through tax: Oxfam UK estimates that developing countries are losing $100 billion a year through corporate tax evasion. Furthermore, deregulated international commerce is creating a buyer's market, exposing producers to concentrated purchasing power, forcing down returns. Finally, the redefinition of property rights and privileges contained in global agreements, such as the WTO, serves further to bias the economy against the South and poor communities (notably trade related agreements on intellectual property – TRIPs). Just as the first era of globalisation was shot through with conflicts over ownership of factories, so the second age is being marked by new struggles over the Earth's declining carrying capacity. Solutions to both climate change and bio-diversity loss thus both turn on a redistribution of property rights.

► It's Power Stupid! Globalisation is clearly not a simple question of economics. Not only does the theoretical basis for a global free market economy appear increasingly shaky but it is also undesirable since equity and ecology do not hold currency in the capitalist economy. It is telling that even Singapore Prime Minister Chok Tong Goh – the leader of one of the Southern 'stars' in the new global economy – felt forced to attack this fundamental imbalance at the recent UN Conference on Trade and Development (UNCTAD) Summit: "Globalisation is undoubtedly led from the West and bears the strong imprint of American political and economic power. It is highly uneven in its consequences. Globalisation should not mean the dominance of the West over the rest."

What is fascinating and hopeful about the current situation - especially following the collapse of the Multilateral Agreement on Investment (MAI) and the debacle at Seattle – is the degree to which the political and corporate establishment feel the need to make nods in the direction of poverty reduction, sustainability and greater accountability. Thus, the world is awash with 'soft' policy efforts, notably the OECD's Guidelines for Multinational Enterprises and the UN Secretary-General's Global Compact. Seen in light of previous efforts to redirect the global economy, such as the New International Economic Order in the 1970s, these look pale and ineffective. But they nevertheless present important tactical opportunities for change, particularly given the new element that was not present 20 years ago: internationally-organised civil society. This gives hope that not only can such initiatives deliver direct benefits, but that they can also prefigure a new generation of international regulation that turns corporate globalisation to the common good.

A DUAL ECONOMY IN THE SOUTH

The sustained promotion of free market policies – trade and investment liberalisation, privatisation of state assets, increased labour flexibility – is simultaneously integrating and excluding communities and countries across the globe. As a result, a dual economy is emerging in the South. The 'New South' is outward-looking, with the capacity to exploit global markets and benefit from a significant upgrading in social and environmental performance through productivity improvements.

Examples of this 'New South' can be found in many places and sectors. Bangalore with its silicon economy is the place most associated in the popular consciousness as the archetype of the 'New South'. But it also highlights the ways in which the more locally-based, livelihood economy is being disrupted by corporate globalisation. Globalisation has the tendency to marginalise systematically the livelihood economy, by diverting the asset base of the poor towards corporate interests. The corporate economy in Bangalore has won privileged access to government funding, land, infrastructure and services, disrupting the local economy which provides most of the population – including virtually all poor groups – with their livelihoods: "poor groups suffer demolition, resettlement, increased land prices and a governance system in which their local representative structure has little power". The Bangalore case highlights how the promotion of corporate globalisation is an active choice of politicians – operating not only in international organisations or national authorities, but also at the state and city level.

It is possible to show beneficiaries of globalisation in the South but they remain outnumbered by those excluded or actively impoverished by market opening. Furthermore, the capital-intensive nature of the corporate economy means that it is unlikely that it can respond to the huge 'livelihood famine' across the South. The cost of creating one job in the modern industrial sector in India is now well over $100,000. The creation of the 15 million jobs needed each year would by itself cost eight times the GNP of the country. Even in a utopian world of 'nice globalisation' with every international bias against the South removed, every tariff and market distorting concentration of corporate power excised, it is doubtful whether the world's goals for poverty reduction and sustainable development could be achieved. Additional measures are clearly required: redistribution from North to South through debt cancellation, automatic transfers (not aid) and payments for environmental services. But strengthening the local economy, its livelihoods and its asset base is also essential – yet much neglected by current policymaking.