AN ALTERNATIVE VIEW OF THE LINKS BETWEEN THE WESTERN WORLD ORDER AND THE THIRD WORLD ECONOMIC AND ENVIRONMENTAL CRISIS

by

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DECLARATION

This thesis contains no material that has been accepted for the award of any other higher degree or graduate diploma in any tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except when due reference is made in this thesis.

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ABSTRACT

An alternative view of the existing world order is adopted, since, it is argued, the orthodox view (of a benevolent First World tirelessly engaging the development problems of a Third) is illusory. The parlous condition of debt-ridden Third World countries is explained by locating them within the confines of this order and drawing an interrelationship between their lack of beneficial development and the rapid deterioration of their environments. Some of the mechanisms by which the now unrestrained western economic system are examined where the residents of one hemisphere are 'managed' to service and support the profligate lifestyles of elites in the other.

It is argued that a western order has straddled a reconstructed world economy since 1945 and has been sustained by the hegemonic power of the United States and its major industrial allies. It is further argued that the archaic exploitative nature of this order has rendered it inappropriate for new world conditions and the present general turmoil is a symptom of its decline. The world is moving from an old to a new set of imperatives, which must be socially-just and ecologically-benign. Thus movements for socio/economic justice and the environment can no longer be perceived as separate ends but as parts of the same larger global process.

CONTENTS

ABBREVIATIONS

AEA	Atomic Energy Authority
BANK	The World Bank
CENTO	Central Treaty Organisation
GATT	General Agreement on Tariffs and Trade
GNP	Gross National Product
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IMF	International Monetary Fund
IPCC	International Panel on Climate Change
NAM	Non-Aligned Movement
NATO	North Atlantic Treaty Organisation
NICS	Newly Industrialised Countries
NIEO	New International Economic Order
OECD	Organisation for Economic Co-operation and Development
OPEC	Organisation of Petroleum Exporting Countries
SEATO	South East Asia Treaty Organisation
SIPRI	Stockholm International Peace Research Institute
TNC	Trans National Corporation
TRIM	Trade-Related Investment Measure
TRIP	Trade-related Intellectual Property Rights
UCIZONI	Union of Indigenous Communities of the Northern Ithmus
UK	United Kingdom
UN	United Nations
UNCED	United Nations Conference on Environment and Development
UNICEF	United Nations Children's Fund
US	United States
USA	United States of America
USSR	Union of Socialist Soviet Republics

PREFACE

My intention throughout the research has been to understand at least some of the factors which have been important, perhaps decisive, in determining contemporary global relations between the rich and poor worlds. Although the initial point of interest came from a growing concern for the state of the local and international environment, the futility of separating inextricably-connected environmental and development issues became obvious. Equally clear was the conclusion that attempts to alter the deteriorating condition of the planet will not succeed before serious attention is paid to the inequitable conditions under which the majority of the human race is forced to exist, was equally clear. And because Third World debt is one of the essential pillars supporting the western world order, its resolution will be difficult while the same order persists and while an excessive consumption in the rich world generates poverty in the rest.

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INTRODUCTION

> The factors that have typically driven policy are the need to impose or maintain a global system that will serve state power and the closely-linked interests of the masters of the private economy and to ensure its viability by means of public subsidy and a state-guaranteed market (Chomsky 1991:2).

It is difficult to state with certainty whether we are experiencing an interregnum (Enzensberger 1990:155) during a "unipolar moment" (Layne 1993:32) between world orders in the cycles of political, economic and cultural hegemony. There is wide agreement however, that this is a time of change and uncertainty associated with the declining hegemonic status of the United States and the disintegration of the USSR (the bipolar system). State power appears to be in decline under pressure of growth in the private sector and the emergence of the so-called 'global market'. Both tendencies are said to contribute to persistent geo-political and geo-economic disorder (O'Tuathail 1992:437). But this situation may be short-lived as new great powers emerge, structurally-driven by the twin factors of differential growth rates and international anarchy (Layne 1993:9).

After World War II, the United States extended the economic connections between the countries of the 'free world' and as hegemon, was well-placed to co-ordinate and control them. For Layne, United States policy-makers had made definite plans for what was to be an "American Century":

> American strategy aimed at achieving a "preponderance of power" in the international system. Washington sought to incorporate Western Europe, West Germany and Japan into an American-led alliance; create an open economy that would permit the unfettered movement of goods, capital and technology; and create an international environment conducive to America's democratic values (Layne 1993 :33).

This made possible almost three decades of growth and prosperity (the long boom). But since the late 1960s, both have stalled coinciding with a multitude of morbid symptoms in the world generally. These have included an almost universal state of economic and political insecurity. In the absence of a fully-accredited hegemon, corporate power has been advanced in the accelerated growth of the market particularly in the spheres of international financial services. This has been accompanied by a consolidation of wealth in the hands of rich elites. The agenda of the so-called 'New Right', attempting to undo the social, economic and political gains of the last sixty years (Corbridge 1992:286). Perhaps the spectacular increase in the numbers of world poor in the last two decades is not an unrelated phenomenon, as Ekins observes:

> ...the 50 per cent of some developing country populations who have not only been bypassed by mainstream development but are being systematically impoverished by it, or the part of the population of the 'free market' industrial countries, up to 20 per cent in the US and UK, who languish fixedly below the poverty line. These disposable people are not a new phenomenon of capitalist industrialisation, rather they are one of its most enduring features (Ekins 1992:202).

This thesis traces the beginning of the current world order to the end of World War II as historical context for the development, extent and maintenance of the Third World debt crisis and its ongoing social/environmental costs.

Chapter One scans the events surrounding the establishment of this western order under the hegemony of the United States, an era coinciding with the Bretton Woods capitalist economic system. Both have declined after a somewhat short reign, upwards of thirteen to fourteen years from the late 1950s to the early 1970s (Hirst and Thompson 1992:360). This era also coincided with periods of 'inter-systemic rivalry' known as the 'Cold War' between two empires (American and Soviet), for access to the resources and markets of less-developed countries.

Chapter Two traces the major factors contributing to the declining predominance of the United States and the rising power of its economic competitors. It highlights some of the main causes of economic decline, namely the OPEC oil shocks of the 1970s and the inadequate responses of western powers to the more important oil crisis of 1978-79.

American reassertiveness in a unipolar world was an underlying reason among those which drew the 'world' to war in the Persian Gulf in 1990. Chapter Three argues that this 'incident' was more than a piece of adventurism motivated by economic and political self-interest. It was an act of discipline exercised by the United States and its major allies upon an increasingly recalcitrant Third World.

Chapter Four looks at some of the competing explanations for the present turmoil in international political and economic relations. This is considered to be an important part of the background to the current Third World debt and associated environmental crises.

Chapter Five traces the sources, development and proliferation of the debt crisis. Of particular interest are the effects of the OPEC oil increases in the 1970s on the economies of Third World countries. This chapter also contains an analysis of the inadequacies of western development models, and highlights the role of the World Bank, the IMF and other lending and aid institutions. It also describes some examples of poor lending policies by the above institutions and the resulting social/environmental effects.

Chapter Six examines the close links between Third World indebtedness and the profligate waste of environmental resources, especially forests. It focuses on the agenda behind the recent push to finalise the GATT Round, its connection with the Third World debt crisis and the likely social, political and environmental effects.

By way of conclusion, the final chapter looks at factors coming into play in the waning years of the late twentieth century which are likely to exert influence on the future of people and planet, and seeks to find reasons for justifying a small degree of confidence.

CHAPTER ONE

POST-WAR HEGEMONY.

1.1 Introduction

For almost three decades after the end of World War II, the United States was both militarily and economically pre-eminent. It had played a decisive role in bringing hostilities to an end and was widely acclaimed the saviour of the old world and the liberator of the new. But 1945 was not simply the end of a war. It was the emphatic end of a British hegemony on the wane since the turn of the nineteenth century (Layne 1993:28). The war had revived an American economy drained by the depression years. It brought prosperity and recovery. In contrast to ravaged Europe, America had high production, consumption and employment. More importantly, it led in the important fields of military and scientific technology (Vaizey 1983:28), thereby ensuring its hegemony.

1.2 The Orthodox Cold War

The term most commonly used to characterise the predominant geopolitical situation from 1945 to 1990, is Cold War. This was a long period of sustained global insecurity supposedly induced by the threat of general extinction. America was a dominant superpower, whose established order was claimed to be constantly under challenge by the USSR (Taylor 1992: 11). Yet the Soviet Union was very weak in the early post-war years. World War II had been a holocaust in which the loss of life within its borders is thought to have been in the order of twenty million (Calvocoressi 1982:4). There had also been widespread destruction and displacement of industry and distortion of industrial patterns to the detriment of everything except war production. Because the war had devastated and depopulated much of the Soviet Union's cultivated land, food production was almost halved (Calvocoressi 1982:4). Consequently, some have argued that the European war against Germany was largely fought and, in terms of human life, paid for by the Russian people (Anderson 1992:41).

After 1945, these historical facts were quickly set aside by the United States and its allies. Their diplomatic history up to 1941 and their respective attitudes to international political, social and economic problems, suggest they had little in common with the Russians before and after the war (Calvocoressi 1982:3). The rivalry therefore derived its strength from an inter-systemic character between two very different social, economic and political systems which began in 1917 with the onset of the Communist Revolution and the exclusion of western capitalism from Soviet Eastern Europe (Halliday 1990:6-7). This rivalry accelerated as the Americans proceeded to organise the new world in their own interest - from a position of strength. At Bretton Woods, a number of innovative institutional mechanisms were set up to "manage" a revived international economy in the new world conditions. There was a semi-fixed paper dollar standard for exchange rates; the World Bank and the IMF (International Monetary Fund) for monetary discipline and liquidity; and the mechanism of the General Agreement on Tariffs and Trade (GATT) for multilateral trade negotiation. Not surprisingly, the evidence suggests that the Bretton Woods economic order primarily served the interests of the United States, whose hegemony it underpinned. Hirst and Thompson (1992) argue that the present problems of the world-wide economy are consequently linked with the declining economic status of this country.

After Bretton Woods, America stood to gain much by becoming creditor to most of the war-ravaged world (through it's superior export power). During the years that followed, President Truman's self-confessed dilemma was not *whether* to make political use of the new weapon, but to *what* political end he should use it (Calvocoressi 1982:7). A line was drawn between Eastern and Western Europe where American policy was initially containment of Communist expansion and, because the economic and political stability of Western Europe and Japan were critical to this policy, the United States was willing to forego the "maximisation of its relative gains and pursue instead a policy of absolute gains for all members of the anti-Soviet coalition" (Stein 1984:355). Essentially this meant that America was willing to exchange the hegemon's prerogative of enriching itself at the cost of its allies for the strategic benefits of their economic and political stability and the success of its containment policy.

In the late 1940s, the Korean War further strained relations between the United States and the Soviet Union and containment became globalised to underscore the portrayal of a masterly socialist conspiracy for conquering the world (Calvocoressi 1982:15-16). America advocated and supported a string of regional alliances to ring the USSR and China, from NATO in Western Europe through CENTO in the Middle-East to SEATO in South-East Asia (O'Loughlin 1989:305). By 1953, the American nuclear monopoly was more or less ended when the USSR achieved a nuclear capacity.

The economic and social dimensions of the Cold War allowed the creation of a consensual politics of growth in post-war America (O' Tuathail 1992: 439). By exaggerating the threat of an expanding Communist empire, United States foreign policy makers were able to transform the country from a reluctant isolationist power into a crusading protector of an open world economy and free enterprise system which flourished under the conditions of a bipolar international system (Layne 1991:45). The open-market system continues to be of major importance for the United States and its major allies. This point was made clear by the US Secretary of Defense Cheney in 1992:

> We are a trading nation, and our prosperity is linked to peace and stability in the world. Simply stated, the world-wide market that we're part of cannot thrive where regional violence, instability, and aggression put it at peril (Dick Cheney, US Secretary of Defense, in Layne 1993:50).

1.3 The Real Cold War

The superpower conflict of the conventional portrayal after 1945, between the USSR and the US, was only fractionally real. In part it was a device to mobilise a reluctant population in fear of an enemy supposedly dedicated to its destruction. Equally for the USSR, it served as a means of motivating the support of its satellites. But for the US it was primarily an economic war, fought for access to the resources of the Third World

Internationally, the United States relied on an imposed deterrence system through NATO in Western Europe and the Mutual Security Treaty with Japan, to incorporate America's major capitalist allies into an economic alliance (Barnett 1983). Thus a convergence of interests among the ruling elites in all three regions facilitated the establishment of an American 'empire by invitation' (Lundestad 1990). It was also this same policy which allowed the United States:

> to establish for itself the freedom, in the space which became demarcated as the 'Third World', to intervene and to attack peoples and states US national security elites considered a threat to their version of 'American' values, institutions and economic interests (Chomsky 1991:28).

In the less-developed countries, super-power 'disputes' were resolved by proxy (Layne 1993:44) in protracted but limited bloody wars (Korea, Vietnam, Angola and Afghanistan), often in battles between popular liberation movements and counter-insurgency United States-backed forces. Between 1945 and 1989 there were 269 American military actions (supposedly) aimed at the containment of the USSR whose 'puppets' were said to be a threat to fragile democracies in developing countries and the legitimate interests of the free world (O'Loughlin 1989:305). This kind of aggressive western policy seemed to characterise the post-war period till the 1990s, one which incorporated another assumption, namely that developing countries were in need of protection from expansionist superpowers.

Chomsky argues that there are really two versions of the Cold War, an 'orthodox' and a 'real' one. According to US propaganda, there could be no co-existence with the USSR, which was held to be the aggressor throughout. Only five years after the Soviets faced annihilation in World War II, they were to be reconstituted within a US-dominated alliance, itself committed to the elimination of the Soviet system. By its very nature, such a system constituted an unacceptable challenge. Its autarkic command economy defied American business plans to build a global system based on force, trade and investment (Chomsky 1991:38). The Communist Revolution had put an end to western hopes of a world united by capital (Sampson 1982:44).

1.4 Democracy For The Few

The role of the Third World was purely functional in the American post-war world. It served the needs of the industrial countries. South-East Asia was essential as a storehouse of raw materials and as a market for the products of western Europe and Japan - hence the necessity for "police actions" in Korea, Vietnam and Iraq. The major policy imperative was to block indigenous nationalist forces that might try to use their own resources in conflict with American interests (Chomsky 1991.54).

In the Middle-East the implications of this policy have been of the greatest importance for world peace. This, the world's most energy-rich area, has evoked the greatest fears in United States planners. 'Security' has been equated with the ability to restrain unfriendly nationalist forces threatening western control of the oil-producing region. Saudi Arabian elites and the Israeli state continue to be considered appropriate partners in assisting terror and subversion in the Third World (Chomsky 1991:55). This is a view shared by O'Loughlin:

> U.S force will probably be only used against Third World states that threaten "vital US or Western interests". Oil is clearly one of these interests and as the US conservatives argue, control of it by an opposing state is a legitimate realpolitical reason to go to war (O'Loughlin 1992:26; see also O'Tuathail 1992:440).

By 1989, the Soviet geo-political order was no longer viable. It had not been as attractive as the one established in western Europe by the US (Migone 1987) for whom the end of the Soviet empire meant the end of a useful pretext with which to justify the maintenance of a neo-colonialist order in the weakest areas of the

Third World. According to Chomsky, the end of bipolarity has exposed the reality behind orthodox Cold War rhetoric:

> The problem of the disappearing pretext was recognised years ago, but the efforts of the 1980's to overcome it invoking lunatic Arab terrorists or Hispanic narco-traffickers, for example, have too short a half-life to be truly effective. It therefore becomes necessary to acknowledge that the Third World itself is the real enemy (Chomsky 1991:32-33).

The real Cold War, waged against and for the submission and exploitation of developing countries (initially in the interest of American business elites and now for the benefit of global corporations) can continue. For United States policy planners, the threat of communist domination of the democratic world, obsolete long before the dissolution of the USSR, has meant a search for new enemies, readily supplied in the rising power of militant Islamic states such as Iraq. This "major candidate for the prime evil of our times" (Springborg 1992:16), according to the Gulf War rhetoric of George Bush and seriously entertained by certain analysts (Taylor 1992:12), surpasses the ideological threat of Communism. In 1990, this it was sufficient to call the world to arms against Iraq. But it lacked credibility according to some observers:

> In sum, the United States administration put forward the New World Order to pre-empt a discourse of peace. Instead of euphoric celebration of victory over the Soviet Union, and open discussion of distribution of the benefits of peace, we were instructed that evil had mutated into a new, more virulent form that required yet greater vigilance on our part. Peace dividends would have to be, deferred (Springborg 1992:15).

This short-lived New World Order is dealt with more expansively in Chapter 3.

CHAPTER TWO

AMERICA HEGEMONISING BEYOND ITS MEANS

2.1 Introduction

There is a good deal of agreement that the unravelling of the American post-war order began with its changing fortunes in the 1960s when dominance of the world's economic, and political systems had begun to erode. (O'Loughlin 1989:297). One very influential viewpoint, the "imperial overstretch thesis" (Kennedy:1987), argues that in the period 1968-1972, the United States entered into decline as military over-commitment and economic stagnation combined to produce a country less equipped to meet economic competition from Europe and Asia. Another popular view (among conservatives) denies the idea of hegemonic decline completely (Nye 1990; Nau 1990), attributing American economic problems to mistaken policies and the lack of authoritative leadership. This view leans heavily on the United States' economic growth in the mid-1980s and the subsequent military re-assertiveness under the Reagan and Bush administrations, both of which were largely underwritten with foreign loans and 'donations'. (O'Loughlin 1990:27).

For Agnew, the above views are inadequate analyses of the American position. Heavily indebted and with a deteriorating infrastructure, its territorial economy has been undermined by policies geared increasingly towards transnationalised American business interests (Agnew 1990:8). On the other hand, a liberal perspective argues that geo-economics will replace geo-politics and that the United States will continue to be economically disadvantaged until it is able to respond to the challenges from regional trading blocs and the 'unfair' trading practices of its competitors (Agnew 1990:7).

The declining status of the United States has meant that changes in global economic, political and cultural conditions, no longer lie solely within the control of United States policymakers. Long cycle models (Gilpin 1981) claim that America could not compete economically with Japan, Western Europe and the Newly Industrialised Countries (NICS), while it had to remain militarily superior to the old USSR. For Gilpin, imperial decline is attributable to a consistent set of factors:

(1) External burdens of leadership resulting in costly expenditures;

(2) An external secular tendency towards rising consumption, thereby reducing infrastructural investment; and

(3) The international diffusion of technology which bridges the gap between the initial advantage of the leading state and its lagging competitors.

The United States has not managed to remain sufficiently competive to maintain an unthreatened hegemonic position. While fixed capital investment has been higher among its industrialised rivals, in the US, military and private consumption has been excessive. Thus Burstein argues that the stage is already set for a power shift towards Japan. He claims that Americans suffer from a general lack of comprehension regarding the seriousness of their economic predicament, so that:

> When America finally wakes, it will be the morning after when it is too late. Americans will face a country that has let its infrastructure crumble, its foreign markets decline, its productivity dwindle, its savings evaporate and its budget and borrowings burgeon (Burstein 1988:24).

Burstein warns that, to a large extent, Japanese capital already controls American interest rates, the financing of government operations and the flow of imports and exports. Japan, he claims, has won the trade war and is well on the way to victory in the area of financial competition for control of the "body's bloodstream." This is a battle which it will ultimately win in the twenty-first century because it has been sufficiently astute to enjoy the benefits of leadership without paying for the rest of the world's "security and development". Layne is less concerned about the resurgence of Japan to great power status because, like

Germany, it cannot be considered a great power since it lacks the requisite military capabilities, especially strategic nuclear arsenals for deterrence self-sufficiency (Layne 1993:5). But this is likely to be only a temporary situation (see chapter 4, p.26) as far as Japanese rearmament is concerned. It is also quite possible that there are others such as China, vying to fill the power vaccuum in a high-growth area:

> China will be a strong contender for great power status if it can maintain its internal cohesion. Buoyed by its vibrant economy, China has embarked on a major modernisation and expansion of its air, naval and ground forces, including its power-projection capabilities (Kristof 1993, cited in Layne 1993:5).

2.2 The Beginning Of Decline

Affluence, stationary prices and low inflation made the 1960s an economic success story which coincided with a strong faith in capitalism, technology and science. But these conditions could not be sustained for long. In the mid-1960s, discontent spread around the industrialised world, beginning in the United States. It signalled the end of an 'idyllic' period. There were fierce controversies and clashes over Black Rights and the Free Speech Movement at Berkeley with further dissent over American involvement in the Vietnam War, especially the bombing of North Vietnam after 1965. But the single most significant year in this 'decade of dissent' was 1968, a year that saw a torrent of activity on the global stage. America contended with a Black Power Movement and the asassination of Martin Luther King. In Vietnam it was the My Lae massacre of Vietnamese civilians by American troops and, finally, the North Vietnamese Tet Offensive. In Europe, it was the Paris student revolt. By 1969, America had very serious problems, with US authority under siege nationally and internationally. Repression of blacks, students and other minorities was equated with the repression of the Vietnamese specifically and the Third World in general. In the same year the world economy showed a decline, as did America's GNP. It meant recession and further woes, signalled by Nixon's break with the gold standard. This had serious long-term effects because the United States, along with its European allies, failed to devise an international monetary mechanism to replace that which had collapsed (Vaizey 1983:397). The result was monetary instability and further decline in the prestige of the United States.

2.3 The "Shocking" Price Of Oil

In 1973, the Organisation of Petroleum Exporting Countries (OPEC) unilaterally raised the price of crude oil by a factor of four, and in 1979 it doubled the new price. These acts were initially perceived as statements of symbolic importance in a new era of assertiveness for the Third World. Oil-producing countries demanded more power over their valuable commodity, thus weakening the western world's monopoly over the resources of the developing world (Odell 1986:288).

Post-war prosperity in the West had been largely subsidised by the availability of this cheap and versatile fuel, and for major industrial nations such as the US, its availability was of considerable importance to the closely-linked interests of business and state (Odell 1986:27). By 1973, the oil companies had contributed over $2500 billion towards the balance of payments (Odell 1986:27). After 1974, there was a deterioration in both foreign remittances and US balance of payments. The price of crude rose by 400 per cent.

It is necessary to note that although commercial considerations were important, there have been wider issues involved in the politics of oil. America was and remains concerned for the security of international oil supplies both for itself and its allies. According to Chomsky, the availability of cheap supplies and indeed other Third World commodities, have been an integral part of the United States post-war order and have therefore required close protection by the West:

> It has always been a guiding policy that Middle-East oil should be under the control of the US, its allies and clients and its oil corporations and that independent radical influences are not to be tolerated (Chomsky1991:179).

Yet in 1973, for a number of reasons, such international disobedience was tolerated. Political, cultural, and economic events had coalesced in a way to produce quite profound changes in US foreign policy. Vaizey explains:

> The position of the United States in the mid-70s was central to the collapse of western morale and ideology..more fundamental, possibly, was the retreat of America from a positive, crusading spirit of free enterprise and free institutions to a morally defensive attitude to communism and towards the nationalism of the Third World, where liberal institutions were rare (Vaizey 1983:392).

2.4 Multinationals And Oil Power

For the international oil companies, the Middle-East had been an El Dorado. Concession areas allowed them almost total sovereignty, including the right to explore without hindrance. In return, they were asked to pay a small royalty and some share of the huge profits, that share being completely determined by the way they managed their books (Odell 1986:34). At the end of 1973 this cosy arrangement came to a sudden halt, when most of the oil-producing members of OPEC unilaterally asserted the right to take whatever decisions they liked in the ownership, production and price of oil, *without the approval of the oil companies.* Inevitably this meant demanding a higher price for oil, but who was to pay for the price hikes? Importing countries were vulnerable either way. Restrictions, let alone stoppages, would jeopardise their industry and daily life; price increases would disfigure their balance of payments. In the end, the problem was shunted onto the backs of consumers who were locked into fossil fuel consumption and would thus pay the higher prices. The situation of the companies was somewhat different. They suffered only in that restrictions and stoppages harmed their profits; higher prices did not (Calvocoressi 1982:34). The oil companies recognised that their best interests were served by co-operating with the now powerful oil producers (Odell 1986:110) and allowing OPEC to be blamed for the steep increases. Thus the companies simply increased their profits and refused to absorb even part of the additional costs (Odell 1986:111).

It is important to note that consumer nations had also failed to see the significance of the steadily rising power of OPEC after 1960 (the date of its formation). Little attempt was made to respond to this threat by adopting measures to reduce the cost of imports. The combined power of OPEC and the oil companies seemed formidable as they proceeded to syphon off billions of petro-dollars from western economies and those of the vulnerable developing world.

As noted, 1973 saw increasing tension in the fixed exchange rates between international currencies. The floating and devaluation in the American dollar intensified economic uncertainty, whilst soaring prices in wheat and fuel indicated in extreme form what was happening in other basic commodities (Blainey 1988:252). Between 1971 and 1974, the price index of world commodities rose from 1 per cent to 68 per cent. Wage demands added more pressure. Western economies seemed to be in a spiral. Till 1974, Germany was the only country able to keep inflation below 10 per cent. In the UK, it reached 24 per cent. The effects of high oil prices permeated throughout these economies, affecting the cost of everything. Speculation in high-demand commodities further added to rising costs at a time when prosperity (in the early 1970s) was still expected to continue indefinitely. But the movement of wealth out of public hands (especially in higher fuel costs) to the private accounts of the rich (in Western banks) had begun to accelerate once again. The recession was gathering momentum.

It would be difficult to overstate the damage done to the world economy during the climactic years of the early 1970s. Lulled by a false sense of security and affluence in the 1950s and 1960s (the long boom), the affluent world was unprepared for the return of the old malaises. Soaring prices, shortages, strikes, unemployment and currency dislocations suddenly returned to plague western economies. The vital industrial sector, the linchpin of its economies, suffered a heavy blow (the area of motor vehicle manufacture was especially hard hit) as did business confidence. It was the end of an era. Wealth began to retreat to its traditional home in the coffers of the elites, an unremarkable phenomenon during periods of recession.

CHAPTER THREE

THE ALMOST 'NEW' WORLD ORDER (OF GEORGE BUSH)

3.1 Introduction

By the end of the 1970s, the briefly-won improvement in the bargaining power of Third World countries were wound back. Any hope of North-South cooperation embodied in the New International Economic Order (NIEO) of the UN declaration were fading quickly. Commodity prices had plummeted and developing countries began to feel the serious effects of heavy debt. The net transfer of resources to the rich industrial North varied between $20-$100 billion dollars per year (Khor 1992:25). It was *status quo ante*. The power to determine world economic events returned to the North, and concentrated in the hands of the Group of 7 major powers while the South was split between the newly-industrialising countries (NICS) and the indebted poverty-stricken remainder. A neocolonial strategy of 'divide and rule' proved effective in the 'case by case' approach of the IMF in managing the debt crisis of the 1980s. These were years in which Transnational Corporations (TNCs) expanded widely in a weakened Third World then competing within itself for foreign investment. TNCs were also behind the recent GATT push to remove all trade restrictions worldwide (see Chapter Six). By the 1990s, many poor countries were exhausted by debt and commodity problems, and without the support of a Soviet Union, had fewer options to improve their collective positions.

This was the context for the 'Gulf Action' of 1990, when President Bush of the United States proclaimed a new era of international justice and cooperation:

> A new world struggling to be born, a world quite different from the one we have known, a world where the rule of law supplants the rule of the jungle, a world in which nations recognise the shared responsibility for freedom and justice, a world where the strong respect the weak. (Bush, cited in Evans 1991:1).

It was a vain attempt to elaborate the nature of a brave New World Order, a long-awaited new age beyond rivalry, beyond the Cold War and beyond injustice. But behind the elevating rhetoric loomed yet another high-handed international adventure. As Senator Gareth Evans, Australia's Minister for Foreign Affairs rightly notes, one may be excused for a certain amount of cynicism when confronted with a new order promoting democratic practices; the consolidation of free market economics; collective resistance to aggression; and the upholding of universal values (Evans 1991:1). Nevertheless, in spite of the shortcomings of a 'global plan' which focuses simply on the issue of security, Evans could still muster some optimism, because "it is not a bad place to start" (Evans 1991:2). The UN's collective security obligation so dramatically discharged in the Iraq-Kuwait tragedy, had depended largely on the willingness of the United States and its allies to go down the same road again. Unfortunately these assurances do not offer a very firm foundation for international security as borne out by the reluctance of the UN to show similar determination in the Balkans and many other 'trouble spots'. The struggles of disposessed minorities and majorities, also supported by UN resolutions in occupied Palestine, East Timor, West Papua, Cyprus and South Africa, cannot hope for the same degree of enthusiastic support from a US-propelled UN action. Such places simply do not posess the necessary inducements to an "enlightened self-interest" and consequently no hope of a US rescue mission. Nevertheless, Evans (1991:4) maintains that the American role is crucial for "nourishing and maintaining the UN system". An alternative explanation is perhaps that, having itself barely survived the Cold War contest, the United States, now in economic decline, is compensating with increased and unchallenged military action (Chomsky 1991:3; Springborg 1992:15). There is a new world political/military equation in which America remains pre-eminent and whose assent must be given whenever the UN undertakes a particular action. The really important decisions of the UN are made in the US-dominated Security Council rather than the democratic General Assembly, where the will of the majority is rarely in accord with that of the United States and its allies. Urquhart argues cogently that self interest is insufficient to justify the course of action taken in the Persian Gulf:

> It is no longer acceptable that international action is taken only when a situation threatens the interests of the most powerful nations (Urquhart 1991:17)

A viable system of international peace and security, then, must be comprehensive and universal, equally protecting the interests of the weak and the poor.

For Darling (1991:31), Bush's attempt to imagine a global security system was clearly inadequate. It was designed to "encourage" the world into another war, a ploy to reinforce the privileged position of the West, a position fortified within the structure of the UN Security Council which has been dominated by the US and its allies for almost half a century. In this way, the UN's reputation as an independent arbiter has been seriously compromised.

The view that powerful world interests routinely take precedence over the rights of weaker ones is echoed by Braithwaite, who claims the world has little choice at present, simply because:

> One nation, the US, will be the policeman. Hegemony of the American interests is the only world order on offer. The Gulf War can certainly be interpreted as support for this view (Braithwaite 1991:58).

3.2 The Right To Be 'Human' In The New World Order

UN and United States policymakers continue to be preoccupied with asserting their power over a recalcitrant government in Iraq while neglecting the structural violence their policies inflict on civilian populations. The plight of millions of homeless Kurds and starving Iraqis has not inspired quite the same degree of official moral outrage as the human rights of Kuwaiti subjects. America's eagerness for military solutions has created more problems for the inhabitants of the area than it has solved (Braithwaite 1991:65).

In an analysis of the concern shown for human rights in the UN Security Council, Alston has noted the Council's failure to respond to Saddam Hussein's use of chemical weapons against the Kurds in 1987 and 1988 (Alston 1991:87).

Hoskins (1993:8-9) from first hand experience and on the strength of a confidential report by the United Kingdom Atomic Energy Authority (AEA), has argued that radioactive bullets made from American nuclear waste was used by the coalition forces during the Gulf War. International medical experts have been alarmed by the fatal plague of post-war mysterious diseases in Iraqi children. Most common among these has been leukemia, almost certainly caused by contact with the thousands of radioactive bullets and shells known as 'depleted uranium penetrators' manufactured in the US and now strewn all over Iraq (Hoskins 1993:8). According to Hoskins the same AEA report refers to this clandestine nuclear war against Third World civilians as a 'significant problem', one that has dumped enough uranium in both Kuwait and Iraq to cause tens of thousands of deaths and:

> By shipping it overseas 'with the boys' in the form of depleted uranium penetrators, the West may have finally found the tool for the expedient disposal of radioactive nuclear waste (Hoskins 1993:9).

It is also highly probable that the soil and drinking resources in vast areas of Iraq have become contaminated by the same radioactive waste.

Not surprisingly, the Council consistently ignored the issue of human rights throughout the Gulf Crisis. Jansen (1992) argues that the UN Security Council has functioned as a sub-department of the US Department of State since 1990, most blatantly in the cases of Iraq and Libya. For these reasons it is difficult to escape the conclusion that concern to strengthen the international human rights regime was at best a marginal consideration and at worst a non-existent one in the context of the Gulf War. It is equally difficult to take the notion of a new order of peace and justice seriously when it results in thousands of refugees, war-injured civilians and appalling environmental devastation. This point is taken up by Muzoffar (1991:30) who notes the pragmatism and selectivity of the allies in the area of human rights. He points out that Northern governments have equated this concept with civil and political rights (and even this is selectively applied). What 'freedom' can the New World Order offer if it fails to free the vast majority of the human race from hunger, disease and ignorance? For Prime Minister Dr. Mahathir of Malaysia (1992:26), it is imperative that a New World Order addresses the 'increasing inequity in the international economic system which has resulted in a widening gap between the rich nations of the North and the poor in the South'. A narrowed conception of human rights serves the interests of the rich and powerful, as it avoids the necessity to consider the economic, social and cultural problems of the underprivileged. A broader conception would threaten the maintenance of a world ordered for the benefit of the rich, oil-dependent North (Muzoffar 1991:31).

In the Middle East, power over oil resources was too important to be left in the hands of unfriendly states. The revival of western economies could not be countenanced without the assured supplies of the world's greatest sources of fossil fuel. Hence the haste with which the US precipitated war. According to Chomsky, the predominant view of the recent Gulf 'action' was perceived in the South as characteristic neo-colonialist behaviour:

> ...the traditional warrior states the US and UK sought a regional Yalta where the powerful nations agree among themselves to a share of Arab spoils. Their conduct throughout this one month has revealed the seamiest side of Western civilization; its unrestricted appetite for dominance, its morbid fascination for hi-tech military might, its insensitivity for alien cultures, its appalling jingoism (Chomsky 1991:407).

According to Susan George (1992:23), the Gulf War was just another dose of discipline meted out to Iraq specifically and the Third World in general. The upstart Hussein had forgotten his place in the order of things. For Shiva, this New World Order is another exercise in North-South relations during a period of severe crisis:

> I regard the New World Order basically as a sign of very deep insecurity among the powers that have controlled the world, its economy and its politics for the past few decades. They are feeling the threat of the erosion of this control (Shiva 1992:35).

3.3 An Anti-New World Order

As already noted, the economic decline of the United States is resulting in a compensatory increase in military and political assertiveness. This is a typical phenomenon in a post-hegemonic state, clearly observed in British foreign policy at the end of World War II (Taylor 1992:12). Britain's imperial status had been much diminished and the economy heavily indebted to the US. It is argued that American rhetoric for a New World Order was motivated by a similar need to shore up global confidence in a western system. Vietnam, Watergate, the Iran-Contra affair, and economic decline in a period of prolonged depression and indebtedness have resulted in serious threats to domestic and international order. This is a realistic context for the Gulf War and the New World Order of George Bush. It was yet another attempt to re-establish the authority of an ageing hegemony over a world increasingly becoming multilateralised. According to Khor Kok Peng (1992:28-29), the economic rivalry between the Northern powers has intensified to the point at which they are not only investing and acquiring property within each other's territory, but colluding to further open up the markets of the Third World. They are resorting to bilateral and multi-lateral measures to prevent and obstruct the rise of NICs and any other competitors. The resulting North-South relationship will be marked not by cooperation but by dictation. Ex-president Bush's observation that a new world order was being born was mere lip-service to the fact that change was inevitable. Unfortunately subsequent United States' foreign policy responses in the Gulf and at the United Nations Conference on Environment and Development (UNCED) in June 1992, have demonstrated a serious lack of imagination in the understanding of new world conditions. That the US no longer refers to a 'New World Order' in its global rhetoric merely underlines the inadequacy and pragmatism of its worldview. It cannot however deny the reality of a nascent socio/ecological order necessary for replacing the exploitative politico/economic hegemony of the last half century.

CHAPTER FOUR

THE PRESENT (DIS)ORDER

4.1 Introduction

There is much agreement that the 1980s were a critical time of transition from a bipolar geopolitical order to something which remains as yet unknown (Agnew and Corbridge 1989: 266), or which can be characterised as a temporarily unipolar one (Layne 1993:7) which may yet turn out to be quite surprising (Taylor 1989:10). Since the 1960s the world order has progressively become multi-polar, at least on the economic level (O'Loughlin 1989: 291; Agnew and Corbridge 1989: 266). Furthermore, the language of international relations in the 1990s has become largely economic in character (Mack 1992: 17), with less emphasis on the political (Van der Usten 1992: 21; Agnew and Corbridge 1989: 267); and certainty has been replaced by diversity (Johnston and Taylor 1989: 4). It is also unclear the present state of unipolarity (through the preponderance of the United States), can be maintained and prevent an overwhelming balancing coalition against it (Layne 1993:5), as it is further unclear whether the present tendency towards regionalisation will re-divide the globe into a number of corporate-driven blocs (Daly 1993:28). The latter possibility may again see super-power rivalry between 'great powers' develop into global hegemony. Opinion on the subject seems to suggest that there is little possibility of a new liberal non-confrontational international order while there is a perceived need for hegemonic power associated with leadership and stability (Agnew and Corbridge 1989: 273). According to Layne, the United States is attempting to maintain its own preponderance in a state of unipolarity 'to preserve the Cold War status quo even though the Cold War is over' (Layne 1993:7). He maintains that the 'unipolar moment' is an interregnum that must give way to multipolarity between 2000-2010 A.D. (Layne 1993:7). This is because, in international politics, overwhelming power repels and leads other states to balance against it (Waltz 1991, cited in Layne 1993:7).

The reality of the global situation is such that the great powers are territorial states in a world of trading states and whatever new geopolitical order does emerge will have to recognise this fact (Agnew and Corbridge 1989:273). It is also argued that the position of world hegemon is now held only temporarily by the United States, which is lacking in some of the necessary qualifications for that role. Hegemony is usually measured with economic indicators such as GNP, percentage of world trade, industrial strength and military expenditure (O'Loughlin 1989: 271). In the area of economic capability, the United States has faltered, its foreign debt now approaching three trillion dollars (George 1988: 25). In the 1980s, the Reagan Administration attempted to regain pre-eminence by strengthening the military basis of hegemony an act which unwittingly hastened hegemonic decline by placing the country under heavy debt (Burstein 1988: 118). There was a serious mis-match between its political and economic pretentions. The real basis of American power had had more to do with the way the United States monopolised the western world's military and economic muscle after World War II, by creating a nexus of international relationships to reinforce that situation (Burstein 1989:274). But these have been much eroded, as was America's immense economic strength after the 1960s.

Though there are signs that the United States has already begun to exhibit weakness in its altered status, its military strength has allowed it to corner the West's security market, and others lack the political will to challenge it in this (Chomsky 1991:5). This has resulted in an increased tendency to compensate for loss of prestige by a militarily aggressive foreign policy (as already noted in the key instance of the Persian Gulf: see Chapter Three). Though hardly conducive to global security, this policy has proved to be economically viable. The Gulf War is said to have returned a profit for the Americans (Saikal 1991: 49). With huge debts and no economic relief in sight, it can hardly afford to pass up such opportunities. Thus, unable to afford true hegemony, the United States has been forced to accept the lesser status of pragmatic opportunist.

4.2 Challengers To American Power

After a remarkable post-war recovery, Japan has fought a trade war with America and won. It has managed to avoid a worldwide recession for almost two decades while the western economies have floundered. This in itself is a remarkable feat marred only by a present period of restructuring-induced recession. There is a very good chance that, early in the next decade, Japan's GNP will equal and even surpass America's (Bergsten 1992:6). Japan is also known to be importing large quantities of plutonium which will increase its ability to become a nuclear power. Such a scenario does not augur well for a peaceful future, particularly if Burstein's analysis is correct:

> Historically, as the scales of economic balance tip and new global leaders emerge, there has been one constant. No new empire has replaced another without the attendant circumstances of international chaos, economic crises and war (Burstein 1988: 268).

If economic power is the definitive measure of pre-eminence (since a weak economy cannot indefinitely maintain a strong military force) then Japan is well-placed for the challenge. It is well on the way to being a military power in the beginning of the twenty-first century. In a hostile and unstable region, re-militarisation is not only possible but very probable (Burstein 1988: 284). As Layne has noted, the more active Japan becomes on the international stage, the more military power will be needed to support its policies and ensure it is not at a bargaining disadvantage in its dealings with other nations. For this reason, it has plans to build a full-spectrum navy including air-craft carriers capable of operating independently of the American Seventh Fleet (Layne 1993:38-39). Foreign Minister Watanabe publically called for Japan to acquire long-range air and naval power capabilities in January 1993 (Layne 1993:39). Thus the evidence suggests that Japan is beginning to seek strategic autonomy, and an important step in this is the development of the capacity to gather and analyse politico/military and economic intelligence independently of the United States. Also, there is little doubt that Japan is becoming more assertive diplomatically as it speaks of a multipolar world in which the United States can no longer play the kind of dominant role it used to play (Jameson 1992, cited in Layne 1993:39).

4.3 The International Economy since the Eighties

> The world economy in the 1980s has consisted of a remarkable juggling act in which the three chief sets of actors on the world economic stage, multinational corporations, banks and the governments of countries, have all striven to gain maximum advantage whilst simulateously promoting economic recovery (Thrift 1989:16).

The juggling act to which Thrift refers has not been a particularly successful one and it may be argued that much of its lack of success can be attributed to the profit accumulation function of the capitalist system. In the 1980s, under the banner of austerity and economic rationalism, inflation was forced under control. But high interest rates and a lack of international economic co-ordination by governments retarded economic recovery (Thrift 1989:18), and future recovery is by no means certain given the enormous and complex changes in geo-economic systems. Such pessimistic possibilities were being mooted as early as 1976:

> It is no longer unthinkable to speculate whether industrial societies are approaching some sort of evolutionary *cul-de-sac*. Instead of moving onwards to Daniel Bell's salubrious vision of the post-industrial state, we may have to face the possibility that the end-game of industrialism might well be that of the "entropy state" (Henderson 1976:137).

In a post-industrial world, the present trend to austerity may become the only realistic option (Johnson 1978). This is because a growth-based recovery in the world economy is unlikely to promote a viable future. If economic growth continues, its impact on an already stressed environment will increase and exacerbate the problems, no matter how ostensibly sustainable the growth.

From World War II to 1973, the United States carried the 'burden' of the open international economy, just as Britain, the former hegemon, had done before her. Both had been major exporters of capital and, as the main creditor nations, both had a distinct interest in monetary stability and paid for the security costs of their systems with a decline in their manufacturing base. It was a case of one capitalist economic system replacing another. The lifetime of a prevailing system of international economic relations in this century has been no more than 30-40 years (according to Hirst and Thompson 1992:360). The Bretton Woods system, which reached its peak in the 1960s, based on massive productivity, mechanisation, high-demand and the linking of wages to productivity, has clearly passed. It had been an exclusive club for rich countries where investment tended to be in the developed, stable societies, and where only a limited trade with the Third World existed (Thrift 1989:18). Hirst and Thompson (1992:360) argue that it is dangerous to assume current major changes in the international economy are unprecedented, inevitable or irreversible. The *Pax Britannica* Gold Standard and the Bretton Woods systems were merely *some* of the structures of the international economy in this century.

4.4 Present Economic Trends

If 'a global economy' implies a "system where national economies are subsumed and rearticulated by autonomous international processes and transactions" (Hirst and Thompson 1992:360), then there is little evidence for its existence today. Instead, the world remains ordered in two economic groups, the developed industrial rich and the non-industrial poor. The really important relations remain between the developed economies, members of the Organisation of Economic Cooperation and Development (OECD). In 1989, 80 per cent of world trade was conducted between these countries (Hirst and Thompson 1992:366). If this is what is meant by a 'global economy', then it is a rather narrow definition. Secondly, according to Tomlinson (1988, cited in Hirst and Thompson1992:366), there is nothing particularly unique about today's open world economy. The international financial penetration of the UK and other economies in terms of capital flows was greater between 1905 and 1914 than it was between 1982 and 1986. The huge increase in current capital flows is largely due to the floating of exchange rates. The integration of trading on currency and equity markets is the only new feature of the present period (Hirst and Thompson 1992:367).

4.5 New Capitalism

As already noted, the early 1970s were highly traumatic for the industrial economies. The US the model and rallying point of the capitalist economies, was under siege politically, economically and culturally. The western economic system was becoming inordinately unstable. What followed has been called an extensive accumulation regime:

> The re-organisation of firms so that they could meet the heightened conditions of lower economic growth and the re-organisation of mechanisms of regulation by the state or state-related institutions (Thrift 1989: 19).

The multiplicity of labels for the new capitalist regime, such as 'neo-Fordism', 'flexible accumulation' and 'disorganised capital' suggests a degree of imprecision regarding the exact nature of the new order. Yet one fact is clear: the 1970s and 1980s have been a time of frenzied experimentation by multinational corporations, at the heart of which has been the process of the internationalisation of capital (Thrift 1989:19). Essentially this is the exporting of capitalist relations of production via the activities of the multi-national companies. Also in the 1970s, there had been a massive drive to invest capital in the Third World where it was thought profits could still be made. It was the beginning of the debt crisis, dealt with more expansively in the Chapter Five.

Following the economic turmoil of the 1970s, the 1980s witnessed a decline in the rate of foreign investment in the Third World, a drop in living standards directly associated with the structural adjustment policies of major lenders and a crash in commodity prices. In development terms, the 1980s were a lost decade for the majority of Third World countries and a period of retrenchment in the world economy (Thrift 1989:26). From such contraction we are now, in the 1990s, witnessing the establishment of a tripolar world economic structure in which the bulk of the global trade in goods, services and investment increasingly occurs between North America, Europe and the Asia-Pacific basin. Once again, as in the post-war prosperity of the

1960s, Latin America and Africa, where the need for development is greatest, are virtually ignored. In addition, the same countries are compelled to maintain a flow of capital to service sovereign debts. Consequently, most of the rise in the world's exports in the 1980s has been absorbed by the above triangle of wealth, whilst the economic interaction between these three world regions has been increasing over time and now constitutes a tightly-knit system (Thrift 1989: 26) According to Bello (1989:14), the developing countries are again in a highly-disadvantaged position. The threat by transnational companies to leave an area if wages rise brings all kinds of governments into line. Much of the Third World has very few options:

> Commodity prices are no longer expected to soar, the metals markets are fragmented and Third World countries now have fewer financincing options. As a result, they are granting concessions that would have been unthinkable even five years earlier (Khor Kok Peng 1992:28).

The 1990s began triumphantly for the western capitalist system with the collapse of the Soviet economic order. But the 1990s have also been years in which the economies of industrial countries have continued to languish after two decades of continuous economic internationalisation, volatile markets and recession. Neither traditional Keynesian remedies nor the monetarist strategies of the late 1970s have met with a great deal of success.

4.6 Market Capitalism

Market capitalism is an economic system which must produce vast quantities of non-necessities in order to remain healthy, and what is produced is always determined by what will yield the highest return on investment. Market forces allocate the world's increasingly scarce resources for the wasteful consumption of the relatively rich. Colombia's soil and labour is being exhausted through the production of vegetables, coffee and flowers for export to the USA instead of staple foods for local children (Trainer 1985:13). It is argued that the policies of inappropriate development by the rich industrialised countries have facilitated the impoverishment of much of the post-colonial Third World, and such short-sightedness (by reducing Third World demand for Western goods) since the recession years of the early 1970s has been a contributing factor in the economic mismanagement and confusion of the present times (George 1992:97).

Seabrook (1992:15) argues that the world is in the grip of a particularly virulent form of economic fundamentalism which is all the more dangerous because of its inability to recognise or name itself. It is characterised by a religious inflexibility and its adherents are so blinded by crusading fervour that they disconfirm reality. This is precisely why:

> Almost every country that has fallen under the tutelage of the western financial institutions, its GATT negotiators, its transnational corporations, its experts, specialists and creators of wealth, has been subjected to identical programmes, independently of the conditions prevailing in the country under consideration (Seabrook 1992:15).

Yet the West does not feel any obligation to apply the same precepts to itself where this becomes inconvenient. The imposition of free trade, cuts in subsidies to the poor and the liberalisation of agriculture are all policies for export only. As Seabrook rightly notes, it is an ideology of dominance (1992:16).

CHAPTER FIVE

THE THIRD WORLD DEBT/DEVELOPMENT CRISIS

5.1 Introduction

The aim of this chapter is threefold. It traces the means by which the Third World debt crisis developed, the political nature of this debt, and the structural means by which it is perpetuated in the development policies of the aid and lending institutions.

The most recent world economic depression, which began in the early 1970s and continued into the 1990s, has generated a world-wide leap in stockprices and fragility within banking systems. It has seen a series of global economic crises and an era of severe instability where effective correction appears beyond the capacity of national and corporate leaders. High interest rates in the 1980s greatly increased the interest repayments on established Third World loans. At the same time, structural adjustment policies and austerity measures imposed on borrower nations reduced demand for western products. This contributed to unemployment in the industrialised countries (George 1992:96) and had a broadly negative effect on the world economy (Freeman 1989:61). The policy of banking institutions at this time was to shift unrepayable debts onto the backs of western taxpayers by recycling private debts to public lending bodies. This was done at no cost to original private lenders (George 1992:68) and helped to deepen the global recession by reducing demand and increasing unemployment within developed countries. For some, the solution was obvious - a reversal of diminished purchasing power:

> The only way to stop the coming depression is to impose wealth taxes free from loopholes, on the richest one per cent of all nations and to use the revenue either to eliminate government deficits or to reduce taxes on the poor and the middle classes (Batra 1988:7).

In the 1990s western European economies remain in a state of crisis. Not since the Depression of the 1930s has there been such a lack of confidence in political and economic systems. As we have seen, the burst of prosperity from World War II to the early 1970s has almost faded into history as the now market-driven world completes its second decade of recession. In this atmosphere, austerity for the poor is the prescribed way of life, along with restructuring and structural adjustment for an indebted Third World, all symptoms of insecurity and crisis as the world waits for the good times to return.

5.2 Neo-Colonialism

It has already been noted (Chapter One) that World War II marked the decisive termination of a world order characterised by imperial colonial regimes dominated by the British, and the establishment of another under the hegemony of the United States. In the post-war years many ex-colonies began to see the growth and popularity of independence movements. More importantly, the United States did not look favourably on the old colonial style of governing subjects, mainly because of the constraints this placed on its own business expansion. Eisenhower had taken it as an article of faith that America's strength and security depended on its maintaining access to, and indeed control of, global markets and resources, particularly in the Third World.

Chomsky (1992:45) goes further, attributing to the United States the development and implementation of the concept of a Grand Area (the Western hemisphere, the Far East and the former British colonies), a region deemed strategically necessary for world control, where corporate and state managers hoped to design a blueprint for hegemony. The strategic dimensions of the Marshall Plan required that revolutionary nationalism be thwarted outside Europe just as the fight against indigenous communism was to be promoted within. Third World countries in this Grand Plan would serve the needs of industrial countries. This meant that a major policy imperative was the blocking of all nationalist forces attempting to use their own resources in conflict with the interests of the United States. As noted previously, the most important source of oil, the Middle East (Odell 1992:294), has been the area of maximum focus and hence ready intervention by the United States.

5.3 'Development' Models

In a western-ordered world, the promise of post-war freedom could not be realised by the "useful" undeveloped countries, because the Third World was offered unachievable development models. According to Chomsky (1992:144), it has long been tacitly accepted that the same capitalist development models have had limited application and that successful industrial societies themselves depart significantly from them, which is the main reason why they are successful. In the United States, the sectors of the economy that remain competitive are those that are supported by the public purse, such as high-tech industries, capital-intensive agriculture and pharmaceuticals (Chomsky 1992:144). The development model used in the newly industrialised countries (NICS) (so often held up as glowing examples of successful development in the late twentieth century by the World Bank and the IMF), is seriously misrepresented according to Bello and Rosenfeld (1992). The laws of the free market operate only within constraints imposed by state elites. This state-directed development or "command capitalism" ensures export-oriented production, underwritten by cheap labour and an under-valued currency (Bello and Rosenfeld 1992:2). In effect, "free enterprise" provides a useful weapon against government policies aimed at benefiting the general public and is therefore perfect for application in the former colonies and the old Soviet empire. The rich and powerful have understood that. Since the history of capitalism is punctuated with crises, it would be foolish indeed to rely on the vagaries of the open market alone. In spite of the rousing free-market rhetoric, industrial elites appreciate the need to protect themselves with public subsidies, and the security of protectionism and regulation. Yet for the struggling-to-develop countries, the unregulated market model is preferred, recommended, and in many cases imposed. According to Corbridge (1992), this is part of the agenda of a 'New Right' counter-revolution in development economics:

> The counter-revolution proclaims its faith in the market and in outward-looking development strategies regardless of time and space. Markets exist in the Third World along with a market mentality: the job of governments is to let the market mechanism flourish (Corbridge 1992:288).

5.4 The Debt Thickens

In the prosperous years of the 1960s, western industrial countries did not share their remarkable growth and prosperity with the Third World. Developing countries had been largely excluded from the economic activity of those years. For all intents and purposes, mass consumption, the "powerhouse of demand" as it has often been called, excluded countries other than those of the industrialised core. Capitalism had temporarily resolved the question of markets on an internal basis (Thrift 1989:19). What was exported to the Third World merely recovered the cost of imported raw materials and multi-nationals generally preferred the stability of developed countries. This meant that many Third World nations were strapped for cash and could only buy industrial commodities on credit, willingly supplied by export-credit agencies in rich countries. These financed, insured and otherwise guaranteed payment to their own exporters, from the public purse.

In 1969, the Pearson Commission reported to the World Bank two trends which became increasingly characteristic of Third World debts. Firstly, it noticed that private banks were becoming less concerned about the borrowing countries' credit-worthiness, that export credits were an expensive form of external finance, and that exporters often marked up the price of their products by as much as 100 per cent (Adams 1991:84). Secondly, the Commisson cast grave doubts on the value of feasibility studies by suppliers favoured by reckless borrowing countries for their short-sighted schemes. But the dire warnings of balance-of-payment problems in developing countries passed unheeded and export credit programmes increased throughout the next decade.

After 1967 it became apparent that US monetary policy was too expansionary to maintain stable prices either in the United States itself or in the world market (Ray 1989:106), which ultimately brought an end to the fixed exchange rate system created by the Bretton Woods agreement. In 1971 President Nixon announced that the US would no longer maintain an official price of gold in terms of American dollars. Two years later, The current flexible exchange rate was recognised as the established international regime. Inflation, which was accelerating in the developed countries, was associated with the rapid rise of US dollar balances abroad and the OPEC oil prices after 1974 and 1979 (Ray 1989:107). This generated much of the liquidity which became loans to developing countries. According to Alvater and Hubner, it was at this time that developing countries thought conditions most favourable to shake off the old dependence and speed up the processes of industrialisation and modernisation:

> Investment-fatigued concerns from the capitalist metropole and Organisation of Petroleum Exporting Countries (OPEC) with their new found-wealth had flooded the international money and credit markets with liquid funds (Metro-dollars and Petro-dollars). During the 1970s total borrowing on the Eurodollar markets swelled by average rates of 25% per annum (Altvater and Hubner 1991:8).

It was also at this time that the western banks began to organise their businesses on an increasingly transnational basis and since the late 1960s they have become major sources of finance to the Third World. Because lending rates were so favourable (and at times even negative due to inflation rate fluctuations), the external debts of the Third World rocketed in the 1970s. In the period 1973-1982 the debt rose from $100 billion to $800 billion, a growth of more than 20 per cent per annum (Altvater and Hubner 1991:9).

For the Mexican government, mounting debts in 1982 produced a repayment problem which frightened the commercial banks away. Export agencies then became a more important source of finance for Third World importers and western exporters. Today, according to estimates by the National Foreign Trade Council, one third of the thirty billion dollars a year in capital goods traded world-wide is financed through tied aid and export financing packages (Adams 1991:85).

5.5 Debt Rescheduling

The prescient Pearson Commission also noted a growing need for rescheduling debts owed by poor countries. Rescheduling could be used as a shield to hide losses which a government may have suffered or was likely to suffer on its sovereign loans, a case of paperwork disguising reality (Adams 1991:90). It is important to note that without the seal of approval from the IMF (and the Paris Club) private loans can only be rescheduled with difficulty since, without that approval, the private banks refuse to provide fresh money to a country which has got into arrears. At the same time, since each case is treated on its merit, the international debt crisis is broken down into the debt crisis of individual countries. This deters the likelihood of global approaches (that aim at rectification of the system as a whole) from becoming viable alternative strategies:

> The idea that it is, in principle, possible for any debtor nation to be one of those treated preferentially in this game has for a long time contributed considerably to the failure of debtors' cartels and collective action to develop. For the creditors, divide and rule is the key to successful crisis management (Altvater and Hubner 1991:12).

According to the World Bank, the case-by-case approach has been one of the fundamental points of the debt strategy to date, especially for countries with good prospects of entering the market. The incentives and rewards for them must be maintained and strengthened (Qureshi 1989:47).

Rescheduling is no real solution to the debt problems of borrower countries. It merely defers the problem to some future date because debtors are still required to transfer their resources and their wealth to the creditor institutions in rich countries. The repayments periods of Mexico and Brazil already stretch well into the next century.

Until the early 1960s, it had been customary for borrowers to approach banks for loans, but by the end of the decade, as lending became more competitive and lucrative, bank officers began to solicit business on their own initiative. By 1970 they were lending to Third World countries such as Mexico and Brazil, whereas formerly they had restricted loans to safe industrialised countries. Such generosity with other people's money was even extended to 'uncertain' countries like Argentina, Peru, Korea, and the Philippines (Sampson 1982:116). At the same time, the relation between the borrowing governments and the bankers remained rather vague, the latter assuming a safety net existed in the likelihood of a default by the borrowing countries:

> ...major private banks believed that they had explicit or implicit understandings with their own governments that in a worst case scenario they would not be stuck holding worthless debt. In other words, in the event that loans to developing countries did not get repaid, lending country governments would come to the aid of troubled financial institutions (Ray 1989:110).

The problem of a major nation defaulting on its repayments seemed remote, until August 1982 when Mexico, the Third World's most heavily indebted nation, declared her inability to make repayments.

5.6 The Crisis

As we have seen in Chapter Two, the formation of OPEC had been largely a response to the neo-colonial attitude of the American companies. At the time of the first oil price rise in 1973, the Nixon Administration, while grappling with its own social and economic problems, was in no mood for flexibility. It opposed any move which appeared to accept the OPEC price rise and discouraged plans to 'recycle' or lend the surplus funds to needy countries through the IMF or World Bank (Sampson 1982:121). OPEC's new prices were not only a convenient argument to justify higher costs in consuming countries and profits for the oil companies but the United States economy also stood to gain from OPEC increases. Higher oil prices in the rest of the world would make America more competitive by raising the energy costs of imported OPEC oil in Europe and Japan (Odell 1986:224). The new OPEC oil costs could be offset by increased earnings by the oil companies which were remitted back to the United States as profits. This was compelling logic, flawed only in that higher prices bled the consuming public whilst company profits were not necessarily redistributed back to the public or even reached the public purse.

In the non-oil-producing countries of the Third World, the effects of oil rises were severe. Many were crippled by the Second Oil Hike in 1979 since alternative fuel options were not available. Consequently, unstable developing economies were made even more precarious (Odell 1986:161). The same economies were highly disadvantaged by the international oil companies which controlled the import price of fuel and influenced the availability of loans from international institutions. The oil supplied to India, for example, came from the nearby Middle East, but cost this struggling nation the same high price as fuel produced in the United States (Odell 1986:171). When neighbouring impoverished Ceylon (Sri Lanka) accepted Soviet help to build its own refinery capacity in 1964-65, America intervened on behalf of the oil companies by cutting off assistance to that country (Odell 1986:176).

By 1979-1981, many developing countries were in very serious trouble. New loans were often their only option. Their collective debt had grown to three hundred billion dollars by 1982 when the price of crude oil rose to an unprecedented thirty dollars per barrel. By 1985 this debt was one thousand billion (Odell 1986:187). In many cases, the cost of debt-servicing meant payments of over half of the country's total foreign exchange and economic crisis.

OPEC policies during this period contributed to the debt problems of non-oil producers. Poor countries discovered that after the initial elation of seeing the masters of the world order severely discomfited, they could expect little more from the newly-enriched producers. OPEC members made little attempt at managing their vast wealth and developing a differential oil-pricing policy for the poorer consumers. Having helped to increase Third World indebtedness, OPEC countries also missed a great opportunity to change the unbalanced relationship between countries of the North and South:

> Had OPEC managed its own recycling and loaned directly to the Third World without giving this unprecedented opportunity and extremely powerful tool to the banks, much of the suffering might have been avoided. But also had OPEC countries been both suppliers of energy and purveyors

> of finance to much of the rest of the world, they could have strengthened immeasurably the collective hand of the South and their own political influence (George 1988:45).

Instead, OPEC presented rich western countries, governments, banks and the IMF with an unprecedented opportunity to weaken the South (including OPEC countries themselves), left it far worse off than before the borrowing binge, and laid it open to virtual recolonisation through perpetual indebtedness.

In 1972, surpluses on the foreign trade accounts of oil producers were a combined $5000 million. In 1974 they jumped to $30,000 million and thereafter increased rapidly (Odell 1986:234). If, indeed, the collapse of the western monetary system was the aim of OPEC producers, then all that was needed was to choose the strategy. Yet it is arguable whether OPEC countries really did have a money weapon after 1973. According to senior vice-president of Citibank, Irving Friedman, the vast volumes of petro-dollars which were re-invested in western banks were simply absorbed into a much bigger flow of world savings and lending which included the huge flow of eurodollars. For Friedman, there was no such thing as oil money. The demand for funds was not met or made possible by the oil surplus but by funds made available from the entire savings-credit mechanism of the western world (cited in Sampson 1982:126). This view underestimates the power of OPEC producers, whose bargaining power until 1980 (when the largest producer, Saudi Arabia, broke ranks to flood the market with oil), had been formidable. The defection of the Saudis took the wind out of OPEC's sails as defeated members returned to being good capitalists, handing over their money to the professionals in London and New York.

5.7 All The Way To The Banks

In the 1970s the big American and British banks had keenly sought OPEC's petrodollars. No-one was turned away. The investment flood that followed, quickly became an unprecedented lending spree to countries in the Third World. According to Sampson, it was a case of avarice overwhelming sound judgement and business principles. Bankers were unable to refuse the billions of deposits, even at the risk of making what they knew were dangerous loans (Sampson 1982:128). The laws of supply and demand prevailed. Third World countries needed loans to pay for the expensive imports in the inflationary years after 1972. Bankers were the middle men; money recyclers and reapers of outrageous profits in the process:

> They [the banks] could earn higher profits because as a general rule, the poorer the country, the higher the interest and the charges. In four years, between 1972 and 1976, the big banks rapidly increased profits from abroad. The oil crisis was close to a disaster for the world, but a bonanza for the banks (Sampson 1982:141).

By 1974 the banks not only overshadowed official lending bodies such as the World Bank and the IMF but they also altered the pattern of that lending. Commercial banks were making loans to sovereign states instead of corporations in the private sector so that by 1974, 62 per cent of loans went to governments and government organisations (Sampson 1982:141). Loans were no longer earmarked for specific projects so they could be used to finance day-to-day consumption and balance of payments, a bottomless pit in many cases. More importantly, this kind of lending opened the gates to opportunism, graft and corruption among government officials and elites. Sovereign loans were risky because governments could not be easily compelled to repay interest on loans: they merely risked tarnishing their credit rating (although the stigma attached to this was something very few countries were prepared to risk). Western governments and banks feared that a single default would spark off more and a mass of withdrawals would in turn result in a world-wide financial crisis. Consequently, the more the banks lent to developing countries, the more reluctant they became to *allow* a default. It was preferable to lend more in order to avert a crisis. A US Senate study of 1977 concluded that:

> The viability of the whole international system is premised on the assumption that all the players stay in the game: that the banks continue lending and borrowers keep paying the interest so that the principal may be refinanced or "rolled over"; for individual borrowers, the money continues to circulate. The biggest threat to the system lies in the

> possibility that one of the passengers on this merry-go-round will decide to get off - that one of the large debtors calls in the chits (Sampson 1982:155)

It was also doubtful whether the banks even wanted to escape as long as they could make a profit. It was equally uncertain whether a country could really become bankrupt. After all, it was its own collateral. Consequently, from the mid-1970s, many Third World nations and their lender western banks became locked together in a very precarious relationship.

In 1969 the Pearson Commission's warning of a Third World debt crisis had passed without much attention. The concern was mainly over the loose purse strings of government agencies. The commercial banks' share of development loans was only around 15 per cent in the early 1970s. By 1980 it had risen to two-thirds of the loans in this area (Adams 1991:96). Yet many debtors were unlikely to ever be able to repay the original loans. Zaire, for example, one of Africa's richest and most corrupt nations, could not make interest payments in 1975 (George 1988:117).

For Congdon (1989) the 1980s phenomenon of global financial irresponsibility culminating in debt crises was all connected to the inordinate rise in real interest rates. By the early 1980s, 55-60 per cent of all developing country debt was owed to the commercial banks when suddenly, in the wake of global recession, the careless nature of these banks' lending policies became evident. Third World borrowers woke to the reality that most of their debts were short-term and at 'variable' (market-determined) rates. As the rates increased, they automatically added billions to the debt-service bill. At the same time, borrowers found that interest payments were absorbing a larger part of their export earnings at a time when commodity prices were falling rapidly. It quickly became a debt-development crisis:

> In the new environment with interest rates above the growth rate of exports, the debt export ratio was kept stable only if the debtor countries achieved trade surpluses; and trade surpluses mean net transfers of resources to their creditors in

> the industrial world which then drain them of resources for their development (Congdon 1989:25).

5.8 Debt And Development: The New Slavery

In the western world order, there are mechanisms for maintaining Third World dependency, and heavy indebtedness has been a most effective method:

> Third World countries are being effectively tied into Western models of development, with Western countries guaranteed a permanent technological lead. The old economic order is doing industrial countries very nicely economically and politically. Third World resources are as cheaply available as in the colonial days without the costs of foreign administrations (Ekins 1992:29).

'Development' from backward primitive self-sufficiency to industrialisation and prosperity was the carrot dangled before the Third World. Modern science and technology would lift the peripheral nations out of their chronic poverty. This model was so appealing that every young post-colonial nation seemed determined to apply it. The terminology, though, was somewhat sensitive, as Sampson notes:

> The countries which were first described as "backward" or simply poor were later called underdeveloped or LDCs or "developing" as opposed to the richer or developed nations (Sampson 1982:93).

The language of development was there to serve dominant interests. It implied that the world was driven by the imperatives of a natural law governing the advance of societies. But according to Hein and Mutter, since the 1970s and 1980s the paradigms of development theory and policy have ended up as a theory of modernisation. And although modernisation strategy has proved useful as a way of propagating Fordist structures in Third World countries, these structures have done more to *prevent* than to facilitate the intended wholesale modernisation of society (Hein and Mutter 1991:96). It is therefore questionable whether the western development process was really achievable for most, given the vast differences between developed and developing countries. After all, the West had developed in an "emptier" world of greater opportunity, including the rather important ability to exploit a colonised Third World (Rollason 1981). Alternatively, it has been argued that Europe was first able to achieve an industrial revolution (and dominance) because natural disasters were fewer and less deadly than in Asia. The tropical warm lands were not only more prone to natural dislocation from climatic extremes, but were also less capable of coping with disasters when they occurred. In the homelands of western civilisation, nature was kinder (Blainey 1988:207).

It is also important to note that industrialisation was (and is) often disastrous for rural countries which depended on agriculture. A case in point is India which proved almost resistant to funding programmes by western governments and the World Bank. It had been assumed that this country wanted to become part of the western economic system without questioning whether the world was able to accommodate its products. An industrialised India on the scale of Japan would certainly produce some interesting global economic and environmental effects. It is also doubtful whether this vast rural population could become rapidly industrialised without destroying its fundamental social, cultural and economic patterns, (see p. 55), or that it was even possible for a democratic nation to be able to impose the necessary discipline for such a transition.

5.9 Problems With The NICs

According to Bello and Rosenfeld (1992) the inherent problems of a western-preferred model have been amply demonstrated in the effects of late twentieth century development in the newly industrialised countries of the Third World (NICS). In Taiwan, high speed growth without environmental controls has converted a country into a poisoned paradise of free-wheeling capitalism. Here crops are contaminated with pesticides and heavy metals from unregulated waste dumping. In Korea, the dimensions of the environmental crisis continue to come to light with world record levels of sulphur dioxide concentrations in Seoul's air, rain with high acid content, tap water with heavy metals at many times the official tolerance levels and nuclear reactors plagued by malfunctions and accidents (Bello and Rosenfeld 1992:12). In both cases, the state has so identified itself with capital that it has been necessary to resort to terrorism to maintain a productive labour force. "Command capitalism" has demanded a military discipline of its workforce along with poor conditions and low wages. This, then, is the price of competitiveness in the World Bank-IMF-preferred development model for the Third World. It is the "technofascist option" of Andre Gorz in which:

> ...the limits necessary to the preservation of life will be centrally determined and planned by ecological engineers, and the programmed production of an "optimal" environment will be entrusted to centralised institutions and hard technologies (Gorz 1987:17).

5.10 A Mono-Cultural Development Model

The West's vision of Third World development is based in large part on the goal of bringing all natural resources into the global market economy. Here it is claimed by influential economic advisors, such as the World Bank and the IMF that developing countries must learn to sink or swim at the deep end of international competition. But producers lose the ability to decide what they shall produce and when to do it. Their products are for foreigners who pay a higher price than local consumers and use this leverage to control production. The poor, with their low purchasing power, have little say in this single organising structure.

When products are pooled into a global market, the link between local producers and consumers is broken and the loss of control over quality and appropriateness of products is inevitable. Such a system entails a considerable threat to cultural and natural diversity. Because the capitalist market system is the established order in the 'western' world:

> Once 'development' became the principal objective of practically every country in the world, a global process of homogenisation in emulation of the world's most 'developed' country, the United States, was inevitable (Ekins 1992:34).

A homogenous world market (a product of the 'level playing field' mentality) abhors diversity as an obstacle to trade efficiency but ignores inequality and poverty. It aims to simplify and rationalise the production and marketing process and its dubious benefits are constantly championed by the World Bank which links its own 'expertise' in development with an all-encompassing market:

> No matter what the outlook in the industrial economies, the world's long-term prosperity and security - by sheer force of numbers - depend on development. Despite the uncertain outlook for the 1990s, a measure of optimism is justified now that more and more countries are opting for a market-friendly approach (World Development Report 1991:157)

The ultimate result is a growing gap between the world poor and the world rich. Chapter Six looks more closely at the agenda behind the "harmonisation" aims of the recent GATT Round and their implications for Third World development.

5.11 Accounting For Maldevelopment

Development, or rather 'maldevelopment' from the point of view of its recipients, continues to deliver affluence to world elites at the expense of the poor. Contradictions between conspicuous consumption and poverty are stark. In many poor countries such as Brazil, child labour is essential for the survival of unsupported families. Education, basic health and social services are unaffordable luxuries. It is estimated that over one billion people may be suffering from serious poverty in the Third World today (World Bank Report 1991:11). The majority live without basic necessities.

Maldevelopment is inextricably linked with the political/economic policies of international and local elites who exert control in the following ways. Through industry and finance capital, they manage employment opportunities, income distribution and the maintainance of a comprador class in foreign countries. Transnational and agribusiness corporations exert undue influence over the politico/economic policies of their host countries and are unaccountable to them. Special trading arrangements such as the Lome Convention, negotiated between the EC and the sixty or so African, Carribbean and Pacific countries, bind the economies of ex-colonies to the North through aid, trade and investment agreements. According to Ekins (1992:35), the resemblance between the classical model of trading relations (established on the basis of mutual gain from comparative advantage), and free market capitalism, is very small indeed. Differences in power between trading parties may result in all the gains going to the more powerful partners. Trade can thus lead to dependency relationships which effectively remove the freedom *not* to trade. Also, trading decisions can be greatly constrained by such external factors as indebtedness and the obligatory export of primary commodities by the batteries of Northern protective measures which limit the extent of Southern diversification into secondary activities. Trade, through dependency, can lead to vulnerability, insecurity and loss of autonomy (Ekins 1992:35), and was the area of much concern for the Third World in GATT negotiations

5.12 Poverty And Development

It is important to distinguish between two kinds of poverty in the Third World. Subsistence economies which satisfy basic needs through self-provisioning are not poor in the sense of being deprived. This culturally-perceived poverty, ('less than $370 per year'; World Development Report 1990:iii) need not be real material deprivation. According to Sachs (1993:4), this kind of globalised perception of an individual cultural condition was nothing more than a statistical operation. A "GNP per capita" was a universalised construct to assert superiority. From the perspective of a western development model, such societies are backward and deprived because they do not participate in the consumption habits of a market economy, although they may satisfy their basic needs through self-provisioning mechanisms (Shiva 1990:10). This kind of "poverty" (often a prudent, sustainable subsistence where local needs have been traditionally met with locally available supplies) has provided the legitimisation of the development programmes of Northern commercial lenders, multi-lateral development banks and grasping governments, all of which have been eager for easy profit from the 'undeveloped' world. In the process they have often replaced viable lifestyles with dependence and destitution:

> Along with community ties, it is land, forest and water which are the most important prerequisites for a subsistence economy without money. When these are taken away or destroyed, destitution occurs. Again and again, peasants, nomads and tribals have fallen prey to misery when driven from their land, savannah regions and forests (Sachs 1993:6).

Ill-conceived and poorly-executed programmes funded by the world's lenders (see 5.18) have often degraded soils and genetic wealth. For women specifically, the new impoverishment "lies in the fact that the same resources which supported their survival, were absorbed into the market economy while they themselves were excluded and displaced by it" (Shiva 1989:13).

For Ekins, this kind of development in the Third World during the last forty years, has been disappointing. The economic growth which was supposed to abolish absolute poverty, has failed to materialise. In many countries of the Third World, especially in Latin America and Africa, the material conditions of large populations have in fact worsened. In Sub-Saharan Africa, they have reached crisis proportions:

- per capita incomes have fallen by almost 25% during the 1980s;

- investments have fallen by almost 50% and are now in per capita terms lower than they were in the middle of the 1960s;

- imports are today only 6% of per capita imports in 1970;

- exports have fallen by 45% since 1980;

- the external debt has grown from $10 billion in 1972 to a staggering $230 billion in 1987. The capacity to service it has not kept pace, thus creating an unmanagable situation for some twenty low-income countries;

- the share of children starting school is beginning to decline and in some places the infant mortality rate is on the increase (Ekins 1992:8-9).

Combating poverty in developing countries is a simple matter from the point of view of developmentalist institutions. All that is required is more loans (debt), more structural adjustment and more free market rhetoric, such as the following attempt to justify World Bank policies:

> Experience [the Bank's] also shows that it is possible to shift public spending in favour of the poor, even within an overall framework of fiscal discipline, and to target transfers more accurately. In addition, increased capital inflows can be used to help cushion the impact of adjustment on the poor (World Development Report 1990:3).

5.13 The Northern Flow Of Resources

As already noted, when world interest rates were forced up by the United States in the 1980s, many of the Third World debtors were quickly exhausted and forced into the hands of the World Bank and IMF, which gradually took over many of the liabilities, risks and losses of the private lenders. Since 1982 the private banks have been most successful in extricating themselves from the Third World nations' debt crisis in order to strengthen their negotiating position with the borrowers. This is of course only possible at the expense of the debtor countries (Altvater and Hubner 1991:10). Consequently, there has been a flow of public wealth Northwards. According to Vandana Shiva:

> Debt, the debacle in commodity prices, and speculation in the commodities futures markets have become a major source of 'economic growth'. In the South, since 1981 Third World countries have become net capital exporters: soaring from $7 billion in 1981 to $74 billion in 1985. This excludes the TNCs' profit repatriation and capital flights. If all these were added up, the flow of capital from South to North is about $250 billion (Shiva 1990:222).

This high level of impoverishment will not be a sustainable trend in the long term as it must ultimately end in political legitimacy crises and social unrest. Rosa Luxemburg once claimed that colonialism was a constant, necessary condition for capitalist growth and without colonies, capital accumulation and the commercialisation of the economy would grind to a halt. The formal process of decolonisation in the second half of this century has not seen the withering away of dependency relations but a prolific growth in same. Development-driven debt has proved to be a more efficient form of exploitation than colonisation.

5.14 International Agents Of 'Development': The World Bank, the IMF and other Lending Institutions

> The Third World is not poor because of some inherent disability in the people who live there nor because it became 'frozen' at some point in history and so 'failed to develop'. The so-called "underdevelopment" of the Third World is a human creation. It is the product of the social, the political and especially the economic policies of the western nations since the internationalisation of trade at the end of the Fifteenth Century (Rollason 1981:3).

The World Bank, the IMF, and the various UN aid agencies have consistently adopted policies that favour an elitist global economic order, to the disadvantage of western taxpayers, the Third World poor and the natural environment. According to Adams, the source of the problem lay in the foundation of the Bank and the IMF in the ideas of John Maynard Keynes (who had little regard for popular democracy). He held views close to Plato's, namely that societies are best governed by a guardian class, unswayed by the passions of humanity (Adams 1991:67). He was therefore determined to ensure that both the Bank and the IMF would be beyond the political influence of the strongest nations. However, given the power and influence of the United States in 1945, and subsequently, such highmindedness was set aside as America took control of western economies and set about consolidating its hegemony. The negotiations at Bretton Woods made it patently clear that the US, the richest and largest creditor of the Bank, would play a decisive part in shaping its policies. A tradition was quickly set to ensure the Bank's president would always be a citizen of the United States, and at the insistence of the US (and against the wishes of Keynes), both the Bank and the IMF would continue to be permanently located in Washington in close proximity to the White House. Clearly, such an arrangement, lacking general accountability, could not discourage the politicisation of the two international bodies, whose directors adamantly claim paramount loyalty to the bodies themselves instead of to the member countries whose development they are supposed to promote (Adams 1991:67). The Bank would prove a most effective instrument in advancing American economic interests.

Currently, the World Bank succeeds by promoting policies which aim to undermine orthodox Keynesian development economics in favour of a market incentives approach. Both the Bank and the IMF are strong advocates of financial liberalisation and deflationary structural adjustment programmes:

> They each chart the progress of a global institution moving away from the discourse of basic needs and redistribution with growth (the MacNamara-Chenery years), and towards a discourse which hails the creativity of the international capital markets and which warns dissenting nations that there is no viable alternative to adjustment (Corbridge 1992:288).

The precepts are made explicit in the development policies and projects which the Bank and other lenders seek to promote in developing countries.

5.15 Development Inc.

The development industry, spear-headed by the World Bank, is an extremely influential caucus of international "players" who not only manipulate The West's international relations with the Third World, but also the way it views critical global problems and the directions it may take in seeking solutions for those problems:

> What we have here, therefore is a publicly-funded enterprise, charged with grave international responsibilities, that has not only been permitted to wall off its inner workings from the public view but that also sets its own goals, establishes how these goals are to be attained and, in due course, passes judgement on its own efforts (Hancock 1989:xiv).

The development industry includes a large number of organisations whose primary objective is to persuade public opinion that aid is an undoubted good and that formidable difficulties in developing countries are slowly but surely being resolved. Yet after nearly half a century of such 'development' assistance, the Third World's problems are worse than ever, despite the many billions of dollars in aid and loans poured into development projects. Foreign aid is alleged to be worth almost $60 billion dollars per year (Hancock 1989:xiv). The Third World debt is approximately $1.3 trillion dollars (Adams 1991:65). Yet from the onset of the debt crisis in 1982, till 1990, debtor countries in the South have remitted to their creditors in the North, an average of $6.5 billion dollars in interest payments alone (George 1992:xiv). This suggests that the behaviour of development organisations has been something less than altruistic:

> If the goals of official debt managers were to squeeze the debtors dry, to transfer enormous resources from South to North and to wage undeclared war on the poor continents and their people, then their policies have been an unqualified success. If, however, their strategies were intended - as these institutions always claim - to promote development beneficial to all members of society, to preserve the planet's unique environment and gradually to reduce the debt burden itself - then their failure is easily demonstrated (George 1992:xiii).

If the IBRD (the International Bank for Reconstruction and Development) and the IDA (the International Development Association), are included, the World Bank Group is the Third World's single largest creditor having lent $182 billion there. This is one seventh of the $1.3 trillion dollars owed to the thousands of other lenders (Adams 1991:65). As a major lender, the Bank, and to a lesser extent the IMF, have been powerful players in the international business of development assistance to poor countries.

The World Bank acts as a kind of chameleon organisation having mastered the art of being all things to all countries and accountable only to those it chooses, or to those to which it cannot help being subservient. It shares these qualities with many agencies of the UN and other international development bodies, qualities reflected in the personnel:

> At every level of the multi-lateral agencies, maladjusted, inadequate, incompetent individuals are to be found clinging tenaciously to highly-paid jobs, timidly and indifferently performing their functions and, in the process, betraying the world's poor in whose name they have been appointed (Hancock 1989:99).

In spite of its organisational charter obliging it to assist development in the South, the International Bank for Reconstruction and Development (IBRD) managed to turn in a healthy profit of $1.1 billion dollars in 1987 (Hancock 1989:53). This important arm of the World Bank is almost an orthodox bank and has never allowed clients to reschedule loans or default on their interest repayments. Partly for this reason, it is highly-regarded as a credit-worthy institution on Wall Street. But it also acts as a lender to some of the poorest and riskiest countries on the planet. By a sleight of hand, it manages this in two ways. Firstly, there is the IBRD's strict business-like approach to repayments on loans. Defaults are *verboten*. No borrower is willing to risk the wrath of such a powerful creditor and lose access to its credits in the future by defaulting. Secondly, the Bank is well protected from the risky nature of its position by the enormous strength of its capital base which is made up of 'paid-in' and 'callable' capital from member governments. In return for this support, rich countries receive political and economic leverage from their control of an influential multi-lateral development institution (Hancock 1989:54). It is important to note that the financial support from wealthy member nations ultimately derives from the pockets of their tax-paying publics, who must bear the consequences were the Bank to fold. And since there is no way that this bank can be regarded as a free-floating independent entity, it should be accountable to the same taxpayers. Instead, it treats both the lending and the borrowing public as incidental to its main concern, which appears to be the transfer of wealth to privileged elites, not excluding its own highly-paid bureaucrats, the "patricians at public expense", who preside over the Bank and the lives of the world poor.

5.16 The Global Reach of the World Bank

There is no doubt that the World Bank has shown a great deal of resourcefulness as a global lender. It has refined and extended its financial management skills to a point where, according to Adams, its role in the debt crisis has gone far beyond loans to major influence. Using its vast resources:

> the best-endowed development agency on earth, with the largest staff and an army of economists, it has drawn up investment plans for Third World governments, arranged financial packages for major capital investment opportunities in the Third World, signed framework agreements with the industrialised countries' aid agencies, managed multi-million dollar trust funds for cash rich countries, and organised consultative group meetings of other aid donors to tens of billions of dollars worth of loans (Adams 1991: 68).

The Bank also promotes a Joint Programme of Action to implement its goals by joining with the UN and its agencies, the European Community, and the other development organisations to 'assist', for example, in African development. Hancock paints a disconcerting picture of the reality behind the gilded doors of an institution originally founded to promote the welfare of underprivileged developing countries:

> ...a gang of vainglorious economists and bureaucrats in Washington, without experience of poverty, want to pull donors together so that they can effectively control all aid flows to the world's poorest continent; once they have done that, they will be in a strong position to cow recalcitrant governments and prevent them playing one donor off against another; they will also be able to support those governments which are willing to "reform" by bearing some of the economic and political costs of the necessary repression (Hancock 1989:129).

According to Adams (1991), the Bank's influence is immense in the Third World, where it has sought to remove borrowing agencies out of the sphere of local politics. For this purpose it has created autonomous institutions such as development finance banks, agricultural credit institutions and energy agencies to do the borrowing within foreign countries. There are many examples of small government agencies and institutions attempting unsuccessfully to thwart the Bank's plans for large loans and mega-projects. When three hydro-electric companies in Nepal balked at building large and risky dams in the 1960s, they were nationalised and a more pliant electricity sector set up (Adams 1991:68). In Colombia, the World Bank became a powerful administrative arm of the government, strong enough to bypass governmental decision-making, including the legislative and judicial branches. Puppet institutions were set up to undermine national democratic ones because, for the Bank, there has never been a place for wide popular participation in development decision-making, either in the Bank itself or outside it. Unfortunately for the poor in borrower nations, foreign capital has been monopolised to carry out the Bank's expansionist program, leaving little to spend on public health, education and transportation.

According to Chossudovsky (1992), the IMF and the World Bank forced India to accept what is, in effect, indirect rule by outside forces. He claims that under a series of agreements with these institutions, India was offered $3.5 billion dollars as an incentive to structurally adjust its economy. The Bank's asessment of the problems bedevilling the Indian economy was the standard free market deregulation formula:

> India's industry has never achieved its potential. Along with highly protective trade policies, excessive regulation is to blame. Plants remain uneconomically small technical progress is slow and capacity is underused (World Development Report 1991).

Here a rationale is being built for provision of funds with strings. The money comes *after* compliance. Not surprisingly, these measures are already devastating governmental control of monetary and fiscal policy, with drastic consequences for many of India's 870 million inhabitants (Chossudovsky 1992:271). In one of the world's most complex and diverse economies, this kind of multi-lateral international meddling has caused havoc and stagflation at a time when inflation has been forced down in the major world economies. The price of rice has risen in India by 50 per cent while purchasing power has been reduced, thus dampening demand for home-produced products. The big business families in partnership with foreign capital are rapidly entering into a variety of sectors previously reserved for small-scale industry, while rural subsidies and wages have been slashed in accordance with IMF prescriptions:

> In India, there are several hundred million farm workers, artisans, traders and others surviving on per capita incomes substantially lower than 50 cents a day while domestic prices are moving up to world levels. The increase in the cost of rice and wheat by 50 per cent since 1991, is pushing large numbers of rural people into chronic starvation. Nothing on this scale has been seen since the great famines in Bengal in the early 1940s (Chossudovsky 1992:272).

In only two districts of Andra Pradesh between August and November 1991, 73 cases of death by starvation were reported. The IMF and World Bank programmes have succeded not in eliminating poverty, but *eliminating the poor* (Chussodovsky 1992:273).

5.17 The World Bank's Development Record

The World Bank's self-acclaimed expertise in the area of economic development has never been impressive; in fact it has often been the cause of devastating and irreversible social and environmental disruptions, as in India. In the 1960s and 1970s, its enthusiasm for commodities exploitation pushed many countries in the Third World into developing their mineral resources and switching their farmers from subsistence and small-scale market crops to monocrop plantations for export. World markets quickly became glutted with competing commodities, which resulted in plunging prices and disruptions in Third World economies. As an economic advisor, the Bank's record, according to Adams, is less than outstanding:

> A review of 1,015 projects by the Bank's Economic Advisory Staff revealed a "striking degree of uncertainty in predicting its project's rate of return". A study by the Overseas Development Council found that almost half of the World

> Bank's loans to revenue-generating projects failed to achieve a desirable rate of return (Adams 1991:70).

The Bank's own Operations Evaluations Department found, in 1987, that out of a representative sample of 189 projects, 60 per cent either had 'serious shortcomings' or were 'complete failures' (*The Ecologist* 1992:259). In sub-Saharan Africa, 75 per cent of all agricultural projects audited were found to have failed. More extensive audits in 1988 found even higher failure rates particularly in the poorest areas of the Third World. Only nine agricultural projects between 1961 and 1975 achieved any kind of sustainability (Hancock 1989:145).

Yet, in spite of this consistently appalling record of investment, the World Bank and its affiliates continue to enjoy blue chip status. Pension funds, insurance companies, corporations and individual investors, few of which would lend their money directly to the Third World, are eager to buy World Bank bonds because these come guaranteed by the richest governments in the world. But if the 155 member countries, the shareholders of the World Bank, ever tried to privatise it, as the Bank is assiduously attempting to do with Third World economies through structural adjustment (Khor 1990:99), they would find very few private investors willing to consider a bank whose assets overwhelmingly consisted of loans taken out to pay previous ones. Again, without rich country guarantees, the individuals and institutions who now invest in World Bank bonds would refuse new offerings. Existing bondholders would find they were holding junk bonds, almost worthless, in what would be the world's riskiest portfolio (Hancock 1989:73).

5.18 "Development" Projects

The results of failed investment policies by Western donors has left the Third World, according to Hancock (1989), littered with the carcasses of white elephant projects which have had appalling human and environmental consequences. Third World, hydro (and thermal) powered electricity-generating plants account for 25 per cent of all debt. The Bank must bear responsibility for much of the farm and forest destruction, for induced earthquakes, diseases, alteration of hydrological regimes, erosion of coastlines, and the re-ordering of rivers and land around which many millions of people had organised their lives (Adams 1991:21).

Brazil is the best and worst example of a Third World country whose debts have been allowed to run amok and which are now affecting much of its social and environmental life. It is the world's largest debtor, having piled up 25 per cent of its $111 billion foreign debt to subsidise what have turned out to be largely unneeded electricity programs (Adams 1991:50).

Firstly, there is Itaipu, the largest hydro-electric dam in the world. It cost $20.5 billion to build, with incalculable human and environmental costs. The area flooded was 1,500 square kilometers of tropical forest and farmland, drowning Sete Quedas, one of South America's best known natural cataracts, and fracturing the lives of 40,000 Ava-Guarani Indians. The latter were simply forced to shift without proper compensation. This unprofitable project not only saddled the Brazillian poor with an $8 billion debt, but destroyed the habitat of 252 known species of birds and other animals including armadillos, tapirs, crocodiles and deer (Adams 1991:50).

Not long after the completion of Itaipu, the Brazillian Government built Tucurui, another mega-dam, this time submerging 2,400 square kilometers (216,000 hectares) of rainforest. Some 2.8 million trees were left to rot in place, having been sprayed with the dioxin, agent orange. Forty people lost their lives as a result, and a number of full drums were left in the dam to burst later above the water supply of the state capital, Belem (George 1988:157). Up to 30,000 people were forcibly pushed off their land to serve 'the national interest'. This time $5 billion were added to the debt, requiring new loans for the interest alone. Even the dam-building industry considered this a waste, but in the world of development those who can, will, because:

> usually the money supplied by international development agencies combined with the muscle of borrower governments, is enough to enforce acceptance of any scheme

> however irrelevant, cruel, unusual or hare-brained (Hancock 1989:150).

Brazil's next pharaonic project was the Balbina Dam. This was conceived in the 1970s at the height of the OPEC oil crisis and the Third World's borrowing binge. Balbina would help to shake off Brazil's dependence on imported oil, but it would not do it by much. Even compared with Tucurui this was not a viable project; it was only expected to generate a modest 80 megawatts after flooding 236,000 square kilometeres of rainforest (Gribel 1990:133). By contrast, Tucurui produced 8000 megawatts flooding a comparable area. The dubious economics of the project saw the project gradually stall until, in 1986, the World Bank again intervened, putting up a loan of $500 million to allow completion. The Brazilian government then moved to defuse opposition to the dam with a media campaign of questionable veracity. It also closed the floodgates a month early before any precautions had been taken to remove the wildlife or clear the vegetation. This action turned the flooded area (of twice the extent expected) into a rancid, poisonous body of water that reduced the local Indian population by two-thirds.

But development disasters are not restricted to the rainforests of South America, where environmental and human impoverishment seem more the norm than the exception. When Third World development is driven by foreign investment, engineering miracles, especially large dams, have turned out to be technical and financial nightmares for those who must repay the debts. For the beneficiaries of course, no project ever fails:

> More often than not big, fanciful, extravagant and high-tech, such schemes do, however, meet the bureaucratic needs of the agencies themselves, the psychological and career needs of their staff and the commercial needs of their suppliers from whom equipment and supplies are procured (Hancock 1989:151).

There is little evidence to suggest that the Bank is capable of learning from its past errors, the kind it made in Ghana in the 1950s and 1960s. Funding the giant Akosombo Dam on the Volta River only benefited foreign business and local elites. The local poor were not even supplied with electric lights. The effects of damming this river caused widespread endemic onchocerciasis (river blindness). 70,000 people have lost their sight since completion (Hancock 1989:140). Parasitic waterborne schistosmiasis has also disabled 80,000 more and 1 per cent of the population has been displaced without compensation.

The Chixoy hydro-elecric dam in Guatemala is an example of inexplicable technical mismanagement characteristic of Western-financed Third World projects. Six months after completion in 1983, this dam was rendered inoperable when a 26-mile tunnel feeding water to the power station collapsed. It had been cut through unstable geological formations of soluble gypsum. Repairs delayed the work for another two years and raised the cost of the dam from an original $340 million to $1 billion (Hancock 1989:150). A western consortium, led by the World Bank and the Inter-American Development Bank, were at hand to lend more money to see the project finalised. Even when soil erosion threatened to cripple this project, the same group financed corrective action (which included re-aforestation and soil reclamation). By then, the economic boon had become a third of Guatemala's $2.5 billion foreign debt (Adams 1991:32).

This pattern of massive cost blowout for no return is repeated elsewhere. In Zaire, for example, the Inga-shaba hydroelectric project and power transmission line was originally expected to cost only $450 million but by the time of completion, had blown out to over $1 billion and the power was no longer needed.

Typically, western-built and funded dams have been an enormous burden even after completion, which is almost always attributable to unnecessary haste and insufficient supervision by foreign designers and builders. The Tavera and Valdesia dams in the Dominican Republic are a financial drain on this already poor country. There is a continuous need for fresh loans to maintain the dams and prevent siltation from the surrounding deforested hills. In Ghana, as in Peru, the World Bank-financed dams would not fill to capacity because, as designers discovered, the water supplies were insufficient. All these failed projects are now helping to bankrupt their countries' economies (Adams 1991:33).

It is a similar story with dams designed for irrigation schemes several of which have waterlogged and salinised millions of acres in poor countries. Needy India lost 20 per cent more land in Uttar Pradesh through waterlogging than was irrigated. Other accessories to the destruction in poor countries are an increased use of fertiliser, pesticides, mechanisation and monocrops.

Although gigantic hydro-electric and irrigation projects have been major contributors towards national debts, there are others. As already noted, it was during the 1970s that the bulk of the Third World's $1 trillion debt was incurred. Developing countries undertook an estimated 1,614 megaprojects with an average cost of $612 million, a quarter in the oil sector, 20 per cent in mining, and over half for infrastructure, including roads, electric power, agriculture and communications (Adams 1991:52). State enterprises seemed always to favour big projects costing vast sums, especially by electricity companies - though as we have seen, this has not been mere accident.

As with more conventional forms of generation, nuclear power investment projects have been another means of increasing Third World debt. Mexico's was expanded considerably by its two reactors at Veracruz, originally projected at $1 billion and eventually finished after two decades at a cost of $4 billion. Ferdinand Marcos committed the Philippines to having two reactors built by Westinghouse on the Bataan Peninsula. The original estimate of $500 million blew out to $2.8 billion for a *single* reactor. This whole project was riddled with 'irregularities', among which was the choice of site at the foot of a volcano in the middle of the Pacific fire rim zone, an area of high seismic activity (Adams 1991:125). This reactor remains too dangerous to commission, but its costs still account for *10 per cent* of the Philippines' national debt. Yet the Bank (whose self-acclaimed expertise in the area of development outranks all others) is unable to recognise solutions (or indeed real causes) for the disastrous state of the Philippine economy. Instead, it lamely states that:

> the country faces substantial constraints such as low levels of resource mobilisation, a heavy burden of foreign debt, rising domestic debt, and, depite some reductions in absolute numbers since 1986, widespread poverty in urban and rural areas (The World Bank Annual Report 1992:123).

An additional World Bank-sponsored scheme that has resulted in massive social and ecological destruction is the series of notorious resettlement schemes decreed by undemocratic governments to move people to places more 'suitable'. Both Brazil and Indonesia have executed such programmes with the help, blessing, and funding of multi-lateral and bilateral lenders, always flagshipped by the World Bank. The Indonesian 'Transmigrasi' program was intended to move some 20 million people from Java into the less crowded outer islands. The impact on native tribal people and the environment was not considered relevant, and the result has been destitution of migrants and widespread destruction of tribal life and forests. Transmigrasi was expected to add some $3.5 billion to Indonesia's debt, thus absorbing 6 per cent of national spending (George 1988:158).

Resettlement projects in Brazil have been similarly disruptive. Millions of landless peasants and many thousands of cattle ranchers have penetrated the protective defenses of the Amazon forests along the World Bank-financed highway BR-364. Within a few years of its completion, the smokey results of slash-and-burn clearing have become visible from space. This, "the world's most concentrated, diverse and ordered habitat, has become a commons that is fast devolving into a desert" (Adams 1991:29). After the soil is impoverished by inappropriate peasant farming, the cattle ranchers (supplying western take-away hamburgers) move in to enjoy the Brazillian Government's huge cattle subsidies which between 1975 and 1986 cost the country over $1 billion (Adams 1991:29).

In addition, Brazil has put forward a "Greator Carajas Developoment Program," a $62 billion plan to create an agro-industrial complex of mines, smelters, dams, railroads, ports, ranches and plantations, in the middle of the Eastern Amazonian jungle. It will utilise an area the size of Great Britain and France combined. To fuel the smelters, 58,000 square kilometers of rainforest would need to be converted to charcoal, changing a pristine environment to something resembling a nuclear winter. In the state of Rondonia, after subsidising extensions to Highway BR364, the World Bank subsequently lent this state $99 million to combat the plague of mosquitos which had previously been restricted to the forest canopy. DDT was the Bank's choice of pesticide (Adams 1991:31).

According to Hancock, Brazil and Indonesia might be regarded as two countries 'waging the equivalent of thermonuclear war on their territories' (Hancock 1991:138). The World Bank argues defensively that "where development is taking place, it (enviromental devastation) cannot be halted, only directed." It adds that the Bank can only influence events in such areas "by being part of the action" (Hancock 1991:138). But as Hancock rightly notes, this bank's own totally benign self image as wise, gentle and far-sighted, hardly tallies with reality:

> It has been 'at best a case of the blind leading the blind. At worst, and far more frequently, it participates in a kind of destructive synergy: working as a team with its client of the day, it can make things much, much worse for the poor and for the environment than would have been possible otherwise (Hancock 1991:138).

5.19 Capital Flight

Much of the Third World is a commons, a free for all where the world's major players, the rich and powerful governments and their compradors, have increased (and continue to increase) the strength of their positions at the expense of the masses. Nowhere is this more starkly borne out than in the collusion between western governments, banks, businesses and aid agencies to transfer as much as possible of the capital wealth of the South, Northwards. A significant part of such transfers is somewhat loosely termed "capital flight", a cosy arrangement between banks and government officials to return sovereign loans as deposits into the accounts of those holding positions of power in Third World countries. The capital, which in fact left the debtor country long ago or may not have even arrived there from the bank, would still appear on the bank's books as a loan on which interest must be paid. George claims major western banks encouraged such corruption because it was easy money:

> (The banks were) paid back twice for a single commitment; first in deposits from foreigners, then in interest. As one economist remarks, "the most aggressive banks, such as Citibank, have probably accumulated as much in assets from poor countries as they have loaned to them. Their real role has been to take funds that Third World elites have stolen from their governments and to loan them back, earning a nice spread each way (George 1988:20).

The Bank of International Settlements announced in its annual report in 1983, that not only was capital flight taking place on a large scale, but that $55 billion was shifted Northwards out of Latin America between 1977 and 1983. In 1986, Morgan Guaranty estimated that as much as 70 per cent of new loans made to Latin American countries was returned as capital flight (George 1988:20).

By 1988, the overall theft had risen to $130 billion, a sizable amount considered sufficiently large to service the region's debt for years to come (George 1988:20). This is premised on the vain hope that bankers would move to help in returning the stolen funds. New York bankers saw no moral issue in accepting flight capital, arguing that if they did not, Swiss Banks would not hesitate to do so. Indeed, bankers facilitated the process, by devising complex mechanisms to ferry 'flight' money away from its rightful owners. These creative devices included off-shore trusts, fake investment companies and parallel foreign exchange swaps to avoid national banks. They even manufactured 'back-to-back loans', in which the bank loaned clients their own money. Marcos provides a good example. By the time of his overthrow in 1986, he had burdened the Philippines with a $26 billion debt much of which had been to finance socially useless development projects. After Marcos had been overthrown, investigations confirmed the staggering level of debt, $10 billion of which had been secreted out of the country (Hancock 1991:175). This was capital flight on a grand scale, made possible because multi-lateral and bi-lateral lenders were unwilling to take responsibility for the consequences of their lending. Marcos's debts will continue to burden generations who have received little or no benefit from them. Between 40 and 50 per cent of the Philippines' exports will go just to cover interest payments (Hancock 1991:175).

In Zaire, Mobutu Sese Seko bears more than a little resemblance to Marcos. His regime is characterised by detention without trial, torture, murder, and disappearance, and he himself has spirited almost $4 billion out of the country, investing it in real estate on the Continent and in the US. He is reputed to have become one of the world's richest men since taking power in 1965 via a CIA-backed coup (Hancock 1991:178). The IMF refuses to see Mobutu's shortcomings and has arranged to reschedule his repayments eight times, with new loans and enforced austerity programmes on a suffering population:

> life for the average Zairan has never been so hard. Real wages are a tenth of what they were at independence; malnutrition is chronic; 80 per cent of the people live in absolute poverty. Official theft continues unabated and the people are bled, yet Zaire still receives plenty of new money. The World Bank loaned the Mobutu government over $1billion, including $4375 million between 1984 and 1986 alone. The IMF has instituted its usual measures (George 1988:106).

The amount of capital that has flown the country through Mobutu's hands is almost the size of the county's debt and yet no steps have been taken to enforce its return to the rightful owners.

Between 1976 and 1986, Mexico lost $56 billion in illicitly exported capital, while rich Venezuelans sent out $44.2 billion to western banks between 1983 and 1985 (Hancock 1991:187). Hancock claims western aid often condones the behaviour of such 'kleptocracies', encouraging them in their costly delusions of grandeur and providing them with the wherewithal to keep up the bad work (Hancock 1991:176). Yet, according to a World Bank publication, capital flight is merely:

> an elusive concept, statistically hard to distinguish from the normal capital flows generated by trade relations and by growing world financial integration (World Development Report 1991:124).

5.20 In The Name Of Security

An essential ingredient in the maintenance of Third World military regimes has been debt-financed militarisation. The Stockholm International Peace Research Institute (SIPRI) has concluded that 20 per cent of Third World debt can be attributed directly to arms purchases (George 1988:22), and this figure excludes OPEC countries which spent up on expensive military hardware (unlike non-oil producers who were restricted to more modest purchases). After the 1982 cutbacks in loans, the proportion of poor country budgets spent on armaments has remained as high as $170 billion per year (World Development Report 1991:140). Somewhat irrationally, the IMF consistently pressured its clients to make cuts in civil spending while allowing arms to continue unaffected. Thus those least able to afford the expense have been the largest buyers of arms because, in dictatorial regimes, the most pressing threat to national security comes from a country's own oppressed people.

The United States has been a major supplier of weaponry to such regimes. Out of the $54 billion debt that Argentinians carry, $10 billion can be traced to military expenditure by the regime's generals (George 1988:22). Peru under President Garcia wasted over half of the country's yearly budget on arms. Between 1972-1982, non-oil producer Third World countries increased their share of world arms transfers to 41 per cent, which accounts for twenty per cent of borrowing for every year of that decade when the debts were being accumulated (George 1988:24). To suggest that such wasteful and non-productive loans have brought beneficial development to poor countries seems highly imaginative. More realistically, the security provided has been for ruling elites and foreign multi-nationals.

5.21 The Impact Of US Military Spending

The debt pile in the Third World is not simply due to the military spending of Third World puppet regimes. It is also due in part to arms spending by the United States. In the early 1980s, America embarked on a massive arms programme on which the Reagan administration spent nearly a third of its federal budget. By 1986, it had wasted $140 billion of foreign assets and its foreign debt had risen to $250 billion, with a total public debt of some $2 trillion:

> What the Reagan era did was to dramatically accelerate the rate of decline while masking its dire consequences in a reign of heady unreality (Burstein 1988:33).

It is widely recognised that the US economy is badly in need of the IMF formula for structural adjustment. It needs to cut spending, raise taxes and export more goods abroad. But according to Hirst and Thompson (1992), it is unable to take any of these measures because internal socio/political reasons prevent it from simply adopting more solidaristic and co-ordinative relations between labour, industry and the state. Hence the difficulty of competition with Germany and Japan. And since the IMF is an instrument of the G-7 western government group led by the United States itself, it will not act to enforce austerity programmes on this, the world's largest debtor, especially in the area of arms spending. Consequently, America must borrow continuously to fund its huge deficit by attracting loans with high interest rates. When it overborrowed in the 1980s, it brought on an increase in the rates on Third World debts because the United States' rate is, for most practical purposes, the world rate. At the same time, it may be said that America occupies a strong position in the world economy, at least while its dollar remains the world currency. If it chose, it could wipe out much of its debts by devaluing its currency to a very low level, at the cost of triggering off renewed global inflation (George 1988:26). The fact that this would effectively destroy the world economy must be a source of some restraint.

5.22 Conclusion

A development model along western lines will necessarily have limited relevance in the populous South, and this has undoubtedly been the reason it was offered to countries wanting development. Perhaps it is fortunate that the world has not yet seen an India or a China industrialised to the level of Japan. The resource demand

and inevitable pollution would quickly reduce the quality of life on the planet. However, this is an unlikely scenario given the lack of progress in Third World development since 1945. The present dominant western order exists at the expense of an undeveloped exploitable world. This is not an argument based on a conspiracy theory of history. There are presently a great many forces converging in a single direction, whose agents need not conspire if they have the same world view, aspire to similar goals and willingly take concerted steps to attain them. Co-operation between western corporations, governments, the UN, global lenders and development aid agencies is such a convergence which keeps the Third World in line (George 1988:5) and conserves the essential structures supporting the hegemony of a western economic order.

For some, it is a means for reversing the social democratic gains of the last 60 years, where:

> a climate of ideas associated with the New Right may condition economic and political actors to accept a situation which by other lights would appear unstable and unjust (Corbridge 1992:286).

This counter-revolution in development thinking includes a continuing optimism about a spontaneous recovery of the world economy, based on market perfectability and export-led growth out of national debt. It lays stress on local responsibility for indebtedness and non-development and on the notion that debt-relief is not just expensive, but "morally unsound' (Corbridge 1992:286). These are the very same policies imposed through the lending 'conditionalities' set by the World Bank and the other members of what George (1988:5) has dubbed the 'consortium'.

According to Bradley (1989), a resolution of the Third World debt crisis requires a degree of cooperation on behalf of the borrowers and lenders. It has been resisted by the highly influential policies of the US Treasury, as illustrated in the case of Mexico. In the four years since 1985, this debt-burdened country managed to meet its IMF obligations by submitting its economy to fiscal reform and cutting its budget by 8 per cent of GNP. It opened its markets, cutting trade restrictions by 50 per cent, and reduced its average tariff rate from 29 to 14 per cent. As a result, imports surged by 47 per cent in 1988. Yet Mexico was forced to continue paying its creditors more than it could afford and consequently per capita consumption fell by 8 per cent. Per capita investment also dropped 23 per cent over the same period (1985-1987) as economic growth went into reverse. During this traumatic period, the US Treasury and the banks refused to allow any interest and debt relief, which would have provided a chance for Mexico to emerge from the deep pit of national debt. The commercial banks received a healthy 13.6 per cent average return on their Third World loans between the crisis years of 1982 and 1989, which questions the claim that they were in any real danger of collapse (George 1992:86). In the same years, these banks were paid some $386 billion by the Third World while they supplied it with only $43.5 billion in new loans. It is most unlikely that the difference could have been generated entirely from the earnings of Third World countries during the lean years of the 1980s. Instead, as George argues:

> There is strong evidence that these exceptionally high remittances from poor countries to banks since 1982 could never have been made without the help of public money - taxpayer's money - from national or international public agencies. Loans from official creditors seem to have transitted via the books of Third World countries but were in fact used to pay back the banks, not to fund 'development' or provide for human welfare (George 1992:87).

In 1985, The US secretary of the Treasury, Mr James Baker, launched his famous plan (bearing his name) in which the commercial banks were to renew lending fresh funds to fifteen major borrowers, as a means of stimulating investment in the developing world. It achieved a net transfer of some $76 billion in interest alone and $43 billion in net resources to rich creditors (Bradley 1989:63). At the same time, the Baker Plan spurred capital flight by raising the level of debt and lowering the confidence of domestic investors. Bradley claims this plan failed to achieve economic growth because it was non-specific, prescribing the same solution (new money) for countries as dissimilar as Brazil and Bolivia. The Brady Plan of 1989, also emanating from the US Treasury, sought to persuade the banks to exchange 'a high value but insecure loan for a lower value but safer one' or that they should lend enough money to debtors to buy back their own debts at a discount. It required about $20 billion of World Bank and IMF money and apart from being an inefficient use of development money, it was 'far too little and far too late' (George 1992:90). By 1991, Third World debtors were 61 per cent more in debt to all creditors than they were in 1982; and 35 per cent more in debt to the banks themselves. Also since 1982, between $44 billion and $50 billion in tax relief on bank provisions and losses have been foregone by Northern taxpayers:

> The banks, the creditor governments and the international lending agencies have committed no crimes. The question of justice is another matter entirely (George 1992:92).

For Bradley (1989:66), the solution for the debt problem is interest and debt relief. The error has been allowing banks to use bridging loans 'to make bad loans look good'. The banks should shoulder their responsibility for foolhardy investments and face the consequences, which is no more than acceptable business practice. They ought to absorb their losses. As an essential first step, any viable and just resolution of the Third World debt crisis should begin by removing it from the hands of financiers and economists. Matters involving sovereign debt disputes are deliberations for the International Court of Justice. But as Adams (Adams 1991:168) notes, even here, international legal thinking has swung away from principle to pragmatism, with more concern for lenders than borrowers, a situation associated with the fostering of international trade and investment.

In a sense, the Third World debt has replaced the overt chains of Third World colonialism in a neo-colonial world order. If benign Third World development had been the true aim of western countries, if it had been to extend the benefits of modernisation and technology to all the people of the planet, it has failed. On the contrary, there has occurred a progressive *underdevelopment* in Asia, Africa and the Americas where large populations have lost even the necessities for a simple healthy life.

In Latin America, where proximity to the United States ought to have induced advanced development, there is widespread indebtedness and poverty. Spending on health has fallen by 50 per cent per head, while on education it has fallen by over 25 per cent in the last ten years (Jolly 1989:51). Debt and development continue to be defined and manipulated by institutional and private elites and as effective tools for controlling a captive Third World.

CHAPTER SIX

DEBT AND ENVIRONMENTAL DESTRUCTION

6.1 Introduction

The last twenty-five years have seen ecological devastation across the globe. In the southern hemisphere it has been rampant, beginning seriously in the late 1960s, expanding in the 1970s and accelerating dramatically in the 1980s. The effects on human and natural systems have been deadly and unrelenting. Satellite pictures of smouldering rainforests are now too common to be remarkable. Desertification in rural areas, has turned previously productive land into dustbowls. This chapter focuses upon the connection between Third World debt, the adjustment policies of international institutions, deforestation and climate change. It scans the likely impact of a 'successful' conclusion of the GATT negotiations on Third World economies, the environment and the quality of life after 'harmonisation' in health standards.

6.2 The Debt/Environment Connection

Perhaps the Third World debt crisis is not exclusively the cause of environmental destruction in developing countries, but according to George (1992), it is a major contributing factor. Chapter Five examined the policies and structural adjustment programmes of major lenders. Countries in economic difficulties have been 'encouraged' to exploit their natural capital, often at the expense of fragile ecosystems. Mega-dams, nuclear power plants, smelters fueled on rainforest timbers and huge industrial estates were thought to be viable sources of foreign exchange. After the debt crisis climaxed in 1982, structural adjustment programmes and austerity measures ensured that even greater resources were needed. The resulting 'utilisation' was at an enormous environmental cost.

Export orientation policies (of the major lenders) encourage not only industrial scale agriculture but also the granting of huge timber and mining concessions, geared to short-term profit with no thought for conservation. For George, such concentration of wealth and advantage in a few hands has led to poverty and marginalisation for the majority. For the same people it has meant severe despoilation of their environments:

> ...poverty poses a grave threat to ecological balance. In country after country undergoing structural adjustment, poor people have become poorer still. The survival strategies they are forced to adopt place further pressures on the severely limited, fragile resource bases left at their disposal (George 1992:3).

Landlessness and land insecurity facing poor farmers are major causes of tropical deforestation. Social inequity is again directly linked with the environmental crisis as marginalised groups are forced off their land and into forests:

> ...the land peasants need is in the hands of large landholders or governments who, benefitting from the rise of social systems under which power to allocate and use land has shifted from the community to outside patrons, the market or the state, are using it for non-subsistence purposes (World Rainforest Movement 1992:2).

George argues that under the circumstances it is unfair to ask the poor to take the long term view, sparing the natural world, after being driven off their land. It is folly to expect a breadwinner to refrain from cutting down trees for charcoal and furniture when international companies are doing the same for woodchips and disposable chopsticks. Navarro succintly paints a Third World view:

> There's no doubt that poverty destroys the environment. If poor Salvadorans find turtle eggs, they're not going to think that in 50 years' time those eggs are going to produce more sea turtles. They know that selling those eggs for $10-$15 means surviving for a week. What is poverty? Well, it's a predator of the environment, not some abstract concept. There are poor people because there are rich people. Nobody chooses to be poor. To stop the deterioration of the environment, we have to overcome poverty (Navarro 1993:13).

Quite often forests are set alight to provide pasture for cattle for the western fast-food outlets of international companies while austerity policies ensure environmental ministeries in developing countries are starved of funds. In the Philippines, for example, a monolithic 44 per cent of all government spending must go to debt-servicing (George 1992:4; Khor Kok Peng 1992:24).

6.3 Debt-Driven Rainforest Destruction

Deforestation is the destruction of one of the natural world's most important mechanisms for the removal and storage of excessive levels of carbon dioxide in the atmosphere. It is also a tragic loss of the largest remaining banks of biodiversity, much of which have yet to be catalogued. Traditional methods had allowed forests to remain productive while western development methods made no allowance for regeneration (Khor 1992:18). This has caused the rainforests of the world to shrink at an enormous rate. It is claimed that by the year 2000 they will have largely disappeared (Gupta 1988:5). The situation for the other types of tropical vegetation is even worse as forests are rapidly destroyed in search for new agricultural land and fuelwood. The Siberian forests of the new Russian republics are now coming under severe threat of clear-felling as multi-nationals pressure for access. These forests presently cover some five million square kilometers, an area the size of the United States of America.

Deforestation in developing countries is a global responsibility because of its serious impact on the conditions that support the entire biosphere. Northern attitudes which condone environmental abuse in the South, take little account of the fact that ecological catastrophes will not recognise geographical borders. They also ignore the fact that major contributors to environmental depletion and pollution are residents of industrial rich countries whose past and present abuse of environmental commons have piled up a far greater ecological debt than all the Third World economic debt put together (Navarro 1983). This ecological debt will one day have to be paid.

6.4 Climate Change

In 1990, the three hundred scientists who took part in a UN-convened intergovernmental panel on climate change (IPCC) concluded that immediate reductions of greenhouse gases by 60 per cent were necessary to stabilise the concentrations at that year's levels. In the unlikely event that such reductions were achievable, the scientists warned that there was a strong possibility of 'positive feedbacks' amplifying the warming. An inordinate increase in greenhouse gases may cause a slight increase in ocean temperatures which in turn would release billions of tonnes of sea-stored carbon dioxide. The result would be unprecedented disruptions in every part of the world.

Although about two-thirds of the greenhouse gases come from the activities of industrial countries, there are significant amounts from the South directly connected with its on-going debt crisis. Deforestation is the major source here, releasing large quantities of carbon to combine with methane and nitrous oxide, all 'greenhouse gases'. The speed of deforestation is increasing these concentrations at a 'breathtaking' pace. Approximations in 1979 ranged from 1.3 to 1.9 billion tonnes (gigatonnes). A decade later, this figure had risen to a conservative estimate of 2.0 to 2.8 gigatonnes (George 1992:7). This represents a 50 per cent increase in deforestation-related greenhouse gases, over 20 per cent of the total contribution to global warming (Myers 1989). According to George, the connection between debt and deforestation is unambiguous:

> Certainly increased human pressures take their toll on tropical forests, but this is not so much the result of population growth as of marginalisation of huge numbers of poor people in debtor countries who no longer have a chance of finding a decent livelihood (George 1992:8).

In Guatamala, some 80 per cent of the land is owned by 2 per cent of the population and as in many Third World countries, the only real solution for reducing the impact of the poor on their environment is immediate implementation of agrarian reform. According to Myers (1989), these people are increasingly victims of the debt crisis, often pushed off their land for export crops. George (1992:8) claims the effect of the debt crisis in the 1980s has accelerated Third World deforestation in the following ways:

- Pressures to increase export earnings stimulate increased exploitation of timber.

- The same pressures lead to the expansion of pasture and hence to the clearing of forests for beef exports.

- Debt increases poverty and marginalisation, which in turn increases the exodus of poor people into forests in the hope of finding a means of subsistance.

- Mangrove forests in coastal areas are destroyed to to make way for ponds to raise shrimp and prawns for export.

Large scale mining also damages forests, as in the Carajas in Brazil and Bailadila in India, where the impact on fauna and flora has been immense. The Trans Amazon and Trans Sumatra highways have cut through virgin forests for transmigration programmes funded by the World Bank. These have been noted in Chapter Five.

For George (1992:10), the correlations between debt and deforestation are very close:

> Of the 24 largest debtors, 8 never had, or no longer have forest reserves significant on a world scale. Of the 16 remaining major debtors ($10 billion or more), *all are to be found on the list of major deforesters.* The correlation is particularly strong for mega-debtors such as Brazil, India, Indonesia, Mexico, Nigeria (among the top 8 debtors) all of which rank among the top 10 deforesters.

In Indonesia and Brazil, the high rate of deforestation increase is especially alarming because these countries contain so much of the world's remaining reserves. About 43 per cent of the original forests in the Third World have already been lost and in countries like Brazil, this has happened mainly since 1980.

In the South, Papua New Guinea forests are rapidly being felled by Japanese and American companies who had previously exhausted the reserves in Thailand, Malaysia and the Philippines. In Bolivia it is a holocaust only marginally less than Brazil's:

> Every year about 200,0000 hectares (500,000 acres) are estimated to be lost to timber extraction, cattle ranching and 'shifted cultivators'. They have become a large and growing population in Bolivia since 1985 when the IMF and the Bolivian Government instituted one of the toughest austerity programmes ever enforced in Latin America (George 1992:15).

6.5 The Debt-Trade-Environment Connection

When the forty-four industrialised nations met at Bretton Woods in 1944, their main concern was reducing the possibility of another 1929 slump. As noted in Chapter One, this was thought to be best achieved by bringing the colonies under the control of a western industrial system, thus providing a continuously expanding market for their own manufacturers and maintaining a supply of cheap food and raw materials from the undeveloped countries. The World Bank and the IMF would make it difficult for Third World borrowers to repay their 'development' debts while western lenders 'managed' their currencies and interest rates. The GATT would prevent the same countries from becoming so developed that they could produce their own goods rather than buy them from First World producers (Goldsmith 1990). Thus they were offered inappropriate and often unachievable development models. In this economic order, the Bank and the IMF have complemented the work of GATT in tying up many developing economies in conditions secure enough to keep them dependent on the West for decades. These same pressures were being exerted most strongly in the recent Round of GATT negotiations. The 'successful' conclusion here will increase the widening gap between global rich and poor and will be the greatest threat yet to the world environment.

TNCs already control 80 to 90 per cent of world trade in tea, coffee, cocoa, cotton, forest products and other commodities such as tobacco, jute, iron ore and bauxite. Yet the same companies pushed for and achieved further access through GATT in new areas as services, agriculture, textiles and intellectual property rights. According to Raghavan (1990:207), the TNCs' agenda is the removal of the few remaining restrictions limiting their total freedom for expansion. The push on new issues, Khor Kok Peng argues, is part of a grand design in which industrial countries will transform GATT into a world policeman to serve conglomerate interests (Khor Kok Peng 1990:208; Goldsmith 1990:204). At the same time, these interests are trying to downgrade or remove entirely what remains of the "development principle" from GATT rules. By this mechanism, less-developed countries have been allowed privileges and exemptions in recognition of their disadvantaged status. The intention was to inject a little 'fair trade' into free trade. In the recent Round, this principle has been ignored by industrial countries on the ground of equal treatment for the Third World. But competition on a 'level playing field' will mean increased debt and perpetual dependency for many small nations. This is the same market language of "adjustment, retrenchment, deregulation and openness" (Corbridge 1992:286) and has sinister implications, as explained by Hall (1986, cited in Goldsmith 1990:204):

> Freedom of investment- freedom to expatriate profits to manipulate local politics, to pay workers slave wages, to block social programmes, to spoil the environment unhindered by regulation - has been the true meaning of "free" in "free market". It involves stealing away national sovereignty, repressing labour organising and political parties, destroying self-sufficiency in food and basic goods (and imposing food and basic goods import dependency), keeping wages and the standard of living low, and broadening the gap between the rich and poor.

As already noted, Seabrook (1992:15) observes an 'international monetary fundamentalism' sweeping the planet in the economistic ideology of the West, no longer inhibited by an antagonistic Soviet Union. As from the onset of 1995, the old GATT will be reinvented for the new world conditions:

> [It] will become reincarnated into the World Trade Organisation (WTO), its status on a par with the World Bank

> and the IMF, two pivotal custodians of corporate aggrandisement and global imperialism (Clairmont 1993:18).

As an agent of dominant western interests, the GATT claims for bringing about expansion of the world economy are as fanciful as the self-proclaimed achievements of the World Bank in development. The former had more to do with a number of Keynesian policies and government interventions that promoted widespread expansion in the industrialised countries. According to Raghavan (1990:205), the effects of the GATT rounds "merely accommodated the TNCs' demands for greater freedom for their operations around the world, dealing essentially with issues of market access". A western ideology of dominance allows industrialised countries to resist giving Third World countries equal treatment with open access to their own markets while refusing reductions on products from developing countries.

By the end of the 1970s, Third World countries had come to realise the hopelessness of trying to change the asymmetrical relationship with the industrial world. In spite of North-South dialogues, and calls for a more equitable New International Economic Order (NIEO), developing countries had little to show for their troubles except for massive debts and an unequal flow of resources Northwards. Raghavan (1990) attributes the Third World debt crisis to the combined effects of OECD monetarism, high interest rates and a policy-induced recession. He claims that having frustrated the NIO's call for better trading conditions for the South and a period of structural adjustment of its economies, the United States has set about restructuring international economic relations according to its own interests. This is made clear in the direction of American influence in the Uruguay Round and ought to be seen against the present state of the world economy and the declining hegemony of the United States (see Chapter Two). In this context, it may be that America is playing its final card at a time of waning influence in a unipolar world. Given the influence of the industrial countries and their support for international 'cooperation', coercing dependent Third World debtors was never a difficult task.

6.6 The GATT Crisis

As noted earlier, transnational companies have seen the Uruguay Round as an opportunity to extend the 'free trade' principle out of the traditional areas of manufactured goods and into the new and more lucrative areas of services, investments and intellectual property rights.

6.6.1 Services

The area of services covers finance, media and communications, transport, tourism and professional business services. It is also the fastest growing sector of the developed economies having overtaken manufacturing. In many Third World countries these areas are often protected by laws preventing the entry of large foreign concerns likely to absorb the locally-owned and medium-sized 'informal sector'. Western service companies want the barriers broken down to give them access to this market and have lobbied hard through their governments. Generally, their argument is as follows:

- Because services have overtaken trade in importance, the free trade concept must now be extended to include them;

- Since services require a presence in the importing country, the right of establishment must now be included.

- Any discrimination against foreign firms (that is less than national treatment) is a violation of GATT and can bring on retaliation measures along a broad range of products.

It is the possibility of cross retaliation (linking action in one area of trade or business to retaliation in another category of product, service or business altogether) that invests the GATT framework with so much power.

6.6.2 Trade-related Investment Measures (TRIMS)

In many Third World Countries, certain restrictions apply to foreign corporations wishing to set up in there. Some examples are local content requirements, limits on the remittances of profit abroad, and local equity requirements. Their governments reasonably argue that these measures are neccessary to protect the economies' balance of payments, to guard against unethical TNC practices, transfer pricing or monopolistic market allocation and to put a limit to TNC ownership of key sectors of national economies. They are not conditions for the restriction of trade but for ensuring a necessary degree of sovereignty. Developed countries have insisted that TRIMs both distort trade and are an influence on (their) costs and prices and should be abolished. Seabrook points to a degree of inconsistency in the attitude of developed countries:

> The disputes between the United States, Europe and Japan over agricultural subsidies under the GATT negotiations, have not prevented the western financial institutions from pressuring Third World governments to cut subsidies and open their agricultural sector to 'free competition' (Seabrook 1992:13).

6.6.3 Trade-related Intellectual Property Rights (TRIPS)

The industrial countries have also demanded that intellectual property rights be included under GATT rules. They have insisted that their own laws governing patents, copyrights and trademarks apply worldwide. GATT will be the administering body. But for many developing countries this amounts to severe restrictive protectionism, preventing the diffusion of technology to them and therefore a serious hindrance to their development. The same restrictions run directly against the principle of liberalisation which industrialised countries appear to hold so dearly. For many in the South, the western order is consistent only in its selectivity:

> There are double standards in the industrial world's approach; liberalisation if it suits us, protectionism too if it suits us - the real underlying principle is pure self-interest (Khor Kok Peng 1990:211).

A uniform global system on patents will have far-reaching effects on countries such as India. Life-saving drugs currently manufactured up to twenty times more cheaply than imported ones would become unavailable to the poor when royalties must be paid. If the Dunkel proposals on agriculture are accepted, seeds, plants and animals will also be patented, resulting in farmers being forced to pay royalties when replanting their own seed and on newborn animals. The injustice of such a situation is all the more poignant when it is remembered that much of the original germplasm was developed by poor farmers in the South over hundreds of years and given *freely* to the North.

6.7 GATT Environmental Implications

In 1989, the Bush Administration presented its so-called "double zero" plan to all GATT member nations. This US proposal for global agricultural deregulation sought agreement for the elimination of farm subsidies around the world and the phasing out of all import tariffs. Had this been fully accepted, it would have had far-reaching implications for the environment. By altering the rules governing the trade in food, natural products, fish and forestry products, the proposals would "seriously limit the right of GATT members to implement a wide range of resource protection laws at local, provincial and national levels" (Ritchie 1990:214).

The real aim of GATT is to pry open all the world economies. The "double zero" plan would force a sharp reduction in or totally eliminate domestic farm support programmes propping up small holders. Grain traders and agro-chemical firms see these as impediments to trade on a global basis and are using their considerable influence with the US government to have them eliminated (Ritchie 1990:214). The environmental effects of cutting back or removing farm support could put an end to a number of publically-financed conservation and environmental programmes. These have been documented:

- There will be an increase in land under cultivation as small farmers attempted to survive without subsidies, thus bringing over a hundred million acres back into production.

- Farm and pasture land would be managed much more intensively, primarily through the use of more chemicals and fertilisers. This would be a boon for agro-chemical corporations.

- Falling farm prices will leave small and medium-sized family farmers with less income, and less capacity to invest in more sustainable practices and soil and water management improvements.

- Conservation-oriented farm programmes such as wetlands and wildlife habitat protection schemes could be eliminated without government support.

- Families farming the land around the world could be replaced by absentee landlords and corporations more able to withstand the demands of increased competition.

- Diversified livestock producers will be replaced by large-scale feedlots and confinement operations. This is likely to squeeze out small producers, cause environmental problems from concentrated manure run-off and the inevitable feedlot livestock diseases as well as an increased reliance on antibiotics and nuclear irradiation to control health threats.

- Small producers who have survived by growing specialty more environmentally sound crops will be pushed out by large producers entering their markets.

- Conversion of farmland into industrial and commercial uses. Greenbelts and farms will probably become available for the purposes of factories, roads, shopping malls, housing, landfills and other developments (Ritchie 1990:215).

The US GATT proposals mean that nations no longer have the right to limit the amount of agricultural and raw materials they import from cheap producers such as Australia, Canada, the US and Europe. Only small farmers who can afford to intensify their production will survive and those who do will add to environmental damage. In Northern countries, organisations calling for bans on tropical timbers will be stymied just as those trying to limit the import of hamburger meat grown on cleared South American rainforests will fail. It is important to note that any social or environmental concerns have been omitted from the 5000-page GATT document (Thussu 1993:16).

The American proposal attempted to remove Article XI of the current GATT treaty which gives members the right to impose restrictions on the export of food and other critical resources in times of shortages. Such a removal will allow corporations to export desperately-needed food from an area of need in order to sell it for a higher price elsewhere.

6.8 The Right to Healthy Food

In the recent Round, corporations were also lobbying hard for new GATT rules to limit the right of countries to set their own food safety and environmental standards. The US "double zero" plan, according to Ritchie, would achieve this through the procedures of submitting all objections to the judgement of scientific "evidence". No social, economic, cultural or religious concerns could be considered, no matter how important (Ritchie 1990:216). The Rome-based Codex Alimentarius (presided over by government officials and executives from chemical and food companies), will set minimum standards for toxic levels. The aim is to develop "harmonisation" of regulations and measures concerning the quality of animals, vegetables and food products and Codex Alimentarius will be the final arbiter of what is acceptable.

The setting of minimum standards and the use of cross-retaliatory measures could bring about bizarre situations where high health standards and environmental safety will be illegal and opportunists may use the legislation to "greenmail" other countries by demanding compensation in return for not exporting high residue goods to them. Also farmers producing in countries with high standards will find themselves in competition with others in countries with lower standards. They may be forced to lobby their governments for lower standards to "level the playing field". This will almost certainly put them in conflict with environmentalists and consumers. Finally, GATT "harmonisation", will restrict the ability of local and regional governments to set beneficial environmental and consumer protection standards, again for fear of triggering cross retaliatory measures through GATT laws (Ritchie 1990:217).

6.9 Conclusion

The environmental crisis in the South does not receive adequate attention because it is looked upon as a national problem or in the popular imagination as an Act of God. In neither case is it presented as a global political issue which would highlight the need for an adequate global response. Such a response would be certain to favour some interests over others in the world economy. An example may be the need for redistribution of available land to prevent landless peasant incursions into forested areas. Analyses linking heavy debt, development and environmental crises would be equally unpopular among those wishing to maintain the uneven relations between North and South and further the process of economic re-colonisation. This fact was made patently clear in the failure of the recent United Nations Conference on Environment and Development (UNCED) in 1992, especially in the most important recommendations of Agenda 21, "the plan to save the earth". According to Jim MacNeill, Secretary General of the World Commission on Environment and Development, the world is presently suffering from a form of institutional schizophrenia where economic and ecological systems have become totally interlocked in the real world but remain almost totally divorced in its institutions (cited in Prins and Stamp 1991:136).

CHAPTER SEVEN

CONCLUSION: A WAY FORWARD

Introduction

For the last half century, public consciousness has been focussed on the more dramatic 'dangers' of nuclear destruction during the manipulative years of the orthodox Cold War. This has facilitated a largely unquestioned exploitation of Third World poor and global natural resources. All have been justified in the names of growth, development and national interest. Yet the world is in turmoil. There is rampant poverty, unemployment and violence notwithstanding major advances in science and technology. What passes for a rational global economy is a thinly-cloaked attempt to impose a universal market system in the service of powerful and wealthy elites.

The thesis has argued that although the orthodox Cold War rivalry has been relegated to history, the reality behind that particular facade has remained and is now more stark. *The Cold War against the Third World poor persists* and is proliferating into new areas. Its victims remain the same, passionately described by George:

> We witness the failure of a development model still enthusiastically endorsed by the IMF and the World Bank, the main managers of the debt system. It is a slow failure. It wounds and it tortures before it kills. In its current stage, the key element is the way debt drains countries of their material and spiritual resources. It is a violence; in response for some, violence seems the only or at least the best option (George 1992:166).

There is an ongoing economic war for access to diminishing resources. So-called 'free' market policies preferred and imposed by global lenders have torn open and destroyed local economies while impoverishing people and their environment. Chossudovsky (1992:273) has suggested a degree of global social engineering in which an unsustainable world population may be 'culled' through the structural adjustment policies of the World Bank and the IMF. But these are only two of the institutional tools at the disposal of the dominant order. There is also the GATT, whose agenda has been detailed in Chapter six.

7.2 Global Forces In Opposition

In spite of the complexity of global trends, it is possible to discern the motion of social, political and economic forces moving in contrary directions on the world stage. According to Ekins, the battle lines are now drawn with one side composed of "scientism" (the claim that a scientific worldview is the only one valid), "developmentalism" (a belief that human progress is only possible through consumerism) and "statism" (the claim that the nation state is the only legitimate form of political authority), backed by the battalions of the established order. These are modern technology, the institutions of world capitalism and state power. On the other side of the line stand the people, "principally the 30 per cent of humanity that are disposable as far as the modern project is concerned but aided and abetted by many from the other 70 per cent who regard this project as ethically, socially, and environmentally intolerable" (Ekins 1992:209).

7.3 A "Global" Problem

For Shiva (1992), the initial force behind the Green Movement has been somewhat dissipated. Its roots lay in local awareness which served to reveal the social and environmental costs of maldevelopment and the destructive role of globally powerful transnational and multilateral banks. The latter have since mounted a counter-offensive in which the language of environmental dissent has been absorbed, redefined and defused, so that:

> the 'local' has been written out of environmental concerns: now all environmental problems are portrayed as global problems requiring *global* solutions (Shiva 1992:258).

This sleight of hand has been used to mask the fact that the world's major polluters are individual multinational corporations and military forces (Renner 1991:132). 'Globalising' the problem merely shifts responsibility onto the shoulders of those who cannot alter the situation. State and business can then display 'appropriate' concern for the condition of the world while aiding and abetting its decline.

The World Bank is such a 'global' institution and as an instrument of western development policies in Third World countries, has perpetrated a logical falsehood where the consequences of environmental destruction are transformed into its causes. Thus poverty and overpopulation are blamed for environmental degradation. Structural adjustment policies on the other hand, are seen as merely economic issues.

A General Agreement on Tariffs and Trade and a 'level playing field,' as already noted, will facilitate removing those already teetering on the edge of survival. But it is unlikely that this kind of geo-social engineering will occur without resistance in the future. George argues that it is fatuous to expect stability in a Third World held in check by violence and poverty:

> As the development prospects of third world countries come increasingly to be determined by the debt crisis, so the terms and management of debt must be identified among the underlying causes of violence and conflict. When the ordinary conditions of life are a violence, a violent attempt to change them is only to be expected (George 1992:158-159).

In the late 1980s, military spending in the Third World rose to a phenomenal $170 billion per year, with $38 billion spent on imports from the industrial countries (World Development Report 1991:140). Since the Gulf War of 1990 was a recent exception in being an inter-state war, it is not unwarranted to assume that much of the military hardware was intended for maintaining order *within* unstable countries made so by impossible socio-economic conditions. In many cases the conditions promoting unrest were aggravated by the direction of scarce national resources into military expenditures at the expense of health and education programmes.

According to Finger, another term, "environmental security" seeks to overcome the distinction between the interests of the individual and the interests of the nation state which, he claims, are quite different, with individual security being subjective and absolute while state security is relative to the relationship with other states. In the latter case, an increase in environmental threats to states in general (global environmental degradation), which does not affect the equilibrium of the nation state system, will not translate into a decrease in national security and will be ignored. This identification of state and individual interest can is also intellectually flawed when applied to environmental problems. Firstly, there is the assumption that individuals and states are identically affected by, have the same interests in, and are able to address and must collaborate in addressing environmental change. Secondly, it is based on an "American model of democracy", where the interest of the majority of citizenry is believed to be reflected in the will of the state. But all political systems do not perceive democracy in the same way and the "western" is hardly the most socially-equitable model imaginable. Finally, such identification assumes that a world-wide coalition of individuals against environmental degradation will be identical with one of nation states pursuing the same purpose. But there may be a wide variety in the way states and individuals are affected (Finger 1992:224). Thus, by reinterpreting environmental politics within the general context of global environmental security, it becomes possible to show that:

> ...environmental politics must be global in nature, which automatically leads to nation states being cast as the major actors in any solution to the global environmental crisis (Finger 1992:224).

7.4 Social Movements and Grass-roots Action

Shiva (1992), agrees with Finger that the word 'local' has been purposely written out of environmental concerns so that all environmental problems are portrayed as 'global' requiring 'global' solutions. She, too, argues that institutions such as the World Bank are deliberately misleading in their analyses of environmental problems. Their concern is for a particular set of local and parochial interests which have become globalised through the scope of their reach (Shiva 1992:258). Concern for a 'global environment' merely enables the globally powerful corporations and institutions to disguise their role in and responsibility for the destruction of the environment upon which local communities depend. This occurs because the North's global reach allows it to extend into the South, while the South can only exist locally. For Shiva then, the roots of the environmental crisis are located in the disempowerment of local communities, principally in the area of environmental decisionmaking where the trends have been to put control in the hands of governments and international institutions. The solution is to democratise international interests as well as national and local communities. "Global" controllers such as the World Bank, the IMF, GATT and other supra-national institutions represent a *political space presently in command of an ecological one.* They must be democratised and their activities made transparent. Ekins arrives at similar conclusions after noting a "common thrust" among all the new movements for social and economic change:

> ...which can be represented by the same term: *democratisation* of knowledge, of development and of the state. It is a democratisation based on a new articulation of people-to-people and people-to-nature relation (Ekins 1992:208).

7.5 Hopeful Signs

Because there is undoubtedly an urgent need for environmental solutions, the process of selecting the most approppriate form of action must canvass as many options as are available. But, as a precondition, it is vital to recognise the fallacy underlying market planetism; namely, that export promotion is the foundation for successful economic development. This western development model has been shown to benefit a specific class by making others dependent. It is both exploitative and inappropriate for the non-industrialised countries. Free trade policies mean the ultimate destruction of community loyalties for the dubious benefits of the 'global village' and the eventual loss of culturally-specific customs and values. According to Morris, "never before have we so nakedly and publicly expressed the need for the planetary economy to destroy local cultures. More and more human relationships have been transformed into commercial transactions" (Morris 1990:190).

Daly (1993:26) has analysed the flawed logic underlying the orthodox economic drive for free international trade. For him the counting of all costs is an essential ingredient in all economic efficiency. He therefore agrees with those who urge nations to develop domestic programmes which internalise costs into prices. Problems arise when the same economists encourage countries to trade freely with others who have lower standards and externalise their costs (with lower pollution controls, worker safety, health care and wages):

> If a nation tries to follow both those policies, the conflict is clear: free competition between different cost-internalising regimes is utterly unfair (Daly 1993:26).
>
> [Therefore] the most practical solution is to permit nations that internalise costs to levy compensating tariffs on trade with nations that do not (Daly 1993:26)

Economists such as Daly, notwithstanding their close association with the World Bank, are signs of hope even in the wake of development-led destruction. They recognise the necessity for a shift from an archaic economic theory based on quantitative growth (throughput) to one of qualitative evolution which is the true meaning of development.

Throughout the Third World there are many kindred groups locked in struggles for social change on many fronts. Sometimes they rely on traditionally-based forms, at other times they borrow and adapt from foreign sources. They are increasingly forming regional, national and international networks to pool their strengths and develop new strategies for survival in a hostile world order. This body of social movements and non-governmental organisations is as vast as it is varied and has generated original ideas and innovative practices (Third World Guide 1990: 136). They range from trade unions for industrial workers in South Korea, to cooperatives in Kenya, to student movements for social reform in Myanmar and Sri lanka, to the indigenous forest groups of the Penan in Malaysia, to the Intifada resistance in occupied Palestine and many more. The most interesting steps are taking place in the villages and forests where women are leading movements to recover and defend traditional cultures and the environment. In India, women are the leading participants in the movement of the Chipko people in the Himalayas. In Kenya, over 600 women's groups are planting trees in an effort to reafforest the denuded countryside (Third World Guide 1992:137).

A good example of community action groups is the municipality of San Juan Mixtepec which lies in one of Mexico's most eroded rural areas and is home to some 35 Indian villages. Almost all of the agricultural land has been degraded and depleted through intensive farming in the 1960s with chemical fertilisers and pesticides. People responded by migrating to other areas, mainly in the United States. But in 1986, groups of teachers and returned migrants began to address environmental and socio-economic problems and to recover those cultural aspects most directly linked to communal identity (Bluaert and Guidi 1992:284). The aim was to combine traditional agricultural knowledge with alternative technologies that were simple, low-cost and adapted to the local context. The farmers themselves would choose, apply and evaluate the alternatives they considered were suitable for their situation. In spite of the modest size of the venture, it was thought essential to maintain total community control as much as possible, even avoiding the help of non government organisations.

Whilst the San Juan Mixtepec project showed the effectiveness of small initiatives in solving practical problems by increasing opportunities for people to take control of their lives, the Union of Indigenous Communities of the Northern Ithmus (UCIZONI) demonstrated how local communities can defend themselves against oppression from loggers, settlers and cattle ranchers. Direct action (such as confiscation of logging machinery and blockading roads) and an alliance between Indian communities, grass-roots support organisations, environmentalists and academics has shown how the interrelated problems of race, class and environment can be successfully addressed by local people:

> [They] make clear that local people in Mexico do not perceive their crisis to be only "environmental" in the western sense. Whereas ecological factors such as soil erosion and deforestation are clearly important, it is falling production, lack of credit, a disadvantaged marketing system, repression,

> insecurity of land tenure and threatened cultural environments which are their main concerns (Blauert and Guidi 1992:288).

The same voices are being heard from Siberia, where indigenous peoples such as the Yakuts, Khants, Mansis and Udege are caught between the Russian state and foreign timber companies from Korea, the United States and Japan. They have begun to set up independent political and social structures, such as the Association of Northern Minorities, "to unite all our strengths in order to survive" (Petrof 1992:270).

Also seeking solidarity, on an international level, is the Non-Aligned Movement (NAM) of Third World countries which had its origins in the Asian and Afro-Asian movements of the late 1940s and 1950s. This movement has survived the dissolution of the orthodox Cold War during which NAM members sought to retain their independence under pressure to align with one of the major camps. Today, members strongly assert that non-alignment has not become irrelevant merely because the collapse of the Soviet bloc has resulted in a unipolar world. Indeed, as Pannikar (1992:23) argues, under unipolarity, NAM unity is more crucial than ever. This is because "at no time in their history have Third World states faced such perils and have been so vulnerable to Northern pressures" and, despite their heterogeneity, they have little choice but to unite. In the words of Prime Minister Mahathir of Malaysia:

> Clearly from the list of violations of basic priciples of human rights and accepted international behaviour by the rich and the powerful, there is a need for us to go on and pool what little strength we have in order to avoid what amounts to a revival of the old Western colonialism (Mahathir 1992:26).

In August 1992, 108 Non-Aligned nations met for the 10th Summit in Jakarta to debate the important issues of disarmament, North-South dialogue, South-South cooperation, and environment and development. According to Raghavan (1992), Northern organisations have been impressed by the vigour of this latest NAM summit and have shown a preparedness to re-examine important development matters raised. Flexibility is a positive sign in a dominant world order.

7.6 Signs of Despair: Structurally-adjusted Children

It is very difficult to find many signs of hope in the cities of the South which are groaning under the pressure of exploding populations. Large numbers merely survive in appalling conditions of food shortages, widespread illness and high levels of human/industrial pollution. These are the mega-cities of the twenty-first century, already here. By mid-1992, the world population was 5.48 billion people and the six billion mark will be reached by 1998 (Third World Guide 1993/1994:31). Overpopulation predominantly afflicts poor countries and is a symptom of underdevelopment, poverty and dependency. As always, children are the main victims:

> Each day, across the globe, 40,000 children under the age of five die of malnutrition and ordinary diseases, 150 million children survive with health problems and growth deficiencies, and 100 million children between the ages of six and eleven never attend school (Third World Guide 93/94:36).

UNICEF estimates that at least one million African children died in the 1980s from debt-related deprivation. Malnutrition alone in 1988 was the cause of death of 500,000 children in developing countries (Jolly 1989:52). Forced structural adjustment on the 40 poorest countries in the world (by the World Bank and the IMF) has resulted in a net flow of $19 billion from those countries (Godlee 1993:8) who ought to be receiving help to feed their starving populations. For many of the indebted sub-saharans feeding their children must take second place to growing cash crops for the export market. Yet the World Bank continues to make unrealistic claims for the health benefits of structural adjustment policies (Godlee 1993:8) which are disputed by all the main aid agencies:

> According to Unicef, Christian Aid, and save the Children, the absence of substantial increases in children mortality has nothing to do with structural adjustment. Rather it suggests that better vaccination coverage, oral rehydration therapy, and community health initiatives have balanced out the

> effects of food shortage, economic stagnation and AIDS (Godlee 1993:9).

From any perspective it is absurd to immunise the Third World's children on the one hand and starve them on the other.

The structural adjustment policies of international lenders have also made children a useful commodity. They are increasingly forced into unbearable working conditions to minimise production costs in competitive markets. It is claimed that:

> In Africa, one in five children work, in some countries in Latin America, the figure is one in four children; in Brasil, seven million children earn their own living. In 1991, 71 unmarked cemeteries were found in Peru containing the corpses of dozens of children who had been exploited in the gold mines (Third World Guide 93/94:36).

It is ironic as Daly (1993:26) has noted that, while GATT has specified restrictions on countries exploiting prison labour, it makes no such restrictions for child labour.

Children are also traded for fresh organs and sold to rich Northern citizens. In Honduras and Brazil this growing business with the US is called a "body-traffic industry" (Chomsky 1992: 220-221; Queseda 1993:41). In many Asian cities children form the primary products in growing sex industries catering for the tastes of First World tourists.

If such a commodity as international justice was really available in a civilised world order (one proclaiming the high value of human rights), then not only would many of the Third World's debts be declared forfeit according to international law, *but Nuremberg trials would be held and reparations required from those individuals and institutions who have waged the 'real' Cold War against the lives and conditions for life in the undefended places.* It is time to re-asess George Bush's proclamation of a New World Order, in which he foresaw the coming of a new era of peace and justice. Beginning with the Gulf War in 1990, the world has seen exactly the reverse, a new world *nightmare* in which the reassertion of the old order is unilaterally driven by the United

States. For the rule of law, has been substituted the law of the 'free market' and justice the prerogative of the rich.

7.7 The Future?

A recession facilitates the transfer of wealth from those at the lowest rungs of the economic ladder to those above. As already noted, this has been the agenda of the Right since the 1930s and has penetrated the policies of western governments and major lenders (Corbridge 1992:287-288). A 'successful' conclusion of the recent GATT negotitions was expected to accelerate this process by forcing reluctant countries to 'accept the dictates of the international capital markets' (World Bank 1989:24) and reducing government intervention and central planning (World Bank 1985:1). This will continue to weaken the political/economic position of the South, and renew the onslaught on diminishing environmental resources. It is therefore possible to discern a disturbing pattern of events which suggests unprecedented social, political and economic turmoil in the years ahead, including renewed super-power rivalry and resource wars against the Third World. These will probably coincide with serious environmental and climatic disruptions as ecological systems continue to deteriorate. According to Myers (1986:253) the world has already begun to see the appearance of "environmental refugees", in the wake of ecological breakdown where:

> people feel obliged to leave their homelands because of declining means of livelihood, which in turn stems from environmental degradation. The immediate cause may often appear in the form of military activity. But the underlying cause may have more to do with deterioration of the local-natural resource base and its capacity to support the citizenry (Myers 1986:253)

There are obvious examples such as the five million Ethiopians displaced since 1970, a large proportion of which has moved into neighbouring countries and increased the area's instability. In many other Third World countries environmental factors (causing food and water shortages) have been contributory factors in triggering civil disorders, insurgencies, military outbreaks and downfall of governments. Environmental deficiencies have implications for international relations where they can not only contribute to conflict, but also stimulate the growing use of force to repress disaffection among populations suffering from the consequences of natural systems decline.

Action to avoid widespread world systems collapse will be unlikely to come from the industrialised rich nations irrationally preoccupied with great power status and economic advantage. A mere $50 million a year was not available for the Ethiopian Anti-deserification Plan in the early 1970s (Myers 1986:252) to avoid the subsequent regional tragedy.

The West has shown itself impervious to moral suasion and human suffering. It will continue to ignore its share of responsibility for Third World debt and destitution in spite of the mounting evidence that the way out of negative development is *debt and interest relief.* This relief cannot be disguised by the 'bankspeak' of a Baker and a Brady Plan or the 'conditionalities' of global lenders. Poor countries simply cannot manage their economies successfully whilst they are drained of foreign exchange and resources. No *western* country would ever be expected to comply with such conditions:

> The truth is that the advice being tendered by the IMF and the World Bank to countries now passing under their economic tutelage never has been, and never is, adopted by the rich countries when it does not suit their purposes (Seabrook 1992:26).

The developing world must also be allowed relief from the hordes of aid and development organisations which have served themselves in the name of development during the last half-century:

> In that notorious club of parasites and hangers-on made up of the United Nations, the World Bank and the bilateral agencies, it is aid - and nothing else - which has in some cases facilitated the most consistent and grievous abuse of human rights that have occurred anywhere in the world since the dark ages (Hancock 1991:193).

Without a chance for a viable existence, the interconnected fates of developing countries and the world environment are now in jeopardy. A selective and self-interested world order ignores this at its peril. Yet there are solutions. People need to regain power over the political and economic institutions presently in control of the 'global village'. Political power needs to be recaptured and realigned and its institutions made accountable. There must be a redefinition of 'development', poverty and unforgiven debt in terms of social equity and human rights. Extricating poor countries from the western debt trap is a global health priority especially because of the way it impacts on children:

> Worldwide, the number of underweight children has risen from 21 million in 1980 to 30 million in 1989 (Godlee 1993:9).

The importance of the links between local production and consumption need to be recognised and reestablished. The world can no longer afford the excesses of an order which relies on the wasteful exploitation of people and natural resources. The current order must give way to an efficient and socially-just ecological one. Small groups, communities and social movements that have shown a capacity to overturn not only regimes, but empires are a sign of hope - albeit a dim one. Given the constraints of systemic barbarism and environmental time, these groups remain the only realistic prospect.

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