



# **GLOBALIZATION AND INSECURITY**

**Political, Economic and Physical Challenges**

**Barbara Harriss-White**



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Edited by

Barbara Harriss-White

palgrave



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First published 2002 by

PALGRAVE

Houndmills, Basingstoke, Hampshire RG21 6XS and

175 Fifth Avenue, New York, N. Y. 10010

Companies and representatives throughout the world

PALGRAVE is the new global academic imprint of  
St. Martin's Press LLC Scholarly and Reference Division and  
Palgrave Publishers Ltd (formerly Macmillan Press Ltd).

ISBN 0-333-96354-7 hardback

This book is printed on paper suitable for recycling and  
made from fully managed and sustained forest sources.

A catalogue record for this book is available  
from the British Library.

Library of Congress Cataloging-in-Publication Data

Globalization and insecurity: political, economic, and physical challenges/  
edited by Barbara Harriss-White.

p. cm.

Includes bibliographical references and index.

ISBN 0-333-96354-7

1. Globalization. 2. Security, International. I. Harriss-White, Barbara,  
1946-

JZ1318.G577 2001

327-dc21

2001034807

10 9 8 7 6 5 4 3 2 1

11 10 09 08 07 06 05 04 03 02

Printed and bound in Great Britain by  
Antony Rowe Ltd, Chippenham, Wiltshire

*Dedicated to the memory of Gordon White, 1942–98*

# Acknowledgements

This book is the outcome of the 1999 Wolfson College (Oxford) lecture series, 'Globalization and Insecurity'. I am very grateful to all the lecturers, including Professor David Held (whose lecture 'Regulating Globalization? The Reinvention of Politics', has been published in *International Sociology*, vol 15, no. 2, 2000) for their participation, to Professors Gosta Esping-Andersen and Colin Leys for supplementing this project later on and further to Colin Leys for his useful suggestions for editing. Zed Press has kindly given permission to include Wolfgang Sachs' chapter from his *Planet Dialectics* and Verso is publishing *Market-driven Politics*, from chapter 1 of which some of Colin Leys' contribution to this volume is drawn. I wish to record my thanks to the Academic Policy Committee for Wolfson College's intellectual and financial support, to Wolfson's then President, Sir David Smith, for chairing the series and to Jan Scriven for her help in its organization. Thanks also to Kaveri Harriss and her team of student readers, to Ailsa Thom and to Maria Moreno, who helped prepare the typescript with their customary goodwill, and to Jo North at Palgrave.

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# Contents

<i>List of Tables</i>	viii
<i>Acknowledgements</i>	ix
<i>Notes on the Contributors</i>	x
1 Globalization, Insecurities and Responses: an Introductory Essay <i>Barbara Harriss-White</i>	1
2 Economic Globalism and Political Universalism: Conflicting Issues? <i>Samir Amin</i>	43
3 Global Capitalism and National Politics <i>Colin Leys</i>	75
4 Globalization and Sustainability <i>Wolfgang Sachs</i>	108
5 The Peaceful Settlement of Disputes between States and the Problem of Globalization <i>Ian Brownlie</i>	137
6 The Security of International Finance <i>Valpy FitzGerald</i>	149
7 Global Business in Search of Security <i>John Kay</i>	173
8 Globalization and the Means of Destruction: Physical Insecurity and the Weapons Industry at the Turn of the Millennium <i>Susan Willett</i>	184
9 Labour in the Age of Globalization <i>Robin Cohen</i>	203
10 The Sustainability of Welfare States: Reshaping Social Protection <i>Gosta Esping-Andersen</i>	218
<i>Index</i>	233

# List of Tables

7.1	Top twelve global industrials by market capitalization at the beginning of the century.	178
7.2	Top twelve global industrials by market capitalization at the end of the century.	178
8.1	Average annual percentage rate of growth in selected sub-Saharan African countries.	191
10.1	Trends in social risk structure, 1980s–1990s (percentages).	221
10.2	Public and private social protection spending.	226



# 1

## Globalization, Insecurities and Responses: an Introductory Essay

*Barbara Harriss-White*

### Defining terms and scope

The word 'globalization' is not received English. Until recently, if it was typed into word processors, it was challenged by the spellcheck software which has itself been part of the vanguard of this process. The word is both overused and underspecified.

By globalization is generally meant the worldwide integration of markets. This is a process requiring the integration of national economies and the 'loss of nationality' of firms, products and managers.<sup>1</sup> It is a process enormously aided by the revolution in telecommunications and the elimination of informational lags and delays. Since the Uruguay Round of the General Agreement on Tariffs and Trade which ended in 1993, the markets for most legal goods have been formally integrated, with the notable exceptions of agricultural products and oil. Yet there are distinctive differences in the extent of global integration. Financial flows have become global, as have the very meagre trickles of development aid. Services are still sticky, since deregulation requires changes in the regulatory system of each country. Law, accountancy and management consultancy firms are globalizing rapidly in response to the variety in the regulative environments faced by manufacturing and finance capital. Labour, of course, is highly selectively globalized. What Ignacio Ramonet has called the 'planetary cosmocracy' moves with greatest freedom not only as workers but also, as consumers of the physical and cultural world, as tourists. For the most part labour is completely unfree to move, confronting ever *rising* barriers to economic – let alone forced – migration.

Orthodox evaluations of globalization tend to be positive. They stress the value of the integration of diverse economies into one, the vastly

expanding productive capacity of globalized agriculture and industry and the increasing well-being that flows from it, the prospect of eradicating poverty, the creation of new kinds of commodities, new economies of signs and symbols,<sup>2</sup> new kinds of regions, the liberating capacity of communications technology to condense time and space, new forms of emancipating international relations, new politics of identity and rights, and last but not least, under the theory of democratic peace,<sup>3</sup> the twinned globalization of democracy and capital. By making war both unlikely and unprofitable, it is argued, our era of globalization is capable of bringing an end to it. (Towards the end of the century there was indeed a dramatic fall in the international demand for weapons systems.)<sup>4</sup> Above all, the market is seen as a neutral form of rationality on which to base social organisation, replacing and reworking those based on forms of 'received authority'.<sup>5</sup> 'The market is expected to produce greater prosperity for all, even at the world level.' 'Nations and cultures have the potential for co-operation without the domination of war.' 'Markets make it possible for the separation of the economy from the political and cultural spheres of existence.'<sup>6</sup>

But, though the markets which are being globalized are indeed economic phenomena, the globalization of market exchange is neither a natural evolutionary process, nor an economic project but a political one, with roots going back to the early 1970s. It is a project of states, which have taken, or been forced to take, deliberate action to support global capital. The very idea that the economy can or must be separated from the political sphere is part of the ideological underpinning of globalization. It exacerbates the insecurities traced in this book.

Though the reach of markets may be global, the process of globalization is extremely – even increasingly – regionally uneven. Though wealth is being accumulated as never before, it is unprecedentedly concentrated and unequal. The global technological base itself is based on centuries of intellectual achievement in the transformation of uncertainty into risk and in the assessment and prediction of risk.<sup>7</sup> But this technological base itself creates not only new risks (whose probabilities can be computed) but also new uncertainties (which cannot). Globalization both reinforces old forms of insecurity and creates new ones of a magnitude, complexity and urgency never encountered before in the history of humanity. While no societies can escape, some create and some bear more insecurities than others. They do so at different scales and in asymmetrical ways.<sup>8</sup>

In 1999, Wolfson College, Oxford, invited a group of scholars to address two aspects of globalization in its annual public lecture

series. The first was the manner in which specific components of the global system produce insecurities, what kind and to whom. The second was the actual and ideal responses to them. This was an ambitious project for three reasons. First, a range of disciplines and of paradigms within disciplines inform the analyses.<sup>9</sup> Second, the impact of globalization is specific and local as well as general and global – it depends on a rich diversity of micro-economic and decentralized political foundations. Third, the project is both historical and normative. At the heart of this enquiry is an issue long predating the current era of globalization. It concerns how the state and the market – or politics and economics – can be the repositories of regulative and social order. But listeners rapidly realized that this was also a whistle-blowing exercise, as one after the other, the contributors (who had not heard one another's talks) revealed the inadequacies of existing attempts to respond, regulate or protect and explained the unstable consequences, more often than not unintended, of regulative and protective activity. With two exceptions, this is a set of highly critical audits. Most are disturbing and some, of whose sobriety there can be no doubt, are frankly alarming. However, it is also a set which counters the frequent dismissal of critical analysis as being without a (realistic) constructive project.

The word 'insecurity' refers to that which is unsafe and/or unreliable. It is a cruder concept than risk or uncertainty. Four dimensions of it will be elaborated in this book: (i) physical insecurity – threats to persons, property and our environments; (ii) threats to the economic and political autonomy of states; (iii) instability, particularly of markets; (iv) vulnerability – a susceptibility to damage, closely but not completely aligned with poverty and inequality. But the separation of these dimensions, while necessary for analytical purposes, draws attention away from their interrelationships. These will be explored here.

What are the categories through which to discuss the global creation and bearing of insecurity? They are contested. There is no consensus on how to understand the generation and bearing of insecurities. A scaled range of categories used by contributors will structure this introduction: the world, institutions of global governance, regions of the world (the Organization for Economic Co-operation and Development (OECD); the triad: North America, Europe and Japan; the first division of industrializing developing countries; regions unable to industrialise<sup>10</sup>), states, capital, markets, firms and multinational corporations (MNCs), labour, classes of vulnerable people (the 'third world', the poor, the old, the

young, unskilled labour, single parent families, finally – and in these accounts residually – ‘women’<sup>11</sup>). One category is significantly and provocatively *absent* from most of the reports in this book. This is ‘international civil society’, the growing set of (inter)networks of non-governmental organisations (NGOs), pressure groups and new social movements which claim a growing influence in the politics of economic regulation as well as political and social rights, justice and environmental responsibility, and to which a growing deference is paid in the post-Washington consensus.<sup>12</sup> Most of our contributors have not needed to introduce them in order to explain either the generation of insecurity or responses to it.<sup>13</sup> The notable exceptions concern social responses to environmental threats and responses to threats to its security by organized labour.<sup>14</sup> There is, of course, another category of organizations of civil society: those which collectively regulate markets under varying conditions of state control or passive complicity, a category of business networks and associations, market committees and international regulatory bodies. Markets (competitive or otherwise) do not function without such collective action. They are studiously neglected in the literature celebrating NGOs and the globalizing role of civil society but they are crucial to outcomes of the real politics of global markets.<sup>15</sup>

This introduction has two parts. In the first, the major themes covered in the rest of the book will be introduced, not *seriatim*, but woven together in a discussion of the contributors’ insights into the means by which specific aspects of globalization generate insecurity, the kinds of insecurities created and the actual (and sometimes the possible) responses of the people and institutions threatened by insecurity. The focus will be on processes rather than on data. However, for the most part (Willett is an exception) the processes and phenomena described are formal and legal. In the second part I will go beyond the scope of the contributions to examine another kind of globalization proceeding apace. This involves both informal and unregistered activity, such as small and clustered industrial firms in the third world and cross-border trade on the one hand, and illegal activity and illegal goods on the other – exemplified by the global trade in illegal arms and drugs. This global underside may be unruly but much of it is ordered and regulated by means *other* than by states. This ‘globalized informality’ also creates insecurities and those in turn provoke social responses. It is also linked to formal globalization in ways which may reinforce ‘formal’ insecurities. The globalizing informal economy is much more neglected in research.<sup>16</sup>

## Globalization as a political process

Although the word is new, globalization is nothing new. The major powers of the world have been globally interconnected for more than a millennium and Samir Amin provides us with a list of eras. More than one writer sees parallels to the contemporary era in the vivid descriptions of globalization supplied by Marx and Engels in the *Communist Manifesto* of 1848. Indeed, Robin Cohen bounces his analysis of labour off their account. The different kinds of capital have been globalizing in separate ways. Transnational capital has been expanding systematically for over a century. The newest and most engulfing wave of globalization is the response of a set of unique historical events. In the 1970s the US and the UK governments made a response to declining domestic competitiveness, to their balance of payments deficits (exacerbated by the flexed muscles of the OPEC cartel) and to the defensive restiveness of organized labour in response to the crisis of Keynesian welfare systems and of Fordist production systems (see Colin Leys, this volume and 2001). In this project, capital would be freed to expand worldwide. In so doing, competition would be intensified, labour challenged from without and the balance of payments deficit compensated for by financial flows.

Valpy FitzGerald describes the response of finance – an explosion in differentiated financial products, many intended to hedge financial risks and deal in future expectations, a massive concentration of ownership with the most comprehensive global spread of any sector. John Kay describes the response of manufacturing: two trends, one relying on economies of scale and global sourcing and the other on flexible specialization, networks, subcontracting and industrial clusters and both resulting as he sees it in the deconcentration of economic power within sectors of the global economy. In terms of global aggregates, however, ownership has undoubtedly become more concentrated. In the 100 top global economic units there are 53 states and 47 companies. Only 20 countries have GDPs larger than the gross output of the biggest MNC.<sup>17</sup>

Over the last thirty years, as this happened, the main forces reproducing globalization have shifted away from industry (and weapons) and towards technology, information and communications, and the financial means of control of everything else (see Amin's and Leys' analyses in this volume). Some states chose globalization and the rest have had it thrust upon them. In the process, while some states were bludgeoned by conditions attached to international debt into deregulating their economies in ways which have had highly differentiating effects on

production and welfare,<sup>18</sup> the Newly Industrialising Countries of Asia (NICs) completed in 40 years a transformation in average wealth, income and well-being which European countries had taken two or three centuries to achieve and which has led commentators to argue for a *pluricentred* global order.<sup>19</sup> Certainly there are three regional capitals of finance, the most globalized sector of all: New York, London and Tokyo. But this apparent pluricentrality poorly disguises the global political hegemony of the US government.

What form does US political hegemony take? At the ideological level, it operates through appeals to liberal democracy as being superior to other forms of political organization, appeals backed materially by conditions attached to loans from the IMF and UN economic institutions, which are dominated by US interests. By these means, non-liberal states are levered into the 'liberal' world order. But their reforms of 'governance' do little to alter undemocratic power relations. These reforms are not necessarily applied in the USA itself, or are practised there with direly disruptive social consequences. A quarter of the world's prison population, two million people, is in the USA. There, some 43 million people are excluded from health care.<sup>20</sup> Nor is the USA enabling the world's most economically powerful states to establish a regulative framework for global capital. Quite the reverse. Corporate taxes fall as a percentage of total taxes globally yet the undemocratic influence of corporations on global governance increases.<sup>21</sup>

How does the political project create insecurity? By at least three means.

First through *poverty*. Poverty and vulnerability result from the operation of a dual set of contradictions. First, in the spheres of political ideas, laws and institutions there is a mismatch between the abstract market principles of private property, 'free' enterprise and equality before the law, and the principles of 'low intensity' forms of modern democracy through which markets are held accountable to the societies in which they function. In low-intensity democracies, businesses are not easily prevented from exercising power outside the reach of electoral accountability. The second contradiction parallels the first in the sphere of the economy. On the one hand there is the actual practice of market regulation (by local states and through a thick mesh of social institutions in which markets are embedded, according to balances of various kinds of power and authority). Social, rather than legal, forms of regulation carry obligations and rights which are exclusive and not general. On the other hand, in the open-ended and unruly deepening of democratic kinds of politics, entire sections of society (deprived of rights at

work or to social security) are excluded from participation and power. Both Amin and Susan Willett argue forcefully that the working out of these two contradictions has led to increasing inequality and vulnerability. Such outcomes are not a matter of either contingency or lags but a part of the intrinsic dynamics of global capital. They are much exacerbated by the immobility and segmentation of labour markets, by the creation of labour reserves and the common suppression of the right of labour to organize in countries receiving foreign direct investment.<sup>22</sup>

Dwindling redistributive flows of aid testify to the unimportance of routine poverty to the global economic and political order (the official aim of the United Nations to halve poverty by 2015 notwithstanding). As Willett notes, this intransigent poverty has been blamed famously, by the World Bank,<sup>23</sup> on the internal characteristics of states rather than on the failure or inappropriateness of neoliberal policies (including the Bank's own aid) or the self-interest of the global managerial class (also known as the 'technocracy' or the 'policy elites'), or on the impact on developing countries of transnational capital. When developing states with fragile institutional architectures deregulate, their weak capacity to protect poor people weakens yet more. Many kinds of further instability result. These are listed by Willett: intensified poverty and social unrest, forced migration within state boundaries, flows of refugees across frontiers, robbery and armed conflict.

Second, globalization creates insecurity through the *regulation of wealth*. This works through the politics of markets. How? One explanation is that the regulatory order supplied by states is *threatened* by the global institutions (the IMF, World Bank and the World Trade Organization), which have in turn been subverted to support global capital: international financial capital, multinational corporations.<sup>24</sup> These are argued to have imposed an agenda impervious to electoral democracy. They also impose sanctions on deviant national projects. The agenda is often found to be technocratized and 'depoliticized' through the anodyne terms of its discourse and the manner of its imposition, a conclusion strongly disputed by the contributors to this book who see both discourse and agenda as a distinctive trait of market-driven politics. On this latter interpretation, even development assistance (which has declined in both absolute and relative terms) and NGOs (which bypass formal channels of diplomacy and international relations and may begin to disenfranchise the governments of developing countries) have been subordinated to this project.<sup>25</sup>

Yet a hierarchy of national and international regulative institutions is necessary to provide the essential public goods no longer provided by

national states or by multinational corporations (MNCs).<sup>26</sup> Leys shows how inadequately this is done at present and how this inadequacy threatens security. Procedures with 'teeth' are confined to the functions most important to capital (the management of global communication and common standards), while the settlement of disputes, the representation of the interests of labour, the stabilization of markets and the regulation and management of adverse environmental externalities are poorly addressed.

Procedures linking trade with employment are conspicuous by their absence.<sup>27</sup> As yet there is no process by which a technical agenda on a subject apparently as straightforward as the incorporation of labour standards into trade agreements can be established transparently and accountably within the World Trade Organization, let alone one by which the issues can be debated and the institutional architecture for implementing and enforcing decisions set in place.<sup>28</sup> The WTO is itself an unruly political arena in which the advanced countries tend to realign themselves issue by issue, in which compliance is practised, imposed, delayed and violated asymmetrically and one in which the developing countries (the G77) are split on most issues and tend to make unilateral concessions without mutual agreement with each other. Or to bypass it altogether by solving trade disputes politically. If *thinking* can help the reform of institutions of global governance, there is at the time of writing a vast, fermenting vat of normative, managerialist and idealist literature to go on. It is too early to know whether the unruly coalition of NGO, environmental and development movements represent social forces able to give political body to some of these policy proposals.

A third way in which globalization creates insecurity is through *the reworking of national politics*. The global economic project, driven by ever-increasing surpluses, is argued to pit itself against the political project of nation-states in a host of ways. It is generally agreed that a loss of national autonomy results. 'The global integration of commodity and capital markets severely reduces the policy options of the nation-state, disrupts the process of building institutions that govern... the national economy and weakens the state's capacity to intermediate.' The economic interdependence of telecommunications and the media leads to a reduction in 'national interests and sovereignty'.<sup>29</sup> 'The state is an unnatural and even dysfunctional unit for managing economic interests in a borderless world.'<sup>30</sup> Regulatory competition will result in a 'race to the bottom' in which a competitive dilution of standards will rob the OECD 'triad' of the gains (in pay, health, safety, working conditions, social protection and rights to association) made by its labour



movements. Yet there are two counter-arguments each of which finds some empirical justification. First, a 'convergence' theory which sees the regulation of both capital and labour becoming increasingly uniform through the major *regional* blocs, leaving inter-regional differences intact. Second, by contrast, it is argued that capital thrives not only by sourcing at least cost but also by the exploitation of '*regulative loopholes*'. On the latter, opinion is again divided between those who see existing loopholes as transitory, as evidence of the unevenness of political convergence, and others who argue that differences in regulative regimes are structural and, further, that they are necessary to capital which globalizes precisely to take advantage of them.

Leys (this volume and 2001) argues that the three circuits of global capital require *specific* political-environmental conditions. First, all aspects of national policy are combined by finance capital in evaluations of risk. For these, policies bearing on productivity, on wages and on political stability are crunched into single indicators of creditworthiness. Second, foreign direct investment (FDI) in manufacturing plays off tax regimes against subsidies, laws on the health and safety of workers, the price of labour, environmental regulation and the standard of infrastructure. States may compete for this kind of capital at the margins. But once established, FDI exerts direct pressure on national politics. Comparatively little is known about this undemocratic politics which churns in the guts of formally democratic states. By contrast the interests of the third circuit, mercantile capital, in its own freedom to trade, are in perpetual tension with the selective non-tariff protection of labour, of domestic regulations protecting public safety and of social values. Each state has an interest in liberalizing its exports unilaterally. Leys concludes that there is no convincing evidence for a general trend in the reworking of politics. Although the 'loss of options' means a weeding out of diversity in technical policy-making (and a closer consensual binding of national policy elites) it certainly does not mean an *abandonment* of national politics.

The core of the triad is relatively secure. There, the laws protecting terms and conditions of work are being dismantled piecemeal, evaded and pre-empted. The periphery bears the brunt of the insecurities thrown up by both the globalization of the politics of markets and by national political responses to the global economy. Outside the comparative security of the triad and the first division of industrializing nations, a growing number of states is beset by inter-ethnic rivalry (see Willett) and inter-state rivalries (see Ian Brownlie's chapter), yet others by 'spiralling economic crises' (detailed by Amin and by FitzGerald). On