



Globalization and Its Discontents

Report of the annual policy conference of

The Group of 78

Cantley, Québec

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Acknowledgments

The Group of 78's first vote of thanks must go to the speakers, panelists and resource persons whose contributions made this year's policy conference such a success. They are introduced with brief biographical notes in the introduction that follows.

The Group is also greatly indebted to the people, mainly members, who helped in many ways to organize and run the conference, which this year drew 78 people, including 59 members. In particular, the Group of 78 would like to thank:

Members of the Conference Coordinating Committee: The retiring co-chair, Debbie Grisdale, who presided over the Ottawa office during the summer and supervised the organizational efforts; co-chair Tim Creery (largely in absentia preparing a special conference issue of *Newslink*) and other members of the coordinating committee: Nancy Drozd, Ted English, Ross Francis, Geoffrey Pearson, Michael Shenstone, Ken Williamson, and Christopher Young.

Executive Secretary: Dee Welch, who carried the administrative burden of the conference and its preparations, with some important help from G78 Treasurer Nancy Drozd.

Moderators of Panels and Discussion Groups: Marion Dewar and Peggy Teagle for the panels; and Debbie Grisdale, Nancy Gordon, Ken Williamson, and Ross Francis for the discussions.

Reporting: Arch MacKenzie, who was rapporteur for the conference and put together this report. The Group also thanks the assistant rapporteurs for their excellent work: Dylan Reid, a young historian; Paul Williams, a graduate student in public administration at Carleton University; and Sherri Horning and Stephan Paape, both students at the Norman Paterson School of International Affairs.

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Marion Dewar and Tim Creery, Co-Chairs of The Group of 78

Introduction: Themes and Speakers

The oneness of the world is no new theme in international affairs. As most writers on the subject of globalization have noted, people in different parts of the world have been trading goods, services and ideas from earliest times in a long slow movement toward globe-girdling interaction. Since the end of the Cold War, however, the speed, intensity and extent of world integration, especially in economic affairs, has made globalization a dominant theme in international discourse.

At the G78's 1998 policy conference on human rights, speakers often mentioned economic impediments in the way of enjoying rights which, if they did not arise from globalization, were at least aggravated by it. One of Roosevelt's four freedoms - freedom from want - was too often missing, as was freedom from fear. Hence this year's conference directed attention to the subject of economic globalization and social equity, with guest speakers and members taking up the issues noted below.

The conference program featured three principal speakers, two panels of three speakers each, and four discussion groups led by resource persons and moderated by members of the Group of 78.

Principal speakers

The keynote speaker, dealing with the meaning of economic globalization, was **Sylvia Ostry**, distinguished research fellow at University of Toronto's Centre for International Studies, of which she was chairman from 1990 to 1997. As a federal public servant, Dr. Ostry has been chairman of the Economic Council of Canada, Chief Statistician, deputy minister of two departments (Consumer and Corporate Affairs, and International Trade), and ambassador to the pivotal Uruguay Round of trade negotiations. She also was head of the economics and statistics department of the Organization for Economic Cooperation and Development in Paris for four years. She is the author of *The Post-Cold War Trading System: Who's on First?*

The Canadian government's approach to economic globalization, particularly in relation to global financial flows, was the subject of the conference's introductory speech by Secretary of State for International Financial Institutions **Jim Peterson**, himself a legal expert in the field. He practised international tax and business law from 1970 to 1980, taught law at U. of T. from 1974 to 1979, and served as chair of the Cambridge Acceptance Corporation from 1984 to 1987. He has written numerous works on international taxation and international joint business ventures. First elected to the House of Commons for Willowdale in 1980, Mr. Peterson became a minister in 1997 after serving four years as chair of the Commons' standing committee on finance.

The impact of globalization on global governance was the topic of the conference's closing speech by **Michael Oliver**, a founding member and former chair of The Group of 78. Dr. Oliver, a political scientist, has been vice-principal of McGill University and President of Carleton University (1972-78). He was the first national president of the

New Democratic Party after its formation in 1961. He taught for four years at the University of Papua New Guinea (1984-88) and has been president of Canada World University Service and national president of the United Nations Association in Canada.

Panels

Economic Challenges: Trade, Finance, Labour-Management: The chairman of the panel, **Gerald E. Shannon**, now a consultant, was Canada's chief negotiator for the Uruguay Round and Canadian ambassador to GATT and the WTO. As deputy minister of international trade he was closely involved in the development of the Free Trade Agreement between the United States and Canada. **Tim Reid**, a former president of the Canadian Chamber of Commerce, is an international business consultant and has participated in many trade missions. He has been a Liberal member of the Ontario legislature, a commissioner of the Ontario Securities Commission, and Dean of Business at Ryerson Polytechnic Institute, Toronto. **Tony Clarke**, director of the Polaris Institute in Canada, which describes its role as helping citizen movements develop new skills for democratic social change in an age of corporate-driven globalization, heads the committee on corporations of the Forum on Globalization based in San Francisco. He is on the board of directors of both the Council of Canadians and the Canadian Centre for Policy Alternatives. He is the author of *Silent Coup: Confronting the Big Business Takeover of Canada*.

Globalization and Development Assistance: Panel chairman **Roy Culpeper**, president of the North South Institute since 1995, worked as an economist for the Manitoba and federal governments before becoming advisor to the Canadian executive director at the World Bank in Washington in 1983. Dr. Culpeper joined the Institute in 1986 and in 1993-95 directed its major research project to date, a comprehensive study of four regional development banks. **Syed Sajjadur Rahman** is director general for strategic planning and policy, Asia branch, of the Canadian International Development Agency. Dr. Rahman's earlier posts with CIDA were as senior economist dealing with poverty reduction and as director of evaluation. He has also worked for the Conference Board of Canada and the Economic Council of Canada. **Brian K. Murphy**, author of the recently published *Transforming Ourselves, Transforming the World: An Open Conspiracy for Social Change*, has worked for the past two decades for Inter Pares, an independent Canadian organization for international social justice. His present duties involve policy development and program support for the organization's work in Asia, Latin America, and Canada.

Discussion Groups: Global Governance Issues

Biodiversity and Sustainability: **Jean Christie**, a veteran of Canadian University Service Overseas-CUSO-in Papua New Guinea and Fiji, and in headquarters in Canada, joined colleagues throughout Canada in the late 1970s to launch the People's Food Commission, which she coordinated nationally for three years. Later she worked for Inter Pares. Since 1992 she has been with RAFI-the Rural Advancement Foundation International-doing research and advocacy. Moderator: **Debbie Grisdale**, retiring co-chair of the G78.

Identity and Culture: **Bernard Ostry** was deputy minister of communications and chief executive officer of the National Museums Corporation in Ottawa, then deputy minister of the corresponding ministry in the Ontario government before becoming chairman and CEO of TVOntario 1985-1992. From 1960 to 1968 he was with the CBC, rising to become supervisor of public-affairs programming for radio and TV. **Keith Kelly**, director of research and planning at the Canada Council for the Arts, was national director of the Canadian Conference of the Arts from 1989 to 1998. He has worked in various capacities in the arts and cultural industries. Moderator: **Ken Williamson** of the G78.

Commercialization of War: **Ian Smillie** has 30 years experience in international development as programmer, evaluator, and writer. A founder of Inter Pares, he was executive director of CUSO from 1979 to 1983 and has been a consultant to a wide range of government and non-governmental organizations over the past 15 years. Author of a monograph published this year by the Thomas J. Watson Jr. Institute at Brown University, *Relief and Development: The Struggle for Synergy*, Mr. Smillie is completing a study on *Human Security and the Sierra Leone Diamonds*. Moderator: **Nancy Gordon** of the G78.

Global Cooperation and Regionalism: **Ted English** began teaching at Carleton University 50 years ago this fall and is now emeritus professor of economics. His fields have been industrial organization and-increasingly-international economics (Europe, then Africa and Asia). Prof. English, who has taught and travelled extensively abroad, was associated with the academic and business associations that led to the formation of APEC-Asia Pacific Economic Cooperation. In 1991 he wrote the study *Tomorrow the Pacific* for the C.D. Howe Institute. **John M. Curtis**, senior policy advisor and coordinator for trade and economic policy in the Department of Foreign Affairs and International Trade, is particularly concerned with emerging trade issues, the evolution of the world's economic and trade system, and the links between Canada's domestic economic structure and performance and international economic developments. Moderator: **Ross Francis** of the G78.

Conclusions and Proposals

Executive Summary

The following gives a brief account of the points made by speakers, panelists and discussion leaders, followed by an account of the views and recommendations adopted by the plenary session that concluded the conference.

Keynote speaker Sylvia Ostry pictured the heyday of globophilia as being reached with the conclusion of the Uruguay round of trade negotiations and the creation of the World Trade Organization (WTO). Postwar trade negotiations, the rise of multinational enterprises, and the revolution in information and communication technologies had contributed to an unprecedented level of world economic integration, led by the United States. A supranational juridical system to settle disputes was housed in the WTO.

More recently, globophobia has appeared, largely based on labour-market and environmental problems attributed to globalization. Many have criticized globalization as meaning Americanization, a movement to impose globally the American tolerance for inequality. The backlash against globalization has also been based on opposition to the WTO's dispute-settlement powers in such areas as food safety. Green organizations tend to see the WTO as captive of corporate interests. The gap between north and south, rich and poor, has widened.

At the same time, however, transnational advocacy groups have increased their power by using the internet. "The policy ambience today," said Dr. Ostry, "is best characterized as complex and uncertain." She felt that the policy vacuum at the top could offer middle powers an opportunity to play a significant role in the millennium round of negotiations.

Dr. Ostry, who viewed globalization as "neither Nirvana nor Armageddon", said Canada's best interest was in having a multilateral rules-based system. Globalization, however, emphasized the importance of knowledge-based productivity - education and training, research and development - but this knowledge infrastructure had never been viewed as a national priority in Canada; it fell between federal and provincial areas of jurisdiction. Without federal-provincial coordinating mechanisms, said Dr. Ostry, no national strategy exists or can exist.

Hon. Jim Peterson, secretary of state for international financial institutions, addressed the conference on the initiatives Canada has been taking to bring greater stability to international finance and investment flows. Under Canada's six-point plan, emphasis had been placed on appropriate monetary policy, sound macroeconomic policy, greater private-sector responsibility, a focus on the needs of the poorest, prudent liberalization of capital markets, and strengthened national and international oversight of the financial sector.

The six points had been welcomed by the international community and Finance Minister Paul Martin had become chair of the new Group of 20 concerned with international financial problems. Mr. Peterson said that although the crisis of the past two years had abated, much remained to be done to prevent a recurrence.

Michael Oliver dwelt on the origins of "civil society" and its role in global governance. He saw the non-governmental and voluntary sector as providing participatory democracy at the global level. Civil society, he noted, is dominated by the national and international NGOs, which have more and more been invited to "sit with the representatives of states to create humane global policy".

But if UN Secretary-General Kofi Annan has stressed a partnership with civil society, he has also urged "a creative partnership between the United Nations and the private sector". Business is asked to follow global values in human rights, labour standards, and environmental practices. But what was to be the quid pro quo? Might the UN and its agencies become too dependent on corporate support?

"I have anything but a clear idea of how a tripartite, neo-corporatist equilibrium will operate: the UN hand-in-hand with global business hand-in-hand with global civil society," Dr. Oliver said. In the meantime, Canada should support moves for the adoption of human rights standards, participatory democracy, and revitalization of the United Nations.

Chairing the panel on economic challenges of globalization, Gerald E. Shannon stressed the new ambience of participatory democracy and the juridical role of the WTO. That might lead advocacy groups to want it to take on jurisdiction - say, over labour standards - that could best be exercised elsewhere if the WTO was not to be diverted from its role in settling trade issues. Mr. Shannon, describing the UN itself as "bloated and directionless", suggested a whole range of international institutions - the WTO, the International Labour Organization, the International Monetary Fund, the World Bank - should be involved in responding to the economic challenges of globalization.

Tim Reid stressed the growing problem of criminal intrusion, illicit arms sales, the drug trade, and bribery and corruption employed by some firms in international business. He held that the focus in foreign aid should be on technology to help close the gap between rich and poor.

Tony Clarke said the problems of globalization had reached a point where "We must stop, assess and repair." The process should start with the WTO, in which non-elected trade bureaucrats held judicial, executive and legislative powers over national processes. The global casino of financial traders had to be brought under control.

Chairing the panel on development assistance, Roy Culpeper noted that such assistance now accounts for a small and declining share of resources for the less developed. Policies and rules governing trade, investment and financial markets are far more important. And the rich make the rules.

Syed Sajjadur Rahman said the least-developed countries risk marginalization as assistance flows to those that already have some foundation to support growth.

Brian Murphy said that real hope for more help to the poorest would require a change in mindset away from glorification of the one "road of progress" - untrammelled liberal capitalism. He felt the voluntary sector was being coopted by government and failing to come up with innovative ideas for human well-being.

In the discussion groups, Jean Christie found support for her views that a slowdown and more research are needed to assure that genetic engineering of plants does not have ill effects on farming and health. The group dwelt on the problem of 'terminator' and 'traitor' technologies for designing seed that make farmers more dependent on the supply companies.

In the culture and identity discussion group, Bernard Ostry offered a scathing view of the failure of successive Canadian governments to support culture adequately and to exploit

the opportunities for Canadian leadership in culture and communications over the past 25 or 30 years. Canada had the capability, the resources, and the experts who could have made it a leader in computer networking and the information highway, but failed to capitalize on them and let others lead. Keith Kelly said measures to enable Canadian magazines to compete in the Canadian market fell through a hole in the WTO. Other cultural areas would be endangered if this failure in the world trade system were not remedied.

In the discussion of commercialization of war, Ian Smillie described how the diamond-financed civil war in Sierra Leone represented many of the worst manifestations of globalization: greed, crime, war, corruption, and a lack of global leadership and corporate responsibility. The discussion group agreed that a wide range of measures were needed to clean up the diamond trade.

In discussing global cooperation and regionalism, Ted English said middle-range economies often derived benefits from joining regional groups. Regional arrangements could reduce uncertainties affecting external market access. Northeast Asia could be ripe for a regional grouping. John Curtis said that in regional groups, by comparison with general multilateral arrangements, there was the possibility of deeper integration, faster negotiating results, and a "learning experience", especially for less-developed economies. Political cooperation and business networking have also improved.

After hearing the speakers and participating in discussions, the Group of 78 met in plenary session to draw conclusions and make recommendations. The general sense of the meeting was expressed in an opening statement.

Show leadership on globalization issues

The Group of 78 urges Canadian governments, federal and provincial, to show greater leadership in furthering public knowledge of the challenges of globalization.

The Group urges Canada in cooperation with other nations to explore policies that will diminish globalization's ill effects and take advantage of its opportunities.

While the Group applauds the Canadian government's efforts to improve the performance of international financial institutions, it feels that these are only a small first step toward dealing with the much broader problem of global governance. Similarly, the Commons committee on foreign affairs in its reports to date has barely moved beyond introducing the problems of global governance.

The government, parliament and the provinces should be leading the debate on critical economic, social, and environmental problems that are being raised by globalization, particularly in the poorest countries.

Act against global mixmaster culture

The conference agreed with the discussion group on identity and culture that globalization presents hazards to cultural identity and the independence of cultural policies.

Canadians, because of their own experience, are particularly aware of such dangers, both continental and global. Hence it is particularly important that all concerned Canadian agencies, governmental and private, strive to ensure the projection of a balanced image of Canadian identity and culture, particularly with respect to its bilingual and multicultural nature.

Two purposes would be served: support for general Canadian objectives in world affairs and strengthening of the arts and other communities that help maintain Canada's cultural identity.

Additionally, the Group endorsed the proposal that it is time for another major investment in education, training and research both federally and through federal-provincial cooperation. Canada's verifiable success in the postwar era was the result of major investment in the areas of education, training and research, but that investment has lagged in the last 20 years. Now, entering the post-industrial age, another major injection of funding is overdue.

Tackle economic issues

The Group of 78 believes the public must have greater access to an understanding of the economics of globalization, which has such a direct affect on the lives of Canadians and people the world over. While many government departments, institutions, organizations and think tanks conduct economic research and publish their analyses and views, these are usually geared to particular policy goals. The Group believes the more general and independent overview that used to be produced by the Economic Council of Canada is needed more today than ever.

The conference therefore endorsed a resolution calling for revival of the Economic Council of Canada as a powerful instrument to study and inform the public on the Canadian and global economies and their interaction at a time of emerging new forces characterized by the term globalization.

In the Group of 78's view, the reconstituted council would be given a broad mandate, taking into account the relationship of economic policy to culture, science, the environment, technology, social issues, gender equality and education.

Council appointments, and those to any allied research groups, would be authorities in their fields and aim to help the public and parliament grasp often complex issues involved in policy-making. Appointments would be on merit and non-partisan.

Globalization raises endless questions about the future of the Canadian people; the new Economic Council of Canada would be a key player in the search for answers. Operating in the spirit of the Canadian Constitution, the council would take proper account of Canada's regional diversity and cultural pluralism, and serve impartially its two main language groups, and its aboriginal peoples.

The Group also held that the Canadian government should adopt as soon as possible a more accurate and inclusive indicator of human prosperity. The terms gross national product (GNP) and gross domestic product (GDP) are inadequate and misleading; the government should investigate alternatives. The Group noted that Canada is already committed to the measurement and value of unpaid labour.

Stop diamonds being war's best friend

The Group praised Ian Smillie and his colleagues for their three years of work with the Sierra Leone Diamond Project - a study of the role of diamonds in the bloody, brutal civil war. The conference also commended Foreign Affairs Minister Lloyd Axworthy and his staff for their active concern about the devastated African country and the plight of 400,000 displaced residents.

The Group urged the Canadian government to use its position on the UN Security Council to respond to UN Secretary-General Kofi Annan's request for a Sierra Leone UN peace-keeping force. That force would be designed to halt the war and end the plundering of the diamond areas by the rebels to finance their terrorist campaign.

The Group of 78 will monitor the situation in Sierra Leone, a country numbered 185th, or dead last, on the UN table of "livability", to keep its plight in the public eye and will help make the Smillie report known to the public. The report deserves to be taken seriously by the Canadian government, not least the links between illicit Sierra Leone diamonds and trafficking through Liberia to Europe-especially Belgium-and to Israel and Bombay.

The illicit diamond trade bears similarities to Angola's narcotics trafficking role. The UN should consider extending the same penalties to the diamond-trade revenues as it does to the narcotics trade.

Protect biodiversity

The scale and pace of the growth in biotechnology is creating widespread public concern about its implications and their control.

The Group urges the government to increase the funding of Agriculture Canada for plant breeding and plant biotechnology research. Further, all participants should be encouraged to contribute to, and support, such research and development in developing countries. This would ensure continuance of the global supply of alternatives to non-reproducing seeds and seeds dependent on chemical input based on 'terminator' and 'traitor' technologies.

Follow-up

A weekend conference such as the G78's, with its broad range of subject matter and expressed views, does not offer the opportunity to formulate detailed and pointed recommendations on many issues. But the new policy panels being organized by the G78 will follow up the issues discussed at the conference and refine the Group's policy views. The panels, consisting of members of the Group, will cover the four main areas of G78 interest: peace and security, economic equity and efficiency, global governance, and environmental quality. The results of their work will appear on the G78 website.

Sylvia Ostry: Globalization -- What does it mean?

Given the title of my paper -- what does globalization mean? -- this talk could be very brief. Despite its ubiquity there's no agreed definition of the word although a student of mine tracked its first use in 1986. So the answer could be: it means anything you want it to mean. Hardly the response you're expecting! That's why I have defined globalization as "deeper integration" which refers to the ongoing process of ever-tighter linkages among countries proceeding in stages since the end of World War II. The linkage, by trade, financial flows, foreign direct investment, migration of skilled workers, and now e-commerce spans a wider and wider space perhaps to culminate in a single, global market. In recent decades deepening integration was fed and is now led by the revolution in information and communication technologies (ICT) whose pervasive and profound impact clearly has some distance to go.

The main agent of globalization has been the multinational enterprise (MNE). The ICT revolution has made it cheaper and easier to manage far-flung and widely dispersed production networks not only in manufacturing but also in services. Since the MNE is the main funnel for the three engines of growth -- trade, capital, and technology -- there is an intense bidding war for foreign investment. This locational competition creates an ongoing pressure for harmonization of domestic policies among widely diverse countries -- in other words, a single global market.

But of course the MNEs are not the only global players. The first stage of integration was launched by government policy, more precisely the creation of the GATT in 1948 and the successive rounds of negotiations that reduced the border barriers to trade erected during the inter-war years. And trade policy, and especially the Uruguay Round of negotiations which ended in 1995, has been important to the integration process. Moreover, a little-noticed effect of the ICT revolution is the enhanced power of new global players -- the non-governmental organizations or NGOs, who are challenging the policy role of both governments and inter-governmental institutions. And that challenge has just begun.

Since the topic of deeper integration is so vast, and this talk must be selective, I've chosen to concentrate on a few key issues. The first is The Uruguay Round and the creation of the WTO, because it marks a watershed in international economic policy and perhaps the heyday of globophilia. Then I want to highlight the rise of globophobia and conclude with a few remarks on the implications of a world of deepening integration for this country.

The Uruguay Round: Transforming the world trading system

After repeated efforts by the Americans beginning in the early 1980s, the Uruguay Round was launched in Punta del Este in September 1986 and formally concluded in Marrakesh, Morocco in April 1994, several years later than the target completion date originally announced. The extraordinary difficulty in both initiating and completing the Round stemmed essentially from two fundamental factors: the nearly insuperable problem of finishing the unfinished business of past negotiations, most of all agriculture; and the equally contentious issue of introducing quite new agenda items, notable trade in services

and intellectual property and, though in a more limited way, investment. The Europeans blocked the launch to avoid coming to grips with the Common Agricultural Policy (CAP) and a number of developing countries led by Brazil and India were bitterly opposed to including these so-called "new issues". In the end the final trade-off involved a North-South deal across the old and new issues, a deal which transformed the world trading system.

Although the "new issues" are *not* identical -- obviously negotiations on telecommunications or financial services differ from intellectual property rights -- they do have one common or generic characteristic. Thus, they involve not the border barriers of the original GATT but domestic regulatory and legal systems embedded in the institutional infrastructure of the economy. The degree of intrusiveness into domestic sovereignty bears little resemblance to the shallow integration of the GATT with its focus on border barriers. Thus, for example, the barriers to access for service providers stem from laws, administrative actions or regulations which impede cross-border trade and investment. Hence liberalization or improved access of necessity involves changes in domestic economic regulatory regimes and involves an inherent pressure for convergence.

While the GATS (General Agreement on Trade in Services) was hailed as a major breakthrough, the inclusion of intellectual property rights in the world trading system was arguably an even more radical transformation of the traditional concept of a trading system. In the case of intellectual property the negotiations covered not only comprehensive *standards* for domestic laws but, perhaps more importantly, detailed provisions for *enforcement procedures*, involving a redesign, in many countries, of domestic legal institutions.

Perhaps most significantly, in the TRIPS (Trade-Related Intellectual Property) Agreement, the preamble states that intellectual property rights are "private rights" which must be enforced by member countries. If such rights are not enforced, the WTO dispute settlement procedures -- "the most ambitious worldwide system for the settlement of disputes among more than 130 states ever adopted in the history of international law" -- provides the ultimate guarantee of protection. The WTO thus houses a supranational juridical system -- a point I'll return to shortly.

The inclusion of the new issues in the Uruguay Round was an American initiative and this policy agenda was largely driven by American MNEs who were market leaders in the services and high tech sectors. These corporations made it clear to the government that without a fundamental rebalancing of the GATT they would not continue to support a multilateral policy but would prefer a bilateral or regional track. But they didn't just talk the talk, they also walked the walk, organizing business coalitions in support of services and intellectual property in Europe and Japan as well as some smaller OECD countries. The activism paid off and it's fair to say that American MNEs played a key -- perhaps even the key -- role in establishing the new global policy system.

But it is also important to underline that by the end of the 1980s another major change in economic policy-making was underway. The revolution of Ronald Thatcherism which began in the OECD countries was adopted by many developing countries by the onset of the 1990s and this greatly reduced the resistance to negotiation of the new issues. Indeed for many non-OECD countries, including the so-called transition countries created by the disintegration of the former Soviet Empire, the international policy of deeper integration was welcomed as a means of adding credibility to and sustaining the domestic reform process. Put another way, in January 1995 at the official birth of the WTO, as a result of a favorable confluence of different forces, support for the globalizing economy seemed near-universal.

Yet today -- just a few months before a meeting of trade ministers to launch a Millennial Round in Seattle -- the policy ambience has profoundly changed. In large part, this is due to a growing backlash against the integration forces -- or globaphobia.

The several faces of globaphobia

I want to make clear that of course there was no sudden change in attitudes about globalization or the role of the WTO in sustaining and reinforcing the new trading system. Opposition to the Uruguay Round itself or other liberalizing initiatives came from many quarters including traditional business lobbies in the import-competing sectors; from trade unions whose members were fearful of losing jobs to workers in low-wage countries; and, most vociferously, from European farmers who opposed reform of the farm support policies that had protected them since the 1950s. By the end of the Round, environmentalists were also attacking the negotiations and sticking posters of a frightening Gattzilla all over Geneva. But as I noted earlier a favorable confluence of events created the *opportunities* for a successful completion of the Round and the major trading powers, supported or pushed by unprecedented activism on the part of export-oriented multinationals, finally *seized* those opportunities and concluded the agreement that established a system for ongoing global integration.

I would also argue that the forces of globalization driven by technological change are now largely autonomous and to a considerable extent inescapable. If we take that as given then the WTO provides a set of rules and procedures which can to some degree shape the pace and dimensions of the integration process. Obviously for thoughtful analysts, globalization is neither Nirvana nor Armageddon. The compelling arguments for deepening integration of the world economy are economic. Consumers would be able to buy the best products at the lowest prices anywhere and everywhere. The gains stem not only from eliminating barriers and impediments to trade and investment but also, and more importantly, from dynamic forces which increase growth and create new jobs as global competition forces firms to restructure, network, and innovate. "Global" growth increases; "global" consumers benefit; but the distributional effects of these gains, the distribution of winners and losers both among and within countries, affects the immobile factors of production, land (or the environment) and all but the most highly skilled and educated labour of the nation state. It is, indeed the alleged effects of globalization on

labour markets and the environment which has aroused much of the recent attack on globalization.

Since the mid-1980s the demand for less-skilled and less-educated workers has fallen in all OECD countries. In Europe this has resulted in an increase in long-term unemployment while in the U.S. it is manifested in a rise in earnings inequality. And Canada is somewhere in between. Since these labour market maladies are serious in both economic and political terms, the basic causal factors have been the subject of a growing number of studies. Most mainstream economists have argued that technological change, which is biased in favour of the highly skilled and educated, is the main factor explaining these developments, with trade playing a minor role. However, when immigration and investment flows are also taken into account, globalization contributes to a more significant proportion of the labour market developments. And because an increasing number of unskilled jobs can be shifted to other countries, workers are fearful of demanding higher wages and, given a credible threat to move by their employer, may even be willing to accept cuts.

Finally it's fair to say that the academic debate seems somewhat strained since trade, investment, and technology flows are increasingly intertwined and trying to disentangle their separate impact would be formidable. Unfortunately, the *political* debates are not concerned with the merits of alternative models. It is much easier to round up the usual suspects -- foreigners, especially countries with low wages. This is one reason, although to be fair not the only one, for the growing insistence by some countries on including some kind of labour code in the WTO. Of course, a far better alternative would be domestic policy designed to deal with both equity considerations and skill training.

But another strand of globophobia stemming from labour market maladies is not directed at developing countries but rather at the United States. For many Europeans and Japanese -- and Canadians of course -- globalization equals Americanization, and in particular American flexible labour markets with weaker unions, less government intervention to protect jobs and to assist the unemployed, lower corporate and personal taxes and consequently far greater income inequality. The American tolerance for inequality sets it apart and is especially important in today's information technology revolution, which is high-skill biased, so income disparity is a significant built-in characteristic of technological change.

But if the American labour market model is to be imported it will entail fundamental change not simply in industrial relations regulations, but in a wide range of other policies including social security and government expenditure on a range of public goods and even corporate governance regulations. The labour market is but one institution embedded in a complex institutional system. These institutions mediate the impact of changes in the external environment and the American system is uniquely flexible and adaptable -- as is clearly evident, for example, in the pace of corporate restructuring in the 1980s and the pace of innovation in new products and new markets over the past 15 years. Both the continental European and, albeit in a different fashion, the Japanese systems function extremely well when change is incremental and moving in established,

predictable channels. But it is precisely the features designed to deliver stability, predictability, and social cohesion that become rigidities and impediments to adaptation when change is pervasive, ongoing, and unpredictable. The massive restructuring of corporations in the 1980s in the U.S. is only now beginning in Europe and also in Japan. But there's a long way to go even in industrial restructuring and increasing resistance to change in other institutions, especially in policies which would threaten social cohesion.

The backlash against globalization does not stem only from fears about jobs and wages. While the "new issues" were concerned with *economic* regulation, the Uruguay Round also included negotiations on *social* regulation concerning product standards, health and safety measures and, of course, culture, a matter of great concern for Canadians. Since the establishment of the WTO, the most high-profile and contentious disputes have concerned environmental or food safety issues. And more are yet to come given the increasing clamour over GM (genetically modified) food. With the new dispute settlement arrangements in the WTO, which provide member countries with an automatic right to lodge a complaint before a quasi-judicial panel, a right to appeal to an independent appellate body, and a binding enforcement mechanism, the WTO houses, in effect, a supra-national constitution. The Appellate judges are required to define the *boundary* between *international rules* and *domestic policy space* -- a highly contentious task, to put it mildly.

The environment issue represents a formidable challenge to the WTO. The green NGOs have been the most effective in mobilizing support among a wide and diverse range of advocacy groups (including human rights and labour groups) who, although for different reasons, see the WTO as an institution captured by and serving only corporate interests. The green message seems to be the most effective rallying point because it is attractive to a large proportion of the population. In a recent survey carried out by a Canadian university in 30 countries, more than 75% of the population in every country supported international regulation of environmental pollution. Support for environmental policies is especially strong in the younger generation searching for a worthy cause. And the green NGOs have proved highly skilled in using the media to get their message out.

Finally, and perhaps most significant in longer-run terms, the power of transnational advocacy groups has been greatly enhanced by the internet. The internet provides unparalleled access to information and a chance to escape many of the limitations imposed by the physical world. Sharing intelligence and strategy by e-mail challenges the information advantage of the corporations and governments and makes the policy process much more contestable. As internet use accelerated in the 1990s it became clear that marching in cyberspace is far cheaper and more effective than sticking Gattzilla posters on buildings in Geneva. This is best illustrated by the campaign which mobilized NGOs from 23 countries and 5 continents to defeat the OECD negotiations for a Multilateral Agreement on Investment (MAI). While there were other factors at play -- including disputes among governments about different policy issues -- the NGOs played a major role by stressing the environmental issue. In any case they are claiming victory and gearing up for the meeting of WTO ministers in Seattle at the end of November.

Even if the MAI debacle had not occurred, the underlying issue of defining the boundary between the social regulatory state and the rules of the trading system will engage the WTO for a very long time. It's a curious paradox of history that the *economic* regulation of the postwar period has greatly diminished, both by domestic policy initiatives and the new trading rules of the WTO. While as I have noted many developing countries initially resisted the "new issues" in the Uruguay Round, the economic benefits of regulatory reform provided a compelling case for such policies. But in the late 1960s a new wave of *social* regulation was launched in the OECD countries and has continued for three decades.

The debate about social regulation bears little resemblance to the traditional interest-group concerns over the *division* of the pie, relevant to economic regulation, but rather is concerned with the recipe for *making* it. Moreover, in the case of both the environment and labour rights, the NGOs argue that the most important issues are not national but global and require a global policy optic because the optic of the nation state or the intergovernmental institutions founded on the precept of the nation state is inadequate. It is not clear who these groups represent since they are not accountable in any realistic sense of that word. Nonetheless, the anti-MAI campaign has been presented as a new form of participatory democracy and, indeed, as it gathered strength, parliamentary committees in Canada and many other countries have initiated public hearings and parliamentary debates. These developments have raised great concern in most developing countries because they suspect protectionist motives on the part of the advocates and they are also unwilling to accept such intrusion into domestic policies that could undermine their competitive advantage.

An emerging North-South divide in the WTO also has other roots. The gap between the rich and poor countries has been widening over the past three decades largely due to differences in trend rates of growth. Marginalization is an ugly mark on the face of the global economy. While the plight of these countries has little, if anything, to do with trade liberalization, coalitions of non-OECD countries are mobilizing support to prevent a new round. They argue that they received fewer benefits than promised by the Uruguay Round, most specifically in market access for agricultural and labour intensive products and they want this imbalance corrected before embarking on new negotiations. It is unclear what the outcome of this approach will be but because there's a good deal of truth in their charges concerning agriculture and textiles and clothing, the OECD trading powers will have to develop an appropriate policy response.

More broadly, the marginalization of the poorest countries is likely to widen since, as the World Bank notes in a recent report, the knowledge gap between rich and poor countries is far greater than the income gap. The knowledge gap cannot be tackled without upgrading the institutional infrastructure of the country -- governance, education, legal system, etc. All these relate also to trade policy since the much more demanding WTO agenda is beyond the capabilities of these countries. Yet the training resources of the WTO amount to less than one percent of its budget -- a budget, by the way, that is equal to the travel budget of the IMF! The major trading powers, led by the U.S., show no

willingness to increase their contributions to the institution or, indeed, to undertake any other essential reforms to reinforce and enhance its capabilities.

In sum, as this brief review of the several faces of globophobia suggests, the policy ambience today is best characterized as complex and uncertain. There is no sign of U.S. leadership: indeed it is difficult to discern whether or not the U.S. has a trade policy, except for clientism. And with the changes in the European Commission it's difficult to evaluate whether or not there will be policy continuity. But every black cloud has a silver lining. The policy vacuum at the top could provide an opportunity for middle powers to play a significant role in the upcoming negotiations. That, of course, brings me to my conclusions -- implications for Canada.

Globalization: implications for Canada

As I hope I've demonstrated in my talk there is a growing gap between the WTO's mandate to steer the course of deepening integration of the global economy and its capabilities. The secretariat is minimal and lacks the highly qualified experts necessary to undertake policy analytic research and technical training. More serious, the WTO has no executive committee which can provide a forum for policy discussion. Yet the issues the WTO must deal with are fundamental to determining the trade-off between domestic and international objectives and the growing marginalization of the poor. In addition to the complexity and contentiousness of these issues, the size and disparate interests of the membership greatly adds to the difficulty of achieving consensus. And China and Russia are awaiting accession, so we ain't seen nothing yet!

I have made a number of suggestions for WTO reform in various publications so I won't take the time to review them here. What I want to underline in this lecture is the importance of Canada's role in the evolution of the trading system right from the creation of the GATT. In the Uruguay Round, by forming coalitions with other middle powers, that role was very significant in determining the agenda and facilitating the negotiations. Few Canadians know that the WTO was our proposal, ultimately supported by the Europeans as a safeguard against American unilateralism. Our credibility in trade circles is such that sensible proposals for strengthening the WTO could not be easily brushed aside.

But devising an effective Canadian trade policy strategy will be more difficult today. Globophobia is on the rise in this country and the WTO is a convenient target for attack. There seems little understanding that Canada must support the multilateral rules-based system for one simple reason: the alternative is a system based on power. And attacking the trading system will not stop the forces of deepening integration. You can't stop the world though you can try to get off. If you do, the results are clearly evident in the poverty of the weakly integrated countries in Africa. For Canada and other mid-sized powers the main benefit of globalization is the diffusion of technology or, more broadly, knowledge. Knowledge is the basic source of productivity and thus of rising living standards. Thus our strategy should be to minimize the costs and maximize the benefits of globalization. But that requires getting our own house in order.

Canada, if not the most decentralized federation in the world, is close to that title. Nonetheless, as is clear from recent developments including, but not only, the social union arrangements, further devolution is in process. A devolution of responsibility in one set of policies -- largely related to the role of government in social policies -- is quite compatible with an expansion of federal power in another set related to international issues. Since WTO negotiations now, or will in the future, cover many policies which are either under provincial or joint federal-provincial jurisdiction, there must be an effective federal-provincial coordinating mechanism to ensure that a policy strategy can be devised and that WTO rules, once established, are enforceable.

Another arguable and more fundamental issue concerns the growing global competition for investment. Since foreign investment is a major source not only of capital but of knowledge, the locational decisions of the MNE's can be of great importance, especially to middle-sized countries. Indeed there is an ongoing bidding war of tax and other fiscal incentives which is highly distortionary and should be an urgent priority for any future negotiation on investment in the WTO.

But my main point on locational investment relates to *domestic policies* and the devolution issue. In the long run the locational attractiveness of any country is far more important than any fiscal incentive. The essence of locational advantage today is the knowledge infrastructure -- the quality of education and training and R&D. Yet this knowledge infrastructure in Canada has never been viewed in terms of a *national* priority. The knowledge sectors are either provincial -- education and now training -- or joint, as in the case of R&D. The acquisition of knowledge requires a significant knowledge base to start with in order to tap multiple sources of information. The knowledge base rests on human resources, scientific, technical and skilled. To them that hath shall be given. Of course, the opposite is also true: vicious circles can develop. The costs of bad policies will be correspondingly higher than in the past.

Despite all this, in Canada no federal-provincial coordinating mechanisms exist and no national strategy exists. Indeed, just as an example, in a world where knowledge is the key asset and technological change has created the need for lifelong learning, the federal government has transferred all training functions to the provinces. This has been done at a time when markets for highly skilled labour are no longer *local* or *national* but *global* and Canada is not only competing for investment but arguably more vulnerable to brain drain than any other country in the world because of our location. So, as in the case of "trade" policy and devolution there is a need to update the debate now confined to outworn notions of a division of powers based on the past. But perhaps I should stop here -- I don't want to provoke a debate on constitutional reform! Let me end with a saying I devised after many years of experience in what was called the Department of External Affairs: there's no policy more domestic than trade policy.

Challenges of Globalization

Hon. James Scott Peterson

The term "globalization" covers the erosion or breaking down of natural and national barriers to the movement of goods, services, capital, and labour.

Bretton Woods aimed mainly at barriers to the trade in goods, with the International Monetary Fund (IMF) supporting a fixed-exchange rate regime to complement this trade in goods.

Agreements on services have followed, but as yet, there have been no major multilateral accords on free movements of capital or labour, although there have been regional accords such as the European Union and the North American Free Trade Agreement (NAFTA) covering both.

I propose to touch on some of the issues raised by globalization that concern me. I will then touch on the Asian crisis, and the global response to it, as well as indicating where I believe we are still falling short.

Some globalization issues

- Does globalization offer the possibility of benefits for all, or for only the most powerful, leading to even greater disparities between the rich and the poor? A rising tide lifts all boats, but what if you don't own a boat?
- Is globalization simply a race to the bottom, to where wages and taxes are lowest, and regulations the most benign?
- Will the market, Adam Smith's "invisible hand", always result in self-correcting measures at the cheapest cost or is state intervention needed to make globalization work?
- Is the only responsibility of business to enhance shareholder value, or must it also take an active role in shaping the societies in which it operates?
- To what extent does good corporate governance mean good corporate citizenship?
- Canada today is in large measure globalized. But with our low dollar and our low stock multiples, are we conducting a fire sale to foreigners of our remaining assets?

In spite of these and many other challenges of globalization, we can neither escape it nor repeal it. Globalization is a reality.

And part of this reality, according to Tom Friedman, is the "electronic herd" of millions of investors moving direct and indirect investments around the world at the click of a mouse. These capital flows are part of what the international financial crisis is all about.

Onset and aftermath of the international financial crisis

As you know, the crisis began in Asia. Some of the causes that were cited are heavy short-term foreign exchange positions, inflexible exchange rate regimes, current account imbalances, weak financial sector regulation, crony capitalism, and corruption.

In Thailand, a bank failed and on July 2, 1997, the baht plummeted. The dominoes began to fall. Neither mortal hand nor eye could tame the Asian tigers, but the failure of a small Thai bank did. The crisis spread like wildfire throughout Asia, and within a year, the Asian flu had become a global epidemic.

On August 17 of last year, Russia defaulted on its debt, and Brazil took ill; its stock market tumbled 45% and interest rates soared to over 50%. Stock markets and currencies around the world were sideswiped, including Canada's, as the flight of capital to security took place.

Today, it appears that the worst of the crisis may be over, but Latin America remains fragile, Indonesia is still a basketcase and Russia is a huge question mark.

But Japan's Prime Minister Obuchi has brought in sweeping reforms, including costly stimulus measures; major structural changes to institutions, such as lifetime employment, the convoy system and the Keiretsus; and a US \$500 billion bank bailout, the largest in the history of the world. Fortunately, Japan has been out of recession for two quarters.

How did the crisis impact Canada? Very briefly, commodity prices in December of last year were down 35%. The dollar reached its all-time low of 63.31 cents and growth was stunted by about one percentage point, even though Canada still has the second highest economic growth rate in the G-7.

Canada's six-point response to the global crisis

It became abundantly clear that, in confronting the crisis, countries would have to act together. But traditional, multilateral approaches were no longer working.

Canada stepped up to the plate early. On September 30, 1998, Finance Minister Paul Martin issued Canada's Six-Point Plan for International Reform.

1. Appropriate monetary policy

The first point was to ensure appropriate monetary policy. With one third of the world in recession, the balance of risks was clearly on the downside. Stronger economies had a role to play in accelerating global growth. In the later half of last year Canada, the U.S. and Europe lowered their interest rates.

2. Responsible macroeconomic policies

Second, it was obvious that those countries with sound monetary and fiscal regimes were less susceptible to the contagion, and all countries should make renewed efforts to institute responsible macroeconomics policies.

3. Greater private responsibility

Third, Canada called for greater private sector involvement in crisis prevention and resolution.

The availability of IMF bailouts, and explicit or implicit investment guarantees, including fixed exchange rates, have fed the "moral hazard" and helped contribute to massive capital inflows to emerging markets, often without a proper evaluation of risks. Then when clouds appear, money floods out in quantities far disproportionate to the actual risk, creating a liquidity crunch.

In the past, the IMF, World Bank and host governments put their money up first to reassure worried investors. This approach is no longer adequate. First of all, official sources are far too small to stem the massive outflows. More importantly, official bailouts only encourage imprudent investments. This is why, in order to obtain more private sector involvement, Canada has called for standstills and collective action clauses as a standard feature of international debt contracts. The international community, however, has not yet agreed to such debt work-out arrangements.

There are still no standstill clauses to allow a cooling-off period. A small minority of bondholders can still block a debt restructuring even though it is in the best interest of the debtor country and most creditors, thereby holding all to ransom. Bondholders should not be entitled to expect official sector bail-outs, but the official sector should be involved as a neutral arbiter in setting the terms of workouts and in ensuring the debtor country and all creditors are treated fairly.

Emerging market economies have said they will not put collective action clauses in their debt unless all countries in the world do so, since it could place them at a competitive disadvantage. Canada has suggested a compromise, namely, that collective action clauses will be used by all nations, but only in foreign currency debt issues. Since the Americans borrow only in U.S. dollars, we hope they will support this initiative, but they have not to date.

4. Focus on needs of poorest

The fourth point of Canada's Six Point Plan is that we have to focus more on the needs of host countries and especially, the needs of the poorest. It had become evident that, in applying what Friedman refers to as "the golden strait-jacket" of IMF conditions to a particular country in return for a bailout, we must consider the overall impact on that economy, and ensure that the program will be accepted by the people.

Indonesia is an example where some original IMF conditions, which, however proper by international standards, such as abolishing fuel and food subsidies, caused widespread political unrest, leading ultimately to their modification. And it is just this type of problem that demonstrated the need for the G-20. [Editor's Note: The new group of 20 headed by Paul Martin]. Emerging market economies need a place at the table, to bring their own important concerns to bear.

While there are some who treat the concept of "conditionality" with disdain, it would be unrealistic and even irresponsible to impose no conditions in return for IMF bailouts. Rather, the issue is to ensure that the conditions imposed respect local needs, will be accepted by the local populace, and that the medicine is not worse than, but cures the disease.

And in dealing with Highly Indebted Poorest Countries (HIPC), Canada called for new measures to help ensure sustainable debt loads and the pursuit of development priorities. These measures were endorsed by the G-7 in Cologne and by the IMF and World Bank last week.

Here, too, Canada has taken a role of leadership by example. On the multilateral front, we have paid \$40 million more to the HIPC Trust Fund, pledged \$24 million from our refund of the IMF's Second Special Contingent Account (SCA-2), supported a capital increase for the World Bank, and provided a further \$400 million dollars to the Bank's Enhanced Structural Adjustment Facility.

Bilaterally, with respect to HIPCs, we have forgiven all ODA loans, all bilateral ODA is on a grant-only basis, and we will write off all commercial debt to the Least Developed Countries.

Canada has supported from the start the sale of up to 15 million ounces of IMF gold in order to enhance its aid capacity. In light of objections from some countries, however, we have agreed to "off-market" sales that will have the same net result.

5. Road map for capital-market liberalization

Canada's fifth point calls for a road map for capital market liberalization.

The Doctrine of the "Impossible Trinity" provides that a country cannot, at the same time, enjoy all three of capital mobility, fixed exchange rates, and an independent monetary policy. Some experts focus on capital flows as the major cause of financial crises, and that capital mobility should be curbed before either exchange rates or monetary policies are altered. Their enemies are no longer the gnomes of Zurich, but the kids in red suspenders, the spear chuckers of Tom Friedman's "electronic herd".

Personally, I have no doubt that open markets for capital, just as for goods, are in the long-term best interest of all countries. At the same time, however, it is obvious that there can be excessive borrowing and excessive lending, and that current capital markets are

not always based on perfect transparency, knowledge or disclosure. As well, massive, panic-driven flights of capital can prove highly destabilizing, to both rich and poor countries.

Canada's approach to capital market liberalization is somewhat agnostic. We favour liberalization, but recognize that it is not without problems. The challenge, as we see it, is to ensure that globalization works by having the right trade-offs between the costs and benefits.

This is why Canada has called for a "rules-based" international trading regime and why we seek a part of the new architecture. We have called for a road map for the proper sequencing of capital liberalization, looking at the possibilities for temporary controls that can deal with specific problems of individual countries, especially large, short-term flows. At the same time, it must be recognized that controls can be no substitute for sound domestic economies over the longer term.

6. Strengthen financial oversight

The final element in Canada's six-point plan involves strengthening both national and international financial sector oversight, and where possible, using "peer review". I'm encouraged by the results to date. The Financial Stability Forum was established last February by the IMF. It has set up working groups on highly-leveraged institutions, short-term capital flows, and offshore financial centres. They will report next spring.

The recent crisis brought out the need for far greater transparency in terms of both public and private accounts. For example, in 1997, South Korea was reporting foreign reserves of \$30 billion which turned out to be \$10 billion, and foreign borrowings of \$50 billion which were double that. Accordingly, the Special Data Dissemination Standard of the IMF has been expanded to include external liabilities and foreign reserves of members.

Another advance is that Article IV of Annual Reports on IMF members will now have beefed-up sections on the state of their financial sector supervision, with Canada's call for peer review having been implemented.

Canada has also played an important role in helping bring about higher financial sector supervisory standards through the Toronto International Leadership Centre for Financial Section Supervision at the Schulich School of Business at York University. The Toronto Centre is a joint venture between Canada and the World Bank. Since 1998, it has brought in 125 supervisors and regulators from 64 countries and expects to graduate over 200 by year end.

Further Challenges

Overall, Canada's six-point plan has been welcomed by the international community, and many of its elements have been adopted. However, more progress is needed on a roadmap to capital- account liberalization. We need to promote greater private-sector

involvement in the prevention and resolution of crises. And there can be no better chronicle of what the international community has failed to achieve than Jim Wolfensohn's address to the IMF/World Bank members in Washington, on September 28th when he said:

Of the 6 billion people on our planet today, 3 billion live under \$2 a day and 1.3 billion live under \$1 a day....Per capita incomes will stagnate or decline this year in all regions except East and South Asia.

In my speech to the Governors on September 29th, I said, "Poverty reduction must receive a far greater share of our focus and our pocket-books. We welcome the holistic approach of the World Bank's comprehensive development framework and urge support for it." This is why we have increased our support for HIPC and for the World Bank, and urge others to do so as well.

Another area of concern to Canada is the special needs of small states. Through Canada's constituent members from the Caribbean on whose behalf we speak and act at the IMF and World Bank, we have become increasingly aware of the unique and severe difficulties small states are facing because of the loss of trading preferences, the decline in ODA, and their high vulnerability to the contagion of crisis. External trade shocks and natural disasters can easily wipe out hard won gains in economic and social development.

Canada, therefore, welcomes the IMF's commitment to further research and policy work on small states, and this will help set the stage for their participation and treatment at the next round of the WTO.

Same principles abroad as at home

To conclude, I would simply like to add that Canada's role internationally has been in no small measure predicated on what we have undertaken at home. Had we not put our own house in order, we would not have weathered the storm of the international crisis as well as we have. We would not have had the credibility within the G-7 or international community to put forth our six- point plan and to see it adopted in such large measure. And we would not have seen Paul Martin appointed to the important post of chair of the G-20. I'm proud of Canada's role of leadership, a role far disproportionate to our size.

Perhaps, most importantly, in addressing the crisis, the international community has come together as it seldom has in the past, recognizing that a problem for any one of us is a problem for each one of us.

Although the crisis of the past two years has abated, and although a number of important new steps have been taken, enormous challenges still lie ahead. We must make greater progress while the waters are relatively calm towards a more stable international financial system, and towards higher living standards for all.

Only then will we be able to focus less on the challenges and more on the great opportunities our global economy can bring to each one of us.

Global Governance: Globalism and the United Nations

Michael Oliver

Marx wrote that the "relations of production constitute ... the economic structure of society, the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of social consciousness." (Preface to the Introduction to the Critique of Political Economy, 1859). In the previous sessions, we have been looking at material changes: changes in technology, in market operations, in information flows. Now it is time to look at the politics of the new superstructure.

A striking aspect of the material changes we have been considering is their permeation of the lives of such large numbers of people. An American journalist, Thomas Friedman, writing about globalization, talks about "the democratization of technology, finance and information". This is a nonsensical misuse of the idea of democracy. But what is real is the spread of these material forces of change. The person who owns a computer, holds at least one credit card, and can access the Internet with a modem is no longer, of necessity, a member of a wealthy elite. Just these three material things -- which you don't have to understand -- provide you with a huge ability to calculate and communicate, a line of credit, and information galore. Yet they are available to cab-drivers, farmers and waitresses.

I hasten to add -- all this is true as long as these people live in Western Europe or North America; for the instruments of globalization are thus far empowering largely to Northerners. The South has many more technology-takers than technology-users, let alone technology-makers.

Nonetheless, new relations of production (to use Marxian terms again) need not be instantaneously universal to be recognizably on their way to dominance. The transformations wrought by globalizing technology and market expansion are beginning to affect everyone. And we can expect them to engender corresponding transformations in the super structure of consciousness, that is, in the way we look at things, in the language we use to describe them, and the institutions we try to build as expressions of this consciousness.

One of the changes in "superstructure" will be a new way of looking at the United Nations and its relation to global governance. But before we get to that discussion - our main topic for this evening -- I want to deal with two terms, both of which are being used to describe our new consciousness of ourselves as part of globalized humanity. They are "governance" and, related to it, "civil society".

Governance: government plus civil society

Why are we using the term? What does it express that is different from the word "government"? Most authors trace the modern use of "governance" to James Rosenau, an American social scientist working out of Southern California. He wanted a word that recognized that we feel compelled to follow many more rules and injunctions than those that come from government. Even as he uses it, governance is a fuzzy term: Sometimes it describes "a realm of activity in which government has yet to evolve". Rosenau wrote this about "global governance" when he was stressing that there was more than anarchy (absence of government) in international affairs.

More often he uses it in this sense: "Global governance is the sum of the many ways individuals and institutions, public and private, manage their common affairs. It includes formal institutions and regimes empowered to enforce compliance, as well as informal arrangements that people ... either have agreed to or perceive to be in their interest." This definition, I should add, is based on Rosenau, but actually comes from the *Report of the Commission on Global Governance*, the Ramphal/Carlsson Commission, one of the best books on our general topic. [Because governance is such a tricky term, one should beware of it when it becomes "good governance". That's the way the IMF describes regimes that privatize and transfer a lot of economic power to business and the market. But that's an aside!]

Our chief concern is global governance, and therefore I am going to burden you with one more (still fuzzy) definition, this time from David Held, a British social scientist, and his colleagues in a book entitled *Global Transformations*: Global governance comprises "not only ... the institutions of state, intergovernmental cooperation ... , but also all those organizations ... -- from multinational corporations, transnational social movements, to the plethora of non-governmental organizations -- which pursue goals and objectives that bear on transnational rule "

My own simple summary of all this is that governance means action by government plus civil society; and global governance means action by governments plus global civil society. But I am obviously begging the question: what is Civil Society?

Civil society: NGOs the dominant element

The term has a long history and the ideas behind it an even longer one. It's an expression of a fundamental western political dualism. Ever since the advent of Christianity, we have been accustomed to contrasting the City of God and the City of Man, the Church v. the State, the Two Swords of the Middle Ages, spiritual and secular. Civil society is a secular version of the notion of the Church as a countervailing check on the state. Some of its modern uses indeed make "civil society" a pluralistic, but integrated, version of "the people" to which the state is accountable.

The revival of the term in the late 20th Century centered in Eastern and Central Europe, where the need to build a common life outside the control of the state was felt with particular urgency. As the idea of "civil society" gained in popularity, the problem of definition as usual raised itself. It was clear that civil society included professional

associations, scientific bodies, trade unions, churches, and voluntary, not-for-profit associations. Did it also include businesses and corporations? Perhaps the not-for-profit criterion could be maintained if associations representing business interests were allowed in, but not the corporations themselves? There is a great deal of variance in the literature.

National civil societies are increasingly tightening links among their members through the use of the new technologies of communications. If you belong to an organization that no longer can afford nationwide meetings, you will know how vital teleconferencing, fax and email have become. But when it comes to the emergent global civil society, the relationship to new technology becomes crucial. We cannot escape the importance of the Internet and email in the campaign against landmines, or in the build up of global support for the International Criminal Court, or in the defeat of the Multinational Agreement on Investment.

At the global level, NGOs have become the dominant element in civil society -- as long as we exclude the private business sector from our definition. The claim to share power with states and their governments in a process of global governance comes above all from the NGOs. The United Nations, founded as a body with "state members" -- it should have been called the United States if the term had not been preempted -- has had to take them into account.

The UN and civil society

From their earliest days, UN agencies and programs, or their predecessors, have been involved with CSOs (civil society organizations) as well as with states and their governments. In the 19th century, bodies like the International Telegraphic Union (1865), the World Meteorological Organization (1873) and the Universal Postal Union (1874) developed relations with professional associations, scientific societies and business organizations. The standards, procedures and regulations they set reflected far more the perception of best practice within these segments of civil society than a negotiated solution to rival state interests. Later, the International Maritime Organization (1958) and the International Civil Aviation Organization (1944) established rules for the global commons of sea and air, with a huge input from professional bodies and the producers and consumers of sea and air services.

What we think of as NGOs had little role and still have little role in shaping the policies of these older bodies. And the same was true in the early years of the Food and Agriculture Organization (1945) and the World Health Organization (1948). Both dealt with CSOs made up of scientists (food, soil, health), linked to universities and to professionally-oriented public departments and research centres.

By the 1990s, however, things had changed and NGOs became involved in the work of both agencies. For newer programs and agencies, like the UN Development Program (UNDP), UN High Commission for Refugees (UNHCR), UN Environment Program (UNEP), UN Development Fund for Women (UNIFEM), and UN AIDS Organization

(UNAIDS), NGOs have been part of the scene from the outset, but with roles that expanded remarkably during the 1990s.

The 1990s were exponential growth years for NGOs. For international NGOs (INGOs) alone, the Commission on Global Governance reported 176 in 1909, about triple that number for the 1960s, and then 28,700 of them in 1993.

One of the great stimuli to this growth was the series of international conferences organized by the UN in the 1990s, from the World Summit for Children in 1990, through conferences on the Environment and Development, Human rights, Population and Development, Social Development, Women and Human Settlements.

Probably the 1992 Rio Conference on the Environment and Development was the most important of them. Maurice Strong, a crucial figure in the modern UN, made a place for NGOs at the Conference that set the pace for the rest of the decade. In effect, he opened the flood gates for national NGOs concerned with global problems as well as INGOs, a move that had its fruition in 1996 when the UN Economic and Social Council (ECOSOC) voted to give national NGOs status as consultants.

As the 1990s progressed almost every one of the UN's agencies and programs in their official reports and statements began using the term 'civil society' and speaking of 'partnership' with civil society and with NGOs. Place for NGOs was found at meetings and conferences. They began to be invited to help in planning agendas. They were permitted to speak at meetings, not just observe, and have their documents circulated. Within the Secretariat, places were found for NGOs in committees, and permanent fora for policy dialogues were created.

What does all this mean? Just as Boutros Boutros-Ghali and Kofi Annan have called for modifications in the doctrine of state sovereignty when human rights are at stake, these and other UN leaders seem to be calling on states to share global policy-making with an emerging global civil society, and more specifically with NGOs. A major heading in a June 1998 article of Kofi

Annan reads "A new UN for the New Century: Creating Effective Partnerships with Civil Society". Global governance means, it seems, the UN plus Civil Society. And the partnership, on the Civil Society side, will be dominated by the huge clusters of NGOs concerned with Peace and Disarmament, Human Rights, Environmental Security and Sustainable Development. More and more, NGOs are to be invited to sit with the representatives of states to create humane global policy. The Millennium Forum of NGOs will parallel the Millennium Assembly of the UN General Assembly. And perhaps, Annan suggests, "a new Trusteeship Council, transformed into a watchdog for the global environment", will link states and global civil society on that body.

But here we must pause. Is this the new pattern of global governance? Is this the crucial partnership: UN plus global civil society?

In the same article of the review *Global Governance* that contained the heading I read to you, Kofi Annan also speaks briefly of the importance of business and industry in global affairs, but seemingly as simply one more element in civil society.

A distinct UN/Business partnership?

This impression was quashed in Annan's speech at Davos, Switzerland, to the World Economic Forum on 31 January 1999, for in it, he inaugurated the idea of a UN/Business partnership distinct from civil society. The Davos speech called for "a creative partnership between the United Nations and the private sector". It was to be based on a "global compact of shared values and principles, which will give a human face to the global market." This sounds like a replay of the UN/Civil Society partnership, but with different partners. But there is a crucial difference between the Secretary-General's support for partnership with NGOs, and an NGO-focused Civil Society, and his support for partnership with business and the business-dominated private sector. In the first case, he is largely responding to a massive demand to be let in to UN circles; in the second case, he is taking the initiative and asking business to come in.

What is the purport of the Davos Compact? Business is invited to endorse, and to follow, a definition of values in three areas: human rights, labour standards, and environmental practices. The values that correspond to these areas are those of the Universal Declaration of Human Rights, the ILO's Declaration on the fundamental principles and rights at work, and the Rio Declaration of the UN conference on the Environment and Development (UNCED) in 1992.

But a compact involves a 'quid pro quo'. If business follows the three codes, what does it get in return? What is the other term of the contract? Annan is not too precise on this point, but there are a couple of paragraphs that let us divine what he has in mind. Annan is worried about a global economy that has outpaced the ability of national governments to assure stability to the system and to cushion its impact on people who are hurt by it. He looks back to the period from 1945 to about 1975 when national governments were able to guide their economies and finds there a tacit compact between business and government: business could expand in a liberal capitalist fashion if it accepted that government provide social safety nets, limit economic volatility, and compensate the victims of the market. Such a compact, it is implied, can no longer be recreated at the level of the individual state; it can be reproduced at the global level. The UN, under the new Global Compact, encourages market capitalism to expand, and helps eliminate barriers to its success, as long as world business accepts the three codes.

I cannot help admiring the ingenious character of Annan's approach. But I also cannot help remembering the period of 1945 to 1975 rather differently. I recall, not a compact, but business spokesmen who fought mightily against safety nets, regulations, and control, and who felt defeated by "socialists" when they were enacted. I recall Social Democrats who took pride in forcing governments to control capitalism's worst consequences in spite of business howls.

If an equilibrium was reached at that time -- perhaps a tacit compact -- it was not the result of quiet negotiation and appeals to moral responsibility. Global-compact skeptics have a right to ask: Are there forces at work to make businesses behave according to Davos-endorsed codes? Would the tacit compacts of Western states in the 50s, 60s, and 70s have worked if governments had been as weak in relation to their national economies as the UN is to the global economy? Is there a 'global civil society' able to exert the same pressure on the UN as trade unions, social democratic parties and many NGOs brought to bear on national governments? Isn't this a period when counterbalance (rallying around the 'optique' of the Human Development Reports , for example; and reinforcing NGO presence in the UN) needs to be stressed rather than a compact of reconciliation?

The odd threesome

During 1999, NGO worries have been building about the implications of the Davos Compact, the joint statement by the Secretary-General and the President of the International Chamber of Commerce made on 5 July , similar statements made by heads of agencies like UNICEF and UNDP, and the fact that the UN system web page now has two sections, equally prominent, that lead to information about partnership with business and partnership with civil society. Just three days ago, a group of NGOs protested against the leadership role being taken by the heads of UNICEF and UNHCR in the Business Humanitarian Forum, which is chaired by a firm called UNOCAL, an enterprise that is "notorious", it is claimed, for human rights abuse in Burma, and which includes Nestlé, which continues to violate the UN Code of Conduct on infant formula. There is concern that instead of the UN scrutinizing trans-national corporations it will scramble to get their support, regardless of their social and environmental impact.

I have no desire to sabotage the Annan version of how the UN relates to global governance, but I have anything but a clear idea of how a tripartite, neo-corporatist equilibrium will operate: the UN hand-in-hand with Global business hand-in-hand with global civil society. Perhaps I would be more optimistic if I knew of a couple of NGOs that had annual incomes greater than the Gross Domestic Product of many states, as is the case for a dozen multinational corporations.

Pierre Trudeau used to talk of the problems of going to bed with an elephant. Annan seems to be inviting NGOs to join him in a dance with an "electronic herd", as Friedman calls the financiers who lead trillion-dollar stampedes.

Getting on with globalism

While we wait, somewhat anxiously, to see how Annan's Global Compact works out, I suggest:

- We join those who, like the authors of the Report of the Commission on Global Governance, try to create an Economic Security Council, with some teeth, to deal with world poverty, increasing inequalities, wanton environmental pollution, and exploitation, not just of child labour, but of all labour.

- We get out the magnificent series of Reports of Human Development put out by the UN Development Program, and rally around the concept of human development as a far more important focus than simply economic development. And as a first concrete step, Canada restore its foreign aid budget and reinstate the aid target of 0.7% of GNP
- We press the Canadian government to support the part of Annan's global compact that calls for full observance by global business of the three codes -- human rights, environmental protection and labour equity -- and invite the NGO community to join with institutions of international justice in monitoring the observance of the codes.
- We urge the Parliamentary Committee on Foreign Affairs and International Trade to issue a report card on Canada's compliance with the action plans of each of the great international conferences of the 1990s.
- We congratulate the Canadian government on the lead it has taken in allowing NGOs to contribute to UN policy making and deliberations -- yes, even to informal meetings with the Security Council -- and call on it to continue to do so. We urge that everything, including restored funding, be done to help Canadian NGOs to contribute to the strengthening of a global civil society composed of non-profit-making associations.

Let me pause for a moment on the question of the role of NGOs. Their legitimacy has been challenged and they have been charged with being self-selecting and even undemocratic. But before we accede to such criticism, we need to explore a little more thoroughly the meaning of democracy for global governance. We know what democracy means nationally: elections; one person, one vote; competing parties. But globally, we do not have a state to be democratic in. International relations specialists have told us for years that international affairs is the arena of national self-interest. Each state, the realists say, seeks to maximize its own power and well-being. Global civil society and the NGOs that predominate in it attempt to bring other voices, besides those of states, into the discussion of global policy. The need to have this kind of broadened debate should be especially clear to Canadians.

There was outrage in our country just a few years ago about Executive Federalism: crucial decisions being made in closed sessions by representatives of the federal and provincial governments. The principles of democracy, it was widely perceived, were being violated by the lack of participation of Canadian interests that were neither federal nor provincial in federal-provincial deliberations. Yet, without the input of Civil Society, this is the normal way of proceeding of international relations. NGOs modify the anarchic clash of national self-interests. Far from being an anti-democratic force, they are the agents that inject an element of democracy in global politics.

- We commit ourselves once more to the utmost support of the UN and its reform, and call on the Canadian government to frame its foreign policy and its budgets so as to maximize the real contribution we can make to the UN as the central instrument for just and human global governance.

This brings me back to where I started: with Marx and the link between relations of production -- in our case, electronics-based, market-based, globalized relations -- and people's consciousness, their values and goals.

Marx admitted (rather reluctantly) that it was not a uniformly one-way street whereby material relations dictated how we think about ourselves and our society. There was a reverse flow -- ideas could influence the material world. And indeed, an Italian Marxist, Antonio Gramsci, looked to the creation of a counter-hegemony to do battle with the hegemony of market-focused, capitalist ideology.

I am sure that globalization will continue and intensify. But I do not despair of just global governance, based on the UN, informed by something much richer than market values.

Panel Presentations

Economic Challenges: trade and commerce, financial flows, labour-management

Several institutions must be involved

Gerald E. Shannon

(Rapporteur's summary)

The global economy is with us to stay. This is not necessarily bad, but the process must work for the benefit of all. However, the pace of change and a sense of a lack of control make us feel uneasy about it.

In the area of trade, things have changed significantly since the founding of the General Agreement on Tariffs and Trade (GATT) in 1948, with most developing countries playing a significant role in trade negotiations for the first time (with the exception of Africa). The Uruguay round saw a radical change in the mind-set of the developing countries. The promised advantages of clear rules helped to dispel their apprehension towards services and intellectual property being included. Nobody obtained everything they wanted. But everybody went home with something that mattered to them.

Seattle will be different

The Seattle round will be different than preceding rounds. Trade concerns will be intertwined with the environment as well as human and labour rights. Furthermore, what can be termed as the 'civil society coalition' will also have a seat at the table. That these concerns will be discussed is bound to raise suspicion on the part of many developing countries, due to the fear that environmentalism and labour concerns could become excuses for protectionism (especially in Europe).

The question is whether the World Trade Organization (WTO) should remain focused on trade, or become the delivery vehicle for these other issues. The WTO seems attractive as

a vehicle for these aims due to its dispute settlement mechanisms, in contrast to the International Labour Organization (ILO) and the UN's human rights mechanisms. However, dealing with issues beyond its competence may indeed threaten the trading system built around it.

Another concern in the area of trade is the transparency of its inner workings. In principle this is desirable, provided that confidential information of businesses is not trivialized. In the minds of others, this transparency should also include a greater role for NGOs in the WTO's processes. Despite ongoing cooperation, and the promise of more openness during the Seattle talks, civil society groups seem to want more. Thus the question is raised as to whether the interests of civil society are more important than those of business or labour, two groups which are not allowed access during the working plenary.

The investment issue

In the wake of the failure of the Multilateral Agreement on Investment (MAI), due to its ill-conceived structure and attempts at implementation, there is now the prospect of negotiating a balanced agreement at the WTO. This should be an agreement which reflects the interest of both capital importing and exporting countries, unlike the MAI. This could yield two important things for Canada. Canada's capital exports would be protected from unfair expropriation. Furthermore, exemptions would be included to protect areas deemed critical.

In order to mitigate some of the disadvantages of globalization, change needs to be effected in the international economic system. The bloated and directionless UN does not seem to be the right vector for this change. Another channel is the Bretton Woods institutions. However, weighted voting has been an obstacle to change. It also remains to be seen what will come out of the new G-20 forum. But real and meaningful change can only be realized if all major economic institutions are involved.

We must combat criminality

Tim Reid

(Rapporteur's summary)

These remarks fall under three headings.

First, the essential characteristics of the emerging nature of business globalization and its key segments, including the quickening pace of international criminal business activity.

Second, a sample of the multitude of sins that various people have attributed to business globalization, such as increasing inequalities of incomes worldwide. Included are subjective judgments of what are real cause-and-effect relationships and what are coincidental correlations in time.

Third, some constructive actions that can be taken by those with decision-making power and those with influence over them. This involves setting explicit priorities: What are the most important problems that must be tackled first, given the universal shortages of resources, political will, and effective, dedicated leaders?

What drives business decisions?

Business decisions, especially in the international field, increasingly are being driven by these globalization facts of life:

- The revolutionary fusion of computer technology and telecommunications.
- Convergence with another revolution in biotechnology.
- The phenomenal growth and pervasiveness of sophisticated crime cartels.
- Increased influence of non-governmental agencies, with the decline of national governments and international institutions.

Then there are these additional factors:

- Increased concentration of decision-making on control of vast pools of fairly-liquid funds, both legal and criminally-laundered.
- A fundamental shift in international business location from so-called low-cost factors in production competition to clusters of high total productivity that concentrate production resources.

Much can be done

Further pressure - truly explosive and bewildering - are continuous negotiations on liberalizing trade and investment and the transformation of international companies to 'global multinationals'.

The complexity is outstripping the ability of governments to protect the wider public interest - Chaos theory is taking on practical relevance.

Hence the discontent voiced about multinationals, especially those from the United States. But there is good news as well as bad. And there are steps that can be taken:

- Attack rapidly-growing international crime, providing more funding.
- Change freedom of information laws to expose arms sales and attack transgressing companies.
- Attack bribery and corruption employed by some firms in international deals, perhaps by banning them from World Bank contracts.
- Focus aid on improving technology to help close the gap between rich and poor.

- Improve third-world conditions to encourage international firms to shift production to those job-hungry areas.

We need a pause for repairs

Tony Clarke

(Rapporteur's summary)

Some might put me in the camp of 'globaphobia', but I am not anti-globalization.

However, the wheels are starting to fall off the bandwagon of globalization and the Washington consensus for liberalizing trade, investment and finance across the board has had its day.

Stop, assess and repair

We must stop, assess and repair the damage. The process should start within the looming World Trade Organization (WTO) talks in Seattle. The WTO has been granted global governing powers over judicial, executive and legislative national processes. Non-elected trade bureaucrats have the power to override elected representatives and the WTO is dominated by corporate sovereignty.

There has been unprecedented liberalization of trade in the last 25 years through the elimination of tariff and non-tariff barriers to trade. Assorted global trade regimes have emerged with massive increases in global corporations and intra-firm trade.

Unprecedented deregulation of investment flows in the last 10 years means those flows now exceed worldwide trade volumes; private-sector investment exceeded that from the public sector.

The global casino

Wholesale deregulation of financial institutions has created a global casino where traders move two trillion dollars daily, or more than the total assets of central banks.

In North-South terms, joblessness is increasing in the industrialized world, the rich-poor gap is widening, and the world's 465 billionaires have combined wealth exceeding that of the bottom half of humanity.

Ten less-developed countries -- the economic tigers -- are getting 70 percent of northern investment and the 140 poorest countries have little or no access to any foreign investment. Financial speculators have been the main cause of the meltdown in eastern Asia and Mexico.

Canada has seen a sharp rise in child poverty and a shift in income transfers from the bottom 50 percent of population to the top 30 percent. Two-thirds of the foreign investment in Canada now goes to mergers and takeovers rather than job-creating production.

Neither the Canadian government nor the Bank of Canada now has the tools to control capital flows and the nose-dive in 1998 of the Canadian dollar illustrates Canada's vulnerability to money traders.

Globalization and Development Assistance

Public action and private accountability needed

Roy Culpeper

(Edited text)

The theme of mobilizing world resources to achieve a more equitable international order and bring an end to the crushing poverty that is the common lot of the majority of the Third World is one of the policy goals of The Group of 78 and a very old challenge.

Rich countries have been growing faster than poor ones since the Industrial Revolution. And the focus on development assistance is far too narrow because more or better use of development assistance won't end crushing poverty of the world's two billion poorest citizens.

Development assistance now accounts for a small and declining share of resources for the less developed, perhaps only 15 percent of resources to the south. Even if OECD donors tripled their funding to 0.7 percent of gross national product - the UN target - this would produce only \$155 billion, or half the capital generated by private financial markets. And as most people should know by now, there isn't the faintest chance of donor countries in the foreseeable future collectively tripling their foreign aid - even donors like Canada continue to espouse the UN target but continue to be far short of it.

Far more important than aid policies are the policies and rules governing international trade, investment and financial markets. Increasingly important is the behaviour of private firms and it is no longer sufficient that they be efficient and profitable when they need to exercise their social and environmental responsibility.

The rich make the rules

Global rules in fact are made by the richest and most powerful countries and trade officials from the less-developed areas are seriously outgunned at the bargaining tables, with the least-developed countries most at risk.

Most foreign investment has gone to a small group including China, Brazil and Mexico. The least-developed countries depend primarily on low-value exports and these are the most likely to benefit from development assistance. But that aid is declining and it may be that the move to forgive Third World debt may cut further into that resource, since debt forgiveness is often considered to be a form of development assistance.

There is an impression that the industrial countries and their private sectors are motivated more by fears concerning political and social stability caused by globalization than they are by any desire to achieve a more equitable international order and thereby end crushing Third World poverty.

Lax policy and technology work together to accelerate the trend toward the global casino. Until and unless northern governments get serious about regulating, taxing and discouraging short-term gambling as compared with long-term commitments to poorer countries and communities, the result will continue to be volatile markets, unpredictable financial eruptions and further growth in the rich-poor gap.

The private sector is asked to develop good corporate citizenship. In a market-oriented global economy, achieving equitable and sustainable development depends on more public action and private accountability.

The least-developed deserve more attention

Syed Sajjadur Rahman

(Edited notes)

The issues are how best to take advantage of the globalization process and avoid its pitfalls. There is a role for development cooperation but it must be complementary and subsidiary to the countries and peoples as agents of change. We can act as catalysts.

But for donors, new areas of concern have emerged such as regulation of international banking or control of cross-border pollution and these demand more complete multilateral solutions beyond traditional donor-recipient relations.

Countries with growing access to world markets and private capital have experienced more jobs and improved living standards. But the least-developed countries risk marginalization.

Foundations must be built

Ability to take advantage of globalization apparently depends on foundations that have been created. More than 80 percent of foreign investment in the 1990s went to just 20 countries, mainly to China.

Globalization is meaningless to the large populations in least-developed countries lacking the means to invest in their future. Further, integrated financial markets present risk of widespread and contagious currency instability, as seen in the East Asian crisis and other areas.

Strong and representative governance systems are needed to harness the benefits of globalization. If there is neglect of education, health care and environmental protection, the long-run consequences are dire.

Knowledge is a new global asset but overwhelming portions of the Third World lack access to it. Compared with traditional development tools, information and communication technologies can reach more people, work faster and at lower cost.

This constitutes a new vista for development cooperation.

In this information age, the public expects quick solutions to complex problems, putting additional pressure on the development cooperation system to become even more responsive to need.

Can we change our mindsets?

Brian Murphy

(Edited notes)

It is conventional wisdom in social justice advocacy, including policy lobbying, that to gain influence, one cannot say to government officials what everyone knows to be true.

Instead, we are told that we must tailor our message to what political leaders are willing to accept at the moment. Therefore, the policy advocate spends an inordinate amount of time trying to determine, usually through political gossip, the limits of the acceptable.

The irony here is that, of course, it is we who are being lobbied and critically influenced.

Let's be more uncompromising in saying what everybody knows.

The normal and natural vocation of all humans and their societies has come to be so-called essential activities where progress is equated specifically with technological invention, capitalist enterprise, industrial development, economic growth, and the expansion and integration of markets.

No deviations from road of progress

Development, specifically international development, is defined now as the concerted program to bring the entire planet along one clear, unified progress road, explicitly the road of liberal capitalism.

Deviations from this 'road of progress' are the social, cultural and environmental disasters which in fact are intrinsic to the project of global development. These so-called aberrations are in fact the common element that marks the development era and its various strategies and false starts.

Global development is an imposition on the 'developed' and often destroys existing society. This despite abundant advance warnings by serious observers.

Even today it is hard to get more than lip service to the proposition that the application of 'progress' - often dangerous and destructive and always only selectively beneficial - should be a democratic choice rather than imposed with the collusion of national elites already integrated within the global economy and political system.

Utilitarianism is win-lose

At the core of the 'development' ethos is the ethics of utilitarianism, promoted as democratic and inclusionary. In fact, it is most often undemocratic and exclusionary, and always begins with the assumption that some people - lots of people - must lose. It's a win-lose proposition based on the explicit and calculated exclusion of some (often the majority) for the benefit of others.

The sustained project of international cooperation should be to empower precisely those at the short end, more than three billion who are permanently marginalized and scheduled perhaps forever to be excluded from the goodies promised by utilitarian pragmatism and its corporate sponsors.

People are poor because of the way that humankind acts and behaves - by the way we manage our affairs and by the way the world is organized and managed. Wars don't just happen and tyranny is the brutal and intolerant application of power by a few over many.

If we are to confront the impact of poverty, then ultimately we must confront wealth and its privilege.

NGOs and others involved in international cooperation must speak out and promote and support programs to challenge and transform conditions we deplore and to change the systems that destroy rather than develop human societies.

Ironically, it is globalization itself in its extreme local manifestations that is finally revealing the deep fault lines in our concept of development and creating the opportunity for other perspectives to emerge.

The abdication of government from its role in social welfare and development has brought communities together to solve the ensuing problems. Citizen action and heightened involvement in municipal action has reached unprecedented levels and is fast becoming one of the most important political realities globally.

Voluntary sector seduced by power

The issues: ending violence, peace, enforcing government and corporate accountability, human rights, social equity, economic opportunity, environmental concerns, protecting local food security.

The voluntary sector exists to provide innovative and alternate ideas for benefiting society and the essence of the role is activism.

The greatest dilemma of an activist organization is that the voluntary sector has become an intrinsic part of the system that it once was committed to reform.

The voluntary sector is becoming merely a deliverer of (charitable) services, a partner of (downsized) government, and a handmaiden to the (corporate) philanthropic sector which sponsors charitable activity, often advertising.

The voluntary sector should provide social innovation and change, organized resistance and dissent to the excesses of the market and the rich. The world has to be changed for the better and it can happen through direct citizen collaboration.

NGOs should concentrate on helping the marginalized people to influence forces affecting their lives even as the globalization forces of repression and militarization threaten the basis of civil society and their lives.

It is precisely those things that are believed will never change that we should most relentlessly focus on as agents of change.

Discussion Groups: Global governance issues

Biodiversity and Sustainability

Down with terminators and traitors

Jean Christie

(Edited notes)

The Rural Advancement Foundation International (RAFI) works in research and advocacy internationally on biodiversity and both biotech and indigenous knowledge.

Effective governance is relatively absent in agricultural biotechnology.

On the market today, of all the genetically engineered products, 71 percent are designed to be pesticide resistant and 29 percent are designed with built-in pesticide and thereby claimed to be 'green', although the long-term health impact has not yet been determined.

In March, 1998 RAFI unearthed a patent on a generic-engineering technology that it called 'terminator'. An international campaign has been launched against terminator. The technology renders seed sterile, forcing farmers to come back every year to the seed companies for fresh supplies.

The technology was developed by the United States Agriculture Department and a private firm and has been bought by the giant chemical firm Monsanto.

Further RAFI research turned up another 30 patents which it has called 'traitor' technology. Traitor technology uses chemical triggers to control certain traits. Such seeds lack any sustainable value and simply are ways for corporations to expand and guarantee profits. Farmers buying traitor-technology seeds must buy the enabling chemical.

Biotechnologists have suggested that the terminator process nullifies natural seed resistance and that the technologies have the potential to be used some day for biological warfare.

Lack of regulation

These implications underline the threat to sustainability in plant diversity by the lack of corporate regulation. There is a special threat seen for food security in less-developed countries. And global genetic resources are being appropriated by private enterprise.

But despite the magnitude of these problems, there is some progress.

Public and media awareness has increased, and some international organizations have become concerned. Letter-writing campaigns have produced invitations to discussions with regulatory authorities. Some organizations have ended farm-field use of the terminator technology. Monsanto is meeting with non-governmental organizations. Strategies are being mounted to ban individual or even whole classes of such plant patents.

In discussion, the group indicated consensus for these views:

- Marry local plant-growing knowledge, especially in less-developed countries, with scientific research and technology, perhaps linked to a northern institution.
- Move slowly toward use of genetically-modified food. More research is needed, as well as the accurate labelling of such foods.
- Oppose terminator and traitor technologies as antithetical to biodiversity and sustained agriculture.
- Identify key agricultural problems and develop research agendas, embedded in a public-sector international agency such as the United Nations.

Identity and Culture

Culture is all-embracing, but not embraced

Bernard Ostry

(Edited text)

Culture, however defined, is central to everything we do and think. It is the element in which we live. But we have only just begun to notice the centrality of culture to the life of human communities and nations.

Had any Canadian government accepted a remotely-similar thesis of culture and its centrality over the past 30 years, meetings like this might be unnecessary today in spite of globalization.

Globalization for me is a socio-economic, cultural phenomenon that has been evolving for thousands of years, largely unnoticed until fairly recently. It has traditionally been driven by successive imaginative technological innovations that by increasing the quantity and pace of communications have led to closer community, regional and eventually universal linkages.

At the same time, these often radical changes have contributed to regional nationalisms and an increased sense of individual autonomy.

The increase pace and availability of communications technology has expanded the speed and distribution of information and goods, leading to the global village of today.

Failure of Canadian governments

My discontents are not with the processes of globalization but with Canadian governments - politicians and senior bureaucrats alike - who have failed entirely to respond in good time, and especially in the field of culture, to the challenges and opportunities provided by the changed communications technology in the last 25 or 30 years.

You decide whether they were too timid, too comfortable, too lazy, too complacent, too time-serving or careerist. They certainly weren't too stupid or too ignorant of the evidence of changes shoved in their faces. Perhaps they had no shame or weren't pushed enough, but they sure have set a hell of a bad example.

Here are one or two examples:

Canadian scientists and engineers 30 years ago were fully aware of the most advanced communications developments and of the profound social implications for Canadians raised by the conquest of space and the inevitable convergence of digitized communications and computer technologies.

Back in 1968, a Science Council of Canada committee recommended a national 'knowledge network', and the Council three years later urged a 'National Spine or trunk

computer communications network'. Details were provided for its operation, with warnings about serious issues of privacy and security.

How we became has-beens

More than 20 years later there were public federal promises of a universal, freely-accessible national information highway and had that promise ever been kept, late as it was, Canada would have retained its place as a world leader in the technologies and in the level of skills training and learning that would have emerged.

Again, the dramatic story of computer development in the 1950s and 1960s was treated in media reports, especially by TV, as a job-killer. Hence little political support for progress and hence the reliance 20 years later on imported equipment.

Even worse, there were developments in government research offices that failed to find government or corporate support until they were stolen, duplicated, or re-invented outside the country.

Today, we are has-beens.

Most aggravating of all is that globalization challenges galvanized action by non-Canadian governments and corporations. Canadians either sold out to foreign firms or retreated to Canada's smaller and ever diminishing 'shelters', all the while whining for more subsidies or protection.

Even the CBC, Canada's largest and most-subsidized cultural institution, through the 1970s and 1980s, categorically refused to be seen attending meetings which discussed cooperation and the future of public broadcasting.

The vast majority of Canada's senior office holders have simply refused to grasp the handles of the future. The result is that we don't have one.

My discontents are with Canadians of authority who abuse their respective offices by failing to exploit the capacity of other Canadians to seize the opportunities presented by globalization within our culture.

Culture failure at the WTO

Keith Kelly

(Edited notes)

Recent trade agreements demonstrate that awareness of the trade issues is vital for culture, because the trade negotiators tend not to be concerned about cultural matters.

The General Agreement on Tariffs and Trade does not in fact provide a general exemption for culture. That means the GATT overrides the cultural exemptions built into the trade agreement with the United States, and the North American Free Trade Agreement (NAFTA) with the U.S. and Mexico.

One example is Canada's problems with its magazine legislation designed to give Canadian magazines an opportunity to compete with American magazines. If this hole in the World Trade Organization is not fixed, other cultural areas are endangered.

Heritage Minister Sheila Copps, as the responsible federal minister, is seeking international allies, but there are difficulties. Developing countries have more important issues than culture, and even allies like France don't show great concern.

The only way to get cultural protection will be to include it in a broader exemption class supported by other nations.

(In later discussion, Mr. Ostry criticized the Copps lobbying program on behalf of the magazine legislation for failing to include lobbying in the United States.)

Commercialization of War

The diamond connection

Ian Smillie

(Rapporteur's summary)

The Sierra Leone Diamond Research Project was initiated by the Sierra Leone Working Group and is funded by various NGOs and the foreign affairs department.

Sierra Leone's diamond-financed civil war represents many of the worst manifestations of globalization -- greed, crime, war, corruption and a lack of global leadership and corporate responsibility.

The war's roots include disfranchisement of people, lack of opportunities for young men and frustration with corrupt government.

The war, launched to topple a military government, became an orgy of violence motivated by loot. Rebels financed themselves with diamonds much the same way as the UNITA rebels of Angola. The three years of the democratically-elected government have seen the war continued by a "psychotically-brutal guerrilla force" -- the RUF, known for amputating the hands, feet, even ears of civilians. In that way, diamond-bearing areas are cleared for looting. With its own defeat looming, the government signed a peace accord with the rebels, including an amnesty for the rebels.

At least three mining companies with Canadian connections are involved in mining or marketing of Sierra Leone diamonds -- Branch Energy/Diamond Works, tightly linked to a mercenary operation called Executive Outcomes; Rex Diamond, listed on the Toronto Stock Exchange; and Ancan of Toronto.

Security is part of the mandate for these companies and it is unclear how "real" their mining activity is and how much fabrication or rumour is created for stock speculation.

Liberia, essentially a rogue state located next to Sierra Leone, is a leading conduit for contraband diamonds from Sierra Leone, Angola and Russia. It is an acknowledged centre of international crime and money laundering.

Belgium is key in illicit diamond traffic. Its government ignores massive laundering of diamonds and money within its borders. A vigorous black market exists in Antwerp and the governing party and major banks are tainted by the diamond trade.

DeBeers controls 70 per cent of the world diamond market and "cannot not be involved" in contraband diamonds. (A short time after the conference, DeBeers announced a halt to purchase of Angola diamonds except those involving existing contracts).

The discussion group arrived at these recommendations:

- Boycott all Liberian diamonds, since the country produces relatively few of its own.
- Apply major pressure internationally on Belgium to clean up the diamond trade there, with accompanying efforts to prevent a shift in illicit diamond trafficking to Israel, Bombay or other locations.
- Acknowledge that peace efforts in Sierra Leone are futile without action on the illicit diamond trade.
- Explore the technology of "finger-printing" diamonds to be able to trace their origins. The RCMP are working on this, not least because the Northwest Territories diamond production is already attracting biker gangs and Chinese criminal elements.
- Mount a consumer campaign against tainted diamonds.

Global Cooperation and regionalism

Regional groups offer stability to members

Ted English

(Edited Notes)

There are requirements for both common and diverse strategies and the case is strong for seeking the best combination of institutions that serve the long-term objectives of economies at different levels of development while recognizing that the shorter-term objectives differ for the less-developed.

Interdependence is both inevitable and economically valuable. Larger countries and developed-country groups soon learn the value of creating strong integration economically, so as to pursue comparative advantages resulting in higher per capita incomes and helping them shift priorities, with changes to technologies and demand structures.

Smaller or medium-sized countries realize that they must learn to seek opportunities among patterns of specialization in response to new openings and new trade potentials with larger and smaller partners.

Formation of regional groups can be particularly helpful for economies experienced in those facts of economic life. These groups can reduce the uncertainties affecting external market access, especially for smaller nations.

The need to accommodate the disadvantages of the less-developed countries is obvious and they will need time to identify their comparative advantages and common interests. These can be pursued through collective negotiations with advanced countries multilaterally or regionally.

Some examples of the challenges in existing groups:

- The agricultural trade differences in the European Economic Community, notably between the U.K. and its partners, may illustrate the need for better efforts by both the EEC and GATT.
- In connection with NAFTA, there are challenges and opportunities for regional initiatives that could better serve members or lead to some joint action within or among regional groups.
- In APEC, the three regional groups are NAFTA, ASEAN and ANZAC. The leading laggard may be Northeast Asia and perhaps a focus on Siberia as a major neighbour could help strengthen APEC as a more exemplary model for the trend toward regional and multinational economic integration.

Many advantages in regional groups

John Curtis

(Edited Notes)

Regional trading arrangements have been a major development within the international system in recent years. This is notwithstanding the major structural make-over of the multilateral system as a result of the 45 new arrangements notified to the World Trade Organization since its 1995 creation following the Uruguay negotiations.

There are many reasons for this. On the economic side, there are trade-creating, production improvements and distribution efficiencies that serve to nail down domestic economic reforms.

Deeper integration is possible in regional organizations than in multilateral relations, as well as faster negotiating results and a "learning" experience especially for less-developed economies.

Political cooperation and business networking have also improved.

In the current environment, the multinational system has been strengthened and new negotiations start in January to consolidate and expand the WTO system. Further, the disputes mechanism is used regularly and there has been no backsliding in the aftermath of the Asian financial crisis.

Recent studies show serious trade diversion to regional groupings especially affecting the less-developed countries. This means that both regional and global approaches are needed; depending on the stage of economic and political development. That's of little additional value for Canada since we have most regional gains locked up; but it matters, for example, to Africa.

The WTO article to abolish all tariffs within an agreed time frame should be strengthened to husband resources and make the regional trade groups more usefully as complements to multilateral arrangements. It is not clear which theatre of operation can best resist globophobia.

The Group of 78

The Group of 78 is an informal association of Canadians seeking to promote global priorities for peace and disarmament, equitable and sustainable development, and a strong and revitalized United Nations system.

It began in 1980 when a small group including Andrew Brewin MP and Peggy Brewin, Murray Thomson of Project Ploughshares, Robert McClure, former Moderator of the United Church, and King Gordon, formerly of the United Nations Secretariat, drafted a statement on how best Canada could contribute to the building of a peaceful and secure world. In November 1981 that statement, Canadian Foreign Policy in the 80s, was sent to Prime Minister Trudeau. It was signed by 78 Canadians -- a group of 78.

The statement set out three inter-related objectives:

1. removal of the threat of nuclear war;
2. the mobilization of world resources to achieve a more equitable international order and bring an end to the crushing poverty which is the common lot of the majority in the Third World;
3. the strengthening and reform of the United Nations and other global institutions designed to bring about a pacific settlement of disputes, foster international cooperation, promote the growth of world law and the protection of basic human rights.

That was the beginning of a dialogue between the Group of 78 and the Canadian government. In the following years, members of the Group discussed, and made their views known, about new issues facing Canada in international relations and their implications for the central, and universal, objectives of policy already mentioned.

The Group of 78

- meets in conferences to consider needed changes in foreign policy, seeking consensus on recommendations to government;
- produces publications on conference findings and special issues;
- publishes *Newslink*, a newsletter for general distribution;
- organizes lunches with invited speakers;
- is launching a website;
- is organizing policy panels to increase its coverage of international issues.

The Group of 78 - Founding Members

Margaret Atwood

Donald Bates

Pierre Berton

Florence Bird

Elisabeth Mann Borgese

Andrew Brewin
Tim Brodhead
General E.L.M. Burns
Rita Cadieux
Thérèse Casgrain
Maxwell Cohen
Irwin Cotler
Marion Dewar
T.C. Douglas
William Epstein
Gordon Fairweather
Geraldine Farmer
Eugene Forsey
Ursula Franklin
Northrop Frye
E. Margaret Fulton
Sylva Gelber
Alfred Gleave
James George
Paul Gérin-Lajoie
Maynard Gertler
J. King Gordon
Walter Gordon

Roger Guindon

James Ham

Richard Harmston

Jacques Hébert

Gerhard Herzberg

John Holmes

John Humphrey

George Ignatieff

Heather Johnston

Kalmen Kaplansky

Hugh Keenleyside

Roby Kidd

David Kirk

Anton Kuerti

Renaude Lapointe

Margaret Laurence

J. Francis Leddy

Clarke MacDonald

David MacDonald

Donald MacDonald

R. St. J. MacDonald

Gregory MacKinnon

Yvon Madore

Robert McClure
Dennis McDermott
Peter Meincke
John Meisel
Brian Meredith
Joanna Miller
Michael Oliver
Archbishop A. L. Penney
Lucie Pépin
Beryl Plumptre
Nancy Pocock
John Polanyi
Escott Reid
Clyde Sanger
Archbishop E.W. Scott
Frank Scott
Marian Scott
John Sigler
Adelaide Sinclair
David Smith
Maurice Strong
Murray Thomson
Bruce Thordarson

Norma E. Walmsley

Patrick Watson

Hellie Wilson

Louis Wilson

Gregory Wirick

Diana Wright