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Waldon Bello's End of Globalization

The thesis of the decline of neoliberal globalization is wrong and harmful

Globalization, Walden Bello proclaimed at the G-8 counter-summit in Rostock and Bad Doberan to the loud applause of the audience, is in retreat. Even more, the project of a world coalition led by the U.S. elite which the Clinton Administration had initiated, "lies in ruin", or "globalization has run aground", he said. And to sum up, "globalization is a spent force".

(These ideas Bello first published in *Foreign Policy in Focus*, www.fpif.org/fpiftxt/3826, under the title "Globalization in Retreat".)

As understandable as the applause by critics of globalization may be when the decease of their nefarious opponent is confirmed, Bello's valedictory is in reality anything but helpful to the movement struggling for another, a better world. For it conveys a false understanding of what globalization consists of, and is based on false claims. A critical movement which is not aware of the structure and dynamics of globalization would be doomed to failure.

I.

Bello's erroneous basic thesis:
"First of all, the case for globalization was oversold. The bulk of the production and sales of most TNCs (Transnational Corporations) continues to take place within the country or region of origin. There are only a handful of truly global corporations whose production and sales are dispersed relatively equally across regions."

1. Bello's definition of globalization falls short

Bello gives as a major criterion of globalization that the TNCs have spread their production and sales "relatively uniformly across regions".

This approach to globalization, which only takes into account the globalization of production (which Bello also misjudges – see below), falls short of reality; a large part of globalization, and major lines of development are completely overlooked. The criteria for comprehending the process of globalization must be:

1. The internationalization of ***production, trade, and finance capital***.

2. The crystallization of global economic parameters for economic activity
(global criteria for the most economical employment of technologies and business techniques, and for the return on investment).

3. The transformation of states into national competitive states, which conduct government policy from the point of view of the global competitiveness of their companies.

Even if, contrary to the facts, it were the case that the internationalization of production was "in retreat", the "global constraints", i.e. the parameters for the business and political activities of the business and political elites that are decisive due to global competition, would retain their efficacy. This can be illustrated particularly convincingly by the example of finance capital, which is obviously anything but in global retreat (the international advance of finance capital in the form of hedge funds was one of the focal points of the discussions at the G-8 summit meeting in Heiligendamm). It settles in the region where it finds the best conditions for profit maximization, and companies and countries make every effort to optimize these conditions.

But the claim that globalization of production is declining is also erroneous. For one thing, Bello's criteria are insufficient here, as well. He speaks of the bulk of production and sales continuing to take place in the home countries, and not being relatively uniformly distributed over the regions of the world.

In so doing, he misses the real point in two ways. There is no question that almost all TNCs have a home base where a large part of their economic substance is located. It is not a matter of this home base no longer existing, but that there is a process of continual growth of the share of working assets, staff, and sales which is generated transnationally, beyond the borders of the home base. ***Globalization is a process whose trends must be recognized***. For example, if twenty years ago, 55 percent of the commercial activities and assets of TNCs had been domestic, and today they were only 45 percent, then I could say "the bulk" of them were still domestic, but if I were to discount globalization as non-existent or "spent" on that account, I would have completely misjudged the nature of the developments.

Just as irrelevant, indeed misleading, for the real problem is the second criterion by means of which Bello seeks to deny or do away with globalization, namely that production is not distributed "relatively uniformly across regions". The internationalization of production consists essentially of the development of global chains of added value by the TNCs, which place the individual segments of their chains of production in those regions that are most favorable in each case. Exaggerating a bit, one might say that this is the whole point of such global creation of added value, that investments and sales are transnational, but not evenly distributed. The TNCs go where the labor force is sufficiently qualified and sufficiently cheap, where political conditions are right in the medium term, too, and if possible in the long term, where transport routes are inexpensive and safe, etcetera. In the competition between locations, they chose the one that is most favorably priced, and they usually make the same choice, because they go by the same criteria. This process of selecting sites always leads to "winners" and "losers", or at least to an uneven regional distribution. Even the countries which "lose out" in this comparison of locations, and do not experience foreign investment, are incorporated into the process of globalization by this exclusion. Their fate is determined by the global parameters just as much as that of countries which are flooded with foreign direct investment, such as China today.

2. The globalization of production is not in retreat, it is advancing

2.1 Foreign direct investment is growing more than GDP, and the number of transnational corporations is increasing

Table 1

Gross world product in trillions of dollars, and percentage growth

1990	2000	2005
22,1	31,7 (+ 43 %)	44,5 (+ 40 %)

UNCTAD, Statistical Handbook 2006/2007, p. 392

Table 2

Total foreign direct investment ("inward stocks") as a percentage of gross domestic product

	1990	2000	2005
World	8,5 %	18,3 %	22,7 %

UNCTAD, WIR 2006, p. 307 f.

Table 3 **Transnational corporations and their foreign subsidiaries**		
Year	Parent company	Foreign subsidiaries
1990	37.000	170.000
1995	44.000	280.000
2005	77.000	770.000
UNCTAD, WIR 2006, Overview		

Bello's claim that globalization has come to a halt, and is even shrinking, in the production sector is not supported by the facts. The gross world product grew by a total of 101 % from 1990 to 2005, in other words more than doubled (see Table 1). Over the same period, the share of total foreign direct investments in this sharply increased GDP grew from 8.5 % to 22.5 %. The growing world economy is largely driven by the much more rapidly growing foreign, i.e. transnational, production capital.

This trend is also reflected by the growing number of transnational corporations. These more than doubled in the fifteen years from 1990 to 2005 (see Table 3).

2.2 The largest hundred corporations in the world generate more than half their sales, workforce, and working assets abroad, and they are increasing these percentages constantly

A glance at the one hundred largest corporations in the world shows that Bello's view that there are "only a handful" of truly global companies is mistaken. UNCTAD, the United Nations Conference on Trade and Development, derives what is called the Transnationality Index (TNI) of companies from the percentages of foreign assets, sales, and workforce in the respective consolidated data of the corporate groups. If this is above 50 %, then the company has the majority of its activities and assets outside its "home country".

Table 4 **Transnationality Index of the top hundred**				
Region	**1990**	**2003**	**2004**	**Number**
Top 100	51,1	55,8	56,8	100
Share from:				
USA		45,8	48,2	25
France		59,5	62,3	15
Germany		49,0	52,2	13
United Kingdom		69,2	70,5	11
Japan		42,8	52,2	9
Source: UNCTAD: World Investment Report (WIR) 2006, Table I.16., p. 33				

This table proves that both of Bello's basic assumptions are false. First, globalization was by no means "at first overestimated". The TNI of the Top Hundred, the companies which set the structure of the world economy, was already over 50 % in the Nineties. Second, the index is by no means shrinking, or even merely stagnating; on the contrary, it is increasing constantly, both for corporations of countries such as France and Britain, which already have a high degree of transnationalization, and for those that have been less transnational to date. The largest Japanese corporations increased their TNI from 2003 to 2004 by almost a quarter, and are now well over 50 %. The only region showing a slight predominance of the domestic side is the U.S.A. with its huge domestic market; but even there, the TNI is growing year by year.

This finding, that transnationalization is actually advancing from a high base level, is reinforced by the fact that the hundred largest corporations from developing countries in 2004 already also exhibited a TNI of 50.7 % (WIR 2006, p. 33).

The largest German corporations are also well over 50%, and are intensifying their transnationalization so rapidly that a German newspaper gave its table showing the percentages of foreign shareholders, foreign sales, and employees abroad among the thirty companies listed in the DAX stock-market index the title "*Adieu Deutschland – Der DAX haut ab*" ["Goodbye Germany – the DAX is clearing out"]. Only three of these thirty companies still have larger sales at home than abroad (*Frankfurter Allgemeine Sonntagszeitung*, 14 Jan. 2007).

The "kink" due to the 2000-2002 recession

Table 5

	2000	2001	2002	2004	2005	2006
Gross world product ($ billions)	31.895	31.900	32.227	40.671	44.674	
Foreign investments ($ billions)	1.271	735	651	710	916	1.230
Total foreign direct investment ($ billions)	5.976	6.582	6.866	9.732	10.672	
Sales by foreign subsidiaries ($ billions)	15.680	18.517	17.685	18.677	22.171	
Exports by foreign subsidiaries ($ billions)	3.572	2.600	2.613	3.690	4.214	
Gross product of foreign subsidiaries ($ billions)	3.167	3.495	3.437	4.283	4.517	
Employees in foreign subsidiaries (millions)	45,587	53,581	53,094	57,394	62,095	

Source: UNCTAD, WIR 2001-2006, press release UNCTAD/PRESS/PR2007/007
Cf. Leo Meyer, "Transnationale Konzerne", in Stefan Frank (ed.), *What's New, Economy?: Die Transformation der Weltwirtschaft*, Konkret-Verlag, Hamburg 2007

The 2000–2002 world recession, triggered by the bursting of the "new economy" bubble, slowed the process of globalization, but by no means stopped, much less reversed it. The stagnation of the global economy led at first to a considerable decline (of the growth) in foreign direct investment and exports by the foreign subsidiaries of the TNCs. The companies had fewer liquid assets available for international expansion, and the more cramped world market limited the export opportunities of their foreign subsidiaries. However, a closer look at foreign investment shows that, on the investment level, even during this crisis, the process of globalization continued. For in the year 2000, 90 % of foreign investments were in mergers and acquisitions. These were reduced in the years of the crisis, 2001 and 2002, while investments within the corporations' already existing global value-added chains, or for their enlargement, continued to increase. In 2002, they amounted to 281 billion dollars, much more than twice as much as in 2000 ($127 billion).

Accordingly, the total stock of foreign direct investments grew by 15 % even during the years of the recession, and its share of the world product increased from 18.7 % (2000) to 21.3 % (2002). The turn-over of foreign subsidiaries increased during this phase by 13 %, and the number of employees by 10.7 %. The share of the gross product of the foreign subsidiaries in the world product grew from 9.9 % (2000) to 10.7 % (2002).

Once the crisis had been overcome, all the transnationalization data turned sharply upwards again. In 2006, foreign investment reached the level of the record figures of 2000 again. Total foreign direct investment in proportion to the world product reached the historic record figure of 23.9 % in 2005. The lessons of developments between 2000 and 2006 are:

a. The speed of the globalization process depends on the current situation of the world economy. In periods of recession and stagnation, foreign investments and exports by foreign subsidiaries in particular decline.

b. But even during a recession, the process of globalization continues to advance, although more slowly. Once the world business cycle picks up, globalization accelerates again.

3. Foreign trade, the global market, grows much more rapidly than the economy in general

Bello is of the opinion that the dynamics of national economies has always essentially been determined by domestic factors, and now more so than ever. This is already refuted by the data cited above on the growing importance of TNCs and foreign direct investment. They show that globalization of production is considerable, and continues to grow. What is true of production also applies to markets, to trade. The "global market" is becoming increasingly important compared to domestic markets. This is indicated by the growing share of exports and imports in the GDP of national economies.

Table 6

Annual percentage growth of exports plus imports

Region	1990 – 2000	2000 – 2005	2005 – 2006
World	6,8 %	11,3 %	14,8 %
Industrialized countries	5,9 %	9,4 %	12,6 %
Developing countries	9,0 %	14,1 %	17,6 %
Newly industrializing countries	6,7 %	19,9 %	22,8 %

Source: *UNCTAD Handbook of Statistics 2006-07*, p. 26 ff.

Table 7

Annual percentage growth of GDP

Region	1990 – 2000	2000 – 2005	2004 – 2005
World	2,8 %	2,9 %	3,4 %
Industrialized countries	2,5 %	2,0 %	2,5 %
Developing countries	4,9 %	5,2 %	6,3 %
Newly industrializing countries	- 4,5 %	6,2 %	6,2 %

Source: op. cit., p. 402

The national economies of the world and of individual regions are based to an increasing degree on the global market. Growth rates are far higher than those of the gross domestic products (GDP). The gap between the domestic market and the opening up to foreign influences of national economies is growing all the time. The increase in "exports and imports" was almost four times the growth in GDP over the whole world. In the industrialized countries, exports and imports increased by 12.6 % from 2004 to 2005, while overall economic growth amounted to about 3 %. The newly industrializing countries exhibit the fastest rates of growth in international trade. China (which is listed in the UNCTAD statistics among the developing countries), achieves an annual growth of its economy of 10 %, but its foreign trade far outmatches this huge rat. China's exports and imports grew by an average of 26.7 % annually from 2000 to 2005.

4. The goal must remain: to tear down the "first pillar" of neoliberalism, free trade and the free circulation of capital

ATTAC France, in its "Manifesto 2007: Tear down the seven pillars of neoliberalism" (see Attac Germany, "Sand im Getriebe" Nr. 58, p. 28–31) rightly emphasized "free trade and the free circulation of capital" as the first pillar. Global capitalism seeks "the opening of all limits to trade by the gradual elimination of customs duties, of non-tariff obstacles to trade and quantitative restrictions on the exchange of goods and services, regardless of any social, environmental, and human-rights considerations" for one thing. For another, it seeks the most complete possible mobility of capital, in order to link up global value-added chains, where in the individual stages, the respective lowest costs of nations and regions are exploited, which compete for globally mobile capital by lowering social, labor, and environmental standards.

If Bello's thesis of the retreat of neoliberal globalization were correct, then this "first pillar" of neoliberalism would erode from within and collapse. But in fact, the internal dynamics of neoliberal capital, both with respect to capital formation and to trade, are pointing more and more strongly in the direction of further transnationalization. If one considers that almost two trillion dollars are circulating every day on the global currency markets in order to settle where it is most profitable (not even 2% of this is needed for servicing the trade in goods), then the dimensions of what Bello erroneously imagines to be in retreat becomes apparent. The movement critical of globalization must mobilize all its efforts in order, as ATTAC France puts it, to tear down this pillar.

II.

Bello's second error:
The project of a world coalition of global capital lies in ruins. Today, nationalistic states are competing fiercely with one another, trying to plunder one another's economies.

Bello is confusing unilateral U.S. hegemony with a decline into nationalistic competition

Under the Bush Administration, Bello thinks, the nationalistic faction of the economic elite voted down the transnational faction, and thus put an end to the strategy of globalization. Now, he says, the situation is characterized by sharp competition by nationalistic states which are trying to plunder one another's economies.

Here, Bello is confusing the fact that Bush replaced Clinton's multilateral approach with a policy of unlimited U.S. hegemony (unilateralism) with a relapse by the U.S.A. and the other international players into "nationalism". In fact, the political and economic elite behind and around Bush was by no means "nationalistic", but rather decidedly transnational; it only wanted to subject globalization completely to the dictates of the U.S.A., and to put a leash on the junior partners from Europe and Japan.

The persons whom Bush appointed to his administration come very largely from the oil, arms, and automobile industries (cf. Conrad Schuhler, *Unter Brüdern*, PapyRossa Verlag, Cologne, 2003, p. 17 ff.). Bush himself had been an oilman, although not very successfully, his vice-president, Cheney, had been the head of Halliburton, the world's largest supplier to the oil industry, and his National Security Advisor and later Secretary of State, Rice, was a member of the board of the Chevron oil corporation. Bush filled no fewer than 32 government positions with representatives of the arms industry. These specialists and the economic forces they represent certainly did not wish to concentrate on the domestic market, but were interested in rapid advances by neoliberal globalization, if necessary by force of arms.

The Bush Administration's "National Security Strategy" raised the global expansion of free enterprise, unrestricted freedom of investment, and securing energy sources and transport routes to the essential criteria of its military and general foreign policy and foreign-trade policy. In this sense, it was more transnational than all its predecessors. And in this it represented not only interests of U.S. capitalism, but also those of global capitalism, which sought to make the world over in its own image. To this extent, the U.S.A. was a "universal service provider" for global capitalism. Bello's assumption that U.S. unilateralism has resulted in the differences and antagonisms between the industrialized nations now outweighing their joint interest in subjecting the globe to neoliberal principles is wrong. Both their joint wars and the once again more multilateral initiatives, of the G-8 for example, illustrate the continuing and increasing cooperation.

Resource imperialism and energy wars of global capital

The development of security strategies and military actions and wars in recent years exemplify the interests of all industrialized countries in still greater control over the global region of exploitation, the functioning of the U.S.A. as the motor of global capitalism, and how the military efforts of the EU and Germany complement those of the U.S.A., rather than contrast with them, and are certainly not, as Bello claims, in fierce nationalistic competition with them.

It was still during the Clinton era, in 1999, that a new NATO strategy was adopted, in which NATO's military function was expanded to include the mission of crisis management. Such a "crisis" is also considered to exist if "risks of a more comprehensive nature are involved, including acts of terrorism, sabotage, and organized crime, as well as ones to interrupt the supply of vital goods". As a NATO member, Germany voted for this declaration of unscrupulous raw-materials imperialism. In the National Security Strategy of 2002 (www.whitehouse.gov/ncs/nss), Bush spells out the doctrine with respect to oil and the Near East: "If necessary, we will also pursue these interests with military force."

In 2003, the EU followed suit in its European Security Strategy. This says it is necessary to intervene around the world and preventively if there is an imminent danger, especially in the energy question, for "energy dependency is a matter of particular concern for Europe." The Bundeswehr's 2006 White Paper on defense is consistent with this: "Of strategic importance to the future of Germany and Europe is a secure, sustainable, and competitive supply of energy... questions of energy will play a more and more important role for global security in the future."

The concept of national security is being completely re-interpreted both in the U.S.A. and NATO, and in Germany and the EU. It is no longer about defense; instead, it is all about the military enforcement of economic interests, with particular emphasis on raw materials, specifically of fuels. The armies of all countries are being converted into global, trouble-spot oriented strike forces, usually operating under U.S. command.

U.S. Central Command: the U.S. has supreme command over the troops of the industrialized countries

The U.S. Army has divided the world into five regional military commands. The largest, the Central Command ("Centcom") is "responsible" for 26 countries, from Central Asia via South Asia, the Arabian Peninsula, Iraq, and the Red Sea, to the Horn of Africa and eastern Africa. More than 70% of the world's oil reserves are located in this area. Centcom is directing the current wars/military operations in Iraq, Afghanistan, the Lebanon, and on the Horn of Africa. The Bundeswehr is also involved in three of these wars, and "reports to" the U.S. Central Command. Indeed, most of the Bundeswehr's eleven current foreign operations fall in Centcom's operational area. The operations in the Balkans are coordinated by NATO. The operations in central Africa (Congo) from 2008 on will probably "report to" the U.S. Army's new sixth regional command, the African Command ("Africom"). It is apparent that, besides civilian "global governance", the industrialized countries have long since established a global military system, in which the regional and national troops are combined under the supreme command of the U.S.A.

Bello's third error:
He exaggerates the failure of global governance, and overlooks the most important aspect: the "global constraints" rule, even if the institutions are not working well

There is grit in the gears of "global governance", but it is still working

In Walden Bello's eyes, the patient is already more-or-less dead: the International Monetary Fund (IMF) "is practically inoperative". The World Bank is suffering from a fundamental "lack of legitimacy". The World Trade Organization is facing "collapse". The G-8 group is "nothing more than a hollow shell", their meeting in Heiligendamm merely a "talking shop" (www.focusweb.org/the-cilmate-change-flap-at-the-g8-a-spat-over detail-not-substance.html?Itemid=1).

Although it is very right and proper to point out the growing functional problems of global governance, the attempt to paint a picture of an impending collapse of the global system of regulation is counterproductive. It is precisely the results of the G-8 "talking shop" which show that we cannot assume that the nation-state players will paralyze themselves as it were in the present phase of globalization, but rather that they continue to divide up the world among themselves briskly. This also applies to the matter of the "climate catastrophe". The official final document of the G-8 summit says they intend "to seriously consider" halving global emissions of carbon dioxide by 2050. So they did not decide anything, and that is what the energy-oil-arms-automobile-building-logistics complex was after, which sets the structure and policies both in the U.S.A. and in all the other industrialized countries. The fact that the G-8 countries, who are supposedly so divided, came to this non-result in the interests of the dominant economic powers, is in reality a fundamental result. At the same time, the document advocates the "decoupling of economic growth and energy consumption" with regard to the climate catastrophe. This means that economic growth and the corresponding way of life are established as inviolable parameters, and energy consumption is the variable which is to be altered by means of energy efficiency and better protective technologies. This is a programmatic commitment with far-reaching consequences, including the favoring of nuclear power.

The G-8 approach to the question of Africa is similarly precise; they adopted a 26-page paper, "Growth and Responsibility in Africa", which represents an almost perfectly complete plan for the neoliberalization of Africa under the auspices of the G-8. The program "Growth and Responsibility in the World Economy", which was also adopted, is 46 pages long and covers the reduction of the deficit in the U.S. balance of payments, int. al. Bello misunderstands the policy of the weak dollar as an egoistic trick by the U.S.A. to promote its own economy at the expense of Europe and Japan. But a gradual reduction of the U.S. deficits is the accepted goal of all the G-8 states, in order to avoid an explosive crisis if there is a rapid fall in the rate of exchange of the dollar.

The joint will to shape affairs of the G-8 (in many ways the group is a G-7, since Russia has in many ways different interests from the rest) shows itself not least in their dealings with the newly industrializing countries, which are perceived as a force without which no global regulation can take place in the future. In a joint statement with the "Outreach States" Brazil, China, India, Mexico, and South Africa, what is called the "Heiligendamm Process" was initiated, which is intended to integrate these countries firmly into the system of global capitalism. The "promotion of transnational investment for our mutual benefit" is explicitly specified.

Globalization is driven by the "global constraints"

Multinational and binational treaties and institutions are important for the further development of globalization, but the foundation on which they are based is decisive. This foundation consists above all of unrestricted free trade and unhindered movement of capital, as is specified in the WTO and numerous international treaties – such as the EU treaties. The bitter consequences include the perversion of nations into national competitive states which must battle for the favor of global capital, otherwise they would become investment deserts and economic and social demolition firms. Neoliberalism and popular sovereignty and democracy are mutually exclusive.

As long as national governments and societies see themselves as chained to neoliberal requirements such as privatization, reduction of company taxes, reduction of labor costs and social benefits, high and growing rates of return on capital investment, military operations to secure raw materials, world markets and global transport routes, globalization will be on the march. It must be stopped by an organized opposing power; to hope that it will die quietly is unrealistic and harmful.

Translation: Tim Slater

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