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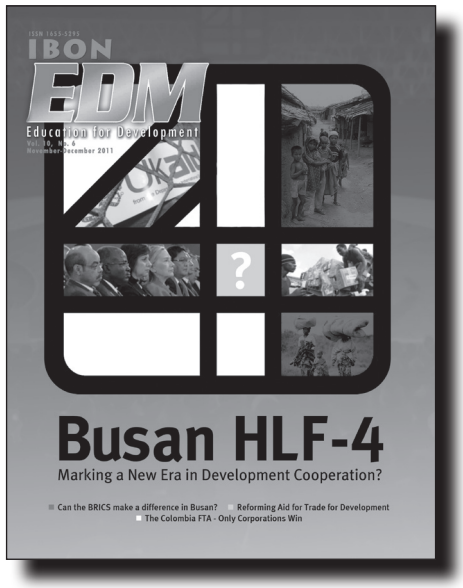




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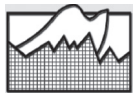

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# Busan HLF-4:

## marking a new era of development cooperation?

by IBON International


http://www.aideffectiveness.org/busanhlf4/

Over 2,500 state and non-state delegates from developed and developing countries, including more than 300 civil society representatives, met from 29 November to 1 December 2011 for the Fourth High Level Forum on Aid Effectiveness (HLF-4) in the South Korean port city of Busan to review progress from past aid effectiveness commitments and decide the course of the aid reform agenda.

HLF-4 is the last in the series of high-level forums on aid effectiveness organized by the Development Assistance Committee (DAC) – the donor club within the Organization for Economic Cooperation and Development (OECD). These forums have served as focal points for DAC donors and recipient country governments to discuss and set norms and commitments for reforming aid policy and practice.

Busan picks up from principles and commitments established in previous high-level forums in Rome (2003), Paris (2005) and Accra (2008) – in particular, those set forth in the Paris Declaration and the Accra Agenda for Action.

Apart from reviewing progress, the Busan forum was intended to produce an agenda for aid reform that addresses new actors, forms of assistance, and challenges in global development that had been largely left out in the Paris and Accra frameworks.

Ahead of the forum, scant progress in implementing standing aid effectiveness targets coupled with a continuing economic slump in the global North had dampened expectations for traditional Northern donors to agree to more ambitious reforms following their expiring Paris and Accra commitments.

**Table 1. Norms in development cooperation, from Paris to Busan**

| Principles<br>2005 Paris Declaration | *Areas for improvement*<br>*2008 Accra Agenda for Action* | Principles<br>2011 Busan Partnership |
|---|---|---|
| **Ownership**<br>Developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption.<br>**Alignment**<br>Donor countries align behind these objectives and use local systems.<br>**Harmonisation**<br>Donor countries coordinate, simplify procedures and share information to avoid duplication.<br>**Results**<br>Developing countries and donors shift focus to development results and results get measured.<br>**Mutual accountability**<br>Donors and partners are accountable for development results. | ***Ownership***<br>*Countries have more say over their development processes through wider participation in development policy formulation, stronger leadership on aid co-ordination and more use of country systems for aid delivery.*<br>***Inclusive partnerships***<br>*All partners - including donors in the OECD DAC and developing countries, as well as other donors, foundations and civil society - participate fully.*<br>***Delivering results***<br>*Aid is focused on real and measurable impact on development.* | **Ownership of priorities by developing countries**<br>Developing countries lead partnerships for development and implement approaches tailored to country-specific situations and needs.<br>**Focus on results**<br>Efforts should result in eradicating poverty, reducing inequality, sustainable development, and enhanced developing country capacities.<br>**Inclusive development partnerships**<br>Openness, trust, mutual respect, learning, and complementary amidst difference in development partnerships.<br>**Transparency and accountability to each other**<br>Mutual accountability and accountability to beneficiaries, citizens, organizations, and constituencies, and transparent practices as the basis of accountability. |

*Sources: oecd.org, aideffectiveness.org/busanhlf4*

The 2011 Survey on Monitoring the Paris Declaration found that only one target has been met, of the 13 that donors and recipient countries agreed to achieve for 2010. Moreover, pressure on public spending has led to shrinking aid budgets and is driving Northern donors to demand greater focus on results and value for money, as well as on non-official and non-North-South flows.

Meanwhile, China and other emerging Southern donors had initially indicated intention to stay out of the common aid framework being negotiated for adoption in Busan.

The final deal reached – the *Busan Partnership for Effective Development Cooperation* (BP) – represents a careful balance among competing agendas of different development actors. Despite mixed results, the BP lays out the basic components for a broader and more inclusive framework for aid reform.

## A larger tent

Busan for the first time brings into the aid reform framework non-DAC and non-government actors in development, including Southern donors, civil society organizations (CSOs), and the private sector.

They are recognized for having integral roles in the development agenda, and agree to participate in a "new global development partnership" on the basis of "common goals, shared principles, and differential commitments."

For Northern donors, a key goal in Busan was to draw non-DAC donors, China in particular, into a common aid reform mandate. During the negotiations, Southern donors insisted that their development context put limits on the full implementation of commitments as donors. To bring China back on board, a concession was agreed to make the Busan outcome apply to South-South cooperation only on a voluntary basis.

Finally, CSOs are recognized for their role in enabling people to claim their rights, in shaping and overseeing development policies, and in acting as service providers themselves. The BP commits to providing CSOs an enabling environment to maximize their contributions to development. CSOs are in turn called on to strengthen

their accountability and effectiveness guided by the *Istanbul Principles* and the *International Framework for CSO Development Effectiveness* (Siem Reap Consensus).

### Recommitment to Paris and Accra

The BP lays down four principles that apply to all actors that endorsed the document. These are: (a) ownership of development priorities by developing countries; (b) focus on results; (c) inclusive development partnerships; and (d) transparency and accountability to each other.

But it also recognizes the unfinished business in implementing Paris and Accra principles and commitments, and recommits DAC governments, donors and countries that signed on to them to "intensify [their] efforts to implement [their] respective commitments in full." Southern donors are exempted from applying Paris-Accra norms in South-South cooperation.

The BP language is notably strong on ownership. It commits donors to use country systems "as the default approach for development co-operation," and requires providers of assistance to state reasons for non-use "where the full use of country systems is not possible." It also mentions actions to "deepen, extend and operationalize the democratic ownership of development policies and processes."

On tied aid, the target to fully untie all aid by 2015 in earlier drafts (2013 in the African proposal) was removed and replaced by a mere promise to publish in 2012 plans to untie aid.

On transparency, the BP commits donors to make "the full range of information on publicly funded development activities, their financing, terms and conditions, and contribution to development results, publicly available." The World Bank had pushed to limit information to cover only non-commercial activities. In the end, language was added to make disclosure "subject to legitimate concerns about commercially sensitive information."

The BP also commits donors to fully "implement a common, open standard for electronic publication of resources provided through development cooperation" by December 2015. The *International Aid Transparency Initiative* (IATI) is mentioned to be taken into account in developing this standard, which donors are supposed to agree on and publish by December 2012.

Also due by the end of 2012 are principles and guidelines to address the problems of proliferation of aid channels and insufficient aid allocation to some countries. By 2013, there must be greater donor use of forward spending plans and country-led coordination arrangements with their partner countries.

### A new aid consensus

CSOs have been critical of the aid effectiveness agenda created in Paris and Accra for being too centered on improving the management and delivery of aid resources, as well as on donor-recipient, government-to-government relationships.

A crucial goal for CSOs coming into Busan was to reframe the global aid reform agenda from aid effectiveness to development effectiveness. CSOs define a development effectiveness agenda as one that focuses on improving aid's effectiveness in achieving overall development outcomes such as poverty reduction, equity and environmental sustainability.

Key to this agenda is injecting greater democracy, equality, and human rights adherence in aid processes and relationships, with the aim of empowering recipient countries and publics to influence development outcomes and claim them as rights. Development effectiveness also pays attention to non-aid relationships, policies, resources, and actors – private investment, trade, finance, the private sector, civil society and so on – and how aid complements or are hindered by these in catalyzing overall development.

Language in the BP indicates that there is at least a stepwise shift in thinking in the direction of development effectiveness.

"Development cooperation" and "partnerships for development" are used instead of "aid," parties refer to each other as "partners," and "aid effectiveness"

guardian.co.uk

gives way to "effective development cooperation" and "cooperation for effective development" to refer to the new reform agenda.

Development and human rights language are also prominent in the agreement. "Poverty and inequality" are recognized as the world's central challenges, and "sustainable development results" are identified as the "end goal of our commitments to effective cooperation." The four Busan principles are described as consistent with "agreed international commitments on human rights, decent work, gender equality, environmental sustainability and disability."

The BP also recognizes that "aid is only part of the solution to development" and that partners will "rethink what aid should be spent on and how, in ways that are consistent with agreed international rights, norms and standards, so that aid catalyses development."

Despite this, the BP does not make reference to international human rights agreements and internationally agreed development goals (IADGs) as the basis of the reform consensus and as the normative reference point of actions, processes and outcomes in development cooperation.

The agreement in particular does not mandate development actors to adopt and apply rights-based approaches in their operations. Implementing rights-based approaches in development is one of civil society's main demands for HLF-4.

There is also a notable bias for private-sector-led growth and globalization in the model of development for which aid and other policies are understood to be most effective.

The BP states that "it is essential to examine the interdependence and coherence of all public policies … to enable countries to make full use of the opportunities presented by international investment and trade, and to expand their domestic capital markets." It further states that effective development calls for a framework in which, among other things, developing countries "increasingly integrate, both regionally and globally" to "help them better compete in the global economy."

Moreover, the BP promises engagement with business towards improved regulatory and policy environments for private investment, and business participation in the design and implementation of development policies.

Little is said about the private sector's own responsibilities and commitments as part of the development partnership. A proposal from civil society to reference International Labour Organization principles as guidelines for the private sector did not make the final text.

### Post-Busan monitoring and governance architecture

HLF-2 in Paris adopted a set of 12 time-bound indicators to serve as a framework to monitor donors' and developing countries' progress in implementing their aid effectiveness commitments. The Paris monitoring framework has been criticized for being donor-led and failing to capture development results. A key question in HLF-4 was what monitoring framework would be put in place to accompany the new Busan commitments.

No monitoring framework was agreed in Busan, but the BP commits parties to agree by June 2012 on a set of indicators and targets through which they will monitor progress on a rolling basis.

It also states that the monitoring framework will build upon initiatives by individual developing countries to elaborate such frameworks "based on national needs and priorities" and "grounded in their aid and development policies."

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# Stronger CSO voices, country ownership stressed in debate on governance in agriculture

by People's Coalition on Food Sovereignty Secretariat

Participants of a mini-debate on governance in agriculture held in Busan, South Korea on November 30 stressed the need for country-level ownership and greater civil society participation, using a multi-stakeholder approach.

The mini-debate entitled "Development Effectiveness in Agriculture: Inclusive Participation in Governance," was conducted by the People's Coalition on Food Sovereignty (PCFS) in partnership with the Global Donor Platform for Rural Development (GDPRD) and BetterAid Coalition.

The activity was part of the Knowledge and Innovation Space events during the Fourth High Level Forum on Aid Effectiveness in Busan from November 29 to December 1.

The panelists included Steve Wiggins of the Overseas Development Institute; Dr. Azra Talat Sayeed, PCFS Co-Chair and Roots for Equity-Pakistan; and Audax Rukonge of the Agriculture Non-State Actors Forum-Tanzania, a member organization of the BetterAid Coalition.

Wiggins, an agricultural economist, shared the findings of an evidence paper commissioned by GDPRD which includes 16 country case studies showing that aid commitments made in the previous HLFs in Paris (2005) and Accra (2008) are observed more in letter than in spirit. He stressed the need for country leadership and the need to create a multi-stakeholder coalition with the right people, principally small farmer holders.

PCFS Co-Chair Dr. Sayeed for her part said that agriculture and rural development (ARD) policies at present are not focused on people's needs. She said that the formulation, implementation and monitoring of said policies must involve grassroots

**(continued on page 6)**

# IBON tackles climate finance effectiveness at COP-17 side event

by IBON International

Various speakers raised concerns on the effectiveness of climate finance in a forum hosted by IBON International on 3 December entitled "Improving Development Effectiveness in Climate Financing: Challenges and Opportunities."

The forum was held as a side event at the global climate summit held in Durban, South Africa from 28 November to 9 December 2011.

Dr. Cephas Lumina, UN Independent Expert on Foreign Debt and Human Rights, called on the world's leaders negotiating on the future of the Green Climate Fund to ensure that climate financing is indeed "new and additional" money that would help those most impacted by the changing climate realize their fundamental human rights.

Vice-Minister Naderev Saño of the Philippine Climate Change Commission stressed the need to "respect the firewall" that differentiates climate finance from other forms of development finance. Saño emphasized that climate finance is not development assistance, aid or donation. Rather, it is an acknowledgement of the historical responsibility of developed countries, well in keeping with the established principle of "common but differentiated responsibility."

Meanwhile, Md. Shamsuddoha of the Bangladesh-based Participatory Research and Development Initiative said that lessons learned in decades of aid reform advocacy provide valuable lessons with regard to ensuring democratic ownership and mutual accountability that is founded on governments' accountability to their publics.

On the matter of governance of the Green Climate Fund, Murray Worthy of the World Development Movement said

**(continued on page 6)**

# No new solutions to the crisis, G20 countries in a fix

by IBON Foundation

Heads of states of largest and developing nations gathered on 3-4 November for the Group of 20 (G20) Summit in Cannes, France but failed to come up with concrete plans to manage what the International Monetary Fund (IMF) now calls a "protracted global crisis".

Considered as today's top forum of the world's largest countries, the G20 concluded its summit on November 4 but without drawing any new solutions to the raging public debt crisis affecting the US and the European Union (EU).

The slow recovery highlights the urgency for policies that are directed in strengthening domestic economies. But instead, many governments of the Third World like the Philippines persist with the same discredited neoliberal policies that have intensified the global crisis.

### Still no solution

The inability of the IMF and other international institutions to maintain their earlier optimism underscores the global economy's deep problems. The world economy is still struggling to find sources of growth after the merely debt- and speculation-driven growth of the 1990s and 2000s. The unraveling public debt crisis in the US and several EU countries like Greece is now the urgent financial flashpoint for the world economy.

The G20 Summit approved an action plan that requires countries to make structural reforms to enhance growth and jobs—but these countries have made the same commitments for the past five years. In short, there were almost no new commitments made

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## Stronger CSO voices, country ownership... (continued from page 5)

participation. Dr. Sayeed also pointed to the need to do away with tied aid and other conditionalities that have gone against the interest of small-scale food producers.

Meanwhile, Rukonge shared that in Tanzania, almost 80% of the government budget for agriculture comes from donors and so the question of whose priorities in ARD are reflected becomes very important. He emphasized that aid should promote a positive impact on the people at the local level and that priorities must be clear.

The short inputs were followed by a lively audience that raised shared points on country ownership and on ARD polices that involve the rural peoples themselves. A member of the Finnish parliament, Hon. Katri Komi, stated that government support for rural people is important to have a food-secure country. The discussion also stressed the need for agriculture to be part of the main agenda of the aid discourse. #

## IBON tackles climate finance... (continued from page 5)

that "the World Bank is not the most appropriate channel for future climate finance." Worthy warned of the threat of climate financing becoming yet another debt-creating instrument.

Climate financing should not be used to trample upon human rights, especially indigenous peoples rights, said Ivan Torafing of the Asia Pacific Indigenous Youth Network. "We contributed the least to the climate crisis, and yet we are being blamed for deforestation. With REDD and the promise of financing, so-called reforestation projects are being implemented and we are driven away from our ancestral lands," Torafing added.

IBON International co-organized the side event with Peoples' Movement on Climate Change (PMCC), Reality of Aid, Peoples Coalition on Food Sovereignty (PCFS), Pesticide Action Network Asia Pacific (PAN AP), VOICE, Asia Pacific Indigenous Youth Network (APIYN), and Coastal Development Partnership (CDP). #

# Agreement for new global treaty to reduce emissions

by Stephen Leahy, IPS News

DURBAN, South Africa, Dec 11, 2011 (IPS) — The world is increasingly committed to dangerous levels of global warming with yet another failure by nations of the world to agree to needed reductions in carbon emissions here in Durban. However, as the 17th Conference of Parties ended early Sunday morning [December 4], members did agree to talk about a new global treaty to reduce emissions.

After two weeks and an additional 29 hours of intense and even bitter negotiations, the 193 nations participating in the United Nations climate talks agreed to a complex and technical set of documents called the "Durban Platform." These include the continuation of the Kyoto Protocol, a formal structure for a Green Climate Fund, new market mechanisms, and more.

The biggest development reached at dawn Sunday is an agreement to negotiate a new global treaty to reduce emissions by 2015. While this may look like simply agreeing to more meetings, it is the first time all nations have agreed to be governed by a new global emission reduction treaty under the U.N. Framework Convention on Climate Change (UNFCCC).

Currently the promised emission reductions by industrialised countries and those of China, Brazil, South Africa, India and others under the 2009 Copenhagen Accord guarantee a world that is at least 3.5 degrees Celsius warmer on average according to climate science. It will be double that over large parts of the world. Some analysis says this global average could be even higher rising to four or five degrees Celsius threatening our species with annihilation.

Despite the political posturing by the United States, Canada and even the European Union, the fact is that developing countries' promised reductions are greater than the industrialised world that are responsible for 75 percent of the total human emissions in the atmosphere.

"There are still no new pledges on the table and the process agreed in Durban towards raising the ambition and increasing emission reductions is uncertain in its outcome," said Bill Hare, Director of Climate Analytics, a non-profit climate science advisory group based in Germany.

COP 17 President, South Africa's Maite Nkoana-Mashabane, and others pleaded with countries to put their self-interest aside "for the greater good of the planet and its people." Rich countries like the U.S., Canada and Saudi Arabia blocked progress on numerous fronts leaving smaller nations bitter and frustrated.

"The grim news is that the blockers led by the U.S. have succeeded in inserting a vital get-out clause that could easily prevent the next big climate deal being legally binding," said Kumi Naidoo, Greenpeace International Executive Director.

Even if a strong legally binding treaty is agreed to in 2015, it will have to be ratified by governments before going into force. It took several years to ratify the Kyoto Protocol that the U.S. backed and then failed to ratify following the election of George W. Bush.

Waiting until 2020 to make major cuts means those cuts will have to be far deeper and far more costly to have any hope of keeping temperatures below two degrees Celsius, Hare previously told IPS.

"The world's collective level of ambition on emissions reductions must be substantially increased, and soon," said Alden Meyer, director of strategy and policy at the Union of Concerned Scientists.

Various analysis show that global emissions should peak between 2015 and 2020 to earn a reasonable chance of less than two degrees Celsius at doable cost. If the peak and decline comes later, costs and risks of exceeding two degrees Celsius skyrocket.

"Powerful speeches and carefully worded decisions can't amend the laws of physics. The atmosphere

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## Agreement for new global treaty... (continued from page 7)

responds to one thing, and one thing only – emissions," said Meyer.

It was clear that our governments these past two weeks listened to the carbon-intensive polluting corporations instead of listening to the people, Naidoo said in a statement.

The "Durban Platform" includes a second commitment period of the Kyoto Protocol that will begin January 2013, avoiding a gap at the end of the first commitment period finishing next year. The length of the second commitment period is to be decided at COP 18 in Qatar.

Developing countries insisted on this condition because Kyoto is the only legally binding emissions reduction agreement. However, it only asked for small reductions from industrialised countries like those in Europe, Canada, Australia, Japan and a few others. The U.S. opted out and Canada ignored its obligations and increased emissions 24 percent. And now Canada, Japan and Russia have said they will take not take part in the second commitment period.

The continuation of Kyoto "is highly significant," said Christiana Figueres, UNFCCC Executive Secretary. Participating countries are to submit their emission reduction offers by May 2012.

There is no formal adoption of a second commitment period based on the actual wording of the documents, said Pablo Solón, former lead negotiator for the Plurinational State of Bolivia. "The actual decision has merely been postponed to the next COP." Kyoto remains on "life support," he said.

The only progress on the Green Climate Fund (GCF) was on its design and governance. The GCF is supposed to funnel 100 billion dollars in assistance annually starting in 2020 to help developing nations to reduce emissions and help them adapt to climate change. There were no commitments on where the money would come from. What was agreed is to set up a "work plan" to mobilise significant climate funds from both private and public sources.

Private sources explicitly include carbon markets as governments from the rich countries frequently cited the financial crisis has tied their purse strings. Civil society and some developing nations noted that governments have made trillions of dollars available for the bank and financial sector and that the world's military budget is more than 10 times what is needed for the GCF.

Even though the carbon market has crashed, the private sector is considered by the U.S., EU, New Zealand, Japan and other countries to be a key partner in mobilising money for climate change. Creating private markets for buying and selling carbon offsets remains highly controversial and very complex in terms of measurement, ownership of carbon in soil or forests, and more. Then there are the ethics of rich countries offsetting their own emissions by buying up forests or land in poor countries.

"Keep the targets, lose the markets," Oscar Reyes of the Friends of the Earth UK urged negotiators in the final days of COP 17. "We're worried that when the GCF has money it will lend it to the private sector to drive carbon markets," Reyes told IPS.

"Durban is a disaster" for a fair and functional Reducing Emissions from Deforestation and Forest Degradation (REDD) programme, said experts with Ecosystems Climate Alliance, a coalition of forest NGOs. REDD is by far the biggest potential carbon market.

"From looking at past conferences (climate COPs) it would be more effective if members of the conference would come outside and plant trees for the two weeks. They'd probably make a bigger impact," said 14-year-old Felix Finkbeiner of Munich, Germany. Finkbeiner launched an organizaton of children called Plant for the Planet that is now working in 70 countries and have planted nearly four million trees in past four years.

Their motto: "Stop Talking. Start Planting." #

This article was published 11 December 2011 by **IPS News** (http://ipsnews.net/2011/12/agreement-for-new-global-treaty-to-reduce-emissions/).

# US free trade pacts face opposition in Asia

by Chee Yoke Heong


Japanese farmers protest against Trans-Pacific Partnership Agreement. www.eastasiaforum.org

US-LED free trade agreements (FTAs) continue to face stiff opposition even as they gain traction with some governments turning to such pacts in the hope of boosting their sagging economies.

The latest is the Trans-Pacific Partnership (TPP) Agreement that currently involves the US, Singapore, Brunei, Chile, New Zealand, Australia, Peru, Vietnam and Malaysia in an intensive series of talks.

Negotiators who were recently in Kuala Lumpur for the latest round of talks were confronted by protesters at the venue of their meeting on 5 December.

The activists expressed concern that the TPP could spell disaster to local farmers, especially rice producers, as they would be unable to compete with heavily subsidised US farmers who would deluge the market with their cheap rice.

They also said the push for stronger patent rights regimes will hamper access to medicines and that the TPP will erode the government's ability to regulate foreign corporations as well as put in place environmental and health regulations.

## Japanese opposition

Japanese Prime Minister Yoshihiko Noda's announcement on 11 November during the recent Asia-Pacific Economic Cooperation (APEC) meeting in Hawaii to enter into the TPP talks, also came amidst strong opposition even from within his own ruling party, the Democratic Party of Japan.

The party has engaged in a long and protracted debate over the merits of joining the pact, and its own TPP panel, in the week before the APEC meeting, could not come to a conclusion and only agreed to "suggest the government decide cautiously," according to a 14 November Wall Street Journal (WSJ) report.

In announcing the decision to US President Barack Obama, Noda vowed to "protect what needs to be protected, and win what we need to gain," as he tried to allay public concerns about the TPP.

"Despite many voices of concern, I decided to participate in the talks in order to revitalise the nation's economy and help create a prospering and stable Asia," Noda said.

The issue was so sensitive that the prime minister had delayed by a day before making the public announcement in Hawaii due to worries over a possible backlash especially from members of parliament who opposed the TPP, some of whom had threatened to defect from the Democratic Party if Noda goes ahead with plans to join the TPP.

To placate the anti-TPP lawmakers, Noda denied that Japan will join the TPP negotiations, saying it will only "start talks with related countries toward participation in the TPP negotiations."

Before the announcement, groups from various sectors which will be affected by the TPP had actively exercised their political clout to influence the process. The Central Union of Agricultural Cooperatives sponsored a petition in parliament which succeeded in garnering support from around half

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## US free trade pacts... (continued from page 9)

the 722 members in both houses of parliament to oppose the TPP. Almost all opposition parties — the Liberal Democratic Party (LDP), the Social Democratic Party as well as New Komeito — opposed the TPP. The LDP has even threatened a no-confidence motion against Noda.

A major concern with the TPP is that participating countries will be required to liberalise almost all sectors such as agriculture if the US has its way. This was indicated by US Trade Representative Ron Kirk when he emphasised that Japan must be prepared to meet "high standards" of liberalisation and to address US concerns regarding barriers to agriculture, services and manufacturing trade, including non-tariff measures.

Japan's agriculture sector is highly protected and heavily subsidised, especially rice farming. The farming community, though numbering only a few million farmer households, is nonetheless a key voting base. It has been estimated that about 90% of rice production would be replaced by imports under the TPP, together with almost all of Japan's sugar and wheat output, as well as beef, chicken and pork products worth 1.1 trillion yen ($14 billion) per year.

According to the Ministry of Agriculture, Forestry and Fisheries, the opening up of the agriculture sector to global competition will slash Japan's GDP by 7.9 trillion yen ($102.8 billion) and cut some 3.4 million jobs.

Furthermore, opponents of the TPP maintain that the opening of the agriculture sector would not only be devastating on the livelihoods of millions but could also spell disaster for the culture, way of life, and landscape of the countryside.

While past bilateral trade agreements which Japan had signed with other countries have shielded sensitive sectors such as rice from tariff removals, there are doubts that these exemptions could be achieved under the TPP, hence the opposition.

Because of the comprehensive nature of the talks, where wide-ranging issues such as medical and financial services and government procurement are on the negotiating table, there are fears that the TPP would affect the country beyond the agricultural sector. Fierce resistance to the TPP has also come from professional groups such as doctors and pharmacists, who fear that the pact would result in the dismantling of Japan's universal healthcare system and replace it with a market-driven one with adverse impacts on access to health services.

Differences among lawmakers over the TPP have also centred on the dilemma over the quest to strengthen ties with the US on the one hand against, on the other, those who wish to see closer relations with China, which is not a party to the TPP talks.

In the meantime, proponents of the TPP have been drumming up support for the accord.

The Ministry of Economy, Trade and Industry has estimated that Japan will lose 10.5 trillion yen ($136.1 billion) in exports in 2020 if it does not take part in the TPP, according to the WSJ report.

The business community believes that the TPP will help to open up export markets for auto and electrical machinery makers.

While Japan grapples with its decision to enter into talks over the US-backed TPP, opposition against FTAs continues unabated in neighbouring South Korea even after parliament approved the South Korea-US FTA on 22 November.

Protesters held rallies in Seoul to denounce the passing of the bill ratifying the agreement. Deep divisions remain among the various parties on whether the FTA will benefit South Korea. Opposition political leaders, looking ahead to National Assembly elections in April and the election of a new president in December 2012, vowed to fight to kill the agreement, which takes effect on 1 January, according to a Christian Science Monitor report of 23 November.

Critics voiced concerns over reduced revenue collection as a result of lower car tariffs set out in the FTA. They also worried that further opening up of the South Korean market to large US companies such as Walmart could crowd out small businesses.

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**Chee Yoke Heong** is a researcher with the Third World Network. This article was published in the November/December issue of ***Third World Resurgence*** (http://www.twnside.org.sg/title2/resurgence/2011/255-256/econ1.htm).

## No new solutions to the crisis... (continued from page 6)

during the forum that countries were not already implementing.

Recovery seemed under way after the financial crisis erupted in 2008. But this semblance of stability was only a result of the massive fiscal stimulus by big capitalist economies. Counting all new financial support measures including bailouts, public loans and guarantees, public assumption of private sector debt and other liabilities, the total value of this fiscal stimulus reaches $10.8 trillion. This is equivalent to almost a fifth of global gross domestic product (GDP). For instance, two rounds of "quantitative easing"—a policy used to increase money supply and stimulate economic activity—cost the US $2.3 trillion.

The benefits of the fiscal stimulus are however clearly short-lived, with the global economy slowing again as of third quarter of 2011. The slowdown is also not just in the advanced capitalist economies but also in the supposed alternative growth centers like China, Brazil, and Russia, which all projected decreases in their economic growth. These countries are still dependent on the major capitalist centers for a large part of their demand, exports, and investments—aside from also having their own internal economic troubles.

The short-lived benefits have created new fiscal and financial sector imbalances. The mounting public debt troubles of the US, Europe and Japan mean greater fiscal austerity, which in turn further dampens demand. The world's largest countries are all facing slowing growth due to growing public debt burden, increasing austerity, high unemployment and lack of productive domestic investment opportunities. Every country is looking for sustainable solutions to the slowing economic growth.

**While the world economy looks for new sources of growth, the Philippine government unfortunately affirms and continues past neoliberal policies that are no longer viable.**

### PH oblivious to crisis?

While the world economy looks for new sources of growth, the Philippine government unfortunately affirms and continues past neoliberal policies that are no longer viable. The Aquino administration implements these outdated policies but with two additional stresses: first, more extensive privatization through public-private partnerships (PPP), and second, covering up the failures of neoliberal policies with its multi-billion conditional cash transfer (CCT) program.

The Philippine government intensifies privatization with even greater incentives for foreign investors through so-called regulatory risk guarantees. Its coverage is also greatly expanded into health, education, and housing—reducing these vital social services into opportunities for profit. It seems that every area of the economy will not be spared by PPPs, among them power, telecommunications, information technology, highways, railways, ports, airports, transport systems, irrigation, water supply, sewerage, markets, warehouses, and land reclamation.

The Aquino administration is forced to acknowledge the unavoidable consequences of decades of neoliberal policies: low and volatile growth, record joblessness, falling incomes, and growing poverty. But rather than deal with the roots of the problem, it instead seeks to merely cover up poverty with the multi-billion CCT program that is expensive, debt-driven and unsustainable. More than just relief without reform, the CCT program actually seeks to use the relief precisely to cover up for the lack of reform.

With the global economy facing deep problems, governments around the world including the Philippines should be looking for viable solutions to the intensifying crisis. This includes implementing radical and meaningful reforms in economic policies away from the neoliberal path. This means that there should be deliberate and coordinated measures to strengthen domestic economies, including greater assertions for economic sovereignty, especially in poor countries like the Philippines. #

# The Durban Package: escape hatches, empty shells, and a death notice to equity

IBON International assessment of the Durban climate change summit

The next ten years could decide whether the world's fight against climate change is lost or won. The Durban Package – the set of decisions agreed to in the summit – amounts to more heavy lifting for the South, less obligations for the North, and little help for the poor. Worse still, it means that the present decade will be a decade of zero progress in curbing global emissions, and one where equity as the basis of the global climate effort will have been abandoned.

**Escape hatch: the Kyoto's second commitment period**

Durban agreed that the Kyoto Protocol – the only treaty regulating the industrialized world's emissions – will get a second commitment period beginning 2013 through to 2017 or 2020. Annex I countries are expected to convert their emissions pledges into binding targets for adoption in CMP-8 in Qatar. Kyoto avoided death in Durban. But devoid of any integrity and substance, Kyoto is essentially a corpse surviving on life support.

- With Japan, Russia, and Canada joining the US out of KP, Kyoto's second round will cover just a little over one-third of total Annex I emissions and 15% of global emissions. Australia and New Zealand may also pull out. That would leave Kyoto's second round entirely to Europe.
- The second round of emissions cuts will not be derived from a collective aggregate target, much less one that is based on science. It comes down to what the second round's remaining participants would unilaterally pledge next year.
- With no time to put up the needed Kyoto amendments for a lengthy ratification process to give full legal mandate to a commencement of the second round in 2013, the new round will likely be allowed to muddle through – possibly under a creative cover such as a provisional implementation period – to put on the appearance of a seamless transition.
- Emissions trading and offsetting (Joint Implementation and Clean Development Mechanism) will continue in the second round; rules for carbon capture and storage as CDM projects have been approved, after being granted eligibility in Cancun; and surplus allowances and land-use accounting loopholes have not been closed.

In exchange for agreeing to keep a mangled Kyoto Protocol alive, the EU secured agreement from developing countries to start a new negotiation process leading to a new legal regime by decade's end. The understanding is that the regime resulting from these talks will succeed Kyoto – which means that Kyoto's second round is likely going to be its last. In short, the North have arranged for themselves an escape hatch to a Kyoto-less world via a second commitment period.

**A death notice to equity: the Durban Platform**

The new round of negotiations will be done in the Ad-hoc Working Group on the Durban Platform for Enhanced Action, which will begin work in 2012, and conclude with an outcome for adoption in 2015 and entry into force in 2020. The outcome will take the form of "a protocol, another legal instrument or an agreed outcome with legal force," and will be "applicable to all Parties" of the UNFCCC. The Durban text indicates that the new round will pick up work from the Bali round on areas of interest to developing countries, such as adaptation, finance, technology transfer, and capacity-building. But its main content is work on a new global mitigation regime. The Durban Platform means less equity for developing countries and more delay in curbing global emissions.

- The Durban Platform decision nicely sets up the negotiations to an outcome the North favors: a single global treaty in which all countries take on more or less the same mitigation commitments irrespective of level of development. First, it ends the two-track Bali Roadmap process that would have led to a two-tiered system where the difference between developed and developing country

mitigation actions was kept. Second, the text makes no reference to the principles of equity, historical responsibility, or common but differentiated responsibility. The final arrangement could be one in which poorer countries elevate their obligations at par with rich countries in a strong rules-based regime, or where rich countries dial back theirs in loose and domestically-driven do-nothing regime. In any case, Durban could mark the point where equity, fairness, and the notion of Northern responsibility and leadership as guiding ideas of the international climate effort all received their death notice.

- The Durban Platform decision recognizes that existing pledges fall short of the necessary cuts to limit global warming to 1.5°C or 2°C, and will initiate work to raise ambition to close this gap. But the ambition-raising treaty will only come into force in 2020, a concession to big developing countries for agreeing to the Durban Platform. Until then, all the world will have by way of mitigation actions are the actions countries pledged in 2010. Analyses of these pledges conclude that they put the planet on course to temperature increases of as much as 4-5°C. This decade is crucial in terms of peaking global emissions and transitioning to renewable energy systems. Scientists agree that global emissions must peak no later than 2015 and decline rapidly thereafter. Fossil-based infrastructure and technology built over this decade will last decades more into the future, locking us deeper into fossil dependency. Losing this decade may well cost the world its fight against climate change.

**Empty shells: GCF and finance**

Durban has launched the Green Climate Fund (GCF) with the approval of its governing instrument. Remaining disputes have been settled on the balance in favor of developing countries: the GCF will have legal personality and will have an interim secretariat within the UNFCCC secretariat. Direct private sector access to the Fund has been retained, possibly opening the door for subsidizing large multinationals at the expense of the poor, but a "no-objection procedure" will be devised to give national authorities at least some say on private sector funding and ensure policy alignment. Yet the GCF is still largely an empty shell, as is the North's promise to provide scaled up finance. The GCF will rely on voluntary instead of mandatory contributions. Furthermore, there is still no progress in making the North's pledge of mobilizing $100 billion binding; in charting a path to ramp up climate finance towards the 2020 goal; and in identifying and operationalizing public sources of finance.

**A foot in the door for soil carbon markets**

Durban saw the first time agriculture was included in an LCA outcome – but not for the better. There had been loud voices for "climate smart agriculture" from the World Bank and agribusiness in the sidelines of Durban. Transitioning to sustainable agriculture is important in mitigating emissions, adapting to climate impacts, and ensuring future food security. But the push to include agriculture in the agenda is based on the interest to groom the sector for soil carbon offsetting, and promote corporate industrial agriculture especially in Africa.

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Durban showed again how deeply paralyzed the UNFCCC process is from delivering fair and solid action that the poor and the planet need. It is paralyzed by the North in consistently refusing to face up to their responsibilities to cut emissions and shifting them to poorer countries. By delaying action, Durban's winners are big corporate polluters and global elites who can continue their overconsuming and unsustainable ways.

Time is running out for the world to accomplish a just and sustainable transition and the planet cannot wait for the foundering international negotiations to work. We need a solution grounded on a commitment by governments to steer the world in a new direction – towards a model centered on ending poverty, improving the quality of life, and ensuring basic material and social needs for all, rather than on endless growth, corporate accumulation, and overconsumption of the few. Peoples, communities, and social movements in the North and the South must mobilize to resist big business, push governments, and build alternative systems to set the world on the path to sustainability and equity from the ground up. #

# BetterAid Statement on the Global Partnership for Effective Development Cooperation

1st December 2011

Civil society have come together as a unified community and participated constructively in the processes leading to Busan, the Fourth High Level Forum on Aid Effectiveness (HLF4), including the final negotiations. We join other development actors in welcoming the Busan partnership agreement on an inclusive new global partnership.

The Busan Partnership for Effective Development Cooperation is an advancement from Accra in many areas crucial to civil society. For the first time since the Paris Declaration, democratic ownership has been acknowledged as a fundamental principle of development cooperation implemented through inclusive partnerships. The new partnership shifts the focus from a technical aid effectiveness agenda towards a new development effectiveness agenda that is more inclusive, more political, and focused on results as rights-based development outcomes rather than aid delivery.

Through the Busan Partnership, a new global governance framework will move the development agenda towards a broader framework that is more inclusive, involving not only the OECD-DAC, but also the United Nations, South-South Cooperation actors, parliamentarians and local authorities, civil society, and the private sector.

The Busan document also engages strongly in promoting a rights-based enabling environment for civil society and endorses the Civil Society Organizations' Istanbul Principles. [The full text of the Istanbul Principles is available here: http://www.cso-effectiveness.org/IMG/pdf/final_istanbul_cso_development_effectiveness_principles_footnote.pdf–eds.]

However, we note with concern that the Busan Partnership for Effective Development Cooperation:

- Has no explicit commitments to adopt human rights-based approaches. We also strongly believe that it has not given adequate attention to women's rights, the right to development, and environmental justice.
- Has not significantly addressed the unfinished business and lack of implementation of Paris and Accra commitments. The few concrete commitments, targets and timelines that have been included in earlier drafts of the Busan Partnership had been deleted due to objection of donor governments.
- Reduces commitments to common principles as mere voluntary reference for BRICS [Brazil, Russia, India, China, and South Africa–eds.] development partners in South-South Cooperation.
- Retains overall private sector-led growth as framework for development. The agreements reached attribute a strong role to the for-profit private sector, while not including a comprehensive vision and policy framework to hold business to account against development effectiveness principles.
- While the Busan Partnership acknowledges the New Deal, there is now need to ensure that implementation is monitored and that there is strong citizen participation in the process.
- The impact of the Busan Partnership largely depends on the follow-up process, which is yet to be agreed in all its details. Civil society remains committed to engage and contribute meaningfully, at the national and the global levels, to the largely unfinished business of the Busan Partnership for Effective Development Cooperation.

See the Busan Partnership for Effective Development Cooperation here:

http://www.aideffectiveness.org/busanhlf4/en/component/content/article/698.html

# Can the BRICS Make a Difference At Busan?

by Kanya D'Almeida, IPS News


http://www.deccanchronicle.com

As shock waves from Greece's economic crisis emanate across the Eurozone and the Occupy protests in the U.S. grow bolder in their critique of the dominant neoliberal system, it seems clear to many observers that the old hegemonic economic order is fading fast.

Still, promises made years ago by these afflicted developed and industrialised nations – such as aid pledged to the global South – remain intact and the question of who will honour these commitments has become the veritable elephant in the global economic arena.

As over 2,000 government delegates and experts gear up for the fourth high-level conference on aid effectiveness slated to run from Nov. 29 to Dec. 1 in Busan, South Korea, calls for emerging market economies – particularly South-South cooperative groupings like BRICS (Brazil, Russia, India, China and South Africa) – to take the reins of global development are reverberating across continents.

According to the World Bank, the BRICS countries pledged 26 billion dollars in loan commitments to the developing world between 2000 and 2008, the bulk of which came from China.

Between them, the BRICS hold roughly 4.3 trillion dollars in hard cash reserves, three-quarters of which sit in Chinese banks. By 2014, these countries will account for 60 percent of world economic growth.

Yet they have hitherto been slighted by the traditionally wealthy Northern economies, particularly in the realm of development aid and assistance.

According to the Centre for Chinese Studies (CCS) at the Stellenbosch University in South Africa, "The 2005 Paris Declaration was issued against the background of the North-South divide; the Accra agenda in 2008 was extended only slightly to include some weak statements on South-South cooperation."

This year, while the U.S. and the European Union are busy slashing their official development assistance (ODA) to low income countries, the BRICS will likely be called upon to fill the commitment gaps.

For example, aid to Africa will be a priority item on the menu in Busan, since the continent is home to 33 of the planet's 48 least developed countries (LDCs). According to the U.N.'s

most recent estimates, 50 percent of sub-Saharan Africa lives on less than 1.25 dollars a day.

This situation has been exacerbated by developed nations' failure to comply with the 1970 U.N. General Assembly Resolution mandating rich countries to allocate 0.7 percent of their gross national income to developing countries. In the midst of severe domestic crises, the developed world is unlikely to pick up the tab now, adding more pressure on the BRICS to foot the bill.

"The significantly increased importance of China in global trade and investment is widely recognised. Russia matters not only because of its size but also because of its role as oil exporter and therefore ability to build up sizeable reserves," Jayati Ghosh, a leading international development economist based at the Jawaharlal Nehru University in New Delhi, told IPS.

"India's potential role is much greater than its current one, (and) South Africa and Brazil are not only the largest economies in their respective regions but also closely involved in major regional networks like Mercosur and Nepad," Ghosh said.

"Their coming together at present indicates their greater recognition of the need to connect independent of the nodal points earlier provided by the USA, Europe and Japan."

In a rare example of collective action between BRICS' two biggest rivals, India and China issued a bilateral statement Wednesday [Nov. 9] urging Western countries to "adopt responsible macroeconomic policies to handle the issues of debt and financial stability properly."

Published by Beijing's finance ministry, the document encapsulated the outcome of the Fifth India-China Financial Dialogue, which closed Tuesday [Nov. 8] in New Delhi.

The statement recognised that, "The global economy is in a critical phase." Criticising Eurozone for mismanaging its sovereign debt crisis and allowing ripple effects to touch the developing world, the statement added, "In emerging markets, where growth is relatively stronger, there are clear signs of a slowing as developments in advanced economies begin to weigh on (our) countries."

However, this unity between the BRICS superpowers disintegrated quickly, as India's finance ministry hastened to distance itself from the joint statement's sharp admonition of the West.

The document has since been conspicuously absent from any Indian media outlet, prompting many observers to reiterate lingering scepticism that the BRICS will be able to flex a collective muscle in the international arena, particularly since the countries' geopolitical and socioeconomic strategies and priorities diverge so greatly.

"I see no basis for lumping these countries together," Rajan Menon, chair of the department of international relations at Lehigh University, told IPS. "Calling the BRICS a 'grouping' is an interesting sleight of hand — it gives the illusion of an entity capable of acting together. But I see no history of these countries being a cohesive collective."

"If you take China out of the mix, what would be the residual capacity of the remaining countries to shape global outcomes? It would be hardly be comparable to other centres of power," he added.

Indeed, trade patterns between the BRICS over the last decade bolster Menon's analysis.

A recent study by the Brookings Institution found that Brazilian exports to China soared from 1.1 to 21 billion dollars between 2000 and 2010, while imports from China rose from 1.2 billion to 15.9 billion dollars in just nine years.

But while China is now Brazil's primary trading partner, Brazil does not even rank in the top 10 of China's partners.

"The BRICS have not yet demonstrated a collective agenda," Menon said, "and until they do, positing them as a pressure group seems to be a little overdone."

While experts are hopeful that blocs of emerging market economies like BRICS will play a major role in the upcoming aid effectiveness conference in Busan, South Korea, others fear that the new players do not yet have the fiscal power to make a serious intervention in fora generally dominated by rich donor states.

**Many observers fear that rising South-South partnerships are merely a slightly distorted mirror image of the old exploitative relationships between the developed and developing worlds.**

For instance, while the BRICS pledged just 26 billion dollars in loans to low-income countries over the last decade, traditional donors from the Organisation for Economic Co-operation and Development (OECD) committed 269 billion dollars in the same timeframe.

Moreover, many observers fear that rising South-South partnerships are merely a slightly distorted mirror image of the old exploitative relationships between the developed and developing worlds.

According to Jayati Ghosh, a leading international development economist, "Groupings (like BRICS) do not so much change patterns of trade and investment as reflect them. We have seen the emergence of multinational corporations from the South, which have affirmed the universal tendencies of capital rather than (produce) any massive difference based on location."

"On the other hand, it is also true that, while capital is increasingly footloose and transnational in its orientation, it also still relies heavily upon state support and therefore nation-states (including in the South) continue to make efforts on behalf of capital originating in their own countries," she told IPS.

"Ironically, despite this interdependence, states are increasingly subservient to capital (especially finance capital) than the other way around. This is as true of capital from Northern countries as from Southern ones."

This prognosis raises serious questions about both the capacities and desires of BRICS countries to significantly alter development assistance, or trade, in ways that benefit the global South.

A recent working paper put forward by Nkunde Mwase, an economist at the strategy, policy and review department of the International Monetary Fund (IMF), examined the BRICS' increased development financing flows to low income countries (LICs) and found that "BRICs lend more to LICs with weaker institutions. Land-locked, resource-scarce LICs receive significantly less financing than other resource-rich LICs."

Most of this development lending over the past few years has been driven by China, Mwase told IPS.

"We do not find any evidence suggesting that LICs with good governance are rewarded with more financing. While these findings are not unique to BRIC financing, the rapidly growing BRIC-LIC ties have 'raised the stakes' and underscore the need to ensure that the financing does not undermine efforts to improve governance in LICs," she stressed.

"Such loans could lead countries into debt traps if the risks are not fully taken into account," Mwase added. "LICs need to ensure that the financing is allocated to projects with high returns and does not lead them (down) unsustainable debt paths."

This trend is compounded by a pronounced lack of transparency in transactions – be they aid, development assistance, loans or even corporate contracts – between BRICS and poorer countries.

"Countries like China and India do not yet publish any country-specific data on their concessional and non-concessional loans," according to a paper from the Centre for Chinese Studies at the Stellenbosch University in South Africa.

"This makes it difficult for partner countries' parliaments and civil-society actors to assess the impact that money has on their development. Greater transparency is

needed if we are to make a general assessment of the effect of (BRICS') development 'packages'."

Susan Thomson, a postdoctoral fellow in contemporary politics at Hampshire College, is one of many observers concerned about the negative impacts of development aid in the hands of BRICS countries.

"BRICS as a donor begs the question of what conditionalities, if any, will be placed on recipient countries," she told IPS. "The U.S., Canada and the EU traditionally make human rights requirements and human security requirements part of their aid package, but it is unlikely that the BRICS will do the same."

"China provides a particularly pernicious example of direct aid, particularly to Africa, with no strings attached and through this we see systemic human rights abuses by governments across the continent," she added.

She pointed to the example of Zambia, where Chinese development projects force local workers to labour seven days a week, with scant regard for international or domestic labour, human and social rights.

"The fact that African governments are actively seeking additional channels of aid is going to lead to an increasing economic gap, where the winners are the BRICS and the losers are the subsistence farmers, women, people living with HIV/AIDS and all the traditional 'losers' of this system," Thomson said.

A 2011 study by GRAIN and the Economic Research Foundation unearthed a recent trend of Indian corporations buying up vast tracts of land in Africa, essentially "outsourcing" its food production into low-income countries across the continent.

In the year 2010, "more than 80 Indian companies have invested about 2.4 billion dollars in buying or leasing huge plantations in countries such as Ethiopia, Kenya, Madagascar, Senegal and Mozambique that will be used to grow food grains and other cash crops for the Indian market."

This practice, which many in the agricultural and food justice movement refer to as "land grabbing", has hitherto been decried as a neocolonial tool of the West to exert corporate control over the global South.

India's new venture thus highlights the limits of South-South cooperation as a way out of systemic inequality and exploitation for many countries.

According to Ghosh, "South-South partnerships do have the potential to change the current exploitative and inefficient global economic order, but only if they are based on very different premises of cooperation — currently, they (like North-South economic relations) are also driven by corporate needs and operate very much within a broadly market-driven system that privileges the interests of large companies over citizens."

"What is surprising is that in this moment of global crisis there is still no serious attempt in any of the global economic groupings (including BRICS) to consider alternatives that would lead to sustainable resolutions – for example, the need to move from credit bubble-led growth or export-led growth to more sustainable forms of growth based on expansion of domestic wages and employment are simply not considered seriously," she stressed.

"Most significant of all, the need to identify alternative forms of production and consumption that will involve a more sustainable and less damaging approach to nature is still not at the top of national or international policy agendas," Ghosh added.

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# Reforming Aid for Trade towards Development

by Nicolas Gloeckl

Since the World Trade Organization (WTO) Ministerial Conference in Hong Kong in 2005, "Aid for Trade" (AfT) has become the new catchphrase in international development to foster and promote trade and liberalization. Originating from the 2001 Doha Development Round, the WTO reasons: "Aid for Trade aims to help developing countries, particularly least developed countries, develop the trade-related skills and infrastructure that is needed to implement and benefit from WTO agreements and to expand their trade."[1] As such, the framework is complementing WTO trade reform and market opening by focusing on capacity building, particularly on trade policy and regulation and improving trade-related infrastructure to ease supply-side bottlenecks.[2]

Forming a part of Official Development Assistance (ODA), AfT commitments have risen considerably in recent years reaching roughly USD 40 billion in 2009 — a 60 percent surge from its 2002-2005 baseline. Disbursements too have grown consistently with 11 to 12 percent a year to reach USD 29 billion, constituting roughly one quarter of total ODA in 2009. While about half of this assistance is coming in the form of grants, debt-creating loans still make up the remaining 50 percent. [3]

Trade-related assistance is not a new development and has existed for decades. However, the renewed focus on trade to deliver development comes alongside a worrisome commitment by the WTO to increase its role and leverage within the development agenda. The underlying logic for promoting AfT is based on the neo-liberal assumption that increasing trade through market openness will enhance economic growth and reduce poverty. AfT is hence seen as a complement to multilateral trade reforms, which will allocate the global benefits of trade more equitably across and throughout developing nations. [4]

## Trade, growth and development

During the 1980s and 1990s at the height of the so-called Washington Consensus,[5] trade liberalization too was a top priority. Since then the "Washington Consensus" has prominently been declared dead and it became increasingly clear that "free trade is not a magic wand."[6] Ironically, the AfT agenda picked up momentum precisely during this time.

While trade might be necessary to sustain industrial growth and can generate benefits for developing countries, liberalizing trade is not the same as fostering development. Quite the opposite is true. A large wealth of studies convincingly shows that there is no automatic relationship between

trade liberalization and economic growth.[7] In fact, liberalization can lead to large-scale negative effects for developing countries that outweigh any potential benefits coming from trade or from aid that is employed to improve such kind of trade. This is a realization that even the head of the WTO, Pascal Lamy, admitted in 2006: "We cannot ignore the costs of adjustment, particularly for the developing countries, and the problems that can arise with the opening up of markets." [8]

To ensure that trade policies benefit poverty reduction and contribute towards growth, it is not enough to simply increase the volume of exports, but also guarantee that higher value-added goods are being produced. Liberalization, however, has the opposite effect. With loss of policy space and open markets comes the loss of protection to value-adding industries and consequential deindustrialization, destruction of productive capacity, massive loss of livelihoods and widening social inequalities in the long term. Low-value and low-technology products constitute one of the results of blanket trade liberalization and are shown clearly in the limited focus on low-value and low-skill raw-material exports from Least Developed Countries (LDCs) that have liberalized extensively under the auspices of the World Bank (WB) and the International Monetary Fund (IMF). Today, fuels and mining products of LDCs account for over 60 percent of total exports, and the top three exports make up over 70 percent of total exports — confirming the lack of diversification towards productive capacity mobilization. [9]

### Liberalizing losers

An optimistic estimate of the WB projects that a potential Doha deal could produce benefits worth USD 96 billion globally, of which USD 16 billion would go to developing countries.[10] While this represents a marginal gain of just one cent per capita for the entire developed world, potential tariff losses could prove fatal to developing countries, especially those with limited capacity to recover the losses. The United Nations Conference on Trade and Development (UNCTAD), for example, estimates that under a Non-Agricultural Market Access (NAMA) treaty, tariff losses to developing countries could amount to USD 63.4 billion, almost four times the projected gains under the WB's assessment. LDCs are likely to be hardest hit by trade-related tax losses, as tariff revenues constitute a major part of total government revenues. In countries such as the Dominican Republic, Guinea and Madagascar, tariffs account for over 40 percent of total government revenues.[11]

In addition, increasing regulatory and institutional burdens stemming from implementing trade reforms pose further expenditures on already beleaguered government budgets, with little left for improving public utilities, roads, land reform, and social services.

For some, AfT represents a mechanism for redistributing the unequal gains from a potential Doha agreement, for Doha to live up to being a "Development Round". This view, however, carries significant concerns. On the one hand, it is doubtful that any amount of monetary compensation can remedy losses in industry and capacity for a national economy. Aid at its best is just a remedial patch without addressing the root problems. On the other hand, losses from trade liberalization greatly outweigh the flows from AfT.

### Pushing towards liberalization at any cost

Nevertheless, trade-related technical assistance (TRTA) that aims at liberalizing trade is becoming increasingly popular with International Financial Institutions (IFIs) and bilateral development agencies. Launched in October 1997, the principal provider of such TRTA for LDCs is the Enhanced Integrated Framework (EIF),[12] now working in 46 countries. While funded and founded by multiple donors, the EIF remains essentially World Bank-driven (providing the bulk of technical assistance) and WTO-assisted (providing the secretariat). The aims of the IF are twofold: "to support LDC governments in trade capacity building and integrate trade issues into overall national development strategies." [13]

Mainstreaming trade into countries' national strategies ensures that trade liberalization itself becomes an integral part of poverty reduction strategy papers. Ex-ante mechanisms ensure that this process is not a voluntary one. In order to access additional AfT funds, LDCs need to mainstream trade prior to any release of funds.[14] AfT then effectively becomes a form of policy conditionality for promoting trade liberalization.

Furthermore, to ensure that developing countries have the capacity to comply with trade rules, USD 1.4 billion of AfT flows have been funneled to trade policy and regulations in 2009 alone. These funds mainly promote the training of trade officials and technical support to facilitate the implementation of trade agreements and to comply with WTO rules and standards.[15]

The insistence of donors in mainstreaming trade and liberalization through conditionality also casts doubts over the claim by the Organisation for Economic Co-operation and Development (OECD) and WTO representatives that AfT represents a lead example in adhering to the Paris Declaration with its principles on aid effectiveness. Contradicting themselves, the OECD and WTO state: "…partner countries need to integrate trade objectives into their development strategies and take the lead in their implementation (ownership)."[16] If developing countries are not permitted to decide whether or not trade liberalization should feature in their national development strategies, the question becomes clearly: Whose ownership?

## Developmental trade

Nations have always traded, and sustained industrial production is hardly imaginable without a continuous flow of trade in resources. In other words, trade does matter. However, the opening of economies through blanket liberalization is counter-productive to any economic development. The most detrimental constraint on developing countries is a lack of control over their own economic resources, a lack of policy space, and limited access to technologies. Developmental trade thus needs to be first and foremost premised on ownership, that is, the democratic right of all people to establish their own economic policies and priorities.

Developmental trade needs to address and promote the free flow of information and knowledge, which is necessary to stimulate innovation and creativity. This is a principle that stands in stark contrast to currently existing intellectual property rights. In addition, developing countries need guaranteed policy space and the freedom to choose trade strategies, consistent with the needs and interests of their people and domestic industries.

Development means to move beyond mere economic growth, towards an environment in which people can develop their full potential and live productive and healthy lives in accordance with their needs and interests. Economic development needs to move in sync with these objectives and emphasize the production of goods and services that enhance people's lives and livelihood, that are affordable and efficient, and that contribute towards sustainable development, social equity and coherence with national sovereignty and security. For this, a nation needs the fundamental right and capacity to manage effectively all flows of goods and finance across its borders and to protect its key industries efficiently.

## Busan and beyond: a proposal for reform

Not all AfT is fundamentally problematic or unwelcomed. Building essential infrastructure such as roads, bridges and ports can support trade powerfully and benefit both the local economy and its communities. At present, however, AfT is predominantly anti-developmental, in the sense of unequivocally promoting liberalization. The concept stands for attaching politically motivated strings to aid that aim at forcing developing countries to open up their economies and comply with WTO rules. Critical reforms are urgently needed to enable developmental AfT. The Fourth High Level Forum on Aid Effectiveness in Busan, South Korea represents a golden opportunity for an overhaul of the AfT framework.

As first and most pressing step, trade liberalization as an a priori policy needs to be halted and redefined under country definitions of policy coherence for sustainable development. This includes any proposal to increase the scope and influence of the WTO, IMF and WB in national development. Stopping the spread of further trade liberalization, however, needs to be accompanied by reviewing and rolling back existing trade agreements that distort development and pose a threat to environment, labor, or public interest.

Without a clear development mandate, the WTO has neither justification nor right to engage in development discussions and negotiations. Hence, fundamentally rethinking AfT means to subsume WTO and country commitments to policy coherence for sustainable development, and to remove the WTO from any form of

engagement in development cooperation. An alternative governing body that carries a democratic development mandate could come through the UN system. As such, the UNCTAD seems to be a more appropriate body.

Overall, any reformed AfT system must be based on institutions of economic governance that are accountable to the people while promoting their rights and interests. Essentially, this means a system that is based on democratic ownership and human rights.

To guarantee effective delivery of AfT, it needs to follow aid and development effectiveness principles. As such, AfT must be bound to respect democratic ownership, human rights, policy space, and freedom for developing countries to choose their own trade strategies in accordance with their local needs and priorities. A potential way of ensuring that the delivery of AfT is governed by these principles could be through adopting human rights-impact, social-impact, and environmental impact assessments for all AfT provision. Such impact assessments could prove to function as powerful tools for an AfT-assisted development that serves public interest instead of powerful elites from the global North.

Finally, AfT also needs to promote alternatives to neoliberal trade, supporting domestically focused trade that enhances food and raw material production for domestic consumer needs and key domestic industries rather than raising exports per se. Such an AfT role could substantially contribute towards development that is people-centered, just and sustainable.

**Notes**

1. http://www.wto.org/english/tratop_e/devel_e/a4t_e/aid4trade_e.htm; accessed August 25, 2011
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3. OECD/WTO (2011), 'Aid for Trade at a Glance 2011: Showing Results', http://dx.doi.org/10.1787/9789264117471-en
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5. Coined in 1989, the "Washington Consensus" became a synonym for the neo-liberal principles of trade liberalization, the opening up of domestic industry investment to free-market forces, privatization, and deregulation. Advocated by Washington-based institutions, particularly the IMF and WB, this "one size fits all" policy prescription for developing countries' ailing economies received substantial critique and was ultimately exposed as a failure by its inability to foster development. Nevertheless, neo-liberal principles continue to dominate development theory and practice. (See also: Chang H. J. , *Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism*, Bloomsbury; 2008)
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9. OECD/WTO (2011), "Aid for Trade and LDCs: Starting to Show Results"
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14. http://www.wto.org/english/tratop_e/devel_e/a4t_e/enhance_if_e.htm accessed August 26, 2011
15. WTO (2006), "Recommendations of the Task Force on Aid for Trade", Aid for Trade Task Force, WT/AFT/1; 27 July 2006
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# The Colombia FTA:

## Only Corporations Win

by Matías Vernengo


http://www.amazonwatch.org

Trade has been a contentious issue in U.S. politics for a very long while. In recent times, free trade agreements have been promoted as essential by the cheerleaders of globalization, and as a threat to good jobs with decent wages and benefits by those who are skeptical about the advantages of the global economy. President Obama, a man of broad views, seems to represent both opinions. On February 12, 2008, candidate Obama made the following argument on this issue:

"It's a game where trade deals like NAFTA ship jobs overseas and force parents to compete with their teenagers to work for minimum wage at Wal-Mart. That's what happens when the American worker doesn't have a voice at the negotiating table, when leaders change their positions on trade with the politics of the moment, and that's why we need a President who will listen to Main Street—not just Wall Street; a President who will stand with workers not just when it's easy, but when it's hard."[1]

The previous year, Senator Obama had opposed trade deals with Colombia, Panama, and South Korea, while favoring one with Peru. Facing several critics, even before he won the nomination, Obama clarified that he did not intend to unilaterally revise NAFTA, but would be favorable to having a dialogue about the costs of free trade agreements (FTAs). Once in office, however, Obama seems to have made a 180-degree turn.

After his April 6 [2011] meeting with Colombian president Juan Manuel Santos, Obama said the FTA with Colombia should be presented to Congress before the end of the summer. The agreement, he said, would boost U.S. exports to Colombia and lead to the creation of thousands of new U.S. jobs. The administration hopes to pass the agreement along with FTAs with Panama and South Korea. The reasons for that are not entirely clear, and it might simply be a strategy to make congressional approval more likely.

The most contentious issue in the negotiations over the FTA has been Colombia's long record of violence against

**If both the Colombia and Panama FTAs are approved, the United States will have established a string of treaties that extend from Canada all the way to Chile, with only Ecuador as a free-trade gap on the Pacific coast.**

organized labor. More than 3,000 Colombian unionists have been killed since the 1980s, according to *The New York Times*.[2] Mounting evidence suggests that the affiliates of U.S. corporations, including Chiquita, Occidental Petroleum, and the coal-mining company Drummond, have also been involved. Lawsuits against these corporations accusing them of complicity in, or support for, the murder and torture of hundreds of Colombian trade unionists have been filed since 2001 by the Washington-based International Rights Advocates. The group has also supported the Colombian labor union SINALTRAINAL in its suit against Coca-Cola for the same reason.

In order to secure the agreement, the Colombian government has promised to crack down on the violence and make it easier for unions to organize. Although these promises have satisfied the Obama administration, the AFL-CIO and other U.S. critics of the FTA have continued their denunciations, seeing these promises as untrustworthy and likely empty. Ensuring the continued profitability of Colombian investments for U.S. corporations, however, is not the only aspect of the FTA.

If both the Colombia and Panama FTAs are approved, the United States will have established a string of treaties that extend from Canada all the way to Chile, with only Ecuador as a free-trade gap on the Pacific coast. The result is that the U.S. push for a multilateral free trade area for the whole continent, the defunct Free Trade Area of the Americas project, has been revived by a string of bilateral trade agreements. From a geopolitical point of view, the U.S. policy seems aimed at isolating the alternative integration arrangements established by the left-of-center governments in Argentina, Bolivia, Brazil, Cuba, Ecuador, and particularly Hugo Chávez's Venezuela.

In particular, the Colombia FTA serves as an instrument for strengthening relations with a strategic ally of the United States in the region, a stalwart against Chavismo, and the biggest recipient of U.S. aid funds in the hemisphere since the implementation of Plan Colombia, the multi-billion-dollar aid package that began in 2000. This geostrategic aspect of the FTA might be seen as one of its most crucial aspects, since Santos, the former defense minister in Álvaro Uribe's very pro-U.S. administration, has made surprising openings to Chávez in recent months.

If the political reasons for the Colombia FTA are not completely clear, the economic reasons are tied to well-known theories and to particular interests. Economists, for example, have been considerably less divided in their support for FTAs than the rest of the population. The profession's favorable position is partly the result of a firm belief in the concept of "comparative advantage," which suggests that countries should specialize in producing those goods and services that they have a relative advantage in. Trade, according to this theory, allows access to the more productive technologies of other countries, and it would be a waste for countries not to specialize, taking full advantage of their various technological and natural capabilities.

The track record of the United States' FTAs in Latin America and the Caribbean is not very encouraging on this score. They have promoted a specialization pattern that emphasizes commodity exports, maquila-manufactured goods, and income generated by migrants—mostly undocumented workers who send home remittances. Under the FTA, if it is approved, Colombian exports of extractive commodities like oil, coal, and nickel, as well as agricultural products like coffee, may fare well in U.S. markets. Colombian corn, wheat, and beans may lose space in the market, hurting mostly peasants and favoring corporations, including U.S. ones, that have significantly increased foreign direct investment in these sectors in Colombia.

Meanwhile, U.S. exports of consumer goods like telephones, automobiles, and military equipment may improve, but will still receive competition from Asian countries, mainly China and South Korea. The direct

losses to U.S. workers might not be significant—in the case of declining U.S. manufacturing jobs, the entry of China into the World Trade Organization in 2001 seems to have had the most recent impact. In the long term, real wages in the United States have been stationary since the early 1970s; declining union membership, macroeconomic policies, and the ascendancy of the conservative movement seem more important to explaining wage stagnation than the FTAs with Latin American countries.

If anyone can be counted as a winner in the Colombia FTA, it is U.S. corporations. The losers, on the other hand, will be Colombian workers. Economists neglect to mention that comparative advantage models assume that workers displaced by foreign imports will be able to find new jobs. If they cannot, it is because they lack adequate skills for their new jobs. In other words, workers must adapt to the shift in available jobs wrought by trade, just as they must adjust to technological change. But in practice, trade sometimes destroys more jobs than it creates, and even if workers acquire the necessary skills, they are often only able to find poorer-quality jobs—with lower pay, fewer or no benefits, insufficient hours—if any.

One of the least-understood problems with FTAs—not only the one proposed for Colombia but all of them—is their role in opening up countries' financial accounts, with deleterious consequences for their economic stability.

The investment rules in the U.S.-Colombia FTA would effectively force the Colombian government to almost totally liberalize its finances; it would not, for example, be able to control flows of foreign investment. Movements of financial assets in and out of the country would effectively be deregulated, and capital controls would be forbidden even in the case of a crisis—at a time when financial deregulation has clearly failed on a global scale.

Colombia has had extensive experience with capital controls since 1993, when the government instituted a Tobin tax, which is meant to dampen short-term, speculative capital inflows by taxing them according to how long they remain in a given country. The Colombian tax was levied at a relatively high rate—13.6% and 6.4%, respectively, for 12- and 36-month inflows. According to a report released in 1999 by the Economic Commission

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for Latin America, these regulations were effective in Colombia, "both in terms of reducing the volume of flows and in improving the term structure of external borrowing."[3] As a result, capital controls seem to have curbed speculation by reducing the volatility of capital inflows and of the exchange rate.

By restricting the Colombian government's ability to use capital controls, the FTA will basically reduce the space for domestic macroeconomic policies to pursue the goals of full employment, higher growth, and better income distribution. Macroeconomic policy will tend to be more subservient to the needs of financial markets, meaning price stability, at the expense of broader macro-economic goals. This basically favors U.S. corporations, which may want to invest in Colombia but will send their profits back to the parent company, financial houses, and speculators, as well as the local elites.

Rather than a "free trade" agreement, the plan that will be sent to Congress should be understood as a corporate and financial liberalization agreement. Workers, in Colombia and the United States, have little to gain from it.

**Notes**

1. "Barack Obama's Feb. 12 Speech," transcript, *The New York Times*, February 12, 2008.
2. Figure cited in Helene Cooper and Steven Greenhouse, "U.S. and Colombia Near Trade Pact," *The New York Times*, April 6, 2011.
3. José Antonio Ocampo and Camilo Ernesto Tovar, Price-Based Capital Account Regulations: The Colombian Experience, Economic Commission for Latin America "Financiamiento de Desarrollo" series no. 87 (Santiago, Chile: United Nations, October 1999).

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*Editor's note: The U.S. Congress passed the U.S.-Colombia Free Trade Agreement on October 12, 2011.*

# Pension funds:
## key players in the global farmland grab

GRAIN

http://jjr100000.blogspot.com

Large-scale agricultural land acquisitions are generating conflicts and controversies around the world. A growing body of reports show that these projects are bad for local communities, and that they promote the wrong kind of agriculture for a world in the grips of serious food and environmental crises.[1] Yet funds continue to flow to overseas farmland like iron to a magnet. Why? Because of the financial returns. And some of the biggest players looking to profit from farmland are pension funds, with billions of dollars invested.

Pension funds currently juggle US$23 trillion in assets, of which some US$100 billion are believed to be invested in commodities. Of this money in commodities, some US$5–15 billion are reportedly going into farmland acquisitions. By 2015, these commodity and farmland investments are expected to double.

Pension funds are supposed to be working for workers, helping to keep their retirement savings safe until a later date. For this reason alone, there should be a level of public or other accountability involved when it comes to investment strategies and decisions. In other words, pension funds may be one of the few classes of land grabbers that people can pull the plug on, by sheer virtue of the fact that it is their money. This makes pension funds a particularly important target for action by social movements, labour groups, and citizens' organisations.

### The size and weight of pensions

Today, people's pensions are often managed by private companies on behalf of unions, governments, individuals or employers. These companies are responsible for safeguarding and "growing" people's pension savings, so that these can be paid out to workers in monthly cheques after they retire. Anyone lucky enough both to have a job and to be able to squirrel away some income for retirement probably has a pension being administered by one firm or another. Globally, this is big money. Pension funds are currently juggling US$23 trillion in assets.[2] The biggest pension funds in the world are those held by governments,

**Table 1: World's top 20 pension funds (2010)**

| Rank | Fund | Country | Total assets (US$ millions) |
|---|---|---|---|
| 1 | Government Pension Investment | Japan | 1,315,071 |
| 2 | Government Pension Fund–Global | Norway | 475,859 |
| 3 | ABP | Netherlands | 299,873 |
| 4 | National Pension | Korea | 234,946 |
| 5 | Federal Retirement Thrift | US | 234,404 |
| 6 | California Public Employees | US | 198,765 |
| 7 | Local Government Officials | Japan | 164510 |
| 8 | California State Teachers | US | 130,461 |
| 9 | New York State Common | US | 125,692 |
| 10 | PFZW (now PGGM) | Netherlands | 123,390 |
| 11 | Central Provident Fund | Singapore | 122,497 |
| 12 | Canada Pension | Canada | 122,067 |
| 13 | Florida State Board | US | 114,663 |
| 14 | National Social Security | China | 113,716 |
| 15 | Pension Fund Association | Japan | 113,364 |
| 16 | ATP | Denmark | 111,887 |
| 17 | New York City Retirement | US | 111,669 |
| 18 | GEPF | South Africa | 110,976 |
| 19 | Employees Provident Fund | Malaysia | 109,002 |
| 20 | General Motors | US | 99,200 |

*Source: Pensions & Investments, 6 September 2010, P&I/Towers Watson World 300*

such as Japan, Norway, the Netherlands, Korea and the US (see Table 1).

Pensions – both the institutionally managed and individually held retirement accounts – were hit hard by the recent financial crisis, particularly in the West. As a consequence, provident funds and pension managers are seeking to rebuild long-term holdings for their clients. Farmland is a big attraction for them. They see in farmland what they call good "fundamentals": a clear economic pattern of supply and demand, which in this case hinges on a rising world population needing to be fed, and the resources to feed these people being finite.

Fund managers see land prices relatively low in places such as Australia, Sudan, Uruguay, Russia, Zambia or Brazil. They see those prices moving in sync with inflation (and, importantly, wages) but not with other commodities in their investment portfolios, thus providing a diversified income stream. They see long-term pay-offs from the rising value of farmland and the cash flow that will in the meantime come from crop sales, dairy herds or meat production. If you were holding on to money that had to be paid out to workers 30 years from now, you too could see the logic.

Scale is one factor that makes the role of these funds important. Pension funds started investing in commodities, including food and farmland, only recently.[3] With both commodities and food prices so steeply on the rise, agriculture is one clear and unmistakable source of pay-off for institutional investors.[4]

**Table 2: Examples of pension funds investing in farmland (2010–2011)**

| Fund | Total assets under management (AUM) | Global farmland investment portion… (% of AUM) | …and its status |
|---|---|---|---|
| AP2 (Second Swedish National Pension Fund) | SEK220 billion [US$34.6 billion] | US$500 million in grain farmlands in US, Australia and Brazil (1.4%) | Planned joint venture with TIAA–CREF. First forays into farmland investing were in 2010 |
| APG (administering the National Civil Pension Fund), Netherlands | €220 billion [US$314 billion] | €1 billion (0.5%) [US$1.4 billion] | A planned increase |
| CalPERS (California Public Employees' Retirement System), USA | US$231.4 billion | About US$50 million (0.2%): – US$1.2 million directly invested in Black Earth Farming – US$47.5 million invested in agribusiness firms with huge int'l farmland holdings: Golden Agriresources, Indofood, IOI Corp, Olam, Sime Darby, Wilmar | Current |
| Dow Chemical, USA | | not revealed | Farmland added recently. Aimed annual returns on US holdings: 8–12% |
| New Zealand Superannuation Fund | NZ$17.43 billion [US$14.2 billion] | NZ$500 million (3%) [US$407 million] | The 3% allocation has been made at the Fund's strategy level. First purchases into domestic farmland have started, to be followed by overseas farmland holdings |
| one US "state teachers fund" (CalSTRS?) | | US$500 million–US$1billion | |
| PGGM (Pension Fund for Care and Well-Being), Netherlands | €90 billion [US$128 billion] | not revealed | May raise farmland allocation in 2011 |
| PKA (Pensionskassernes Administration), Denmark | US$25 billion | US$370 million (1.5%) | By April 2012. In June 2011, made a first placement of US$50 million in SilverStreet Capital's Luxembourg-based Silverland Fund, targeting primarily Zambia |
| some "national government employees pension fund" | | US$2–5 billion | Planned soon |
| Sonoma County Employees' Retirement System Association, USA | | | Expected to allocate 3% to UBS Agrivest Farmland Fund |
| TIAA–CREF (Teachers Insurance & Annuity Association – College Retirement Equities Fund), USA | US$426 billion | US$2 billion in 400 farms in North and South America, Australia and Eastern Europe (0.5%) | Current. They claim annual returns of 10% |

According to Barclays Capital, some US$320 billion of institutional funds are now invested in commodities, compared to just US$6 billion ten years ago. Hedge funds account for an additional US$60–100 billion. These figures are expected to double in the next few years.[5]

Within this panorama, pension funds are said to be the biggest institutional investors in both commodities in general (US$100 billion of the US$320 billion indicated above) and farmland in particular.[6] According to numerous surveys within the industry, pension fund managers are seeking to invest in farmland – a new asset class offering annual returns of 10–20% – as never before.[7] This won't surprise anyone who has been monitoring the big "ag investment" seminars being held in posh hotels from Zurich to London to New York to Singapore over the last three years. Take the Global Ag Investing Conference held at the Waldorf Astoria in Manhattan just last month: the conference attracted about 600 investors, from Bunge to Deutsche Bank. Collectively, this group represented holdings of US$10.8 billion in agricultural assets worldwide, with plans to raise those holdings to US$18.1 billion (up 67%) over the next three years. Farmland is at the centre of the acquisition strategy for many of these firms. Nearly one-third (30%) of them were pension funds.

Today, commodities like farmland make up, on average, 1–3% of pension funds' portfolios.[8] Yet by 2015, strategy decisions being taken now are expected to boost this to 3–5%, the "new optimal".[9] While figures of one, three or five per cent may sound terribly small, these are huge funds, where one per cent may amount to several billion dollars.

Table 2 tries to go a bit deeper and examine some sample farmland portfolios of pension fund managers. But, as so often, the data are opaque and hard to come by.

## Calling them down

The big picture shows that:

1. the largest institutional investors are planning to double their portfolio holdings in agricultural commodities, including farmland;
2. they are reportedly going to do it very soon;
3. the new surge in money will push up global food prices;
4. high food prices will hit poor, rural and working-class communities hard.

It may not be easy to influence pension fund managers themselves. After all, they have no objective other than to make money – including their own cut – with the funds handed to them. But surely labour unions, employee-benefits planning bodies, pension boards, governments, and others who are responsible for strategy decisions about how pensions should be invested and grown can and should be persuaded to divest from farmland and other agricultural commodities.

One recent experience in the US, recounted by Sarah Anderson of the Institute for Policy Studies, gives a good example:

A coalition of family farm, faith-based and anti-hunger groups, along with business associations, have initiated a campaign to persuade investors to pull out of commodity index funds. Their first target: CALSTRS, the California teachers' retirement system, which had been considering shifting $2.5 billion of their portfolio into commodities. In response to the divestment campaign, the CALSTRS board decided on November 4 to adopt a different strategy. Instead of $2.5 billion, they will invest no more than $150 million in commodities for 18 months, while further studying the potential problems.[10]

Such divestment campaigns – which could aim at ensuring that pension funds do not buy into agricultural land overseas – are clearly within reach and could make a difference. And they can add their weight to the broader momentum under way in so many of our countries to rethink two vital matters: food and agricultural policies, which require constructive investment strategies; and retirement systems in general. There is too much at stake not to seize these opportunities.

**Notes**

1. See the materials from the international conference on Global Land Grabbing held on 6–8 April 2011 at the Institute for Development Studies, University of Sussex, UK, http://www.future-agricultures.org/index.php?option=com_content&view=category&layout=blog&id=1547&Itemid=978. See also John Vidal's reports for the *Guardian* (http://www.guardian.co.uk/

world/2011/mar/21/ ethiopia-centre-global-farmland-rush); Alexis Marant's film *Planet for Sale* (http://farmlandgrab.org/post/view/18542); the studies on land deals in Africa being released by the Oakland Institute (http://media.oaklandinstitute.org/land-deals-africa); the Dakar Appeal against land grabbing, drawn up by participants at the World Social Forum in February 2011 and presented to the G20 agriculture ministers in June 2011 (http://viacampesina.org/en/index.php?option=com_content&view=category&layout=blog&id=23&Itemid=36); and the collective statement against "responsible" agricultural land investments launched by La Via Campesina, FIAN, LRAN, WFF and GRAIN in April 2011 (http://www.grain.org/nfg/?id=767).

2. Sovereign wealth funds, by comparison, hold about US$4 trillion in assets.
3. Commodities are basic goods and services that are bought and sold in bulk – such as oil, gold, rice, coffee, copper or beef. "Basic" means that they can be used, like raw materials, to make other goods or services. And "in bulk" means that the item can be pooled from various sources, with a high level of uniformity. Thus a sack of rice or a barrel of oil may be composed of rice or oil coming from various fields or pumps, as long as they have similar basic qualities. Commodities, following the breakdown used by on Values Investment Strategies and Research in a recent report for the Swiss government, are often traded today in the form of futures contracts, physical stocks, so-called "real" assets (like land) and equity in firms that hold productive assets. See Ivo Knoepfel, "Responsible investment in commodities: the issues at stake and a potential role for institutional investors", project co-sponsored by the Swiss Confederation, PRI and Global Compact, Zurich, January 2011, p. 3 (available at http://farmlandgrab.org/post/view/18339).
4. Though some still try to deny it, many people – from investment bankers to civil society organisations (CSOs) – have argued and shown how commodity investors are in fact fuelling the current food-price hikes, particularly since the financial meltdown of 2008. Some recent accessible CSO analysis on the matter include the World Development Movement's work on food speculation (http://www.wdm.org.uk/food-speculation) and material prepared for Oxfam's GROW campaign (http://www.oxfam.org/en/grow).
5. See Ivo Knoepfel, op. cit., p. 2.
6. Ibid., p 16.
7. Many of these land deals are not investments in any productive economic sense. Rather, they are financial schemes to generate returns on capital in the form of rent. See the analysis by Hubert Cochet and Michel Merlet, "Land grabbing and share of the value added in agricultural processes. A new look at the distribution of land revenues", paper presented at the international conference on Global Land Grabbing at the Institute of Development Studies, University of Sussex, UK, 6–8 April 2011, http://www.future-agricultures.org/index.php?option=com_docman&task=doc_download&gid=1174&Itemid=971
8. Some of the biggest funds allocate as much as 7% of their portfolios to commodities.
9. Knoepfel, op. cit., p. 14.
10. Sarah Anderson, "Food shouldn't be a poker chip", IPS, Washington DC, 15 November 2010, http://www.ips-dc.org/articles/food_shouldnt_be_a_poker_chip. For more information, see "Stop gambling on hunger", http://stopgamblingonhunger.com/?page_id=838

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## Busan HLF-4... (continued from page 4)

Also up for decision in Busan was the future governance arrangement of the global aid reform process.

High-level discussions on aid reform have heretofore taken place under the auspices of the DAC through its Working Party on Aid Effectiveness (WP-EFF), a forum of donors, developing countries and civil society acting as a "coalition of the willing." The WP-EFF is also responsible for coordinating the international monitoring of reform commitments.

The BP moves the global aid reform dialogue and monitoring mandate out of the DAC by deciding the phase-out of the WP-EFF and its replacement by an "inclusive and representative Global Partnership for Effective Development Co-operation" (GPEDC) by June 2012.

The agreement invites the OECD and the UN Development Programme to "support the effective functioning" of the Global Partnership. Meanwhile, the WP-EFF will meet in the first half of 2012 and agree on the Global Partnership's membership and other working arrangements by June next year. #

# Some Big Things Ha-Joon Chang Doesn't Tell You About Capitalism

by Paul Street, Dissident Voice

*In a word, the problem isn't neoliberalism – it's capitalism.*
– Ruth Wilson Gilmore, 2011

The popular neo-Keynesian Cambridge (United Kingdom) economist Ha-Joon Chang is a clever man who might do well to think and/or care more about the ecological catastrophe that the modern disaster called capitalism[1] has all too characteristically cooked up for humanity – and a few other things about that system along the way. Don't get me wrong. Chang's recent bestselling book *23 Things They Don't Tell You About Capitalism* (New York: Bloomsbury, 2010) deserves some success. In one often entertaining, chapter after another, Chang exposes deadly falsehoods in many of the prevalent neoliberalism's supposedly self-evident "free market" truths. His volume's market accomplishment makes sense in the wake of epic global economic crisis of 2008-2009 – capitalism's worst meltdown since the Great Depression.[2] The crisis – far from over beneath comforting media and political blather about "recovery"[3] – has significantly damaged the credibility of mainstream neoliberal economic theory, allowing books with titles like *The Myth of the Rational Market* to receive considerable and positive attention in places like the *Washington Post*, *Financial Times*, and even *The Economist*. [4]

## Political economy

Beneath Chang's exercise lay a simple but important idea: "all economic choices are also political ones and it's time for us to be honest about them." Yes. We have a political economy, even when the masters of that economy and economic "science" claim to act and think in purely objective accord with technically neutral, strictly economic requirements. This is a reasonably refreshing thing to hear in a time when the leading mainstream economists and the many policymakers they influence and apologize for routinely proclaim that their supposedly non-ideological and apolitical understanding of economic reality requires public decisions that just happen to dangerously concentrate wealth and power into ever fewer hands and to spread poverty and inequality within, across, and between nations.

Contrary to the anti-planning claims and biases of "free market" doctrine, Chang also usefully reminds us that "capitalist economies are in large part planned by capitalist governments and by large hierarchical corporations that plan their activities in great detail." As Chang observes, "the question is not to plan or not. It is about planning the right thing at the right levels" (p. 200) "… It is [about] appropriate levels and forms of planning for different activities." (p. 209) Neoliberal economics, sold as purely economic market rationality, is in fact political intervention and directed activity on behalf of the rich and powerful.

## Ha-Joon Chang to neoliberal wisdom: WRONG

That regressive model of planning (sold as anti-planning) thrives on belief in, and the dissemination of a number of ideas that Chang shows (in the 23 chapters that match his title and provide the major substance of his book) to be woefully wrongheaded:

- Government must never interfere with "the free market." (Chang says WRONG: Modern economies would collapse without numerous forms of government intervention. Smart capitalists know very well that "there is no such thing as a free market.")

- Companies should always be run in the interests of their owners/shareholders. (WRONG: Shareholders often damage the long-term prospects of companies by over-emphasizing short-term profit.)

- Economic health requires the assumption that people think only about themselves. (WRONG: The most successful firms and national economies understand how to harness peoples' cooperative and altruistic sentiments and instincts.)

- Poor counties need to adopt "free market" (neoliberal) policies (especially "free trade") to achieve sustained growth. (WRONG: Developing countries experienced superior growth in the period of state-led Third World development [1945-1970] than in the period

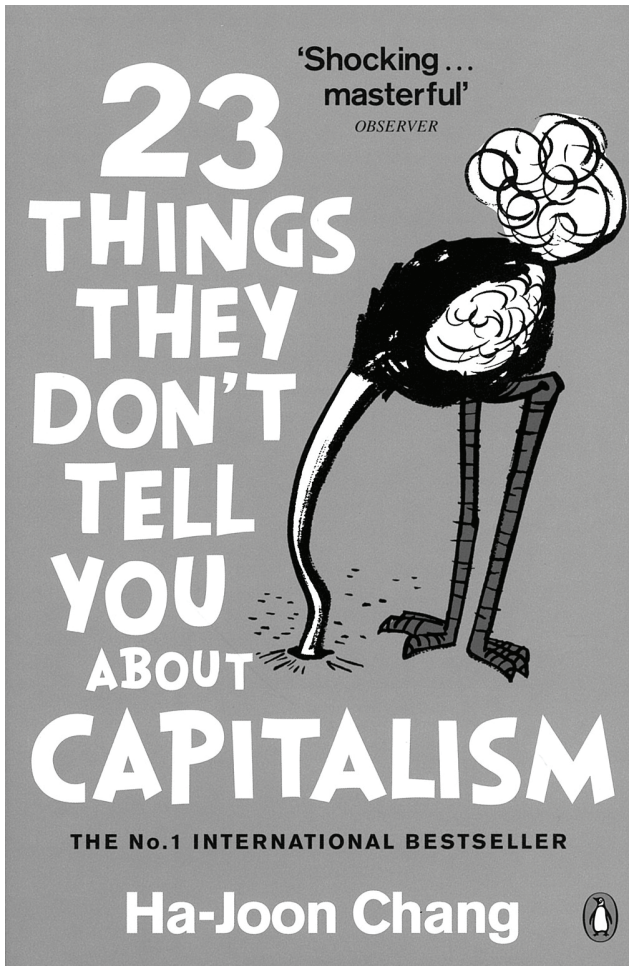
of neoliberal, market-oriented "reform." This is richly consistent with how the world's richest nations – the ones who preach neoliberalism to the rest of the world – rose to ascendancy in the past: "through a combination of protectionism, subsidies, and other [state- and not market-led) policies that today they advise developing countries not to adopt" [p. 63].)

- The relatively free market, capitalist-friendly neoliberal United States enjoys the highest standard of living in the world. (WRONG: Thanks to the nation's remarkably high levels of inequality [itself a symptom of its extreme neoliberalism], millions of Americans do not enjoy the United States' remarkable average living standard. That extreme inequality and the poverty it generates are the main factors behind comparatively poor health indicators and crime levels in the U.S. Higher immigration and poor working conditions are the main reasons that many services are purchased more cheaply in the U.S. At the same time, Americans work considerably longer hours than Europeans so that "per hours worked, their command over goods and service is smaller than that of several European countries [p. 103]."))

- Making rich people richer makes the rest richer too since it is rich people who seek out marketing opportunities and then invest to create jobs. (WRONG: Pro-rich policies have failed to produce economic expansion in the last three decades. "Trickle-down economics" doesn't work. It can have no positive outcomes in the absence of polices that (contrary to neoliberal doctrine) make the rich deliver higher investment and share the benefits with – and put spending power in the hands of – non-affluent people, who spend a higher portion of their income than do the rich.)

- Government must give maximum freedom to big corporations for the good of the countries in which those companies reside. (WRONG: It is often better for the national economy and even the individual company for government to impose reasonable restraints and obligations on those companies.)

- Capital has no nationality in the age of multinational corporations and globalization and therefore it nationalistic government policies towards




transnational capital is "at best ineffective and at worst counterproductive." (WRONG: "[M]ost transnational companies in fact remain national companies with international operations, rather than genuinely nation-less companies" and it is "very naïve to base economic policies on the myth that capital does not have any national roots anymore.")

- Governments lack the ability (including the required expertise and information) to make intelligent business choices and thereby "pick winners" through state-led industrial policy. (WRONG: Governments can and do regularly choose winning firms and industries over and against "market signals" and in ways that can and do "improve national economic performance.")

- The only equality that is economically functional or advisable is equality of opportunity. Policies that seek to generate more equality of outcome are inherently inefficient and unjust. (WRONG: The equality of

opportunity that is required to broaden the spread of economic benefits does not really exist without at least some measures to enhance equality of outcome. Free public education is woefully insufficient to broaden opportunity when it is not accompanied by policies that put a basic decent minimum standard of material living for households on the bottom end of the scale.)

- The big government welfare state damages economies by depriving the rich of the incentive to create wealth and making the poor lazy. It creates resistance to the change that modern economies require. (WRONG: By providing second and third chances and a safety net to the non-affluent, the welfare state encourages workers to be more open to change when comes to choosing their first jobs and letting go of their existing jobs.)

- Efficient financial markets – capable of the rapid allocation and re-allocation of capital across time and place – are the source of economic health and expansion. Recent financial disturbances aside, smart policy makers should do nothing to slow down and complicate the operation of the world's high speed financial markets. (WRONG: U.S. and western financial markets are actually too efficient. The currently over-developed financial sector is now so proficient and organized in the pursuit of short-term profits that it is a leading source of economic instability and is incapable of giving emergent enterprises and industries and complex national economies the patient nurturance they require to develop over time.)

Many of these and other key points in *23 Things* seem to make a lot of common sense in the current slump. Chang's point about the continuing relevance of policy at the national level is important. The arch-regressive capitalism of the post-Cold War era has thrived on the inflated claim that "there is no alternative" (TINA) since globalization has trumped the possibility of regulation and political action and social justice at the geographic levels that real people, government agencies, and popular organizations inhabit. Exaggerated notions of globalization have dangerously encouraged us to see economic life as hopelessly beyond the sphere of possible popular and political influence.

### Capitalism: What's in a name?

Still, Chang's book is plagued by key difficulties that belie its claim to iconoclasm, suggesting Chang's own conservative adherence to dominant Western power structures and doctrines. I find it odd that a book titled *23 Things They Don't Tell You About Capitalism* never stops to define, well, capitalism, a system that has long been subject to various and contested definitions. "Despite its problems and limitations," Chang proclaims, distancing himself from Marxists and other anti-capitalists, "I still believe that capitalism is the best economic system that humanity has invented." But what precisely does Chang mean when he refers to this "economic system," which leftists have long seen as itself a sociopolitical system of class power? (Capitalism, like neoliberalism, is political, after all.)

The 1979 edition of *Webster's New Twentieth Century Dictionary* (unabridged) usefully defines *capitalism* as follows: "The economic system in which all or most of the means of production and distribution as land, factories, railroad, etc., are privately owned and operated for profit, originally under fully competitive conditions: it has generally been characterized by a tendency toward concentration of wealth and, in its later phase, by the growth of great corporations, increased government control, etc."

There are four relevant and interrelated things from radical left analysis ("Marxist" and otherwise) that are missing (for doctrinal reasons) in Webster's definition. The first thing absent is the emergence and ever-rising expansion of a property-less class for whom the sale of their living labor power – the ultimate source of profit for capitalist firms – is their only source of livelihood.

The second thing omitted is the conflict between (a) capitalism's core and only true objective – investor profit and exchange value – and (b) social use value and the common good when it comes to determining the purpose of economic activity. If capitalists determine that things people need to survive and thrive cannot be produced and sold at profitable exchange value, then those things ultimately go un-produced in a capitalist economy. If capitalists calculate that wage-earners cannot be profitably exploited, workers go without employment. If capital can make a profit from producing goods and/or services that harm people and communities, it will generally pursue that productive activity unless prevented from doing so. The greater good of working people, national

economies, and human communities more broadly is simply not capital's concern.

A third thing deleted in Webster's definition is capitalism's recurrent and inherent tendency towards great crises like those of 1929-1930 and 2008-09. Recurrent phases of expansion and contraction are locked into capitalism because of the inherent systemic irrationality involved in the fact that capitalists are driven by market competition to over-invest and over-accumulate, creating excess capacity and undermining overall profitability, and in the related fact that competition compels capitalists to mechanize production to a degree that undermines their capacity to access the ultimate source of profit: the exploitation of living labor power.[5]

The fourth thing missing is the death sentence that capitalism imposes on rational and democratic planning and regulation of economic activity.

### Is neoliberalism a failure and the real culprit in the current global slump?

Can this system really be made better and more responsible and balanced along the lines that Chang wishes to see? Working my way through Chang's repeated claims that various neoliberal policies and beliefs don't really work for capitalists, their system, and for national economies, I could not shake the suspicion that the Keynesian era of the "deliberately reformed" (Eric Hobsbawm) and at least slightly democratized and socialized capitalism of the post-WWII "golden age" (1945-1972)[6] is the real historical capitalist anomaly and that the neoliberal period of so-called free market global capitalism is a reasonably appropriate if miserable representation of what this system is really all about and where it is, historically speaking, in the financialized wake of the long lost New Deal "golden age."

At the same time, I could not stop wondering why western capitalists and capitalist policymakers would have run with the neoliberal policy mix and ideology[3] for so long (from the 1970s through the present in fact) if it was as dysfunctional for capital as Chang seems to think it is. In a favorable review of Chang's book, the senior British economist and prizewinning biographer of John Maynard Keynes Lord Robert Sidelsky that the neoliberal "formula is bound to deliver inferior outcomes."[7] But, as McNally notes in his important recent book *Global Slump: The Economics and Politics of Crisis and Resistance* (PM Press, 2011), many radical economists have for too long mistakenly seen the last four decades as one long crisis of uninterrupted stagnation. McNally observes that the neoliberal period brought a quarter-century of impressive capitalist profit performance and related global economic expansion. Capitalist profit rates rebounded dramatically at the end of the 1970s slump and through the late 1990s. Along the way, wealth and income underwent significant upward concentration in the leading capitalist nations and across the world system. Inequality expanded dramatically at home and abroad. The "free market" formula has worked out fairly well for capital. The collapse that came in 2007-2008, leading to massive public bailouts of private capital and a new era of austerity, did not, McNally shows, result simply from fancy, hyper-"efficient" financial instruments and the related "free market" deregulation of financial markets.[8]

Curiously enough, even at the level of reform, Chang has nothing to say on behalf of the sort of popular social and political action and movements (unions and left parties especially) that helped impose reform on leading western policymakers during the "golden years." Unlike his role model John Kenneth Gailbraith, there is no argument in *23 Things* for the economic "countervailing power"[9] of unions and other popular organizations beneath and beyond the state. In the absence of any call for the rebuilding and expansion of popular social movements and protest, Chang seems to be placing all his hope in the intelligence of sophisticated top-down coordinators who get it that their system needs to be more intelligent and humane for its own good.

### Not caring about "the biggest thing that has ever happened in human history"

Less conjectural is the problematic nature of Chang's adherence – shared with the neoliberals he criticizes – to the reigning growth ideology that has greased the human species' ever-escalating slide into ecological self-extermination. What is the primary sin of the "free market" doctrinaires who are so skillfully skewered in *23 Things*? Failure to deliver on – and the undermining of – the great Western capitalist promise of growth, the leading and desirable goal of smart economic policy.

Chang touches upon numerous problems with the unbridled profits system in *23 Things*, but the most grave and urgent one of those problems – modern capitalism's[10] carbon-addicted

environmental overreach (predicted and warned against by smart statisticians and anti-growth economists in the early 1970s) – receives essentially no attention. It's a disturbing omission, given what we know about the depth and degree of the ecological apocalypse we are already experiencing. An abundance of recent data and observation demonstrates that even many of the most pessimistic climate scientists got it wrong when they started seriously sounding alarms about anthropogenic (human-generated) global warming in the late 1980s and early 1990s. For quite a while, the experts seemed to think that the "tipping point" beyond which human life was gravely threatened was 550 carbon dioxide parts per atmospheric million (double the historical norm of 275 parts per million.)

### The growth ideology

Can capitalism's assault on livable ecology be reversed in reformist, Changian ways? I doubt very much that it can, given the system's ruling class's insatiable need to accumulate capital, the severe limits its "unelected dictatorship of money"[11] places on effective policy for the common good, and its dependence on the ideology (see the next paragraph) as well as the reality of economic growth to keep popular rebellion at bay.

Chang's commitment to growth in the name of a more "humane" capitalism only deepens this impression. As indicted in Chang's *23 Things,* neoliberalism's greatest crime is not its role in furthering capitalism's inherent tendency towards inequality and concentration of wealth but rather its role in allegedly slowing and undermining growth. Of course, as many perceptive observers have noted, growth has long been western capitalism's false and environmentally (some would add spiritually) lethal "solution" for the inequality that capitalism creates. "A rising tide lifts all boats," the conventional western growth ideology proclaims, supposedly rendering irrelevant popular anger over the fact that an opulent minority sails in luxurious yachts while millions struggle on rickety dinghies and in leaking rowboats. As the liberal economist Henry Wallich explained in 1972, "Growth is a substitute for equality of income. So long as there is growth there is hope, and that makes large income differentials tolerable."

"In other words," the perceptive left liberal author William Greider notes, "when growth fails, the political system loses its cover. The safety valve is off. The comforting mythology about growth loses its power to distract the public from anger and to discourage critical inquiry into how the system actually functions."[12] But the pressure on business and political elites to keep the safety valve on – the secret behind the growth attachment that has snared even a clever economic critic (of neoliberalism at least, but not of the deeper problem of capitalism) like Chang – comes at an ever more obviously unsustainable price, setting up a devil's choice between jobs and income for proletarianized masses on one hand and livable ecology for humanity (and other living things) on the other hand. [13]

If there are silver linings in the current epic slump (2008-??), it is that the system's capacity for environmentally disastrous expansion is being slowed somewhat, along with its capacity to pacify the global working class, which has for some time now been engaged in a remarkable surge of resistance that has flowed across national borders in ways that naturally reflect the global nature of financialization in the late, neoliberal phase of capitalism. Faced with the "necessity" of bailing out giant, parasitic financial institutions and corporations with public money stolen from the working majority, the growth ideology has taken a hit, and the ruling class knows it.

Their task is to advance austerity around the world in the wake of the epic absorption of private capitalist debt by the public sector – something that hardly puts core state[15] policymakers and ideologues in the mood for Chang-style change.

Capitalism, Chang proclaims, is "the worst economic system in the world, except for all the others" and "still the best economic system that humanity has invented." Well, then, with all due respect, we had better damn well invent a new and better system – a democratic, participatory, and egalitarian one[16] that might actually deliver on humane promises – as soon as possible. As the newly minted septuagenarian Bob Dylan put it many years ago, "let us not talk falsely now, the hour is getting late."[17]

**Notes**

1. I have always found the leading left-liberal critic of neoliberalism Naomi Klein's widely cited term "disaster capitalism" to be somewhat tautological and redundant. For useful Marxist criticisms of Klein's famous book *The Shock Doctrine: the Rise of Disaster Capitalism* (New York: 2007) – and of capitalism ("always… a shock doctrine of selfish predation, as one can discover from Hobbes and Locke. Marx and Weber," Alexander Cockburn notes) – see Doug

Henwood, "Awe, Shocks!," *Left Business Observer*, no. 117, March 2008; Alexander Cockburn, "On Naomi Klein's 'The Shock Doctrine," *CounterPunch* (September 22-23, 2007). Despite Klein's stronger language and more shocking findings and her connection to left movements and media, Klein's book shares with Chang's the fact that it is directed more at neoliberalism than it is at capitalism as such.

2. For a compelling analysis of the global financial collapse of 2008-2009 as "the first systemic crisis of the neoliberal stage of capitalism," see David McNally, *Global Slump: The Economics and Politics of Crisis and Resistance* (PM Press, 2011). McNally defines neoliberalism as "the policies, practices, and ideas associated with the sharp turn to market regulation of social life since the 1970s. Because this glorification of the market was first preached by the liberalism of the eighteenth and nineteenth centuries, the recent version is commonly referred to as a new or neoliberalism… The effects of neoliberalism," McNally adds, have included increased social inequality, indebtedness for much of the Global South, and heightened policing and militarism." I would elaborate a bit. Neoliberalism contains a significant measure of escalated victim-blaming, with a strong emphasis on how working people and the poor are personally and culturally responsible for their own declining fortunes. Contrary to its free market pretensions, it does not undo ubiquitous state supports and protections for capital and it involves the expansion of the "right hand of the state" (Pierre Bourdieu) – the parts of government that serve the rich and corporate few, distribute wealth and power upward, and discipline and punish the poor – at the expense of the "left hand of the state" (the parts that protect workers and the poor, reduce mass insecurity and inequality, and advance social and political democracy, social inclusion, and security). Contrary somewhat to his obvious intention of communicating with a popular audience, Chang does not offer basic definitions of either neoliberalism or capitalism in his book.

3. Jack Rasmus, "The Coming Double-Dip Recession," *ZNet* (June 2, 2011). In Friday's*New York Times*, the leading liberal economist Paul Krugman refers to "the reality of an economy that remains deeply depressed, at great cost both to today's workers and to our nation's future." See Krugman, "Rule by Rentiers," New York Times, June 10, 2011, A21.

4. Justin Fox. *The Myth of the Rational Market: A History of Risk, Reward, and Delusion on Wall Street* ( New York : Harper Collins, 2009).

5. McNally, 61-84; Karl Marx, *Capital*, Volume 3: The Process of Capitalist Production as a Whole (New York, International, 1967), 211-266.

6. For important historical reflections on why and how and this capitalist reform took place and on the consequences, see Eric Hobsbawm, *The Age of Extremes: A History of the World*, 1914-1991 (New York: Pantheon, 1994), 257-286.

7. Lord Robert Skidelsky, "For a New World, New Economics," *New Statesman*, (August 30, 2010).

8. McNally, 9, 25-60.

9. John Kenneth Gailbraith, *American Capitalism: The Concept of Countervailing Power* (1952).

10. For a recent acknowledgement that capitalism is the problem behind the environmental crisis on the part of a leading and longstanding establishment U.S. environmentalist, see James GustaveSpeth, T*he Bridge at the End of the World: Capitalism, the Environment, and Crossing from Crisis to Sustainability* (New Haven, CT: Yale University Press, 2008).

11. This phrase belongs to Edward S. Herman and David Peterson in their essay, "Riding the 'Green Wave' at the Campaign for Peace and Democracy and Beyond," *Electric Politics*, July 22, 2009.

12. Greider, 202.

13. Since I have been using McNally's *Global Slump* to criticize Chang in an essay that accuses Chang of excessive indifference to environmental issues, it is only fair to add that the increasingly grave assault on livable ecology is essentially a non-issue in McNally's book as well.

14. For my own already dated (a major anti-austerity rebellion subsequently broke out in Spain) attempt to chart this rolling global rebellion, see Paul Street, "North American Report: The Wisconsin Rebellion and its Limits in a Global Perspective," *May Day International*, May 1, 2011.

15. By core states, I mean the richest nations that have ruled the world economy and imperial system since the 1950s: the U.S., Japan, and the Western European nations.

16. For one working outline, see Mike Albert, *Parecon: Life After Capitalism* (New York: Verso, 2003). For a useful discussion of various "alternatives to marketplace capitalism," see Stanley Aronowitz, *Left Turn: Forging a New Political Future* (Boulder, CO: Paradigm, 2006), 199-220.

17. Noam Chomsky, somewhat older than Dylan (but forever young in his willingness to challenge received orthodoxy) recently seconded this judgment: "I do not want to end without mentioning another externality that is dismissed in market systems: the fate of the species. Systemic risk in the financial system can be remedied by the taxpayer, but no one will come to the rescue if the environment is destroyed. That it must be destroyed is close to an institutional imperative. Business leaders who are conducting propaganda campaigns to convince the population that anthropogenic global warming is a liberal hoax understand full well how grave is the threat, but they must maximize short-term profit and market share. If they don't, someone else will." Noam Chomsky, "Is the World Too Big to Fail? Contours of Global Order" *ZNet*, originally *Tom's Dispatch* (April 22, 2011).

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