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“Our Resistance Is as Global as Your Oppression”: Multinational Corporations, the Protest Movement and the Future of Global Governance

**Disciplines**

Business Administration, Management, and Operations

**“OUR RESISTANCE IS AS GLOBAL AS YOUR OPPRESSION”**

Multinational Corporations, the Protest Movement and the Future of Global  
Governance

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“Yet, the basic adjustments demanded by the globalization trend cannot take place without a struggle. Too many interests in the nation states see the economic risks and costs of the adjustments involved, even if justified in the longer term, as unfairly distributed and deeply threatening. In addition, organizations with political or social objectives...see the expanding economic power of multinational enterprises as both a threat and an opportunity; in either case, their hope is to harness the multinationals to their global objectives.” (Vernon, 1998, 219)<sup>1</sup>

“N30,” “A16” and “J18” are movements associated with the dates of large, disparate, and at times violent protests against globalization in Seattle, Washington and London. They were followed by similar events in Prague and Davos, Switzerland.

While the protest movement, can be chaotic, less than articulate and uncertain about alternative futures, it should not be dismissed. Although the extent of popular support for the protests is far from clear, they may reflect widespread angst about the direction that globalization has taken, a sense of a loss of democratic control over outcomes, and a lack of faith in the legitimacy of international institutions.

The anti-globalization and anti-multinational corporation (MNC) movement is comprised of a large number of very different groups with a wide range of concerns: the environment, labor and worker rights, human rights, poverty, inequality, neoliberalism, and consumerism, among others. International economic institutions such as the World Trade Organization, the World Bank and the IMF are one clear target: “Defund the Fund” and “Break the Bank” have become oft-repeated mantras of the marchers.

The power and dominance of multinational corporations, however, is an underlying and unifying theme. Globalization is “corporate globalization.” In Ralph Nader’s words, globalization represents an institutionalized “global economic and political structure that makes every government increasingly hostage to a global financial

and commerce system engineered through an autocratic system of international governance that favors corporate interests” (Wallach and Sforza 1999, p. ix).

Protests against international business and multinational corporations are not new, they go back to at least the middle of the 19<sup>th</sup> century. In this paper, I argue that the current protests differ significantly from past criticism in a number of ways. MNCs typically have been taken to task for specific reasons, for “doing something wrong:” The worldwide protest against Nestle for marketing baby formula in poor countries and Shell’s actions in Nigeria come readily to mind.

While specific criticism of multinationals certainly persists (the protest against Nike’s labor practices, for example) much of the current concern is more general: MNCs are under fire for being MNCs – for their role as the primary integrative forces in the world economy. Furthermore, MNCs and their managers are now seen as individually culpable rather than agents of a global system: the problem is the power of MNCs per se, rather than the structure of global capitalism.

Naomi Klein, an articulate and thoughtful anti-corporate campaigner, puts it well noting that at this point it is not specific injustices but rather the power and prevalence of MNCs that are under attack. “During the years of apartheid, companies such as the Royal Bank of Canada, Barclays Bank in England and General Motors were generally regarded as morally neutral forces that happened to be entangled with an aberrantly racist government. Today, more and more campaigners are treating multinationals, and the policies that give them free reign, as the root cause of political injustices around the globe.” (Klein 2001, p. 338).

The current protest movement involves large numbers of people and may resonate more widely than earlier efforts. Previous protests against MNCs and globalization were generally academic and literature-based. This time around 40,000 people took to the streets in Seattle and millions more were involved through the Net and the World Wide Web. The information revolution makes it possible to link geographically dispersed individuals concerned about globalization and MNCs; in many ways, the protest movement is as global as the firms it opposes.

Furthermore, the motivations of the protesters are broader than those of the past. Popular demonstrations against globalization are not new: 25,000 European farmers marched in Brussels in 1990, for example, opposing possible cuts in agricultural subsidies during the Uruguay Round of trade talks (Torday and Osborne, 1990). The farmers marched because they had direct material interests at stake.

While the majority on the streets in Seattle were U.S. and Canadian union members worried about the impact of trade negotiations on their jobs, a considerable minority were concerned with what Berry (1999) calls *postmaterial* interests such as the environment, cultural homogenization and human rights. The opposition to globalization now focuses on social and cultural as well as economic issues.

Thus, this wave of protest may resonate more broadly than those of the past. It may serve, metaphorically, as a canary in a mine warning of widespread, if less than explicit, concern about the process of globalization and the role of MNCs.

I first turn to a very brief discussion of globalization and next review the historical anti-MNC literature and protests. I will then discuss the current anti-globalization

movement in more detail and close with some observations about the reasons why this wave of protest may reflect broader concern about globalization and MNCs.

## **Globalization<sup>2</sup>**

Globalization is difficult to define precisely. It certainly transcends economic relations, including social, cultural and political processes which are enmeshed in a larger “global” order; forms of social, political and economic organization beyond the pale of the state (Albrow 1997).

The Peace of Westphalia, which ended the Thirty Years War in 1648, is generally accepted as marking the end of medieval universalism and the origin of the modern state system (Krasner 1993). The medieval to modern transition entailed the *territorialization* of politics, the replacement of overlapping and interlaced feudal hierarchies by geographically defined territorially sovereign states. Globalization is corrosive of territoriality; of the organization of economic, political and social life in terms of clearly defined geographic territory. It renders the traditional boundary between the domestic and international diffuse and permeable and requires a dramatic reconceptualization of what is meant by “political space” (Rosenau 1997).

Globalization entails both deep integration and interconnectedness: networks of relationships between a large number of heterogeneous social, cultural, political and economic organizations. Deep integration reflects the internationalization of production, a shift from trade to investment and thus from political concerns about regulations at the border to the domestic regulatory framework at large; it is a major reason for the blurring of the line separating the domestic from the international.

MNCs are the primary vehicles of deep integration. By the late 1990s, 63,000 Transnational Corporations with over 690,000 foreign affiliates accounted for about 25% of global output (UNCTAD 2000, p. xvii). Roughly half of world trade takes place between units of multinational firms; MNCs coordinate international economic flows and allocate activities and resources worldwide.

Perhaps more important, the emerging world economy – and more generally the global system – is networked: it is relational rather than hierarchical. A networked world economy entails a complex web of large numbers of transactions rather than a series of bi- or trilateral arrangements between firms. MNCs are only one part of the emerging global network: “The spatial reach and density of global and transnational interconnectedness weave complex webs and networks of relations between communities, states, international institutions, non-governmental organizations, and multinational corporations which make up the global order” (Held, et al. 1999, p 27).

Diebert (1997, p ix) has characterized the post-modern world order as “a place inhabited by de-territorialized communities, fragmented identities, transnational corporations, and cyber spatial flows of finance.” A world that is a pastiche of multiple and overlapping authorities.

A sign held by anti-globalization protestors at Davos in 2001 read “Our resistance is as global as your oppression.” Much of the opposition to globalization and MNCs is itself a function of globalization, individuals and groups from disparate geographic locations tied together through electronic networks and common objectives (Kobrin 1998a). The emergence of an aterritorial networked global system is at the root of the



problem of legitimacy of international institutions and inexorably links both MNCs and the anti-corporate movement in interwoven, global electronic webs.

One other question bears critically on any evaluation of the anti-globalization and anti-MNC protest movement: is globalization a function of material conditions – of underlying technical and economic change – or is it socially constructed, an artifact of the way we have chosen to organize political and economic activity?

Does one agree with Marx (1970, p. 20) that “...neither legal relations nor political forms could be comprehended whether by themselves or on the basis of a so called general development of the human mind, but that on the contrary they originate in the material conditions of life...” Or with Lichbach (2001, p. 5) that “Globalization...involves a conscious process of restructuring and reconstituting the global political economy – molding international, regional, national, and local institutions to serve the increasing economic integration of the world.”

The answer to that question determines, in large part, one’s counterfactual model to globalization as it exists; whether one believes that it is productive to talk about “stopping” or even reversing “corporate dominated globalization,” or rather as the organizers of the World Social Forum of 2001 put it, embracing “an alternative approach to globalization...to acknowledge its benefits while at the same time seeking ways to blunt its sometimes brutal impact on communities and labor forces” (Buckley 2001).

### **Anti-Global History**

Concern about the impact of international economic activity predates the term “Multinational Corporation” first used by David Lilienthal at a conference at Carnegie Mellon University in 1960 (Fieldhouse 1986). Marx and Engels argued that

globalization (or at least the bourgeoisie being chased over the “whole surface of the globe”) was a function of capitalism’s need for constantly expanding markets.

Exploitation of the market gives “a cosmopolitan character to the production and consumption in every country.” It has “...drawn from under the feet of industry the national ground on which it stood.” As a result, “old established national industries have been destroyed or are daily being destroyed” (1998, p 39).

To Marx and Engels the internationalization of capital is simultaneously destructive (“all that is solid melts into the air, all that is holy is profaned...”) and progressive; it represents a necessary step in the eventual evolution of socialism. The elimination of national industries and universal interdependence is *structural*, it is a property of the system; individual capitalist firms and individual capitalists cannot act in any other way.

While Hobson was a liberal rather than a Marxist, writing just after the turn of the 20<sup>th</sup> century he described the international expansion of capitalism through economic imperialism as a malfunctioning of the system (Cohen 1973). The “taproot” of imperialism was the maldistribution of income in the advanced countries which forced a struggle for overseas markets. The remedy was also systemic, an increase in the purchasing power of the mass of workers.

Similarly, Lenin saw imperialism (and by extension World War I) in systemic terms, as a function of uneven and “spasmodic development inevitable under the capitalist system” (1973, p. 60). His briefest possible definition of imperialism was “the monopoly stage of capitalism,” imperialism involved the export of capital rather than goods.

## The First Wave

Multinational corporations spread rapidly during the 1950s and 1960s. The number of subsidiaries of American MNCs, for example, more than tripled from 1950 to 1967 and the average size of subsidiaries grew by 50% (Department of Economic and Social Affairs 1973). This dramatic expansion produced a first wave of literature concerned with the political, social and economic impact of the multinational corporation.

Much of the mainstream criticism of the MNC, of which Vernon's *Sovereignty at Bay* is emblematic, dealt with the impact of global firms on states and the state system (Kobrin 2001). Concern was expressed about the distribution of costs and benefits associated with the MNC, jurisdictional conflict, and problems of control resulting from the asymmetry between an interstate system grounded in territorial jurisdiction and the international network of the multinational firm.

The mainstream critique of the MNC was structural and systemic – it did not assign culpability to firms or their managers. The difficulty of exerting national control over international actors flowed from an asymmetry between the scope and organization of international firms and local, territorial nation-states. Solutions proposed often involved increased international cooperation.

The more radical critique of the MNC during the 1960s and 1970s was comprised of two related strands which were differentiated, somewhat, by their ideological base. The literature of neo-imperialism had its roots in a Marxist view of the international economy and generally saw problems posed by international capital in general, and MNCs more specifically, as structural, as a function of the global capitalist system.

Barnet and Muller's *Global Reach* was, in many ways, closer to the current wave of protest. They saw the global corporation as "the first institution in human history dedicated to central planning on a world scale" and argued that managers of global corporations are demanding "the right to transcend the nation-state, and in the process, to transform it" (1974, p14, 15). Their concern, to which I will return, was their belief that the power of MNCs and their managers was excessive and illegitimate; their solution was a combination of empowerment of national governments and effective international regulation.

It is of interest to note that while *Global Reach* was widely read and commented upon and while theories of imperialism dominated International Political Economy for a time, neither motivated massive street demonstrations against the MNC.

### Neoimperialism

Theories of neoimperialism assume that dependence and poverty in the developing countries are structural and systemic. Neoimperialism understands capitalism as a global international system, and sees national economies and nation states as subsystems within it. "Development and underdevelopment, in this view, are simultaneous processes: the two faces of the historical evolution of the capitalist system" (Sunkel 1972, p. 519-20).

The mechanism of control differs in Classical and Neoimperialism. In the former, control of the periphery by the center is established directly through colonialism; in the latter control is exercised through international organizations rather than a physical presence. For economic imperialism, the international organizations that matter are multinational corporations (Galtung 1979).

Multinational firms are thus the primary vehicles through which undesirable impacts on development are manifest. The Report of the Group of Eminent Persons (to the United Nations) concludes that “fundamental new problems have arisen as a direct result of the growing internationalization of production as carried out by multinational corporations” (1979, p. 310). The problems are seen as structural, “multinational corporations in their present form and dimension are products of the international economic system in which they operate” (318).

Similarly, Hymer (1972, p. 114) believes that the problems produced by multinational firms -- a hierarchical division of labor between geographical regions corresponding to the vertical division of labor within the firm (i.e., headquarters, regional headquarters and branch plant countries) -- are systemic. They are a manifestation of “the tendency of the system to produce poverty as well as wealth, underdevelopment as well as development.”

The literature of neoimperialism is relatively specific about the impact of MNCs on poor countries. Biersteker (1978) provides a partial summary: denationalization of existing industries through acquisition and competition; a detrimental impact on indigenous production; displacement of the indigenous entrepreneurial class and cooption of local nationals as managers of the MNC; transfer of inappropriate technology which increases dependence on the center and inhibits indigenous technological development; and the displacement of local products by inappropriate patterns of consumption.

The essence of dependency is a shift in the locus of control from the periphery to the center, from the developing to the advanced industrial countries. As a result, the

dependent developing countries have little, if any, control over critical decisions affecting their economies and their societies.

Concerns about dependence were not limited to developing countries. In his introduction to Levitt's *Silent Surrender* (1970 p, xiv), Watkins argues that "What is presumably going on beneath the surface is an insidious tendency for foreign direct investment to result in the shift of the locus of decision-making from Canada as host country to the United States as imperium."

In Levitt's view, Canada remains dependent despite her wealth, a peripheral satellite of the U.S. "The new colonialism is carried by the ideology of materialism, liberalism and anti-nationalism. By means of these values they seek to disarm the resistance of national communities to alien consumption patterns and the presence of alien power" (1970, p. 98). She argues forcefully that power must be restored to national governments.

The literature of neoimperialism was better at analysis than action. At its best it dealt systematically with the problems posed by international capitalism and the MNC. However, short of revolution, alternative futures – counterfactual scenarios -- were far from clear. As Biersteker notes, "Although not always explicitly stated, critical writers assume that there are feasible alternatives to the multinational corporation in the form state corporations, an indigenous private sector or some combination of both" (1978, p. 2).

### Global Reach

Barnet and Muller target MNCs and their managers of directly: "The men who run the global corporations are the first in history with the organization, technology,

money, and ideology to make a credible try at managing the world as an integrated unit.” Their underlying assumption is that MNCs manage the world to reflect their interests at the expense of everyone else’s. Their legitimacy is questioned directly: “by what right do a self-selected group of druggists, biscuit makers, and computer designers become the architects of the new world?” (1974, p. 13, 25).

*Global Reach* is concerned with increasing concentration – global oligopolies, central control, the separation of production from territory (the global factory) and the imposition of developed country consumption patterns on the world (the global shopping center). Any local law or regulation that inhibits the free flow of capital, goods, technology, etc. is seen by managers as “irrational nationalism” which gets in the way of a more efficient world economy.

A clash between corporate interests and national interests is to be expected, and the assumption is that when it occurs, the former will dominate the latter.

Foreshadowing later arguments, Barnet and Muller argue that the power of both organized labor and the nation-state is no longer adequate to oppose that of the MNC. Despite the fact that managers of global corporations are neither elected nor subject to popular scrutiny, “in the course of their daily business they make decisions with more impact on the lives of ordinary people than most generals and politicians” (1974 p. 214).

Last, MNCs are responsible for a number of specific problems: dependence; uneven development and thus the exacerbation of poverty; inequality; the deterioration of living standards and employment rights; the stimulation of inappropriate consumption patterns in poor countries; promoting capital flight from LDCs, compounding world hunger; among others.

Echoing Lenin, Barnett and Muller ask “What then, can be done?” Their answer is that as the challenge is systemic, the response must be systemic. First, MNCs must be made to disclose sufficient information to allow national governments to understand the real nature of their transactions. Second, a precondition for effective international regulation is “the restoration of certain powers to national governments and local communities to manage their own territory” (372). Last, the free market is an “historical relic,” MNCs are public actors and must be regulated “to restore sovereignty to government” (375).

Barnet and Muller foreshadow arguments of the current protest against “corporate globalization.” They focus clearly on MNCs as the problem, citing the decline of countervailing power of national governments and labor, target firms and managers as individually culpable, and assume that the genie can be put back in the bottle, that power could be given back to national governments and that would be a solution to the problem.

### **CORPORATE GLOBALIZATION**

It is impossible to summarize concisely the concerns of the anti-globalization movement; it is made up of a large number of very disparate groups and no one speaks for it. The opposition to MAI (Multilateral Agreement on Investment) negotiated at OECD, for example, included over 600 organizations in 70 countries, many linked electronically through email and the Net (Kobrin 1998a). While the anti-globalization movement is diverse and inchoate, there are some common themes in evidence.

The movement is concerned with a number of specific problems such as increasing poverty, inequality, abuse of human and worker rights, and environmental degradation which are associated with globalization, but which might well exist



independently of it. There is no question, for example, that inequality – both across and within nations – has increased over the past decade and that the number of people living in extreme poverty (less than \$US 1 per day) has declined only marginally (Secretary of State for International Development 2000). What is at issue is whether a temporal correlation with globalization implies causality.

While, there is marked disagreement among anti-globalizers about the nature of globalization and feasible solutions to its problems, they are likely to agree that poverty, inequality and abuse of the environment are caused, at least in part, by “corporate dominated” globalization. At best, there is an assumption that the cost/benefit ratio can be redressed through social control of the process; at worst that the neoliberal paradigm and globalization itself are inherently flawed and that it must be stopped or even reversed.<sup>3</sup>

Poverty, inequality and the environment are critical issues of our time. The question of their causal relation to globalization and MNCs is complex and contentious and will not be dealt with here. My objective is to compare the current opposition to the MNC to earlier efforts and to try to understand whether, and why, the anti-MNC and anti-globalization movement resonates more widely now than in the past. Those objectives will best be served by dealing with objections to globalization and MNCs at a somewhat more abstract and less specific level of analysis.

I focus on four interrelated and interwoven criticisms of globalization and the MNC:

1. There has been a dramatic increase in the power of multinational corporations relative to national governments and civil society. As a result, globalization and its institutions are dominated by corporations:

the international economic system is structured to protect and enhance the profitability and power of the MNC;

2. The global system and international institutions are neither transparent nor democratic. There has been a marked loss of accountability and democratic control resulting from the shift of power from national governments to the market and international institutions;
3. Deregulation and neoliberalism have extended the scope and power of the market to envelop all aspects of social, cultural and political life. Non-market values no longer matter; and
4. Globalization involves a Western or American consumerist mentality over-washing all, which has markedly reduced diversity and the availability of local products. It is a force for homogenization: the “McDonaldization” of the world.

### Ontologies

Rosenau (1997) argues that any interpretation of world politics has to be anchored in a larger context, even if it is vague or contradictory. He defines ontologies as our most basic understanding of world politics. While a coherent ontology of the protest movement would be a contradiction in terms, several aspects of an admittedly imputed world view are important.

The concerns of the protest movement assume what I have described elsewhere (Kobrin 1998b) as a post-Westphalian or postmodern view of world politics: a shift from an international system comprised of like actors (states) to one where multiple authorities are the norm. While states may remain the most important actors in international politics, regional authorities (e.g., the EU), civil society groups, MNCs and international organizations and institutions all play a significant role. There is, however, a great deal of disagreement about how much state power has eroded, and conversely, how difficult it would be to restore authority to national governments.

That leads to a second issue. The protest movement can be broken down into two rough groups that can be characterized as globalization romantics and globalization realists. The former assume that globalization is a socially constructed phenomenon, one choice among many possible modes of organization of economic and political activity, and that reversing it is a matter of political will. They believe that problems such as environmental degradation, poverty, inequality, and the democratic deficit can be solved by restoring full power and authority to national governments. As noted above, this counterfactual scenario is assumed rather than developed.

The realists believe that there is a material basis to globalization. While some of its manifestations may well reflect conscious choice, the phenomenon itself is irreversible and the solution to the problems we face involves both reforming the process of international governance and devolving powers to states where possible.

They are more likely to agree with the Declaration of the United Nations Millennium Summit (United Nations 2000, 2) that "... the central challenge we face today is to ensure that globalization becomes a positive force for all the world's people. For while globalization offers great opportunities, at present its benefits are very unevenly shared while its costs are unevenly distributed." They support the need for a rule based international system but raise serious questions about process: who makes the rules, how are they made, and who benefits from them?

### Corporate Domination

"Corporate globalization" subsumes more than objectives or outcomes: it refers to the belief that corporations are the dominant political actors of our time. That the real nexus of economic and, to some extent, political decision making has shifted from

national governments to international institutions controlled by corporate interests, and to the corporations themselves. Corporate power is exerted indirectly through international institutions such as the WTO or the IMF, or directly through private sector domination of international politics.

As Gill (2000) notes, there is a basic assumption that the current international system is structured to privilege corporations and corporate profits above all other actors and all other objectives. That globalization, neoliberalism, and most international economic institutions are simply vehicles to protect and extend corporate power, objectives and profits: to protect intellectual property but not human rights; to privilege corporate rights over the environment.

Wallach and Sforza (1999, 173) claim that “The Uruguay Round Agreements...create a system of global commerce best suited to large multinational corporations...” Similarly, the IFG (The International Forum on Globalization) argues that international trade and investment agreements, the World Trade Organization, regional agreements such as Maastricht and NAFTA combined with the structural adjustment policies of the International Monetary Fund and the World Bank result weakened democracy and “create a world order that is under the control of transnational corporations” (IFG 2001).

Thus, agreements such as NAFTA and organizations such as the WTO are seen as a means to institutionalize ever-more extensive charters of rights and freedoms for corporations. The protesters perceive the neo-liberal agenda (of which more below) as a means to strengthen the power of private investors and large shareholders (Gill 2000, p 134).

Tony Clarke, a Canadian activist who was very involved in the anti-MAI effort, argues that there has been a silent coup, that “what seems to be emerging is a corporate state that is primarily designed to create the conditions necessary for profitable transnational investment and competition” (Clarke 2001). He believes that corporations and their managers have taken political and economic power from the state and other segments of society to restructure the system to their benefit.

#### Accountability and Democratic Control

We live in a world characterized by critical problems that are inherently international; global warming, acid rain, AIDS, drug trafficking, and rules for trade and investment. Progress in each of these issue areas requires international cooperation, either thorough multilateral agreements or international institutions; they cannot be dealt with successfully at the national level.

Many in the anti-globalization movement accept the reality of globalization and agree that a rule based international system cannot be avoided. Lori Wallach, for example, has said that “There need to be international rules, no doubt – again, we’re not calling for autarky...” (Naim 2000, 37).

There are, however, strong – perhaps vehement is more appropriate – objections to both the substance of existing rules and, perhaps more important, the nature of the rule making process. Protesters argue that global governance institutions must reflect the needs of a much wider segment of humanity than they are perceived to at present, and that they must be made more democratic and accountable.

This perceived loss of accountability and democratic control as the decision making process shifts from national governments to international institutions such as the

WTO, the World Bank and the IMF is an overriding concern of many in the movement. “None of the problems thrown-up by globalization...can be effectively tackled without accountable and representative institutions for global governance” (New Economics Foundation 2000, 2).

Decision making in areas perceived as critical by many groups and individuals has shifted from tangible, and in many cases, open and democratic national governments to what is seen as a much more ephemeral, murky and much less democratic set of poorly understood international institutions. Thus, *The Public Eye on Davos*, a joint effort of several NGOs to challenge the 2001 Annual Meeting of the World Economic Forum, suggests that what they describe as a cabal of the world’s elite at Davos “shape opinions and take decisions affecting the whole world in an environment de-linked from the earthly constraints of democracy, transparency and accountability” (2001).

#### Neoliberalism and the Dominance of the Market

During the trial of Jose Bove, the French farmer turned McDonalds smasher and anti-globalization activist, protesters carried banners saying “The World is Not For Sale.” The end of the Cold War, the collapse of State Socialism, and the “End of History,” led to a period when deregulated markets appeared to sweep all alternative views of economic organization aside, at least temporarily. Globalization has become synonymous with neoliberalism, deregulation and the extension of the market to virtually all areas of social life: health care, education, and consumer protection, among others.

The anti-globalization, and anti-MNC movement is as much a protest against neoliberalism and the perceived commoditization of social life as it is against

globalization itself. Deregulation, the opening of markets and the intrusion of the market as an organizing concept into new spheres of social life, are inseparably linked.

Neo-liberalism is the removal of barriers to free movement of goods and capital around the globe. The benefits of open borders are far from clear to many who believe that unrestricted flows of goods (free trade) and capital (both short term and long term), have had markedly negative effects on workers, the environment and disadvantaged groups in both poor and rich countries.

Greider (1997), for example, worries about a race to the bottom. He argues that globalization, in the form of unregulated free trade, results in a flow of manufacturing and jobs to the poorest countries where the wages are lowest and working conditions the worst. In an argument that is parallel to Hobson's, he asks if the system is sustainable if jobs are transferred to workers who do not make enough to buy the products that they produce.

A related issue is commoditization, the argument that most aspects of society and social life would be more effective and efficient if they were subject to the discipline of the market. That, to paraphrase Kuttner (1999), all life should be taken as economic life and organized as a pure market. Again, the idea of the market as a universal solvent is taken a coterminous with globalization by many in the protest movement. They agree with Lionel Jospin that while a market economy may be acceptable, a market society is not.

The controversy surrounding globalization has spawned a renewal of interest in the work of Karl Polanyi, particularly *The Great Transformation* (1957). Polanyi believed the historical evidence indicates that self-regulating markets are not sustainable;

that markets must be embedded in the social and political order to survive. In a postmodern world system, however, the appropriate social and political order in which markets are to be re-embedded is problematic.

### McDonalization of the World

To many, globalization is Americanization; the expansion of American consumerism and the American consumerist mentality throughout the world. There is a good deal of concern about increasing homogenization, the elimination of local products and local ways of life by mass produced and mass advertised consumer goods.

One of Jose Bove's reasons for trashing McDonalds is that it is a symbol of homogenization: "In each McDonald in the world, you eat the same thing. It is exactly the same kind of standardization of food in France and Asia and America and Africa. It is always the same" (Nightline 2000).

Globalization, deregulation, and the homogenization of products, life styles and culture are all seen as part of the same phenomenon. In *No Logo* (2001, xvii), Klein relates globalization and global branding to "another kind of global village, where the economic divide is widening and cultural choices narrowing." She argues that multinational corporations and global branding are transforming culture into "little more than a collection of brand extensions-in-waiting (30) and that in turn, is a function of deregulation.

As noted above, this concern is hardly new. Over 150 years ago Marx and Engels discussed, to use the term anachronistically, the spread of consumerism and the displacement of local production, "...in place of the old wants, we find new wants which



require the products of distant lands...in place of the old local and national seclusion and self sufficiency, we have...universal interdependence of nations” (1998, p. 139). More recently, the reaction to the spread of Western (or more directly, American) products and consumerism to poor countries – at the expense of more suitable local products – was an important part of the reaction against industrialization and “modernization” in the 1970s.

That be as it may, an important part of the anti-globalization protest is a protest against global brands and global uniformity. The argument, however, runs deeper. To again quote Klein (2001, 330) “At the heart of this convergence of anticorporate activism and research is the recognition that corporations are much more than purveyors of the products we all want; they are also the most powerful political forces of our time.”

That brings us back to the issue of the dominance and power of multinational corporations and to the question of whether and why, at this point in time, the anti-globalization and anti-MNC protest has gained relatively broad support. Why does it resonate so well at the start of the 21<sup>st</sup> century?

### **A World in Transition**

Globalization is a transition from a world ordered geographically, where the basis for economic and political organization is sovereign territoriality, to an aterritorial networked mode of organization whose form is not yet clear. Control over space, national markets and nation states, is no longer sufficient to insure control over economic and political activities. The new forms of governance which are just beginning to emerge lack legitimacy and are poorly understood. Thus, we face a world where old and familiar modes of governance are becoming problematic and new institutions more suited to a global age are just beginning to evolve.

That is certainly cause for wide spread angst and uncertainty and it is reasonable to ask whether that has been translated into broad support for the protest movement. The data are mixed and rather limited.

### The Data

A Business Week-Harris poll conducted just after the “Battle of Seattle” found some support for the protesters. A majority of respondents (56%) were either very or somewhat familiar with the events surrounding the WTO summit and 52% felt sympathetic toward the protesters. Twenty-two percent said that they viewed globalization less favorably as a result of the protests (Businessweek Online 1999).

The evidence on beliefs about globalization and international trade is mixed, and the answer often depends on the context of the question. As Mendelsohn and Wolfe (2000) observe (in a discussion of Canadian opinion), the public often does not have a great deal of information about international affairs in general and trade in particular. They argue that opinion is more latent than real and that “a survey question about ‘trade,’ therefore, may be asking citizens about something they neither think about nor understand” (2000, 13).

There is a tendency to reply that globalization (or trade) is “good” for consumers, the American economy or companies, but “bad” for creating jobs domestically and the environment. In the Business Week-Harris poll, for example, 64%/65% of respondents believe that trade/globalization is good for consumers, 59%/65% for American companies and 60%/61% for the U.S. economy. However, 57%/45% feel it is bad for creating domestic jobs and 43%/44% for the environment (a plurality in both cases).

Other data indicate a similar ambivalence about globalization, multinationals, and free trade. A national poll conducted for the Program on International Policy Attitudes (PIPA 2000), indicates that Americans view globalization as a mixed bag of positive and negative elements with 53% of respondents “rating” globalization as positive and 30% rating it as equally positive and negative. While 61% believe that the U.S. should either actively promote globalization or simply allow it to continue a significant minority (34%) believe that it should be slowed down or even reversed.

Very relevant here, 54% of respondents agree that U.S. officials give too much consideration to the concerns of multinational corporations and overwhelming majorities feel that there was much too little consideration given to the concerns of the general public (68%), working Americans (72%) and “people like you” (73%). A Pew Research Center Poll in the April of 1999 found that 52% of respondents feel that globalization would hurt the average American because of competition from cheap labor and job losses. Sixty-nine percent believe that increasing globalization will have a great deal or some impact on them “personally” (Public Perspective 2001).

While the data are limited, it is clear that a considerable number of Americans are concerned about globalization and its impacts on the economy and on them personally. When it comes to “post materialist” concerns such as the environment, support for globalization or free trade weakens considerably. In summarizing Canadian data on trade in the aftermath of Seattle, Mendelsohn and Wolfe (2000, 3) conclude that the extensive interaction that has occurred between civil society, trade officials and the media may have constructed a “new reality” with opposition to trade, and by implication globalization, “motivated largely by social rather than economic concerns.”

Although one certainly cannot conclude that the average American supports the protest movement, it is fair to say that a substantial minority are not entirely comfortable with globalization and may be sympathetic to its concerns, if not its methods. It is important to note that these polls were conducted when the U.S. economy was strong, indeed most respondents were experiencing unparalleled prosperity. One cannot but wonder how opinions would be affected by a serious economic downturn.

### Corporate power

The protesters are correct that political and economic power has shifted from states to markets. Strange puts it well, "...the centre of gravity in world politics has sifted during the last quarter century from the public agencies of the state to private bodies of various kinds, and from states to markets and market operators" (1996, 95).

The relative importance of MNCs in the world economy has increased dramatically in since the 1970s. The number of MNCs headquartered in the 15 advanced countries responsible for most foreign direct investment (FDI) increased from about 7,000 in the late 1960s to 40, 000 in the late 1990s. The ratio of FDI to gross domestic capital formation increased from 2% around 1980 to 14% in 1999; similarly, the ratio of the world's stock of FDI to world GDP increased from 5% to 16% over the same period (UNCTAD 2000).

Perceptions of the increase in power of MNCs relate both to their relative importance in the world economy and the relative of power of those who might oppose them. From the end of the Second World War through the 1970s both national governments and labor unions provided effective countervailing power to that of the private sector. Since that time, both have lost power relative to the MNC.

Labor union membership in the U.S. has declined precipitously from a peak of 35% of workers in the 1950s to 13.5% in 2000 (Greenhouse 2001). Furthermore, the internationalization of production, the mobility of capital, the formation of alliances that allow rapid shifting of business functions, and the trend to international outsourcing have compromised the bargaining power of labor.

Similarly, the mobility or potential mobility of capital compromises the bargaining power of national governments versus MNCs. Corporate tax revenues as a proportion of total revenues has fallen in the U.S., and it has fallen relative to the share of corporate profits in all of the OECD countries. While the reasons are complex, Hines (1999, 312) concludes that there is ample evidence of aggressive tax avoidance behavior on the part of MNCs and a “race to the bottom” with competitive tax reductions on the part of governments.

Given the scale and complexity of technology and the tendency towards research and development alliances, governments have become increasingly dependent on MNCs’ international operations to remain technologically competitive. In short, the perception that corporate power has increased relative to other societal groups is realistic. The poll data cited above reflect some degree of public concern about the role and power of MNCs, or at least large corporations in general.

### The End of the Cold War

The bi-polar Cold War era was ordered and predictable. The overriding issue was security which was clearly a function of national governments. Although economic issues became more important over time and “complex interdependence” (Keohane and

Nye 1977) did violence to the idea of a strict issue hierarchy, the Cold War system was well ordered, structured around two major powers.

The current world order is evolving as a complex network which is much less ordered and predictable. As noted above, while many issues such as the environment, disease and crime are inherently international, governance mechanisms at the supra-national level are not well established and those that are lack legitimacy.

The attention given to issues such as poverty, inequality, disease, the environment and the abuse of human and worker rights in the media and on the Internet have dramatically increased awareness of, and concern about, these problems. While there is increasing recognition that they cannot be dealt with effectively by national governments in isolation, there appears to be little knowledge of and confidence in the ability or legitimacy of international institutions. There is increasing awareness that we live in a complex world with no one in charge. That certainly tends to increase angst and uncertainty which is expressed in terms of concern about globalization and its most visible actors – the MNCs.

While the end of the Cold War was not the “end of history,” it did markedly loosen the grip and explanatory power of Marxist and Socialist mega-theory. It is difficult to accept macro, structural explanations for events in a post-modern world. Furthermore, while there are certainly marked disagreements about the form capitalism should take and the limits of the market, there are no serious contenders for the organization of economic activity. When we are all inside the tent, it becomes difficult to see it clearly.

The net result is that structural explanations for behavior are now less convincing and it is easier to ascribe negative outcomes – the dark side of globalization – to the motives and actions of individual actors. Thus, if globalization is seen as producing poverty and inequality and as having a deleterious impact on the natural environment, MNCs and their managers, as the principal agents of cross-border integration, are seen as directly responsible.

### The “Cult” of the CEO

In a recent book, Garten (2001, p. 6) argues that “CEOs are major actors in the drama called globalization.” He concludes that many are ambivalent, or even uncomfortable, defining the scope of their roles and responsibilities in the new global order; there is no question, however, that they, as well as their firms, have become major and very visible players on the world stage.

It is arguable that one major difference this time around is the prominence and public awareness of CEOs as individuals. While names like Bill Gates, Richard Branson, Jack Welch and Jurgen Schrempp may not yet be household words, they are much better known than their counterparts in the past. J.P. Morgan and John D. Rockefeller were certainly seen as capitalist symbols in their time; however, their lives were relatively private and, without electronic media, their pronouncements less widespread.

At the start of the 21<sup>st</sup> century, many CEOs have become media figures, well known in their own right. While it is certainly speculative, it is reasonable to assume that there is a greater tendency than in the past for CEOs to personify globalization and that makes it more likely that protesters will assign individual rather than structural culpability for some of the problems associated with globalization.

## The Information Revolution

International civil society in general, and the anti-globalization movement in particular, are products of the information revolution: the Internet and the World Wide Web. One of the major reasons for the success of the movement to date is its ability to link geographically dispersed groups and individuals with common interests electronically through email and Web sites. As noted above the protest movement is as global, and as technologically dependent, as the MNCs they oppose.

All of the major demonstrations including Seattle, Washington and Davos were planned and coordinated over the Net. The movement is inherently electronic and the protests can be seen as physical manifestations of a virtual movement. One of the reasons this protest movement may resonate among a larger audience than those of the past, is that many more people can be involved electronically. Furthermore, the Net has proven to be a very effective vehicle for personalizing larger threats, for talking about the problems posed by globalization in terms that are directly relevant to a large number of different audiences.

## Employment Anxiety

The information revolution has also had marked and significant impacts on work and employment. There has been a massive shift from manufacturing to services in the advanced countries, a widening of the gap between “knowledge” and other workers and apparent productivity improvements that have reduced the demand for certain types of labor. The movement towards flatter organizations has also resulted in a reduction of the need for managers. While this may not be associated with globalization in a causal sense, it certainly increases unease and uncertainty among large segments of the public.



Kletzer and Litan (2001) note, the level of mass layoffs in the United States remained “stubbornly high” during the boom of the 1990s. They conclude that worker anxiety “fueled” the protest in Seattle and a number of the other recent protests against globalization. One would expect this anxiety to spread more widely and increase in intensity if the economy declines.

### Global Branding

Globalization and multinational corporations are much more visible than they were in the past. Telecommunications links the world instantaneously and images are an immediate and universal currency. Globalization is no longer an intangible concept, it is the McDonalds restaurant, the Benetton store or the Nike shoes. Global brands are everywhere and anywhere. One of the world’s largest advertising agencies has gone so far as to declare that belief in consumer brands has replaced religious faith as the thing that gives meaning to people’s lives (Tomkins 2001).

The prevalence of global brands gives a very visible meaning to the term “global culture.” It reinforces concerns about homogenization and makes who the “they” are very clear. Global brands, which are intended to be as visible and memorable as possible, are very obvious symbols of the spread of consumerism and the market and are often seen as threats to local cultures and ways of life.

They can easily be seen as unwanted intrusions and serve as focal points for protest. Seemingly innocuous shards of foreign culture can serve as triggers. For example, Valentine cards were burned in Bombay on Valentine’s Day 2001 in an event organized by the Hindu Shiv Sena party to protest against a western tradition taken to violate local culture (Financial Times 2001).

## **Are We All Dependent Now?**

One of the central themes of the literature of neoimperialism was that the locus of political and economic power, of decision making, was removed from national territory and national control. The essence of dependence is being subject to an external source of power or conversely, a sense of powerlessness to control significant events.

Globalization entails a systemic transformation of the organization of politics and economics from the modern state system grounded in sovereign territoriality to a still unclear mode of organization that will entail non-territorial transnational governance structures. A period characterized by what Rosenau (1990) calls “governance without government.”

In many critical issues areas, globalization has shifted the locus of control from national governments – in the rich as well as the poor countries – to markets, MNCs or international institutions. To the extent that power has shifted to markets there may really be a net loss in control for the system as a whole. In other cases, power and decision making capability shifts to specific actors: MNCs or international institutions.

While many of the international organizations in question, such as the WTO, are comprised of representatives named by democratically elected governments, they are not well understood and are often less than transparent. Many of the NGOs in the antiglobalization movement argue that allowing civil society groups, such as themselves, to participate actively in their deliberations and activities will go a long way towards solving the problem.

A good part of the angst felt by many about globalization may be explained by an increased sense of dependence, a loss of control over events that affect one’s life directly

or indirectly. The world economy is complex and, as noted above, the form the emerging global system will take is far from clear. While public perceptions of the power of institutions such as the WTO may be inflated, there is no question that many important decisions are being taken by actors not immediately responsive to the national political process, by international institutions and organizations. At this point, international political institutions have little legitimacy among national publics. (The European Union's problems in this regard are illustrative.)

It is difficult to see how the democratic process, and particularly participatory democracy can function at the international level. While civil society groups, including a large number of NGO, involved in the antiglobalization protest can serve as a countervailing force to MNCs, there is no reason to assume that they are any more broad-based or accountable to national publics than are MNCs.

There is no question that NGOs are as legitimate as other international political actors. There are, however, serious questions about their representativeness, their accountability and whether they themselves are democratic institutions. Choosing among NGOs would be problematic and there is no assurance that their participation would make the process more effective, fairer, or more democratic. The future of participatory democracy in a global system is far from obvious or assured. There is a real danger of international governance replicating American interest group politics – the NRAization of global governance.

### **The Canary that Sang**

Both globalization and the antiglobalization protests have to be taken seriously. While any phenomenon is socially constructed, at least in part, there is a very real

material base to the global world system. The dramatic increases in the scale of technology, the internationalization and integration of production, and especially the digital revolution and the emerge of an electronically networked world economy will be impossible to reverse. National governments have lost power because they have lost the capability to deal with many of the critical problems of our time unilaterally.

Globalization will certainly not take a linear or smooth trajectory. Turmoil and uncertainty are to be expected well into the future. The genie, however, cannot be put back into the bottle: over the longer run, globalization is a one-way street.

It would be a major error to dismiss the antiglobalization protests out of hand. While only a small minority are actually in the streets, the concerns of the movement appear to resonate broadly and, more important, do so because they reflect some very real, and very reasonable, concerns of the population at large.

Charles Kindleberger, the Economic Historian, once said that nation states may be about the right size politically, but they are too small to be meaningful economically and too large to be meaningful culturally. It is very clear that existing institutions of global governance are not meaningful to most people, they lack political legitimacy. Our dilemma is that a large and growing number of significant problems must be dealt with internationally. To do so successfully will require a Herculean effort to resolve the realities of globalization with a governance structure that is responsive to a wide range of needs and concerns and is consistent the norms of effective participatory democracy.

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## NOTES

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<sup>1</sup> This chapter is dedicated to Ray Vernon who died shortly before the conference on which this book is based took place. It would have been more coherently argued, and certainly more coherently edited, if it could have had his attention.

<sup>2</sup> This section is drawn from Kobrin 2001.

<sup>3</sup> In a recent paper Kanbur (2001) thoughtfully compares disagreements about poverty and distribution, arguing that many differences are a function of different levels of aggregation, time horizons and beliefs about market structure and power.