any people have written about the economic meaning of globalization; in *One World* Peter Singer explains its moral meaning. His position is carefully developed, his tone is moderate, but his conclusions are radical and profound. No political theorist or moral philosopher, no public official or political activist, can afford to ignore his arguments." **Michael Walzer,** Institute for Advanced Study

eter Singer writes, as always, lucidly and with relentless logic. Getting states to behave ethically is a heroic aspiration, but this ook will give even the most obdurate realist much to think about." **Gareth Evans,** President, International Crisis Group, former ustralian Foreign Minister

inger has brought to the issue of globalization a lot of insight, owerful analysis and prescription, often cogently expressed and eflective of his erudition, which is clearly both broad and deep." **trobe Talbott,** President, The Brookings Institution

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the ethics of globalizatio

understand how flagrantly self-serving the position of those opposed to signing even the Kyoto Protocol is. If, on the other hand, we can convey to our fellow citizens a sense of what would be a fair solution to the problem, then it may be possible to change the policies that are now leading the United States to block international cooperation on something that will have an impact on every being on this planet.

Let us consider the implications of this situation a little further. Today the overwhelming majority of nations in the world are united in the view that greenhouse gas emissions should be significantly reduced, and all the major industrial nations but one have committed themselves to doing something about this. That one nation, which happens to be the largest emitter of them all, has refused to commit itself to reducing its emissions. Such a situation gives impetus to the need to think about developing institutions or principles of international law that limit national sovereignty. It should be possible for people whose lands are flooded by sea level rises due to global warming to win damages from nations that emit more than their fair share of greenhouse gases. Another possibility worth considering is sanctions. There have been several occasions on which the United Nations has used sanctions against countries that have been seen as doing something gravely wrong. Arguably the case for sanctions against a nation that is causing harm, often fatal, to the citizens of other countries is even stronger than the case for sanctions against a country like South Africa under apartheid, since that government, iniquitous as its policies were, was not a threat to other countries. (Though whether that is any defense against intervention for a regime that violates the rights of its own citizens is the topic of Chapter 4.) Is it inconceivable that one day a reformed and strengthened United Nations will invoke sanctions against countries that do not play their part in global measures for the protection of the environment?

3 one economy

The World Trade Organization Fracas

If there is one organization that critics of globalization point to as responsible for pushing the process onward—and in the wrong way—it is the World Trade Organization. Tony Clarke, director of the Ottawa-based Polaris Institute, expresses a now-widespread view when he describes the WTO as the mechanism for "accelerating and extending the transfer of peoples' sovereignty from nation states to global corporations."[1] We have become so familiar with protests against the development of a single global economy that it is already difficult to recall the mentality of the period before the December 1999 Seattle meeting of the WTO, when the very existence of that organization had barely penetrated the minds of most Americans. Before the dramatic events in Seattle, if the popular media mentioned the WTO at all it was in glowing terms of the economic benefits that were flowing from the expansion of world trade. Since, as the most prevalent metaphor of the time put it, "a rising tide lifts all boats," these benefits were bound to reach the poorest nations as well. Very few people had any idea that there was serious opposition to the WTO and its program of removing barriers to world trade. Television footage from Seattle of demonstrators dressed as sea turtles protesting against WTO decisions, anarchists in black tights throwing bricks at the commanding heights of global capitalism, and ordinary American unionists marching against cheap imports made by child labor awakened the American public to the existence of opposition to the WTO. When the protesters unexpectedly proved capable of disrupting the schedules of presidents and prime ministers, they immediately became front-page news. Their impact was reinforced when the new round of trade negotiations expected to begin in Seattle failed to get started. Even then, the initial response of media commentators was bewilderment, incomprehension, and ridicule. Thomas Friedman wrote an intemperate op-ed piece for the *New York Times* that began by asking: "Is there anything more ridiculous in the news today than the protests against the World Trade Organization in Seattle?" He went on to call the protestors "a Noah's ark of flat-earth advocates, protectionist trade unions and yuppies looking for their 1960's fix."[2] These "ridiculous" protestors succeeded in generating a whole new debate about the impact of world trade and the WTO.

Has any non-criminal organization ever been so vehemently condemned on such wide-ranging grounds by critics from so many different countries as the WTO? According to Victor Menotti, director of the Environment Program of the U.S.-based International Forum on Globalization, the regime of trade and investment fostered by the WTO has "unleashed global economic forces that systematically punish ecologically sound forestry while rewarding destructive practices that accelerate forest degradation."[3] From the standpoint of Compassion in World Farming, a leading British campaigner for farm animals, the WTO is "The Biggest Threat Facing Animal Welfare Today."[4] Martin Khor, the Malaysia-based leader of the Third World Network, claims that the WTO is "an instrument to govern the South."[5] Vandana Shiva, founder and president of India's Research Foundation for Science, Technology and Ecology and author of *Biopiracy: The Plunder of Nature and Knowledge*, writes that the rules of the WTO are "primarily rules of robbery, camouflaged by arithmetic and legalese," and global free trade in food and agriculture is "the biggest refugee creation program in the world." It is, not to put too fine a point on it, "leading to slavery."[6] All in all, many of these critics would agree with the summary judgment attributed to the Zapatistas, an organization of Mexican peasants, that the WTO is simply "the biggest enemy of mankind."[7]

A few weeks after the failure of the Seattle meeting, I found myself in Davos, Switzerland, as an invited speaker at the annual meeting of the World Economic Forum. Pre-Seattle attitudes—and a baffled incomprehension about the protests—were still evident. I heard politicians like President Ernesto Zedillo of Mexico, and corporate leaders like Lewis Campbell, chief executive of Textron, a corporation with a turnover of $10 billion a year, swiftly dismiss the protesters as falling into one of two groups: those who were well-intentioned in their concern to protect the environment or help the world's poorest people but were naïve and misled by their emotions; and those who, under the cynical guise of defending human rights and the environment, were seeking to protect their own well-paid jobs in inefficient industries by high tariff barriers that raise costs for domestic consumers and leave workers in less developed countries stuck in dire poverty.

There were dissenting voices at Davos—U.S. labor leader

John Sweeney and Martin Khor spoke against the dominant view, but at first they found little resonance among the large international audience of corporate chieftains and heads of government departments of economics and finance. Then British Prime Minister Tony Blair and U.S. President Bill Clinton showed that they were quicker learners than most of the corporate chief executives present, saying that genuine issues had been raised and they needed serious consideration. Nevertheless there was no real discussion of what those issues might be or of how they might be resolved. It was as if everyone already knew that globalization was economically beneficial, and "good for the economy" was identical in meaning to "good all things considered." So the real question was how to brush off the vexing opposition and make faster headway toward the goal of a single world economy, free of all barriers to trade or investment between different states. The alternative was, in Zedillo's word, just "globaphobia."[8]

The International Forum on Globalization helped to organize the protests at Seattle and is one of the WTO's most prominent critics. In September 2000, to coincide with the Millennium Assembly of the United Nations, the IFG held a forum on "Globalization and the Role of the United Nations," in New York. It was a sharp contrast to the Davos meeting. For ten hours speaker after speaker blasted the WTO and global corporate power. No one supportive of the WTO had been invited to speak, and there was no opportunity to ask questions or discuss anything that had been said. Though the IFG advocates grassroots involvement in decision-making, the World Economic Forum allowed more audience participation and presented a greater diversity of viewpoints.

As the protests at meetings of the WTO, the World Bank and other international bodies continue—from Seattle to Washington D.C., Prague, Melbourne, Quebec City, Gothenburg, Genoa, and New York—genuine open-minded exploration of the crucial and difficult issues arising from globalization is losing out to partisan polemics, long in rhetoric and thin in substance, with each side speaking only to its own supporters who already know who the saints and sinners are. Endlessly repeated rituals of street theater do not provide opportunities for the kind of discussion that is needed. Economics raises questions of value, and economists tend to be too focused on markets to give sufficient importance to values that are not dealt with well by the market.

The Four Charges

Among the many charges commonly made against the WTO, four are central to any assessment of the role that the WTO, and economic globalization more generally, plays in forming a world that is different from anything that has existed up to now:

1. The WTO places economic considerations ahead of concerns for the environment, animal welfare, and even human rights.
2. The WTO erodes national sovereignty.
3. The WTO is undemocratic.
4. The WTO increases inequality; or (a stronger charge) it makes the rich richer and leaves the world's poorest people even worse off than they would otherwise have been.

Before we can consider these charges, we need some background. The World Trade Organization was created by the "Uruguay Round" of talks held by member nations of the General Agreement on Tariffs and Trade, or GATT. It came into existence in January 1995, and by January 2002 had 144 member nations, accounting for more than 97 percent of world trade.[9] Although it seems as if the WTO is a new organization, it is essentially the successor to GATT, which has been around for fifty years. Its raison d'étre is also the same as that of GATT, namely the belief that free trade makes people better off, on average and in the long run. This belief is based on the usual rationale of the market, that if two people have different abilities to make products that they both desire, they will do better if they each work in the areas of production where they are most efficient (or least inefficient) relative to the other person, and then exchange, rather than if they both try to make the full range of products they want. This will be true, it is claimed, whether the people are neighbors or live on opposite sides of the world, as long as the transaction costs involved in making the exchange are less than the differences in their costs of production. Moreover this exchange should be particularly good for countries with low labor costs, because they should be able to produce goods more cheaply than countries with high labor costs. Hence we can expect the demand for labor in those countries to rise, and once the supply of labor begins to tighten, wages should rise too. Thus a free market should have the effect not only of making the world as a whole more prosperous, but more specifically, of assisting the poorest nations.

The agreement by which the WTO was set up gives it the power to enforce a set of rules and agreements relating to free trade that now total about 30,000 pages.[10] If one member nation believes that it is disadvantaged by actions taken by another member nation that are in breach of these rules, the first nation can make a complaint. If efforts to mediate the dispute fail, a dispute panel, consisting of experts in trade and law, is set up to hear it. These dispute panels are the most distinctive difference between the old GATT and the new WTO. In formal terms, the dispute panel does not decide the dispute but recommends a decision to the membership. In practice the decision of the dispute panel is invariably adopted. If the complaint is upheld and the member nation continues to act in breach of WTO rules, it can

be subjected to severe penalties, including tariffs against its own goods.

We can now consider in turn the four charges against the WTO.

The First Charge: Economics as Trumps

At first glance it is not obvious why an organization concerned with removing barriers to trade should interfere with protection of the environment, animal welfare, or human rights. Indeed, the WTO claims that this perception is all a misunderstanding. In a publication called *10 Common Misunderstandings about the WTO*, clearly aimed at a broad audience, the fourth in the list of ten "misunderstandings" discussed is:

> In the WTO, commercial interests take precedence over environmental protection.

In explaining why this is a misunderstanding, the publication points out that the WTO dispute panel report on the sea turtle case explicitly stated that members of the WTO "can, should and do take measures to protect endangered species." The publication then adds:

> What's important in the WTO's rules is that measures taken to protect the environment must not be unfair. For example, they must not discriminate. You cannot be lenient with your own producers and at the same time be strict with foreign goods and services.[11]

That sounds like a very reasonable principle. The WTO allows member nations to protect endangered species as long as they do so fairly and do not, under the guise of environmental protection, favor their own industries. Presumably, then, the United States could, for example, prohibit the import of tuna caught by methods that drown dolphins, as long as it also prohibits the sale of tuna caught by American ships in American waters that catch tuna by this method. If this presumption is correct, then the critics of the WTO seem wrong in their allegations that the organization is opposed to measures to protect the environment. The WTO opposes, it seems, only measures that use environmental protection as a guise for the protection of domestic industries against foreign competition. If the WTO struck down U.S. laws to protect dolphin or sea turtles for those reasons, the fault must lie with the United States for drafting laws that favor its own producers, rather than with the WTO.

The meeting of ministers from WTO governments in Doha (capital of Qatar, on the Persian Gulf) in November 2001 agreed to a Ministerial Declaration that endorsed the same principle:

> We recognize that under WTO rules no country should be prevented from taking measures for the protection of human, animal or plant life or health, or of the environment at the levels it considers appropriate, subject to the requirement that they are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, and are otherwise in accordance with the provisions of the WTO Agreements.[12]

This is not, however, how the WTO dispute panels have reached their decisions up to now, and if this clause in the Ministerial Declaration really becomes effective, it will be a dramatic break with the past. Consider, for example, the "Tuna-Dolphin Dispute," which although decided under GATT rather than the WTO, still sets out principles that the WTO uses. Here is an account of the dispute given in the WTO publication *Trading into the Future* (which provides a rather less simplistic account of how the WTO works than *10 Common Misunderstandings*):

> The U.S. Marine Mammal Protection Act sets dolphin protection standards for the domestic American fishing fleet and for countries whose fishing boats catch yellowfin tuna in that part of the Pacific Ocean [where schools of dolphin swim over schools of tuna]. If a country exporting tuna to the United States cannot prove to the U.S. authorities that it meets the dolphin protection standards set out in U.S. law, the U.S. government must embargo all imports of fish from that country. In this case Mexico was the exporting country concerned. Its exports of yellowfin tuna to the U.S. were banned.[13]

In other words, the U.S. Marine Mammal Protection Act was not lenient toward U.S. domestic producers while being strict to foreign producers. It applied the same standards to everyone. In effect, Congress had said: "We think it wrong to trap and drown dolphins unnecessarily while catching tuna, and we are not going to allow any tuna caught in that way to be sold in the U.S." So if the WTO were to exclude environmental protection laws only when they favor one's own country, presumably when Mexico complained to GATT about the U.S. embargo, its complaint would have been thrown out? But the GATT panel concluded, as *Trading into the Future* notes:

> that the U.S. could not embargo imports of tuna products from Mexico simply because Mexican regulations on *the way the tuna was produced* did not satisfy U.S. regulations. (But the U.S. could apply its regulations on *the quality or content* of the tuna imported.) This has become known as a "product" versus "process" issue.[14]

The Misuse of the Product/Process Distinction

This "product" versus "process" distinction is crucial to understanding the impact of WTO rules in many areas. As the tuna-dolphin case exemplifies, and as later decisions have reiterated, the WTO operates on the basis that a country cannot ban a product on the basis of the process by which the product was made but only by showing that the banned product is different in its inherent nature from other products. In matters relating to the killing or mistreatment of animals alone, for example, apart from the tuna-dolphin case, the WTO has had the following impact:

- In 1991 the European Union agreed to prohibit, from 1995, the sale of furs that had come from animals caught in steel-jaw leghold traps. (These traps crush and hold the animal's leg, holding the animal until the trapper returns, which may be several days. Nocturnal animals are terrified at being held out in daylight. Animals may die of thirst or from their injuries. They have been known to bite off their own legs to get free.) Because it is impossible to tell if an individual pelt has come from an animal caught in one of these traps, or by some relatively more humane method, the European Union decided to accept the import of furs only from countries that had banned the steel-jaw leghold trap. The United States, Canada, and Russia threatened to lodge a complaint with the WTO against this ban. The European Union capitulated, allowing fur caught with steel-jaw leghold traps to continue to be sold in Europe.[15]
- In 1993 the European Union adopted a directive preventing the use of animals in cosmetics testing and prohibiting, by 1998, the sale of cosmetics that had been tested on animals. But the European Union was advised that the prohibition on the sale of cosmetics tested on animals would be a breach of WTO rules. The ban was never implemented.[16]
- In 1989, after prolonged public campaigning, the European Union banned the sale of beef from cattle treated with growth-promoting hormones. Health concerns were the main reason given for the ban, although animal welfare organizations have expressed concern about the implications of the hormones for the health of the cattle.[17] The United States successfully challenged the ban at the WTO, with the WTO panel finding that there was not sufficient scientific basis for believing that the use of the hormones posed a risk to human health. The European Union appealed, but the WTO's appellate body also found in favor of the United States. When the European Union nevertheless refused to lift the ban, the WTO authorized the United States to retaliate by imposing 100 percent duties on $116 million of EU agricultural products.[18]

The decisions in all of these cases rest on the claim that the product—the fur, the cosmetic, the beef—is the same *product* as other products allowed to be sold in the country, and the fact that they are the outcome of a different *process* is irrelevant. But why is it irrelevant? What does the product/process distinction have to do with the rejection of unfair trading practices that, according to *10 Common Misunderstandings*, is the reason why the WTO prohibits some forms of environmental protection? At first glance, nothing at all. But *Trading into the Future* suggests the following link:

> What was the reason behind . . . [the tuna-dolphin] ruling? If the U.S. arguments were accepted, then any country could ban imports of a product from another country merely because the exporting country has different

> environmental, health and social policies from its own. This would create a virtually open-ended route for any country to apply trade restrictions unilaterally . . . the door would be opened to a possible flood of protectionist abuses.[19]

Now we can see how misleading the statement in *10 Common Misunderstandings* is. In that document the WTO defends itself by claiming that under its rules, environmental protection measures are prohibited only if those measures treat foreign producers more harshly than domestic producers. But what really happens when the WTO considers a case where the law is applied fairly to both domestic and foreign producers? The issue becomes, not whether foreign producers were in fact treated more harshly than domestic producers, but whether allowing a country to prohibit a product because of the way in which it was produced could open the door to "a flood of protectionist abuses." Even if we assume that this flood really would occur, the argument assumes that the value of preventing such a flood of protectionist abuses is greater than the value of protecting the environment, animals, and community peace of mind—greater, for example, than the value of protecting millions of dolphins from cruel and premature death, of stopping the barbarity of the steel-jaw leghold trap, or of providing the public with the peace of mind they seek in respect to their concerns about the hazards of hormone-treated beef. And these are just three among the countless things we value that our governments might, but for WTO rulings, see fit to protect by prohibiting the import of products produced in ways we consider objectionable. Import prohibitions against goods produced in ways that violate human rights —for example, by using forced labor, or pushing indigenous people off their land—would also fail to pass the test of being applied to a product, rather than a process. If any form of protection, no matter how fair it is in the way it treats domestic and foreign enterprises, is ruled out because it targets a process rather than a product, that will drastically curtail the means by which a nation can protect its values.

In any case, there is no solid ground for believing that the product/process distinction is the only way to stop a flood of protectionist legislation. There are more finely grained ways in which dispute panels—made up of, the WTO tells us, experts in trade and law—can distinguish disguised or unjustifiable protectionism from reasonable measures to protect the environment. The first test should be, as both *10 Common Misunderstandings* and the November 2001 WTO Ministerial Declaration suggest, whether the measure taken to protect the environment or animal welfare, or whatever other legitimate objectives a nation may have, deals evenhandedly with the nation's own producers and with foreign producers. If it does, then the measure is prima facie acceptable, and any nation seeking to have it invalidated should be required to show that the environmental or other objectives the measure purports to aim at could reasonably have been achieved without restricting trade to the extent that the measure does restrict it.

Trading into the Future claims, in the passage just quoted, that if the U.S. argument in the tuna-dolphin case had been accepted, "any country could ban imports of a product from another country merely because the exporting country has different environmental, health and social policies from its own." The use of the term "merely" here is noteworthy, for the "different policies" in the exporting countries might be ones permitting the dumping of toxic wastes into the ocean, extreme cruelty to animals, or denying workers the right to unionize. The implication is that these are somehow less important reasons for banning a product than those that are concerned with the inherent qualities of a product, which the WTO would unhesitatingly accept, as long as the bans did not discriminate between domestic and foreign producers. There is, however, no reason to think that our support for the environment, for animals, and for human rights is any less important than the desire to protect one's citizens from products that are of inferior quality.

In any case, the suggestion that the importing country is, by banning the product made in ways harmful to the environment or to animals or to workers, trying to exercise extraterritorial powers over the exporting country is misleading. This may be the case, and it would not necessarily be wrong—as we shall see in the next chapter, it is sometimes justifiable to intervene militarily to prevent flagrant human rights abuses in other countries, so it can hardly always be wrong to try to prevent such abuses by trade measures—but it is not true that any prohibition of a product made in another country because of the process by which that product is made *must* be an attempt to exercise extraterritorial powers. Just as a country might ban the sale of a pesticide, whether of domestic or foreign origin, because it is toxic to wildlife—and to that ban the WTO would not object—so a country might ban the sale of a product, whether domestic or foreign, because the process by which it is made is toxic to wildlife. Wild animals need not be seen as the property of one country. The process by which the product is made might kill migratory birds or, as with the dolphin and sea turtle cases, animals living in the oceans. Even when the animals killed live entirely within the borders of the country making the product, however, the country seeking to ban the product may think that it is wrong to be indifferent to the death and suffering of animals and may find it morally objectionable for a product made in a way that displays such indifference to be sold within its jurisdiction. The ethical argument that motivates the other chapters of this book is relevant here too: just as there is no sound reason why the citizens of a state should be concerned solely with the interests of their fellow citizens, rather than with the interests of people everywhere, so there is no sound reason why the citizens of a state should be concerned with the well-being of animals only when those animals are living within the boundaries of their own state. Given this, if a state decides that the steel-jaw leghold trap is cruel and immoral, and it prohibits within its own borders the use of the trap as well as the sale of any furs that come from animals trapped in that manner, this decision comes squarely within the conventionally accepted powers of sovereignty over its own territory. If this principle of preventing the sale of morally objectionable products within one's own borders is rejected, then how could a country be justified in prohibiting the import of films that display acts of real, non-consensual sexual violence, even sexual violence resulting in death (as in so-called "snuff movies")? No one regards prohibiting such films as objectionable because it is an attempt by one nation to prevent the "extraterritorial" rape and murder of women and children. Yet here too it is the "process" that is the reason for the prohibition. The final product may be indistinguishable from a film in which skilled actors who are not harmed perform the same scenes. As far as claims of "extraterritoriality" are concerned, it is hard to discern a difference of principle between the prohibition of snuff movies and the prohibition of furs from leghold traps.

It would, of course, be both possible and consistent with the overall argument of this book to favor a reduction in the significance of national sovereignty and to hold that global or transnational bodies should decide such issues. But that cannot happen until there are such bodies, with procedures—hopefully democratic and responsive to public opinion—by which these questions can be decided.

The Undermining of GATT's Article XX

Notwithstanding the use that the WTO disputes panels have made of the product/process distinction, one article of the General Agreement on Tariffs and Trade appears to give explicit blessing to import bans undertaken for various purposes, including the protection of the environment. Article XX reads, in its relevant sections, as follows:

> General Exceptions
> Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures:
> (a) necessary to protect public morals;
> (b) necessary to protect human, animal or plant life or health; . . .
> (g) relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption.

The most natural reading of this article would give a country several grounds on which it could prohibit the importation of goods obtained in ways that threaten dolphins or cause great suffering to animals. Clause (b) allows exceptions to protect animal life, and clause (g) allows an exception to conserve "exhaustible natural resources." A prohibition on importing products produced by unethical methods of fishing or by the use of cruel traps could also be justified by clause (a), which refers to the protection

of "public morals." If this means the morals people actually have, then there are many countries in which the unnecessary killing of animals, especially those of endangered species, offends against moral standards widely held by the general public. The sale of products that result from such killing is as offensive to public morals as, say nudity would be in some countries. If, on the other hand, the clause referring to the protection of public morals is intended to refer to sound moral values, irrespective of how widely they are held, then the case against products obtained by cruel methods is much *stronger* than the case against mere nudity.

In the sea turtle case the United States argued that its prohibition on the importation of shrimp caught by fishing fleets not using devices to exclude sea turtles was allowable under clauses (b) and (g) of Article XX. After this argument was rejected by the dispute panel on grounds consistent with the tuna/dolphin case, the U.S. appealed, but the appeal was again rejected. This time the WTO's Appellate Body did accept that a measure to protect endangered species could fall under the exemptions. It nevertheless rejected the U.S. shrimp prohibition on the grounds that it required essentially the same methods of excluding turtles used by domestic vessels to be used by other nations, instead of allowing other methods of avoiding the killing of turtles. As the Appellate Body put it:

> We believe that discrimination results not only when countries in which the same conditions prevail are differently treated, but also when the application of the measure at issue does not allow for any inquiry into the appropriateness of the regulatory program for the conditions prevailing in those exporting countries.[20]

At one point in its judgment the Appellate Body remarked that "it is relevant to observe that an import prohibition is, ordinarily, the heaviest 'weapon' in a Member's armoury of trade measures" (par. 171), an observation that apparently leads it to take the view that all other avenues for achieving the desired objective must have been exhausted before an import prohibition can be adopted. The United States then entered into negotiations with other countries to reach a multilateral agreement on the use of turtle-excluding devices. Meanwhile it retained its ban on the importation of shrimp caught by ships not using such devices. Again a dispute arose about the ban, and finally, in November 2001, the Appellate Body accepted that the United States was doing enough. As long as the United States was engaging in "ongoing, serious good faith efforts" to reach a multilateral agreement on the protection of sea turtles, the import ban could remain in place.[21]

Perhaps the decision in the sea turtle case—the only example in the entire history of both GATT and the WTO that a unilateral, extraterritorial national measure involving trade restrictions has been upheld on environmental grounds—is evidence that since Seattle the WTO has become more sensitive to criticism of its environmental record. Certainly, an examination of that record prior to November 2001 justifies the statement with which we began: "In the WTO, commercial interests take precedence over environmental protection." Far from being a misunderstanding, this has turned out to be true. Whenever a dispute has required a choice between free trade and support for a non-discriminatory national policy intended to protect the environment, the WTO's verdict before November 2001 was that the policy is an illegal barrier to trade.[22] The WTO justified these decisions either on the basis of the product/process distinction or because the restriction is supposedly arbitrary or unjustifiable discrimination. There are two possible justifications for the product/process rule. The first is the claim that to prohibit a product because of the way in which it is made is to attempt to exercise extraterritorial jurisdiction. We have seen that this argument is spurious. The second possible justification is that to depart from the product/process rule may make it more difficult to distinguish genuine measures for protecting the environment, or other legitimate concerns, from disguised forms of protectionism. Regarding that justification as sufficient to reject the environmental protection policy does give commercial interests precedence over environmental protection. Where the Appellate Body has found arbitrary or unjustifiable discrimination, it has been able to reach this finding only because it requires that the trade restriction be the last possible resort after every other avenue has been exhausted. Like the product/process rule, this criterion means that, whatever the Appellate Body may say, the substance of its decisions shows clearly that "commercial interests take precedence over environmental protection." In fairness, it needs to be said that these commercial interests may be those of the developing nations, as well as those of the developed nations. Either way, the record of the WTO to date enables us to see why Leesteffy Jenkins and Robert Stumberg, experts in law and animal protection reviewing that record for the Humane Society of the United States, should claim that, "in effect, free-market theory preempts all other social values."[23]

November 2001 *may* prove to be a watershed month for the WTO, because in addition to the ground-breaking decision in the sea turtle case, that month also saw signs, at the WTO Ministerial meeting in Doha, of a willingness to reconsider the rules ensuring that free trade trumps other values. As we have already seen, the Ministerial Declaration contained language suggesting that WTO rules should not prevent member nations from protecting the environment and animal and plant health, as long as they do so evenhandly. In addition, at the insistence of the European Union, the meeting allowed for the inclusion of, in the next round of trade talks, discussions on "non-trade concerns" in agriculture. One of these concerns is maintaining the economy of rural areas where the local economy depends on small farms that would not be able to withstand competition from other countries where farming is on a much larger scale. Preserving village life and the traditional European landscape is a value that needs to be considered alongside the benefits of free trade. Another legitimate concern is animal welfare. The European Union, which has relatively enlightened legislation on the treatment of farm animals, is seeking to ensure that its farmers will not have to face competition from other countries that permit forms of cruelty to animals not allowed in Europe. The Ministerial Declaration noted these concerns and agreed that they would be part of the negotiations on the next round of measures to liberalize trade, to be concluded by 2005.[24]

It remains to be seen whether, in the negotiations to come, values other than that of free trade will be given real weight. If they are not, we will all know that, in signing the 2001 Doha Ministerial Declaration (with its plain statement that evenhandedness and non-discrimination are the only requirements that the WTO imposes on countries seeking to protect the environment), the delegations of the WTO's member nations were either themselves deceived about how the WTO really operates or were trying to deceive the rest of the world.

The Second Charge: Interference with National Sovereignty

If the WTO does give precedence to commercial interests, is it reasonable to say that it does so only at the behest of its member states, which have the final decision on whether or not to go along with the WTO's rules? The standard response by WTO supporters to the claim that the organization overrides national sovereignty is that it is no more than the administrative framework for a set of agreements or treaties freely entered into by sovereign governments. Every member-nation of the WTO is a

member because its government has decided to join, and has not subsequently decided to leave. Moreover decisions on matters other than the resolution of disputes are generally reached by consensus. Since the WTO is an expression of the decisions of sovereign governments, it is not something that can interfere with national sovereignty.

This account of the WTO as merely the administrator of a set of multilateral agreements may be true in formal terms, but it leaves out some important practical details. Once a government joins the WTO, it and its successors come under considerable pressure to remain a member. Export industries based on free trade develop, employing substantial numbers of people, and the threat that these industries will collapse if the nation withdraws from the treaties administered by the WTO becomes so potent that going one's own way becomes almost unthinkable. This is a form of Friedman's "Golden Straitjacket." In the WTO's eyes it is a good thing, because it means "good discipline" for governments, discourages "unwise" policies, and is good for business.[25] But it is not always true that what is good for business is good overall. A policy that the WTO considers "unwise" may have merits that do not count for much in its calculus of values.

While it is true that nations are free—at a price—to stay outside the WTO, or to leave it, when nations are members they can have their sovereignty significantly curtailed—and this is far from a trivial matter. The recent history of the availability of drugs for the treatment of AIDS in Africa indicates the crucial importance of getting these matters right. In South Africa alone, at the end of 2001, more than 4 million people—or 20 percent of the adult population—were infected with HIV, the virus that causes AIDS. In the rich nations, to have the virus is no longer a death sentence, because there are drugs that effectively, and as far as we know indefinitely, suppress the infection. But the drugs cost about $10,000 per person a year, far out of reach of almost all infected Africans. In this desperate situation, the South African government floated the idea of licensing manufacture of the drugs in South Africa, a procedure known as "compulsory licensing," and a recognized means of dealing with a health emergency. Local manufacture would mean that the drugs could be produced at a cost of about $350 a year. Even this sum is too much for many Africans, who live in countries in which the annual per capita spending on health care is about $10. But $350 a year is a realistic amount for some, especially South Africans.

When the South African government began to consider the possibility of licensing local drug manufacture, the United States responded with the threat of trade sanctions to defend the intellectual property rights of the drug manufacturers. After pressure from AIDS activists, the Clinton Administration dropped this threat. The world's major pharmaceutical corporations then went to court to stop South Africa from providing life-saving treatment for its people at a price that they could afford. In April 2001 public outrage led them to abandon their case and enter into arrangements to supply their products to African nations free or at greatly reduced prices. In October of the same year, amidst the bioterrorism panic that followed the discovery of anthrax in letters addressed to prominent Americans, the Canadian government announced that it would compulsorily license the manufacture of Cipro, the antibiotic most effective against anthrax. With some American politicians calling on the U.S. Government to follow Canada's lead, the U.S. Secretary for Health and Human Services instead persuaded Bayer, the pharmaceutical corporation that holds the patent for Cipro, to slash the drug's price. If they were not willing to do so, he made it clear, the United States would buy a cheaper generic version. Not surprisingly, since the U.S. Government was still trying to restrict the ways in which African countries could obtain generic anti-AIDS drugs, the pressure that the U.S. Government put on Bayer led to an immediate outcry that the Administration was using one standard for protecting Americans—only a handful of whom had been infected with anthrax—and another for African countries, with an estimated 25 million people infected with the AIDS virus.[26]

Though the anthrax outbreak was a tragedy for the unlucky few who were its victims, its timing could not have been better for millions of people needing cheaper drugs, because it came just before the November 2001 Doha WTO Ministerial meeting. The developed nations, embarrassed by the accusation of double standards, agreed to a declaration that the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (known as the TRIPS Agreement) "does not and should not prevent Members from taking measures to protect public health." The declaration added that each Member "has the right to determine what constitutes a national emergency or other circumstances of extreme urgency" and specifically included "HIV/AIDS, tuberculosis, malaria and other epidemics" as representing such a situation, in which compulsory licensing of necessary drugs is permissible.[27]

Despite this highly encouraging development, the issue shows how sharply trade agreements can intrude into the most vital decisions a government can face. Granted, South Africa, as a free and sovereign nation, did not have to take part in the original TRIPS agreement. But there may have been substantial economic costs in refusing to take part. If nations, once they join the WTO, can lose significant national sovereignty in important areas, and if they are under constant pressure to remain in the WTO, the view that the WTO is no threat to national sovereignty is simplistic.

If we conclude that a nation under pressure to remain a member of the WTO has diminished national sovereignty, that is not in itself grounds for condemning the WTO. The loss of national sovereignty might be a price worth paying for the benefits the WTO brings. The choice is either to enter the agreement or not, and presumably those governments that decide to enter the agreement judge it to be better to do so, both for their own generation and for future generations. Before we criticize the WTO for eroding national sovereignty, then, we should ask: Is there any alternative means by which nations and their citizens could gain these benefits?

Traditionally those on the left, now ranged in opposition to the WTO, have been internationalists, whereas conservatives have been nationalists, opposing any constraints on state sovereignty. It is because the WTO puts free trade above both environmental values and national sovereignty that opposition to the WTO brings together such strange allies, from left and right. The alliance would split if the WTO were to be reformed in a way that enabled it to protect workers' rights and the environment, since this would give it more, rather than fewer, of the powers of global governance. Thus it would satisfy some critics on the left, but it would further inflame the nationalists on the right. The WTO's critics on the left support the supremacy of national legislatures and defend their right to make laws to protect the environment because they believe that the legislators are at least answerable to the people. Global corporations are not, and the WTO, in the eyes of the left, makes it too easy for global corporations to do as they please. This suggests that the WTO could meet the criticisms from the left—if not those from the right—by claiming that it provides the possibility of democratic rule over the global corporations. Then just as in the philosophy of social contract theorists like Rousseau, people forming a political community give up some of their individual freedom in order to gain a voice in the running of the whole community, so nations entering the WTO would give up some of their national sovereignty in order

to gain a voice in the running of the global economy. This brings us to the third charge against the WTO.

The Third Charge: The WTO Is Undemocratic

That the WTO is undemocratic is another of the *10 Common Misunderstandings* that the organization would like to dispel. In rebuttal, the WTO publication asserts:

> Decisions in the WTO are generally by consensus. In principle, that's even more democratic than majority rule because everyone has to agree.

That is a very strange view of democracy. Rule by consensus can also be called rule by the veto—it takes the opposition of only a single member to stop an overwhelming majority from making changes. Since green groups are usually favorably inclined toward consensus decision-making, if the WTO really did offer a forum in which every member-nation has an equal chance to influence a decision by withholding its consent, this might be an effective ad hominem riposte to claims by the greens that the WTO is undemocratic. But the idea that giving everyone the right of veto is "even more democratic than majority rule" is false and given that at least one party is always likely to favor that with which they are familiar, or to benefit from the way things are currently done, this decision procedure is likely to help preserve the status quo.

There is another problem with the way in which the WTO makes decisions. Developing countries make up the majority of members of the WTO, but *10 Common Misunderstandings* concedes: "It would be wrong to suggest that every country has the same bargaining power." Indeed it would. In practice, the agenda is set by informal meetings of the major trading powers, especially, up to now, the United States, the European Union, Japan, and Canada. On major issues, once these powers have reached agreement, the results are presented to the formal meeting, but by then they often are a fait accompli.[28] Moreover, the poorer nations often lack the resources to participate fully in the innumerable WTO meetings. Some of them cannot even afford to maintain an office in Geneva, one of the world's most expensive cities, where the WTO has its headquarters. Others do have a mission in Geneva, but their staff must also cover the many United Nations agencies that are based there. In addition, while it is true that decisions in the WTO are generally taken by consensus, obviously dispute resolution decisions cannot be taken by consensus.

The WTO's publication also asserts, in defense of the democratic nature of the organization, that the WTO's trade rules were negotiated by member-governments and ratified in members' parliaments. Why, then, should WTO rules be any less democratic than any other decisions of those governments?

It is true that the WTO trade rules were negotiated by member-governments and ratified in members' parliaments, but the interpretations of those rules adopted by the dispute resolution panels and the Appellate Body have not been ratified by those parliaments. While it could be argued that the member-governments knew about the product/process distinction when they agreed, during the Uruguay Round of negotiations, to set up the WTO, the governments had reason to believe that Article XX guaranteed that the agreement into which they were entering would not prevent them from acting in good faith to protect "public morals," "human, animal or plant life or health" or in ways "relating to the conservation of exhaustible natural resources." Subsequently the WTO's Appellate Body interpreted Article XX in a manner that no one could have predicted, virtually emptying it of substantive content. If, in a democracy, a court were to interpret a law in a similar manner, the legislature could revise the law to give effect to its intention. In the case of the WTO, however, since decisions are taken by consensus, it takes only one member-nation in support of the Appellate Body's interpretation of Article XX to block the efforts of other member-nations to change it.

Even if WTO decisions were taken by a majority of the *states* that are members of the WTO, this would still not be a democratic decision-procedure. It would give the democratically elected government of India, representing a billion people, the same number of votes—one—as the democratically elected government of Iceland, representing 275,000. The two may differ in influence in various ways, but there is no formal mechanism for recognizing the difference in population size. In the absence of any means of giving weight to population numbers, the WTO cannot be a truly democratic institution.

The Fourth Charge: Taking from the Poor to Give to the Rich

Against the charge that the WTO is a kind of Robin Hood in reverse, President George W. Bush echoed the line taken by most advocates of global free trade when he said in a speech at the World Bank: "Those who protest free trade are no friends of the poor. Those who protest free trade seek to deny them their best hope for escaping poverty."[29] How much truth is there in the claim that free trade, as promoted by the WTO, has helped the world's poorest people?

Although the WTO's critics all agree that the trade body has done more to help huge global corporations than to help the poor, the facts are not easy to sort out, and on some aspects of this question, leading opponents of the WTO do not speak with one voice. Within the covers of a single volume published by the International Forum on Globalization, Walden Bello and Vandana Shiva, based respectively in Thailand and India, say that the rich nations do not offer a level playing field to the poor nations, and so free trade does not benefit the South, while Anuradha Mittal, of the U.S. group Food First, tries to arouse the opposition of Americans to free trade by showing that free trade between the United States, Mexico, and Canada has caused hundreds of thousands of U.S. jobs to shift to Mexico and Canada.[30] Since Mexico is a much poorer country than the United States, any transfer of work from the United States to Mexico can be expected to raise the income of people who are, on average, much less well off than those U.S. workers who lose their jobs. Those who favor reducing poverty globally, rather than only in their own country, should see this as a good thing.

Another relevant question is whether free trade means cheaper goods, and whether this is good for the poor. Vandana Shiva, one of the best-known WTO opponents from one of the less developed countries, writes that the liberalization of trade in India means that more food is exported, and as a result "food prices have doubled and the poor have had to cut their consumption in half." To anyone familiar with poverty in India *before* trade liberalization, it is difficult to believe that India's poor would be able to survive at all if they had to cut their food consumption in half, so such claims may well provoke skepticism. That skepticism is not allayed when one reads, on the very next page, that Indian farmers have lost markets and mills have had to close, because "cheap, subsidized imports of soybeans are dumped on the Indian market . . . thus worsening the country's balance of payments situation."[31] If the lowering of trade barriers has meant that soybeans are now cheaper than they were before, it is strange that this same lowering of trade barriers should have caused food prices as a whole to double. Moreover the large quantities of food that Shiva

claims are exported because of trade liberalization should have improved the country's balance of payments. There may be an explanation of such apparently conflicting claims, but if there is, Shiva does not offer it.

In trying to assess the impact of recent trade reforms, it is useful to distinguish two questions:

- Has *inequality* increased during the period of global economic liberalization?
- Have the poor become worse off?

The questions are distinct, because it would be possible for the situation of the poor to improve, in absolute terms—they might eat better, have safer water and greater access to education and health care, and so on—while the situation of the rich improves even more, so that the absolute dollar gap in income and wealth between the rich and the poor is greater than it was when the poor were worse off. (In what follows, unless otherwise specified, I will use "rich" and "poor" to refer to people on high and low incomes, respectively, rather than those with great or small assets. Of course, those with a high income often tend to have a lot of assets, and vice versa. But the correlation is not perfect.) We will also, of course, need to ask whether the changes that can be observed are the result of economic globalization, or merely happen to have coincided with it.

We can begin by describing the present state of poverty in the world. One commonly cited figure, derived from development reports issued by the World Bank and the United Nations, is that of a global population of more than 6 billion, about one-fifth, or 1.2 billion, live on less than $1 per day, and nearly half, or 2.8 billion, live on less than $2 per day. Awful as this sounds, these figures, quoted without further explanation, can be misleading—in the sense of giving the impression that the world's poorest people are not as impoverished as they really are. For we may think to ourselves: the purchasing power of one U.S. dollar in, say, Ethiopia, is vastly greater than the purchasing power of one U.S. dollar in New York. So perhaps these people, though poor, are not as desperately poor as we might imagine? In fact, the figures already take the difference in purchasing power into account. The World Bank's international poverty line—below which these 1.2 billion people fall—is defined as "$1.08 1993 PPP US$" per day, and "PPP" stands for "purchasing power parity." Hence the purchasing power of the daily income of someone right on the World Bank's international poverty line is equivalent to what one could have purchased in the United States in 1993 for $1.08. Granted, there has been some inflation in the United States since 1993, so if we were to express this sum in terms of what can be purchased in the United States in 2000, the figure would rise to $1.28. If we are interested in the actual income of someone living on the poverty line in one of the world's poorest countries—how much their annual earnings would amount to, if they changed them into $US at prevailing exchange rates—we would have to divide this sum by about 4 to take into account the greater purchasing power of $US1 in these countries, as compared with market exchange rates. That yields an actual income of about 32 cents per day. And this figure, remember, is the poverty line itself, in other words, the *upper* bound of a fifth of the world's population. The *average* income of these 1.2 billion people is about 30 percent less, which makes it about 23 cents in U.S. currency at market exchange rates, or the purchasing power equivalent of 92 cents in U.S. currency in the year 2000.[32]

It is not surprising that of these 1.2 billion people, about 826 million lack adequate nutrition, more than 850 million are illiterate, and almost all lack access to even the most basic sanitation. In rich countries, less than one child in a hundred dies before the age

of five; in the poorest countries, one in five does. That is 30,000 young children dying every day from preventable causes. Life expectancy in rich nations averages 77, whereas in sub-Saharan Africa it is 48.[33]

This is absolute poverty, which has been described as "a condition of life so characterized by malnutrition, illiteracy, disease, squalid surroundings, high infant mortality and low life expectancy as to be beneath any reasonable definition of human decency."[34] In contrast the average per capita income of the world's wealthiest nations (which contain less than 15 percent of the world's population) is $27,500. This 15 percent of the population divides among itself almost 80 percent of the wealth that the world produces, whereas the assets of the poorest 46 percent of the world's population amount to just 1.25 percent of the world's wealth.[35] The 1999 *Human Development Report* provided an oft-quoted symbol of the far extremities of inequality in the distribution of the world's wealth when it noted that the assets of the world's richest three individuals exceeded the combined Gross National Products of all of the least developed countries, with a population totaling 600 million people.[36]

It is commonly said that inequality between the world's richest and poorest countries has increased during the period in which world trade has increased. Even a 1999 study published by the WTO accepts this view, stating flatly: "It is an empirical fact that the income gap between poor and rich countries has increased in recent decades."[37] According to the widely quoted 1999 *Human Development Report,* in 1820 the fifth of the world's population living in the world's richest countries collectively received three times the combined income of the fifth of the world's population living in the poorest countries. A century later this ratio had increased to 11 to 1. By 1960 it was 30 to 1; by 1990, 60 to 1; and by 1997, 74 to 1.[38] These figures suggest not only an increasing gap between rich nations and poor nations, but an increasing rate of growth in this gap, which grew at an annual rate of 1.66 percent between 1820 and 1960, but between 1990 and 1997 grew at an annual rate of 3 percent.

The 1999 *Human Development Report* figures need to be treated with caution, however, because they are based on comparing incomes at market exchange rates. As we have seen, a given unit of currency may purchase four times as much in a poor country as it could purchase in a rich one, if converted at market exchange rates. When Arne Melchior, Kjetil Telle, and Henrik Wiig, investigating the impact of globalization on inequality for the Norwegian Ministry of Foreign Affairs, adjusted incomes for purchasing power they found that between the 1960s and 1997 there was a continuous decrease in the gap between the average income of the richest nations containing a third of the world's population and the average income of the poorest nations containing a third of the world's population. There was also a small but steady decrease in the gap between the average income of the richest countries containing a fifth of the world's population, and the average income in the poorest countries containing a fifth of the world's population. On the other hand there was an increase in the gap between the average income in the richest countries containing a tenth of the world's population and the poorest countries containing a tenth of the world's population. The reason for the difference between the different sets of comparisons is that in the last three decades the fastest-growing developing countries have not been among the very poorest. Average income in China has grown rapidly and this explains most of the reduction in inequality between the top and bottom thirds. The 2001 *Human Development Report* acknowledged that the Norwegian researchers had got it right, accepting the need to base international comparisons of living standards on purchasing power parity and reporting that

on this basis, the ratio of the average income of the richest nations containing a fifth of the world's population to the average income of the poorest nations containing a fifth of the world's population had fallen between 1970 and 1997, from 15 to 1 to 13 to 1, although in the case of the richest 10 percent of nations and the poorest 10 percent of nations, the ratio had grown from 19 to 1 to 27 to 1.[39]

There is, however, a problem even with these figures. As the cumbersome language of the previous paragraph indicates, they compare the average income in rich nations with the average income in poor nations. They are not comparisons of the richest tenth, fifth, or third of the world's population with the poorest tenth, fifth, or third. Obviously, there are some poor people in rich nations, and a few very rich people in poor nations, and when we compare national averages, these intrastate differences could mask the real differences between the world's richest and poorest people. Ideally, we should look at individual household income, rather than national averages. Branko Milanovic, a researcher at the World Bank, has attempted to do this, but the data are much more difficult to obtain. He has compared individual household incomes for two years, 1988 and 1993, and found a sharp increase in inequality between the income of the richest fifth and the poorest fifth of the world's population during these five years.[40] The main reason his results differ from those of Melchior, Telle, and Wiig is that income in urban areas of countries like China and India has risen much faster than income in rural areas. Using national average incomes compresses these urban/rural differences into a single figure. On the other hand, a comparison between just two time-points is not enough to establish a clear trend.

To sum up, although we have quite good data on national per capita average income, that data—on which Melchior, Telle, and Wiig base their study—cannot give us the answer to the right question: Has global income inequality increased? Milanovic, on the other hand, asks the right question, but doesn't have enough data to answer it. As he himself puts it, on the basis of the research he has done so far:

> It is impossible to aver whether inequality is really increasing or whether we see just a temporary spike, or indeed whether the change in the coefficients is statistically significant—bearing in mind numerous and serious data problems.[41]

What really matters? Suppose that the changes Melchior, Telle, and Wiig found hold good for individual incomes, as well as national average incomes. If we are concerned about inequality, should we be pleased to learn that the top and bottom thirds—67 percent of the world's population—have, on average, more equal incomes, if at the same time the top and bottom tenths, amounting to 20 percent of the world's population, have grown even further apart? Different people may have different intuitions about this, but from a broadly utilitarian point of view, these apparently baffling questions do not really raise anything of fundamental importance. Inequality is not significant in itself. It matters because of the impact it has on welfare. We could argue about whether we should be equally concerned with promoting the welfare of all members of society, or whether we should give some kind of priority to promoting the welfare of society's poorest members, but whatever we decide, what matters is people's welfare, and not the size of the gap between rich and poor. Sometimes greater inequality will mean a decrease in overall welfare. There is some evidence that inequality hampers economic growth.[42] Inequality can also undermine the self-esteem of those on the lower levels of society and make them feel worse off than they would be if they were living on the same income in a more egalitarian society.

Sometimes, however, inequality does not matter so greatly. For those who are desperately struggling to get enough to eat and to house and clothe their children, perhaps the need to keep up with one's neighbors is less significant than it is for those who have no difficulty in meeting their basic needs. For people near the bare minimum on which they can survive, a small addition to their income may make a large difference to their welfare, even if their neighbors' incomes grow by much more in dollar terms. So the more important issue about the opening up of world trade may be whether it has made the world's poor worse off than they would otherwise have been, not relative to the rich, but in absolute terms.

Have the poor really have become worse off during the globalization era? On this question the 1997 *Human Development Report* struck a positive note, indicating that poverty has fallen more in the past fifty years than in the previous 500.[43] But the 1999 *Human Development Report* painted a much gloomier picture, showing that on a per capita basis, the Gross Domestic Product of the world's least-developed countries declined by more than 10 percent between 1990 and 1997, from $277 to $245 per annum. Most of these countries are in sub-Saharan Africa, and for that region in general, poverty appears to have increased in recent years, with per capita GDP falling during the same 1990–1997 period from an average per annum of $542 to $518.[44] The 2001 *Human Development Report* combines both the positive and the negative, balancing the 1 percent fall in the already low average incomes in sub-Saharan Africa over the period 1975 to 1999 with the overall rise—almost a doubling—of average incomes in developing countries during the same period. Melchior, Telle, and Wiig paint a similar picture, showing that the average income in the poorest nations containing one-fifth of the world's population more than doubled, when adjusted for purchasing power, between 1965 to 1998, rising from $US551 to $US1137; but in 16 of the world's poorest countries—12 of them in sub-Saharan Africa—average per capita income has fallen. Because of its population size, China's economic improvement plays an important part in the increase in average income in the developing countries.[45]

Income is only one indicator of well-being, and it is helpful to consider others. Life expectancy is obviously an important one. Between 1962 and 1997 average global life expectancy at birth increased from 55 to 66.6 years. Moreover the biggest gain in life expectancy has been in the developing nations, so there has also been a significant decrease in the inequality of life expectancy between nations. In 1960 the average life expectancy for developing countries was only 60 percent of that in the industrial nations. By 1993, it was 82 percent.[46] (But note that, as with income, these figures are national averages, which mask within-country differences that mean greater global differences between individuals.) Life expectancy rose sharply in all regions in the period up to 1987; subsequently it rose much more slowly in Africa, where AIDS has caused life expectancy to fall in some countries, and it has also fallen in Eastern Europe, reflecting the impact of increased poverty following the end of communism.

Food is the most basic need of all, and hence the extent to which people lack it is a crude but useful measure of deprivation. According to the Food and Agriculture Organization, the number of people who are undernourished fell from 960 million in 1969–1971 to 790 million in 1995–1997. This decrease may seem like very modest progress over a quarter of a century, but taking into account the growth in world population during this period, it means that the proportion of people who are undernourished has fallen from 37 percent to 18 percent.[47]

Each year the United Nations Development Program reports

on each country's progress in terms of a composite measure called the Human Development Index, based on a combination of indicators for income, life expectancy, and education. The Human Development Index scores for the developing countries, and also for the least developed countries, considered separately, have risen consistently between 1960 and 1993, suggesting that the world's poorer people have become better off overall in terms of income, life expectancy, and the amount of education they receive.[48]

Globally, the World Bank estimates that the number of people living below the international poverty line has risen slightly since 1987.[49] But should the increase in absolute numbers be taken as a sign that poverty is getting worse, or the decrease in the proportion of the population who are poor as a sign that things are improving? One could argue either way. Life below the poverty line is so lacking in the basic necessities for a decent life that it is a bad thing that anyone has to subsist in these conditions. Yet if human life, when some minimum requirements are satisfied, is a good thing—and it takes a serious pessimist to deny that—then we should be pleased that there are more human beings living above the poverty line, and the diminishing fraction of the total population forced to live below that line can be seen as a good thing. To go further into the choice between these differing value judgments would lead us into deep philosophical issues and take us far from the themes of this book, so here it will be enough merely to note that both views have something to be said for them. We can then move on to our final question: Is there a causal link between poverty and economic globalization?[50]

On theoretical grounds, as we have seen, there is some reason to believe that open markets and free trade should increase economic welfare as a whole. The theory finds some support in an Organization for Economic Cooperation and Development (OECD) study showing that when corporations go into foreign countries, they generally pay more than the national average wage.[51] But information about average wages does not alleviate concerns about poverty, as long as inequality is increasing. We have seen that whether global inequality has increased during the era of expanding world trade is still highly contentious. We don't have the household income data we would need to get a well-grounded answer. Since a correlation does not show a causal connection, even if we had all the data we needed on trends in global income distribution, and even if these data showed rising inequality and poverty, it would still be difficult to judge whether economic globalization has contributed to any increase that might have occurred in economic inequality and in the number of people living in poverty. Consider, as illustrating the difficulty of the problem, the following three expert opinions.

Peter Lindert and Jeffrey Williamson have studied the connection between inequality and globalization for the National Bureau of Economic Research, in Cambridge, Massachusetts. They are among those who accept that as the global economy has become more integrated over the past two centuries, so too economic inequality between nations has increased. In their view, however, globalization has not brought about this widening income gap. On the contrary, without globalization the rise in inequality would have been greater still. Their figures indicate that in Third World countries between 1973 and 1992, per capita Gross Domestic Product rose fastest in those countries strongly open to trade, rose more slowly in countries moderately open to trade, and actually fell in countries that were hostile to trade. They summarize their conclusion by saying that "world incomes would still be unequal under complete global integration, as they are in any large integrated national economy. But they would be less unequal in a fully integrated world economy than in one fully segmented."[52]

World Bank researchers Mattias Lundberg and Lyn Squire used a sample of 38 countries to assess the impact of openness to global trade on economic gains for different sections of the population. They found that globalization benefits the majority, but its burden falls on poorest 40 percent, for whom openness leads to a fall in economic growth. They conclude: "At least in the short run, globalization appears to increase poverty and inequality."[53]

The Norwegian team of Melchior, Telle, and Wiig hold, as we have seen, that when measured in particular ways, income inequality has decreased during the era of more open world trade. But they do not think that the data permit one to conclude that globalization reduces inequality. It is difficult to disentangle the impact of technological change from the impact of globalization, as the two have occurred in tandem—and are indeed interrelated. There is some evidence that technological change increases inequality between highly skilled workers, who can make use of new technologies, and unskilled workers, whose labor the new technologies may make redundant. Political changes are also important. There is a clear connection between the collapse of communism and the decline in average income and even in life expectancy in much of Eastern Europe during the 1990s, and in some countries in sub-Saharan Africa the lack of a stable and effective government can make progress impossible.[54] (The disastrous situation of the Congo, which by 2001 was probably the world's poorest nation, is in large part the outcome of prolonged conflict there.[55])

With so many different ways of assessing inequality, and so many different findings, what is the ordinary citizen to think? No evidence that I have found enables me to form a clear view about the overall impact of economic globalization on the poor. Most likely, it has helped some to escape poverty and thrown others deeper into it; but whether it has helped more people than it has harmed and whether it has caused more good to those it has helped than it has brought misery to those it has harmed is something that, without better data, we just cannot know.

Judgment

We have now considered the four charges commonly made against the WTO. We found that, first, the WTO does, through its use of the product/process rule and its very narrow interpretation of Article XX, place economic considerations ahead of concerns for other issues, such as environmental protection and animal welfare, that arise from how the product is made. If the human rights of the workers were violated in the process of making the product, this would presumably be treated in a similar manner, if a complaint were made. Second, while the WTO does not violate national sovereignty in any formal sense, the operations of the WTO do in practice reduce the scope of national sovereignty. The WTO's defense to this charge, that the governments of member-nations have voluntarily opted for this curtailment, is weakened by the surprising interpretation its Appellate Body has given to Article XX; but even if this were not the case, and the member-nations had fully understood how the treaty they were signing would operate, it would still be the case that WTO membership curtails national sovereignty in the sense that, in the real world, it is often hard to leave the WTO and as long as it remains a member, a country's power to make some important decisions is eroded. Third, the WTO is undemocratic both in theory and practice, firstly because a procedure requiring unanimous consent to any change is not a form of democracy, secondly because the dispute panels and the Appellate Body are not responsible to either the majority of members or the majority of the planet's adult population, and thirdly because the organization is disproportionately influenced by the major trading powers. On

the fourth, and arguably most important charge against the WTO, however, that it makes the rich richer and the poor poorer, the verdict has to be: not proven. The available evidence is insufficient to convict either globalization or the WTO of that charge.

This assessment of the charges against the WTO is based on the organization's actions up to the time of the 2001 ministerial meeting at Doha, the first WTO ministerial meeting since the protests in Seattle. The declarations agreed to at that meeting display a new concern for the interests of developing countries, including the world's poorest countries, and a willingness to consider other values as a constraint on what had hitherto been the overriding value of free trade. It will be several years before we know whether these declarations were merely good public relations or a sign of a substantial change in the thinking of the WTO that will make a real difference.

Can Do Better?

In the *Communist Manifesto,* Karl Marx described the impact of the capitalist class in terms that might today be applied to the WTO:

> It has resolved personal worth into exchange value, and in place of the numberless indefeasible chartered freedoms, has set up that single, unconscionable freedom—Free Trade. . . . All fixed, fast-frozen relations, with their train of ancient and venerable prejudices and opinions are swept away, all new-formed ones become antiquated before they can ossify. All that is solid melts into air, all that is holy is profaned.[56]

Defenders of the WTO would reject loaded words like "unconscionable" but might otherwise accept this account of what they are seeking to achieve. That free trade is a goal of overriding importance is implicit in the decisions of the WTO dispute panels. They would also agree that a global free market will sweep away "ancient and venerable prejudices" and they would see this as a good thing, because such prejudices restrict the use of individual creativity that brings benefits both to the innovative producer and to the consumers who can choose to take advantage of it.

Whether we accept or reject the claim that economic globalization is a good thing, we can still ask if there are ways of making it work better, or at least less badly. Even those who accept the general argument for the economic benefits of a global free market should ask themselves how well a global free market can work in the absence of any global authority to set minimum standards on issues like child labor, worker safety, the right to form a union, and environmental and animal welfare protection.

According to standard economic models, if various assumptions hold—including the assumptions that people always act fully rationally and on the basis of perfect information—free trade within a single, well-governed nation can be expected to create a state of affairs that is "Pareto efficient"—in other words, a state of affairs where no one's welfare can be improved without reducing the welfare of at least one other person. This is because the government will have legislated so that the private costs of production are brought into line with their costs to society overall. A corporation that pollutes a river into which it discharges wastes will be made to clean it up and to compensate those who have been harmed. Thus the costs of keeping the environment clean become part of the costs of production—in economic jargon, they are "internalized"—and producers who try to save money by not cleaning up their wastes gain no economic advantages over their competitors. But when we consider global free trade in the absence of any global authority to regulate pollution, or any civil law that provides remedies to the victims of pollution, the situation is different. A national government may have little interest in forcing a producer to internalize damage done to the global environment, for example to the oceans or the atmosphere or to stocks of cetaceans, fish, or migrating birds. Even though all nations share the global environment, the "tragedy of the commons" rules here, and a nation may benefit more by allowing its fishing fleet to catch as much as it can than by restraining the fleet so that the fleets of other nations can catch more. Thus, judged strictly in economic terms, without global environmental protection there is no reason to expect free trade to be Pareto efficient, let alone to maximize overall welfare.

Even if we ignore goods that belong to no nation, and focus on the quality of life in each nation, since governments are imperfect, unconstrained globalization is likely to lead to economic inefficiencies. If a ruling elite does not care about the working classes, or about the people of a particular region of its territory, it may not take into account the cost to them of air or water pollution, or for that matter of being forced to work long hours for little pay. Countries governed by such elites can then out-compete countries that provide some minimal conditions for their workers and, as Herman Daly puts it, "more of world production shifts to countries that do the poorest job of counting costs—a sure recipe for reducing the efficiency of global production."[57] The result is that the nexus between human welfare and the growth of the global economy, incomplete at the best of times, will be further eroded.

Significantly, the desirability of uniform global environmental and labor standards is a point on which critics of the WTO from the poorer countries often differ with labor and environmental activists from the rich countries. The fear is that the rich countries will use high standards to keep out goods from the poor countries. Vandana Shiva claims "social clauses make bed-fellows of Northern trade unions and their corporations to jointly police and undermine social movements in the South."[58] There is no doubt that this could happen, but what is the alternative? Various measures could be taken to give developing countries more time to adjust, but in the end, just as national laws and regulations were eventually seen as essential to prevent the inhuman harshness of nineteenth century laissez-faire capitalism in the industrialized nations, so instituting global standards is the only way to prevent an equally inhuman form of uncontrolled global capitalism. The WTO accepts this idea, at least in theory. At its 1996 Ministerial meeting in Singapore, the WTO ministers renewed an earlier commitment "to the observance of internationally recognized core labor standards" and affirmed its support for the International Labor Organization as the body to set these standards. In Doha in 2001 the ministers reaffirmed that declaration and noted the "work under way in the International Labor Organization (ILO) on the social dimension of globalization."[59] Unfortunately nothing concrete had happened in the five years between those statements.

The WTO has up to now been dominated by neoliberal economic thinking. With some signs that the WTO is willing to rethink this approach, it is possible to imagine a reformed WTO in which the overwhelming commitment to free trade is replaced by a commitment to more fundamental goals. The WTO could then become a tool for pursuing these objectives. There are even clauses in the GATT agreement that could become the basis for affirmative action in trade, designed to help the least developed nations. In article XXXVI (3) the contracting parties agree that there is a "need for positive efforts designed to ensure that less-

developed contracting parties secure a share in the growth in international trade commensurate with the needs of their economic development."[60] Under the present WTO regime, such clauses have been nice-sounding words with no practical impact. Far from making positive efforts to help the less-developed nations, the rich nations, especially the United States and the European Union, have failed to do even their fair share of reducing their own trade barriers in those areas that would do most good for the less developed nations. As *The Economist*—usually an avid supporter of the WTO—has reported, "Rich countries cut their tariffs by less in the Uruguay Round than poor ones did. Since then they have found new ways to close their markets."[61] The *New York Times* has said that several protectionist measures in the richest countries "mock those countries' rhetorical support for free trade."[62] Rich countries impose tariffs on manufactured goods from poor countries that are, according to one study, four times as high as those they impose on imports from other rich countries.[63] The WTO itself has pointed out that the rich nations subsidize their agricultural producers at a rate of $1 billion a day, or more than six times the level of development aid they give to poor nations.[64]

As we have already noted, there were signs at the November 2001 WTO meeting that the criticisms of the WTO are having some effect. If the WTO begins to take seriously GATT articles like XXXVI (3), we could in time come to see the WTO as a platform from which a policy of laissez-faire in global trade could be replaced by a more democratically controlled system of regulation that promotes minimum standards for environmental protection, worker safety, union rights, and animal welfare. But if the WTO cannot respond to these influences, it would be best for its scope to be curtailed by a body willing to take on the challenges of setting global environmental and social standards and finding ways of making them stick.

Trade, Legitimacy, and Democracy

We tend to think of trade as something politically neutral. In trading with a country, governments do not think that they are taking an ethical stand. They often trade with countries while disapproving of their regimes. In extreme cases, this neutrality breaks down. Many corporations and some governments recognized that doing business with South Africa under apartheid raised serious moral questions. Normally, however, governments keep the question of whether they should trade with a country separate from the question of whether they approve of its government. The United States has attacked China for its human rights record while at the same time expanding its trade with China. But sometimes trading with a country implies an ethical judgment. Many trade deals are done with governments. This is especially likely to be the case when transnational corporations make arrangements with the governments of developing countries to explore for oil and minerals, to cut timber, to fish, or to build big hotels and develop tourist complexes. Nigeria, for example, gets more than $6 billion a year, or about a quarter of its Gross Domestic Product, from selling oil. When multinational corporations like Shell trade with governments like those that Nigeria has had for most of the past thirty years—that is, military dictatorships—they are implicitly accepting the government's right to sell the resources that lie within its borders. What gives a government the moral right to sell the resources of the country over which it rules?[65]

The same question can be asked about international borrowing privileges. Corrupt dictators are allowed to borrow money from foreign countries or international lending bodies, and if they should happen to be overthrown, then the next government is seen as obliged by the signature of its predecessor to repay the loan. Should it refuse to do so, it will be excluded from international financial institutions and suffer adverse consequences. No questions are asked by the lenders about whether this or that dictator is entitled to borrow in the name of his or her country. Effective control of a territory is seen as being enough to obviate any inquiry into how that person came by that degree of control.

Both the conventional moral view, and the view taken in international law, is that once a government is recognized as legitimate, that legitimacy automatically confers the right to trade in the country's resources. The plausibility of this answer rests in the assertion that the government that is doing the trading is "legitimate." That sounds like a term that expresses an ethical judgment about the right of the government to hold power. If this were so, then the answer to the challenge to the government's right to trade in the country's resources would be: a government that satisfies certain ethical standards regarding its claim to rule has the right to trade in the resources of the country over which it rules. But in fact that is not what is usually meant by calling a government "legitimate." The standard view has long been that the recognition of a government as legitimate has nothing to do with how that government came to power, or for that matter with how it governs. "The Law of Nations prescribes no rules as regards the kind of head a State may have," wrote Lassa Oppenheim in his influential 1905 text on international law, and he added that every state is "naturally" free to adopt any constitution "according to its discretion."[66] The sole test is whether it is in effective control of the territory. More recently Roth has put it this way:

> In such a conception, the international system regards ruling apparatuses as self-sufficient sources of authority—

> or rather deems their authority to derive from their characteristic ability to secure the acquiescence of their populaces, by whatever means . . . a government is recognized simply because its existence is a fact of life.[67]

International bodies, including the United Nations and the World Trade Organization, use this concept of legitimacy when they accept governments as the representatives of member nations.

The dominance of this conception makes alternatives seem unrealistic. There is, however, an alternative view with strong ethical credentials. In November 1792, in the wake of the French National Convention's declaration of a republic, Thomas Jefferson, then U.S. Secretary of State, wrote to the representative of the United States in France: "It accords with our principles to acknowledge any government to be rightful which is formed by the will of the people, substantially declared."[68] Now it is true that we cannot assume, from this statement, that Jefferson also intended the converse: that a government that cannot show that it has been formed by the declared will of the people is not rightfully the government of the nation. There may well be other grounds on which a government could be considered legitimate, perhaps by ruling unopposed for a long period without employing repressive measures to stifle dissent. The Jeffersonian principle does seem to imply, however, that some governments would *not* be regarded as legitimate—for example, one that had seized power by force of arms, dismissed democratically elected rulers, and killed those who spoke out against this way of doing things.

The claim that there is a fundamental human right to take part in deciding who governs us provides one reason for denying the legitimacy of a government that cannot show that it represents the will of the people. We could reach the same conclusion by arguing, on consequentialist grounds, that democratic governments can be expected to have more concern for the people over whom they rule than governments that do not answer, at regular intervals, to an electorate. In international law, this view of legitimacy has been gathering support in recent years, although it could not yet be said to be the majority view. In support of it, its defenders can point to many international documents, beginning with the opening words of the United Nations Charter, "We the peoples." The signatories of the Charter apparently regarded themselves as representatives of, and deriving their authority from, the peoples they governed. Next comes the Universal Declaration of Human Rights, which in Article 21 (3) states:

> The will of the people shall be the basis of the authority of government; this will shall be expressed in periodic and genuine elections which shall be by universal and equal suffrage and shall be held by secret vote or by equivalent free voting procedures.

The Universal Declaration of Human Rights is not a treaty with explicit legal force, but the International Covenant on Civil and Political Rights is. Its first article states:

> All peoples have the right of self-determination. By virtue of that right they freely determine their political status and freely pursue their economic, social and cultural development.

In the second article, the parties to the Covenant undertake to ensure that each individual in its territory has the rights it contains "without distinction of any kind, such as race, color, sex, language, religion, political or other opinion, national or social origin, property, birth or other status." The inclusion of "political or other opinion" is important here, since Article 25 reads:

> Every citizen shall have the right and the opportunity, without any of the distinctions mentioned in article 2 and without unreasonable restrictions:
> (a) To take part in the conduct of public affairs, directly or through freely chosen representatives;
> (b) To vote and to be elected at genuine periodic elections which shall be by universal and equal suffrage and shall be held by secret ballot, guaranteeing the free expression of the will of the electors.

If we were to take these statements seriously, we would have to develop an entirely new concept of legitimate government, with far-reaching implications not only for trade but also for issues like the use of military intervention for humanitarian purposes, a topic to which I shall turn in the next chapter. But how would we decide when a government is sufficiently democratic to be recognized as legitimate? During the counting and recounting of votes in the United States presidential election in November 2000, jokes circulated to the effect that the United Nations was about to send in a team of observers to ensure that the elections were fair and democratic. The jokes had a serious point to make. Put aside the many allegations of irregularities in voting and counting and the refusal of the United States Supreme Court to allow a proper count of all votes. Forget about the fact that candidates must raise hundreds of millions of dollars to have any chance of success, thus ensuring that the rich have far more influence on the political process than the poor. Even without any of those blemishes, the use of the electoral college, rather than the popular vote, to elect the president of the United States gives greater value to the votes of people living in states with small populations than to those living in states with large populations, and hence fails the basic "one vote, one value" requirement of democracy, and the

"equal suffrage" stipulation of Article 25 (b) of the Universal Declaration of Human Rights. Nevertheless, the evident imperfections of democracy in the United States are not of the kind that should lead us to withdraw recognition of the legitimacy of the U.S. government. A minimalist concept of democracy is needed, for otherwise there will be few legitimate governments left. It may be useful to distinguish between governments that, although not democratic, can claim a traditional, long-standing authority that enables them to rule with the apparent acquiescence of the population, and without severe restrictions on basic civil liberties, and other regimes that, having seized power by force, use repressive measures to maintain themselves in power. A traditional absolute monarchy might be an example of the first form of government; a military regime that has come to power through a successful coup, does not hold free elections, and kills or jails its opponents is an example of the second.

Even if we focus only on those governments that gain power by force and hold it through repression of opposition, accepting the democratic concept of sovereignty would make a huge difference to the way we conduct world affairs. With regard to trade issues, we can imagine that an internationally respected body would appoint a tribunal consisting of judges and experts to scrutinize the credentials of each government on a regular basis. If a government could not, over time, satisfy the tribunal that its legitimacy stemmed from the support of its people, it would not be accepted as having the right to sell its country's resources, any more than a robber who overpowers you and takes your watch would be recognized as entitled to sell it. For a private citizen to buy that watch, knowing or reasonably suspecting it to be stolen, is to commit the crime of receiving stolen goods. Under a minimalist democratic concept of sovereignty, it would similarly be a crime under international law for anyone to receive goods stolen from a nation by those who have no claim to sovereignty other than the fact that they exercise superior force.

Far-reaching as they are, such suggestions are gaining increasing recognition. At the Summit of the Americas meeting held in Quebec City in April 2001, the leaders of 34 American nations agreed that "any unconstitutional alteration or interruption of the democratic order in a state of the hemisphere constitutes an insurmountable obstacle to the participation of that state's government in the Summit of the Americas process." This means that a country that ceases to be a democracy cannot take part in the continuing talks on the free trade pact that the Summit planned, nor receive support from major international institutions like the Inter-American Development Bank.[69] In other words, democracy takes precedence over free trade, and the perceived benefits of participation in the proposed free trade agreement provide an incentive for all the nations of the Americas to maintain democratic institutions.

Though most leaders present at the Summit of the Americas, including President George W. Bush, are strong defenders of free trade and of the WTO, there is a potential conflict between the vision implicit in their Quebec City agreement and that of the WTO. The leaders of the nations of the Americas envision a kind of club of democratic nations, who trade with each other, assist each other in various ways, and deny these benefits to undemocratic outsiders or to any democracies that fall into the hands of dictators. In contrast the rules of the WTO do not allow its member nations to refuse to trade with other members because they are not democratic. If the WTO should realize its vision of a global free trade zone, regional free trade agreements would become irrelevant, and there would be no way in which trade sanctions could encourage democracy.

In Europe the lure of entry into the European Union is already

encouraging democracy and support for basic human rights. For the former communist nations of Central and Eastern Europe, membership in the European Union is an extremely desirable goal, one that is likely to bring with it stability and prosperity. The European Union is a free trade zone, but it is much more than that. It has criteria for admission that include a democratic form of government and basic human rights guarantees.[70] Implicitly, by refusing to accept nations that fail to meet these standards, the European Union puts democracy and human rights ahead of free trade. As a result, those Central and Eastern European nations that are plausible candidates for membership are gradually bringing their laws in line with the minimum standards required by the European Union.

It is not only in Europe and the Americas that there are moves to strengthen and encourage democracy. In Africa, there has been increasing acceptance of the monitoring of elections by international observers, and the Organization of African Unity has now monitored elections in 39 countries.[71] At the inaugural meeting of the Community of Democracies in Warsaw in June 2000, representatives of the governments of 106 countries signed the *Warsaw Declaration,* recognizing "the universality of democratic values," and agreeing to "collaborate on democracy-related issues in existing international and regional institutions, forming coalitions and caucuses to support resolutions and other international activities aimed at the promotion of democratic governance" in order to "create an external environment conducive to democratic development."[72] Here too democracy is seen as a great value, to be promoted through international collaboration. A trade pact between democracies, like that proposed for the Americas, would be a powerful means of promoting the value of democracy. So too would be a blacklist of illegitimate governments with no color of entitlement to rule, and with whom there is therefore no ethical basis for doing business. Corporations that wished to be perceived, not as the receivers of stolen goods, but as respectable global citizens and as supporters of democracy, might then be deterred from entering into agreements with these governments. This result would deny dictators the resources they need for buying weapons, paying their supporters, and boosting their bank balances in Switzerland. Obtaining power by ways that do not confer legitimacy would become just a little less attractive, and the prospects of an illegitimate government staying in power would be slightly reduced. Though the reduced prospects of development might be seen as a cost incurred not only by the illegitimate government but also by the people of the country, such development is, at best, a mixed blessing, and is often very damaging to the local people. For example, Shell's use of oil rights under the regime of the former Nigerian dictator General Sani Abacha was highly detrimental to the Ogoni people who lived above the oil fields. It can also be argued that it was, on balance, bad for Nigeria as a whole. In a study of the impact of extractive industries on the poor, Michael Ross, a political scientist at the University of California, Los Angeles, found that the living standards and quality of life experienced by the general population in countries dependent on selling minerals and oil are much lower than one would expect them to be, given the countries' per capita income. Mineral dependence correlated strongly with high levels of poverty and with unusually high levels of corruption, authoritarian government, military spending, and civil war. Ross's findings are in accord with those of an earlier influential study of natural resources and economic growth by Jeffrey Sachs and Andrew Warner.[73]

Consistently with such studies, we may think it is no coincidence that Nigeria has over the last 30 years had a preponderance of military governments, one of the world's highest levels of corruption, and enormous revenue from the sale of oil. Control of such vast wealth is a constant temptation for generals and others who have the means to overthrow civilian governments and then divert some of the wealth into their own pockets. If overthrowing the government did not bring with it control of the oil revenues, the temptation to do so would be that much less.[74]

A refusal to accept a dictatorial government as entitled to sell off the resources of the country over which it rules is not the same as the imposition of a total trade boycott on that country. Such boycotts can be very harmful to individual citizens in the country boycotted. Renewable resources, like agricultural produce and manufactured goods, might still be traded under private agreements. But when a corporation or a nation accepts the right of dictators to sell their country's non-renewable natural resources, it is accepting the dictators' claims to legitimate authority over those resources. This is not a neutral act, but one that requires ethical justification. In the rare case in which the dictatorship's record indicates that the money will be used to benefit the entire nation, that justification may be available, despite the absence of democracy. When, however, corporations can see that the money they are paying for a country's natural resources will be used primarily to enrich its dictator and enable him or her to buy more arms to consolidate his or her rule, there is no ethical justification for dealing with the dictator. The old-growth forests, oil, and minerals should be left alone, awaiting a government that has legitimate authority to sell them.