

If we're going to give a lot of money, we'll make darn sure th spend it in a way that goes along with our intent. Billionaire David K



Corporations more powerful than nations
Top 100 economies by GDP (nation) or revenue (companies) with their respective pop

State of Power

2014 Exposing the Davos Class

The Global 0.001%

One thing that money doesn't seem to have bought [per cent]: an understanding that their fate is bound up y the other 99 percent live. Joseph Stiglitz

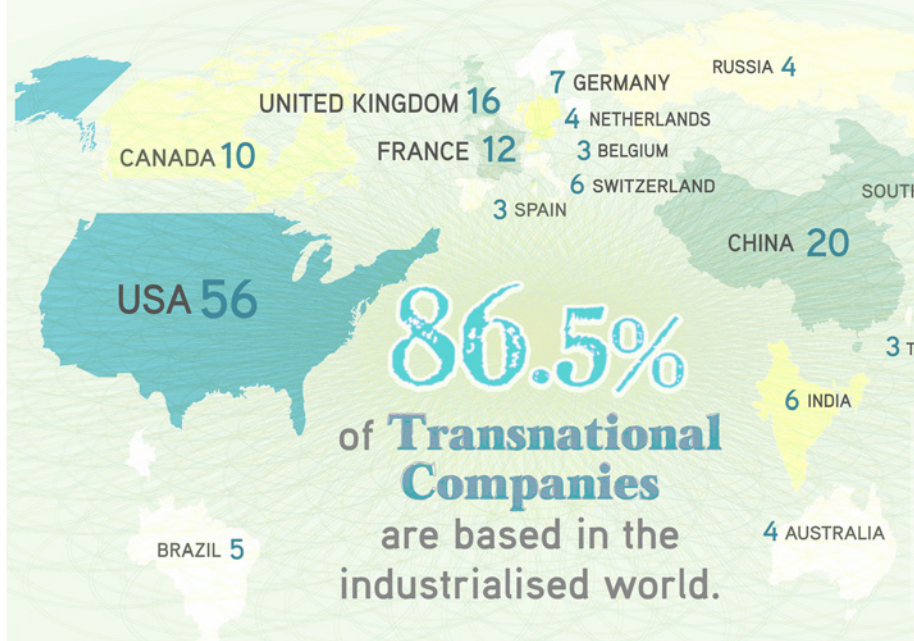
Rich get richer



Wages and income for the rest of us stagnated or fallen.



Geography of Corporate Power



Forbes May 2013.

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“Study the rich and powerful, not the poor and powerless...Let the poor study themselves. They already know what is wrong with their lives and if you truly want to help them, the best you can do is to give them a clearer idea of how their oppressors are working now and can be expected to work in the future.”

(Susan George, *How the Other Half Dies*, 1974)

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Nick Buxton

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The full report, infographics and chapters can be downloaded at <http://www.tni.org/stateofpower2014>

Introduction

The Transnational Institute is proud to launch its third annual 'State of Power' report as the World Economic Forum meets in Davos. This anthology exposes and analyses the principal power-brokers, members of the "Davos class", who have caused financial, economic, social and ecological crises worldwide.

Unless we know which elites control our wealth and resources, understand how they influence political and social processes, and can identify the systems, structures and policies by which they maintain their power, TNI believes our hopes for advancing social and environmental justice are slim. Justice demands a recalibration of power and that requires us to better understand it.

This collection of essays and accompanying infographics draws attention to key dimensions of power and its exercise in our globalised world. These contributions first highlight how **power is hidden and concealed**. The peasants who lose land or whose river is polluted by mining may not know the name of the owner or corporation threatening their livelihood. They certainly will not know which transnationals are buying the minerals, the politicians who signed the trade deals to facilitate its extraction, or the elusive corporate lobbying groups that successfully pushed through those deals.

Susan George takes an overarching global look at how corporations have systematically and silently appropriated power and authority through lobbying, trade and investment agreements, and through unaccountable expert groups and bodies. David Fig shows how they work in the new corporate scramble for Africa seizing its rich mineral resources, while Andrew Gavin Marshall looks behind the political stage of the European Union to expose how a single corporate group, the European Round Table of Industrialists has systematically influenced and shaped the EU's economic policies, including its disastrous austerity regime. This concealed corporate power threatens to become further entrenched, as David Sogge makes clear in his analysis of the World Economic Forum's Global Redesign Initiative that seeks to replace nation-states and democracy with a corporate-led multi-stakeholderism—a term as ugly as the WEF's intentions.

These essays expose a second key feature of power: its **dynamism and complexity**. Ben Hayes shows why constant vigilance is needed as it morphs into new arenas and evaluates the significance of Edward Snowden's historic revelations in revealing the unprecedented reach and power of the security state. Phyllis Bennis explains that US imperialism may be facing its biggest legitimacy

challenge following its losses in Iraq and elsewhere, yet its continued unparalleled military dominance and willingness to use violence without accountability may make it more dangerous than ever before. Achin Vanaik focuses on the arrival of new powers which could challenge US unipolarity, but in a wide-ranging essay on the arrival of BRICS and MICS poses crucial questions as to the potential of these nations to offer progressive alternatives to the collective crises humanity faces.

In different ways, Daniel Chavez, Jun Borrás, Steve Horn and Peter examine how **corporate and state power inter-relate and depend on each other to flourish**. Chavez notes that despite the wave of neoliberalism and privatisation that swept the world, public enterprises continue to make up 10% of the sales of the top 2000 corporations and can still exercise vast financial power through Sovereign Wealth Funds in states as diverse as Qatar and Norway. However, they are not necessarily advocates for inclusive sustainable development: they are too embedded in financial markets and dominant in the extractive industries. As the financial crisis so blatantly demonstrated and as Jun Borrás exposes in his examination of land grabbing; state and capital are an "inseparable duo". They depend on each other both to dispossess but also to build legitimacy for appropriation. Peter Rugh and Steve Horn bring the equation together to demonstrate how the "fateful triangle of big energy, finance and complicit governments" prevents a desperately needed radical response to climate change.

Hilary Wainwright tells us that dissembling this fateful triangle requires that we recognise power's **transformative capacity** and use our creative skills, alternative knowledge and values to overturn neoliberalism. She points to inspiring examples from anti-austerity movements in Greece and Spain that are not only challenging neoliberalism, but building practical, productive alternatives that embody the values of solidarity, social justice, co-operation and democracy to which we all aspire.

We hope this book will be a resource and tool that supports that critical transformation.

Nick Buxton
Editor

We are very glad this year for the collaboration with Occupy.com which has been running a similar Global Power Project and who supported the essays by Andrew Gavin Marshall, Steve Horn and Peter Rugh.

A Corporate Planet

STATE OF POWER 2014

“Corporation: an ingenious device for obtaining individual profit without individual responsibility. Ambrose Bierce, The Devil’s Dictionary”

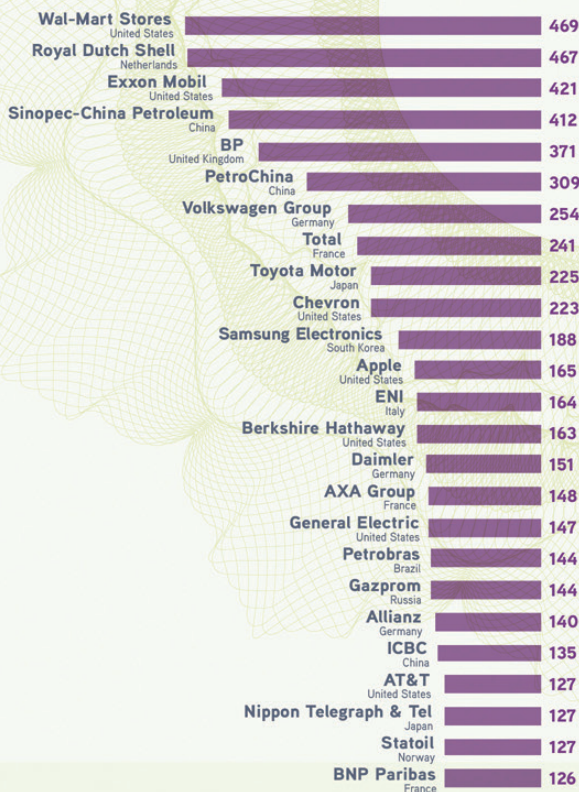
The top **25**
Corporations
will have earned
\$31.8 million
by the time
you finish this
infographic.



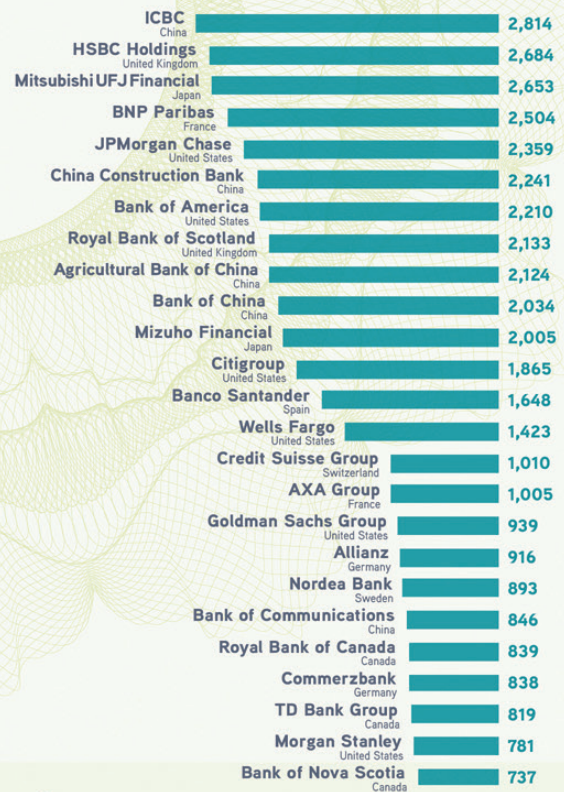
Less than
1%,
mainly
Banks,
control the shares of
40% of global
businesses.



Top 25 corporations by revenue US\$ billions



Top 25 corporations by assets US\$ billions



2011 and 2012 revenue rankings by Forbes.

Forbes 2011 and 2012. Vitali, Glattfelder, and Battiston, The Network of Global Corporate Control.

The Global 0.001%

STATE OF POWER 2014

“ There is one thing that money doesn't seem to have bought [the one per cent]: an understanding that their fate is bound up with how the other 99 percent live. Joseph Stiglitz ”

The rich get richer



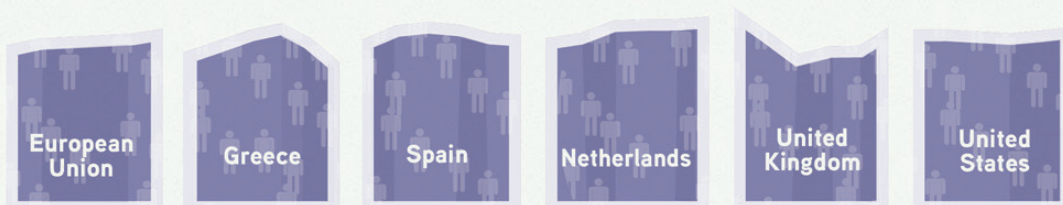
The world's millionaires got **11%** wealthier last year.



Change in total wealth of millionaires by region 2007-2012

Capgemini and RBC Wealth Management, 2013 World Wealth Report

While wages and income for the rest of us have stagnated or fallen.



Median household income change in EU and US 2007-2012

Eurostats, US Census Bureau.

World's Richest Men

STATE OF POWER 2014

“ If we're going to give a lot of money, we'll make darn sure they spend it in a way that goes along with our intent. Billionaire David Koch ”

Top 25 billionaires total wealth

\$930 billion.
(689 billion Euros)

JAN.~SEPT. 2013

Increase of

\$85 billion
over the previous year.

↑ **9%**

World's Richest Top 25

#

NAME

US\$ BILLION / CHANGE FROM LAST YEAR

COUNTRY

INDUSTRY

POLITICAL GIVING

CAMPAIGN FINANCE

MEDIA INFLUENCE

THINK-TANK INFLUENCE

CORPORATE LOBBYING

TAX EVASION



1. Bill Gates
72.5 ↑15.6 %
United States
Technology

- 1.3\$ bn funding for Alliance for a Green Revolution in Africa (AGRA) via Gates Foundation supporting Monsanto and biotech.
- \$544,441, 91% to Democrats. Microsoft spent \$5.6 million on U.S. political campaigns (Republican and Democratic).
- Microsoft spent \$15.3 million on lobbying in 2011-12.



2. Carlos Slim
66.3 ↓11.8 %
Mexico
Diversified

- New York Times shareholder.
- America Movil: \$416,548 on U.S. political campaigns.
- \$640,000 on lobbying in 2012.



3. Amancio Ortega
58.9 ↑2.5 %
Spain
Retail



4. Warren Buffett
58.1 ↑21.3 %
United States
Finance

- Buffett promoted the U.S. government's TARP bailout of banks in which he was a major shareholder.



5. Ingvar Kamprad
49.1 ↑24.0 %
Sweden
Retail

- Left Sweden to avoid taxes, placed Ikea into a Dutch foundation, and the company's intellectual property rights into a Liechtenstein foundation.



6. Charles Koch
45 ↑10.0 %
United States
Diversified

- \$86 million in 2012 election cycle.
- From 2008-2013 Koch Industries spent more than \$60 million lobbying on oil and gas issues.
- Co-founded libertarian Cato Institute; financially support Heritage Foundation, American Enterprise Institute, American Legislative Exchange Council (ALEC) et al.



7. David Koch
45 ↑10.0 %
United States
Diversified



8. Larry Ellison
40.2 ↑2.2 %
United States
Technology

- \$3 million to Mitt Romney's PAC.

State of Corporations -

The rise of illegitimate power and the threat to democracy Susan George

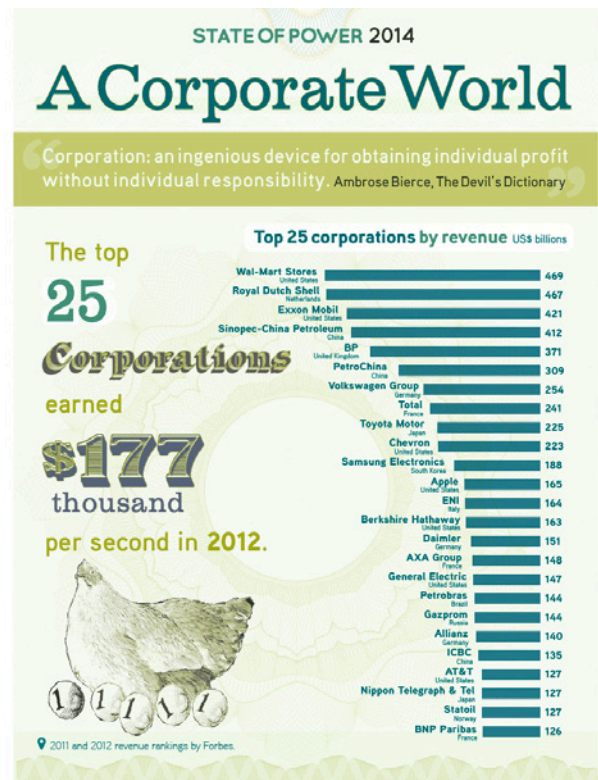
A few years ago a book concerned with the “state of power” would probably have been mostly confined to or at least centred on the State and its more dominant attributes such as the military, its control over vital resources or its currency. In the present context one would doubtless want to add “its capacity to spy on other powers” – but this is not the sort of I intend to discuss here.

Rather, I will focus on power unaccompanied by accountability of any kind; that which is not required to report to anyone concerning its activities and which, being difficult to understand, is equally difficult to counter. This is why the other half of the title is “the threat to democracy”. Legitimacy depends on democracy—otherwise all forms of power, where government is concerned, are merely variations on the theme of oppression whether called tyranny, dictatorship, or autocracy. The subtlety of illegitimate power makes it hard to identify. It does not have a name as such, does not stem from official decisions and is not often felt as oppression by those who submit to it, knowingly or not.

Illegitimate power, in the sense I will use it here, excludes tyrannies, dictatorships, one-party authoritarian States, African satrapies *et alia*. It concerns the power of the largest corporations and here I prefer the United Nations formulation of “transnational” or TNC to “multinational” or MNC. When you arrive at the upper reaches of the corporation, the CEO, the COO or the CFO, the director of R&D, the Board of Directors, these companies far more often than not have an identifiable nationality and although they may have subsidiaries in dozens of places they do not by any means give

equal weight to the interests of each of those places. Furthermore, as we shall see, groups of companies from, say, the United States and European countries or Europe as a whole come together to obtain results they perceive as being in their collective interest. “Obtaining results” includes political results and the capacity to obtain them from governments is inexorably growing. This, to me, implies a serious breakdown of democracy.

So I shall first make a few quick distinctions concerning what is legitimate and democratic on the one hand and, on the other, illegitimate and undemocratic in



government, now often called—and for good reason--“governance”.¹

Second, I'll state my hypothesis : I believe the evidence shows that illegitimate authority is on the rise and that democracy is gradually succumbing to the disease of neoliberal ideology so that more and more functions of legitimate government are being assumed by illegitimate, unelected, opaque agents and organisations. This is the case at all levels, national, regional and international.

Finally and most importantly, I will supply elements of proof and provide examples in support of this argument. The list of examples is ever-growing and could be much longer than the one here but I hope to show nonetheless that illegitimate, corporate rule now occupies greater and greater space at every level of government including the international sphere, that it is gravely damaging democracy and that it has an impact on our countries and our lives, especially if we live in the Western democracies.²

What makes power legitimate?

Here is a legitimacy checklist I think most people living in democratically run countries would accept. The hallmarks of legitimate power are free and fair elections, constitutional government, the rule of law, equality before the law; separation of executive, legislative and judicial powers, checks and balances to prevent any one part of government from becoming too powerful, the separation of church and state. Coupled with such provisions is the never-completed, always expanding list of individual and collective rights and freedoms as first set out in the *French Declaration of the Rights of Man and the Citizen* of 1789 and the *Bill of Rights* of 1791 made up of the first ten Amendments to the Constitution of the United States of America.

Freedom of opinion, speech, worship, the press and so on...All these ideas were once considered revolutionary, even when they were woefully incomplete—slavery still existed, women and minorities could not vote or exercise many rights and so on. But the notions of individual rights and governments that guarantee them are part of the movement of the *Enlightenment*.

In the 18th century, the ideas and the defenders of the enlightenment included not just the notion of rights and freedoms but also duties and norms of conduct for individual citizens. They defended rational and scientific thought against dogma and superstition and invented totally new concepts such as collective progress and individual *happiness*.³

Truly equal rights are not yet wholly achieved for women, for migrants, or sexual and racial minorities but despite all the horrors of the past couple of centuries, the setbacks and the imperfections, democracy and Enlightenment values still seem to me and to millions of others the best and most admirable form of government ever attempted. Proof of this is that other (not necessarily Western) people want the same things for themselves and are willing to fight and die to achieve democracy.

Why defend this model?

I believe we must preserve and improve the democratic, Enlightenment model and I'll now try to explain why I believe it is in grave danger posed by illegitimate power. Over the past three or four decades a new set of values has gradually taken front and centre stage, along with a great many changes for the worse in government.

Now standing against the Enlightenment model is *a new ideology of selfishness and cruelty* we can call the neoliberal model. It has been steadily gaining ground despite overwhelming proof that it is harmful to nearly everyone, except for the extremely wealthy and for the top people in the corporate sector. I honestly did not believe it could emerge even stronger after the financial earthquake which struck in 2007-2008 and with whose aftermaths we are still living. But this is what has happened.

This model has been thoroughly discredited—discredited intellectually, practically and morally. Yet neoliberalism has still triumphed and is continuing to cause huge shifts of power in favour of the richest and most powerful classes and corporations.

Inequalities have markedly increased. In Europe, the shares of economic value going to capital and labour have shifted drastically. In the late 1970s, the share of value going to labour in the form of wages and salaries was in Europe about 70 per cent of GDP. The remaining thirty per cent went to capital in dividends, rents and profits. Now capital receives at least 40 per cent of GDP, in some countries more and labour gets only 60 per cent. Corporate shareholders used to be content with dividends representing a return of 3 or 4 per cent a year; now they demand 12 per cent and more. The former goal of building a strong, healthy and lasting business enterprise well integrated into the community has been replaced by the single imperative of “shareholder value”. Nearly all business decisions are directed to that end, which encourages short-termism, asset stripping, mass layoffs and many other negative phenomena.

If salaried people have lost ten points of GDP, this is not small change! The GDP of Europe is about \$13

trillion per annum, so European working people are now missing out on some \$1.300 billion (\$1.3 trillion) a year compared to the 1970s. When workers are paid, their incomes go overwhelmingly into the purchase of goods and services—which keeps the economy ticking over. Now we have high unemployment and the wages of those who do have work are stagnant and sometimes falling, particularly in Southern Europe and even for a good part of the German working class.

Capital on the other hand is reinvested, very often in the purchase of financial products which create no social value, have little or nothing to do with the real economy and can, as we have all too recently seen, bring that real economy to its knees.

Neoliberal doctrine

Just as I provided a “legitimacy checklist” for democracy, here is one for the illegitimate governance of the neoliberal model and its defenders:

Markets are wise and efficient; they tell citizens, businesses and governments what the public wants and needs; they should be allowed to function independently and kept as free as possible (ideally entirely free) of government regulations and interventions. Markets are by definition “self-regulating” and in the neoliberal vocabulary, **regulations** are “job killers”, **trade unionists** are “thugs” who want to prevent newcomers and of course foreigners from finding work. **Privatisation** of public services is desirable because private enterprise always out-performs public services on criteria of efficiency, quality, availability and price. **Free trade** may have temporary drawbacks for some but will ultimately serve the entire population well with more and better jobs and greater wealth. Both tariff and non-tariff barriers to trade and to foreign direct investment should be removed. **Government spending** is intrinsically bad (except for certain budgets such as defence and national security) and should be confined to a minimum. Government debt and government budget deficits must be got rid of as soon as possible, if necessary by imposing austerity measures on the population.

Austerity programmes are based on these beliefs. In moral terms, neo-liberalism is selfish and cruel, even anti-human. In the US, a Tennessee Republican Congressman voted to eliminate food stamps with the words, “Those who refuse to work shall not eat”, ignoring the lack of jobs available for those trying to find work. In the EU, a fully developed offensive against the welfare State is underway with the goal of clawing back all the gains of working people over the past six or seven decades. For

neoliberals, every aspect of the welfare State is abhorrent because it consists in taking resources from the rich—those who supposedly created the wealth—and giving that wealth to those who do not deserve it. The rich owe nothing to the poor.

Nor do the rich owe anything to nature. In the neoliberal canon, nature per se creates no value, nor does labour. Both are there to be exploited by corporate entities and only investors (i.e. “shareholders”) and the people at the top are value creators.

The corporate offensive from A to – well – not quite Z

Now for proof—or at least examples--of the increasing control of illegitimate power. It is exercised through corporate money, of course, but also through increasingly sophisticated organisation and professionalism. There are many levels of the expression of this power: we may start this quick overview with the simplest, the ancestor of corporate influence, i.e. common or garden lobbying. This practice takes its name from the lobby of the House of Commons where men with special interests, and often stuffed envelopes, would wait to waylay and buttonhole the arriving or departing MPs.

After a couple of centuries of practice, these non-elected people have become familiar, far more knowledgeable and quasi-legitimate actors on the fringes of government. Their offices occupy whole neighbourhoods in Washington (K Street) and the EU quarter in Brussels. Often they have come through the “revolving door” and after a career in politics know better than anyone who to approach and how to change the minds of Commissioners or legislators.

They’ve improved their techniques, are paid more than ever and they get results. Lobbying pays off. A survey by the Sunlight Foundation in the US showed that American corporations that had invested in lobbying paid proportionally less in taxes than those that had not. In the US, they must at least declare themselves in a Congressional register and report how much they’re paid and by whom.

In Brussels, however, there’s only a “voluntary” register--a joke considering that fifteen to twenty thousand lobbyists haunt the EU premises and are talking non-stop every day to Commission personnel and Euro-parliamentarians. A few East European parliamentarians were conned by British tabloid reporters into taking bribes in exchange for votes and duly exposed to the reading public. They left under a cloud.

The Parliament, judiciously concerned to preserve

its reputation, asked their President Martin Schulz to set up a working group charged with reforming the wholly inadequate European transparency register. This group was duly formed in mid-2012, after which nothing further happened. The transparency group's singular lack of progress became more transparent in turn when, in October 2013, the German weekly *Der Spiegel* revealed that the group's chairman, German Christian Democrat MEP Rainer Wieland, was a lobbyist on the side, as a partner in a Brussels law firm. Modern European lobbying isn't just PR—Brussels is also overrun by law firms grinding out favourable draft legislation and legal strategies for their commercial clients and these firms have proven particularly loath to register. Little wonder Wieland did nothing to change their minds.

Two German Green MEPs, Rebecca Harms and Daniel Cohn Bendit, once more wrote to Schulz to point out that the "revelations that [Wieland] is involved with a firm lobbying on EU policy make his continuation as chair of a working group on lobbying transparency completely untenable..." We'll see--this saga is on-going.

Little by little, however, the dubious, not to say ludicrous manoeuvring of the Commission and the member States is being exposed and the shroud of secrecy over lobbying activities is showing some wear and tear. Even among those firms that have registered, some have since been shown to be under-reporting their real activities and earnings by a factor of ten. As the French say, "Le ridicule tue"—looking ridiculous is death, and one hopes that the registry will soon cease to be the laughing stock of the continent.

The lobbying or "public relations" industry grew exponentially after World War II and now has experts in defending the interests of all industrial sectors, including junk food, genetically manipulated crops, harmful products like tobacco, dangerous chemicals or dicey pharmaceuticals, the biggest greenhouse gas emitters and the financial industry. Their mission is clear: write new legislation; hold up or eliminate any legislation that might be counter to those interests.⁴

Less known perhaps than the lobbies for individual TNCs are the proliferating industry-wide "institutes", "foundations", "centres" or "councils", for various classes of products, often based in Washington D.C. but sometimes operating world-wide. They too defend alcohol, tobacco, junk food, chemicals, pharmaceuticals, greenhouse gas emitters and so on, but go about it differently, often using ideological weapons. They employ tame scientists, who never declare any conflict of interest, to write "studies" or popular articles aimed at creating doubt in the public's mind about even the best established scientific facts. They claim that there

is "debate" around certain scientific issues when in fact there is none—or only that created out of thin air by the lobbyists themselves.

They set up fake "grass-roots" or "citizens" groups to defend their products or ideas and pretend that the consumer's "freedom to choose" is being infringed by the "nanny State" that wants to make people's decisions for them. They have launched petitions and collected signatures to defend or reject a policy; on closer examination, the signatures turn out to be those of corporate employees whose jobs depend on agreeing. They use scare-mongering techniques such as "this legislation will increase costs for business and lead to higher prices and/or unemployment". They are also expert in framing the issues so that they can be passed off as legitimate "news" when in fact they are propaganda operations. One must take care to find out who funds a seemingly benign and legitimate institution before believing anything it says and this is not a simple task for the ordinary citizen.

Creating doubt in the public mind is usually sufficient to reach their ends. The Center for Consumer Freedom under the direction of the accomplished PR guru Richard Berman was able to put off controls on smoking in public places for years. Berman has also defended the alcoholic beverage and junk food industries as well as preparing anti-union campaigns for large corporations. The climate-change denialists use the same tactics. One of their organisations funded by the petroleum and motor industries even announced on their site after the failure of the UN Copenhagen climate conference in 2009 that they were disbanding, considering that they had accomplished their purpose. And in many ways they have—there is far less media coverage and, at least in the United States, less public concern about climate change than before 2009.

The triumph of banks and financial services

From the mid-1990s, the largest American banking, securities, insurance and accounting TNCs joined forces and, employing 3000 people, spent \$5 billion to get rid of all the New Deal laws passed under the Roosevelt administration in the 1930s—the very laws that had protected the American economy for over sixty years. Through this collective lobbying push, they won total freedom to remove any money-losing assets from their balance-sheets and move them into "shadow" banks that appeared nowhere on their balance sheets. They became free to create and trade hundreds of billions worth of

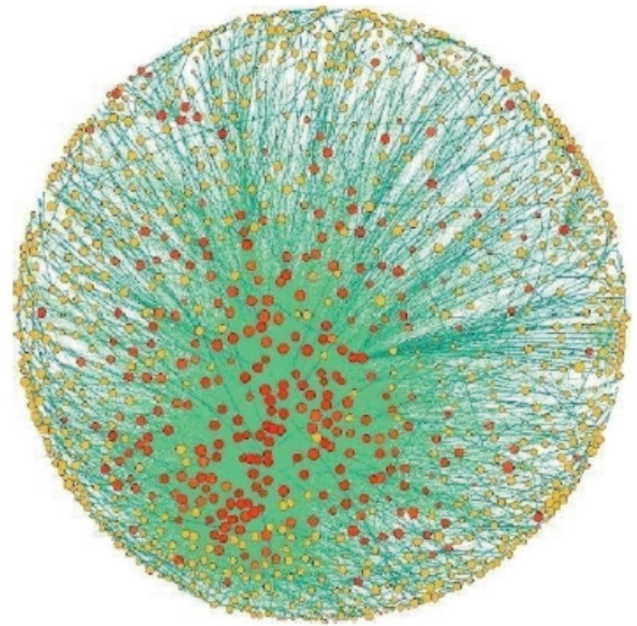
toxic derivative products, such as bundles of sub-prime mortgages, with no regulation whatever.

The consequences, as everyone knows, have been devastating. But democracy has been absent and supplied no solutions. For example, since 2007, close to ten million families have had their homes repossessed in the United States. They know well enough that the bank or the mortgage company took their house and put them out on the street-- but most have no idea how the crisis actually came about—or why Congress did nothing to prevent it or to alleviate it after the fact. Congressmen and women did prepare several bills that could have helped people to stay in their homes but none of these proposals became law. Nor, it must be said, was there any collective organisation for the defence of the newly homeless that could have forced action.

Or take the case of CalPERS—the California public employees' pension fund which lost more than a billion dollars of working peoples' contributions because it invested in toxic securities sold on the market by the major banks. Was this a case of poor investment decisions on the part of the Fund managers? Not at all: by statute they could only invest in securities with AAA ratings, supposed to be the safest of the safe. Private ratings agencies are paid by the issuers of the securities to supply ratings and the CalPERS lawsuit is against Standard and Poor's, one of the big three agencies—the other two are Moody's and Fitch. Together, these agencies stamped hundreds of many toxic and eventually worthless securities with AAAs and were paid to do so.

This pension fund (later joined by the Attorney General of the State of California) blames S&P for "fraudulent ratings" but up to now, the lower (district) US courts have ruled that the ratings agencies were merely "expressing an opinion" on the value of these securities and "freedom of opinion" is protected by the First Amendment to the US Constitution, part of the Bill of Rights, 1791. In other words, corporations have acquired the rights of persons—this predates the ratings agencies lawsuit. Aside from the banks contributing nothing to the costs of their own bailouts, the ratings agencies, themselves profit-making transnational corporations, have paid no compensation to their victims.

Little or nothing has been done since the fall of Lehman Brothers to re-regulate finance and meanwhile, derivatives trading has reached \$2,300,000,000,000 *per day*, a third more than before the crisis. Foreign exchange hyper-fast "flash trading" entirely driven by computers and algorithms is up by 50 per cent over the level prior to the crisis. The laissez-faire attitude to the finance industry is stoking the fires for the next crisis and we can accurately predict that it will be still worse than the last.



Source: Vitali S, Glattfelder JB, Battiston S (2011) The Network of Global Corporate Control.

We have, in fact, mathematical proof that the worst is yet to come and that the corporations are at this very moment nurturing the next crisis. Three mathematicians specialising in complexity theory at the Zurich Polytechnic Institute have published a remarkable study called "The Network of Global Corporate Control" which maps thousands of TNCs according to their connections to other TNCs. Beginning with a data base of 43,000 corporations, they progressively refine the ownership connections, upstream and downstream, to highlight the most interconnected companies, arriving at a "core" of 147 companies that control 40 per cent of the economic value of the entire sample. Their map looks like an astronomical night-sky map with dim galaxies and bright stars but also some supernovae with connecting lines to dozens of other stars on the map—to be in "the core", a company must have at least twenty connections.

The shocking conclusion of these mathematicians⁵ is to be found in the Annex to their paper which lists the 50 most interconnected companies that embody what they call the "knife-edge property". Close interconnectedness means, in fact, "prone to systemic risk" and this in turn means that "While in good times, the network is seemingly robust, in bad times, firms go into distress simultaneously". Of the 50 most interconnected and therefore most risk-prone companies on their list, 48 are banks, hedge funds or other financial services corporations.

The European corporate mafia

Back in Brussels, dozens of “expert committees” made up of top TNC personnel, with virtually no consumer, environmental or watch-dog organisations participation, are meeting daily with Commission officials. They are tasked with drawing up detailed legislation in every conceivable policy area. In the crucial area of trade, the Corporate Europe Observatory has shown that the preparation of the US-Europe “Transatlantic Trade and Investment Partnership” involved

“at least 119 behind-closed-door meeting with large corporations and their lobby groups [but] has had only a handful with trade unions and consumer groups. When negotiations were announced in February 2013, not a single such meeting with public interest groups had taken place, compared to dozens with business lobbyists”.

Such news, as revealed in internal documents obtained through recourse to the EU’s complicated access-to-information rules is in stark contrast to what the Commission claims in its public “fact sheets”. A sample: “The views of civil society play a crucial role” in EU trade negotiations. That is true only if “civil society” is considered to be almost exclusively limited to business interests.

Above the status of the myriad “expert groups”, although similar, is the **International Accounting Standards Board (IASB)**, surely unknown to 99 per cent of the European population and that of its other member countries. When the EU was first confronted with enlargement and the nightmare of 27 different stock-exchanges and a wide variety of regulatory and accounting rules, it called on an *ad hoc* group of advisors from the big four transnational accounting firms for help.

Over the following years, this group quietly morphed into an official agency, the IASB, still made up of talent from the big four but now making the rules for 66 member countries, including the whole of Europe as well as Australia. The IASB became official through the efforts of one unelected EU Commissioner, Charlie MacCreevy, a neoliberal Irishman, himself a chartered accountant. It involved no parliamentary review. If anybody thought to ask, they were told that the agency was “purely technical”. And indeed, what could be more boring and technical than accounting rules and practices?

Why should we care?

We should care because unless and until we can oblige the transnational corporations to adopt “country-by-country” reporting, they will continue to pay—usually

quite legally—minimal taxes in most of the countries where they have branches. They can place their profits in low or no-tax jurisdictions and their losses in high-tax ones. At present, if they so choose, they can report simply on the home country where they have their headquarters and then “rest of world”.

But to tax effectively, fiscal authorities need to know the sales, number of employees, profits and taxes in each jurisdiction. Today, they cannot, because the rules are tailor-made for avoiding disclosure. Small, national businesses and families with a fixed national address will continue to bear most of the tax burden or simply do without the State services that fair taxation of TNCs could have provided. Virtually everywhere, these companies are free riders—the police and the fire department protect their property, the local schools and hospitals educate and care for their personnel who can come to the factory or office via public transport or public roads—none of which the company contributes to—or far less than its fair share.

I contacted the IASB to ask if country-by-country reporting was anywhere on their agenda and received a polite reply that it was not. No wonder. The big four firms whose friends and colleagues make the rules would lose millions in revenue if they could no longer advise their clients on how best to avoid taxation. Ordinary citizens will continue to bear the tax burden. Tax havens where according to reliable estimates some \$32 trillion is stashed by wealthy individuals and corporations will continue to flourish.

Law beyond borders

Much law is now made beyond national borders and, in the international sphere, much of this law concerns ways to allow corporations greater scope and freedom. A large number of new trade treaties are allowing TNCs to infiltrate executive, legislative and even judicial State functions. Even the United Nations is now a TNC target—and welcomes their presence.

Treaties are an important source of law and theoretically outrank national law, including national Constitutions, although there is a great deal of leeway for the more powerful countries. The United States ignores a good share of international law including International Labour Office conventions. Europe invents and ratifies treaties with dizzying speed, leaving no time or place for citizens to debate much less vote on them by referendum. In July 2013, negotiations began on the Transatlantic Trade and Investment Partnership, or TTIP. This agreement will make most of the rules governing

nearly half the world's GDP—the US plus Europe—and has been in preparation since 1995 when the largest TNCs from both sides of the ocean joined in the Trans-Atlantic Business Dialogue (TABD) to hammer out all the practical regulatory issues, sector by sector.

Other important contributors to the TTIP are the Chambers of Commerce and, in Europe, the European Roundtable of Industrialists (ERT) which includes about 50 corporate leaders, all at the CEO level. As Peter Sutherland, a former EU Commissioner, former World Trade Organisation Director and ex-director of British Petroleum and Goldman Sachs has said, the ERT is “more than a lobby group. Each member of ERT has access at the highest levels of government”. At the request of European governments, the ERT contributes heavily to their agendas. Negotiators are now working from the corporate blueprint which the TABD, the ERT and their American counterparts have supplied.

Transatlantic trade is worth about \$2 billion a day but with the exceptions of the food and automotive industries, there is little to negotiate where tariffs are concerned—these average a mere three percent. The goal is instead to privatise as many public services as possible and to eliminate non-tariff barriers, that is, regulations which the TNCs refer to as “trade irritants”.

The Trans-Atlantic Business Dialogue that prepared the treaty text (which has been kept secret) later changed its name to the Transatlantic Economic Council and describes its job as “reducing regulations to empower the private sector”. This is indeed what the TTIP is all about: it aims to reduce and place ceilings on government regulation in all areas, it insists on airtight investor protection and will encourage privatisation of public services. It calls itself a “political body” and its director proudly declares that this is the first time “the private sector [has] held an official role in determining EU/US public policy”.

This Treaty, if it is approved by 2015 according to the TNC plan, will include changes to regulations covering safety of food, pharmaceuticals, chemicals and so on. It will have the final say on financial stability proposals and give freedom to investors to remove their capital without notice. It can block proposals for new taxes such as the financial transaction tax and reduce government capacity to deal with climate security, for example by imposing higher standards on polluting industries. Governments will be forbidden to give preference to national over foreign companies for procurement contracts (a significant portion of any modern economy). The entire negotiating process will take place behind closed doors, with no input from citizens.

Central to all trade and investment treaties today is

the clause which allows corporations to sue sovereign governments if the company chooses to claim that a government measure will harm its present, or even its “expected” profits.

The number of “investor to State” disputes arising from the TTIP, if it passes, of course remains to be seen. However, under the terms of the hundreds of bilateral investment treaties already ratified, more than 560 cases have already been brought by corporations against governments, including 62 new cases in 2012 alone. At least a third of the corporate claimants are demanding \$100 million or more in compensation. There is no reciprocity, that is, governments cannot sue corporations if they cause damage or harm to the public or to public property. These cases are not judged in national courts but by special arbitration tribunals with lawyers and judges recruited from top private law firms, mostly British and American. Lawyers charge on average \$1000 an hour and arbitrators \$3000 a day. So far, the majority of cases has been decided in favour of the companies, more than a third have assigned awards of more than \$100 million, and the awards are necessarily supplied by taxpayers of the country.

The United Nations

The UN now has a special section for corporations called the “Global Compact” founded about fifteen years ago by Kofi Annan and the then President of Nestle.

To become a member, a company need only sign on for fifteen principles in the areas of human or labour rights and the environment. Although they are supposed to supply progress reports, the UN never monitors them. It does ensure, however, that a high-level representative of each of the major UN agencies such as FAO, WHO, UNESCO and so on is assigned to coordinate and facilitate interaction with the companies.

The corporations that belong to the Global Compact, plus the members of the World Business Council for Sustainable Development and various other business associations or Chambers of Commerce, were massively present at the UN's jamboree environmental conference Rio+20 in the summer of 2012. According to some reports, they virtually took over the proceedings. Business formed the largest delegation and staged the largest event, known, appropriately enough, as “Business Day”. Here the Permanent Representative of the International Chamber of Commerce to the United Nations (yes, like a country's permanent representative) declared to thunderous applause, “We are (...) the largest business delegation ever to attend a UN Conference...Business

needs to take the lead and we are taking the lead". The TNCs are now demanding a formal role in UN Climate negotiations.

That agenda seems to be progressing nicely, thank you. The November 2013 UN Climate Conference in Warsaw was ostentatiously plastered with the logos of many fossil fuel and mining companies, as well as those of Emirates airline, vehicle powerhouses General Motors and BMW: COP 19 or Conference of the Parties was the first ever to seek out and welcome corporate sponsorship. Possibly because 80 to 90 percent of Poland's energy comes from coal, the unsubtle Polish government seized the occasion to host a parallel conference of the World Coal Association. Here the top UN Climate Conference official Christiana Figueres gave a keynote speech. Well done, TNCs!

Who governs today?

Democratic legitimacy implies popular sovereignty, otherwise known as the consent of the governed. The people are supposed to be the ultimate arbiters: they need not only elected representatives but must also possess the right and capacity to say "No" as well as "Yes" to government policies.

It is not exactly news that governments have always governed on behalf of certain class interests but this is different from allowing those interests to actually write the legislation and to make policy directly, including budgetary, financial, labour, social and environmental policy in the place of elected legislators and civil servants. It is different from allowing private corporations deliberately to disseminate deception and lies and undermine the public's right to know.

It is also different from allowing such interests to replace the established judiciary with ad hoc courts in areas such as trade dispute arbitration, even in jurisdictions where the justice system is known to be fair and independent. And there seems no way under present law to prevent such executive bodies as the European Commission, impermeable to all democratic process, from making policy directly contrary to the wishes of the great majority of European citizens, at least according to what one can learn from opinion polls.

How are the people to remain, or become, sovereign if they are in no position even to identify who, or what, is making the decisions that affect their lives? Democracy has in no way kept up with the pace of globalisation; whether nationally or internationally, authority is exercised without the consent of the governed. The people are given few tools to understand who is actually

running what. Corporations exercise power without corresponding responsibility. Whereas voters can sanction governments and throw them out of office, corporations are not only beyond popular reach through votes but collect egregious privileges such as "personhood" in the USA or full status in the United Nations.

It's not just their size, their enormous wealth and assets that make the TNCs dangerous to democracy. It's also their concentration, their capacity to influence, and often infiltrate, governments and their ability to act as a genuine international social class in order to defend their commercial interests against the common good. They share a common language, a common ideology and common ambitions that touch us all.

At whatever level they operate, the overall goals of those seeking to exercise illegitimate authority are not simply to earn higher profits, although the bottom line remains paramount. They are also seeking (1) paradoxically to provide a new kind of legitimacy for the alternative system they are putting in place, run entirely by themselves and (2) to demolish such notions as the public interest, public service, the welfare State and the common good in favour of higher corporate gains in terms of both money and power and rules tailored for corporate purposes. They may ultimately replace "of, by and for the people" with "of, by and for the TNCs". Citizens who value democracy ignore them at their peril.

State of Davos –

The camel's nose in the tents of global governance

David Sogge

By custom and by law, the formal management of *international* affairs is a matter for sovereign *nations* and their representatives. Of course global high politics has long been an opaque realm managed by elites. Yet the risky yet inescapable work of transnational governance should ideally occur through open, accountable public authority guided by democratic norms. That is not a new idea. After all, the UN Charter begins with “We the peoples” and affirms the “equal rights of men and women and of nations large and small”.

Today the defense of those principles, never robust, seems weaker than ever. The camel of private interests, having made itself at home in the tents of domestic political life, has today pushed its nose and much else besides into the rickety tents of international governance. Helping its entry has been a shrewd camel-trader, the World Economic Forum (WEF). It brokers and lubricates corporate ideas and networks. Its annual invitation-only gatherings in Davos, Switzerland, have given rise to the half-mocking term “Davos Man”. That archetype represents a global elite who “have little need for national loyalty, view national boundaries as obstacles that thankfully are vanishing, and see national governments as residues from the past whose only useful function is to facilitate the elite’s global operations”.¹

“Everybody’s business” : the Davos Man Plan

This chapter pursues several storylines converging around a simple proposition widely held in the private

sector and vigorously pushed by the WEF: When it comes to tackling global problems, nation-states and their public politics are not up to the job. Their old, run-down institutions should be re-fitted to serve a sleek new system in which ‘stakeholders’ — that is, governments, ‘civil society’ and business, chiefly as represented by transnational corporations — will together manage the world’s affairs. Nation-states are to become just one participant among several holding authority over us all.

That scenario is no dystopian fiction from a crackpot scribbler. On the contrary it is a carefully-wrought piece of political engineering formulated by hundreds of well-paid, well-adjusted but powerful people. One of its working prototypes has been running for years already: the WEF’s annual gathering at Davos. At those elite events, business chieftains get to schmooze with senior politicians and a few members of ‘civil society’, the participants of which are carefully selected to minimize risks of any unpleasantness. Davos meetings exemplify perfectly the stakeholder approach. Across many fields of transnational governance, that approach is now gaining altitude.

A comprehensive plan whereby ‘stakeholders’ would run the world began to take shape in 2009 when the WEF started its Global Redesign Initiative (GRI). Seizing an opportune moment — the West’s economy in crisis, its political classes disoriented — the WEF set off “to stimulate a strategic thought process among all stakeholders about ways in which international institutions and arrangements should be adapted to contemporary challenges.” Bankrolled mainly from Qatar (yes the same Qatar that bankrolls jihadists in Syria,

Mali and other war zones), the GRI enlisted services of some 1200 experts, most grouped in the WEF's theme- or region-focused 'Global Agenda Councils' around the world. In 2010, after running some ideas past "ministers, CEOs, heads of NGOs and trade unions, leading academics and other members of the Davos community" the WEF published a massive final report of the GRI, *Everybody's Business: Strengthening International Cooperation in a More Interdependent World*.

Across issues as varied as chronic diseases, ocean governance and systematic financial risk, the GRI report argues that the stakeholder approach is the way to go in just about every field of policy — global finance excepted. Its proposals are premised on voluntarism, codes of conduct and other kinds of soft law. Public guarantees and hard law are unwelcome — except where corporate interests may be at risk.² Yes, corporations have to be part of global authority. But no, nothing is mandatory for them. They are free to walk away if they choose. Duties and obligations are for others to assume.

An essential sub-text, articulated by the WEF's Global Agenda Council on the Future of Government, is that governing today is no longer a matter for states and their agents alone, nor should it be. Government's "basic 'public functions' have already been redefined through the irrepressible growth of both private sector and civil society involvement in public affairs." Hence the challenge ahead is to "re-invent government as a tool for the joint creation of public value."

The term "joint creation" refers to such things as public-private partnerships (PPPs). Never mind the lack of evidence that PPPs routinely deliver 'value for money', let alone evidence that they fairly apportion costs and risks between public and private interests. On the contrary, a British Parliamentary Committee recently found that Britain's flagship PPP, the Private Finance Initiative, effectively ripped off British taxpayers while enriching private financiers. Corporations thus prefer PPPs, while cash-strapped or 'captured' public authorities (and some NGOs) go along in the public-private "joint creation" tide. On global levels, the democratic deficits of PPPs raise even more serious challenges.³

The Davos Man Plan: Critical Notes

Fortunately the Davos Man treatise on running the world has begun to attract close, critical attention. At the Center for Governance and Sustainability at the University of Massachusetts, Boston, a team led by the American political economist Morris Gleckman has produced a trenchant review, the *Readers' Guide to the Report of the*

Global Redesign Initiative. Its main points also appear in a short paper by Gleckman. In measured language, the *Readers' Guide* carefully probes the GRI's arguments and evasions. It exposes the shaky foundations of this masterplan to claim joint authority while ducking obligations. The *Readers' Guide* distills the essence of the WEF scheme as follows:

At its core, WEF is advocating against the organization of international affairs based on the progressive development of universally recognized frameworks. In short, its position might be summarized as:

Universal frameworks out, ad hoc private sector and NGO frameworks in;

Inter-governmentally adopted standards out, self-selection of international standards in;

Effective implementation by international organizations and governments out, corporate opt-in/opt-out implementation systems in; and

Progress on international conventions out, self-enforcing systems in.

What are some likely consequences of such approaches? Have these been carefully pondered? The *Readers' Guide* identifies dozens of inconsistencies and unanswered questions. Its lead author draws particular attention to five major problems:⁴

First, when state authority over international terrains is rolled back, and corporations face no formal requirements to account for extra-territorial consequences of their behaviour, today's gap in accountable authority will turn into a yawning abyss. The Davos Man Plan ignores this.

Second, if the pool of potential participants is extended beyond nation-states to include the vast and varied universes of business and 'civil society', there arise problems of representation. Which stakeholders are to be invited, under whose authority? Who is to have access to which deliberations, according to what criteria of selection, ratified by what process? The Davos Man Plan is silent about such things.

Third, if stakeholders are free to pick and choose among activities they feel like taking part in, free to take part for as long or as little as they want to, and free to ignore things they don't fancy, it is not hard to imagine that arbitrary and inefficient management would rapidly become the order of the day. Such capricious, ad hoc approaches to governance would clearly risk a swift loss of public confidence and of lowered legitimacy of the system as a whole. Yet the Davos Man Plan insists that voluntarism is part of the solution, not part of the problem.

Fourth, how should decisions be validated or ratified? The current standard is balloting by those qualified to vote. Consensus-seeking in multi-stakeholder forums leaves decision-making open to routine abuse of power by well-resourced groups to the disadvantage of those lacking resource clout, including nation-states. Given the likelihood of skewed and patently illegitimate outcomes, active or passive resistance to such decision-making would soon bring systems toward the edge of political breakdown. The Davos Man Plan neither analyses alternatives, nor proposes any specific models of decision-making.

Fifth, multi-stakeholder arrangements cost time and therefore money. Currently, funds to promote deliberative processes are anything but abundant and stable, let alone equitably distributed. The Davos Man Plan says nothing about assuring equity on the “input” side of the stakeholder model. The clichéd business term ‘level playing field’ is nowhere to be found in the lopsided world of stakeholderism.

Private sector in transnational governance: mission creep

There is no space here to provide a fuller synthesis of the *Readers’ Guide*. However a main focus of its attention, the rise of ‘stakeholder’ governance, lends itself to some elaboration by way of the following chronological overview. It draws on both the *Readers’ Guide* and on a prescient study by the German political scientist Jens Martens (2007) *Multistakeholder Partnerships – Future Models of Multilateralism?* It suggests the forward march of private — especially transnational corporate interests in setting political agendas and rules of the game, especially toward issues of the environment, health and infrastructure.

1919	International Labour Organisation founded. Its formal supervision involves governments, employers and organized labour, usually on a 2:1:1 ratio.
1946	United Nations ECOSOC created consultative status for non-state organizations, including trade union bodies, NGOs and others such as the International Chamber of Commerce. Individual corporations became eligible for ECOSOC consultative status in 2000.
1948	International Union for Conservation of Nature (IUCN) founded. It combines governments, state agencies and national and international NGOs. Strategies to engage business, and to develop ‘payment for ecosystem purposes’ paradigms, first set in motion in 1996.
1967	FAO’s Industry Cooperative Programme involved Western agribusinesses in projects until 1979, when under Scandinavian pressure it was discontinued. Yet the FAO’s Committee on World Food Security (est. 1974) today involves corporations and NGOs in the FAO, though not in its formal governance.
1992	Rio Summit (UN Conference on Environment and Development) adopts Agenda 21, which states: “Governments, business and industry, including transnational corporations, should strengthen partnerships to implement the principles and criteria for sustainable development.” As market fundamentalism reaches new heights of influence in the early 1990s, Rio gave partnership/stakeholder paradigms a major boost, at least regarding environmental issues.
1994	UNDP sets up the Public-Private Partnerships (PPPs) for the Urban Environment (PPUE) facility to promote PPPs for urban water, waste management, public transportation and energy.
1995	Money Matters Initiative launched via World Summit on Social Development in Copenhagen, with support from the UNDP and the World Bank, to engage the banking sector to press for ‘financial reforms’ in developing countries.
1997	At the WEF gathering in Davos, Kofi Annan announces: “The close link between the private sector and the work of the United Nations is a vitally important one. (...) Strengthening the partnership between the United Nations and the private sector will be one of the priorities of my term as Secretary-General.” This pledge took further form in 2000, with Annan’s launching of the Global Compact, linking the corporate world with the United Nations
1998	‘Global Health Partnerships’ involving global pharmaceutical firms, become priority policy of the WHO under its Director-General Gro Harlem Brundtland

<p>2002 March</p>	<p>Monterrey Consensus (a result of the UN International Conference on Financing for Development) repeatedly calls for engagement of the private sector in development tasks and financial governance, holding that “collective and coherent action is needed in each interrelated area of our agenda, involving all stakeholders in active partnership.”</p>
<p>2002 Sept</p>	<p>Rio+10 in Johannesburg (World Summit on Sustainable Development, WSSD), about which the head of a Washington DC lobby group wrote, “This Summit will be remembered not for the treaties, the commitments, or the declarations it produced, but for the first stirrings of a new way of governing the global commons – the beginnings of a shift from the stiff formal waltz of traditional diplomacy to the jazzier dance of improvisational solution-oriented partnerships that may include non-government organizations, willing governments and other stakeholders”.⁵ So-called ‘Johannesburg Partnerships’ are a continuing outcome of Rio+10. Numbering in the hundreds, these focus on implementation, not participation in decision-making.</p>
<p>2003</p>	<p>UNESCO starts a ‘partnership’ with Microsoft. Today there are hundreds of active ‘partnerships’ between UN agencies and transnational corporations.</p>
<p>2004</p>	<p>Common Code for the Coffee Community (4C), initiated by the German aid agency GTZ and the German Coffee Association. Since the early 1990s, dozens of comparable partnerships to set industry standards or codes of conduct have emerged, from the Forest Stewardship Council (1993) to the World Committee on Tourism Ethics (1999).</p>
<p>2007</p>	<p>UNDP sets up its Private Sector Division, flanking earlier initiatives such as its Growing Inclusive Market Initiative (est. 2006) whose slogan is “Business works for Development – Development works for Business” and the Business Call to Action (2008), a networking and advocacy effort of the UNDP and the British government.</p>
<p>2011</p>	<p>UN General Assembly approves Resolution 66/223, ‘Towards global partnerships’ that reiterates official enthusiasm for private sector involvement. It emphasises voluntary nature of partnerships and warns against “imposing undue rigidity in partnership agreements”.</p>
<p>2013</p>	<p>World Water Council (est. 1996) an “international multi-stakeholder platform” dominated by corporations, convenes together with the UNDP the Budapest Water Summit, it argues that water has to be a commodity, not a basic entitlement. Dozens of such international gatherings take place every year; they endorse similar policies and try to legitimise them by talk of ‘multi-stakeholder’ consultation.</p>

Corporate self-rule: the wider shores

Hybrid or private-public ‘stakeholder’ governance has long been at work in other realms of global capitalism. In several chapters of her 2006 book *Territory, Authority, Rights*, Saskia Sassen analyses how rule-setting and even enforcement have shifted from public to private authority. This has occurred in realms such as dispute settlement in trade and investment, codified risk calculations governing financial markets, and the global construction industry. She writes: “International commercial arbitration is basically a private justice system, credit rating agencies are private gate-keeping systems, and the lex constructionis is a self-regulatory regime in a major economic sector dominated by a limited number of large firms. Along with other such institutions, they have emerged as important governance mechanisms whose authority is not centred in the state.”

The global reach of private authority manifests itself elsewhere. The International Chamber of Commerce has long influenced the making of global regulations.

From international boards that set standards for specific industries to the bodies that are supposed to supervise the financial sector, the rise of ‘governance lite’ is evident in the capture of regulatory agencies by corporate interests and the forceful insistence on self-supervision and self-regulation. Routinely ignored are calls for genuine public supervision, such as the following from a mainstream economist: “Unfortunately, self-regulation stands in relation to regulation the way self-importance stands in relation to importance and self-righteousness to righteousness. It just isn’t the same thing.”⁶ Corporate capture also crops up informally, through staff selection and rotation through the revolving doors between private and public sectors. Among many examples is a little-known United Nations body based in Vienna, the Commission on International Trade Law, which “creates soft law on issues like electronic trade, transport regulations, securities, arbitration etc.” and in which US corporate lawyers “occupy a dominant position”.⁷

These obscure but powerful bodies fall short of

State of Davos

the principle of multistakeholder governance, for they routinely exclude, even in token form, voices from civil society. Yet that omission doesn't seem to bother proponents of the multistakeholder model, who today have political momentum. A rising stream of vision statements from commissions of global notables testifies to its persuasiveness. One recent example is the October 2013 final report of the Oxford Martin Commission for Future Generations, chaired by former WTO chief Pascal Lamy. That elite group put multistakeholder partnerships first on the list of its recommendations for the future.

Conclusion

Against this wider backdrop, the World Economic Forum's design for running the world is already taking concrete forms. In realms such as health, nature conservation and trade in tropical products, the engineers' plans have passed from drawing boards to routine practices. Meanwhile in other realms — finance, taxation and the use of force in the name of 'security' — people with obvious stakes in their workings and impacts are denied access to information and to means to call the powerful to account. Advertised as a matter of everybody's business, the bold 'global redesign' looks like yet one more gimmick to prevent people from taking part in matters that are very much their business.⁹

State of surveillance:

the NSA Files and the global fightback

Ben Hayes

[E]ven if you're not doing anything wrong you're being watched and recorded. And the storage capability of these systems increases every year consistently by orders of magnitude to where it's getting to the point where you don't have to have done anything wrong. You simply have to eventually fall under suspicion from somebody even by a wrong call. And then they can use this system to go back in time and scrutinize every decision you've ever made, every friend you've ever discussed something with. And attack you on that basis to sort to derive suspicion from an innocent life and paint anyone in the context of a wrongdoer...

- Edward Snowden, June 2013.

The surveillance state laid bare

If anyone told us anything about the state of power in 2013 it was Edward Snowden, who revealed that the surveillance capabilities of some of the democratic governments of the West are such that they can access almost anything their citizens do online or over a fixed or mobile telephone in the absence of meaningful democratic or judicial controls.

These powers are most advanced in the USA-UK led "Five Eyes" alliance (which also includes Australia, Canada and New Zealand) but many other European countries and NATO partners are known or believed to have advanced surveillance capabilities and to have cooperated closely with the NSA (the National Security Agency of the USA) and GCHQ (the UK Government Communications Headquarters). With a booming global surveillance industry on hand to help them, it is simply

inconceivable that many less democratic governments are not engaged in the same practices.

It's hardly news that spies spy, or that the powerful use surveillance and subversion to maintain their power and competitive advantage. In this sense the USA-UK hacking of top politicians' phone calls is something of a convenient sideshow (the real story is the ease with which they did it); what's new and important for the state of power is the simplicity with which individuals and entire populations can be placed under surveillance, the pivotal role that private companies play in facilitating this surveillance, and the lack of power and autonomy that we as individuals have to decide how we are governed and what happens to information about us.

In response to the revelations, newspaper editors and government whistle-blowers have joined more than 300 NGOs and 500 prominent authors from across the world in demanding an end to mass, indiscriminate surveillance; as I write a statement by "Academics Against Mass Surveillance" is also doing the rounds. Longstanding national campaigns against surveillance have been rejuvenated by the Snowden revelations and a host of parliaments and inter-governmental organisations are problematising the issue for the first time. But by no means are these still-growing campaigns a guarantee of meaningful reform. This paper looks at some of the key debates around surveillance reform and the battles ahead.

Key revelations

Only a tiny fraction of the secret documents liberated by

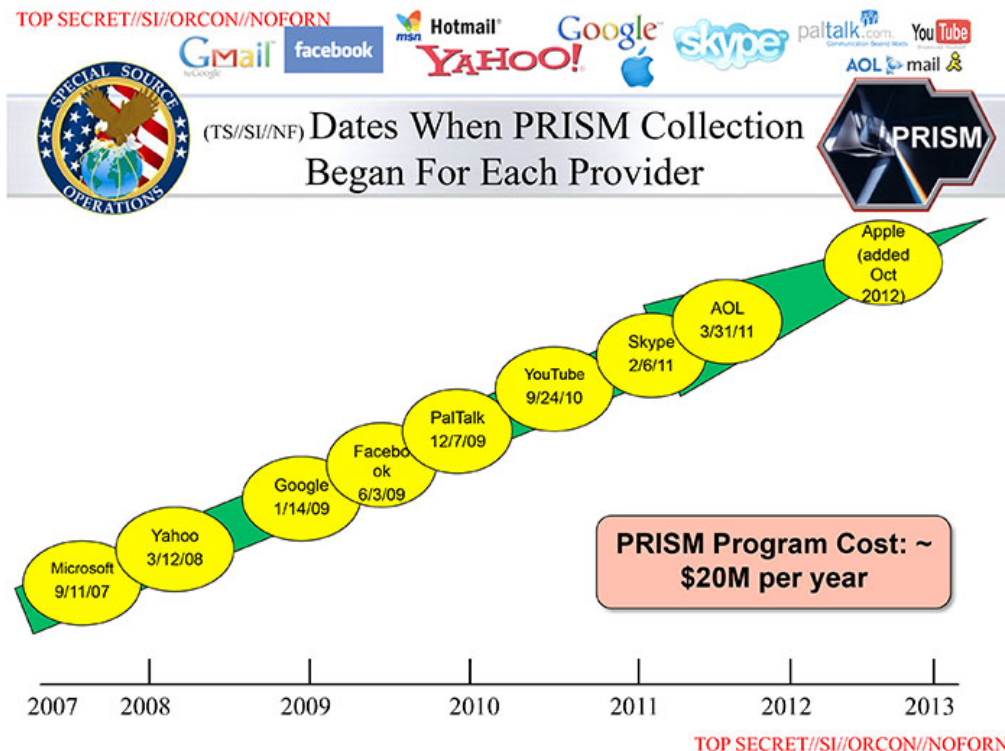
State of Power

Edward Snowden have been published or reported by the journalists he gave them to. While Glenn Greenwald and his colleagues have been accused of everything from helping terrorists and paedophiles to profiteering and covering-up damaging information, they have been both judicious and responsible in the way they have released information. Moreover, the drip-feed of stories revealing the complicity of an ever wider group of companies and countries has ensured that one of the most important civil liberties stories of modern times has now been front page news around the world for more than six months. No other leak in history has managed this feat. "Highlights" of the NSA Files released so far include:

- The *Verizon* Court Order: the first of the Snowden leaks revealed that the NSA was collecting the phone records of millions of Americans. While the scheme was launched by the Bush administration, it was widely believed that Obama had scrapped it.
- "Prism": enables the NSA and GCHQ to "mine" information from the servers of some of the biggest American technology companies (*Google, Apple, Microsoft, Facebook, AOL, PalTalk and Yahoo*). A similar programme called "Muscular" was intercepting millions of records a day from *Yahoo* and *Google*.
- "Tempora", part of the "master the internet" programme: GCHQ intercepts and stores the vast amounts of data flowing in and out of the UK via the undersea fibre-

optic cables that are the veins of the World Wide Web. Similar "bulk-intercept" programmes are run by the NSA ("Blarney", "Fairview", "Oakstar" and "Stormbrew").

- "Xkeyscore": an NSA run data-retrieval system used to access emails, telephone calls, internet usage records and documents transmitted over the internet
- "Boundless informant": a data analysis and visualization system that provides an overview of the NSA's surveillance activities by country or program. Almost 3 billion "data elements" from inside the United States were reportedly captured by the NSA over a 30-day period ending in March 2013.
- "Bullrun" and "Edgehill": a \$250 million-per-year programme under which the NSA and GCHQ (respectively) have defeated much of the encryption technology that underpins the security of the internet.
- Cyberwar, espionage and collusion: further revelations detail the extent to which the US is prepared to use international cyber-attacks to "advance US objectives around the world", the monitoring of phone calls of 35 foreign leaders and the complicity in NSA-GCHQ surveillance of intelligence services of –among others – Belgium, Denmark, France, Germany, Italy, Japan, the Netherlands, Norway, Singapore, South Korea, Spain and Sweden.



Source: NSA Slides, Washington Post, June 2013

“By any means possible”

As Snowden explained from the outset, this baffling array of secret surveillance programmes demonstrates the lengths that the “intelligence community” will go to “obtain intelligence wherever it can by any means possible”.

Entire communications networks are being placed under surveillance, whether “lawfully” (in the sense that access to the data they carry is a legal requirement or sanctioned by warrants that offer limitless discretion), under “voluntary” cooperation arrangements (between spy agencies and the companies that own those networks), or through state sponsored “hacking” (interception of the fibre-optic cables and data centres that host those networks).

The NSA has also been building “backdoors” into the applications and software of some of the world’s largest IT companies and using malicious software to steal information from private, government and business networks. A recent document suggested that the NSA has “infected” more than 50,000 computer networks worldwide.

Together, the NSA and GCHQ have also compromised the cryptography that enables the transmission of information securely across much of the internet. Tim Berners-Lee, inventor of the World Wide Web called their endeavours “appalling and foolish” because they would “benefit criminal hacker gangs and hostile states”, adding that he was “very sympathetic to attempts to increase security against organised crime, but you have to distinguish yourself from the criminal”.

Unless you believe that the activities outlined above are entirely appropriate things for democratic governments to be doing, Edward Snowden’s actions are the embodiment of principled whistleblowing and we owe him a huge debt of gratitude. That he has been forced to seek asylum in Russia, not just from the USA but its European partners, some of whom showed unprecedented contempt for diplomatic convention in grounding the plane of the President of Bolivia to look for him, shames all concerned and speaks volumes about the values and interests of Western governments today.

“Big data”, bigger problems

In considering how surveillance fits into the current state of power, what has completely changed since the likes of the Stasi had entire populations on file is that a privately-owned infrastructure has become the frontline of intelligence gathering. In turn, mass population

surveillance is no longer the preserve of totalitarian regimes but a staple of democratic ones.

The revolution in information and communications technologies (ICTs) is transforming our relationship with everyone and everything. As more and more of our relationships move online – our interactions with friends and acquaintances on social media, with businesses and service providers through “e-commerce”, with banks and “e-government” services and with political campaigns – more and more information about us is collected. Everything is recorded, stored and analysed. The economic and organisational rationale for keeping this data forever grows stronger every year.

What we do in the digital world betrays our thoughts, interests, habits, traits and characteristics. And as a species it turns out that we are entirely predictable: “embarrassingly so”, according to a former General Counsel of the NSA. As more and more of the things we own are connected to the digital world, and more and more online services are provided for us, the more sensitive and complete the information we commit – where we were, what we did and who we did it with.

We leave this data everywhere. It includes personal data (information identifying us), content data (what we write and say) and “metadata” (data about data, such as call records, internet traffic, location data etc.). Many digital innovations rest on the collection and analysis of this information, from the maps on our “smart phones” to the many applications through which information and culture is shared and consumed. The need to protect ourselves from intelligence and security agencies bent on circumventing our rights to privacy is thus only part of the problem. We also need to make sure we are protected from those companies whose bottom lines depend on accessing (and monetarising) as much of our personal information as possible.

These twin problems are exacerbated by a third: “big data”, less a concept than the marketing shorthand that encapsulates a new industry: *Have a large dataset? We can help you understand your clients, customers, employees, networks, threats, risks, opportunities etc.* This is where the “dark side” of ICTs – what Naomi Klein so accurately described as the “merger between the shopping mall and the secret prison” – is at its most obvious. The very same algorithms and analytical tools that Facebook uses to understand your interests and desires, and Amazon uses to calculate (and miscalculate) what else you might like to buy, can be used by government and private security companies alike to calculate (and miscalculate) whether you may be a threat, now or in the future. And it is precisely the “dual use” nature of this technology that makes it so hard to regulate. *It’s not a surveillance*

system, *it's a data analytics suite* is the narrative behind the thriving international trade in truly Orwellian tools.

Problematising the surveillance revealed by Edward Snowden is relatively straightforward. Security and intelligence agencies running amuck across an insecure digital infrastructure using unchecked powers inherited from the analogue age, to paraphrase *Human Rights Watch*. Achieving meaningful reforms that properly address this problem is a much more difficult proposition because of the vested interests in maintaining the status quo and the jurisdictional issues that arise in any attempt to restrict transnational surveillance networks. These problems are compounded by profound changes in the relationship between people, states and corporations.

Silicon Valley vs the NSA?

In December 2013, eight of Silicon Valley's most successful technology firms – *Aol, Apple, Facebook, Google, LinkedIn, Microsoft, Twitter and Yahoo* – called for “wide-scale changes” to US government surveillance based on five principles for reform: (i) “sensible limitations” on government collection of information and an end to bulk data collection, (ii) stronger oversight and accountability of intelligence agencies, (iii) transparency about government demands and surveillance powers, (iv) respect for the “free flow of information” and (v) a “robust, principled, and transparent framework” to govern lawful requests for data across jurisdictions.

This initiative builds on earlier, tentative steps toward greater surveillance transparency, in which some of these companies have been publishing comparative information about government and law enforcement agency demands for their users' data and petitioning the US government to let them publish some of the information about their hitherto secret dealings with the NSA. It is notable that fixed line and mobile telephony companies, many of which have been unquestioningly facilitating state surveillance for much longer than their web-based counterparts, have not weighed in to the debate in the same way; though they never claimed to be pro-democracy either.

That nothing apparently stirred the White House into action more than the concern that the revelations had been particularly damaging for some of the USA's most valuable corporations speaks volumes about the state of power. But it also begs broader questions about how corporate power is exercised. Some of these companies have (to significantly varying degrees) been or become proactive in pushing back on state surveillance, but some of them have also been fiercely resistant to draft legislation designed to give individuals greater control

over what happens to the personal data that their profit margins depend on, including provisions with the draft EU Data Protection Regulation.

We will help protect you from government surveillance but you don't need protecting from us is quite a proposition for a group of companies who, according to *Forbes*, spent more than \$35 million on lobbying activities last year. *Google* alone accounted for just over half of this total (\$18.2 m); if trade associations and lobby groups are excluded only *General Electric* admits to spending more on lobbying (*Microsoft* (\$8.1 m), *Facebook* (\$3.9 m), *Yahoo* (\$2.8 m) and *Apple* (\$2 m) make up almost all of the rest of the \$35m).

There can be little doubt that these companies are genuinely opposed to the kind of dragnet surveillance and data warehousing being conducted by the NSA because it is a genuine threat to their bottom line. As *Microsoft's* General Counsel put it: “People won't use technology they don't trust. Governments have put this trust at risk, and governments need to help restore it”. But as their top people head off to Davos to demand better transparency and oversight of surveillance in the name of preserving the “integrity of the internet”, we should be asking what else they seek and receive of our leaders and legislators. We should also be asking the European technology sector where it stands on surveillance reform, and why it hasn't stepped up to the plate.

Europe vs the “Great Satan”?

Public outrage at the Snowden revelations is such that there is now significant political capital bound up in surveillance reform. But the considered criticism and demands for change heard from Angela Merkel and Barack Obama have not, at least as yet, been matched by political action. Indeed, cosmetic reforms notwithstanding, there is little evidence of appetite for the deeper structural changes to the deep state that are so obviously required.

EU governments adopted a joint statement criticising their Transatlantic partner and warning of a collapse in trust, but have not threatened further sanction. Vocal in their criticisms of the USA and UK's activities, European governments have simultaneously sought to ensure that the activities of their own national security and intelligence apparatuses are kept out of the debate. Angela Merkel, the German Chancellor, has done a great job of playing to the domestic crowd (NSA “like the Stasi”, “friends don't spy on each other” etc.) while largely ignoring widely held concerns about domestic surveillance and dispatching a team of negotiators of

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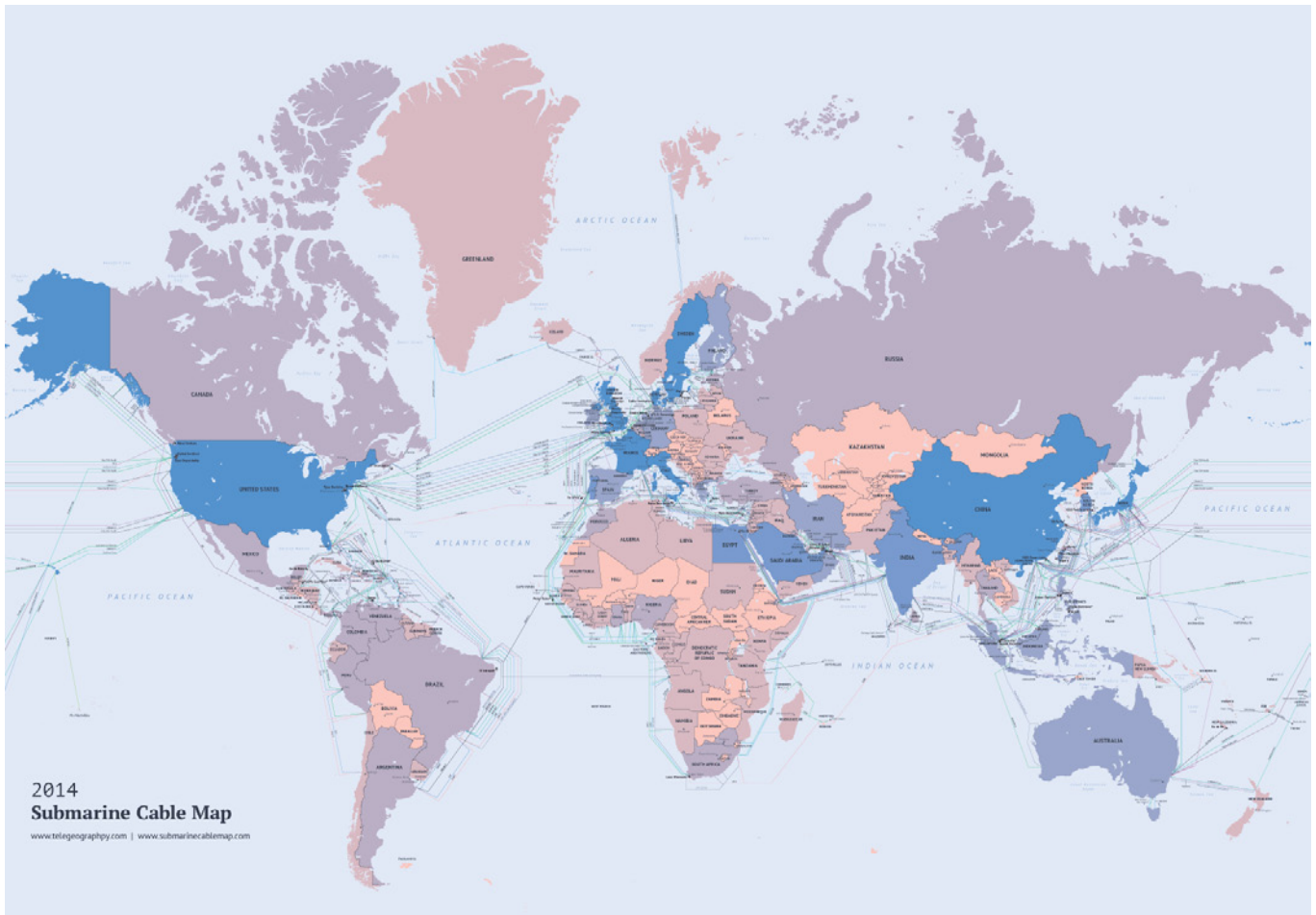
Washington in what looked primarily like an attempt to secure Germany's admission to the "Five Eyes" club. In cahoots with the UK, the German government also blocked the swift adoption of the draft EU Regulation on data protection requested by the EU's Parliament and Commission, stalling long debated and much needed reforms.

The French government described the NSA's practices as "totally unacceptable" before including provisions in the Defence Bill 2014-2019 that grant its own intelligence services expanded powers to record telephone conversations, access emails, location and other "metadata" – with no judicial oversight whatsoever. Meanwhile the UK government, whose spying on its EU partners surely represents a transgression against "friends" of a far greater magnitude than anything the USA has managed, has been the most brazen in rejecting any criticism, describing GCHQ's critics as "airy-fairy" types and encouraging a witch hunt against the Guardian. This has seen Glenn Greenwald's partner detained at Heathrow airport under-terrorism laws and a laptop owned by the newspaper destroyed with an angle-grinder under supervision of state agents. None of this bodes well for the state of democracy in that country.

The European Commission, devoid of any power

whatsoever as regards EU member states' national security policies, has been very outspoken about the NSA's spying, but has in practice been reduced to threats and finger-wagging in the direction of Silicon Valley, which is a bit rich since some of Europe's own communications surveillance arrangements are just as problematic. The EU Court of Justice has just indicated that it will likely quash a Directive, championed by the Commission, that mandated telecommunications and large internet service providers to keep metadata for 24 months for law enforcement and security purposes, because it failed to provide for adequate judicial oversight (or indeed to stipulate any meaningful restrictions on access to the data).

The European Parliament has just completed an enquiry into the surveillance of EU citizens by the NSA and their European counterparts, but in the absence of the power to compel witnesses to testify has relied on journalists, campaigners and independent experts. Its draft recommendations, which are not binding on the EU, will likely include the suspension of several data sharing agreements with the USA until it provides reciprocal privacy and data protection rights, the development of an "EU cloud" and reform of European mass surveillance programmes.



Telegeography 2014

As to the USA, for all the opining on the terrible state of democracy in that country, it is already streets ahead of EU member states in considering the domestic reforms that maybe necessary to safeguard its citizens' against intelligence "overreach". A Federal judge has just produced a preliminary ruling stating that the NSA's bulk phone record collection is likely to be in violation of the US constitution, also labelling the practice "indiscriminate", "arbitrary" and "almost-Orwellian". This sentiment was then echoed by a Presidential 'Review Group on Intelligence and Communications Technologies' whose 46 recommendations – if implemented in full – would at least lead to some significant curbs on the NSA's surveillance powers. Time will tell if Obama is up for the fight; the historical precedents are not encouraging.

International law vs. (trans)national security

Whether we live in the kind of world where the NSA and its allies can do whatever they want to the internet and the secrets it holds or whether we don't really comes down to how much respect we have for the rule of law and the principle of universal human rights, in particular the right to privacy – a right on which many other rights depend. As Edward Snowden put it: "I don't want to live in a world where everything that I say, everything I do, everyone I talk to, every expression of creativity or love or friendship is recorded".

Limits to "domestic" spying powers are relatively straightforward in the context of national constitutions which should afford citizens clear rights to privacy and protections from undue interference from the state. What is much more problematic is that nationals of other countries – who do not usually enjoy the same rights of citizens – can easily be subject to surveillance by a foreign state.

This is crucial for two reasons. First, digital communications frequently pass through the territory or jurisdiction of foreign countries, particularly the USA, where the majority of the world's internet traffic is destined. This means that if you are not a citizen of the USA, any constitutional right to privacy you might enjoy in your own country is likely all but worthless as you traverse large parts of the internet. Second, while the main protagonist in the NSA Files is of course the USA, that agency is at the centre of a still highly secretive and almost entirely unregulated transnational intelligence network with a global reach. This is why, as *Privacy International* has undertaken, opening up the "Five Eyes" is a prerequisite to meaningful restriction of its powers.

Obama's review panel surprised some by recommending that the surveillance of non-US citizens be subject to be stronger oversight and that their right to privacy be recognised, but it effectively ruled out judicial protection for the individual subjects of foreign surveillance and proposed a lower threshold of "reasonable belief" (rather than probable cause) for surveillance required in the interests of national security. Neither would persons outside the USA benefit from the proposed obligations on the NSA to minimise the data held on US citizens.

This is unlikely to satisfy European critics of the USA's practices or the likes of the Brazilian government, which is demanding that all foreign telecommunications service providers operating in Brazil host their servers in that country so their citizens' data is only subject to Brazilian law. With other countries threatening to go the same way, it's not just companies who are warning against "Balkanisation" of the internet as current norms and technical standards are pulled apart.

While the "Summer of Snowden" demonstrated the power of the NSA and the big tech companies, it has also shown up the weakness of international law and the current system of international governance. Human rights law and jurisprudence leaves little room for doubt that what the "Five Eyes" and others have been doing contravenes both the letter and spirit of international law. It is not just human rights standards that have been ignored, but decades of carefully crafted mutual legal assistance frameworks (allowing states to request and access information or evidence about one another's citizens), some of which have been simplified since 9/11.

Advocates of global governance should be crying out for international agreements that both limit surveillance and enshrine individual rights to privacy and due process, but it is currently inconceivable that states will accept any international treaty that seeks to limit their national security capacities. The "big data" corporations can also be counted on to resist any attempt to codify the right to privacy or data protection into international law. For all the talk of surveillance reform, it is notable that the Silicon Valley principles make no mention of whatsoever of individual rights, digital or otherwise.

Nevertheless there is tangible and growing support for such measures. The United Nations General Assembly has just adopted a ground-breaking Resolution (proposed by Germany and Brazil) on "The right to privacy in the digital age", though it is only binding on the UN's High Commissioner for Human Rights, who will be instructed to prepare a report on the matter. A new optional protocol to the International Covenant on Civil and Political Rights (ICCPR) has also been suggested, but, even if the political

can be mustered, it will at best take years to agree and much longer to ratify. In the short term, domestic measures that limit surveillance by intelligence agencies are the only meaningful route to reform.

Needles vs haystacks

Edward Snowden's revelations have already inspired a growing number of legal challenges and courts in Europe and the USA are being asked to weigh the legitimacy of what has been revealed against legal requirements to respect human rights and due process. This is the latest incarnation of the decade-old debate about the need to balance "liberty" with "security" and the new practices introduced under the "war on terror". It is a debate that liberty has been long been on the losing side of; it must be hoped that Snowden has reversed this trend. In the political arena, it has taken the form of a struggle against mass, indiscriminate surveillance and in favour of laws mandating surveillance only when necessary, targeted and proportionate.

What both of these debates too often ignore is the fundamental shift in what "national security" now entails, from the labour intensive, record-keeping era of Hoover and McCarthy to the banks of "big data" and intensive processing that NSA boss Keith Alexander now presides over. In this sense the power struggle is between a 20th century set of liberal democratic checks and balances, grounded in nation states and the regulation of investigatory powers, and a new transnational, pre-emptive and mass surveillance-based model that has developed in the 21st. The difficulty in trying to make this new model respect traditional notions of probable cause and due process is that the many of the methods it uses are antithetical to these notions.

Pre-emption has long been at the core of the state's national security mission. Whereas surveillance by police investigating criminal activities is supposed to start with "probable cause" that a known suspect is worthy of attention followed by judicial authorisation for any intrusive measures, national security agencies are essentially tasked with identifying threats and mitigating risks before they materialise. Post 9/11, this risk management paradigm has spread throughout the "Homeland Security" apparatus to encompass everything from pre-emptive detention to secret blacklists and extrajudicial killings by drone strikes, fuelling state repression across the world and encouraging the targeting of anyone who challenges the *status quo*.

Forced to defend their bulk data collection programmes for the first time, intelligence chiefs have

repeated the same mantra over and over again: "we need the haystack to find the needle". Consequently it is argued that any push back on surveillance compromises national security. While this provides a convenient defence of mass surveillance, the reality is that police and intelligence service alike have long had access to the "haystack" on a case-by-case or even blanket basis; what Snowden has revealed is the construction of giant haystack comprised of as much historical data as possible that allows the NSA and its allies to literally rewind to what their citizens have been doing at given points in time.

The first test for meaningful surveillance reform, therefore, is to end the bulk collection of data by intelligence agencies. Given the culture of surveillance among hundreds of thousands of state agents and contractors, and the infrastructure NSA has invested in to facilitate this mass surveillance (it has just constructed one of the largest data storage facilities in the world in Utah), we should not underestimate the enormity of this task. The second test is to prevent large datasets – not just communications metadata but financial data, travel data, health data and so on – being accessed by state agencies in the absence of a legitimate reason for doing so and effective vigilance of those requests. If we are to protect the presumption of innocence and right to privacy in a big data environment then ultimately we need firewalls that both limit profiling and prevent "fishing expeditions" devised to identify grounds for suspicion among the innocent.

The third is to circumscribe the conditions under which intelligence security agencies can access this data to fulfil their mandates. This challenge requires both greater transparency on the part of those doing the surveillance (we need to know how the "haystacks" are being used in practice and by whom) and a much clearer distinction between matters of national security on the one hand and criminal intelligence gathering on the other. This is really a question about how much of the "war on terror" should be conducted by secret intelligence and military agencies and how much should be prosecuted within a rule of law framework. The fourth challenge is to replace the cosy, pro-establishment parliamentary committees currently tasked with oversight of these agencies with meaningful forms of democratic control.

Ultimately, the current needle/haystack debate hinges on how much if any data should be retained by the companies that hold or carry it for law enforcement and security purposes and the circumstances under which it can be accessed. Danger lies in the smoke and mirrors that could normalise what exists instead of scaling back what has been revealed. Obama's NSA review panel

proposed an end to the bulk metadata collection by the NSA, but proposed instead that service providers keep it for 30 months with access to the data controlled by the (traditionally permissive) surveillance courts.

As noted above, the EU may be moving in the other direction; its Court of Justice's advisory opinion having adopted a dim view of its "Data Retention Directive" and the principle of keeping data for long periods just in case it later proves useful for police and security agencies. Ultimately the two sides will have to resolve at least some of their differences in respect to surveillance powers and privacy protections if existing EU-US cooperation is to be maintained or deepened. This may even offer the best prospects for the substantive development of an international agreement in the longer term.

The state within the state we're in

Near the top of the list of most post-Snowden demands for surveillance reform are better oversight and accountability of the intelligence services. But given the lack of political will to fundamentally appraise how liberal democracies have allowed their intelligence apparatuses to become so extraordinarily powerful and unaccountable, this is a huge ask. As one former UK judge wrote after the Snowden leaks, "The security apparatus is today able in many democracies to exert a measure of power over the other limbs of the state that approaches autonomy: procuring legislation which prioritises its own interests over individual rights, dominating executive decision-making, locking its antagonists out of judicial processes and operating almost free of public scrutiny".

This is what campaigns for surveillance reform are up against and it is naïve to think that demands for surveillance accountability will naturally succeed where a decade of trying to hold the USA and its allies to account for their roles in extraordinary rendition, torture, secret detention, internment and war crimes under the "war on terror" have met with such resistance (not to mention the criminal conduct that goes much further back than 9/11). Across Europe and North America in inquiry-after-inquiry, proceeding-after-proceeding, the law has frequently failed to provide redress as states have closed ranks and governments have adopted the default position of defending, ignoring or exonerating the actions of their intelligence and security agencies. Why? Because their national security and foreign intelligence apparatuses are intimately involved in everything states do militarily and in a good deal of their foreign and economic policies and interests. In geopolitics, surveillance capabilities – or "situational awareness" – is at the very heart of the

projection of hard and soft power.

There is another fundamental issue with many of the current calls for surveillance reform. That is at some point trying to retrofit checks-and-balances on surveillance agencies that work in secret to pre-empt "threats" from enemies known and unknown inevitably becomes a contradictory exercise: taken to its logical conclusion, the argument that all surveillance must be necessary, proportionate and under proper democratic and judicial control is really an argument for radically restricting the mandate and powers of the intelligence services and tasking police and criminal intelligence services with problems like terrorism instead. Thanks to the cult-like obsession with (in)security across the majority of our media, this is akin to blasphemy.

Perhaps this is why so many campaigners talk about surveillance as if it occurs in a vacuum, ignoring the staggering development of national security apparatuses, particularly since 9/11, their impact on "suspect communities" and their relationship to strategies to combat "radicalisation" and "domestic extremism". Brown is the new Black and Green is the new Red. Across the world the kinds of peaceful protest and civil disobedience that democrats profess to cherish is under attack like never before with those who (logically) advocate more peaceful direct action cast as "extremists", even "terrorists". The struggle against unchecked surveillance should be at the heart of struggles for social justice.

We might also ask how it is that neoliberalism has successfully captured so many public services through the rubric of waste and efficiency, while the High Priests of the Security States can spend countless billions on armies of contractors and facilities designed by Hollywood-set makers at will? Having recently attended "MILIPOL", the 18th "Worldwide exhibition of internal state security" in Paris, I find it harder than ever to avoid the simple conclusion that it is because what is good for the security state is good for business, and vice versa.

"Homeland security", most of it centred in some way or another on mass surveillance techniques, is already a multi-billion dollar business. With it comes an increasing blurring of the boundaries between military force, national security and public order and the mania for everything from drones to "less lethal" weapons, crowd control technologies, mass surveillance applications, militarised border controls, and everything else on show at MILIPOL (see further TNI and Statewatch's Neoconopticon report of 2009). I wonder how many of the big players will now be at Davos, using fear and insecurity to sell what, in the show room, looks a lot like the powerful trying to protect themselves from the powerless.

The Emperor has designer clothes and designer

State of Surveillance

armour. It must be assumed that an already powerful surveillance industry will seek to fill any “security” void created by the democratic control of state surveillance. If we’re serious about limiting surveillance, we need serious restrictions on state and private sector alike.

Power and autonomy under digital capitalism – from rights to currency?

Globalised, mass surveillance has emerged because the international agreements designed to prevent the emergence of authoritarian states in Europe in the wake of the World War II have failed to check the consolidation of precisely this kind of illegitimate power, particularly since the end of the Cold War. Bodies like the EU and UN, captured by corporations or small numbers of powerful states, have inadvertently accelerated these processes. The “big data” controllers have secured all the rights and all of the information. Privacy has become something you opt-in to: by shunning some services and availing yourself of others. There is market for this kind of “security” too, it just doesn’t yet enjoy the government support and public subsidies that the security industry gets.

Astute contrarian Evgeny Morenov, writing recently in the *Financial Times*, criticised the narrow focus of debates about “intelligence overreach”, arguing that everyone including Snowden himself has missed the key point about the world of mass surveillance he revealed: “the much more disturbing trend whereby our personal information – rather than money – becomes the chief way in which we pay for services – and soon, perhaps, everyday objects – that we use?”.

It’s long been the case that if the service is free *you are the product*, but as consumers serve up more and more personal data in return for social capital and material gain, the greater the potential for those who control the “big data” to influence their fates in ways we don’t yet recognise – a premise which is profoundly undemocratic in its own right. For Morenov, this is a “new tension at the very foundations of modern-day capitalism and democratic life”. He is right that “a bit more imagination” is needed to resolve it.

State of Empire:

How failed foreign policy, new emerging economies, and peoples' movements are undermining US power

Phyllis Bennis

When the *New York Times* dubbed the global anti-war protesters of February 15, 2003, “the second super-power,” it challenged the decade-plus view of undisputed U.S. global reach that followed the demise of the Soviet Union and the end of the Cold War. The surging protests that brought 12 – 14 million people in 665 cities around the world were not enough to stop the U.S.-British wars against Iraq, Afghanistan and beyond. But in the decade since that extraordinary mobilisation, the U.S. empire’s reach is showing the effects of rising people’s movements, increasing multi-polarity in the world of nations and governments, declining influence in all international spheres other than military, stubbornly lasting economic crisis, and an extraordinary loss of legitimacy both at home and abroad.

Shaking the pillars of empire

US empire, particularly since the collapse of the Soviet Union, has rested on several pillars: Military strength, economic influence, political diplomacy and cultural influence.

But the primacy of military power has been at the core of U.S. foreign policy. From the end of the Cold War in 1991 until now, U.S. military spending continued to rise at levels unthinkable in any other country or group of countries. By 2013, with U.S. military spending at \$682 billion, it would take the next nine largest spenders around the world collectively to even begin to catch up – and that bunch (China, Russia, Great Britain, Japan, France, Saudi Arabia, India, Germany and Italy in descending order) would still have \$61 billion left to go.

This has been backed up with an infrastructure of around 700 military bases in 130 countries, that have enabled the US to intervene and advance what consecutive US leaders have described as “US national interests” in every part of the globe.¹

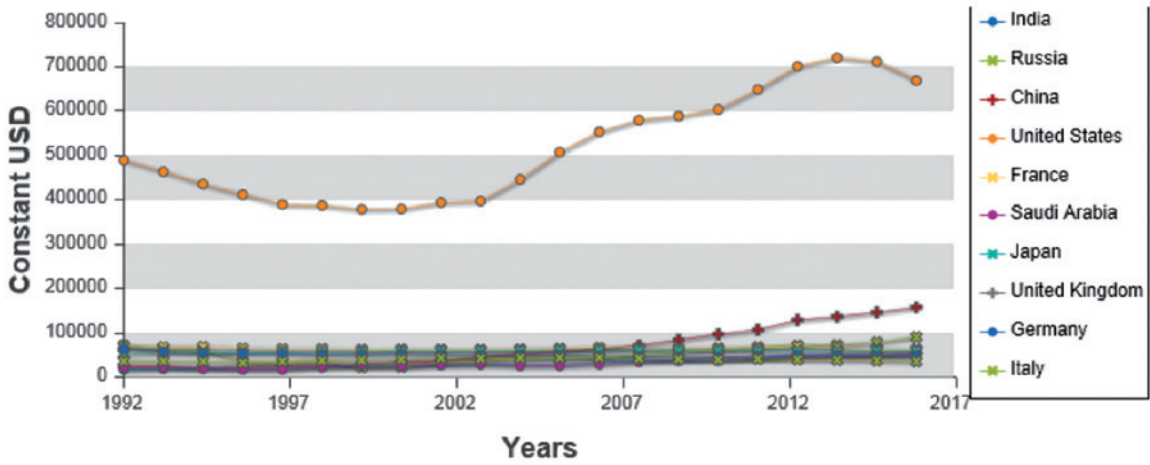
The types of US military intervention have varied but there has not been a year since at least the Second World War that the US has not been involved militarily, directly or by proxy, somewhere in the world. In the aftermath of U.S. defeat in Vietnam in 1975, exhaustion with the U.S. casualties and years of anti-war organizing led to widespread public and military rejection of large-scale troop deployments. The Pentagon, however, continued its Cold War through proxy wars across the Global South – from Central America to Central Asia, from the southern cone of Latin America to southern Africa.

Only in 1990-91, with the Soviet Union’s collapse imminent, did reconsideration of a major ground war with significant deployment of ground and air forces take hold in the United States. Launched against Iraq ostensibly to reverse the Iraqi invasion of Kuwait, Operation Desert Storm became, for almost a decade in the U.S., the model of what a “good” war should look like. It resulted in a clear victory, expelling Iraqi troops from Kuwait, and there were hardly any U.S. casualties. In mainstream discourse and planning, Iraqi casualties, whether military or civilian, remained uncoun ted, unknown, and of no concern – a pattern that would continue more than a decade into the future.

With the terrorist attacks of September 11, 2001, the last of U.S. war queasiness collapsed. Suddenly the massive deployment of U.S. troops in an old-fashioned though updated air- and ground assault and occupation,

Military expenditure data by country, 1992 – 2013

Figures in *constant US dollars* are in millions of US\$ at constant (2011) prices and exchange rates. Years are calendar years except for the USA, where the figures are for financial years.



Stockholm International Peace Research Institute

seemed perfectly acceptable by mainstream media and institutions and indeed by a significant majority of people across the United States. Afghanistan was immediately dubbed the “good war,” its vengeance-based rationale anointed with red-white-and-blue patriotic legitimacy.

Of course it was the Iraq war of regime change and U.S. occupation, not the earlier war in Afghanistan, which was the main strategic goal of the George W. Bush administration and its neo-conservative supporters. Bush, Vice-President Dick Cheney, and Secretary of Defense Donald Rumsfeld all were confident the war would be a cakewalk. The reality of course was completely different as resistance to US occupation mounted, and then later morphed into a full-blown sectarian conflict (even as the anti-occupation battles continued). The US tactics of “shock and awe” were superseded by counter-terrorism: night raids, assassinations, and drone attacks became the new normal. The horrific violence that played out in the media tore the legitimacy of US military intervention to shreds in the court of both US and global public opinion – a delegitimation process that extended far beyond Iraq alone.

One of the results was that Barack Obama won the presidency largely on the strength of his commitment to end the Iraq war, what he dubbed the “dumb war”. Nevertheless, his presidency has remained committed to maintaining US military dominance. Afghanistan became the “good war” with Obama approving a major troop escalation of up to 100,000 U.S. and about 40,000 more NATO troops while also expanding counter-terrorism attacks.

Beyond direct military involvement, Obama has

continued the military trend set by Bush’s “global war on terror,” in his reliance on special operations, assassinations, missile and drone attacks instead of major ground or even large-scale air or naval deployments. This kind of warfare avoids the problem of U.S. casualties, which sometimes cause collateral damage to the war effort by fueling anti-war sentiment in the United States. It also provides an easy (however illegal under international law) way to sideline the need for United Nations or even “coalition” endorsement.

In 2014, despite the economic crisis and despite the budget cuts imposed in the “cut them all” tax, the Pentagon is still one of the few federal institutions that remains overfunded. Congresspeople know that if they want something done internationally – helping to build a school somewhere in Africa maybe – that there is no use going to the State Department. There is no money. The new Africa Command, or Africom, by contrast has a wide brief that includes everything from supporting girls’ education and HIV-AIDS assistance, to clean water development and infrastructure help across the continent. Oh and yes of course AfriCom can also help train, arm, equip (and perhaps impose a bit of ideological clarity on) nascent national armies across the continent and project military influence at a time that China is expanding its economic presence across the continent and when U.S. oil imports from Africa surpassed those from the Middle East.

The production and sales of arms to the rest of the world – especially to dependent developing countries of the Global South – remains a key component of US power. And the US remains by far the largest seller, giving it a

Arms Sales to Developing Nations

Top Suppliers	Percentage
United States	78.7%
Russia	5.7
France	.8
China	2.9
Italy	1.5
Top Recipients	Value of Agreements in Billions
Saudi Arabia	\$33.7
India	6.9
U.A.E	4.5
Israel	4.1
Indonesia	2.1
China	1.9
Taiwan	1.6

Source: Congressional Research Service, Conventional Arms Transfers to Developing Nations, 2004-2011.

continuing source of pressure over even independence-minded governments. The value of all arms transfer agreements with developing nations more than doubled from \$32.7 billion in 2010 to nearly \$71.5 billion in 2011. The United States significantly increased its dominance of the market of arms sales to developing nations from 2010's market share of 43.6% to 78.7% in 2011.

Declining legitimacy and respect

No empire can rest on guns alone. The United States, like its imperial forebears, also depends on producing at least grudging acceptance and respect for a dominant US role. In the last several years this has been seriously undermined, not only because of the catastrophic Iraq occupation, but also by the war in Afghanistan, Guantanamo, drone attacks and most recently by the Snowden NSA leaks of massive U.S. domestic and global surveillance.

The failed war on terror and the loss of international legitimacy has forced the US to turn increasingly to diplomacy – shown this year in unexpected shifts such as the November nuclear deal with Iran, the October stand-down on the threat of U.S. missiles in Syria, and

the possibility that the on-again/off-again Geneva II peace talks on Syria might actually begin. But the loss of legitimacy has also made this diplomacy much less influential. This was evident in 2013 in Syria, where US 'red lines' that might otherwise have led to a military attack were sidelined by popular opposition and Russian diplomacy, or Israel-Palestine where US massive military aid and diplomatic protection have done little to stop the Netanyahu government frequently flipping a finger at the professed goals of its generous sponsor. In the case of Israel, Washington seems increasingly unwilling to bring its ally to heel. In the case of other junior partners, the U.S. is relying more and more on diplomatic force (vetoing Security Council votes when errant allies reject persuasion).

THE VETO

From 1970 through 2013, fully half of all U.S. vetoes ever cast in the Security Council were used to prevent Council efforts to hold Israel accountable for violations of international law and human rights. Another one-third of U.S. vetoes were cast to block international criticism of apartheid regimes in southern Africa. Therefore, more than 83% of U.S. vetoes were cast to protect perpetrators of military occupation, apartheid and colonial rule.

From David Wildman (2008), "Removing the Log in Our Own Eye: Israel/U.S. Churches Seeking Justice in Palestine."

Cultural influence remains – people around the world still want to visit, go to school, find jobs in the United States, and U.S. music, styles, etc. remain iconic. But even U.S. culture has taken a beating from its unpopular wars of empire of the last decade, its unquestioning support for Israeli occupation and apartheid, its drone wars, its spying.... Against this barrage of bad publicity, Nikes and Lady Gaga have a much harder time keeping up.

Weakening influence

The diminishing clout of U.S. economic and political power, and even its military influence, has been increasingly visible. In Egypt, the massive \$1.3 billion annual military aid from Washington proved insufficient to affect the outcome of either the overthrow of U.S.-backed dictator Hosni Mubarak, or the 2013 military coup that ousted the Muslim Brotherhood's Mohamed Morsi, the first democratically chosen president in modern Egyptian history, who was elected following Mubarak's ouster.

(Some of that reduction in influence was due to the U.S. aid being overshadowed by the \$12 billion pledged by Saudi Arabia, the UAE, and other Gulf states, but partly it reflected declining U.S. power overall.)

The past decade of U.S. wars, occupations, and crises in the Middle East and Central Asia led to one unusual consequence: we saw a relative drop in the kind of direct intervention in Latin America that once typified U.S. domination of the hemisphere. Most recently the limits of U.S. influence were immediately visible in the U.S. silence regarding the 2013 Brazilian protests. More broadly those limits were evident as U.S. officials watched and fumed but were unable to do anything to prevent NSA whistleblower Edward Snowden from seeking asylum, and finding sympathetic ears, from Ecuador and Venezuela and beyond. (It took U.S. pressure on its European allies to close their airspace to ensure that Snowden has not yet been able to travel to Latin America to take advantage of any of the offers.) And the breathtaking array of U.S. spying documented in Snowden's trove of leaked records, particularly the habit of listening in on the cell phones of heads of state, has so angered numerous governments that pending trade agreements, long negotiated and long assumed to be a done deal, may actually be at risk.

Washington's strategic reach and drive towards empire also face an ever-growing challenge by the rise of the BRICS (Brazil, Russia, India, China and South Africa) and other components of what is increasingly looking like a new multi-polarity in world affairs – especially in the economic realm. It's not full multi-polarity – the U.S. remains the world's unchallenged military super-power, and it still holds the world's largest economy, but its unique power is also no longer unquestioned.

Even in Africa, where the balance of power between the United States and the continent's governments is even less equal, the US has faced the humiliating reality that almost none of the African governments have been prepared to invite the headquarters of AfriCom to set up shop in their country. The only outlier was the president of Liberia, who eagerly offered AfriCom a home. But the U.S. commander wasn't prepared to settle for an infrastructure as fragile and uncertain as that of impoverished Liberia; probably only South Africa, perhaps Kenya or Nigeria would have even been considered, and those countries were having none of it. So the headquarters of the U.S. Africa Command today remains where it began – in Stuttgart, Germany, with its commander and troops comfortably nestled among its castles, parks, mineral water springs and Mercedes-Porsche Museum.

Shoring up a fading global dominance

Some of the strongest aspects of current U.S. power, particularly the use of military force, are most evident, ironically, within what is emerging as a kind of desperation, the struggle to shore up a fading global dominance when only military power remains strategically uncontested. That includes creating a broad redefinition of war to shape a continuing war economy and war society in the U.S., while simultaneously taking into account the diminishing levels of domestic as well as international support for those U.S. wars.

Arms manufacturers and military contractors remain a powerful component of the U.S. economy. These war industries are also among the most profitable. Between 2001 and 2004, during the early years of the Afghanistan and Iraq wars, CEOs of defense industries received an average of 200% pay raises, compared to 7% for average large company CEOs. In one instance in 2005, David Brooks, the CEO of DHB Industries that manufactures bulletproof vests, earned \$70 million in compensation, a 13,349% increase over his pre-9/11 compensation. (We should perhaps also note that the same year, the Marines recalled more than 5,000 of the DHB armored vests because of questionable effectiveness. In 2006 another 18,000 vests were recalled. And Brooks was also under investigation for fraud, insider trading and other financial wrongdoing.)²

The military industry remains politically influential due to both their direct links with the Pentagon and their strategic manipulation of jobs. Military producers since World War II have crafted a brilliant strategy of dividing production of weapons systems so that virtually every Congressional district hosts some component of the manufacturing or other work. Despite the inefficiency of such scattered production, the crucial result is that no member of Congress, even the most ardent anti-war voices, are prepared to vote against a new bomber, new drones, new missile systems – since it could mean the loss of even a few dozen desperately needed jobs for their constituents. “Military-industrial complex” indeed!

So the industry is not prepared to accept an overall reduction in U.S. military action or constant preparation for action, regardless of the withdrawal from Iraq or the coming “draw-down” from Afghanistan. Diminishing public support for large-scale troop deployments in most recently, the Middle East and Central Asian wars does not translate into reducing military spending, closing military bases and cutting troop levels – it translates into reshaping what wars look like and what needs to be produced to fight them. So drone production escalates massively, Special Forces become a much more central

component of U.S. interventions, and military bases expand to run drone wars and training exercises.

The changing definitions of military power can also be seen in Obama's announced "pivot" from a Middle East to an Asian (read: China) focus, which means that the U.S. empire is staking out new strategic ground. His policies in the Middle East remain grounded in the triad that has shaped U.S. policy there since the end of WWII – oil, Israel, and stability for the expansion of power, but the Middle East's centrality in U.S. global strategy is certainly being reassessed. The combination of military failures in the area (Afghanistan, Iraq, Libya), diminishing dependence on Middle Eastern oil (and oil in general), and massive political upheaval in the region (the Arab Spring's challenge to U.S.-backed dictators, potential rapprochement with Iran, the war in Syria) are all helping set the stage for this US strategic reassessment.

The Asian pivot – meaning primarily a shift in military resources from the Middle East towards China – has yet to fully emerge. However some aspects have begun to take shape, including plans for the build-up of military bases surrounding China. In one proposal for a new airfield in the Northern Marianas Islands, the U.S. Air Force says the rationale is to "support the PACAF [Pacific Air Forces] mission to provide ready air and space power to promote U.S. interests in the Asia-Pacific region during peacetime, through crisis, and in war."³

In the Middle East, Obama's administration's has moved away from a sole reliance on absolute monarchies and military dictatorships, to tentative new alliances with a set of Islamist-flavored governments and movements. That effort, already underway from talks and new ties with the popular democratic Islamic-oriented government in Turkey and other similar forces, became more visible with the Obama administration's late-in-the-game acceptance of the overthrow of Washington's longtime ally in Egypt, the military dictator General Hosni Mubarak. This shift remains contradictory and challenged by events including the July 2013 military coup in Egypt against the elected Muslim Brotherhood-led government, the descent into chaos of post-Qaddafi Libya, new political challenges to the AKP government in Turkey, and of course the regionally expanding civil war in Syria.

The November 2013 deal between Iran and the U.S.-led "Perm 5 + 1" (the five permanent members of the Security Council – Britain, China, France, Russia and the U.S. – plus Germany) is further evidence of a US desire to shift its focus and end its potentially disastrous efforts for regime change in Iran. That shift is hotly contested by powerful sectors of U.S. elites outside of the White House, and it remains uncertain whether the Obama administration can (or will) resist the fierce pressure from

Israel, Congress, Saudi Arabia, U.S. neo-cons and other supporters of war with Iran, all of whom are trying to undermine the deal. (The White House itself continues to undermine the potential for longer-term negotiations with Iran, by trying to exclude Tehran from participation in the "Geneva II" Syria talks scheduled for the same time as the U.S.-Iran negotiations.)

U.S. support for Israel – including \$3 + billion per year in military aid, diplomatic protection at the United Nations, and use of the veto to ensure immunity from accountability for war crimes – however remains unchanged, and "managing" the conflict rather than ending the occupation remains Washington's strategic goal. The discourse on Israel and Palestine – in the media, popular culture, academia, in intelligence and military circles, even [rarely] in Congress – has though changed massively. And while Congress and the White House continue to root their policy in old assumptions, they will before too long have to confront new realities. That includes the fact that while the powerful pro-Israel lobbies continue to have enough money to threaten members of Congress with unexpected challengers, they can no longer control the views of Jewish voters. Change in the Jewish community and beyond means that pro-Israel views can no longer be taken for granted.

Dangers of a fading empire

Beyond Afghanistan, the reality of war continues to shape the fading U.S. empire. It is an old story that a cornered animal, or person, or in this case empire, continues to lash out, and can often become even more dangerous than one in its prime. That the wars of the late U.S. empire remain largely hidden from all but those facing their consequences and those living – or dying – under their bombs and drones, does not change that stark reality.

On May 23, 2013, Obama gave a much-awaited speech on drones, assassination policy, and Guantanamo. It was, in a sense, his claiming of a permanent war on terror as his own – albeit a different version of George W. Bush's "long war," with significantly diminished capacity. President Obama said again he was deeply committed to reforming the GWOT – but so far, he has not committed to actually ending it. He raised some of the critical issues that his administration had previously refused to talk about, and tacitly acknowledged some of the key criticisms. He even recognized that eventually, the endless borderless limitless "global war on terror" would in fact someday have to end. He quoted James Madison's statement, "No nation could preserve its freedom in the midst of continual warfare." And he admitted that U.S.

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counter-terrorism strategy had indeed resulted in civilian casualties, that “any U.S. military action in foreign lands risks creating more enemies” and that “those deaths will haunt us.” He even conceded that the U.S. has to address “the underlying grievances and conflicts that feed extremism – from North Africa to South Asia” because “force alone cannot make us safe.”

So Obama described what he would like to do, and what he would like his legacy to be – closing Guantanamo, choosing capture over killing of suspected insurgents, killing fewer civilians, limiting excessive executive power – but he never actually committed himself to specific actions to accomplish any of those goals. Participants in the every-Tuesday-morning White House meetings continue to check off names to be added to the “kill or capture” list. Drone attacks continue to kill women, children, other civilians in their “surgical precision.” Empire is not over. There is not yet a new foreign policy. So far, it is the 162 prisoners left in Guantanamo – still facing years of imprisonment and isolation without hope of trial, embodying a legacy of torture – who remain the symbolic core of Obama’s legacy, for his years as steward of the U.S. empire.

State of the South:

Emerging powers and the potential for progressive change

Achin Vanaik

That we are in the midst of an ongoing historical process whereby certain powers in the South are clearly rising and will exercise growing weight in the wider comity of nations is self-evident. The more obvious candidates include China, India, Brazil, South Africa which have come together in such formations as BRICS, BASIC and IBSA as well as others such as Turkey, Indonesia, Argentina, Mexico, South Korea, Egypt, Iran and perhaps Saudi Arabia and Nigeria. Russia, as much an Asian as a European power also merits inclusion in the category of the 'Emerging South'. But how much change in the existing patterns of geo-political and geo-economic relations will the rise of these countries bring? Any effort at reasonably intelligent yet cautiously controlled speculation about future developments should confine itself to a limited time span of not more than say, the next 20 years.

And just how should this 'rise up' be measured? Furthermore, does the selective rise of some countries mean that the weight and power of the South as a whole will rise up? That is to say, are these Emerging Powers going to take the lead in altering existing patterns of global governance in ways that will benefit all the Southern countries and their populations? Or will such selective elevation of some nations lead primarily to greater social and class differentiations within the major countries of the South and to a greater distance between them and the rest of the developing countries? If so, will this not mean a "North" emerging within the South? Will this new 'North' of various elite dominated regimes somehow be able to work together against the older North to shift power relations significantly towards

itself? Or will its individual country components be more preoccupied with prioritising their relations with the power centres of the North and with the existing governing institutions that serve their interests, than with forging ever closer relations with each other? These are some of the issues that this essay will aim to address with whatever illumination can be obtained from certain quantitative statistical indicators about how things stand at this time.

It is not the case that the South as a whole is rising up. Emerging Powers rather than an 'Emerging South' is the proper characterization, where this 'rise' is measured by standard indicators concerning the economy and demography and compared with similar indicators for the advanced and industrialized societies. But even here it is only a handful of countries that really count and which might be expected to challenge the exiting geo-economic and geo-political order, especially if they were to get their act together. Hence, the new and closer attention being paid to groupings such as BRICS, IBSA, BASIC and the G-20; and to one undoubtedly rising country, China as a potential superpower of the future capable of standing up to the US. In this respect it might in the future play the role that the Soviet Union once did but with an economy without the same kind of structural weaknesses and possessing a cultural homogeneity that the USSR never had.

What About BRICS?

Leaving aside the minor outliers of North Korea and

Cuba, the collapse of the Soviet bloc and the Chinese turn (followed by Indochina’s Communist states) towards essentially capitalist economies has created for the first time ever a truly capitalist world order. The great economic success stories of China and the ASEAN means that the centre of gravity of the world economy has shifted, or will very soon shift, towards the Pacific from either side of the Atlantic where it lay for close to 500 years. Besides East Asia, India has since the eighties witnessed respectable average annual growth rates of 5% to 6% accelerating to around 8% after 2003 before seeing a slow down due to the Great Recession from 2008 to 2011/12. The petro-economies of West Asia, South Africa and Brazil also did well by average global standards over this period. The downturn was really the first genuinely global recession and the BRICS countries did noticeably better than the major economies of NATO and Japan. But since then the trend in South Africa, Brazil and India certainly, has been downwards with no immediate signs of an upturn to earlier levels.

Of course, in the last three decades and more of neoliberal globalisation, inequalities of income and wealth have risen faster than ever before in history. This means that even as the size of the global ‘middle

class’ is growing substantially, the ratio of incomes and wealth of the top quintile to that of the bottom quintile of the world’s population has grown to unprecedented and obscene levels. But then capitalist development is always uneven and combined! The job of capitalism is to reproduce capital on an ever-expanding scale and to secure an unending and constant flow of profits through pursuit of unending growth, not to put an end to mass poverty or significantly reduce relative inequalities or to guarantee ecological balance and sustainability. These are always side issues to be addressed as such with greater or lesser success by national governing elites and by institutions of global governance whose primary purpose is to promote the wealth and prosperity of a small minority of upper classes. To stabilise such an order also requires that the main social base of the ruling minority -- the middle classes – grow absolutely if not relatively, and have some share of the wealth produced.

It is here that the South economically becomes of *increasing* importance to global capitalism. Northern based TNCs, the governments that succour them, and the elites that now recognize that capitalist globalization is necessary for their own continued prosperity, all need the expanding markets provided by an expanding

Table 1: Population, GDP and Human Development Index of emerging powers compared with US, UK and Japan

	Population (2013 estimates)	GDP PPP (2012, million intl dollars)*	GDP US\$ (2012)	GDP Per Capita US\$	GDP Per Capita PPP	HDI Rank (2012/13)
Brazil	200 million	2,365,779	2,252,664,120,777	11,340	11,909	85
Russia	143 million	3,380,071	2,014,774,938,342	14,037	23,501	55
India	1.28 billion	4,793,414	1,841,717,371,770	1,489	3,876	136
China	1.36 billion	12,470,982	8,227,102,629,831	6,091	10,587	101
South Africa	51 million	585,625	384,312,674,446	7,508	11,440	121
United States	319 million	15,684,800	15,684,800,000,000	49,965	49,965	3
United Kingdom	63.2 million	2,264,751	2,435,173,775,671	38,514	36,901	26
Japan	126 million	4,490,68	5,959,718,262,199	46,720	35,178	10

Source: Wolfram/Alpha Knowledgebase, World Bank, UNDP.

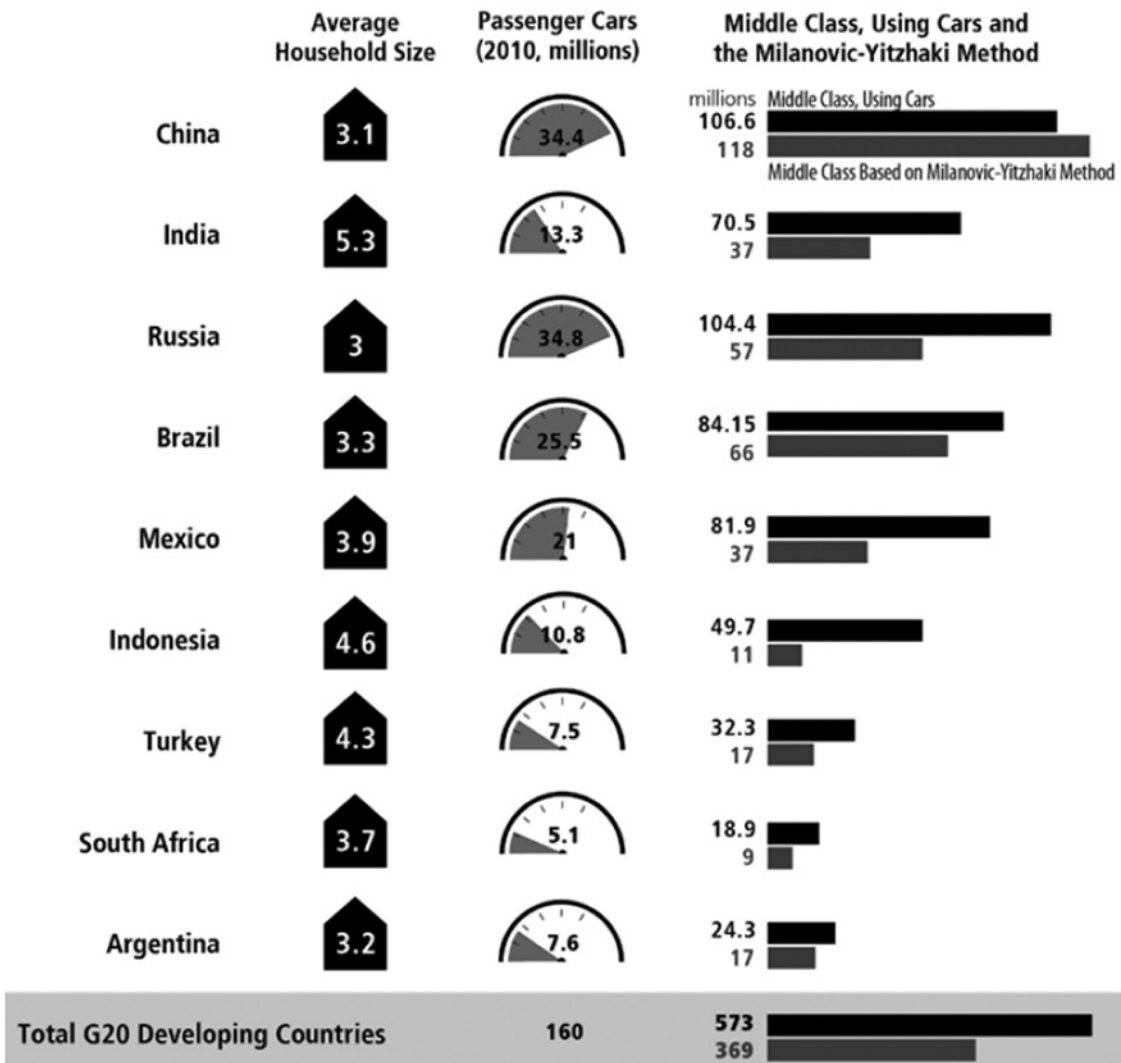
'global middle class'. With the partial exception of the US, Canada, Australia that remain immigrant societies, it is the South, especially the bigger more populated countries that are now taking up the baton of rising middle class growth. There are different definitions of what constitutes the middle class and its growth pattern. Table 2 is derived from the international economics section of *The Carnegie Papers* released in mid-2012 by the Carnegie Endowment for International Peace which uses one such measure. While this does tell us about the BRICS countries and a few other Southern ones, it doesn't cover the advanced countries.

Nevertheless, using another indicator for the latter which defines middle-class income as lying in the range from 33% below the median income level to 50% above

that median level of that particular country's distribution pattern, we get the following results which appear roughly accurate.¹ Japan has a middle class comprising 90.0% of the population, Germany 70.1%, UK, 58.5% and the US 53.7%. The size of the working poor and underclass will be considerably greater in the UK and US than in Germany and Japan but it is the remaining minority of the rich and very rich that lies *some distance above the sum* of the middle class and the strata below, that really holds power in that country and to whose interests these governments are most attuned. Germany has a stronger welfare state and Japan a more egalitarian distribution of income than the UK and US, but here too it is the very small layer at the very top that reigns.

Table 2: Size of the middle class as shown by the Milanovic-Yitzhaki method of those between (in PPP) \$10-\$50 per day as of 2009 as well as the Dadush/Ali measure of car users.

Figure 1. Middle Class Size Using Cars and the Milanovic-Yitzhaki Method



Source: U. Dadush and S. Ali, In Search of the Global Middle Class: A New Index. <http://carnegieendowment.org/files/middle_class.pdf>

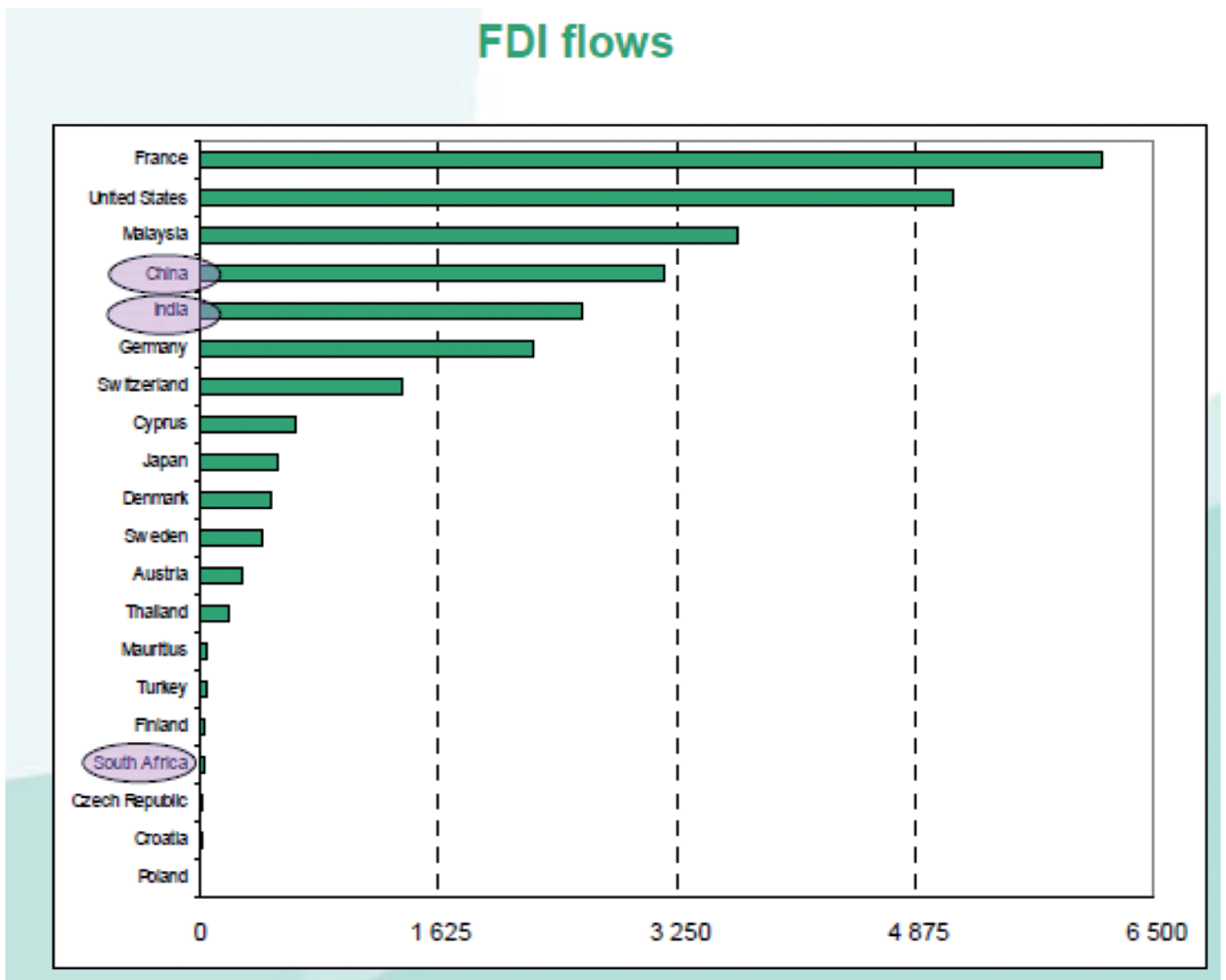
As for the BRICS group of countries, South Africa and Brazil are among the most unequal societies in the world. Meanwhile, China's gini coefficient has steadily risen, Russia's too, while India's gini coefficient (calculated as it is on surveys of consumption expenditure and not on more reliable income data) is widely recognised to be a serious underestimate. In any case, rising inequalities of income and wealth have been characteristic of India's lopsided growth pattern over the last five decades, accelerating after the neoliberal reforms of 1991. It is hardly surprising then that the number of dollar millionaires and billionaires is growing rapidly in the South. To make matters worse, Brazil, China and India are major land grabbers in Africa, and South Africa is itself

involved in such activities. So much for BRICS 'leading the charge' against Northern exploitation of Africa. The BRICS' share in the continent's FDI stock and flows reached 14% and 25%, respectively, in 2010. This trend is likely to be reinforced in the future. (See Graph 1).

According to Table 3, the members of BRICS, with the exception of Russia, have today a greater proportion of youth than in the advanced countries but by 2050 it is projected that this gap will disappear, or in the case of S. Africa and India be much reduced. But does this mean that between now and 2050 the fast growing number of yearly new entrants into the national job market is going to prove an economic asset? Not necessarily; indeed, there are reasons to worry about the future performance

Graph 1: Top 20 investors in Africa 2011

Four of the BRICS countries – S. Africa, India, China and Russia – have grown to rank among the top investing countries in Africa on FDI stock and flows.



Source: UNCTAD, FDI/TNC database. Note: Data shown are only for those countries reporting outward FDI to Africa in 2011. Please note that in the case of Cyprus it may well be that investors from other countries like Russia are using Cyprus as their intermediary for making investments in Africa.

of the Emerging Powers. As it is, per capita income levels of BRICS and some of the other 'emerging powers' like Indonesia are currently way behind those of the OECD countries. South Korea, Mexico and Turkey have entered the OECD club. In fact, it is simply not ecologically or materially possible (in terms of resource and energy use) for the per capita levels of even the BRICS and other 'high flyers' to come anywhere close to average per capita levels of the most prosperous OECD countries as measured by actual international exchange rates which give a truer picture of global purchasing power than PPP rates. This means, given that the per capita figures are averages hiding gross inequalities, that their relatively lower levels in the future may increase mass discontentment and impoverishment in a world where

a source-bed for anger to erupt against ruling elites – witness the 'Arab Upheavals' of recent times.

The historical pattern of capitalist industrialisation in the West and Japan was accompanied by the kind of urbanisation and employment generation there that led to the decline of the rural population and peasantry so that it constitutes, at most, between 2% to 8% of the overall population. For countries like Brazil, India, China, Mexico the rural population is currently a majority. In due course this may well become a minority but still well above the proportions now prevailing in the earlier industrialising countries. Even in those countries of the South where urbanisation has been proportionately greater, what has emerged and will in all likelihood continue if not deepen, is the rise of an informal sector

Table 3: Young Population

10-24 age, in millions	Young population in 2013	% of population	Young population in 2050	% of population
Brazil	50.7	25	35.5	16
Russia	23.5	16	20.3	16
India	362.0	28	340.9	20
China	299.1	22	183.9	14
South Africa	14.9	29	12.9	23
United States	63.8	20	75.3	19
United Kingdom	11.6	18	12.5	17
Japan	17.9	14	14.7	14

Source: The World's Youth 2013 Data Sheet, compiled by P K Sundaram, New Delhi

the communications revolution has now made it possible for even the world's poor to know how deprived they are despite the presence of great wealth in their own societies. It was comparative dissatisfactions rather than absolute levels of economic deprivation that helped fatally undermine the Soviet system. In the South, both relative deprivation and absolute immiseration are in all probability going to persist widely enough to make intra-South cooperation more difficult, as well as being

and a growing urban slum population. The ICT revolution has been a major factor in reducing the employment elasticities of output worldwide. Rising capital intensity even in agriculture means higher levels of unemployment everywhere and of low productivity-low pay employment; more part-time work; longer working hours; greater job insecurities and thus a greater proportion than ever of the working poor.

The development of an organised and unionised labour force in Western Europe which accompanied its particular pattern of capitalist modernisation, and even the lower levels of labour organisation in North America and Japan are unlikely to be replicated in the BRICS, let alone elsewhere in the South. The objective conditions for much greater worker unrest in this part of the world are being laid. Grassroots organisation in slums and in local communities, rather than simply at the workplace, will become more important, taking up a diversity of issues such as race, ethnicity, gender, skill difference, etc. While urban-based struggles over the “right to the city” i.e., of the right of urban residents to meaningful cooperation and control over daily existence is going to become ever more important, given the persistence of the peasantry in much of the South, the land and ‘agrarian question’ will also remain of great importance.

The Quintet and the Role of the US

The rise of certain Southern countries and the emergence of BRICS, IBSA, BASIC, G-20 has still not meant a serious change or shift in global power relations. Indeed, the current power shift is largely a drift towards the creation of an informal collective. This is likely to be a quintet comprising those countries that by virtue of their combined and absolute levels of demographic, economic and military weight, will form the subset of nation states that is effectively entrusted with stabilising the world capitalist order from which all capitalist elites and the most powerful TNCs hope to continue to benefit. These five are the US, EU, Russia, China, India. Japan could have qualified for admission, except that it is so subordinate to the US that it can be taken for granted. With the other relatively more independent entities, negotiated compromises by the US are more regularly required to arrive at collective agreements. There is then, a dialectic of the national and the transnational, of the system of nation states and the globalizing economy that will remain at least until truly radical and transformative struggles achieve some success. Understanding the strengths and weaknesses of the emerging world order is a precondition for carrying out such struggles.

While the top echelons of capital – say, the *Fortune 500* TNCs – share common ground in wanting the greatest freedom of movement for trade and investment so as to maximize the spatial opportunities for making profits, the very fact of competition on a widening scale also guarantees that there will be losers. In short, big capital does not simply want competition for competition’s sake but wants competition on *its terms*, i.e., that it be

protected from losing out in competition or that its losses be minimised as much as possible. There is always a dialectic of competition and protection. TNCs have their ‘home’ bases where the most powerful economic levers of research and financial control reside. This means that inter-capital rivalries and tensions will to some degree translate into inter-state rivalries and tensions that in some cases add to already existing tensions deriving from historical territorial disputes or from geopolitical needs or from ideological differences. Since such inter-state rivalries are far more dangerous and potentially de-stabilising than rivalries between capitals, they must somehow be managed and defused.

Historically, in the first three phases of global capitalist development this was the responsibility imposed on the hegemon. The first phase extended from the late eighteenth century to WWI when Britain the hegemon, faced the rising challenge of Germany and the US. The second interwar period saw enormous upheaval because there was no hegemonic stability. In the third post-WWII phase, despite bloc rivalry constraining capitalist expansion, the US hegemon did stabilise Western Europe and Japan thereby providing a powerfully attractive model of capitalist liberal democracy to second and third world populations. We are in the fourth phase today which geopolitically was inaugurated around 1990 when systemic Cold War rivalry ended. Geo-economically speaking, inaugural dating would be from the late seventies when neoliberal globalisation emerged leading to the eventual abandonment of strong Keynesian and welfarist commitments in the advanced countries, and of state-led developmentalist perspectives and practices in the developing world though these departures were spread out over time and place.

Table 4: Military Expenditure

	2012 Constant US\$ (millions)	% of GDP
Brazil	36751	1.5
India	49353	2.5
Russia	[90646]	4.4
China	[157603]	2
South Africa	4848	1.1
United States	668841	4.4
United Kingdom	60218	2.5
Japan	59246	1

Source: SIPRI Database

For all the claims that the rise of the South portends a dramatic power shift globally, far more likely is the emergence of the above mentioned quintet – the US, EU, Russia, China, India – in which the US, despite its relative (but not absolute) decline, will remain the principal bilateral coordinator and mediator. As it is, the world order is not so much a complex ‘web’ of multipolar powers as a basically ‘hub-and-spokes’ arrangement with the US at the centre and joined by separate spokes to all other powers including the other members of the quintet. That is to say, for all the efforts of the major powers on the circumference to move towards each other and to form different groupings excluding the US, they all continue to give priority to their bilateral relationship with the US. This is an arrangement from which the US benefits greatly and will seek to sustain for as long as possible. There is not likely to be the emergence of a collective hegemon nor a replacement of the role played by the US by countries such as China. The growing dimensions of the world’s economic, social, political and ecological problems mean that the quintet itself will in all likelihood fail in its task of stabilisation. A more barbaric world order is on the cards raising thereby the issue of the desirability of capitalism itself and of the necessity as well as possibility of its transcendence, something that has yet to be seriously addressed even among progressives.

To return to the quintet, the reason why others like Brazil, Mexico, Turkey etc. do not ‘merit’ entry into this club has not a little to do with their being much weaker military powers (See Table4). Brazil has demographic weight (as does Indonesia) and economic strength but to play a reliable regional and global geopolitically stabilising role requires the ability to exercise force successfully in the last resort, or even well before that. In respect of the economy, by the measure of companies in the top 500, China leads all Southern comers but remains well behind the US. Where Brazil and India have 8 each in the top 500, by mid-2013, China had 89 compared to Japan’s 62, Germany’s 30 and the US’s 132. South Africa does not have any company in the top 500.

Take also the issue of a country’s net international investment position as a measure of its economic-financial vulnerability (See Table 5). It might seem from the figures given that as compared to China the US is in an extremely fragile position. While this is a longer term weakness for it, in the shorter and medium term what is crucial is not the size of one’s debt or surplus reserves but the currencies in which these are denominated and held. China’s reserves are placed in US Treasury Bills giving much lower interest rates than for foreign debt borrowings. The Euro, Yen and above all the Dollar are

Table 5: Net International Investment Position 2012

Country	Net Position in Dollars (+ or -)
Brazil	- \$ 727.448 billions
Russia	+\$132.924 billions
India	-\$280.4928 billions
China	+\$1736.4246 billions
South Africa	-\$24.7502 billions (2011)
US	-\$3863.8951 billions
UK	-\$223.4511 billions
Japan	+\$3423.6247 billions
Germany	+\$1460.8529 billions

Source: International Monetary Fund, 2012 <<http://imfstext.imf.org/WBOS-query/Index.aspx?QueryId=6325>> The difference between the valuation of all assets abroad as compared to those held within by others in US dollars.

and will remain for some considerable time the world currencies and it is the US that more than any other country continues to exercise predominant influence on international currency and interest rates, as well as being able to avoid paying the price for its persistent balance of payments deficits.

It can still be said with a degree of accuracy that of the Southern powers only China can hope to become a major economic rival to the US. But it is no match on the military or cultural front. To exercise hegemony or leadership one must be able to combine the ability to use force with the ability to elicit consent. The latter depends on being to some degree a pole of attraction, of having the kind of society and values that, deservedly or otherwise, other countries and peoples nonetheless would like to imitate. How many states and their ruling and middle classes in the world want to become more and more like Russia, China or India rather than like the US? The EU by its very nature cannot be the single unified aspirational model.

The Way Ahead

More than a 150 years ago, writing in *The Communist Manifesto* Marx anticipated today’s reality. He was really the first theorist of globalisation but recognized

the deeply contradictory character of the process of capitalist expansion which simultaneously creates wealth with poverty, prosperity with misery, progress with despoliation. This is why he called upon the workers of the world to unite since they had nothing to lose but their chains. Today's call is one given by global elites – "Upper classes and upper-middle-classes of the world unite, you have nothing to lose but your privileges!" The struggle for a much more humane and ecologically sustainable world order cannot then opt out of the quest to go beyond today's capitalist globalisation whose principal political ballast remains US power exercised in conjunction with others. This being the case, any project for moving towards a saner world order must seek to greatly diminish this American power.

Given this necessity what are the weak spots in the global system that progressives can identify and work upon? First, there should be no illusions that emerging powers of the South behaving as they currently do can provide the desired sources of resistance. BRICS, IBSA, BASIC are groupings that aim to create more favoured positions for their member countries in the existing (and for them more important) institutions of global governance such as the WB/IMF/WTO and the UNSC. Nevertheless, should the authority of the US be seriously weakened, this would create conditions in which Southern powers would see much greater virtue in cooperating more with each other and in exploring alternative economic arrangements of a more progressive kind, particularly in Asia.

As it is, the region where resistance to neoliberal forms of development is not only greater but where the search for development alternatives has at least been initiated however tentatively and uncertainly is Latin America. It is here that the US-led effort to set up the FTAA (Free Trade Area of the Americas) was decisively defeated and where the efforts to build forms of regional integration that spread benefits more equally between and within member nations have gone further than elsewhere.

For all the problems and uncertainties faced by the ALBA (Bolivarian Alliance for the Americas), Banco de Sur (Bank of the South), CELAC (Community of Latin American and Caribbean States), Mercosur, Telesur, UNASUR (Union of South American Nations), they do represent a more progressive orientation compared to the North-dominated neoliberal institutions of global and regional governance. While the bloc of Cuba, Venezuela, Bolivia and Ecuador needs to be strengthened in its radical thrust, Brazil needs to be more fully engaged in initiatives such as the Banco de Sur and less wedded to the WTO/IMF/WB framework given its crucial continental role. This is why here, as elsewhere in the countries

of the South, it is essential that national level struggles replace current elite serving regimes pursuing either disciplinary or compensatory neoliberalism with genuinely more progressive regimes rejecting the neoliberal path in toto.

For Asia, two initiatives of real value can help change geo-political and geo-economic relations. Initial steps in both cases were taken in the past only to be subsequently and quickly stymied. Yet they are both of such obvious value that the main obstacle is the absence of political will in the relevant Asian capitals. First, even as we need to pursue the promotion of renewable energy sources over the next several decades, there will nonetheless continue to be reliance on oil and gas (the latter is a much cleaner energy source) and here the idea of building an Asian Collective Energy Security Grid with oil and gas pipelines running horizontally across Asia from Iran via Central Asia across Russia and Siberia to the eastern coast of China and vertically downwards to the countries of South and Southeast Asia is an idea whose time has come. The existing East Siberian-Pacific Ocean pipeline system for exporting Russian crude to China, Japan and Korea could easily be incorporated into such an overarching infrastructure. Not only would such a network once built be much more beneficial cost-wise to both producers and consumers, its construction would necessarily transform the geopolitics of the region. It would deny the US the leverage it enjoys currently over India, Southeast Asian countries, China, Japan and even Europe by its control over the Middle East (and its efforts to do the same in Central Asia) and over the key sea routes for tanker transportation as well as its planned construction and control of oil and gas pipelines from Central Asia that will bypass Iran and Russia via Afghanistan, Pakistan and Turkey and run to ports in allied countries.

The former Petroleum Minister of India, Mani Shankar Aiyar in November 2005 took initial steps by setting up a ministerial round table conference with representatives from the key Northern and Central Asian producers including Russia, and representatives from key Asian consuming countries including China and Japan. This visionary effort was subsequently derailed when Aiyar was pushed out of the Petroleum ministry and relegated to a more junior Cabinet post by the top Congress leadership to the delight of the US since Aiyar was also the foremost critic of both the Indian economic shift towards neoliberal policies and its foreign policy shift towards the US.

Second, the time has also come to push for an Asian Monetary Fund run much more democratically by its member governments to replace the role of the dollar and current neoliberal institutions like the IMF and WB. To

avoid merely replicating the functioning of the IMF/WB such a body would have to become a regional clearing house with its own regional currency (in addition to existing national currencies) whose purpose would be to smooth out trade imbalances in ways that would ensure that there are no permanent debtor and creditor nations, thereby creating a much more powerful foundation for permanent cooperation among Asian countries. This would be greatly conducive to resolving conflicts and tensions of a more political-territorial kind. Once again, the idea of an Asian IMF has already been put forward, this time by Japan during the height of the Asian crisis of 1997. Even though its possible modalities were not spelt out, its very existence was deemed a serious enough threat by its Washington-led opponents. Subsequent impulses in the same direction have not taken off primarily because of a reluctance of Japan and other US allies to break away from the WB/IMF nexus and its control by the US Treasury.

Politics commands economics. The neoliberal path emerged because of prior shifts in the social relationship of forces between capital and labour in the North. The rise in the power and numbers of Southern elites eventually led to the abandoning of the 'developmental state' where it existed as in East Asia, and as a project-in-the-making as elsewhere in Asia, Africa and Latin America. The collapse of the Soviet bloc added its own impetus to this ideological shift in state policy. Those who would condemn neoliberal globalisation must also condemn the informal Empire Project of the US that underlies it. If Latin America is where the economics of neoliberalism has been more successfully challenged it is also because the US has been bogged down in West Asia and North Africa (WANA). This latter region remains the great political weak spot of its Empire Project.

More than ever does it behove progressives everywhere to engage in struggles of solidarity with the oppressed masses in this region both against already hated ruling elites and against their principal backer, the US and its allies. In this regard the US can be politically defeated (though not militarily) with major geo-economic and geo-political ramifications that would create new opportunities and much brighter prospects for successfully carrying out progressive changes worldwide. Here the key issues demanding global solidarity efforts are a) against the illegal occupations of Afghanistan, Iraq and Palestine and against installing puppet regimes and leaderships serving imperial interests; b) against the attempt to isolate Iran for developing a nuclear bomb making capacity when the main perspective should be the establishment of a Middle East Weapons of Mass Destruction Free Zone (MEWMDFFZ) that includes Israel;

c) justice for the Kurdish people; d) an end to anti-democratic monarchical, theocratic and de facto military rule in the region.

I am greatly indebted to P K Sundaram for his invaluable help in preparing the accompanying graphs and tables – Achin Vanaik

State of the State:

The state is dead! Long live the state!

Daniel Chavez

“There is also a big problem on the left that many think the capturing of state power has no role to play in political transformations and I think they’re crazy. Incredible power is located there and you can’t walk away from it as though it doesn’t matter. I am profoundly skeptical of the belief that NGOs and civil society organisations are going to change the world, not because NGOs can’t do anything at all, but it takes a different kind of political movement and conception if we are going to do anything about the main crisis which is going on”. David Harvey, 2009¹

Introduction

The State is Dead! Long live the State! At the turn of the century, many commentators from the right and left seemed united in their analysis that the state as an economic player was dead or at least no longer relevant. The combined pressures of globalisation, liberalisation and marketisation unleashed by the market-driven dogmas of Thatcherism and Reaganomics had massively expanded the private sector and concurrently downsized the public sector. Corporate power was in the ascendancy and many state-owned companies had become little more than second-rate government departments, and the underlying assumption was that, as the economy evolved, the government would close or sell them to private investors.

Yet just over a decade later, the state is once again at the centre of heated political and academic debates. The crises of recent years have demonstrated that those who

proclaimed the irrelevance of the state so vociferously were grossly misled. Conservative business analysts express growing concern that public enterprises “show no signs of relinquishing the commanding heights” and “are on the offensive”.² The failures of privatisation, evident in unequal access, unfulfilled promises and outrageous profit margins are prompting governments to take back control of essential public services, through processes of renationalisation and remunicipalisation.

State-owned or state-controlled enterprises (SOEs and SCEs, respectively) are also expanding in major industries: the world’s ten biggest firms in the oil and gas sector, in terms of reserves, are all in state hands. State-controlled sovereign wealth funds (SWFs) have become strong components of the changing international economy — as illustrated by the mounting power of the China Investment Corporation, the Norwegian Government Pension Fund Global, or the assets managed by several oil- and gas-rich Gulf states

The nature and scope of state power and its potential either as an instrument for progressive change or as a catalyst for capitalist accumulation leading to further social exclusion and environmental degradation, need a much more critical examination. A greater or more influential public sector does not necessarily mean progressive change. Moreover, any discussion about the nature and roles of the state in the present global context requires a more detailed and unbiased analysis of its real economic weight around the world.

The 'return' of the state or the continuance of the state?

Recent research published by the Organisation for Economic Co-operation and Development (OECD) has measured the degree of public ownership among the world's 2,000 largest companies — those included in the Forbes Global 2000 index — and their 330,000 subsidiaries.³ The authors identified as public companies those where the state owns, directly or indirectly, more than 50% of the shares. The findings are: more than 10% of the world's largest companies — 204 firms — belong to the state, with presence in 37 different countries and a total value of sales that amounted to US\$ 3,600 billion in the year 2011. This turnover represents more than 10% of the combined sales of all the Forbes Global 2000 and is equivalent to 6% of the global GDP, exceeding the gross national product of countries such as Germany, France or the United Kingdom.

The economic weight of the public sector varies considerably across countries. SOEs and SCEs, for example, account for 80% of the capitalisation of the stock market in China and over 60% in Russia, but just less than 35% in Brazil.⁴ In Latin America, while some major state companies emerged out of high-profile renationalisations, such as in Venezuela, Bolivia and Argentina, or through the establishment of new public enterprises as in Ecuador, many date back to prior to the wave of privatisation in the 1990s.

The country where the power of public enterprises is most evident is China. At present, some of the world's biggest and most influential companies are owned or controlled by China's central government. Most of these enterprises were created in the 1950s, following the Soviet model, but since the mid-1980s the Chinese government has pushed several reforms in their operations and management. As a result, today, "in many respects these companies look like multinational companies. Some are listed on overseas stock markets, and some feature prominently on lists of the world's largest corporations".⁵

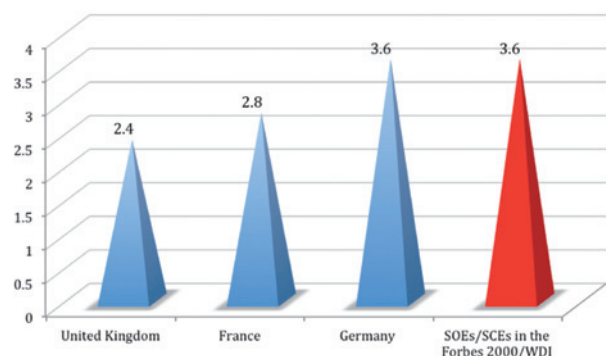
The real number and economic and political weight of Chinese SOEs and SCEs is not easy to estimate, but according to figures disclosed by the official news agency⁶ by the end of 2011 the country had 144,700 companies owned or controlled by the state, excluding financial institutions. Their total assets were calculated to be 85.4 trillion yuan (US\$ 13.6 trillion), and they were estimated to contribute 35% of China's revenues and 43% of China's total industrial and business. Most public enterprises belong to local authorities; even if those managed by the central government receive

most of the attention. The centrally-managed firms are those controlled by the powerful State-Owned Assets Supervision and Administration Committee (SASAC; a mega holding company).

The other major Asian power, India, also continues to empower public entities as catalysts for both national development and foreign expansion. In recent years, the Indian government has granted Indian SOEs greater autonomy to invest in international operations and engage in joint ventures across borders. One such company is the Oil and Natural Gas Corporation Limited (ONGC), that has initiated exploration and production projects in countries as diverse as Brazil, Burma, Cuba, China, Colombia, Iran, Iraq, Nigeria, Kazakhstan, Syria, Sudan, Uzbekistan and Vietnam⁷ joining what Michael Klare has called "the global scramble for the world's last resources."⁸

In France, the State Assets Agency (Agence des Participations de l'Etat, APE) manages a large portfolio of strategic companies in the areas of defence, infrastructure, transport, energy, real estate and financial services. The composition and goals of the public companies are reviewed periodically to ensure they are aligned with the long-term goals of France's industrial policy. The financial intermediary role played by what has been called the "shareholder state" (l'État actionnaire) via the Société de Prise de Participation de l'Etat (SPPE) has also ensured the availability of credit to rescue various ailing companies and contributed to economic recovery in times of crisis.⁹

Public enterprises also play an important role in small and middle European countries, such as Ireland. In 2010, an independent evaluation by Forfas,¹⁰ a policy advisory board, noted the importance of state-owned enterprises for providing essential infrastructure and public services, enhancing skills and entrepreneurship, and promoting

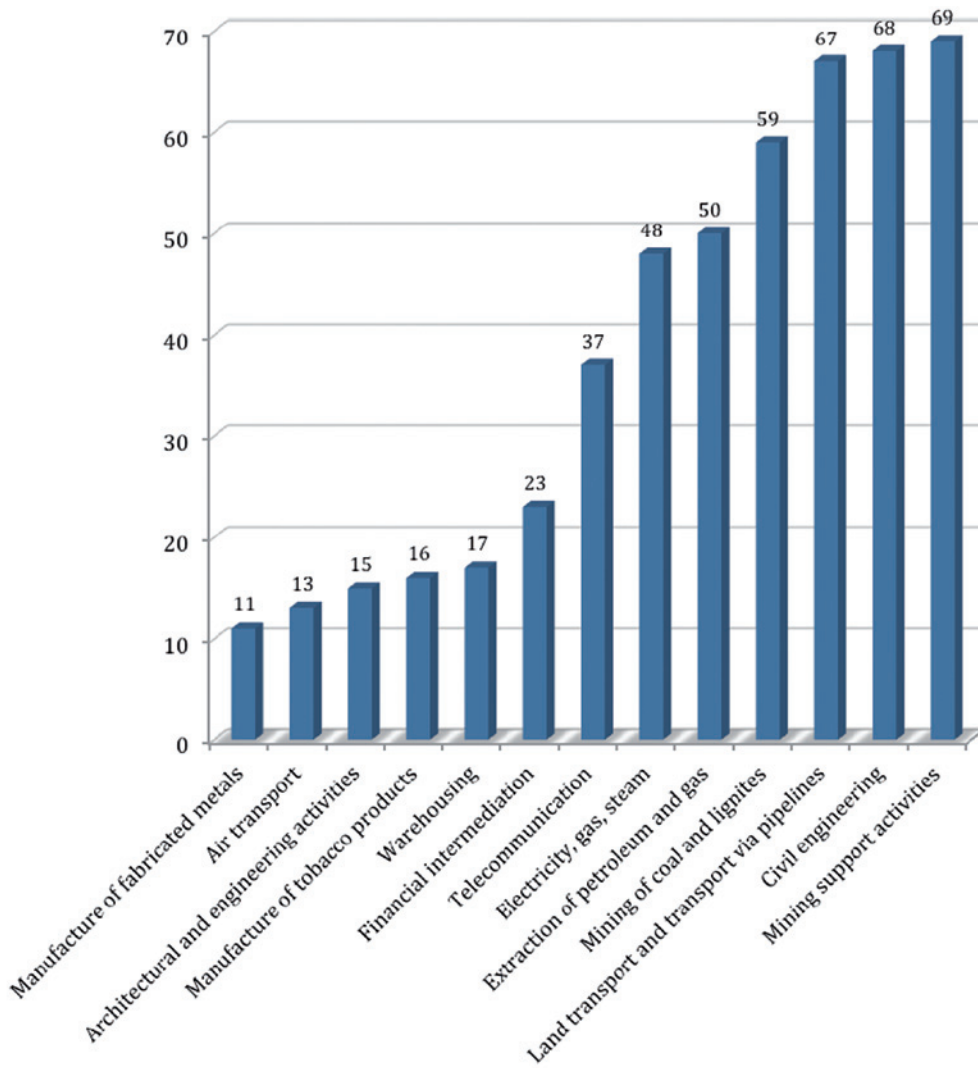


Source: Based on Kowalski et al. (2013)

economic growth and social wellbeing.

The new economic dynamism of the state is particularly visible in Latin America. Five of the ten largest firms in the region are SOEs or SCEs — Brazil's Petrobras and Petrobras Distribuidora (1 and 2,

SOE share (%) by sector in Forbes 2000



Source: Based on Kowalski et al. (2013)

respectively), Venezuela’s PDVSA (2), Mexico’s PEMEX (3), and Colombia’s Ecopetrol (8), all of them major oil companies. A state-owned or state-controlled enterprise is also at the top of the national ranking of companies in most countries of the region.¹¹

The GDP of the UK, France, and Germany compared to total sales of SOEs among top 2,000 global firms in 2011 (in US\$ trillion)

Several governments have also implemented renationalisation measures. The two Latin American countries that had privatised their oil companies in the 1990s, Bolivia (YPFB) and Argentina (YPF), are now walking the opposite path. In the case of YPF, in 2012 the government expropriated 51% of the shares in the hands of the Spain-based transnational corporation Repsol.¹² Under progressive governments, the state has regained 100% control of the national oil companies of Venezuela

(PDVSA), Ecuador (Petroecuador), Uruguay (ANCAP) and Bolivia (YPFB). In other cases, national oil companies that had been forced to open their capital to the private sector are still controlled by the state, as the cases of Brazil (Petrobras; 64% state ownership) and Colombia (Ecopetrol, 90%) show. In recent years, Venezuela has nationalised many companies operating in the industrial and public services sectors, while Bolivia and Argentina have also moved towards renationalisation in the tertiary sector. In the mining sector, despite Chile having been the first laboratory to test neoliberal policies, the state company in charge of cooper production, Codelco, always remained an exception in the region: it was highly corporatised, but never privatised.

Ironically, while the burgeoning economy in the South has been tied to the resurgence of the state, in the North privatisation has returned to the political agenda with great force. The industrialised countries that make

up the OECD and which went through a first wave of privatisations in the 1990s are facing a new privatisation drive in the context of austerity policies. The current wave of privatisation is affecting sectors intrinsically at the core of the welfare state, such as hospitals and health care, social services, welfare programs for children and youth, prisons, etc. The return of privatisation is particularly visible in the countries of the Mediterranean area, where the agencies that make up the so-called *troika* — the European Commission, the European Central Bank and the International Monetary Fund — are imposing privatisation programmes very similar to those applied in Latin America in earlier decades as part of structural adjustment programmes.¹³

States as global investors and assets managers

Sovereign Wealth Funds (SWFs) have also seen extensive and rapid growth in the last decade. In a broad sense, SWFs are “large pools of government-owned funds that are invested in whole or in part outside their home country”.¹⁴ A more detailed definition has been offered by the International Working Group of Sovereign Wealth Funds:¹⁵

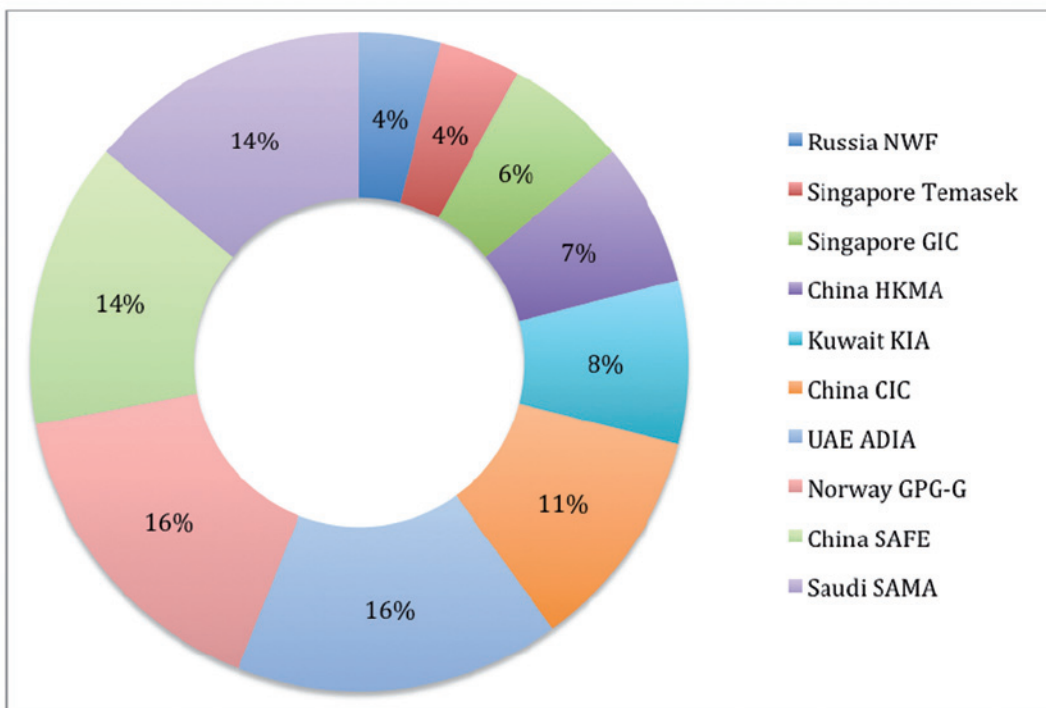
Sovereign wealth funds (SWFs) are special purpose investment funds or arrangements, owned by the general government. Created by the general government for macroeconomic purposes, SWFs hold, manage, or

administer assets to achieve financial objectives, and employ a set of investment strategies which include investing in foreign financial assets. The SWFs are commonly established out of balance of payments surpluses, official foreign currency operations, the proceeds of privatizations, fiscal surpluses, and/or receipts resulting from commodity exports.

SWFs are not new actors in the world economy. Kuwait has been stashing a significant portion of its oil revenues since the mid-1950s. These funds are generally associated with commodity-driven wealth, such as Norway’s Pension Fund Global, but new types of SWFs financed from trade or fiscal surpluses have recently emerged as important players. Singapore has been putting aside resources since the early 1980s, followed by a number of similar funds in China and other non-oil exporting countries. SWFs can be found in all regions of the world, with states as diverse as Angola, Australia, Bolivia, Botswana, Brazil, Chile, Ghana, Mozambique, Nigeria, Papua New Guinea, Qatar, Russia, South Africa and Uganda — among many others — in different stages of preparation or implementation of this kind of financial schemes.¹⁶

While they are not new, their assets have grown impressively over the last five years, despite the post-2008 financial crisis. Exact figures on the SWFs’ current assets and activities are very hard to get, as the lack of transparency about their operations is a strong feature of most of these funds. The latest published valuations vary, from the approximately US\$ 5.6 trillion (in assets under

Concentration of 10 largest SWFs by assets (2012)



Source: CAR (2013)

Top 20 SWFs by year of inception, source of capitalisation and assets (September 2013)

	Country	Fund name	Inception	Source	Assets US\$ billion)
1	Norway	Government Pension Fund - Global	1990	Oil	803.9
2	Saudi Arabia	SAMA Foreign Holding	n/a	Oil	675.9
3	UAE-Abu Dhabi	Abu Dhabi Investment Authority	1976	Oil	627.0
4	China	China Investment Corporation	2007	Non-commodity	575.2
5	China	SAFE Investment Company	1997	Non-commodity	567.9
6	Kuwait	Kuwait Investment Authority	1953	Oil	386.0
7	China-Hong Kong	Hong Kong Monetary Authority Investment Portfolio	1993	Non-commodity	326.7
8	Singapore	Government of Singapore Investment Corporation	1981	Non-commodity	285.0
9	Singapore	Temasek Holdings	1974	Non-commodity	173.3
10	China	National Social Security Fund	2000	Non-commodity	160.6
11	Qatar	Qatar Investment Authority	2005	Oil and gas	115.0
12	Australia	Australia Future Fund	2006	Non-commodity	88.7
13	Russia	National Welfare Fund	2008	Oil	88.0
14	Russia	Reserve Fund	2008	Oil	86.4
15	Kazakhstan	Samruk-Kazyna JSC	2008	Non-commodity	77.5
16	Algeria	Revenue Regulation Fund	2000	Oil and gas	77.2
17	UAE-Dubai	Investment Corporation of Dubai	2006	Oil	70.0
18	Kazakhstan	Kazakhstan National Fund	2000	Oil	68.9
19	UAE-Abu Dhabi	International Petroleum Investment Company	1984	Oil	65.3
20	Libya	Libyan Investment Authority	2006	Oil	65.0

Source: SWF Institute (2013)

management) reported by the Fletcher School's Center for Applied Research (CAR)¹⁷ to the US\$ 6.0 trillion revealed by the SWF Institute¹⁸ based on data from 74 national and sub-national funds. Concentration of assets is very high in the world of sovereign funds, with the top 10 SWFs being in control of 79% of the total wealth, the top 20 holding 93.1% and¹⁹ funds each holding assets above US\$ 50 billion, as CAR has reported. These large pools of state-controlled capital administered by the SWFs are expected to grow significantly over the coming years.

Challenging the myth of private efficiency

The apparent return of the state seems to have caused some anxiety among many conservative commentators. In a special report on "state capitalism" published in January 2012, the world's most widely read business magazine warned its readers about the transit from a liberal capitalist model to alternative models centred around this kind of companies. Exactly two years before, *The Economist* had already voiced its great concern:²⁰

Today big government is back with a vengeance: not just as a brute fact, but as a vigorous ideology [...]. Huge state-run companies such as Gazprom and PetroChina are on the march [...]. Annual lists of the world's biggest companies have begun to feature new kinds of corporate entities: companies that are either directly owned or substantially controlled by the state [...]. Chinese state-controlled companies have been buying up private companies during the financial crisis. Russia's state-controlled companies have a long record of snapping up private companies on the cheap. Sovereign wealth funds are increasingly important in the world's markets [...]. Three-quarters of the world's crude-oil reserves are owned by national oil companies. (By contrast, conventional multinationals control just 3% of the world's reserves and produce 10% of its oil and gas.) But it is also the result of something more fundamental: the shift in the balance of economic power to countries with a very different view of the state from the one celebrated in the Washington consensus. The world is seeing the rise of a new economic hybrid—what might be termed "state capitalism".

The underlying concern is that successful SOEs and SCEs challenge their widespread belief on the intrinsically inefficient nature of public enterprises. They pose an empirical challenge to the dubious statement first issued over a decade ago that "private companies are more efficient and more profitable than state-owned enterprises".²¹ A meta-study recently released,²² based on a very large database, concludes that there is no reason to believe that private enterprises are

more efficient than public enterprises in general, and that new and more detailed analyses that compare the welfare effects of publicly and privately owned firms are still much needed.

Even in China, despite a series of recent press articles about the slowdown and lower economic performance of state companies, academic research provides evidence that Chinese public enterprises are in fact stronger than ever. Moreover, although foreign-owned firms seem to be more productive than non-exporting firms, "exporting SOEs are the most productive of all possible groupings of firms".²³

Analysts and policymakers hostile to the state have lucidly anticipated the increasing importance of the public sector, demanding the imposition of new barriers to prevent their expansion. In the framework of negotiations of a new generation of international agreements to liberalise trade and secure greater protection for foreign investment — in particular the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP) — the advocates of the market have called for more stringent conditions for the operations of public enterprises.²⁴ If these agreements are signed, "the constraints on the role of the state, and the reduction of the space for behaviour or operations of state-linked companies, will become the way of the future for all countries".²⁵

Recently, the famous economist Nouriel Roubini — often presented by the mainstream media as "the guru who saw the current crisis coming" — turned his attention to the latest data from Brazil, Russia, India, China and South Africa (the so-called BRICS) and concluded that the model of "state capitalism" based on strong public enterprises had helped to foster the development of "emerging economies", but that nowadays state intervention would hinder productivity gains and be one of the main reasons for the current slowdown.²⁶ This type of argument shows a marked ideological bias and ignores the potential of state enterprises for revitalising the world economy, considering the fact that they represent 19 of the 100 largest companies in the world and of the top 100 in the so-called "emerging markets".²⁷

New tools for development?

In the right hands, SOEs and SCEs can be formidable tools to promote economic and social development. Recent research has highlighted the progressive potential of these enterprises and the need for an expanded research agenda in this area.²⁸ Public enterprises can play a crucial role in terms of innovation, including new and

powerful ideas to get out the current crises.²⁹

Based on empirical evidence, it can also be argued that in most countries state enterprises constitute the main or the only alternative to the privatisation of public services,³⁰ as well as essential instruments of industrial policy.³¹ At the opening session of an international seminar organised by TNI in 2012, the Uruguayan Minister of Industry, Roberto Kreimerman, argued that “public companies are an opportunity for national progress because they enable innovation and development in various sectors” and “catalyse economic development and social inclusion.”³²

Similarly, SWFs could be an effective tool for state-driven economic growth. They have been set up with the explicit goals of macroeconomic stabilisation, supporting the development of domestic industries and secure the well-being of future generations after natural resources have been depleted. The SWFs wealth could provide much-needed funding to address the current lack of access to services, benefiting billions of people around the world, given the failure of privatisation to deliver water and sanitation, electricity and health care. The financial resources required to bridge the international public services gap and reach the largely unmet Millennium Development Goals (MDGs), which have been estimated to amount to US\$ 75 billion per year, could be

managed by “a ‘GapServe’ bank in the form of a global non-governmental organization or a UN-affiliated entity financed by fund deposits and fund-owned equity”.³³

On the other side of the coin, SOEs and SCEs face the ever-present risk of corporatisation.³⁴ This refers to public enterprises becoming entities that in formal terms are still owned by the state but whose management has internalised the logic of the private sector, via the adoption of a market rationality primarily focused on financial gains, with the subsequent deterioration of the public ethos.

The Andean Development Corporation (CAF) published in 2012 a report highlighting the successful management of SOEs and SCEs in Latin America, pointing at the examples of Petrobras, Codelco, the energy companies of Colombia Isagen and Public Enterprises of Medellín (EPM), the Panama Canal Authority, and the Peruvian holding corporation FONAFE.³⁵ Worryingly, the public companies praised by the CAF report are all highly corporatised.

Moreover, SOEs and SCEs can also be a dark force that greatly contributes to the environmental crisis. A recently published study has traced the anthropogenic carbon dioxide and methane emissions to fossil fuel and cement producers, in the period 1854–2010.³⁶ One of the clearest conclusions derived from this research

Shortfalls in the global provision of basic services

Report and year of publication	Estimated annual expenditure in US\$ and time frame	Total costs over time frame of 2011-2030 (US\$)	Per capita cost (US\$) over 20 years
World Water Vision, 2000	75 billion, 2000-2025	3 trillion	2,000 or 100/year
Vision 21, 2000	8.92 billion, 2000-2025	357 billion	238 or 11.90/year
WHO/UNICEF, 2000	15.7 billion, 2000-2015	628 billion	419 or 20.93/year
World Bank, 2002	29 billion, 2000-2015	1.16 trillion	773 or 38.67/year
Camdessus Report, 2003	30-40 billion, 2000-2025	1.4 trillion	933 or 46.67/year
French Water Academy, 2003	32 billion, 2000-2015	1.28 trillion	853 or 42.67/year
MDG Task Force, 2004	6.7 billion, 2011-2015	268 billion	179 or 8.93/year
Hutton and Bartram, 2008	18 billion, 2004-2015	720 billion	480 or 24/year
Mean of previous estimates	28.9 billion, 2011-2030	1.1 trillion	734 or 36.72/year

Source: Lipschutz and Romano (2012).

is that some powerful state companies can be included in the ‘most wanted’ list of climate change culprits. “Cumulatively, emissions of 315 GtCO₂e [the amount of CO₂ released into the atmosphere] have been traced to investor-owned entities, 288 GtCO₂e to *state-owned* enterprises, and 312 GtCO₂e to *nation-states*” (the emphasis is mine).

Similarly, the progressive potential for SWFs is currently belied by their current operations, which are deeply embedded within the logics of financialisation.³⁷ Recent research shows that the investment aims and practices of SWFs tend to converge in form and function with the long-standing core institutions of the global financial market.³⁸ These funds are highly vulnerable to the volatility of financial markets, relying mostly on commodity and foreign exchange earnings. In recent years, the dominant SWFs have benefited from higher commodity prices. But they have also been seeking high benchmark returns on investments, “balancing among fixed income government bonds and riskier equities, derivatives, commodities and real estate”.³⁹

SWFs have showed their strong inclination to invest in four sectors: financial services, natural resources, real state and infrastructure. Together, these four sectors accounted for 75% to 80% of all SWF transactions in the past three years.⁴⁰ Too often, those countries most affected by the SWF’s investment decisions are not the high-profile cases in the North, but those in the South that lack effective oversight of foreign inflows.⁴¹ While international institutions are increasingly keen to promote SWFs for Southern nations for their ability to promote supposedly better management of resource revenues, relying on ‘sound’ technical expertise and not on ‘arbitrary’ political decisions, the reality of SWFs in the South, as Nigeria’s Excess Crude Account illustrates, shows quite different results, deepening pre-existing problems rather than solving them.⁴²

Moreover, as already noted, sovereign wealth funds can also be counted among the main culprits of climate change, as they get more of their assets from the exploitation of hydrocarbons. Four of the five largest SWFs — Norway’s Government Pension Fund Global, Saudi Arabia’s SAMA Foreign Holdings, UAE-Abu Dhabi’s Investment Authority, and Kuwait’s Investment Authority — are almost entirely based on oil revenues.⁴³

State power: the good, the bad and the ugly

In conclusion, like in the famous spaghetti western directed by Sergio Leone in 1966, the analysis of the

nature of state power in the current global context shows the coexistence of *the good, the bad and the ugly*. At present, the vast majority of governments are market-oriented and most discussions about the “return of the state” take place within capitalist economies with diverse degrees of neoliberalisation. From a progressive perspective, it is therefore necessary to clearly identify the good, the bad and the ugly sides of state power, in order to consolidate and expand the former, and resist and develop new ways to overcome the latter. As McDonald and Ruiters argue:⁴⁴

Calls for bringing the state back in must therefore be conditional and clearly specified, making it important to take an historical and contextual perspective on the role of the state in challenging privatization, and proposing ‘alternatives’ [...]. Unless it has been radically democratized [the emphasis is mine], there may be little point in bringing the state back in, since it can act as a crude instrument to reassert a neoliberal agenda and market ideology.

We must also remember that market-driven politics have not hesitated in recent years to use the authority and the financial resources of the state to rescue corporate power from its demise. Research published after the outbreak of the financial crisis in 2008 denounced some shocking public bailouts. To cite just one example, the total value of the renationalisations of banks and insurance companies in the United States, Britain and the rest of Europe was equivalent to reversing about half of all the privatisations in the entire world over the previous three decades.⁴⁵

From a different viewpoint, some analysts have also questioned the real feasibility for a ‘return of the state’. Sceptical thinkers have pointed at “novel networked technologies, cross-border financial flows, transnational regulatory regimes, or non-state terrorist violence” as examples of international dynamics that “not only challenge the administrative capacity of the state itself but also pose an intellectual rebuff to the idea of the global order as a necessarily state-led one”.⁴⁶

In the South, and particularly in Latin America, progressive thinkers and social movements have also raised new questions about the nature of the state and its emancipatory potential.⁴⁷ Focusing on political processes currently evolving in the region they argue that the present leftist or progressive governments have effectively introduced positive changes in the structure of the state — such as constitutional reforms aimed at the realisation of the idea of *buen vivir* or ‘good living’, rooted in the holistic cosmivision of the indigenous peoples of the Andes — but have not challenged the inherited extractivist model and the all-permeating colonial ideology. In general, the advocates of alternatives

to development or beyond development are pessimistic about the capacities of Latin American governments to move away from the current path of depletion of natural resources and the perpetuation of the rentier economy.

The experiments of several governments in Latin America with a broad assortment of 'post-neoliberal' policies⁴⁸ may be limited, but they nevertheless do represent real challenges to neoliberal capitalism vis-à-vis the state. However, the response by some radical segments of the social and political left, disillusioned by progressive governments unable or unwilling to implement the far-reaching changes, has been new calls for autonomist politics in line with the ideas originally popularised by John Holloway.⁴⁹ From their perspective, local communities should build alternatives *outside* of the state structures, rather than focusing on fighting the government or seizing state power.

The autonomist perspective puts social movements in a politically naïve and too often immobilist position. The real challenge is to engage in politics both *in* and *against* the state, including concrete actions aimed at reclaiming, restructuring and democratising the state. As Hilary Wainwright wrote: "we can't stand by and leave political institutions to those who want to be free of the pressures of the power of self-determining citizens. We need to occupy those institutions where we can while at the same time organising to replace them".⁵⁰ The occupation of institutions proposed by Wainwright also implies a recognition of the multiple levels of struggle. Social and political movements, including those in government, should be able to occupy old and new spaces of power at the local, national, and regional level.

The national level of struggle, in particular, is still an extremely important terrain of both conflict and progress, something that is quite often misunderstood by many political analysts and activists too focused on the local or global dimensions. Before the current crises, some thinkers⁵¹ had already characterised the national sphere as a space for pointless resistance, while others⁵² had conceded that progressive elites and nationalist groups (in particular in the South) could become important agents in the resistance to the global expansion of the neoliberal form of capitalism.

Beyond current academic and political debates, it is important to note how the tide has turned back in favour of the state. Just before the onset of the current crisis, one of the world's most influential economists had claimed that "increasing evidence indicates that most public enterprises either do not contribute strongly to development or perform their public service functions ineffectively or inefficiently".⁵³ Such perspective is increasingly challenged today, with many more now

backing prominent economist Ha Joon Chang's view that "despite popular perception, encouraged by the business media and contemporary conventional wisdom and rhetoric, SOEs can be efficient and well-run".⁵⁴

To conclude, state power is a social construct that can be at the same time good, bad and ugly. State power can be certainly used to impose neoliberal policies and enable extractivist growth. Within the current global context, it is also highly unlikely that the kind of alternatives proposed by the autonomist camp — based on the idea of delinking from the state — could materialise without the state acting to change the correlation of power (e.g. in the field of trade and investment) or without the state providing support through specific national or local policies.

In short, this is the right moment to revisit the notion of *non-reformist reforms*⁵⁵ coined by Andrew Gorz decades ago, or what Armando Bartra has more recently called revolutionary *reforms*⁵⁶ aimed at reclaiming state power. Such reforms mean not only to produce immediate and genuine improvements in people's lives, but also to build alternative and socially-rooted political capacity and thereby lay the foundation for further advances at subsequent stages of political struggle.

State of our Planet:

Confronting the Fateful Triangle of Big Energy, Finance, and Complicit Governments

By Peter Rugh and Steve Horn, Occupy.com

Introduction: The Apex of the “Corpocene Epoch”

Scientists have begun labeling our current geological epoch as the “Anthropocene,” because of the impact humans are having on the Earth’s atmosphere. They have traced the rapid and volatile changes underway in the molecular composition of our atmosphere to the industrial revolution, when emissions of greenhouse gases — carbon dioxide in particular — began to soar.

Yet our inability to grapple with and adapt to our current ecological crisis has its roots in the world’s social and economic systems that concentrate power and authority in the hands of a few. An earth upon which the majority of human inhabitants determine the relationship between the human species and the biosphere could accurately be classified as “Anthropocene.”

However, we currently live in the “Corpocene,” due to the disproportionate role certain arthropods — directors of large corporations and Wall Street banks — play in the ecological transformations under way.¹ Financial institutions, corporate powers and complicit governments have formed a “fateful triangle” — borrowing the phrase from the title of the famous book by Noam Chomsky² — accelerating the effects of climate change and preventing mitigation and adaptation strategies that could plug the gap between our volatile present and future planetary stability.

Our current ecological crisis is commonly mistaken as a crisis of consumption for society at-large, which

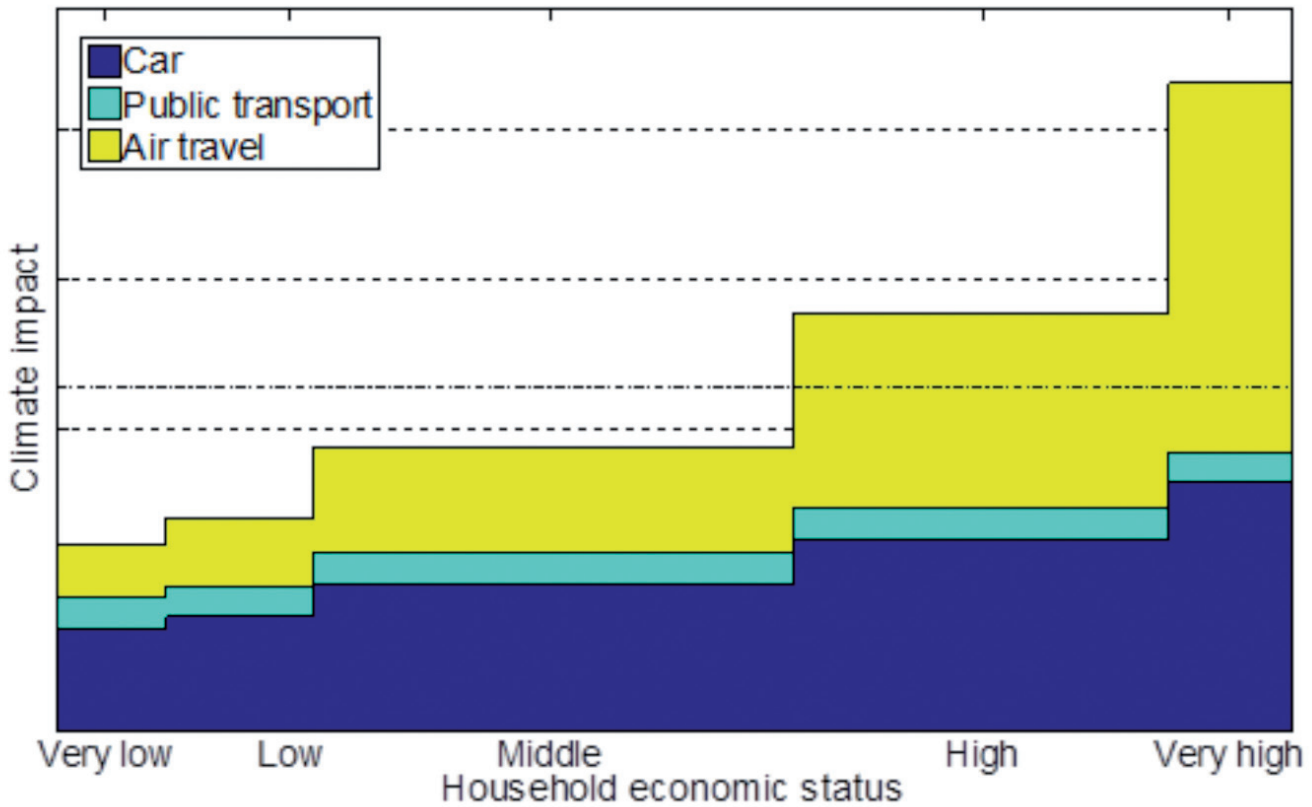
is partially true, as perhaps most vividly portrayed in Adam Curtis’ BBC documentary film series “The Century of the Self,” which showed how many western citizens have adopted a primary identity as consumers.³ Affluent countries, such as the United States and the United Kingdom, clearly have a higher carbon footprint per capita than that of poorer nations.

However there is still a huge disparity of carbon emissions within national populations in both industrialised nations like the US, as well as in new polluters like China. It’s these disparities that tend to muddle per capita figures. The thread that ties all nation-states together, though: jet-setting, mansion-loving members of the power elite, who have a disproportionate footprint no matter their country of origin.

“The Indian and Chinese elites both hide behind their own poor in resisting the demand for restraint on emissions,” explains TNI fellow Praful Bidwai unpacking the phenomenon. “And at the same time, they hide behind the rich in the North.”⁴

Forbes Magazine’s estimates, for example, that the 400 wealthiest Americans have a combined net-worth greater than 155 million of their poorer counterparts in the US.⁵ A 2013 study from the journal *Environmental Science & Policy* found that the wealthiest ten-percent of the population accounts for twenty percent of greenhouse gas output linked to transportation. The study examined Germany but its authors say their research shows the link between wealth and emissions is universal.

Climate impact by income group and transport mode



Source: Aamaasa, Borgar; Borcken-Kleefeld, Jen; Et Al. "The climate impact of travel behavior: A German case study with illustrative mitigation options." *Environmental Science & Policy*. Volume 33, November 2013, Pages 273-282.

Furthermore, decisions regarding what is consumed are not wholly made at the level of individual consumption, but largely in the boardrooms of corporations financed by large banks and private equity capital. Also, as 'The Century of Self' made clear, it's in the board rooms of large corporate public relations firms and advertising firms where the ideas are drawn up to create citizens-as-consumers.

The ecological crisis is a crisis of production and a question of who wields power. The mass manufacturing of automobiles, privatized transport, coupled with a disinvestment in mass transit, ensures the populace's continued dependence on fossil fuels.

A study released by the Climate Accountability Institute ahead of the most recent United Nations Conference of the Parties to the Framework Convention on Climate Change reveals just ninety entities are responsible for 63-percent of total cumulative greenhouse emissions since the industrial revolution. Together these state-owned and investor-owned entities have played a leading role in driving concentrations of the heat-trapping gases to levels the planet has not seen for 800,000 years:

The Scientific Reality

Our relentless race to destruction is not due to a lack of awareness by our elites. Nearly all the world's political leaders at every climate summit acknowledge the risks and the need for radical action. Those responsible for anticipating threats, such as the military and intelligence agencies in particular are abundantly clear about the risks, although they view them narrowly through a security lens. James R. Clapper, Director of National Intelligence, in March 2013, noted that many of the changes are already under way:

"Food security has been aggravated partly because the world's land masses are being affected by weather conditions outside of historical norms, including more frequent and extreme floods, droughts, wildfires, tornadoes, coastal high water, and heat waves,"⁶ explained Clapper. A 2012 World Bank commissioned report from the Potsdam Institute for Climate Impact Research and Climate Analytics warns that we are on pace for a four degree Celsius temperature rise, saying the "unprecedented heat waves, severe drought, and major floods" will be "tilted against many of the world's poorest regions" and have "serious impacts on human systems, ecosystems, and associated services."⁷

Top twenty investor- & state-owned entities and attributed CO₂ & CH₄ emissions

Entity	2010 emissions	Cumulative 1854–2010	Percent of global
	MtCO ₂ e	MtCO ₂ e	1751–2010
1. Chevron, USA	423	51,096	3.52 %
2. ExxonMobil, USA	655	46,672	3.22 %
3. Saudi Aramco, Saudi Arabia	1,550	46,033	3.17 %
4. BP, UK	554	35,837	2.47 %
5. Gazprom, Russian Federation	1,371	32,136	2.22 %
6. Royal Dutch/Shell, Netherlands	478	30,751	2.12 %
7. National Iranian Oil Company	867	29,084	2.01 %
8. Pemex, Mexico	602	20,025	1.38 %
9. ConocoPhillips, USA	359	16,866	1.16 %
10. Petroleos de Venezuela	485	16,157	1.11 %
11. Coal India	830	15,493	1.07 %
12. Peabody Energy, USA	519	12,432	0.86 %
13. Total, France	398	11,911	0.82 %
14. PetroChina, China	614	10,564	0.73 %
15. Kuwait Petroleum Corp.	323	10,503	0.73 %
16. Abu Dhabi NOC, UAE	387	9,672	0.67 %
17. Sonatrach, Algeria	386	9,263	0.64 %
18. Consol Energy, Inc., USA	160	9,096	0.63 %
19. BHP-Billiton, Australia	320	7,606	0.52 %
20. Anglo American, United Kingdom	242	7,242	0.50 %
Top 20 IOCs & SOEs	11,523	428,439	29.54 %
Top 40 IOCs & SOEs		546,767	37.70 %
All 81 IOCs & SOEs	18,524	602,491	41.54 %
Total 90 carbon majors	27,946	914,251	63.04 %
Total global emissions	36,026	1,450,332	100.00 %

Right column compares each entity's cumulative emissions to CDIAC's global emissions 1751–2010. Excludes British Coal, whose production and assets have not been attributed to extant companies, and five of nine nation-states (FSU, China, Poland, Russian Federation, and Czechoslovakia, in that order).

Source: Heede, Richard. November 22, 2013. "Tracing anthropogenic carbon dioxide and methane emissions to fossil fuel and cement producers, 1854–2010." Climate Accountability Institute. .

And a recent study published in the journal *Nature* said temperatures could rise to "roughly 5°C [9°F] above modern [i.e. current] temperatures or 6°C [11°F] above pre-industrial."⁸ 6°C likely will mean mass extinction of the human species.

The Political Reality

Even while powerful institutions have recognized that the atmospheric changes underway spell trouble, not only for the poorest amongst us but for "human systems" as a whole, their continuing modus operandi is that of the proverbial frog in a pot, continuing to paddle about as the water in which it swims gradually comes to a boil.

Real policy shifts were expected from the nascent U.S. presidency of Barack Obama who had pledged – to

paraphrasing a 2008 campaign speech – to quell the rising of the oceans and begin to heal the planet. Yet at his first global summit on climate change in Copenhagen, the U.S. delegation conspired with China, EU, India, Brazil and South Africa to undermine all binding targets and replace them with a voluntary accord that fails completely to meet even their agreed target of keeping global warming under 2 degrees.⁹

The United States — under Obama’s watch — was exposed by *Wikileaks* for throwing the Copenhagen climate negotiations under the bus. This led to an accord that Lumumba Di-Aping, lead negotiator for the Global-77 (G-77) block of developing nations, called “a suicide pact, an incineration pact,” established “in order to maintain the economic dominance of a few countries.”

For most of Obama’s first term, he chose to ignore climate change altogether. After Superstorm Sandy wrought death and destruction upon New York and New Jersey, the president publicly acknowledged climate change’s reality. Yet his “Climate Action Plan” touts hydraulically fractured shale gas – an energy source that several studies show has a greenhouse footprint which exceeds that of coal and oil¹⁰ – as a “transition fuel.”¹¹ In a June 2013 speech on the Plan, Obama referred to natural gas as “clean” or “cleaner” energy five times. Seven hundred and fifty six million acres of land were opened up for fracking in 2013.¹²

It is even exporting these dangerous developments. The U.S. State Department oversees the Unconventional Gas Technical Engagement Program, started in 2010 under then-Secretary of State Hillary Clinton, which serves as a sort of “missionary force” to promote fracking “best practices” around the world to reflect the U.S. model.¹³ Obama’s Administration is also now considering opening up U.S.-produced oil for the global export market, which would open the floodgates to new markets and lock in even more severe climate change impacts.

For corporations too, addressing climate change has it seems become little more than a publicity strategy while business continues as usual.

For example, Bank of America’s Chairman, Charles Holliday, co-chairs the “UN Secretary General’s High-Level Group on Sustainability for All.” His bank has committed to phase out coal investments and pledged to put \$50 billion towards sustainability projects by 2023.¹⁴ Yet researchers with Rainforest Action Network and Sierra Club, drawing on publicly available investment data, found that between 2010-2012, Bank of America underwrote 43-percent of mountaintop removal coal mining operations in the Appalachian region of the United States.¹⁵

Internationally, Bank of America is a leading financial

backer of South Africa’s Kusile coal-fired power plant, expected to be one of the largest fossil-fuel emissions sites on earth.¹⁶ It’s located in a country that already receives more than three quarters of its electricity from this high-carbon polluting source.

Behind the curtain of the fracking and oil boom is finance capital. This willingness of finance to cash in on the huge revenues from the shale gas complex was perhaps best documented in Deborah Rogers’ article titled, “Shale and Wall Street.” In it, Rogers tells the story of how financial players in the US – unperturbed by the financial crisis and housing bubble – invested billions that now fuel the speculative fracking boom.

As she noted, “The industry was also driven to keep drilling because of the perverse way that Wall Street values oil and gas companies. Analysts rate drillers on their so-called proven reserves, an estimate of how much oil and gas they have in the ground. Simply by drilling a single well, they could then count as part of their reserves nearby future well sites. In this case, higher reserves generally led to a higher stock price, even though some of the companies were losing money each quarter and piling up billions of dollars in debt.”¹⁷

The costs of another speculative bubble are starting to return to roost, but the costs for the planet in the meantime are much more serious.

The U.S.-based archetype of the synergistic motion existing between the three corners of the “iron triangle” is the U.S. Department of Energy’s National Petroleum Council (NPC). Created in 1946 by the Secretary of the Interior at the request of President Harry Truman, the NPC’s functions were transferred to the U.S. Department of Energy, which was created in 1977 in response to the global oil shock.

“The purpose of the NPC is solely to advise, inform and make recommendations to the Secretary of Energy with respect to any matter relating to oil and natural gas, or to the oil and gas industries submitted to it or approved by the Secretary,” explains NPC’s website. “The Council membership of approximately 200 persons is selected and appointed by the Secretary of Energy. Individual members serve without compensation as representatives of their industry or associated interests as a whole, not as representatives of their particular companies or affiliations.”

This mix of industry representatives, investors and the state bureaucracy that houses NPC illustrates how important state power and investor power is for the bottom line of fossil fuel hegemony.

The fateful grip that this political triangle has on our society plays out in other spheres too, notably overproduction. Plastics, fertilizers and other

NPC Membership by Category
Categories are listed by principal function

Category	Number of Members
Integrated Oil and Gas Companies	9
Larger Independents	29
Smaller Independents	25
Natural Gas Companies	14
Independent Oil Transporters, Refiners, and Marketers	11
Construction, Drilling, and Oilfield Support-Service Companies	26
Financial and Consultant Services	27
Electric Companies and Large Consumers	9
Non-Industry and Not-For-Profit Members	32
Total	182

petrochemical-based products¹⁸ are being manufactured at unprecedented rates for sake of consumption, predominantly — but not exclusively — by the private sector.

It’s a story that repeats itself time and again. In Europe, the fossil fuel industry has spent years attempting to ram through the Baku–Tbilisi–Ceyhan Pipeline, a tale copiously documented in the book *The Oil Road: Journeys From The Caspian Sea To The City Of London*.¹⁹ In Central Asia, a massive offshore drilling project called the Kashagan will soon begin in the Caspian Sea. In many African countries, it plays out in the form of land grabs for biomass-based energy touted as “green” by its promoters.²⁰ And in South America, look no further than the Ecuadorian gas fields²¹ or the oil sands-producing fields in Venezuela for climate change and ecological destruction. Behind all of these quagmires there is a common thread: massive finance capital funding, capital financing and/or state subsidies/state ownership.

For sake of the macro-perspective, according to the latest available data, private equity firms specializing in fossil fuels raised \$22.5 billion in 2012, up from \$6.8 billion the year before. Beyond the US, it is important to note too that some of the world’s largest fossil fuel corporations — Citgo, Rosneft, Sinopec, Saudi Aramco, KazMunayGas, among others — are state-owned enterprises.

It’s a vicious downward spiral that — by definition — continues to worsen over time. Given too that many of these latest deposits are harder to extract, in fragile environmental regions hitherto unexplored like Alaska, and therefore more prone to environmental disasters, such as the Gulf Oil spill, this can’t end well.

The Structural Nature of the Climate Crisis

The way this fateful triangle has strangled all possibility of effective political action was testified to recently by Yvo de Boer, who chaired the United Nations Framework Convention on Climate Change in KYOTO.

“There is nothing that can be agreed in 2015 that would be consistent with the 2 degrees,” de Boer admitted. “The only way that a 2015 agreement can achieve a 2-degree goal is to shut down the whole global economy.”²²

To understand how the fateful triangle – financial, governmental and energy sector actors – can continue to rely on fossil fuels despite widespread consensus surrounding the stakes, one must look to the logic of globalized, neoliberal capitalism.

Just as the Earth’s gravitational pull sends it spinning around the sun, profits form the axis on which our competitive economic systems turn. Without steady and perpetual growth, markets stagnate, lacking sufficient capital needed for reinvestment.

Growth, in turn, stands in relation to fossil fuel. Thus, when the 2008 financial crisis hit and economic output plummeted, so did emissions. Atmospheric greenhouse output fell by 0.4 billion tons, as the global gross domestic product (GDP) sunk from \$61.3 trillion to \$58.2 trillion.²³ The emissions decline would have been steeper were it not offset by continued growth in the developing world.

Globalization may have increased awareness of our interdependence, but at the same time, it ultimately prohibits societies from acting to mitigate and adapt to its impacts. Nation-states, each with rival economies whose growth models are tied to fossil fuel extraction, marketing and combustion, will not reach agreements toward fossil fuel reduction, since the result amounts

to a reduction in GDP. This is evident even amongst nations like Bolivia and Ecuador, which have become known for advocating the “rights of nature” yet in practice have deepened their own countries’ dependence on fossil fuels and extractive industries.

Nothing contradicts the doctrine of neoliberalism, which teaches that what is good for markets is good for society, more than our current climate crisis. Expanded production and output are healthy for markets, but as the increasing extraction and burning of fossil fuels demonstrates, not a recipe for sustainability upon our finite habitat.

The Bermuda Triangle and False Solutions

Hope for adaptation and mitigation does not lay in the fateful triangle of corporations, governments or banks. This trio has become a Bermuda Triangle, where aspirations for planetary sustainability go to die. Rather, hope rests outside, in counter-institutions and movements that have been increasingly raising a ruckus at UN climate negotiations, in front of governmental and corporate headquarters and at the locations where the fuel that is poisoning earth is extracted and transported.

Street battles over the right to public space, the city and the commons witnessed in 2013 at Istanbul’s Gezi Park and in Brazilian cities – along with previous social movements in recent years, such as Occupy Wall Street and Idle No More – could prefigure larger struggles on a global scale for clean air and the right to a future free of extreme weather.

Hope also does not sit in false solutions: “green energy” or “clean technology” devoid of serious societal-structural change. A case in point is Germany, hub of what many environmentalists have hailed the “green revolution.” Except it’s not.

“So, perhaps you’ve heard about Germany’s heroic green revolution, about how it’s overhauling its entire energy infrastructure to embrace renewable energy sources?,” the German newspaper *Der Spiegel* asks rhetorically in a November 2013 opinion piece. “Well, in reality, our chimney stacks are spewing out more than ever, and coal consumption jumped 8 percent in the first half of 2013. Germans are pumping more climate-killing CO2 into the air than they have in years.”

“Why coal, you might ask? Aren’t Germans installing rooftop solar panels and wind turbines everywhere?,” *Der Spiegel* continues. Yet as the article explains the flawed way the German energy revolution has been set up means that “renewable energy and the coal boom are

causally linked. The insane system to promote renewable energy sources ensures that, with each new rooftop solar panel and each additional wind turbine, more coal is automatically burned and more CO2 released into the atmosphere.”²⁴

Scientist Guy McPherson calls what’s often hailed “green energy” for what it really is: “fossil fuel derivatives.”²⁵ And author Ozzie Zehner calls them “green illusions” in his book by that namesake.²⁶ Both wind and solar have their own ecological and climate change lifecycle footprints and social impacts²⁷ – particularly when they are implemented without community control and accountability – and it isn’t something climate justice activists can just wish away.

Biomass and biofuels also have well-documented climate change impacts, moving documentarian Jeff Gibbs to refer to the biomass boom as a “biomassacre.”

Another false solution is carbon trading, also known as “cap and trade,” emissions trading or carbon markets.²⁸ In essence, the system works like this: the carbon market allows polluters a certain set amount of greenhouse gas emissions, or a “cap.” Once this cap is met or superseded, the polluter then can “trade” carbon credits through a third party vendor. Through what’s known as greenhouse gas “offsets,” fossil fuel corporations can also “repent of their carbon sins” by buying into “clean technology” or “green energy” markets.

The problem, of course, is that it has become largely a propaganda exercise: where our atmosphere is privatised and corporations continue to pollute on the basis of hypothetical offsets elsewhere. Too often the offset projects are imposed on vulnerable regions without consultation and involve dispossession and human rights abuses. Climate change blogger Joe Romm has coined carbon offsets “rip-offsets.”²⁹ Even on its own terms, it has failed spectacularly as the price of carbon offsets has plummeted and turned into what has been branded the “world’s worst performing commodity.”

It’s all a short way of saying we can’t techno-fix our way out of this fundamentally socio-economic structural crisis. We need to change the rules of the game and the rate of production and consumption. It’s a tall task, to be sure.

Currently, a democratic framework does not exist that will allow for climate action in the interest of the majority of the globe’s population. But given the scope of the crisis and the systemic roots of its cause, it’s unlikely humanity can keep climate change at bay without a complete social transformation, that is, without wresting power out of the hands of the fateful triangle and into the palms of the 99-percent. Fortunately, growing numbers of activists — albeit far from enough at this point in time to

alter the balance of power — have honed in on building alternatives of local, democratically controlled energy use linked to quality of life, rather than endless growth linked to the dictates of finance capital.

The Community Environmental Legal Defense Fund (CELDF), for example, has set up “rights of nature”³⁰ and “home rule” ballot initiatives in cities and towns throughout the United States. And at the international-level, the Global Alliance for the Rights of Nature also exists. It does the same type of work as CELDF, but geared toward the respective legal frameworks of different countries around the world.³¹ This method of organizing — were it to proliferate internationally — could be a major game-changer.

Certainly the urgency and necessity of building a more socially justice socio-economic order based on human need and the respect of nature and ecosystems has never been greater. It’s an uphill battle because as McPherson says, “there is money in this, and as long as that’s the case, it is going to continue.”³² But it is a battle we must win.

State of Europe:

How the European Round Table of Industrialists came to wage class war on Europe

Andrew Gavin Marshall, Occupy.com

Founded in 1983, the European Round Table of Industrialists (ERT) quickly became – and today remains – one of the most influential voices of organized corporate interests in Europe. Not quite a lobby, not quite a think tank, the ERT is an action-oriented group made up of roughly 50 CEOs or Chairmen of Europe’s top industrial corporations who collectively push specific ideologies, pressure political elites, and plan objectives and programs designed to shape the European Union and the ‘common market’.

The past thirty years of the ERT’s existence has revealed it one of the most influential organizations in Europe, widely known to the EU’s political, technocratic, and financial elites, holding regular meetings, dinners, and social events with prime ministers and cabinet officials of EU member states, as well as the leadership of the European Commission itself. In the wake of the European debt crisis of the past several years, the ERT has again been at the forefront of shaping the changes within the EU, promoting austerity and structural reforms as the ‘solution’ to the debt crisis.

As through their three-decade history, the Round Table today continues to promote the ideologies and interests of corporate and financial power at the expense of the interests of labour and the population more widely. This paper aims to examine this highly influential group in order to shed some light on an organization very well known to those who make the important decisions within the EU, yet largely in the shadows to those who have to suffer the consequences of those decisions.

The Debt Crisis

In February of 2010, the European Round Table of Industrialists (ERT) warned the EU’s political leadership that they needed “to act with a more unified voice on economic, financial, trade and education issues or face global irrelevance,” and that the supranational union of states “needs to play as one single player in economic terms” if it had any hope of competing in the era of globalization with the emerging market economies of Asia and Latin America.

What was needed to address this challenge, explained the CEO of Philips and Vice Chairman of the ERT, was “macroeconomic and financial discipline,” meaning: austerity. The chairman of the ERT and CEO of Volvo, Leif Johansson, stated that, “We need to respond more aggressively... We need to make Europe more competitive in the global market and complete the single market” within the EU itself.¹

That same month of February 2010 the ERT released a major report, *ERT’s Vision for a Competitive Europe in 2025*, in which they outlined the ideological and institutional objectives and plans of Europe’s top corporations to shape the policies of the European Union up to the year 2025. The report identified the erupting debt crisis as “an opportunity to rethink the European Union’s future course and to take decisive action,” and further explained that the publication itself was directly “intended to guide the EU’s policy choices in the next decade.”²

In the wake of the rising economic power of Asia, the ERT warned that unless major reforms and changes were made, Europe would become a “hobbled giant.” To remedy this problem for the corporate elite, the EU’s single market would need to be completed, with major changes to the healthcare system, with an increased emphasis on the privatization of healthcare.

The ERT pressured for the “sustainability” of “sound economic, financial, education, social security and pension systems, optimized use of raw materials, water and food, and a secure energy supply.” In other words, the corporate executives ‘borrowed’ the term sustainability from environmental discourse to refer to any area which is managed or funded by the government as being ‘unsustainable,’ due to the debt crisis caused by the banks. ‘Sustainability’ for the ERT was viewed as the increased privatization, deregulation, and market-ization of all of society, undoubtedly, for their own benefit. When they use the term ‘sustainability,’ they are, in effect, referring to the sustainability of their increased profits and power. The report itself noted that, “sustainable policies should stimulate economic activity, based on free and fair market mechanisms, openness, entrepreneurial freedom, inclusive labour markets and smart regulation.”

The road to such sustainability runs through long-lasting and deeply painful austerity. The ERT called on EU Member States to adhere to the Stability and Growth Pact, which demanded nations keep their budget deficits below 3 per cent of GDP, as well as encouraging budget surpluses, and that such an objective “should be financed by cutting public expenditure on policies that are not sustainable,” in other words austerity. The ERT called for “reforms” to social security and pension systems, stating that the EU should place “greater emphasis on patients’ responsibility for healthcare costs,” meaning that there should be less public support for populations, and more support for corporations, and that those populations should be left to the whims of a ‘competitive’ market.

Turning to one of the ERT’s most long-lasting issues of importance, the report stated: “European labour markets need to become much more inclusive, enabling business to mobilize employees of all ages and at all levels of qualification.” This requires “a new understanding of job security – putting less focus on preserving jobs and more on ensuring high levels of productive and sustainable employment,” broadly defined as “labour flexibility,” which is designed to “help raise European productivity to amongst the highest in the world.” In other words, European labour markets need to become less protected, less regulated, and with less benefits, so that labour itself becomes cheaper to employ, less protected from exploitation, and thus, more

“productive.” Only with a cheap and exploitable labour force would Europe be able to ‘compete’ on a global level with regions such as Asia and Latin America. The ERT noted the challenge of such a task, suggesting that it required a “culture change.” As in the past, such a change – or ‘adjustment’ – must be born by the workers, and the population at large, not the corporations or the economic and financial elites.

Two leading figures within the ERT, the group’s chairman Leif Johansson, and Jacob Wallenberg, the, co-authored an article for the *Financial Times* in March of 2010 in which they stressed the need for Europe to “return to sustainable growth,” in which the “right path” to “economic recovery and sustainable employment is through healthy, competitive and open markets.”³

Jacob Wallenberg, chairman of the ERT’s Competition Policy working group, is a typical example of ERT’s membership made up of western corporate, financial and policy elites with unprecedented global reach and influence. Wallenberg is a prominent member of Sweden’s most influential financial dynasty – the Wallenberg family – and he is Chairman of the family’s investment company, Investor AB, as well as Vice Chairman of the family-owned bank, SEB AB. Wallenberg also sits on a number of corporate boards, including the Coca-Cola Company, Ericsson, ABB and SAS AB, and the Stockholm School of Economics. In addition, Wallenberg holds a number of positions within advisory groups that have direct access to political and policy leaders, such the International Business Leaders’ Advisory Council to the Mayor of Shanghai, the International Advisory Board of the U.S.-based think tank, the Atlantic Council; the International Business Council of the World Economic Forum, the Steering Committee of the Bilderberg Group, and previously the International Advisory Board of the global investment giant, Blackstone.

Of the 51 individuals in leadership or membership positions of the Round Table, six of them are also members of the International Business Council of the World Economic Forum, five are affiliated with the German financial giant Allianz (one sitting on its board, and four others as members of the Joint Advisory Council of the Allianz Companies), four individuals are either members of the Steering Committee or recent participants at Bilderberg meetings; four individuals are past or presently affiliated with Siemens and Ericsson; three individuals are past or present members of the Trilateral Commission, three hold leadership positions at The Conference Board, three sit as members of the International Business Leaders’ Advisory Council to the Major of Shanghai, and three members also serve on the International Advisory Board of Bocconi University and of

Paris EUROPLACE.

In a 2010 article for the journal, *International Sociology*, William K. Carroll and Jean Philippe Sapinski examined the relationship between the corporate elite and the emergence of a “transnational policy-planning network,” in the decades following World War II, and speeding up the process from the 1970s onward, with the creation of “global policy groups” and think tanks such as the World Economic Forum in 1971 and the Trilateral Commission in 1973, among many others. The objective of these groups was to create a politically “organized minority” of corporate and financial elites, above and beyond the nation state. These organizations allow for transnational corporate and financial elites to meet, discuss, form consensus on major issues, plan and promote ideas, shape institutions, push agendas and programs of action, and very importantly, to engage directly with the major policy and political elites who also participate in these groups.⁴

Four of the ERT’s members are also affiliated with the Bilderberg Group, created between 1952 and 1954, bringing together roughly 130 political, economic and financial elites from Western Europe and North America to discuss major issues of global importance behind closed doors, in secret and without public participation or media coverage during a three-day annual meeting. A former participant in Bilderberg meetings, Will Hutton, referred to the group as the “high priests of globalization.”⁵ Another prominent policy-planning group which represents the interests of the ‘Transnational Capitalist Class’ is the annual meeting of the World Economic Forum (WEF) in Davos, Switzerland. Originally founded as a forum of European CEOs in 1971, the Forum has since rapidly expanded its objectives and membership, bringing thousands of corporate, political, financial, intellectual and cultural elites together in one setting on a yearly basis in order to debate and discuss issues of major importance and help to shape a common consensus in how to address these issues. Six of the ERT’s 50 present members are also members of the International Business Council of the World Economic Forum, giving them leadership positions within this highly influential yearly forum.

The Trilateral Commission was formed in 1973 by Chase Manhattan CEO, David Rockefeller, who sought an organization which would bring together roughly 350 political, corporate, intellectual, financial and cultural elites from North America, Western Europe, and Japan, so as to establish greater co-operation and coordination of policy among the major industrial nations of the world. Three members of the ERT are either sitting or recent members of the Trilateral Commission.

One of the more infamous projects of the Trilateral Commission was its 1975 report on the *Crisis of Democracy*, in which the authors suggested that the industrial world was experiencing an “excess of democracy” in which corporate interests were threatened by increasingly activist-oriented, politically awakened and activated populations who were seeking to both reduce the power of these institutions while demanding more power and opportunity for groups and populations. The report identified that the cause of the “crisis of democracy” was “a highly educated, mobilized, and participant society,” and therefore, the solution to the “excess of democracy” was an increase of “apathy and noninvolvement on the part of some individuals and groups.”⁶

There is little doubt that these views are still held by members of ERT, given their involvement in the Trilateral Commission and the perceived threats posed by democracy to their own economic interests.

Of the 50 members of the Round Table, 16 hold simultaneous positions of leadership in large European banks and financial institutions. If we include members that were recently in senior positions at leading European financial institutions, more than 20 out of the 50 members of the ERT are heavily integrated into the leadership of the financial sector. So not only are the ERT’s members closely integrated into the institutions and networks which influence policy and political elites across the industrial world, they are even more closely connected with the financial institutions that dominate global markets and which precipitated the most recent global economic crisis.

A former Treasury Department official, Roger Altman, wrote in the *Financial Times* in 2011 that financial markets had become “a global supra-government” which has the power to “oust entrenched regimes... force austerity, banking bail-outs and other major policy changes,” and that apart from nuclear weapons, “have become the most powerful force on earth.”⁷

In a 2013 article for the *Financial Times*, Altman wrote that it had not been Angela Merkel “or other political leaders who pushed austerity on to Italy, Spain, Greece and others,” but rather, it was the “private lenders... who declined to finance further borrowing by those countries,” noting that, “markets triggered the Eurozone crisis, not politicians.” Altman added: “In fact, 21st-century markets are much more powerful than any government leader.”⁸

The European Round Table of Industrialists’ capacity to represent the collective interests of concentrated corporate and financial power means that when the ERT released its February 2010 report on its *Vision for 2025*, it was taken very seriously by Europe’s policy and political

leaders.

Immediately following the publication of the ERT report, Round Table members met with the president of the European Commission, José Manuel Barroso.⁹ One top ERT official commented that, “We will make clear to Barroso that we are keeping a close eye on him and we will consider him responsible for the success or failure of the strategy as much as we will do with our national governments.”¹⁰

The following month, the European Commission published its own report, *Europe 2020: A European Strategy for Smart, Sustainable and Inclusive Growth*, in which Barroso wrote that it was “the time to be bold and ambitious.”¹¹ Noting that government debts “cannot be sustained indefinitely,” the report suggested that what would be required are “medium-to longer-term reforms that promote the sustainability of public finances and enhance potential growth.” The process of ‘fiscal consolidation’ – or harsh austerity measures – was recommended to most countries throughout 2011, while tax increases were expected, as well as the implementation of “important structural reforms, in particular of pension, health care, social protection and education systems.” The EU will require a “strong governance framework... to ensure timely and effective implementation.”

In effect, then, the Commission’s own report reflected to a large degree the same objectives and ideological underpinnings of the ERT report published the month prior. The Round Table maintained pressure upon the EU and its institutions to follow through with their plans to expand Europe’s ‘competitiveness’ through “ambitious, bold and consistent policy action.”¹² In January of 2011, the ERT warned European leaders of the need for a “quick and orderly return to stable public finances,” thus requiring more austerity measures.

The ERT would continue to meet with top European political leaders to push their agenda upon the EU, holding meetings with German Chancellor Angela Merkel and the Danish Prime Minister. In November of 2011, French President Nicolas Sarkozy hosted an ERT delegation where the CEOs “stressed the need to implement European policies which support industry.”¹³

That same month, the ERT released a report assessing the progress on their Vision 2025 agenda, noting that, “public and private debt must be reduced, while economic growth is needed to ensure Europe’s wealth and well-being.”¹⁴ Noting that Europe’s corporations are “the core of a sustainable Europe,” it called for the executive to prioritise “moderniz[ing] European labour regulations to be more flexible,” as well as continuing with austerity measures.

In March of 2013, a “high-level dinner” was hosted by Angela Merkel, inviting a delegation of the ERT, as well as French President Francois Hollande and European Commission President Barroso where the CEOs were to discuss the “competitiveness” of the EU. One of the main agenda items at the meeting was to reaffirm that “flexible and productive labour markets” would have to “be put into place quickly.”¹⁵

ERT as a ‘Competitive Cartel’

For all their talk of ‘competitiveness’, the corporations of the European Round Table of Industrialists routinely engage in forming and operating as cartels, the very definition of anti-competition. There is, however, a logic to this process: large corporations are formed through mergers and acquisitions (M&A), leading to heavily concentrated institutions of economic and industrial power, and which becomes even more concentrated in the financial world. In such circumstances, it serves the interests of the large conglomerates to collude with one another, to form cartels, and thus, undermine competition (or ‘competitiveness’) between each other, increasing profits for all parties involved, and thus, facilitating higher levels of economic concentration and with that, increased social and political influence.

A study of the European Round Table of Industrialists published in 2012 in the journal, *Competition and Change*, examined the ERT’s member corporations that have been prosecuted by EU competition regulators for forming cartels, and the results are enlightening. Between 1990 and 2010, there were some 101 different corporations associated with the ERT, and 32 of those corporations were convicted at one point (or often, at several points) of participating in cartels, and frequently of participating in cartels formed with other ERT member companies. In total, the European Commission placed 63 fines on these 32 corporations, or, alternatively, granted them immunity. In EU law, a company that blows the whistle on a cartel is subsequently given immunity from legal repercussions. The cartels were primarily formed among chemical (including pharmaceutical), and energy (oil, gas and electricity) corporations.¹⁶

So while these major corporations undermine free markets and competition by forming cartels, they actively promote ‘competitiveness’ in the European and indeed, global, economy. Is this a random contradiction? Or is there a more subtle logic to this? Indeed, promoting ‘competition’ on a large scale allows these corporations to gain access to new markets, and being so large already, they are thus given a disproportionate ‘competitive

advantage' over much smaller companies, which are forced to 'compete' in the 'free market.' Meanwhile, these large multinationals collude and form cartels with one another so as to protect their collective power and wealth at the top of the socio-economic structure, forcing their suppliers, smaller competitors, and most importantly, labour and workers, to compete in a 'free market.' Thus, while suppliers, smaller companies and labour compete with one another – lowering their prices in order to increase their appeal – this has the effect of decreasing the costs to the large corporations, which pay less to their suppliers, more easily defeat small companies (or buy them up), and pay less for more labour. And so, the world's large corporations have an incentive to promote 'competitiveness' for others while forming cartels between each other, further increasing profits and power.

A History of Influence

The European Round Table of Industrialists' history of influence and collusion for economic gain goes back well before the current economic crisis; and indeed is crucial to understand the nature of the European Union today. ERT has been a major influence since its establishment in the early 1980s, formed in an era in which European corporations were facing increased competition from American and Japanese companies, in which much of Europe was experiencing a recession. In 1982, a series of meetings between the CEO of Volvo, Pehr Gyllenhammar, and the European Commissioner for Industry, Etienne Davignon, led to the idea to form an association of European corporate CEOs which would aim to shape the industrial and economic policies of the European Community.¹⁷

Formed in 1983, the Round Table brought together 17 top CEOs of European corporations, aiming primarily to promote further European integration, and specifically, to advance the formation of the 'internal market', thus allowing "European firms to develop as powerful competitors in world markets."¹⁸ The ERT successfully sought audiences with powerful European governments, seeking to promote their own agenda through political leaders.

In 1985, Wisse Dekker, the CEO of Philips and a member of the ERT, unveiled his *Europe 1990* plan, which outlined the steps needed to form an internal market by the year 1990. The ERT quickly adopted the plan, and when Jacques Delors became president of the European Commission, the meetings and connections between the Commission and the ERT were greatly enhanced, and in time, the ERT's plan for Europe became the Commission's

plan for Europe.

Through their leadership in pushing for the internal market, meeting with and helping to organize political leaders, as well as through their threats to those political leaders to relocate their highly-profitable industries elsewhere if their demands were not met, Europe's major CEOs, organized in the European Round Table of Industrialists, were able to have a profound influence on shaping the European common market and re-launching the project of European integration. EC President Jacques Delors himself acknowledged that in creating the single market, "the business actors mattered; they made a lot of it happen." As Maria Green Cowles noted, "The ERT became a political actor in its own right."

Wisse Dekker, who was largely responsible for leading the push toward a common market, served as Chairman of the ERT from 1988 until 1992. Looking back, Dekker commented that, "I would consider the Round Table to be more than a lobby group as it helps to shape policies. The Round Table's relationship with Brussels is one of strong co-operation. It is a dialogue which often begins at a very early stage in the development of policies and directives."¹⁹

Jérôme Monod, who served as chairman of the ERT from 1992 until 1995, also commented that, "The ERT is not a lobby, but rather a group of European citizens who express their opinions on the best ways to make Europe and European companies competitive on a world-wide basis to politicians, governments, the Commission, and other institutions." Helmut Maucher, who chaired the ERT from 1996 until 1999, further elaborated that, "The ERT is partially a lobby, but not for the interests of individual sectors, but for the competitiveness of Europe. As this is a fundamental concern, which the European public authorities share with us, we are also a privileged partner in the dialogue about these concerns."²⁰ One ERT member noted that the Round Table "tends to be taken more seriously" by political leaders, precisely "because it is the big industrial leaders [themselves] who go and talk with the Commissioners." This privileged access is continually strengthened by having several ERT members through the years who were also at one time, European Commissioners. For example, Peter Sutherland, who had served as European Commissioner for Competition under the Delors presidency, joined the ERT in 1997, and remained as a member until 2009, while serving as Chairman of British Petroleum, as well as Chairman of Goldman Sachs International and the Royal Bank of Scotland. In an interview, Peter Sutherland stated:

I think the importance of the ERT is not merely in the fact that it coordinates and created a cohesive approach amongst major industries in Europe but because

the persons who are members of it have to be at the highest level of companies and virtually all of them have unimpeded access to government leaders because of the position of their companies... That is exactly what makes it different [from other organizations] – the fact that it is at head of company level, and only the biggest companies in each country of the European Union are members of it. So, by definition, each member of the ERT has access at the highest level to government.²¹

That access has been formalized within the ERT, which holds six-month plenary sessions, inviting heads of state and Commissioners to attend, as well as hosting a dinner meeting with whichever government assumes the presidency of the European Council. A delegation from the Round Table typically meet with the president of the European Commission at formal meetings held about twice per year, though, there are also many more informal meetings.

The Round Table was not only significant in moving Europe towards an internal market, but also in pushing for the subsequent efforts at European integration. Peter Sutherland noted that the ERT “did play a significant role in the development of the 1992 programme,” as he was a Commissioner at that time, adding that, “one can argue that the whole completion of the internal market project was initiated not by governments but by the Round Table, and by members of it, Dekker in particular.” Sutherland also explained that the Round Table “played a fairly consistent role subsequently in dialoguing with the Commission on practical steps to implement market liberalization.”

The process of business lobbying politicians has not been a one-way love affair. In May of 2007, then-Prime Minister Tony Blair held a meeting at No. 10 Downing Street with the 45 CEOs of the European Round Table of Industrialists, at which Blair informed the influential executives that, “Business in Europe does not make its voice heard vigorously or often enough,” and that it was “important that business steps forward and gives a clear statement on where it thinks [Europe] should be going.” During a question and answer period, Blair explained that it was a great challenge to create a “major change” to the structure of Europe’s public sector, noting: “It’s important not to have policies in public services simply dictated by public service unions.”²² Presumably, then, Blair was suggesting that it was important to have private multinational corporations dictate policies in public services.

It is this convergence of corporate, financial, intellectual, political and ideological elites interconnected through board memberships of companies, banks, policy groups, think tanks, foundations, advisory groups

and forums that has led to what billionaire Warren Buffet referred to as a ‘class war’ in which “my class, the rich class, that’s making war, and we’re winning.” In the European Union, it is their choices that are largely reflected in the merciless austerity measures spreading poverty and unemployment as healthcare, education, social services, welfare and social housing are dismantled; as resources and assets are privatized, workers fired, pensions and social security are cut, workers have their rights and benefits dismantled, and the population is pushed into desperation. It is why the struggle for a different Europe must start first with tackling and undermining the power of those waging this war.

State of extraction:

The new scramble for Africa

David Fig

A new scramble

In recent years Africa has experienced waves of new investment, particularly in mining, energy and agriculture, and has seen elevated commodity exports. These flows are tantamount to a new scramble, creating wealth for foreign direct investors, some local entrepreneurs and a growing comprador class. Resources are typically exploited without raising the living standards of the people and at significant environmental cost. On the ground this has engendered significant resistance. The new scramble is a modification of traditional imperialist relationships which Africa experienced with former occupying colonial powers. But how do we understand the differences between the old and new scrambles? Who ultimately holds the power?

The African economy has more than tripled in size since 2000 and the IMF forecasts that Africa will account for 11 of the 20 fastest growing national economies in the world up to 2017. But are these boom conditions – often related to oil or gas discoveries -- either sustainable or beneficial to the population? Whilst there is a growing middle class, said to be 300 million strong, inequalities seem to have sharpened. Over 50% of Africans, according to the Africa Progress Panel¹ live on less than US\$1.25 per day. The benefits are therefore accruing to foreign capital and a sprinkling of local partners. In some cases wealth is accruing to large state-owned corporations, allowing leading politicians and their families and entourages to syphon off the cream. This is particularly notable in Equatorial Guinea and Angola, whose ruling dynasties continue on their respective thrones decade after decade.

This boom has been noticed by global capital which

has sought to engage with the continent more vigorously. The traditional links sewn up with the EU and the USA are being outflanked by the recent entry of some newer players. Investors are impressed by growth rates. They see Africa as under-populated,² under-polluted,³ under-regulated⁴ and replete with large amounts of arable land and fresh water resources. Africa has become the site of many large-scale land and water acquisition transactions, often referred to as 'land grabbing'.⁵

The new scramble follows similar patterns to those of the old, without the factor of direct political control. It requires a willing local comprador class, which becomes a junior partner in the exploitation of local people, and often acting in the interests of a neo-imperial project. With globalisation and the consolidation of free markets and neoliberal ideology, there is much more complicity between the state and global capital. Often the collaboration with transnational capital is implemented through programmes of localisation, indigenisation or 'black economic empowerment'. Few African firms, with the exception of a handful of South African companies, have emerged as global players, yet there is a growing layer of African politicians and entrepreneurs who form part of what Susan George has dubbed the 'Davos class'.

The new players

To assert that there has been a new scramble, we need to look at the recent levels of investment on the continent, and look at flows of resources.

Measuring foreign direct investment according to

the number of new projects commenced in Africa since 2007, we find that the top twenty nations still command about 80% of the total. The traditional investors are still there --- comprising the US, EU countries, Japan, Canada and Australia. But the growth of their presence has tapered off to around 8%. A new feature is the 21% growth in the number of investments undertaken by emerging economies. There are three strands to this: the more industrialised countries such as India, China and South Korea; African countries themselves such as South Africa, Kenya and Nigeria; and the gulf nations of Saudi Arabia and the UAE. In the wings but currently less prominent are other players such as Brazil, with an increasing presence, as well as Malaysia and Turkey.

While the US, UK and France continue to make the most new investments, the relatively slow or negative growth rates associated with a number of the EU

countries can be attributed to post-2008 recessionary conditions. In the same period, there has been significant growth in the number of projects involving Indian, Chinese, Japanese, Korean and Saudi capital. Another noticeable trend is the investments deriving from within Africa itself. Key investment sectors include the extractive industries (mining, oil, gas, timber), agriculture, and services (finance, ICT, infrastructure).

The new prominence of India and China on the continent has widened the investment base as well as the marketplace. The growth of these economies has led to the absorption of African products – in India’s case, largely consisting of crude oil, with smaller trade in cashew, cotton, phosphates, generic pharmaceuticals, coal and gold. India in turn exports automobiles, machinery and services, indicating its ascendancy in the value chain towards manufactured exports. The Tata automobile corporation assembles vehicles in South Africa and Senegal.

China’s reputation in Africa is far more controversial, opening it up to criticism of reproducing colonial-type relationships.⁷ Chinese trade, particularly in cheaper manufactured goods, has tended to flood African markets, undercutting and creating devastation in the case of local textile, clothing, footwear and household goods manufacturing. In many investment projects, China has insisted on providing its own labour force, excluding local employment. Deals have been made – for example in the Democratic Republic of Congo in 2007-8 – in which China has agreed to deliver local infrastructural improvements in exchange for rights over minerals extraction.⁸ Some projects have seen manifestations of racist behaviour towards African people.

The bulk of Chinese investment takes place through large state-owned enterprises, but there has also been an expansion of private operations, especially those of a myriad of small and micro-enterprises. China’s trade and investment in Africa have become geared towards meeting the needs of its own industrialisation programme. There is an elaborate supplementary programme offering development aid, debt relief, soft loans, scholarships, and the provision of technical support.

China has also been giving party-to-party support to African political parties to cover electoral campaigns. One of these is South Africa’s African National Congress. As a result of this, the South African state has been reluctant to gainsay China in foreign policy matters. For example, the private invitation from Archbishop-emeritus Tutu in 2012 to the Dalai Lama to attend his 80th birthday party was declined owing to difficulties that the Dalai Lama faced in obtaining a South African visa.

Power is therefore being exercised through the

Table 1
Top 20 FDI new projects’ source countries investing in Africa

Rank	Country	New Projects (2007-2012)	Compound Annual Growth Rate (2007-12)
1	United States	516	11.2%
2	UK	456	25.1%
3	France	398	-6.3%
4	India	237	24.0%
5	South Africa	235	56.5%
6	UAE	210	13.3%
7	Spain	194	-15.2%
8	Germany	173	14.9%
9	China	152	15.5%
10	Portugal	137	-26.8%
11	Kenya	113	60.0%
12	Japan	105	16.3%
13	Switzerland	105	3.7%
14	Italy	94	3.4%
15	Canada	86	13.2%
16	Nigeria	78	20.1%
17	Australia	69	-4.9%
18	Netherlands	58	7.4%
19	South Korea	57	51.6%
20	Saudi Arabia	56	45.4%
Rest	Other investor countries	844	

Source: Ernst and Young, 2013. Africa Attractiveness Survey, p. 34.

Table 3
Selection of current key Chinese investments in Africa

Corporation	Sector	Presence in Africa	Partnerships/acquisitions
Chinese National Petroleum Corp. – CNPC	Energy	Sudan, S Sudan, Chad, Algeria, Tunisia, Libya, Niger, Nigeria, Mozambique	ENI in Mozambique
Chinese National Offshore Oil Co. – CNOOC	Energy	Morocco, Nigeria, Gabon, Kenya, Uganda, Equatorial Guinea, Congo-Brazzaville	
Sinopec	Energy	Angola	Sonangol (Angola state oil co.)
China Guangdong Nuclear Power Grp - CGN	Energy	South Africa	Bidding to build future Eskom reactor fleet
Huawei	ICT	Nigeria and 38 other countries	
Lenovo	ICT	S Africa, looking to Kenya, Nigeria	Acquired IBM PCs
ZTE	ICT	Egypt, Ghana, Nigeria, Tunisia, Kenya, Zambia, Algeria and Ethiopia	Nitel in Nigeria
China Minmetals Corp.	Metals	South Africa	
Jinchuan Grp	Metals	South Africa, Zambia, DRC	Wesizwe Platinum, Metorex
Industrial and Commercial Bank of China	Finance	South Africa	Acquired 20% of Standard Bank of South Africa, with affiliates in 19 African countries

Sources: Corporate websites and annual reports.

creation of political dependency, rather than simply through trade and investment.

There has been little resistance to the model set up by China. However one exception is in Zambia, which has experienced severe labour problems and fatalities at Chambishi, a Chinese-owned copper mine.⁹ In his unsuccessful presidential campaign in 2006, Michael Sata of the Patriotic Front ran on an anti-Chinese ticket. China threatened to withdraw its investments should Sata win, but he was unsuccessful. In 2011 Sata ran again for president but toned down his virulent opposition to Chinese investments. Instead he has come to terms with the presence of China, and soon after his inauguration, began to seek greater revenue for the Zambian state from Chinese and other foreign direct investments.

The resource curse and renegotiating control

The ‘resource curse’ is the concept recognising that, paradoxically, countries endowed with mineral wealth tend to have slower rates of economic growth, increased poverty and conflict. So, despite a new scramble for mineral extraction in Africa, the benefits seldom meet

the needs of the broad population. Numerous factors can account for this, including inadequate revenues going to the host country, overvalued currencies, the tendency for other non-extractive export sectors to be negatively affected (“Dutch disease”), transfer pricing, corruption, and inadequate infrastructure.

Mining typifies the ‘resource curse’, in that the benefits are usually appropriated by those who gain ownership of the resource. Inadequate revenue agreements and taxation systems mean that host governments are seldom able to negotiate a fair distribution of income for all stakeholders, let alone compensating original owners of the resource. External costs are passed on to the state, often in the form of a legacy of environmental contamination, livelihood losses, health problems and social and physical displacement of populations.

Civil society organisations took up the campaign to make the extractive companies more transparent in their behaviour, and urging them to open their books. The Publish What You Pay campaign was initiated in response to a Global Witness report in 1999, detailing the opaque nature of the Angolan oil industry. In June 2003, the UK government opened the way for the creation of the Extractive Industries’ Transparency Initiative. This set

Table 4
Top Global Mining Companies with African Investments

Company	Nationality	Global Ranking	Exploration	Mining Production	Smelting
BHP Billiton	Australia	1	Moz	S Af	S Af, Moz
Rio Tinto Zinc	UK	2		Zim, Nam	S Af
Vale	Brazil	3		Moz	
Anglo American	UK	4	Tanz, Moz, Zim, S Af, Bots, Mali, Nam	S Af, Nam, Bots, Zim	S Af, Nam
Phelps Dodge	US	7	DRC		
Newmont	US	9	Ghana		
Anglogold Ashanti	S Africa	12	Tanz, Ghana, Senegal	Tanz, Ghana, Guinea, Mali, S Af	
GlencoreXstrata	Switzerland	Merged 2013	Tanz, S Af, Côte d'Ivoire	S Af, Nam, Eq Guinea, Cam, Tanz, B Faso, Zam, Mauritania,	S Af
Barrick Gold	Canada	15	Tanz	Tanz, S Af	
Gold Fields	S Africa	20	Mali	S Af, Ghana	
Impala Platinum	S Africa	23		S Af, Zim	

Sources: UNCTAD, World Investment Report 2007: Tables IV.5-7, pp. 110-114. Company websites and annual reports.

out a series of rules which countries need to put in place around developing fair distribution of mining revenues. Countries which join need to set up a multi-stakeholder dialogue including companies, governments and civil society. They need to issue regular accessible reports on the progress towards transparency in the sector. However this is an entirely voluntary process, and some countries have stayed out of the process. Others such as the Central African Republic, Democratic Republic of Congo, Madagascar and Sierra Leone have not lived up to expected standards and have been suspended from the process.

In some countries, more transparency has been introduced. For example, in Guinea, the Revenue Watch Institute reported that the government had decided to publish its contracts with mining companies from 15 February 2013. Existing contracts – some signed under conditions of great opacity and revenue imbalance – will be fully reviewed. All contracts and amendments to contracts will be placed online, making access to the public much easier.

In Zambia the government raised the rate of taxation from three to six per cent for mining contracts in April 2012. This brought in an extra 46% in revenues during 2012 (amounting to US\$6.3 billion). Even with the new tax, finance minister Alexander Chikwanda announced in parliament in November 2013 that mining contributed only 5 per cent to domestic revenues while in other countries

of Southern Africa, the norm was 11 per cent. He attributed this shortfall to 'pervasive fraudulence' and set the Zambian Revenue Authority to design better systems for the state to determine mining output.

Whilst transparency may be a first step in the determination of fair mining revenues, the real power will only shift if the fruits of these are equitably distributed across the society. Across most of Africa there are still problems of the revenues being absorbed by the ruling families or elites, or being syphoned off in side deals with corrupt officials. Watchdog organisations and astute financial journalism are both essential in bringing malfeasance to light.

Fragile states

The key extractive corporations are larger in economic size than the countries in which they may be investing. This is a key indicator of how corporations can wield power in relation to states: securing tax breaks from the treasury, favours from politicians that are co-opted onto corporate boards or payrolls, and the corruption of regulatory institutions and courts. But what is often more significant is that the central state is too fragile or disorganised to be a presence in some of the areas where extraction occurs.

For example, in the DRC, it has been customary for

State of extraction

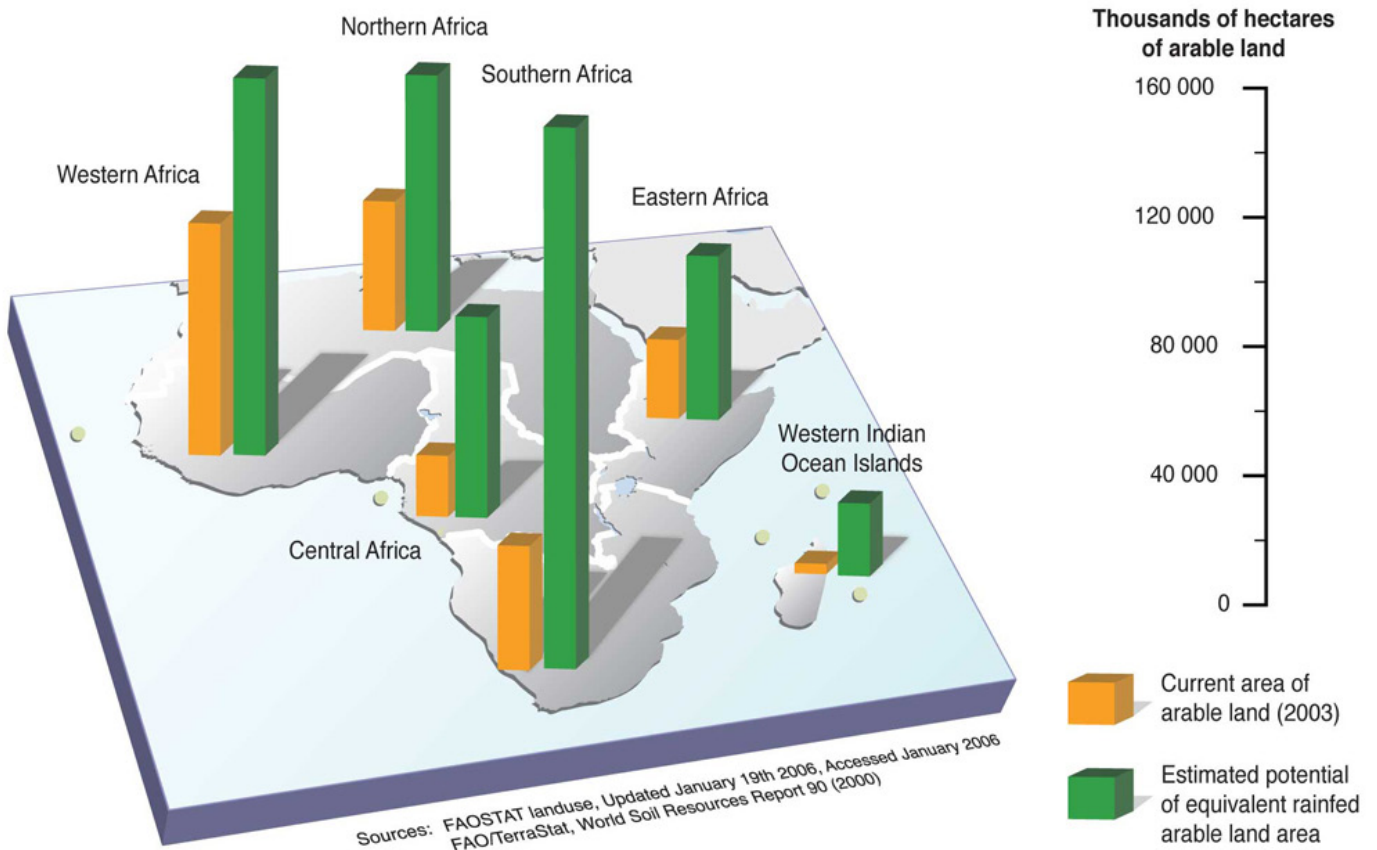
private timber and mining companies in remote areas to be contracted by the state to provide local communities with social services in areas which the state cannot easily reach. In many cases the companies become a state-within-a-state. Their service provision is precarious, as it is not part of their core business. They might, for example, provide care packages to local people, consisting of soap, sugar, salt, coffee and beer). As a result, the communities are forced to honour the concessions to the companies and the central state has no local presence.

Despite a moratorium on the issuing of new logging permits, timber exporters in the DRC have been continuing on the basis of using illegal 'artisanal' permits. A series of recent reports by the independent regulator show systematic illegal logging activities and irregular conduct on a huge scale by transnational logging corporations.¹⁰

The DRC, along with eastern neighbours Rwanda and Uganda, has been implicated by the United Nations in exporting coltan (columbite-tantalite), an ore containing tantalum, an essential element in the manufacture of digital capacitors for cellular/mobile phones and a host

of other electronic products. The tantalum has been extracted in North and South Kivu provinces under conditions of warlordism and serfdom, where rebels have seized the mines and force local miners to extract the mineral by hand. Human porters are forced to deliver the product to specified collection sites by carrying 50kg sacks of ore physically along equatorial forest paths for 50km distances. Armed militia extract tolls along the route. The UN Security Council has passed resolutions prohibiting companies from engaging commercially with rebel forces in the Eastern Congo. The US congress has passed the Dodd-Frank Act requiring US manufacturers to review their supply chains and exclude conflict minerals originating from the DRC. This is currently being contested in US circuit courts by the US manufacturing, chemicals and plastics lobby. Despite efforts to restrain consumption of conflict minerals, the trade continues. Consumers of digital products need to be mindful that the source minerals for these may be implicated in the conflicts in the Eastern Congo.

The question of resources extracted under conditions of conflict has also been highlighted in the case of



diamonds, which drove devastating civil wars in countries like Sierra Leone and Liberia, and continue to reproduce conditions of military repression in Zimbabwe. The diamond industry responded by creating the Kimberley Process, aimed at guaranteeing the origin of diamonds from outside conflict areas. The Process has been so controversial and porous that a key civil society watchdog organisation Global Watch has distanced itself from participation.

While it is extremely difficult to prevent corporations from taking advantage of fragile states, poor regulation, conflict and corruption in order to facilitate the extractive process, these challenges should be placed more centrally on the global multilateral and social movement agendas.

The new monocrop frontier

Soya is undergoing a global boom. It is an ingredient in many processed foods, where it is a bulking agent and a relatively cheap form of protein. It is used in feed for cattle and other livestock. Production has traditionally centred on the USA, Brazil and Argentina. In all three the moving soya frontier has reproduced problems of concentration of land ownership, displacement of other land uses and other food crops, and ecological contamination due to heavy use of genetically modified crops and pesticides. Part of the reason why the frontier moves is because expanded production requires more extensive rather than more intensive land holdings, greater mechanisation (requiring more capital and less labour), and because traditional crop lands may have become too expensive. Mono-cropping imposes greater limits on biodiversity, being particularly prone to creating conditions for deforestation of regions like the Amazon. Efforts to offset the worst of the ecological problems, for example by the industry creating a Round Table on Responsible Soy has done little to address the harmful impacts of the shifting frontier.

The shifting frontier in Latin America is echoed in Africa in the ProSavana project, in which Brazilian and Japanese capital are jointly stimulating the opening up of an extensive new monocrop soya and sugar cane frontier in Mozambique. Situated in the Nacala corridor in Mozambique's northernmost provinces, the project will cover around ten million hectares of land in at least 19 districts. The aim is to emulate development of the Brazilian Cerrado, a savannah-like ecosystem in the country's central highlands, in which agricultural expansion was financed by Japanese interests starting in the 1970s.

Critics have shown that the expansion of the Cerrado

frontier led to severe deforestation, displacement of family farms, and soil contamination through the massive use of pesticides for monocrop soya and sugar plantations.¹¹ The question that arises is whether the unsustainable development of the Brazilian Cerrado should provide a model for agricultural development in Mozambique.

Justiça Ambiental, one of Mozambique's foremost environmental NGOs, affiliated to Friends of the Earth, has critiqued the ProSavana 'master plan' for its complete lack of transparency, public consultation and public participation. The plan was embargoed by all three participating governments, and the four million small farmers in the project area were not given any information. In the leaked version it became clear that the project had two key aims: pushing of small farmers out of traditional land management practices into intensive monocrop cultivation based on commercial seeds, chemicals and private land titles; and the pushing of small farmers into contract arrangements with large-scale agribusiness. The 'master plan' was drawn up by Brazilian consultants closely related to agribusiness enterprises, including some with links to the Mozambican presidential family, and some with existing interests in the Nacala Corridor.

In a similar fashion, Saudi concerns about food security in the global food crisis of 2008, during which there were shortages at home, led to the establishment of a fund to develop farming operations in other countries and the acquisition of Saudi-owned croplands in Sudan, Egypt and Ethiopia, amongst others.

Saudi Star, a company led by Ethiopian national Mohammed Hussein al-Almoudi, has obtained an area of 300 000 hectares from the government of Ethiopia, of which 10 000 hectares has already been devoted to a pilot rice-growing project. In Sudan, Saudi corporation Hadco has acquired 9 000 hectares on the basis of a 60% Saudi government subsidy.

In relation to the new scramble for African land, a further series of problems has arisen. Land holdings have become more concentrated. Small producers are increasingly being excluded from markets and land. Farm workers face redundancy with the switch to greater mechanisation. Land quality is compromised by high inputs of chemical fertiliser, pesticides and genetically modified crops. Seed is increasingly being monopolised by a few (usually foreign) corporations. Claims on water resources are often ceded to larger landowners at the expense of small producers. The peasantry is increasingly being drawn into outgrower schemes for transnational land companies. Corporations are increasingly lobbying for the rewrite of land laws, which in many African contexts vests with the state, rather than being held

under individual title. They see greater advantages to themselves in the marketization and commodification of land.

Resistance grows

All around Africa, as the new scramble for extractive resources has expanded, there have been responses by affected communities and social groups to the violations of their rights by the industry.

In the province of Tete in Mozambique, Brazilian conglomerate Vale has been mining coal at Moatize. Local people have been forcibly removed, affecting their livelihoods and access to familiar croplands. Their resistance has taken the form of blocking railway lines by which the coal reaches coastal ports for export.

At Ga-Pila in South Africa's platinum zone, communities have been resisting Anglo Platinum. This South African corporation has forced people to leave their areas, cut off their water supply, demolished their housing, and violated the graveyards of their ancestors. Replacement housing is remote and inadequate, without foundations or indoor sanitation. The community has appealed to the Human Rights Commission, a statutory body.

In August 2012, at Lonmin's Marikana platinum mine in north-west province of South Africa, rock drillers went on strike to point out that their wages had not kept up even with raging inflation. Their resistance was met with a massacre by police who shot 34 miners, urged on by prominent politicians who had a 9% stake in the mining company. This case has reverberated extensively, illustrating how far the state has moved from any fidelity to its founding ideals.

In Tanzania, the Bahi swamps - 120km north of the capital, Dodoma - has been the site of exploration for uranium. Community organisations have complained that the chemicals used in the exploration have affected their health, livelihoods and water supply. Community environmental campaigners bringing these issues to public attention have been harassed by police and district officials.

Stories like these are being reproduced all over the continent, and have resulted in the formation of a plethora of local and national campaigns, backed by growing international support.

The African Initiative for Mining, Environment and Society (AIMES) is perhaps the oldest of these. It has long raised issues of greater revenue and tax justice, promotion of the African Mining Vision (a charter signed by AU member governments) as well as community rights

in the mining sphere. The brainchild of existing networks like the Accra-based Third World Network Africa, AIMES has held regular strategy and information meetings with its affiliates. Different networks have developed the Alternative Mining Indaba (AMI) which meets annually in Cape Town at the same time as the official Mining Indaba, a conference of governments and mining companies with interests in Africa. The AMI has staged a number of marches and protests against the industry's violations of people's rights. A more recent formation is the International Alliance for Natural Resources in Africa (IANRA), with membership from ten countries, and focusing on community rights, the lobbying of the pan-African parliament, and AU-sponsored human rights institutions, as well as on women in mining. The Global Campaign to Dismantle Corporate Power and Impunity established an African office in 2013, and this will be taking on the question of extractive industries more vigorously.

Activism on a continental level against uranium mining is embodied in the African Uranium Alliance, a network of over thirty organisations engaged in alerting the public to the health, environmental and other consequences of the uranium and nuclear industries. With its headquarters in Windhoek, Namibia, AUA has worked closely with affected communities and has participated in large continental meetings and site visits in Mali, Tanzania and Namibia.

In Southern Africa, Bench-Marks Foundation, established by faith-based organisations has been training mining communities to monitor the industry and contribute to research reports that it produces. It has established a solid footprint of activism and advocacy across the sub-region, and was responsible for reports on the plight of South African platinum workers and mining communities only days before the Marikana massacre occurred.

Together with the formal research community, human rights workers, and gender activists, there is now no shortage of data and reports informing struggles in the African extractives sector. Despite this, it should be noted that most of the campaigns and networks are fragile and under-resourced, yet continue to undertake hugely important work.

Conclusion

It is extremely heartening that African communities and organisations are gaining a greater understanding of the dynamics of the new scramble for the continent's resources. Only when it is seen as a new wave of

expansion of capital, can adequate strategies for challenging it be discussed, formulated and implemented.

One symptom of the resource curse is greater inequality. Given that the new scramble does not challenge old imperialist development patterns, it will continue to unfairly impact host communities and environment and increase concentration of control over land and mineral resources.

So what can shift these power relations? Will the changes need to be made in the countries where the corporations are based? Will public outcry against the violation of rights of African communities be sufficient to shift corporate behaviour? Preconditions for a power shift need to include the fairer allocation of rents and revenues, as well as full corporate disclosure and transparency. Decent labour practices, fair wage rates and freedom of organisation of workers are also part of the picture. Trade and investment agreements need to move away from imposing the model of “free trade”, and instead focus on helping to nurture local development of ancillary industries, adding value to primary commodities, and other job-creating linkages.

Action in the North may be part of the solution, but a transformative shift will depend on actions taken in Africa. Africa needs to address issues of clean governance and resist corporate capture of state and multilateral institutions. It needs regulatory controls that place people’s welfare and environmental justice as core interests and outcomes. It needs to reverse the impunity with which its elites accumulate. A vigilant civil society, free from persecution by authorities, must be allowed to play its part.

A number of African institutions have pinned their hopes on the Africa Mining Vision (AMV), a document developed and endorsed by African political leaders in 2009. The AMV does suggest that the old model of accumulation needs to be replaced by measures that treat people and environment more benignly, and sees mining as having potential to create more employment and fight poverty. However the values it embodies have not been encouraged by governments and industry, and the message of the AMV is still hardly applied and not enforced on the continent. The AMV also has its critics who argue its focus on technical and other considerations mean that it does not really question the sustainability and economic potential of the extractive sector. While some Latin American leaders have entertained the idea of leaving resources “in the ground” as a better solution to fighting poverty and achieving sustainability, no similar radical call is heard from African leaders.

What really needs to occur is a vision emanating from below, rather than a hollow document from above

which cannot even be accessed either on the AU or the dedicated AMV sites. In Africa, governments cannot be relied upon to take up the quest for such a vision, and the onus now rests on civil society to reinvigorate the debate.

State of the Land –

Reconfiguration of the power of the state and capital in the global land rush

Saturnino M. Borras Jr.¹

Who gets how much and what kinds of land, how, and for what purposes? These are the basic questions around the politics of land. The question of land politics has been resurrected in a big way recently, worldwide, and in ways significantly different from the past. Understanding why and how this has occurred – with what implications – is critical to our understanding how to struggle against contemporary global enclosures.

Control of land has always been at the core of economic and political power. In the past, the traditional powerholders that have direct interest in land and agriculture were mainly the nation-state and the landed oligarchy – confined largely within national territories. They were also well linked to international capital, especially to agribusiness, food and timber companies. The convergence of multiple crises – food, energy/fuel, environmental crisis, climate change, finance – as well as dramatic and recent increases in the demands for commodities from newer hubs of global capital have however led to significant changes in the drivers, processes and characters of land grabbing; while retaining the main plot which is the logic of expanded capital accumulation.

The 2007-08 food price spike made many countries who used to rely upon the TNC-brokered global food system for a large part of their food supply to look for ways in securing complementary and alternative food supply partly through direct control over offshore food

production. The realization that the world's deposit of fossil fuel will be exhausted earlier than previously assumed and the pressing concern about greenhouse gas (GHG) emission have driven efforts to develop renewable sources of energy. Liquid biofuel is most popular to the world's transportation sector because it is ready for use through blending with fossil fuel without requiring changes in existing dominant technology in the transport sector. The need to bring down the level of GHG emission has made various climate change mitigation initiatives quite attractive, many of which involve the forestry sector. In light of the financial crisis, companies are in search for alternative sectors to invest in, and in the midst of emerging investment opportunities in agriculture and land the latter has become a popular option for finance capital. And in all this recent transformation, the rise of the BRICS countries and some middle income countries (MICs) has required further agrarian reconfiguration – such as the rise of the livestock complex and its corresponding feed sector – as these countries become sources of capital to be invested and key sites of production and consumption.

One offshoot of this recent development is the emergence of 'flex crops & commodities': crops and commodities that have multiple uses (food, feed, fuel, industrial material) that can be easily and flexibly interchanged: soya (feed, food, biodiesel), sugarcane (food, ethanol), oil palm (food, biodiesel, commercial/industrial uses), corn (food, feed, ethanol). It has partly solved

Top ten food processing companies

This Year	Last Year	Company	2012 Food Sales	2011 Food Sales	2012 Total Company Sales	2012 Net Income* (-Loss)	2011 Net Income* (-Loss)
1	1	Pepsico Inc.	37618	38,396 (1)	65492	6178	6,443R
2	2	Tyson Foods Inc. (10/1/12)	31614	30975	33278	576	733
3	3	Nestle (U.S. & Canada)	27200	26200	101000	11600	10500
4	6	JBS USA	20,979E	19,932E	36943	2152	1688
5	5	Anheuser-Busch InBev	16028	15304	39758	9434	7959
6	4	Kraft Foods Inc.	14426	18,655PF	18339	1642	1,775PF
7	8	General Mills Inc. (6/26/13)	12547	12464	17774	1893	1589
8	9	Smithfield Foods Inc. (4/28/13)	11753	11,628R	13221	184	361
9	7	Dean Foods Co.	11462	12698	11462	161	(-1,592)
10	10	Mars Inc.	11000	10500	33000	NA-Private	NA-Private

Source: <http://www.foodprocessing.com/top100/top-100-2013/>

one difficult challenge in agriculture: diversified product portfolio to avoid devastating price shocks, but not easy to do and achieve because of the cost it entails. With the emergence of relevant markets (or speculation of such) and the development and availability of technology (e.g. flexible mills) that enables maximisation of multiple and flexible uses of these crops, diversification has been achieved – within a single crop sector. When sugarcane prices are high, sell sugarcane; when ethanol prices are high, sell ethanol. When actual market for biodiesel is not there yet, sell palm oil for cooking oil, while waiting (or speculating) for a more lucrative biodiesel market to emerge (a feature not present in *Jatropha*). The emergence of flex crops is a logical outcome of the convergence of multiple crises. Hence, in a single crop sector we find multiple mechanisms of land grabs: food, energy/fuel, climate change mitigation strategies. It is these broader interlinked contexts that largely differentiate current land grabs from the ones that existed before.²

This has implications in how we analyse the current global 'land grab'. Reducing the question of oil palm expansion to biofuels issue is only partly correct; and thus partly wrong. Charting recommendations for public action and framing policy advocacy campaigns based

on such a flawed assumption is likely to result in less successful initiatives and campaigns (and worst, in problematical initiatives and campaigns). Looking only into the livestock sector in the context of the rise of the soya complex is certainly useful, but only partly correct. Recommending policy reforms for the soya complex framed solely within the livestock complex is partly flawed and certainly weak. Understanding trees and forests solely from their conventional uses of timber and pulp – and blind to the rising speculation on new or anticipated markets for biomass and ethanol as well as for carbon trading – will be largely problematic in the current global political economic context. Understanding the changing power configuration of transnational companies in the context of their conventional sectors, e.g. oil companies on fossil fuel, car companies on fossil fuel, remains relevant and important but has become increasingly insufficient in the context of the rise of flex crops and commodities where TNCs are increasingly engaged in 'flexing'. Examining national and international regulatory institutions, instruments and principles based on their traditional sectoral approach: regulations for food, fuel, feed, and others will remain relevant – but has been rendered largely insufficient with the rise of flex crops and commodities.

This changed context has resulted in the contemporary global land rush: land has been revalued multiple times in multiple ways for multiple purposes. Up to a quarter of the entire land area of Cambodia has been carved out and allocated for Economic Land Concessions, while up to a million people are currently being relocated from the Gambella region of Ethiopia because their land has been allocated for large-scale land investments. Tens of thousand hectares of agro-forestry land in Niassa Mozambique has been allocated to a European industrial tree plantation company, while lands are massively re-concentrated in the hands of Brazilian entrepreneurs and companies in Bolivia and Paraguay. Many observers and groups have engaged in trying to quantify the extent of these land deals, offering various estimates of the total land areas that have been grabbed. But the methods of counting have been flawed in many ways, as pointed out more recently in critical studies.³ Understanding actors

and processes of land deals are more important, in my view, than obsession about quantification.

The mainstream assumption about land deals by companies and those who support the idea of current land rush is quite simple. It is assumed that there is a solution to the convergence of multiple crises, and solution lies in the existence of marginal, empty, under-utilized and available lands. The World Bank estimates it to be: in the minimum at 445 million hectares, and at the maximum, 1.7 billion hectares of land. What they are saying essentially is that we can double the current 1.5 billion hectares of actually cultivated land without expelling people from the land or causing any food insecurity among the latter because these lands are assumed to be empty. This is the same assumption being used by companies and national governments in promoting and justifying large-scale land investments.⁴ However, evidence shows that most of these lands are not empty: people live and work in these

Table 1. Steering Committee of the EBFTP

Member	Position	Organisation	Sector
Veronique Hervouet	Chair	Total SA	Oil
Markku Karlsson	Vice-Chair	UPM-Kymmene	forest products
Anders Roj	Vice-Chair	Volvo Technology	Auto
Rene van Ree	Vice-Chair	Wageningen University	Academia
Ricardo Arjona Antolin	Member	Abengoa Bioenergy	Biofuels
Olivier Appert	Member	IFP	Biotech
Phil Bowen	Member	Cardiff University	Academia
Dirk Carrez	Member	Europabio	Biotech
Sandrine Dixson-Declève	Member	University of Cambridge	Academia
Christian Dumas	Member	Airbus	Aerospace
Henrik Erametsä	Member	Neste Oil	Oil
Raffaello Garofalo	Member	European Biodiesel Board	Biofuels
Frederic Hauge	Member	Bellona	environmental consultancy
Martha Heitzman	Member	Air Liquide	Biotech
Dietrich Klein	Member	COPA-COGECA	Farmers
Andrzej Kulczycki	Member	Institute for Fuels & Renewable Energy	Biofuels
Charles Nielsen	Member	DONG Energy	Oil
Eduardo Romero Palazón	Member	Centro de Tecnología Repsol	Oil
Ulrich Schurr	Member	Julich Research Center	Biotech
Steen Skjold-Jorgensen	Member	Novozymes North America Inc.	Biotech
Wolfgang Steiger	Member	Volkswagen AG Wolfsburg	Auto
Frank Seyfried	Member	Volkswagen	Auto
Gianpetro Venturi	Member	Universita di Bologna	Academia

Source: EBFTP (2010)⁵

lands despite what official state records claim.

Sectoral and geopolitical reconfiguration of corporate actors

Sectorally, the rise in popularity of flex crops and commodities has brought in a variety of key actors directly involved in the global land rush. For example, the range of companies involved and have direct interest in biofuels is quite wide: from oil and chemical companies to food, from biotechnology to banking, from car to timber companies. This reconfiguration of the constellation of actors amidst changing patterns in the production, circulation and consumption of such primary commodities has required newer ways to regulate the sector – according to those who support and promote this transformation. We have seen the proliferation of various modalities of regulation, with corporate social responsibility (CSR) type of interventions that include those associated with ‘business-and-human rights’ principles being the most popular ones among the dominant actors in the sector. The main feature of this scheme is that it is *corporate-anchored and voluntary*. Who gets to occupy privileged places around the table to decide about the rules on the production, circulation and consumption of biofuels? A closer at the composition of the European Biofuel Technology Platform (EBFTP) which is tasked to advice the EU for its biofuel policy is instructive (see table 1). The sole representative from the farmers groups is from COPA-COGECA which represents commercial farmers more than small family farmers.

Geopolitically, we see the rise of the BRICS countries and a number of powerful middle income countries (MICs). The BRICS countries and MICs are key sites in terms of production, circulation and consumption of flex crops and commodities – and have logically become important hubs as both destination and origins of land grabbers. Land grabs are underway in Brazil, Russia, China, and India, as well as in many middle income countries, including Chile, Argentina, and Malaysia – involving both domestic and international capital. Some reports suggest that in fact China is the most land-grabbed country, with up to 44 million individuals having experienced some kind of land expropriation during the past three decades. Expropriation of massive quantity of land in India not for agricultural purposes but for industrial-commercial enclaves through Special Economic Zones (SEZs) has been widespread in recent years.

But these countries are also the origins of many companies engaged in land grabbing outside their countries. South African white commercial farmers are

Table 2: Latin American land investors in Latin America and the Caribbean (partial)

Country of original of regional investors	Countries active in
Argentina	Brazil, Uruguay, Paraguay
Brazil	Bolivia, Colombia, Paraguay, Uruguay, Chile
Chile	Argentina, Brazil, Uruguay, Colombia, Ecuador, Peru
Colombia	Bolivia, Peru
Panama	Brazil, Argentina, Paraguay
Mexico	Nicaragua, Guatemala
Costa Rica	Nicaragua, Guatemala

Source: Borras et al., Journal of Peasant Studies, 2012.⁶

crossing borders heading north to take over lands for large-scale commercial farming. Vietnamese companies are taking control over significant quantity of lands in Cambodia and Laos. In Latin America, regionally based TransLatina Companies or TLCs are becoming key agribusiness investors rather than the typical North Atlantic-based TNCs. Table 2 gives us a partial idea about this. All this has pointed out to a newer phenomenon of ‘land grabbed land grabbers’.

Initial reports on current land grabs depicted national governments of poorer countries in the South as if they were hapless victims by greedy TNCs from the North. This is certainly not the case in real life. The state is an active and calculating participant in contemporary global land grabbing. States have always been involved where capital accumulation process requires actors to take control of natural resources such as land. But this is even true today when corporations’ chief goal is to get hold of the remaining non-privately held lands.

As in past cycles of enclosures, national states are engaged in systematic policy and administrative tasks aimed at capturing so-called ‘marginal lands’ and turning them into investable commodity. State’s facilitation of land dispossession have included a combination or all of the following: (i) *invention/justification* of the need for large-scale land investments, (ii) *definition, reclassification and quantification* of what is ‘marginal, under-utilized and empty’ lands; (iii) *identification* of these particular types of land; (iv) *assertion* of the state’s absolute authority over these lands, (v) *acquisition/appropriation* of these lands, and (vi) *re-allocation/disposition* of these lands to investors. Only national states have the absolute power – the authority and the capacity to carry out these key legal-administrative steps to facilitate land deals. These mechanisms of land dispossession separately and

altogether constitute varying shades and degrees of extra economic coercion by the state.⁷

More broadly, there are three distinct but interlinked areas of state power and actions that are key in understanding dynamics of contemporary land grabs, namely, (i) state simplification process, (ii) assertion of sovereignty and authority over territory, (iii) coercion through police and (para)military force to enforce compliance, extend territorialisation, and broker for private capital accumulation.

First, in order to administer and govern, states engage in simplification process to render complex social processes legible to the state. The creation of cadastres, land records and titles are attempts at simplifying land-based social relations that are otherwise too complex for state administration. This in turn brings us back to the notion of 'available marginal, empty lands'. The trend in state discourse around land grabs seems to be: if the land is not formally privatised, then it is state-owned; if official census does not show significant formal settlements then these are empty lands; if official census does not show formal farm production activities, then these are un-used lands.

Second, beyond the economic benefits of land investment, land deals are also viewed as an essential component of state-building that can extend sovereignty and authority to previously 'non-state spaces'.

Third, coercion and violence are exercised by the state usually with the use of police, (para)military, and courts to enforce compliance with the state's simplification project. The state's active role in land dispossession via these processes can be clearly seen in the current land grabs in Colombia as well as the large-scale forced relocation/displacement of around one million local population from the Gambella region of Ethiopia.

This rise to prominence of the role of the state in current land grabbing highlights the two permanent contradictory tasks of the state, namely, to facilitate capital accumulation but at the same time maintain a minimum level of political legitimacy.⁸ This provides a useful perspective on why and how the state engages with large-scale land deals, and why and how it is both part of the problem of and the solution to land grabbing. It will push and push hard for large-scale land deals and on many occasions is even the one directly engaged in the actual land grabbing – but on occasion will apply the 'brakes' when the character and extent of accumulation and dispossession threaten the state's legitimacy. This explains, for example, the occasional moratoriums on land deals that have taken place in various cases in Cambodia (moratorium) or the recent land deal size ceiling proposed

in Tanzania .

The re-emergence of the role of the state in current land enclosures demonstrates some of the contradictions within – as well as the hypocrisy of – neoliberalism. Neoliberal ideology depicts the state and state-driven public policy interventions as undesirable. But it is the first to quickly summon the state where and when it needs additional economic coercive instruments and power to seize land resources from poor people, deliver it to the control of corporate powerholders, and make sure that the ensuing regulatory institutions and rules are state-free, corporate-anchored voluntary schemes using corporate social responsibility (CSR) mechanisms.

In short, the state and capital, while they may have different histories and strategic visions within a national territory almost always work together. The nature and degree of their power are inherently interlinked – shaping and reshaping one another constantly.

Some CSOs as extension state-capital alliance

State and capital are not the only critical actors relevant in the current global land enclosures. There are many types of Non-Governmental Organisations (NGOs) that are engaged in the politics of renewed global land rush. They are engaged in a variety of ways. The most strategic area of intervention is how to regulate global land grabbing. Different social movement organisations and NGOs have different interpretations of what 'regulating' land grabbing means: some proposing to regulate to facilitate land deals, others regulate to mitigate negative impacts and maximize opportunities, or some to regulate in order to block and roll back land grabs. Each of these tendencies involves a range of civil society organizations. These civil society organizations (CSOs) in turn engage with state and corporations in a variety of ways

For example, while La Via Campesina campaigns against corporate-controlled industrial biofuels, its rival, the now defunct International Federation of Agricultural Producers (IFAP) actively promoted biofuels. The latter argued that biofuels represented "a new market opportunity" that would "help diversify risk and promote rural development...., provided this production complies with sustainability criteria."⁹

This position by IFAP straddles the first and second tendencies: straight up facilitation of land deals or trying to mitigate negative impacts while maximizing opportunities. This tendency deploys a number international governance instruments to support its position: strengthened property rights to protect the land

rights of people, environmental and labor standards, greater community consultation, and particularly the use of transparency instruments such as free, prior, informed consent. Explicitly and implicitly linked to the calculation of risks and opportunities by civil society organisations campaigning within this tendency are the same risks and opportunities brought about by flex crops/commodities, discussed earlier. The discussion on regulation within this political tendency also links back to the changing role of the state. It is clear here that the role of the state is identified as key in terms of mitigating risks and harnessing opportunities: developing enforceable rules that prevent people getting expelled from their land, delivering the promised jobs, and so on. This tendency manifests itself in global standards and 'best practices' to provide benchmarks for what states should do. This political tendency is the most influential among civil society organisations today.¹⁰ If we see the continued political dominance of this political tendency among states, corporate sector and civil society, then we are likely to see continuation of land grabbing and its legitimization in global rule-making, with the only possible changes in the manner of how it is being carried out.

Concluding remarks

The constellation of powerholders with entrenched interest and directly involved in the politics of land resources – that is, the political question of who gets what quantity and types of land, how and for what purposes – has significantly changed in recent times. This political realignment is a logical response to the changing global context, and with its transformed cast of dominant actors has a far-reaching implication in how power is exercised in terms of how land resources are being revalued and reallocated.

A careful reading of this transformation requires us to take a closer look at how power is being contested and transformed within and between nation-states, corporate capital, and civil society organizations. Contemporary global land grabs are likely to continue, with only minor changes in processes, if the dominant forces among nation-states, corporate sector and civil society remain entrenched internationally and nationally.

State of Counter-power

How understanding neoliberalism's cultural underpinnings can equip movements to overthrow it Hilary Wainwright

The hymn tells us that 'God moves in mysterious ways'. The same is often said about power, as if we must leave it at that. Whatever one thinks about God, power is absolutely not an irresolvable mystery. It's true that the powerful exert their power opaquely – secrecy is their first line of protection – and a lot has been done to *make* neoliberal market power mysterious, indeed to render it invisible. But the relationships and mechanisms of domination at any particular time are historically specific, a product of struggles won and lost, interests formed, entrenched and defended, alternative directions suppressed.

In this essay, therefore, I intend to understand the more opaque workings of power in neoliberal political economies by putting the recent neoliberal ascendancy in a broader historical perspective. Our strategies will miss a vital dimension if we focus only on the blatant, direct dimensions of state and corporate power, and ignore the daily relationships through which people are tied into and thereby reproduce the neoliberal economy.

Consider the threatened closure towards the end of 2013 of Grangemouth oil refinery in Scotland by Ineos, one of the world's largest corporate chemical empires. An understanding of corporate power and its alliance with government explains how the chief executive and main shareholder Jim Ratcliffe was able to impose pay freezes, a no-strike commitment and an end to final salary pensions on a union that initially vowed to resist. Ratcliffe used his own threats of selling off the refinery to force

a humiliating climbdown. But some union leaders and activists had hoped for a more militant response – an occupation even – from those who worked in the refinery. The workers, though, acquiesced, relieved to keep their jobs.

The workers acquiescence in the relentless pursuit of profit, against their own long term interests along with those the local community and the national economy, can only be explained by understanding the popular consciousness shaped by the decades-long experience of the denigration of values of solidarity and the reinforcement of the 'naturalness' of the market and the hopelessness of refusing its dictates. These processes are an aspect of power that we cannot afford to neglect.

Shifts in the nature of political power

Since the ascendancy of neoliberal rule, we have seen not simply a change in how state power has been used – to weaken labour and to reduce taxation on profits and the rich, for example. Behind the visible rituals of parliamentary democracy, we have seen a paradigm shift in the nature of political power. The central relationships that define the state – between state and economy, state and civil society, government and the people – have changed beyond recognition.

The processes producing this shift include the steady but radical decline of party democracy and the increasing

occupation of the state by private business.² These changes have produced a void in democratic control and a new configuration of power at the centre of the state apparatus. The nature of power, how the dominant order is maintained, has been significantly altered, even though the institutional formalities of politics appear the same.

The public services and mass political parties characteristic of the postwar order were not simply about meeting social needs and maintaining political democracy. They were also mechanisms for exercising power and maintaining order. Political parties and public services as we knew them in the immediate postwar era contributed to embedding the state in the daily life of society, albeit as a more or less external institution. They provided information, feedback and legitimacy.³

The neoliberal state, by contrast – and as distinct from neoliberal ideology – has become increasingly disembedded from the daily life and needs of people, except where its institutions function directly as instruments of order. Instead it has become visibly embedded in a different, previously invisible, sphere of society: the global financial elite.⁴ This is one of its points of vulnerability, to which I will return.

This new context raises the question: how do states led by governments committed to or acquiescing in neo-liberal political economy exert and reproduce their power, when they are experienced as distant and alien and when the economy they protect and maintain is so unequal and unfair?

It has not been a matter simply of a different political driver taking over the same wheel and steering in a different direction. During the past 40 years, the years of dismantling the institutions of the postwar settlement, we have seen the emergence of relationships through which power has been exercised remotely, and through which people have governed their own acquiescence in, and reproduction of, the dominant social order.

Distanced institutions, embedded values

An aspect of this is that the *values* of neoliberalism – of the possessive atomised individual, with efficiency and sustainability understood in monetary, market terms – have replaced the values of social democracy as the economic culture at least partially embedded in the material relationships of everyday life. Moreover, a consciousness of rights – to organise, to enjoy economic security, free health care, education, a decent home, and so on – has been replaced by one shaped by fear and insecurity and reliance on the market and on credit. Relations of solidarity have given way to fragmentation

and isolation and a lack of confidence in collective action.

Mechanisms of direct control do clearly exist. Indeed, when activated, they are in many ways notably repressive and intrusive. But they are a back up and a means of surveillance (as Ben Hayes discusses in this book), ready for any breakdown in the self-regulating sources of complicity. For a decisive source of the resilience of neoliberalism, is that it has developed state and market institutions and a political culture that protects the political and financial elite from dissent and rebellious assertions of social autonomy. In the process, the neo-liberal order relies on both the fear and the ingenuity of those on whose complicity these elites depend – as producers, paid and unpaid, consumers and ‘prosumers’, volunteers and users.

The mechanisms of protection effectively distance the political class and its financial allies from popular pressures by breaking the connections through which, in social democracies, these pressures – for example, from radical social movements – can challenge its domination. At the same time, decentralised forms of affective involvement weaken the impetus to outright rebellion. Understanding this distinctively ambivalent character of political power under neoliberalism will help us work out how to challenge it.

Changes in understandings of power: the emergence of transformative power

These institutional changes have been accompanied by changes in the underlying understandings and consciousness of power among those working for radical social change. I want to frame this essay with a distinction between two distinct concepts of power that has become sharper in the past half century. This is between *power as domination*, involving an asymmetry between those with power and those over whom power is exercised, and *power as transformative capacity*, implying the possibility of exercising power to bring about change in the relationships that one is part of and would otherwise, habitually or unthinkingly, reproduce.⁵ Transformative capacity, however, is not necessarily directed at structural change. It may be exercised to survive within the status quo, to act creatively and ingeniously to reproduce or adapt dominant structures.

These distinct understandings of power, like the nature of power itself, are a product of historically specific experiences. In the past, for instance, mass social democratic parties were built around a benevolent version of the former understanding, *power as domination*. Their rationale was to use the instruments of government

paternalistically to meet what they identified as the needs of the people. This shaped the nature of social democratic politics, concentrating it on legislation and state action. It has underpinned the self-conception of the political party as having a monopoly over political change. This in turn has meant that parties have tended to see the political role of movements as subordinate to parliamentary action spearheaded by the party.

The assertion of power as *transformative capacity*, first by the student, feminist, radical trade union and community movements of the late 1960-70s, and more recently by the global justice movement, broke with this narrow definition of politics. It has led to a far wider understanding of the scope of radical politics. This goes way beyond the traditional focus on state, government and legislation and arises from experience of the limits of these instruments of change. This deepening of the definition of politics has provided an effective challenge to the party monopoly of the leadership of social change but has not yet developed sufficiently its own capacities for driving that change.⁶

This essay, therefore, explores how a better understanding of the dominance of neoliberal capitalism can help to identify directions for the development of transformative power.

Dynamics of capitalism: part machine, part beast

With this goal in mind, it helps first to work with an idea of the distinctiveness of capitalism and how it is able to reproduce itself out of crisis. It is not sufficient to show the irrationality and injustice of capitalism, implying the need for a rational alternative, carried through by government. Capitalism is not a monster that can be slain by a single strategic sword. Rather we face a complex and constantly mobile organism, half machine with its automatic drives towards accumulation, half animal with the reflexes to get around barriers, cannibalise other capacities and reproduce itself by feeding rapaciously off its environment. We need to recognise we are up against a hydra-headed system that cannot be destroyed at any one point but can only be surpassed through multiple points of transformation based on an ecology that has at its centre the drive for human wellbeing.⁷

A contested transition

In order to assess the possibilities for the emergence and encouragement of such multiple (but connected)

points of transformation, we must recognise that we are in the midst of a still-contested transition from the postwar order. It has its origins both in the rebellions of the 1960s and 70s *and*, paradoxically perhaps, in the unleashing during the same period of global financial flows. These paradigm-shifting forces were reinforced by the technological revolution produced by the microchip and the new possibilities this presented for automation, communication and information exchange. In combination they prompted a reaction that was both counter-revolutionary *and* appropriated the energies of revolt.

1 The rebellions of the 1960s and 70s

The rebellions of the 1960s and 70s, from the student movements that challenged university authorities, and, more often than not, state, party, management and family authority too, through workers' refusal of the assembly line and mass outrage at the Vietnam war, to the movement for gender and sexual liberation, have had a lasting but ambivalent legacy. To understand its character and significance, we need to recognise that these rebellions were much more than protest movements, voicing demands that could be met within existing institutional systems.⁸

Rather, these movements developed practices and visions that questioned the foundations of the postwar order. Whether it was radical workers going beyond wage bargaining to challenge managerial prerogative, women refusing their subordinate position in the division of labour and the patriarchal family, or the new generation of students and others questioning the neutrality and authority of experts, the distinctive, shared and often mutually reinforcing feature of these rebellions was the way they broke *the bond between knowledge and authority*.⁹

As an essential part of their resistance they developed knowledge from their own experiences – knowledge that effectively became a tool for autonomy and self-government. An opposite epistemology, valuing only a narrow understanding of scientific knowledge as codified and abstractly universal, and dismissing practical and particular forms of knowledge – and thereby marginalising those who produced it – was central to the organising principles of the post-war institutional order. It was common to both the social democratic state and the Fordist corporation – along with their educational and scientific institutions. It framed the assumptions of government (in Foucault's terms, a ruling order's 'governmentality') about whose knowledge mattered, how it should be organised and how society and nature should be classified (the divisions between politics and

economics, society and nature, individuals and society).¹⁰

This feature of the rebellions, applying democratic principles to the epistemological foundations of authority, had implications for the future workings of power at two levels. First, it influenced the political responses of economic and state elites. Evidence of this can be found in the Trilateral Commission's 1975 report on the governability of democracy¹¹ Its lead author, Samuel Huntington, concluded that the problems of governance facing the US at that time stemmed from an "excess of democracy". What was needed was "moderation in democracy".¹²

One area where this principle must be applied, Huntington argued, was in "situations where claims of expertise, seniority, experience and special talents may override democracy as a way of constituting authority". He noted that during what he called "the surge of the 1960s" the principle of democracy was taken too far. "In short," he said, "the arenas where democratic procedures are appropriate are limited." And sure enough, the institutional bulwarks that neoliberal governments built against democratic excess tried to take key areas of knowledge production and out of public debate: hence the creation of independent banks rendering macro-economics a technical matter for the experts, ditto trade and investment decision-making through the WTO, and so on.

The other arena in which a moderation of democracy was deemed necessary was where – Huntington again – "marginal social groups, as in the case of blacks, are now becoming full participants in the political system". This risked "overloading the political system with demands which extend its functions and undermine its authority". "Less marginality," Huntington concluded, "thus needs to be replaced by more self-restraint on the part of all groups."

The institutional solution involved programmes of selective, contained and constrained forms of 'participation' aimed at moderating demands and instilling, from above and often combined with severe repression,¹³ a culture of self-restraint, through a restricted acknowledgement of practical and local knowledge. This combination of centralising and concealing power with strategic and contained measures of decentralisation is a characteristic of neoliberal power, with all its ambivalent consequences.

The second long-term repercussion of the cultural shifts initiated by the movements of the 1960s and 70s was a radically new approach to organisation, notably a desire and capacity for self-government that was unprecedented in its scale and diversity. This was the corollary of the liberation of knowledge from authority.

No hierarchy was sacred as every claim to authority or domination came under scrutiny. New conceptions of knowledge emerged through the movements' need to understand and act on structures that were not publicly acknowledged or immediately visible. The break from deference, the pervasive challenge to authority and assertion of cultural equality, fuelled a rebellious, self-confident spirit associated with a qualitative growth in capacities – a result of the rapid expansion of education and heightened expectations arising from the postwar boom and social democracy. Central to the character of these rebellions was the way the struggles of previously subordinate groups, colonised peoples, women, gays, blacks and others, challenged and began to transform dominant mentalities, including those of the traditional left.

A further paradigm-breaking dimension of the rebellions of the 1960s and 70s was the widespread questioning of the traditional relation between the social and the individual. Here was born a widespread refusal of traditional forms of collectivity, based on vertical systems of command and the reification of the collective or institution over the individual. The culture of the movements involved an insistence on individual creativity, capacity and autonomy.

At the same time, though, there was an understanding of the individual as social and the collective as based on relations between individuals: a social individualism and a relational view of society and social change. The women's liberation movement, for instance, was animated both by women's desire to realise themselves as individuals and their determination to end the oppressive social relationships that blocked these possibilities. This required social solidarity: an organised movement, supporting and framing individual acts of revolt.

I will return to the significance of these profound cultural changes for transformative politics today. Here originated ways of sharing information and knowledge 'horizontally' through 'networks' rather than centralised means of co-ordination, anticipating the technologies of the world wide web and the organisational forms of the movements against corporate capitalism that erupted in the late 1990s. Here too were the roots of a widespread desire, now evident across a variety of spheres, for a new kind of social co-operation and community. It is evident now, taking a more confident and thoroughgoing form, in the hacker and peer-to-peer ethics of the free culture movement, for example.

2 The growing power of global financial flows

In 1971, when the movement against the Vietnam War was at its height, US president Richard Nixon took the dollar off the gold standard, sending a shock wave through the global financial system. The postwar intergovernmental 'Bretton Woods agreements' collapsed and capital controls were lifted, first in the US, then elsewhere, giving way to a globalisation of financial flows, opening up national economic systems and hence radically weakening the capacity of governments to manage their national economies.

It would be misleading to imply that up to this point governments had clear charge of the economy. As Charles Lindblom maps in *Politics and Markets*, by the 1970s a government's economic goals could only be met indirectly, through securing conditions favourable to business and giving priority to its interests. This inherent dependency of government on business is reinforced by other advantages that business enjoys. As well as far superior resources of wealth and organization compared with others that try to influence government, it has an insider position in many government ministries, where it acts as a privileged consultant and provider of necessary information.¹⁴ Because of their key function in the economy, writes Lindblom, "businessmen cannot be left knocking at the doors of the political system, they must be invited in."¹⁵

The 1970s deregulation of financial flows further increased the dependency of governments on business and strengthened a tendency for business to mean finance. These two factors set the parameters for how governments would respond to the exhaustion of the postwar boom and Keynesian macro-economic regulation. They also set the terms by which dominant powers would respond to the movements for radical social transformation.

3 The micro-chip and information and communication technology

The early 1970s also saw the development of memory chips, the logic circuit and micro-processor. The ensuing revolution in information and communication technology also contributed to the terms on which the transition from the postwar settlement took shape.

These technological changes were to reverberate through the economy and society in a variety of ways. First, they massively increased productivity. This contributed to a weakening of the bargaining power

of production-based unions. The ICT revolution also decisively shaped and empowered new productive forces emerging through changes in organisation, management methodologies and the international division of labour. The reduced costs of communication, and of generating and processing information allowed more active participation, especially in spheres of knowledge and cultural production/value creation. This gave advantages to networked forms of organisation over the centralised, hierarchical and closed systems typical of Fordism. ICT's exponential growth in density, volume, complexity and interdependences also meant that the new capabilities of automating human activities become even more important.

Moreover as the ICT revolution extends to ever more products, the infinite possibilities of replication opens up enormous potential consequences for the basic rules of the capitalist economy and in particular control over the appropriation of value.

This has produced, through all kinds of free sharing, mixing and P2P software, a digital economy based on 'not scarcity, not rivalry, not exclusivity' and establishing a process of de-commodification in the midst of and in varying degrees of tension with the monetarised economy.¹⁶

Neoliberal power: its origins and victory

David Harvey's *Brief history of neoliberalism* provides an excellent summary of the breakdown of the postwar settlement and the victory of neoliberalism. The reverberations of these three dynamics in the 1970's are all apparent, but not necessarily in ways that their leading actors might have intended.¹⁷

Harvey takes account of the historic and geographic unevenness in the spread of neoliberal regimes, ranging from the US-backed military coup in Chile to Thatcher and Reagan in the UK and US. He documents the nature of the crisis of accumulation that underpinned business demands for radical measures to restore profitability, with the share of assets of the top 1% crashing from near 40% in 1965 to nearer 20% in 1975. He concurs with Gerard Dumenil and Dominique Levy, who after careful reconstruction of the data "concluded that neoliberalisation was from the very beginning a project to achieve the restoration of class power".

On this basis, Harvey establishes the class *will* for neoliberal economics. He then goes on to explain its political *possibility*. He describes how the processes of globalisation and financialisation destabilised the postwar settlement and produced the crisis of stagflation to which

Keynesian economics had no answer. He then surveys the attempts, throughout Europe and the US, to deepen state control and regulation of the economy through various kinds of corporatism. Communist and socialist parties were gaining ground, moderate though their leaders often were.

The ruling elites, says Harvey, had to move decisively to protect their interests economically and politically. From their point of view, the state had to be reformed so that it created and protected the necessary conditions for capital accumulation. The coup in Chile and the military takeover in Argentina provided one model, with these countries' ruling elites and foreign investors doing extremely well from their neoliberal experiments. As Harvey observes: "Redistributive effects and increasing social inequality have in fact been such a persistent feature of neoliberalisation as to be regarded as structural to the whole project".

Also structural in achieving this reversal of postwar gains for working people, were the dramatic blocks on the 'excess of democracy' of which the Trilateral Commission had complained. In Chile and throughout the South – with a little help from the IMF – the bonds of solidarity and collective action through which people had exerted pressure on states and business were destroyed with violent brutality. The neoliberal revolution in the US and the UK achieved an equivalent redistribution through formally democratic means, though with an institutional brutality towards the substance of democracy.

Neoliberal power: means and tensions of reproduction

Despite its apparent success, there are tensions in the nature of neoliberal rule that make it vulnerable to democratic resistance and transformative alternatives. As Harvey puts it, "The widening gap between rhetoric (for the benefit of all) and realisation (the benefit of a small ruling class) is now all too visible. The idea that the market is about competition and fairness is increasingly negated by the fact of the extraordinary monopolisation, centralisation and internationalisation of corporate and financial power."

The profoundly anti-democratic, increasingly grossly unequal and unfair nature of neoliberalism has already become the main focus of struggle. But the victory of neoliberalism has an ambivalence that means we have not only the basis of a critique but also the resources for a transformative alternative.

So what explains the ability of the dominant order to restore order, their order, after revolts that clearly

express widely-held views? By what processes do institutions dominated by an elite that benefits from the inequality and unfairness continue to rule?

I suggest that neoliberalism's hegemony involves not simply an exercise in power as domination but also an appropriation of power as transformative capacity, so that it has become an active, creative force of capitalist reproduction. The innovative character of credit-driven capitalist renewal in the 1980s and 90s drew on the chaotic creativity and restless experimental culture of the movements of the 1960s and 70s.¹⁸ Much of the innovation involved in this renewal came from sources external to the corporation and the state that had their origins in the rebellious 'alternative' culture of the earlier years.

This dynamic of renewal with its roots in rebellion has been evident, for example, in the way that corporate management has responded to the widespread and persistent resistance to the disciplines of the Fordist production line. This has not only involved head-on attacks on trade union organisation, but also new structures and approaches to make workers' tacit knowledge and creativity part of a renewal of capitalist production.

The rebellions of the 1960s and 70s overturned cultural assumptions of so fundamental a character – concerning knowledge, the relation of the individual and the social, the nature of labour – that they produced what Raymond Williams termed a new "structure of feeling". Williams used this concept to understand how we can identify alternative values and institutions in formation. It helps us understand disaffection that is not evident in overt resistance or refusal, and that doesn't entail producing fully articulated opposing values.¹⁹

It is a deliberately contradictory phrase to convey that there is a pattern recurring across social spheres and cultural forms – hence a structure. But the structure is not of finished, articulated thoughts. Rather it lies in the processes of creating "meanings and values as they are actively lived and felt" – summed up in the concept 'feeling', which combines emotion, intuition and thought. Williams uses 'feeling' to emphasise a distinction from the more formal concepts of 'world view' or 'ideology'.

The rebellions of the 1960s and 70s produced just such new structures of feeling but these never produced new institutional wholes. This institutional indeterminacy meant that the mainly cultural transformations of these years were ambivalent in the literal sense of having the potential to go two (or more) ways politically and economically. Williams recognised this phenomenon, acknowledging that structures of feeling might be absorbed, incorporated into the dominant social formation – sometimes, I would add, as a new, 'outside' source of

innovation and renewal.

Cracking the code to understand this process of absorption and renewal and the fate of the structures of feeling in the long aftermath of the 1960s and 70s is central to understanding the workings of dominant power today and the levers and opportunities for structurally transformative power.

But we need a further tool to complement 'structures of feeling': a concept to summarise the material changes and objective forces that shape the institutional context of these structures of feeling. For instance, we have seen how neoliberal governments broke the institutions of labour and the social democratic state through which the social movements of the 1960s and 70s exerted pressure on profits and public spending. But how do we understand the ways in which the culture of these movements did not just disappear, defeated and repressed, but emerged in patterns of consumption, new forms of creative labour and a diffuse entrepreneurship, including around the development of the web and the cultural, communicative applications of the new technology?

One suggestion could be 'structures of embedded values', to capture how changes in economic organisation and institutions can reconfigure the meaning of key concepts of everyday life – for example reducing 'citizen' to 'voter', the 'public' to 'consumer' and 'debtor'; celebrating or blaming the isolated individual; undermining and degrading relations of solidarity and sociality, and so on.²⁰ Thus the idea of 'structures of embedded values' helps us identify how marketised economic relations, financial deregulation and government by remote control (targets, centralised financial control, remote opaque methods of surveillance) have overturned or marginalised a language expressing – and thereby reminding people of – values, central to social democracy.

Much of this language of social democracy had also been challenged from an entirely different direction through the radical movements of the 60's and 70's, attempting to deepen democracy with a language, ideas and experiments in 'popular participation'; developing a 'social individualism' economic relations of 'co-operation'; and social ownership beyond the state. However, they had not been sufficiently embedded before the neoliberal counter attack broke their connections with material power, making their cultural dimensions vulnerable to absorption and dilution.²¹ Relations of gender provide a particularly complex illustration of this ambiguous and now, in the context of financial crisis, unstable process: many of its critiques, of the family wage, of paternalist forms of social protection, gendered hierarchies in public administration have been being appropriated and twisted to favour marketisation; yet on

the other hand feminism has retained an emancipatory impetus embedded in real material changes in relations between men and women that could be the basis for a reclaiming of the unfinished egalitarian vision of the 1970's women's liberation movement.²²

Concluding notes: From diffuse disaffection to convincing alternatives

Moving forward to today, there is mounting evidence that neoliberal policies are losing legitimacy. UK polls show majority support for renationalising the railways and against the privatisation of public services. Similar trends are evident elsewhere in Europe. The translation of such disaffection into positive commitment to an alternative, however, requires deeper disengagement from the dominant order and practical participation in creating alternatives.

A social order built on escaping the pressures of democracy while at the same time depending on the capacities of many desiring democracy is unlikely to be stable. Thus the opaque and indirect forms of power typical of neoliberal rule are simultaneously sources of vulnerability and dependence, and breeding grounds for the power to subvert and transform.

Consider, first, the importance of institutional secrecy for these forms of power. This is in growing tension with the system's dependence on people's creativity and desire for information. This makes demands for openness explosive. The alter-globalisation movement and the global insistence there is an alternative, for example, arose in large part as a result of demands to open the largely secretive World Trade Organisation to public scrutiny at Seattle in 1999. The establishment reaction to Edward Snowden's whistleblowing and the extent of popular support for his actions further illustrates the vulnerability of the ruling order to breaches in its secrecy.

The drive for openness and the instinct to share information and knowledge have been fundamental to recent movements for change. This has included Wikileaks contributing, for example, to the Arab Spring, and the 'free culture' and 'free knowledge' movements, Wikileaks and Anonymous, among others, influencing and being influenced by both the indignados and Occupy. From lifestyle and culture to economic and political power, openness has been a hallmark of modern rebellions and of the spirit and legacy of the 1960s and 70s.

Second, consider what we've described about how corporations seek to harness the creativity expressed in daily life and how this also creates sources of vulnerability. A good example can be found in the growing

importance of 'the brand' or 'logo' – that is, the way that corporations have sought to project a cultural meaning onto their products that makes them desirable out of all proportion to their material use value.

Again, this implicit dependence on the values and social intelligence of their customers is double edged. It becomes a vulnerability when customers decide to interrogate the brand, pointing out its inconsistencies with the behaviour of the company and challenging its reputation. A recent and notably effective example has been the direct action of UK Uncut. These campaigners against austerity have taken direct action against brand-sensitive tax avoiders, such as Starbucks and Boots, dramatising with improvised hospitals and libraries the fact that if these taxes were collected, services need not be cut. The impact of their actions and their ability to spread their arguments through social media has been dramatic, kick-starting a public debate and prompting parliamentary inquiries into Starbucks, Google and Amazon, all companies targeted by UK Uncut. All the main parties now feel they've got to at least talk about doing something about tax avoidance.

From structures of feeling to material alternatives

The diffuse legacy of critical creativity that we summed up with the notion of a new structure of feeling has also fed into the creation of material alternatives. A distinctive feature of the movements of 2011, especially in Spain, Greece and Portugal, was the creation of organisations and productive projects that illustrated the practicality of values of solidarity, equality and co-operation and harmony with the environment, engaging people in constructing practical alternatives to austerity.

Take, for example, the 250,000-strong demonstration against cuts and privatisation in Barcelona in October 2011. At the end, instead of speeches on the traditional model, protesters were greeted with an impromptu garden under the Arc de Triomf. Campaigners for food sovereignty had planted vegetables in well-spaced rows, ready for long term cultivation. The march as a whole had several layers of self-organisation. There were three main themes – all issues on which active alliances had come together: education (yellow flags), health (green flags) and housing (red flags). The idea was that the demonstration would end with assemblies to discuss further action and alternatives to cuts and privatisation.²³

More generally, the movements working for social transformation in the early 21st century – for example, for renewable energies under democratic control, for

food security and sustainable organic agriculture, for free culture and open software – combine protest and political mobilisations with practical, productive alternatives. These are invariably organised on co-operative or commons principles. Indeed the widespread rediscovery of the commons by movements as diverse as those concerned with water, the organisation of knowledge, software production, or land and forests, is itself a manifestation of the extensiveness of working alternatives that materially embed and enable life to be lived through social and democratic rather than neoliberal values.

These tendencies do not necessarily have an immediate, lasting impact on the dominant structure of political power, but they set the material foundations for the embedding of values of solidarity, social justice, co-operation and democracy, against those of possessive individualism. Our analysis of neoliberal power indicates that such foundations are a condition of an effective political challenge to neoliberal dominance.

A crucial challenge for the project of building a counter power to neoliberalism is whether the transformative movements that have successfully embedded alternative values can produce a political organisation able to use the power of government as a resource for transformation.

It is too soon to answer this question with any confidence. One important development, however, has been the evolution of Syriza in Greece from a party rooted in and shaped by the alter-globalisation movements to become the main opposition party and likely future government. This offers an exemplary experience of an approach to political organisation whose structures and priorities are based on the idea that what "is decisive", in the words of Andreas Karitzis, a leader of Syriza, "is what you are doing in the movements and society before seizing power. Eighty per cent of social change cannot come through government."²⁴

In Greece, the principle of embedding values of solidarity in material alternatives is born of necessity. Here, with the practical and financial support of Syriza, self-managed, solidarity networks are being built providing food, medical care and other essential needs. These are also providing some of the economic networks that would be part of the co-operative, needs-based economic model that Syriza is promoting politically.²⁵

The pressures on this movement-based party will be enormous, from the EU and the IMF, from the corrupt interests dominating the Greek state and from the populist xenophobic right. But it illustrates a possibility from which others can learn. With its emphasis on the creation of grassroots economic and social alternatives,

State of Counter-power

Syriza demonstrates a new model of radical social change.²⁶ It is a model in which change is not understood primarily as an event, a revolution or the arrival of the left in government, but as a process, often a lengthy process in which there may be moments of dramatic rupture but always underpinned by a gradual building of transformative power in everyday economic life. It has the potential of countering the remote yet daily embedded power of neo-liberal capitalism, in a way which a left that focused exclusively on the state did not.

I want to thank Steve Platt for superb editing under pressure, Nick Buxton for helpful advice and editorial guidance. My thinking on these themes, only summarised here (and hence somewhat telegraphic), draws on discussions with many, in particular Marco Berlinguer, Roy Bhaskar, Daniel Chavez, Fiona Dove, Robin Murray, Sheila Rowbotham and Jane Shallice.

State of Corporations

- 1 "Governance in old English or old French concerned one's personal conduct, the governance of one's behaviour, children, household, etc. The word got adopted by business in the 1970s in the phrase "corporate governance" and has gained ground ever since. The European Commission consistently uses "governance" as if it were the same thing as government. As one wit has put it, "Governance is the art of governing without government".
- 2 A good case exists for examining the legitimacy/illegitimacy of such institutions as the International Monetary Fund, the European Central Bank and the European Commission, that have now come together in the so-called Troika and are imposing harsh and counterproductive austerity policies on many European countries but that would be beyond the scope—and the allotted length—of this contribution.
- 3 Thomas Jefferson who wrote most of the Declaration of Independence included the phrase "life, liberty and the pursuit of happiness". He also wrote that it was to "preserve such values that men instituted government". The French revolutionary figure Saint-Just is well known for saying "Happiness is a new idea in Europe". This strange and original idea was at the core of the struggle for collective as well as individual rights and emancipation.
- 4 The Corporate Europe Observatory, frequently a partner of TNI in many endeavours, has chronicled the doings of lobbyists for years—consult their site at www.corporateeurope.org for many good—though not usually edifying—stories
- 5 Citation: Vitali S, Glattfelder JB, Battiston S (2011) The Network of Global Corporate Control. PLoS ONE 6(10): e25995. doi:10.1371/journal.pone.0025995 [published by the Public Library of Science-PloS 1, 26 October 2011]

State of Davos

- 1 Timothy Garton Ash, 'Davos man's death wish', *The Guardian*, 3 February 2005. Garton Ash credits Samuel P. Huntington (1927-2008), a professor of political science at Harvard and conservative publicist, as originator of the term 'Davos Man'.
- 2 Juan Hernandez Zubizarreta, 'Lex Mercatoria: New Global Corporate Law' in *America Latina en movimiento*, issue 476, Quito: ALAI & Transnational Institute, June 2012, p. 10
- 3 M. Bexell and U. Mörtz (eds.) (2010). *Democracy and Public-Private Partnerships in Global Governance*. Palgrave Macmillan, Basingstoke. <http://bit.ly/1b0noU7>
- 4 Harris Gleckman (2013) *Multi-stakeholder Governance: An Evaluation of a Component of World Economic Forum's Comprehensive Proposal for a Post-nation-state Governance System*, Earth Systems Governance Tokyo Conference on Complex Architectures and Multiple Agents, pp. 7-12
- 5 Jonathan Lash, President of the World Resources Institute (2002), cited in Martens 2007, p. 17
- 6 Willem Buijer 'Self-Regulation Means No Regulation' *The Financial Times*, 10 April 2008
- 7 Nicolas Tenzer, 'Where is soft power?', Open Democracy 2009-01-28 <http://www.opendemocracy.net/article/economics/where-is-soft-power>
- 8 Paraphrasing Valéry (1943): « La politique fut d'abord l'art d'empêcher les gens de se mêler de ce qui les regarde.»

State of Empire

- 1 The total number of foreign US bases dropped by more than 300 with the 2011 withdrawal of US troops from Iraq. Over the last decade local protests against foreign bases - almost all of them from the US - have posed challenges to many more because of public anger at the social and environmental problems the bases created. TNI in the first decade of this century coordinated the International Network for the Abolition of Foreign Military Bases, which linked these different groups.

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State of Extraction

- 1 The Panel is led by Kofi Annan, and includes Olesegun Obasanjo, Graça Machel and others.
- 2 Mo Ibrahim, a Sudanese-born British businessman and philanthropist, has pointed out, "Africa is under-populated. We have 20% of the world's landmass and 13% of its population" (Perkins, 2010). Despite this, the African population exceeded 1 billion at the end of the first decade of this century.
- 3 Lawrence Summers, then chief economist of the World Bank, stated in a 1991 memo: "I've always thought that under-populated countries in Africa are vastly UNDER-polluted, their air quality is probably vastly inefficiently low compared to Los Angeles or Mexico City" (Pellow, 2007: 9). This opinion has been highly contested by African civil society.
- 4 Financial writer Jo Clarke claims that: "Risks with tax reform, infrastructure, energy and water security, carbon emissions policy, industrial relations and lengthy regulatory approvals in Australia are beginning to outweigh the sovereign risk of starting new mines in far less-developed nations." (Clarke, 2012).
- 5 The Oakland Institute has published an extensive series of briefs on land deals in Africa. See www.oaklandinstitute.org. Also see *Contesting Global Landscapes*, the papers prepared for a conference on land grabbing at Cornell University in October 2012, at www.cornell-landproject.org/activities/2012-land-grabbing-conference/papers/.
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State of the Land

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- 7 The discussion on the role of the state draws from S. Borras, J. Franco and C. Wang (2013). *The Challenge of Global Governance of Land Grabbing: Changing International Agricultural Context and Competing Political Views and Strategies*, *Globalizations*, 10(1): 161-179.
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State of Counter-power

- 1 This paper draws on discussions, advice and edits of many people acknowledged later
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- 3 Miliband (1969)
- 4 Beetham (2013)
- 5 Bhaskar (1993/4)
- 6 Wainwright (2012)
- 7 Harvey (2010), Arrighi and Silvers (1999)
- 8 Rowbotham (2000)
- 9 Wainwright (1994)
- 10 Foucault (1966, Burchell (1991)
- 11 The Commission was originally created in 1973 to bring together elites within the private sector and close to government to discuss issues of global elite concern at a time when communication and cooperation between Europe, North America, and Asia were lacking.
- 12 Huntington et al (1975)
- 13 See Lyndon Johnson's 'War against Poverty' which both provided funding for 'maximum feasible participation' and was implemented as Black Panther activists were jailed.

Footnotes

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- 15 Lindblom (1977)
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