

15

American Power, Neo-liberal Economic Globalization, and Low-Intensity Democracy: An Unstable Trinity

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Introduction

WE are all in favour of democracy. Democracy is a good thing. It is good that the United States now seeks to promote democracy in the world. It is hard to disagree with any of these propositions. However, the relationships among the power and interests of the United States of America, the policy of neoliberal economic globalization and the prospects for democratization in developing countries may not be positive. On the contrary, there may be a deep-seated antagonism between the extension of American power through accelerated and intensified neoliberal economic globalization and the realization of social progress through meaningful democratization. The economic policies pursued by the US tend to pre-configure the political, narrowing the range of regime type to a form called 'low-intensity democracy',¹ which itself is a political form not necessarily conducive to real economic progress for the majority. Low-intensity democracy has, however, emerged as a characteristic political form of the post-cold war era, in which formal electoral democracy is promoted, but the transformative capacity of democracy is limited in order to facilitate neoliberal economic policies.

The ambitious pursuit of accelerated economic liberalization, including not only trade but also finance, can have destabilizing effects not conducive to democratization. Indeed, it can even be argued that 'the democracy we are encouraging in many poor parts of the world is an integral part of a transformation toward new forms of authoritarianism', given that 'if a society is not

in reasonable health, democracy can be not only risky but disastrous'.² Such unstable relationships among the influence of American power, neoliberal economic policies, and low-intensity democracy can be found today in many parts of the developing world.

Rather than promoting an ideal world of justice and democracy, neoliberal economic globalization (NLEG) is facilitating the emergence of an *historic malaise* in global capitalism, perhaps even an 'historic reversal' of capitalist civilization when judged in terms of social progress. Increasing inequality, social polarization, and the concentration of wealth in a few hands accompany this formal democracy. This 'New Hellenism' might be better understood through an historical analogy with the long death agony of democracy in classical Graeco-Roman civilization, in which democracy was slowly stripped of its meaningful substance through a process of concentration of economic power and increased exploitation of labour.³ The historic malaise of global capitalism is now so pronounced that someone like George Soros could recently predict that, if left unchecked, the global crisis of 1997–9 would bring the complete disintegration of the system.⁴

Although US foreign policy has long made rhetorical claims to democracy as a universal value and goal, American power was deeply compromised with authoritarian and dictatorial governments around the world. The relationship between domestic capitalism and democracy may have been fairly positive in the US, but the relationships among US capitalism, US power and democracy abroad have been contradictory.⁵ President Bill Clinton was the champion of a new US foreign policy which emphasized the global benefits of democracy and free trade. When visiting the states of Central America in March 1999, Clinton delivered an unexpected apology for US-sponsored terror and repression during the past four decades, which he called a 'dark and painful period'. He pledged that the US 'must not repeat' such a mistake. For the past decade Central American states have been formal and 'low-intensity' democracies, but the people of the region are still mired in the same miseries of extreme debt, poverty and inequality. The same elites remain in power. For example, Arena, the far-right party in El Salvador associated with the death squads of the Reagan period, has held power throughout the period of low-intensity democracy and was easily re-elected to power in the same month that Clinton delivered his historic apology. Meanwhile, as the president promised 'springtimes of renewal', a billion dollars of disaster aid for the region was being held up in the US Congress, US trade policies threatened local grain producers while

² Robert D. Kaplan, 'Was Democracy Just a Moment?', *The Atlantic Monthly* (December 1997), pp. 55–80 at 55–6, 58.

³ Kaplan, 'Was Democracy Just a Moment?'; Barry Keith Gills, 'Adonde va la democracia? La globalización y el "nuevo helenismo"', *Política Internacional*, Revista de la Academia Diplomática del Perú, 42 (1995), pp. 7–20.

⁴ George Soros, *The Crisis of Global Capitalism: Open Society Endangered* (London: Little, Brown, and Co., 1998).

⁵ For a historical discussion of the relationship between capitalism and democracy from a Marxist perspective, see Ellen M. Wood, *Democracy Against Capitalism* (Cambridge: University Press, 1995), particularly Ch. 9, where she discusses the separation of politics and economics under capitalism.

¹ See Barry Gills, Joel Rocamora, and Richard Wilson (eds), *Low Intensity Democracy: Political Power in the New World Order* (London: Pluto, 1993); Barry Gills and Joel Rocamora, 'Low Intensity Democracy', *Third World Quarterly*, 13/3 (1992), pp. 501–23; and Barry K. Gills, 'Whither Democracy? Globalization and the "New Hellenism"', in Caroline Thomas and Peter Wilkin (eds.), *Globalization and the South*, (London: Macmillan, 1997), pp. 60–75.

protecting US markets, and tens of thousands of Central American refugees who fled from the US-sponsored wars and terrorism of the 1980s were being threatened with deportation.⁶ Such are the vicissitudes of globalization and democracy where the pursuit of power and national interest remain the primary concerns.

Re-Strategizing, Re-Articulating, and Re-Deploying American Power

The post-cold war era has already been dubbed the 'era of globalization'. With the collapse of the Soviet Union the emphasis in international relations turned swiftly toward accelerated economic liberalization. American power has been instrumental in consolidating this agenda. Moreover, the continuation and further extension of American power in this new era may be dependent on the success of 'globalization'. The quest for the global hegemony of the ideas of neoliberal economic globalization is connected to the quest for the continuation of American hegemonic power in the global system. By establishing 'hegemonic globalization',⁷ American power may retain its centrality, even in a disputably 'post-hegemonic' world order.⁸

The US may or may not be 'hegemonic', but American power certainly remains central to the global system—economically, militarily, and politically. The fundamental desire of American policymakers to preserve and extend US centrality is a hallmark of post-cold war US foreign policy, and this should alert us to a basic continuity between the cold war era and the present situation.⁹ The Clinton White House's 'National Security Strategy of Engagement and Enlargement' released in February 1996 focuses on three interrelated US goals: enhancing security—by means of military forces; bolstering US economic interests—through 'our work to open foreign markets and spur global economic growth'; and promoting democracy abroad. As the following excerpts from that document reveal, Clinton's philosophy combined Kantian and neoliberal elements:

Secure nations are more likely to support free trade and maintain democratic structures. Free market nations with growing economies and strong and open trade ties are more

⁶ 'American reckoning', *Guardian* (13 March 1999).

⁷ I am indebted to Thanh Duong for this formulation and would like to acknowledge his assistance in preparing this essay.

⁸ See Alfredo G. A. Valladao, *The Twenty-First Century will be American* (London, NY: Verso, 1996). Valladao discusses the construction of a 'universal democratic empire' and the 'imperialism of freedom'. Valladao argues that 'The victory of World-America has rushed the poor countries, the newly industrialized countries (NICs) and even some highly developed states into jostling for integration with Washington's democratic empire. Governments everywhere are privatizing, deregulating, liberalizing the exchange of goods and capital flows, accepting the values of free enterprise, fighting for more foreign investment, committing themselves, for good or ill, to the path of individual freedom and democratic institutions. All are hoping to establish a direct connection with that great dynamo of the world economy, the American market' (pp. 190–1).

⁹ See Michael Cox, *US Foreign Policy after the Cold War: Superpower Without a Mission?* (London: Pinter/The Royal Institute of International Affairs, 1995).

likely to feel secure . . . and democratic states are less likely to threaten our interests and more likely to co-operate with the United States to meet security threats and promote free trade and sustainable development . . . It is therefore in our interest that democracy be at once the foundation and the purpose of the international structures we build . . . Promoting democracy does more than foster our ideals. It enhances our interests . . . Democracies create free markets that offer economic opportunity, make for reliable trading partners and are less likely to wage war on one another . . . Our national security strategy is therefore based on enlarging the community of market democracies while deterring and limiting a range of threats to our nation, our allies and our interests. The more that democracy and political and economic liberalization take hold in the world, particularly in countries of strategic importance to us, the safer our nation is likely to be and the more our people are likely to prosper.¹⁰

The White House's comprehensive national strategy documents of 1996 and 1997 both placed great emphasis on enhancing access to foreign markets by US companies. They were also explicit about the integral relationships among foreign market opening, the ambitious US export strategy and the creation of US jobs and prosperity. This in turn was related overtly to the promotion of democracy, through the intention of giving 'democratic nations the fullest benefits of the integration into foreign markets'¹¹ which drove the agenda of the North American Free Trade Area (NAFTA), the Free Trade Area of the Americas (FTAA), the Uruguay Round process (the World Trade Organization, WTO) and the Multilateral Agreement on Investment (MAI) initiative. The 1996 statement was summarized under 'Promoting Democracy' thus: 'the core of our strategy is to help democracy and free-markets expand and survive.'

However, in pursuit of this unitary concept of 'democracy = free market', the US involved itself in what may more often than not be a set of contradictory social alliances. As the 1996 statement noted, 'Private firms are natural allies in our efforts to strengthen market economies'. On the other hand, 'our goal of strengthening democracy and civil society has a natural ally in labor unions, human rights groups, environmental advocates . . .'. In practice, the interests of these two sets of actors might be antagonistic. They might act at cross-purposes in relation not only to the economy but to the wider process of democratization.

Nevertheless, NLEG has emerged as the central aspect of the *re-strategization* of post-cold war US foreign policy. Re-strategizing is essential in the absence of a visible and 'common enemy'. The 'search for enemies' in the post-cold war environment must of necessity take on new appearances, ranging from narcotics barons and pariah leaderships to hysterical images of alien cultures or civilizations. Nevertheless, this should not obscure the basic continuity of American interests and their global ambition. The American 'grand strategy' post-World War II consisted of consolidating a world order in which capitalist values and American economic interests could flourish—always an extremely

¹⁰ White House, 'National Security Strategy of Engagement and Enlargement' (February 1996), pp. 2–7. <http://www.las.org/spp/military/docops/national/1996str.htm>

¹¹ White House, 'A National Security Strategy for a New Century' (May 1997), p. 25. <http://www.whitehouse.gov/WH/EOP/NSC/Strategy/>

ambitious agenda requiring tremendous commitment of resources.¹² Today, as then, the real ideological enemy remains essentially any form of political or economic system that is resistant to the extension of American economic interests, whether nationalism, socialism, or the 'fundamentalism' of alien value systems.¹³ Re-strategizing entails the search for new methods of pursuing the extension of American power and economic interests in the absence of the rhetorical framework of cold-war anti-communist ideology.

Re-articulation follows from re-strategizing. Having identified NLEG as central to the US foreign policy agenda, the emphasis shifts to foreign economic policy and relegates military security to a supplementary role. This brings a tendency to increase the use of economic means of intervention, whether sanctions, lending, trade or aid policy. These means of intervention grow more effective as more countries become increasingly liberalized and therefore more dependent on external economic linkages. In this environment, political linkages with foreign elites may be more instrumental to the realization of foreign policy goals than the threat of military force or traditional means of intervention. In this sense, therefore, re-articulation means arranging, consolidating or extending political alliances between American power interests and external elites, capturing them from 'within' and therefore seeming to stay within the bounds of international respect for national sovereignty while pre-configuring their economic policies in a neoliberal form. This is the essence of the international diplomacy of low-intensity democracy.

Re-deploying American power in the era of neoliberal globalization therefore calls for an ambitious programme of action simultaneously conducted on many levels of political reality. Not only does the United States itself move in the direction of neoliberalism—in the process creating future problems for its own democracy—but it encourages this tendency in all possible partners, whether in bilateral, regional, or multilateral global relationships.

The Post-Cold War US 'Multi-Level' Strategy

US post-cold war global policies involve a multi-level strategy of *global imbrication* of US influence. The US realizes that the tendencies of globalization and the diffusion of industrialization produce effects that could undermine its global centrality. The *mêlée* of competition may produce profound change in the global social formation, leading to regional regroupings of states and to global 'fragmentation' into antagonistic groupings. These patterns are fundamentally beyond any one state's control, but nevertheless the US fears losing control. Either a division of the world into rival bloc formations or the formation of a global 'anti-hegemonic' coalition, involving Europe, Asia and other

¹² Gabriel and Joyce Kolko, *The Limits to Power: The World and United States Foreign Policy, 1945–1954* (New York: Harper and Row, 1972).

¹³ See Noam Chomsky, 'The Struggle for Democracy in the New World Order', in Rocamora, and Wilson (eds), *Low Intensity Democracy*, pp. 80–99, and Noam Chomsky, *Detering Democracy* (London: Verso Press, 1991).

regions, is something that the US logically seeks to deter. American strategic policy is designed to neutralize these antagonisms.¹⁴ In order to neutralize potential antagonistic developments, the US has to get 'inside' the new global, regional, and even national formations and work from within. The 'imbrication' strategy, therefore, potentially reaches everywhere and touches every level of international diplomacy, including bilateral, regional, and global. Let us briefly review some of the implications at these three levels.

Bilateral

Using direct pressure on economic partners, the US presses—often quite aggressively—for increased market access, acceleration of economic liberalization, privatization, deregulation, and economic reforms in other 'sovereign' states, particularly the most successful exporters, as in east Asia. Whilst advancing the interests of US capital in gaining increased global market share, this bilateralism also has a tendency to weaken the target state's capacity for economic intervention and protection. It may also place the domestic firms or financial institutions of the partner state at a disadvantage *vis-à-vis* US and other core country competition. Unions in the target country may also be weakened by the effect of such 'reforms'. In extreme cases, the US Congress has recourse to special retaliatory legislation such as the notorious Super 301, to intimidate bilateral partners into making economic concessions, couched in the language of 'reform'.

This process of bilateral pressure for economic liberalization has occurred simultaneously with the ongoing processes of democratization in Latin America, Africa and Asia. Although there has been a turn away from military and civilian dictatorships in many countries in all three of these continents since the 1980s, their economic restructuring processes have been under pressure to turn away from nationalist paradigms towards a universal neoliberal paradigm. This simultaneity of economic liberalization and democratization creates particular problems of transition for all of these societies and generally exacerbates the problem of maintaining social and political stability.

Regional

Seeking to prevent regional groupings from becoming antagonistic to US interests and centrality, the multi-level strategy has a particular emphasis on imbrication within regional economic associations. The most conspicuous of these arrangements has been the NAFTA agreement between the US, Canada, and Mexico, which has involved the US in a common market approach with

¹⁴ See 'US Strategy Plan Calls for Ensuring No Rivals Develop', *New York Times* (8 March 1992),

which leaked elements from a Defense Department draft outlining the goal of preventing any major rival from emerging in western Europe, Asia, or the former Soviet Union's territory. The document argued that in order to maintain its central position of power, the US 'must sufficiently account for the interests of the advanced industrial nations to discourage them from challenging our leadership or seeking to overturn the established political and economic order'.

a Third World country for the first time. Given that the western hemisphere has been a primary area of US influence for many decades, it is logical that the US has made its most substantial regional imbrication efforts here. The economic integration agenda in the western hemisphere extends to plans for centrality is virtually assured. This would supersede or incorporate recent regional regroupings such as MERCOSUR in South America. The US trade relationship with Asia has emerged as a priority not only because of friction over the trade deficit, but also because of the quantity of trade with Asia. Strategic imbrication in the Asian regional regrouping process, principally through Asia Pacific Economic Cooperation (APEC), allows the US to influence the restructuring process, and deflect or constrain the ability of Japan to exercise its potential leadership of the region. This approach complements the US bilateral diplomacy of pressure for economic liberalization in key economies of east Asia. Thus, 'anti-hegemonic coalition' ideas such as those voiced by Prime Minister Mahathir of Malaysia are deflected and 'open regionalism' and support for the liberal international trading system are reinforced. This has 'fortress Europe' has been vilified and open regionalism encouraged. The US launched a 'New Transatlantic Agenda' in December 1995 to bring about further reduction in trade barriers and create a 'US-EU Transatlantic Marketplace', although incidents such as the 'banana war' in 1998-9 reveal continued and deeply embedded trade tensions. Although the US cannot gain direct entrance into the EU or prevent its rapid eastward expansion, it has its position in NATO and the Organization for Security and Cooperation in Europe (OSCE) in the security field as an indirect means of imbrication of its influence. American membership in the OECD and WTO are also avenues for imbrication strategy in the EU arena. Deflecting an independent security policy by the EU, such as potentially exists through the Western European Union (WEU), has logically been very important to US European policy.

Global

American multi-level global strategy includes a continued emphasis on multi-lateral diplomacy in international organizations with global scope or membership. The IMF has emerged as one of the most powerful political agencies on earth, capable of far-reaching intervention into domestic economies, despite the formal barrier of state sovereignty. The US has jealously guarded its premier position in the IMF in order to uphold the neoliberal economic orthodoxy by which it 'disciplines' some three score developing countries.¹⁵ Although the Asian crisis and its 'global contagion' called into question the

¹⁵ See Robert Wade's analysis of Japan's challenge to Anglo-American economic orthodoxy, 'Japan, the World Bank, and the Art of Paradigm Maintenance: "The East Asian Miracle" in Political Perspective', *New Left Review*, 217 (1996), pp. 3-36; and R. Wade and F. Veneroso, 'The Asian Crisis: The High Debt Model Versus the Wall Street-Treasury-IMF Complex', *New Left Review*, 228 (1998), pp. 3-34.

orthodox policies of the IMF more than at any previous time, the response of the Group of Seven (G-7) to these criticisms was merely to establish a financial stability commission to coordinate policy in the future, whilst simultaneously rejecting the idea of establishing fixed trading bands for the largest currencies in an effort to curtail financial speculation and enhance currency stability.¹⁶ In terms of trade liberalization, the WTO—successor to the GATT—has further extended and consolidated the liberalization trend in the world economy. The WTO expands the process of liberalization to new sectors, such as services, agriculture, and domestic procurement policies, while also undermining old-fashioned industrial policies with the code on subsidies and countervailing measures.¹⁷ Yet further extensions of liberalization are planned through the negotiations for the MAI—defeated in the short term by global mobilization of opposition through the Internet—and proposals to give the WTO more binding and punitive powers against transgressions of its rules. The WTO, unlike the IMF, poses the possibility, however, that the transparency and universality of the rules will be applied equally to the US as well as to other member states. Beyond such universal organizations—including the UN apparatus—the US maintains centrality in the G-7, where it simultaneously emphasizes 'sound fundamentals' as the solution to global currency instability, campaigns for punitive economic sanctions against transgressors—such as India, following its explosion of a nuclear device, or the EU in the banana trade dispute—and endorses 'democracy' in cases of popular rebellion such as Indonesia or Nigeria, both of which have suffered tremendously from the rapaciousness of alliances between domestic authoritarian rulers and foreign multinational corporations.

Global Capitalism and Social Restructuring

The origins of the US pursuit of NIEG go much deeper than the changing policies of US presidents. They are embedded in the logic of the development of the global capitalist system itself. For much of the post-World War II era, American and western European capitalism rested on the foundation of a domestic compromise with labour allowing higher wages and expansion of social expenditure. The democratic regimes in the West had allowed wages, welfare spending and union power to rise in the postwar era, producing an era of mass prosperity but gradually narrowing the freedom of manoeuvre for private corporations and, in their view, threatening long-term growth and profits. Eventually 'core capital' began to react negatively to the increase in costs of production in the core, which were perceived to have reached unacceptably high levels. By the onset of the 1970s the West and the global

¹⁶ 'Forum to help prevent crises agreed', 'Currency zone split remains', *Financial Times* (22 February 1999).

¹⁷ For example, the WTO ruled that key government support programmes to the aerospace industry in Brazil and Canada constitute 'illegal subsidies', *Financial Times* (22 February 1999).

capitalist system were increasingly beset by periodic recession and growing structural problems. As Keynesianism gave way to monetarism, a systemic reorganization of global capitalism was set in motion.

Two key strategies were pursued by core capital to improve the conditions for capital accumulation on national and global scales: *deindustrialization* of the core through relocation of production sites abroad, and *disinvestment* in manufacturing production through so-called 'financialization' of capital. Both have contributed to what we now call 'globalization', by which the West exported its crisis adjustment on to the rest of the world and in the process more tightly integrated the global capitalist system. Both have a systemic relationship to 'downsizing' and 'flexibilization' of labour in the core and the diffusion of industrial production to the developing countries.

The tendency toward 'deindustrialization' of the core, and the concomitant increase in the role of services, information technology, and finance in core economic structures, can be understood as occurring through three modalities. These are the *new international division of labour* (NIDL), *maquiladorization*, and *neoliberal economic globalization* (NLEG). These three modalities are not separate successive stages of a linear chronology of recent capitalist development. Rather, they are only partially or weakly sequential. Although NIDL may have characterized the initial stage of the adjustment of core capital to the 'crisis' in the 1960s, it was also accompanied quite early on by export processing zones (EPZs) or *maquila* enclaves for multinational corporations located in developing countries from east Asia to Central America. Neoliberal economic globalization, which has steadily intensified since the 1980s, has overlapped with a continuation of both NIDL patterns and *maquiladorization*, but extends to finance, requiring its full liberalization, and undermines alternative national systems of industrial regulation.

The new international division of labour, through foreign direct investments, brings reorganization of the international division of labour, allowing a larger role for industrial production in developing countries. As such, NIDL was a major factor in the onset of a new wave of industrialization in a number of peripheral economies, from Brazil and Mexico to Taiwan and South Korea. It engendered a proletarianization process in the periphery that extended not only to light but also to heavy industries and brought into being large and often militant and unionized working class movements. However, such industrialization was not associated with democracy, especially in east Asia.

Maquiladorization added new tiers of relocation of production sites, particularly in east Asian EPZs and the *maquila* enclaves of Mexico, Central America and the Caribbean region. However, it is marked by the intensification of the exploitation of labour and concentration of labour-intensive production into controlled sites in which union activities are more restricted. Its higher element of foreign direct investment and foreign ownership and control can make it less compatible with national economic development goals than conventional NIDL. Its relationship to democracy is ambiguous at best when judged from Mexican and Central American experience.

Neoliberal economic globalization is characterized less by its proletarianizing tendency than by its capacity to stimulate polarization among different sectors of society and different segments of the workforce. It is deployed not only *vis-à-vis* labour, but also *vis-à-vis* the national states themselves. It weakens both organized labour and the interventionist or developmentalist state, thus threatening the social compromises on which postwar global capitalism was reconstituted and which underpinned national social cohesion and national development in both core and developing countries.

Neoliberal economic globalization has four defining characteristic tendencies: (1) to protect the interests of private capital and expand the process of capital accumulation on both national and global scales; (2) to homogenize state forms and state policies to render them instrumental to the protection of private capital and the expansion of capital accumulation on both national and global scales; (3) to create and expand a new tier of transnationalized institutional authority above the nation state with the purpose of re-articulating states to the end of facilitating national and global capital accumulation; and (4) to exclude dissident social forces from the arena of state policymaking, in order to insulate the neoliberal state from the societies and social forces over which it presides, thus to 'socialize risk' on behalf of private capital.¹⁸

It is important to recognize that these trends are not solely the outcome of US power or pursuit of US corporate interests alone. They are part of a global logic of capitalist development and industrialization, to which the US and its companies must respond and in which the US is certainly a major actor as the largest single bloc of capital, with the most multinational corporations. Moreover, the US actively promotes all three processes as it pursues its fundamental policy of extension of American power through the extension of US economic interests. Historically, the strongest economic power tends to favour a liberal trade doctrine, as it has the most to gain from free access to others' markets.

The ever-increasing global mobility of capital is not only an expression of core capital's response to the policies of the welfare state, the social democratic compromise with labour in the core countries, and the Keynesian emphasis on sustaining full employment, but at the same time is the creation of a new global problematic of 'expansion and competition'. The exacerbation of the expansion and competition syndrome has become a constant feature of the global system. As the industrialization process becomes more globally diffused, industrial over-capacity gives rise to drastic industrial restructuring on the one hand and to the flight from production and the 'financialisation' of capital on the other. These tendencies are accompanied by a demand for deregulation and liberalization of finance, corporate mergers and acquisitions

¹⁸ Louise Amoore, Richard Dodgson, Barry K. Gills, Paul Langley, Don Marshall, and Iain Watson, 'Overturning "Globalisation": Resisting the Teleological, Reclaiming the "Political"', *New Political Economy*, 2/1 (1997), pp. 179-95 (special issue on 'Globalisation and the Politics of Resistance', ed. Barry K. Gills), and in Barry K. Gills (ed.), *Globalization and the Politics of Resistance* (Basingstoke: Macmillan, and New York: St Martin's Press, 2000), pp. 12-28. See also the special issue on NLEG of *Millennium: Journal of International Studies*, 24/3 (1995).

in both industrial and financial service sectors, and, often, downsizing and flexibilization of the workforce in order to boost short-term profitability.

It is an intrinsic aspect of the global logic of expansion and competition that industrialization is further diffused throughout the world. American capital needs the diffusion of industrialization, despite the fact that this intensifies international competition. Attempts to cut costs of production and boost profit levels by the international relocation of manufacturing production sites and the exploitation of low-cost labour produced the 'global factory' system, uniting the industrial production of workers in the periphery with consumption by the population of core countries. However, as high-skill and high-paid jobs in industries in the core decline and are replaced by flexibilized, low-skill and low-paid jobs, the aggregate consumption power of the core population may decline also, so that low-paid workers in the US, for example, consume the products of even lower-paid workers in the periphery. Over the long term, this pattern may aggravate the tendency to low growth in the global economy. Lower aggregate growth further exacerbates the global systemic problem of intensifying international competition. Corporations fight over slices of a limited pie rather than of an ever growing pie. The global economy is hampered by a structurally embedded recessionary tendency.

In short, all ad hoc or 'anarchic' efforts to escape or overcome the expansion and competition problem through increasing the mobility of capital and increasing the exploitation of labour exacerbate the global problem. Nevertheless, it is precisely this same tendency which US foreign economic policy, both economic and 'democratic', seeks to further promote. Recent evidence that premature or inappropriate economic liberalization, particularly in the area of finance, has actually been seriously destabilizing has increased to such a degree that 'global crisis' discourse has now entered the media mainstream.¹⁹ The ferocity and persistence of the most recent global crisis caught many by surprise, but these events should be understood in a long-term framework that stresses a culmination of NLEG rather than a short-term analysis of capital market turbulence.

When this underlying industrial situation is combined with a shortage of liquidity in world capital markets—which Klaus Schwab, President of the World Economic Forum, predicted by 2000 and which the global financial crisis of 1997–9 has demonstrated is a real possibility—and a growing problem of 'underconsumption' brought about by falling real wages and high structural unemployment, we arrive at the recipe for global depression and potential systemic disaster. Only the 'great American market' props up a tottering international economic system. By no coincidence, NLEG gives way to 'global

¹⁹ See William Greider, *One World Ready or Not: The Manic Logic of Global Capitalism* (Harmondsworth: Penguin, 1997); John Gray, *False Dawn: The Delusion of Global Capitalism* (London: Granta Books, 1998); George Soros, *The Crisis of Global Capitalism: Open Society Endangered* (London: Little, Brown, and Co., 1998); Global Contagion: A Narrative', *New York Times* (17 February 1999). For the argument that premature or inappropriate financial liberalization was responsible for the recent Asian crisis, see S. Radelet and J. Sachs, 'The East Asian Financial Crisis: Diagnosis, Remedies, Prospects', *Brookings Papers on Economic Activity*, 1 (1998), pp. 1–90.

crisis'. Low-intensity democracy is not the solution to this crisis, but an intrinsic aspect of its cause and development. The US has made 'hegemonic globalization' its primary goal and identified it with vital national interests such as prosperity and security. Having extended NLEG to the globe, the US now seeks to universalize 'democracy' as the corresponding political form of this global economic system. The unstable trinity of American power, NLEG, and low-intensity democracy is now entering a critical phase.

American Power, NLEG, and 'Wild Capitalism'

American power has been closely associated with the expansion of NLEG. The triumph of 'market ideology' represents a redistribution of resources from labour to capital on both national and global scales. In NLEG, the political process is represented as being a mere 'transmission mechanism' moving from 'capital logic' to society and the state. By making choices appear to be purely technical, NLEG therefore obscures the political nature of the strategic choices that must be made by any society as it responds to pressures for globalization. The emergent teleology of globalization is therefore economicist, ahistorical, and above all apolitical.

The danger in the further extension of NLEG rests in its threat to destabilize society, undermining existing and potential democracies and the complex but often fragile social compromises on which they rest. Neoliberal economic globalization confronts the democratization process, which is nowhere a completed historical process, with the threat of growing social polarization, conflict, and delegitimization. As such, NLEG is likely to constitute, in the long run, a politically retrogressive force, though couched in the language of the economically progressive. Historically, the removal of regulatory and protective measures designed to provide social stability and enhance social justice represents a tendency to return to the norms prevalent in pre-unionized, pre-welfare state, and pre-democratic capitalism. Without adequate corrective measures, historical experience indicates that 'wild' or 'savage' capitalism will produce a few 'winners' and many 'losers', thus exacerbating inequality, marginalization, poverty, and disempowerment for vulnerable groups in society. Such a situation, again as the history of capitalism amply demonstrates, is not conducive to social peace, human progress, or meaningful democratization.

Wild or savage capitalism is as unacceptable as the boom and bust cycle and the extremes of exploitation and conflict with which it is so clearly historically associated. The flaws in the market system certainly require prudent and continuous social intervention to sustain a just and prosperous society.²⁰

Although it is a central tenet of economic liberalism that the market is the most efficient organizer of economic resources, the history of the twentieth

²⁰ See John Kenneth Galbraith, 'Preface' in special issue of *New Political Economy* on 'Globalisation and the Politics of Resistance', ed. Barry Gills, 2/1 (1997), pp. 5–9; and John Kenneth Galbraith, 'The Social Left and the Market System', in Gills (ed.), *Globalization and the Politics of Resistance*, pp. ix–xiv.

century is replete with necessary recourse to the state, precisely to overcome the instability engendered by market capitalism or to correct market failure. It is interesting that in the wake of the most recent 'global crisis', Mr Stiglitz of the World Bank made it something of a personal crusade to preach a revisionist economic doctrine which rehabilitated the notion of the state as a stabilizer, and the necessity of the 'social safety net' for social cohesion.²¹

Neoliberal economic globalization, and its association with low-intensity democracy, makes new social struggles for meaningful democracy both inevitable and historically necessary. Neoliberal economic globalization is a potent force in contemporary history, and has given rise to the idea that 'globalization' is an external and inexorable force that all must adapt to or suffer the adverse consequences. The idea that no one is in political control of the forces of economic globalization is a new mythology, part of the ideology of neoliberal globalization and its retreat from the state.²² Everyone must indeed respond to the further extension of NLEG: individuals, households, companies, and states. The question is *how* they respond, in what way and by what means? This crucial question has direct implications for the future of democracy.

Democracy and the Politics of Globalization: *Trasformismo* vs. *Reformismo*

Democracy should be defined in a broad sense. It must include a formal democratic political system, a legitimate civilian government, and the rule of law. However, a formal electoral system alone is not enough to constitute democracy. The democratization process is above all a socially *inclusive* political process. It should, therefore, bring about significant changes in the composition of state power, allowing the inclusion of a broad spectrum of social forces, giving them direct and indirect access to state policymaking processes. This should include organized labour as well as other new and old social move-

²¹ The IMF internal review of the east Asian crisis reform programmes also recognises that adjustment of the programmes toward a focus on social safety nets was necessary 'to contain the effects of the downturn on the most vulnerable parts of society' and in future the emphasis should be on an orderly and well-sequenced liberalization process, while the new international financial architecture should possibly include a 'social building bloc' including 'appropriate social safety nets, core labour standards, consensus-building in countries, and common social goals'. S. Sugisaki (Deputy Managing Director of the IMF), 'Economic Crisis and Recovery in Asia and its Implications for the International Financial System' (IMF: 5 March 1999), <http://www.imf.org/external/np/speeches/1999/030599.htm>

This view on the importance of proper sequencing of financial liberalisation reforms was endorsed by Michel Camdessus, though he stresses continued liberalisation and opening in order to reap the benefits of globalization: Michel Camdessus (Managing Director of the IMF), 'Bolstering Market Access of Developing Countries in a Globalized World' (IMF: 6 July 1998), <http://www.imf.org/external/np/speeches/1998/070698.htm>

²² On the idea of the myth of globalization, see Ian Robert Douglas, 'Globalisation and the End of the State?', *New Political Economy*, 2/1 (1997), pp. 165–77, and in Gills (ed.), *Globalisation and the Politics of Resistance*, pp. 110–32; and Amoreo et al., 'Overturning "Globalisation"'

ments. The process of inclusion hinges on decreasing social and economic inequality, polarization and marginalization.

The debate over globalization often focuses on the role of state power in relation to changing world economic conditions and new technologies. Two key aspects of this debate are the degree of manoeuvrability of the national state, and the degree to which national economies remain primary arenas of economic and social change.²³ A preference for global market forces over national sources of economic change signifies very different political conclusions and thus very different implications for democracy. A focus on the determining role of transnational capital and technologies, accompanied by global trends of hyper-mobility, deregulation and liberalization, often results in pessimistic political conclusions toward state manoeuvrability outside the NLEG paradigm.²⁴ A focus on the continued importance and viability of the national economy, however, may generate far less pessimistic political conclusions concerning the prospects for state manoeuvrability, and by implication for democracy.²⁵

I summarize these two positions by recourse to the Gramscian concepts *trasformismo* and *reformismo*. The politics of *trasformismo* is a politics of preserving the status quo and therefore an *exclusionary* process, relying on cooperative strategies. The politics of *reformismo*, in contrast, is a politics of directly challenging the status quo and therefore depends on decisively changing the balance of forces in favour of the *inclusion* and empowerment of social forces. In *trasformismo*, 'opposition' political programmes converge to conservative ones until there ceases to be any meaningful difference between the 'alternative' and the elite position. In *reformismo* the hegemony of the conservative ruling bloc is rejected along with cooperative strategies, and the alternative posed is a progressive social programme aimed at actively reducing polarization, marginalization, disempowerment and poverty.

The quest for preservation of American power and its global centrality by means of NLEG generates a tendency to promote the politics of *trasformismo* and to obstruct the politics of *reformismo*. Thus, American power and its NLEG strategy align with the forces of *trasformismo*, while the forces of democratization must embrace *reformismo* and a political will to resist NLEG in all its various manifestations. By asserting NLEG, the US encourages the reorganization of production in such a way as to weaken organized labour, dissident social forces, and the national state.

However, it is the paradox of neoliberal globalization that while NLEG weakens labour and other dissenting social forces, it also stimulates the

²³ See for example John Zysman, 'The Myth of a "Global" Economy: Enduring National Foundations and Emerging Regional Realities', *New Political Economy*, 1/2 (1996), pp. 157–84; and Robert Boyer and Daniel Driache (eds), *States Against Markets: The Limits of Globalization* (London: Routledge, 1996).

²⁴ See for example Philip G. Carr, *The Changing Architecture of Politics: Structure, Agency, and the Future of the State* (London and Newbury Park, CA: Sage, 1990).

²⁵ See for example Boyer and Driache (eds), *States Against Markets: Linda Weiss, 'Globalization and the Myth of the Powerless State', New Left Review*, 225 (1997), pp. 3–27.

activation or mobilization of these social forces into active resistance. These dissident social forces are called into action by the destabilizing effects of NLEG. American sponsorship of NLEG is therefore a politically contradictory process, simultaneously stimulating and repressing the mobilization of dissident social forces. Such a form of power can only intensify social conflict and strain the framework of the formal 'low-intensity democracy' which has been constructed around the world.

Illustrations of the contradictory nature of NLEG can be found from cases in the Americas, Asia, and Africa. In Mexico, the conclusion of NAFTA immediately brought the emergence of the Zapatistas, a critical social movement locally situated in Chiapas but dedicated to the mobilization of a broad social coalition for the democratization of Mexican society. When the ensuing peso crisis threatened to cripple Mexico, the US bailed out the authoritarian PRI government with massive financial assistance. The austerity effects of the peso crisis brought further social resistance, spreading even to the middle classes. The anti-NAFTA movement had already mobilized a new coalition of social forces across North America, furthering the creation of new solidarities between Canadian, US, and Mexican social forces. Whilst the US government and major corporations supporting the NAFTA agreement have pursued the logic of NLEG and the politics of *transformismo* with the conservative Mexican elite, the same process has stimulated the mobilization of new dissident social forces dedicated to the politics of *reformismo* and creating new forms of trans-border solidarity.

In South Korea, US bilateral pressure for accelerated economic liberalization accompanied the transition to low-intensity democracy.²⁶ The state and conservative elite have pursued the politics of *transformismo* and the economics of NLEG. The inability of the Kim Young Sam government in the mid-1990s to discipline the great business empires, the *chaebol*, led to formal adoption of the *segyehwa chong chaeok*, or 'globalization policy', which accelerated the economic liberalization schedule, including financial liberalization. Following Mexico's lead, South Korea hastened to join the OECD. However, the government's attempt to promote NLEG by railroading legislation on the flexibilization of labour through the National Assembly in December 1996 led directly to a confrontation with organized labour. The ensuing national strike was remarkable for its longevity—two months—and the degree of organizational coherence. Above all, the national strike succeeded in winning over most of the population—some 80 per cent at the peak—to support its basic position. This was because the unions were able to represent the general public interest in resisting flexibilization of labour and in favour of restoring the impetus towards democratization.²⁷

²⁶ See Barry Gills, 'Korean Capitalism and Democracy', in Rocamora and Wilson (eds.), *Low Intensity Democracy*, pp. 226–57; and B. K. Gills, 'Economic Liberalisation and Reform in South Korea in the 1990s: A "Coming of Age" or a Case of "Graduation Blues"?' *Third World Quarterly*, 17/4, pp. 667–88.

²⁷ Personal interview with Kwon Young Kil, General Secretary of KCTU and leader of the national strike (Seoul: August 1997).

The national strike paved the way for the social legitimization of labour and its future political inclusion. However, the situation was dramatically affected by the 'IMF crisis' which surfaced in late 1997. The failure of reform during the tenure of Kim Young Sam led to a national financial debacle and the necessity for an unprecedented IMF bailout exceeding \$50 billion. The US reportedly played a key role behind the scenes in formulating the 'reform' requirements stipulated in the South Korean IMF agreement. While a new government under President Kim Dae Jung was inaugurated in February 1998, austerity and unemployment rapidly increased. The reform-minded President Kim Dae Jung promised to implement the IMF agreement, restructure the *chaebol*, and discipline organized labour. The flexibilization of labour was immediately reintroduced alongside emergency legislation to liberalize foreign investment. By exacerbating recession through IMF austerity policies in his first six months in office, President Kim Dae Jung may have undermined his own efforts to end the political exclusion of labour and incorporate the unions into a new tripartite framework with government and business, modelled on similar arrangements in Mexico.²⁸ President Kim hoped to use neoliberal economic policy as a tool to discipline the *chaebol* but they have once again proved remarkably resistant to change. The further pursuit of neoliberal economic policies by the new government may jeopardize its ability to form a new political alliance with a broad range of social movements.

In the case of South Africa, while the struggle for democratization mobilized domestic social forces, combining the strength of organized labour with that of a range of other social movements,²⁹ the subsequent reform record of the democratic regime led by Nelson Mandela proved to be disappointing, leaving much of the status quo intact, while pursuing economic liberalization.³⁰ The South African model may be in a similar category to Zimbabwe, where the promise of liberation soon became the practice of liberalization.³¹ The failure of the government to deliver meaningful reform for the impoverished majority of non-whites leaves the underlying structural problems of inequality and disempowerment unresolved. As one commentator put it,

Democratic South Africa... has become one of the most violent places on earth that are not war zones... There are ten private-security guards for every policeman. The currency has substantially declined, educated people continue to flee, and international drug cartels have made the country a new transshipment center. Real unemployment is

²⁸ B. K. Gills and D. S. Gills, 'Globalization as Strategic Choice', paper prepared for the conference on South Korea and Globalization, Columbia University, East Asian Institute, Center for Korean Research (New York: 22–3 May 1998), and in Samuel S. Kim (ed.), *Globalisation and South Korea* (Cambridge and New York: Cambridge University Press, 2000); Barry K. Gills and Dong-Sook S. Gills, 'South Korea and Globalization: The Rise to Globalism?', *Asian Perspective*, 23/4 (1999), pp. 199–28 (special issue on 'Globalization in East Asia', ed. Samuel S. Kim).

²⁹ See: Glenn Adler, 'Global Restructuring and Labour: The Case of the South African Trade Union Movement', in James Mittelman (ed.), *Globalization: Critical Reflections* (Boulder, CO: Lynne Rienner, 1996), pp. 117–43.

³⁰ See John Pilger, special report on South Africa, *Guardian* (May 1998).

³¹ See Sandra I. Maclean, Fahimul Quadir and Timothy M. Shaw, 'Structural Adjustment and the Response of Civil Society in Bangladesh and Zimbabwe: A Comparative Analysis', *New Political Economy*, 2/1 (1997), pp. 149–64, and in Barry K. Gills (ed.), *Globalization and the Politics of Resistance*.

about 33 percent, and is probably much higher among youths. Jobs cannot be created without the co-operation of foreign investors, but assuaging their fear could require the kind of union-busting and police actions that democracy will not permit.³²

The struggle against apartheid did generate a solidarity movement within the United States, as citizens opposed the link between corporations and repressive regimes and campaigned for corporate disinvestment. Its example spread to other cases such as Nigeria, as well as Indonesia and Burma. However, US corporations organized a counter-movement to block municipal and state legislation in support of economic sanctions against dictatorial regimes like Nigeria. 'USA engage' enrols some 600 major US corporations, who argue that such sanctions are illegal—undermining Federal government authority to make foreign policy—and undermine US business interests. In the case of Nigeria, the Clinton administration intervened to stop a proposed sanctions law by the state of Maryland. Similar counterattacks by corporations are occurring against the sanctions movements on Burma.³³ President Clinton's summit tour of Africa in the first half of 1998 focused on further extension of US bilateral economic relations in the region and consolidation of the neoliberal paradigm for Africa.

Conclusion: The Politics of Globalization: Resistance and Democratization

The unstable trinity of American power, NLEG and low-intensity democracy is entering a critical historical phase in the context of mounting global crisis tendencies that threaten everyone. Therefore, political resistance to NLEG is both an historical inevitability and a necessity if the life chances of the majority are to be protected or enhanced and democracy given its true meaning. The US pursuit of NLEG promotes a politics of *transformismo*, and attempts to weaken labour, dissident social forces, and the national state. At the same time, NLEG stimulates the mobilization of dissident social forces seeking to practice the politics of *reformismo* and reinvigorate the impetus to democratization in the interests of the majority. In response to the globalization of economic power, political bridges are needed between local, national, regional, and global arenas of resistance, political solidarity, and democratization struggles.

By promoting NLEG, the US may find that it pits itself against the interests of the working majority and the impoverished many, and will therefore face

their political resistance. American power and its strategic role in constructing NLEG presents a formidable challenge to resistance and democratization movements around the globe. The key element needed in the new politics of *reformismo* must be to strategize, articulate, and deploy a coherent practice of resistance to NLEG that can 'unify' local, national, regional and global dissident social forces wherever possible. This need not require the substitution of new 'grand strategies' for old and discredited projects of universal emancipation. The key objective is for social forces to reassert political control over private capital in the interests of society, rather than allowing existing political elites to capitulate to the growing social power of private capital. Society must not retreat from politics and engagement with state power, but rather seek to reinvigorate mass politics and re-articulate state power through this means.

Some are optimistic about the future of resistance movements to neoliberal globalization precisely on the basis of the broad popular appeal of these movements and the struggles recently won by grassroots movements in countries as diverse as India, Mexico, Nepal, and Costa Rica.³⁴ Others are optimistic about the prospects for new types of cross-border solidarity among labour unions and between them and other social movements, nationally and regionally.³⁵ The issues on which these movements campaign may seem diverse, including regional and national land reform and social justice, resistance to structural adjustment campaigns, and the struggle for national and international labour rights, but all are a product of the same phenomenon: market-driven economic liberalization and its destabilizing effects on society.³⁶

In the quest for new types of global solidarities in resistance to NLEG, the union movements and social movements of the North have much to learn from their counterparts in the South and much to gain from working with them. The leadership role in emergent global solidarity movements should be shared between Northern and Southern representatives and between men and women. Resistance to NLEG will very probably continue to come predominantly from within national civil society, national union movements, and national social movements. However, the success of all these increasingly depends on their ability to transcend old forms of organization and develop new linkages with international social forces sharing similar goals and interests. Resistance from within civil society from the base of unions and social movements working within broad social coalitions will be an indispensable part of the new politics of resistance to NLEG, but internationalism will increasingly become an indispensable aspect of the strategy of national movements.

³² Patrick Bond and Mzwanele Masekiso, 'Toward the Integration of Urban Social Movements at the World Scale', *Journal of World-Systems Research*, 2/2 (1996), pp. 1–10.

³³ See various contributions in the special issue on global labour movements, Bradley Nash Jr (ed.), *Journal of World-Systems Research*, 4/1 (1998).

³⁴ See Peter Waterman, *Globalisation, Social Movements and the New Internationalisms* (London: Mansell/Cassell, 1998); and Peter Waterman, 'Social Movements, Local Places, and Globalized Spaces: Implications for Globalization from Below', in Gills (ed.), *Globalization and the Politics of Resistance*, pp. 135–49.

³² Kaplan, 'Was Democracy Just a Moment?', p. 69.

³³ The National Foreign Trade Council, representing 550 US manufacturing companies, filed suit against Massachusetts, claiming the State's new selective purchasing law infringes the US federal government's right to make foreign policy. This backlash in favour of NLEG may spread to the WTO and the EU, where there are threats of a suit against the Massachusetts Burma Law. For more information on these issues, contact Russell Mokhiber, editor of *Corporate Crime Reporter* (Washington, DC) at rusell@essential.org, and Robert Weissman, editor of *Multinational Monitor* (Washington, DC) at rob@essential.org. See the 'Focus on the Corporation' columns posted at the Multinational Monitor web site at www.essential.org/monitor.

Through such actions a new global consciousness is being constructed 'from the bottom up' and an incipient global civil society is emerging. Such movements and the new practices of global solidarity will form the basis of new democratic and progressive movements for social change at local, national, regional and global scales. The hope of the twenty-first century must be that a new social praxis will constitute the basis of new sources of popular knowledge and epistemology for the achievement of a new democratic global civilization.³⁷

³⁷ For a fuller elaboration on the new politics of globalization see: Barry K. Gills, 'Overturning Globalisation: Rethinking the Politics of Resistance', in J. Hersh and J. Schmidt (eds.), *Globalisation and Social Change* (London: Routledge, 2000), and Barry K. Gills, 'Globalisation and the Politics of Resistance' in Gills (ed.), *Globalisation and the Politics of Resistance*, pp. 3-11.

INDEX

- Abkhazia 263
 Acheson, Dean 4
 Adams, Henry 121
 Adams, John Quincy 147, 155
 Afghanistan 146, 166
 Africa 2, 16, 34, 54, 85, 88, 99-100, 132, 140-4, 185, 187, 194, 294-6, 298-9, 300, 303-5, 307, 331, 340, 342
 elitism 287, 304
 liberalism 287
 modernization 296
 nationalism 287
 political community 287
 sub-Saharan Africa 184-5, 196, 199, 292, 296-7, 302
 Agency for International Development 315
 Albright, Madeleine 85, 95
 Alcbiades 23
 Ambrosius 236
 Americanization 1, 85, 87
 Americas 340
 Amnesty International 101
 anarchy, anarchic 24, 26, 29-31, 42, 44-7, 50, 52, 54, 57, 60, 144
 international 28-9
 Anderson, Benedict 273
 Angell, Norman 9, 107
 Angola 197
 anti-utopian framework/world 16, 270, 273, 285
 Aquinaldo, Emilio 92
 Aquinas, Thomas 49
 Aquino, Benigno 216
 Aquino, Corazon 274
 Argentina 97, 318-19, 322
 Armenia 263
 Aron, Raymond 34
 Asia 2, 54, 62, 91, 97, 115, 123-4, 126, 132, 135, 137, 140, 142, 144, 184-5, 190, 289, 291, 298, 300, 303, 330, 331, 340
 Asia-Pacific 15-16, 268, 274-5, 285
 South Asia 147, 203, 300
 Asia Foundation 181, 190
 Asia-Pacific Economic Cooperation (APEC) 91, 332
 Asian Development Bank 186
 Association of South-East Asian Nations (ASEAN) 284
 Atlantic Charter 110, 122, 152
 Atlantic Union movement 122
- Attali, Jacques 232
 Atwood, Brian 188, 212
 Australia 276
 Austria 129, 134
 Austrian-Hungarian Empire 96, 237
 authoritarian/aut(ism) 27-8, 40, 73, 97, 113, 138, 143-4, 152, 157, 175-8, 195, 229, 234, 290, 292, 300, 304, 309, 311-12, 314, 318, 320, 325-7
 hard 300
 market 290, 298
 semi- 195, 197
 soft 287, 300
 Azerbaijan 146, 263
- Bachrach, P. 71
 Baker, James 68, 122
 balance of power 35, 125, 129, 132, 218
 peace 35
 prudence 35
- Balkan 107, 203, 295
 Ball, George 219
 Baltic states 135, 146
 Baratz, M. 71
 Barber, Benjamin 75, 273
 Belarus 197
 Belgium 137
 Bentham, Jeremy 22, 27
 democratic peace 154
 Bismarck 135
 Bolivia 318, 322
 Bollen, Kenneth 288
 Boorstin, Daniel 225
 Bosnia 154, 174
 Botswana 305-6
 Brazil 290, 303, 318, 322, 324, 334
 Bretton Woods Accords 91
 Brinkley, Douglas 64, 77, 78, 223
 British Commonwealth 110
 Bryce, Lord 121
 Brzezinski, Zbigniew 225
 Buchanan, Pat 210
 Bulgaria 181
 Bull, Hedley 52
 Burbach, Roger 211
 Burkina Faso 290
 Burr, Robert 54
 Burundi 156, 197
 Bush, George 21, 122, 125, 164, 168, 210, 219-20, 223, 228
 administration 94-5, 151, 158, 185, 187, 202