



Scotland and International Trade Organisations

A discussion of Common Weal approaches to international organisations and trade agreements

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Summary

If Scotland was to become independent it would have to make decisions about membership of various international organisations - notably the World Trade Organisation, the International Monetary Fund, the World Bank and the European Union. All of these are, to varying degrees, dedicated to encouraging a specific kind of globalised economic development in which 'competition' is used as a shorthand for a business environment which favours low regulation and low tax. This environment is imposed partly through rules set out in multilateral agreements: General Agreement on Tariffs and Trade (GATT 1994) on open access to trade in goods, agriculture, textiles and clothing, the General Agreement on Trade in Services (GATS) on the trading of services and access to service markets of members, such as construction, distribution, education, finance, transport, tourism and telecommunications, Trade Related Investment Measures (TRIMS) are policies used to prevent governments from forcing foreign investors to attain certain performance standards or conditions that compel them to use local produce or labour and The Agreement on Trade-Related Intellectual Property Rights (TRIPS) covering industrial property, copyright, patents, trademarks and knowledge goods.

All of these underpin the approach to economic development known as neoliberalism. These are often in conflict with other models of economic development which favour social as well as economic outcomes (such as the Common Weal project in Scotland). While membership of these institutions may well be seen as necessary, it must be understood that they are also immediately limiting when it comes to pursuing a number of economic development strategies, strategies which might greatly benefit Scotland.

However, it should also be noted that the restrictive nature of these institutions has already led to a backlash from a number of nations (particularly in Latin America) which themselves wish to pursue a different economic model. This has led in turn to a breakdown in the capacity of these global institutions to dictate the terms of trade between nations. Indeed, many nations (or blocks of nations) now accept that the future of trade agreements lies in bilateral agreements. In this context, there is much to consider about what forms of bilateral trade agreement Scotland might wish to pursue and with whom we may wish to pursue them. For example, it might be possible to create coalitions of trading nations interested in different economic development models (even if Scotland is a full member of all the International Organisations).

The one-dimensional approach to international economic relationships which dominated the 1990s and 2000s has left a legal framework which create significant structural limitations. However, as that approach has ground to a halt there are many more options going forward. This paper seeks to initiate a debate in Scotland about what those alternatives might look like.

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Introduction

If the 2014 referendum on independence is successful, the Scottish National Party (SNP) will be the first Scottish government to embrace sovereignty since the Scottish Parliament was signed away in 1707. Following independence, in 2016 Scotland's democratic process will eventually allow the electorate to decide the principles for governing domestically, and importantly internationally. A defining part of Scotland's new global relationships will be its negotiations with international organisations (IOs). Independence would give Scotland not only the exceptional status of non-membership but the unique opportunity to assess whether membership terms of IOs are compatible with the social and economic policy agenda an independent Scottish Parliament wants to pursue. At the moment the UK government has membership of a number of IOs that have developed specific policy agendas in the areas of aid, debt, environment, investment, human rights, security and trade. While the policy agendas of these IOs may fit well with the principles and policies favoured by Westminster, they may not sit as comfortably with a newly independent Scottish Parliament. From the devolved parliament, the current SNP government has consistently emphasised that the political transformation of independence will also bring economic independence and a departure from the economic policies pursued by the United Kingdom's (UK) government. In addition, a number of Scottish academics, policy-makers, think tanks and trade unions are advocating alternative social and economic policies. These policies are in conflict with the economic model and the international engagements which have dominated Westminster for the last 30 years. One alternative has become known as the Common Weal, which seeks to use fiscal policy (increased tax revenue) and government investment for the creation of growth, employment, and general prosperity. Since the Common Weal has found support within the SNP, debate over the economic and social policy direction of a post-independence SNP government is taking place. This debate is used in this paper to explore how Scotland's choice of economic and social policies may be affected by membership of IOs.

To explain how the content of Scotland's economic and social policy relates to membership of IOs, I will clarify the principles informing the policy agendas of the European Union (EU), International Monetary Fund (IMF), World Bank, and the World Trade Organization (WTO). It is equally significant to look at how this fits with the economic model promoted by successive Westminster governments. This paper is divided into four sections. In the first section, I outline two proposals from within the SNP for the social and economic policies post-independence. After drawing attention to the argument that an independent Scotland has no choice but to maintain a 'credible fiscal policy' similar to the UK, the next section describes the Westminster policy of monetarism as a means to illustrate the origin of this 'credible fiscal policy'. Neoliberalism is also explained and utilised to identify the changes to capitalism that monetarism has demanded since the 1970s. By charting neoliberalism I can then extrapolate the principles informing the policies of IOs and the significance of these principles for the policy autonomy of member states. In the next section, I discuss the politics of member states within IOs. Focusing primarily on the WTO, I explain (1) why neoliberalism has become so contentious, (2) caused a freeze on multilateral trade agreements and (3) brought about the proliferation of bilateral and regional trade agreements. Given the absence of explicit reference to neoliberalism in the agendas of IOs, I draw from the work on the discourse of 'competitiveness' to highlight the drive towards further liberalisation nationally, regionally and internationally in the wake of the 2008 financial crisis (Cammack 2004-2009). Finally, I return to the two economic and social policies proposed within the SNP and discuss what membership and non-membership of IOs might mean for each policy proposal. By way of an example, I briefly explain how Norway has tried to navigate its way through the conditions of IOs membership. My aim is not to state which IOs Scotland should join, but to open the way for a wider discussion on the impact membership of these IOs would have on the policy autonomy of and independent Scotland.

Political Independence and Scotland's Economic Model

All nationalists demand the right to national sovereignty and self-determination (final authority over a territory and people). Similarly Holyrood's current SNP government argues that independence from the UK will provide the sovereignty to enable future Scottish governments to exercise policy autonomy, including 'monetary policy, financial stability and fiscal policy' (Scottish Government 2013a). Whilst subsequent democratic elections in Scotland will shape how this policy autonomy should be used, a successful independence campaign will initially put the SNP in power at Holyrood. There is debate amongst senior members of the SNP government over the direction of economic policies and the economic model once independence is secured. On the one hand, SNP Finance Minister John Swinney, appears committed to restructuring the whole Scottish economy; this is detailed in the Scottish Government Economic Strategy (Scottish Government 2011), the Scottish Government Strategic Forum (Scottish Government 2013b) and the Scottish Government Fiscal Commission Working Group (Scottish Government 2013c). This restructuring is justified on the grounds that it will make Scotland attractive to foreign investment, increase exports and make Scottish workers and corporations 'competitive' in the global economy. This is to be achieved by public sector efficiency reforms, building a skilled workforce, promoting the knowledge economy (research and development from universities), and further reducing government regulation on the international trade of energy, goods, services, foreign investment and access to foreign corporations (Scottish Government 2011 and 2013b). There is also a commitment to membership of international organisations (Scottish Government 2013c). On the other hand, SNP Deputy First Minister Nicola Sturgeon, appears to support a different set of economic policies; those which have become known as the Common Weal. This principal has emerged from Scottish scholars, trade unionists and activists using independence as a platform to deliberate on an alternative economic agenda to the neoliberal model favoured by Westminster. The *Jimmy Reid Foundation* has been among the main bodies seeking to articulate the Common Weal and defines it as "(it is) done in the interests and for the benefit of the majority or the general public" (2013). Inspired by the Nordic (Finland, Denmark, Sweden, Norway) economic models, it is certainly not a declaration to impose Stalinist-style state socialism. The Common Weal aims to reflect many of the principles of previous Coordinated Market Economies. It seeks to address low income and wealth inequalities, promotes low poverty levels, a more skilled labour force, greater democratic participation and an emphasis on a tripartite relationship between the state, employers' associations and trade unions. Support can be found throughout the rank and file of the SNP and the leadership; the SNP passed a motion at its Annual Conference in October 2013 offering support for the Common Weal initiative and committing the party to look at the proposals.

The UK's Institute for Fiscal Studies (2012) is keen to assert that there is very little policy choice available to an independent Scotland. The IFS points out that due to the 'unhealthy state' of the current UK economy, including the gap between spending and revenue, the UK Government has advocated numerous cuts. These include: cuts in corporate tax, cuts to higher bands of personal Income Tax and cutbacks to an array of welfare and housing benefits. This is coupled with increases in National Insurance Contributions, increased taxes on alcohol and Stamp Duty, and the imposition of public sector wage freezes. These policies have become known as 'austerity measures' and it is claimed that these will both eliminate the structural deficit by 2016/17, and make the UK more globally competitive (Cameron 2013). The IFS (2012) argues that a newly independent Scotland, inheriting its share of the UK debt, would have to maintain a similar 'credible fiscal policy' in order to borrow cheaply on international markets to service the debt. This is based on the claim that an independent Scottish government would have to pursue the same economic model as the UK government: monetary policy, austerity and competitiveness. In response to the IFS (2012) report the Scottish Government (2013a) emphasised its right to economic autonomy

“to boost growth and address inequality including; taxation, capital borrowing, welfare, social security, regulation, competition law, employment policy and immigration, helping to create a more prosperous and inclusive society”. Clearly, the SNP Government asserts that political independence must be matched with economic independence (economic policy autonomy) when separating from the UK.

There is No Alternative to a ‘credible’ fiscal policy: Explaining the UK’s Economic Model

‘Credible’ is an interesting choice of adjective for the IFS to use to describe the current UK Government’s economic policies and model. Indeed ‘credible fiscal plan’ and ‘credible fiscal policy’ are the phrases often employed by David Cameron PM and Chancellor George Osborne when seeking authority and legitimacy for their austerity policies. As Ben Clift (2013) reminds us, the use of fiscal policy (tax revenue) to fund subsidies for national corporations, workforces or sectors directly relates to the evolution of that state’s tradition, political ideals, and institutions. He then points out that “corporate governance and company law in the United Kingdom, France and Germany” are shaped by the particular political traditions of a strong state and neoliberalism. As such, to understand what is deemed to be a ‘credible fiscal policy’, it is necessary to identify where the traditions of a strong state and neoliberalism have emerged from. The genesis of Cameron’s policies can be traced back to Margaret Thatcher pioneering the ‘monetarism’ model in the 1970s. This economic model goes by many names. Subsequent Westminster governments’ have continued with Thatcher’s agenda, but renamed it; the ‘Third Way’ (Blair/Brown) and today ‘austerity’ with ‘competitiveness’ (Cameron/Osborne). Academics and commentators use the concept of neoliberalism and the orthodox model. Most people, however, will only be aware of the language of competition and competitiveness that fills all discussions of not only economics, but matters of education, environment, employment, health, welfare and work. Below I will explain the Westminster economic model in terms of monetarism to illustrate what a credible fiscal policy looks like from this perspective. Then I will use the academic term neoliberalism to explain the relationship between national economic policies and membership of IOs, but I will return to the competitive discourse to illustrate the continued drive for liberalisation, surveillance and conditionality after the 2008 financial crisis.

Essentially, monetarism involves the government (normally the independent central bank, or monetary authority of a country) controlling the amount of money in the economy via adjusting interest rates, exchange rates, asset prices, the availability of credit and the promotion of an export-oriented economy (Chibba 2007 and 2010). Monetarism is normally described as a reaction to the Keynesian fiscal policies adopted by western liberal governments in the post-Second World War era. Here governments engaged in a limited degree of public ownership and fiscal policy referred to government ‘planning demand’ via collecting taxes and investing/spending this revenue to create employment, economic demand, economic growth and state welfare provision. By the early 1970s the global recession, spikes in oil prices, and rising government deficits impacted on both advanced industrial and developing economies. It also provided an ‘enabling environment’ for social forces from both the left and right to preach disillusionment with Keynesian fiscal policy and the need for a new economic model. What came to dominate was a coalition of social forces from the right championing monetary policy. A core argument of this group was that government investment placed too much money in the economy causing inflation; when government policy ought to reduce taxation and regulation so that entrepreneurs could create economic activity (supply-side). As such monetarism was a course of action that required a strong state for dismantling the Keynesian economic model (see below) and constraining the use of fiscal policy. A key aspect of this model is the belief that politics (including the democratic process) should not impede the realisation of a future where markets reined freely and a ‘natural’ (effective and efficient) distribution of goods, services and wealth occurred. A strong state is needed to intervene and re-

regulate the existing economic, political and social institutions, values, practices and to manage the flow of money for the market to function. A credible fiscal policy from the perspective of monetarism is one that limits the tax-raising and spending powers of the state. Illustrating this point, the IMF argues a credible fiscal policy “raises questions about the affordability of current health care and pension systems”, tax cuts should be given to consumers to consume, investment for corporations should be limited to restructuring towards market demand and “public sector wage increases should be avoided” (IMF 2011 and 2013).

Through the concept of neoliberalism academics have described the different dimensions of the (fore-mentioned) restructuring of capitalism. It is important to unpack neoliberalism because it explicitly highlights what membership of IOs means for member states. Acknowledging the debate and confusion generated over the term neoliberalism, Brenner, Peck and Theodore (2010) bring structure and clarity by identifying three major dimensions evident since the 1970s. Firstly, they identify ‘regulatory experimentation’ where political elites have sought to enact new laws to bring private enterprise and competition into formerly state-controlled areas of life. These new laws are described as ‘market-disciplinary institutional reform’, and Peck (2010) details these reforms: the pursuit of labour market deregulation and flexibility of the workforce, coupled with welfare cutbacks, privatisation of public utilities (electricity, gas and water), privatisation of public housing and health institutions and the privatisation/down-sizing of public services, such as government bureaucracy. Government also promotes and invests in the private sector declaring it to be the solution to all economic problems. There is significant literature documenting these reforms in Asia (Moore 2007, Cammack 2009b and 2013), American, Europe, Latin American (Fourcade-Gourinchas and Babb 2002, Cammack 2007), and post-communist states (Shield 2012). The ‘disciplinary’ nature of these reforms highlights attempts to dismantle and weaken institutions that will oppose these reforms, such as trade unions and public bureaucracies. John McIlroy and Gary Daniels (2009) provide a detailed account of these ‘disciplinary’ reforms directed at weakening unions in the UK. Secondly, Brenner, Peck and Theodore (2010) highlight the diffusion of neoliberal knowledge, policy and strategy among elites through transnational webs, so as templates for ‘market-disciplinary institutional reform’ are legitimised and circulated for application in new places (inter-jurisdictional policy transfer). Empirical evidence drawn from mapping these transnational communities “distinct from both state power and economic power yet intimately linked to both has developed in recent years (Carroll and Carson 2003, Djeli and Sahlin-Andersson 2008, Boeger and Joseph 2012). Finally, they highlight the manner in which IOs took on a legal character in international debt, trade and investment treaties, and as such ‘transnational rule-regimes’ emerged during the 1990s. Thus IOs became pivotal actors in promoting and enforcing ‘market-disciplinary reform agendas’ to ensure that membership necessitated application of these reforms.

It is important to note this legal turn to enforce the liberalisation of trade and investment amongst member states is acknowledged by the different perspectives created for analysing IOs. The difference is Realists would argue that IOs are built by the most powerful states to create a system of order to secure and service their dominance. Whilst Realist author’s such as Steinberg (2004) see the legalisation of IOs, such as the WTO, as a means of securing compliance from other states, they assert that the most powerful states will leave these IOs if the legal system is used to undermine their interests. Liberal Institutionalists argue that IOs represent the natural cooperation amongst states to create a system of predictable order for the realisation of ‘mutual beneficial agreements’. The development of legalisation is deemed to be a necessary step in institutionalising due process, and ensuring trust in the predictability of agreements made within IOs (Keohane, Moravcsik, Slaughter 2000). For example Kassim and Lyons (2013) explain how the EU restrains the ability of democratically elected governments to invest and subsidise as they wish because “the political economic model underpinning EU economic governance draws on neoliberal conceptions of competition and markets”. This is enforceable through the legal frameworks found

in the Article 107 of the Lisbon Treaty (2007), which specifically seeks to legally delimit states funding corporations, workforces and sectors. Gaines, Olsen, and Sørensen (2012) acknowledge the EU and WTO have been central to global trade liberalisation, and consolidating this liberalisation within legal frameworks (more below). Finally, Marxists highlight that all institutions reflect the class relations of production, and therefore IOs are a reflection of the dominant class's interest in global capitalism. For example Stephen Gill (2000) developed the term 'new constitutionalism' to draw attention to the shift from national sovereignty to 'market sovereignty' at the EU and WTO because legalisation 'locks in future governments to liberal frameworks of accumulation'. Similarly, Sonja Buckel and Andreas Fischer-Lescano (2009) illustrate the power of international law because social struggles against neoliberalism are transformed into legal struggles which are 'resolved' under the special conditions of the legal system. A very obvious case in point is the IMF and the World Bank's 'Structural Adjustment Programmes', known as the Washington Consensus, which demanded the enforcement of neoliberal policies on South America and East Asia in return for loans (Biersteker 1992, Snyder 2001). The WTO's legal process also ensures that members found in breach of trade liberalisation treaties can suffer economic penalties from other members. Similarly the EU, ECB (European Central Bank), and IMF (Troika) are able to hold back financial assistance to governments unless the austerity conditions set out in legal documents are met. Thus while these competing perspectives dispute who is initiating and benefiting from neoliberalisation, there is broad agreement that IOs have been responsible for promoting market disciplinary reforms and creating legal systems to ensure compliance from member states.

Current member-state politics within IOs

Beyond dispute are the very real shifts in power among the member states of these IOs. As Hampson and Heinbecker (2011) highlight, the United States is burdened by debt, internal divisions, and is newly conscious of its limitations. In contrast the emerging economic powers of Brazil, India and China (BRIC), BASIC [BRIC + South Africa] and G20 (group of developing states) are demanding reform in the major decision-making organs of all the IOs. These emerging powers are insisting on representation of their values and interests (China exports primarily manufactured goods, India services and Brazil agricultural products). These tensions existed long before the 2008 financial crisis, as developing states have long contested the appropriation of collective gains and the inclusiveness of decision-making. Lest we forget the campaigns throughout the 1990s and early-21st century by social movements and Non-Governmental Organisations (NGOs) highlighting, not only the inequalities suffered from policy outputs, but also the undemocratic practices among members and the absence of public oversight and accountability. Indeed NGOs published a wide variety of research to raise public awareness of neoliberalism and the impact of market disciplinary reforms on democratic decision-making, economic inequality, and environmental degradation (Reitan 2007). Attention was also drawn to the manner in which elites celebrated the growth of national GDP, which ignored the distribution of economic growth among the population or the impact of this growth on living standards, health, environmental issues and poverty. For example the UNICEF (2011) report points out:

As of 2007, the wealthiest 20 percent of mankind enjoyed nearly 83 percent of total global income compared to [...] the poorest 40 percent of the global population increased its share of total income by less than one percent between 1990 and 2007.

Whilst these events and data created a serious crisis of legitimacy (right to rule) for IOs, the financial crisis of 2008 seemed to justify demands for reforms of their policy and process.

This power struggle over policy and process is clearly seen at the WTO. In order to explain this I will first briefly explain what the WTO does. The WTO Charter (constitution) asserts that it provides the forum for both the negotiation and the enforcement of trade liberalisation agreements for

the mutual benefit of all members. The policies that are enforced by the WTO are outlined in the four annexes of the Charter. The General Agreement on Tariffs and Trade (GATT 1994) relates to the trading of goods, agriculture, textiles and clothing. The General Agreement on Trade in Services (GATS) governs the trading of services and access to service markets of members, such as construction, distribution, education, finance, transport, tourism and telecommunications. Finance and telecommunications have been the most liberalised of these service industries since the creation of the WTO. Trade Related Investment Measures (TRIMS) are policies used to prevent governments from forcing foreign investors to attain certain performance standards or conditions that compel them to use local produce or labour. The Agreement on Trade-Related Intellectual Property Rights (TRIPS) is the only WTO policy that is concerned with harmonising protection, rather than liberalising it. These intellectual property rights cover industrial property, copyrights and related rights in the form of patents, trademarks and knowledge goods. The TRIPS agreement provides intellectual property owners with a 20-year monopoly right. Each of these annexes is interlinked by both the 'Most Favoured Nation' (MFN) principle, and the 'National Treatment' rule. It is claimed that the MFN principle ensures that states do not discriminate between trading partners, whilst the National Treatment rule requires that foreign goods that enter a market be subjected to the same tax and measures as domestic goods. The Charter also describes 'Co-operating with the World Bank and the IMF' to achieve 'greater coherence on global economic policy-making' as a key purpose of the WTO (WTO 1994). The securing of WTO membership for any state is conditional (limited exceptions for Least Developed Economies) on accepting the legal rules set out in the Charter in their entirety: '*the so-called* single undertaking'. By ensuring that all members unconditionally accept those agreements, negotiations on these issues, the final rulings of the Dispute Settlement Body (DSB) and the review of their domestic legislation through the Trade Policy Review Mechanism (TPRM), the WTO has become one of the three central economic institutions (IMF, World Bank and WTO) of the current global economy.

Research by Subramanian et al. (2007) argues that benefits reaped from a country's WTO membership depend on whom it negotiated with, and the products the negotiations cover. However, they stress that states that do not "undergo *radical* liberalization" did not witness an increase in trade. The reason radical is highlighted is because the WTO's trade liberalisation is not just concerned with border tariff protection (taxes on imports), but the need to regulate a member state's economic policy or remove non-tariff protection. This means demanding member states adjust national taxes and subsidies to national business if the WTO members deem these to be a breach of trade agreements. For example the US found that its tax system for corporations was determined to be a trade subsidy and the WTO DSB (court) has demanded that it change its domestic tax laws. As Barbara Angus the former US International Tax Council points out: 'Few things are as central to a country's sovereignty as the right to choose its own tax system'. While the US struggled with making these changes, Steinberg (2009) points out that initially it was the EU and the US that did well out of the WTO because they demanded liberalisation (services, investment and TRIPS) but protected their own markets from international competitions (i.e. agriculture and cotton). So while economists have suggested that the WTO has been responsible for 120 per cent of additional world trade, they acknowledge the significant uneven distribution of gains between member states and within societies. For example Gallagher (2008) points out:

Developed countries hold 86 per cent of all patents in the world and receive seven per cent of all patent royalties. This makes it very difficult for developing countries to enter the innovation process or at least very expensive in terms of licensing such patents.

The World Bank estimates the amount of South-to-North profit transferred due to the WTO is \$41 billion annually.

This changed with the arrival of BRIC and her allies (G20 states) in the key negotiations and decision-making, which has frozen much of the disputed Doha Development Round (Narlikar

2009). Due to this, some projections for the future are that India and China will enhance their GDP over the next 10 years in the WTO at the expense of the EU and US. For many others, the WTO is in deadlock and this has caused many member states to shift from WTO multilateral to bilateral and regional trade agreements. In 2006, the total number of Regional Trade Agreements (RTAs) in force was approximately 170. As of 31 July 2013, some 575 notifications of RTAs (counting goods, services and accessions separately) had been received by the GATT/WTO. Of these, 379 were in force (WTO 2013). The United States has concluded a substantial number of bilateral and regional free-trade agreements including substantial commitments in the field of intellectual property rights, largely with developing countries (Abbot 2006). The current negotiation of the EU-US bilateral trade agreement would be the biggest bilateral trade deal ever negotiated. This leads Steinberg to argue that “as a location for trade negotiation, the WTO is dead”, but its legal process is still functioning to ensure existing liberalisation treaties are honoured. Thus bilateral and regional free trade agreements have become an attractive means to avoid the conditionality of the WTO.

Whilst Wade (2011) acknowledges similar power shifts in the IMF, but concludes that the United States remains the dominant state and the G7 states together continue to exercise primacy, but “sovereignty is guarded and international engagement more defensive”. However, if we look at IMF and World Bank documents we see an inordinate emphasis placed on the pursuit of market disciplinary reforms. On the one hand, in the wake of the 2008 financial crisis and the unprecedented use of public money to pay the costs of private risk and support financial markets, many academics, commentators and members of the elite claimed it was the end of the conditionality of the Washington Consensus (Brown 2009, Zolick 2010). On the other hand, though elites publicly decried the Washington Consensus, we might ask why neoliberalism was not named and shamed? Indeed we might ask why neoliberalism rarely appears in policy documents or speeches. It seems strange that in a global neoliberal capitalist economy the words neoliberalism and capitalism are hardly mentioned. We are, however, bombarded with a discourse of competition and competitiveness that prefaces nearly every discussion of not only economics, but matters of education, environment, employment, health, welfare and work. Paul Cammack’s insightful research on ‘competitiveness’ identifies the drive by IOs to establish market disciplinary reforms, before and after the financial crisis, with the language of competitiveness. Prior to the financial crisis, Cammack identified the discourse of competitiveness in documents from the World Economic Forum (1979), the EU (1993) and OECD (Organisation for Economic Co-operation and Development) (2004–6). This leads him to argue that these IOs are advocating

“the need for an active state that promotes integration into the global capitalist economy, competitive product markets, and in particular the maximisation of the number of people in work and the productivity of their labour” (Cammack 2009).

Whilst IOs have established benchmarking and surveillance, national governments are given guidelines for implementing change (reducing minimum wages, cutting unemployment benefits, labour market flexibility, cutting government spending and developing positive public opinion around competitiveness). Focusing on the IMF and World Bank’s *Global Monitoring Report* (2009), Cammack illustrates why the financial crisis has not seen the end of neoliberalism, but legitimised its intensification, in both developed and developing states. Through advancing the need for competitiveness amongst its member states the IMF has reasserted itself as a central institution for surveillance and ensuring loans amongst member states are conditioned on pursuing policies of market reform (IMF 2009b). This was first seen in Mexico and then in Europe after the Euro crisis as part of the ‘Troika’ (IMG, EC and ECB) in Ireland¹, Greece², Portugal³, and Spain⁴.

Furthermore, a recent European Commission (EC) report has reasserted that trade liberalisation is paramount for the EU member states and for its relationships with developing states on the grounds of competitiveness. (EC 2010) While the issue of tariff protection (border taxes on

imports) is highlighted, the report places more emphasis on addressing non-tariff protection (regulating national taxes and subsidies to national business). The EC has also promoted the benchmarking and monitoring of member states economic policies, as the EC Enterprise and Industry Committee explains:

“Member States have engaged in reforms to boost their competitiveness, but great differences remain. Starting in 2012, a new Industrial performance scoreboard assesses Member States according to their performance in five key areas: manufacturing productivity; export performance; innovation and sustainability; business environment and infrastructure; and finance and investment.” (EC 2012)

Clearly this illustrates the EC's drive to bring further market disciplinary reforms to member states. Yet traditionally, European states have pursued the protection and promotion of national champions [corporations/sectors], which is at odds with the neoliberal principles underpinning the policing of the Single European Act and the EU's competition regime [see Section 107, TFEU 2007]. As a consequence of the EC's stance on state subsidies member states now frame subsidies in terms of restructuring or streamlining corporations/sectors to enable their competitiveness in the global economy. Krämer and Krajewskisupport (2011) argue that:

“EU Member States must not only adhere to EU State aid law, but are also subject to the WTO provisions on subsidies. WTO law is an integral part of EU law and therefore binding on the Member States of the EU (Article 216(2) TFEU). It has the same legal supremacy over domestic law as primary and secondary EU law. Furthermore, all EU Member States are also Members of the WTO and are therefore bound by these rules also in their own right. As a consequence, the legality of a support measure or the possible consequences of that measure may not only depend on EU law but also on WTO rules.”

The supremacy of EU law, including state subsidies and domestic labour law are important parts of the process for successful membership accession to the EU and the Single European Market (European Foundation 2013). It therefore seems reasonable for Cammack to argue that the EU, OECD, IMF and World Bank are working together to continue the intensification of market disciplinary reforms among their members in the wake of the financial crisis. This crisis has served a purpose: “It is one of the key precepts of the ‘political economy of reform’ that every crisis is an opportunity to be exploited to drive reform forward” (Cammack 2009). Similarly, Brenner Peck and Theodore (2010) see the post-financial crisis era as the third wave of neoliberalism. The first wave involved market disciplinary reforms, the second wave was the legal consolidation of these reforms, and the third wave is deepening and widening the scope of the previous two waves to include more states.

The discourse of competitiveness has also been transmitted through national institutions. Fanelli and Thomas (2011) trace this process in Ontario where political elites “have re-branded and re-packaged core neoliberal policies in such a manner that costs are socialized and profits privatized”. In the UK Macartney (2011) points out that under the name of austerity “Neoliberalism is - at once - in disrepair and yet being invoked as the solution to the on-going crisis facing the British economy”. This argument is illustrated by tracing the promotion of personal debt to ensure consumption and consumerism in an economy where the value of real wages has increased little under successive UK governments. In a speech by David Cameron we can see the discourse of ‘austerity’ and ‘competition’ being firmly woven through the current UK government's policy and public statements:

“Let me put this simply: Britain is in a global race. There's a fierce battle for our economic future with great shifts in wealth taking place from West to East. [...] The competitiveness problems in our country go very deep. The welfare system has failed to incentivise people to work [...]

We are making big cuts in bureaucracy, including by reducing the size of government. We now have the smallest civil service in Britain since the war. Some government departments are being cut in half. And dealing with the deficit gives us the credibility in world markets to maintain low interest rates [...] At the forefront of this is our bold plan to cut corporation tax to 21% [...] we've transformed business perceptions of our corporate tax system [...] to one of the most competitive in the world. We're introducing some of the most generous tax breaks for early investment start-ups [...] we've put Britain back in the World Economic Forum's Top Ten for competitiveness [...] because if we want good jobs for our children, we will not get them if we are burdened with debt and outcompeted by India and China." (my emphasis)

Clearly, this discourse of competitiveness allows the UK Government to advocate that there is no alternative to following a 'credible fiscal policy', which means more market disciplinary reforms.

It is important to note that this neoliberal model promoted domestically, regionally and internationally has been criticised for causing one of the worst financial crisis in world history. The current 'credible fiscal policy' has long been criticised for enabling widespread tax avoidance by big business and wealthy individuals in the UK (£95 billion in 2010). The unemployment rate has also risen sharply since 2008 peaking at almost 2.7 million by the end of 2011. In March 2013, 7.8 per cent of the economically active population or 2.51 million people were unemployed. The unemployment rate for 16 to 24 year olds was 21.4 per cent, while 20 per cent of employees are in low-paid work in the UK and seven per cent are on short term contracts of three to six months (Labour Market Statistics 2013, OECD 2013). Indeed, the impact of flexible labour markets in the UK was highlighted by the OECD:

"Labor market conditions are widening the income gap between full-time employees and an increasing share of the workforce on part-time, insecure and low-wage jobs. This comes in a context where income inequality was already high and rising before the recession." (OECD 2013)

According to one study the top one per cent of earners have seen their share of the nation's wealth jump from seven per cent in the mid-1990s to 10 per cent today, meaning that the top one per cent of earners now pocket 10 pence in every pound of income paid in Britain. In contrast the bottom 50 per cent has seen their share of wealth drop from 19 per cent to 18 per cent. As such, some argue that successive UK governments have pursued neoliberal policies which has caused greater inequality in the UK. The 'financial crisis' has not challenged neoliberalism, but rather has provided an enabling environment for political elites to manufacture positive public opinion for further market disciplinary reforms using the language of 'austerity' and the discourse of 'competitiveness'.

Discussion: What to do with an independent Scotland's policy autonomy?

Having outlined the neoliberal economic model of the Westminster government and how the principles of neoliberalism are promoted through the discourse of competitiveness and legal treaties of IOs, this final section will deliberate on what membership of IOs might mean for an independent Scotland. As already discussed, a successful independence campaign would place the SNP in government before the 2016 democratic process determines the makeup of the next Scottish government. This would leave the SNP with the task of deciding on how to use Scotland's new economic and social autonomy, and how best to connect with IOs. The SNP government proposals for the Scottish economy are detailed by John Swinney in the Scottish Government Economic Strategy (GES 2011), the Scottish Government Strategic Forum (SF 2013)

and the Scottish Government Fiscal Commission Working Group (FCWG 2013). The SNP (GES 2011) states that it seeks:

“to provide the overarching economic framework – such as a competitive business environment, an effective justice system that protects property rights, an integrated and resource efficient economy and a skilled and adaptable workforce – which is conducive to sustained economic growth.” (p. 17)

This economic framework is designed to achieve the key priorities of a “Supportive Business Environment; Transition to a Low Carbon Economy; Learning, Skills and Well-being; Infrastructure Development and Place; Effective Government; and Equity”. The purpose of promoting these strategies is the realisation of “Productivity, Competitiveness and Resource Efficiency, Participation in the Labour Market and Population Growth – and our desired characteristics of growth – Solidarity, Cohesion, and Sustainability” (p.13). It is argued that through specifically promoting supply side (reducing taxation and regulation for entrepreneurs to create economic activity) that ‘Solidarity, Cohesion, and Sustainability’ can be realised. Equity is identified as a key priority ‘to ensure that all of Scotland benefits’, because “Equity - social, regional, and inter-generational – is also a key driver of economic growth” (p.20). It is interesting to note that in this document the word ‘competition’ appears four times, ‘competitive’ appears 44 times, ‘equality’ 15 times and ‘equity’ 21 times. In all the document argues that Scotland must become competitive in the global economy, provide a competitive tax system to attract business and foreign investment, whilst also maintaining a flexible workforce that is competitive in the global economy. By pursuing this economic strategy it is claimed that all of Scotland will benefit.

The Strategic Forum (Scottish Government 2013b) also makes a similar case for restructuring the whole Scottish economy to make it attractive to foreign investment, to increase exports and make Scottish workers and corporations ‘competitive’ in the global economy. It is interesting to note that in this document the word ‘competition’ does not appear, ‘competitive’ appears four times, ‘equality’ six times and ‘equity’ 12 times. In the Fiscal Commission Working Group (FCWG 2013) the word ‘competition’ appears 11 times, ‘competitive’ 44 times, ‘equality’ does not appear (‘inequality’ 15 times) and ‘equity’ three times. Whilst the (SF 2013) places more emphasis on equality/equity, one could argue that the SNP’s (GES 2011), (SF 2013), and (FCWG 2013) in many ways appear to reflect the current UK Government’s economic model. The studies tacitly support the austerity/competitive discourse that inequality can only be addressed through neoliberalism described as competitiveness. As already stated, this economic model would fit well with the ‘credible fiscal policy’ supported by the IMF and the existing policy agenda of the EU, World Bank and WTO. Therefore membership of these IOs would be advantageous for the promotion of these economic policies and models. Indeed the Fiscal Commission Working Group (FCWG 2013) explicitly states that membership of IOs is important.

Returning to the Common Weal, as supported by Nicola Sturgeon and many members of the SNP, alternative relationships with IOs may need to be negotiated. The Common Weal has fired many imaginations because it offers economic and social alternatives to the failed model of neoliberalism enforced by Westminster. As already stated the Common Weal seeks to positively impact on low income and wealth inequalities, elevate poverty, develop a more skilled labour force, generate greater democratic participation and promote a tripartite relationship between the state, employers’ associations and trade unions. For example, a recent report asserted that fiscal policy could be used to generate a significant increase in tax revenue for an independent Scotland without increasing basic level income tax. Through short-term wealth-taxes on the rich, coupled with increased taxes on whisky and renewable energy, substantial tax revenues could be generated. In addition by preventing tax avoidance by wealthy individuals and corporations (UK lost £95 billion in 2010) tax revenues could be further increased. This increase in tax revenue could be used to invest in training a skilled workforce and shifting away from the low-paid (20

per cent of UK employees) and precarious work (seven per cent of UK employees) promoted by successive UK governments. A skilled workforce creates higher wages and this would in turn mean higher collectable tax revenues to be used for government investment. For example a recent report stated that if "the Scottish employment rate was raised from the 69.5% seen in 2010-11 to 76.2% by 2017-18, income tax revenues would rise by £2.2bn to £12.9bn, up 18% in real terms". It is worth noting that many of the trade unions in Scotland (especially the STUC and PCS) have been campaigning for these types of economic policies for many years. With a focus on using fiscal policy to stimulate employment and growth 'in the interests and for the benefit of the majority' the Common Weal certainly appears to be a departure from the 'credible fiscal policy' promoted by the competitive discourse of the current UK government and IOs. Indeed the Common Weal echoes many aspects of the demand management promoted during the era of Keynesian economic policy.

A Scottish government promoting the fiscal policy embedded in the Common Weal may find the membership conditions of the EU, IMF, World Bank and WTO restrictive. Given the previous discussion on the promotion of market disciplinary reforms through the discourse of competitiveness amongst members of these IOs and their support for a 'credible fiscal policy', there would be restrictions on the use of state subsidies for corporations, the workforce and economic sectors. For example, the EU the legal framework found in the Article 107 of the TFEU places significant restrictions on the subsidies of member states. The IMF and World Bank favour loans to members that are pursuing a 'credible fiscal policy'. However, this is not as radical as it might seem. As described previously, many states have stopped negotiating through the WTO and are pursuing bilateral trade agreements. Currently several sectors of the Scottish economy are performing well internationally with the USA, Netherlands, France, Germany, Belgium and the rest of the UK (Scottish Government 2013d). Negotiating bilateral trade agreements with these countries would enable Scotland to maintain trade links without accepting the GATT, GATS, TRIMs and TRIPs required by membership of the WTO's multilateral trade agreements. Bilateral trade would also allow weaker sectors of the economy to be nurtured without being overwhelmed by foreign goods, services and investment brought-on by the multilateral trade agreements at the WTO and the competitiveness project of the EU, IMF and World Bank. Bilateral trade agreements would also enable Scotland to pursue its own fiscal policy without WTO members claiming these subsidies undermined international trade agreements. Nicola Sturgeon (2013), however, has stated that "an independent Scottish Government would be able to use the full range of fiscal economic levers to improve the performance of our economy", she also made it very clear that the SNP should begin the process of membership negotiations with the European Union immediately after the referendum is won.

Given that the Common Weal has focused on the Nordic countries, it seems pertinent to add a few words on the Norwegian experience of trying to negotiate membership and interest with IOs. It is important to note that there are different forms of neoliberal state rather than worldwide homogenization. Each state applies the ideals and policies of neoliberalism through its unique culture, geography, history, configuration of social forces and institutions (Bruff 2011). As such, the distinctive culture, geography, history and dynamic amongst social forces have created specific interests that Norway's institutions have sought to protect and promote in the global economy. To do this Norway joined the IMF (1945) and the WTO (1994) yet it is not a member of the EU or the World Bank. After the Norwegian people rejected EU membership for the second time in 1994 (on the grounds of protecting 'democracy and national sovereignty') it worked with Iceland and Liechtenstein to create the European Economic Area (EEA). The EEA enabled Norway to access the EU Single Market, while maintaining protection and subsidies in the agricultural, common fisheries and regional policy. However, for the EC the EEA Agreement is concerned with ensuring the four fundamental pillars of the Single Market - freedom of movement of goods, persons, services and capital. Thus whilst membership of the EEA enables access to the EU, Norway must

implement the EU's Single Market legislation, including competition policy. This has accelerated liberalisation in other sectors of the economy, such as manufacturing (Eliassen and Ever 2003). The EEA also allows Norway to participate in EU discussions, but without voting rights. At the WTO Norway's membership brought a commitment to integrate WTO treaties, which at the time removed agriculture subsidies from negotiations and was fixated on liberalisation of the members services (GATS). This suited Norway's protection of agriculture, the promotion of liberalisation for industrial products (fish and fish products), and services (shipping, off-shore services, telecoms, IT-related services). However, since the developing states asserted themselves at the Doha WTO Ministerial Conference (2003) liberalisation agreements, especially on GATS (services), have been linked to the liberalisation of previously protected agricultural markets. Whilst this has impacted adversely on Norway's agricultural sector, the Norwegian Foreign Minister told the parliament that "leaving the WTO is not an option" (Langhelle and Rommetvedt 2004). A recent IMF Report (2013b) also raised concerns over the "degree of competitiveness problems in Norway". This is due to Norway's high wages, welfare state and pensions that are dependent on the revenue from oil and gas. In addition, "the manufacturing sector has lost more than half of its market share since the early 1990s" and low productivity in the labour force has developed outside of oil and gas. The report points out that Norway's oil and gas supplies reached their peak in the early 2000s and whilst the application of new technology will create another peak in 2021, over 50% of these natural resources have been extracted. With the decline in revenue from oil and gas, the IMF has made recommendations to deliberate on a 'credible fiscal policy' for when these natural resources expire. As we have seen above, this 'credible fiscal policy' is linked to the promotion of a competitiveness discourse, justifying further austerity and liberalisation policies. Norway has therefore been unable to protect its favoured national sectors whilst maintaining membership of IOs that place primacy on the liberalisation of national markets.

Conclusion

Independence presents an exciting possibility for Scotland to reflect and decide why and how it wants to engage with an interdependent world. It would give Scotland not only the exceptional status of non-membership but the unique opportunity to assess whether the terms of membership of IOs are compatible with the social and economic policy agenda an independent Scottish Parliament decides to pursue at home and abroad. I have sought to raise questions for discussion on membership of the EU, IMF, World Bank and WTO by illustrating that the pursuit of certain social and economic policies may be problematic with membership of these IOs. The current debate in the SNP over social and economic policy was used to illustrate this point. By drawing on the three major dimensions of neoliberalisation, I have described the neoliberal economic model that successive UK Governments have pursued and which informs the policy agendas of IOs. While emphasising the legal nature of market disciplinary reforms projected by IOs, I have highlighted some of the disputes currently being played out in these IOs. Specifically, I highlight the manner in which both neoliberalism and IOs have been decried for the inequality and instability they have generated. Focusing on the conditionality of the WTO agreements I illustrated how they impact on a member's policy autonomy, and how bilateral trade agreements have developed to escape these conditions. The competitive discourse was highlighted because it continues the intensification of market disciplinary reform through IOs after the financial crisis. This competitive discourse and policy choice is clearly embedded in Westminster. Through analysis of SNP documents it also appears that parts of the SNP leadership appear keen to continue with this model, and membership of IOs would be advantageous. In contrast, the Common Weal outlines an alternative to market disciplinary reform, and the discourse of competitiveness, by proposing many of the principles of Coordinated Market Economies found in Nordic countries. I have suggested that the type of fiscal policies and subsidies in this economic model may clash with the neoliberal principles embedded in these IOs and so membership may be problematic. An alternative would be to follow the current trend in the global economy and pursue bilateral trade

agreements without the conditions to liberalise other parts of the economy found in multilateral trade agreements. This would allow an independent Scotland to maintain existing international trade, use state aid to promote other sectors of the economy, and address inequality. Membership of the EEA is also an option that requires the application of EU competition policy (neoliberalism) but with the possibility of negotiating opt-outs for certain sectors. Norway, however, has found this difficult to manage. To this end I hope to have initiated a discussion on what Scotland should do with its policy autonomy and the type of economic model an independent Scotland wants and can have though membership of IOs.

NOTES

1. Ireland: "They will also provide the European Commission, the ECB and the IMF with all information requested that is available to monitor progress during programme implementation and to track the economic and financial situation. Prior to the release of the instalments, the authorities shall provide a compliance report on the fulfilment of the conditionality", European Commission (2010) Memorandum on Specific Economic Policy Conditionality,

2. Greece: "Since May 2010, the euro area Member States and the International Monetary Fund (IMF) have been providing financial support to Greece through an Economic Adjustment Programme in the context of a sharp deterioration in its financing conditions. The aim is to support the Greek government's efforts to restore fiscal sustainability and to implement structural reforms in order to improve the competitiveness of the economy, thereby laying the foundations for sustainable economic growth. The release of each disbursement to Greece must be approved by both the Eurogroup and the IMF's Executive Board", European Commission (2013) Financial Assistance to Greece http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/

3. Portugal: "The Economic Adjustment Programme includes: structural reforms to boost potential growth, create jobs, and improve competitiveness; a fiscal consolidation strategy, supported by structural fiscal measures and better fiscal control over public-private-partnerships and state-owned enterprises" European Commission (2013) Financial Assistance to Portugal http://ec.europa.eu/economy_finance/assistance_eu_ms/portugal/index_en.htm

4. Spain: "The European Commission, in liaison with the ECB and EBA, has been verifying at regular intervals that the policy conditions attached to the financial assistance are fulfilled, through missions and regular reporting by the Spanish authorities, on a quarterly basis. Though much adjustment has occurred, significant adjustment remains [...] for continued economic reform and pro-active oversight of the financial sector European Commission (2013) Financial Assistance to Spain http://ec.europa.eu/economy_finance/assistance_eu_ms/spain/index_en.htm

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