Global Subjects:
how dID WE gET hERE?

by Hayat Imam

"Developing nations are actively seeking the participation of foreign capital in their growth process..." this statement rankled when I read it recently and set me to recollecting, of all things, the 1960s.

There was an undercurrent of excitement and promise in the early years of that decade as the last remaining colonized nations regained their sovereign status. Discussions centered on establishing nationhood and political identity out of the debris of the past. Not prominent at the time were economic analyses of one of the major outcomes of colonization: the massive transfer of wealth (capital) from the colonized nations that became a cornerstone of the industrial expansion of the West.

Finance capital is a nation's savings that can be invested to generate further wealth and productivity. In a strictly capitalist world economy, lack of capital is a dire predicament indeed. This was the first of three stages of wealth depletion that underlies the plight of many developing nations today.

The second stage of loss of capital occurred in the ensuing years. During the 1960s and 1970s, the economies of most developing nations were built around the export of primary products, agricultural and natural resources such as jute, cocoa, tin and copper. Protectionist trade restrictions and tariffs imposed by the industrialized nations ensured extremely low prices for these raw products. Furthermore, tariffs were least for unprocessed products and escalated with each step in processing, thus discouraging processing before export. This created a favorable climate for international manufacturers and punishing conditions for local middle-class entrepreneurs. Developing nations lost millions of dollars in revenues.

These policies by the industrialized countries in Europe and the United States served the interests of transnational corporations who played an increasingly dominant role in this process.[1] Transnational corporations bought up local industries belonging to middle-class entrepreneurs who either could not resist the high prices offered or feared forced sales later. At the same time, they created local subsidiaries of their own corporations that capitalized on cheap labor and production costs. It is critical to note that no trade agreements, such as the General Tariff and Trade Agreements (GATT), which were weak to begin with, governed the trade between the local subsidiary and the foreign-based firm. Globalization, as the international control of finance, production and distribution of goods has come to be known, firmly established itself.

A serious misconception is that transnational corporations bring much-needed capital to developing countries. Exactly the reverse has been true; they have contributed to the flight of capital on a large scale. Through their subsidiaries, transnational corporations use up scarce local capital for their operations rather than bring in new capital. When savings are low, banks in developing countries prefer to lend to a big-name subsidiary corporation rather than a struggling local business. An exhaustive United Nations study by Fajnzylber[2] shows that during the 1960s, transnational corporations financed 83 percent of their Latin American investment locally. In the manufacturing field, it was 78 percent.[3] We should note that during the same time, 52 percent of all profits in manufacturing were sent to the USA.[4] A UN study in 1973 covering disparate countries around the world such as Kenya, India and Jamaica, found that local savings provided the bulk of financing for foreign investors.[5]

As export prices for primary goods fell and import prices for manufactured goods rose, developing nations were earning less money than they were spending. Thus they emerged out of the 1970s in a serious state of debt in the balance of payments. High interest rates on the external debt meant that more and more of the countries' resources were now going to repay debts, initiating the third phase of finance-capital flight. One study shows that $115 billion was transferred from developing countries to the industrialized nations between 1983 and 1988.[6] For poor people, this was an unmitigated disaster resulting in entrenched impoverishment as adjustment measures to balance the budget were financed largely through cuts in government spending for human development. Middle class entrepreneurs in developing countries faced a brick wall at every turn: low prices for exports, high tariffs on processed goods, lack of capital and rising prices. These same conditions have been ideal for transnational corporations which prospered greatly.

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Children's values are now shaped by consumerism.

Power Adjustments

The sting for industrialized nations was that the decline in economic viability of developing nations also meant a concomitant drop in their ability to be consumers of Western goods. One result was that U.S. exports reduced significantly and U.S. unemployment skyrocketed in the mid-1980s. Unemployment, combined with widespread financial speculation and the exodus of U.S. corporations to countries with cheap labor, began a process of downward mobility for the North American middle class.

The world economy is so interlinked that economic decisions have international repercussions. Realizing this, one path is to promote growth and development with equity. Regrettably, the path chosen by industrialized nations in the 1980s, partly to solve the U.S. recession,[7] follows a triad of policies, imposed through the World Bank and the International Monetary Fund (IMF), to promote liberalization, deregulation and privatization. These policies further dismantled trade and investment barriers, ended economic controls of the market such as subsidies, price regulation, environmental protection and labor regulation, and transferred government operations to private, profit-making enterprises. Known as Structural Adjustment Programs (SAP), these policies effectively spelled the end of economic autonomy for the developing nations. Ostensibly to aid countries pay off their debts, these far-reaching, permanent changes set national economies firmly on the path to a global economy dominated by some 100 transnational corporations[8] that control 2/3 of all global trade.[9] A small number of elite families in the developing countries share some of this bounty.

The concentration of wealth that this represents can be grasped by another statistic: in 1996, the income of the world's 447 richest individuals was equal to the income of 52 percent of humanity.[10] When Ted Turner, owner of the mass communication giant CNN, recently contributed $1 billion to bail out the United Nations from its financial crisis, his gesture was laudable. But a perspective is gained when we realize that $1 billion was simply the increase on his net worth since January.[11] It is interesting to note that he has retained the right to dispense the money only to programs he approves. His top priority is to ban land mines. Today's global economic system is widening the divide between the rich and the poor, in developing as well as industrialized nations.

This level of wealth connotes great power: the power to transform financial and political agendas to suit the transnational corporations, the power to influence the fabric of our lives at all levels. Transnational corporations decide what crops we will grow, what we will eat, wear, buy, study and research. They decide what society should value, what news is publishable, which entertainers are worth watching, the state of our environment and even the fate of our governments.

Transnational corporations

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Market forces alters the urban skyline as much as the lives of city dwellers.

harness their power by manipulating finance capital on a worldwide scale, by controlling technology and monopolizing marketing and distribution channels.

Manipulating Capital

Modern communication technology makes it possible to play global currency to one's own advantage. This flow of money, traded by private persons in private markets, largely goes on unsupervised by any financial institutions. The impact of currency speculation by a single individual, billionaire George Soros, has seemingly managed to derail the economies of several Southeast Asian countries.[12] National economies are also delicately balanced against one another: changes in one nation are bound to impact others. Thailand is facing outright recession next year in part because China kowtowed to foreign investors way back in 1994 by devaluing its currency by 35 percent.[13]

Technology and Automation

In the field of technology, scientists all over the world work for those who pay the bill, which more and more tend to be corporations; it stand to reason therefore, that the agenda for that research is set to maximize profits, not necessarily to sustain humanity. Transnational corporations retain ownership and strict controls over their technological innovations which thus become lost to local entrepreneurs.

A critical outcome of technology is its impact on employment. An examined assumption is that foreign investment will increase employment. In Bangladesh, for instance, there has been an increase in low-skill workers but the number of educated unemployed has also increased.[14] Unemployment and inflation are major problems facing Filipinos.[15] As prices rise, nutrition levels are dropping in the Philippines: one out of five families experiences food insecurity.[16] The SAP- instigated deregulation measures have crippled the labor movement all over the world, ensuring low wages and zero bargaining power. Still, there are jobs, we thought. Now we find transnational corporations are bent on eliminating as many jobs as possible through technological innovations in automation. This process is already very advanced in the U.S.A. and is quickly following suit in corporations located abroad. Fewer and fewer workers will be needed to produce the world's goods. After all, automation is even cheaper than cheap labor.

Major employers globally are restructuring their operations and creating permanent reductions in the workforce.[17] Women will be deeply impacted by this because many of the jobs eliminated are middle-management positions, often held by women. Workers with years of experience are being made redundant, largely by reliance on computers. Most distressing is that there are few areas of job growth except in the leisure industries and a small number emerging in the "knowledge" sector, employing scientists, computer programmers, and professional educators. This will serve only a fraction of the millions who will lose jobs, and as computer technology also happens to be a male-dominated field, women will lose by being newcomers.

Ideological Control

In some ways, control of marketing has had the greatest impact on all our lives. Global companies need a global market of world consumers with the same tastes and habits. If this has meant manufacturing those desires in people, mass media and marketing techniques have been the greatest allies of corporations in making consumers out of all of us.

On a global scale, this repeats the concerted campaign in the U.S.A. early in this century to dampen the ethics of austerity and thrift traditionally associated with the early Americans, transforming them into status-conscious customers ashamed to use homemade products, with needs never before perceived.[18] A person who is satisfied with very little cannot be a successful customer; the objective of advertising is to manipulate us into a constant state of discontent. The middle-class housewife worldwide is targeted heavily by mass media as a prime candidate to become a heavy shopper. Young people are also major targets. What are the broader implications of a generation of "discontented" youth?

Where do we go from here?

Money and the conduct of business have always had their place in human societies, but they generally have been informed by spiritual and moral values. In traditional Hindu society, the order of business is placed in the third tier, the business caste being governed by Brahmins, keepers of spiritual well-being and knowledge, and by Kshyatryas, the rulers and preservers of peace and order. In Islamic societies, the times for prayers precisely interrupt the daily activities of commerce and business so people can seek divine guidance for all their actions. Jesus objected passionately to the "house of God" being taken over by the merchants.

Today, however, "creation of wealth" has become the fundamental value at the center of global society and analyses of economics are devoid of issues of morality, human needs, and social conscience. Competition and efficiency have become noble pursuits and profits, the Holy Grail. Sacrificed are the quality of human life and the sanctity and preservation of this earth.

To rescue ourselves from here, we must consider some reversals that will return balance to the pursuit of business.

Calling on corporations to put brakes on their growth and apply moral scruples to their activities has become an unthinkable option. But that is exactly what is required for the well-being of the human race. The global activities of transnational corporations should be regulated by designated international institutions, just like other activities (war, science, human rights). Globalization of production should also include globalization of reasonable standards of pay, work hours and labor rights for workers. Agribusiness decisions need critical oversight because they can have disastrous consequences on the health and nutrition levels of populations. Worldwide unemployment is self-defeating for everyone concerned, particularly business which will lose customers. An international forum is urgently needed to analyze the problem of automation, project the consequences and introduce curbs.

Half-hearted efforts to sustain the environment have led to the ecological disaster in Southeast Asia this year. An international body, such as the World Court, must have the authority to impose sanctions on countries and corporations which do not honor environmental agreements and regulations.

Finally, we as consumers have a role to play. We can consciously support companies which are not considered "efficient" because they pay higher wages and benefits to their workers or protect the environment—even if it means paying higher prices. We can remain alert, analyze, read between the lines, speak out, refuse to be manipulated, keep the greater good in mind. Is the economic landscape we want one where we are subject to business, or one where business serves us?

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[1] Uner Kirdar, ed., *Change: Threat or Opportunity?* vol. 2 (New York: United Nations, 1992), p. 59.
[2] Fernando Fajnzylber, *Estrategea Industrial y Empreseas Internationales: Posicion Relativa de America y Brasil* (Rio de Janeiro: United Nations, 1970), p. 65.
[3] R. Barnet and R. Muller, *Global Reach* (London: Jonathan Cape, 1974), p. 153.
[4] Ibid.
[5] P. Streeten and S. Lall *The Flow of Financial Resources: Private Foreign Investment* (Geneva: UNCTAD, 1973).
[6] Kirdar, op. cit., p. 7.
[7] E. Villegas, "The Political Economy of the Current International Situation", *IPE Journals*, September 1996, p. 13.
[8] *The Nation*, Sept. 29, 1997.
[9] Antonio Tujan, "APEC and Globalization", *Ibon Philippines*, June 1996, p. 11.
[10] *The Nation*, Oct. 13, 1997, p. 7.
[11] Ibid., p. 4. It is interesting to note that he has retained the right to dispense the money only to programs he approves. His top priority is to ban land mines. A question to ponder: If Ted Turner was in support of land mines, would Jody Williams have won the Nobel Peace Prize this year?
[12] *USA Today*, Oct. 7, 1997.
[13] *The Economist*, Sept. 6, 1997, p. 70.
[14] *The Impact of Globalization on the World of Work*, International Labor Organization, 1996, p. 4.
[15] *Philippine Daily Inquirer*, Sept. 24, 1997.
[16] R. Heaver and J. Hunt, *Improving Early Childhood Development* (Washington, D.C.: World Bank, 1995), p.3.
[17] J. Rifkin and J. Hunt, *Improving Early Childhood Development*, 1995, p. xvii.
[18] J. Rifkin, op. cit., pp. 20-21.