The Case Against the Global Economy

AND FOR A TURN TOWARD THE LOCAL

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rived in Santo Domingo, the North has largely remained unaffected by the tragic consequences that followed his expansion overseas; others have borne the burden of sickness, exploitation, and ecological destruction. Now this historical tide is about to turn; for the first time, the northern countries themselves are exposed to the bitter result of westernizing the world. Immigration, population pressure, tribalism with mega-arms, and, above all, the environmental consequences of worldwide industrialization threaten to destabilize the northern way of life. The rational planning of the planet becomes a matter of northern security.

The celebrated control of (Western) man over nature leaves much to be desired. Science and technology successfully transform nature on a vast scale, but so far with unpleasant and unpredictable consequences. In fact, only if these consequences were under control would it be possible to speak of having accomplished domination over nature. It is here that technocratic environmentalism comes in. The obvious task is to prepare for regulating the global transformation of nature in an optimal fashion. In that light, *Scientific American* (Sept. 1989) can elevate the following questions posed by William C. Clark to key issues for future decision making: "Two central questions must be addressed: What kind of planet do we want? What kind of planet can we get? . . . How much species diversity should be maintained in the world? Should the size or the growth rate of the human population be curtailed? How much climate change is acceptable?"

If there are no limits to growth, there surely seem to be no limits to hubris.

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DEVELOPMENT AS COLONIALISM

Edward Goldsmith

The massive efforts to develop the Third World in the years since World War II were not motivated by purely philanthropic considerations but by the need to bring the Third World into the orbit of the Western trading system in order to create an ever-expanding market for our goods and services and a source of cheap labor and raw materials for our industries. This has also been the goal of colonialism especially during its last phase, which started in the 1870s. For that reason, there is a striking continuity between the colonial era and the era of development, both in the methods used to achieve their common goal and in the social and ecological consequences of applying them.

IT IS CUSTOMARY to trace the origin of the idea of development to a statement made by President Harry Truman in 1949. [See chapter by Wolfgang Sachs.] Truman may have formulated the idea in a new way, but it is an old idea, and the path along which it is leading the countries of the Third World is a well-trodden one.

As François Partant, the French banker-turned-archcritic of development, has put it (1982), "The developed nations have discovered for themselves a new mission — to help the Third World advance along the road to development . . . which is nothing more than the road on which the West has guided the rest of humanity for several centuries."

The thesis of this chapter is that Partant was right. *Development* is just a new word for what Marxists called *imperialism* and what we can loosely refer to as *colonialism* — a more familiar and less loaded term.

A quick look at the situation in the Third World today undoubtedly reveals the disquieting continuity between the colonial era and the era of development. There has been no attempt by the governments of the newly independent countries to re-draw their frontiers. No attempt has been made to restore precolonial cultural patterns. With regards to the key issue of land use, the colonial pattern has also been maintained. As Randall Baker notes (1984), "Essentially the story is one of continuity." And the peasants, who, as Erich Jacoby writes (1983), "identified the struggle for national independence with the fight for land," never recovered their land. "National independence simply led to its take-over by a new brand of colonialists."

If development and colonialism (at least, in its last phase from the 1870s onward) are the same process under a different name, it is largely because they share the same goal. This goal was explicitly stated by its main promoters. For instance, the infamous English businessman and colonialist Cecil Rhodes (who named Rhodesia [now Zimbabwe] after himself), once frankly declared that "we must find new lands from which we can easily obtain raw materials and at the same time exploit the cheap slave labor that is available from the natives of the colonies. The colonies would also provide a dumping ground for the surplus goods produced in our factories." (Similar sentiments were expressed openly during the late 1800s by Lord Lugard, the English governor of Nigeria, and by former French president Jules Ferry.)

But many countries in Asia and elsewhere were simply not willing to allow Western powers access to their markets or to the cheap labor and raw materials required. Nor were they willing to allow corporations to operate on their territory and undertake large-scale development projects such as road building and mining.

In Asia, a small number of states were eventually bullied into complying with Western demands. Thus, in 1855, Siam signed a treaty with Britain as did Annam with France in 1862. However, China was not interested, and two wars had to be fought before it could be persuaded to open its ports to British and French trade. Japan also refused, and only the threat of an American naval bombardment persuaded its government to open its ports to Western trade.

By 1880, European powers had obtained access to the markets of most of Asia's coastal regions, having negotiated special conditions for expatriate residents, such as greater freedom of activity within the countries concerned and the right to build railways and set up enterprises inland.

However, just as is the case today, commercial interests continued to

demand and often obtain ever more comprehensive concessions, creating ever more favorable conditions for European corporations.

Throughout the nonindustrial world, formal annexation was resorted to only if economic conditions could no longer be enforced, usually when a new nationalist or populist government came to power. As D. K. Fieldhouse put it (1989), "colonialism was not a preference but a last resort."

D. C. Platt, another student of nineteenth-century colonialism, adds that colonialism was necessary "to establish a legal framework in which capitalist relations could operate." If no new colonies were created in Latin America in the late nineteenth century, it is largely because a legal system that "was sufficiently stable for trade to continue was already in existence." This was not so in Africa, where the only way to create the requisite conditions was by establishing colonial control (Platt 1976).

Slowly, as traditional society disintegrated under the impact of colonialism and the spread of Western values, and as the subsistence economy was replaced by the market economy on which the exploding urban population grew increasingly dependent, the task of maintaining the optimum conditions for Western trade and penetration became correspondingly easier. As a result, says Fieldhouse, by the mid twentieth century, "European merchants and investors could operate satisfactorily within the political framework provided by most reconstructed indigenous states as their predecessors would have preferred to operate a century earlier but without facing those problems which had once made formal empire a necessary expedient" (Fieldhouse 1984).

In other words, formal colonialism came to an end not because the colonial powers had decided to forego the economic advantages it provided but because, in the new conditions, these could now be obtained by more politically acceptable and more effective methods.

This was probably clear to the foreign policy professionals and heads of large corporations that began meeting in Washington, D.C., in 1939 under the aegis of the U.S. Council on Foreign Relations to discuss how the postwar, postcolonialist world economy could best be shaped in order to satisfy American commercial interests — discussions that eventually led to the notorious Bretton Woods conference of 1944. [See chapter on Bretton Woods by David Korten.]

Economic development was the means for achieving this goal, and it was by promoting free trade that development could be maximized. Free trade is seen to involve competition on "a level playing field," and nothing could seem more fair. However, when the strong confront the weak on a level playing field the result is a foregone conclusion, as it was at Bretton

Woods. At the time of that conference, in the twilight of World War II, the United States totally dominated the world politico-economic scene; the European industrial powers had been ruined by the war, their economies lying in tatters; and Japan had been conquered and humiliated.

We must not forget that a century earlier, it was Britain that was preaching free trade to the rest of the world and for the same reasons. At that time, she effectively dominated the world economy. Not only was one-fourth of the world's terrestrial surface under her direct imperial control, not only did her navy control the seas, but the city of London was the world's financial center and was alone capable of financing the industrial expansion that free trade would make possible. Besides, according to Eric Hobsbawm, Britain already produced about two-thirds of the world's coal, perhaps about half its iron, five-sevenths of its steel, half of its factory-produced cotton cloth, 40 percent (in value) of its hardware, and a little less than one-third of its manufactures. Labor in Britain was also cheap and plentiful, for the population had more than tripled since the beginning of the Industrial Revolution and had accumulated in the cities while there was little social regulation to protect the rights of the workers.

In such conditions, Britain was far more "competitive" than her rivals, and free trade was clearly the right vehicle for achieving her commercial goals. As George Lichtheim, another well-known student of imperialism, puts it (1971), "A country whose industries could undersell those of its competitors was favorably placed to preach the universal adoption of free trade, and so it did — to the detriment of those among its rivals who lacked the wit or the power to set up protective barriers behind which they could themselves industrialize at a pace that suited them."

As a result, between 1860 and 1873, Britain succeeded in creating something not too far removed from what Hobsbawm refers to as "an all embracing world system of virtually unrestricted flows of capital, labor and goods," though nowhere near the scale on which it is being achieved today with the signature of the GATT Uruguay Round Agreement. Only the United States remained systematically protectionist, though it slowly began to reduce its duties in 1832, continuing to 1860, and again between 1861 and 1865 during the Civil War.

By the 1870s Britain was already losing her competitive edge over her rivals. Partly as a result, British exports declined considerably at the end of the century. At the same time, between the 1870s and 1890s there were prolonged economic depressions, also weakening the belief in free trade. Tariffs were raised in most European countries, especially in the 1890s, though not in Belgium, the Netherlands, or Britain. Companies now

found their existing markets reduced by these factors and started looking abroad, toward the markets of Africa, Asia, Latin America, and the Pacific, which, with the development of faster and more capacious steamships, had become much more accessible. As Fieldhouse (1984) notes, if free trade did not work, the answer was to take over those countries where goods could be sold at a profit without having to worry about competition from more efficient European countries. There followed a veritable scramble for colonies. In 1878, 67 percent of the world's terrestrial area had been colonized by Europeans. By 1914 the figure had risen to 84.4 percent.

SETTING UP INDIGENOUS ELITES

The most effective means of opening up markets is undoubtedly to set up a westernized elite hooked on economic development, which it is willing to promote regardless of adverse effects on the vast majority of its fellow citizens. This has now been very effectively achieved, and, as a result, the interests of Third World governments today, as François Partant says, are "largely antagonistic to those of the bulk of their countrymen." The Third World elites are in fact our representatives in the countries they dominate, probably to the same extent as were the colonial administrators that they have supplanted.

The need to create such an elite was of course well-known to the western powers during the colonial era. During the debate in British political circles after the 1857 Indian Mutiny, the main question at issue was whether an anglicized elite favorable to British commercial interests could be created in time to prevent further uprisings. If not, it was generally conceded, formal occupation would have to be maintained indefinitely (Fieldhouse 1984).

Of course, the elite must be suitably armed if it is to impose economic development on the rest of the population, since development must lead to the expropriation and eventual impoverishment of most people. Today, this is one of the main objects of our so-called aid programs, some two-thirds of U.S. aid taking the form of "security assistance." This includes military training, arms, and cash transfers to governments that are regarded as defending American interests.

Even food aid provided by the U.S. is security-related. It falls into two categories: Title 1 and Title 2. Most of it is in the former category and consists of low-interest loans to Third World governments, "which use their money to buy U.S. food and then sell it on the open market, keeping the proceeds." Such food aid is thus "little more than another transfer of funds to governments considered strategically important" (Danaher 1988). Title 2 food aid can also help make countries increasingly dependent on American aid for their very sustenance. U.S. politicians have openly stated that food must be used as a political weapon. A special issue of the *Ecologist* ("Whose Common Future?" Nov.–Dec., 1993) quoted Vice President Hubert Humphrey as saying that, "If you are looking for a way to get people to lean on you and to be dependent on you, in terms of their co-operation with you, it seems to me that food-dependence would be terrific."

Most of the governments that have received security aid are military dictatorships such as those in Nicaragua, El Salvador, Chile, Argentina, Uruguay, and Peru in the sixties and seventies. These countries faced no external threats. It was not to defend themselves against a potential foreign invader that all this security aid was required but to impose economic development on people who had already been impoverished by it and whom it could only still further impoverish.

Of course when a government unfavorable to Western commercial interests somehow succeeds in coming to power, Western governments will go to any ends to remove it from office. Thus in 1954, the United States organized the military overthrow of the government of Guatemala that had nationalized U. S.-owned banana plantations, and it did the same to the government of José Goulart in Brazil in the 1960s. Goulart had sought to impose a limit to the amount of money foreign corporations could take out of the country. Worse still, he initiated a land-reform program that would have taken back control of the country's mineral resources from Western transnational corporations. He also gave workers a pay raise, thereby increasing the cost of labor to the transnationals, in defiance of IMF instructions. As a result of Goulart's actions, aid was immediately cut off, and an alliance of the CIA, U.S. investors, and Brazil's landowning elite engineered a coup d'état that brought a military junta to power. The military reversed Goulart's reforms and reintroduced precisely those conditions that best satisfied U.S. commercial interests.

During the colonial era, the colonial powers constantly sent in troops to protect compliant regimes against popular revolts. Both France and Britain, for instance, participated in the suppression of the populist Tai Ping rebellion in China and later in the xenophobic Boxer Rebellion. Britain also sent troops to help the Khedive Ismail put down a nationalist revolt in Egypt.

The Western powers still do not hesitate to do this if there is no other way of achieving their goals. Thus, when President Mba, the dictator of Gabon, was threatened by a military coup, French paratroopers immediately flew in to restore him to power, while the coup leaders were imprisoned despite wide-spread popular demonstrations. Significantly, the paratroopers remained to protect Mba's successor, President Bongo, whom Pierre Pean regards as "the choice of a powerful group of Frenchmen whose influence in Gabon continued after Independence" against any further threats to him and hence to French commercial interests. Neither the United Kingdom nor the United States has been any less scrupulous in this respect (Colchester 1993).

KILLING THE DOMESTIC ECONOMY

If the role of the colonies was to provide a market for the produce of the colonial countries and a source of cheap labor and raw materials for their industries, then it could not at the same time provide a market for local produce and a source of labor and raw materials for its own productive enterprises.

In effect, the colonial powers were committed to destroying the domestic economy of the countries they had colonized. This was explicitly admitted by a delegate to the French Association of Industry and Agriculture in March 1899. For him, the aim of the colonial power must be "to discourage in advance any signs of industrial development in our colonies, to oblige our overseas possessions to look exclusively to the mother country for manufactured products and to fulfill, by force if necessary, their natural function, that of a market reserved by right to the mother country's industry" (Dumont, quoted by Colchester 1993). The favorite method was to tax whatever the colonials particularly liked to consume. In Vietnam it was salt, opium, and alcohol, and a minimum level of consumption was set for each region, village leaders being rewarded for exceeding their quotas. In the Sudan it was crops, animals, houses, and households that were singled out for taxation. Of course, there is no way in which local people could meet their tax obligations save by agreeing to work in the mines and plantations or by growing cash crops for sale to the colonial masters.

At the same time, every effort was made to destroy indigenous crafts, particularly in the production of textiles. In this way the British destroyed the textile industry in India, which had been the very lifeblood of the village economy throughout the country. In French West Africa in 1905, special levies were imposed on all goods that did not come from France or a region under French control; this forced up the price of local products and ruined local artisans and traders.

Economic development after World War II, on the other hand, was theoretically supposed to help the colonies build up their domestic economies, but such development by its very nature could not occur. At the very start the colonies were forced to reorient their production toward exports — what is more, toward an exceedingly small range of exports. A typical example is sugar. Under World Bank influence, vast areas of land in the Third World were converted to sugarcane cultivation, without any consideration for whether a market for sugar existed abroad. In fact, the United States has continued to apply very strict quotas on sugar imports while continuing to countenance the production of corn syrup and the increasing use of artificial sweeteners, while the European Union persisted in subsidizing sugar beet production among its member states. However, none of these considerations have prevented the World Bank from encouraging the production of ever more sugar for export. Cynics might maintain that this was the object of the operation in the first place since, after all, it was implicitly at least part of the World Bank's original brief to encourage the production of cheap resources for the Western market.

At the same time, Third World countries that have sought to diversify their production have immediately been accused of practicing *import substitution* — a heinous crime in the eyes of today's economists, especially those who are influential within the Bretton Woods institutions. Indeed, import substitution is precisely what Third World countries must promise not to undertake if they hope to obtain a structural adjustment loan. Not surprisingly, as Walden Bello notes in his book *Dark Victory* (1994), when a country is subjected to a structural adjustment program, its commodity exports tend to rise, but not necessarily its GNP, because of the inevitable contraction of its domestic economy.

When Third World countries have nevertheless succeeded in developing a modest domestic economy, the World Bank and IMF, in league with U.S. government officials and transnational corporations, have set out systematically to destroy it, a process that could not be better documented, in the case of the Philippines, than by Walden Bello and his colleagues in their book *Development Debacle: The World Bank in the Philippines* (1982). This book, based on eight hundred leaked World Bank documents, shows how that institution, in league with the CIA and other U.S. agencies, set out purposefully to destroy the domestic economy of the Philippines so as to create those conditions that best favored TNC interests. Achieving this goal, Bello and his colleagues point out, first meant sacrificing the peasantry and transforming it into a rural proletariat. The standard of living of the working class had to be reduced since, as a Bank spokesman said at the time, "wage restraint" is required to encourage "the growth of employment and investment." Meanwhile, the local middle class that depended for its very existence on the domestic economy had to be annihilated to make way for a new cosmopolitan middle class dependent on the TNCs and the global economy.

Clearly, such a drastic social and economic transformation of an already partly developed country could not be achieved by a democratic government. This explains why it was decided to provide dictator Ferdinand Marcos with the funding he required to build up an army capable of imposing such a program by force. As Marcos himself put it at the time,"Only an authoritarian system will be able to carry forth the mass consent and to exercise the authority necessary to implement new values, measures and sacrifices" (Bello and others 1982). In essence, this is what he did. Martial law was declared by Marcos, and the people were bludgeoned into accepting the transformation of their society, economy, and natural environment.

LENDING MONEY

Lending large sums of money to the compliant elite of a nonindustrial country is the most effective method of controlling it and thereby obtaining access to its market and natural resources. However, if the borrowing government is to be capable of repaying the money borrowed or of paying interest, it must be invested in enterprises that are competitive on the international market, for interest payments must be paid in foreign exchange, usually U.S. dollars. Unfortunately, this is extremely unlikely to occur. To begin with, up to 20 percent of the loan funds are likely to be skimmed off in the form of kickbacks to various politicians and officials. Some of the money will be spent on useless consumer products, mainly luxury goods for the elite; much will be spent on infrastructural projects that will not generate in a direct return for a very long time, if at all; and more will go to armaments to enable the government to put down uprisings by the victims of the development process. So the countries that borrow large sums of money must inevitably fall into unrepayable debt. Once in debt, they inevitably become hooked on further and further borrowing rather than cutting down on expenditure and thus fall under the power of the lending countries. At this point the latter, through the IMF, can institutionalize their control over the debtor country through structural adjustment programs (SAPs) that, in effect, take over its economy to ensure that interest payments are regularly met. This arrangement leaves the borrowing country as a de facto colony.

This technique of informal colonialist control is by no means new. It was often resorted to during the colonial era, as in Tunisia and Egypt in the mid 1800s. In the case of Tunisia, a lot of money was lent to the bey of Tunis to build up an army so as to loosen his ties with Turkey, not a particularly profitable investment — and, of course it did not take long before the bey was unable to pay interest on the loan. Much of the money borrowed was in the form of bonds, and most of the bondholders were French. The latter viewed the situation with considerable alarm and appealed to the French Foreign Office for help, which was granted. The bey's economy was subjected to financial supervision, "a technique frequently used by the British and French governments in Latin America" just as it still is today (Fieldhouse 1984).

A joint Franco-Tunisian commission was set up in 1869 for such supervision and the conditions it imposed were draconian to say the least. It had the right to collect and distribute the state's revenues so as to ensure the shareholders' precedence over any other debtors. (Significantly, President Clinton imposed a similar deal on the Mexican government in 1995 as a condition for lending it the billions of dollars required to bail out its Wall Street creditors.)

From 1869 onward, Tunisian "public finance and therefore effectively government were now under alien control" (Fieldhouse 1984). Tunisia had been reduced to the status of an informal colony. To pay interest on the loans, the bey had to increase taxes, which gave rise to a popular protest movement. To secure control and protect its interests, France finally annexed Tunisia in 1881.

The course of events in Egypt was similar. It is summed up very neatly by Harry Magdoff (1978). "Egypt's loss of sovereignty" he writes "resembled somewhat the same process in Tunisia: easy credit extended by Europeans, bankruptcy, increasing control by foreign-debt commissioners, mulcting of the peasants to raise revenue for servicing the debt, growing independence movements, and finally military conquest by a foreign power."

During the era of development, we have perfected the technique of lending money to Third World countries as a means of controlling them. Much of it now goes euphemistically under the name *development aid*. To justify aid, "poverty" in the Third World is made out to be but a symptom of the latter's "underdevelopment," and development is thereby offered as an automatic cure. However, Third World countries are also seen to be

seriously hampered in their development efforts because they lack the requisite capital and technical knowledge — precisely, as Cheryl Payer notes (1991), "what the Western corporative system is capable of providing." She quotes Galbraith, who puts it, "Having the vaccine we have invented smallpox."

There is no reason to believe that borrowing money from abroad, even at concessionary rates, is a means of achieving economic success, let alone of eliminating poverty. Nor should we believe that the money borrowed can be paid off by increasing exports. The countries that are held up as models for Third World countries to emulate are the newly industrialized countries (NICS) South Korea, Taiwan, Singapore, and Hong Kong. Neither Singapore nor Hong Kong, as Payer notes, borrowed any significant amount of money for their development. Taiwan borrowed a little in the early days but managed to resist U.S. pressure to overspend and borrow more extensively. South Korea is the only country to have borrowed fairly extensively. Payer argues that if South Korea succeeded in exporting its way out of what debts it had where others failed is largely because it resisted World Bank and IMF pressures to open up its markets. Imports and capital controls were also maintained, as they previously had been by Japan. Clearly, some capital is required for development, but, as Payer notes, "the truly scarce commodity in the world today is not capital, it is markets."

Aid is a particularly good instrument for opening up markets, because much of the aid is officially tied to purchasing goods from donor countries. In the same way that colonies were once forced to buy their manufactured goods from the country that had colonized them, aid recipients must spend much of the money that is supposed to relieve their poverty and malnutrition on irrelevant manufactured goods that are produced by the donor countries. If they dare refuse, they are immediately brought to heel by the simple expedient of threatening to cut off the aid on which they become increasingly dependent.

Thus, a few years ago the British government threatened to cut off aid to the government of India if it did not go ahead with its plan to buy twenty-one large helicopters, costing £60 million, from a British corporation called Westland — an effort, it is encouraging to note, that was bitterly opposed by responsible elements within Britain's Overseas Development Agency (ODA). This is but a more sophisticated method of achieving what Britain achieved in the previous century when it went to war with China to force that country to buy opium from British merchants in India.

In general terms, aid cannot be of use to the poor of the Third World for the critical reason that they necessarily depend on the local economy for their sustenance, and the local economy does not require the vast highways and large dams, or, for that matter, the hybrid seeds, fertilizers, and pesticides of the green revolution any more than it does the fleet of helicopters that the British government imposed on India. These are only of use to the global economy, which can only expand at the expense of the local economy, whose environment it degrades, whose communities it destroys, and whose resources (land, forests, water, and labor) it systematically appropriates for its own use.

THE NEW CORPORATE COLONIALISM

After the debt crisis of the early eighties there was very little private investment into the Third World, and the new money provided by the multinational development banks served above all to enable debtor countries to continue paying interest on loans contracted with the private banks.

In the last few years, all this has changed. Private investment in the Third World has increased by leaps and bounds, and it now stands at something like $200 billion a year — about half that money represents long-term investments; the other half represents short-term speculative funds. This amount dwarfs the World Bank's until-now determinant contribution of about $23 billion per year and has triggered off stock-exchange booms in the so-called "emergent markets," though admittedly these have been interspersed with crashes such as the one that occurred in Mexico in 1994–95. [See chapter by Carlos Heredia and Mary Purcell.]

This massive increase in private investment has occurred partly because of the mismatch between the vast sums of U.S. money seeking investment opportunities and the availability of such outlets in the industrialized world. Also, conditions have now been created worldwide that could not be more favorable to TNC interests. Not only have they been provided throughout the world with an abundant unskilled labor force, but also with highly skilled technical and managerial staff at an insignificant fraction of what they would cost in the industrial world. TNCs also now have access to whatever finance they require and to the latest computer-based technology and management methods.

Furthermore, as a result of GATT, Third World countries are under obligation to accept all investments from abroad; give "national treatment" to any foreign corporation that establishes itself within its borders, whether it is involved in agriculture, mining, manufacturing, or the service industries; eliminate tariffs and import quotas on all goods, including agricultural produce; and abolish nontariff barriers, such as regulations to protect labor, health, or the environment, that might conceivably increase corporate costs.

Conditions more favorable to the immediate interests of TNCs could scarcely be imagined. Many of these conditions were imposed during GATT negotiations by the American delegation and by the delegations of other industrial powers who presumably believed the vast bulk of the TNCs were and always would be located in such countries.

However, it seems more and more that this may change. Even strong national governments are no longer able to exert any sort of control over TNCs. If a country passes a law that TNCs regard as a hindrance to their further expansion, they merely threaten to leave and establish themselves elsewhere, which, under the new conditions, they can do at the drop of a hat. Indeed, TNCs are now free to scour the globe and establish themselves wherever labor is the cheapest, environmental laws are the laxest, fiscal regimes are the least onerous, and subsidies are the most generous. They need no longer be swayed by sentimental attachment to any nation-state.

Already Volvo, one of the leading Swedish corporations, is now Swedish in name only, having transferred nearly all of its operations abroad. What, we might ask, is to prevent GM or IBM from becoming German or Chinese, or from merely shifting their headquarters from one country to another as and when it becomes advantageous for them to do so? And what is to prevent them from becoming even larger, more powerful, and less controllable than they already are?

Consider that a *monopoly* is usually defined as a situation in which more than 40 percent of the market for a particular commodity is controlled by fewer than four or five corporations. This is already the case for most of the commodities traded on the world market today and will only become more pronounced as there is no way in which a national government can impose antitrust legislation on stateless TNCs. Nor can the WTO, which they control, be counted on to do so.

As a few giant TNCs consolidate their respective control in the worldwide sale of a particular commodity, so is it likely to become ever less advantageous for them to compete with each other. Competition mainly reduces profit margins; cooperation, on the other hand, enables them to increase their hold over governments and to deal with the inevitable opposition from populist and nationalist movements and others who might seek to restrict their power and influence.

Already, TNCs are resorting to more and more vertical integration, thereby controlling virtually every step in the economic process in their respective fields, from the mining of minerals, to the construction of the factories, to the production of goods: their storage, their shipping to subsidiaries in other countries, and their wholesaling and retailing to local consumers. In this way, TNCs are effectively insulating themselves from market forces and ensuring that it is they themselves, rather than competition from their rivals, that determine, at each step, the prices that are to be charged (Hultgren 1995).

Already, between 20 percent and 30 percent of world trade is between TNCs and their subsidiaries. Rather than being real trade, this is but a facet of corporate central planning on a global scale. For Paul Ekins, the British ecological economist, TNCs are becoming "giant areas of bureaucratic planning in an otherwise market economy." He sees a "fundamental similarity between giant corporations and state enterprises. Both use hierarchical command structures to allocate resources within their organizational boundaries rather than the competitive market."

What, we might ask, is to prevent 50 percent, 60 percent, or even 80 percent of world trade from eventually occurring within such "organizational boundaries?" At present, very little, and as we move relentlessly in this direction, so may we be entering a new era of global corporate central planning, one that will be geared to a new type of colonialism: global corporate colonialism.

The new colonial powers have neither responsibility for, nor accountability to anybody but their shareholders. They are little more than machines geared to the single goal of increasing their immediate profitability. What is more, TNCs will now have the power to force national governments to defend corporate interests whenever such interests are in conflict with those of the people whose interest the governments have been elected to protect.

The new corporate colonialism is thus likely to be more cynical and more ruthless than anything we have seen so far. It is likely to dispossess, impoverish, and marginalize more people, destroy more cultures, and cause more environmental devastation than either the colonialism of old or the development of the last fifty years. The only question is, How long can it last? In my opinion, a few years perhaps, or a decade at most, for an economy of a sort that creates misery on such a scale is both aberrant and necessarily short-lived.

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SEEDS OF EXPLOITATION

Free Trade Zones in the Global Economy

Alexander Goldsmith

The subject of "free trade zones," also referred to as "export processing zones," is of particular relevance to our subject, since they illustrate the social, ecological, and human consequences of almost total deregulation, which we now seek to achieve globally as a means of maximizing world trade.

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FREE TRADE zones (FTZs), also known as export processing zones, were first created in the early 1970s, officially as a means of attracting foreign investment to "undeveloped" regions. In the words of Sri Lanka's President Jayewardene, when he created the Katunayake FTZ in 1978, "Foreign investment in our country will help us acquire higher technology, develop new export markets and generate employment."

Free trade zones are regions that have been fiscally or juridically redefined by their "host country" to give them a comparative advantage over neighboring regions and countries in luring transnational corporate activity. Most FTZs share the following characteristics: lax social, environmental, and employment regulations; a ready source of cheap labor; and fiscal and financial incentives that can take a huge variety of forms, although they generally consist of the lifting of customs duties, the removal of foreign exchange controls, tax holidays, and free land or reduced rents.

By 1986, there were 116 FTZs in forty different countries. About 48