The Guardian, No. 753, 15th February, 1995

TNC dictatorship

We are living in the era of the transnational corporation, of globalisation and internationalisation of production. Associated with these developments is the destruction of the public sector, welfare services, the sovereignty of nations, the state and popular democracy. "Rolling back the state" is the expression used by the Organisation for Economic Co-operation and Development (OECD), agent of the TNCs, to describe the radical changes under-way in the functioning, financing and role of governments. The major trend in monopoly capital is towards an era of TNC dictatorship.

Author: Anna Pha

Nothing is sacred when it comes to what can pass into the hands of the transnational corporations. No corner of the earth is exempt.

The growth of the TNCs and their penetration and domination of world markets underlies the development of what is often referred to as the global economy.

The seemingly contradictory trends of economic blocs (EU, NAFTA, APEC, etc) and the globalisation principles of the World Trade Organisation (WTO) which was created by GATT, are parts of the same process -- all seeking to remove restrictions on the operations of TNCs.

"About one third of the world's private sector productive assets are under the common governance of TNCs, with varying degrees of integration", according to the 1993 World Investment Report (published by UNCTAD).

By the early 1990s there were around 37,000 TNCs with over 206,000 affiliates (subsidiaries, branches, etc) in foreign countries. Just under half of these affiliates are located in third world countries. The top 100 TNCs are based in developed countries.

Between them, these 37,000 parent companies accounted for around US$2 trillion in investments in 1992.

Their foreign assets generated approximately US$5.5 trillion in world-wide sales, surpassing foreign trade in goods and services, at an estimated US$4 trillion.

Former senior economist at the United Nations Conference on Trade and Development (UNCTAD), Frederic Clairmont, found that the top 200 TNCs had doubled their combined revenues between 1982 and 1992 from $3 trillion to $5.9

trillion and that their share of global GDP rose from 24.2 per cent to 26.8 per cent. (Third World Resurgence, No 44, April 1994)

The largest 100 TNCs control one third of all foreign direct investment (FDI)*.

Foreign investment (the export of capital), has been increasing at four times the rate of the rise in world output and at three times the rate of world trade in goods and services.

In 1993 a record of more than $80 billion was invested by TNCs in third world countries, having more than doubled in two years. This investment is not evenly distributed with South, East, and South East Asia and Latin America and the Caribbean being the main recipients. China was by far the largest, with almost $26 billion -- almost one third. Africa received around six per cent of investments in third world countries.

The main recipients of TNC investments in the developed countries were the European Community with $79 billion in 1992 and the US with $32 billion in 1993.

The 1994 World Investment Report attributes the attraction to investors of third world countries like China to their "good economic performance overall, contrasted with lingering recession or slow growth in developed countries" and "the ongoing relaxation of investment regulations, including the implementation of privatisation programmes open to foreign participation."

Between 1988 and 1992 the value of privatisation sales amounted to at least $185 billion.

"The renaissance and nearly universal recognition of the principles of a market-based economy and the changing attitudes of governments towards the private sector form the environment in which investments by private firms, including TNCs, flourish", says the 1994 World Investment Report.

Assisted by governments

As the above quote suggests, government policies have facilitated the growth and free operation of the TNCs. Privatisation and the lifting or easing of restrictions on foreign investment, deregulation of the financial sector and liberalisation of trade have opened the gates to a surge in foreign investment, particularly in the services sector.

These policies usually come under the name of structural adjustment programs. They are often introduced, particularly in third world countries, as conditions for investment and before loans are granted by the International Monetary Fund or World Bank.

Technological change has opened new doors to the services sector, creating new potential markets and new profit-spinning services. Developments like satellite communications, cellular phones, the "information superhighway", telematics (marriage of computer and communications technology), cable TV, private data transmissions, have seen an acceleration in the internationalisation of production and a new emerging global division of labour.

Another contributing factor was the rash of mergers, takeovers, alliances, cartels, and joint ventures -- all contributing to the rapid rise in the size of the largest TNCs and the vast assets that they control and a concentration of power and wealth, as never before, in the hands of a small minority of the 37,000 TNCs. So much so, that the top 300 firms account for roughly one quarter of the world's production assets.

The largest 100 TNCs between them employ around 12 million workers, approximately 43 per cent of these abroad.

Inter- nationalisation of production

There are new and rapidly changing complex networks and processes spanning the globe. Purchase of materials, component manufacturing, assembly, research and design, marketing, accounting, legal services and sales may be carried out by affiliates or subcontractors in different locations around the globe, while the whole process is managed from the office of the parent company or a subsidiary.

Ford's "world car" is one of the better known examples of internationally integrated production. Ford uses modem, facsimile, and video-conferencing technology to integrate the work of its research and development staff world-wide.

"With the adoption by TNCs of complex integration strategies and structure ... the links grow stronger. Integrated international production will increasingly shape the nature of economic life at the national, regional and global levels", says the 1993 UN Investment Report.

New contradictions

The very nature of this integrated international production brings forth new contradictions and new demands. Take for example, the concept of the "nationality" of a company. What does it mean? Should nationality be defined by: place of incorporation; nationality of parent company; nationality of the shareholders who control it; or "seat" of corporation? Is "nationality" still a relevant term?

Up to now the nationality of a corporation has been important for nationalistic and economic reasons, carrying with it certain rights and obligations and subjective attachments.

In Australia, as elsewhere, laws have restricted foreign investment in real estate, mining companies, and other areas. Foreign banks were only admitted in the 1980s, and then with restrictions. Foreign ownership of Australian banks has only recently been allowed, and then only for the smaller banks.

Discriminatory taxation provisions, cabotage (the restriction of coastal shipping to Australian lines), foreign ownership laws for media and other preferential treatment of domestic companies was the norm -- usually "in the national interest" or for "national security" or cultural reasons.

In the field of taxation, the TNCs pose difficulties for governments attempting to tax the profits of parent TNCs and their affiliates. One third of world trade is intra-TNC trade between parent companies and their foreign affiliates.

With such a large percentage of trade and provision of services being within a TNC, how does a government determine where value was added and by how much? Transfer pricing enables TNCs to determine the location where profits and losses are declared, so as to minimise taxation payments.

Barriers to operations

From the perspective of the TNC, the differing state taxation laws are not only regarded as inefficiencies but as barriers to their "free" operation.

Likewise the different national laws on product standards, health and safety regulations, customs regulations, corporate laws, accounting requirements and legal systems, are other barriers that hinder profit-making in a high-tech internationalised production system with its potential for huge economies of scale.

And within national borders, such measures as restrictions on foreign ownership, trade protection, preferential treatment of domestic companies, are also seen by the TNCs as barriers to their operations.

The public sector is another barrier which is being dismantled. That will be the subject of Part II in this series, next week.

*FDI usually refers to the investment of capital to set up, purchase or takeover a company or the purchase of at least 10 per cent of a company's shares.

Statistics on TNCS, unless otherwise stated, have been taken from the 1993 and 1994 World Investment Reports, published by UNCTAD.

The Guardian, No. 754, 22nd February, 1995

TNC dictatorship (Part II)

Behind privatisation

In part I of this series (The Guardian 15/2/95) the growth of transnational corporations (TNCs) and foreign investment, the international integration of production and some of the new demands of transnationals (TNCs) were covered. This week we look at how and why this is having an enormous impact on the public sector and the drive to privatise.

Author: Anna Pha

Historically, the private sector was only too happy to leave the construction and running of rail and bus transport, port facilities, roads, water, energy and other infrastructure expenditures and services to the public sector as a state responsibility.

The public ownership of infrastructure and services arose in part because they were either seen as not viable as profitable concerns or involved the raising of capital beyond the means of the private sector.

Post-war regulation

In the post-World War II period, there was a move away from the "free market" economics that had brought on the Great Depression and widespread social upheaval. Instead, the gold standard and Bretton Woods institutions (GATT, IMF, World Bank) came into being to regulate trade, monetary and developmental matters.

Governments intervened in the running of economies, adjusting public spending in an attempt to counter the ups and downs of the business cycle. In a number of countries industries were nationalised.

None of these regulations and controls threatened capitalism but were imposed by governments in the overall interests of the system.

During the 1950s and '60s there was a rapid expansion of international trade. Governments assisted local corporations in a variety of ways to enable them to better compete on international as well as domestic markets. The public sector provided free research, tax concessions, financial handouts, subsidised services -- cheap freight, cheap electricity, etc.

Governments protected local industries by imposing quotas, tariffs, and other protectionist measures. Controls on foreign ownership, capital flows and currency transactions were used to protect national interests and retain some measure of control over the economy and economic policy.

In Australia, as elsewhere, taxation, which was the primary source of revenue for the government, was based on a relatively progressive scale, where those on higher incomes paid at a higher rate in the dollar. This was seen as more equitable.

The predecessors to Australia Post and Telecom, the Commonwealth and State Banks, gas, water and electricity authorities, and other state utilities were publicly owned and the responsibility of government. They fulfilled economic and social functions -- services to remote areas subsidised by urban services, cheap housing loans, and so on. They were also a considerable source of government income.

Public revenue was used to fund government, defence, policing and security, roads, public transport, education, pensions, unemployment benefits and for health and community services.

Although we might have complained at the time of their deficiencies, these services were by and large relatively cheap, efficient and made a considerable contribution to what became one of the highest living standards enjoyed by workers anywhere in the world.

Won in struggle

These gains were won in struggle by workers in times of relatively rapid economic growth and from a ruling class with one eye on the advances of workers under socialism.

The "welfare state" as it was known was by no means perfect, and unions were always striving to improve living standards and working conditions, for workers to have a greater share in the wealth they created. One of the public sector's principal strengths was the egalitarian approach of centralised and collectively funded services and, to a large degree, universal provision of benefits.

Instead of each individual having to provide everything, the community pooled resources and in sickness or unemployment a person could rely on support. Public schools offered quality education on a universal basis, regardless of ability to pay, and so on.

The cross-subsidisation of telecommunications; the establishment of state banks with a charter to provide affordable housing loans; and rates for water, sewerage and local government services based according to a measure of wealth or ability to pay were all characteristic of the egalitarian approach.

Public rail and bus services operating throughout the day even when not full, gave the public a service based on needs rather than profit. The state purse subsidised transport and other services where these ran at a loss.

Universality and community provision were underpinning philosophical principles of the growth of the public sector and expansion of the "welfare state". A redistribution of wealth was involved, with those on higher incomes paying through taxes a larger contribution than those on lower incomes.

More accountable

The public sector was supported by many in the left of the labour movement because it was more democratic, and potentially more accountable to the people through such means as annual reports submitted to parliament, Freedom of Information legislation, the Auditor General's reports, Appeals Tribunals and Ombudsmen.

This accountability has by no means been all that we would want, but is far superior to the lack of public accountability of the private sector. Nor did every public service run as efficiently as it might have.

But there was something else going on in this period. It was the steady growth of monopoly -- the big were getting bigger -- leading to the emergence and rapid growth of giant Transnational Corporations (TNCs).

The TNCs with their vast accumulation of wealth, larger than those of many states, emerged capable of taking over public enterprises singly or in TNC joint ventures.

New technology has made it possible to make profits where it might not have been possible before, particularly if the social obligations were removed and profit made the sole reason for the operation of the enterprises.

Source of profits

Many of these facilities have an enormous turn-over which can be a source of profits for TNCs. Hence the attack on the public sector and the various regulatory functions of the state.

"How can such gold mines remain in public hands", say the TNCs. They now want ownership and control over these critical industries. They want governments to get out and leave the field to them.

The TNCs now look to control the strategic infrastructure, basic services and utilities themselves. Because many of these enterprises are essential to the development and operation of other industries those who control them have enormous power in the competition which goes on between the TNCs. All industries need finance, electric energy, telecommunications, transportation, etc. If a corporation has control over such strategic services, it can then set the terms for its rivals who depend on them.

It is in this context that the Organisation for Economic Co-operation and Development (OECD) refers to "rolling back the state". It means handing over many of the functions of government and the public sector to the private sector through privatisation of government enterprises and services, subcontracting to the private sector, and deregulation.

"Rolling back the state" goes much further than privatisation and deregulation, however. It also entails lower taxes on corporations and high incomes and cuts in social expenditure, such as pensions and other welfare payments. This is also referred to as "small government".

Small government

This objective is clearly seen in action at the present time in the discussion going on about the Federal Government's May Budget. The Liberal Party and big business organisations are all demanding that government expenditures (meaning welfare expenditures) should be cut. They are not in favour of higher taxes especially if they involve a tax on some aspect of business. Their reaction to a carbon tax is a good example.

They want even lower taxes on business to leave them with larger profits to make new investments and so more profits and to finance their profligate life-styles. The Labor government, is step by step, putting in place the demands of the TNCs.

Suppressing workers' struggles

Governments, however, are not "rolling back the state" when it comes to suppressing workers' struggles or equipping and training the military. The cuts rarely extend to the military, police and other "law enforcement" agencies.

The private sector is also moving into these areas. There are more than double the number of people employed by the private sector than by the public sector, to carry out policing and security functions in Australia.

The NSW Police have entered the realm of corporate sponsorship and mobile police vehicles which drive around Sydney advertising the names of corporate sponsors -- insurance and other companies -- which have a direct interest in the field. Private jails are springing up.

Financial sector

In the financial sector, the most strategic of all, where the state has exercised considerable controls through regulations and state-owned banks, the same pressure exists for the state to move out -- to relinquish both ownership and policy making roles.

The Commonwealth and State Banks are being privatised and the Reserve Bank, whose board comprises predominantly representatives of the corporate sector, is becoming more and more independent of government while making important economic policy decisions.

This process is not limited to Australia. It is happening in all capitalist countries.

Globally the number of privatised enterprises has grown rapidly in recent years. Between 1988 and 1992 the sale of public enterprises to the private sector amounted to at least US$185 billion, according to figures given by the United Nations Conference on Trade and Development (UNCTAD) in its 1994 World Investment Report.

Since the 1980s the privatisation boom has concentrated on third world and the former socialist countries. But "more privatisations in developed countries are scheduled in the future. Proposed sales of State-owned enterprises in Western Europe alone could amount to $150 billion by 1998, in industries such as oil, air transport, telecommunications and utilities, typically considered strategic to the national interest of a number of countries", UNCTAD forecasts.

Next week: policies dictated by TNCs and their enforcement by international bodies.

The Guardian, No. 755, 1st March, 1995

TNC dictatorship (Part III)

Dancing to a TNC tune

Part I of this series looked at the growth of transnational corporations (TNCs) and foreign investment and their importance. Part II covered the global drive for the privatisation of the public sector to meet the new demands and needs of TNCs. This week we take a look at the concessions governments are making to win

TNC investment which they see as essential to economic growth and development.

Author: Anna Pha

When deciding where to invest their capital, TNCs look for locational advantages -- such as large market size and rapid growth of an economy; access to other markets (e.g. in America, Europe, Asia); political stability; the availability of skilled low-cost labour; industrial peace; natural resources; low taxation regime; investment incentives and other profit- enhancing government policies; efficient and cheap transportation, communication networks and other infrastructure.

The 1993 World Investment Report (UNCTAD) put it bluntly: "developing countries that do not offer the locational advantages required by regionally or globally integrated firms, such as a skilled labour force, an open trading and investment environment, a developed communications and transport infrastructure and networks of local suppliers on which TNCs can draw, risk being further marginalised.

"Those countries need to consider how to formulate and co-ordinate policies so as to maximise the benefits to them from the emerging integrated international production system as well as from foreign direct investment in more traditional organisational forms..."

The same applies to industrialised countries, including Australia.

The 1994 World Investment Report (UNCTAD) outlines in more detail policy factors that governments must address if they are to attract TNC investment.

It lists them: private sector development; macroeconomic reform (e.g. curbing inflation, raising domestic savings, improving export performance, measures to alleviate debt burden, etc); liberalisation (e.g. removing restrictions on foreign investment); privatisation; and regional integration, such as the North American Free Trade Agreement (NAFTA).

The 1994 Report says that in the area of foreign direct investment (FDI), "liberalisation is the most important policy trend of the 1990s, as part of broad-based efforts to attract foreign investors". The aim is "to liberalise existing restrictions on FDI flows and the operations of transnational corporations".

Red carpet for TNCs

Trade liberalisation is already making significant headway through GATT and will continue under the new World Trade Organisation (WTO) and through regional treaties like the European Union, NAFTA, and possibly APEC.

Liberalisation of foreign investment involves lifting restrictions on foreign ownership and control. For example, many countries have laws limiting or banning foreign ownership of real estate, essential services, communications, resources and the mass media. The TNCs demand that these limitations be removed.

They want foreign TNCs to have the same rights as domestic investors -- - receive the same government assistance, tax incentives, own or control the same proportion of media. This is known as "national treatment".

When the IMF and the World Bank talk about "reform" they mean the removal of regulations and laws which are seen as restricting the operations of TNCS. This covers what are known as competition rules and deregulation, and so on.

These policies are packaged and presented under various guises: "structural adjustment programs"; "economic rationalism"; "transition to market economy"; etc.

Policies enforced

While governments are encouraged to create investment environments attractive to TNCs, those that are reluctant are given a little extra encouragement, particularly third world and former socialist countries, the latter now referred to as "economies in transition".

World Bank and IMF loans to these countries are usually conditional on the implementation of the policies outlined above. Desperate governments, hungry for capital and burdened by crippling debts, have little power to bargain or object to such conditions.

The World Bank has shifted its emphasis from government projects to developing the private sector. The net result of many of these programs is that governments are forced to privatise health, telecommunications and infrastructure.

The "assistance" governments receive is directed towards putting these operations onto a profitable footing for the TNCs to take over. Part of the preparation involves the sacking of public sector workers in advance of privatisation.

The step by step approach

The following quotes from the 1994 World Investment Report illustrate the process of adjustment as dictated by these bodies on behalf of the TNCs in India.

"The first liberalisation introduced in July 1991 provided automatic approval of FDI project proposals with up to 51 per cent foreign equity ownership in 34 priority industries. At the same time local content rules were withdrawn.

"In 1992, and again in 1993, a series of proposals were made to dismantle more barriers to FDI, such as restriction on the use of foreign brand names and trade marks and on participation in mining of thirteen minerals.

"In January 1993, the Foreign Exchange Regulation Act was amended to remove restrictions on foreign-owned enterprises and accord them national treatment. Full ownership was allowed for foreign firms on a case-by-case basis.

"Foreign participation was allowed in building, maintaining and operating certain highways and bridges on a toll-collection basis, as well as in operating telephone service networks in the country. Foreign investors have freedom of repatriation of earnings, as well as repatriation of divested capital...

"To complement the relaxation of investment rules, import duties were lowered .... and the rupee on the trade account became convertible. An array of tax holidays and capital-gains concessions was also implemented to attract FDI, especially in the energy sector that was opened to foreign firms in 1992...

"The introduction of financial deregulation renewed foreign interest in Indian financial services. Since the beginning of 1993, banks have been allowed to set their own interest rates on loans of more than about [US]$6, 400. In addition, the private sector has also been permitted to provide more banking services and to operate mutual funds...

"The process of economic liberalisation in India has made great strides since 1991. Yet, there are still further adjustments required ... to make conditions for investment, both domestic and foreign, more attractive...

"In terms of future policies affecting FDI, the Government has indicated that it would consider lowering corporate taxes and import duties, introduce a value-added tax, further deregulate banks and capital markets and open the nationalised insurance industry to foreign investors..."

Australia follows

India is just one example. The Australian government is pursuing similar policies. In our case the pressure is not so much from the World Bank and IMF, but is exerted through the OECD and the financial institutions and credit agencies themselves.

The numerous reports and inquiries by the Industry Commission, the Bureau of Industry Economics, Hilmer and others, and the drive for "world best practice" are basically about meeting the conditions TNCs place on investment.

The debate in government and business circles is not on whether we should be privatising or permitting foreign ownership, but how to go about it within the Australian context. The Council of Australian Governments is attempting to bring into line and unify the various state policies on taxation, transport, etc, so that Australia can further integrate internationally. "Integration" in this context means implementing the agenda of the TNCs.

Since the mid-'80s the federal Labor government has been gradually implementing the policies outlined in the World Investment Report.

Keating has referred to them as his "big picture" or structural adjustment program. As former Treasurer and now Prime Minister he has taken his cues from the Organisation for Economic Co-operation and Development's program for structural adjustment.

Competition policy

Competition policy is central to the OECD's structural adjustment strategy. The policy appears at first to be an attempt to revert to the "free markets" of the 19th century, something which is not possible in the era of monopolies.

Competition does not attempt to break the domination of TNCs, but to curb some of the "excesses" and practices which might threaten or distort their operations, the so-called "free markets", and destabilise the system.

"Competition policy" calls for the removal of "impediments to the efficient functioning of markets" and of laws which prevent cartels and other forms of monopoly price fixing.

It seeks a reduction or elimination of tariffs, subsidies, and other measures which have been imposed to protect the domestic markets of countries or prevent firms from gaining market entry in unjustified ways such as using their wealth to operate at a loss and destroy competitors.

Above all the call for "competition" is behind the drive to privatise publicly-owned enterprises and services. It does not have in its sights the break up of private enterprise monopolies and TNCs.

Emphasis is given by the OECD to the role of the financial markets in monetary and other economic policies. Its view is that governments "interfere" in markets, they "distort" markets with their subsidies to industry, taxation regimes, and their spending.

"Ensuring that available funds are channelled into the most profitable branches of industry, businesses and investment projects is the central function of financial markets.

"By virtue of their capacity to identify, assess and choose from among the competing demands for funding, financial intermediaries are assumed to ensure that the economy's resources are recycled into the most productive areas." (OECD, Structural Adjustment and Economic Performance, OECD, Paris, 1987)

The financial institutions are among the biggest TNCs and the most powerful.

They are calling the tune, and governments are doing the dancing.

Next week: consequences of these policies.

The Guardian, No. 756, 8th March, 1995

TNC dictatorship (Part IV)

Changes hit hard

Last week we looked at the structural adjustment programs being implemented by governments around the world to meet the demands of and attract the investment funds of Japanese, US, British, French and German corporations. This week we look at some of the implications of these policies as they affect society, the nation state and democratic rights.

Author: Anna Pha

One only has to walk past the local high school or post office with its "for sale" or corporate sponsorship sign up to notice that there are changes. For those using public services -- public transport commuters, students, researchers, welfare recipients, the sick -- the impact is beginning to be felt and is hitting hard.

For those who work, or used to work in the public sector, the impact is considerable. Community and other groups outside the public sector but dependent on public funding are also feeling the consequences.

Staff are being cut. Those those who are left work longer hours and in more difficult and stressful conditions. Those sacked or "retrenched" join the ranks of the unemployed. The luckier ones become "consultants" in the professional ranks or are contracted back to do their old jobs under worse conditions and without job security.

Some of the advantages of working in the public sector, like permanent employment, paid maternity leave, flexi-hours, promotion systems, even though it meant lower wages, have been wiped or are under threat. Many of these were of considerable benefit to women.

The services provided are less and less assessed or determined on the basis of social need or desirability, but instead on the corporate criteria of profitability.

Funding cuts also mean short cuts which jeopardise quality and safety, none of which are satisfying or easy for professionals like nurses, meat inspectors, plumbers, electricians, maintenance and other workers to accept.

Teachers battle with larger classes and downgraded support services. During each round of negotiations, they are told to pay for wage rises with their colleagues' jobs and students' education. Morale is low in many government departments and public enterprises.

The hospital system and ambulance services are in crisis, and set to worsen as case-mix, tendering, contracting out and similar schemes see workers outbidding each other for jobs.

Tendering is already being introduced in government departments. Contracts are awarded to outsiders or insiders according to the cheapest bids, undermining award conditions and seeing public sector workers undermining their own conditions and accepting lower wages. This is where it is heading and where it is intended to go.

A massive propaganda job has been done to discredit the "welfare state" with the objective of gaining acceptance of "commercialisation" with everything being determined by money and not need or service.

Former welfare benefits are being replaced with the concept of the "safety net", a process by which all but the most desperate and needy are excluded from receipt of services or benefits. It is the modern version of the "poor house".

In the last Accord between the ACTU and the Labor government the "safety net" term was extended to cover the award system -- or what will be left of it when it has been gutted, with workers and their organisations forced into the enterprise bargaining system.

The consequences of deregulation and "self-regulation" are seen in the tragic death of a child in Adelaide from a contaminated meat product: a product of the self-regulationg meat industry.

The impact on the environment is most vividly seen in the wholesale destruction of old-growth forests by the woodchipping industry with the government bowing down to the logging companies.

What will happen to those who cannot afford the private health system, cannot find employment, cannot negotiate a satisfactory work contract, cannot afford school fees for their children?

What will happen to those without an adequate private retirement income (women in particular) as the public pension is phased out -- replaced by superannuation? What will happen to the "peripheral workforce", the 40 per cent or more of the population who will not be able to find permanent and well paid work?

What will happen to the disabled and the sick who cannot afford "fee for service" support?

Will governments have the means to respond once all public assets have been sold off and they no longer have the means at their disposal to serve the people except by massive increases in taxation or devastating cuts in welfare payments and moneys for health and education?

Already in Australia big business circles and their political representatives are baying for just such massive budget expenditure cuts.

With the growing internationalisation of production (see Part I of this series) and the emergence and growth of regional and global bodies and international treaties, governments have been surrendering many of their rights affecting domestic policy matters -- e.g. subsidies, tariffs, health and safety standards, fishing rights, etc.

These developments raise the question: what if governments no longer have the power to respond -- if that power is vested in international bodies like the World Trade Organisation, Organisation for Economic Co-operation and Development (OECD), APEC, CODEX Alimentarius, the International Monetary Fund (IMF), the World Bank and other international bodies all of which are run for and by the representatives of the TNCs?

What is happening to Mexico as a result of the NAFTA agreement is a dramatic lesson of what will happen to many more countries in the not too distant future. Australia is not immune from such developments which have almost overnight impoverished the Mexican people as never before.

But this is by no means all. "Small government", deregulation and privatisation raise questions about the future role of the nation state, of elected governments and the public sector.

Will governments increasingly become managers fulfilling the demands of the TNCs and business monopolies, rather than governors in part answerable to the people and in part fulfilling their needs?

These questions are not far-fetched. They are not figments of a "brave new world" imagination. They have been already advanced by the OECD itself:

An "interdependent world requires new forms of governance", writes Scott H Jacobs*, who is responsible for regulatory management and reform in the Public Management Service of the OECD. Jacobs proposes a "multi-layered regulatory system".

"The rapidity and scope of the move toward regulatory interdependence is opening new opportunities for government action and closing others, reshaping institutional roles and relationships, and transferring power from national political institutions and traditional bureaucracies to emerging intergovernmental networks.

"Effects on the roles of government, the legislatures and the judiciary in setting and overseeing laws and policy are only beginning to be perceived.

"Markets have led interdependence with the growth of global trade and capital movements; unless governments resort to protectionist measures they have no choice but to follow...

"Linkages among policies means that governments are not controlling change; rather, they are attempting to cope with it ... Differences in administrative cultures, legal traditions (such as treatment of liability), capacities, values and policy priorities undermine co-operative relationships", says Jacobs.

"Careful thinking is required on the relationship between intergovernmental co-operation and the sovereignty of citizens in a democracy. A loss of democratic control in a national context may be inevitable as the monopoly on law-making held by national legislatures and administrations weakens, but compensating increases in accountability may be achieved through the design of networks, markets and international institutions."

Jacobs recognises the demands by TNCs on governments for far more fundamental changes than those economic policies already referred to such as privatisation, small government and deregulation.

These demands threaten the sovereignty of nation states and the democratic rights of the people. They challenge the rights of elected governments to govern -- to regulate economies, to control the entry of people, capital and goods at national borders, to determine taxation regimes and public spending, to set and enforce standards for products and services, to determine direction of development, to carry out environmental measures or practice sustainable development, to address the rights of indigenous people ... The very existence of nation states is under threat.

According to Jacobs, the process has already commenced.

In saying that, it must be added that the exercise of sovereign rights is not inconsistent with the negotiation of and adherence to international agreements and solutions when done on an equal basis. Such agreements are vital for the resolution of international questions (peace, environment, trade, ...) and already exist in many arenas. But it is not these agreements and practices that the TNCs have in their gun sights.

Jacobs goes on, "Public concerns about sovereignty tend to out-pace government response, and will continue to heighten. Even so, there may not be complete realisation of the extent to which governments have already effectively surrendered legal authority to intergovernmental regulatory processes -- that is, they have become 'regulation-takers' rather than 'regulation-makers'."

He is right. Already, through GATT, the OECD, the World Bank, the EU, and other bodies, and the direct capitulation of governments to TNCs, a number of these rights have been surrendered.

The governing forces already making the new rules are far removed from the people, are not elected, are not even known to the people, are not accountable. These bodies are the creation of the TNCs and private monopolies and are answerable to their creators.

Democracy as we have known it and the independence and sovereignty of nations is being destroyed before our very eyes.

Next week: erosion of sovereignty and democratic rights.

*Jacobs, Scott H, "Why Governments Must Work Together", in OECD Observer, No. 186, February/March 1994.

The Guardian, No. 757, 15th March, 1995

TNC dictatorship (Part V)

Destroying democracy and independence

The sovereignty of nation states and democratic processes was raised when quoting an OECD official last week. He wrote: "... there may not be complete realisation of the extent to which governments have already effectively surrendered legal authority to inter-governmental regulatory processes -- that is, they have become `regulation-takers' rather than `regulation-makers'". This statement was in reference to the radical changes taking place in response to the demands of the transnational corporations (TNCs). This, the final part of the series, looks at some of the processes by which governments are surrendering their sovereignty and democratic processes.

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As a member of the Organisation for Economic Co-operation and Development (OECD), Australia is bound by the organisation's Code of Liberalisation of Capital Movements and the Code of Current Invisible Operations. The Code on Capital Movements (Article 1a) says that members "shall progressively abolish between one another ... restrictions on movements of capital to the extent necessary for effective economic co-operation". This includes export and import of capital in relation to direct investments, real estate, dealings in shares and other securities, loans and credits, and other monetary operations.

The Current Invisibles Code (Article 1a) says: "Members shall eliminate between one another ... restrictions on current invisible transactions and transfers ..."

These "invisibles" include business and industry, foreign trade, transport (air, sea, road), banking, insurance, films, TV (cable and satellite), construction, travel and tourism, pensions/personal income and professional services (accounting, law, etc), media, authors' royalties, patents, etc.

Australia is legally bound to give foreign investors the same rights as local ones in the provision of services and to the enforcement of a strict protectionist regime over "intellectual property". Australia has made some "reservations" on foreign-produced advertising for television broadcasts but local content rules will be phased out. It also has reservations regarding foreign ownership of real estate, and foreign investment in banking, media, civil aviation and uranium. But these reservations must also be phased out. "Reservations" are a form of temporary exemption.

The OECD works closely with the International Monetary Fund (IMF) and the World Bank. They have common policies and collaborate in their enforcement in third world and former socialist countries. While there is no international law that makes the structural adjustment programs obligatory, the WB and IMF make loans, debt rescheduling and any other assistance conditional on their implementation.

There is one important point that should be made about the IMF and the World Bank. It is their undemocratic structure.

The number of votes a country has is based on its wealth. The US, Japan, Britain, France and Germany, (home to 77 of the largest TNCs), hold together over 40 per cent of the vote at the World Bank and the IMF.

The 25 countries which are members of the OECD together hold around 60 per cent of the votes. The more than 100 third world countries are clearly outvoted.

World Trade Organisation

The new World Trade Organisation (WTO) is expected to include most of the nations of the world and is due to come into operation this year. The right of a country to veto any decision has gone.

Its disputes mechanisms and punitive measures (such as trade sanctions) will be enforced on the smaller and poorer nations, and ignored by the US and other larger powers.

"Intellectual Property"

Take, for example, the question of intellectual property rights (IPRs). Under WTO provisions, the patenting and protection of IPRs will be strongly enforced and governments will be obliged to legislate to protect the rights of private ownership of intellectual property. This is designed to protect the technological and knowledge advantages that the West has over the third world.

This is already being implemented in pharmaceuticals. The patenting of drugs has enabled the TNCs that produce them to sell products at crippling monopoly prices, denying many sick people the treatment they need -- particularly in third world countries.

Under its own laws India produced many cheap pharmaceuticals. As a result drugs were sold at a fraction of the price in developed countries. The well known ulcer medication "Zantac" was sold for 29.03 rupees (about A$1.25) in India as against A$32.37 in the US, or A$20.90 in Britain.

Under the WTO rules the supply of cheap medicines in third world countries will be forbidden if they transgress patents held by TNCs and will be punishable by trade sanctions on the other exports of the country concerned.

The system adopted can be manipulated so that a TNC could have the right for the first 20 years to be the exclusive manufacturer of that product and set monopoly prices -- even if that means people will die. This is the case even if the TNC did not develop the drug but got in first with a patent application.

Agriculture

The new trade agreements will have a very big impact on agriculture -- important to Australia and for many third world countries. The agreement demands that "protection" be extended to micro-organisms, to non-biological and microbiological processes and plant varieties. "Protection" means protecting TNC monopoly.

Previously, most patent systems excluded such areas as agriculture, food and health for obvious reasons of public interest.

Farmers will lose the right to save seeds to re-plant or to sell or even to exchange with other farmers. Where plant varieties have been patented by the TNCs these and the genes of the plants will become the private property of TNC's like Cargill.

To add insult to injury many of the genes and plant products which are being patented came from third world countries in the first place. They were stolen from the very people who over centuries had developed, cultivated and refined them and are now denied access through patent laws.

Governments will not be able to subsidise local food products or impose restrictions on the import of food stuffs to protect local markets or to ensure that cheap food is available for the public.

Loss of control

Governments will have no control over the entry of capital for investment, over goods and eventually over personnel who may come and go.

The current debate over foreign ownership of the media will be redundant. Under the new laws to be imposed, all governments will eventually relinquish control over foreign ownership, over capital flows, over trade and much else.

The WTO will become the global economic policeman enforcing the structural adjustment policies and trade and investment liberalisation dictated by the TNCS.

Increasingly, under the WTO regime, as various changes are made to make our laws WTO consistent, the federal and state governments will not be able to take specific measures to create jobs or develop industries in the best interests of our economy and our people.

A batch of WTO Bills went through the Australian parliament at the end of 1994 but the Australian people know nothing about them and have not been told what they will mean.

Privatisation

Apart from the direct loss of sovereignty flowing from membership of the WTO and other international bodies, privatisation and liberalisation of investment and trade are the means by which the TNCs are getting a strangle-hold on the strategic infrastructure and industries in both third world countries and developed countries.

No nation state can consider itself to have control and sovereignty when it loses control of its water, its electricity, its land, its telecommunications, its transportation and financial systems. Yet this is exactly what is happening now. The ability of governments to plan for and implement policies of sustainable development is denied.

Environmental protection measures are seen under WTO to be back-door protectionism and it will be extremely difficult for a government to prevent retaliatory measures against other areas of trade if measures to protect the environment impinge upon the "rights" of transnationals to invest, to trade or to produce.

International trends

There are other international trends which also raise questions over the future of elected governments in nation states. The next stage of the European Union (EU) involves a common foreign policy, currency and military and police forces.

National parliaments of the EU countries have already lost significant powers while real decision making is vested in unelected committees -- not the European Parliament.

Another emerging trend is the transformation of the United Nations which is increasingly interfering in the internal affairs of nation states following the dictates of the most powerful grouping, that headed by the US.

The various reforms being proposed for the UN include the establishment of a permanent UN military force, intervention by the UN in relation to economic and social matters, possibly even labour laws, under the umbrella of "human rights", "humanitarian aid" and "democracy".

Will these forces be used to suppress resistance to structural adjustment programs and put down governments that seek to challenge them? As already quoted last week, the OECD expert says that "unless governments resort to protectionist measures they have no choice but to follow".

An alternative

In this age of internationalisation of production and integration of economies, have the capitalist ruling class decided to dispense with sovereign nation states and elected governments? Are these to be replaced by a global governance created by the unelected TNCs? We are living in a world where increasingly people are demanding a greater say in events and control over their own lives. But present developments are not heading in this direction -- quite the opposite. None-the-less, people around the world are demanding more say in things and control.

Opposition is growing to the policies of the TNCs, the World Bank, the IMF. Several European governments were thrown out in recent elections signalling a backlash and a growing fight-back. In third world countries massive actions are taking place, although mostly unreported in our media.

Does the New World Order of TNC dictatorship, undemocratic, unrepresentative, destroying every nation's independence and sovereignty, serve the aspirations and interests of the people? Emphatically, No!, it does not.