THE NEW INTERNATIONAL ECONOMIC ORDER AND THE POLITICS OF MULTINATIONAL CORPORATIONS

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I. *Introductory Note*

On May 1, 1974, at its Sixth Special Session, the United Nations General Assembly adopted a historic document called the *Declaration on the Establishment of a New International Economic Order* (NIEO.)[1] The whole outlook as well as the specific principles laid down by the Declaration constitutes a framework within which the United Nations system aims to concretize its work toward structural changes in international economic relations. The direction of change is the correction of inequalities and redress of existing injustices, and the creation of "better conditions for all peoples to reach a life worthy of human dignity." The dominant tone of the Declaration reflects the objective interests and requirements of social progress and economic development particularly of the developing countries. Thus the main perspective of the Declaration is expressed as follows:

> The greatest and most significant achievement during the last decades has been the independence from colonial and alien domination of a large number of peoples and nations which has enabled them to become members of the community of free peoples. Technological progress has also been made in all spheres of economic activities in the last three decades, thus providing a solid potential for improving the well-being of all peoples. However, the remaining vestiges of alien and colonial domination, foreign occupation, racial discrimination, *apartheid* and neo-colonialism in all its forms continue to be among the greatest obstacles to the full emancipation and progress of the developing countries and all peoples involved.[2]

This perspective encapsulizes three important points. Firstly, it looks back to the history of the developing countries as defined by colonialism and alien domination. This, in fact, is the decisive factor that shaped their economic backwardness and social deformity. The destruction of their native industries by the free flow of commodities from the colonial powers, the exploitation of their populations, and the plunder of their national wealth invariably marked the

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[1] U.N. General Assembly resolution 3201 (S-VI), 1 May 1974.

[2] *Ibid.*

historical process of impoverishment of these countries, in the hands of colonial powers which have grown into full-fledged monopoly capitalist states in the present era. Colonialism was a historical process which was integral to the *development* of the leading capitalist countries and whose necessary consequence was the *underdevelopment* of the colonial peoples and countries.

Secondly, the Declaration underscores the *political independence* of the colonial peoples and countries as an event of great significance. As independent countries, they have expanded the membership of the international community. Conscious of their colonial experience, they continue to direct their efforts toward independent development along anti-colonial policies.

Thirdly, and most significantly, the Declaration expresses the collective consciousness of the developing countries that, after decades of political independence, their national freedom has remained incomplete and their efforts at independent development are thwarted by formidable obstacles set up by the forces of neo-colonialism, i.e., by the leading capitalist countries.

The demand for a new order is the culminating point in the growing Third World awareness that political independence does not necessarily bring economic emancipation and it takes *economic independence* to complete political freedom. But to begin with, as stressed in the Economic Declaration of the 1976 Summit Meeting of non-Aligned Countries, "[i]t is important that developing countries should use their sovereignty and their independence as a lever for the attainment of their sovereignty and their independence at the economic level."[3] At the Dakar Conference on Raw Materials in 1975, 110 developing countries were to proclaim the main thrust toward the new international economic order: "the only way for them to achieve full and complete economic emancipation is to recover and control their natural resources and wealth and the means of economic development in order to secure the economic, social and cultural progress of their people."[4]

II. *The Main Issue: Independent Development vs. Multinational Corporations*

The developing countries have gained political independence but the fundamental economic conditions that determine their international relations remain under the heavy influence of their former

[3] 27 REV. OF INT'L AFFAIRS 31, 34 (No. 634, Sept. 5, 1976, Belgrade).
[4] For text of the Dakar Declaration, see U.N. Doc. No. E/AC. 62/6, April 15, 1975.

colonizers. For them the New International Economic Order means that, by their collective effort, they can recast their economic relations with the capitalist powers as part of their struggle to complete their national independence.

The NIEO Declaration defines the principles that should govern the transition to economic independence of the developing countries. Consistent with their requirements of independent development and self-determination, it recognizes: (1) the right of every country to adopt the economic and social system that it deems most appropriate for its own development; (2) full permanent sovereignty of every state over its natural resources and all economic activities; (3) the right to nationalization as a measure of economic self-determination; (4) full permanent sovereignty as a basis for the regulation and supervision of multinational corporations;[5] (5) the duty of multinational corporations not to intervene in the international affairs of the host state;[6] and (6) the right and duty of all states, individually and collectively, "to eliminate colonialism, *apartheid*, racial discrimination, neo-colonialism and all forms of foreign aggression, occupation and domination, and the economic and social consequences thereof, as a prerequisite for development."[7]

These principles crystallize the deep-rooted conflict between the requirements of independent development of Third World countries, on one hand, and the demands of multinational corporations (MNCs) in redirecting the social and economic development of these countries, on the other. The MNCs are forcing the developing countries to go along the path of capitalist development without regard to the objective interests of these countries for which their peoples, in the exercise of their right to self-determination, may choose an alternative non-capitalist or socialist orientation. The politics of MNCs is aimed at building social and economic infrastructures in the developing world that would provide stability to their global strategy of profit, while the overriding political objective of the developing countries is to sustain their struggle for the completion of their national independence by recovering their economy from the control of foreign capital. Today, the contradiction of these two objectives explains the basic cause of the political and economic crisis in the developing world.

[5] U.N. Gen. Assembly resolution 3201 (S-VI), 1 May 1974.
[6] Charter of Economic Rights and Duties of States (U.N. General Assembly resolution 3281 [XXIX], 12 Dec. 1974).
[7] *Id.*, art. 16.

III. *The Case of Chile: The Politics of Subversion*

The conflict outlined above was dramatized with tragic consequences in the case of Chile under President Salvador Allende. From its victory at the national elections on September 4, 1970, the Popular Unity Government under Allende's leadership pursued its platform for a basic transformation of Chilean society. The burden of its program was the economic emancipation of Chile from "the central nucleus of large transnational companies that sunk their claws" into Chile, to use Allende's own expression. In explaining the social necessity of his program of revolutionary reforms, Allende summarized the Chilean situation in relation to the MNCs in the following words:

> The need to place all our economic resources at the service of the enormous needs of the people went hand in hand with Chile's regaining of its dignity. We had to end the situation as a result of which we Chileans, plagued by poverty and stagnation, had to export huge sums of capital for the benefit of the world's most powerful market economy [U.S. economy]. The nationalization of basic resources constitutes an historic demand. Our economy could no longer tolerate the subordination implied by having more than 80 per cent of its exports in the hands of a small group of large foreign companies in which they make profit.[8]

To achieve this, the Chilean Government provided for the nationalization of the basic natural resources, banks, insurance companies, and foreign trade, a broad and deep-going agrarian reform and measures for increase of minimum wage, pensions, and other social services. The nationalization process necessarily included the industries operated by International Telegraph and Telephone Company (ITT), Kennecott Copper Corporation and Anaconda. In this program, the Government found itself opposed by, as Allende described them in his speech before the United Nations General Assembly, "forces that operate in the shadows, without a flag, with powerful weapons that are placed in a wide range of influential positions."[9] To Allende, "the change in the power structure that we are carrying out, the progressive leadership role of the workers in it, the national recovery of basic riches, the liberation of our country from subordination to foreign powers, are all crowning points of a long historical process."[10] But to the MNCs, like ITT, the developments ushered in by the Allende election meant that "freedom is dying in Chile and

[8] Speech before the U.N. General Assembly on 4 December 1972, as reprinted in RADICE (ED.), INTERNATIONAL FIRMS AND MODERN IMPERIALISM 233, 234 (1975).
[9] *Id.*, at 237.
[10] *Id.*, at 235.

what it means to Latin America, and to US—to free men everywhere —is not pleasant to contemplate."[11]

What forces conspired to stop Chile's revolutionary transformation along an independent path of development, administered by a freely elected government?

The World Bank and the Inter-American Development Bank stopped its lending operations to Chile upon Allende's election. The U.S. Agency for International Development (AID) discontinued its loans. Credit lines from the U.S. Export-Import Bank and private banks were suspended. Sales of Chilean copper were blocked in Western European countries.[12] This concerted financial stranglehold strikingly resembled the main features of an 18-point plan drawn up by ITT for the subversion of the Chilean independent development.

A year before the Allende election, ITT had prepared a plan, which it later presented to the US Government. The plan called for the overthrow of the Allende Government within six months. This was to be accomplished by economic sabotage, social disorder and public panic so that the armed forces could impose a dictatorship in place of Allende's democratic regime. To create economic chaos, ITT's memorandum proposed that international credit institutions, including the large US private banks, be induced to restrict their credit to Chile; it recommended delay in the purchase of Chilean copper, suspension of aid from the United States and intertional organizations, restrictions on Chilean exports to the United States and on U.S. deliveries of vital commodities to Chile, and alliance of MNCs from different countries.[13] Having lost its nationalization case in the Chilean courts, Kennecott Copper Corporation went to court in France, Holland and Sweden demanding the payment for Chile's copper export to those countries.[14] To coordinate actions against the Allende Government, the MNCs operating in Chile formed a special council composed of representatives of ITT, Kennecott, W. R. Grace, Pfizer Chemical, and Ralston Purina.[15]

The U.S. Central Intelligence Agency (CIA) worked closely with ITT and other MNCs for the overthrow of the Allende Govern-

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[11] Memorandum of E.J. Gerrity, Jr., ITT's senior vice president for public relations, to H.S. Geneen, ITT's president, dated 20 Oct. 1970, in *Documentos Secretos de la ITT*, pp. 46, 47 (Santiago, Chile, 1972).

[12] *Supra*, note 8 at 237-238.

[13] *Multinational Corporations and United States Foreign Policy. Hearings Before the Subcommittee on Multinational Corporations of the Committee on Foreign Relations, United States Senate. 93rd Congress*, Part 2, pp. 951-953 (1974-75).

[14] *Supra*, note 8, at 240.

[15] *Supra*, note 13, at 952.

ment.[16] ITT offered the CIA up to $1 million to finance the campaign against the Government.[17] With the support of the MNCs, the CIA prepared and executed the military coup in 1973 which ended the legitimate Allende Government and ushered to power General Pinochet's fascist military regime.[18] William E. Colby, former CIA director, admitted before a U.S. congressional hearing that the CIA conducted secret operations from 1970 to 1973 to destabilize Chile.[19] In its attempt to prevent Allende's election, the CIA subsidized the political rivals of Allende and funded opposition newspapers.[20]

The objective of the politics of subversion in Chile became clearer in the post-coup developments. The right-wing military junta announced the reversal of Allende's socialist orientation; the new regime would encourage private enterprise and foreign investmeants. Three weeks after the coup, the U.S. Department of Agriculture granted Chile commercial credit worth $24 million for the purchase of 120,000 tons of wheat. Both the International Monetary Fund (IMF) and the World Bank changed their attitude toward Chile. The IMF was disposed to give a standby credit, and a World Bank mission signified interest in joining an IMF survey mission to the country. International bankers from the United States and West Europe warmed up relations with the military junta for possible development loans and re-scheduling of Chile's foreign debts.[21] The junta's model of development is characterized by a return to a free-enterprise economy oriented to export, the model suitable to the relocation of MNC manufacturing facilities in Third World countries. Companies nationalized by the Allende Government were returned to their former owners, as part of a broad program for a return to private-enterprise capitalism. An IMF report listed some 253 companies in the state sector which had been returned to private hands and 105, including 10 banks, sold to private buyers in less than three years after the junta took power.[22] The junta declared an "open door" policy to foreign capital. Its new "statute on foreign

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[16] See *supra*, note 13, at Part I, p. 102; Mardenes, LA CIA SIN MASCARA 134-135 (1976), as reviewed in 1977 INTERNATIONAL AFFAIRS, No. 6, pp. 135-136; also Magallona, *Transnational Corporations*: *Toward A Definition of A National Economic Security Problem and Its Resolution*, in U.P. Law Center, PHILIPPINE PERSPECTIVE ON MULTINATIONAL CORPORATIONS 98, 127 (1978).

[17] See *supra*, note 13, at Part I, p. 102; *New York Times*, 20 Aug. 1975, p. 59.

[18] See Dimitriev, *Super-Monopolies*: *Role in Imperialist Foreign Policy*, 1977 INT'L. AFFAIRS No. 5, pp. 84-87 (Moscow).

[19] See Mardones, *op. cit.*, *supra*, note 16.

[20] *Ibid.* For example, the U.S. Securities and Exchange Commission accused the ITT of paying Allende's political opponents some $400,000 between 1970 and 1972. See *Philippine Daily Express*, Nov. 4, 1978, p. 1.

[21] Shaw, "Multinationals Queue for Post-Allende Credits," *Washington Post*, 2 Nov. 1973, as reprinted in RADICE, *op. cit.*, *supra*, note 8, at 248-249.

[22] As cited in Atroshenko, *The Socio-Economic "Model" of Chilean Fascism*, 1978 INT'L. AFFAIRS No. 2, pp. 51, 55 (Moscow).

investment" guaranteed full repatriation of profits and removed restrictions on MNCs' operations in Chile. So drastic was the reversal of Chile's policy on the treatment of foreign capital that it had to terminate its membership in the Andean Subregional Economic Integration,[23] which pursues the policy of independent national development of the member-countries.

What Chile experienced in the form of "one of the most expert, ruthless and bloody" coup in Latin America,[24] was the exaction of a price by the U.S.-based MNCs and their home country for attempting to exercise its right to self-determination and for pursuing a program of economic independence that necessarily clashed with the interest of the MNCs. That bloody experience was merely, on the part of the MNCs, a way of enforcing the foreign policy of tailoring the Third World countries along the development model of free-enterprise capitalism, so that they can be converted into satellite economies or expert platforms of the MNCs.

IV. *MNCs' Foreign Policy*: *Export of Free-Enterprise Capitalism*

The case of Chile is not an exception. It exemplifies a general foreign policy course whenever a Third World country deviates from the development model imposed by the MNCs. As described by a U.S. Senate report, one of the principal foreign-policy objectives carried out by the MNCs is to spread the "free enterprise system" and to "export that philosophy to other nations."[25] In Chile, as in many other cases, that foreign policy was concertedly executed by the MNCs, IMF, World Bank, CIA, the U.S. State Department and the military agencies of the United States.

This unity of purpose traces a long history. It was vividly expressed, for example, by Maj. Gen. Smedley D. Butler of the U.S. Marines in 1931:

> There isn't a trick in the racketeering bag that the military gang is not blind to. It may seem odd for me, a military man, to attempt a comparison. Truthfulness compels me to do so. I spent thirty-three years and four months in active military service... And during that period I spent most of my time being a high-class muscle man for Big Business, for Wall Street and for the bankers. In short, I was a racketeer, a gangster for capitalism.
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> Thus I helped make Mexico and especially Tampica safe for American oil interests in 1914. I helped make Haiti and Cuba a

23 *Ibid.*

24 Hutchinson. *The Coup in Chile and Its Implications*, 29 YRBK WORLD AFFAIRS 72 (1975).

25 U.S. Senate, *The Multinational Corporation and the World Economy* 16 (1973).

> decent place for the National City Bank boys to collect revenues in. I helped in the raping of half a dozen Central American Republics for the benefit of Wall Street. The record of racketeering is long. I helped purify Nicaragua for the International Banking House of Brown Bros. in 1902-12. I brought light to the Dominican Republic for the American sugar interests in 1916. In China in 1927, I helped to see to it that the Standard Oil went its way unmolested.
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> During these years, I had, as the boys in the back room would say, a swell racket. I was rewarded with honors, medals and promotion. Looking back on it, I feel I might have given Al Capone a few hints. The best he could do was to operate in three city districts. I operated on three continents.[26]

This interlocking relationship is summarized by Barnet and Muller in contemporary terms:

> The readier the Pentagon and CIA were to bring down or raise up governments in underdeveloped countries, the better the investment climate for U.S. corporations. U.S. military power was used to establish the ground rules within which American business could operate. The U.S. Government acted as consultant for rightist coups in Bolivia, Brazil, Chile, Greece and Indonesia, and their generals opened their countries to U.S. investment on the most favorable terms. Wherever the flag has been planted around the world, in some 500 major military interventions, U.S. corporations have moved in.[27]

Chile's case was preceded by the overthrow of Premier Mossadegh in 1953 following his nationalization of the British-owned Anglo-Iranian Oil Company. Together with the CIA, U.S. oil MNCs were directly involved in the Iranian coup. A major post-coup development was the sharing of Iran's oil supply among the members of an international oil consortium dominated by Gulf Oil, Standard Oil of New Jersey, Texaco, Scony-Mobil, and the Anglo-Iranian Oil Company.[28] In 1954 the Guatemala coup that saw the downfall of the Arbenz Guzman Government also put an end to a broad agrarian reform program. Involved with the CIA was the United Fruit Co. (later re-named United Brands) whose lands were expropriated under the agrarian reform.[29] Again, the CIA and the U.S. oil companies were linked to the instigation of a separatist rebellion in Sumatra in 1958 against the Sukarno Government. This came after

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[26] As quoted in DEMARIO, DIRTY BUSINESS, THE CORPORATE POLITICAL-POWER GAME 98 (1974).

[27] THE GLOBAL REACH, THE POWER OF MULTINATIONAL CORPORATIONS 79 (1974).

[28] See BARNET, INTERVENTION AND REVOLUTION, THE UNITED STATES AND THE THIRD WORLD 265-268 (1972); Barnet and Muller, *op. cit.*, *supra*, note 24 at 78. Kermit Roosevelt, the chief operator of the anti-Mossadegh coup, later left the CIA and joined Gulf Oil. In 1960, he became vice-president of Gulf. See Wise & Ross, THE INVISIBLE GOVERNMENT 110-113 (1964).

[29] See Gerassi, THE GREAT FEAR IN LATIN AMERICA 240-241; Barnet, *op. cit.*, *supra*, note 28, at 269-276.

the Indonesian Government took over the Royal Dutch-Shell holdings and the oil concessions of Caltex and Stanvac in Sumatra were threatened by further State take-over.[30] In Bolivia, Gulf Oil combined forces with the U.S. embassy in a threat to suspend economic cooperation if Gulf Oil would be denied access to natural-gas deposits. Bolivia's nationalization of Gulf Oil brought in a drastic cut in loans by the Inter-American Development Bank and pressures from the IMF. The right-wing coup in 1971 was well related to Bolivia's economic nationalism under the previous regime.[31] In Angola, separatist groups were supported by the CIA and the Gulf Oil Co. as the newly installed Democratic Republic of Angola under the MPLA leadership began an independent development along a socialist orientation.[32]

Highly instructive are the cases summarized by Moran,[33] which show the perversion or subversion of the host countries' political processes by the combined forces of the MNCs and their home governments:

> The Hickenlooper Amendment (which requires the [US] President to suspend aid to countries that expropriate US property without prompt and effective compensation) was introduced in the US Senate at the urging of Harold Geneen, president of International Telephone and Telegraph [ITT], whose utility subsidiaries were being threatened in Brazil and Argentina. Shortly after the Amendment passed in 1962, a moderate government in Nicaragua was told the legislation would be applied against it if pending land reform legislation that would have touched United Fruit plantations were enacted. The next year Senator Hickenlooper rewrote the Amendment specifically so that it could be directed against Argentina's decision to void the contracts of US oil companies. At the same time US aid was cut off (without formal invocation of the Hickenlooper Amendment) for three years to Peru to try to force Fernando Belaunde Terry to settle with the International Petroleum Corporation on terms acceptable to Standard Oil of New Jersey (now Exxon). As late as 1972, [US] Ambassador Vincent De Roulet threatened financial reprisals (if not worse) if nationalization in the bauxite industry became an issue in an upcoming Jamaican presidential campaign. Ambassador De Roulet was aided by the Gonzalez Amendment (requiring the American representative in the Inter-American Development Bank to vote against loans to countries that expropriate American property), which rejuvenates the Big Stick at a time of decline US aid.

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30 See Barnet, *op. cit.*, *supra*, note 28, at 276-278.

31 See TURNER, MULTINATIONAL COMPANIES AND THE THIRD WORLD 36-37-41 (1973).

32 Karganov, *The Subversive Activities of the Multinationals*, 1976 INT'L. AFFAIRS, No. 10, pp. 50, 52 (Moscow).

33 *Multinational Corporations and Dependency: A Dialogue for Dependentistas and Non-Dependentistas*, 32 INT'L. ORG. 79, 95 (1978). Moran's footnotes are omitted.

Reflecting the demands of giant international firms, the United States foreign policy toward the developing countries has persistantly emphasized the "development of their economies through a competitive free enterprise system... to facilitate the creation of a climate favorable to the investment of private capital.'[34] To enforce this, a host of policy instruments has been devised, which operate as a powerful leverage against the developing countries in their desire to achieve independent development. The foreign assistance program now administered by the U.S. AID, the operation of the Development Loan Fund, the credit resources of the U.S. Export-Import Bank, and the investment guarantee program for insuring the political stability of U.S. foreign investments, are all calculated to direct the economic development of the Third World countries along the path of free-enterprise capitalism, in order to keep them open to MNCs.[35] But the World Bank and the IMF, both under heavy American influence, exert the most decisive force in structuring the Third World countries to the desired economic system as a situs for the relocation of labor-intensive manufacturing operations of MNCs. The basic requirement for obtaining loans and credits from these two institutions is the encouragement as well as the protection of private foreign investments by the borrowing country.[36] In the present stage of the world capitalist economy, the general purpose of the World Bank "to promote private foreign investments"[37] operates as a high-powered financial instrument to build up, at tremendous cost on the part of the peoples of the developing world, the social infrastructure of the developing economy as a basic prerequisite to profitability of MNC operations in Third World countries. The decisive role of the World Bank is to spearhead the modernization of feudal or semi-feudal Third World societies—which means their transformation into thorough-going capitalist economies, destined to provide a long-term economic and political stability for MNC investments. In reality, the World Bank and the IMF operate as the most powerful instruments of MNCs under the cloak of multilateral assistance.

As they uphold free-enterprise capitalism as the only way for the development of the Third World countries, the MNCs are strongly against the strengthening of the public or State sector. Hence, the foreign policy thrust of the MNC's home countries requires the State in the developing countries to withdraw from key industrial

[34] See [U.S.] *Department of State Bulletin*, 21 March 1960, p. 4-7.
[35] See, for example, Magallona, *op. cit., supra*, note 16 at 105-106.
[36] See HAYTER, AID AS IMPERIALISM (1971), particularly at p. 31, note 7 and p. 49.
[37] See Art. 1(i) & (ii), Articles of Agreement of the International Bank for Reconstruction and Development.

activities and to perform merely the function of providing the infrastructure and facilities necessary for the accumulation and expansion of private monopoly capital. The result is a political regime which is in fact an economic weakling standing side by side with the multinational corporate giants. The policy of thus disarming economically the state in a developing country amounts to a demand for the surrender of economic sovereignty. The strong presence of MNCs in a developing country under this politico-economic condition revitalizes the economic essence of colonialism and curtails considerably political independence.[38] Of far-reaching political implications in this respect is the predominant share in foreign investments of the former colonial powers in their former colonies: the share of France in total foreign investments of Niger is 97.7 per cent, 91.8 per cent in Central African Republic, and 87.4 per cent in Senegal; British investments are 95.1 per cent in Sri Lanka, 87 per cent in Gambia and 84.4 per cent in Sierra Leone; American investments in the Philippines constitute 88.4 per cent of the total; in the case of Belgium, it is 87.8 per cent in Zaire and 86.8 per cent in Rwanda.[39] Direct foreign investments constitute the essence of colonialism in the modern world, involving ownership of industrial assets, occupation of lands or proprietary rights in the national wealth of the developing countries.[40] As demonstrated in the case of Chile and as shown in the discussion below, the NIEO Declaration underestimates the actual situation in the Third World with respect to direct private foreign investments when it points to the "remaining *vestiges* of alien and colonial domination, foreign occupation ... and neo-colonialism in all its forms. ... to be among the greatest obstacles to the full emancipation and progress of the developing countries."[41] In reality, those "vestiges" are strong presence of the same forces of alien domination operating under new forms.

V. *Economic Power and Political Change: MNCs' Undermining Industry*

The politics of MNCs in the developing world has another dimension that militates against meaningful political change. In many

[38] See Magallona, *op. cit., supra*, note 16, at 123; "The external source of threats to national security is directly related to the fact that the country's means of production and distribution, its raw material utilization and mobilization of financial resources are under the ownership or control of the TNCs [transnational corporations] ..."

[39] Figures taken from Ivanov, *International Corporations and the "Third World"*, 4 PHIL. YRBK INT'L L. 75, 77 (1975). As to the Philippines, in terms of equity investments at the end of 1970, see Subido, *Determinants of Direct Foreign Investments in the Philippines* (unpublished Ph.D. dissertation, Univ. of the Philippines, 1975).

[40] See Magallona, *op. cit., supra*, note 16 at 128-130.

[41] Italics supplied.

cases, the economic strength of the MNCs expresses itself in the form of bribery, corruption and alliance with the most conservative or reactionary social forces, with the result that the MNCs become the decisive factor in the relations of political forces in a Third World country. These black political activities range from pay-off to obtain limited policy concessions to blocking of meaningful change in political leadership or in social relations.

In the attempt to prevent the election of Allende, ITT financially supported the opposition parties.[42] ITT's role in the shaping of public opinion at a critical period in Chile's history was done through rightists employed in the mass media. During the U.S. Senate hearings on ITT'S involvement in Chile, Hall Hendrix, ITT's public relations director disclosed his company's close ties with 20 rightist journalists, stating: "we help with getting some propagandists working again on radio and television."[43] Not surprisingly, ITT bribery operations have extended to the Philippines.[43a] MNCs deny support to, or boycott newspapers, radio and television services which advocate restrictions on MNC activities. In 1972, some US-based MNCs operating in Mexico "boycotted" the newspaper *Excelsior*, which they considered "anti-American."[44] United Brands (formerly United Fruit Co.) was reported to have bribed some ministers of the Honduras Government to secure the reduction of banana export tax.[45] Costa Rica had a similar problem with Del Monte, Standard Fruit and United Brands.[46]

Dictatorial regimes are close clients of MNCs. Gulf Oil gave a a sizeable sum to General Barrientos of Bolivia for his re-election in 1966.[47] MNCs have given considerable financial support to political leaders who maintain collaboration with foreign capitalists. Thus the president of Gulf Oil admitted in a U.S. congressional investigation that his company gave a bribe of $4 million to the ruling South Korean Democratic Republican Party. A U.S. congressional report also disclosed that four Japanese MNCs (Mitsubishi, Mitsui, Nissho-Iwai, and Marubeni) poured in at least $1.2 million to the Party's funds.[48] This support must have insured the victory of President Park in the 1971 election by a critical 51 per cent of the

[42] See *New York Times*, Aug. 20, 1975, p. 59.
[43] *Supra*, note 13 at Part 1, p. 142.
[43a] "ITT gave bribes to RP, says SEC", *Philippine Daily Express*, Nov. 4, 1978, p. 1.
[44] See *New York Times*, June 28, 1975.
[45] *Bulletin Today*, 13 April 1975, p. 10.
[46] *Newsweek*, 26 May 1971, p. 41.
[47] *Business Day*, 20 May 1975, p. 5.
[48] *Bulletin Today*, 28 Oct. 1978, p. 3.

votes.[49] British and American MNCs in Guyana gave decisive financial support to prevent Cheddi Jagan's Progressive Party from taking power.[50]

MNCs have instigated separatist movements to achieve or preserve economic dominance. Well-known is the role of the Belgian Union Miniere Company in the elimination of the Patrice Lumumba Government in the Congo and in the secession of Katanga, in early 1969s, through the military intervention of the company's mercenary army.[51] The civil war in Nigeria, which centered on the secession of Biafra, was triggered off by the activities of the MNCs, particularly Shell and British Petroleum.[52] The same pattern of subversive operations was followed by the Bougainville Copper Company, a subsidiary of the British Rio Tinto multinational. The Company encouraged a separatist movement in 1975 in Bougainville Island when the Papua-New Guinea Government put up a claim to increase its share of dividends from copper mined in the Bougainville Island. The separatist movement declared the island "independent" from Papua-New Guinea, following a mutiny.[53]

VI. *The Politics of Militarism*

In the political context outlined above, it would be understandable that military hardware is delivered by MNCs to the Third World countries principally to maintain a regime hospitable to MNC investments, aside from the fact that the CIA and U.S. AID are themselves large purchasers and distributors of arms for foreign military assistance programs to achieve the same policy objective.[54] Economic cooperation between the MNCs and right-wing regimes in the Third World is developing into politico-military collaboration that can take over the security function of imperialism.

The awesome power of MNCs over the developing countries has been sufficiently described in economic terms. What has been often obscured is the military dimension of that power.

When Charles E. Wilson in the late 1950's openly called for an alligance of Big Business and the military establishment to make up "a permanent war economy" in the United States,[55] he was

[49] *U.S. News & World Report*, 2 June 1975, p. 58; *Newsweek*, 26 May 1975, p. 4.

[50] TURNER, *op. cit., supra, note* 31, at 93-94.

[51] *Id.*, at 27-31; also Karganov, *op. cit., supra*, note 32, at 52.

[52] *Id.*, at 31-36.

[53] Karganov, *op. cit., supra*, note 32, at 54.

[54] See THAYER, THE WAR BUSINESS, THE INTERNATIONAL TRADE IN ARMAMENTS 193 (1969).

[55] See COOK, THE WARFARE STATE 76 (1962).

describing an accomplished fact. He himself symbolized this when, on leave as president of General Electric, he was appointed secretary of the Department of Defense. (Much later, Robert McNamara left the presidency of Ford Motor Co. and became Secretary of Defense. He later became, and still is, the president of the World Bank, to complete the circuit of the whole American MNC empire.)

Among the top 100 contractors of the U.S. Department of Defense (DOD), for fiscal year 1971, 39 were MNCs. Of this, the top 25 MNC contractors obtained 51 per cent of prime contracts in that year. These were practically the same MNCs which occupied the top category earlier in the late 1950s. The top 3 DOD contractors (General Dynamics, Lockheed and General Electric) accounted for more than $14 billion in military sales or 13 per cent of DOD contracts.[56] In 1968, the nine largest industrial MNCs were the major DOD contractors: General Motors, Ford, Standard Oil of New Jersey, General Electric, Chrysler, Texaco, IBM, and Gulf Oil.[57] In fiscal year 1971, General Motors, American Motors, Ford, and Chrysler — the four largest U.S. automotive corporations — were in the list of the top 50 DOD contractors. The top 100 list of defense contractors include two of the four largest rubber companies (Good Year and Uniroyal), and four of the five largest oil companies (Standard Oil of New Jersey, Standard Oil of California, Mobil and Texaco).[58] The biggest U.S. electronic MNCs are all large DOD contractors — General Electric, ITT, Litton, RCA, Sperry Rand, Texas Instruments and Westinghouse.[59] Five of the 11 top chemical MNCs were also listed as prime contractors within the top 100 list: Olin, Ford, Hercules, Thiokol, DuPont.[60] The largest defense contractors, which are invariably MNCs, are virtually "the same companies that benefit from foreign investments."[61]

A large part of sales of some MNCs is made to the Pentagon. For example, based on military contracts awarded in 1960-67, Thiokol's military sales constituted about 96 per cent of its total sales while those of Lockheed's was 88 per cent; McDonnell-Douglas, 75 per cent; Grumman Aircraft, 67 per cent; General Dynamics, 67 per cent; Northrop, 61 per cent; North American-Rockwell, 57 per

[56] Galloway, *The Military-Industrial Linkages of U.S. Based Multinational Corporations*, in MODELSKI (ED.), MULTINATIONAL CORPORATIONS AND WORLD ORDER 89 (1972).

[57] Modelski, *The Corporation in World Society*, in MODELSKI, *op. cit., supra*, note 56, at 19.

[58] Galloway, *op. cit., supra*, note 56, at 97.

[59] *Id.*, at 98.

[60] *Ibid.*

[61] Committee of the Concerned Asian Scholars, THE INDOCHINA STORY 274-275 (1970).

cent; United Aircraft, 57 per cent; Boeing's, 54 per cent; Kaiser Industries, 45 per cent; and Pan American World Airways, 44 per cent.[62] In 1977, Pentagon awarded McDonnell-Douglas with an arms order worth $2.5 billion. Lockheed obtained a $1.7 billion contract. Northrop, Boeing, General Dynamics, and General Electric each secured more than a billion dollars of military sales.[63]

Twenty of the 25 DOD contractor for 1971 were also listed as the largest suppliers of weapons and other military equipment for foreign military assistance and sales program. Out of a total of 1,500 arms manufacturers, 1,480 have been encouraged by the Pentagon to sell abroad.[64]

As Modelski has emphasized, outside of the socialist community, the world's economic assets are also concentrated on places where the world's military power is. This makes for "a system which strongly accentuates the world's inequality and leaves the majority of its population outside the favored region".[65] In relation to the military strength of the leading capitalist powers placed behind their MNC nationals, the Third World countries indeed are faced with a terrible relations of forces.

VII. *The Line of Tension: Economic Independence vs. MNCs' Division of Labor*

The situation presented above does not arise from temporary phenomena. In the present era, the Third World countries are presented with a new feature of the world capitalist economy, namely, the internationalization of economic life but under the control of multinational corporations as the medium of capitalist appropriation. It is not a situation from which Third World countries can escape by some convenient maneuver. It characterizes the present stage of the development of the world capitalist economy. The problems of Third World countries are, therefore, integral to that economy, and their objective solution points to the more basic question: whether these countries will continue to pursue capitalist development, or choose the historic alternative of taking the non-capitalist or socialist orientation.

As the advance of scientific and technological revolution moves on to greater heights, the Third World countries will find themselves in greater distance from the developed capitalist countries and from

62 MELMAN, PENTAGON CAPITALISM, THE POLITICAL ECONOMY OF WAR 77-78 (1970).
63 See *New Times*, No. 23, p. 21 (June 1978)
64 Galloway, *op. cit.*, *supra*, note 56, at 103.
65 Modelski, *op. cit.*, *supra*, note 57, at 75-76.

the rest of the world so long as they continue to orbit as satellites of the world capitalist system through the controls operated by multinational corporations. In that system, the Third World countries have a definite place, that is, within the new division of labor into which the MNCs have consigned their future.

What is this new international division of labor? The whole industrial structure in the world capitalist economy is fast changing. The developing countries are on the way to being converted from agrarian raw-material appendages into industrial adjuncts of the major capitalist states. The developing states, taking the capitalist path of development, have no choice but to be tailored to a specialized role, namely, *labor-intensive* production, whereas the leading capitalist countries would concentrate on the *science or capital intensive* industries. This involves the cutback of labor-intensive or light industries in the developed capitalist countries and the relocation of these to the Third World countries. The developing countries would have to give up their aspirations to develop heavy industries; on the other hand, the MNCs would gain the advantage of reducing their production costs and the expansion of markets. In the words of Meir, speaking for the interests of MNCs, the role of the developing countries is to produce and export "products of unskilled labor-intensive and technologically-standardized industries, leaving for the more advanced industrial countries the specialization in R & D-intensive, high skill, and high technology dynamic industries."[66] Under this scheme, it is obvious that on the part of the developed capitalist countries, industrialization would be based on the latest scientific and technological advances, leaving to the former colonies and dependencies the small-scale and the technically-low industries, if not second-hand obsolete capital goods.

As this develops in practice, the developing countries are being converted into what Barnet and Muller call "export platform," on the basis of which MNCs manufacture labor-intensive products for export to developed countries as well as to other Third World markets. Barnet and Muller trace the progress of this industrial restructuring by the MNCs:

> The qualitative dynamics of the move to export platforms are impressive. Whereas in 1962 slightly more than half (50 per cent) of underdeveloped countries' manufactured exports went to advanced market economies, by 1970 the figure was up to 60 per cent. For these years the average rate of increase of exports to the industrialized world was running at 13.6 per cent per annum, but this hides the fact that the rate jumped to 21.3 per cent during 1967-69. Of the increase in

[66] Meier, *New Possibilities for Floreign Enterprise,* 1971 MODERN GOV'T. 29 (June-July).

developing countries' manufactured exports to developed market economies between 1962 and 1971, 80 per cent was accounted for by the United States, the United Kingdom, Japan and West Germany—the top 4 foreign investors in the underdeveloped world. U.S. imports of manufactures from developing countries grew at an annual rate of 17.8 per cent in the 1962-71 period—sufficiently large to increase the U.S. share of developing countries' manufactured exports from 30.2 per cent in 1962 to 42.1 per cent in 1971 and accounting for 47.8 per cent of their total increase during the period.[67]

Exploitation of cheap labor in the developing countries has become the mainspring of MNCs' policy of relocating their labor-intensive manufacturing to these "low-wage areas." To maintain their competitive position "at home and abroad in products for which wages are an important component of total costs, United States companies often have no alternative to transferring operations to lower-wage foreign areas."[68] Thus, the U.S.-based TNCs "demonstrate considerable ability to operate in most countries with unit costs that are lower — much lower — than *both* the costs of their local competitors and the costs of their parent firms in the same industries in the United States."[69] Japan's exploitation of "low-wage areas" now forms the basis of its trade pattern,[70] its "development assistance" policy towards its neighboring neo-colonies is geared to building up their industrial facilities for the production of labor-intensive imports of Japan. Japan's industrial structure is fast changing, shifting to "knowledge and technology intensive industries" and "high-grade commodities."[71] As labor-intensive products of West Germany become less competitive because of "the efforts of developing countries to overcome their specialization on primary products," a spokesman of West Germany high finance has recommended that *production plants must be transferred to low-cost countries*", with the result that the West German industry can devote itself to "concentration on products requiring sophisticated know-how and engineering."[72]

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[67] Barnet and Muller, *op. cit., supra,* note 27, at 420n.

[68] A staff study of the U.S. Commerce Department, as quoted in *Japan Times,* Feb. 1, 1972, p. 12.

[69] U.S. Senate Committee on Finance, *Implications of Multinational Firms for World Trade and Investment and for U.S. Trade and Labor* 636 (1973).

[70] See, for example, Soo and Nakagawa, *Changing Asian Trade Patterns and Opportunities in Industrial Exports,* Asian Development Bank Occasional Paper No. 3 (Oct. 1970). In a survey conducted in 1970 by the Export-Import Bank of Japan, involving 234 manufacturing firms, about 31% of these companies moved investments abroad to export manufactured goods to Japan (44 firms or 19%) or to third countries (28 firms or 12%), an increase from 16% in the previous survey. See Adam, *Multinational Corporations and Worldwide Sourcing* in RADICE (ED.), INTERNATIONAL FIRMS AND MODERN IMPERIALISM 98 (1975).

[71] See Adam, *op. cit., supra,* note 70, at 98.

[72] Statement of F. H. Ulrich of Deutsche Bank as quoted in Adam, *op. cit., supra,* note 70, at 95-96.

It is on the basis of this neo-colonial division of labor that MNC investments will increasingly flow into the Third World. Domination on the technological level will be felt by the developing countries as the MNCs continue to tighten their grip on the manufacturing industries of Asia, Africa and Latin America. This new strategy of world imperialism structures the developing economy into an industrial colony of the MNCs. As explained by Helleiner,

> Export oriented labor-intensive industries selling to multinational firms, and totally unintegrated with the rest of the countries in which they are located, would seem to combine some of the most disagreeable features of outward orientation and foreign investment. Particularly where there are 'export processing zones', the manufactured sector constitutes an 'enclave', and 'outpost of the mother country' in as real a sense as a foreign-owned mine ever did. The disagreeable features, moreover, are combined in a manner which leaves the host country with a minimum of bargaining advantage.
>
> Not only is the export manufacturing activity extraordinary 'footloose', dependent as it is on neither local resources nor local market, but it is also likely to bind the host country to sources of inputs and to market outlets *over which it has an absolute minimum of control. Bargaining strength is likely to be considerably less* for a country manufacturing components or undertaking middle-stage processing *than it is even for a raw material exporter . . .* [73]

The process of concentration and centralization of economic controls in the Third World will increasingly revolve around a smaller number of MNCs. More and more resources will come under the domination of a few giant monopoly firms. However, it is the same process that gives impetus to the accelerated pace of economic independence in the Third World. The wave of nationalization of foreign property in Asia, Africa and Latin America will heighten the line of tension between the MNCs and the Third World. In the period 1960-1976, 1,369 instances of nationalization or takeover of foreign enterprises were registered in 71 developing countries.[74] The rate of nationalization in the first four years of the seventies doubled that of the 1960s.[75] The annual average of the number of nationalization cases has increased from 47 in the 1960s to 140 in the 1970s.[76] The dominant position of the TNCs in the developing countries' oil industry has considerably weakened as a result of nationalization,[77]

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[73] *Manufactured Exports and Multinational Firms: Their Impact upon Economic Development*, quoted in Adam, *op. cit., supra*, note 70 at 89, 100-101.

[74] UN Commission on Transnational Corporations, *Transnational Corporations in World Development: A Re-examination* (E/C. 10/38), 20 March 1978, pp. 64-65, Tables III-28 and III-29.

[75] UN General Assembly, *Permanent Sovereignty over Natural Resources* (A/9716), 20 Sept. 1974, Annex 10.

[76] *Supra*, note 69 at 65.

[77] *Supra*, note 75, at Annex 4.

thus indicating this to be an effective measure for economic independence as well as a major point of confrontation with the forces of the world capitalist system. Already, the three centers of world capitalism — the United States, Western Europe, and Japan — have established a higher level of consultation and coordination in the Trilateral Commission, which is now exploring ways of countering the nationalization trend in the Third World by institutional means. A developing country embarking on a nationalization policy, therefore, would have to face not only one or a few MNCs with the support of their home governments, but at once confront all the combined forces of world capitalism.[78]

The proceedings of the Sixth Special Session of the United Nations on the *Declaration on the Establisment of a New International Economic Order* demonstrated a clear evidence of a radical shift in the world balance of forces in favor of the Third World in alliance with the socialist community. When the *Charter of Economic Rights and Duties of States* — the legal framework of the NIEO — was adopted by the United Nations General Assembly on December 12, 1974, the vote in favor of the Charter was 120, as against six negative votes cast by the United States, United Kingdom, Federal Republic of Germany, Luxembourg, Denmark and Belgium. The new balance of forces expressed itself as the most significant feature of the proceedings: the united position of the developing countries and the socialist states. Here lies the key to the elimination of the "obstacles to the full emancipation and progress" of the developing countries.

VIII. *New International Economic Order, Internal Social Change, and the World Anti-Imperialist Struggle*

Fundamental changes in the alignment of world forces have been ushered in by the rise of socialism as a world system. The re-structuring of international relations which came in the wake of such changes has generated the necessary conditions for the collapse of the colonial system, the liberation of peoples in colonial and semi-colonial territories, the emergence of newly independent states, and the consolidation of their capability for political indepen-

[78] Karganov, *The Trilateral Coordination Centre for Imperialist Policy*, 1978 INT'L. AFFAIRS No. 12, pp. 106, 108-109 (Moscow), citing reports of the Trilateral Commission: 'The Reform of International Institutions," *Triangle Papers*, No. 11 (1976) and "Seeking New Accommodation on World Commodity Markets," *Triangle Papers*, No. 10 (1976). The Trilateral Commission was set up in 1973 on the initiative of David Rockefeller as a consultative body. It has now a membership of more than 200, mostly representatives of multinational corporations and professional politicians from the United States, Western Europe, and Japan.

dence and economic self-determination. These are historic phenomena which could not be possible under the undivided and unchallenged rule of world imperialism.

The liberation process which brought the peoples in the Third World into national independence is now at a critical stage, taking the form of internal social and economic transformations to eliminate both the feudal and capitalist sources of exploitation. The continuity of this process is being thwarted by the forces of world imperialism, which now exert tremendous pressure on the newly independent countries to take their place of dependence and subordination in the world capitalist system.

In this light, the nature of the movement for a New International Economic Order is being shaped by the struggle between world capitalism and the world socialist community. Indeed, the main character of that movement is determined by the fact that neo-colonial exploitation of Third World countries is a necessary expression of world capitalism, and every step to break away from the prevailing international economic relations is a departure from the world capitalist system. However, it would be impossible for a developing country to assume that international position, except on the basis of internal social transformations aimed at a fundamental shift to non-capitalist development. It is in this sense that the NIEO requires progressive internal changes and thus links itself to the world anti-imperialist struggle. Third World countries would be doomed to neo-colonial exploitation, unless they are ranged on the side of the movement and accordingly see the objective necessity of alliance with the world socialist community.

The operations of MNCs in the Third World have assumed great political significance in the future of the Third World, seen in the perspective of the world now in transition to socialism. Inside the economies of developing countries, the MNCs function as a powerful mechanism of world imperialism in retaining these countries within the world capitalist system and in directing their development into dependent capitalist economies, integrated to the industrial centers of the United States, Western Europe and Japan by the MNCs' division of labor. Thus, the MNCs have placed themselves right in the main line of target in the struggle for a New International Economic Order as well as for the revolutionary transformation of the internal order.