THE 'FAIR TRADE' MIRAGE

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February 1984 demonstration in Santo Domingo, Dominican Republic, against inflation caused by policies of International Monetary Fund.

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Introduction

"the hard evidence of history [is] that the 'freer' trade is, the wider the gap between rich and poor invariably becomes". - David Ransom, in New Internationalist special issue on 'Fair Trade', April 2000

"the growth of world trade and, perhaps even more decisively, the recovery of financial flows to developing countries in the 1990s were taken as confirmation that a new era of prosperity was beginning to unfold and that it would include a growing number of developing countries. However… the empirical record has been at odds with the promises … after more than a decade of liberal reforms in developing countries, their payments disorders… remain as acute as ever, and their economies depend even more on external financial resources for the achievement of growth rates sufficient to tackle the deep-rooted problems of poverty and underdevelopment" - Unctad Trade & Investment Report 1999 - Overview pp V-VI

Scope of The 'Fair Trade' Mirage, and note on 'exploitation'

This paper attempts to describe, using empirical data, some of the key features of the world political economy of 2004. It will attempt to show, *from the empirics*, that 'unfair trade', or rather, *unequal exchange*, is an essential and intrinsic form of exploitation which in reality defines relations between rich and poor countries. *Exploitation* – of labour by capital, and of poor nations by rich nations – is not a presumption, it is an observation. It is not conjecture, but recognition of reality.

Theoretical and critical analysis is necessary, but *facts themselves* show that the notion of a peaceful evolution of today's world towards any such a thing as 'fair trade' is a *mirage*.

The reality of exploitation seems incontestable to me, yet this proposition is not only contested, it is excoriated. The entire edifice of bourgeois economics is built on its denial. Would-be reformers of the world order dare not invoke the concept or even use the word, or they risk their access to the media and to the lobbies and corridors of power, their funding or charitable status, their careers or even their lives. It is like the elephant in the room, pressing us against the wall but beyond the pale of polite conversation. Radical critics of the world order typically skirt around the relations of exploitation at the heart of this capitalist and imperialist world, in their own way verifying Marx's aphorism *"the ruling ideas of any society are the ideas of the ruling class".*[1]

Explaining reality is the task of theory[2], but even to *describe* empirical reality we need to generate, in tandem with the exposition of the empirics, a working concept of our subject.

When we begin with empirical reality, we are confronted by – *what?* Not a lifeless map, but world human society. The 'empirics' include six thousand million human beings and their living labour, as well as the products of their labour. This is what is described, or concealed, in charts and statistics.

An outstanding feature of trade between rich and poor countries is the discrepancy between the effort and resources expended by the poor nations in the production of their export goods and the prices they receive for them.

This can be restated much more precisely: the product of many hours of living labour expended in poor nations exchange on world markets for the product of many fewer hours of living labour expended in imperialist nations. This definition merely describes one facet or dimension of empirical reality. It may anticipate but it does not invoke Marx's labour theory of value – it presumes nothing about how much value is produced by an hour's labour in Belgium or Benin, or what happens to this value. However, the concept of this paper does include a recognition that one hour of a Benin labourer's life is as precious to that person as an hour in the life of a Belgian worker is to him or her… maybe even more so, because there are far less hours in the life of the average Benin worker.

Limitations and Terminology

An empirical survey of world trade is necessarily limited; it can only address the surface appearance of phenomena, yet these can obscure and be at variance with their real nature. So as not to get lost in the empirics of world trade, it is necessary to bear three things in mind:

- The secret to understanding the phenomenon of unequal exchange is to be found in the production of commodities, not their exchange in world markets. A valid concept of trade must include the process of creation of these commodities as well as their exchange.
- If 'fair trade' is a mirage, 'free trade' is the mantra of those who don't see that competition itself produces monopoly. The 'freer' the markets, the more rapid the centralisation of

production into large capitals. Competition and monopoly go hand in hand; or rather, they are locked in deadly embrace.

- There are limits and pitfalls to approaching international trade as exchange between imperialist and oppressed *nations*, as we do in this paper, which only describes but does not criticise the phenomenal form of imperialism. Anwar Shaik, in an excellent introduction to what is wrong with traditional trade theory[3], explains that "C*oncentration and centralisation as inherent tendencies of capitalist development are just as valid internationally as nationally,*" and that what many *"see as an inequality between nations is in fact the international manifestation of the inequality between capitals which is inherent in the necessarily uneven development of capitalist relations of production".*

We also need to agree on a terminology.

The official 'development' debate talks of 'emerging' or 'developing' nations This accords with orthodox trade theory, namely, that *comparative advantage* rules international trade, and this opens the path for poor nations to develop and finally 'emerge'. It is the task of theory to expose the falsity, or rather falsehood, of this modern myth. However, I don't hold these terms to be completely unusable: they are one-sided definitions of reality, therefore containing a facet or kernel of truth. They are, however, contradicted by other partial or one-sided definitions of reality which are also true – for instance, *unequal exchange*. Reality itself is contradictory; its contradictions must be fully expressed in theory, not eliminated from it. So, I don't refuse to use 'emerging nations' or 'developing countries', but they're always in quotation marks.

However, I believe that 'imperialist' and 'oppressed' most accurately and scientifically the essence of the division into two great camps of nations in the world. These categories are simultaneously economic and political. They are drastic simplifications, lumping together major and minor imperialist states from the USA to Greece, and exploited nations as diverse as Brazil and Benin; and they do not account for the so-called 'transitional nations' supposedly heading back towards capitalism in the former USSR, central Europe, and China. The revolutions in property relations which took place in these countries place them in a different relationship to world capitalism than, say, Brazil or India.

Imperialist and *oppressed* need to be theoretically proved and defined. However, they are also valid descriptive terms, validated in the first place by *facts*, and it is as such that they are used here.

They provide elements of a working concept which contains two fundamental features of the real world excluded from orthodox trade theory:

1) economic and political domination of the majority of nations (who are only formally independent and equal) by a handful of powerful nations, which for the past century have wielded their enormous financial, technological, political and military power to capture an increasing part of the wealth created by living labour in poor nations. This expresses the economic essence of *imperialism*. Official opinion, of course, has it that the empires were dismantled after WW2, and that since then a post-imperial order has reigned. In reality, imperialism changed its political form, has refined and vastly expanded its techniques of plunder, and is as voracious as ever.
2) immigration controls preventing the free movement of labour, and the resulting ever-greater divergence between the money and social wages received by workers in imperialist nations and those in oppressed nations.

On these grounds, I will use *imperialist* and *oppressed* interchangeably with 'emerging' and 'developed' to describe the fundamental division between nations, but I'll not place the former in quotation marks, and my apologies to readers who feel they're still necessary.

Third World economies – integrated, or penetrated?

Rubens Ricupero, Unctad secretary-general, stated *"sales to the developing world currently account for nearly half of all US exports and for one third of those of the European Union."*[4] What fraction of their GDP would the US and EU need to export if there were equal exchange between rich and the poor nations?

The ratio of a nation's imports and exports to its GDP is widely used as an index of the degree of integration of a national economy with the rest of the world. Unctad point out that

> *"…contrary to popular impressions, the [developing world's] "openness", measured by the level of trade integration with the rest of the world, is high. During 1999–2001, exports and imports of goods and services constituted on average 51 per cent of the gross domestic product (GDP) of the LDCs. This ratio is somewhat smaller than that for low- and middle-income countries. But the average level of trade integration of the LDCs was actually higher than that of high-income OECD countries, which stood at 43 per cent in those years."*[5]

The entire economies of the oppressed nations, their most fertile lands, infrastructure and industry are export-oriented, since all are driven by a

desperate need for hard currency to pay for imports and service debts. Through direct ownership and through the exercise of their multifarious monopoly powers, imperialist corporations dominate Third World industrial growth and subordinate it to their own ends.

The USA has the lowest integration index of any major economy. The ratio of exports and imports to GDP is just 20%. However, the US trade deficit is running at (first quarter of 2004) 5.1% of its $10tr GDP. According to the WTO, in 2002 the USA's merchandise imports were $1202bn while it exported $694bn. The surplus in services made nothing more than a small dent in this gargantuan deficit.[6]

This extraordinary phenomenon, which contrasts with the position of British imperialism during its heyday (when it ran a large trade surplus with the rest of the world), requires an analysis all of its own, or rather needs to be part of an account of the crisis of the imperialist system and US supremacy over it.

'Primary commodities vs. manufactured goods' no longer characterises trade between rich and poor nations

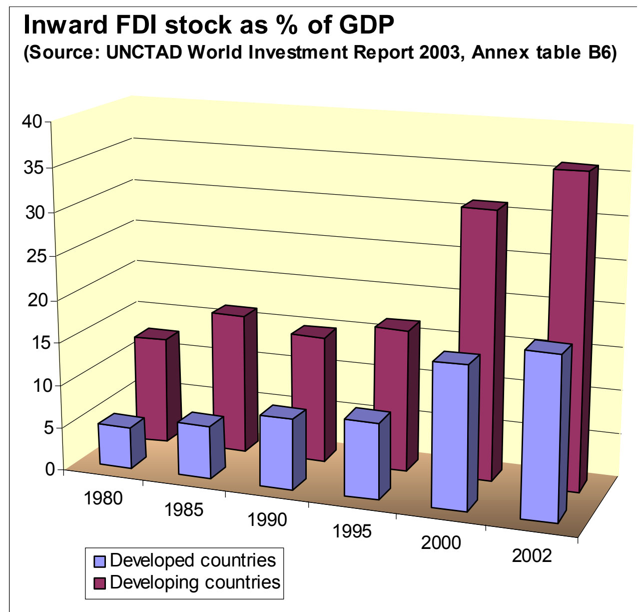
The 'Fair Trade' Mirage applies a conception of trade between rich and poor nations which *does not reduce this trade to the exchange of primary commodities for manufactured goods.*

Three facts demonstrate why this approach is out of date.

- Primary commodities, excluding oil, now make up just 10.6% of the export revenues of 'developing nations'
- two-thirds of primary commodities exports originate from imperialist nations
- 'Developing nations' are the source of 70% of manufactured exports and home to around 75% of the world's industrial workers.

The decline in the world market prices of primary commodities relative to manufactured goods is a phenomenon of the whole of the last century (and persists into the new one). For much of this time, until the 1980s, trade between rich and poor

Figure 1



nations was indeed characterised by exchange of raw materials for manufactured goods. This provides an important index of the historical development of the imperialist system. It has formed the basis of rich concepts, containing the dynamic contradictions of capitalism *vs.* simple commodity production, industry *vs.* agriculture, centre *vs.* periphery, etc.

But we have arrived, or are in the process of arriving, at a new place, where capitalist industrial development is socialising production on a global scale. Exchange of raw materials for manufactured goods no longer characterises trade between imperialist and oppressed nations, as it did during the past century of imperialism's evolution. The exchange of primary commodities for manufactures is now a special case. What was a seed within the post-WW2 neo-colonial system has now become the dominant characteristic. The task of theory is therefore to begin by *abstracting* from the starting point of earlier enquiries, to begin with a theory of price and value which fully integrates new features of the imperialist world order, in particular the divergent rates of exploitation in different parts of the globalised capitalist production process. Exchange between primary and manufactured commodities can then be brought into the picture.

'Fair Trade'™

'Fair Trade' is also the banner and trademark of consumer goods which guarantee that the original producers receive a minimum price. The 'Fair Trade' price for coffee is currently one and a half times higher than the market price. For some[7], 'Fair Trade' could become the seed of a "Parallel Trading System", involving networking between 'Alternative Trading Organisations' based in the rich countries and producer cooperatives in the poor countries.

'Fair Trade'™ has occupied a niche in the world coffee market. Coffee is particularly suited to 'Fair Trade' arrangements, given that several of its characteristics (hardiness, preferred terrain, problems of automation) make it amenable to small-scale cultivation. Small farms supply 70% of the world's coffee. There are 25 million coffee farmers; with their families, some 125 million people depend on coffee for their livelihood.

The World Bank offers this assessment of the 'Fair Trade' campaign.[8]

> *"In its brief history, [fair trade] has provided considerable support to hundreds of thousands of small producers in two dozen countries. … Globally, sales have averaged about 8 percent annual growth over the past 5 years ... Fair trade coffee is sold in about 20 countries and has a market share of about 2.5 percent to 3 percent in the Netherlands, Denmark, and Switzerland. For most other countries, the fair trade market share is less than 2 percent. … In some of the more seasoned markets, there is concern about the capacity of fair trade for future growth beyond this level… consumption levels may have matured and reached a potential ceiling."*

An Oxfam study pointed to another limitation:

> *"If too many producers try to move into this segment of the market, it would cease to be a niche capable of commanding high prices"*[9]

In a special issue on trade, *New Internationalist* attempted to address the limited results and prospects of 'Fair Trade':

> *"Most of the products involved in fair trade are still traditional commodities produced by small farmers or crafts people. Some of them can, and do, take control over what they produce and the land from which they produce it – a basic requirement of fair trade. …The vast majority of [workers in the 'South'], however, work as wage slaves on plantations and in factories, making potato chips and computer chips consumed in the North. 'Fairness' for them hinges on the health or otherwise of the labour movement, part of a Southern civil society – distinct from government and crucial to the development of democracy – that is rapidly emerging. Fair trade and the international labour movement will eventually have to come to terms with each other.*[10]

However, trade union action and Parliamentary reforms in the imperialist nations was able to wrest higher wages, social security etc. because the owners of capital in those countries were able to compensate themselves by intensifying their exploitation of living labour in poor countries. This option is does not exist for the capitalist class in oppressed nations. The notion that there is a social-democratic solution to the problems faced by working people in oppressed nations is, therefore, just another instance of the 'Fair Trade' mirage.

Primary Commodities

"…there is a need for a clear recognition of the fact that markets have not provided, and are unlikely to provide, the necessary solutions to instability and secular decline in commodity prices." – Unctad, 2004[11]

Primary Commodities 1: Terms of Trade

China's surging demand for raw material imports, growth in the US economy, and expectations of 3.7% world GDP growth in 2004/2005 have resulted, we are told, in booming commodity prices. The surge had petered out by April of this year (2004), but at their peak they had risen by 59% (industrial raw materials by 73%) since October 2001, the lowest point ever recorded on the Economist all-item commodity index. Adjusted for dollar depreciation and US inflation, however, the increase turns out to have been just 16%. The boom, it turns out, was nothing more than a blip in a seemingly inexorable decline in the prices of primary commodities. At their April peak they were 24 per cent lower, in real terms, than in December 1994, 43 per cent lower than in May 1988 and 58 per cent lower than in January 1980.[12]

FT columnist Martin Wolf shed some more light on the latest fluctuation.

> *"The recent increase in commodity prices is almost entirely the result of two factors. The first is speculation, the use of commodities as a hedge against the falling dollar. The expected increase in US interest rates has ended this "reflation trade", and with it the so-called commodities boom. The other factor is rapid Chinese growth. China, as everyone knows, is overheating, and its financial authorities are attempting to pilot a soft landing, but without many of the instruments available to capitalist states. Even if they succeed in steering China into a sustainable growth path, the long-run result will more likely be an expansion of production volumes rather than a reversal of the long-term decline in commodity prices. When all these factors are taken into account, what is remarkable is not how much raw material commodity prices have risen, but how little."*[13]

We see, even in the mini-boom of the past three years, further evidence of a permanent downward trend in poor nations' terms of trade.

The coffee catastrophe

No imperialist country produces it, which is why coffee is the only major primary commodity whose world market is not distorted by discriminatory tariffs or quotas[14]. Yet the price of coffee has declined more sharply than any other primary commodity, now only fetching 17¢ for every dollar it earned in 1980. Oxfam reported, *"there has never been such a dramatic collapse in the coffee market"*[15], and urged "*development instruments to be deployed*"; pleas which were, of course, completely ignored. In common with all other primary commodities[16], the world coffee trade is dominated by a cartel of European and North American multinational companies. In the case of coffee there are four: Sara Lee, Kraft, Nestle and Procter & Gamble. Falling coffee prices mean disaster for the producers while producing vast profits for these imperialist corporations. An estimated 26-30% of instant coffee's final retail price is made up of Nestlé's profit.[17]

Despite increasing the volume of coffee exports by approximately 20%[18], in 2003 coffee-producing countries earnings were half what they earned in the early 1990s, falling from $10bn-$12bn to just $5.5bn. During this period, the global retail coffee market grew from $30bn to $70bn.[19]

The impact on Ethiopia, source of the coffee species, is representative of the catastrophe befalling all coffee producing nations. It was highlighted in an Oxfam briefing paper:

> *"The scale of Ethiopia's economic crisis is daunting. Between 1997/98, a peak year for coffee prices, and 2000/01 the value of Ethiopia's coffee exports fell 58 per cent, from US$420m, to $175m, This coincided with a 48 percent collapse in the terms of trade with the rest of the world. In 2001 Ethiopia had to sell nearly $2 worth of goods abroad to buy the same as $1 worth had bought only three years previously. Despite this dramatic situation, official aid from rich countries to Ethiopia fell from $883m in 1995 to $693m in 2000. In 2001, Ethiopia also had to repay $41 of foreign debts for every $100 of goods ….that it exported."*[20]

For the impact on coffee farmers and their families, you'll have to use your imagination. $5.5bn divided between 125m people equals just $44 per annum.

As the price of the coffee fell, so the profits of the multinational merchants, processors and retailers reached new heights. Their insolent greed, and the utter failure of the coffee-swilling nations or of the multilateral institutions to offer any assistance or redress to coffee producers, is shocking but totally predictable.

Up to 1989 the International Coffee Agreement dampened wild gyrations in the world coffee market and, through its floor price, guaranteed a minimum level of income to poor coffee-exporting nations. But in that year imperialist governments torpedoed the agreement, and within twelve months the price of coffee sank from 114¢/lb to 44¢/lb. The central African republic of Rwanda relies almost exclusively upon coffee for its foreign exchange earnings. Between 1989 and 1994, Rwanda's receipts from its coffee exports fell by around 75%, a factor which contributed mightily to the economic crisis and political turmoil in that country, culminating in 1994 in the massacre of over a million people orchestrated by its imperialist-backed military dictatorship.

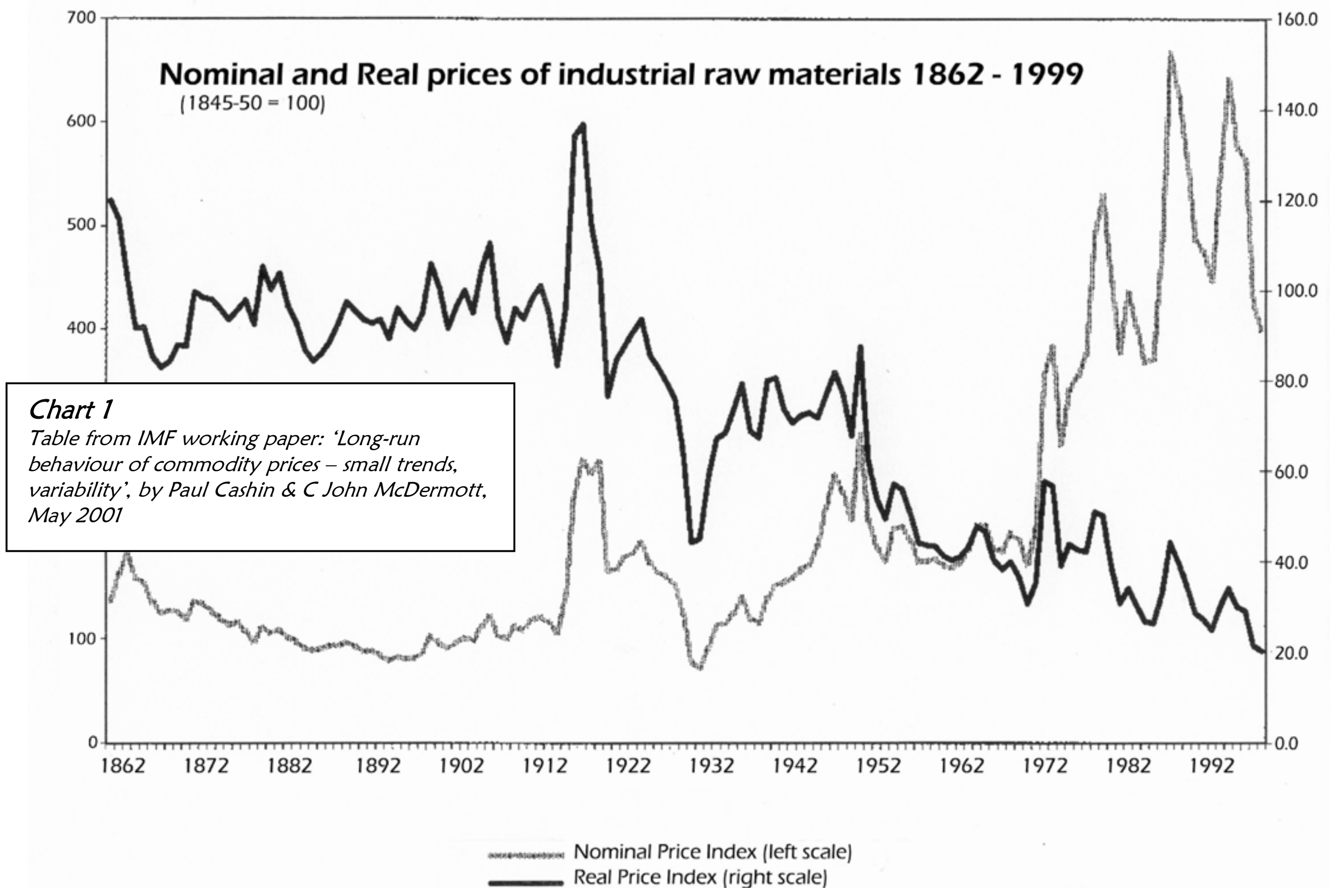


Chart 1
Table from IMF working paper: 'Long-run behaviour of commodity prices – small trends, variability', by Paul Cashin & C John McDermott, May 2001

Primary commodities overall

> *"Between 1980 and 2003, the price of food, including beverages, declined by 73.3%; agricultural raw materials prices fell by 60.7%; and the price of minerals, ores and metals declined by 59.5%. By the first half of 2003, the price of coffee had lost 83% of its 1980 value."*[21]

Despite an expansion in export volumes (*e.g.* agricultural exports have grown in volume terms by 4% p.a. over the past fifty years[22]), the share of non-fuel primary commodities in total world trade declined from 27.1% in 1970 to 11% in 2000.[23] Imperialist countries account for two-thirds of world exports in primary commodities, which in turn comprise just 10.6% of the exports of 'developing nations'. These surprising facts could lead us to underestimate the continuing importance of primary commodities to poor nations, but we should remember that agriculture continues to employ around a half of their economically active population, and that around two dozen of the world's poorest nations remain totally dependent on agricultural exports.

According to Unctad's 'Commodity Year-Book 1995-2000', total merchandise exports from 'developing countries' in 2000 amounted to \$2.04tr[24], and just 10.6% (i.e. \$217bn) of these were primary commodities (excluding oil). These commodities have, on average, fallen by 58% since 1980, implying a loss of \$298bn per year.[25]

Two questions immediately arise.

What losses would we calculate if we took 1950 as our starting point, not 1980?

And, *what about the other 70% of poor country exports?*

The second of these questions is discussed later on. But what base-line should we use for calculation of price movements? So far, we have considered movements in relative prices since 1980. This year is often used by UN agencies and other multilateral institutions as a baseline. Primary commodity prices in 1980 were close to trend and relatively unaffected by short-term spikes and troughs. But 1980 is not known as a point in time when justice

and equality reigned. The decline in primary commodity prices since 1980 was merely an acceleration of a long-running trend. The Brandt Commission noted in 1979 that

> *"there is no doubt that there have been long periods of declining relative prices for [primary] commodities. One such period has been from the mid-1950s to the early 1970s."* [26]

So, maybe we should take 1950 as our starting point. To do so would lead us to approximately double our estimate of the oppressed nations' annual losses due to declining primary commodity prices to around $600bn. But neither is 1950 known as a golden age of equality and fairness. What is more, Raul Prebisch and Hans Singer first proposed their famous thesis of a declining trend in primary commodities in 1950, using pre-WW2 data. One UN study[27] showed that, between 1876 and 1948, the terms of trade of the underdeveloped countries declined by between 35% and 50%.

An IMF working paper[28], analysing the "longest data set publicly available" – the Economist Index of industrial raw material prices, concluded that real prices "*fell by four-fifths between 1900-99 and ended the century at its lowest level on record*". In fact, the declining trend only becomes apparent after 1920, *i.e.* after the end of WW1 (see Chart 1 above).

Q. How do these trade losses compare with debt-servicing and repatriation of FDI profits?

A. Poor nations lose more wealth through declining terms of trade than they do through interest payments on the $3tr debt [$2.485tr long-term debt plus $585bn in short-term debt[29]], or through the repatriated profits from foreign direct investments, or through capital flight and corruption.

The World Bank reports[30] that, in 2003, the average yield on long-term (10-year) developing-country debt was 9.1%, compared to 2.9% for developed-country debt (they don't provide figures for short-term debt, but these generally pay a higher interest rate than long-term debt) This gives us an approximate annual interest bill[31] for 'developing-countries' of $280bn. As the World Bank says, the Third World debt sure does *"provide investors [with] substantial returns over developed country debt."*

Even if we ignore the cumulative losses up to 1980, and consider only the c.$300bn lost each year through price declines since then, it is clear that unequal trade relations in primary commodity markets deprive oppressed nations of a quantity of resources at least as large as interest payments on the Third World debt (*unequal exchange* is what has pushed the oppressed nations into debt in the first place – part of the wealth taken through trade returns as a loan); and, as we shall see, around two times higher than profits on FDI in 'developing nations'.

Primary Commodities 2: Farm subsidies

Over the past two decades, trade in farm products has taken the form of economic warfare, US and Europe governments spending colossal sums to protect their markets and carve out new ones (e.g. by forcing open the door to their export-suibsidised food, sometimes even dressed up as 'aid', with the aim and effect of destroying local agriculture and creating dependency on food imports), and to capture those of their rivals.

The 'collateral damage' from this war in the exploited nations includes a higher death-toll than all the wars of the last century. The governments of the world are currently engaged in protracted and fraught negotiations for a new multilateral agreement on trade, the so-called 'Doha Round'. It narrowly averted collapse in July, but the agreement on a framework for trade negotiation gives no grounds for doubting the verdict of a recent Unctad report: *"it is unlikely that the web of domestic interventionist measures of OECD countries will be dismantled anytime soon".*

The US and Europe are dangling an emaciated carrot: 20% reduction in farm subsidies, in return for acceptance by 'developing nations' of negotiation on a raft of imperialist priorities aimed at opening up their agriculture, industry and services to imports and foreign 'investment', i.e. ownership.

On Sept 23 2003, at the annual joint meeting of the IMF and World Bank in Dubai, James Wolfensohn, head of the World Bank, condemned the

> *"imbalance between what rich countries spend on development assistance-- $56 billion a year-- compared with the $300 billion they spend on agricultural subsidies and $600 billion for defence"* [32]

Wolfensohn has been President of the World Bank since June 1995; under his reign the World Bank has strong-armed dozens of poor countries to open their markets to dumped food exports from the US and EU. The Senegalese delegate present at the Dubai meeting, Demba Moussa Dembele, accused Wolfensohn and the World Bank of

> *"hypocrisy... It was the World Bank which insisted our countries open up to trade and investment from the North and told us to trust in global markets. Didn't the Bank know about the market distortions created by subsidies and trade restrictions? It should not just urge the North to change its policies, but take responsibility for*

misleading us down the path of rigged prices and poverty.'"[33]

The same charge of hypocrisy was levelled by the World Bank's own chief economist, Nicholas Stern, at the imperialist governments who control the World Bank:

> *"It is hypocrisy to encourage poor countries to open their markets while imposing protectionist measures that cater to powerful special interests… the average cow in Europe received about $2.50 a day in subsidies… by contrast, he said, 75 percent of the people in sub-Saharan Africa live on less than $2 a day."*[34]

As a result, the EU controls around 50% of the world dairy market, despite being (after Japan, which exports virtually none of its highly-subsidised meat and dairy products) the world's highest-cost producer.

The EU paid an average of $105bn in 'producer support' to its farmers during the years 1998-2002; providing 40% of total farm-gate income during this period.[35] Four-fifths of this largesse went to the richest one-fifth of farmers. The subsidies are designed to generously reward the biggest landowners and to accelerate the concentration of farms into the largest possible units, requiring the systematic eradication of small producers. This is not a policy which the UK and other governments dare to openly declare; neither do the main farmers' organisations make a fuss, dominated as they are by the big farmers who gain so handsomely from current arrangements.

The extraordinary sums given to Europe's richest farmers, and the pittance to small farmers, is mirrored in the USA. The Environmental Working Group cites government statistics which show that of the 2.5 million farmers in the United States, 1,290 of the wealthiest farmers each received more than $1 million in annual subsidy payments between 1996 and 2000. In contrast the average farm in the bottom 80 percent got just $5,830.[36]

A Christian Aid report succinctly summarises the destruction of small farmers by big capital in both rich and poor countries:

> *"It is not only small-scale and family farmers in the South that are under pressure. Their counterparts in the North are also seeing their livelihoods squeezed and even destroyed… although subsidies have helped keep some small-scale farms and farmers afloat, the greatest benefit by far accrues to larger farms and to food and agribusiness – that is, to food processing companies, food exporters and large food retailers. The prices farmers receive for their produce have fallen as agribusiness has gained increasing control over agriculture and the food chain.*
>
> *"In fact, small-scale and family farmers in both the North and the South face a common reality, an agriculture that is being increasingly shaped globally by neo-liberal policies designed to serve the interests of corporations and capital, resulting in the increasing marginalisation of smaller-scale farming and food systems."*[37]

An end to rich-nation food subsidies: huge shifts in production to US and developing nations…

The World Bank's critique of rich-nation farm subsidies implies that the elimination of discriminatory tariffs, quotas and market-distorting subsidies would create the famous 'level playing field'. Wolfensohn says *"these subsidies are crippling Africa's chance to export its way out of poverty"*, meaning that, without subsidies, they would be able to.

Rich-nation farm subsidies are grotesque and indefensible. They are an extreme violation of their political leaders' own trite neoliberal dogma (cf. Wolfensohn above), and are condemned in vehement terms by the most senior officials of the World Bank, by a consensus of UN economists and by governments and public opinion in all the plundered nations.[38] They cause higher food prices within the closed markets while severely depressing world market prices. They are a large claim on EU governments' budgets, born by taxation of the rest of the economy. Why, then, are the EU, Japanese and US governments so committed to them? What is the rationale beneath the seeming irrationality?

A recent OECD study by John C. Beghin, David Roland-Holst and Dominique van der Mensbrugghe [39], attempted to estimate the movements in prices, shifts in production and changes in profit levels and land values by 2015 which would result from an end to rich-nation subsidies. The report's findings demonstrate the devastating effect on oppressed nations of the competition between rival imperialists, the USA and Europe, for control over world food markets.

They summarise their findings in these terms:

> *"…removal of support takes a subsidy burden off the international price system, as OECD agricultural prices must rise to offset the loss of government support. This in turn will raise rates of return for farmers with support below the prior levels, especially those with no support in developing countries, and the lowest rural incomes can rise sharply…*
>
> *"Overall, Agriculture and Food contract sharply in Western Europe and High Income Asia, and this is offset by expansion in the United States, ANZ, and a wide variety of low income countries in Latin America, Africa, and Asia. … Our results appear to support the inference that wealthy taxpayers are*

undermining incomes of the rural poor across the developing world.

"…rising world food prices induc[e] greater food self-sufficiency in some poor countries, including Brazil, China, India, Rest of (low income) East Asia, and Rest of the (non-OECD) World. For richer countries [we see] significant increases in imports. … abolition of agricultural price distortions would greatly increase global agricultural trade, improving the livelihoods of a significant and underprivileged majority of the world's farmers."

If all rich-nation farm subsidies were removed, world trade in agricultural commodities would expand dramatically. By 2015, Beghin *et al* project an 800% increase in world rice exports, a 70% rise in world beef exports, and 25% growth in the global grain trade. The world prices of many foodstuffs would rise, a result of the elimination of export subsidies which encourage the dumping of rich-nation surpluses on the world market. One interesting anomaly is sugar, whose world market price is predicted to fall slightly.

European food exports would fall sharply and food production would decline absolutely (Beghin *et al* estimate European food production to decline overall by 13.4%); meanwhile, food exports from all other regions of the world would grow. European wheat exports would decline by 40.5%, other cereal grains by 86.7%. Exports of 'Bovine cattle etc' would plummet by 77.2% and bovine meat products by 82.5%.

Europe's agricultural exports in general would decline by 21.5%, and exports of processed foods by 13%. At the same time, food imports would increase by 25.4% overall, with steep increases in the imports of formerly-protected products. Beghin *et al* project a 130% increase in European grain imports, beef imports to rise by 129%, refined sugar by 163%.

"Wheat has significantly higher prior protection in Europe, and the result of liberalisation is a significant contraction of Western European output, offset largely by expansion in the United States and elsewhere. The same thing happens with Bovine, other Meat, and Dairy products … similar, but more dramatic effects occur in high income Asia. Rice output falls by about two thirds, while wheat drops more than three quarters and meats fall by about half. The main beneficiaries of this market diversion are Low and Middle Income Countries and the Cairns Group."[40]

Protectionism restricts access by US agribusiness to the huge European food market. The removal of subsidies in both the US and Europe would allow the US farmers' greater economies of scale to undercut European agriculture – Beghin *et al* predict a dramatic expansion in US beef exports, sugar, dairy products, vegetables and fruit, and an overall 16% increase in food exports by 2015. Big gainers in the far-fetched scenario of an end to rich-nation farm subsidies would include Australia & New Zealand, Canada, Brazil and Argentina (57.9%, 29.5%, 21.8% 18.8%). Sub-Saharan African exports would grow by 16.1%.

Beghin *et al* limit themselves to predicting the results ten years after the ending of rich-nation food subsidies and trade barriers. They don't attempt to distinguish between the short-run boost to world prices and the longer-term forces which would be unleashed. An end to rich-nation farm subsidies and trade barriers would dramatically accelerate the concentration and centralisation of world agriculture. It is already clear from the report's findings that the biggest gainers would be those countries which have an already-established capitalist agribusiness, economies of scale, and the ability to combine climate and technology in ways not available to European farmers.

In a recent paper, C. Rammanohar Reddy reaches similar conclusions:

"if the subsidised producers in the rich countries vacate the global market, it will be the bigger and more productive producers who will take their place. For example, among the developed countries, Australia, Canada and New Zealand will gain substantially in the markets for cereals and dairy products. Among the middle-income developing countries, Argentina, Brazil, Malaysia and Thailand should benefit in cereals, meat and some natural raw materials. Agricultural productivity in all these countries is far higher than in most of the developing world, so any hopes that the poorer countries of Asia, Africa and South America will benefit from agricultural trade liberalisation will quickly be dashed."[41]

The sugar anomaly illustrates the nature of the process, as well as the changes which would ensue. Sugar is anomalous because, in Beghin *et al*'s projections, its price is not expected to rise, despite being possibly the most distorted of all world food markets. They predict a transformation in the structure of the world sugar industry, with US and European sugar production being replaced by large-scale production in Latin America, particularly Brazil. The failure of sugar prices to rise indicates that the price-reducing effect of concentration and centralisation of production in the most advantageous regions is even greater than the price-increasing effect of an end to dumping.

An end to rich-nation farm subsidies would improve the terms of trade of agricultural products, but this event would beget only a partial and temporary reversal of the long-run tendency for these terms of trade to decline. The removal of rich-nation farm subsidies would bring marginal, temporary and very

uneven benefits to small farmers, while accelerating the concentration of agriculture into larger farms, a trend leading to their demise. Meanwhile, imperialist investors would drain capital out of agricultural real estate in the home countries, to flow as FDI into the now-favoured 'developing nations', taking advantage of 'relaxation of restrictions'[42] on the purchase of land.

… and the price of agricultural land in US, Europe and Japan would crash

The radical restructuring of world agriculture which would ensue from an end to rich-nation farm subsidies would also produce a gigantic devaluation of agricultural land prices and farm net worth in the rich nations. Along with the effect on the trade balance, this is the other reason why its not going to happen.

As we have seen, irrational billions of "taxpayers' money" flow into the hands of the largest and richest farmers. These include financial institutions, consortia of anonymous investors, the modern scions of aristocratic families; the House of Windsor of course claims its share. They directly and handsomely benefit in two ways: their "income" *i.e.* profits, rise; and these vast flows of public money also help to increase the capital value of UK farms.

90% of the net worth of UK farms is made up of land-value, 7% represents 'Plant machinery and vehicles', and 3% the value of livestock. In 2002, net worth amounted to £107bn, having increased from £51bn in 1982.[43] Partial or complete elimination of farm subsidies would provoke a sharp fall in land rents and prices, which in turn could have systemic repercussions. Indebted small farmers who still own their own land would be wiped out; major individual and corporate landowners would face billions in losses.

Farms' net worth is only part of the total capital value of agribusiness, to which we must add the industries producing agricultural inputs and processing its output. All of these capitals would suffer great attrition if subsidies were withdrawn and protectionism ended. When we enlarge the picture to include other EU states, North America and Japan, we can start to get an idea of the *trillions of dollars* of capital values which would potentially be destroyed if rich nations were ever to abandon subsidies, discriminatory tariffs etc.

There are clues here as to how the values of all classes of imperialist-owned assets are kept aloft by exploited Third World labour.

US agricultural land forms 80% of its $1.27tr in agricultural assets. Beghin *et al* project steep falls in land prices, *"with a 45%, 74%, and 63% reduction for land devoted to rice, wheat, and other coarse grains respectively"*[44] Unfortunately, tables in the web version of Beghin's report omit the columns showing falls in land prices across Europe and Japan, where similar catastrophic falls would take place.

A February 2004 UNCTAD report[45] noted that

> *"the developed countries have found it worthwhile to politically protect a mere 3 to 4 per cent (more or less) of their working population from the adverse impact of volatile and generally declining real commodity prices, but have argued against deploying similar instruments to protect about 70 to 80 per cent of much poorer developing countries' population whose sole livelihood is agriculture … as the latest developments in the WTO trade talks in Cancún demonstrated, it is unlikely that the web of domestic interventionist measures of OECD countries will be dismantled anytime soon"*

Primary Commodities 3: Problems of diversification

Faced with the chronic decline and increasingly violent fluctuations in primary commodity prices, economists and aid agencies urge diversification, especially into manufacturing and processing. But the case of coffee, whose market is not distorted by subsidies etc., shows the fundamental problem to be not the distortions but *overproduction*. Overproduction stalks, or is manifest, in all other primary commodity markets as well, *and is the major factor, along with a shortage of capital, in stymieing poor nations' efforts to diversify into other markets*. This was pointed to by an UNCTAD briefing paper to the recently-concluded Sao Paolo Conference:

> *"Manufactures now account for about 70 per cent of developing-country exports. However, what a country can earn from its trading activities depends on the global supply of the exported goods relative to demand. A simultaneous export drive by developing countries in manufactures, particularly of the labour-intensive category… involves a potential risk that the terms of trade will decline to such an extent that the benefits of any increased volume of exports may be more than offset by losses resulting from lower export prices, giving rise to "immiserizing growth". Potential oversupply in markets for manufactured exports from developing countries and ensuing policy responses have become important concerns… ensuring sustained economic growth will imply increasing dependence on imports of capital and intermediate goods. This, in turn, will require a rapid growth of export earnings and a steady expansion of export capacities."*[46]

The main source of the 'developing countries' potential competitive advantage is, of course, their cheap labour. Imperialist governments, and the banks and corporations whose interests they serve,

are extremely concerned that they, and not potential rivals springing forth from the oppressed nations, profit from this cheap labour. What is excluded is that imperialist governments will ever support and facilitate independent industrial development in the oppressed nations. In fact, trade-distorting, impoverishing protectionism is also routinely practiced by imperialist nations in world markets for manufactured goods:

> *"The panorama of protectionism is no better for industrial products. Footwear, clothing and textiles are well-known cases. But tariff peaks are also common in other low-technology and resource-based industries, as well as for high-technology products which involve unskilled labour in the production of components. Moreover, the threat of market penetration by southern producers is prompting new forms of protectionism … the abuse of anti-dumping procedures and health and safety standards against successful exporters in the South is causing major concern …There is strong evidence that in many product markets that are protected in the North, producers in developing countries have a competitive advantage or are able to acquire one. …It is estimated that an extra $700 billion of annual export earnings could be achieved in a relatively short time in a number of low technology and resource-based industries. Agricultural exports could add considerably to this figure."* [47]

A paper by Britain's Overseas Development Institute provides devastating evidence of the systematic obstruction of efforts by poor countries to end their dependence on raw material exports:

> *"It is notable that almost no developing country has 'developed', has become rapidly growing and increased its share of world trade, through commodity exports…. Why do countries find it more difficult to move into processing of commodities they already produce than to start new industries?"* [48]

They ask the question, but are afraid to answer it. The above quote continues…

> *"One reason may be technical conditions: the capital intensity of some processing stages, but electronics factories are also capital intensive. This leads some observers in both the WTO and Unctad to suggest that market conditions in commodities, controlled by a small number of large integrated companies, make this path extremely difficult."*

This is sophistry. Is it "market conditions", or the imperialist monopolies themselves, which make it so extremely difficult for primary commodity producers to process their own commodities? Why no mention, in the ODI report, of the punitive tariffs on such processed goods imposed by the UK and other governments at the behest of these monopolies?

So far from providing a platform for industrialisation and prosperity, over the past half a dozen years economists have fretted over the clear *negative* correlation between resource endowment and economic growth – the so-called "Resource Curse Hypothesis", first advanced by Jeffrey D Sachs and Andrew M Warner in 1995.[49]

Industrialisation in the oppressed nations

> *"Terms-of-trade losses are no longer confined to commodity exporters. Many manufactures exported by developing countries are now beginning to behave more like primary commodities as a growing number of countries simultaneously attempt to raise their exports in the relatively stagnant and protected markets of industrial countries. For example, the prices of manufactures exported by developing countries fell relative to those exported by the European Union by 2.2 per cent per annum from 1979 to 1994."* [50]

To the century-long deterioration in the terms of trade of primary commodities we must add another phenomenon which has transformed the world in the space of a generation: the growth of industry and the industrial working class in the poor nations. Manufacturing industry is now, on average, a larger part of 'developing nations' GDP than it is in 'industrialised' countries, in 2000 standing at 22.7% *vs.* 18.9% (see Table 2 below).

The above quotation from Unctad indicates that the declining terms of trade of poor nations cannot be reduced to the exchange between raw materials and manufactured goods. It also indicates that wealth losses arising from declining relative export prices of manufactured goods must be added to our estimate of losses from the trade of raw materials. A 2.2% p.a. decline, over 15 years, means that oppressed-nation manufactured exports fell by 27% relative to those of the EU.

An idea of how significant this phenomenon might be can be gained from a highly speculative back-of-the-envelope calculation. If we assume the 2.2% decline observed between 1979 and 1994 with the EU also characterised trade with the US and Japan, and if we extrapolate the trend to 2002, we derive a cumulative 41% decline in the terms of trade of poor-nation manufactured exports. If we assume that 50% of their total exports during this period were manufactures (this is cautious; the average will be weighted – because of rapidly expanding exports – towards the past decade, when manufactured exports reached 70% of the total), we discover that cumulative losses from declining terms of trade in oppressed nations' manufactured exports between 1978 and 2002 amounted to some $3tr. Applying the 41% relative decline to 'developing nations' 2002 manufactured exports, we deduce a loss for that year alone of $523bn.

This phenomenon needs much closer examination. To identify and quantify unequal exchange in Third World industrial exports would require several stages of analysis. The first stage is to observe and describe some of the actual features and forms of industrialisation in the 'emerging nations'.

1. The majority of the world's industrial workers live in "emerging nations".

In 1950, 118 million of the world's industrial workers lived in what the ILO calls "more developed regions" – 66% of the world total – growing to 188m by 1990. Over the same period, the number of industrial workers residing in "less developed regions" grew from 61m in 1950 to 311m in 1990 - 62% of the world total. Of course, this industrialisation is extremely uneven and is bypassing large parts of the planet.

Banks and multinational corporations based in the imperialist countries increasingly dominate the accumulation of industrial capital in the oppressed nations.

Unctad's Trade & Development report (2003) shows that industrial employment in the Third World over the last decade of the twentieth century *fell* as a proportion of the total economically active population (from 13.6% to 12.7% - see Table 1 below), growing very slightly in absolute terms – by around 10 million. The decline in industrial employment in the imperialist countries continued apace, and so, by 2002, 73% of the world's industrial workers were living in 'emerging nations'.

The scanty growth of the industrial workforce in poor countries since 1990 implies a major deceleration from previous rapid growth. This is, at first glance, surprising – the 1990s was surely a decade in which industrial development in 'emerging nations' proceeded apace. The stasis implied by ILO/World Bank figures conceals a tumultuous period, in which many labour-intensive home-grown industries in poor nations succumbed to competition from imported manufactured goods, whose markets have in general been liberalised earlier and to a greater degree than agricultural markets. Foreign take-overs of service-sector industries have typically been accompanied by big cuts in the workforce.

Employment in 'services' in the oppressed nations has grown even more rapidly than in industry – from 96.5m in 1950, to 303m in 1980 to 451m in 1990. Many of these 'service' workers are in fact industrial workers – transport, telecommunications

and construction are all classified by the ILO and World Bank as 'services'. The logic behind this is that 'services', unlike 'industry', produces goods which must be consumed locally, and in this sense the products of these sectors are non-tradable. An accurate picture of the numerical weight of industrial workers in the oppressed nations would require decomposition and redefinition of the ILO/World Bank categories.

Unctad estimates that, in 2002, 53.1 million workers were employed by 64,000 TNCs in 870,000 foreign affiliates, more than double the 1990 figure of 24.3 million. Since 1990, the proportion employed in 'developing country' affiliates has grown from around one third of the TNCs' total foreign workforce to two thirds.[51] TNCs therefore added approximately 25 million workers to their employment rolls in oppressed nations during the 1990s (some 20-30% of them in the service sector), while the total number of workers in these countries increased by only 10 million. The relatively small overall growth in industrial employment in poor countries therefore masks a relative decline of native industry and continuing rapid growth in FDI. So much for diversification!

Wages and the supply of labour-power

311m industrial workers in the oppressed nations is an impressive number, but it is greatly exceeded by the numbers of landless farmers converging on all the cities of all the countries of the Third World, spurred above all by rural poverty and by unequal exchange – between town and country within the poor countries, and between poor and rich countries.

A great amount of attention is being given to the emergence of Chinese industry, which now accounts for 7% of world industrial production. Between 300 and 500 million people are expected to leave the Chinese countryside for the city over the next twenty years.[52]

> *"China is experiencing the largest flow of labour out of agriculture ever witnessed in world history".*[53]

The vast 'reserve army of labour' in China's countryside helps guarantee favourable investment conditions. Despite significant price inflation,

> *"wage inflation for ordinary plant workers is virtually zero. For them, pay rates are frequently 5-10 per cent of the level in the west…*
>
> *"Since the mid-1990s some $500bn (£274bn) of foreign investment has gone to China, mostly into manufacturing. Among the biggest individual manufacturing investors in China are Motorola, Siemens, Philips, General Electric, Nokia and BP. Each company has pumped in more than $1bn."*[54]

Will Chinese industry grow fast enough to absorb these new proletarians? And if it does, what space will there be for other developing nations to diversify into industrial production? Whether or not there will be jobs for them in the cities, the rural exodus – in China and across the capitalist world – will continue.

Wage levels throughout the underdeveloped world are regulated by the inter-relationship between, on the one hand, the inexhaustible supply of new labour from the countryside; and on the other, immigration controls which severely restrict the free movement of labour to high-wage (i.e. imperialist) countries. This is the starting point for an analysis of differences in the rate of exploitation between imperialist and oppressed nations.

A survey of world wage differentials would require a paper or a chapter all of its own, which must include the social wage, the relation between 'services' and industry, etc. International wage differences are actually part of an account of the global capitalist production process and are therefore beyond this empirical survey of world trade.

Relative wages and PPP

Wage differences between industrialised and developing countries, expressed in world money, *i.e.* the dollar, show an overall ratio of between twenty and forty to one. This diminishes significantly, by a factor of two or three, if wages are adjusted for their purchasing power. The adjustment necessary when calculating the PPP equivalent of money wages in poor countries is much greater than the adjustment required to nominal wages in the imperialist nations. This difference is due to the fact that one dollar can buy some things much more cheaply in poor countries – in particular, food and services. Most food grown in the Third World is grown for domestic consumption.

Cheap food provided by the impoverished countryside lowers wages in the cities, making foreign investments all the more profitable. The effect is similar to when, in the nineteenth century, English mill owners cheapened the price of labour and boosted their own profits by feeding their workers with corn and potatoes grown on the Irish plantation. We miss this effect if we translate Third World money wages into PPP wages. The dollar value of Third World labour power represents the value of the 'composite worker' – of all the workers and farmers who provide the means of sustenance to the industrial workers. This is why the 20:1 ratio of Ist-world to 3rd-world wages is a more accurate reflection of reality than the 7:1 or so that is obtained by comparing PPP wages.[55]

It is interesting to note the effect on PPP adjustments if rich-nation farm subsidies were to be removed. The price of food in local markets would

rise, the terms of trade between town and country would improve, GDP measured in dollars would rise, and a smaller adjustment of wages would be necessary to take account of PPP. Here, we can do no more than touch on this important and complex issue.

2. The FDI gold rush

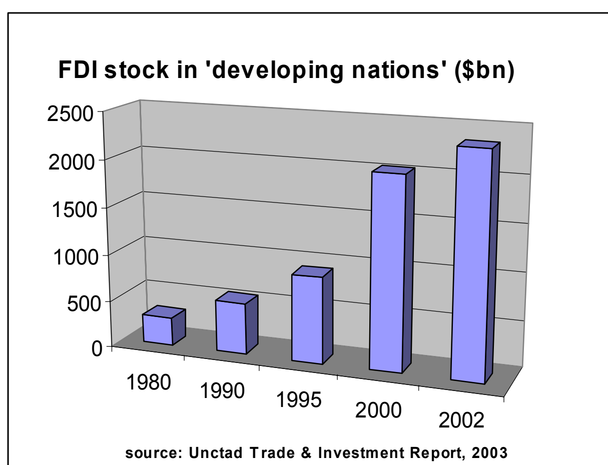
IMF and Unctad figures show that around 80% of FDI flows from one imperialist economy to another, but raw data on FDI flows need to be interpreted with care, as they can artificially diminish the Third World's share of FDI because of the way cross-border mergers and acquisitions are treated. The clearest picture is to be obtained by looking at the total stock of FDI, which has shown explosive growth since 1980. By 2002, poor nations played host to $2.3tr of FDI, one third of the $7.1tr world total stock.

The huge increase in FDI from the US, UK and other imperialist nations over the past fifteen years has produced a corresponding rise in the flow of profits from these investments. An IMF working paper[56] showed that, for 2002, *"income flows at about $300bn had reached levels comparable to the investment flows themselves"*; in that year US investors reaped $126bn in profits while investing another $128bn overseas; for the UK, the second largest source of FDI, investors 'earned' $67bn while investing $68bn.

To assess this balance sheet we must note that while the investors receive, they *give* nothing in return. Their new investments add to their existing property, increasing their wealth and power in the host country.

Buried in the welter of statistics is information about dividends, royalties and other forms of profit-taking. The rate of profit on FDI in 'developing nations' is significantly higher than FDI in imperialist countries, a difference speciously justified by the higher risk. If we assume an average rate of profit 50% greater on FDI in developing nations than FDI in imperialist nations, developing nations are the source for 50% of total FDI profits. According to the IMF, these stand at approx. $300bn p.a., so we can estimate total declared profits from FDI investments in poor countries at $150bn p.a.

Figure 2



According to the World Bank[57], in 2002, 2003, 2004; £143bn, $145bn and $159bn flowed into developing nations in the form of FDI. In other words, over the past three years the profits extracted from direct investments in poor nations equalled or was greater than the new FDI into those poor nations. This is a passing coincidence – as the stock of FDI grows, so the one-way flow of profits can be expected to increase further, undermining not just national sovereignty, as more and more of the poor nations' economies become the private property of western investors, but now even undermining their balance of payments. As the World Bank reported earlier this year (referring to a bigger picture which included bank loans, debt servicing and investment of Asia's hard currency reserves in US Treasury bonds), *"since 2000, the developing world has been a net exporter of capital to the advanced economies."*[58]

The above calculations, based on official figures, may significantly underestimate the flow of FDI profits from oppressed nations. One IMF working paper, noting the major gaps and inconsistencies in IMF/World Bank data, concentrated instead on US Commerce Department figures for U.S. TNC operations in Latin America and Asia. It concluded:

> *"The estimates for the return on foreign direct investment suggest that profitability is widely underestimated. U.S. data show returns on total foreign direct investment in emerging markets in the order of 15 to 20 per cent. An additional three per cent on invested capital [is] paid to parent companies for royalties, license fees and other services..."*[59]

A 20% return on the oppressed nations' $2.3tr stock of FDI investments would imply total profits of $460bn p.a. – three times larger than our estimates above. This provides an upper limit, since it emerges from other studies that U.S. TNCs enjoy a higher rate of profit on FDI in 'emerging markets' than their imperialist rivals.

Privatisation

Imperialist governments, acting separately and together through the World Bank and IMF, in the past decade have force-marched Third World nations down the road of rapid privatisation, resulting in the return of the choicest economic enterprises to their direct ownership and control—epitomised in the headline to a Financial Times survey of Zambia in March 1997: *"'Crown jewels' earmarked for foreign buyers."*

The world-wide privatisation phenomenon was *a buyer's market*, the greatest fire-sale in history. Scores of countries simultaneously sought to attract investors, each vying to provide not just the lowest prices on their privatization offerings, but also the lowest taxes, most relaxed safety and environmental laws, and cheapest labour.

IMF and World Bank-imposed 'Structural Adjustment Policies' required these sales on pain of severe penalties. Prices were pitched low to guarantee sale. These SAPs and other "agreements", struck between imperialist banks and governments and underdeveloped countries shackled by debt and bled white by unequal exchange, were in reality documents of surrender which served to reinforce economic domination over formally-independent 'developing nations'.

Over the past decade, imperialist investors have spent $350bn on water utilities, telecommunications, transport, construction, education, health and other formerly state-owned services in the oppressed nations. The peak years were from 1997 to 2000; privatisation flows have tailed off markedly since then – in many countries there is not much left to privatise, and their governments are left with two main functions: maintaining the army and servicing the national debt. Nevertheless, 39% of FDI flows to the 'emerging nations' in 2002 were into services, 47% into manufacturing, and 14% into food production and extraction of raw materials.

"Enclave-led growth"

In a recent report, Unctad pointed to the form being taken by Third World industrialisation (why they use the future tense is unfathomable):

> *"there is a great likelihood that export expansion will be associated with "enclave-led growth". This is a form of economic growth which is concentrated in a small part of the economy, both geographically and sectorally. It is exemplified by the pattern of development in the colonial period in African LDCs where a relatively rich commodity-exporting sector, well connected to roads, ports and supported by ancillary services, existed side by side with large undeveloped hinterlands where the majority of the population live. But it can equally occur with expansion of manufactures exports confined to an export-processing [z]one based on assembly of imported inputs, or tourism enclaves which are supplied through imports, or capital-intensive mines based on FDI."*[60]

Twenty-one years earlier, Fidel Castro and a team of Cuban economists made similar observations, but more trenchantly:

> *"... total exports to US-based parent companies from US transnational subsidiaries ... increased from 69 to 85% [of Latin America's manufactured exports] between 1971 and 1975. These exports were taken as manufactured exports growth and as convincing proof of ongoing industrial development in a number of Latin American countries, although, in fact, what they show is that a high percentage of foreign trade in manufactured goods and, obviously, of production takes place outside the control and decisions of the national economic authority.*
>
> *"Thus the so-called "captive trade" system arises, turning international trade into a caricature of itself – many authors consider that no less than 40% of world trade has these characteristics (...) Exports that are not really exports are recorded as such, and prices set, whose goal is not the equitable remuneration of labour spent by national producers, but rather the transfer of profits from one subsidiary to another with the purpose of maximising profits within the conglomerate as a whole. (...)*
>
> *"The outcome is a distorted international trade; transfer prices that function as parts of the mechanism of commercial exploitation and unequal exchange... [and] misleading international statistics suggesting a positive course where real trends point to an intensification of underdevelopment and growing plunder."*[61]

3rd World TNCs

The rise of a class of Third World TNCs is significant from many points of view. We have noted above that *"almost no developing country has 'developed' [through the] processing of commodities they already produce" (ODI)*, and that the *"panorama of [rich-nation] protectionism is no better for industrial products"* than it is for raw materials (Unctad). These facts reflect the ways in which the US and Europe use their economic and political weight to inhibit competition from capitalists in the oppressed nations and avoid having to accept a smaller share of global profits.

Third-world TNCs are largely a south-east Asian phenomenon: $633bn of the $849bn in FDI owned by investors based in developing nations in 2002 was sourced from Asian 'newly industrialised countries', and a further $171bn from Latin America. Still only 12% of total FDI, it has increased 13-fold from its 1980 level of $65bn. The picture is occluded by flight capital returning as FDI, and by the proliferation of 'partnerships' with imperialist TNCs.

How will the 3rd-world TNCs fare in the world of ever-intensifying competition? Some clues can be found by reviewing some events of the past ten years.

With the lone exception of China, whose time is yet to come, each of the 'emerging nations' which has experienced significant growth in industrial production – namely, Mexico, Brazil and Argentina in Latin America, Indonesia, Thailand and other so-called Asian tigers – has suffered an economic crash, involving a halving or quartering of the value of their currency, widespread bankruptcies among native capitalists and the distress sale of desirable assets to foreign investors whose hard currencies now bought twice as much.

During these crises, foreign investors were protected by multibillion dollar IMF bail-outs, while local capitalists were left to fend for themselves. Those relying on imports and producing for the local market were hammered. Some – local and foreign capitalists producing for the world market – prospered.[62] As the dollar price of all local currency inputs (especially labour) fell, their export prices were unscathed and their profitability soared. Exports rose and imports fell dramatically, as the currency devaluation amplified the effect of the economic depression. Other native capitalists who benefited from the crises were the flight capitalists who returning on the same jet plane as the foreign investors, the hard currency in their hands now buying a great deal more.

The outcome was to decimate the local capitalists, reduce consumption especially of imported goods, and to effect *a sustained reduction in the price of labour*. After the collapse of Mexico's peso, Christmas 1994, a Financial Times editorial pointed out

> *"Fear of unemployment has dampened union militancy and pay demands… Since devaluations improve a country's competitive position by bringing about a reduction in real wages, it will be viewed as good news … four-fifths of pay settlements have not exceeded 7.5 per cent, compared with officially forecast inflation of 42 per cent this year."*[63]

It is official wisdom that FDI is superior to other forms of capital flows to underdeveloped countries; its alleged attributes include technology and skills transfer, the stimulating effect on the local economy, and so on. In particular, FDI is supposed to be a stabilising force in times of crisis, since it is far easier to sell shares or call in loans than to remove fixed capital. It's worth noting, therefore, the role played by TNCs and their affiliates during these full-blown financial and economic crises. They became a channel for removing billions of dollars of capital – 'repatriating'[64] profits, cash, recalling internal company loans, draining the TNC affiliates of all movable capital and so amplifying the dramatic plunge of the currency.[65]

In these crises, we can see how, distorted in extreme ways by the dominance of imperialist finance capital, industrialisation in the Third World is more cancerous than organic. As imperialist investors absorb enterprises created by indigenous labour and capital, and invest in new plantations, mines and factories, a process tantamount to repossession is taking place, connected in a complex way to the parallel political process of the further divestment by these nations of their vestigial national sovereignty.

A note on robustness of FDI data

Reports issued by the World Bank, Unctad etc. contain many complaints about the difficulty in getting reliable figures about TNC activities in 'developing nations' – whether it be their profits, stock of assets or employment levels. They report widespread non-compliance from both TNCs and host governments in reporting data, and other inconsistencies. TNC capital flows are entangled with diverse capital flows between imperialist and oppressed nations, part of a circulation system which includes flight-capital and its disguised return, corruption and asset-stripping of many types, and the laundering of narco-dollars.

In 1999, a U.N. study (reported in The Independent, 22 February 1999) estimated the global illegal drugs industry to be worth at least $500bn per annum, *"much of it flowing through London, the biggest foreign-exchange trading centre in the world"*.

The Third World fire sale has provided, and continues to provide, drug capitalists with an ideal opportunity to launder their narcodollars, turning them into mines, farmland, factories and hotels. Citing a report by the G7, the article continued

> *"Drugs form Latin America's most successful export business and provide its biggest cash crop. The region is peculiarly vulnerable to capital flight in part because its most dynamic entrepreneurs, the drugs barons, shift funds abroad".*

Finally, investment and profit flows are further obscured by the proliferation of off-shore financial centres like Jersey and the Cayman Islands. Most imperialist governments encourage their TNCs to keep their profits off-shore by taxing these profits not when they are declared but when they are repatriated.

Some conclusions and hypotheses

"Switzerland's per capita GDP is two hundred times greater than that of Bangladesh... capitalism is not the regime of fair distribution; it is rather the regime of injustice, of unequal distribution, of the exploitation of one person by another. This exploitation has much more terrible connotations in a Third World country than in a developed capitalist country, because it is exactly out of fear of revolution, out of fear of socialism that developed capitalism came up with some distribution schemes that, to a certain degree, do away with the great hunger that European countries were familiar with in Engel's day, in Marx's day." – Fidel Castro[66]

Unctad's comment on the second half of the 1990s could be applied to the whole of the past century:

> *"Industrial countries… gained from the unprecedented collapse in commodity prices and cheaper manufactured imports from countries that had suffered currency devaluations… The improvement in [the 'industrial countries'] terms of trade greatly helped to maintain income levels and reduce inflation."*[67]

The converse of this is that had there not been acceleration in the declining terms of trade of poor nations (let alone a reversal); there would have been a world slump. Exploitation and impoverishment of the oppressed nations has become the precondition for economic and social stability and growth in the imperialist nations.

If a spike in oil prices, in the context of falling markets in all other primary commodities, can be blamed for threatening a world recession, what would a generalised increase in raw material prices, i.e. a reversal of declining terms of trade provoke?

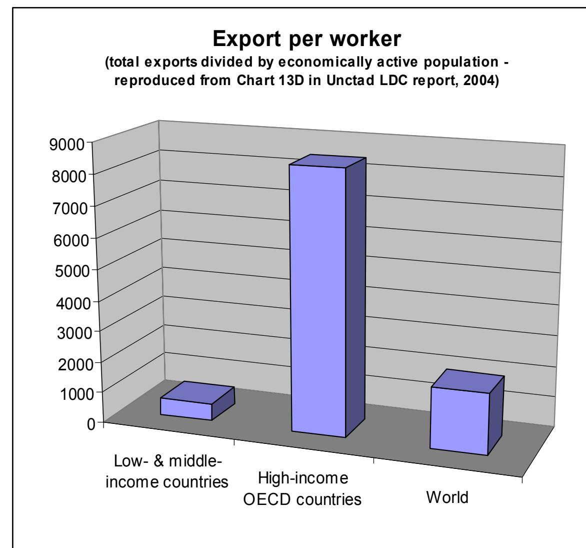
Any attenuation of unequal exchange would inevitably and significantly affect the mass of profits available for division among owners of capital in the North, who have in the fact become completely addicted to ever-cheaper raw material prices, parallel to their other addiction: debt. Unequal exchange helps them to boost their profits; debt (public, private, corporate, Third World) helps stave off the outbreak of a crisis of overproduction.

If all discriminatory tariffs, quotas and market-distorting subsidies were eliminated, and 'fair trade' thereby achieved, the exploitative character of trade between rich and poor countries would only be attenuated. These trade-distorting measures merely serve to reinforce the underlying relationship of unequal exchange.

It follows that unequal trade relations are therefore intrinsic and unavoidable within the prevailing world market system, resulting from the normal operations of 'free markets', not from distortions in them.

The term 'unfair trade', with its implication that 'fair trade' is compatible with the actual imperialist world order and is attainable through enlightened reforms should therefore be discarded, and replaced with *'unequal exchange'*.

Figure 3



Export/worker is given by dividing exports by the economically active population between 15 and 64 yrs old. The result: for 'Least Developed Countries', $113; for low & middle income countries, $552; for OECD countries, $8455. The world average was $1973. From (Chart 13, Unctad LDC 2004)

* * *

To conclude this paper: three hypotheses on the place of 'unequal exchange' in the 2004 world political economy.

- In order to put radical social change off the agenda, the imperialists conceded free health care, education, social security and pensions to their working populations. They compensated themselves for these expensive concessions by deepening and extending their exploitation of the living labour of the oppressed nations. Unequal exchange has become the most significant and even characteristic form of this modern exploitation.
- The value of labour power of workers in the imperialist nations has risen above the physiological minimum which remains the lot of immiserated Third World workers and farmers. In the post-WWII world, a prime function of imperialist borders has been to ring-fence these

relatively high wages, in order to stem and control the *inevitable mass migration* of workers from Latin America, Asia, Africa, and now East and Central Europe. This has accelerated international divergence in wages, and has amplified the unequal exchange in trade relations between imperialist and oppressed nations.

- The owners of capital in the imperialist countries can less and less afford either the current level of money wages or the social wage – the bill for social services, pensions etc. which now consume up to a third of GDP in a number of imperialist nations. As depression conditions take hold, the function of imperialist borders changes. From being a means to ring-fence the relatively high wages received by workers in the imperialist nations, they become one of the principal weapons in the capitalists' increasingly frantic attempts to boost profitability, forcing workers in the imperialist nations into ever-more direct competition with workers in the oppressed nations, and also with immigrant labour. To maintain the estrangement between the hereditary working class and the new arrivals, racism and national xenophobia become ever more indispensable, more than 'democracy' itself.

* * * *

Fidel Castro, representing more than a hundred Third World nations grouped in the Non-Aligned Movement, concluding his speech to the 1979 UN General Assembly:

"Unequal exchange is ruining our peoples. It must end!

Inflation, which is being exported to us, is crushing our peoples. It must end!

Arms expenditures ... must cease ...!

The international monetary system is bankrupt. It must be replaced!

The debts of the least developed countries ... must be cancelled!

Indebtedness oppresses the rest of the developing countries... There must be relief!

The economic chasm between the developed countries and the countries seeking development is not narrowing but widening. It must be closed! (...)

The first fundamental objective in our struggle consists of reducing until we eliminate the unequal exchange that prevails today and converts international trade into a very useful vehicle for the plundering of our wealth. Today, one hour of labour in the developed countries is exchanged for ten hours of labour in the underdeveloped countries.

The Non-aligned countries demand ... a permanent linkage between the price we receive for our products and those paid for our imports ... such a linkage ... constitutes an essential pivot for all future economic negotiations."

From full text in 'To Speak the Truth – Fidel Castro and Che Guevara at the UN', Pathfinder Press and by the same publishers in pamphlet form.

Note: Fair Trade in the modern world – Cuba and the USSR

The only example of an attempt to establish fair trade in the modern world is to be found in the economic relations developed between Cuba and the USSR until the latter's collapse in 1991.

Carlos Tablada, in his superb book *Che Guevara: economics and politics in the transition to socialism*[68], shows how Che and Fidel developed their views on unequal exchange in the specific context of their leadership of Cuba's struggle for trade relations with the USSR/COMECON to be established on an entirely new basis, one which would break radically with the unfair and exploitative prices prevailing on the capitalist world market. Trade between Cuba and the COMECON, Che and Fidel successfully argued, should be based on the principle that *relative prices be fixed to ensure the exchange of equal quantities of labour*. Their view was that this was the minimum requirement for non-exploitative trade. Developed, industrialised socialist countries should go further than this, and tip the playing field in favour of the underdeveloped country, to adopt the overcoming of grossly uneven economic development as a conscious aim of trade policy.

Tablada explains:

"in their writings and speeches, leaders of the Cuban revolution have laid out the theoretical and organisational basis for reducing the brutal impact of the law of value in international trade with revolutionary underdeveloped countries. Such an effort requires an effective international division of labour within the socialist market – a market different in conception from that of the world capitalist market."[69]

He follows this with two of Che Guevara's most important statements on the subject, the first from Che's February 1964 article *Planning & Consciousness in the Transition to Socialism (On the Budgetary Finance System)*[70]:

"We recognise the need for trade to assume a higher form in countries of the new society, to prevent a widening of the differences between the developed and the more backward countries as a result of the exchange. In other words it is necessary to develop terms of trade that permit the financing of industrial investments in the developing countries even if it contravenes the price systems prevailing in the capitalist world market. ... The recent agreement between Cuba and the USSR is an example of the steps that can be taken in this direction."

Tablada continues with a passage from Che's 1965 speech to a conference in Algeria:

"... the socialist countries must help pay for the development of countries now starting out on the road to liberation. ... There should not be any more talk about developing mutually beneficial trade based on prices forced on the backward countries by the law of value and the international relations of unequal exchange that result from the law of value.

"How can it be "mutually beneficial" to sell at world market prices the raw materials that cost the underdeveloped countries immeasurable sweat and suffering, and to buy at world market prices the machinery produced in today's big automated factories? ... The socialist countries have the moral duty to put an end to their tacit complicity with the exploiting countries of the West."[71]

The 1973 agreements which led to Cuba's full integration into COMECON are now widely seen in Cuba as a source of many costly errors, not least the abandonment of the quest for self sufficiency in food. In the decade which followed, termed by Fidel Castro "the ten despicable years", a wider use of Stalinist bureaucratic planning methods eroded the consciousness and the morale of Cuba's working people; a process which was leading, in Castro's words, "not towards socialism but to a society worse than capitalism".

As we have seen, however, the 1973 agreements had a positive and revolutionary side: the relative prices of goods exchanged between the COMECON and Cuba were to be fixed so as to equalise the quantity of labour expended by each country in the production of the exchanged goods. In other words, the agreements eliminated the *unequal exchange* which typifies "free trade" between imperialist and underdeveloped countries. This had enormous practical consequences: for instance, Cuba was able to sell its sugar at 40¢ per lb, though the world market price had by the 1980s been forced down to as little as 5¢/lb. This was termed by Castro the "garbage dump price", referring to the depressing effect of the dumping of heavily subsidised U.S. and European sugar surpluses onto the world market. Since Cuba had been converted by U.S. capital into a monoculture—apart from "tourism", sugar was by far the most important export at the time of the revolution—the achievement of fair trade in its sugar signified liberation from unequal exchange.

Within two decades COMECON—*but not Cuba*—had collapsed. In the space of a few months, Cuba lost 85% of its foreign trade as former COMECON countries submitted to U.S. pressure to break off trade relations with Cuba as a condition for promises of loans and "help with market reforms". Up to this point, Castro consistently upheld Cuba~USSR trade relations as the realisation of what the Third World as a whole should fight for in its trade with the imperialist nations:

"In our economic relations with the USSR and other developed socialist countries, we have overcome the tragic law of unequal terms of trade that has historically governed the relations between the Third World and the developed capitalist powers. We receive fair prices ... that are protected by agreements against the deterioration in the terms of trade... This is of enormous importance, because, I repeat, we have solved our problems not only through social changes but also because... Cuba has established a form of new international economic order with the rest of the socialist community. Without these foundations, our great economic and social successes... would not have been possible."[72]

Table 1. Inward FDI stock, by group of economies

(Billions of dollars)	1980	1990	1995	2000	2001	2002
World	699	1954	3002	6147	6 607	7123
Developed countries	392	1400	2041	3988	4277	4595
Developing countries	307	551	921	2030	2174	2340
Africa	32	51	78	145	158	171
Latin America & Caribbean	50	117	202	609	706	762
Developing Asia	216	340	583	1186	1215	1305
Central & Eastern Europe	..	3	40	129	156	188
Least developed countries	3	8	16	36	41	46

Source: UNCTAD.

Table 2 Inward FDI stocks, % of GDP

	1980	1985	1990	1995	1998	1999
Developed countries	4.70	6.10	8.30	8.80	12.10	14.50
Developing countries	5.40	9.10	10.50	13.40	20.00	28.00

Source: UNCTAD (2001) * excl. South Africa

Table 3 MANUFACTURING EMPLOYMENT…

…as % of total employment	**1960**	**1970**	**1980**	**1990**	**2002**
Sub-Saharan Africa	4.40	4.80	6.20	5.90	5.50
West Asia and North Africa	7.90	10.70	12.90	15.10	15.30
Latin America	15.40	16.30	16.50	16.80	14.20
South Asia	8.70	9.20	10.70	13.00	13.90
East Asia (excl. China)	8.00	10.40	15.80	16.60	14.90
First-tier NIEs	10.50	12.90	18.50	21.00	16.10
China	10.90	11.50	10.30	13.50	11.50
Developing countries	**10.00**	**10.80**	**11.50**	**13.60**	**12.50**
Developed countries	**26.50**	**26.80**	**24.10**	**20.10**	**17.30**
…as % of GDP					
Sub-Saharan Africa	15.30	17.80	17.40	14.90	14.90
West Asia and North Africa	10.90	12.20	10.10	15.60	14.20
Latin America	28.10	26.80	28.20	25.00	17.80
South Asia	13.80	14.50	17.40	18.00	15.70
East Asia (excl. China)	14.60	20.60	25.40	26.80	27.00
First-tier NIEs	16.30	24.20	29.60	28.40	16.20
China	23.70	30.10	40.60	33.00	34.50
Developing countries	**21.50**	**22.30**	**24.70**	**24.40**	**22.70**
Developed countries	**28.90**	**28.30**	**24.50**	**22.10**	**18.90**

Source: Unctad 'Trade and Development Report' (2003) p95 tables 5.1 & 5.2

Notes

[1] *Two examples from opposite ends of the spectrum….*

David Landes, emeritus Professor of History at Harvard University, in his best-selling book "The Wealth and Poverty of Nations", devotes one sentence to the phenomenon of collapsing primary commodity prices:

"dependence on highly variable terms of trade (agricultural commodities vs. manufactures) inflicted painful swings in income. … Mercurial commodity prices were an old story."

The phenomenon of declining commodity prices has disappeared, a trick performed by distracting attention with a separate but related phenomenon – the high volatility of primary markets. Imagining that his readers are taken in by this legerdemain, he proceeds to ridicule critics of the imperialist world order:

"Those accustomed to blame material failure on foreign wrongs now decided that exploitation had merely assumed new guises. The old colonial areas were only nominally free, they said, still bound to exploiters by invisible ties of unequal trade and dependency... Some critics of this new colonialism (neocolonialism) even argued that all exchanges between the advanced industrial nations and the backward "Third World" are intrinsically unfair. Logically, the poor should cut all commerce with the rich. No better recipe for poverty maintenance could have been found..."

Using the same infantile logic, Landes would doubtless maintain that workers cannot be exploited by capitalists, because if so, they would refuse to sell their labour power.

At the other end, Michael Hardt and Antonio Negri, in their 'Empire' have nothing at all to say about things as concrete as the declining terms of trade of poor nations. Unlike Landes, they don't write Marx and Lenin out of history; they devote an entire chapter to their alleged views, without reference to the relations of exploitation which are at the heart of Marxist analysis. Their inability to conceptualise exploitation and make it an operative factor in their ephemeral theories is expressed succinctly in this quote from their preface, referring to "the moment in Capital when Marx invites us to leave the noisy sphere of exchange and descend into the hidden abode of production. The realm of production is where social inequalities are clearly revealed…." But in the realm of production we find not just 'inequalities', but exploitation, and irreconcilable class antagonisms. It is well worth recalling the passage from Capital referred to by Hardt and Negri (described on the jacket as the "Marx and Engels of the internet age"):

"The sphere of circulation and exchange, within whose boundaries the sale and purchase of labour-power goes on, is in fact a very Eden of the innate rights of man. It is the exclusive realm of Freedom, Equality, [and] Property... Freedom, because both buyer and seller of a commodity, say of labour-power, are constrained only by their own free will. They contract as free agents, and the agreement they come to is but the form in which they give legal expression to their common will. Equality, because each enters into relation with the other, as with a simple owner of commodities, and they exchange equivalent for equivalent. Property, because each disposes only of what is his own… The only force that brings them together and puts them in relation with each other, is the selfishness, the gain and the private interests of each. Each looks to himself only, and no one troubles himself about the rest, and just because they do so, do they all, in accordance with the pre-established harmony of things, or under the auspices of an all-knowing providence, work together to their mutual advantage, for the common weal and in the interest of all.

"On leaving this sphere of simple circulation or of exchange of commodities, which furnishes the "Free-trader Vulgaris" with his views and ideas… a certain change takes place... He, who before was the money-owner, now strides out in front as capitalist; the possessor of labour-power follows as his labourer. *The* ***one with an air of importance, smirking, intent on business; the other, timid and holding back, like one who is bringing his own hide to market and has nothing to expect but – a tanning. (…)***

"Let us therefore, in the company of the owner of capital and the owner of labour-power, leave this noisy sphere, where everything takes place on the surface and in full view of everyone, and follow them into the hidden abode of production, on whose threshold there hangs the notice "No admittance except on business." Here we shall see, not only how capital produces, but how capital is produced. We shall at last lay bare the secret of profit making."

Capital *Vol. 1 p280 (note that the last-quoted paragraph actually precedes the former two. As an excerpt, it works better this way around…)*

[2] To put it another way, *theory's task is to reproduce reality in thought.*

[3] An excellent place to start is Anwar Shaik, 'The Laws of International Exchange', available from his website.

[4] 'Emerging economies need help FT', June 14 2004

[5] Unctad LDC 2004 ppII-III

[6] WTO International Trade Statistics 2003 p39

[7] See Michael Barrat Brown, 'Fair Trade'

[8] 'New Paradigms in Global Supply and Demand', p123

[9] Quoted in 'Fair trade coffee has commercial blend', Financial Times September 11 2003

[10] New Internationalist 322 - 'Fair Trade' April 2000 p5

[11] Unctad, 'ECONOMIC DEVELOPMENT IN AFRICA - Trade Performance and Commodity Dependence' (2004) p55

[12] "China makes its mark" April 20 2004

[13] "China makes its mark" April 20 2004

[14] "Coffee is unusual among global agricultural markets in being almost fully liberalised" Oxfam 2003 p11

[15] 'Europe and the Coffee Crisis' Oxfam Briefing Paper, February 2003 p9

[16] ***"It should be recognised that transnationals exert enormous control over [primary] commodity marketing... The decision-making power of these corporations over price setting is such that any Third World demand for the reassessment of its trade with a view to coping with unequal exchange must include – in order to be coherent and get to the root of the problem – the eradication of transnational control over marketing and the transfer of trade mechanisms to these nations."***

'The World Economic Social Crisis – Report to the Seventh Summit Conference of Non-Aligned Countries' Fidel Castro (1983) p64

[17] 'Europe and the Coffee Crisis' Oxfam Briefing Paper, February 2003 p2

[18] See World Bank report "Coffee Markets – New Paradigms in Supply and Demand" March 2004, especially Figure 26.

[19] UNCTAD – 'Economic Development in Africa - Trade Performance and Commodity Dependence', 2003 p24. Cafod reports, (Trade and Debt briefing, January 2002) , that overall production of coffee beans between 1980 and 2000 rose from 4,828,920 to 7,274,856 metric tonnes, and increase of 51%.

[20] 'Europe and the Coffee Crisis' Oxfam Briefing Paper, February 2003 p5

[21] Unctad LDC Report 2004 p126-7

[22] WTO International Trade Statistics 2003 p29. Note that export volumes have consistently risen faster than production. C.P. Chandrasekhar & Jayati Ghosh (2000) report "the rate of growth of world production of agricultural commodities rose from 1 percent per year in 1990–94 to 2.6 percent in 1994–98, whereas world production of metals and minerals was flat in 1990–94, but increased by 3.5 percent per year in 1994–98."

[23] UNCTAD Commodities Year-Book 1995-2000, p85

[24] International Financial Statistics (IMF) data for exports from "Industrial countries" and "Developing countries", extracted 22 June 2004.

[25] A World Development Movement paper – 'Tricks of the Trade' (September 2001, p3) – cites UN estimates that poor countries lose $1.3bn per day, or $475bn p.a., because of 'unfair trade rules'.

[26] The Brandt Commission (The "Independent Commission on International Development Issues under the Chairmanship of Willy Brandt") was made up of social-democratic and other imperialist politicians, including former Conservative premier Edward Heath and Sweden's Olof Palme, and capitalist political leaders from the Third World, including Eduardo Frei (President of Chile prior to the election of Salvador Allende) and Shridath Ramphal from Guyana, under the chairmanship of former German social-democrat Chancellor Willy Brandt. The main purpose of its 1979 report was to drown out the demands of the oppressed of the Third World, especially as articulated by the Non-Aligned Movement of around 100 Third World nations, then in its most activist phase under Cuban Presidency. Whereas Fidel Castro, addressing the 1979 U.N. General Assembly on behalf of NAM, called for the suppression of unequal exchange by tying the prices of Third World exports to those of the goods they imported; and for the break-up of transnational control over world markets in primary commodities, the Brandt Commission argued in its report North-South: A Programme for Survival (p151) that

> ***"there is a substantial mutuality of interest in stable and remunerative prices for [primary] commodities. A number of imperfections and aberrations have been indicated in the operation of [primary] commodity markets... We believe that stabilisation schemes should be concerned with providing corrections for these imperfections."***

This document provided the liberal capitalist pole in the official "debate" on the plight of the Third World, and a political framework for labour and trade union bureaucrats, aid agencies and the academic world.

[27] Relative Prices of Exports and Imports of Underdeveloped Countries, cited by Ernest Mandel, Marxist Economic Theory, p 477

[28] ('Long-run behaviour of commodity prices – small trends, variability', by Paul Cashin & C John McDermott – May 2001)

[29] World Bank/BIS figures for end of December 2002

[30] p39 World Bank 2004

[31] Here we are interested in the profit to the imperialist creditors. The debtors suffer additional losses on their debt – when the original loan is stolen or squandered on unprofitable ventures, the benefit is lost but the debt remains. And often the loan is used to fatten up enterprises in preparation for their privatisation…

[32] http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/ORGANIZATION/PRESIDENTEXTERNAL/0,,contentMDK%3A20129148%7EmenuPK%3A232083%7EpagePK%3A159837%7EpiPK%3A159808%7EtheSitePK%3A227585,00.html

[33] Quoted in http://www.overpopulation.com/articles/2003/000085.html

[34] NYT Sept 30 2002

[35] *'How will agricultural trade reforms in high-income countries affect the trading relationships of developing countries?'* by John C. Beghin, David Roland-Holst and Dominique van der Mensbrugghe in 'Agricultural Trade and Poverty' (OECD, 2003)

[36] www.ewg.org

[37] Christian Aid policy position paper 'Agricultural trade reform and the future of small-scale and family farms and farmers' by Kevan Bundell, June 2004

[38] ***"Market intervention [is] deemed as acceptable… in favour of farmers in developed countries, and not in… favour of farmers in developing countries."*** UNCTAD report (ECONOMIC DEVELOPMENT IN AFRICA - Trade Performance and Commodity Dependence), February 2004 (p55)

[39] Beghin et al.

[40] The 'Cairns Group' includes Australia, New Zealand, South Africa, Philippines and Argentina. Beghin et al, pp46-50

[41] 'The Mirage of Farm Exports' (2003) by C. Rammanohar Reddy http://www.networkideas.org/themes/agriculture/aug2003/ag04_Mirage_Farm_Exports.htm 25 June 2004

[42] This has to placed within inverted commas, because it includes, *inter alia,* displacement of indigenous peoples and small farmers.

[43] Defra 2003: Table 8.3 'Aggregate Balance sheets of UK agriculture'

[44] Beghin et al, p48

[45] ECONOMIC DEVELOPMENT IN AFRICA - Trade Performance and Commodity Dependence p54

[46] UNCTAD briefing paper to Sao Paolo Conference, June 2004 p8

[47] Unctad Trade & Investment report 1999 - Overview pIX

[48] ODI (2001) p14

[49] Sachs, Jeffrey D and Andrew M. Warner (1995) "Natural resource abundance and economic growth".

[50] Unctad Trade & Investment report 1999 - Overview pVI

[51] Unctad's yearly World Investment Report last gave estimates for the breakdown in FDI employment between 'developed' and 'developing' nations in 1999. They showed employment in the latter to be rising at a much faster rate than in the former, overtaking it around 1990. Extrapolating these trends, I arrive at the estimate of a 25m increase in the TNC workforce in oppressed nations since 1990.

[52] ***"today, China's population is almost 40 per cent urbanised. In 20 years, this proportion will be close to 60 per cent, suggests Wang Mengkui, director of the development research institute of the state council. That would mean movement of some 300m people from rural to urban areas. Some believe this number will be closer to 500m. … "*** 'The new workshop of the world' By Martin Wolf FT November 25 2003

[53] OECD – "Agricultural Trade and Poverty" p216

[54] 'World's manufacturers march into China' By Peter Marsh, FT June 20 2004

[55] To the extent that rich-nation agricultural subsidies depress the farm economies of the oppressed nations, their removal would produce an improvement in the terms of trade between industry and agriculture within these nations, and the necessary PPP adjustment would be somewhat reduced.

[56] WP/04/05 'International Dividend Repatriations' by Alexander Lehmann and Ashoka Mody (2004)

[57] Cited in Unctad WIR 2003 Box table I.6.1. 'World Bank's estimates of FDI inflows to developing countries, 2002-2004'

[58] World Bank, 'Global development Finance' (2004), p7

[59] WP/02/47 'Foreign Direct Investment in Emerging Markets: Income, Repatriations and Financial Vulnerabilities' by Alexander Lehmann (2002) p24

[60] Unctad LDC 2004 p119

[61] 'The World Economic Social Crisis – Report to the Seventh Summit Conference of Non-Aligned Countries' Fidel Castro (1983) pp 69-70

[62] ***"Exports have responded remarkably well to the devaluation of the peso, turning a $5.7bn trade deficit in the first four months of last year into a $1.2bn surplus in the year to April. The motor industry is now exporting three cars for every one it***

sells at home as domestic sales have shrunk 60 per cent. Chemical, textile and steel exports grew 67 per cent in the first four months of this year." - FT 2 June 1997

[63] FT April 28 1995

[64] Where does this wealth belong.. ? Maybe 'extraditing' would be more appropriate…

[65] See WP/02/47 'Foreign Direct Investment in Emerging Markets: Income, Repatriations and Financial Vulnerabilities' by Alexander Lehmann (2002

[66] 28 January 1994 speech to an international solidarity conference in Havana, reprinted in the Militant, No.9 in 1994 p7.

[67] Unctad Trade & Investment report 1999 - Overview pII

[68] Carlos Tablada devotes a chapter to Che Guevara and Fidel Castro's views on unequal exchange in his book *El Pensamiento Economico de Ernesto Che Guevara*. This book was highly influential in Cuba, where several hundred thousand copies were sold. It helped to transmit many of Che's ideas which illuminated the "rectification campaign" beginning in 1986. The rectification campaign was an enormous political advance for Cuba's working people. Fidel Castro described it as a *"fundamental change of direction of the revolution"* without which they would have been unable to face the collapse of trade relations with Eastern Europe and the USSR from 1989 onwards.

Pathfinder Press has translated Tablada's book into French and English, the latter under the title *Che Guevara: economics and politics in the transition to socialism*.

[69] Tablada, pp157-8.

[70] See the Pathfinder collection *Che Guevara and the Cuban Revolution* for the complete text.

[71] This historic speech is printed in full in *Che Guevara and the Cuban Revolution*, Pathfinder.

[72] Interview with the Mexican newspaper Excelsior in Fidel Castro Speeches Vol. 3: War and Crisis in the Americas Pathfinder, p222-3