

What Is Globalization?

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Introduction

Beginning the 1990s the word globalization is the most highly inflated and widely used concept, which has confused the world not yet seen before in history. After the fall of the East Block countries and thereby the disappearance of the Soviet Union as a superpower, it seems for every body that humanity has entered a new era.

Socialism as a system, which is synonymous with Stalinism, absence of freedom and one party system which has suppressed hitherto the free will and action of individuals became a past thing which can be seen only in historical museums. Capitalism and market economy of the American type have triumphed. The schoolbook economics which asserts that human being is by nature egoistic and is born with utilitarian aspiration has proved before history. Collective ideas and forms of communal living suppress individual freedom; and under socialism competition among individuals is practically impossible. Such a system will inevitably lead towards a one party system which rules its society only by dictatorial means. This is the legacy of socialism which has proved to humanity in its existence in the last 70 or so years, and at the end which has dug its own grave and disappeared from the world politics.

The conclusion then is, there is one global order or global economy, and humanity has no other aspiration other than implementing its ideals in the market economy. Now the world market is open to everybody and to every nation. Globalization is the only solution to the social and economic disorder which is prevailing in this world. Humanity will be freed from poverty, disease and hunger if it upholds the banner of globalization. Period!!

In Ethiopia too, when I was there 10 years ago the word globalization becomes almost the lingua franca of certain groups who were running to be part of the EPRDF government. Even those, for some or any other reason oppose the Woyane government globalization is the only panacea which brings effective and permanent solution for our county's economic and social crises. I read in the official newspapers that globalization is a new chance and phenomena which we must use and which we cannot escape it. As so many argued and the proclaimed socialism has proved which was practised in our country, Ethiopia can see the true light of civilization, when she undoubtedly accepts globalization as a sin qua of social organization. In the idea of so many, especially prominent individuals, after the destruction of the COMECON countries and the disappearance of the Soviet Union as the contending super power, there is only one glob and global economy which we must accept. Hence the world is not seen any more divided into continents and nation states, which have their history, culture and even to a certain extent their own national economy. The world is now a small global village which opens the

chance for those who want to become real global player. The Internet and SMS technologies have demonstrated that one can reach one part of the globe to the other within minutes.

In our main capital city, Addis Ababa, seminars, symposiums and workshops were organized, on one side to explain and preach about the benefit of globalization; on the other hand to affirm and congratulate that Ethiopia becomes a part of this global economy. Prominent economists of Ethiopian and foreign origin, members of the aid organizations which are operating in our country, and which have participated in the seminars have tried to convince the new young leadership which has fought until the seizure of power under the banner of Marxism-Leninism and socialism that globalization brings real chance to Ethiopia.

After twelve or more years of forced globalization of the new type the world is not better off than fifteen or twenty years ago. As we see everywhere and the economic and social conditions in our country prove, economic and social disorders have become part and parcel of the global economic order. Even those capitalist countries and multinational companies have become the victim of their own proclaimed globalization. In order to understand why the propagated globalization could not bring the desired result to humanity in general, and especially why globalization stands against any meaningful civilization in particular, let's see the true meaning and the inner contradictions of globalization as it has developed through history in its various forms.

Definition and Development of Globalization

It is very difficult to give a coherent and precise definition of globalization. According to the school of thought which is one brought up and the ideology which one stands for, globalization has different meanings. For those who propagate that globalization is a new chance for all countries, it is a friendly act which universalizes the ideals of market economy. Through intensive internationalization of trade, production activities, transfer of finance, capital and services all nations benefit, and wealth will be equally distributed among different nations. Through the transfer of technology, especially Third World Countries will have the chance of modernizing their traditional societies. In order to effectively materialize globalization, the hitherto existing division of labour must be deepened, and the roles of those international organizations, IMF and the World Bank must be strengthened. Only by accepting the frameworks of these international organizations, Third World Countries will on one hand pave the way for international investors to go to these countries and invest their money and transfer their know-how, and on the other hand traditional norms and institutions which have arrested the creative activities of their people will be disappeared. If the principles and the ideology of monetarism are fully accepted and implemented, market economy will inevitably get the upper hand and real competition will be the rule of these societies.

For the ideologists of globalization, globalization is not a historical process and has nothing to do with the exploitation and incorporating the resources of the Third World Countries. It is simply a new chance and new phenomena of market economy which

becomes inevitable only because the western capitalist model at the end proves to be more superior than other past and existing economic models. Other models, especially state regulated economic policies hinder individual freedom and thereby technological innovation, and resources will be wasted. According to the proponents of globalization market economy is the only efficient institution which allocates resources according to the principles of the mechanisms which are inherent in the system. Demand and supply and hence prices which reflect real resources of a given economy will automatically help the efficient allocation of resources among the different sectors of a given economy. Through this built-in mechanism and individual competition, the whole society will at the end maximizes its utility and not as the other way round as other collective or state regulated models do believe. In other words, a given society maximizes its utility only through individual action (inductive model) and not through collective actions (deductive model).

If one looks at the arguments of those forces which vehemently support globalization, these arguments are not new. This is a part of modernization theory which we have been brought up when we were in the universities and which we have extensively studied.

Those forces who are opposing globalization in its existing form are diverse and their ideological bases are different from one another. They have one common appeal and one common ground which bring them together and fight the prevailing global economy. According to the idea of these forces globalization deepens the existing technological gap, and this in turn distorts technological development in many Third World Countries. By using this technological gap, western countries could manipulate the economies of the backward countries and absorb more and more wealth which marginalizes the majority of the people. At the same time within different nation-states income inequalities between the socially well off and the poor will be widened and as a matter of fact, because of the luxurious lives of few individuals resource plundering and resource transfer from the Third World Countries to the capitalist west will be the rule of the system. Resources of the Third World Countries will be controlled by few multinational companies, and instead of equal development, unequal development and massive pauperization will be enforced in these countries. As practices of the last five decades prove, Third World governments will not have the autonomy of controlling and regulating their own resources according to the needs of their society. In short, under the name of market economy and globalization, the majority of the people of Third World Countries will be enslaved, and at the end non-governance will be the inevitable process of such kind of global economic order. Hence globalization in its existing form must be challenged and international organizations must be reformed so as to empower Third World Countries so that their bargaining power against the industrialized west will be strengthened.

Among these opposing forces there are radical forces which share more or less the same opinion, but differ in two major aspects. For the radical forces the internationalization of capitalist order is a long process which goes back to the 16th century. From the outset the growth and expansion of capitalist economy on a global scale goes hand in hand with the marginalization of the Third World Countries. Economic formations and division of labours which have hitherto existed and functioned well were destroyed, and in the name

of international division of labour these countries are compelled to produce raw materials and export to the capitalist west without processing them. This in turn blocked from within the development of technology and the rise up of a dynamic class. By that the development of a coherent economy, a well-established and sophisticated infrastructure, the development of cultural cities was practically impossible. Secondly, in order to pave the way for the exploitation of the Third World resources and deepen underdevelopment, state structures must be oppressive and individual freedoms which allow freedom of organization must be restricted. Only a small class or elite which serves the interests of the capitalist west had access to enrich it self. This system of exploitation has worked differently and in modest forms more or less until the end of colonialism.

After the Second World War, and after the emergence of a new global order under the auspicious of the USA, new international institutions are installed which facilitate and fasten the existing international division of labour by giving it new images and dynamism. In order to enhance and smooth up the system of international trade a neo-liberally organised and systematised ideology is necessary. Monetarist ideology became the new bible of international trade, transfer of technology and diverse agreements whose structures are very complex and which have the sole purpose of blocking a science and technologically driven economic and social development are accepted ideologies in all African countries. According to the newly organised international economic order and by upholding and deepening the old international division of labour, Third World Countries should concentrate on few industrial activities which satisfy the consumption needs of the elite class. This system of industrial organisation which is detached from development and research (D & R) is necessary to modernize the African economy. As we know and wide empirical researches and studies demonstrate, this system of economic activity which is enforced under the name of import-substitution industrialization is concentrated in few cities and areas and absorbs resources from rural areas to the very few cities which have “modernized economic structures.” At the same time resource transfer of various types and in complex forms from the Third World Countries to the capitalist west has taken an unprecedented scale. The buying up of patents for the imported technologies, imports of intermediate products and other spare parts, profit transfer via transfer price mechanisms which sore non verifiable production costs by making expensive costs of the imported intermediate products, the increasingly cheapening of raw material prices and thereby the bad terms of trade between the industrial products of the capitalist west and the exported raw materials have brought disastrous resource transfer which narrowed the resource base of Third World Governments, especially those of African countries. This process of resource transfer, mechanism of extensive exploitation and systematic blockage of technological development has entered a new era when internationalization of production activity and internationalization of finance capital have taken entirely different forms of wealth appropriation from the Third World Countries. The oil crises of 1973/74 and the economic crises within the various capitalist countries, and the introduction of a new monetary mechanism which is regulated by supply and demand and the growing gap between real capital investment and financial circulation of a casino type have created a new situation for the reorganization of the world economy. The so-called new international division of labour and the growing up of international debt mechanism become the main instruments of globalization. Now production must be organised in few

selected countries and areas in order to reduce costs, to open new market accesses and to fasten the valorisation of capital on a higher scale.

Special features of Globalization Before 1973/74

It is a common practice now days that globalization is associated with capital movements of the 1990s. By that some forget the importance of the international division of labour of the old type which still exists and dominates the lives of so many Third World Countries. At the same time the special consumption pattern which was introduced beginning the 1950s has a great economic and social impact in appropriating the wealth of especially so many African countries without inducing real development from within. That means maintaining the old form of division of labour and the internationalization of certain consumption pattern to bring the African elite within the international hierarchical system to strengthen exploitation and to block any meaningful development is part and parcel of a global economic and political order. Therefore the new global economic order cannot be conceivable without the old form of division of labour.

The reorganization of the world economy after the second world has boosted the international trade on a scale not known before in history. So many west European countries must reconstruct their economies, which have boosted the demand for raw materials. On the other side those countries which produce raw materials were compelled to modernize their economies. Beginning the middle of the 1950s, especially so many African countries have created favourable conditions for multinational companies to come and invest. Such kind of investment is known import-substitution-industrialization. By accepting that this form of industrialization brings an over whole industrialization and hence economic growth, so many African countries began producing beverages, foodstuffs including sugar, textile products, shoes and other not technology intensive products to satisfy home demand. The idea was simple. African countries should not import these products; they could produce themselves by importing technologies from the capitalist west. The demand for raw materials on world market, and the favourable prices have pushed so many African countries to engage in such kinds of industrialization activity. The first phase of modernizing the African economy comes to a halt when the demand for raw materials is not growing any more. Various factors are responsible for the slow down of modernization. 1. The character of the industrialization itself is not suitable for the development of new technologies. 2. The tempo of the industrialization is not decided by the African governments themselves. Most of the industries are run on joint-venture basis. That means foreign managers have decisive impacts on the tempo and the character of the industrialization. 3. Most of the industries have weak back and forward linkages. That means most of the input factors come from West Europe and America. The production of such kinds of consumption goods are mainly designed to satisfy the new elite. Because of the very low buying capacity of the majority of the masses, most of the industries produce at very low capacity. 4. Most of the industries have weak capacity of absorbing labour. 5. The competition among the raw material producing countries holds down prices, since most countries begin exporting the same unprocessed products. 6. Capitalist countries begin rationalizing their industries, and this has reduced the demand for raw materials. 7. Due to the deteriorating terms of trade and

the high oil prices of 1973/1974, most African countries must experience heavy trade balance deficits. Though these situations have reduced African share on the world trade, new mechanisms have been created to make Africa more dependent on the global economy. The new international debt mechanism and the growing role of international finance institutions determine the tempo of the African economy.

Deepening Economic Crises and the New International Division of Labour

To understand why the new international division of labour is a necessary by-product of the existing capitalist system we should analyse the process of capitalist organization more deeply which paved the way for the internationalization of capital on a very different scale.

After the end of the Second World War those western countries whose economies were heavily damaged by the war began reconstructing their economies with massive state intervention. Cities which were more or less destroyed, infrastructures which were severely damaged, institutions which could not function properly unless they are reorganized on new principles and spirits, small and medium industries which were dispersed and the owners were not known must be put into function so as to produce and supply the necessary consumption needs of the society. For all these wide range reconstruction activities, capitalist production process on purely demand and supply principles was not sufficient instrument to bring the economy on a basis which could regenerate itself. The intervention of the state in the economy became an absolute necessity. Capitalist countries, especially Germany must reorganize the banking system to raise the necessary capital to finance small and medium size industries. The well known reconstruction bank of West Germany was a good example how the intervention of the state by allocating very cheap credit on a longer period of maturity supports industrial activities which had higher multiplier effects and which created jobs for millions of needy people. At the same time the mobilization of all sectors of the people who were able to work by allocating them according to their own merits to construct houses and repair the damaged streets and other infrastructures was a good example how a well organized society can stand up easily and build its own economy in a very short time. This proved also that a pure laissez-fair economic principle cannot work by itself unless a society organized on certain principles and laws to develop a viable economy which is the precondition of a sovereign nation-state.

The reorganization of the education system to bring a science driven technological development and to create the basis of research and development in all the universities and to widen the intellectual basis of the society to stimulate a strong middle class which is conscious of its class position was also a necessary criteria to bring social harmony in the society and build a strong nation state. These and the above factors have fastened the economic reconstruction of Western Europe after the Second World War. The intervention of the state through various means has not by any means hampered individual competitions which is the basis of capitalism to develop on a higher scale. The technological development and the transformation of accumulation process from

extensive to intensive to raise productivity is a good example how a systematic state intervention could not as such disturb competition among the industries.

This systematic reorganisation of capitalism could not continue like that. As the system expands and competition becomes fierce, big companies are compelled to change their methods of production. The rationalization of the industries becomes an inevitable process to reduce costs and become competitive from within and outside. For this some industries, especially big industries must borrow money from private banks. This in turn has strengthened the role of the banks. Notwithstanding this competition some small and medium size industries which produce over 50% percent of the value-added must be overthrown out of the market. Because of the neo-liberal ideology and the internationalization of capital state interventions become fragile. Restrictive money policy and high interest rates and the orientation of the economic policy of the state more in line with the monetarist ideology begin disturbing the whole economic setup. The concentration of industrial and finance capital and their fusion means that certain groups could dictate the policy of the state. On the other side the weakening of the trade union movements which play greater role in controlling social movements and develop good bargaining power to raise the loans of the workers strengthens the ideologically motivated forces whose main aim is profit maximization and blind competition on a higher scale. The strict hierarchic reorganization of production activities and the hierarchic managerial decision making process diminish workers rights and their bargaining power. In cases of crises workers could lose simply their working places. This in turn creates disequilibrium conditions in all spheres of the economic activity. Structural and conjectural crises of the economy which are characterized by destroying old forms of industrial branches like coal, steel and iron industry and the up and down movements of economic growth have opened ways for the new generation of capitalists to handle the economy more in line with monetarist ideology.

In the history of capitalist development one could witness that counter revolution strategy from within creates disequilibrium economic and social conditions which will hamper economic growth. The monetarist policy of Mrs. Margaret Thatcher and the policy of President Ronald Reagan which is widely known as Reaganomics are two decisive economic policies which have wide consequences within their countries and on international level. The privatization of state owned sectors, like water supply and train system, the reduction of social welfare system and the indirect transfer of wealth from the poor to the rich class and the weakening of the role of the trade union movement is clear example how monetarist ideology systematically destroys social harmony. A strict monetary policy means also destroys old forms of technology and the introduction of a new system of wealth acquisition without producing real value-added. The so-called information society and the new economy are vivid examples how monetarism paves the way to transfer wealth from one part of the society to the other and from one sector of the economy to the other. The north-south development gap and the concentration of capital and new technologies in London starting the end of the 1970s is clear evidence how monetarism creates disequilibrium situation in all sectors of the economy and the society. On the international level too, monetarism has wide range consequences by destroying real wealth and by creating a new rentier class which absorbs the social wealth of the

respective society and transfer it outside its own border. So many Latin American countries, especially Chile has practiced a monetarist economic policy. Some Chilean economists, called the Chicago boys who were master minded by Milton Friedman, have followed a strict monetarist policy which enriched certain groups and pauperized the mass of the population. The case of Argentina is another example how Harvard educated neo-liberally oriented economists have destroyed the Argentinean economy and threw many millions of people into poverty. This also proves that being educated in one of the best universities of the world could not make somebody to become socially aware and an expert in his own field to solve very sophisticated social and cultural problems. In this way monetarism becomes a world wide phenomenon which has infected so many Third World Economists who are directly or indirectly interwoven with the international financial institutions. From this on wards we experience a new kind of systemic economic crises which has begun affecting the globe and throw the masses of the people to more poverty.

In order to tackle the existing capitalist crises which has begun showing symptoms of destabilization at the end of the 60s, and deepening of the crises in the beginning of the 70s and the middle of the same year, capitalist companies, and specially those multinational firms must find ways which enhance production activity on a global scale and thereby maximize their profits. State regulated economy which became part of the general capitalist economic regulations of the Keynesian type in all major industrial countries at the end of the Second World War, became slowly obsolete. Heavy state spending especially via debt mechanisms until the beginning of the 70s which have boosted industrial activities in all major capitalist economies could not be continued. As unemployment grows and the tax base of the states diminishes, capitalist states are compelled to take more and more credits, on one side to pay heavy transfers, and on the other hand to maintain the existing investments. This can not be continued any more in its previous forms, since permanent credits means that payments of debt services will grow up which create disequilibrium between the income from tax and spending. This is one of the major problems which all capitalist countries have faced at the beginning of the 70s. On the other side the concentration of finance and industrial capital in very few hands and the role of new managerial economy which is becoming against new innovations and the slow destruction of small and medium economic activities, all capitalist countries must face new challenges. Since in some highly industrialized countries like Germany, small and medium size industrial activities are the main backbone of the economy, and pay over 50 % of the income tax, the slow down of economic activities in these areas means that, income from tax and consumption of the people will reduce which at the end destabilizes the whole system. On the other side big companies which have wide range advantages to evade tax payments, since the capitalist states themselves have created them all the necessary means of tax manipulation, in case of economic crises they start dislocating parts of their industrial activities by leaving research and development activities at home. The industrial dislocations, especially in the field of textiles, and other not technologically intensive production processes in other areas of the globe have by themselves major concerns for all capitalist countries.

On the international scale crises have emerged which jeopardize the global economy and create intensive competition among the different multinational firms, and of course among the capitalist countries themselves. Under the Bretton Woods Agreement, all major currencies are fixed and they can peg among themselves only by the margin of $\pm 2\%$, where as the Dollar which is backed by gold became the main reserve currency. At the same time, under the agreement the United States of America has the obligation to change the dollar reserves outside its own boundary into gold, since America has the world's largest reserves of gold after the Second World War. In the fifties and the sixties America has transferred huge amounts of dollars to Europe and Japan for the reconstruction of their economies. Beginning the 1960s Japan and Germany began competing against America, and the trade balance of deficit of America is growing. The permanent transfer of gold to these countries has diminished the gold reserve of America. In 1971 the Nixon administration has unilaterally declared that it is not abide any more by the Bretton Woods agreements which is signed in 1944. In 1973 the fixed exchange rate system is abandoned, and instead a flexible exchange currency system is introduced. Not state regulations control the movements of currencies and capital among different countries but demand and supply become the main instruments which govern capital movements on a global level. The oil crises of 1973/74 and the economic crises in all industrial countries have boosted the movements of capital from one country to the other. Oil producing Arab countries which have gained huge dollar reserves recycled their dollar earnings, and invest in Euro-Dollar zone and offshore areas. At the same time big companies have begun dislocating their money reserves in areas where they maximize profits without investing in physical economic activities. The door is opened for huge financial gambling on a global scale. Internationalization of finance capital which is followed by new financial instruments in order to absorb more and more money from the globe become part of this money gambling which is completely detached from real capital investments. The beginning of the 1970s is also the era of tightening Third World Countries into a new global debt mechanism which could absorb more and more of their resources to finance few developed capitalist countries, by creating unequal development from within.

Internationalization of Finance Capital and Debt

The internationalization of finance capital which becomes dominant in the eighties has two main aspects for the global economy. The present globalization which is believed by many that it takes shape or starts in the beginning of the 90s, cannot be understood unless one studies the process of capitalist production processes and thereby the technological revolution that has taken place at least since the end of the 60s as analysed above. First of all the break up of the Bretton Woods system enables finance capital to move freely from one area to the other in order to search maximum profit. The forms of profit acquisitions take different forms. Buying stocks or state bonds with the aim of selling at some day and at the right time to gain extra money, money holders of various types, individuals, industrialists, banks and insurance companies move their money from one country to the other and from one company to the other which yields the highest profit. Speculating on financial markets is a kind of zero-sum game. All participants do not gain or earn extra profit at the same time. Only at the expense of the many few investors with the highest

manipulative instruments do absorb the social capital of a given society. Along side of these kinds of financial speculation, banks, insurance companies and investment funds are engaged in currency trading. The flexible exchange rate mechanism has created fertile ground for speculators to buy say to day cheap dollar and to sell it some other day when the price is high against yen or a German mark or any other hard currency. There are other instruments of financial speculations which are not worth to mention here but have destabilizing effects even for those institutions and companies which partake in such kinds of financial gambling. By being engaged in highly volatile assets, such as derivatives and futures, big banks and insurance companies have lost huge amounts of money at the end of the 1990s. It is believed that over \$3 trillion are moving world wide as speculation of different kinds every day where as only goods and services worth \$6.5 billion are bought and sold every day.

Beside this form of money gambling, borrowing on financial markets has become the main source of industrialization, especially for few selected countries. The military dictators in Brazil and South Korea, the civilian government in Mexico and to a certain extent the military dictatorship of Argentina which was highly interwoven in the 1970s with the international finance capital have borrowed heavily to finance industrialization. At the beginning of their borrowings, these countries got all the credits without financial intermediaries, since from the banks point of view giving huge amounts of money to these countries entails very low risks. As the debt to these countries grew progressively, these countries were not able to pay back the debt services as agreed. The intervention of the IMF becomes a pre condition of new financial agreements. New conditions were necessary to reduce the risks of these banks. Special interest rate arrangements, debt scheduling mechanism to pay back the debts become special instruments of credit securing. In addition to these arrangements, these countries must accept the bitter medicine of the IMF, on one side which paved the way for massive repayment of the debt, on the other hand which destroyed the financial and economic resources of these countries. On the other side, in case of default, especially American banks built huge reserves by declaring the money they have borrowed as doubtful debts. The variable interest rate of the 1980s which shot up the interest rate to 20% has dramatically changed the bargaining power of these highly indebted countries. If we look the progressive growth of debt which is accumulated in the last 20 years we observe that how such kind of debt mechanism has not only destroyed the economic bases of so many Third World Countries, but also their social structures has changed to the worst.

According to the United Nations the total debt of all Third World Countries in 1980 was \$567 billion. In 1986 the debt grew to \$1, 0886 billion where as 6 years later the total debt grew to \$1, 419 billion. From 1980 to 1992 a total of \$771.3 billion in interest and \$890.9 billion the original capital was transferred to the capitalist west. This means that Third World Countries have transferred in twelve years all in all \$1, 662.2 billion to western banks. This total transfer is three times more than the total debt of 1980. In this way by creating such kinds of debt mechanism and absorbing the social product of so many poor countries western capitalist countries could dictate the direction and the tempo of the development of these countries.

Borrowing money from financial market and issuing state bonds for the sake of attracting foreign investors is very risky indeed. Though one can prolong ones own debt by accepting new debt arrangements and draconian economic policies, issuing state bonds to get more and more foreign capital will have heavy negative consequences. Since speculators are interested in short term and quick gains they move their capital where they get the maximum profit. In this way the 1997/98 financial crises which stroke so many Asian countries is due to the wild speculation what Sorrow, one of the financial gurus and others have inflicted in these countries which are heavily dependent on financial markets for their massive industrialization.

On the second of July 1997, the American and European financial institutions have devastated what some call the Asian miracle. Because of the massive pressure from the financial market, the government of Thailand was compelled to devalue its currency by 20 % and after few weeks by 50%. The government of Philippine, Malaysia, South Korea and Indonesia have followed suit and have devalued their currencies by 42%, 46%, 55% and 84% successively. As a result of this devaluation speculators have moved quickly their money and destroyed the wealth of these countries within few weeks. Half of Thailand's wealth which is valued in international money is totally destroyed. In South Korea alone the BIP has diminished by about 7%, where as one year before it has grown in real terms by about 5,5%. The rate of unemployment rose by about 5% from its previous level of 2, 7%. The inflation rate grew from 4,4% to 8,5%. In Indonesia where industrialization has not yet deeply rooted, the consequences are far more damaging than South Korea where industrialization is a success story. In 1998 alone the production capacity of Indonesia has been reduced to a historical level of -15%, where as one year before, the production grew by + 4,6%. Even worse is the rise of the unemployment which is amounted to 15%. According to the statistics of the IMF, until the end of 1998 about 24 million people have lost their jobs in these countries. In Russia and in Latin American countries we have the same experience with more destruction of human and real capital which has resulted in more poverty and capital flight. Though the financial and the economic crises have such kinds of consequences for these countries, western banks have profited heavily. In comparison to the 1996 financial balance, the biggest German bank, the Deutsche Bank has booked in its balance sheets a profit increase of 52%. If we look also the debt problem of so many Third World Countries, its negative impacts are manifold and destroy the entire social fabric systematically.

In such kinds of internationalization of finance capital we could observe two essential things which are very central for the global economy. By borrowing huge amounts of money to these countries banks have enriched themselves. In those highly indebted countries unequal wealth distribution becomes a common phenomenon. Not only that: Massive indebtedness and repression have become two sides of the same coin. Secondly, those countries which have taken credit from the financial markets have imported machines and raw materials and become markets for the industrialized west. In this way the circuit of finance capital is closed. The money which is given as credit comes back to its original place.

The Special Feature of the New International Division of Labour

As economic crises in the 70s have deepened, especially those companies began dislocating parts of their machines and install them especially in the so-called semi-industrialized countries. At home, shrinking of credits due to non-profitability of money capital, saturation of the market because households are over supplied with the necessary durable goods, soaring up of production costs due to high oil prices have at the end compelled companies to go to abroad and invest there. For these to be materialized, certain pre-conditions must be fulfilled. Tax exemption for a certain period, profit transfer without reinvesting at least part of the profit where direct production is going to take place, controlling workers right so that trade unions do not protest from time to time not to hamper production processes, low wage payments etc. are the few criteria for investments in those selected Third World Countries. As stated above development and researches are not taking place in these countries. Because of the absence of development and research it is practically impossible to develop new technologies and products. Most of the installed industries are functioning like assembly lines.

Looking from its face value, it seems that this kind of internationalization of production processes is beneficial for those Third World Countries which have been selected as new Eldora do of profit maximization. The fact that jobs have been created, one thinks that the income generated from this production activity will benefit the individual and at the end boosts the economy in general. But if we look at the matter very closely, economic development which brings the society together and supports new inventions and investment activities are not possible. First of all the industries which are planted in these countries are detached from development and research. Secondly, in most cases managerial posts are occupied by persons elected by the mother company. Native persons have rear chances to take high posts. That means, how it is produced, what is produced, and for whom it is produced are decided by the managers which are assigned by the mother company. The industries are not backward linked with raw material producing economic sector. As most industries are extensions of the mother companies almost all inputs come from the country where the mother company has its legal registration sit. That means industries in the host country which are specialized in intermediate products have no any chance of selling their semi processed products. As studies demonstrate that the prices of semi processed input factors which are imported from the home country of the main company are put deliberately expensive to increase the general production cost so as to keep profit down. This is part of transfer prise mechanism to avoid tax payment at home. The industries are not dependent for credits on the banking sector in the host country. In this way the circulation of money will be hampered. At the same time since the workers wage are very low, payments do not take place through the banking system of the host country. Beside this, due to the very low wage direct producers could not buy and consume what they produce. Because of the absence of effective demand and disarticulated economic activity general capital accumulation is impossible and the development of a coherent home market will be blocked. In general, such kind of the new international division of labour does not induce an equal development by opening the way for new investment activities and by distributing wealth through diverse mechanisms among the society.

If we look at the most celebrated direct investment which is directly associated with the new international division of labour, almost 80 % of the direct investment is taking place among the capitalist countries themselves. Only 20 % of the direct investment goes to the so-called Third World Countries. From this 20 %, almost 70 % of the direct investment flows to few selected areas. China, Mexico, India, Brazil and some Asian countries could get benefit from the internationalization of production processes. Only about 8% of the direct investment is directed to African countries south of the Sahara and certain Arab countries. That means Africa's role in attracting new investments and its integration into the international market is very limited. In the coming years too, due to the prevailing economic, social, political and military crises, the attracting of new investors will be impossible. That means Africa's role in the global economy is very marginal and will remain for a longer period at very low level unless African governments follow a different line of development policy which benefits all sectors of the population.

The New Economy and the New Type of Globalization

What is the characteristic feature of the new type of globalization? In order to understand the new global economy it is important to recapitulate some of its basic characters which underline it as real solution to the economic and social crises of the world.

After the fall of the socialist block countries market ideologists have taken offensive action to make believe the world that only market economy and the ideology of monetarism are real solutions for the global economic and social disorder. We are told that full fledged privatization and lifting up state regulations and interventions in the economy are two vital preconditions for the full materialization of market economy. The budget deficit and the deepening crisis in all major industrial countries at the end of the 1980s facilitated these situations and encouraged capitalist states to sell out state controlled service sector with the belief that they reduce the growing budget deficit. Reduction of social benefits and saving as a new ideology of resource reallocation from the "non productive to the productive class" are seen two important economic instruments which vitalize economic activity and create new employment opportunity. But this belief could not work. Instead a new ideology of share holder value mentality has developed which could satisfy the very few wealthy people which partake in the new financial gambling. Instead of investing in real economic sector, big companies have transferred huge amount of money to the financial market with the aim of acquiring more and more profit. Investment funds and other financial institutions have developed new financial instruments and optimization methods which help them to absorb more and more money from the glob.

Beside this, big companies, especially telecommunication companies, began expanding on global level to become real global player. In order to control or swallow other related companies, on one hand they have issued more and more bonds in order to absorb the social capital from many countries, and at the same time they have borrowed huge amount of money from banks. This situation has intensified competition among the different big companies which wanted to control more of the world resources and dominate the lives of millions of peoples. In this way many big firms which have

presented the highest bid could buy or merge with other firms with the sole aim of becoming bigger and bigger and control big market shares. Merging with other companies, swallowing others and controlling big market shares and producing more and more share holder values without investing in physical activities become the new character of the 1990s. Some big companies which are producing services and other physical goods, by being attracted by short term gains, they have left their traditional roles as supplier of goods and services, and began concentrating to allocate their resources on the global financial markets. Enron one of the biggest suppliers of Energy is a good example how the managers have destroyed the energy sector and concentrated on financial gambling. Mannesmann one of the leading traditional steel producing companies in Germany has shifted its role and become supplier of mobile phones. Mannesmann is again over taken by one of the most aggressive mobile phone suppliers, Vodafone, which has its main sit in England.

In order to get part of the cakes big banks are compelled to restructure their internal services and began concentrating to shift from credit allocation to financial asset management and financial gambling on the global markets. Certain big banks have emerged with other banks and some have overtaken other banks and began concentrating on areas where they could get the highest profit. From within, such banks, like the main German bank, Deutsche Bank, has expelled over 15 000 Employees. Part of the money which is saved in this way is shifted to the new managers. The salaries of some managers rose to 5 fold. For his service of destructing thousands of job places, the manager of the Deutsche Bank earns a salary of € 6. 5 Million yearly. In America where the role of multinational companies more visible, as study shows the salary of the managers has grown in the 1990s by over 2000%, where as the salary of workers in the same years has risen by only 10%. The financial bubble of the 1990s has made the rich richer and the poor poorer. If we look at the statistics, which is issued by the Executive Intelligence Review of March 2000, the wealthiest 1% of the US population owns 42% of all stocks, where as 9% of the next wealthiest owns 42 % of the stocks. That means 84% of all the stocks is owned by 10% of the population. The aggregate stock value for these years amounts to equivalent of \$13 trillion. At the same time 1% of the US population controls 35% of the wealth of the country, where as the next 9% owns 33% of the wealth of the country. The remaining 90% of the population must fight to get only 1/3 of the remaining wealth. The change of the strategy of some big Banks and their shifts from credit allocation to asset management has wide range consequences for small and medium industries which are dependent for credits from these banks. From the Banks point of view dealing with small companies which take credits not in millions of Euro, but in some hundred thousands of Euro is too much work which does not yield the maximum profit they need. With the introduction of new credit arrangements called Basel II, which opened the way to the Anglo American rating agencies which control the profitability and financial liability of small and medium industries, these small firms will be over thrown out of the market and millions of Employees will lose their jobs. This is one of the negative consequences of the new globalization, which western governments could not control but still propagate that there is no way out of this kinds of globalization. This is also one of the main causes of the rising unemployment in so many industrialized countries.

The new managerial class which earns exorbitant salaries for its destructive activity is also one of the main supporters of global war to destroy the social fabrics of Third World Countries and control their strategic raw materials like diamond, platinum and other raw materials which could be used for the production of high tech instruments and war materials. This same class which acts during the day time as gentle man is one of the distributors of bad cultures across the globe and engages in heavy sexual abuses, especially those small girls from Eastern Europe are its victims. By using its social and economic status, it corrupts so many politicians from the former Soviet Republic and other Eastern Block countries. This situation has helped him to control the resources of these countries. The managers of the West and their politicians by propagating that only market economy is the only solution for real economic growth and income distribution, they have used the new emerging class, which is now in defensive position, especially in Russia to destabilize the whole system. When president Putin has taken bold measure, and has arrested the chief of one of the oil giants because of financial fraud and who has links with high ranking officials in Washington, western politicians have shouted that Russia is heading towards dictatorship. These politicians of the West, who have double moral standards, forget that 12 years of market economic policy could not benefit the majority of the Russian people.

To have clear images and understanding the market economic reforms of Russia, after President Yelzin has taken the power and introduced whole sale privatization, the situation for the Russian people become very destructive. According to the calculation made by Mr. Sergei Glazeyv, one of the most astounding economists of Russia, the share of wages fell from 74% to 43.4% in the year between 1990 and 1996, while income from entrepreneurial activity rose to 38.7%. If we look the general situation, only 2% of the Russian population, the so-called oligarchs control about 80% of the Russian resources. As a result of this blind privatization policy the lives of the majority of the Russian people have degraded in unprecedented scale not known at least in the last 50 years of communist leadership. From 1990 onwards Russia experiences due to mal nutrition, increasing alcohol consumption and wide spread of sexual diseases like syphilis, gonorrhoea and others massive depopulation. Children are among those which are massively affected by this policy of market reforms. Socially transmitted diseases among children have increased by tenfold from 1993-1996, and among adolescents by 6.8 folds in the same years. The increasing crime rate, the spread of mafia type organizations and the massacring of those patriotic forces which are fighting for massive intervention of the state to protect Russian wealth and raise the living standards of the ordinary people become part and parcel of this kind of global economic order. All these facts what we know and what we read in blacks and whites are forgotten by these civilized western politicians who associate that human destruction and lose of national sovereignty must be taken into account if one wants to bring a market oriented economic growth. As one prominent expert of Germany said, due to the integration of East Block economies in the global economy, the new elite of the East has learned how to steal money and resources from its people rather than producing new wealth which brings better living standards for the ordinary people. Instead, by opening new neo-liberal super markets which are overwhelmed by western products and consuming them, it could uplift itself from its ordinary people.

The global economy of the 1990s has also created a new situation for the so-called new economy sector to become real global player by attracting more and more of social capital from ordinary people. Internet and biotech firms and other private mass media companies which are producing garbage to destroy the mentality of the youth have issued bonds worth of billions of dollars which are not matching with their real capital assets. So many ordinary people who were manipulated by the new brokers and believed that they will be come rich within a couple of months or years have thrown their saved money on the financial markets. The shooting up of stock prices, which are fictive than real have cheated so many ordinary people. As the new economy sector is showing its limits and is no more expanding as it is expected, stock prices began falling with the result of destroying hundreds of billions of dollars. This kinds of financial gambling which could not be controlled by the respective governments, has also consequences for insurance companies which have absorbed pension funds from companies in their respective countries. So many ordinary workers have lost their years of saved money. This is especially the case in the United States of America, where pension fund is the main instrument of pension for old people.

Third World Countries have also become the victim of such kinds of globalization. Some governments in Third World Countries have sold strategic service sectors with the aim of attracting new investors. Telecommunications services, water supplies and others were bought by western companies. Instead of investing in new telephone lines to reach the majority of the masses, they began crushing the unprofitable branches to concentrate on few selective areas which yield the highest profit. New water supply lines are not installed either to supply house holds with clean water. In other areas, western companies have bought the entire company and destroyed the existed links with raw material distributing sectors, and began importing raw materials from their countries. In this way so many peasants who used to produce raw materials for certain companies in their own countries became the victim of this kind of aggressive globalization. The case of Poland is a vivid example how American companies destroyed the lives of many peasants.

African countries, which are not themselves global players, by accepting the structural adjustment program and liberalizing their foreign trade they become simply markets for foreign products rather than attracting new investments which produce new wealth. In so many African countries, where structural adjustment program has been taken as the official economic policy of the some governments, we observe real resources transfer from these countries to the West, in the form of debt repayments, bad terms of trade and importing high class goods for the elite which has adjusted itself to the new global order. As a result of this, many small and medium size industries must be destroyed. Banks could not become effective. Black markets of various types become the rule of so many African countries. Abuse of power, mismanagement and capital flight to the civilized West, and stealing of strategic raw materials have eroded the economic bases of so many African countries. At the same time few people who have good contacts with their governments and western countries become rich without working hard. As we see, in so many African countries the gap between the rich and the poor is widening every day. .

All in all, as it is propagated globalization could not bring the desired result for the majority of the people of the world. As we see and the social conditions in so many Third World Countries prove, the situation of the people in these countries is worse than 20 years ago. Migration from the rural areas to the few cities, and rising up of new slum areas, growing criminality rate, sexual abuse of small girls, high mortality rate of children, spread of new kinds of drugs which could destroy the thinking ability of the youth and which are smuggled from the West, etc. become the inherent contradiction of the new global economic order. In light of this degradation of human conditions, the governments of so many Third World Countries become more and more oppressive and engage in systematic killings of so many young people. In so many countries the situation is out of control. Non-governance becomes the rule of so many Third World Countries.

The structural adjustment policy which has been practiced in our country since the last 12 years have also resulted in massive shifts of wealth from the poor to the very few rich which become wealthy in a couple of years. As a result of blind liberalization the Ethiopian market is overwhelmed by foreign products. The Ethiopian producers are pushed, and the country becomes simply a consumer society which blocks the creative activity of the masses. As I have clearly showed some where the trade balance deficit is growing everyday and the country is compelled not to engage itself in strategic areas which have multiplier effects for the entire economy. Instead some Indian business men who are investing in certain areas are distorting the economic setup of the country. The two Indian businessmen who become very rich are producing plastic bugs. Only those who do not understand what political economy means allow the production of such kinds of material which do not have any economic values for the society. First of all plastic bags are not healthy and it is very difficult to recycle them. Even in western countries so many people are not willing to buy plastic bugs. Secondly, in a country like Ethiopia where we do not have much awareness for the environment, as I am well informed, the bugs are thrown everywhere. This shows how our politicians and experts do not bother for the well being of our society. In other areas too, there are no control systems and institutions, which follow and report to the people the negative consequences of such kinds of economic activities.

Not considering the negative consequences of market orientation of this type, the EPRDF government is in its last phase to present the necessary formalities so that Ethiopia becomes the member of the WTO. In an economy, where about 80% of the population is subsistence farmer and the main backbone of the country is agriculture, I do not understand the advantage of becoming the member of WTO. It is not only unwise, but also destructive to go ahead with this plan, which will undermine our efforts of building a society based on science and technology. Before it is too late, all patriotic forces must protest against this blind action of the EPRDF government.

The way out of this destructive global economic order is to control ones own resources and to work out an economic policy which is based on physical economic principles which could brings real civilization. If we take Ethiopia as an example, the situation is more fertile than a decade ago. The development of new culture, in the field of art, music and drama is very encouraging which we should exploit to bring mass movements. The

human and the material resources which our country possesses, and which become more and more visible now a days could be easily used to transform our society within two decades. In order to bring radical changes which benefit over 90% of our people, we have to discard the policy of the IMF and the World Bank, and control those forces which are working with these pro fascist organizations. Though the situations seems for many that our country's problem is insurmountable, the situation is not that much bleak. The EPRDF government, which becomes more and more the puppet of the American imperialism, and which has proved its aggressiveness and incapacity is not a force which can control our society any more. In the last 12 years our people have fought back all the conspiracies instigated by the American imperialism and its puppets to destroy Ethiopia as a nation-state. They have tried to undermine its written language, and they have advised those confused forces to introduce divide and rule system what the government calls Kilil. They have sided with the government of Isayas and supported him to start a war against our country. The young generation, which firmly believes in its motherland, has persistently fought this indirect aggression of the West. Now the time has come to pay tribute to this patriotic force that lost its lives for the motherland by building a new spirit of Ethiopianism in which all nationalities live in harmony, prosperity and everlasting peace. It is our duty to seize this opportunity.

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