**The Multinational Corporation: A New Imperialism?**

When Europeans disbanded their colonial empires in the postwar period, they retained economic links with the newly independent countries. Trade knits together consumers, producers, suppliers, and governments from different countries into a single economic system. Globalizationblurs the question of whether a product is made in one country or another. Consider the case of Chevrolet’s Geo Metro. This car was designed in Japan and built in Canada using Canadian and Japanese-made parts at a Canadian factory managed by Japanese executives. Is the Geo Metro a Canadian or a Japanese car?

The vehicle for economic globalization is the large international, or multinational, corporation. McDonald’s, with its more than 3 000 franchises throughout the world, is one very well known example, as are Boeing, General Motors, Nissan, Nortel Networks, and others whose names appear in the headlines of the business section of the newspaper. These corporations wield enormous power and are wealthier than some countries. General Motors, for example, has a budget that is bigger than the economies of Saudi Arabia, South Africa, Thailand, and Indonesia combined.

It is important to note that the leading one hundred multinational corporations are all located in the West. Generally, their headquarters and planning, marketing and advertising divisions are in a Western industrialized nation while their manufacturing is based in a developing nation. Nike makes 40 million pairs of shoes per year, none of which are manufactured in the United States, where its offices are based. Why do multinational corporations choose non-Western, developing countries as the bases for their manufacturing? First, they are a source of cheap labour; Nike can pay workers in Indonesia an average of 82 cents per day Moreover, this factor is not limited to unskilled labourers. A computer programmer in India draws a salary equivalent to only about $10 000 per year, perhaps a tenth of what she or he would earn in the U.S.

In addition to cheap labour, developing nations generally have far fewer environmental and social regulations than Western nations. The exploitation of these regulations (or their lack) by multinational corporations has come under fire, particularly during the 1990s, as working and living conditions in these areas of the world are more exposed in the Western media. Many leading brand-name manufacturers like The Gap and Wal-Mart have been accused of using sweatshops to manufacture their products in “free trade zones” (also known as “export processing zones”) in the developing world. These factories generally employ young women at very low wages, make them work long hours, subject them to sexual harassment and respond aggressively, often violently, to attempts by workers to form unions. Since the multinational corporation does not own, but rather contracts the sweatshops, critics charge that this allows corporations to abdicate responsibility for inhumane working conditions.

To operate successfully, multinationals require an open business environment that al- lows them to choose the locations of their manufacturing and markets. It is no coincidence that the integration of the world economy has marched in step with international accords promoting free trade. The best known is the General Agreement on Tariffs and Trade (GATT), now known as the World Trade Organization (WTO). Its aim is to eliminate tariff barriers and other trade restrictions between member nations. The North American Free Trade Agreement (NAFTA), the European Union, and Asia-Pacific Economic Co-operation are regional agreements to reduce barriers to trade.

In developing countries, multinationals and the world economic system are often regarded as a sophisticated form of Western imperialism, or a kind of neo colonialism. In order to obtain badly needed foreign exchange, developing nations grow crops in demand the West even if doing so comes at the expense of feeding their own people. In the Philippines, for example, half the bananas, sugar and pineapple are exported, while many Filipino children are malnourished. In Africa, land that could be used to sustain local populations is used instead to produce goods such as tea, coffee, cacao, and palm oil for export.

Developments such as these have often been in response to the requirements of a worldwide financial network. In 1944 the International Monetary Fund and the World Bank were created by the Western powers to monitor the world’s currencies and pro- vide loans to developing countries. Although these are not democratic institutions and, therefore, not directly account able to the citizens of any country, they wield enormous power. During the 1970s, Western banks extended loans to several developing countries that had immense reserves of oil. During the 1980s, the price of petroleum fell. A rise in the prices of manufactured goods and imported food aggravated the situation.

Debtor countries could not repay their loans on schedule. They renegotiated loans through the IMF, which demanded that countries restructure their economies in return for such loans. These Structural Adjustment Programmes became the standard protocol for developing countries requiring loans to deal with their balance of payment problems. The Structural Adjustment Programs generally require governments to agree to meet certain conditions in order to receive a loan from the IMF/World Bank. These conditions can include the devaluation of currency the encouragement of foreign investment, de- creased government spending on social services, increased interest rates and taxes, decreased wages, deregulation, and privatization.

Such structural reforms weigh most heavily on the poorer sectors of society UNICEF has noted these effects and reported that in the 1980s, average incomes in Latin America and Africa decreased by 10 to 25 per cent. UNICEF also found that in the 37 poorest nations, government spending on health decreased 50% and on education 25%. It estimates that 500,000 children die per year due to the measures imposed as a result of debt. Global markets may give the consumer greater choice and cheaper prices, but the benefits of greater choice are available only to a small proportion of the world’s population. The gap between rich and poor continues to widen. In 1960 the average annual income in the poorest countries was estimated at one-thirtieth of the income in the wealthiest; by 1990, it had widened to one-sixtieth.