Transfers from the Periphery to the Centre, from Labour to Capital

Eric Toussaint

Public opinion is convinced that the North is trying to help the South. Yet François Mitterrand declared in Naples at the G7 Summit in July 1994, “Despite the considerable amounts spent on bilateral and multilateral aid, the flow of capital from Africa towards the highly industrialised countries is greater than that which flows towards the developing countries.”

In fact there is a massive transfer of the social surplus created by salaried workers and small producers in the South towards the ruling classes of industrialised and Third World countries. This chapter begins with a general overview of the different forms of transfer from the South to the North. Transfers from salaried workers and small producers in the South towards the capitalists in North and South alike will be included, as will the losses of potential income in hard currency suffered by the South because of the protectionist policies of the North. Finally, money sent to the developing countries by migrants and certain aspects of official development aid will be dealt with.

The transfer of wealth

The transfer of wealth takes many converging forms.

1. Debt repayment

In 1980, according to the World Bank, the developing countries’ total external debt came to about 580 billion dollars. Twenty years later, at the end of 2002, it came to about 2,400 billion dollars, a fourfold increase. The following table breaks it down by region.

<table>
<thead>
<tr>
<th>Region</th>
<th>Debt stock in 1980</th>
<th>Debt stock in 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southeast Asia and the Pacific</td>
<td>64.6</td>
<td>509.5</td>
</tr>
<tr>
<td>South Asia</td>
<td>37.8</td>
<td>166.8</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>102.5</td>
<td>317.3</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>60.8</td>
<td>204.4</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>257.4</td>
<td>789.4</td>
</tr>
<tr>
<td>Former Soviet Bloc</td>
<td>56.5</td>
<td>396.8</td>
</tr>
</tbody>
</table>


The proportional increase per area is impressive:

<table>
<thead>
<tr>
<th>Region</th>
<th>Between 1980 and 2002, the debt was multiplied by</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia</td>
<td>7.9</td>
</tr>
<tr>
<td>South Asia</td>
<td>4.4</td>
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<tr>
<td>Middle East</td>
<td>3.1</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>3.4</td>
</tr>
<tr>
<td>Latin America</td>
<td>3.1</td>
</tr>
<tr>
<td>Former Soviet Bloc</td>
<td>7.0</td>
</tr>
</tbody>
</table>

Calculated by Damien Millet and the author, based on World Bank, GDF 2003

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Between 1980 and 2002, the developing countries repaid their creditors a little over 4,600 billion dollars\(^2\). Thus the Periphery countries have repaid eight times what they owed only to find themselves four times more indebted. Once again, the proportional increase between the debt of 1980 and repayments since that date is telling.

Table 9.3.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia</td>
<td>14.2</td>
<td>4.2</td>
</tr>
<tr>
<td>South Asia</td>
<td>6.6</td>
<td>2.2</td>
</tr>
<tr>
<td>Middle East</td>
<td>6.8</td>
<td>2.2</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>4.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Latin America</td>
<td>7.2</td>
<td>2.8</td>
</tr>
<tr>
<td>Former Soviet Bloc</td>
<td>11.2</td>
<td>3.8</td>
</tr>
</tbody>
</table>

Calculated by Damien Millet and the author, based on World Bank, WDI 2003

Between 1980 and 2002, the populations of the Periphery countries have sent the equivalent of fifty Marshall Plans (see insert) to the creditors in the North (with the capitalists and the governments of the Periphery skimming off their commissions on the way).

-------- Insert 9.1. -----

Between 1980 and 2002, more than 50 Marshall Plans sent by the peoples of the Periphery to the creditors in the Centre.

Marshall Plan (1948-1951): This plan, the brainchild of the Democrat administration under President Harry Truman, was called the European Recovery Program. It was later known by the name of the Secretary of State of the time, George Marshall (who had been Chief of Staff between 1939 and 1945), charged with its implementation. Between April 1948 and December 1951, the USA granted aid, in the form of loans and to a value of 12.5 billion dollars, to sixteen European countries. The Marshall Plan was meant to help with European reconstruction after the devastation of the Second World War.

In 2003 dollars, it would take 90 billion to get the equivalent of the Marshall Plan. If one considers the total of repayments made by the developing countries in 2002, i.e. 343 billion dollars\(^3\), they will have paid their creditors in the highly industrialised countries in that year alone the equivalent of four Marshall Plans. In the same vein, since 1980, over 50 Marshall Plans (over 4,600 billion dollars) have been sent by the peoples of the Periphery to their creditors in the Centre.

----- End of insert -----

How can repayments be higher than the amount due in 1980? This is the transfer mechanism set up by the bankers of the North, with the help of the Paris Club and the IMF/World Bank duo. In general, the interest rates applied to the repayment of capital borrowed by countries of the Periphery are so high that the borrowers must systematically increase their indebtedness to be able to meet the repayments. They contract new debts to pay off the old.

How can such a situation go on without leading to refusal to pay on the part of the leaders of the South?

This is where a new logic comes into play. The ruling classes of the Periphery, whose interests are served by most of the governments of the South and the former Eastern Bloc, take advantage of the external indebtedness of their own country. They export towards the banks of the Centre a large portion of the capital they have accumulated in the Periphery through various means. These include: embezzlement of international loans, exploitation of salaried workers and small producers, theft of public property as occurred on a large scale in the former Soviet Union, aid received from the governments of the Periphery, revenue from oil or other revenues paid by the transnationals.

\(^2\) This comes to 4,900 billion dollars counting in South Korea.
companies which exploit the country's resources, the result of criminal activities - trafficking in drugs, arms and human beings... The aim of the scheme is to place the capital somewhere safe and confer upon it, in some cases, a legal status that it did not have to begin with. This export of capital contributes to the accumulation of capital in the Centre of the system, and strengthens it.

If we continue to follow up this lead, we discover that part of this exported capital is then lent to the States and businesses of the Periphery. The ruling classes of the developing countries are thus the creditors of part of their country's external debt. For in their capacity as capitalists of the Periphery, they borrow from the banks and on the money markets of the Centre "capital that they placed there".

The wheel turns. The elite classes of the Periphery borrow from the Centre at interest rates that are higher than those paid by the residents of the Centre but lower than those imposed in their own country by the central bank as a result of agreements with the IMF and the World Bank.

To cap it all, they then lend the money borrowed from the Centre at very high interest rates to their own governments (as well as to small businesses and the middle class) in the Periphery. It is a vicious circle. The capitalists of the Periphery accumulate capital by exploiting the salary-earners and small producers of their region, and squandering the country's natural resources ... then export part of this capital to the banks of the Centre. Then they borrow the capital that import into their country and lend to their compatriots at high rates, greatly increasing the internal debt.

Furthermore, they buy external debt bonds on the New York or London money markets, where most of the debt bonds issued by entities of the Periphery are traded. Thus they make up part of the club of creditors for the public and private external debt of the Periphery.

A simple example will serve to illustrate this. Capitalists of the Periphery (A) deposit with (lend) B (a bank of the North) 200 million dollars at an interest rate of 4% (after a year they pocket 8 million in interest) and borrow 100 million from this same B at 9% interest (they pay 9 million, so they have transferred 1 million to the profit of B). These same capitalists lend the 100 million to C (a government in the South, salary-earners, small or medium-sized businesses) at 15% interest (when they receive 15 million at the end of the year, they take off 9 million to repay B and pocket 6 million). Conclusion: B (banks/capitalists of the North) makes more profit than A (capitalists of the South) who makes more profit than C (a government in the South, salary-earners, small or medium-sized businesses, peasants...).

And that is why the ruling classes of the Periphery and the governments that serve their interests do not demand the cancellation or fundamental re-negotiation of the external and internal debts of their country.

**Direction of financial flows involving financial actors of North and South**

![Diagram of financial flows](image)

N.B. In economics classes in the so-called developing countries and in the documents of the World Bank and the IMF, they have the cheek to claim that local savings are insufficient, obliging the country to have recourse to external indebtedness to compensate for this lack. The real need is for measures to prevent capital escaping and

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4 In a manner of speaking. The banks of the Centre lend capital part of which comes from deposits made by the capitalists of the Periphery. In some cases, the depositors and the borrowers are the same capitalists who, to make the accumulated capital secure, prefer to use separate bank accounts.
to redistribute wealth in such a way as to enable people to build up local savings that could be used for socially just and ecologically sustainable development.

**Debt servicing far outstrips net Official Development Assistance.**

Year in, year out, since 1997, debt servicing (private and public) paid by the Periphery (Third World and former Eastern Bloc) drains 300 to 400 billion dollars, of which 200 to 250 is repayment of capital, towards private banks, other institutional investors, the IMF, the WB, the industrialised States. Repayments made by the developing countries’ governments oscillated between 180 and 200 billion dollars a year since 1997. The total share of Official Development Assistance (ODA - see end of chapter for a more detailed analysis) which actually reaches the developing countries is less than 40 billion dollars. For 2002, the debt servicing paid by the developing countries came to 343 billion dollars, whereas net ODA can be estimated at about 37 billion dollars. This will be dealt with again later. In any case, the imbalance is obvious: in 2002, the countries of the Periphery repaid almost 9 times what they received in ODA!

Table 9.4.

<table>
<thead>
<tr>
<th>Year</th>
<th>DC debt service</th>
<th>ODA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1982</td>
<td>200</td>
<td>0</td>
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<tr>
<td>1984</td>
<td>400</td>
<td>0</td>
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<tr>
<td>1986</td>
<td>198</td>
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<td>1988</td>
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<td>1990</td>
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<td>1998</td>
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<td>0</td>
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<tr>
<td>2000</td>
<td>198</td>
<td>0</td>
</tr>
<tr>
<td>2002</td>
<td>198</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: OECD; World Bank 2003

While the ODA stagnates in absolute terms (in real terms, it has dropped sharply), debt service paid by the developing countries increases considerably.

Table 9.5.

If the sum of the loans granted in 2002 to the countries of the Periphery is subtracted from the sum of repayments they made in the same year, the result is an impressive 95 billion dollars in favour of the lendrs (Source: World Bank, GDF 2003). The transfer is distinctly from the Periphery to the Centre, and not the reverse.
Now let us examine the period that followed the South East Asian crisis. Between 1998 and 2002, the total of negative net transfers from the developing countries towards their creditors came to 560 billion dollars $^5$... [Note that during this period, South Korea was classified as a developing country. We have therefore incorporated it in the figures given.] In short, between 1998 and 2002, the developing countries sent the net equivalent of more than 6 Marshall Plans to their creditors. This is a huge net transfer of wealth that is systematically kept under wraps. In April 2003, it seemed as though a corner of the veil might be lifted. In a press release announcing the Global Development Finance report, the World Bank declared that “developing countries overall have become net capital exporters to the developed world running a modest current-account surplus in most years since 1998” (GDF 2003, page 12). In other words, the indebted countries finance their creditors, and not the reverse. The World Bank made this admission with great discretion, for the existence of negative net transfers is in total contradiction with the objectives in whose name multiple sacrifices are imposed upon the populations of the developing countries. It is nothing short of scandalous that no large daily newspaper of a lender country, and no television channel, has given the appropriate space deserved by such avowed failure. This vital information was only given to an infinitesimally small segment of world opinion, via a few media in a few developing countries. This conspiracy of silence has to be denounced, as it conceals the existence of methodical pumping of a great part of the wealth produced by the populations of the developing countries via instruments which should be considered as authentic weapons of mass destruction.

Debt repayment has the effect of a vacuum pump that sucks up part of the social surplus produced by the workers of the South (whether they be salary-earners, small individual or family producers, or workers in the informal sector...). It directs this flow of wealth towards the holders of capital in the North, with the ruling classes of the South taking their commission. Thus, the latter grow rich while the national economies that they head stagnate or regress and the populations of the South grow poorer.

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A key period: 1998-2002

Although this is not the focus of this section of the book, it seems appropriate to mention here the parallel between repayment of the Third World external public debt and repayment of the public debt in the highly industrialised countries. The latter constitutes a mechanism for pumping off part of the earnings of salary-earners and their families to the profit of the institutional holders of public debt paper, (banks, pension funds, insurance companies, mutual funds...), owned and controlled by the capitalists.

The pumping works through the State's use of an increasing share of tax revenue (mainly levied on wages and salaries and by indirect taxation such as VAT and other taxes that mainly hit low- and middle-income households) to repay the public debt. François Chesnais elaborates upon the same idea: “Part of the growth in the financial sphere is due to the following chain of events. First, the flow of wealth begins as salaries and wages, or farmers’ and small-business earnings. Then it is siphoned off by the State via taxation. Finally, it is transferred to the financial sphere as repayment of the interest or the principal of the public debt.” (Chesnais, 1996, p. 15). “Public debt bond markets set up by the main countries benefiting from financial globalisation and imposed on the other countries (usually without much difficulty) are, in the words of the IMF itself, the "cornerstone" of financial globalisation. Put simply, it is the most solid mechanism for transferring the wealth of certain classes and social strata in certain countries to others, a pure product of financial liberalisation. Attacking the foundations of financial power means dismantling these mechanisms and consequently, cancelling the public debt, not only in the poorest countries but also in any country where the vital social forces refuse to allow their government continue to impose austerity budgets on citizens in the name of servicing the public debt.” (Chesnais, Tobin or not Tobin ?)

End of digression.

So far in this exposé, we have considered private and public debtors, in calculating net transfers on debt. The analysis can be refined by calculating the difference between what governments have borrowed and what they have repaid. Indeed, with a view to finding a way for the developing countries’ external public debt to be cancelled, it would be worthwhile to see what governments would save by ending the repayment of the public debt. We have

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Insert 9.2—What are net transfers on debt?

By definition, they are the difference for a developing country or group of developing countries, between new loans received and the debt service paid (i.e. total repayments of capital and interest over the period concerned). When all is taken into account concerning the debt, since 1998, net transfers for the all developing countries taken as a whole are negative. The debt leads to a bleeding of capital out of the Periphery - capital which they desperately need at home for human development.

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Insert 9.3—An important comparison: repayment of the public debt in the North

N.B. 560 billion represents the difference between loans received between 1998 and 2002 and the amounts repaid during the same period. If we only consider repayments between 1998 and 2002, we get the pharaonic sum of 1,900 billion dollars !
to account for the fact that they would likely receive no further loans. Official wisdom has it that governments of the developing countries would lose significant sources of funding if they stopped repaying the debt. What follows shows that the reverse is true.

Amount lent to developing-country governments by all types of lenders between 1998 and 2002: $705 billion.

Amount repaid by developing-country governments to all types of lenders between 1998 and 2002: $922 billion

Difference: $217 billion.

Developing-country governments repaid $217 billion more than they received in the form of new loans over the same period. Let us imagine that instead of repaying 922 billion dollars, they had decided to stop the payments in order to prioritize the satisfaction of their citizens’ basic social needs. Let us imagine that by way of reprisal, the creditors had turned off all the loan taps. What would have happened? Governments of the developing countries would have saved 217 billion dollars that they could have used to implement socially just, ecologically sustainable policies. Let us take this argument even further. If the creditors, not content with turning off the taps, went as far as persuading the governments of the North and the NGOs to end Official Development Assistance, what then? Would the governments of developing countries still have come out as winners, or as losers? The answer is that, despite the cessation of ODA, they would still have been winners as between 1998 and 2002, the “donations” part of ODA only came to 150 billion dollars \(^6\) (WB, GDF 2003, p. 201). In short, 217 billion less 150 billion still leaves a saving of 67 billion dollars in favour of the governments of developing countries.

An analysis by continent is useful, as it shows how the 217 billion dollars break down and makes it even clearer what colossal sums might have been saved in the case of unilateral cessation of repayment.

### Table 9.6.

<table>
<thead>
<tr>
<th>Region</th>
<th>Amount Saved (in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia</td>
<td>33</td>
</tr>
<tr>
<td>South Asia</td>
<td>10</td>
</tr>
<tr>
<td>Middle East</td>
<td>36</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>15</td>
</tr>
<tr>
<td>Latin America</td>
<td>83</td>
</tr>
<tr>
<td>Former Soviet Bloc</td>
<td>40</td>
</tr>
</tbody>
</table>

Calculated by Damien Millet and the author, based on World Bank, GDF 2003

### 2. Difference in interest rates between North and South

In the 1980s, the bankers of the North made the indebted countries of the South pay risk premiums. These premiums were tacked onto new loans granted to countries of the South to ensure that they paid their debt service. Moreover, loans contracted in the 1970s were at variable interest rates indexed on the fluctuations of the LIBOR (London’s finance market) or the **Prime Rate** (New York’s finance market). According to the UNDP, this created major differences between rates in the North in the 1980s and those applied to loans in the South. “During the 1980s, while interest rates were 4% in the highly industrialised countries, the effective interest rate paid by developing countries was 17%.” On total debt worth more than 1,000 billion dollars, this meant a special interest

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\(^6\) We shall see later that what ODA actually contributes is far less than officially announced.
premium of 120 billion dollars annually. This merely aggravated a situation in which net transfers to pay the debt totalled 50 billion dollars in 1989’ (UNDP, 1992, p.74).

The 1997-1998 Southeast Asian crisis sparked off a sharp increase in the risk premiums the region's countries must pay to borrow the money needed to pay off short-term debt. In June 1997, Thailand was paying 7 % to its lenders; by December 1997 it was paying 11 %. By late 1997, Brazil and Russia, two countries at opposite ends of the planet, had to double the yield on their debt issues in order to remain attractive to foreign investors. At the high point of the crisis (August 1998), Russia had to pay a risk premium of 45 % (UNCTAD, Trade and Development Report, 2000, p. 46).

In 2000-2001, countries like Argentina, Brazil, Turkey and Nigeria had to promise to pay interest from 9 percentage points (Brazil's case in April 2001) to 21 percentage points (Nigeria in April 2001) above that paid by the highly industrialised countries for loans.

In the financial section of the Spanish daily, \textit{El Mundo}, it was claimed: « Calm has been restored to the debt market: the difference of interest between Argentine debt bonds and those of the US Treasury - which indicates the risk that investors take in the Latin-American country - has fallen to 13%, from the historic peak of 18% reached on Monday 23 April 2001 » (\textit{El Mundo}, 25 April 2001).

In September 2002, in the home stretch of the electoral campaign in Brazil, that country underwent a destabilisation offensive: a massive capital exodus, an attack on the national currency... The spread or interest rate differential reached 24.5%. It was like a sort of risk premium that one has to pay when one does not inspire confidence in potential lenders.

Three American rating agencies, \textit{Moody's} (www.moodys.com), \textit{Standard and Poor's} (www.standardandpoors.com) and Fitch (www.fitchratings.com), specialize in 'country-risk' ratings. They have significant influence on risk-premium levels. On 22 December 1997, Moody's decided to downgrade South Korea by several notches in its 'country-risk' tables. Until that date, South Korea had been given the same ranking as reliable highly industrialised countries. Overnight, it became a high-risk country on a par with the Philippines. Ever since, South Korean debt paper has had the same risk rating as junk bonds.

We are seeing a repeat of the 1982 crisis, at the start of the new millennium. Third World countries must henceforth pay higher interest rates for their loans than the North pays. The phenomenon has been exacerbated by the 'flight to security'. As a result, since the end of 1997, institutional investors have preferred debt issues from the most industrialised states over those from the economies of the Periphery. This growing demand has sparked a generalised fall in the rates offered by the Triad governments (i.e. what they pay to those who lend them money). The downward tendency of interest rates in the Centre has been exacerbated by the US Federal Reserve's attempts to re-launch the American economy, from the end of 2000, by reducing its leading rates on more than ten occasions. The European Central Bank also reduced its leading rates in June 2003. In Japan, the Central Bank maintained interest rates at zero. The effect of this was a generalised fall in the interest rates paid by the States of the North for the new loans they issued.

Thus the gap has widened still further between the interest rates paid by the Periphery and those found in the Centre. Capital flight from the Periphery back to the Centre enabled the latter's State Treasuries to make savings while the Treasuries of the developing countries were forced once again to cough up even more money.

3. Deterioration in the terms of trade

The world market is characterised by the fact that the majority of countries in the South have continued to be exporters of raw materials and low-value-added manufactured goods. Conversely, these countries import high-value-added industrial goods and technology. They are also net importers of farm products destined to feed the population and livestock - livestock that is largely exported to the North.

The "terms of exchange of basic commodities" can be observed to have deteriorated over the long term. That is, a fall in the prices of products exported by the countries of the Periphery compared to the prices of manufactured goods, services and patents imported from the highly industrialised countries. According to the UN Secretariat, the ratio of prices (in terms of trade) between a basket of goods exported by the South and what it imports from the North went from an index of 100 in 1980 to 48 in 1992. So if 100 units from the South could be traded against 100 units from the North in 1980, by 1992 the same 100 units from the South could only procure 48 units from the North. In other words, a country in the South must export twice as much to obtain in exchange the same quantity of goods from the industrialised world.

OPEC member-countries have seen their terms of trade plummet even further. In 1992, the real price of crude oil was one-third of what it was in 1981.
For Sub-Saharan Africa, from 1986 to 1989 alone (just four years) the fall in the terms of trade meant 55.9 billion dollars in lost earnings. 90% of exports from half the countries of Africa is made up of raw materials.

Fifteen countries belong to the 'severely indebted middle-income country' (SIMIC) category: Argentina, Bolivia, Brazil, Chile, Colombia, Ivory Coast, Ecuador, Mexico, Morocco, Nigeria, Peru, the Philippines, Uruguay, Venezuela and Yugoslavia. Between 1981 and 1989, the deterioration in the terms of trade cost them 247.3 billion dollars.

Alfred Maizels, a specialist on terms of trade, put changes between 1980 and 2000 into perspective in the following declaration, made at UNCTAD's Xth Conference in Bangkok in February 2000. "After 1980, there was a breakdown: real prices of basic products generally went through the floor and have never recovered since. At the end of the 1980s, the crisis turned out to be deeper and much longer than at the time of the Great Depression of the 1930s. From 1990 to 1997, terms of trade for basic products got neither noticeably better nor noticeably worse. However in the following two years a further, brutal deterioration took place, caused by the Asian financial crisis and the depreciation of the main Asian currencies." (Maizels, 2000, p.6).

Table 9.7.

<table>
<thead>
<tr>
<th>Product</th>
<th>Unit</th>
<th>1980</th>
<th>1990</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cafe (Robusta)</td>
<td>cents / kg</td>
<td>411.7</td>
<td>118.2</td>
<td>63.3</td>
</tr>
<tr>
<td>Cocoa</td>
<td>cents / kg</td>
<td>330.5</td>
<td>126.7</td>
<td>111.4</td>
</tr>
<tr>
<td>Groundnut oil</td>
<td>$ / tonne</td>
<td>1090.1</td>
<td>963.7</td>
<td>709.2</td>
</tr>
<tr>
<td>Palm oil</td>
<td>$ / tonne</td>
<td>740.9</td>
<td>289.9</td>
<td>297.8</td>
</tr>
<tr>
<td>Soya</td>
<td>$ / tonne</td>
<td>376</td>
<td>246.8</td>
<td>204.2</td>
</tr>
<tr>
<td>Rice (Thai)</td>
<td>$ / tonne</td>
<td>521.4</td>
<td>270.9</td>
<td>180.2</td>
</tr>
<tr>
<td>Sugar</td>
<td>cents / kg</td>
<td>80.17</td>
<td>27.67</td>
<td>19.9</td>
</tr>
<tr>
<td>Cotton</td>
<td>cents / kg</td>
<td>261.7</td>
<td>181.9</td>
<td>110.3</td>
</tr>
<tr>
<td>Copper</td>
<td>$ / tonne</td>
<td>2770</td>
<td>2661</td>
<td>1645</td>
</tr>
<tr>
<td>Lead</td>
<td>cents / kg</td>
<td>115</td>
<td>81.1</td>
<td>49.6</td>
</tr>
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</table>


According to the IMF, the prices of basic products (not including oil) fell by 30% between 1996 and 2000 (FMI, Annual Report 2000, p. 11). UNCTAD makes the same diagnosis (UNCTAD, Trade and Development Report 2000, p. 34).

Above and beyond this downward tendency and market sensitivity to marginal fluctuations, highly industrialised countries have aggravated the problem by manufacturing substitutes: synthetic fibres, artificial sweeteners, and so on. The most recent substitute, and not a minor one at that, would allow countries of the North to label as 'chocolate' a product they make that has virtually no cocoa in it. The European Commission has authorised European chocolate makers to substitute fat for cocoa butter (produced in the South), up to 5% of the product's net weight. The Commission realizes that this would trigger a fall in cocoa exports to the European Union (EU), leading to an inexorable fall in the price of cocoa on the world market and severe poverty for the South's cocoa farmers. But the European lobby is very powerful. This is a clear example of EU protectionism against the South.

Even when they export manufactured goods, countries of the South generally lose out in trade with the North. Between 1980 and 1990, the price of the South's manufactured exports increased in nominal terms by 12%. During the same time, the G7's manufactured exports rose 35% in price (UNDP, 1992). In real terms, the South's manufactured exports dropped in price, the North's rose.

The deterioration of the terms of trade is a sign of the unequal character of global trade. The most highly industrialised countries are at an advantageous position in their trading relations with the South. A study of France's foreign trade provides recent confirmation of this state of affairs. A study published by the French statistical institute INSEE, *Le Commerce extérieur de la France* (INSEE, 1997), shows that in 1996 France recorded a considerable trade surplus with low-wage countries. France's trade with countries of the North is balanced, but it recorded a surplus in 1996 - 40% thanks to its trade with Africa, 25% with the Middle East and 15% with Eastern Europe. Yet 80% of France's trade is carried out with other highly industrialised countries. In other words, the remaining 20% of the country's foreign trade - with the Third World and Eastern Europe - generated France's trade surplus.

The policies adopted by the ruling classes of the countries of the Centre in the Thatcher-Reagan era of the early 1980s, the deterioration of terms of trade, the debt crisis and the structural adjustment policies imposed by the Bretton Woods institutions are inextricably linked. In the following passage, A. Maizels puts it clearly. He shows how the deterioration in terms of trade, far from being a fluke of fate, is the result of a series of policies decided upon in the highly industrialised countries. « The fall in prices of products exported from the Periphery on the world market in the early 80s was a direct consequence of the monetary austerity policies put into effect by the major
highly industrialised countries to reduce inflation. This policy brought about a marked slowdown in economic growth and a sudden halt in demand for raw materials. Since then, growth rates have remained feeble as regards the post-war tendencies, which partly explains the price slump for basic products. The other major reason for this slump was the rapid increase in the volume of exports of basic products from the developing countries, which went up more than 40% from 1980 to 1990. It seems contradictory that supply should increase at the very time when prices were low, but this can be explained by a new factor coming to bear. Countries were forced into increasing exports by the contraction of their hard currency revenues - mainly due to the previous collapse of prices for basic products, added to the high interest rates on their external debt and the almost total absence of new loans granted on market conditions until the early 90s. Furthermore, loans granted by the IMF were generally made conditional on the application of strict measures, such as the devaluation of the national currency to promote exports. Real prices of basic products have been extremely low for about twenty years. Exporting countries have seen their terms of trade deteriorate sharply over the same period. Losses have shot up, from about 5 billion dollars a year in 1981-1985 to almost 55 billion dollars a year in 1989-1991. They total about 350 billion dollars for the period from 1980 to 1992, and have considerably increased since then. They have been an important contributory factor in the increase of the external debt of the exporting countries concerned. » (Maizels, 2000, p. 7)

4. World trade controlled by the North's MNCs

The highly industrialised countries’ MNCs control global transport, trade and the distribution of goods and services. These companies take in a large share of the earnings obtained through the sale of commodities, since Third World countries must pay astronomical amounts for the transport, insurance, packaging and marketing of the products they export and import. The highly industrialised countries’ shipping companies belong to well-organised cartels and charge high fees for transport services. These companies control 85% of the world’s merchant fleet. The air freight industry is even more dominated by the MNCs of the highly industrialised countries.

Several studies have shown that Third World countries receive on average only 10 to 15% of the retail sale price of their products in the North. Let us take two typical examples. In the price of a Nike sports shoe, less than 2% on average serves to pay the labour costs (usually in an Asian country) while 4.5% goes on advertising and almost 40% to the retailer, usually in the North. Moreover, according to the Fair Trade labelling association Max Havelaar, for a packet of 250 grams of Arabica coffee sold for between 1.8 and 3 euros in traditional trade circuits, the share which goes to the small producer is less than 0.15 euro, i.e. between 5% and 8.5%.

5. Profit repatriation by MNCs operating in Third World countries


While the net inflow of foreign direct investment (FDI) into the developing countries began to drop in 1999, the total amount of profits repatriated rose. Since MNCs do a lot of internal under-charging and over-charging, it is difficult to determine the exact value of profit repatriation. There are a number of creative accounting techniques for shifting a company’s profits to one of its production and marketing locations, depending upon a variety of factors. Corporate tax rates are one such factor, as is the need to repatriate profits to company headquarters in the North. The same MNC might switch from one technique to the next, at a particular time or place, depending on which one best corresponds to its interests. Some MNCs (those in a monopoly or oligopoly situation) handle everything from the extraction of raw materials to the sale to the manufacturing and distribution sector. For them, it matters not if profits appear on the books of the extraction subsidiary, of the transport division or of the refinery. A share of the total value that appears in the data of imperialist countries as domestically produced profit is, in fact, surplus created in the Third World.

One technique consists of an MNC's headquarters selling goods and services to one of its Third World subsidiaries at prices above world-market levels.

Augustin Papic has calculated, for example, that pharmaceutical MNCs make internal sales to their Latin American subsidiaries at prices between 33 and 314% above world market levels.

In Colombia, subsidiaries of multinational pharmaceutical companies import products from company HQ at prices 155% higher than usual export levels. Other examples include 40% price rises in the rubber industry, 26% in the chemicals industry and between 258 and 1,100% more in the electronics industry.

In the other direction, subsidiary exports to company headquarters are tremendously under-priced. A study revealed that 75% of MNC subsidiaries in Mexico, Brazil and Argentina under-priced their exports by about 50% in comparison to local companies (Mandel, 1972, Tomell, pp.305-306).

Over the last 20 years, the development of industrial free-trade zones in a number of Third World countries - including China - and the former Eastern Bloc has made it much easier for MNCs to repatriate their profits.
6. Privatisation of state-owned companies in the South

Governments of the South and the former Soviet Bloc have sold off and are still selling off their state-owned companies of which a great number are bought up by public or private MNCs of the Triad. In view of the under-estimation of the true value of the companies privatised, there is no doubt that this is another form of transfer of the wealth and strategic levers of the Periphery to the Centre. Some public companies have been sold into foreign ownership for a song, only to be dismantled soon afterwards.

The sale of the Argentine national airline company, Aerolíneas Argentinas, to the Spanish company Iberia, is a case in point. The infrastructure, air routes and aircraft belonging to the Argentine company were acquired by Iberia for far less than their value. Then Iberia took over the air routes and sub-contracted the aircraft at a very high price (in Financial Times, 13 June 2001). Better still, whereas the Argentine government had taken on the airline company's debts and sold Aerolíneas unencumbered, Iberia saddled Aerolíneas with the loans contracted to buy it (in Clarín, 21 June 2000)! Finally, by 2001, Aerolíneas Argentinas was on the verge of bankruptcy, with debts totalling 900 million dollars. It owned only two of the 29 aircraft it held at the time of privatisation in 1990.

According to the World Bank, all the privatisation sell-offs in the Periphery between 1990 and 1999 earned a little over 315 billion dollars for the governments in question. How much of that money went to cover the debts of the privatised companies (as in the case of Aerolíneas Argentinas)? The Bank does not say. What was the true value of what passed from the public into the private domain? Exactly what portion passed into the hands of foreign firms? The Bank is not telling. What is certain is that the MNCs of the Centre have progressively become the main owners of the privatised companies of the Periphery. In 1999, the MNCs of the Centre made 76% of acquisitions (World Bank, GDF 2001, p. 189).

In numerous areas, the MNC of the Centre have taken control of strategic economic sectors. In 2000, the Spanish banks controlled 40% of the assets of the Latin-American banking system as against 10% in the mid-nineties (BIS, 2001, p. 52).

Concerning privatisation, between 1990 and 1999, telecommunications was the sector most affected (76 billion dollars) followed by the electricity production sector (53 billion), oil and gas (45 billion), banks (34 billion), the iron and steel industry (9.6 billion), mines (9 billion) and the chemical industry (6 billion). Latin America leads in the privatisation programmes (177 billion dollars) - « The region has already conceded a large part of its infrastructure and financial establishments to private sector management. » (World Bank, GDF 2001, p. 186) -, followed by Central and Eastern Europe (61 billion), East Asia and the Pacific (44 billion), South Asia (11 billion), North and Sub-Saharan Africa (8 billion each). The crises that hit the Periphery countries are so many opportunities for the Triad's MNCs to buy up businesses for a song. After the East Asian crisis of 1997-1998, Korean companies were sold for 6% of their pre-crisis value. According to the French language magazine, Jeune Afrique - L'intelligent of 9 March 2003 commenting on the African Development Bank and OECD report, « Economic Perspectives in Africa », « 2,700 public companies have been sold off, and out of 53 African countries, only nine have not privatised (…). But with mitigated results. The privatisations have only netted 8 billion dollars to date, i.e. barely 1.5% of the African GDP ». Le Monde, commenting on the same report, writes « Employment seems to have been the greatest victim of private sector transfers… A World Bank study of 54 privatised companies in Benin, Burkina Faso, Ghana, Togo and Zambia shows an average 15% fall in employment. » (Le Monde, 1 April 2003). Altogether, since 1985 when the wave of privatisations started, several thousand billion dollars in assets of companies in the Periphery have been transferred into the hands of Triad companies for a few hundred billion dollars. The only way that the populations of the Periphery can reverse this vast pillage would be to oblige their governments to resort to expropriation without compensation. This would restore lost national treasures to their rightful owners.

7. Patents, royalties, intellectual property rights

Another net transfer of resources from the South to the North stems from the payments the South must make to acquire or use technologies from the North. This is part of what Ernest Mandel refers to as ‘technological rent’ in Late Capitalism (Mandel, 1978). MNCs are the ones that benefit from this rent, thanks to the technological advantage they have acquired. This advantage is not guaranteed once and for all. MNCs are often engaged in intense research-and-development and product-development battles with one another (in the computer industry, for example). While there are both winners and losers in the North, the countries of the South are almost always the losers. They cannot hold their own against the research and development muscle of the MNCs and governments of the North (over 95% of research and development is carried out in OECD countries). The latest set of GATT agreements (laying the basis for the World Trade Organisation) have further worsened the situation - on the question of intellectual property rights, for example.

Intellectual property rights (IPR): the view from the South
Most Third World countries see genetic resources as part of their collective heritage. For millennia, small farmers have selected seeds to work the land in perfect harmony with their needs while respecting nature. They have never claimed these seeds and the resulting produce as their intellectual property.

**Intellectual property rights: the view from the North**

Biochemical and agro-business MNCs like Monsanto, Aventis, Novartis, Cargill… , to name the biggest ones, beg to differ. They scour the planet to ‘discover’ seed varieties and claim all patent rights. In this way, they stake their control over the patiently developed genetic heritage of humankind. A revealing case is that of « Basmati » rice. This ancient variety of high-quality rice from North India and Pakistan, has become a reference after centuries of constant labour by Indian and Pakistani peasants. Yet in 1997, the US company Rice Tec, which belongs to the Prince of Liechtenstein, patented the seed and lineage of Basmati rice. After a costly legal battle engaged by India, the US Office of Patents validated the patents on three specific sorts of rice derived from traditional Basmati. Thus the Texan company has officially become the owner, in contempt of the peoples of the South whose generations of expertise produced it.

The USA and other developed capitalist countries have harnessed the Third World's biological diversity to make millions of dollars in profits, without returning a single dollar to the original 'owners' of the seeds, the countries or local communities in question. For example, a variety of wild tomato was taken out of Peru in 1962, and made eight million dollars per year for American canning companies thanks to the variety's higher concentration in soluble solids. None of the profit was shared with Peru, from where the genetic material originated.

According to Vandana Shiva (Shiva, 1994), between 1976 and 1980 wild varieties taken from the South brought in 340 million dollars annually for the American agricultural sector. Since the beginning of the 1970s, agro-chemical companies have taken over more than 400 seed companies, mainly through the toughening of legislation defending intellectual property rights.

MNCs work for homogeneity and uniformity through genetic engineering, with the specific aim of dominating the markets. It is easier for a laboratory-induced variety of rice to be traded on stock-markets than for the innumerable strains of rice that correspond to local conditions and tastes the world over. This is especially true when the laboratory-induced variety in question becomes private property thanks to 'intellectual property rights'. It can then be the object of a production monopoly, as can all its subsequent generations. Indeed, a farmer who buys wheat seeds cannot use the seeds from the harvest to replant for the following season. Furthermore, the monopoly extends to an entire range of related products. It is no coincidence, for example, that the only herbicide tolerated by the variety in question is produced by the same MNC. The thirst for ‘captive’ markets is so great that 'sterile' varieties of seeds are created in order to oblige farmers to purchase a new batch each year - since each batch loses its genetic characteristics with each harvest. Thus, the circuit is complete: small farmers are no longer producers and owners, but rather buyers and consumers. They become slaves of patents and of the MNCs that hold them. (To see such a contract, go to: www.users.skynet.be/DACtm/pages/francais/ContratMonsanto.pdf).

Property rights are said to improve the product and preserve biodiversity. In fact, bio-technologies are used to harness properties that have already been attained by nature - primarily in order to create uniformity through the selective breeding of high-yield varieties.

Such uniformity is disastrous for crops. Plants become clones, all share the same weaknesses. In 1970-1971, a rust infestation destroyed 15 % of the USA's corn crops, whose genetic uniformity made them very vulnerable. Similar devastation has occurred with 'green revolution' varieties of rice in Asia.

'High yield' varieties are also of dubious merit. International programmes for eucalyptus plantations, for example, were clearly designed to back the pulp and paper industry's need for rapid growth. Eucalyptus yields almost nothing in biomass, needed to feed animal life. Furthermore, in the eyes of a forestry expert naturally diverse tropical forests could even be described as 'unproductive'. Industry is not interested in diversity, it only cares about the yield in profitable natural resources.

MNC laboratories always defend technological changes in biodiversity by saying that they 'improve' and increase 'economic value'. The laboratory creation of seed varieties is seen as 'production', in keeping with the logic of assembly-line production. The reproduction of the required raw material by nature and the Third World's farmers and forest dwellers is seen only as conservation'. The only 'value' registered is that created through work carried out in the laboratory. Centuries of innovation are totally devalued in order to grant monopolistic control over life forms solely to those using new technologies for genetic modification. Bio-uniformity (as opposed to biodiversity) is the unavoidable outcome of such an approach in a context where domination and profit hold sway.

**Intellectual Property Rights and the TRIPS agreement**
The Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement - (see glossary) - became effective in 1995 within the framework of the World Trade Organisation (WTO). It is one of the mainstays of the Uruguay Round of agreements, but also one of the most controversial. Drawn up by twelve US transnational companies, it was forced through by North American, Japanese and European governments despite the opposition of the South. Its aim is to reinforce protection of patented products and techniques, to prevent them from being copied by other companies in the world (mainly the least developed countries). While reinforcing the creator's intellectual property rights, it also introduces the notion of an enforceable global norm associating intellectual property rights with trade. Thus intellectual property rights become obligatory, but without ensuring the parallel defence of the interests of society, health rights and the rights of indigenous peoples.

TRIPS is mainly to the advantage of the highly industrialised countries, with their technological advances, and so perpetuates unequal development. Having to pay for intellectual property rights makes the transfer of technology more expensive, and leaves the developing countries even more marginalised. The highly industrialised countries hold 97% of patents and the MNCs hold 90% of all technology and invention patents. So far, there is no indication that the system of patents has stimulated research and development activities in poor countries or been to their advantage, nor that it ever will. For example, in the pharmaceutical sector, before the TRIPS agreement, countries like China, Egypt and India patented procedures but not the final products. This approach encouraged local companies to work on developing generic medicines, analogous but much cheaper than the original brands. The result is that in Pakistan, where patents exist, medicines cost up to thirteen times as much as in India where they do not.

Now, under the TRIPS agreement, it is no longer permitted to produce a medicine or buy it abroad without the authorisation of the patent-owner (i.e. the payment of royalties) who enjoys this right for twenty years. It is true that there are some clauses allowing for exceptions. In the case of a health emergency or unfair competition (refusal to sell on the part of the inventor or exorbitant prices), governments have the right to resort to contractual licences or parallel imports. In practice, this right does not seem to be much used. On the other hand, the WTO has put such strong economic pressure on India that it has had to renounce price control and production of generic medicines (ATTAC, Ménahem, « Enquête au cœur des multinationales », 2001). The USA under George W. Bush is among the most savage defenders of the interests of the pharmaceutical laboratories. Yet, when they are the ones with a health crisis, things are quite different. In October 2001, there was a brief outbreak of anthrax in the USA and the government obliged the transnational company, Bayer, to halve the price of Cipro, the antibiotic used to treat the disease, on pain of lifting the drug's patent and authorising generic production. The South, of course, does not have the means to impose such measures, however salutary they would be for the poorest populations. As proof of the injustice of it, in December 2002, the same US government blocked the modest compromise agreed at Doha in November 2001 concerning the right to countries of the South to produce certain medicines in generic form to fight certain illnesses (particularly AIDS, tuberculosis and malaria).

TRIPS also raises questions of compatibility with human-rights legislation and environmental agreements. The Universal Declaration of Human Rights, the International Pact on Economic, Social and Cultural Rights, and the International Pact on Civic and Political Rights all recognise the right to share in scientific progress. Furthermore, the Biodiversity Convention requires States to protect the rights of indigenous populations in the use of biological resources and systems of knowledge. It also states that the benefits of the commercial use of biological resources and the knowledge of local communities shall be shared out fairly. (UNDP 2000, p. 84).

Already in 1999, the Global Human Development Report recommended that "The implacable advance of intellectual property rights must therefore be called into question and stopped" and "The principle of caution must override profit" (UNDP 1999, pp. 73 and 75). This recommendation has so far been ignored.

Applications for patents have considerably increased over the last twenty years. They mainly stem from a few highly industrialised countries that, strange to say, had very vague rules on the matter when they set up their national industries. They changed their tune once they began to export technology.

As for the quest for knowledge, patents obstruct research likely to make new discoveries that would profit everyone. The "piling up" of patents chops up and fences off research areas. Ideas no longer circulate freely between different groups of researchers. On the other hand, the profit linked to the commercialisation of patented products is prioritised and protected.

When new research programmes are decided upon, money speaks louder than the needs of millions of people. New technology is designed for those who have the money to access it, therefore research targets high income markets. « The profitability compass of finance (...) shows which diseases are worth treating and which, on the contrary, would be a waste of the pharmaceutical companies' time. Thus, out of the 1,223 new molecules marketed between 1975 and 1997, only 13 were specifically aimed at tropical diseases and of those, five result from veterinary research. (...) More worrying still, when medicines exist but only target poor countries, the profitability compass leads to stopping their manufacture. For example, for sleeping sickness, which kills 150,000 people a year, there is a drug developed in 1985 by the US firm, Merell Dow. When they bought up the firm, Marion Roussel
inherted the molecule but stopped making the drug. Similarly, a drug to treat bacterial meningitis, particularly common in the South, has existed for several years. But there again, Marion Roussel decided to stop making it, as it is not profitable enough." (ATTAC, « Enquête au cœur des multinationales », Mille et Une Nuits, 2001).

8. Environmental debt versus financial debt

Pillage of genetic material, excessive exploitation of natural resources and colossal attacks against the environment have had disastrous effects on the countries of the Periphery. To get the hard currency needed to repay the debt, that the rich countries and the international financial institutions insist must be given top priority, the governments of the indebted countries have been obliged to sell off their natural resources to the highest bidder, at the same time seriously over-exploiting them, with no consideration of medium and long term consequences. In many cases, the centres of economic and political power in the North did not have to force the governments of the South, for the latter themselves organised environmentally destructive economic activities in exchange for a percentage of the revenues such activities bring. (The governments in power in Congo Brazzaville, Liberia, Sierra Leone, Angola spring to mind...). The Periphery's capitalists have often taken part in the dilapidation of natural wealth and the destruction of the environment to make maximum profit. This has led to accelerated desertification and the future of large areas of primary forests hang precariously in the balance (especially in Amazonia, Central Africa, Southeast Asia). Soil erosion destroys the livelihoods of whole populations in these heavily rural areas. Much light has been shed on the environmental ravages of oil extraction, for example, and of the mining industry (such as mercury pollution after treating gold in the mines). Worse still, certain countries of the Periphery have agreed to become the dustbins for certain highly industrialised countries, allowing disposal of highly dangerous and polluting industrial waste on their land, often without the slightest precaution. The capitalist system and its corollary, the debt, have led the Periphery countries into an impasse, threatening the ecological balance of the world itself. In such conditions, it is legitimate to introduce the notion of environmental debt, owed by the governments of the highly industrialised countries, transnational firms, governments of the Periphery and local capitalists, to the populations of the Periphery. Indeed, this environmental debt is very real, since such environmental degradation thrusts the people of the Periphery each day deeper into hardship.

9. Capital transfer from the Periphery to the Centre

« The developing countries are together net borrowers with regard to the developed countries.» «Developing countries, in aggregate, were net lenders to developed countries » (World Bank, GDF, p.13, 2003)

The IMF itself estimated that, in 1988 alone, in the thirteen most highly indebted countries, capital flight represented about 180 billion dollars. Later, in the 1990s, complete liberalisation of capital movement resulted in a huge displacement of capital from the Periphery towards the highly industrialised countries. The World Bank, in its Global Development Finance report of 2001, observes, « Although the increased amount of capital entering developing countries in the first half of the 1990s attracted a lot of attention, there was also an increase in the outflow of funds. These inflated amounts could be due, at least partially, to transactions linked to capital flight, perhaps for tax reasons.»

Rubens Ricupero, Secretary General of UNCTAD, in the introduction to a report entitled “The Development of Africa: a Comparative Approach” made a clearer observation. “The liberalisation of financial operations is unlikely to result in the return of fugitive capital which, according to some estimates, accounts for 70% of the private wealth, excluding land-ownership, of Sub-Saharan countries. This capital seems to consist mainly of embezzled public money, rather than industrial and commercial revenue seeking economic stability or higher returns abroad.” (UNCTAD, 1998, p. XVII).

In a remarkable study entitled « Is Africa a Net Creditor? New estimates of capital flight from the severely indebted countries of Sub-Saharan Africa 1970-1996 », two academics from the University of Massachusetts in the USA, J.K. Boyce and L. Ndikumana, come to the conclusion that over the period of reference, the equivalent of 285 billion dollars was placed abroad by the ruling elite of Africa. They deduced that, once they had subtracted the external debt of the 25 countries of the study (representing 92% of the Sub-Saharan population, 91% of the debt and 93 % of GDP - not including South Africa), the countries concerned were creditors of the rest of the world for a sum of about 106 billion dollars. They reckoned that in 1996, the capital placed abroad by the capitalists of Nigeria represented four times the country’s external debt. In the case of Rwanda, in 1996, capital placed abroad represented the triple of the total external debt. For the Democratic Republic of Congo and Sierra Leone, capital placed abroad by represented twice the country's external debt. For Angola, Cameroon, Ivory Coast and Zambia, it was a little less than double. The two authors as well as several others have noted a marked correlation between international loans and capital flight. N. Hermes and R. Lensink, who studied capital flight for six African countries over the period 1976-1989, claim that for every dollar borrowed by the governments (or with their backing), 75 to 90 cents was re-exported through capital flight (in « The Magnitude and Determinants of Capital Flight: the case for

six Sub-Saharan African Countries », De Economist 140, cited by Boyce and Ndikumana). Similar observations are made by other authors for Latin America, Asia and the former Soviet Bloc.

Generally speaking, in 2000 alone, fresh deposits by capitalists of the Periphery in banks of the Centre came to 145 billion dollars (BIS, 2001, p. 125).

Holders of capital in the South have shifted a large part of their assets onto the North's financial markets, into numbered bank accounts in offshore locations, and into real estate in the North. If the developing countries' external debt-stock owed to banks of the Centre is compared to the assets that rich citizens of those countries hold in the same banks, the result gives a completely different picture from the commonly imagined one.

Table 9.8. gives a clear indication of the colossal size of the assets that the rich of the developing countries hold in the countries of the Triad.

Table 9.8.

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<th>DC deposits in banks of highly industrialized countries compared to DC debts to same</th>
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<td>DC deposits of funds from DC in banks of rich countries</td>
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The figure for deposits by developing countries residents in banks of the Triad comes from quarterly statistics of the Bank for International Settlements (BIS). These deposits are classed as debts of the same banks owed to the developing countries.

The amounts shown only concern cash deposits, which are in fact only a part of total assets. The money deposited by residents of developing countries in the banks of the Triad comes partly from the normal business activities of companies of developing countries (mainly trade) and is partly money embezzled by the corrupt elite. Even supposing that only 25% of the deposits (the true amount is certainly higher) is illicitly or criminally obtained money, acquired at the expense of poor citizens and of the nation as a whole, we would get a sum of 350 billion dollars which, if it was returned to its rightful owners, could finance human development in the developing countries.

To make it more difficult to accumulate ill-gotten gains, democracy and citizens' control of public spending are required, with a complete arsenal of legal and judicial measures (including lifting bankers' secrecy and establishing a wealth register) and capital movement controls... Public trustees should be obliged to produce an annual statement of their wealth. The decision to borrow should be subjected to parliamentary debate. A yearly audit in the state of the debt should be carried out by an independent organisation. Creditors should answer the following questions: who contracted the loans? What were the terms of the contract? Who did the borrowed money go to? How? Into which account? Who, in the indebted country, holds money in deposit in the creditor banks?

From the late 1990s to the early 2000s, some positive initiatives of this kind have been taken as a result of international campaigns and the tenacity and courage of certain magistrates. Over 600 million dollars placed in Swiss banks by the dictator Ferdinand Marcos (his dictatorship lasted from 1965-1986) have been frozen (this is only a fraction of the Marcos hoard), then returned to the Philippino authorities (Financial Times, 16/07/2003).8

8 The procedure was a long -17 years - and complex. The Financial Times claims that the amount returned to the Philippino authorities came to 658 million dollars, whereas the wealth accumulated by the dictator Ferdinand Marcos is estimated to be between 5 and 10 billion dollars. The
Other, if smaller, amounts have also been returned by Swiss banks to countries of the Periphery. For example, in 2002, 67 million dollars stolen by the former president Alberto Fujimori and his soul-mate the head of the secret services, Montesino, were returned to Peru.

Among other big files under «negotiation», include money held in Switzerland, Great Britain, Luxembourg and Liechtenstein by the late dictator of Nigeria from 1993 to 1998, General Sani Abacha (who died in June 1998). Over four billion dollars are at stake. The following summary shows to what extent the big international banks, and the legal and political authorities of the North have connived to do the people of Nigeria out of their due. A Financial Times survey carried out in 2000 revealed that at that time, at least 15 banks based in London were giving full co-operation to the circle of those who were close to the defunct Abacha in laundering the money he had embezzled (FT, 29/09/2002).

Le Monde claimed in its account of a report by the Financial Services Authority (FSA), an official British body that monitors the banking sector, that two major French banks actively collaborated with the dictator Abacha. They were the BNP-Paribas and the Crédit agricole Indosuez. According to Le Monde, «Between February 1997 and January 1998, 36 million dollars are believed to have transited through the former Paribas bank in ten payments made into a Swiss account. Apparently these were bribes paid to the former leader's circle by French businessmen of the BTP group (a construction and public works firm). The former Banque nationale de Paris is also believed to have transferred 7 million dollars from London to the Geneva account of a phoney import-export company set up by the dignitaries of the military regime. Lastly, the Crédit agricole Indosuez is thought to have served as the go-between in the payment of 92 million dollars linked to falsified Nigerian debt paper.» (Le Monde, 6/10/2001).

According to the Financial Times, the FSA's confidential report mentioned above accused 23 London banks of having helped S. Abacha, during his dictatorship, to stash away 1,300 million dollars in stolen funds. In Switzerland, in October 1999, at the demand of the new Nigerian government, the Attorney General of Geneva had ordered the 130 bank accounts relating to the circle of the late dictator blocked. They contained 645 million dollars. In September 2000, the Swiss public bank-monitoring commission censured 14 banks, including Crédit Suisse, for having dealt with S. Abacha. In 2001, the British banking authorities finally ordered the sequestration of Abacha's accounts in 19 London-based banks (including Barclays Bank, Citibank, Deutsche Bank and Merrill Lynch). Too late, only 30 million dollars still remained in these accounts. The case of the funds embezzled by Abacha is far from settled.

The examples mentioned above show that it is possible to fight for the recovery of ill-gotten gains. However, without active parliamentary and citizens' control of such procedures, there can be no guarantee that the returned money will be used directly to the advantage of the populations who need it.

10. The 'brain drain' from South to North

Although the North has gradually closed its borders to the South's citizens, some countries in the North - especially the USA - have made exceptions to allow for a brain drain from the South (and East). Having received publicly funded training and professional experience in their home countries, citizens from the Periphery are welcomed in the North. In some cases, the number of people involved is quite staggering. Sudan, for example, has lost a large share of its educated work force. In 1987 alone, it lost 17% of its doctors and dentists, 20% of its university teaching staff, 30% of its engineers and 45% of its land surveyors. All these professionals went North (UNDP, 1992). A large number of scientists from the former Eastern Bloc have gone to the USA since the beginning of the 1990s.

In 2000-2001, there was an increase in the transfer of qualified staff from countries of the Periphery to the countries of the Centre. Computer analysts, on the one hand, and medical staff (doctors, nurses, etc.) on the other, are especially sought after. Moreover, a study quoted by the World Bank in its 2003 Global Development Finance report estimates that over a third of people with higher education diplomas in Africa, Central America and the Caribbean have emigrated to the USA or other OECD countries (World Bank, GDF 2003, p. 169).

A. Losses sustained by the South due to protectionism in the North

1. Protectionism in the North against products from the South

The capitalist governments of the North impose restrictions on the flow of goods by using tariff (duty) and non-tariff (quotas and regulations on standards and quality) barriers. According to UNCTAD this represents an annual loss of several hundred billion dollars (UNCTAD, Trade and Development report, 1999; Horman, 2001, p.27; UNDP, UNDP Poverty Report 2000, p.51).

The average rate of effective protection of the highly industrialised countries' markets, according to a study by UNCTAD, is twice as high regarding developing countries as it is for other industrialised ones.

complexity of the procedure is due to the fact that the Swiss Supreme Court of Justice demanded that a Philippino court should pronounce judgement on the sum transferred by Switzerland to a Philippino bank account. Close associates of the late Marcos tried to get their hands on the money. In July 2003, the Philippine Supreme Court of Justice finally decided, by 12 votes to 0 and one abstention, that the money in question had been acquired illicitly by Marcos and should therefore be made available to the Philippino authorities.
As for farm products, the European Union (through the Common Agricultural Policy), the USA and Japan subsidise agricultural production. This means farm-product imports from the South are less attractive. The EU and USA have become net exporters of farm products to the rest of the world. Their subsidies (over 360 billion dollars in 2002) to the agricultural sector (largely to agro-business) make their products more affordable in the South's markets than some locally produced items (Kroll, 2001, p. 10).

The solution is not to open up all borders and lower customs tariffs. The suggestions put forward by the international movement Via Campesina (Via Campesina, 1998; see also Berthelot, 2000 and 2001; Bové and Dufour, 2000; Via Campesina, 2002) should inspire alternative proposals (see Chapter 18) to the free-trade creed of the WTO and the highly industrialised countries.

2. Limits on the right of the South's citizens to look for work in the North

We have already seen how the governments of the North skim off the cream of the South and the East's 'brains'. At the same time, they strictly limit the right of people from the South to sell their labour in the North.

The 1992 edition of the UNDP's World Report on Human Development clearly challenges restrictions on the freedom of movement of people from the South to the North. Such restrictions have been put in place by the governments of the industrialised capitalist countries.

One of the major sources of lost revenue for the Third World is the restrictions on the labour force. According to a conservative estimate from the UNDP, the cumulative loss of hard-currency remittances for countries of the South, due to the suspension of legal immigration in the 1980s, is in the range of 250 billion dollars (UNDP, 1992).

Showing equal caution, the UNDP 1992 report calls for the abrogation of restrictive measures taken by governments of the North to limit the free movement of people from the South to the North. Were these measures to be lifted, the UNDP estimates that every year two per cent of the Third World work force would decide to emigrate. If these workers earned the minimum wage, in line with the poverty threshold in industrialised countries (about 5000 dollars per year), their annual income would total some 220 billion dollars. They would send between 40 and 50 billion dollars to their countries of origin, the UNDP calculates that after five years such remittances could come to total at least 200 billion dollars per year (UNDP, 1992, pp. 63-64). If this recommendation by the UNDP had been implemented from 1992, the extra funds sent would have represented over 2.000 billion dollars for the period 1992 – 2002.

The UNDP rightly points out that the effects of these losses are cumulative, given that the cost of opportunities denied in the present increases with time.

ODA stagnates while migrant workers send more home

In 2002, despite the draconian obstacles to people's freedom of movement and settlement, migrants sent 80 billion dollars to their home countries in the Periphery, while net ODA that States got was 36.7 billion dollars. Even considering total ODA which came to 57 billion dollars in 2002, according to the OECD's Development Assistance Committee, it remains clear that migrants were more generous than the governments of the highly industrialised countries. The total amount sent to the developing countries by migrants is so great that it has given rise to numerous studies in recent years. It is so much that it has attracted the attention of private bankers, governments and institutions like the World Bank. Profit beckons yet again, as we are about to see.

The worsening of the international economic situation and of living conditions in the developing countries have prompted increased solidarity on behalf of the migrants established in the "rich" countries. Even though their own situation has suffered as a result of the economic depression affecting the Triad countries, migrants have increased the amounts they send to their families. Whereas the total amount sent remained fairly stable during the years 1997 to 2000 (see table 9.9.), there was a marked increase of 20% over the two year period of 2001 and 2002.

Table 9.9.

9 Exactly 32,853 millions dollars in donations and 3,836 millions dollars of net transfers on the concessional debt (net transfers on the concessional debt are positive thanks to loans granted by the IDA, a member of the World Bank), i.e. a total of 36,689 million dollars. Calculated by the author and based on World Bank, GDF, 2003. These figures for ODA hardly reflect the reality of financial transfers, as they grossly overestimate the exact amount of aid. Indeed, if the amounts registered as ODA concern a planeload of food and medicines, only the food and medicine actually go to the country. The pilot's salary, the cost of chartering the aeroplane, the cost of buying the food from an agro-business multinational and the medicines from a big pharmaceutical laboratory remain in the North. So it is important to remember that the sums given do not actually arrive in the DC as such, unlike the money sent by migrants to their families back home. (même si les intermédiaires du transfert se servent au passage).
Over the same period, Official Development Aid did not increase, investment flows dried up, bank and public bilateral flows became negative from the end of the 1990s. Over a longer period, from 1990 – 2002, ODA actually stagnated (in fact in real terms, it fell more than 30%) while migrants’ remittances increased by 160%.

Entire regions of developing countries receive more through donations on the part of migrants living in rich countries than comes into their countries through bilateral ODA donations. World Bank and IMF data show that in 2002, South Asia received four times more from migrants than through bilateral ODA. That ratio is four for North Africa and the Middle East, five for East Asia and the Pacific, eight for Latin America and the Caribbean. Table 9.10.

Another calculation which illustrates the harsh truth is a comparison of the declared budget cost of the donation part of ODA to the real cost. In 2002, the treasuries of the Triad States received twice as much money in the form of repayment as they paid out in the form of loans. In 2002, they lent 18.8 billion dollars to the developing countries while the latter repaid 36.9 billion on previous loans. Therefore the treasuries of the Triad States made a surplus of 18.1 billion dollars (36.9 – 18.8 = 18.1). The same year, the same treasuries paid out 32.9 billion dollars in the form of donations to the developing countries. ... They were thus able to finance more than half their donations using...
the above-mentioned surplus. The net cost of the donation part of ODA was 14.8 billion dollars (32.9 − 18.1 = 14.8).

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The USA devoted 11.4 billion dollars to ODA (concessional loans + donations) whereas the migrants living there sent 28.4 billion dollars to the developing countries. Every year, Belgium and Switzerland give a little under one billion dollars each in ODA (0.9 billion dollars in 2001). Over the same period, the migrants living on their territory sent 16.2 billion dollars (8.1 billion from Belgium and the same amount from Switzerland) to the developing countries, i.e. nine times more (source: World Bank, GDF 2003, pp. 160 and 199).

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Migrants’ remittances are a source of juicy profits for banks. It is estimated that to send 72 billion dollars to the developing countries in 2001, migrants had to pay the banks the heavy tribute of 12 billion dollars. Banks keep between 7 and 18% of the amount sent by migrants - and these are the same banks who scream blue murder at the proposal of a Tobin-style tax of 0.1% on foreign currency transactions.

US banks make huge profits on « remesas », the remittances sent home by Latin American immigrants. In 2001, 28.4 billion dollars were sent to the developing countries from the USA. Nearly a third of this went to Mexico, procuring about 1.5 billion dollars for the US banks. The authors of Global Development Finance 2003 observe a relationship of cause and effect between Citigroup, the biggest bank in the USA (and the world) bank, taking over the Mexican bank Banamex in 2001, and the size of the profits made on Mexican immigrants’ remittances. « The large and fast growing business opportunities associated with workers remittances have attracted at least two major FDI deals in Mexico recently. Valued at 12.5 billion USD, the Citigroup-Banamex deal in 2001 is the single biggest investment south of the border for any US company (Wall Street Journal, December 12, 2002). In December 2002, Bank of America paid Santander 1.6 billion USD for part of Serfin. ” (WB, GDF 2003, p. 161)

Hard currency coming into the developing countries from migrants’ remittances serves as a basis for other deals. In August 2001, the Bank of Brazil issued a loan of 300 million dollars on the basis of the future remittances of Brazilian migrants living in Japan. Backed up by the certainty of receiving a specified sum, to be sent by migrants, the developing countries have regularly issued international loans in the form of bonds. S. Ketkar and D. Ratha, World Bank specialists in securitisation, claim that this is the case not only for Brazil, mentioned above, but also for Salvador, Mexico, Panama and Turkey. S. Ketkar and D. Ratha encourage other developing countries to do the same. They reckon that it is the only way that some Sub-Saharan and South Asian countries will ever get access to the finance markets.


Hard currency inflow from migrants has reached such proportions that the World Bank is trying to propose that its consultants should be brought in to better manage the flow. Watch your wallets!

Another important consideration is that the migrants’ remittances procure developing countries’ governments large amounts of tax. Since the families receiving the migrants’ money mainly spend it to satisfy their needs in consumer goods, it also contributes to increasing tax revenue. In the case of Mexico, one study concluded that the equivalent of 15% of migrants’ remittances find their way into the State coffers in the form of VAT.

Comparing the behaviour of migrant workers to that of the capitalists of the Periphery, one can only conclude that while the former send considerable amounts back to their country of origin by way of solidarity, the latter are busy doing everything in their power to send their accumulated capital the other way.

Who are the real beneficiaries of Official Development Assistance (ODA)?

‘The share of ODA that remains in developing countries is very small. Almost all the money provided quickly returns to rich countries in exchange for products purchased from them.’


‘Official Development Assistance’ is made up of the grants and soft loans (at favourable rates) provided by the public bodies of the OECD grouped together within the DAC – Development Assistance Committee. It is sufficient

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12 How does this relate to the GDP of the Triad countries? 14.8 billion represents about 0.07% of the Triad’s total GDP which comes to about 27,000 billion. It should be recalled that the rich countries promised to commit 0.7% of their GDP to ODA. It is generally considered that migrants send between 10% and 20% of their income to their families back home. The generosity of the meek contrasts with the avarice and greed of the powerful.
for a loan to be made at below market rates for it to be seen as assistance, even if every cent is paid back by the borrower-country.

It is the DAC which designates the countries to receive assistance; not all developing countries are included. The DAC members have now created a second list of beneficiaries of official aid… This includes most of Central and Eastern Europe, countries like Israel, colonies like New Caledonia, French Polynesia, the Dutch Antilles, the Virgin Islands (GB)… The aid they receive is called "official assistance".

This aid is made conditional upon the reduction of the public deficit, privatisation, environmental good conduct, policies aimed at the poorest sectors of the population, and democratisation, among other things. All such conditions are laid down by the North's main governments and the World Bank-IMF. Recent additions to the rhetoric are the notions of good governance and the fight against poverty.

This aid is entirely provided by the member States of the DAC through two channels. The first is directly administered by the States in the DAC and counts as their bilateral aid. The second is managed by the multilateral institutions. Bilateral aid represents about two thirds of ODA and multilateral aid the rest. As far as multilateral aid is concerned, the international financial institutions (World Bank, IMF and Regional Development Banks) take the biggest share (about 45%), followed by the UE European Development Fund (about 30 %), and the various specialist institutions of the UN which represent only about 25 %.

A small portion of bilateral aid is allocated to NGOs of the DAC member States, who are responsible for getting it to the developing countries. According to the World Bank, the donations that the ONG make to the populations of ODA beneficiary countries totalled a little over 7 billion dollars in 2001 (part of this amount comes from member States of the DAC via the public subsidies that the NGO receive; the rest is collected directly by NGOs from the public and/or from private foundations).

ODA dropped by more than 30% in real terms between 1992 and 2000, even though the Northern heads of state present at the 1992 Rio Summit promised to increase annual ODA by 125 billion dollars, i.e. triple its volume.

By our calculations, ODA provided by industrialised countries and multilateral institutions to the developing countries as a whole came to 36.7 billion dollars in 2002. This is a much smaller amount than the total of migrants' remittances (see table 9.11.).

Moreover, if we put on the other side of the scales, capital outflow due to net transfers on debt (95 billion in 2002), to repatriation of profits by multinationals (66 billion in 2002) and to capital flight (about 150 billion in 2002), only then can we begin to weigh up the net transfer of capital from the developing countries to the Centre. The net contribution of ODA represents about a tenth of capital outflow for that year. And that is not counting the straightforward pillage of certain natural resources, the effects of the brain drain, losses due to unfair trading….

Table 9.11.

<table>
<thead>
<tr>
<th>Different financial transfers between North and South in 2002 (in billions of dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers' remittances to their home countries</td>
</tr>
<tr>
<td>------------------------------------</td>
</tr>
<tr>
<td>Workers' remittances to their home countries</td>
</tr>
<tr>
<td>Net ODA and OA</td>
</tr>
<tr>
<td>Profits remittances to North by MNC</td>
</tr>
<tr>
<td>Net transfers on debt</td>
</tr>
</tbody>
</table>

Graph drawn by Damien Millet and Eric Toussaint, based on the World Bank, GDF 2003

ODA = tied aid

13 List II includes the following: Byelarus, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Rumania, Russia, Slovakia, Ukraine, the Dutch Antilles, Aruba, the Bahamas, Bermuda, Brunei, the Caymans, South Korea, Cyprus, the United Arab Emirates, the Falklands, Gibraltar, Hong Kong, Israel, Kuwait, Libya, Macao, Malta, New Caledonia, French Polynesia, Qatar, Singapore, Taiwan and the Virgin Islands (GB).
Further criticism of ODA. ODA is usually “tied aid”. This means that funds given or loaned will be used to buy products or services from the donor country. Multilateral ODA is not exempt from the same criticism as the most influential countries in the IFI systematically seek to promote export firms based in their own countries. In a press release dated 13 April 2000, then Secretary of State for the US Treasury Larry Summers revealed that in 1998 US firms had received orders worth a total of 4.8 billion dollars within the framework of loans and investments made by the World Bank and the IMF. On the other side of the Atlantic, a report that the World Bank and the IMF had read at the French National Assembly included the following passage. «Global results in terms of return rates or market shares profiting French firms are good, but conceal significant geographical and sectorial disparities. (… ) France is affected by specific factors reflecting the commercial presence of French firms: a high concentration in Africa which contributes largely to global results (45% of Bank payments to Africa go to French companies) (…) » (Information report on FMI and World Bank activities and auditing, French National Assembly, 13 December 2000). ODA thus appears as aid from the industrialised countries to their export firms.

Bilateral ODA can also be used to compensate exporters from the “donor” country. How? To promote exports from their country’s firms, the North’s governments have set up export credit agencies (public or private, but acting on behalf of the State) that guarantee payment to the exporters from the Centre in case of default on the part of the importers of the Periphery. A considerable part of the developing countries’ external debt consists of debts covered by export credit agencies. According to the Export Credit Agencies Watch (ECA Watch) campaign, in 1998, the outstanding debt guaranteed by export credit agencies represented 24% of the developing countries’ long term debt and 56% of credit held by official bodies (States, multilateral agencies,…), i.e. about 460 billion dollars. Governments of DAC member-countries regularly make use of Overseas Development money by transferring it to export credit agencies that compensate export firms. They justify this transfer on the pretext that it reduces the external debt for certain countries. They charge the cost of transferring monies from one account to another within the same country of the Centre to ODA. In fact it is a transfer from a public fund (the State budget in this case) to a private account (the export company) via an export credit agency. This type of operation is used in debt-reduction initiatives. Belgium is a good example of a creditor country. The Belgian government registers the cost of compensating the Belgian export guarantee agency as ODA expenses, then the agency compensates the Belgian exporters who have not been paid by indebted countries.

ODA as a source of indebtedness

The external public debt of developing countries resulting from multilateral ODA came to 144.4 billion dollars in 2002. The external public debt of developing countries resulting directly from bilateral ODA and OA (concessional loans) then came to 243.7 billion dollars. A very important fact is that every year between 1996 and 2002, the developing countries repaid more as bilateral ODA/OA loans than they received from DAC member-countries!!! The World Bank’s 2003 GDF report gives a total negative net transfer of 22.9 billion dollars in seven years.

Table 9.12

<table>
<thead>
<tr>
<th>Year</th>
<th>Net transfers on bilateral ODA/OA (-22.9 billions of dollars between 1996 and 2002)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>-3.4</td>
</tr>
<tr>
<td>1997</td>
<td>-2.8</td>
</tr>
<tr>
<td>1998</td>
<td>-3.0</td>
</tr>
<tr>
<td>1999</td>
<td>-0.6</td>
</tr>
<tr>
<td>2000</td>
<td>-3.5</td>
</tr>
<tr>
<td>2001</td>
<td>-3.1</td>
</tr>
<tr>
<td>2002</td>
<td>-3.0</td>
</tr>
</tbody>
</table>

Graph by Damien Millet and Eric Toussaint, based on the World Bank, GDF 2003

14 In the USA, the analogous body is Eximbank; in Germany it is Hermes; in Britain it is ECGD; in France, COFACE (which was privatised in 1994); in Belgium Ducroire.

15 See www.eca-watch.org.
This figure lifts the veil hiding one of the facets of aid. Via ODA/AP loans, the donor countries make money on the backs of the countries they are supposed to be helping\(^\text{16}\).

**ODA hides behind humanitarian rhetoric**

Since the early 1970s, member-countries of the OECD and the DAC pledged 0.7% of their GDP to ODA.

To inflate their statistics, the North's governments do not hesitate to count everything they can as ODA: technical aid, debt reduction (see above), the cost of student grants allocated to residents of developing countries who come to study in the Centre, the maintenance costs of political asylum seekers. Some governments, such as the USA, even add the cost of what they call “the war on terror” (combating international terrorism). This includes, for example, the expenses incurred by reinforcing the security of their staff in Pakistan after 11 September 2001. Several governments include (or propose to in the future) the cost of their participation in peace-keeping operations. By doing this, they count the military spending involved in sending troops as ODA. On paper, this looks like a reduction in military spending in favour of an increase in the overseas development budget. (This was clearly the intention of the Spanish government under Aznar). In 2002, the Aznar government also proposed to include in ODA the losses in tax revenue incurred by the possibility for donors, individuals or institutions, to deduct the donations they make to NGOs from their taxable income. Despite all this, over thirty years after the pledge was made, it is far from being fulfilled.

### Table 9.13

<table>
<thead>
<tr>
<th>Country</th>
<th>ODA as % of GDP (2002)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>0.96</td>
</tr>
<tr>
<td>Netherlands</td>
<td>0.82</td>
</tr>
<tr>
<td>Belgium</td>
<td>0.42</td>
</tr>
<tr>
<td>France</td>
<td>0.36</td>
</tr>
<tr>
<td>Switzerland</td>
<td>0.32</td>
</tr>
<tr>
<td>UK</td>
<td>0.30</td>
</tr>
<tr>
<td>Canada</td>
<td>0.28</td>
</tr>
<tr>
<td>Germany</td>
<td>0.27</td>
</tr>
<tr>
<td>Japan</td>
<td>0.23</td>
</tr>
<tr>
<td>USA</td>
<td>0.12</td>
</tr>
</tbody>
</table>

To try to deal with this evident failure, in March 2002, the UN organised a Conference on Development Finance in Monterrey (Mexico), where ODA was much discussed. The Summit concluded that “a significant increase in ODA is needed” but the idea of doubling ODA (to about 100 billion dollars), proposed by the UN Secretary General and the World Bank, was not retained. Yet it is indispensable to double it, if only to fulfil the modest Millennium Development Objectives (one of these is to halve the percentage of people living in extreme poverty between 2000 and 2015). The USA categorically refused any commitment even to reaching the existing target of 0.7% of GDP. Instead, they chose to put the emphasis on private investments, which everyone knows are avid for profit and deaf to social needs. In short, the Monterrey Consensus, which emerged from this gathering, does nothing to question the sinister Washington Consensus of the 1980s and 1990s.

**ODA in line with the major internal and external political strategies of the governments of the Centre**

In his book “Give and Take. What’s the matter with foreign aid?” (Zed Books, 2002, pp. 41-42), David Sogge provides an outline of the different motives that lie behind the provision of official development aid by governments of the Centre. This is how he lays them out:

*Strategic socio-political motives*
- Short term: Abroad, to reward and keep a client ‘on side’ politically during negotiations, wars or other crises; to defuse public protest and insurrection; to provide a base for intelligence-gathering; to influence decision-making in international fora. Author's note: see how the USA and others 'buy' votes to support their policies at the UN

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Security Council, WTO, etc.]. At home, to reward or retain loyalty of ethnic/political constituencies, to be seen to be ‘doing something’ during a crisis.

- Long term: Abroad, to gain regular access to and loyalty of leadership at the receiving end; to win or deepen acceptance of a doctrine or model of development; to reinforce a country’s place in a larger economic, political and military system; to stabilise economic or demographic trends in a country or region in order to stem such unwanted effects as terrorism and migration; in international institutions, to set and steer economic and political agendas. At home, to consolidate political support of voter and contributor constituencies, particularly the private sector, but also those with ethnic ties to aid recipients.

Mercantile motives
- Short term: Abroad, to seize market opportunities. At home, to promote interests of a sector of business and related employment; to improve the lender/donor’s balance of payments; to assure the solvency of creditor banks, public or private.

Longer term: Abroad, to win, expand, protect trade and investment opportunities, including strategic access to raw materials and cheap labour; to shape and stabilise North-South economic roles and hierarchies; in international institutions, to win and stabilise adherence to economic rules. At home, to consolidate and protect economic sectors.

Humanitarian and ethical motives
- Short term: To show concern and compassion for victims of war, upheaval and natural catastrophes;

Longer term: Abroad, to demonstrate concern about poverty, human rights abuse including the human rights of women; to compensate for damages. At home, to show solidarity with a particular country or group, to claim the moral high ground ».

The more a country in the South spends on arms, the more ODA it receives

One of the most striking examples of ‘tied’ bilateral aid is that of the arms trade. The more arms a Third World country buys, the more aid it receives from industrialised countries. Industrialised countries have an iron grip on most of the global arms trade. The USA dominated the market with 50% of arms exports in the period 1995-1999, followed far behind by the Russian Federation, 13%, France, 10%, and Great Britain, 6.5% (Serfati, 2001, p.165). These economic giants all have public-sector companies or MNCs in the arms trade, constantly on the lookout to conquer new markets. While companies in other sectors are being privatised one after the other, the arms industry is quite happy to remain under state control. Private arms manufacturers also derive tremendous advantages from the military and economic power of their respective states, which help them find customers for their killing machines.

US weapons manufacturers are highly concentrated. Seven of them rule the market: Lockheed Martin, Boeing, Raytheon, General Dynamics, Northrop, TRW, United Technologies. The main one, Lockheed Martin, world leader in arms production, enjoyed 855 million dollars of public aid from the US government to absorb Martin Marietta, another North American arms manufacturer. (That is almost equivalent to the entire debt of Chad, a country with 7 million inhabitants.)

Claude Serfati makes the following comments. "It has to be said that ties between leaders of industrial groups and US political decision-makers are all the closer since the former generously finance the latter. During the 1996 presidential campaign, records were broken with 13.9 million dollars donated by arms manufacturing groups, 9.1 million to the Republicans and 4.8 million to the Democrats." (Serfati, 2001, p.165). He also tells us that "today the top five groups get 40% of the 60 billion dollars in annual orders from the Defence Department and about a third of the 38 billion dollars set aside for military research and development" (Serfati, 2001, p.84).

Developing countries account for about 15% of global arms purchases. While it in no way justifies such spending, it is important to keep in mind given the share of the world’s population (85%) that lives in developing countries. Contrary to what many in the North often hear and think, Third World countries are not the world’s main spenders on arms. In 2001, US military spending (less than 5% of the world’s population) accounted for 36% of global military spending. The G7 countries accounted for 63%. The Russian Federation and China, 3% each (Serfati, 2001,p.86; Upstream Journal May/June 2001, p.9; for the years 1985 and 1996, see Achcar, 1999, pp.18-20).

It is significant that "countries that devote major spending to the military (more than four per cent of GNP) receive about twice as much ODA per capita as those whose arms spending is less (between two and four per cent of GNP)" (UNDP, 1992, p.46).

In its 1994 report, the UNDP returns to this subject: "Assistance more frequently goes to strategic allies than to poor countries. [...] Until 1986, donor countries provided on average five times more in bilateral aid to countries with high arms spending than to those whose arms spending was low."
"In 1992, [high arms spenders] were still receiving two-and-a-half times more aid per capita than [low arms spenders]" (UNDP, 1994). Israel, for example, an American strategic ally in the Middle East, receives 176 dollars in US aid for each poor person while Bangladesh only receives 1.7 dollars.

The authors of the 1994 UNDP report draw attention to the double standards of the industrialised countries' governments: "Some donors argue that discrimination against countries with high military spending would violate their national sovereignty. This is a surprising argument given that donors are not so reluctant to violate national sovereignty in a large number of other government policy fields." An example is given of demands made on aid recipients to eliminate food subsidies, to devalue their currencies and to privatise their state-owned companies. The report then says: "This contrast was particularly in evidence during the period of structural adjustment in the 1980s. Many donors watched in silence as dramatic cuts were made in social spending, while military spending continued to climb. In sub-Saharan Africa, military spending went from 0.7 per cent to 3.0 per cent of GNP between 1960 and 1990. Thus, some developing countries preferred to balance their budgets by compromising human lives rather than by reducing their military spending."

In the early 2000s, governments of the North and their arms industries made the countries of the Periphery increase their arms orders. At the same time, arms spending in the highly industrialised countries, after a fall between 1986 and 1997 (between 1986 and 1994, a fall of 21% in the USA against a reduction of 69% for the former Warsaw Pact countries and China), began to climb again significantly. In the USA, the Clinton Administration started off the upward trend quite sharply. His successor, Bush Junior, intensified the rise, particularly by investing in anti-missile defence (National Missile Defense – NMD - and Theater Missile Defense - TMD), a central instrument of North American military strategy.

It will be noted that in 2003, the US defence budget alone represented about twice the amount of the entire external debt of Sub-Saharan Africa (which came to about 205 billion dollars in 2002 for a population of over 600 million inhabitants). The arms manufacturers of the North press their governments to win new contracts in the East. «A fine mixture of military and industrial interests is revealed by the fact that the US Committee for NATO Expansion is presided by none other than the Vice-president of Lockheed Martin (which got 18.5 billion dollars’ worth of orders from the Pentagon in 1999). Now one of the conditions placed on NATO admission for those countries is that they increase their military spending in order to modernise their equipment, left from the time of the Warsaw Pact and considered obsolete, and especially to make them compatible with NATO armaments. In other words, that they acquire US equipment.» (Serfati, 2001, p.130). Claude Serfati mentions that Poland, the Czech Republic and Hungary bought a hundred F-16 aircraft (produced by Lockheed Martin). The American offensive has become virulent: the Pentagon has bought up Mig 29 and Suthoï 27, 30 and 37 craft from the former so-called Socialist camp and replaced them with US weaponry. The US military-industrial complex is launching a new generation of weapons. They are therefore trying to clear out the arms stocks of the preceding generation (F-16 for example). Countries will be getting arms which, from a technological point of view, will be obsolete within a few years, when they will have hardly even begun paying for them. And the new generation of arms will give the USA a strategic advantage in case of conflict, as the States will completely dominate the arms technology of the others. They will provide their clients with spare parts and technical assistance for the outmoded equipment while progressively arming themselves with weapons of the new generation.

In the Third World, US manufacturers have also scored points off their Northern competitors. The USA accounted for 48.9% of arms sales to the Third World in 1991, 56.8% in 1992 and almost 75% in 1993. Between 1996 and 1998, the pages of the American and Latin American press were filled with a heated debate on the arms trade. In 1977, in the heyday of Latin American dictatorships, President Carter had decreed an embargo on arm sales to Latin America. This legislation has been called into question by the North American war industry that wants to profit from a Latin American market also coveted by European arms industries. In South America, the USA's political and geo-strategic offensive takes the form of Plan Colombia whose regional implications are enormous. (Colombia, Venezuela, Brazil, Ecuador and Peru are all directly concerned). The USA wants to lend or give money to the Colombian government to purchase more American military hardware on the pretext of combating drug production and trafficking.

The USA is also very busy elsewhere in the Third World. Of course, they have a strong presence in the Mediterranean region, especially in Turkey, and in the Middle East. Israel is the country that proportionately receives the most US official development assistance. A large portion of this aid is spent on arms. Saudi Arabia is one of the American military sector's main customers. Asia is also at the centre of US attention (particularly Southeast Asia). If there were any need to demonstrate the extent of US military presence abroad, it would suffice to say that they have over a hundred foreign military bases and that in recent years they have multiplied their military interventions (Afghanistan in 2001 and Iraq in 2003). The invasion of Iraq in March 2003 was in total violation of the UN Charter, transforming the country into a de facto US protectorate. The cost of occupation is between 3 and 4 billion dollars a month. What the US government presented in 2003 as a rescue operation for the Iraqi people is in fact in aid expanding their oil companies, their military-industrial complex and construction companies like Bechtel. The G.W.Bush administration intends to indebt Iraq by saddling it with the cost of the
destruction and the reconstruction of the country and by taking repayments out of Iraqi oil revenue for the foreseeable future.

As for the Western European military industry, in the period 1980-1990 a wave of mergers gave rise to two big European groups in the defence and aeronautics sector. One is BAe Systems of Great Britain, and the other is EADS (composed of Matra-Aérospatiale of France, Dasa of Germany, Finmeccanica of Italy and CASA of Spain). These two companies, plus the French firm Thompson-CSF, and their seven North American counterparts mentioned above, form the ten principal "military" companies of the planet. (Alternatives Economiques, 1st quarter, 2001, p. 31). The former European colonial powers all include a military section in their external cooperation policies, especially in Africa. France and Great Britain are the most active in this field. Indeed, France maintains a formidable military presence in Africa (see the work of François-Xavier Verschave). The decision to create a "rapid reaction force", made at the Nice summit by the European Union heads of State in December 2000, will undoubtedly lead to significant increases in military spending for the member-countries. It is also likely to become an important dimension of the EU's external cooperation with the countries of the Periphery.
For geography, the developments in centre-periphery relations have implications both for the understanding of the new competitive basis for resource development and for greater research attention to the quaternary sector of global economic activities. The concept of centre-periphery in global geography. IT will be useful to begin by considering the concept of a centre and geography. In this connection, it is perhaps appropriate to recall the pioneer Sir Halford Mackinder. Second, and most importantly, their analysis centres on, in their own words, ‘capital exports from the centre to the periphery’ 2. Keywords. Nineteenth Century Real Estate Sugar Industry Sugar Mill Capital Flight. These keywords were added by machine and not by the authors. This process is experimental and the keywords may be updated as the learning algorithm improves. This work has been supported by the following research project of the Spanish Ministry of Economy and Competitiveness: HAR 2012-39352-C02-01.  

Ã© MartÃ­n Rodrigo y Alharilla 2015. It is now so expensive to rent office in the city centre that many companies are relocating. The company has recently downsized its workforce. Reducing the number of employees is the way to stay profitable in the current economic climate.  

The company has finalised the plans to redevelop the disused care-park site. It is going to become a fitness centre for employees.  

The logo and slogan are very old-fashioned. We need to update the whole image of the product and bring it into the 21st century.  

Tobacco on the periphery: a case study in Cuban labour history, 1860-1958. Article. Jan 1985. Jean Stubbs. It traces the 19th century growth of a strong tobacco oligarchy, peasant grower class, and urban salaried work force, alongside slave and indentured labour, and examines how a prestigious manufacturing country was transformed into an exporter of leaf. Visibly poor peasant agriculture concealed foreign and home capital which, while creating some large plantations, used and even propagated a most extreme form of share-cropping. An increasingly archaic industrial structure catered to dwindling leaf yet the colossal transfers were not used to improve the well-being of the East Germans but rather to dismantle the social state, encourage privatizations and keep wages low under the pressure of competition with neighboring Eastern Europe. Germany took advantage of its proximity to the new member states of the East to impose drastic wage austerity: between 2000 and 2007 the nominal unit of labor costs fell by 0.2% per annum, whereas they increased by 2% in France, 2.3% in Britain, between 3.2-3.7% in Italy, Spain, Ireland and Greece. Because private capital is, according to the liberal dogma, always supposed to be more efficient than public investments, the model for the transition was private financing.