

# **Empire Building and Rule: The US in Latin America**

James Petras and Henry Veltmeyer

## **Introduction**

Until its recent revival the notion of ‘imperialism’ had disappeared from academic and political discourse. However, except for the odd intellectual dinosaur, many writers, journalists and academics have reintroduced the concept of imperialism into their analysis of world power. Forms of analysis that employed the Gramscian notion of ‘hegemony’ have generally proven inadequate for explaining the dynamics of empire-building today, particularly as relates to the new emphasis of the US empire on the projection of military power and rule by force—‘the new imperialism’ (as opposed to the machinations of economic empire in the post-World War II period). Close to fifty years ago the Economic Commission on Latin America (CEPAL) described the world economy in terms of a ‘center’ and ‘periphery’ and twenty years later the world-system theorist Immanuel Wallerstein added to academic discourse on the structure of international relations the rather

peculiar notion of a 'semi-periphery'. But these and other such terms, devoid of any historical, class or state specificity, have now been discarded by most critical writers in the contemporary world as meaningless and thus useless. In addition, as we have argued in a different context (Petras and Veltmeyer, 2001), the recent and by now rather widespread intellectual turn towards the notion of globalization as a means of describing what is going on in the world today is even less useful.

Not that long ago Hard and Negri (2000) could write of an 'empire' as a 'world without imperialism'. Today, however, just three years later the notion of imperialism, particularly as regards the aggressive unilateral projection of state power by the US, has been put back on the intellectual map and the political agenda. All the major questions we face today regarding the nature of international power relations and the reality of multiplying conflicts, patterns of conquests and resistance revolve around the nature and dynamics of imperialism – particularly as regards the most powerful and aggressive imperial power: the United States of America.

However, no sooner had the specter of US imperialism raised its head and reasserted itself in our minds and global politics than it faced serious questions regarding its sustainability in the current circumstances – a question that begs the question as to whether US imperialism in its

most recent incarnation is all that 'new'. The ideologues and advocates of US empire in the current context speak and write at length about the need for a 'new imperialism'—an imperialism that does not hesitate to resort to 'an organized . . . coercive force' (Wolfe, 2001: 13 ) or 'revert to the rougher methods of an earlier era—force, preemptive attack, deception, whatever [might be] necessary' (Cooper, 2000b: 7).

In its simplest form, the question is whether the US empire is ascendant or in decline. But while this appears to be the 'central issue' it actually obscures more fundamental questions that must be addressed, questions that involve relations between domestic politics and the economy to the empire, the dynamics of the forces of resistance and opposition to empire and the political capacity of the imperial state to sustain its outward expansion and deal with domestic decay. To argue as some academics do that the empire is declining because it is 'over-extended' (Kennedy, Hobsbawm, Wallerstein) overlooks the capacity of the imperial ruling class to reallocate resources from the domestic economy in defense of the empire, the efficacy of state and private institutions (the media, etc.) that gird the empire building project and, most importantly, the ability of state officials to recruit clients in the service of empire.

The continuing dynamic of imperial expansion, including the military conquest of three regions (Balkans, Afghanistan and Iraq) takes place with the active support and approval of the vast majority of US citizens who are suffering the worst social and economic cuts in governmental programs and the most regressive tax legislation in recent history. Clearly those impressionable commentators who saw in the occasional mass demonstrations in Seattle, Washington, Cancun and other cities against globalization and the Iraq war as a challenge and weakening of the Empire were wrong. Once the war began, the large demonstrations ended and today there is no mass movement in opposition to continuing bloody colonial occupation nor in support of the growing anti-colonial resistance. Equally serious, the critics of imperial power are unable to account for the *worldwide* nature of the imperial doctrine – of fighting imperial wars ‘everywhere and for the foreseeable future’ according to the Bush doctrine enunciated most clearly in his 2002 ‘National Security Doctrine’. Latching on to the most visible and obvious objective – oil, in the case of Iraq – the activist critics fail to see the multiple sites of continuing imperialist military intervention in Latin America, Africa and Asia (Colombia, Djibouti, and Philippines, etc.). Oil is an important issue in the empire-building project but so is state power in its

various forms (particularly economic and military) and the control and domination of clients, rivals and independent states.

To fully understand the worldwide political and military aggression of the US empire builders, we must focus on the scope and extent of the US economic empire. To appreciate whether the US empire is on the decline or expanding, first of all, we must distinguish between the domestic economy (what we term 'the republic') and the international economy (what we term 'empire').

## **US Economic Empire**

One of the key measures of the economic dimensions of the US Empire is the number and percentage of its multinational corporations (MNCs) and banks among the top 500 firms in the world in comparison to other economic regions. Most economic analysts agree that the driving force of the world economy, the institutions that are central to the international flow of investments, financial transactions and world trade are the MNCs, which, according to UNCTAD (2003), number some 65,000 with an estimated 860,000 affiliates. Equally important, no state can aspire to global dominance if its principal economic agent, the MNC, does not in the aggregate exercise a

paramount role in the world economy. Any serious discussion of the present and future of US imperial supremacy must include an analysis of the distribution of power among the competing MNCs, particularly the Top 500 – UNCTAD's 'multi-billion dollar club'.<sup>1</sup>

There are several ways of identifying the 'leading MNCs' and measuring their relative economic power. For the sake of analysis we follow the *Financial Times* approach and use the data they have compiled. The *FT* ranks companies according to their market capitalization, namely the stock valuation of a company. The greater the stock market value of a company the higher its ranking. Market capitalization is the share price multiplied by the number of shares issued. Only companies in which the free float of stocks is over 85% are included, thus excluding companies with large state or family holdings.

US-based MNCs dominate the listings of the top 500 corporations in the world. Almost half of the biggest MNCs (48%) are US-owned and operated, almost double the share of its next regional competitor -- Europe (28%). Japanese owned MNCs comprise only 9% of the total and the rest of Asia (South Korea, Hong Kong, India, Taiwan, Singapore etc.) together account for fewer than 4% of the 500 biggest firms and banks. The concentration of US economic power is even greater if we look at the 50 largest MNCs, over

66% of which are US owned; and the power of the US economic giants is even more evident when we examine the top 20 MNCs, over 70% of which are US owned. Among the top 10 MNCs the United States controls 80%.

Many analysts, with a rather impressionistic and superficial view of the matter and citing the decline in stock market values of US MNCs as an indicator of a general decline in the US global position, fail to recognize that the stock value of the MNCs of Europe, Japan and the rest of the world also fell – in an equal or to a greater degree – thus neutralizing the effect of an apparent decline in the dominance of the US MNCs. In addition, this analysis fails to take into account the financialization of world capital and the dominance of this capital by the US. Also, the frenzied ‘merger and acquisition’ activity of the MNCs in recent years,<sup>2</sup> can be explained in terms of the dominance of US-based finance capital and its inextricable links to ‘globalizing’ forms of corporate capital.

We can examine several other measures of the continued and consolidated economic power of the US empire. If we compare the net capitalization of the US MNCs among the top 500 firms to the MNCs of other regions we find that the value of US MNCs exceeds the combined valuation of all other regions. The valuation of US MNCs is from \$7.445 billion to

\$5.141 billion. Thus US MNCs have a market value more than *double* that of its closest competitor -- Europe.

The argument for a consolidated and growing US world economic 'hegemony' is further strengthened if we examine the eight leading economic sectors of the world economy, namely banking, pharmaceuticals, telecommunications, information technology hardware, oil and gas, software and computer services, insurance and general retailers. US-based MNCs are a majority of the top ranked in five sectors, have 50% in one sector (oil and gas) and are a minority in one sector (insurance). The same pattern is true if we examine the so-called 'old economy'. US-owned MNCs in the old economy, including mining, oil and automobile, chemical and consumer goods, number 45 of the top 100. Among the top 45 MNCs connected with manufacturing the US MNCs number 21, Europe 17, Japan five and the rest of the world two. The US has the top ranked company in 23 out of 34 industry groups. US MNCs control nearly 59% of the leading manufacturing and mining firms, almost equal to the combined European and Japanese MNCs. The major area of US weakness is in the electronics sector where the US has only two of the top 23 firms.

Insofar as the MNCs are the driving force for economic empire-building – the primary agent of what we might very well term 'economic imperialism' -- it



is clear that the US is still dominant, showing few to no signs of 'weakening' or being in 'decline', losing ranking to either Japan or Europe.<sup>3</sup> The thesis of an over-extended empire or declining economy has no apparent basis in any facts. The speculative bubble of recent years only affected the IT (information technology) sector, but again this is true for the US' competitors as well. Moreover, while the IT sector declined, sectors of the 'old economy' revived or expanded. And even within the IT sector, there has been a process of concentration and centralization of capital – with Microsoft, IBM and a few other US giants advancing in ranking while many others declined.

While fraud and corruption have affected investor confidence in US MNCs, it has also been the case in Europe and Japan. The result has been a *general* decline in the market valuation of all MNCs in each of the trilateral competing imperial centers (US, EU, Japan). The worldwide decline in stock valuation is evident if we compare the total from one year to the next: in 2002 the net value was \$16,250 billion compared to \$12,580 billion in 2003 – a decline of 22.6%. However, approximately half of the decline took place in the IT hardware sector.

The indisputable fact is that the US economic empire is dominant and in an ascending phase, its depth and scope surpassing its European and Japanese rivals by a multiple of two in most instances. The advocates of a 'declining

empire' thesis either fail to grasp the economic structural elements of the US empire or resort to long term forecasts based on historical comparisons to conclude that sometime in the future the US empire will, like all empires, decline (Hobsbawm). Long-term historical forecasting of an inevitable decline has the virtue of *consoling* both the billions of people facing exploitation and destructive wars and the rulers of nations threatened with military invasion and the takeover of their lucrative natural resources. But it is irrelevant for diagnosing the structure and dynamics of economic power today, as well as grasping the forces ranged against it. The thesis of decline is based on abstract theorizing, at worst wishful thinking and at best invalid extrapolations from the *domestic* economy to the empire.

What needs to be emphasized is that the 'contradictions' that threaten the empire are not simple *economic* deductions from an assumed 'overextended empire' that presumably will energize 'the people' to topple or force the imperial policymakers to rethink their imperialist project. The US empire is built and supported by both major political parties and by all branches of government, and has followed an upward trajectory via imperial wars, colonial conquests and corporate expansion, particularly as of the defeat in Indochina. Imperial defeats and moments of decline are a direct result of political, social

and military struggles, most of which have taken place in Latin America and Asia, and to a lesser extent in Europe and North America.

### **Militarism and the Economic Empire**

There is little doubt that the US global economic empire has had a long-term, large-scale positive connection to the US military empire. They are two parts of the same structure – and project. The US has military bases in 120 countries around the world that form the core of the military empire. US militarism, involving wars, proxy interventions via mercenaries, contracted combatants, special forces and covert intelligence operations have created, in many regions of the world over a prolonged period of time, favorable conditions for the expansion of the US economic empire. Regimes that impose restrictions on or exclude US-based direct investments (FDI), refuse to pay debts owed to US banks, nationalize US overseas holdings or support nationalist movements have been threatened into submission, subverted or invaded, resulting in the imposition of client regimes favorable to US empire building. There is no precise sequence between economic expansion and military action, although there is a vast overlapping network of ties. In some cases, economic interests dictate military bases or CIA intervention (as was

the case in Chile in 1973); in other instances military action, including wars, have been used to force countries to submit to the project of economic empire building (Iraq in 2003).

Nor is there a perfect symmetry between imperial military engagement and spending and economic empire building. At times military engagement lags behind corporate multinational expansion, as occurred during the mid-1950s to the early 1960s and later between the end of the Indo-China wars and the early 1980s. At other times the reverse has taken place, with military involvement dominating the political economic agenda. Instances include the Korean War (1950-53), the Indo-China War (1965-1974), the Reagan era (1981-1989) and, it would seem, today in Iraq. The 'construction' of empire does not follow a line of perfect symmetry between the economic and military components. Nor does a periodic, disproportionate emphasis on one or the other lead to the demise of the empire. A review of the past half-century of US empire testifies to this.

The notion of an 'over-extended' empire is based on the speculative and ahistorical assumption that empire building follows some ideal or stylized pattern where military costs and economic benefits go hand in hand. This is false for several reasons: most of the benefits of empire go to the overseas and domestic corporate elite, whereas the costs are borne by US taxpayers

and the low income families that provide the combat and occupation soldiers. In addition, what appears to be a military-economic disproportion in one period appears 'balanced' in the following. For example, US Cold War military expenditures and interventions contributed to the downfall of Communist regimes, which led to windfall profits and the lucrative exploitation of mineral resources in the ex-Communist countries as well as a reduction in social welfare programs in the West. To argue that 'excessive' militarism and military expenditures (the 'new imperialism') is harmful to economic empire building, it would be necessary to show that US corporate control over the world economy has declined; that the access of the US to strategic resources has diminished; and that the US citizenry refuses to suffer the social cuts, the regressive tax burdens and budgetary allocations that sustain the empire building project. However, to date there is evidence for any such developments.

The thesis of the 'over-extension' of the US military empire overlooks the capacity of US empire builders to recruit subordinate allies and client states to accept police, administrative and financial duties at the service of the empire. In the Balkans, the Europeans have over 40,000 troops serving under US dominated NATO command. In Afghanistan, European military forces, UN administrative personnel and a number of Third World client

states supply the personnel to safeguard the US appointed Karzai puppet regime. In Iraq, subordinate allies like Britain and vassal states like Poland and other Eastern European clients supply military and civilian auxiliaries to enforce US colonial rule. Washington's long-term, large-scale client building in Eastern Europe, dating back to at least the 1980s with Solidarity in Poland, provide a large reservoir of political and diplomatic support, mercenary armies in the current drive for empire building. Huge airbases and troop deployment platforms are currently being constructed in Rumania, Bulgaria to match those in Kosova and Macedonia. US empire builders have shoved the Russians out of Central and Southern Asia, building airbases in Kazakhstan, Uzbekistan, Georgia and Afghanistan. The recruitment of client regimes from the Baltic to the Middle East, Central Asia and Southern Asia demonstrates the rapid growth of the US military empire and further new opportunities for US MNCs to expand the economic empire. This extended empire has led to the formation of regional imperial dominated alliances that provide new military recruits to bolster and consolidate an expanding empire. Rather than viewing US empire building as a process of 'over-extension' it should be seen as a process of *widening the pool* for new recruits to strengthen the US military command. US power has learned to discard multilateral power sharing with its European imperial allies and competitors in favor of

subcontracting military occupation and police functions to the new clients from Eastern Europe, Central and Southern Asia.

Throughout the growth and expansion of the US empire, the European Union has followed in the wake of its conquests, financing and providing military and civil administrators. The brief interlude of German, French and Belgian dissent, prior to the US invasion of Iraq was followed by almost total subservience to US imperial policies – bellicose and intrusive demands and attacks on Iran, North Korea and Cuba; commitments to follow the US lead in promoting a rapid deployment force; backing for the US occupation of Iraq (Security Council Resolution 1483) and more generally a recognition that in the words of compliant EU Foreign Secretary, Javier Solano, ‘We don’t want to compete with the United States – it would be absolutely ridiculous – but see the problem jointly.’ The EU generally accepts its role (as defined by Rumsfeld or Wolfowitz) as a subordinated ally of the US drive for worldwide domination, seeking to secure a place at the economic trough and delegated power and minority shares in any of the contracts and privatized companies. Imperialists who argue that heightened European independence and competition would weaken the US empire should read Romano Prodi, President of the European Commission, who in a press statement in Washington on June 2003 said, ‘When Europe and the US are together, no

problem or enemy can face us; if we are not together any problem can be a crisis.' Prodi and Solano represent the new thinking in Europe: better to collaborate with a winning imperialism and secure minority benefits rather than be chastised, bullied and left out in the cold, excluded from the new colonies. Given the promise of helping to foot the initial costs of occupation and colonial state building without challenging US supremacy US empire builders overall tend to welcome and encourage this new thinking.

There are no signs that global militarism is eroding economic empire building in the United States, and this includes the current phase of US wars of imperial conquest. US MNCs continue to dominate banking, manufacturing, IT, pharmaceutical, oil and gas and other strategic industries. The Iraqi invasion has strengthened US control over and access to the second greatest reserves of oil and gas in the world. In addition, there is no imminent popular revolt or citizen rejection of empire building. In the midst of colonial conquest over three-quarters of US citizens – the highest proportion in the world – report they are 'very proud of their country'; more than eight out of ten supported the invasion of Iraq and continue to support the US occupation even when it is public knowledge that President Bush's justification for the war – to destroy weapons of mass destruction -- has been demonstrated to be a pure fabrication. Despite the most regressive tax



reduction in recent history, large-scale slashing of social spending and huge budget deficits, growing evidence that the US occupation forces has nothing to do with 'liberating' the Iraqis, and even the beginnings of a regular US body count of young soldiers, the citizens of the US show little to no signs of mass protest. The anti-war movement of January-February 2003, almost completely disappeared with the successful military conquest and occupation of Iraq. In short, the extension of military activity from the Balkans through the Middle East to South Asia has not adversely affected the international economic position of America's MNCs; nor has it undermined domestic political support of the empire-building project and its architects.

## **The Decline of the Republic**

Notwithstanding the continued growth and consolidation of the American empire there is another side to it – an underside if you will. While the empire prospers and the US military bases proliferate the 'republic' -- the economy within the boundaries of the territorial United States -- declines, its class society more and more polarized, its politics more repressive.

There are two distinct but interrelated 'economies' and state activities in the United States: the empire that encapsulates the world of the MNCs, the global military apparatus and the international financial institutions linked to

the imperial state; and the 'republic' -- the economy, state institutions and social classes that provide the soldiers, executives, tax dollars and markets that sustain the empire. The growth of the empire has visibly impoverished the domestic economy in a variety of ways while enriching CEOs (and their extended entourages) who benefit and direct the overseas activities of the MNCs. US empire builders have added over \$100 billion to military spending to finance the Iraq and Afghanistan wars, cutting health, education and welfare programs. And on the anniversary of 9/11 the administration requested another \$86 billion for the reconstruction efforts – in addition to a \$800 million package for the preparation of a final report on the whereabouts of Iraq's 'weapons of mass destruction'. The social costs of empire are staggering. Today, according to the Institute for policy Studies, there are more than 40 million Americans without any health coverage at all; another \$50 million have only partial and clearly inadequate coverage; and millions more have to spend up to one-third of their net income for an adequate medical coverage. As for the government's social welfare system, the pension and social security funds needed to ensure and protect the welfare of American citizens have been depleted to cover current expenses and to keep the budget deficit from ballooning out of control. At the same time, through the machinations of corporations like Enron – and Corpfocus, a citizens'

corporate watchdog, has shown that Enron is not an isolated case but only the most visible manifestation of an entire system of corporate greed and malfeasance, costing (appropriating for personal enrichment) 'society' millions if not billions of dollars a year – a large number of employee pensions, funded up to \$40 billion, were wiped out virtually overnight (because of the refusal...).

Just in 2003, the financing of imperialism has already led to an estimated \$400 billion budget deficit in 2003, which will likely increase as the military occupation of Iraq will cost at least another \$80 billion (\$86 billion, as per the administration's appeal to Congress) to assure the victory of the forces of 'freedom'. Domestic industrial production, particularly in the automobile sector, has experienced sharp declines in profit margins, as Ford has taken several billion dollar losses while the majority of US manufacturers have invested abroad or subcontracted to local producers in Latin America and Asia. The result is that the subsidiaries of American MNCs have captured an important share of China's exports to the US market but have also increased the US external deficit for 2003 -- a deficit that has climbed to \$500 billion and is still rising. The super- profits earned by the MNCs relocated throughout the new colonial and semi-colonial economies of Asia and Latin America

strengthen imperial institutions while weakening the domestic economy and the government's budget financing and external accounts.

But the 'unbearable costs of global domination' (financier Felix Rohatyn) are, in fact, quite 'bearable' – at least by the America's ultra-rich and an eroding but still extensive middle class. There is no mass revolt despite widening inequalities in the distribution of income, declining living standards, depleted or nonexistent social services, extended working days and higher individual payments to health and pension funds, and massive corruption and fraud -- scandals which rob millions of US investors and pensioners of their savings and pension funds. Unemployment is growing. Including those who no longer bother to register, the unemployment rate now (mid 2003) exceeds 10%. Of course, in certain populations and sectors of society –in residential areas and communities populated disproportionately by Blacks for example – the unemployment rate is much higher – as high as 80% in some areas. And the statistics on this phenomenon does not include the larger problem of under-employment – that up to 40% of the laborforce entails what in the popular vernacular are referred to as 'shitty jobs' with poverty-level wages, poor working conditions and/or irregular forms of nonstandard (part-time, temporary, etc.) employment. The combined statistics on this dimension of the US empire – its underside within the US, behind the domestic ramparts of

empire – point toward a stagnant economy and a decaying society in serious pain where not falling apart.

In this context of domestic decay the empire builders spend massive sums to conquer the world based on fabricated claims. They terrorize the population with paranoiac visions of imminent attacks in pursuit of endless wars, world conquest and horrific carnage of defenseless people. They sponsor or protect domestic anthrax terrorists who terrorized American citizens and served to justify US state terror. By and large the great majority of the Americans just ‘sat back and watched’ (Harold Pinter), or worse, took pride and vicarious pleasure in being identified with the victorious rampaging armies. While the major US cities are bankrupt or heavily indebted, the Federal Government spends billions subsidizing agroexport elites to the tune of \$180 billion dollars over 10 years, handing giant MNC building contractors (Halliburton) with close ties to the empire builders lucrative billion dollar contracts while spending billions to subsidize mercenary armies in Afghanistan, Iraq and Colombia. In the midst of domestic stagnation, the empire builders give massive tax cuts to the corporate elite – those most likely to invest in the MNCs and their overseas ‘operations’.

To attract overseas investment, as a means of financing a huge deficit on the country’s trade account, the imperial state allows US multinational banks

to launder tens of billions of dollars in illicit funds, from multimillionaire tax evaders, corrupt bankers and elite political officials from Latin America, China, Africa and elsewhere (the US Congress, for example). [N on...] The funds to sustain the empire are in part based on a massive corruption of overseas clients who 'invest' in the US economy while pillaging their own countries or opening up their economies to imperial pillage. Nevertheless, as the dollar weakens and profitable opportunities shrink the declining economy of the republic no longer attracts the hitherto high levels of foreign investment. FDI inflows, for example, declined from \$300 billion in 2000, over 20% of total world FDI inflows, to just \$124 billion in 2002 and \$50 billion in 3002 (UNCTAD, WIR-02). The problem is that the republic needs \$2.7 billion a day in capital inflows to finance the external deficit on the trade account that climbed to a historic high of \$354 billion in 2002 (US Census Bureau, 2003).

The result of this situation of a strengthened empire and a weakening republic is greater social sacrifices at home, more protectionism, greater transfers of profits and interest payments from Latin America and other neocolonial regions, more moralizing crusades, more forceful mass media blitzes, even more blatant official lies and new wars to charge up the endless supply of chauvinist juices. In this context, the corporate swindle of millions of US investors and pensioners personally enriched the CEOs and financed the

expansion of the MNCs abroad – and impoverished many. Corruption is not an aberration of a few deviant CEOs; it is a structural feature of US empire-building, both abroad and at home.

### **Imperialist War and the Republic**

Despite the occasional criticism by European leaders and inconsequential dissent from within the republic's legislature', the Bush regime has vastly expanded the empire-building project on the political and military foundations (and networks) of its predecessors, particularly the Clinton presidency. Under Clinton the military empire was extended from the Baltic to the Balkans and beyond to the partial occupation of Iraq. The Bush militarists, however, managed to expand the US military empire via the conquest of Iraq, the Caucasus, Central Asia, Afghanistan and Southeast Asia, and the construction of a vast archipelago of airbases, military supply zones and fortresses from which to attack and conquer the entire southern tier of Asia, up to and including North Korea. In the Middle East, Bush has announced a 'free trade zone' – from North Africa to Saudi Arabia, including Israel -- controlled by the US. As Wolf (*Financial Times*, ) points out, the current adventures of the Bush administration in this strategically crucial region relate

to two concerns behind all forms of empire: control over coveted resources (oil in this case) and a 'security vacuum' -- that is opposition to the empire. Never has the US military empire grown so widely, so quickly and with such ease – making talk (and much writing) about the 'decline of the empire' idle chatter or a self-indulgent exercise in 'faith healing'.

As with the regime's irrational foreign policy on Cuba, certain economic sectors in the US have undoubtedly suffered from the empire's hysterical 'anti-terrorist' propaganda designed to secure public support for imperial wars and conquests. Adversely affected sectors include sectors of the civil aeronautic industries, tourism, and related service activities. However, large-scale state subsidies and interest-free loans have cushioned the corporate sector from these adverse effects.

Empire building in our time is driven by both systemic and political forces, and reinforced by ideological extremism. Simplistic attempts to explain the war by references to the influence of the military-industrial complex fail to take account of the relative decline in the weight of the major aerospace and defense sector among the top 500 firms in recent years. Imperial conquests today are based on both the drive to dominate the world – a project which the United Nations was set up to prevent -- and to open *future* opportunities for the MNCs. The military empire is designed to secure future access to wealth,



not to generate it in the process of conquest. War and the network of military satellites are designed as an adjunct to the system set up to facilitate the making of monopoly profits with the compliance of client rulers disposed to offer exploitation rights to the MNCs.

‘Empire building is no tea party’, a retired colonel from the US Marines once told us, referring to the systematic human rights violations which accompany imperial wars and conquests. Nothing captures the deliberate, planned, violent conquest and brutal occupation embedded in US empire-building than the US *opposition* to the international criminal court and the vicious arm-twisting that has forced over 50 countries to sign bilateral pacts giving US military personnel impunity. But it is not the inhumanity of imperial wars, nor the gross violations of international law, nor the fabrication of provocations to justify the colonial conquest that bring about fissures in the ruling power bloc (state officials and corporate elite). It is the relation between the governing military empire builders and the economic empire builders as to the best way of building the empire and consolidating the structure of rule and domination *without undermining the republic’s capacity to finance the imperial state*.

## **Intra-Imperial Conflict**

The inter-elite struggle over how best to build the empire takes place at several levels. The first and most general issue has to do with the relationship between the militarists and the corporate empire builders. While they share a common vision of the US empire' they (or at least some) disagree over the degree of 'autonomy' with which the militarists are able to act, at times elaborating military strategies that concentrate on conquest rather than economic costs and benefits. Successful military conquests have increased the power and enhanced the<sup>4</sup> independence of the militarists in shaping strategic global strategy over and against some of the concerns of the economic empire builders in the private sector.

The second issue has to do with the distortions in US empire building generated by key empire strategists because of their ties to Zionism and the influence this has in shaping imperial policy, particularly in the Middle East. Zionists like Wolfowitz, Feith, Perle and a host of other architects of the strategy of global conquest, in support of Israeli state policy, are almost fanatically concerned to direct US policy toward destroying Israel's Arab adversaries throughout the Middle East, even when a 'negotiated' approach to the expansion of the US empire – and peace -- is feasible. This is clearly

the case with Iran and Syria, despite the emergence there of liberal pro-US political movements and personalities who are pursuing non-violent methods.

Equally damaging, in the eyes of conventional military and intelligence strategists, the Zionist empire builders have projected a paranoid Israeli point of view of politics – a world full of enemies, including the Europeans, who cannot be trusted and people all over the Third World as potential terrorists. Influential Zionists like Richard Perle follow the precepts of an infamous Israeli military-politician (Moshe Dayan): ‘the Arabs only understand force’. While the Israeli-Zionist ‘philosophy’ is deadly enough in the Middle East, its exponents in Washington have global power and the capacity to implement it on a world scale. The Israeli worldview of ‘preventive’ wars, ‘colonization’, occupation, collective punishment, and the unilateral use of force in defiance of international law has been adapted by US militarists who have long standing ties to Israel and have made Israeli practices the doctrinal guide for their empire-building project.

The result of this ‘Zionist bias’ in US strategic empire-building has generated several points of conflicts within the imperial elite: among the economic empire-builders who look toward alliances with Arab oil rulers to expand their domain; among the professional elite in the US military and intelligence agencies who have been castigated and marginalized by the

Zionists for not providing the 'right' intelligence to justify the wars of destruction of Israel's enemies. This led Under-Secretary of Defense Paul Wolfowitz to form a parallel intelligence structure compatible with the Zionist policy of 'destroying Israel's enemies'. This bogus intelligence group, calling itself a 'cabal', is less an intelligence agency for collecting reliable information than a propaganda agency to fabricate 'reports', justifying predetermined war policies based on the Israeli worldview.

The third level of intra-regime conflict is between Rumsfeld, the Secretary of Defense, and the military-intelligence professionals. Rumsfeld, as the key figure involved in the military empire building process, has been vigorously involved in concentrating power in his hands and that of his personal coterie led by Wolfowitz, Perle, Boulton and other extremist militarists. Rumsfeld has overruled the Pentagon professionals on the reorganization of the armed forces, weapon procurement, war strategy and intelligence operations. He has promoted loyalist military officers over those with greater seniority and military experience, and humiliated those who express the slightest dissent. His tyrannical behavior toward high military officials is his method of stifling any elite discussions. His most loyal subordinates and influential advisers are those who adhere to his extremist military empire building strategy: sequential wars that overlap and combine with worldwide terrorist covert

assassination programs. No doubt Rumsfeld has been the controlling figure in the formulation and execution of the strategy of world military conquest – an imperial strategy that closely resembles, if not parallels, that of Nazi Germany. Rumsfeld's concentration of power within the imperial elite and the hostility toward the professionals was dramatically expressed in his nomination of retired General Schoomaker, former commander of the Special Forces 'Delta', described to one of the authors (Petrus) by senior military officers at the Delta headquarters at Fort Bragg as a collection of 'psychopaths trained to murder'. Clearly the ex-Delta general was selected precisely because his ideological and behavioral profile fits in with Rumsfeld's own.

The first major differences and internal conflicts between Rumsfeld and the military/intelligence hierarchies surfaced in the aftermath of the Iraqi war over the issue of the non-existence of weapons of mass destruction (WMD) in Iraq. As WMD was the Bush Administration's major justification for the war, it provoked debate in the mass media and among some congresspeople. The inter- and intra-elite conflict surfaced when the 'professionals' in the military and the intelligence agencies leaked reports and made statements that questioned the Rumsfeld allegations in the run up to the war. Clearly the 'professionals' were hoping to point to Rumsfeld and the personal

‘intelligence’ coterie as responsible for cooking the data to justify the Rumsfeld-Wolfowitz war plans. In short the intensity of the inter- and intra-elite struggle for bureaucratic power had reached the point at which the pro-empire professionals were willing the question a successful imperialist war to rid themselves of a bureaucratic tyrant who was jeopardizing their project (empire-building) to advance his narrow personal power within the imperial state apparatus. However, with the aid of Congress and the mass media, the militarists were able to bury the issue – and even succeeded in securing public compliance with the war.

The fourth issue within the governing imperial elite is the conflict over the relations between military and economic empire builders. The latter clearly see military action as a *means* to an end – a dominant and hegemonic American empire. For the military imperialists, a military definition of world conquest has become the strategic goal, which, it is assumed, will redound eventually to the benefit of the economic empire-builders. This has led some critics and ideologues among the economic empire-builders to question the militarists’ knowledge of the short and long-term economic costs of an indiscriminant policy of military intervention and permanent war. This may become an important debate over the *methods* of empire building but not about the empire itself, supported by both sides. Added fuel in this debate is

the dispute over 'economic cronyism' that afflicts the militarists. They hand over lucrative post-war contracts to favored MNCs linked to the Rumsfeld-Cheney-Bush clique while ignoring the claims of other corporate sectors.

These disputes between capitalists and the military empire builders, however, are clearly secondary to the powerful interests and policies that unite them. Despite the occasional and passing concerns expressed by some capitalists of the imperialist war policies, the capitalist class, particularly the MNCs are powerful backers of Bush-Rumsfeld empire building.

There are at least eight reasons why the MNCs back the Bush Administration despite certain misgivings among individual capitalists concerning the neo-Nazi doctrine of permanent warfare. While a few editorial writers in the financial press and individual capitalists have criticized the Bush regime's budget deficits, the weak dollar and the growing external accounts deficits, the majority of the capitalist class continue to provide solid support for the Bush's empire-building regime for very concrete reasons. The regime has rejected all international treaties, including the Kyoto agreement, which imposes environmental controls on industry, thus lowering the costs of production for American firms. Secondly, the Bush Administration provides billions in export subsidies particularly to big agribusiness export firms, thus increasing their market shares, increasing their 'competitiveness' and profits.

Thirdly, the Bush Administration provides protective measures for over 200 products, involving tens of thousands of noncompetitive producers who sell in the republic's ('domestic') market, thus blocking or limiting the entrance of more efficient competitors. Fifthly, the Bush regime has decreased taxes for the entire capitalist class, benefiting CEOs of the MNCs and the capitalists operating in the 'republic', thus increasing gains from dividends, capital gains and salaries. Sixth, the Bush Administration has largely tolerated (or participated in) the coverup of corruption on an enormous scale, fraud and auditing felonies in most of the major MNCs and banks. Seventh, the regime continues to tolerate loose banking regulations, in effect promoting billions of dollars of money laundering by American multinational banks. And eighth, the Bush Administration has refused to increase the minimum wage and has pursued an anti-labor agenda, lowering labor costs for big and small business groups engaged in sweatshops and the service sector.

These and similar policies provide the economic bases for long-term, large-scale structural linkages between the Bush Administration and the capitalist class as a whole. This explains the close collaboration between the economic and military empire builders -- between the military empire builders and the business class operating in the republic. The 'trade off' (if there even needs to be one!) involves state financial economic payoffs to the local



business elite in exchange for the capitalist class's political and financial support for the military empire builders.

What allows the US military empire builders to proceed in their quest for world conquest, despite inconsequential and passing criticism from their European allies is the knowledge that they have the solid backing of Wall Street and 'Main Street' (capitalists producing for the domestic market of the republic). Moreover the overseas power and corporate links of the US MNCs and banks with their European counterparts has weakened European resolve to challenge US supremacy and strengthened the hand of the right-wing Berlusconi and Aznar regimes in Italy and Spain.

### **Imperialism: Circuses but No Bread**

Empire building does not provide any payoffs for the workers, employees and small farmers and most business people within the republic. Their support of the Empire is based on the consumption of state propaganda via the mass media -- symbolic gratification in being part of a victorious 'world power' and a servile attitude to established state authority. The lack of a credible left-wing political party or movement further undermines or prevents the formation of popular opposition. Even worse, what passes for Left or progressive journals

and intellectuals was in large part supportive of the US wars against Yugoslavia, Afghanistan and, to a lesser degree, Iraq. Even more telling, the great majority of the American intellectual Left joined the Bush administration in attacking Cuba over the execution of Cuban terrorists and the jailing of US-financed propagandists and subversives. 'Progressive' movements and journals in the US with few notable exceptions have never demonstrated solidarity with the current or past anticolonial resistance movements, national liberation struggles or revolutionary regimes – whether it be the National Liberation Front in Vietnam, the Iraqi resistance or the Cuban Revolution. Most of the US opposition tends to be legalist (citing constitutional law) and moralistic (citing universal precepts) and is divorced from any and all forms of struggle for social change – revolutionary practice certainly but even reformism.

The state, the mass media and the corporate world all encourage a mindless, passive engagement in mass spectator sport and entertainment that creates an apolitical ethos (sports and soap opera heroes and heroines) and reinforces the empire worldview of 'good' and 'evil', where the 'good guys' defeat the doers of 'evil' through violence and destruction. What is most surprising, perhaps, is how few sociologists address this issue or even

conceptualize it as a problem, one that goes to the very foundation of US 'society' and 'culture'.

As the empire grows, corporate funded pensions disappear, medical and pharmaceutical costs skyrocket and unemployment and poverty grow beyond the flawed official statistical recordings. As of July 2003, the official unemployment rate was 6.5% but the unofficial rate was close to double this. Empire-building does not create a 'labor aristocracy' concerned to share the crumbs of empire – at least if we exclude the several thousand trade union officials who draw hundreds of thousands of dollars in annual salaries, pensions and payoffs while the percentage of dues-paying union members in the private sector, only 9% of the laborforce, are both demobilized and demoralized. Social inequalities within the republic are widening and deepening: the ratio of CEO income to workers has gone up from 80 to 1 twenty five years ago to 450 to 1 today -- and it is growing. From 1990 to 2000 executive pay at the top US corporations increased by 571% and recent announcements point towards a continuation of this trend: wages are compressed -- the share of labor in national income has significantly declined (by 12% over the past decade alone) -- while remuneration (salaries, stock options and other benefits) of the top CEOs is growing apace (Weisman, 2002); and the share of 'capital' in national income (money available for

investment) has steadily increased. One of the mechanisms used by the government to reduce the share of workers and households in national income and to increase the share of capital (in the belief that workers will only spend their wages while the rich have a higher propensity to invest their savings and thus promote 'economic growth') is increasingly regressive taxes and the reduction of taxes. According to the Citizens for Tax Justice, corporate taxes will plummet to only 1.3% of the GDP this year. Over half of the tax cuts enacted last year favor the richest 1% of US taxpayers, continuing a trend initiated under the Reagan presidency.

On the other side of this ledger workers in general are subject to increasing pressures on their wages, a reduction of social benefits, deterioration in their conditions of work and the possibility of losing their jobs or not finding one. Relative to their counterparts in Europe US workers have considerably less vacation time (on average less), fewer and reduced benefits, a longer work tenure with longer working hours per week, and, since both of the two dominant parties are controlled by empire builders, no political representation whatsoever. As a result American workers are left out further and further in the cold with each assault on their conditions of life and work – and on their capacity to negotiate these conditions. In this connection, the working class has lost battle after battle in a long class struggle waged by the

capitalists against it. The period from 1968 to 1973 was the highpoint for workers in this struggle both in Europe and the US, but, from the perspective of the working class, the last thirty years has meant a steady decline in organizational capacity, its share of national income and quality of life – and political clout. While US corporate capital launched a series of relatively successful global campaigns in their battle for its share of the ‘emerging markets’ (in Asia and Latin America), and advanced their project for economic empire (within the institutionality of the new world order) the American working class was squeezed, cast aside or trampled underfoot.

Never has capital had it so good over the past two decades -- even better than the ‘golden age of capitalism’ in the 1950s and 1970s. And labor has never had it so bad – at least since the 1930s. Average wages today in the US are at or below the wage rates of 1973 and, according to the Economic Policy Institute (EPI), a fourth of the working population today in the US is earning poverty-level wages. In a situation of skyrocketing executive compensation and wealth accumulation the American working class has borne the brunt of the adjustment of the US economy to the requirements of the economic and military empire. The social costs of this empire, borne disproportionately by the working class in its multitudinous forms and

multiracial divisions, are absolutely staggering, and no more so than under the current regime.

What is surprising (or at least not well explained by anyone) is that the *objectively* defined and well-documented losses of the working classes have not led to any significant opposition to empire building except, it seems, among blacks – who, as it happened, opposed the Iraqi war by a substantial margin. Of course, in many areas up to 40% of blacks, particularly the youth and those of ‘productive age’, are either unemployed or caught up in the machinery of the justice system – or both. The erosion of the welfare state, heightened levels of exploitation and the oppression of workers of color (and recent immigrants), together with the upward transfer and concentration of wealth, all help serve to finance the regime’s empire-building project. This is clear enough. Equally clear is the negative social and political sideeffects of this process. Large-scale corporate corruption in a stagnant speculative economy and rising unemployment has accompanied a dramatic rightward shift in imperial politics. There has also been an increase in corporate crime, national chauvinism and the spread of social Darwinism, an ideology that pits the self-seeking individual against others in a struggle for survival and advantage. Unemployed and under-educated minorities in this context in large numbers choose to join the imperial army while many poor white

workers express their socially constructed hostility towards Muslims, Arabs and Middle Eastern peoples. The affluent leaders of the major Jewish organizations give unconditional support to the butcher Sharon and their ideological counterparts in the Bush regime as they plan for new imperial wars, the next one aimed at Iran. Meanwhile 'progressives' once again begin their perennial futile effort to transform the Democratic Party from an imperial into a democratic party of the republic.

A major challenge to the empire does not exist in the US, at least not in the foreseeable future. Neither the dissident capitalists (viz. the growing gap between the empire and republic), nor the working class in its many divisions can form the social base of a consequent opposition. The main threat to the empire comes from the outside -- from the ongoing mass and class struggles in the Third World, which is to say, Latin America, the Middle East and Asia.

### **Imperialism in Latin America – a Matter of Economics and Politics**

Nowhere in the contemporary world have economic relations between the Empire and Third World regimes been so one sided – so beneficial to the former and so detrimental to the latter -- as in Latin America. To look at and discuss this issue of empire-client state relationships it is necessary, first of

all, to establish a periodization that distinguishes degrees of domination and control, the specifics of class collaboration, and the different forms of empire building over the last quarter of a century.

First, to speak of imperialism as '500 years of exploitation and domination' is both *generally true* and *specifically misleading*. While European and US empire builders have exploited many of the countries in Latin America most of the time for over half a millenium, it is also true that Latin American popular movements, nationalist and socialist regimes have managed to significantly modify or transform their relations to empire at different conjunctures. Imperialism is based on class and state relations that by their nature imply a process of conflicts, confrontation and conquests, revolutions, counterrevolution and transformation. The history of the region is replete with such 'developments'.

National-populist regimes from the 1930s to the 1960s were successful in partially transforming Latin America from a raw-material based export economy into a relatively diversified urban industrial economy oriented towards the domestic market. A feature of this populist and nationalist development was the gradual incorporation of not only the middle class but elements of the working class into the process of political and economic development. Also, landless, near-landless and proletarianized peasants



were offered 'development' and land reform as means of staving off growing pressures for more radical change and revolution. However, in the mid-1970s the capitalist class both in Europe (Davis, 1984; Pizzorno and Crouch, 1978) and in Latin America – Pinochet's Chile to be precise – launched a counter-revolution that in Latin America was aided and abetted, when not led, by the agents of American imperialism. In alliance with Latin American transnational capitalists (sectors of capital linked to international financial, trade and marketing networks) and the armed forces this counterrevolution was designed to arrest and reverse the ongoing process of reformist change and development. To this purpose a 'new economic model' of neoliberal capitalist development was introduced by military force both in Chile and Argentina. In the 1980s, in an entirely new context of a region-wide debt crisis these early 'neoliberal experiments' were reproduced and imposed on client regimes across the region by the economic agents of the empire, working in concert to bring about policy reforms that would pave the way for a new wave of 'investments' – and the subjugation of the national economies in the region to the dictates of capital and the requirements of empire (for details on this see Petras, 19xx; Veltmeyer and Petras, 1997, 2000).

Having taken control of the strategic and dynamic sectors of the economy and consolidated its hold on a client political class, the empire in the

1990s was well on the way towards a process of denationalization and recolonization that would facilitate a pillage of resources (see below) that would undermine and cripple the biggest economies in the region. This process generated in some countries conditions of a severe economic and political crisis and, more generally, new forces of resistance and opposition in the form of antisystemic social movements. By the end of the decade this recolonization process, facilitated by several rounds of neoliberal policy reforms and based on traditional right-wing leaders and the recruitment of new client rulers from the ranks of Latin America's renegade leftists and populists, was well *advanced*.

### *Empire-Client State Relations on the Latin America 'Periphery'*

In brief we can identify three distinct periods of empire-client state relations. The 1930-70s period of relatively limited imperial domination was based on the *eclipse* rather than displacement of the liberal agro-mineral collaborator classes, and the emergence and expansion of national state and private industrial enterprises, foreign trade and exchange control regimes and national banks. The 1970s (from 1965 to 1982 to be precise)<sup>4</sup> was a transition from a period of liberal reform and national development under the aegis of

the 'old economic model' of nationalization, regulation and state protection (as well as some import-substitution industrialization) towards a process of neoliberal capitalist development and globalization – the incorporation of Latin America into the 'global economy' and the 'new world economic order' (that is, the Euro-American Empire). The 1983-99 period included massive privatization of public enterprises and the denationalization of banks, industries, telecommunications, strategic energy services etc. The third phase (the current period) involves the transformation of strategic economic conquests into a new political-legal regime – the ALCA Commission – that vests US empire builders with formal rulership of the region.

### *Empire Building: Phase I*

The transition from national-populism to neoliberalism was consummated through a process of violent conflicts, military coups, massacres, forced exiles and the establishment of a state (military and police) apparatus loyal to the empire and a political class of willing accomplices to imperial rule. The empire builders and their client rulers, both military and civilian, immediately opened the region to a massive invasion by US and European 'investors' and the MNCs.

Economic empire building was made possible by the military empire builders who directly and indirectly intervened to repress, disarticulate and fragment the popular opposition. Military coups in Brazil (1964), Bolivia (1971), Chile (1973), Argentina (1976) and civilian military coups in Uruguay (1972), and Peru (1993) created the political framework and international agreements with the IFIs that halted and reversed the national industrializing project of the region's national (and nationalist) bourgeoisie, opening up Latin America to an invasion and eventual conquest by US and European MNCs. This process was initiated in the 1970s in the Southern Cone of Chile, Argentina, Bolivia and Uruguay under the aegis of US-trained and supported 'armed forces' that facilitated the process with an initial round of neoliberal policies. The imperial project was further advanced in the 1980s by a second round of neoliberal policies under the aegis of the constitutional-civilian regimes that had materialized in the process of 'democratization' – return to the rule of law and the reincorporation of the 'private sector' (capitalist enterprises, domestic and foreign) into the economic development project.

Under pressure from the popular movement the US in the 1980s brokered a 'negotiated transition' from military to elite electoral authoritarian political rule, safeguarding thereby the 'neoliberal' policy and institutional framework needed to further the expansion of the economic empire. In the next decade,

facilitated by a massive inflow of capital in the form of FDI (see below), the economic empire – both European (mostly Spanish) and US -- underwent a dramatic expansion as trade barriers fell and American, European Union and Asian commodities flooded Latin American markets, displacing millions of small farmers, local producers, manufacturers and retailers. It was for good reason as well as its symbolic value that the Zapatistas struck on January 1, 1994, the day set for the implementation of NAFTA – the North American Free Trade Agreement. As subcomandante Marcos announced at the time, this agreement was the ‘deathknell’ both for Chiapas and the economies in the region.

The new ‘democratized’ client regimes – 1989 saw the last of the one remaining military regime in the region, ending a ten-year process of ‘redemocratization’ -- pillaged the economy, privatizing and selling off thousands of public enterprises, while the MNCs bought out local banks and manufacturers as well as land and real estate assets. According to a study (Minella, ?), in Brazil in 1989 foreign banks owned 9.6% of bank stocks but by 2000 they controlled 33%. By 2001, foreign finance capital controlled 12 of the 20 biggest banks in Brazil. In Mexico this process was even more advanced with all of the banks falling prey to various consortia controlled by

foreign-owned banks. Region-wide over 50 percent of all bank assets were privatized and denationalized (Correa, 2001).

The growth of foreign capital is almost exclusively the result of the acquisition of national public and private banks, not the creation of new firms. In Latin America, a study of 212 directors of 19 financial associations representing banks in 14 Latin American countries revealed that 55% were representatives of foreign banks. A majority of the leaders of financial networks in Latin America today are North American or European bankers. These financial networks in turn directly or indirectly control industrial, commercial and real estate properties. Equally important, they establish the conditions for external financing in collaboration with the IFIs. US client ideologues in Latin America are mostly trained at elite propaganda universities like Chicago, Harvard and Stanford. Through state terror and coercion, as well as subservience to imperial demands communicated through international but empire-controlled IFIs, they imposed the imperial centered and designed 'neoliberal model'. The IFIs imposed the 'model' through their structural adjustment policies and associated 'reforms' that benefited the local financial elites linked to US multinational banks.

### *The Spoils of Empire: The Sharks Feed*

The imperial-centered and designed neoliberal model led to the long term, large-scale systematic pillage of every country in Latin America – or at least of those countries with resources to pillage. Calculations from data provided by ECLAC (2002a, 200b) on remittances for payments of profit and interest (see Table 1) show that returns on the operations of US capital in Latin America averaged close to \$60 billion a year in the 1990s. Over the decade \$585 billion in interest payments and profits were remitted to the center of the empire, the vast bulk of it to US home offices.

**Table 1      Export Earnings and Remittances for Payment of Profit and Interest, Latin America 1980-2001      (US\$ billions)**

	'80	'85	'90	'93	'94	'95	'96	'97	'98	'99	'00	'01
Export Earnings	109.0	115.5	164.9	183.4	221.4	270.5	299.5	332.5	332.9	347.1		
Profit Remittances	31.9	46.6	43.0	45.0	47.8	54.4	59.9	66.2	71.6	71.2	81.7	77.6

*Source: ECLAC, Balance Preliminar de Economías de América Latina, 2002a; Statistical Yearbook, 2002b.*

This volume of returns to capital on investments and loans in Latin America is sufficient perhaps to explain by itself the ‘sluggish growth’ in the region and the failure of Latin America to meet the expectations of economic recovery and economic growth by the World Bank, the IMF and so many analysts throughout the 1990s. However, the data in Table 1 provide only a part of this sad and sordid story. Neither the UNCTAD study nor the data in Table 1 collected by ECLAC include the significant revenues drawn from royalty payments, shipping, insurance and other service fees; nor do they include the scores of billions of dollars illegally transferred by Latin American elites via US and European banks to overseas accounts.<sup>5</sup> Saxe-Fernandez (2002) estimates that with just the ‘legal’ transfers of financial resources the total pillage of Latin America for 2000 is closer to \$100 billion than 70 billion dollars. If we multiply this sum for the past decade we can estimate that Latin America made a net contribution to the empire of over a trillion dollars. Table 2 provides a snapshot of some of the mechanisms and capital flows involved in this ‘resource transfer’ from Latin America to the major centers of the empire. In five of the years in the 1990s outflows exceeded inflows.

**Table 2                      Capital Inflows and Outflows (net), Latin America 1980-2002**  
**(\$US billions)**



	1985-90	'91-2	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02
<b>Capital Inflows</b>	<b>105.1</b>	<b>123.7</b>	<b>125.6</b>	<b>66.7</b>	<b>98.8</b>	<b>103.7</b>	<b>109.2</b>	<b>96.5</b>	<b>96.5</b>	<b>83.1</b>	<b>49.6</b>	
ODA	37.5	10.0	5.4	5.6	5.7	5.5	-8.6	10.9	1.6	11.1	20.2	12.6
Private Flows		95.1	118.3	120.0	61.0	93.3	112.3	98.3	94.9	85.4	62.9	37.0
FDI	42.5	29.4	17.2	28.7	31.9	43.8	66.1	73.4	87.8	75.8	69.3	42.0
Portfolio <sup>b</sup>	-	44.7	74.4	63.1	4.8	12.2	13.3	-2.1	-3.6	-0.4	2.3	1.0
Loans	63.8	21.0	26.5	28.2	24.3	37.9	32.9	27.0	10.7	10.0	-8.7	-6.0
<b>Returns to Capital</b>	<b>142.0</b>	<b>74.1</b>	<b>73.2</b>	<b>78.5</b>	<b>79.2</b>	<b>82.9</b>	<b>99.4</b>	<b>107.8</b>	<b>90.9</b>	<b>100.0</b>	<b>96.8</b>	
Profit on Assets -	62.0	34.7	36.6	40.9	42.8	48.2	51.2	52.2	53.4	54.7	52.5	
Interest Payments <sup>c</sup>	211.2	76.0	38.0	35.0	36.0	35.0	33.0	46.3	53.6	35.3	43.1	
	41.9											
Royalty Payments <sup>a</sup>	5.4	2.2	1.4	1.6	1.6	1.4	1.7	1.9	2.0	2.2	2.2	2.4
Net Resource Transfer-	150.4	30.7	31.5	10.1	19.4	22.7	32.3	27.2	-3.1	-0.2	-4.6	-
38.8												
(on assets)												
Accumulated Capital Stock												
Debt	420.0	480.2	520.6	564.4	619.3	641.4	666.6	747.6	763.7	774.0	5	
	727.8	725.1										
FDI	-	-167.8	186.2	225.8	320.6	375.4	396.8	190.6	207.1			
	216.4	269.9										

Sources: ECLAC, 1998; UNCTAD, 1998: 256, 267-268, 362; 2002; IMF (1995); US Dept. of Commerce, (1994); World Bank (1997). FDI stock 1999-2001 for US only (US Census Bureau, *US Direct Investment Position Abroad on a Historical Cost Basis*); (a) as of 1995 -- World Bank, *World Development Indicators*, 2002. (b) World Bank, *Global Development Finance, Statistical*

*Appendix, Table 20, 2002. (c) World Bank Global Development Finance, 2000, 2002.*

What these data show is that the outflow of capital from the imperial center – ‘international resource transfers’ in official lingo – serves as a means of capital drain, drawing out huge pools of accumulated and potential capital. In the late 1970s Latin America was the primary recipient of both FDI and international commercial bank loans placed in developing countries. The newly industrializing countries in East Asia were generally financing their own development. Governments in Latin America, however, a number of them under a military regime, were eager to attract FDI notwithstanding the regulations in place as well as borrow heavily at very low rates of interest offered by the banks anxious to hook foreign clients. As a result, these countries acquired a huge debt load pushing them into crisis when the US Federal Reserve (the Central Bank) hiked interest rates to an all-time high. In the late 1970s, the income received by the MNCs on their accumulated and new investments exceeded new outflows by a considerable margin -- \$30 billion (on an accumulated stock of \$188 billion) from 1977 to 1979. Reported income on direct corporate investments represents an average profit rate of only 12% on FDI as calculated by the US Department of Commerce but from 22 to 33% as calculated by ECLAC (1998). In just three years at the turn into

the 1980s US MNCs made over \$15 billion in profits from their Latin American operations. Although this level of returns on invested capital might pale in comparison to the profits made by the commercial banks in the 1980s (some \$211.2 billion from 1985 to 1989 -- \$300 billion over the decade) it was enough to stimulate another surge of new FDI in the 1990s, as government after another in the region was forced to liberalize their capital markets and remove the remaining barriers to their entry and free operations. The statistics on this are both revealing and startling (see Table 1). Over the course of the decade the MNCs turned towards Latin America in a big way, stepping up new investments from \$8.7 billion in 1990 to \$61 billion in 1998 -- a seven-fold increase in FDI inflows, twice the rate of growth experienced anywhere else (the worldwide average was 223%). Notwithstanding the enormous and rapidly growing capital and commodity markets emerging in China and elsewhere in the East, and the frenzied merger and acquisition activity elsewhere (especially in Europe and the US), Latin America experienced the highest rate of growth in directly invested capital. However, the bulk of this capital – some \$400 billion over the decade (and another \$160 billion from 2000 to 2002) -- involved mergers and the acquisition of privatized firms rather than productive investments<sup>6</sup>. Even so the MNCs and

IFIs managed to generate from this direct investment \$368 billion in profits and another \$18 billion in royalty charges.

The financial resources sucked out of the region in the 1990s were more than sufficient to explain the sluggish growth of the economies in the region over the decade – less than 3.0% per annum and down to 0.3 in 2001 and – 0.9 in 2002 (on a per capita basis virtually zero growth over the decade).<sup>1</sup> UNCTAD (2003), in this context, has identified retrospectively the beginnings in the region of another ‘decade lost to development’. If we take into account less obvious mechanisms of surplus transfer to the various centers of the empire then the pillage of the region’s wealth reach truly gigantic proportions, a veritable hemorrhage of resources sucked out of the region’s economy via (in the poetic language of Subcomandante Marcos (1994), “the bloody jaws” of the “wild beast” (imperialism) whose teeth, he notes, have “sunk deeply into the throat of southeastern Mexico, drawing out large pools of blood’ [tribute in the form of “petroleum, electrical energy, cattle, money, coffee, banana, honey, corn’] through ‘[as] many veins -- oil and gas pipes, electrical lines, train-cars, bank accounts, trucks and vans, clandestine paths, gaps and forest trails.

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<sup>1</sup> World Bank, *Global Development Finance, Statistical Appendix* (2003: Table 8).

The financial mechanisms of resource transfers and capital flow reflected in Table 1 are primary means of surplus extraction and transfer –‘exploitation’ (extraction of surplus value or unpaid labor) to be more precise. But, as Marcos has suggested, the imperialist system can count on diverse agents and a number of different of mechanisms for pillaging the resources of dominated economies, some of them well hidden or disguised.

These other largely hidden mechanisms of surplus transfer (‘net international resource outflows’) can be put into two categories: (i) the structure of *international trade*, regarded by the neoliberals as the ‘engine of economic growth’ (with the capitalist corporations as the driver of this engine); and (ii) the structure of capital-labor relations as well as the organization of labor within this structure.

As for trade, an empire building process is evident in the systematic takeover of production facilities within the region, the penetration of local markets and the push to dominate both inter- and intra-regional trade via policies designed to open up Latin America’s economies and liberalize access to US-produced goods and services while limiting (and controlling) the access of Latin American competitors to the US market.<sup>7</sup> According to a study by the Banco Bilbao Vizcaya Argentina (BBVA) headquartered in Spain, over one third (56) of the 150 biggest enterprises in the country are now foreign

owned, half are national private and almost 13% (19) are national state firms.<sup>8</sup> However, the 75 national private firms only generate 30% of the total sales of this group of enterprises and 22% of their exports. The foreign-owned firms, however, account for 63% of the group's export earnings. Other studies indicate that US and EU MNCs control a substantial share of Argentina's domestic market, while remaining public national firms are the major foreign exchange earners. In Brazil, we have shown, the pattern is all too similar (Petras and Veltmeyer, 2003).

US and EU MNCs not only dominate inter-and intra-regional trade but dominate domestic markets in the region, largely displacing local producers in the process. The imperial formula for Latin America is to export capital so as to capture the domestic markets and to import raw materials from the publicly owned enterprises. In 2002, MNCs repatriated \$22 billion in profits on direct investments of \$76 billion – almost a 35% rate of return.<sup>9</sup> Some data on this are presented in Table 2 for the 1990s. Most of the net outflow of resources in the 1980s was in the form of interest payments on the external debt. In the 1990s, however, FDI or equity financing (mostly to purchase the assets of already existing or privatized enterprises) replaced debt as the principal source of capital<sup>10</sup> – in IMF language, 'the backbone of private sector external financial flows' to the LDCs (Less Developed Countries) and despite the

‘substantial decline in . . . outlays for mergers and acquisitions’ (IMF, 21002: 2).

Although public or state enterprises accounted for \$245 billion in sales, of which 35% represented exports, it is clear that the strategic goal of US empire building is to seize control of the assets and enterprises in this sector. In the 1980s this process was most advanced in Mexico, which, from 1982 to 1993 devolved almost all of its state enterprises, some 1152, to the ‘private sector’. The crowning event in this process, which netted the government \$31.5 billion in revenues, was the sale from 1992 and 1993 of the country’s 18 state banks, the largest of which have subsequently fallen into the hands (banks, rather) of the Euroamerican transnational capitalist class – Banamex to Citybank and Bancomer to Banco Bilbao Vizcaya. That the anticipated revenues from the sale of these state enterprises were not the primary object of the privatization agenda is evidenced by recent reports of Banco de Mexico and the Secretaría de Hacienda (*La Jornada*, 25 July 2003) that the total revenues derived from these privatizations in all economic sectors was only \$31.5 billion, barely 28.8% of the debt (\$89.4 billion) subsequently assumed by the government in the process of bailing out the banks in the wake of the 1995 financial crisis. Amador (2003) estimates that the bailout of private capital in recent years has cost the country \$109.2 billion.

In the 1990s, the privatization agenda was widely implemented as part of a second round of sweeping reforms mandated by the 'new economic model' of free market capitalism (Benhold-Thomas, 1996; Teichman, 19xx; Veltmeyer and Petras, 2000). The privatization policy, although pioneered in Chile by Augusto Pinochet in the 1970s and advanced in a spectacular fashion by Carlos Salinas Gortera in the late 1980s and early 1990s, achieved its paradigmatic form under the Carlos Menem regime in Argentina in the 1990s (Basualdo, ...). The World Bank (19xx) has viewed the Argentina experience as a 'model' for other countries across the world as well as the region to follow, and Brazil, under Hernando Fernando Cardoso, did just that (Petras and Veltmeyer, 2003). Just as Argentina, Brazil and Mexico in 1983 accounted for 50% of all Third World debt, in the next decade they represented some of the most important privatizations in the world.

The strategic focus of the privatization agenda and policy has shifted over the years. Currently, the strategic focus of the empire-builders in the region is on the state petroleum and gas companies of Mexico, Venezuela, Brazil, Ecuador, Colombia and Bolivia as well as the Chilean Copper Corporation (BBVA quoted in *La Jornada* June 15, 2003.). A study by Saxe-Fernandez and Nuñez (2001) analyzes in detail the machinations of the World Bank in this regard. He details the systematic efforts of the Bank to bring about the de



facto privatization of Pemex, Mexico's state oil company, and to facilitate thereby a massive expropriation of Mexico's denationalized natural and productive resources as well as transfer to the US center of the empire of surplus value and capital sufficient to seriously undermine the Mexican economy and contribute substantially to the US economy. The devil, it is said, is in the details and this study by Saxe-Fernandez and Nuñez is certainly detailed. They calculate (pp. 150-151) that with Mexico's turn towards the neoliberal model under IMF and World Bank conditionality in 1983 to 1997 an economic surplus of US\$457 billion was sucked out of Mexico by various means into the US-EU centers of the empire. This calculation in regards to Mexico includes two forms of surplus transfer: (i) debt service; and (ii) trade losses via the payment of rents, an unequal exchange of values and payment for franchises, concessions and patent rights.

At another level, the system of trade between the US and Mexico – and, for that matter, Latin America generally as well as other developing countries -- is based on a structure that is highly skewed in terms of the distribution of economic benefits. However, at the level of world trade the US economy is not the behemoth that it would like to be – that it was, for example, in the immediate post world War II period when it commanded a lion's share of the world's productive and financial resources (up to 50% in some estimates) and

it had a commanding position in world industrial production and trade in both goods and services, accounting for 59% of the world's developed oil reserves, 46% of total energy production, over 80% of total motor vehicle numbers and 50% of the world's monetary gold and currency reserves (Lundestad, 1990).

However, as shown in part in Table 3, the over the years the US has steadily lost its market share in world trade, although this apparent trend reflects in part the growing share of this trade that is accounted for by affiliates of US MNCs whose output and sales are not included in the US trade account. These affiliates, according to UNCTAD (2002) by now account for at least 13% of world trade today. Another 50% of this trade in goods and services takes the form of intra-firm transfers, which is to say, they do not enter the market at all. In any case, what can be said with more certainty is that the US national trade account has been in deficit since the late 1960s. At the time – in 1971 to be precise – the US administration began to institute a series of strategic measures, beginning with a unilateral abandonment of the Bretton Woods fixed rate regime for the US dollar, designed to improve its position in the world market vis-à-vis its major competitors (Aglietta, 1992).

**Table 3 US Trade Balance, 1990-2003 (US\$ billions)**

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	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03
World	101.1	-66.3	-84.5	-115.6	-150.6	-159.8	-170.2	-180.6	-229.8	-328.8	-436.1	-411.9	-468.3	-354.1
Mexico	-1.9	2.2	5.4	1.7	1.4	-15.8	-17.5	-14.6	-15.9	-22.8	-24.6	-30.0	-37.1	-27.7
LA Other	-9.7	-2.6	1.7	2.4	3.3	7.5	3.1	9.3	13.1	-3.3	-14.1	-9.2	-18.0	-17.7
EC		6.3	17.0	9.0	-1.0	-8.1	-8.2	-15.2	-16.8	-27.4	-43.4	-55.0	-61.3	-82.0

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Source: US Census Bureau, US Trade balance.

<http://www.census.gov.foreign-trade/balance>.

However, as shown by Aglietti in a study of strategic responses by the US administration to the crisis in global capitalism, did not arrest a long-term towards ever-larger deficits on the US's national trade account. The US continues to be in a substantial trade deficit situation, the deficit growing from \$63.3 billion in 1991 (\$101 billion in 1990) to \$482.9 in 2002 (\$354.1 billion in 2003). The US continues to post a trade deficit with regard to economies in every major region in the world even in Latin America. For a time (most of the 1990s), Latin America helped the US government reduce the deficit in its trade account (see table 3). However, as of 1999 (as of 1995 in Mexico) this

was no longer the case and the US had to rely even more on finance capital to cover its growing trade deficits. This situation in the US's trade balance is represented in statistical terms for 2002 in Table 4.

**Table 4      US Exports, Imports and Trade Balance, by Region, 2002  
(US\$ billion)**

	Exports	Imports	Trade Balance
Latin America	-56.9	142.3	199.1
APEC	-316.8	448.9	765.7
OECD	-88	156.2	245.1
Total	-482.9	681.9	1,164.7

*Source:* US Census bureau, US Trade balance.

<http://www.cednsus.gov.foreign-trade> balance.

The US generally sustains these deficits by attracting from all over the world financial and investment capital seeking higher rates of stable returns secured by the strength of the US dollar as the dominant world currency. Nevertheless, the capacity of the US economy to ride out its propensity towards crisis, and to finance the enormous deficit on its trade account, to some extent depends on its capacity to capture new markets for its exports

and to dominate existing markets where and when it can; Hence, the ongoing efforts of the US administration to establish a Free Trade Area for the Americas (ALCA in Spanish). It is clear to the US that Latin America has to make a greater contribution to the ailing US economy, notwithstanding its enormous contribution over the years, particularly in the 1990s. However, the precise nature and total of this contribution is not so easy to calculate. To do so would require a closer look at the diverse mechanisms of productive resource flow built into the structure of trade between the US and Latin America -- and in this regard no country is as important as Mexico, the US's major trading partner in the region, absorbing up to 80% of Mexico's exports. Table 5 provides a statistical profile of this structure -- a structure that even without the institution of ALCA favors the US economy, constituting a hidden but yet another effective mechanism of capital drain.

#### Table 5

Recent studies by UNCTAD (2002, 2003) and ECLAC (2000b) expose one of the hidden elements of this structure – deteriorating terms of trade between economies at the centre of the system and on its periphery. In this regard UNCTAD (2002: 42) estimates that Latin America (together with other

areas of the developing world) since the early 1980s has lost at least 10% of the marketed value of the labor embodied in the production of its exported commodities – a 13% loss just in 1998 and another 14% in 1999.<sup>11</sup> The magnitude of this loss, via a ‘downward pressure on export prices’) is enormous. In the long run it might very well exceed the total value of the economic surplus sucked out by other means such as FDI. And this by no means is the end of the story – a story of resource pillage and rape. A series of built-in barriers erected against Latin American exports and the corresponding liberalization<sup>12</sup> of Latin America’s capital and product markets vis-à-vis the US – dubbed by UNCTAD as a ‘lack of balance in the liberalization process’ (liberalization for the LCDs, protection and subsidies for the OECD countries)<sup>13</sup> -- has resulted in an outflow of ‘productive resources’ (potential capital) that compares with the total value of Latin America’s ‘capital flight’ (investment capital deposited or marketed in the US), which, in itself, it has been estimated, approaches, if not exceeds, the total value of external debt payments over the years.<sup>14</sup> And these payments have been, and continue to be, a significant factor in the expropriation of productive resources generated in the region. Joao Pedro Stedile (2003), leader of the landless Workers Movement in Brazil, estimates that in the case of Brazil up to \$480 billion in debt payments have been made by the Brazilian

government since its turn toward neoliberalism in 1991 but that over the course of these payments the accumulated debt has increased from \$6 billion to \$250 billion. These reforms have not only facilitated a process of globalization and asset appropriation but as a means of transferring to the center of the empire a significant supply of productive and financial resources.

Notwithstanding the disguised nature of these transfers as regards trade, and the difficulty of accurately measuring or estimating the outflows involved, the magnitude of surplus value probably exceeds the more visible outflow of financial resources. What is clear enough is that through the structure of its trade with the US in particular Latin America not only loses a large mass of surplus value extracted from its direct producers and workers but makes a substantial and significant contribution to the US economy. Indeed trade with Latin America is one of the economic pillars of US economic imperialism.

US-Latin American trade represents a major contribution of both different classes of producers and of workers to the US economy. As for labor, it is well established that it is a major factor in the production process, the principal source of added value and the major contributor to 'total factor productivity'. What is not so well known is how the organization and export of labor can be used – and is so used -- as another means of pillaging a

country's resources and transferring them to the imperial centre. A recent study of transnational (Mexico-US) labor migration by Delgado Wise is revealing on this point. He estimates (Delgado-Wise, 2003: 7) that the direct and indirect contribution of Mexican labor to the US economy (the balance of payments) – and a corresponding loss to the Mexican economy -- is in the order of \$29 billion a year. This 'contribution' does not take into account the massive export of natural resources (oil, in the case of Mexico) and assets (in the acquisition by MNCs of the assets of privatized public companies at knockdown prices).<sup>15</sup> What it does take into account is the hemorrhage of potential capital which leaks into the US economy through diverse conduits, including: (i) the remuneration of labor in the maquiladores that account for the bulk of Mexico's manufacturing exports (now 70% of total exports) at a level that is well below the value of the labor-power employed and that generates an enormous reservoir of surplus value in the form of repatriated profits – at a rate of 35% return on invested capital;<sup>16</sup> (ii) the direct export of agricultural and farm labor in the form of seasonal, controlled or 'illegal' migration of both documented and undocumented workers – accounting for, it is estimated, up to 80% of the agricultural labor in the US, with a clearly depressive impact on the wages of employed wage-laborers in the sector; and (iii) direct immigration into the US of educated and highly qualified forms



of Mexican labor, estimated to constitute 40% of all Mexican migrants, without the US having had to bear any of the reproduction costs of this labor.<sup>17</sup> Although there are no studies into the magnitude of values involved in this transfer of labor-added value, the contribution to the US and the cost to Mexico in this regard is undoubtedly considerable. Delgado-Wise (2003: 7) estimates the contribution of Mexican labor to the balance of trade with the US in 2002 to be in excess of \$28 billion.<sup>18</sup> Although the remittances of Mexican migrants are in the order of \$9.8 billion – the country's third largest source of foreign exchange earnings (behind revenue from the exports of oil and manufacturing but ahead of tourism and agricultural exports, and comparable in volume to FDI) -- these remittances are derived from economic activities by Mexican repatriates who, working *within* the US, are lost to Mexico and contribute substantially more to the US economy than to Mexico's, notwithstanding the economic importance of remittances.<sup>19</sup> Like trade (the export of natural resources and commodities), migration (the export of labor) constitutes a substantial net loss to Mexico and an equally substantial net benefit and boost to the US economy.<sup>20</sup>

If one were to add up these diverse mechanisms of surplus transfer, both overt and hidden, the contribution of the Mexican 'economy' (the labor of the 80 million or so who participate directly and indirectly in this economy) to the

US and the corresponding capital drain from Mexico is nothing less than staggering. If we further consider similar forms of capital drain from the other countries in the region, particularly Brazil, Latin America can be seen as a major economic pillar of the US empire, explaining the lengths that the US state will go – periodically has gone -- to ensure by political or military means the subservience of so many client states in the region.

### *Building the Empire in Stages*

To summarize some of the points that we have made, it is possible to identify four stages of empire building in preparation of a final assault leading to a process of recolonization:

- 1) ideological-military-political intervention serving to impose the 'new economic model' within the parameters of a 'realistic' approach towards international relations and the need to overcome the inevitable 'obstacles' -- popular resistance, timing and sequencing of implementation, incompetent rulers etc.;
- 2) Implementation of the policies of empire -- privatization, deregulation, liberalization and decentralization -- leading to increased integration into the 'new world order' and, at the national level, processes of

- expropriation and denationalization as well as the dominance of local elites linked to the IFIs and MNCs;
- 3) The conversion from national privatization to foreign control via debt payments, loans and buyouts leading to the takeover of large market shares in sales and banking.
  - 4) The drive for direct imperial political-military *control* to repress mass resistance resulting from the pillage in phases 1-3, and to extend and deepen privatization to include the lucrative energy, raw material and light and power public enterprises. Stage four is the preparation for the imposition of ALCA – the final stage of *empire building* – the *recolonization of Latin America*.

### *How the Empire Rules*

The key to empire-building – the dynamic of imperialism – is the dynamic role of the *imperial state* and its ‘quasi-private/public’ auxiliaries in the private sector. The MNCs and financial expansion in Latin America are crucial for accumulation, and to counter the tendency for the rate of profit to decline. But it is also important to recognize the role of the imperial state in resolving the fundamental question of the locations (geographic/economic) where

these processes play themselves out, the timing of the resolution or attempted resolution of these economic crises and the necessary political social relations and framework that enable these economic contradictions to be resolved. Overproduction may drive the capitalist to turn to the conquest of overseas markets, but the 'markets' will not open if local regimes are not forced to lower barriers via military invasions, coups, and the placement of imperial centered economist-ideologues in decision-making positions. The leverage of the IFIs linked to the imperial state is also a basic component of market openness. The falling rate of profit of key economic sectors (and their leading MNCs) cannot be reversed if labor legislation in the client states is not 'reformed' through the IFIs and mass organized resistance repressed by the police and military apparatus of the clients.

Thirty-five percent rates of return are not secured in democratic, participatory societies with full employment and labor rights. Exorbitant rates of return, pillage of public resources, saturation of markets, and prompt full payment of debt in the midst of mass poverty requires bloody repression by client rulers, which is far beyond the capability of 'market forces'.

Strategic openings for the MNCs clearly require the massive systematic involvement of the imperial state. Economic empire building is intimately related to *client regime building* (what liberals and imperialists term 'nation-

building'). The imperial state in Latin America not only creates the initial foundations of empire-centered development but is deeply involved in controlling, disciplining, recruiting, corrupting, coopting and threatening electoral politicians to serve as local collaborators.

The empire rules via the IFIs that enforce economic discipline via loans, conditionality and threats – the purpose being to use debt obligations to deepen privatization and enforce compliance to the 'open markets' policy.

The rule of the open market applies to Latin American but not for the US or the EU where selective protectionism reigns. The imperial state has established over 120 military bases throughout the world, including more than two dozen bases and operational locations throughout Latin America to recruit officials and to ideologically train them to identify with the empire, oppose anti-imperial adversaries and intervene in time of regime crisis. Most important, the imperial state intervenes to influence the political elites, financing candidates and parties, buying, coopting, threatening, and seducing ascending political figures. Imperial policy-makers encourage greater links with the MNCs and greater distance from popular constituencies. The latter activity involves long term cultivation of opposition figures from what the State Department calls the 'responsible' left or the 'democratic Left' who provide the 'right signals' – supporting electoral as opposed to mass struggle,

compromises favoring consequential concessions to MNCs and an affinity for individual over collective mobility. The empire favors a personal profile of personalistic rule which provides an authoritarian setting for implementing harsh austerity rule for the many and large scale concessions to the rich, particularly the foreign rich.

The most recent successes of the imperial state's strategy of client regime building is found in Brazil and Ecuador. In both cases political leaders, Ignacio [Lula] Da Silva and Lucio Gutierrez were backed by radical popular movements before they 'turned' or converted to empire-centered policies via the process of ideological persuasion in line with a rightward shift in the leadership of their party apparatus.

The imperial state through its formal and informal links to US-based cultural institutions – both private and public – recruits media 'stars', upwardly mobile intellectuals, students and journalists to design and promote empire-centered cultural practices and institutes which train activists and influence public opinion. The head of US-AID recently demanded that US-funded NGO's drop their 'non-governmental' façade and openly declare that they are 'an arm of the US government' (*Financial Times*, June 13, 2003). There are many 'arms of the US government', admitted or not, which combine cultural entertainment and ideological indoctrination, world news and imperial

propaganda, scholarship and foundation grants with empire-centered thinking and acting. The imperial state has created and defended this 'public-private' cultural universe for economic empire building in Latin America. In summary Washington spends US tax dollars to finance the expansion of the US economic empire -- depleting the resources of the republic. Nowhere is the direct ties between political-military empire building and rulership more clearly related to economic empire building than in Latin America and the process marches towards imperial colonial rule.

### **New Directions of Empire**

Empire building has taken a new and more aggressive direction in the new millenium – embarking on a series of imperialist wars and conquests driven by the imperial state and directed by militarist ideologues. In the course of two years the US has engaged in two wars of conquests, innumerable assassinations and interventions throughout the world through clandestine 'special forces operations' and the recruitment and co-optation of client rulers throughout Asia, Africa, Latin America and the Balkans. The empire builders have consolidated control over their Eastern European and Baltic clients and moved on to cement ties with the far right regimes of Spain and Italy. Under

pressure, the initial resistance of the European Union has given way to becoming *subordinated associates* of the US, protecting US puppet regimes in Afghanistan, providing assistance to the US colonial regime in Iraq, backing the US threats and demands against Iran, and joining the attack on Cuba by supporting US funded Cuban agents.

The US empire builders have accelerated the process of colonization of Latin America via ALCA. There are several reasons why the US is pressing the colonization process:

- 1) clients and collaborators in Latin America are still in place, but their power is tenuous at best;
- 2) mass resistance is building up throughout the region;
- 3) the mercantilist, liberal-protectionist model of empire is provoking opposition among sectors of the Latin American export elites;
- 4) the US seeks to monopolize the takeover of the remaining major public enterprises as they are privatized – avoiding the losses to Europe, especially Spain, during the previous wave in the 1990s;
- 5) the military clients are still in place but they are not present everywhere and to the same degree particularly in Venezuela, Brazil, Ecuador, Bolivia;



- 6) the US has the momentum of its military-political conquests in Asia to pressure and blackmail conformity on Latin America political elites; and
- 7) the surprise conversion of two regimes – Lula in Brazil, Gutierrez in Ecuador – to ALCA, and their vulnerability to mass opposition causes the empire builders to move with haste.

US empire builders have moved toward colonial domination with naked power and imperial-centered demands, ignoring any concessions to their client regimes, thus severely weakening their bases for compliance. Mexico provides the clearest case: The US has refused President Fox's request to legalize the status of four million Mexican migrant workers, or abide by reciprocity in trade agreements on transport, textiles and a number of other commodities. Instead Washington demands the complete privatization of Mexico's public petroleum industry (PEMEX) – the biggest revenue and foreign exchange earning firm in the country.

The historical precedent for the current process of US empire-building in Latin America is the mercantilist system of the European colonial empires. The basic common features include:

- 1) overt imperial controls via a political authority (ALCA) which establishes the economic regulations and legal framework for US monopolization of a privileged economic position in Latin America;

- 2) Imperial military command structures, bases, direct involvement in field operations to repress popular insurgencies;
- 3) Non-reciprocal trade involving total liberalization of Latin American trade regimes and selective protective measures to prevent competitive Latin producers from competing successfully in the US market;
- 4) The effective exclusion of European, Japanese and others from competing in Latin American markets.

The neomercantilist imperial system is explicitly being implemented via ALCA on the economic side, and by Plan Colombia, the Andean Initiative and the continental coordination of military economic for the senior military commanders on the military front.

The perspective for empire building, re-colonization and consolidation rests on three political legs: (i) co-opting 'popular' leaders such as Lula in Brazil, Gutierrez in Ecuador and Kirchner in Argentina; (ii) the acceleration of ALCA-military accords in the face of decaying clients (Toledo in Peru, Sanchez de Losada in Bolivia and Uribe in Colombia); and 3) the isolation and/or overthrow of the Venezuelan and Cuban regimes and the defeat of the growing popular opposition in Latin America. ALCA will provide the US empire builders control over an institution, the ALCA Commission, which will make policy on every aspect of trade, investment, public-private relations,

services (including education, health, pension, etc.). Just as the debt refinancing of Latin American regimes facilitated liberalization, the current neo-liberal regimes facilitate recolonization via ALCA. Under US colonial rule the Latin administrative structures will stay in place, reduced and reconfigured, to implement US colonial policies taken within the ALCA commission. The Latin American legislature, executive and judicial powers will be reduced to debating the methods, pace and application of the ALCA-US dictated policies. Like all colonial systems vertical authoritarian structures will be superimposed over electoral institutions.

The growing military power of the US and its projections in Latin America have emboldened the empire builders to act more aggressively. In Venezuela a military-civilian coup and employers' lockout were orchestrated by US intelligence agencies. In Colombia, US military involvement has intensified the massacre and displacing hundreds of thousands of peasants to deprive the popular insurgents of recruits, food and logistical support. Against Cuba, Washington has openly organized nuclei of counter-revolutionary cadres (dubbed 'dissidents') to engage in propaganda and recruitment, while explicitly including the revolutionary regime as its proximate military target. Throughout Latin America, US military bases have been established as

beachhead for intervention in cases where client regimes might be overthrown by popular majorities.

Equally important are the *political conquests* of the empire builders. In Brazil, the Lula regime has been completely converted into a satellite of the empire – indiscriminately embracing the financial and agro-export elites that play an integral role in promoting ALCA and recolonization. In Ecuador, Lucio Gutierrez and his partners, the Pachakutik party have moved swiftly to privatize the state petroleum and electrical companies, embrace dollarization, US military bases, Plan Colombia and ALCA, breaking strikes, and militarizing petrol refineries in the course of preparing the country for colonial status.

The ‘new perspectives’ for colonization in Latin America *pre-existed* the events of 9/11 and the so-called US ‘war against terrorism’. The new militarism after 9/11 accelerated the process of colonization and gave *greater* impetus to militarization and direct intervention. The most significant change since 9/11 was the total exclusion of any consultation and concessions to clients regimes, making for even more lopsided relations.

It is futile at best and misleading *at worst* to speculate and take consolation from the fact that in some distant future time ‘all empires decline’. Before that unspecified time takes place millions of lives are at stake, national

sovereignty is at risk and popular struggles are taking place. To place 'final judgments' in the center of analysis is to distance oneself from the actors for change and from the real power of empire today, its logic and direction. Tendentious truisms, like 'empires decline', provide us with no analytical framework for understanding the driving forces of imperialism and rising forces of opposition. Abstract and non-specific historical analysis and superficial discussion of the empire builders (their decisions are 'frivolous') is itself frivolous and superficial. A 'long view of history' divorced from concrete analysis of the dominant power of the US empire today and its drive for world-wide conquest and class-based anti-imperialist struggles is a mirror of the style of the ideologues of the empire builders. There is no end of imperial pundits who write of the 'American Century', Pax Americana, Global Power and other vacuous 'long views' of history.

To understand the current contradictions of empire we have to analyze concrete classes, ethnic-classes, the specific nature of regimes with their class configurations as well as the organizational capacities of the popular movements to mount challenges to imperial clients and the empire. To pontificate from abstract historical analogies and to discover the truism that empires eventually decline, has neither intellectual nor practical political relevance.

## **Matters of Class and the State in the Empire**

US empire building and decay is built on class and state relationships. Collaborator classes are formed through a complex process of internal class and political formation and external integration into subordinate but beneficial relations (for the elite). Hegemony and domination by transnational Latin American ruling classes is essential to shaping and supporting imperial client states which implement the empire-centered 'neoliberal policies'. The role of the imperial state was central to the formation of client states – both in terms of financial and political backing as well as providing the threats and personal rewards which induced active implementation of the privatization of lucrative public enterprises and the one-sided elimination of foreign trade and investment barriers.

What appears to overseas academic critics as 'irrational' imperial aggression is in fact a highly rational calculus based on the historical ease with which imperial policy makers have secured a dominant position in the colonized economy, the compliance of client states and the eager support of the financial and speculative transnational Latin elites. Easy success in imposing empire-centered 'models', in overthrowing and/or invading

recalcitrant or nationalist Latin American regimes (in Chile, Brazil, Panama, Dominican Republic, etc.) has encouraged empire builders to act with greater violence, brazenly wielding force as the most reasonable weapon, given its efficiency in securing imperial goals. We should remember that the US interventionary success in Guatemala (1954) caused the US to repeat its policy with Cuba in 1961 – a policy that led to defeat. The successful US orchestrated military coups in Brazil (1964) and Indonesia (1965) and the invasion of the Dominican Republic (1965) encouraged the US to deepen and extend its military invasion of Indo-China which led to a historic but temporary defeat of imperial policymakers and the profound weakening of domestic political support.

The reconstruction of the empire-building project under President Carter focused on political-ideological warfare on the favorable terrain of Eastern Europe and the USSR and the reconstruction of covert military surrogates in South Asia (Afghanistan) in alliance with fundamentalist Islamists. In Southern Africa (Angola and Mozambique) imperial policy makers financed and supplied tribalist surrogates backed by racist South Africa. In South and Central America (Argentina, Chile, Bolivia, El Salvador, and Guatemala) the US acted via its client military regimes, and in Nicaragua via client drug-running mercenaries. From the late 1970s on, the empire builders

reconstructed the US military imperial apparatus and gradually reconquered domestic political support for overseas conquests through military invasions of Panama and Grenada.

The ideological formula for imperial conquest is very similar to those used by the Third Reich: opposition leaders are demonized, the invasion and imposition of client regimes are described as liberation and the restoration of democracy and the incorporation into the US sphere of influence is described as becoming part of the 'free world'. The Carter-Reagan military empire created the foundations for Bush the Father's launch into creating a new US-centered 'New World Order' with the Gulf War, a project which was premature and lacked a 'colonial occupation' to insure uncontested control.

The Clinton decade (1992-2000) witnessed the massive expansion of empire building on a world scale –wars in the Balkans, conquest of a third of Iraq via Kurdish clients in the North and 'no-fly' zones in the south (combined with punishing bombardments and economic blockades to destroy the state and economy), military alliances with new clients and military bases from the Baltic states through Central Europe to the Balkans and the Southern Caucuses. Aggressive military conquest and colonization began under the banner of humanitarian imperialism under Clinton. The doctrinal radicalization came with Bush, Rumsfeld and Wolfowitz. It is a serious and egregious error



to view '9/11' as the point of departure for military empire building. What occurred after 9/11 is the systematic, unilateral pursuit of empire building through a more explicit doctrine of global warfare, as opposed to the piecemeal but equally violent practice of humanitarian imperialism propounded by Clinton.

*Empire and Class-State Relations: Inter-Imperialist and Class/National Conflict*

In the first instance, imperial power is embedded in class and state relations: prior to the movement of capital and the imposition of imperial state power, a national-class struggle takes place, a struggle that varies in intensity but recurs throughout the period of imperial occupation and domination. As pointed out earlier, in Latin America the imposition of the empire-centered neoliberal regimes was established through a violent class-state struggle 'from above'. The victorious transnational classes re-configured the state, in order to 'reconstruct' social relations (labor-capital relations, public-private and foreign-national property forms) to conform to the empire-centered model. The neoliberal regimes and neomercantilist empires were products of

class struggles as are the continuing antagonistic relations that confront the empire builders recolonization project.

Antagonistic class relations are a constant of contemporary empire building. However the social relations, class, ethnic and gender forces which confront each other today are different from the recent past due to the transformation of the class structure wrought by a quarter of a century of neoliberal rulership. It is important to summarize the changes in class formation in order to understand the contemporary social classes confronting the empire builders and local client states. The new class forces have in turn developed new tactics, strategies and leadership that are central to the efforts to overthrow imperial domination.

### *Changes in Class Structure and Social Relations*

Since the onset of neoliberalism in the 1970's several key political and socioeconomic changes have emerged in class structure. The opening of the economy to cheap foreign manufactured imports has had two major impacts on the class structure: it has reduced the size of the industrial working class, established a 'captive laborforce' in the free trade zones maquiladores/assembly plants, reduced the number of skilled metal workers,

and created smaller more exploitative decentralized 'contract labor' industries. As a consequence, the size of the employed stable industrial labor force has declined in most countries (like Bolivia, Peru, Colombia, Brazil and Argentina) while those who remain employed fear their replacement because of the willingness of employers to deploy the reserve army of unemployed. The relative weight of the industrial workers within the working class has declined, as have the percentage of unionized workers and the number of strikes and labor militancy in the industrial sector. On the other hand, the number of unemployed and underemployed workers has increased geometrically, running from 40 to 80% in countries like Argentina, Peru, Bolivia, Colombia, Brazil, Venezuela and Mexico. The older maquiladora industrial regions – the Northern Mexican border regions, the Caribbean – have experienced plant closings as US capitalists relocate to China or to the 'rural areas' (Southern Mexico) where salaries are lower and working conditions even more exploitative (longer hours, less safety, health and environmental regulations. The growth of a 'critical mass' of unemployed workers has led to the growth of autonomous movements of unemployed workers who attack the capitalist class outside of the site of production (the factory) in the streets, blocking the circulation of machinery and raw materials

(inputs) and finished products (outputs) transported to the market, putting constraints on the realization of profit.

The promotion of an 'export-growth strategy' along with the import of subsidized low-priced food, particularly grains, has led to the displacement of peasants and the bankruptcy of family farmers producing for local markets. Over 90% of state agricultural subsidies are channeled to large-scale agroexporters, denying small producers state credits and financing. Empire centered agricultural policies have increased the percentage and number of landless rural workers, polarized the countryside and radicalized small family farmers facing extinction because of client state's intervention in favor of food imports and agroexport elites. Growing land concentration, encroachment on indigenous people's land, the high cost of farm inputs and low prices of food products have radicalized the peasant and Indian-peasant communities, depriving them of land, markets and profit margins. The growth of literacy and social interaction with progressive Church and trade union nuclei and the recent experiences of struggle has turned the countryside into a center of anti-imperialist movements.

Contemporary rural movements are not composed of 'primitive rebels', backward looking 'traditionalists' resisting 'modernization'. The campesino movements are led by educated sons and daughters of downwardly mobile

rural families, seeking to secure credits, and market shares, recover land occupied by capital, and state protection from subsidized cheap imports. Seekers of the modern means of production, market shares, inexpensive credits and 'fair prices', working and struggling collectively are the hallmarks of modern but impoverished rural classes. They are knowledgeable about the negative impact of empire-centered policies (ALCA, neoliberalism). In Brazil, the Rural Landless Workers Movement (MST), in Bolivia (the cocaleros), in Colombia (the peasant and rural guerrilla movements), in Ecuador (sectors of the Indian-peasant movement) and to a lesser extent in Paraguay, Peru and Mexico, peasant-based movements have been the best organized and cutting edges of the anti-imperialist resistance.

The contradiction empire-peasantry has been the most acute, not because of greater exploitation and extraction of surplus value, but because of the threat of *total\_displacement* (land, home, family, community), *violent appropriation of the means of production*, and denial of a location to 'earn a living'. The rural labor force is highly stratified and in many cases ethnically diverse, leading to sociopolitical divisions; however where these 'differences' have been overcome, the combative organized rural classes have been most successful in challenging the empire's expansion – in the countryside as well as the cities. The MST has occupied big landholdings and settled 350,000

families in less the 20 years and currently has 120,000 families organized to occupy uncultivated estates (July 2003). In Bolivia over 40,000 families earn a living farming coca in vibrant communities with stable families thanks to the organization and struggles of the cocalero farmers' union. The major military challenge in Latin America to client regimes and the US military empire builders is in the Colombian countryside, where the two major guerrilla groups (FARC and ELN) control over 40% of the countryside. Many of the major national organizations organizing urban demonstrations against ALCA are located, more often than not, among the militant rural organizations.

Given the visible and dominant role of modern rural based agrarian movements in opposing the US empire, it is surprising that no systematic discussion occurs in the writing of Hobsbawn, Wallerstein, and other prophets of eventual imperial decline. These writers emphasize inter-imperial rivalries, inter-elite conflicts (capitalists against empire), basing their arguments on specific trade disputes and differences concerning the modes of empire building or general, tendentious and emotionally gratifying notions that 'all empires decline', all 'capitalist systems eventually go into crises' – leaving it to the magic of the marketplace to bring about what they call 'systemic changes' from 'chaos'. A visit to a meeting of peasants in an occupied estate

is likely to provide a sufficient stimulus for these armchair empire-centered prophets to re-think their theories of imperial decline.

### *The New Urban Proletariat -- Public Sector Workers*

From June to July of 2003, in Ecuador, Bolivia, Peru, Brazil, Argentina and Colombia public employees – mostly public school teachers - were engaged in indefinite strikes, involving millions, and in some cases detonating work stoppages by private sector wage workers. In the cities the public employees have been at the cutting edge of the biggest and most militant urban struggles against the client regimes and their empire centered policies. This is necessarily the case because imperial expansion is premised on the privatization of public enterprises, resulting in massive firings, loss of pension and other social benefits and job tenure. Secondly the imperial creditors demand budget surpluses to pay the debt to foreign creditors, meaning cutbacks in all social services and public development spending which leads to further slashing of the number of public employees, the reduction of salary, pension and social benefits and greater intensification of workloads (teacher-student ratios and doctor-patient ratios). The loss of tenure and the hiring of contract workers (NGOs) have undermined the job security of public

employees – making them subject to the same ‘market insecurities’ as manufacturing workers. In short, the empire-building strategies of privatization of public firms, the priority of debt payments in budget allocation and the proletarianization of living standards and working conditions are the objective factors driving the public employees into the streets and into prolonged nationwide strikes.

The principal coalition partners in all the major confrontations with client states and their imperial patrons are the public employees, especially the teachers and the peasants. The most militant trade union actions in the provincial and capital cities are led by the public employees, involving the occupation of municipal and federal buildings, the blocking of streets and ousters of public officials. Frequently, public employees have been reduced to near indigence because of delays in payments and/or payments in devalued currency. In Brazil, public employees have lost 20% of their real income as salaries were frozen from 1998-2003. In the Argentine provinces, municipal workers are delayed payments for three to four months and then paid in local, provincial currency.

The new protagonists of anti-imperialist politics include: the rural landless, farmer and peasant movements, the urban unemployed and the self-employed (especially in Argentina, Venezuela, Bolivia and Peru) and the



public employees throughout the region particularly the workers in the petroleum and gas industries targeted for privatization. Their specific demands are frequently linked to the rejection of ALCA, US military bases and the empire-centered policies of client regimes.

### **Empire-Building: Omnipotence in the Eyes of the Observer**

In the US mass media and in the public utterances by the Washington elite the advance of the US empire appears to be an inevitable, always successful, totally justified and irreversible process, to be applauded or suffered. To critics the 'internal contradictions' or 'over-extension' of empire will lead the empire-builders to their own downfall.

The sense of imperial omnipotence permeates both the celebrants and pessimists who take a long-term view of empire. What both 'long term' historical speculators and short-term apologists lack is any in depth understanding of the *concrete struggles* which shape the correlation of forces today which will determine whether empire is with us for a few years, a decade or a century.

The US empire-builders have suffered several important defeats in a series of important confrontations. In Venezuela, the urban poor, the unemployed,

the self-employed in the hundreds of thousands came down from the 'ranchos' in Caracas and provided the impetus to military loyalists to overthrow the dictatorial Carmona regime imposed by a military-civilian coup orchestrated by the US and to restore the populist elected Hugo Chavez to the presidency. A year later, US backed economic, media and trade union clients attempted to overthrow the regime by paralyzing the petroleum industry. They also were defeated by an alliance of loyalist military officials, sectors of the working class and the mass of urban poor, many organized in 'Bolivarian circles', barrio-based mass organizations.

In Colombia, the US effort to establish dominance through paramilitary and state terror campaigns ordered by client President Uribe have been decisively contained by the Revolutionary Armed Forces of Colombia – People Army (FARC-EP) and the National Liberation Front (ELN), despite thousands of US financed mercenaries, contract workers and combat advisers working with a budget of over \$2 billion dollars and with the most up-to-date technology and helicopter gunships.

In Bolivia, the cocaleros have successfully resisted the US orchestrated campaign to destroy the coca farmers and their organizations. Despite US client President Sanchez de Losada's violent repression and direct intervention by the US Ambassador in Bolivian politics, the cocaleros have

created, in association with miners, the urban poor, the factory workers and self-employed in Cochabamba, La Paz, Sucre and Oruco a formidable coalition capable of blocking neo-liberal policies – such as the privatization of water – building a national political movement which is the main opposition party in Congress, and a national leadership with the capacity to defeat Bolivia's entry into ALCA.

In Cuba, the urban and rural mass movements provided solid support to the revolutionary regime's successful effort to dismantle US-financed terrorist networks as well as embryonic propaganda cells promoted by the head of the US interest section.

The most successful challenges and defeats to US empire building have taken place in the Third World, by autonomous organized class forces. The least consequential opponents of empire building are the former social democratic, center-left and populist electoral regimes who have largely adopted the empire-centered economic and social strategies and have allied with Latin American transnational capitalists and US and EU multinationals. The most striking example is the Inacio 'Lula' da Silva and the Workers Party (PT) regime. The PT regime has been converted into a servile client of the United States, appointing key economic ministers and a central banker who are totally integrated into empire-centered 'development' project. Lula's

monetarist economic program of reducing public employees' pensions, sharp cuts in social spending, regressive taxation and pro-employer 'labor reform' is only part of a pro-empire agenda. Similar processes have occurred with other pseudo-populist electoral politicians in Ecuador with Lucio Gutierrez and in Peru with Toledo. The most significant development is the speed with which the mass of the class-based movements – particularly the public employees, peasants and self-employed – mobilize to confront and attack these new clients of empire. In each instance, the masses that voted for the 'center-left' are the identical forces in the streets demanding their resignation as collaborators of imperialism.

Throughout the Latin American continent, there is virtually no organized mass movement organized by the capitalist class – or for that matter by the small and medium sized business people or farmers, though a minority occasionally support particular protests on issues of debt payments, interest rates and protectionism. What precludes inclusion of the bourgeoisie into the mass struggles, is their support of neoliberal anti-labor legislation, the low level of the minimum wage, the reduction in social security taxes and the regime's tolerance of widespread tax evasion and corrupt links with lower level custom and trade officials regarding import duties and export licenses.

The socio-political movements that have close links with 'center-left' regimes, converted into imperial clients, have been severely disoriented and in some cases are in the process of internal debates and discussions. The MST and CUT in Brazil, CONAIE in Ecuador, the unemployed workers movement in Argentina, the trade unions in Uruguay, all face the problem of choosing between anti-imperialist class struggle or collaboration with the new 'center-left' electoral client regimes of the empire.

In contrast to the class-based, politically oriented struggle for state power, which have dealt blows to imperial expansion, the amorphous 'anti-globalization' movements and World Social Forums have not defeated any of the empire building projects nor have they been successful in preventing a single military conquest. Moreover the 'anti-globalization' leaders have not created any mass support for the popular anti-imperialist resistance to US military occupation and pillage in the Balkans, Afghanistan or Iraq. The mass demonstrations are ritual events limited in time and space. They lack tactics or strategies that have a major impact on imperial expansion, war preparations, privatizations, structural adjustment policies or any other empire-centered measures. Only when US imperial rivals in Europe (particularly France, Germany, Italy and Spain) take measures to make their MNCs more competitive by lowering pensions or increasing retirement age or

slashing social expenditures, do workers demonstrate. Only in France is there any effort by the workers' movement to go beyond limited 'ritual' strikes – symbolic protests which may delay but certainly do not eliminate the imposition of domestic burdens to finance imperial expansion.

The orderly time-bounded mass anti-war demonstrations symbolically confront state power – they marched through the city of London to Hyde Park to hear anti-imperialist speeches by speakers but lack the capacity to paralyze the system or engage in serious political warfare. It is the nature of 'crowds' to come and leave as they please, lacking any organized political structures. The Leftist sects are confined to selling their newspapers or distributing leaflets for radical forums while self-described anarchists (and police provocateurs) break a few shop windows to convince themselves that they are anti-capitalists.

The strength of the anti-imperialist movement is found among the guerrillas in the jungles of Colombia, the Bolivarian circles in the urban slums of Caracas, the street demonstrations of Cuba, the landless workers occupying the fazendas of Brazil, the coca farmers of Bolivia, the underemployed and unemployed urban poor of Peru and Argentina – in a word the organized classes, displaced, exploited and impoverished by the empire-centered client regimes.

## **Toward a Theory of Anti-Imperialist Movements**

**[In Part III of the**

**book?]**

Any theory of anti-imperialism by its nature must be tentative and contingent as it attempts to deal with the fluid nature of class and national subjectivity – consciousness. A theory of anti-imperialist movements (AIM) must take into consideration several contingent factors: First, all mass popular AIM are *linked to the struggle for immediate or concrete economic demands*. For example, the coca farmers demand the end of the coca eradication program, the expulsion of the US military bases and oppose ALCA. The Brazilian MST links the expropriation of non-productive land and an agrarian reform to its demands for protection of local food producers and opposition to ALCA. Second, AIMs build upon the *structural* weaknesses and economic losses of its constituent supporters. The Mexican farmers and peasants oppose the North American Free Trade Agreement (NAFTA) because it has permitted the entry into the Mexican market of subsidized US food exports which has impoverished and bankrupted millions of Mexicans. Collective socio-political mobilization and power compensates for the relative market or economic weakness of the Latin American producers. Third, economic and objective

structural conditions are universally necessary but not sufficient conditions for the emergence of AIMs.

Throughout Latin America there are hundreds of millions of people exploited and displaced by the empire builders, but only a fraction are conscious and/or organized for struggle. Historical, organizational, structural, political, demographic and geographic factors play a significant role in creating anti-imperialist consciousness. What most AIM in Latin America have in common is their predominantly, but not exclusively, rural 'center' of organization. The peasants are at the center of AIM because imperialism has hit hardest at the rural economy even as one can see the negative impact of imperial centered policies on urban unemployment in Argentina, Colombia and elsewhere. The rural social movements are more advanced because their level of organization is stronger and political leadership has emerged which is not beholden to the power brokers of the client regimes. The reasons for stronger agrarian organization are not because the rural sector is larger in size – actually in relative and absolute terms it is declining -- but because the militant rural leaders are far more *independent* than the state subsidized urban trade unions, and because they have closer links to their peasant base (in fact most are of peasant or small farmer background). Moreover, the rural movements are not confronted with reactionary trade union apparatuses



linked to the bosses as is the case in the traditional industrial sectors. In other words, the subjective factor in the countryside is less encumbered with ministerial ties and conservative trade union apparatuses that block the articulation of demands, demobilize popular sectors, and accommodate to the empire building strategies.

The cocaleros, the MST, the FARC, the Zapatistas, and until recently, the CONAIE, play a decisive role in confronting imperialism because their leaders and organizations are able to articulate popular demands free of state commitments, allowing them to mobilize and take direct action which advances the popular struggle. The urban based AIM movements are more diverse but usually linked to the left-wing trade unions of the public sector workers, the unemployed, the mass of worker-consumers and the beneficiaries of social programs promoted by anti-imperialist regimes in the case of Cuba and Venezuela. Downwardly mobile educated professionals (health workers, teachers), formerly skilled and now unemployed metal workers, and impoverished consumers hit by declining incomes, rising prices and rising transport and utility rates (power, light, water, telephone, public transport, etc.) of privatized foreign-owned enterprises have spearheaded the urban AIM.

The North American and European 'antiglobalization movements' organize in reaction to specific elite events (WTO meetings, European Union summits, etc.) but have no organized links to a mass base. As a result their activities have no real continuity in struggle apart from the specific elite events and have little impact on the ongoing economic and military expansion of empire. Even more seriously, only a very small minority of the northern antiglobalization movements is engaged in ongoing struggles against the imperial colonization and repression of the conquered peoples of Iraq and Afghanistan, and the economic colonization of Latin America via ALCA.

While the mass protests of the antiglobalization and antiwar movements are positive in the sense of demonstrating public opposition, they have no political perspective and little if any links to mass popular struggle or constituencies in contrast to the Latin American AIM. In other words, consequential AIM are decidedly a phenomenon of the oppressed nations -- and in particular the exploited rural and urban classes who are economically displaced, downwardly mobile and linked to socio-political movements led by a new generation of grassroots leaders, autonomous of the state and the center-left electoral parties.

## **The Future of Empire**

It is difficult to speculate with any accuracy the moment when the US empire will begin to decline. It is even more difficult to determine if the decline is structural or conjunctural. The best that can be done is to delineate the principle contradictions. The major contradictions are political and social as much as they are economic. The fundamental contradiction and challenge today is between Latin America's organized rural and urban masses and the US empire builders and their client rulers, transnational capitalists and NGO/trade union auxiliaries. The second major contradiction is between the expanding empire and the declining republic – and the capacity of the imperial ruling class to transfer wealth, revenues and personnel to empire building. The third contradiction is between the conquest and occupation of colonized countries and the mass national anti-colonial resistance movements – as in Iraq and Afghanistan.

The fourth contradiction is between the growing military empire and the inability to extract profits from the newly colonized regions, future oil revenues notwithstanding. The centrality of third world struggles to weakening the US empire is best illustrated by the effects of the Iraqi resistance on the US occupation army. The US colonial occupation forces are taking daily

casualties – deaths and injuries throughout the country at the hands of the popularly backed Iraqi guerrillas. The most immediate effect is to lower the moral of the US occupying forces. The US military's rapid disenchantment and openly expressed hostility toward any long term occupation is one of the weakest links in the US empire – as it was in the aftermath of the Second World War, and the Korean and Indo-Chinese wars. This key weakness of the US imperial armed forces means that the militarists have a serious problem in sustaining colonial conquests – unless there is a major infusion of foreign legionnaires from India, Pakistan, Turkey, Eastern Europe and other client regimes.

The vast technological superstructure of the US imperial war machine, ultimately relies on the ground troops to occupy and consolidate imperial rule. The problem however is that the nature of US ground troops are not compatible with long term policing of colonies. First much of the occupying army is made up of reservists – not life time enlisted soldiers – who joined the military to supplement their civilian pay and secure health and pension benefits not otherwise available. The reservists' idea of 'military service' is one night a week training and short term summer exercises, with calls to short term active duty in times of national emergency. This outlook is incompatible with long-term colonial occupation. This sector of the military

has little stomach for prolonged absence from job, family, school and community, especially in Iraq and Afghanistan facing the harsh conditions of intense heat, lack of water and decent living facilities, widespread popular hostility and frequent sniper attacks. Secondly, many of the enlisted soldiers joined to escape unemployment or low-income dead-end jobs with the hope of 'learning a trade' and returning to civilian life. Few volunteers expected face-to-face combat on hostile terrain. Thirdly the 'professional soldiers' resent being assigned colonial police activities, particularly given the hostile day-to-day environment and the total incompetence of the higher echelons of the military command in reconstructing a basic infrastructure. Fourthly there is a profound gap in 'soldiering' between the affluent, upwardly mobile, media savvy air conditioned generals and colonels, who fly to the occupied countries for reports, reviews and press conferences and fly out to their secure, well serviced headquarters in Qatar, Florida or Washington, for fillet mignon dinners, while the occupation forces lodged in flea-bag tents, eating plastic wrap rations, lacking water for showers and toilets and facing the universal hostility of the conquered Iraqi people.

Fifthly, the occupation forces are increasingly resentful and frustrated by the lies and deceptions from the high command regarding their tenure of service. The gap between the ideals and promises and the reality is sending

shock waves throughout the occupation forces. First, they were told they would be welcomed as a 'liberating army'; instead they confront general hostility and are justifiably considered an army of oppressors. They were told they would work with 'free Iraqis' to rebuild the country, instead they patrol broken streets in armored carriers, engaging in housebreaking and massive military sweeps. Most significantly, they were told they would fight the war, conquer the country and return home as heroes. Instead, they are now told they will have to spend years ducking grenades and bullets to sustain an inept and universally hated colonial governor.

The US military, which was trained for a high tech war, faces urban warfare in the streets, universities, and neighborhoods where the Iraqi resistance has all the advantage of knowing the terrain and having the support of the local people. Rumsfeld's propaganda about the urban resistance being simply a 'remnant' of the defeated Baathist forces rings false to the soldiers who experience hostility from grammar school children to the millions of Muslims who were previously persecuted by Saddam Hussein.

The dilemma of the civilian militarists is that the 160,000 US troops in Iraq are inadequate to control 24 million Iraqis demanding self-determination. Given the fact that the US military requires at least five non-combat soldiers for every active combatant, and given the decline in recruitment of

‘volunteers’ in the face of the harsh demands of being an occupying army, the civilian militarists have no choice but to limit the rotation of troops and to seek ‘multilateral’ assistance from clients and allies. What the civilian militarists are not willing to do is to return to general conscription. As past draft dodgers, the militarists in the Bush administration have no desire to call up their children and grandchildren to risk their lives for their empire. Both upper middle class gentiles and Zionists have no desire to pull their progeny from the elite universities and professional schools or lucrative banking and financial careers to fight ‘international terrorism’.

Finally, the civilian-military rulers in charge of the colonial policy is itself totally divorced, not only from the swelling mass opposition in Iraq and from their own increasing rebellions ground troops, but from sectors of their own military officials. The Rumsfeld-Wolfowitz ideologues discredited and bypassed the military and CIA intelligence sources created their own ‘inner circles’ in order to impose their own highly politicized ‘intelligence’ to justify military conquest. Their obsession with imperial conquest, military dominance is fueled with racist anti-Arab animus and driven by the idea of a greater US-Israel ‘co-prosperity sphere’ in the Middle East. The organizational-ideological division at the top of the imperial military-intelligence organization can over time seriously erode the power of the civilian militarists.

As the republic is replaced by the empire, it is more than likely that one of the principle sources of conflict and rebellion may occur within the military and this may eventually have an impact on domestic politics. The war and the drive for colonial control has generalized strong anti-colonial popular resistance in the occupied countries and daily casualties to the imperial ground forces. These factors (resistance, casualties, military discontent) are beginning to affect the popularity of the colonial war. The negative image in the United States results from the US casualties, the economic and political chaos in Iraq, the costs of conquest and the incompetence of the colonial rulers. Even noted imperialist apologists are bemoaning the lack of 'preparation' or 'capacity' of strategists for colonial domination. Unilateral US military action benefited the short term militarists intent on unrestricted warfare, but it undermines the bases for securing multi-lateral financial and military support in post-conquest colony building.

The highly charged and emotional diatribes of the civilian militarists with their neo-nazi 'will to world power' is crashing into the reality of reluctant vassal states, the resurgence of mass Iraqi opposition and the growing rebelliousness of US troops in the occupied lands. Those ideologues and politicians who take their cues from the Israeli-Sharon strategy of massive unilateral force to secure colonies, forget that Sharon cannot exist without the



support of the US government and the Zionist Diaspora – the US has neither a supporting power nor affluent benefactors.

Some observers, focusing on discrepancies over tactical and commercial disputes argue for growing inter-imperialist rivalries between the EU and the US. What is significant about these conflicts is how quickly they are defused, how small is their impact and more recently how quickly the disputants are reconciled to jointly pursuing empire building.

For example, the opposition of some European countries to the US-British invasion of Iraq was subsequently followed by an agreement within the European Union to build their own rapid deployment forces. France sent paratroopers into three African countries shortly after the Iraq war. Europe's decision to follow the United States is illustrated by its decision to reduce relations with Cuba, collaborate with the United States in isolating Iraq, approve US promoted resolutions against the spread of 'weapons of mass destruction', etc.. The imperial linkages between Europe and the US are far stronger than their competing interests. Equally important the strength of the US military and economic empire and its aggressive exercise has intimidated the would-be critics in France and Germany who are surrounded by US satellites in Eastern Europe, the Baltic nations and the Balkans.

The economy of the US republic is built on speculation, fraud, credit, debt, cheap immigrant labor, huge direct and indirect state subsidies, foreign borrowings and large and growing trade and budget deficits. When the economy moves from stagnation into a major recession it will weaken the empire *if* the state is unable to foist the burden of recovery on the backs of the wage, salaried and small business groups and *if* the state is forced to reallocate resources and personnel from empire-building to the republic. Unfortunately the record of the last quarter century tells us that the US public has shown little active resistance to military spending in times of war and only minority opposition to imperial conquest.

The trade unions are politically impotent and linked to the empire through their ties to the Democratic Party. There is no national political and social movement in existence capable of challenging the empire builders, today or in the foreseeable future. With more than 90% of the private sector work force non-union, the workers not only show little if any political influence, they do not even possess the social organization which could potentially reallocate the budget toward greater social instead of military spending. One of the great advantages of the US empire builders over Europe and even Japan is precisely their capacity to exploit workers (longer hours of work, no national health, pension or vacation plans), fire workers easily and cheaply, and

relocate firms. US empire builders key comparative advantage against its potential European and Japanese rivals is based on its control over the most backward working class in the industrialized world.

The highly exploitative social relations of productions in the US provide the surplus necessary for overseas expansion and limit the possibilities of the downwardly mobile wage and salaried classes from challenging the decline of The Republic.

The argument for the decline of empire cannot count on any automatic economic collapse or internal rebellion or consequential division between economic and military empire builders. The empire will be defeated from without or it will not be defeated at all. Only with external defeats will internal dissent or opposition emerge, activating the exploited and the poor, particularly the black and Hispanic population. The particularities of the US empire in contrast to Europe, Asia and elsewhere is that it totally lacks a tradition of working class or left-wing anti-imperialism. The opposition in the recent past was directed at 'global capital' and the policies and practices of the MNCs. Except for a small minority, there was no sense among the anti-globalization movement that the central issue was the US imperial state. Nor even at the height of the recent anti-war movement was there any understanding of the imperial-colonial nature of the war. This was evident in

the subsequent virtual disappearance of the anti-war movement, once the war began. During the US occupation, colonial rule and massacre of Iraqis protesting the US occupation and destruction of their economy, there was virtually no anti-colonial movement. The only longstanding internal opposition to US imperial policy occurred during the Vietnam War *because of the prolonged length and effectiveness of the Indo-Chinese resistance movements, the defeat of the US and the large number of US military deaths and casualties.*

The current empire builders have learned from their previous defeats – they do not hesitate to launch massive aerial attacks, use mini-nuclear weapons (uranium-tipped shells) and mobilize mercenaries from their new client regimes in England, Poland, the Ukraine, etc. They resort to recruiting thousands of private mercenaries subcontracted by the Pentagon in implementing Plan Colombia and the pacification of the Balkans. The problem of ‘overextension’ is then not an irremediable problem, particularly since the EU has implemented a similar program of rapid deployment forces to invade and occupy countries where clients are in danger or independent states or movements emerge.

The dynamics of the US empire building are still in full force even as contradictions deepen and fissures appear. The imperialist state commands

the allegiance of its domestic ruling class and substantial sectors of a fragmented, chauvinistic, downwardly mobile population despite growing unease among the public as the Iraqi resistance grows. The imperial economy continues to dominate key sectors of world investment, trade and finance through its multinationals. The military empire builders have established more military bases in more regions than ever before openly embracing a doctrine of permanent warfare and military intervention anywhere in the world – with the acquiescence of Europe and Japan.

Has the US empire 'peaked'? Perhaps. But the current imperial projections are for further wars. New imperial colonial networks are being consolidated. In Latin America the conversion of the Da Silva regime to ALCA and the formation of a US-Brazil-Mexico nexus assures the US of new bigger markets and the implementation of vast privileged opportunities for US MNCs. The US-Israel nexus promotes a Middle East 'Free Market Zone' dominated by the two powers.

The promoters of US imperial-colonial conquest draw no limits, experience no internal constraints and possess willing accomplices among the other great and lesser powers, most of whom are eager to make amends for their meek dissent over US tactics in the run-up to the Iraqi conquest. The evidence is clear. The EU has taken up the US cudgels in attacking Cuba,

Iran, North Korea with unprecedented vehemence and threats, gaining merit points from Washington. On the bases of the US successful conquest of Iraq, the empire builders in the EU and Japan have decided that it is better to join the US war machine and share the spoils of conquest rather than be excluded in the future.

If our evidence and arguments hold, it is clear that imperial rivalries, internal opposition and economic contradiction will not play a decisive role in the 'decline of the empire'. Mass political-social struggles in the colonized nations and client states are the driving forces calling into question the durability of the empire, its longevity and its successes and losses. The mass popular resistance in Iraq is delaying oil deliveries, undermining military morale, bringing out all the ugly totalitarian feature of a murderous occupation force. The large-scale guerrilla force in Colombia blocks US MNCs expansion and undermines US military strategies. The continuing Palestinian resistance blocks the consolidation of Greater Israel and US-Israeli plans for a wider free trade zone. The urban mass uprising in Venezuela defeated the US-backed bosses lockout and undermined US efforts to monopolize petrol from Venezuela to Iraq. The Cuban revolutionary regime remains a model and hope of resistance to hundreds of millions in the Third World.

Only when these and other struggles detonate wider regional uprisings and radical struggles, increasing US casualties and costs, will opposition emerge in the US and the EU. Rival imperial powers may take advantage of the decline to assert their own imperial interests and dissociate themselves from a weakening empire.

US empire building is not merely a product of US 'accumulation on a world scale', nor has the military empire builders exceeded the boundaries of economic possibility ('over-reach'). The buildup of empire has proceeded with ups and downs for over half a century – accelerating in the recent period with the demise of the Sino-Soviet bloc and its nationalist allies in the Third World. Both Democrats and Republicans, Clinton and Bush Administrations eagerly seized opportunities to extend military bases, launch colonial conquests and impose client regimes, even as the ideological justifications varied between the rulers. Rulers from both major US parties have subordinated the economy of the Republic to the Empire. Both parties pursue ALCA – the first promoted it, the second implemented it. The US political party system, congress, the court system and the mass media are totally embedded in the imperial system. The imperial values and interests of Christian fundamentalists, Zionist ideologues, civilian militarists, bankers and the CEOs of the MNCs are embedded in the imperial state.

Most US citizens that defend the empire might participate in financing it but do not receive the spoils of empire; nevertheless they appear to have consumed and are imbued with a racial-nationalist ideology that arrogates all good to themselves and evil to the critics and the overseas adversaries of the state. Change in this connection will only come when the reality of Third World resistance and revolts undermine the US military will to conquer.

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#### Notes

<sup>1</sup> It is also possible to compare the economic power of the MNCs with that of the nation-states. UNCTAD (2003), in this connection compares the GNP of the biggest countries with the total annual sales of the biggest MNCs or, more accurately, with the value added in the process of their economic activities. By this disputed measure fully one half of the 100 biggest economies in the world are MNCs, raising questions about a presumed 'weakening' of the nation-state under the impact of globalization – the internationalization and globalization of relations of economic and political power, decision-making vis-à-vis the [authoritative] allocation of society's productive resources presumably passing from the nation-state to a complex of international organizations. On this see, inter alia, Weiss (19xx) and

<sup>2</sup> At a global level FDI activity in 2001 was down considerably (51% for inflows, 55% for outflows) from the previous year – in the LCDs down from \$238 billion to \$205 billion. According to UNCTAD (*World Investment Report*, 2002) this was the result of two major factors: (i) a reduction in the frenzied pace of merger and acquisition activity – totaling \$4.6 trillion from 1987 to 2001; (ii) a sharp decrease in the value of traded corporate stock – shares of stocks listed in the New York Stock Exchange fell by one third in 2001. To these two factors could be added a slowdown in the privatization agenda, particularly in Latin America where most of the leading public companies have already been sold off.

<sup>3</sup> Ranked by foreign assets as opposed to market capitalization US MNCs appear to be less dominant, accounting for only 22% of the Top 100, according to UNCTAD (2002). And, measured by UNCTAD's new index of 'transnationalization' US-based MNCs appear to be even less dominant, yet all of them are ranked below several Swiss and a Canadian company (UNCTAD, 2002: Table 4.1).

<sup>4</sup> In this periodization there seems to be a pattern of close to 17-year 'developments' in the region paralleling developments elsewhere: (i) 1948-65—the implementation of the liberal reformists development project (land reform, rural credit, etc.) and participation of Latin America in the so-called 'golden age of capitalism'; (ii) 1966-82--; and (iii) 1983-1999—capitalist development, denationalization and recolonization under the aegis of the 'new economic model' (neoliberalism) under conditions of the debt crisis and process of redemocratization (retreat of the generals from state power, the formation of civilian regimes, decentralization and the constitution of 'civic society'). This period can be dated precisely from the . . . regime in Mexico to the first presidency (1994-1999) of FHC in Brazil.

<sup>5</sup> According to the *World Investment Report* (2002): see p. 16) royalty payments of developing countries to the MNCs from 1986 to 1990 – crucial years in the 'decade lost to development' in which Latin America experienced a huge capital drain in the form of interest payments on external debts -- increased by 22% a year to a total of \$73 billion. As for Latin America it turns out that data on royalty and related payments are difficult to come by but Table 1 summarizes the available data for the 1990s.

<sup>6</sup> At a global level North-South FDI inflows accounted for 60% of all international resource flows in 2000 (versus 6% in 1980 and 25% in 1990) (*World Investment Report*, 2002: 24). UNCTAD estimates that from 1987 to 2000 up to \$4.6 trillion of FDI were deployed in mergers and acquisitions, which is to say, a large part of the capital assigned a productive function (by some accounts as little as 5% of all the capital in circulation in world markets) is 'unproductive'



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– used to acquire already established firms rather than invest in new technology. This pattern holds for Latin America where, it is estimated, up to 70% of all FDI is used in this unproductive fashion.

<sup>7</sup> According to ECLAC ( ) no less than 50%, up to x% in the case of Brazil and Argentina, of all FDI in the 1990s -- \$97.2 billion from 1990 to 1997 (and thus well over \$100 billion over the decade -- was used to purchase the assets of existing privatized firms without an productive investment in new technology to initiate what ECLAC views as a process of ‘productive transformation’.

<sup>8</sup> Based on figures presented and analyzed by Gabetta, Calcagno and Calcagno (2002) 42% of FDI in Argentina is European (25% Spanish). As with US capital the bulk of this capital was used to buy up privatized enterprises rather than productive investment.

<sup>9</sup> As for financial corporations in Brazil, according to a Brazilian financial advisory firm, ABM Consulting, the 10 largest banks in Brazil, including Citibank and Bank Boston, earned returns of 22% on their holdings in Brazil in 2001 compared to 12% on a global level. This is one reason why George Soros, a forward-thinking international financier with significant holdings in Brazil, declares: ‘The system has broken down’ in that it ‘does not provide an adequate flow of capital to countries [like Brazil] that need it and qualify for it’.

<sup>10</sup> As for ODA, which also serves as a form of debt financing, overall flows in the region continue to lag well behind ‘private international resource flows’ although, given the retreat of the private commercial banks and the slump in FDI, the major multilateral lenders such as the World Bank did increase their lending to developing countries in 2002. However, even this ‘inflow’ of ‘international resources’ in one form served as a means of securing an ‘outflow’ in another. The relatively modest net IDS inflow of \$418 million in the first half of the year can be compared to a net loan repayment to the World Bank of \$2.6 billion (IMF, 2002: 6) [check mns/bns?]

<sup>11</sup> Using US export prices as a proxy, it has been found that even in the area of high-tech exports, exports from the developing countries are ‘subject to a higher degree of volatility . . . [with] steeper falls in prices after 1998 than the exports . . . of the same products traded among the developed countries’ (UNCTAD, 2002: 117). The evidence related to this issue of terms of trade for developing countries is reviewed in pp. 197-199.

<sup>12</sup> According to the *World Investment Report* (2002) from 1991 to 2001 a majority of countries in the developing world liberalized their trade regimes and financial markets and ‘converged’ towards a more welcoming stance on FDI: in regard to 306 recorded regulatory changes all but 75 were more favorable to FDI [p.19].

<sup>13</sup> UNCTAD (2002: 70) estimates that at least \$700 billion in export earnings could be generated for the LCDs if protection for labor-intensive activities in the industrialized countries was removed. In this connection, even Horst Kohler, managing Director of the IMF, has said that ‘the true test of the credibility of wealthy nations’ efforts to combat poverty lies in their willingness to open up their markets and phase out trade-distorting subsidies in areas where the LCDs have a comparative advantage . . . (Kohler, 2002). Recent efforts at Doha in 2002 and Cancun in 2003 by the leading group of 21 developing countries to change this structure, and its unevenly applied rules of trade, to establish a ‘fair and [free] market oriented trading system’ on the basis of a ‘program of fundamental reforms’ have foundered on the reef of collective resistance by the US and the EU. The collapse of negotiations at Cancun between the OECD countries and the developing countries reflects a similar failure of a generalized call by and within the UN some three decades earlier for a ‘new international economic order’. The imperial powers at these negotiations are willing to negotiate anything and everything except their own fundamental economic interests.

<sup>14</sup> Not only is the existing structure of international trade tilted severely against the developing countries but these countries are expected to pay for reforms to this structure – reforms, such as TRIPS (trade related intellectual property rights), that clearly favor the developed countries. In this connection, UNCTAD (2002: 59) has identified ‘significant costs’ incurred by the developing countries in implementing or securing these TRIPS. Finger and Schiuller (2000: 60) estimate that the implementation costs of TRIPS would be, on average, \$150 million, as much as the annual development budgets of some countries. Not only do these countries have to absorb the considerable administrative and implementation costs involved but the charges for the protected patent or intellectual property rights all go in one direction.

<sup>15</sup> Nor does it take into account the indirect contribution of Mexican labor to capital formation via its depressant effect on the wages of employed workers in the sectors in which they tend to be employed. One of the major offensives of capital against labor over the past three decades has been to challenge and reduce the share of labor in national income and thereby increase the income available as capital. The first battle in this offensive was to break the social contract that guaranteed the participation of labor in productivity gains (On this see Davis, 1984 and Crouch and Pizzorno, 1978). In subsequent years capital has found diverse ways of increasing the share of capital and reducing that of labor in national income, including the use of unemployment as a lever for lowering wages and the importing of cheaper forms of labor as well as the international relocation of production in areas with abundant supplies of cheap labor.

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<sup>16</sup> In this connection Carlos Tello (1996 50) points out that what Mexico essentially exports is its labor force – without it ever having to leave the country. The profitability of this labor process is reflected in the fact that US-based MNCs in the maquiladora sector account for a full third of all profits generated...

<sup>17</sup> Delgado-Wise points out that in contrast to the stereotype of the Mexican migrant, 40.7% of the core group of temporary or ‘circular’ Mexican migrants have completed their secondary schooling or higher, a figure that rises to 55% of all Mexican-born US residents (versus 51.8% of the general population). In addition, over 250,000 Mexican residents have a university degree or some postgraduate qualification (Delgado-Wise, 2003: 10).

<sup>18</sup> To establish the dimensions of Mexican labor’s contribution to the US economy Delgado-Wise (2003: 2, 9) calculates that: (i) 8.5 million Mexicans, slightly more than one third ‘undocumented’ (i.e., ‘illegal’) reside and work in the US; (ii) ‘sojourners’ (temporary migrants) account for between 800,000 and a million ‘sojourns’ a year (Tuirán, 2000); and (iii) each year around 370,000 Mexicans ‘settle’ (establish a permanent residence) in the US, constituting a mass of 22.9 million (8.5 million immigrants born in Mexico – 27% of all foreign-born immigrants in the US -- and 14.4 Americans of Mexican descent)

<sup>19</sup> From a fiscal point of view, international migrants generally contribute more to the receiving economy than they receive in benefits and public services. Through their transfer of resources migrants contribute to the mass of social capital available to the US state. According to data from the National Migration Forum (Delgado-Wise, 2003: 14) in 1997 the migrant population in the US contributed US\$80 billion more than they received in the form of benefits. In this and other ways migrants are a major force for dynamizing the receiving economy.

<sup>20</sup> Delgado-Wise (2003: 14) points out unlike labor that is exported indirectly (via the maquiladores), Mexican workers who emigrate and settle in the US consumed a significant part of their wages there, which means that the potential multiplying impact of their earnings is transferred to the US economy. This impact, he notes is considerable greater – over ten times greater -- than the impact of remittances on foreign exchange earnings in Mexico and thus the balance of payments.

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