

foreign policy *in focus*



Interhemispheric Resource Center
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Investment and Competitiveness

by Tom Barry and John Cavanagh

This overview of U.S. foreign policy regarding investment and competitiveness is excerpted from the recently published IRC/IPS book, Global Focus: A New Foreign Policy Agenda 1997-1998. It is one of several regional and topical overviews published as part of the Foreign Policy In Focus series.

In its first four years the Clinton administration became one of the biggest boosters of U.S. exports and investment overseas of any presidency to date. Clinton points out that the strength of the domestic economy is tied to the strength of the external sector. Increased integration with the world economy together with targeted government support for U.S.-based corporations benefits a segment of the public. More exports can mean more jobs, and increased investment openings overseas in areas of U.S. strength (banking, services, biotechnology, agriculture, computers, etc.) also create high-wage jobs back at home.

Clinton has undeviatingly pursued this course, not only through trade agreements but also through increased support for export promotion, technology transfer assistance, research support tied-aid programs, and authorizations for such business-promotion agencies as the Overseas Private Investment Corporation (OPIC) and Eximbank. He has encouraged the State Department to work as an extension of the Commerce Department, with diplomats doubling as agents for U.S. corporate investment—a policy called “aggressive emphasis on commercial diplomacy.” Increasingly even the Central Intelligence Agency has been put to work looking after the interests of U.S.-based transnational corporations. Additionally, as aid to promote U.S. business overseas has increased, foreign assistance for development, humanitarian purposes, population programs, and multilateral programs of the United Nations has been cut.

Although such a policy is consistent with the “free-market raises all ships” and “competitiveness” theories put forward by mainstream economists, the policy is deeply flawed. The main beneficiary of the national and international economic policies promoted by the U.S. government has not been the public. Instead, these policies have mainly benefited the corporations that produce and trade globally—the same corporations that are downsizing their U.S. operations. Among other negative impacts, these policies have increased environmental degradation, social disintegration, and economic dislocation at home and abroad. The policies have also increased the marginalization of workers and farm communities in the globalized capitalist economy.

The U.S. should reevaluate policies that are premised on the notion that the largely unregulated expansion of the global market and transnational corporations is what is best for the U.S. and best for the world.

What a U.S. Investment and Competitiveness Policy Should Not Do

Be the Servant of Transnational Corporations: The U.S. should not link its well-being to the increase of export and investment opportunities of U.S.-based corporations. The government’s own studies have concluded that such subsidies do little or nothing to guarantee increased U.S. market share or investment opportunities.

Abandon Environmental and Social Issues: The U.S. should not attempt to increase U.S. competitiveness by weakening environmental regulations, by reducing corporate taxes, by undermining the rights of workers to organize and bargain collectively, and by freeing companies from the legal and ethical obligations to their workers and communities. This is the downward-harmonization view of promoting global competitiveness—and it should be rejected as short-sighted, irresponsible, and ultimately counterproductive.

Ignore Noneconomic Factors: The U.S. should not base its policy on narrow evaluations of U.S. competitiveness that are based almost exclusively on economic indicators.

Avoid Responsibility: The U.S. should not blame others for what are essentially problems of U.S. economic policies. The

noncompetitiveness of U.S. industries and the declining state of U.S. well-being are not primarily the result of unfair trade practices of countries like Japan. U.S. government policies that lead to low rates of personal savings, higher unemployment, overconsumption, wasteful energy practices, and insufficient public investment should also be addressed. As David Calleo, author of *Bankrupting America*, has concluded, "We cannot expect to use the world economy as a sort of sewer in which to dump our domestic problems, or a bottomless well of resources from which we expect to finance our domestic inefficiency and extravagance."

Advance the Cause of Special Interests: The U.S. should not use trade barriers to protect powerful special interests, such as U.S. tobacco and sugar producers. Nor should the U.S. employ a national industrial strategy in which the government attempts to target subsidies to select business sectors to improve their global competitiveness and profitability. Such a strategy would extend current policies that prioritize the interests of influential corporations over those of the environment, communities, and workers. Moreover, there is no reason to believe that the government would be able to target competitive industries or that such an industrial strategy would not be an extension of today's pork-barrel politics.

Limit Itself to One Development Strategy: The U.S. should not aggressively and self-righteously push doors open for U.S. traders and investors on the grounds that trade and investment liberalization constitutes the only viable economic development strategy. Indeed, the countries that have been most successful economically have been those like Japan and Taiwan that have encouraged foreign trade but maintained a strong role for government in guiding economic development. Misguided structural adjustment programs supported by Washington, while benefiting a narrow strata of consumers and producers, are excluding the world's majorities from the opportunities of the global economy—thereby shrinking foreign markets for U.S. exports and producing the socioeconomic conditions that spark political instability.

What a U.S. Investment and Competitiveness Policy Should Do

End Government Favoritism: Subsidy programs such as OPIC and Eximbank that primarily benefit large globetrotting corporations should be terminated. These and other programs are instances of Aid for Dependent Corporations. Their elimination could open up a vital discussion about what type of government agencies could be established to promote broad and sustainable development, both at home and abroad.

Change Perspective: The U.S. should recognize that the primary beneficiaries of its foreign economic policy are not U.S. or foreign communities and workers but corporations that trade and produce globally. These corporations, even those based in the U.S., have little loyalty to communities and workers.

Promote Widespread Benefits: The U.S. should encourage the development and extension of fair-trade networks that pay fair prices to foreign producers for goods that are produced using environmentally sustainable techniques and whose profits benefit the entire community.

Support Corporate Codes of Conduct: The U.S. should demand enforceable Codes that oblige corporations to act responsibly. International laws and conventions are essential to regulate international business practices, but they will have little effect unless they are built on a foundation of tough national standards such as polluter-pays laws.

Alter Spending Policies: The U.S. should dramatically lower defense spending and use these funds to help military facilities and industries convert production to goods and services that will increase U.S. well-being, increase investment in social infrastructure, and support government jobs programs that address community needs.

Broaden its Focus: Instead of focusing almost exclusively on promoting business interests overseas as a way of maintaining and improving the U.S. standard of living, the U.S. government should focus more on the underlying factors that determine the well-being of any nation. As historian Paul Kennedy reminds us in his latest book, the fundamental indicators of a nation's long-run competitiveness are its quality of education, status of women, and quality of political leadership. Rather than policies to deregulate, privatize, and liberalize, this suggests a strong role for government in investing in educational infrastructure, health care, and environmental protection. Such investments—financed by cutting wasteful defense spending—will create good business climates and improved standards of living, both at home and abroad.

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