Chapter 8: The Various Forms of Imperialist Super-Exploitation of the Semi-Colonial Countries and their Development in the past Decades (Part 2)

We will deal now with the various forms of imperialist super-exploitation of the semi-colonial countries more in detail. Let us recall the four categories we identified as the forms in which the value appropriation by the imperialist monopolies from the semi-colonial world takes place:

i) Extra profits via capital export as productive investment

ii) Extra profits via capital export as money capital (loans, currency reserves, speculation etc.)

iii) Value transfer via unequal exchange

iv) Value transfer via migration, i.e. the import of relatively cheaper labor force to the imperialist metropolises from the semi-colonies

i) Extra Profits via Capital Export as Productive Investment

Monopoly capital in the era of globalization is increasingly dependent on its world-wide operations to increase profit. A study published by a foundation close to Big Business gives the following figures about the dramatic increase of US multinationals' profit originated by its foreign affiliates: While foreign affiliates accounted for 17% in 1977 of the worldwide net income of U.S. multinationals., this figure rose to 27% in 1994 and a startling 48.6% in 2006 — i.e. nearly half! The study commented: "*Indeed, U.S. multinationals across many industries have recently offset slowing U.S. sales and profits with stronger sales and profit growth outside America—especially in fast-growing countries such as China and India*." [263]

As we already pointed out, the imperialist monopolies can expect a high rate of profit in the semi-colonial countries because of the lower organic composition of capital and the favorable conditions for exploitation. As a result monopolies can gain a huge extra profit by using their advanced machinery and patents in combination with employment of cheap labor forces from the semi-colonies.

The following Figure 37 shows the enormous differences between the wages in the North and the South.

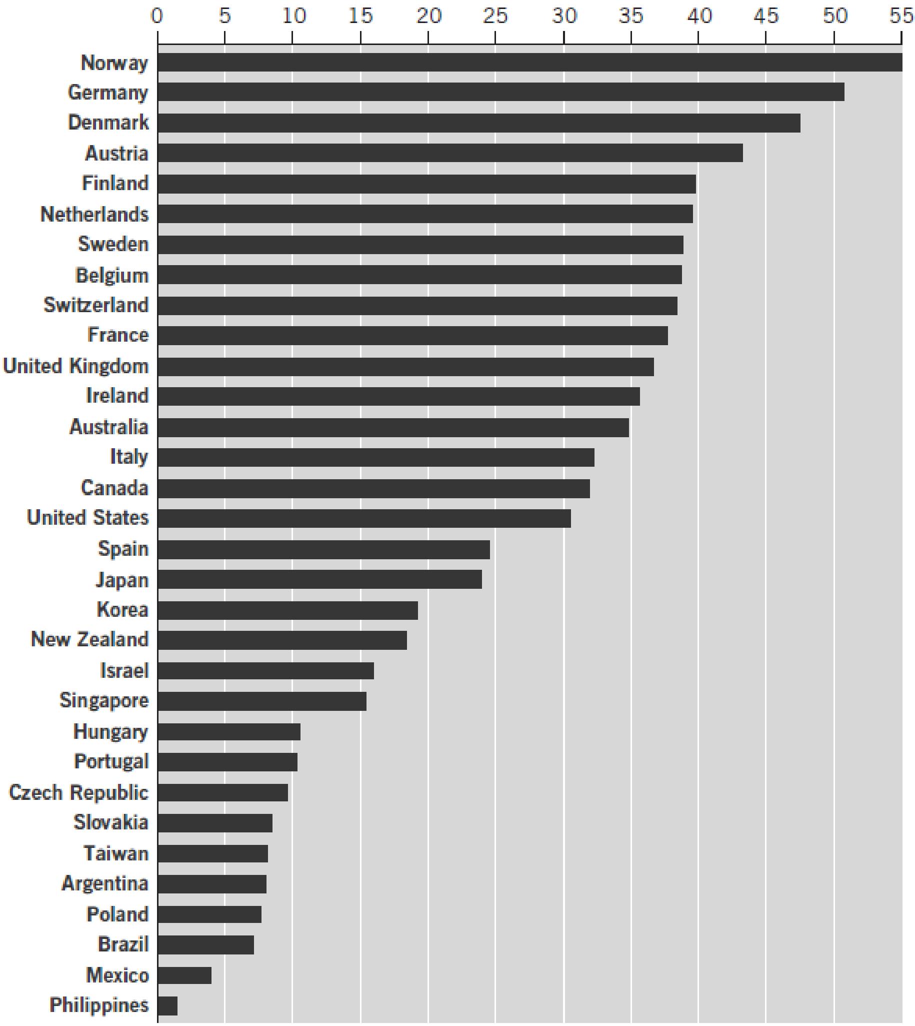
In Figure 38 we see the wages of industrial workers in various imperialist and semi-colonial countries compared with the mean wages of US industrial workers. In the year 2005 the mean wage of workers in India was about 3.1% of the US level. Workers in the Philippines get about 3.6% of the U.S. level and

[263] Matthew J. Slaughter: How U.S. Multinational Companies Strengthen the U.S. Economy (2009), Published by Business Roundtable and The United States Council Foundation, p. 16

those in Sri Lanka only 2.3%. We can see also that Mexican workers only get about 1/10 of the wages of US workers. Similarly, the level of Eastern European workers wages is only about 18% of its colleagues in the Euro Area.

Let us a give a practical example of the huge advantages for the monopolies of the exploitation of the workers in the semi-colonial countries. The US socialist

Figure 37: Geographical Differences between the Hourly Wages in Manufacturing, 2008 (in US-Dollars) [264]



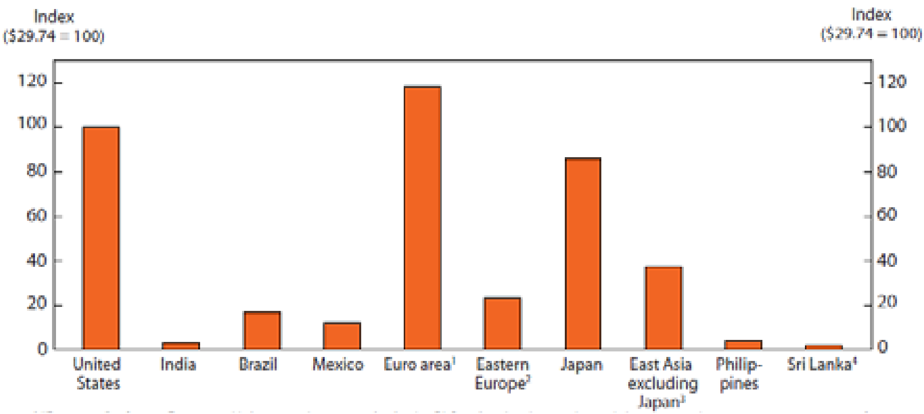
264 Peter Dicken: Global Shift. Mapping The Changing Contours Of The World Economy (Sixth Edition), The Guilford Press, New York 2011, p. 115

economist Doug Henwood showed in a study that in Mexico the US owned plants are 85% as productive as plants in the USA. But the capitalists have to pay the Mexican workers only 6% of the wages of their North American counterparts! [265]

In the following we reproduce a number of figures on the time since the end of World War II, which demonstrates that in all periods, monopoly capital could appropriate higher rates of profits in the semi-colonial countries than in their imperialist home countries. They also show that a significant proportion of these profits are not reinvested or even consumed in the country where the profits are created (i.e. the semi-colonies) but are rather repatriated to the home countries of the multinational corporations.

A team of Soviet economists published a study in 1970 which showed the important differences in the profit rate of foreign investment for the imperialist monopolies. They presented figures for the mid-1960s which demonstrated that US monopolies derived a profit rate of 8.7% from foreign investment in other imperialist countries, but got a profit rate of 18.1% in the semi-colonial countries. British monopolies received a profit rate of 8.3% at home, but got a profit rate of 15% in its former colony India. At the same time Indian capital achieved only a profit rate of 10% at home. [266]

Figure 38: Mean Total Hourly Compensation Costs of Manufacturing Employees, selected Countries and Regions, 2005 [267]



[265] Doug Henwood: Clinton's Trade Policy; in: Fred Rosen and Deidre McFadyen: Free Trade and Economic Restructuring in Latin America, New York 1995, p. 33

[266] S.N. Beljajewa, E.M. Waschenzewa, I.I. Ermolowitsch, M.M. Koptew, E.I. Korezkaja, W.N. Kuwaldin, W.W. Mestscherjakow (Autorenkollektiv): Politische Ökonomie - Kapitalismus (1970), Berlin 1973, p. 112

[267] Jessica R. Sincavage, Carl Haub, O.P. Sharma: Labor costs in India's organized manufacturing sector, in: Monthly Labor Review, May 2010, p. 13

The Syrian-born academic Bassam Tibi completed a study about the different profit rates of US corporations in the mining and petroleum industry between 1950 and 1970 in the imperialist and the semi-colonial countries. He showed that the profit rates were considerable higher in the semi-colonial countries. (See Table 35)

Pierre Jalée reported in his book on imperialism about a study which shows that the oil corporations had profit rates in the semi-colonial world between 61% and 114% while they were only about 7.2% in Western Europe. [268]

Another figure was given by the Brazilian left-wing economist Theotonio Dos Santos. He calculated that between 1946 and 1968 the USA exported to Latin America 5.5 billion US Dollars while at the same time 15 billion were transferred from Latin America to the USA as dividends, interest made by these investments. [269]

Table 35: Profit rates of Direct Investment of US corporations in Imperialist and Semi-Colonial Countries, 1951-1970 (in %) [270]

	Semi-Colonial Countries	*Imperialist Countries*
Mining Industry		
1951-1960	13.5%	11.1%
1961-1970	18.9%	11.2%
Petroleum Industry		
1951-1960	29.3%	6.5%
1961-1970	26.9%	2.8%

Table 36: Extra profits of US Monopolies in the Semi-Colonial World: Relation between Declared Profits and Nominal Value of US Investments Abroad (in %) [271]

	1970	***1975***
Profit from investment in developed capitalist countries	8.8%	10.7%
Profit from investment in developing capitalist countries	15.3%	21.4%
Profit from investment in oil industry in developing capitalist countries	23.7%	35,0%

[268] Pierre Jalée: Das neueste Stadium des Imperialismus (1969), München 1971, p. 30

[269] Reported in Ernest Mandel: Late Capitalism. London 1975, p. 65

[270] Bassam Tibi: Die Rohstoffe der Peripherie-Länder und der Reproduktionsprozeß der Metropolen: Das Beispiel Erdöl; in: Volker Brandes (Hrsg.): Perspektiven des Kapitalismus. Handbuch 1, Frankfurt a.M. 1974, p. 108

[271] Hans Tammer (Hrsg.): Anschauungsmaterial. Politische Ökonomie, Kapitalismus, Berlin 1984, p. 105

In a more general study Eastern German and Soviet economists calculated the different profit rates for US monopolies in the 1970s in the semi-colonial and imperialist world. According to them the monopolies profit rates were about double as high from investment in the semi-colonial countries than they were in the metropolises. (See Table 36)

UNCTAD reported in 2003 that the rate of returns on Foreign Direct Investment *"were consistently higher in developing countries (5.8%) than in developed (4.4%) and CEE countries (3.9%) since the beginning of the 1990s."* [272]

Table 37: Rates of Return on US Direct Investment Overseas, 2006-2009 (in %) [273]

	2006	*2007*	*2008*	*2009*
Average for all countries	12.9%	12.8%	12.3%	9.7%
Europe	11.8%	11.4%	10.9%	9.1%
France	9.4%	8.0%	6.7%	2.9%
Germany	8.3%	9.6%	8.0%	5.2%
United Kingdom	7.1%	5.1%	6.2%	4.9%
Latin America	13.4%	14.9%	13.7%	11.0%
Brazil	16.3%	18.5%	20.5%	14.6%
Chile	13.4%	35.3%	28.3%	30.0%
Venezuela	28.0%	9.0%	20.0%	19.2%
Africa	28.3%	22.1%	19.5%	12.4%
Egypt	19.7%	22.9%	22.9%	16.5%
Nigeria	114.7%	74.9%	59.8%	23.4%
Tunisia	10.0%	21.5%	23.6%	7.0%
Middle East	26.7%	29.2%	30.0%	14.8%
Saudi Arabia	39.9%	50.5%	44.1%	18.3%
United Arab Emirates	16.1%	14.7%	13.0%	10.0%
Asia and Pacific	15.4%	15.7%	13.7%	10.4%
Australia	9.2%	10.3%	9.4%	5.2%
China	22.5%	20.6%	15.8%	13.1%
India	20.1%	18.6%	11.1%	11.2%
Indonesia	34.3%	26.8%	22.2%	20.8%
Japan	9.2%	9.3%	8.2%	8.7%
Korea, Republic of	13.4%	12.8%	14.5%	13.3%
Malaysia	24.9%	27.0%	31.5%	22.3%
Thailand	19.1%	19.2%	20.6%	19.0%

[272] UNCTAD: World Investment Report 2003, p. 17

[273] Tony Norfield: What the 'China Price' really means, 3.6.2011

The Marxist economist Tony Norfield presents in an interesting article an international comparison of the rates of return on US direct investment overseas for the years 2006-2009. (See Table 37) His calculations prove our thesis that monopoly capital gets a higher profit rate by exploiting workers in the South than in the old imperialist countries. Norfiled shows that *"in 2009 the global average rate of return calculated was 9.7%. But it was only 3 to 5% in Germany, France and the UK, and close to 20% or above in Chile, Venezuela, Nigeria, Indonesia, Malaysia and Thailand. The average rate of profit earned in the rich countries is far less than that earned in the poor ones, based on the much higher rate of exploitation of labour in poor countries."* [274]

In this context it is worth pointing out that extra-profits and repatriated earning of the imperialist monopolies do not only originate directly from their capital exports. A large share of their investment is financed by undistributed returns or by local credits which they get with favorable conditions. Theotonio Dos Santos calculated that the net North American investment in Latin America for the years 1957-64 reached 1.5 billion Dollars while actually only 180 million were exported from the USA. The rest arrived from undistributed returns, local credits etc. During the same time 630 million Dollars were transferred from Latin America to the USA. [275]

We have argued against various centrists that super-exploitation of the semi-colonial world plays an enormous role for the most powerful sector of the capitalist class – the imperialist monopolies. We have said that the extra-profits which they derive from the semi-colonial countries represent a significant proportion of their total profits. In its *World Investment Report 2011* UNCTAD gives a number of figures which underline this fact. As one can see in Figure 39 between 20% and 90% of the biggest monopolies profits – including Anglo American, Toyota, BASF and Nestlé – derive from their investments in the semi-colonies.

Capital export of imperialist monopolies towards the semi-colonial countries is *foreign* investment, investment which is made not by the domestic capitalist class but by another, foreign capitalist class, with origins in the dominating imperialist part of the world. It is the economic foundation of the still existing national oppression of these countries despite their formal independence. As a result the imperialist monopolies repatriate a significant proportion of the profits which they make in the semi-colonial countries back home to the "parent company".

In the following calculation of the development of profits a group of Soviet economists compared the growth of foreign investment and repatriated profits between the imperialist and the semi-colonial countries. They showed that US

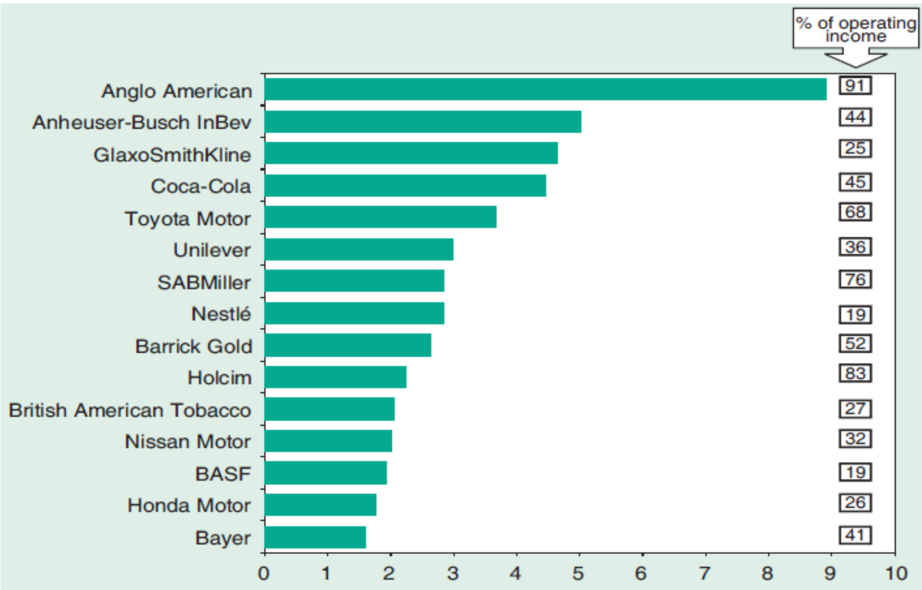
274 Tony Norfield: What the 'China Price' really means, 3.6.2011, http://economicsofimperialism.blogspot.co.at/2011/06/what-china-price-really-means.html

275 Quoted in Ernest Mandel: Imperialism and National Bourgeoisie in Latin America (1971); in: International Vol. 3, No. 1 (Spring 1976), Theoretical Journal of the International Marxist Group (British Section of the Fourth International), p. 24

Table 38: Annually Repatriated Profits and Annual Growth of Foreign Investment by US Monopolies, 1950-1966 (in Million US-Dollars) [276]

	1950	*1960-66*
Capital export in imperialist countries		
Annually repatriated profits	438	1263
Annual growth of foreign investment	467	1804
	-29	-541
Capital export in semi-colonial countries		
Annually repatriated profits	845	1986
Annual growth of foreign investment	129	450
	+716	+1536

Figure 39: Operating Profits derived from Operations in Developing and Transition Economies, selected top 100 TNCs, 2010 (Billions of dollars and share of total operating profits) [277]



[276] S.N. Beljajewa, E.M. Waschenzewa, I.I. Ermolowitsch, M.M. Koptew, E.I. Korezkaja, W.N. Kuwaldin, W.W. Mestscherjakow (Autorenkollektiv): Politische Ökonomie - Kapitalismus (1970), Berlin 1973, p. 112
[277] UNCTAD: World Investment Report 2011, p. 27

monopolies were able to repatriate profits from the developing countries which were 4-6 times higher than the additional foreign investment. They also show that profit repatriation from foreign investment in the semi-colonial countries was substantially bigger than from foreign investment in other imperialist countries. (See Table 38)

A survey of ECLA in 1970 shows that the local subsidiaries of US corporations in Latin America in the manufacturing sector repatriated 57% of their profits to the parent company and this figures rose to 79% for all sectors between 1957 and 1965. [278]

This dynamic of exploitation of the semi-colonial countries via profit repatriation continued in the last decades. Between 1980 and 1992 multinational corporations undertook a net repatriation of profits worth $122 billion. [279] According to official statistics US TNC's received via their foreign direct investment in Latin America a rate of return between 22-34% in the 1990s. On this basis US multinationals repatriated profits of $157 billion from Latin America to the North.

However it is important to bear in mind that these are all official figures. We stress this point because a significant amount of the profits of the multinational corporations is declared as domestic profits. This is easy for the monopolies to arrange since they control 2/3 of world trade and 1/3 of world trade is intra-firm trade, i.e. trade of commodities inside the same multinational corporation. [280] Through price manipulations and other mechanisms the monopoly capitalists can easily distort the official accounting. The anti-imperialist writer James Petras noted in his book *Globalization Unmasked*: "*the real rate of return and profit is much higher, because so much of it is unreported or disguised through transfer-pricing but also because it does not include reinvested profits and is calculated after deduction of taxes, liabilities held by parent corporations, insurance and license fees and royalty payments to the same, and 'adjustments' related to currency valuations.*" [281]

Repatriated profits continued to grow in the last years. Éric Toussaint, a well-known Belgian socialist and anti-imperialist activist and researcher, reported in 2007: "*Capital flight and brain drain from the developing countries to the most industrialised countries have grown over the last few years. The amount of profits repatriated towards the 'parent company' has multiplied by a factor of 4.5 between 2000 and 2006 (from 28 billion in 2000 to 125 billion in 2006)*" [282]

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[278] Celso Furtado: Economic Development of Latin America. Historical Background and contemporary problems, New York 1984, p. 201

[279] See Éric Toussaint and Denise Comanne: Globalization and Debt; in: Éric Toussaint & Peter Drucker (editors): IMF/World Bank/WTO: The Free Market Fiasco, IIRE: Notebook for Study and Research No. 24/25, Amsterdam 1995, p. 12

[280] Christian Zeller: Ein neuer Kapitalismus und ein neuer Imperialismus?; in: Christian Zeller (Hrsg.): Die globale Enteignungsökonoie, Münster 2004, p. 97

[281] James Petras / Henry Veltmeyer: Globalization Unmasked. Imperialism in the 21st Century, London 2001, p. 81

[282] Éric Toussaint: The International Situation and the Debt: The new challenges facing CADTM; 27.8.2007, p. 3

Even one of the major imperialist institutions – the World Bank – has to report about the huge dimensions of profit repatriation of the imperialist monopolies albeit it tries to downplay this factor. Nevertheless they have to admit that the imperialist monopolies could increase their profits – in relation to the economic output of the semi-colonies – by four times from 1990 to 2006. And they also report that the imperialist monopolies repatriate between 2/3 and 4/5 of their profits to their parent company:

"The income earned by multinationals on FDI has risen in tandem with the surge in flows. The value of multinationals' investments in developing countries reached an estimated $2.4 trillion in 2006. The income earned on that stock rose from $74 billion in 2002 to $210 billion in 2006. FDI income increased from less than 0.5 percent of GDP in developing countries in the early 1990s to almost 2 percent in 2006.

Not all of this income represents an outflow from developing countries' balance of payments. The portion of FDI earnings that is repatriated each year has been relatively stable over the past 10 years, averaging 62 percent, down from more than 80 percent in the early 1990s. Repatriated earnings increased from $28 billion in 2000 to $125 billion in 2006, but they do not represent a significant burden on the balance of payments. Repatriated earnings have represented about 2 percent of developing countries' export revenues since 2000." [283]

This shows that between the past decades profit remittances on Foreign Direct Investment grew much faster than the national output in the semi-colonial countries. This also becomes evident from other World Bank statistics. According to the World Bank's annual publication *Global Development Finance*, the Gross National Product of the "Developing Countries" grew between 1970 and 1980 from $1.124 billion to $2.901 billion, i.e. by +258%. At the same time profit remittances on FDI grew from $6.5 billion to $23.8 billion, i.e. by +366%. [284] However this discrepancy accelerated even more in the next decades. Between 1990 and 2010 the Gross National Income of the "Developing Countries" grew from $3.578 billion to $19.437 billion, i.e. by +543%. At the same time Profit remittances on FDI grew from $16 billion to $343 billion, i.e. by +2144%. [285]

The World Bank described in a report in 2009 the volatile character of the profit repatriation dynamic:

"During the first three quarters of 2008, multinational corporations repatriated growing shares of income from some large countries, leaving less for reinvestment. Repatriation as a percentage of income increased to as much as 70 percent during the second and third quarters of the year, compared with an average of 50 percent in previous quarters. Nevertheless, because of the significant rise in FDI income in 2008, the value of earnings reinvested in the same economies still increased by $5 billion (to $47 billion) during the first three quarters of the year compared with the same period a

[283] World Bank: Global Development Finance 2007, p. 53

[284] World Bank: Global Development Finance 1999, p. 160. (Our calculation)

[285] World Bank: Global Development Finance 2010, p. 24; Global Development Finance 2012, p. 40.; our calculation We did not throw the figures from 1970-1980 and 1990-2010 together since the World Bank statisticians used different methods for the calculation of the annual national output.

year earlier. Several factors (such as stable payment of dividends, tax rates, and other regulations) affect corporate decisions to reinvest or repatriate equity earnings. During the previous crises centered in host economies, multinational companies repatriated earnings in excess of current income or called in intra-company loans to reduce their exposure to a country quickly without selling assets. Following the Asian crisis, for example, U.S. multinationals repatriated all their FDI income from the region. Over the last 10 years, by contrast, multinationals have reinvested 30 to 40 percent of their income from foreign operations back into the host country. Reinvested earnings and intra-company loans made up 20 percent and 15 percent of FDI flows to developing countries, respectively" [286]

Even the share of profits which is not repatriated is not fully used for reinvestment. UNCTAD reports in its *World Investment Report 2011*: "*However, not all reinvested earnings are actually reinvested in productive capacity. They may be put aside to await better investment opportunities in the future, or to finance other activities, including those that are speculative. About 40 per cent of FDI income was retained as reinvested earnings.*" [287]

Underestimation of surplus value and extra-profits extracted from the South

A significant proportion of the surplus value and extra-profits extracted from the South does not appear in the official statistics as originated in the South but rather in the North. This is particularly the case concerning the multinational corporations. According to a recent OECD Working Paper, economists have come to the broad estimation that one third of world trade is intra-firm, i.e. takes place between the parent and affiliate parts of one and the same multinational corporations. [288] However, Peter Dicken, author of an important study on Globalization, believes that this figure is an underestimation. He refers to the calculation that "*90 per cent of US exports and imports flow through a US TNC, with roughly 50 per cent of US trade flows occurring between affiliates of the same TNC.*" [289]

There has also been a massive increase in the international production chains by the rise of the multinational corporations. This can be seen be the increasing share of imported inputs in manufacturing production. While this share was about 8% in 1970, it rose to 12% (1980), 18% (1990) and 27% in the year 2000. (See Figure 40) [290]

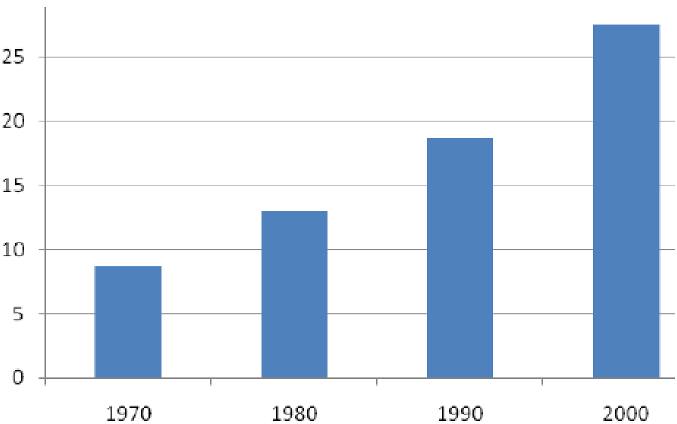
[286] World Bank, Global Development Finance 2009, pp. 51-52
[287] UNCTAD: World Investment Report 2011, p. 11
[288] Rainer Lanz and Sebastian Miroudot: Intra-Firm Trade: Patterns, Determinants and Policy Implications", (2011), OECD Trade Policy Working Papers, No. 114, OECD Publishing, http://dx.doi.org/10.1787/5kg9p39lrwnn-en, p. 12
[289] Peter Dicken: Global Shift. Mapping The Changing Contours Of The World Economy (Sixth Edition), The Guilford Press, New York 2011, pp. 20-21
[290] Jørgen Elmeskov: The General Economic Background to the Crisis, OECD Paper for Session on

There have been some studies which showed that in the official figures of the transnational monopoly corporations the production costs of a given commodity (including wages) in the South only represent a relatively small portion of the total costs. A much bigger proportion appears as costs generated in the North albeit this costs represent unproductive labor (retail, advertising etc.). By this these costs which appear as generated in the North are in reality financed by the surplus value generated in the South. This is even truer for the huge profits which appear again as generated in the North but are based on the surplus value generated in the South. (See Figure 41)

John Smith wrote on this commenting a study on Apple's 30Gb iPod:

"Thanks to research by Greg Linden, Jason Dedrick and Kenneth L. Kraemer, the Apple iPod can serve as a vivid illustration of these international wage differentials and of the broader argument developed in this paper. Linden et al decomposed the costs of production of the Apple iPod into the 'value-added' by managers, designers and retailers in the United States and the 'value-added' by workers employed in the overseas production of its components and their assembly into the finished good. At their time of writing, the 30Gb Apple iPod retailed at $299, while the total cost of production was $144.40. The other $154.60, 52% of the final sale price, represents what the authors call 'gross profits', i.e. revenues, to be divided between retailers, distributors and Apple itself—all of which, it should be noted, counts as 'value-added' generated within the USA and is counted towards US GDP, there is no sign of any cross-border value transfers affecting to the distribution of profits to Apple and its various suppliers. From the perspective of Marx's law of value, most of these activities are non-productive

Figure 40: Share of Imported Inputs in Manufacturing Production, 1970-2000 [291]



"How the global economy headed into crisis" at the G20 Workshop on the Causes of the Crisis: Key Lessons Mumbai, 24-26 May, 2009, p. 22

[291] Jørgen Elmeskov: The General Economic Background to the Crisis ..., p. 22

and their revenues represent surplus value extracted from the actual producers of these commodities (more accurately, they are a fraction of the surplus-value generated across the global economy captured by capitalists involved in the production and sale of iPods)." [292]

A recently published study by several liberal academics on Apple's iPhone 3G which details the production costs and profits allows the same conclusion:

"Fairly predictably, there is almost no political arithmetic on the social costs of the trans-Pacific chain for the US national economy. The honourable exception is the Asian Development Bank Institute article by Xing and Detert (2010) which presents single product calculations that show how the Apple business model increases the US trade deficit and decreases US employment. The product is the iPhone 3G which in 2009 sold 11.3 million units in the US market and 25.7 million units globally. Xing and Detert's calculate that just one product, the iPhone 3 contributed $1.9 billion towards the US trade deficit with China; though, when they use assembly value added as the numerator (excluding German, Japanese and US components imported into the PRC for iPhone assembly), the magnitudes are smaller. Their most interesting finding is that Chinese workers add no more than US $6.5 to each iPhone 3 which is no more than 3.6% of the shipping price of an iPhone. The implication is that the high margin iPhone could be profitably assembled in the United States or any other high wage country and 'it is the profit maximization behaviour of Apple rather than competition that pushes Apple to have all iPhones assembled in the PRC'" [293]

So we have Apple whose owners make a huge gross margin of 72% on each phone but this profit is mostly accounted as generated in the North. [294]

In Figure 42 we can see that the huge majority of workers which contribute to the production of Apple's commodities are overseas workers, i.e. mostly workers in "developing" countries. The profit however is appropriated by the monopolies and accounted as created in the North.

Apple's iPhones are of course no exception. Herbert Jauch gives a number of examples which suggest a similar mechanism of profit-generating in the South which appears as profits and costs in the North:

"The retail price for coffee is 7-10 times higher than the import price and about 20 times the price paid to the coffee farmer. Designer shirts produced in South East Asia are sold in Europe for 5-10 times their import price. Less than 2% of the total value of shirts produced in Bangladesh are received by the direct producers as wages. The profit by local companies is equivalent to about 1% of total value. About 70% of the total value in the clothing sector consists of firstly profits of distributors, wholesalers and retailers; secondly costs for transport and storage etc; and thirdly customs duties and indirect taxes imposed by the importing (industrialised) country." [295]

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[292] John Smith: Imperialism and the Law of Value, p. 15

[293] Julie Froud, Sukhdev Johal, Adam Leaver, Karel Williams: Apple Business Model, pp. 22-23

[294] Aditya Chakrabortty: Apple: why doesn't it employ more US workers? Guardian, guardian.co.uk, 23 April 2012 http://www.guardian.co.uk/technology/2012/apr/23/bad-apple-employ-more-us-workers

[295] Herbert Jauch: Globalisation and Labour, p. 5

Figure 41: Share of Production Costs of an Apple 4G iPhone assembled in China [296]

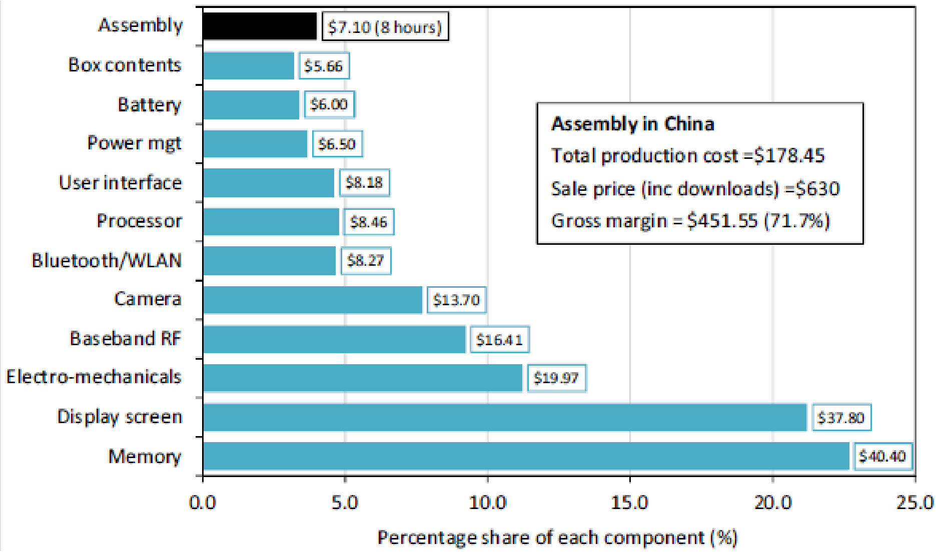
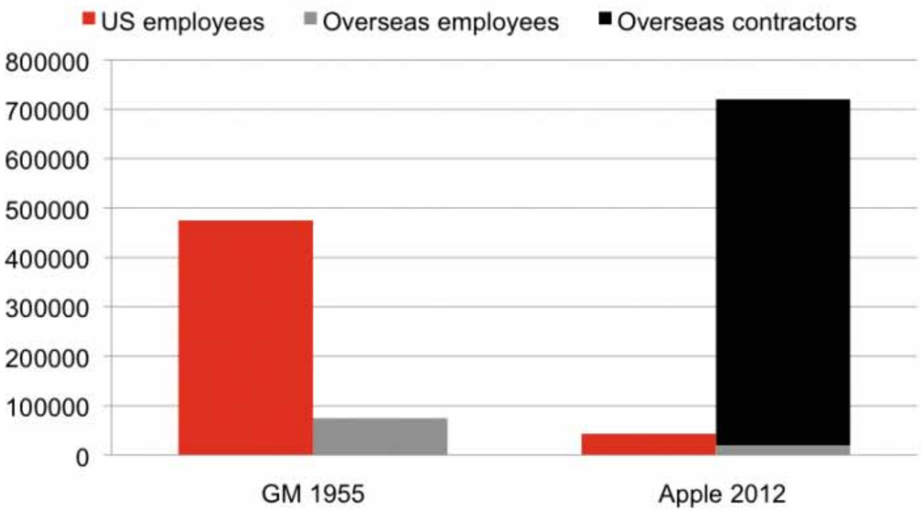


Figure 42: US and Oversee Employees resp. Contractors in 1955 and in 2012 [297]



[296] Julie Froud, Sukhdev Johal, Adam Leaver, Karel Williams: Apple Business Model, p. 23

[297] Derek Thompson: The 11 Figures That Allegedly Prove That the West Is Doomed, Aug 7 2012, http://www.theatlantic.com/business/archive/2012/08/the-11-Figures-that-allegedly-prove-that-the-west-is-doomed/260750

ii) Extra profits via Capital Export as Money Capital (Loans, Currency Reserves, Speculation, etc.)

As we have shown in one of the previous chapters, after the end of the long boom in the late 1960s and early 1970s world capitalism entered a new period of stagnation. Faced with declining rates of profits it became more and more difficult to invest capital profitably in production. Structural over-accumulation of capital became a defining feature of capitalism since then again. This led to a huge mass of superfluous money capital. Therefore the big banks had a strong desire to put their money capital profitably in circulation. This is why they gave massive loans so willingly to the semi-colonial countries since the early 1970s. Internationally the total volume of loans grew between 1971 and 1979 from \$10.2 billion to \$123.4 billion, i.e. it grew about 36% a year. [298]

The following Table 39 demonstrates the enormously increasing weight of the banking capital in relation to the world output, trade and investment in the period between 1964 and 1991. According to these figures net banking loans rose in this period – compared with the world's GDP – from 0.7% to 16.3%. In relation to the world's fixed domestic investment it grew from 6.2% to 131.4%, i.e. banking loans increased more than 20 times as much as productive investment!

Table 39: International Banking Capital in relation to World Output, Trade and Investment, 1964-1991 (in %) [299]

	1964	*1972*	*1980*	*1985*	*1991*
As share of World Output					
Net international bank loans	0.7	3.7	8.0	13.2	16.3
Gross size of international banking market	1.2	6.3	16.2	27.8	37.0
As share of World Trade					
Net international bank loans	7.5	31.5	42.6	80.4	104.6
Gross size of international banking market	12.4	53.7	86.3	169.7	215.6
As share of World Gross Fixed Domestic Investment					
Net international bank loans	6.2	25.6	51.1	103.7	131.4
Gross size of international banking market	10.3	43.7	103.6	219.2	270.9

[298] Jeffrey Bortz: Die lateinamerikanischen Schulden und die Zyklen der Weltwirtschaft; in: Bortz/Castro/Mandel/Wolf: Schuldenkrise, Frankfurt a.M. 1987, p. 102

[299] UNCTAD: World Investment Report 1994, p. 128

As a result the extra profits for the banks and financial institution rose dramatically since the 1970s. They managed to make a huge return on their loans to the Southern states. The Latin American states, for example, paid $40 billion a year in debt service in the 1980s. [300]

A number of economists have already pointed out that the semi-colonial countries have already paid back their debts several times. But the imperialist regime, the power of the banks to raise the interest rates etc. all led to the situation that despite having paid back their loans several times, the semi-colonies are still higher indebted than they were in the 1970s. The progressive economists Paulo Nakatani and Rémy Herera report, that the so-called developing and emerging market economies together have already paid to their imperialist masters a cumulative $7.673 trillion in external debt service. But by raising interest rates etc. the Third World's debt did not decrease but rather increased from $618 billion in 1980 to $3.150 trillion in 2006. As a result the semi-colonial countries have to pay a rising proportion of the annual national output as debt service to the imperialist financial institutions:

Figure 43: External Debt Service-to-Export Ratio, 2005-2010 [301]

[300] Winfried Wolf: Schuld, Zins, Profit. Zum Verhältnis zwischen Dritter, Erster und westdeutscher Welt; in: Bortz/Castro/Mandel/Wolf: Schuldenkrise, Frankfurt a.M. 1987, p. 15

[301] UNCTAD: World Investment Report 2011, p. 27

"Total external debt service of these countries grew from 2.8 percent of GDP in 1980 to 4.0 percent in 1989 and 6.9 percent in 1999, before decreasing slowly to 5.2 percent in 2006, just above the 5.1 percent average for the period." [302]

According to the International Monetary Fund (IMF), who differentiates the semi-colonial countries in different income categories, the so-called "low-income countries" have to pay 6.5% of their export income for debt-service, the "lower middle income countries" 19% and the "upper middle income countries" even 35%. [303] (See also Figure 43)

The imperialist super-exploitation of the semi-colonial world becomes again obvious in the fact that the banks demand from these countries interest rates which are several times as high as loans to imperialist countries are. In this context one has to bear in mind that the loans, which the imperialist financial institutes gave to the semi-colonies in the 1970s, had variable interest rates. This means that while they had very low interest rates when the semi-colonies got the loans in the 1970s this quickly changed and they had to pay huge interest rates a few years later. [304]

The UNDP reported about these major differences between rates in the North in the 1980s and those applied to loans in the South.

"During the 1980s, while interest rates were 4% in the highly industrialised countries, the effective interest rate paid by developing countries was 17 %. On total debt worth more than 1,000 billion dollars, this meant a special interest premium of 120 billion dollars annually. This merely aggravated a situation in which net transfers to pay the debt totaled 50 billion dollars in 1989." [305]

The following Tables 40 show the huge difference between the interest rates in the imperialist countries and the semi-colonial countries.

As a result debt service has become one of the most important forms of imperialist super-exploitation. To give an overview of this development we quote the progressive economists Éric Toussaint and Denise Comanne:

"[T]he total foreign debt of developing countries grew from $567 billion in 1980; $1086 billion in 1986; and $1419 billion in 1992. The total debt thus went up 250 percent in twelve years. In the same period interest payment amounted to $771 billion, and principal repayment $891 billion. Total payments from Third-world countries over these twelve years amounted to §1662 billion: three times what they owned in 1980. After repaying what they owed three times over, at the cost of untold suffering, far from being less in debt, they owe far more than in 1980: 250 percent more." [306]

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302 Paulo Nakatani and Rémy Herera: The South Has Already Repaid it External Debt to the North. But the North Denies its Debt to the South, Monthly Review, Volume 59, Issue 02 (June 2007)

303 United Nations: World Economic Situation and Prospects 2012, p. 91

304 See Nicola Liebert: Schuldenkrise: Die Position der Gläubiger und das Potential für einen Schuldenerlaß; in: PROKLA Nr. 71 (1988), p. 115

305 UNDP: Human Development Report 1992, p. 66

306 See Éric Toussaint and Denise Comanne: Globalization and Debt; in: Éric Toussaint & Peter Drucker (editors): IMF/World Bank/WTO: The Free Market Fiasco, IIRE: Notebook for Study and Research No. 24/25, Amsterdam 1995, p. 10

Table 40: Long-Term Real Interest Rates in Imperialist and Semi-Colonial Countries (in %) [307]

Long-term real interest rates in six industrial countries, 1890-1989

Country	*1890-99*	*1900-13*	*1955-59*	*1960-73*	*1974-79*	*1980-84*	*1985-89*
France	3.6	2.0	0.3	1.4	-0.9	3.1	5.1
Germany	-	-	3.9	2.7	2.8	4.8	4.0
Italy	-	-	4.0	1.5	-3.7	1.9	3.6
Japan	-	-	-	0.5	-0.2	5.7	3.9
United Kingdom	2.6	2.0	1.3	2.5	-2.1	2.7	4.1
USA	4.5	1.7	0.8	1.5	0.3	5.4	5.4

Real interest rates on foreign debt paid by selected major debtors, 1982-85

Country	*1982*	*1983*	*1984*	*1985*	*Average 1982-85*
Argentina	26.3	23.8	11.3	11.6	18.3
Brazil	22.2	19.6	12.6	12.0	16.6
Chile	33.8	8.9	21.6	8.4	18.2
Mexico	27.4	16.9	9.9	15.0	17.3
Nigeria	25.9	25.4	11.5	18.2	20.3
Korea, Rep. of	14.0	12.5	5.8	7.1	9.9
Average	24.9	17.8	12.1	12.3	16.8

The United Nations Commission for Human Rights reported that "*between 1984 and 1990, for example, the draconian policies of debt collection produced a staggering net transfer of financial resources - $155 billion - from the South to the North.*" [308]

Since then the super-exploitation of the semi-colonial world via financial robbery has continued. By 2002, i.e. 22 years later, the developing countries repaid their creditors a little over $4,600 billion. If one adds South Korea this figure grows to $4,900 billion. In other words between 1980 and 2002 the semi-colonial countries have repaid eight times what they owed in 1980! At the same time by 2002 their amount of still existing debts has increased to $2,400 billion, more than four times the amount of 1980! [309]

This increase of debt took place in different regions in the following way as Table 41 shows:

[307] UNDP: Human Development Report 1992, p. 49

[308] UN COMMISSION ON HUMAN RIGHTS: Effects of structural adjustment policies on the full enjoyment of human rights. Fifty-fifth session, Item 10 of the provisional agenda ECONOMIC, SOCIAL AND CULTURAL RIGHTS. Report by the Independent Expert, Mr. Fantu Cheru, submitted in accordance with Commission decisions 1998/102 and 1997/103; http://www.unhchr.ch/Huridocda/Huridoca.nsf/TestFrame/f991c6c62457a2858025675100348aef

[309] Éric Toussaint: Transfers from the Periphery to the Centre, from Labour to Capital (2004), p. 1

The external debt stock of the Developing Countries rose to $4.076 billion by 2010. [310] In 2005 the South paid $482 billion in debt service to the imperialist monopoles alone. [311] In 2008 it had to pay a total external debt service of $539 billion and in 2009 again $536 billion. [312]

A particularly sickening example of the imperialist debt tyranny is Africa. The progressive African economist Demba Moussa Dembélé has pointed out that Africa's debt service is even higher than foreign aid and this aid is partly used to pay for the debts:

"These things – the cost of complying with conditions imposed by donors and lenders and subsidies on domestic produce by OECD countries – help explain, among other things, the worsening of the debt crisis, which in turn has meant greater dependency on foreign aid. In the 1980s and 1990s, the average debt service was roughly equal or even higher than foreign aid to African countries. Part of that aid was even used to pay back old debts, including multilateral debts. All this reinforced dependency on external sources, especially the World Bank, the IMF and the African Development Bank." [313]

UNCTAD too points to the absurd fact that Africa has already paid back more than it got in loans but still is indebted with nearly $300 billion: *"A cursory glance at Africa's debt profile shows that the continent received some $540 billion in loans and paid back some $550 billion in principal and interest between 1970 and 2002. Yet Africa remained with a debt stock of $295 billion. For its part, SSA received $294 billion in disbursements and paid $268 billion in debt service, but remains with a debt stock of some $210 billion."* [314]

Table 41: Increase of Debts in Regions, 1980-2002 (in billion US-Dollars) [315]

	Debt stock in 1980	*Debt stock in 2002*
Southeast Asia and the Pacific	64.6	509.5
South Asia	37.8	166.8
Middle East and North Africa	102.5	317.3
Sub-Saharan Africa	60.8	204.4
Latin America and the Caribbean	257.4	789.4
Former Soviet Bloc	56.5	396.8

310 World Bank, Global Development Finance 2012, p. 40

311 Jean Ziegler: Das Imperium der Schande. Der Kampf gegen Armut und Unterdrückung, München 2008, p. 87

312 World Bank: The Little Data Book on External Debt (2011), p. 2

313 Demba Moussa Dembélé: Aid dependence and the MDGs, Pambazuka News Issue 220 (8.9.2005), http://www.pambazuka.org/en/category/features/29376

314 UNCTAD: Economic Development in Africa: Debt Sustainability: Oasis or Mirage?, New York, 2004, p. 9

315 Éric Toussaint: Transfers from the Periphery to the Centre, from Labour to Capital (2004), p. 1

If one takes Nigeria as an example one can see the absurd situation that this country is in. It borrowed $13.5 billion in loans from Paris Club creditors between 1965 and 2003. It has already paid back about $42 billion because of penalties and interest accrued. Nevertheless Nigeria still had $25 billion to pay in 2003. [316]

We finish this chapter with a telling historical analogy which Éric Toussaint made to better understand the dimension of the imperialist debt trap. He compared this massive value transfer via the debt trap with the US-imperialist initiative after WWII to rebuild Western Europe and arrived to the conclusion: *"Between 1980 and 2002, the populations of the Periphery countries have sent the equivalent of fifty Marshall Plans to the creditors in the North (with the capitalists and the governments of the Periphery skimming off their commissions on the way)."* [317]

Losses from Currency Exchange

Another way by which the imperialist monopolies gain profits is their dominance in the currency market. US imperialism in the first line and European imperialism secondly dominate the world currency market. Hence if we look at the currencies in which the developing countries public and publicly guaranteed debt are held, the advantage for the imperialist monopolies becomes obvious. By 2010 69.4% of the semi-colonies public debt is held in U.S. Dollars, 12.7% in Euro, 10.4% in Japanese Yen, 0.5% in British Pound Sterling and 0.4% in Swiss Franc. [318] Therefore the semi-colonial countries are not only dependent on the currency changes but they are also forced to buy US Dollars or Euros to pay for their debts. This means an additional loss for these economies.

According to Eastern German economists the semi-colonial countries had to pay between $30 and $40 billion a year in the early 1980s to buy imperialist currencies (mainly US Dollars) to build up their currency reserves. [319]

The World Bank showed in a recently published report the huge advantage that the imperialist powers gain from their dominant status in world currencies. According to this study, the US gained rent income from their currency position in average of $48 billion per year between 1990 and 2010 (in 2010 this sum was even $93 billion). European imperialism gained from its Euro currency status in average $13 billion per year between 2000 and 2009. [320]

The advantage for the imperialist monopolies and states don't need further explanation. It is also clear that the political and geo-strategic (and therefore also military) interests of the imperialist states go hand in hand with their economic

[316] Christian Aid: Enough is enough: The debt repudiation option, 2007, p. 16

[317] Éric Toussaint: Transfers from the Periphery to the Centre, from Labour to Capital (2004), p. 2

[318] World Bank, Global Development Finance 2012, p. 40

[319] Helmut Faulwetter: Die Ausbeutung der Entwicklungsländer durch das international Monopolkapital; in: Autorenkollektiv (unter Leitung von Peter Stier): Handbuch Entwicklungsländer. Sozialökonomische Prozesse, Fakten und Strategien, Berlin 1987, p. 15

[320] World Bank: Global Development Horizons 2011. Multipolarity: The New Global Economy, p. 135

considerations. Even a liberal writer has to admit this connection:

"Ten years ago the Independent International Commission on Global Governance recognised the urgent need for international monetary reform in a globalised world economy. Since then there has been growing criticism of the present 'dollar hegemony' of the United States. For the privilege of using the dollar as the main global currency, the rest of the world is estimated to pay the US at least $400bn a year. A Pentagon analyst has justified this as payment to the US for keeping world order; others see it as a way for the richest country in the world to compel poorer ones to pay for its unsustainable consumption of global resources. To build up their reserves, poor countries have to borrow dollars from the US at interest rates as high as 18 per cent and then lend the money back to the US in the form of Treasury Bonds at 3 per cent. The dollar is a global monetary instrument that the US, and only the US, can produce; world trade is now .a game in which the US produces dollars and the rest of the world produces things that dollars can buy." [321]

Capital Flight

Let us now move to a special form the imperialists use to profit from their world domination: capital flights and other forms of illegal money transfers from the South to the North. Naturally those sending the money illegally from the South to the North – both the imperialist monopolies and the semi-colonial capitalists – are the immediate beneficiaries. However the obvious losers of this process are the semi-colonial countries which lose surplus value that could have be invested or used via taxes for public investment. On the other hand the banks and other financial institutions in the imperialist countries profit massively from the capital flight. This is why they welcome and encourage such capital flight. This creates the twisted situation that the semi-colonial countries can not pay their debts to the imperialist bank because of lack of money, while the capitalists illegally transfer their money out of the semi-colonial countries to the same imperialist bank. As a result the banks profit twice: on one hand they get the illegally transferred money capital and on the other hand they can impose penalties on the same countries for not paying their debts in time.

Capital flight from the South to the North is not a new phenomenon but is characteristic of imperialism. A recent study calculated the size of illicit financial outflows from India since 1948. Despite the fact that it did not include smuggling, certain forms of trade mispricing, and gaps in available statistics in its calculations it came to the conclusion that *"it is entirely reasonable to estimate that more than a half-trillion dollars have drained from India since independence."* [322] (See Figure 44)

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[321] James Robertson: The future of money. If we want a better game of economic life we'll have to change the scoring system; in: Soundings, issue 31 (December 2005), p. 129, http://www.jamesrobertson.com/article/soundings31.pdf

[322] Dev Kar: The Drivers and Dynamics of Illicit Financial Flows from India: 1948-2008, Global Financial Integrity, November 2010, p. iii

In the 1970s and 1980s capital flight increased substantially. According to the US bank Morgan Guarantee Trust Bank capital flight from the Latin American countries to the imperialist metropolises was about $120-130 billion between 1976 and 1985. This was the equivalent of about 1/3 of the total foreign debt of the continent.

Another source shows figures for capital flight for other semi-colonial countries in the period between 1976 and 1982. In these years $5.1 billion were secretly transferred out of Indonesia (the equivalent of 34% of the foreign debt of the country), nearly $4 billion out of Egypt (more than 44% of its foreign debt), $2.7 billion out of Nigeria (more than 43% of its foreign debt), $2.1 billion out of India (1/3 of its foreign debt) and $1.9 billion out of Syria (96% of its foreign debt). [323] For the whole Third World the Morgan Guarantee Trust Bank gives the figure of around $200 billion for the same period, the equivalent of about 50% of the total foreign debt of the Third World. [324] For the year 1988 the

Table 42: Gross Debt, Deposits and Net Debt, 1995 (in billion US-Dollars) [325]

	Gross Debt	*Deposits*	*Net Debt*	*Net/Gross (%)*
North Africa / Middle East	364	254	110	30.2%
Sub-Saharan Africa	198	47	151	76.3%
Latin America / Caribbean	529	366	163	30.8%
Asia / Oceania	830	299	531	64%
Total	1.921	966	955	49.7%

Figure 44: Illicit Financial Flows from India, 1948-2008 [326]

323 Ernest Mandel: Verschuldungskrise: Eine tickende Zeitbombe; in: Bortz/Castro/Mandel/Wolf: Schuldenkrise, Frankfurt a.M. 1987, p. 81

324 Winfried Wolf: Schuld, Zins, Profit. Zum Verhältnis zwischen Dritter, Erster und westdeutscher Welt; in: Bortz/Castro/Mandel/Wolf: Schuldenkrise, Frankfurt a.M. 1987, p. 22

325 Éric Toussaint: Your Money or your Life. The Tyranny of the Global Finance; Brussels 1999, p. 104

326 Dev Kar: The Drivers and Dynamics of Illicit Financial Flows from India: 1948-2008, p. 18

IMF estimated that in the 13 most indebted countries capital flight was about $180 billion. [327]

The huge amount of capital flight also becomes visible from the following Table 42. It shows how much money the capitalists from the semi-colonial countries deposited in the imperialist metropolises. It becomes clear that while the Third World had debts of about $1.921 billion, the capitalists from the South had $966 billion in deposits in the North, i.e. half of the total debt. It is known that a portion of the imperialist loans were directly transferred out of the country. In this grotesque way the imperialist banks profit in two ways at the same time. They gain interest as debt service for the loans and the gain fresh money capital from the South which they can then re-lend for a higher profit.

According to Éric Toussaint in 2000 alone, fresh deposits by capitalists of the Periphery in banks of the Centre came to 145 billion dollars. [328]

Recently several studies have been published about the size of capital flight and illegal transfer of money from the South to the North. One of these studies dealt with illicit outflows from the Least Developed Countries. It reports:

"The study's indicative results find that illicit financial flows from the LDCs have increased from US$9.7 billion in 1990 to US$26.3 billion in 2008 implying an inflation-adjusted rate of increase of 6.2 percent per annum. Conservative (lower-bound) estimates indicate that illicit flows have increased from US$7.9 billion in 1990 to US$20.2 billion in 2008. The top ten exporters of illicit capital account for 63 percent of total outflows from the LDCs while the top 20 account for nearly 83 percent. Trade mispricing accounts for the bulk (65-70 percent) of illicit outflows from the LDCs, and the propensity for mispricing has increased along with increasing external trade. Empirical research on illicit flows indicates that there are three types of factors driving illicit flows—macroeconomic, structural, and governance-related." [329]

The study calculates that the ratio of illicit outflows to Gross Domestic Product (GDP) from the Least Developed Countries averages about 4.8% per year.

Another report about all so-called Developing Countries calculates that in the late 2000s illicit flows out of these countries were above US$1 trillion annually! [330] In their own words the authors consider this an underestimation: "*We continue to regard these estimates as very conservative, since they do not include smuggling, the mispricing of cross-border services, or the mispricing of merchandise trade that occurs within the same invoice exchanged between exporters and importers.*"

Detailing capital flight the authors report: "*Asia accounted for 44.9 percent*

[327] See Éric Toussaint and Denise Comanne: Globalization and Debt; in: Éric Toussaint & Peter Drucker (editors): IMF/World Bank/WTO: The Free Market Fiasco, IIRE: Notebook for Study and Research No. 24/25, Amsterdam 1995, p. 13

[328] Éric Toussaint: Transfers from the Periphery to the Centre, from Labour to Capital (2004), p. 14

[329] Dev Kar: Illicit Financial Flows from the Least Developed Countries: 1990-2008, United Nations Developments Programme 2011, p. 3

[330] Dev Kar and Sarah Freitas: Illicit Financial Flows from Developing Countries Over the Decade Ending 2009 (2011), p. i

of total illicit flows from the developing world followed by MENA (18.6 percent), developing Europe (16.7 percent), the Western Hemisphere (15.3 percent), and Africa (4.5 percent). Many of the top ten countries with the largest transfers of illicit capital are located in the MENA region, while Asia's dominant share is mainly driven by China and Malaysia. The largest ten countries' cumulative (normalized or conservative) illicit outflows during 2000-2009 in declining order of magnitude are China ($2.5 trillion), Mexico ($453 billion), Russia ($427 billon), Saudi Arabia ($366 billion), Malaysia ($338 billion), Kuwait ($269 billion), United Arab Emirates ($262 billion), Qatar ($170 billion over nine years as data for 2000 are not available), Venezuela ($171 billion), and Poland ($160 billion). On average, these ten countries account for 70 percent of the illicit outflows from all developing countries over the period 2000-2009." [331]

Capital flight also plays a considerable role in Africa. A study which examined the 39-year period from 1970 through 2008 came to the conclusion: *"Utilizing accepted economic models, namely the World Bank Residual Method and IMF Direction of Trade Statistics, we estimate that such flows have totaled $854 billion across the period examined. This estimate is regarded as conservative, since it addresses only one form of trade mispricing, does not include the mispricing of services, and does not encompass the proceeds of smuggling. Adjusting the $854 billion estimate to take into account some of the components of illicit flows not covered, it is not unreasonable to estimate total illicit outflows from the continent across the 39 years at some $1.8 trillion."* [332]

Another report on Africa estimates capital flight from Sub-Saharan Africa in the mid-1990s at about $274 billion (including interest earnings), which was equivalent to 145% of the total debt owed by these countries. It concluded: *"In fact, recent estimates show that Africa is a net creditor to the rest of the world, with around 30% of sub-Saharan Africa's GDP being moved offshore."* [333]

Let us finish this sub-chapter by drawing our readers' attention to the huge capital flight and illegal financial transfers of the super-rich capitalists. These criminals, in the literal sense, transfer their money away from state authorities to tax havens which lose tax revenues amounting to $250 to $300 billion every year. Nearly a third of the super-rich's wealth is managed in offshore financial centers. A recent study reports:

"According to Professor Michael R. Krätke, it is estimated that some 30% of the assets of richest people in the world are managed in offshore financial centers. More than a fifth (23%) of all the world's bank deposits are hidden in tax havens, at least $ 3,000 billion on a cautious basis of reckoning. Nearly 50% of the world's transboundary financial transactions move through them. R. Krätke, concurring with the Tax Justice Network's prudent analysis, claims that the capital hidden in tax havens means lost

[331] Dev Kar and Sarah Freitas: Illicit Financial Flows from Developing Countries Over the Decade Ending 2009, p. vii

[332] Dev Kar and Devon Cartwright-Smith: Illicit Financial Flows from Africa: Hidden Resource for Development, Global Financial Integrity 2009, p. 1

[333] Tax Justice Network for Africa: Looting Africa: Some Facts and Figures, p. 1, http://www.liberationafrique.org/IMG/pdf/TJN4Africa.pdf

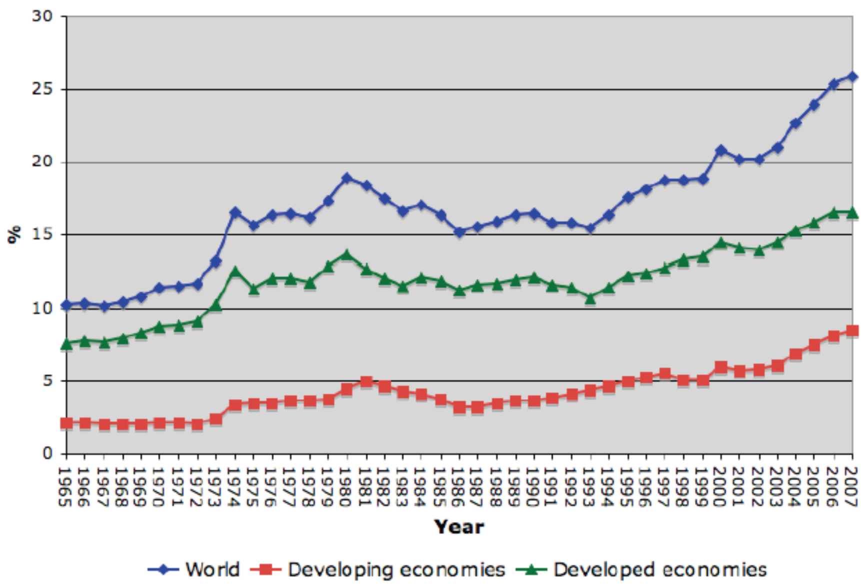
tax revenues amounting to from $250 to $300 billion every year. This is a substantial part of the money needed to relaunch the economy, increase the purchasing power of the poorest and, in general, improve the situation of some 2.7 billion persons throughout the world living on less than two dollars a day.” [334]

The *Tax Justice Network* estimates that about $11.5 trillion has been siphoned offshore by wealthy individuals alone! [335] One needs hardly explain why we Bolshevik-Communists consider the slogan *“Expropriate the Superrich!”* as highly important and timely.

iii) Value Transfer from the Semi-Colonial South to the Imperialist North: Unequal Exchange

Direct capital export from the North to the South is only partly the source for imperialist extra-profits. Another important form of super-exploitation is unequal exchange. As we have explained above, unequal exchange takes place on the world market where commodities are exchanged representing different socially necessary labor time. Commodities which embody less intense labor are exchanged against commodities which embody more intense labor.

Figure 45: World Imports as Share of World GDP, 1965-2007 [336]



[334] Alejandro Teitelbaum / Melik Özden: Transnational Corporations. Major Players in Human Rights Violations (2011); CETIM: Critical Report n° 10. Issue: Business and Human Rights, http://cetim.ch/en/publications_cahiers.php

[335] Tax Justice Network for Africa: Looting Africa: Some Facts and Figures, p. 2

[336] Christian Fuchs: A Contribution to Critical Globalization Studies, p. 19

Figure 46: World Exports as Share of World GDP, 1965-2007 [337]

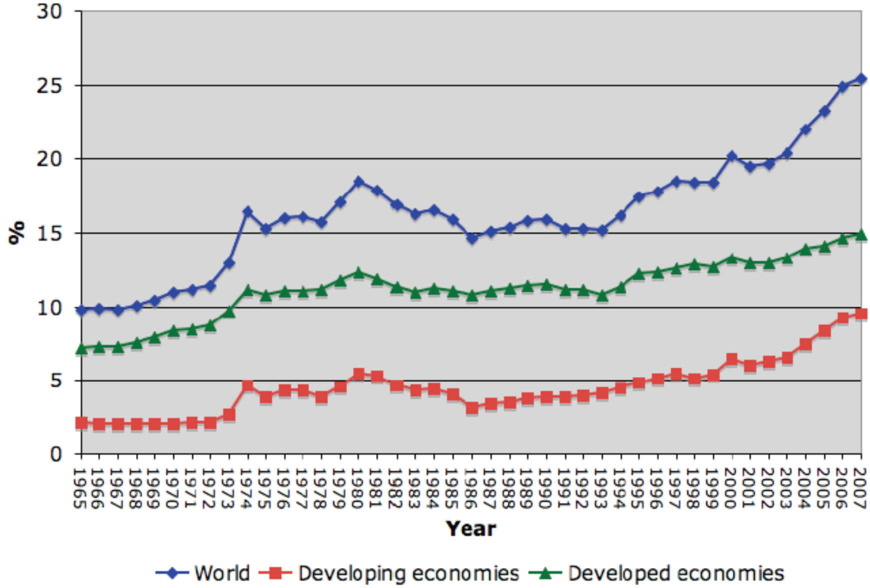
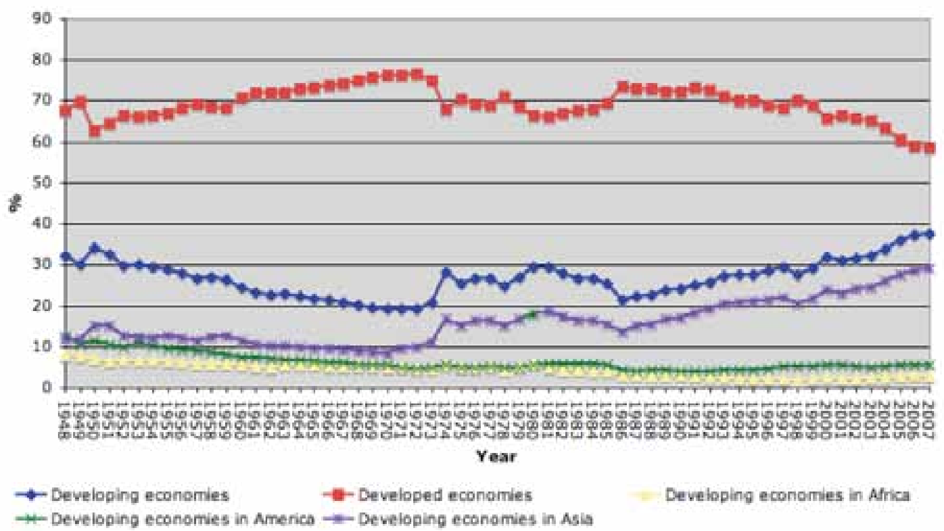


Figure 47: Regions Share in World Exports, 1948-2007 [338]



[337] Christian Fuchs: A Contribution to Critical Globalization Studies, p. 19
[338] Christian Fuchs: A Contribution to Critical Globalization Studies, p. 25

To understand the full dimension of the unequal exchange we have to recognize the growing role of world trade. As the following Figures 45, 46, 47 and 48 show, world exports and imports have increased from about 10% of world output in 1965 to more than 25% in 2007. They also show the rising role of the so-called developing countries during this period whose imports and exports have increased from less than 3% to 9-10% of world output. However the Figures also make it possible to divide the period since WWII: while the "developing countries" share in world trade declined between 1948 and the early 1970, it rose since then. This is true in particular for semi-colonial Asia, while in Latin America and Africa this change took place later in the 1980s and was less dramatic. It is no accident that the increasing role of the semi-colonies started in the 1970s when world capitalism entered a phase of stagnation of its productive forces.

Figure 48: World Manufactured Exports, by Region and Income Group, Selected Years, 1995–2009 (US-Dollar billions) [339]

Table 9.2
World manufactured exports, by region and income group, selected years, 1995–2009 (US$ billions)

Country group	1995	2000	2005	2009
World	4,072	5,149	8,252	9,490
Developed countries	3,086	3,634	5,409	5,792
Developing countries	985	1,514	2,844	3,699
Region				
East Asia and the Pacific	667	937	1,736	2,308
Excluding China	534	708	1,013	1,153
Developing Europe	46	125	306	402
Excluding Russian Federation	45	84	214	293
Latin America and the Caribbean	143	246	378	415
Excluding Brazil	108	204	292	318
Middle East and North Africa	68	120	240	335
Excluding Turkey	51	96	173	248
South and Central Asia	38	55	129	181
Excluding India	12	18	42	31
Sub-Saharan Africa	23	32	56	58
Excluding South Africa	6	12	23	22
Income				
High-income	438	566	851	983
Upper middle-income	274	475	845	1,005
Lower middle-income	267	456	1,112	1,663
Low-income	7	18	36	48
Least developed countries[a]	5	11	19	–

[339] UNIDO: Industrial Development Report 2011, p. 154

Figure 49: Development of Terms of Trade 1880-2000: Real Commodity Price Index [340]

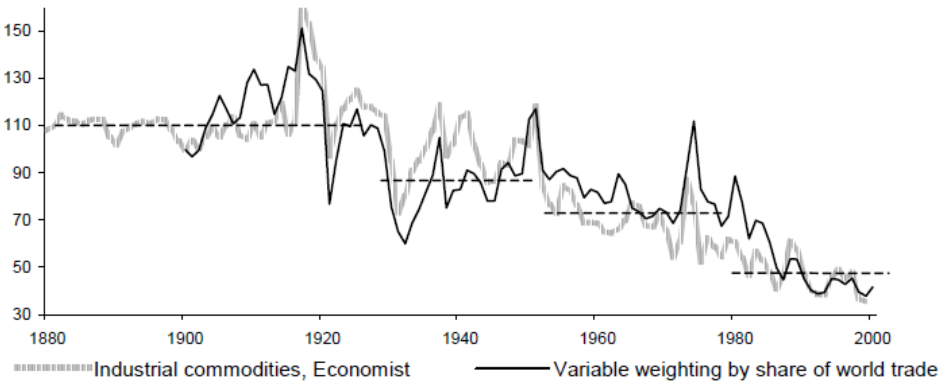
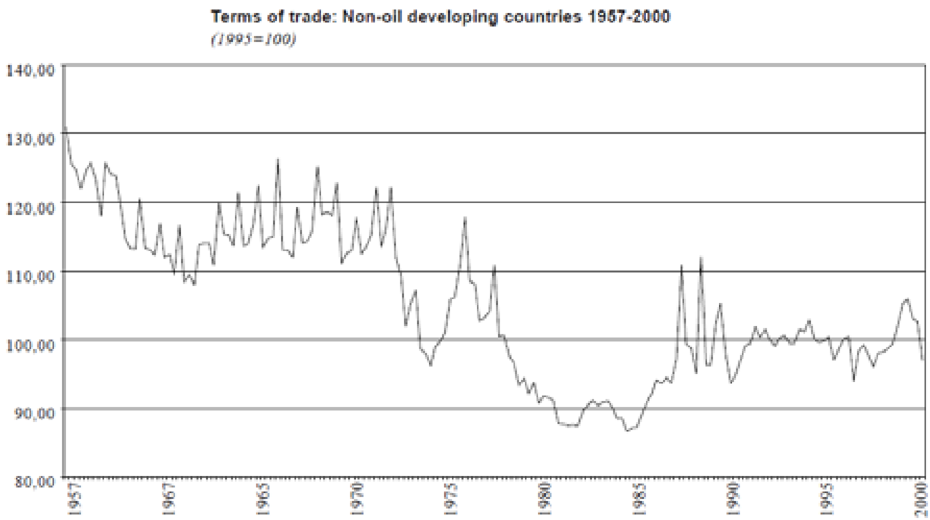


Figure 50: Development of Terms of Trade for Non-Oil Producing Developing Countries, 1957-2000 [341]



[340] ECLAC: Globalization and Development (2002), p. 38
[341] Arturo O'Connell: The Return of "Vulnerability" and Raúl Prebisch's Early Thinking on the "Argentine Business Cycle", p. 53

While the role of trade is increasing, the imperialist economies profit much more from this than the semi-colonies. The reason for this is that the terms of trade are developing in a direction to the advantage of the imperialist countries and the disadvantage of the semi-colonial countries.

What is the "term of trades"? It means the relationship between the export prices of the semi-colonial countries and their import prices. To give one example: Between 1980 and 1992 the ratio between the export and import prices fell by 52%. [342] This means that if 100 units of commodities from the semi-colonial countries could be traded for 100 units from the imperialist countries in the year 1980, those 100 units could only be traded for 48 units from the imperialist countries in the year 1992.This is not a specific, short-term development but a long-term, historic tendency of capitalism. As we show in Figure 49, reproduced by the UN's ECLAC in 2002, it is a characteristic trend in the imperialist epoch where the monopolies dominate the world economy. This real commodity price index – a composite of 24 non-oil industrial commodities – shows that the terms of trade of these essential commodities for the semi-colonial countries has deteriorated significantly. In the year 2000 the index for these commodities was only 1/3 of its level before 1920. In the period between 1980 and 2000 alone, it declined by nearly 30%. [343]

These findings are also vindicated by another author. Arturo O'Connell showed in a study the deterioration of the terms of trade for the non-oil producing developing countries in the period 1957-2000. As Figure 50 demonstrates, the terms of trade for these countries declined in these years by more than a third. [344]

We remember the SWP/IST theoreticians who explained the declining share of the semi-colonial countries in world trade after the World War II simply by their "their declining importance". In fact the main reason for this was the deteriorating terms of trade. Ernest Mandel pointed out that the falling share in world trade of the semi-colonial countries from 30% to 20.4% between 1950 and 1960 was mainly caused by declining prices for raw materials. In 1962 prices for raw materials were 38% lower than in 1954 which meant a loss of $11 billion for the semi-colonial countries. [345]

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342 See Éric Toussaint and Denise Comanne: Globalization and Debt; in: Éric Toussaint & Peter Drucker (editors): IMF/World Bank/WTO: The Free Market Fiasco, IIRE: Notebook for Study and Research No. 24/25, Amsterdam 1995, p. 11

343 ECLAC: Globalization and Development (2002), p. 38

344 Arturo O'Connell: The Return of "Vulnerability" and Raúl Prebisch's Early Thinking on the "Argentine Business Cycle"; in: CEPAL REVIEW 75 (December 2001), p. 53

345 See Ernest Mandel: Die Marxsche Theorie der ursprünglichen Akkumulation und die Industrialisierung der Dritten Welt; in: Folgen einer Theorie. Essays über ‚Das Kapital' von Karl Marx, Frankfurt a.M. 1967, p. 85. In this context we want to point to the contradictory role of Mandel. Playing a central and highly progressive role in the leadership of the Fourth International during the Second World War and at its end, Mandel later became the central theoretician of the biggest split product of the Fourth International after its centrist degeneration in 1948-51 – called the "International Secretariat" and after 1963 the "United Secretariat of the Fourth International". As a

To give another example: Between 1950 and 1986 the purchasing power of raw material exports declined by half in relation to the industrial commodities. In other words, the countries which mainly export raw material have to pay double as much for the same amount of industrial goods. [346]

Various economists have tried to calculate the costs of this deterioration of the terms of trade for the semi-colonial countries. Samir Amin calculated that the semi-colonial countries lost about $ 22 billion a year in the mid-1960s as a result of unequal exchange. To give a sense of the proportion: This was much more than the monopolies invested at that time. Private capital export was about $12 billion in 1964. [347]

Augustín Papic, a former member of the United Nation's *North-South Commission*, calculated in the 1990s that the invisible transfer from the semi-colonial to the imperialist countries due to the negative development (for the South) of terms of trade is about 200 billion US-Dollars a year. [348]

Control of world trade by the imperialist monopolies is another important source for extra profit. Most of the world's merchant marine is in the hands of imperialist monopolies. This enables them to appropriate a substantial proportion of surplus value from the semi-colonies. Eastern German economists reported that the export price for commodities from the semi-colonies was only about 20-30% of the retail price in the imperialist metropolises. Of course the monopolies have to pay for transport and retail, nevertheless a huge extra profit remains for them. [349] Éric Toussaint reported that the monopoly have to pay only about 10-15% of the retail price to the semi-colonies. [350]

The oil industry is also a striking example. The monopolies control of oil trade and processing allows them to appropriate a large share of the oil rent. While this changed to a certain degree in the 1970s, according to a United Nations report in 1982 the monopolies still appropriate 2/3 of the oil rent while the rest

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side note we remark that he had, without doubt, not only huge political failures but he also made important mistakes in his attempt to develop the Marxist economic theory. As examples for this we refer to his thesis (in 1968) that "neo-capitalism" was historically "a third stage in capitalism's development" after the second stage of monopoly capitalism or his affirmative interpretation of the un-dialectical, objectivist theory of the "Long Waves". He became a leading theoretician of centrism, not of revolutionary Marxism. However one has also to recognize the fact, that he developed important insights in economic theory (and not only here) which need to be integrated into Marxism. As a theoretician he was far superior to his centrist competitors like Tony Cliff, Ted Grant or Lambert who shared his centrist misunderstanding of revolutionary Marxism but lacked his theoretical strength. He was – one could say – the Kautsky of the second half of the 20th century with all his strengths and weaknesses.

[346] Dieter Boris: Die Verschuldungskrise in der Dritten Welt. Ursachen, Wirkungen, Gegenstrategien; in: Dieter Boris (Hrsg.): Schuldenkrise und Dritte Welt, Köln 1987, p. 22

[347] See Ernest Mandel: Late Capitalism. London 1975, p. 346

[348] See Robert Went: Ein Gespenst geht um… Globalisierung! Eine Analyse, Zürich 1997, p. 57

[349] Helmut Faulwetter: Die Ausbeutung der Entwicklungsländer durch das international Monopolkapital; in: Autorenkollektiv (unter Leitung von Peter Stier): Handbuch Entwicklungsländer. Sozialökonomische Prozesse, Fakten und Strategien, Berlin 1987, p. 15

[350] Éric Toussaint: Your Money or your Life. The Tyranny of the Global Finance; Brussels 1999, p. 99

goes to the oil-producing countries (before the 1970s the monopolies even took 90% of the oil rent!). [351]

Another form of value appropriation by the imperialist states is the tariff and non-tariff barriers which they impose for imported commodities from the South. The semi-colonial countries have to pay higher tariffs and non-tariff barriers for their exports to the North than the imperialist monopolies have to pay for their exports to the South. As a result the semi-colonies suffer additional losses. According to the UN the South lost about $40 billion a year in the 1990s because of the imperialist trade restrictions. [352]

Finally we also have to mention the huge costs of the control which the imperialist monopolies have on modern technologies via patents. Since the imperialist economies have a higher level of productivity and bigger capital resources, most of the world's Research and Development (R&D) capacities are owned by monopoly capital. Therefore, imperialist capital owns most of the world's patents and the semi-colonial capital has to pay for the usage of their technologies. Eastern German economists calculated the total costs for the technological dependence of the semi-colonies in the late 1970s of about $30-50 billion a year. [353]

Before we close this chapter we want to point out a relatively small fact which is highly symbolic of the imperialist hypocrisy. Official development aid is often declared as generous support from the rich countries for the poor. In fact this official aid is often used to buy commodities from the imperialist monopolies or is used to pay for "foreign experts" which are usually from the rich countries. According to a United Nations figure 90% of the UNDP assistance aid in the 1990s was spent on foreign experts! [354]

We have now seen various forms of unequal exchange which enables the imperialist monopolies to appropriate a significant share of value produced in the semi-colonial world.

[351] United Nations: Towards the New International Economic Order. Analytical Report on Developments in the Field of International Economic Co-operation since the Sixth Special Session of the General Assembly, A/5-11,5, New York, 1982, paragraph 72, p. 14

[352] Éric Toussaint: Your Money or your Life. The Tyranny of the Global Finance; Brussels 1999, p. 105

[353] Helmut Faulwetter: Die Ausbeutung der Entwicklungsländer durch das international Monopolkapital; in: Autorenkollektiv (unter Leitung von Peter Stier): Handbuch Entwicklungsländer. Sozialökonomische Prozesse, Fakten und Strategien, Berlin 1987, p. 17

[354] See Éric Toussaint and Denise Comanne: Globalization and Debt; in: Éric Toussaint & Peter Drucker (editors): IMF/World Bank/WTO: The Free Market Fiasco, IIRE: Notebook for Study and Research No. 24/25, Amsterdam 1995, p. 12

iv) Value Transfer from the Semi-Colonial South to the Imperialist North: Migration

We have explained before that another way monopoly capital extracts surplus profits is via super-exploitation of the migrants who often come from semi-colonial world. Imperialist capital gains profits by paying the migrant workers below the value of their labour force. Let us now try to get a concrete overview over the consequences of the migrants' super-exploitation.

Giving the misery and wars in the semi-colonial world, it is not surprising that many people flee into neighboring countries. (In the bourgeois statistics refugees and labor migrants are put together. Hence one of the countries with the biggest "migrant" population is Gaza and the West Bank!) However, while in the countries of the South migrants represent only a relatively small proportion of the population (between 1,5% and 3% if one takes the continents as a whole), they represent between 10% and 14% of the population in Europe and Northern America. [355] More than half of the 214 million migrants worldwide are living in these two imperialist regions. [356] According to a Research Paper of the International Institute for Labour Studies, all in all in the year 2000 66% of all migrants worked in so-called High-income countries and another 14% in High-middle income countries – a share which is surely higher today. [357]

This development is also shown in Figure 51 which we took from a recent OECD study. It demonstrates that migration is first and foremost an issue relevant for the imperialist countries (which the OECD calls "More Developed Regions" in this Figure).

On one hand because of growing misery in the semi-colonies, on the other hand because of monopoly capitals' growing need for cheaper labour force, the share of migrants in the imperialist countries has risen dramatically in the past decades. In the USA the share of migrants amongst the population grew from 5.2% (1960) to 12.3% (2000) to more than 14% (2010). In Western Europe the

[355] Carlos Vargas-Silva: Global International Migrant Stock: The UK in International Comparison (2011), www.migrationobservatory.ox.ac.uk, p. 5. The third region where migrants play an important role is oil-producing states in the Middle East. We have dealt with this specific case somewhere else. See e.g. Michael Pröbsting: Liberation struggles and imperialist interference. The failure of sectarian "anti-imperialism" in the West: Some general considerations from the Marxist point of view and the example of the democratic revolution in Libya in 2011, in: Revolutionary Communism, No. 5 (English-language Journal of the RCIT), p. 30, http://www.thecommunists.net/theory/liberation-struggle-and-imperialism; Michael Pröbsting: Die halbe Revolution. Lehren und Perspektiven des arabischen Aufstandes, in: Der Weg des Revolutionären Kommunismus, Theoretisches Journal der Revolutionär-Kommunistischen Organisation zur Befreiung, RKOB) Nr. 8 (2011), p. 14, http://www.thecommunists.net/publications/werk-8

[356] See United Nations Department of Economic and Social Affairs: World Economic and Social Survey 2004. International Migration (2004), S. viii and United Nations Department of Economic and Social Affairs, Population Division: Trends in International Migrant Stock: The 2008 Revision (2009), p. 1 and 3

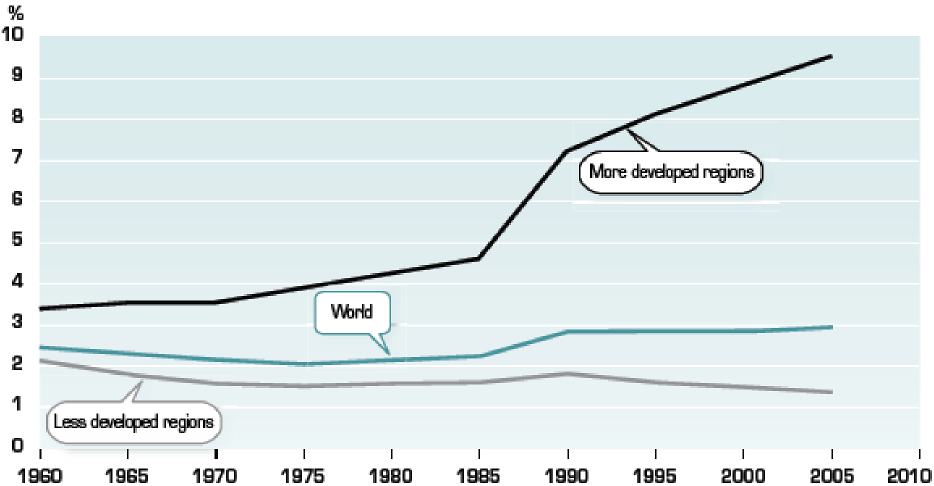
[357] Philip L. Martin: Migration and development: Toward sustainable solutions (2004), p. 4

migrants' share of the population grew from about 4.6% (1960) to nearly 10% (2010). [358] At the same time the share of migrants in the semi-colonial countries declined (see Figure 52)

These migrant workers have been central for the – already slowing – growth of capitalist value production in the imperialist countries. According to a study of the McKinsey Global Institute *"foreign-born workers contributed an estimated 40 percent of labor force growth from 1980 to 2010"*. [359]

These statistics under-represent the importance of migrants. First, because migrants of the second or third generation or who held a citizenship are often not recognized as migrants by the imperialist authorities. Second, because migrants have a higher share amongst those who are working. Finally, migrants are often concentrated in cities. Hence, in the imperialist countries migrants represent approximately between 10-25% of the working class and amongst the urban centers this share is often higher.

Figure 51: Migrants as a percentage of the Population, 1960-2005 [360]



[358] See Rainer Münz/Heinz Fassmann: Migrants in Europe and their Economic Position: Evidence from the European Labour Force Survey and from Other Sources (2004), pp. 5-6 and Carlos Vargas-Silva: Global International Migrant Stock: The UK in International Comparison (2011), www.migrationobservatory.ox.ac.uk, p. 5

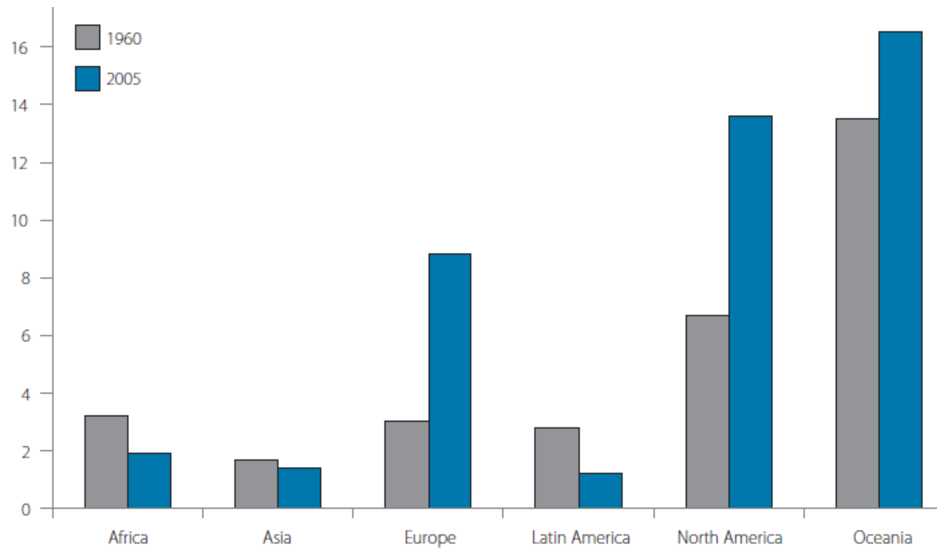
[359] McKinsey Global Institute: The World at Work: Jobs, Pay, and Skills for 3.5 Billion People (2012), p. 15

[360] Brian Keeley: International Migration. The human face of globalisation (2009), OECD, p. 113, http://www.oecd-ilibrary.org/docserver/download/0109111e.pdf?expires=1356794065&id=id&accname=guest&checksum=F14C2DA9A3866C53917E9045E83D6057

Let us give a few examples: Already in the early 2000s half of all resident workers in New York were Black, Hispanics or belonged to another national minority. In inner and outer London, 29% and 22% respectively, of residents were from ethnic minorities in 2000. [361] In our study on racism and migrants we showed that in Vienna (the capital city of Austria) migrants represent 44% of the population. Two thirds of them come from the former Yugoslavia, Turkey or the Eastern European EU States. [362]

The following table 43 gives an overview of the migrants share amongst the labor force in the OECD countries, albeit one has to be cautious because the national statistics don't recognize second generation migrants as such.

Figure 52: The share of Migrants in the population, 1960 and 2005 (in %) [363]



[361] See Peter Dicken: Global Shift. Mapping The Changing Contours Of The World Economy (Sixth Edition), The Guilford Press, New York 2011, p. 496

[362] Michael Pröbsting: Marxismus, Migration und revolutionäre Integration (2010); in: Der Weg des Revolutionären Kommunismus, Nr. 7, S. 31-33, http://www.thecommunists.net/publications/werk-7; in English: Michael Pröbsting: Marxism, Migration and revolutionary Integration, in: Revolutionary Communism, No. 1 (English-language Journal of the RCIT), p. 42 http://www.thecommunists.net/oppressed/revolutionary-integration/

[363] Rolph van der Hoeven: Labour Markets Trends, Financial Globalization and the current crisis in Developing Countries (2010), UN-DESA Working Paper No. 99, p. 11

Table 43: Stock of foreign-born Labor Force in OECD countries, 1999-2008 [364]

Thousands and percentages

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
AUS	Australia	..	..	2 360.2	2 397.1	2 450.6	2 502.0	2 584.0	2 663.1	2 778.9	2 914.9
	% of total labour force	..	..	24.5	24.6	24.7	24.9	25.0	25.2	25.8	26.5
AUT	Austria	470.1	474.2	514.9	507.3	557.3	584.6	624.6	662.0	695.4	682.8
	% of total labour force	12.3	12.4	13.5	13.3	14.3	15.3	15.6	16.2	16.8	16.3
BEL	Belgium	450.5	454.6	456.7	489.1	499.3	512.1	535.9	569.8	498.6	473.8
	% of total labour force	10.4	10.4	10.7	11.3	11.4	11.5	11.7	12.3	10.6	10.0
CAN	Canada	..	..	3 150.8	..	..	..	..	3 634.8	..	..
	% of total labour force	..	..	19.9	..	..	..	..	21.2	..	..
CHE	Switzerland	..	1 007.4	..	..	..	..	..	..	..	..
	% of total labour force	..	26.3	..	..	..	..	..	..	..	..
DNK	Denmark	..	..	..	..	154.4	161.0	167.1	175.3	188.1	202.7
	% of total labour force	..	..	..	..	5.4	5.9	6.1	6.4	6.6	6.8
ESP	Spain	645.1	804.4	1 085.5	1 448.4	1 832.6	2 240.7	2 782.0	3 229.6	3 719.8	4 132.6
	% of total labour force	3.8	4.5	6.1	7.8	9.5	11.2	13.4	15.1	16.9	18.2
FIN	Finland	..	..	..	..	81.3	87.6	96.0	102.1	112.8	124.2
	% of total labour force	..	..	..	..	3.1	3.4	3.6	3.9	4.2	4.6
FRA	France					2 855.8	3 052.9	3 025.6	3 146.6	3 308.6	3 332.8
	% of total labour force					10.7	11.3	11.1	11.4	11.9	11.8
GBR	United Kingdom	..	..	..	..	..	..	..	3 081.0	3 340.0	3 678.0
	% of total labour force	..	..	..	..	..	..	..	11.0	11.8	12.6
GRC	Greece	286.7	266.6	290.3	338.2	349.4	402.7	421.7	400.2	426.6	477.7
	% of total labour force	6.4	5.9	6.5	7.4	7.5	8.5	8.9	8.3	8.8	9.8
HUN	Hungary	68.7	66.8	55.2	54.8	77.0	85.2	78.9	73.8	73.7	89.8
	% of total labour force	1.7	1.7	1.4	1.3	1.9	2.1	1.9	1.7	1.8	2.1
IRL	Ireland	128.8	135.8	153.3	170.8	185.9	187.6	232.4	287.3	339.6	443.2
	% of total labour force	7.8	7.9	8.7	9.5	10.1	9.9	11.8	13.9	15.8	20.3
ITA	Italy	..	..	..	..	..	..	1 907.2	2 094.6	2 245.0	2 546.5
	% of total labour force	..	..	..	..	..	..	7.9	8.6	9.2	10.3
LUX	Luxembourg	72.6	75.5	79.0	79.8	84.1	89.1	89.8	91.3	98.3	98.7
	% of total labour force	40.4	41.0	42.0	41.4	43.5	45.0	44.4	44.6	46.6	46.4
MEX	Mexico	..	118.8	..	..	..	..	..	..	..	..
	% of total labour force	..	0.4	..	..	..	..	..	..	..	..
NLD	Netherlands	684.2	895.3	867.9	932.0	906.0	929.1	968.1	931.4	949.4	989.4
	% of total labour force	8.7	11.2	10.7	11.3	10.9	11.2	11.6	11.0	11.1	11.4
NOR	Norway	124.2	138.1	139.9	153.3	163.2	166.4	173.5	186.9	817.0	215.3
	% of total labour force	5.4	6.0	6.0	6.5	7.0	7.1	7.4	7.8	8.4	8.5
NZL	New Zealand	..	..	372.3	..	..	..	..	498.8	..	..
	% of total labour force	..	..	19.9	..	..	..	..	23.8	..	..
POL	Poland	..	..	..	..	..	58.8	55.9	50.9	43.2	51.7
	% of total labour force	..	..	..	..	..	0.4	0.3	0.3	0.3	0.3
PRT	Portugal	232.7	276.9	302.2	321.3	349.2	379.3	405.5	417.1	444.0	497.5
	% of total labour force	4.8	5.6	6.1	6.3	6.8	7.4	7.8	7.9	8.4	9.4
SWE	Sweden	428.3	445.5	448.7	442.5	452.8	461.4	497.8	521.6	..	..
	% of total labour force	9.8	10.1	10.0	9.9	10.1	10.3	10.8	11.2	..	..
USA	United States	17 054.7	18 028.5	18 994.1	20 917.6	21 563.6	21 985.2	22 421.6	23 342.9	24 777.8	25 085.5
	% of total labour force	12.3	12.9	13.4	14.6	14.8	15.1	15.2	15.6	16.3	16.5

[364] OECD: International Migration Outlook 2010, p. 355

Dramatic effects for semi-colonies: Brain Drain and Remittances

The consequences for the semi-colonial countries are dramatic. Many skilled and highly qualified labor forces – educated in the home country – migrate to the imperialist metropolises to flee poverty and help their families to survive with remittances. As a result the semi-colonial countries suffer huge loses of labor forces and human knowledge.

This is not a recent phenomena but one which has existed for many decades. UNCTAD calculated that the imperialist countries gained by migration of educated professionals from the South to the North $51 billion in human capital between 1961 and 1972. [365]

Eastern German economists gave figures in the late 1980s of about 50-60.000 highly qualified workers and scientists who left from the semi-colonies to the imperialist metropolises a year. [366] According to the UN *Human Development Report* by 1987 nearly one-third of Africa's skilled people had moved to Europe. [367] Over one-third of individuals with tertiary education from Africa, the Caribbean, and Central America emigrated to the United States and other countries of the OECD. [368] Since then migration has increased even more. According to a World Bank report about 23.000 African academics leave their country every year. Today more African scientists are living in the USA than in Africa! [369] The International Organization for Migration estimates "*that about 400.000 scientists and engineers from developing countries (between 30 and 50% of the total stock) were working in research and development in the industrial countries…*" [370]

Éric Toussaint gives an example which shows how drastic the brain drain from the South to the North is. In 1987 alone Sudan lost 17% of its doctors and dentists, 20% of its university teaching stuff, 30% of its engineers and 45% of its land surveyors. [371] They all went to the imperialist countries. A similar process started in the former Stalinist countries after 1989-91.

It is one of the grotesque absurdities of modern capitalism that while about 250.000 African-born professionals work outside Africa, at the same time 100.000

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365 See Éric Toussaint and Denise Comanne: Globalization and Debt; in: Éric Toussaint & Peter Drucker (editors): IMF/World Bank/WTO: The Free Market Fiasco, IIRE: Notebook for Study and Research No. 24/25, Amsterdam 1995, p. 12

366 Helmut Faulwetter: Die Ausbeutung der Entwicklungsländer durch das internationale Monopolkapital; in: Autorenkollektiv (unter Leitung von Peter Stier): Handbuch Entwicklungsländer. Sozialökonomische Prozesse, Fakten und Strategien, Berlin 1987, p. 17 and p. 184

367 UNDP: Human Development Report 1992, p. 57

368 World Bank: Global Development Finance 2003, p. 168

369 See Yohannes Woldetensae: Optimizing the African Brain Drain - Strategies for Mobilizing the Intellectual Diaspora towards Brain-Gain (2007), p. 3

370 International Organization for Migration: World Migration. Costs and benefits of international migration (2005), IOM World Migration Report Series Volume 3, p. 173

371 Éric Toussaint: Your Money or your Life. The Tyranny of the Global Finance; Brussels 1999, pp. 104-105

non-African highly-paid professionals are employed in Africa for UN agencies and under the auspices of programs such as the Peace Corps! [372]

At the same time the remittances play an increasing role for the semi-colonial countries and they therefore become increasingly important for the imperialist states which control the financial flows and have the power to expel the migrants. According to calculations of the *International Organization for Migration* about $414 billon were transferred in 2009 by migrants to their home countries, which is about three times the imperialists' official aid! [373] In various countries of Africa remittances make up 5%-20% of their annual GDP, in some cases even half! [374]

James Petras correctly observed in an article on migration that the remittances are also profitable for the financial institutions and the local capitalist class to pay debts to their imperialist debtors: *"Immigrant remittances strengthen the retrograde parasitic regimes and whole strata <u>of intermediaries</u> who profit from the overseas transfers without contributing any resources to local development. Labor-exporting regimes substitute overseas earning for engaging in local investments. Instead they use foreign earnings <u>to pay</u> foreign debts incurred by corrupt local borrowers, military weapon purchases and upper class luxury imports, while providing hard currency allowing local MNCs to remit profits based on sales in the domestic market. Equally important income from immigrant remittances has allowed regimes to pay the huge financial obligations of financial institutions, which have engaged in massive fraud."* [375]

To keep its system of Global Apartheid the imperialist states finance a massive repression apparatus. According to the bourgeois academic Philip Martin, five of the richest imperialist states – Canada, Germany, the Netherlands, Britain and the USA – spent at least US$ 17 billion on immigration control in 2002. The author estimates that the 25 richest Western countries are probably spending US$ 25-30 billion a year on immigration control. [376]

Direct and Indirect Exploitation of Migrants

It is, of course, not possible for us to calculate the value transfer into the pockets of the capitalists via exploiting migrant labour forces without paying in full for their education. It is however possible to look for figures that demonstrate how migrants are exploited in the sphere of their social part of the wage. In Austria

372 Philip L. Martin: Migration and development: Toward sustainable solutions (2004), p. 17

373 International Organization for Migration: About Migration. Facts & Figures (2010), http://www.iom.int/jahia/Jahia/about-migration/facts-and-figures/lang/en

374 Emmanuel Boon and Albert Ahenkan: The Socio-economic Contribution of African Migrants to their Home and Host Countries: The Case of Ghanaian Residents in Belgium, p. 12, http://www.uclouvain.be/cps/ucl/doc/demo/documents/Boon.pdf

375 James Petras: Following the Profits and Escaping the Debts. International Immigration and Imperial-Centered Accumulation, 8.8.2006, http://dissidentvoice.org/Aug06/Petras08.htm (emphasis in the original)

376 Philip Martin: Bordering on Control: Combating Irregular Migration in North America and Europe (2003), International Organization for Migration, p. 6 and 15

for example migrants paid €1.6 billion contributions for social service in 2007 but received only €0.4 billion. Hence the Austrian state could appropriate €1.2 billion and use it for other purposes. [377] The example from the year 2007 is no exception but the rule as other studies have shown. [378]

Another example how the capitalists profit from migrants labour can be seen in Britain. According to the then minister for migration, Liam Byrne, the „British economy" gained about £6 billion in the year 2006. According to the then financial minister migrants' labour was responsible for 15%-20% of economic growth in Britain in the years 2001-2006. [379]

A study of the *International Organization for Migration* reported similarly that migrants in Britain paid $4 billion more in taxes than they received in benefits in 1999-2000. It continued: "*Another study revealed that the foreign-born population contributed around 10 per cent more to government revenue than they took in benefits, and that in the absence of their contribution either public services would have to be cut or taxes raised. Similarly, in Germany it was claimed that without the contributions from immigrants who came in 1988-91, the German social welfare system would have collapsed. In the US, a recent study at Rice University concluded that regular and irregular migrants who had arrived since 1970 cost the country USD 42.5 billion in 1992. But, more recently, the Urban Institute showed that, instead of a net cost of USD 42.5 billion, there was a net benefit for the US during the same period.*" [380]

And the British Trade Union Congress reported in a summary of various studies: "*They also find that immigration since 1998 has raised GDP by 3.1 per cent.*" [381] They also report about various studies which calculated the financial transfer from the migrants to the imperialist state. In an overview they summarized:

"*In 2005 the IPPR updated this work to cover the five-year period from 1999/00 to 2003/4. The study presented similar findings in a different way: immigrants consistently made a higher net annual fiscal contribution than British born people. During periods when the budget was in surplus, immigrants made a higher net contribution; when the budget was in deficit immigrants' net negative contribution was lower.*" [382]

A hint of the huge benefits of migration for the capitalists is given by a World Bank study published in 2006. In it the author, Lant Pritchett, calculates that imperialist nations that let in 3 percent more migrant workers would gain $51 billion by boosting returns to capital and reducing the cost of production. [383]

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[377] See Hans Gmundner: Straches Handlangerdienste, KPÖ, 10.11.07, http://www.kpoe.at/index.php?id=23&tx_ttnews[tt_news]=105&tx_ttnews[backPid]=2&cHash=7fe484e968

[378] See Gudrun Biffl: Die Zuwanderung von Ausländern nach Österreich. Kosten-Nutzen-Überlegungen und Fragen der Sozialtransfers (1997), WIFO, p. 8

[379] House of Lords (Britain): Report - Economic Impact of Migration in UK (2008), p. 22

[380] International Organization for Migration: World Migration. Costs and benefits of international migration (2005), IOM World Migration Report Series Volume 3, p. 170

[381] Trade Union Congress (Britain): The Economics of Migration. Managing the Impacts (2007), pp. 11-12

[382] Trade Union Congress (Britain): The Economics of Migration, ... p. 18

[383] Lant Pritchett: Let Their People Come: Breaking the Gridlock on Global Labor Mobility, Center for Global Development, 2006, p. 4

Pritchett, a truly liberal imperialist ideologue and friend of Lawrence Summers (a former Treasury Secretary under Clinton and economic adviser of Obama), argues that Western democracies need to have "the stomach" for a "guest worker programme" like Kuwait or Singapore who import huge numbers of migrants without giving them any political or welfare rights. He argues that people should be convinced of the massive increase of super-exploited migrants without rights: "*If people become convinced that sending pregnant temporary workers home is a necessary part of a fair and legitimate system of migration, we'll be willing to do it.*" [384]

If we look to the level of direct wages we can see super-exploitation again. According to different statistics in Austria migrants from semi-colonial countries (which are the huge majority of migrants compared with those coming from other imperialist states) officially get an income which is between 20-25% below the native Austrians' income. Other statistics however give figures that workers from the most important migrant home countries (Balkan, Turkey, Eastern European EU states) only receive 40%-65% of the native Austrians income. [385]

A similar situation can be seen in the USA. A Harvard study on the economic effects of migration presented the findings of numerous surveys on the wage differences between migrant and native workers. The authors reported that nearly all surveys came to the conclusion that foreign employees earn between 15-30% less than native workers in North America and - while the figures here vary more – they also have a considerably smaller wage in Europe. [386]

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[384] Kerry Howley: Ending Global Apartheid. Economist Lant Pritchett defends immigration, the least-popular--and most-proven--idea for helping the world's poor. Reason, February 2008, http://reason.com/archives/2008/01/24/ending-global-apartheid/singlepage. In this interview Pritchett explains quiet openly the logic of liberal imperialism:

"*The free mobility of labor is incompatible with the welfare state if every person who is physically present in a location to perform an economic service automatically comes into the same set of welfare benefits as a local. That needn't be the case.*

This is what liberal democracies find hard. But it's not impossible. You have to confront the injustice of the world and say this person is better off even without the welfare benefits, and this process is good for the world.

Reason: You then create a division between first- and second-class citizens. Isn't that worrisome?

Pritchett: The world now is divided into first-class citizens of the world and fifth-class citizens of the world. The idea that we wouldn't help a peasant trying to eke out a living on a side of a mountain in Nepal by letting him work in the United States, just because we have to, if he comes to the United States, endow him with all the rights of U.S. citizens—I think that moral calculus is backward.

So the first answer is: Milton Friedman is wrong. It's not incompatible with a welfare state; it's incompatible with a welfare state that doesn't differentiate between people within its territory. Singapore manages to maintain an enormously high level of benefits for its citizens with massive mobility. Kuwait has one of the highest immigrant populations in the world, and you can't ask for a more cradle-to-grave welfare state than what Kuwait gives its citizens. So it's obviously possible to maintain whatever level of welfare state you want and have whatever level of labor mobility you want, as long as you're willing to separate the issues."

[385] Eugen Antalovsky, Herbert Bartik, Alexander Wolffhardt in Zusammenarbeit mit Kenan Güngör: Gesamtfassung des ersten Wiener Diversitätsmonitors 2009, Erstellt im Auftrag der Stadt Wien, MA 17 Integration und Diversität, p. 105

[386] Sari Pekkala Kerr and William R. Kerr: Economic Impacts of Immigration: A Survey (2011); Harvard Business School, Working Paper 09-013, p. 43

The economic advantage of migration to the imperialist monopolies is not limited to lower wages and unjust social service contribution. It consists also in the fact that as labor force with less or even no rights the bosses can sack them more easily than native workers. The mouth piece of big capital in Britain – *The Economist* – summarized two years ago the advantage of this super-exploited sector of the workers:

"Another reason why migrants stay on, however, is that they are often well placed to respond to a slump. Those dynamic enough to hop between countries to find work are also the sort of people willing to change job, take a pay cut or move home within a country in order to keep working. Such flexible and productive labour is often just what flagging economies need. The OECD authors warn that rich countries should beware of losing out in the long-term if they discourage migration firmly now." [387]

The strategists of imperialist capital are quiet aware of the advantages of the super-exploitation of migrants. The World Bank published a report in 2006 which attempted to calculate the future economic benefits of migration for the capitalists. In this context the authors compared the different wage levels of workers in the same occupation in the different regions, i.e. in the imperialist countries ("high-middle income countries") on one hand and the different types of semi-colonial countries on the other hand. In this comparison, they take into account the different price levels in the respective countries (which bourgeois economists call income adjusted for "purchasing power parity"). The World Bank report concludes that workers in more advanced semi-colonial countries ("upper-middle income countries") earn about 42% of the wage level of workers in the same occupation in the imperialist countries, workers in less advanced semi-colonial countries ("upper-middle income countries") earn about 27% and workers in very poor semi-colonial countries ("low-income countries") earn about 20% of that level. (See Figure 53)

The World Bank report presents various estimations of the potential effects of increased migration to the rich countries till the year 2025. They conclude that in the imperialist countries it is mainly the capitalists who benefit from increased migration while workers will face negative effects on their wages: *"Native households in high-income countries enjoy a rise in income, on average, as returns to capital increase, offsetting the mild decline in wages."* [388]

Naturally, the World Bank economists are not particularly worried that the rise of income means mainly a rise of the capitalists' profits at the expense of wages: *"Assuming that all capital income accrues to native households, native households in high-income countries are on aggregate better off after the shock, with real incomes increasing by 0.4 percent. That is, the increase in capital income more than offsets the loss in wage income. (…..) In the high-income countries the gains are*

[387] The Economist: Migration. Not crossing continents, 14.7.2010, http://www.economist.com/blogs/newsbook/2010/07/migration&fsrc=nwl

[388] World Bank: Global Economic Prospects 2006, p. 26

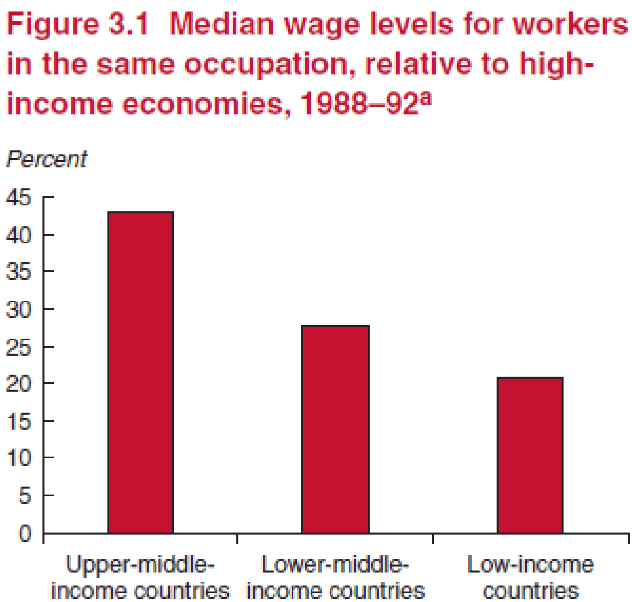
generated by higher returns to capital—somewhat offset by lower wages." [389]

Furthermore, the World Bank esteem the possibility for capital to utilize migration for a general attack on the working class in the imperialist countries by cheapening the labor costs, increasing "labor-market flexibility" (i.e. easier hiring and firing) etc.:

"Destination countries can enjoy significant economic gains from migration. The increased availability of labor boosts returns to capital and reduces the cost of production. A model-based simulation performed for this study indicates that a rise in migration from developing countries sufficient to raise the labor force of high-income countries by 3 percent could boost incomes of natives in high-income countries by 0.4 percent. In addition, high-income countries may benefit from increased labor-market flexibility, an increased labor force due to lower prices for services such as child care, and perhaps economies of scale and increased diversity." [390]

To summarize all these reports and facts we can conclude, that there is overwhelming evidence for the importance of the super-exploitation of migrants for the accumulation process of the imperialist capital.

Figure 53: Median Wages in Imperialist and Semi-Colonial Countries, 1988-92 (in %) [391]



[389] World Bank: Global Economic Prospects 2006, pp. 44-45

[390] World Bank: Global Economic Prospects 2006, p. xii

[391] World Bank: Global Economic Prospects 2006, Economic Implications of Remittances and Migration, p. 59

Attempt for Total Calculation of Imperialist Plundering

In his book '*Late Capitalism*' Ernest Mandel correctly observed in the early 1970s that while extra profit from capital export and unequal exchange always played important role in the imperialist exploitation of the (semi-)colonial world, their impact varied. While in the period before World War II colonial extra profit deriving from capital export was more important, unequal exchange became the primary form of super-exploitation after the war. [392] But is this still true today?

Since Mandel made this observation four decades ago there have been two important changes. First, since the 1970s till today capital export in form of loans and other forms of financial capital massively gained in importance. Today extra-profits derived from imperialist money capital which is exported to the semi-colonial world are of huge importance as a gain for monopoly capital and as a loss for the semi-colonial countries.

Second, since the rise of globalization the internationalization of the production process has become a central feature of the world economy. As we explained above this lead to an enormous increase of extra profit of which a massive amount is hidden via pricing through which the profits appear as being created in the North while the surplus value is in fact produced via super-exploitation in the South. However, exactly because it is hidden it is very difficult for us to calculate the amount of extra profit squeezed out from the South.

Nevertheless we will try to elaborate a calculation of the extent of the imperialist plundering of the semi-colonial world. Let us remind the estimates of the Eastern German and the UN economists from the late 1980s and the early 1990s who calculated that the semi-colonial world was robbed by about 20-25% of their annual output.

As we said before, it is difficult for us to make such calculations since we do not possess all the information and also don't know the exact method the UN and Eastern German economists used to calculate. Nevertheless if we shall give a very provisional and rough estimate we could say the following.

i) According to Table 22 on the Net transfers of financial resources, the Southern countries transferred in the last years up to $1 trillion annually to the North which is about the equivalent of 5% of these countries annual GDP in 2010.

ii) We also have the figure of illicit flows out of the Developing Countries of about more than US$1 trillion annually.

iii) We take the estimation of about $200 billion a year loss by the "invisible

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[392] Ernest Mandel: Late Capitalism. London 1975, pp. 343-346. A – basically wrong – critique of Mandel thesis of value transfer can be found in Wolfgang Schoeller: Wertransfer und Unterentwicklung. Bemerkungen zu Aspekten der neueren Diskussion um Weltmarkt, Unterentwicklung und Akkumulation des Kapitals in unterentwickelten Ländern (anhand von E. Mandel, Der Spätkapitalismus), in: Probleme des Klassenkampfes (PROKLA) Nr.6 (März 1973)

transfer" for the 1990s which was a share of the semi-colonial GDP of about 3.3%. We calculate a similar share for now because we lack more actual assessments. But we note briefly that this is certainly a serious underestimation because since the 1990s the role of globalised production chains of multinational corporations has significantly increased and hence their opportunities to manipulate price setting and by this hiding the true value transfer from the South.

iv) Concerning the loss for the semi-colonial countries by migration we take the same proportion of their total loss as the UN did in their calculation of 1992 (see Figure 32). This was US$250 billion in 1990 which amounted to about 10-12% of the developing countries annual national income. We estimate the same proportion for today. Again this is certainly an underestimation given the huge increase of migration since then.

v) We shall also add the various other forms of values transferred to the imperialist monopolies, which are mentioned above (loss by currency exchange, royalties for patents etc.), that are some additional hundreds of billions US-Dollar more.

If we add these various figures we can calculate that the imperialist robbery of the semi-colonial world has certainly increased since the early 1990s. It can be estimated that the value transfer from the semi-colonial world to the North is at least about 30% of the semi-colonial annual GDP if not rather more.

And this calculation is not complete since:

i) We have not integrated the huge profits which the capitalists make by migrant labor in the imperialist countries themselves.

ii) We have not integrated the extra profits which are hidden via pricing through which the profits appear as being created in the North while the surplus value is in fact produced via super-exploitation in the South.

iii) And we have not integrated the profits of the imperialist monopolies appropriated abroad which are not transferred back.

Despite the lack of precise calculations we can definitely say that imperialist plundering of the semi-colonies plays a very important role to the disadvantage of the so-called Third World and to the advantage of the imperialist monopolies.

The Egyptian socialist economist Samir Amin calculates an even higher share of imperialist robbery from the South. He estimates a "*volume of this imperialist rent, which seems to be on the order of half the Gross Domestic Product of the peripheries, or 17 percent of the world's Gross Product and 25 percent of the centers' GDPs*". [393] Without doubt, Amin is a progressive and very thoughtful theoretician. However since we have methodological differences with his theory of "worldwide value" and the dependency theory in general, we are cautious to adopt these calculations.

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[393] Samir Amin: The Surplus in Monopoly Capitalism and the Imperialist Rent, Monthly Review Volume 64, Number 3 (July-August 2012), http://monthlyreview.org/2012/07/01/the-surplus-in-monopoly-capitalism-and-the-imperialist-rent

Excurse: The Role of the Plundering of the Colonies for the Formation of Capitalism in Western Europe in the 16th to 18th Century

In this excurse we want to deal briefly with the historic reasons for the economic "backwardness" of the semi-colonial world. As we said one of the most important reasons for capital export to the semi-colonies is the prospect for the monopolies to exploit cheap labor forces. Various commentators argue that the lower wage level of the workers in the semi-colonies simply reflect the lower level of labor productivity and the more backward development of the productive forces.

While this argument contains an element of truth it is one-sided and thus wrong. In fact it betrays a certain imperialist ignorance and arrogance. First, it would be criminal to ignore the reasons *why* the semi-colonial economies are less productive than the imperialist economies. We have shown above in a quote from the British NGO Oxfam document that the economic inequality between countries was not so big in the 19th century. This is also confirmed in a study of Soviet economists from whom we reproduce the Table 44 below. It shows again that the gap in the economic development between Western Europe and the South was much smaller in mid-19th century – i.e. before the beginning of the imperialist epoch – than in mid-20th century.

It was the emergence of imperialism and the systematic exploitation of the South which hindered the latter from developing its productive forces in a similar way as it happened in Western Europe and the USA. This imperialist dominance led to a distorted economic development of the colonial world. Its industrialization was focused to satisfy the import needs of the metropolises. Hence the focus of the development of a raw material export sector, the enhancement of monocultures in agriculture etc. instead of an organic development of the economy with a strong industrial sector both for means of production and for consumption goods. Such a development could also have provided sufficient jobs for the agricultural labor force to leave the countryside and join the industrial sector. It is true that in the 18th and 19th century the South fell more and more behind the economic development of Western Europe. But this advance of Western European powers was not spontaneous or automatic, but was accompanied and supported from the beginning by a colonial plundering of the South.

While of course specific pre-conditions which facilitated the development of capitalism existed already in Western Europe, the systematic plundering of the colonies in the 16th to 18th century played a huge role for the formation of capitalism – the phase of the primitive accumulation. [394] Marx himself already

[394] Marx dealt with the specific pre-conditions for the development of capitalism in the *Grundrisse* where he pointed out several important factors in Western Europe like the relatively decentralized production of the surplus product, plots economy, a relatively weak state apparatus in relation to a

pointed this out in Volume One of *Capital*:

"The Colonial system and the opening out of the markets of the world, both of which are included in the general conditions of existence of the manufacturing period, furnish rich material for developing the division of labour in society." [395]

He elaborated this later in the same volume:

"The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turning of Africa into a warren for the commercial hunting of black-skins, signalised the rosy dawn of the era of capitalist production. These idyllic proceedings are the chief momenta of primitive accumulation. On their heels treads the commercial war of the European nations, with the globe for a theatre. It begins with the revolt of the Netherlands from Spain, assumes giant dimensions in England's Anti-Jacobin War, and is still going on in the opium wars against China, &c.

The different momenta of primitive accumulation distribute themselves now, more or less in chronological order, particularly over Spain, Portugal, Holland, France, and England. In England at the end of the 17th century, they arrive at a systematical combination, embracing the colonies, the national debt, the modern mode of taxation, and the protectionist system. These methods depend in part on brute force, e.g., the colonial system. But, they all employ the power of the State, the concentrated and organised force of society, to hasten, hot-house fashion, the process of transformation of the feudal mode of production into the capitalist mode, and to shorten the transition. Force is the midwife of every old society pregnant with a new one. It is itself an economic power." [396]

In his comprehensive work on Marxist political economy Ernest Mandel attempts to give an overall calculation of the profit made by the plundering of the South by the European colonial powers. He arrives to the conclusion that between 1500 and 1750 they accumulated approximately one billion pounds of Gold Sterling. Mandel makes the following interesting comparison: *"This is more than the total capital of all steam-powered industrial enterprises which existed in Europe around 1800."* [397]

Another figure shows how the capitalist exploitation increased the gap in wealth between the (former) colonial powers and the (semi-)colonial countries in the 19th and 20th century (see Table 44). While in 1850 the capitalist industrial states had a share in world income of 38% and the South of 62%, this relation drastically changed to 83% respectively 17% by 1960. Hence while the per capita income of the North was only 1.8 times bigger in relation to the South in 1850, this grew to an advantage of a 12.5 times bigger per head income in 1960.

Another figure is given by the late economist Angus Maddison whose analysis

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relatively strong bourgeois class, relatively autonomy of the cities etc.

[395] Karl Marx: Das Kapital, Band I; in: MEW 23, pp. 374-375; in English: Capital, Vol I; Chapter 14

[396] Karl Marx: Das Kapital, Band I; in: MEW 23, p. 779; in English: Karl Marx: Capital, Vol I; Chapter 31

[397] Ernest Mandel: Marxistische Wirtschaftstheorie (1962), Frankfurt a.M. 1968, pp. 552-553 (our translation)

of the history of the world economy was pioneering. In his *magnum opus* "*The World Economy: A Millennial Perspective*" he calculates that between 1820 and 1998 the Advanced Capitalist Countries in the North could increase their GDP per head from 1,130 to 21,470 US-Dollars, i.e. by 1900%. In the same period the Less Developed Capitalist Countries in the South could increase their GDP per head only from 573 to 3,102 US-Dollars, i.e. by 541%. In other words, the advanced capitalist countries who robbed the colonies and semi-colonies could grow more than 3.5 times faster than the countries of the South. (See Table 45)

Table 44: Distribution of National Income between the North and the South, 1850 and 1960 [398]

	1850	***1960***
Share of National income (in percent)		
Developed capitalist countries	38%	83%
Asia, Africa, Latin America	62%	17%
National income per head (in US-Dollar)		
Developed capitalist countries	145	1037
Asia, Africa, Latin America	80	83

Table 45: Level of Per Capita GDP between the North and the South, 1820 and 1998 (in 1990 international dollars) [399]

	1820	***1998***
Advanced Capitalist Countries	1130	21470
Western Europe, North America, Australia, Japan		
Less Developed Capitalist Countries	573	3102
Asia (except Japan), Africa, Latin America, Eastern Europe and USSR		

[398] S.N. Beljajewa, E.M. Waschenzewa, I.I. Ermolowitsch, M.M. Koptew, E.I. Korezkaja, W.N. Kuwaldin, W.W. Mestscherjakow (Autorenkollektiv): Politische Ökonomie - Kapitalismus (1970), Berlin 1973, p. 137

[399] Angus Maddison: The World Economy, Volume 1: A Millennial Perspective, Volume 2: Historical Statistics, Development Centre Studies 2006, p. 48

Roman Rosdolsky, the Ukraine Marxist historian and theoretician, correctly remarked in his study *'The Making of Marx's Capital'*, that *"the primitive accumulation is a constitutive element of the capital relation and therefore is included in 'the category of capital'."* [400]

So we summarize that the plundering of the colonies already played an important role during the pre-imperialist epochs of capitalism. It decisively harmed the South's possibility for economic development. There can be no serious argument against the thesis that the Southern countries could have joined a path of economic growth later. But they never had the chance for an independent development because of colonial plundering and oppression.

[400] Roman Rosdolsky: Zur Entstehungsgeschichte des Marxschen 'Kapitals'. Der Rohentwurf des Kapitals 1857-58, Band II, Frankfurt a. M. 1968, p. 327; in English: The Making of Marx's Capital (our translation)