UN figures show: international production system developing

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The latest World Investment Report, prepared by the United Nations Conference on Trade and Development (UNCTAD) has thrown further light on the quantitative and qualitative changes in the world economy resulting from the globalisation of production over the past decade and a half.

According to UNCTAD: "An international production system is rapidly emerging with foreign direct investment (FDI) by transnational corporations (TNCs) at its core. The system embraces some 60,000 TNCs with over 500,000 foreign affiliates that account for an estimated 25 percent of global output. Sales of these foreign affiliates alone amounted to $11 trillion (well ahead of world exports at $7 trillion) in 1998."

"The world's largest 100 TNCs, measured in terms of foreign assets, hold a dominant position in the new international production system. They now account for $4 trillion in total sales and hold a stock of total assets in excess of $4.2 trillion. General Electric is the world's largest TNC, closely followed by the Ford Motor Company and the Royal Dutch Shell Group."

The report showed that FDI in 1998 rose by almost 40 percent to $644 billion with a new record expected this year. The main factor behind the expansion is cross-border mergers and acquisitions, which reached $411 billion in 1998, up 74 percent, after rising 45 percent in 1997.

According to the report, the main reasons for the increase in cross border mergers and acquisitions include: the opening of markets as a result of deregulation; increased pressure of competition resulting from globalization and technological changes; the importance of firm size in creating economies of scale and in ensuring sufficient technological development; and the strengthening of market position.

Cross border mergers and acquisitions were the main component of the record volume of foreign direct investment by development countries. Transnational corporations from these countries boosted outflows of foreign direct investment by 46 percent to $595 billion last year. Inflows of FDI into the developed countries rose 68 percent to $460 billion in the same period.

Of the outflow of $133 billion in FDI from the United States just over half went to the European Union. Inflows into the US rose by $82 billion to $193 billion, mainly because of large-scale mergers and acquisitions such as Daimler-Benz's acquisition of Chrysler and BP's acquisition of Arco. European Union flows to the United States almost tripled, to $155 billion.

The report found that FDI has become the chief source of finance for the so-called developing countries, with inflows exceeding official aid and lending by international banks. The share of FDI in total capital inflows to these countries rose from 28 percent in 1991 to 56 percent in 1996.

But the investment inflows are going to a narrow range of countries and others are becoming marginalised. As the report noted: "Globalisation is accelerating change in the world economy in an uneven manner, with many developing countries failing to keep up with the processes involved." The activities of the TNCs, the report continued, do not necessarily reduce this skewed impact, but may well exacerbate it.

It warned that with many countries now competing to attract FDI there was a danger that governments would offer TNCs ever higher levels of subsidies as an inducement to invest. Furthermore, TNCs may also crowd out domestic competitors and undermine new domestic ventures as they enter developing countries.

While no discussion of the historical significance of its findings is to be found anywhere in its report, the figures produced by UNCTAD are a further verification of the fundamental Marxist thesis of the historically outmoded character of the nation-state system and the necessity for the development of economic planning on a global scale.

As the statistics, particularly on cross-border mergers and acquisitions, reveal, there is an inherent and strengthening tendency for the productive forces to break out of the constrictions of the nation-state.

However, as long as the nation-state and private profit system remain, the globalization of production cannot be developed in a rational form. Rather, under capitalism it gives rise to increasingly malignant tendencies—growing inequality between nations, and deepening social polarisation within them.

Only when the productive forces are removed from the grip of private ownership and production is organised globally can the inherent advances in efficiency and productivity associated with transnational production be utilised in the interests of the world's people, rather than the owners of capital.

The achievement of this program, of course, requires a concerted political struggle. But as the UNCTAD figures show, the perspective of a planned world socialist economy is not some abstract utopia. It is rather, as Marx put it in the *Communist Manifesto*, a conclusion arising from “a historical movement going on under our very eyes.”