Pro Patria, Pro Mundus

It's Time to Ask "Borderless" Corporations: Which Side Are You On?

by William Greider

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The Nation

A recent *New York Times* headline asked an insinuating question: "After the Attacks, Which Side Is the Left On?" The *Times* should find the nerve to put the same question to the major players of business and finance. Which side is Citigroup on? Or General Electric and Boeing? Where does loyalty reside for those American corporations that have rebranded themselves as "global firms"? Our resurgence of deeply felt patriotism, with official assurances that Americans are all-in-this-together, raises the same question. At a deeper level, the patriotic sense of unity collides with familiar assumptions advanced by the architects and cheerleaders of corporate globalization. The nation-state has been eclipsed, they explain, and no longer has the power to determine its own destiny. The national interest, they assert, now lies in making the world safe for globalizing commerce and capital.

In these threatening times, such claims sound suddenly unpersuasive. Frightened citizens turn naturally to their government for security -- the original purpose of the nation-state -- and business enterprises do the same. The global corporation, however, intends to have it both ways: American first when that serves its interest, but otherwise aloof from mere nationality. Since these companies are busy waving the flag at the moment, one needs to recall how they described themselves during the past decade, as they dispersed production worldwide and planted their logos in many distant lands. "The United States does not have an automatic call on our resources," a Colgate-Palmolive executive once explained. "There is no mindset that puts this country first."

The much-admired CEO of General Electric, Jack Welch, portrayed GE as a "borderless company," and he brutally enforced the logic. When GE wanted additional cost savings on turbines, jet engines and appliances, it told its US suppliers to pick up and leave, or else -- that is, move the jobs to Mexico or other locales where the labor is much cheaper, or GE would find different suppliers. A GE executive in Taiwan once remarked, "The US trade deficit is not the most important thing in my life . . . running an effective business is."

An aerospace executive who supervised McDonnell Douglas's production in China told the *New York Times*: "We're in the business of making money for our shareholders. If we have to put jobs and technology in other countries, then we go ahead and do it." A few years later, McDonnell was swallowed by Boeing, which likewise subscribes to an unsentimental view of national identity. Boeing's on-site manager at the Xian Aircraft Company in China, where $60-a-month machinists make tail sections for the 737, told me, "We've got suppliers that we've dealt with for fifty years, and we're asking all of them to offload production to China." In addition to the low wages, American firms trade US jobs and technology for access to such burgeoning markets. The US government looks the other way or sometimes even facilitates the transactions.

Then there is Citibank, a pioneer in global banking and now part of the mammoth financial conglomerate called Citigroup. John Reed, Citibank's former CEO, used to complain regularly about the stultifying bank regulations imposed by the United States, and he often threatened to relocate Citibank's headquarters to a more banker-friendly nation. "The United States is the wrong country for an international bank to be based," Reed asserted (though the US government more than once bailed out his bank when it was on the brink of failure). Citibank, it happens, is also a notorious channel for wealthy autocrats trying to spirit ill-gotten fortunes (including drug money) out of their home country ($80-100 million for Raul Salinas, the corrupt brother of Mexico's corrupt former president). Citigroup has lobbied to weaken the new regulatory rules required to halt the flows of terrorist money in the global financial system.

Which side are you on? In the aftermath of September 11, the question was swiftly resolved by the multinational lobbyists who mobbed Washington for handouts. Boeing, the second-largest military contractor, expects to be a big winner from the crisis (never mind the 30,000 workers it is laying off) because Boeing agents, in and out of Congress, are pushing for huge new orders of modified jetliners and cargo transports for the Air Force and Navy. IBM, though the majority of its work force is now non-American, has lined up at the trough with Silicon Valley's high-tech firms to lobby for new government subsidies. American International Group, the world's biggest insurer and a leading apostle of unfettered global markets, is out front promoting a new federal safety net for the insurance companies -- a bailout that will compel US taxpayers to share in the industry's risks. GE, Citigroup, AIG and other financial-services firms persuaded House Republicans that the US economy should be stimulated by giving them a $21 billion tax break for their overseas operations. When the going gets tough, these guys turn out to be real, red-blooded Americans.

Other Americans will be rightly infuriated as they see the urgent need for national unity exploited for private gain. Activists associated with the Seattle movement might devote some energy to educating other citizens who don't yet grasp the contradiction. But this new crisis exposes much more fundamental issues than corporate hypocrisy. It upends the fictitious premises used to sell the supposed inevitability of corporate-led globalization. Nation-states, at least the largest and strongest ones, have not lost any of their powers to tax and regulate capital and commerce, to control international capital flows and other globalizing practices. In the face of market pressures, major nations simply retreated from exerting those powers. The United States, as principal promoter and defender, led the way. Other advanced economies gradually followed, often reluctantly. Poorer nations, of course, did not have much choice but to go along if they wished to attract investment capital from the wealthy economies.

Now, crisis requires leading governments, especially that of the United States, to do an abrupt about-face and begin to employ their neglected sovereign powers, that is, to intrude purposefully in the marketplace and impose some rules in behalf of society. The most compelling example is the need for new regulatory controls on capital flows in the global financial system in order to smash the terrorists' critical support base -- the secretive, cross-border access to money. The global bankers, led by Citigroup, resisted, claiming it's too complicated to trace movements of illicit money. Complexities do exist, but the plain truth is that the United States, joined by a handful of wealthy nations (Germany, Japan, France, Britain and a few others), has the power to shut down any subsidiary banking system in the world that refuses to cooperate -- simply by rejecting all money transfers from that country.

> A more ambitious project would be to confront US multinationals on the ambivalent nature of their own patriotism. Air the facts and name the names. If the companies are truly global and without responsibility to this particular nation, then why are US taxpayers expected to subsidize their success and bail them out of failure? The legislative vehicle for forcing a debate on these questions would be recurring amendments to cut off the firms unwilling to accept explicit obligations to nation and citizens. One might describe these measures as "homeland security."
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> Critical questions about global corporations are no longer abstract propositions. As is already clear from recent actions in Washington, some Americans are regarded as special in crisis -- and awarded billions of dollars in protection from malign market forces. Other Americans are told to keep a stiff upper lip. This malformed definition of national unity is ripe for attack by the true patriots.

Citigroup and other major banks want weak enforcement not because they are soft on terrorism but because they recognize that policing terrorist money can lead to tougher enforcement aimed at their own activities -- their profitable role serving wealthy clients in money laundering and the massive tax evasion that occurs through offshore banking. The evasion of national laws is a principal hallmark of the *laissez-faire* global system, one that governments have lacked the will to confront. The Bush Administration’s sincerity will be tested on this issue since it must choose between defending the privileges of international banking and protecting the security of American citizens.

Imposing new forms of accountability on global finance leads ultimately to a much larger question -- how to exert moderating controls (and taxation) on the destabilizing surges of capital that have ignited recurring financial crises (and led to massive bailouts by unwitting taxpayers). Only nations have the power to solve this problem. "At some point, we have to ask whether utterly free capital is a benefit to everyone," a financial economist with a leading hedge fund once told me. "Free capital is certainly a benefit to people who own the capital. But they couldn’t exist if these governments did not exist to protect them. No one wants to locate the Chicago Board of Trade in Bangkok or Jakarta."

The logic of globalization has led, in fact, to a redefinition of national interest, at least for the United States, in which government policy assumes that advancing the well-being of shareholders and global firms -- as opposed to the general population, workers and communities -- provides the highest overall benefit. This preferential order is never frankly acknowledged, of course, but it has been embraced by both Democratic and Republican Presidents. The contradictions for the nation have long been visible, but they were explained away with propagandistic economic claims (much the way authorities ignored obvious contradictions in the stock-market bubble). Over the past twenty-five years, for instance, the wage levels of ordinary working people have been stagnant in real terms as the prime manufacturing jobs moved offshore. Partly in consequence, the United States became a debtor nation -- buying more from abroad than it sells and borrowing the money to do so -- with accumulated indebtedness that has surpassed 20 percent of GDP. The multinationals claim US trade deficits don't matter -- for them, they don't. For the rest of us, this condition has led to a deepening dependence on foreign investors and the potential for an eventual breakdown of the global system itself, when the proud leader and principal consumer in global trade someday taps out.

My point is this: The patriotic tensions generated by war and recession can spawn a rare clarifying moment -- the political opportunity to educate and agitate Americans on these deeper contradictions in power between the nation-state and the global system. Inattentive citizens are no longer so passive, but suddenly paying attention to world news. The Seattle movement, as Kevin Danaher of Global Exchange observed, has a potential to connect with a much broader audience, now ready to listen and learn. The teach-in curriculum should begin closer to home, not for narrow nationalistic purposes or to stop globalization but to build support for fundamental change in how globalization proceeds. If the global system is to be reformed -- made more humane and democratic, more equitable and respectful of each society's values -- the power to achieve those goals belongs only to national governments, not to remote international institutions. For obvious reasons, that power resides especially in the politics of Washington, DC.

An important first step is to re-establish the nation's sovereign prerogative to legislate its own standards of decency as governing values in global trade. The exercise of national legislative initiatives is not as remote as it may sound. Bipartisan legislation is pending, for instance, to close US markets to goods exported by Burma until that notorious regime halts its forced labor practices (American-in-name-only companies like Unocal are complicit). The measure's leading sponsors are ideological opposites -- Senators Jesse Helms and Tom Harkin -- who share outrage over the trading system's *laissez-faire* tolerance of gross human abuses. Their measure, on its face, seems to violate World Trade Organization rules; in fact, the advocates actually hope it will provoke the Burmese generals into filing a formal complaint with the WTO. If the WTO upholds the US law, it would open the way for broader measures of social reform. If the WTO rules against the United States, the indifference to brutality will further discredit the WTO.

Another, similar measure is "right to know" legislation that would require multinationals based in the United States to report the location and conditions of their overseas factories -- everything from toxic pollution to health and safety standards to the status of labor rights. The bill does not attempt to set standards of behavior for foreign countries but requires US companies to report the facts to local workers and communities as well as to the US government -- information that can stimulate grassroots agitation for change. The measure would establish an important principle: Congress cannot impose American values on others, but it does have the right to impose them on multinationals that call themselves American.

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For 17 years Greider was the National Affairs Editor at *Rolling Stone* magazine, where his investigation of the defense establishment began. He is a former assistant managing editor at the *Washington Post*, where he worked for fifteen years as a national correspondent, editor and columnist. While at the *Post*, he broke the story of how David Stockman, Ronald Reagan's budget director, grew disillusioned with supply-side economics and the budget deficits that policy caused, which still burden the American economy.

He is the author of the national bestsellers *One World, Ready or Not*, *Secrets of the Temple: How the Federal Reserve Runs the Country* and *Who Will Tell The People: The Betrayal of American Democracy*. In the award-winning *Secrets of the Temple* he offered a critique of the Federal Reserve system. Greider has also served as a correspondent for six *Frontline* documentaries on PBS, including "Return to Beirut," which won an Emmy in 1985.

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