Imperialist Plunder — Biggest Obstacle To the Economic Growth of "Underdeveloped" Countries

by KUO WEN

THE imperialists in recent years have tried to spread the false idea that "colonialism is dead" and that economic differences between the "developed" and "underdeveloped" countries are the sole question that separates them today. Their aim is to cover up the basic contradictions between the oppressors and the oppressed, the exploiters and the exploited, which mark the relations between the imperialist countries and many Asian, African and Latin American countries.

Imperialist oppression and exploitation is the main reason for the retarded economic development of many Asian, African and Latin American countries. The only way they can build independent and prosperous national economies is to make a clean sweep of colonialist economic relationships and to oppose vigorously the political and military measures used to support them.

Investment Overseas — Basis of Imperialist Exploitation

The huge capital invested by the imperialist monopolies abroad is, as Lenin pointed out, "a sound basis for the imperialist oppression and exploitation of most of the countries and nations of the world."[1] In the vast "underdeveloped" areas of Asia, Africa and Latin America, this basis has not yet been destroyed, but it must be destroyed.

The end of World War II saw the nationalization of some imperialist enterprises in a number of "underdeveloped" countries. But this has not been followed by a fall in the investments of the imperialist monopolies; on the contrary they have increased. **By these investments, imperialism has seized more and more sources of raw materials in the "underdeveloped" countries, exploited an increasing number of local workers and raked in bigger and bigger profits. As a result, despite their hard-working people and rich resources, the "underdeveloped" countries find it difficult to accumulate national capital and develop independent national economies.**

Take, for example, the United States, the biggest colonialist of our times. According to U.S. Department of Commerce statistics, the book value of direct investments by U.S. monopolies in the "underdeveloped" areas in Asia, Africa and Latin America more than doubled from about $5,700 million in 1950 to $13,340 million in 1963. The real value of these investments, however, should be $26,680 million as the department itself admitted that the book value roughly represented only half the actual worth.

These large investments have enabled U.S. monopolies to control countless important sources of raw materials in the "underdeveloped" countries. For instance, more than half the production of crude oil in these countries is now under the control of U.S. monopolies. They also exploit large numbers of local workers. In Latin America, 2 million people are directly employed by enterprises controlled by American capital. Because the mines in these countries are extraordinarily rich and the wages of local workers are extremely low, the rate of profit on U.S. investment there is very high. In 1963, even according to official U.S. figures the return from direct U.S. private investments in the "underdeveloped" countries was 17.1 per cent, approximately twice as much as from direct U.S. private investments in the "developed" countries. It was as high as 76.7 per cent from the oil industry in the Middle East.

Staggering profits. The large increase in the amount of capital invested in "underdeveloped" countries, with its high rate of profit, has brought bigger and bigger profits to the U.S. monopolies. According to the U.S. Department of Commerce, in 1950 U.S. monopolies earned $970 million in profits from their direct investments in the "underdeveloped" countries. By 1963 these

[1] *Collected Works*, English ed., Progress Publishers, Moscow, 1964, Vol. XXII, p. 242.

had increased to $2,280 million. These figures were, of course, greatly minimized. It has been estimated that the profit concealed would amount to about 75 per cent of the official figures. Calculated on this basis, the U.S. monopolies in 1963 grabbed $4,000 million in profits from their direct investments in the "underdeveloped" countries, or $2,300 million more than what they actually were in 1950.

The imperialist monopolies remitted home a portion of their profits, issued generous dividends to shareholders and paid their directors handsomely. In addition to feeding this pack of parasites at home, they also reinvested part of their profits in the "underdeveloped" countries. In 1961-63, profits ploughed back for reinvestment made up about one half of the U.S. monopolies' newly increased direct investments in these countries.

If this process is allowed to continue, imperialist monopolies will be able to use their earnings to exploit still larger numbers of local wage labourers, lay hold of still more resources and reap still bigger profits.

Latin America — a case in point. This is best illustrated by investments in Latin America where U.S. monopoly capital has a long history of infiltration and exploitation. The U.S. Department of Commerce gave the book value of the total increase in direct U.S. private investments in Latin America from 1946 to 1962 as $6,600 million. If calculated on the basis that the actual value is double the book value, the total increase was $13,200 million. And it is legitimate to say that the new investment was made possible entirely by exploiting local wage labour because capital outflow of new direct U.S. private investment to Latin America in that period was about $6,000 million less than the profits remitted back to the United States. With the steep increase in investment, the profits which U.S. financial oligarchies had secured doubled during the same period.

The above-mentioned $13,200 million plus $6,000 million roughly equalled the aggregate profits from direct U.S. private investments in Latin America in that period — $19,200 million. These figures were three times the total postwar U.S. economic "aid" to Latin American countries up to fiscal 1962, and about $10,000 million more than the total foreign debts incurred by the "underdeveloped" countries on that continent up to the end of 1962.

This shows that if "underdeveloped" countries in Latin America had taken over all the U.S. capital-controlled enterprises in postwar years, and had used them to accumulate national capital instead of allowing them to be used by the U.S. monopolies to extort profits, it would have been entirely possible for these countries to free themselves from foreign "aid" and foreign loans and to create favourable conditions for the development of their national economies.

"Political guarantees." It is pertinent to point out that the imperialist monopolies have to rely not only on their own economic power for investment and profit grabbing abroad but also on the backing of their governments, not excluding the use of supra-economic means.

"Political guarantees," as is well known, are more needed for investments than for trade. After the end of World War II, the imperialists have had to use some neo-colonialist tricks to cope with the surging tide of the national-liberation movements, and in certain circumstances they have recognized the independence of their former colonies. But when the newly independent countries "infringe" upon the colonial interests of the financial oligarchies, it is not unusual for the imperialists to retaliate by every possible means, including the use of violence. An example of this is the Anglo-French war against Egypt over the latter's nationalization of the Suez Canal Company.

U.S. imperialism has an even worse record in this respect.

In 1953, the United States engineered a military coup d'etat in Iran and overthrew the Mossadegh government which nationalized the oil industry. U.S. oil magnates then secured from the pro-U.S. Zahedi regime 40 per cent of the shares in the reconstituted International Petroleum Company.

In 1954, the United States subverted Guatemala's popularly elected Arbenz government because it expropriated land held by the U.S. United Fruit Company and started building a state power station to break the monopoly of the U.S.-owned Empresa Electrica de Guatemala. Then Carlos Castillo Armas, a placeman of U.S. imperialism, became President, Carlos Salazar Gatica, a United Fruit Company lawyer, was appointed Foreign Minister, and Jorje Arenales Catalan, a lawyer for the Empresa Electrica de Guatemala, Minister of Economic Affairs. The Armas government gave back the expropriated land to United Fruit. Work on the state power station was stopped.

In April last year the United States engineered a military coup d'etat in Brazil because the Goulart government not only opposed intervention in Cuba but also took some steps to restrict foreign capital and protect the interests of the national economy. These measures included abrogation of the mining rights of the U.S. Hanna Corporation, restriction of the outflow of profits mulcted from the people by foreign capital and plans to take over oil refineries controlled by American capital. The new Brazilian authorities have ordered the repeal of the law restricting the remittance of profits abroad.

Unequal treaties. Another way of providing "political guarantees" for investments is to coerce the "underdeveloped" countries into signing unequal treaties. Today the old-type unequal treaties which provided only for naked colonialist investment prerogatives, are gradually being replaced by unequal treaties of a new type which, on the face of it, seem to be "reciprocal" but are actually advantageous to the imperialist investors only. In this category are those treaties which the imperialists concluded with their former colonies when the latter obtained independence, and which included "national treatment" granted by one party to investors of the other. The 1946 U.S.-Philippine "Treaties of General Relations" specifically stipulated that the property rights enjoyed by citizens or legal persons of one party should be respected and protected in the same way as those of citizens or legal persons of the other. The "treaties of friendship, commerce and navigation" which the United States concluded with the Chiang Kai-shek clique, the south Korean puppet authorities and the reactionary regime in south Viet Nam also incorporated clauses of "national treatment."

The facts mentioned above demonstrate that in order to cut off the tentacles of the imperialist monopolies which suck their life blood in the form of capital export, the "underdeveloped" countries must fight staunchly against the various means of colonialist oppression the imperialists use to protect their investments.

Exploitation Through Unequal Terms of Trade

Imperialist exploitation by means of investment is accompanied by exploitation in the form of unequal terms of trade with the "underdeveloped" countries which are exporters of primary products.

During the period of industrial capitalism the "advanced" capitalist countries in Europe and North America, backed by gunboat diplomacy, had already begun the large-scale export of commodities to Asia, Africa and Latin America. This led to the destruction of the handicrafts of the colonial and semi-colonial countries and the throttling of their national industries, thereby turning them into suppliers of raw materials. In the period of imperialism, by means of capital exports, the monopolies took a direct part in developing the production of primary products in the "underdeveloped" countries, which they needed themselves, particularly mineral raw materials. At the same time they established more factories there. As a result, the national industries suffered both from competition from imported goods and directly from local factories operated by foreign capital. The economies of the "underdeveloped" countries thus became more lopsided.

After the end of World War II, many "underdeveloped" countries tried to develop a number of national industries so as to extricate themselves from their position as mere appendages supplying agricultural and mineral products to the imperialists. All kinds of imperialist obstruction, however, barred their path.

Imperialist trade privileges. Even today a number of "underdeveloped" countries are still compelled to grant the imperialists many colonialist trade privileges including immunity from import quotas, reduction in or exemption from tariff rates. Foreign industrial goods hit hard at local industries. Take the Philippines for instance. Its markets are flooded with American goods, protected by various kinds of trade privileges. Its national industries, especially the textile industry, are facing great difficulties. In a report presented prior to his resignation, former Chairman of the Philippine National Economic Commission Sixto Roxas charged the United States with squeezing Filipino industrial goods out of the local markets by means of immunity from taxation, low taxes and smuggling, with the result that local industry operated below capacity, some branches working at only 28 per cent of it.

In recent years, the imperialists have stepped up their efforts to establish factories in the "underdeveloped" countries in order to rob the latter of their markets for industrial goods in a more direct way. Even such old commercial monopolies as the British United Africa Company are busy with setting up new factories in the African countries. Certain major U.S. industrial branches also put emphasis on building and extending local factories as a means of cornering the Latin American markets. According to a report of the U.S. Department of Commerce, in 1962, the sales of goods made by the factories set up in Latin America by U.S. machine-building, electric equipment, communications, chemical, rubber and paper-making industries doubled the figure for 1957. Whereas in 1957 the value of these sales was about 50 per cent less than that of the goods exported by these industries to Latin America, by 1962, the former was 30 per cent more than the latter.

In addition to seizing the "underdeveloped" countries' domestic markets and thus hampering those sections of the national industries which supply them, the imperialists have also prevented the "underdeveloped" countries from exporting manufactures into their own domestic markets and are thus crippling the growth of those national industries which depend on foreign markets.

It is common knowledge that a big number of the tropical agricultural products of the "underdeveloped" countries are dependent to a large extent on foreign markets, especially the markets of the imperialist countries. If the "underdeveloped" countries can process these agricultural products first before exporting them, which does not in any case require large capital, then they have the opportunity to develop an important aspect of their national industries. But, as a rule, the imperialists only want to buy their unprocessed farm products, and charge progressive import duties on processed ones. This poses serious problems to the "underdeveloped" countries in developing their agricultural products processing industry. As the former Ghanaian Foreign Minister Kojo Botsio aptly said: "In Ghana we know that the processing of cocoa and other raw materials could be an important factor in our industrialization programme. Yet it is impossible for us to embark upon such an enterprise because the industrialized countries have arranged their tariffs in such a way as to prevent us from so doing."

"Underdeveloped" countries remain suppliers of primary products. Up till now the "underdeveloped" countries have not been able to get rid of their position as suppliers of primary products to the imperialist countries. This is shown by the following:

1. The national industries of the new emerging countries are very weak. According to the August 1964 issue of the *U.N. Monthly Bulletin of Statistics,* the share of the manufacturing industries of the "less-industrialized countries" — even if those factories owned by the imperialists are counted in — made up only 9 per cent of the capitalist world's manufacturing industries in 1963. It was only 4.4 per cent in so far as the metal products manufacturing industry was concerned.

2. The "underdeveloped" countries must, through the channel of foreign trade, export large quantities of agricultural and mineral products in exchange for a certain amount of manufactures, including machinery and equipment which are needed for the development of their national economies but of which they can produce only a little or none at all. In recent years, generally speaking, six-sevenths of their exports have been primary products while two-thirds of their imports have been manufactures. Moreover, more than half of the exports of many "underdeveloped" countries comprise only one or two kinds of agricultural and mineral products. The results of an analysis of 1960-61 foreign trade statistics made by the British National Institute of Economic and Social Research are revealing: 55 "underdeveloped" countries or regions depend for more than half of their exports on one kind of agricultural or mineral product, 33 on two, and five "underdeveloped" countries on three.

3. The "underdeveloped" countries export primary products mainly to the imperialist countries in exchange for their manufactured goods. In 1961, according to recent U.N. statistics, 95 per cent of the foreign trade of "underdeveloped" countries was conducted within the capitalist world economic system, 70 per cent of their primary products were exported to six major imperialist countries (the United States, Britain, France, West Germany, Italy and Japan) and 80 per cent of their manufactures were imported from these same countries.

Prices of primary products forced down. The imperialists, with their monopoly position on the capitalist world market, also intensify their exploitation of the "underdeveloped" countries through non-equivalent exchange, namely, forcing down the prices of primary products while boosting those of manufactures.

The mineral products exported by "underdeveloped" countries are almost entirely owned by foreign monopolies while the exported farm products, generally speaking, are grown mainly by their own people. The prices these agricultural products fetch on foreign markets have a direct bearing on the ability of the "underdeveloped" countries to accumulate national capital from the farming economy, on the amount of foreign exchange earnings to import machinery and equipment needed by the national economy and on the incomes and purchasing power of the peasants who form the overwhelming majority of the population.

But it was precisely these tropical agricultural products which suffered the most drastic fall in prices on the postwar capitalist world market as a result of imperialist monopolies' manipulation, and this brought enormous losses to the "underdeveloped" countries. In the eight years from 1955 to 1962, foreign exchange earnings of the "underdeveloped" countries in Asia, Africa and Latin America were down by $14,850 million, or an average of $1,860 million a year, through the price falls of coffee, cocoa and tea alone.

Coupled with the sharp fall of prices in farm produce exported by the "underdeveloped" countries there has been a big rise in the prices of machinery and equipment bought from the imperialist countries. The *U.N. Monthly Bulletin of Statistics* in its January 1965 issue revealed that from 1951 to 1962 the fall of prices in food and drink exported by the "underdeveloped" countries to the imperialist countries averaged 20 per cent and the prices of raw materials fell by 42 per cent while the prices of machinery and equipment imported from the imperialist countries rose by 32.5 per cent.

This means that the "underdeveloped" countries now must export an increased amount of agricultural products in order to buy the same amount of machinery and equipment. At a meeting of the U.N. Conference on Trade and Development in Geneva on March 25, 1964, Ernesto Che Guevara, leader of the Cuban delegation, presented some relevant data. He showed that, compared with 1955, the percentage increase in the quantities of primary commodities needed to be exported to buy a 30-39 h.p. tractor in 1962 was as follows:

Commodity	*Country*	*Percentage Increase*
Cocoa	Ghana	133
Coffee	Brazil	101
Cotton	United Arab Republic	61
Natural Rubber	Malaya	70
Tea	Ceylon	55

It is clear that the widening gap between the prices of exported farm produce and imported machinery and equipment has done great harm to the national economies of the "underdeveloped" countries, particularly their efforts to increase the fixed assets of their national enterprises.

(To Be Continued)