# Transnational Corporations

*The real government of our country is economic, dominated by large corporations that charter the state to do their bidding. Fostering a secure environment in which corporations and their investors can flourish is the paramount objective of both [political] parties.*

## Definition of Transnational and Multinational Corporation

We live in a corporate world. Of all the social institutions that impact our lives, corporations are the most powerful. Corporations make our products, provide us jobs, give us healthcare, run our media, provide us food, determine the health of our economy and even manage our political system. Most corporations you are probably very familiar with; General Motors, Exxon, Wal-Mart, Mitsubishi, Citigroup, Boeing, Amazon, Apple, Bayer, Chevron, McDonald’s, and Dow Chemical. Children in the United States are even better at recognizing corporate logos than major historical figures like Jesus and Abraham Lincoln. Most things we own were produced by major corporations, from our food, clothing, electronic items, to our cars and the gas we put in them. Modern society is not simply a creation of these corporations; modern day society ***is*** these corporations. Very little of our daily activities occur outside the direct influence and control of these corporate giants. Their power over our lives, our society, our economy and our governments has grown exponentially over the last 100 years.

In the early stages of capitalism, corporations were transient entities that came and went as capital was needed to complete large scale projects. If a bridge needed to be built, capital investors would pool their money together, complete the project and share in the profits. The charters created to complete these projects would be temporary enterprises. As businessmen, churches and governments attempted to build infrastructure to meet the growing globalized world in the era of colonialism, these temporary corporate charters helped pool capital from several investors for these enormous enterprises. The corporation would exist beyond the individual members and end once the project was completed. They came together, wrote a contract, built what was necessary and dissolved into non-existence.

In today’s world, corporations no longer dissolve after accomplishing some task; they are permanent entities with long term goals of producing wealth for investors. A corporation today is a business in which multiple investors pool their money together to help a business grow in production, distribution and sales. Additionally, they also no longer focus on a single project or enterprise but diversify into any market that is viewed as profitable. Rather than having a single person own the business, it is “owned” by shareholders, anybody who buys stock in that company. When the company makes a profit, that profit is shared to all the “owners” in the form of dividends. If you buy stock in a company, even if just a single share, it means you are part owner of that company and therefore entitled to a share of the profits equal to your share of ownership.

There are other benefits to corporate ownership rather than single ownership as well. Corporate ownership protects the owners from personal loss and liability. Known as limited-liability, if the business goes bankrupt, only the corporation is held accountable and not the personal finances of the individual owners. This exists because the creation of a corporation is the creation of an entity separate from the owners. The corporation acts as a person to carry on business, sell, buy and trade, sue and be sued. This means that the owners can come and go, but the corporation has “perpetual existence” and carries on business uninterrupted by a change in management that afflicts personally owned businesses. This characteristic is so protected that even the Supreme Court has granted “personhood” to corporations granting them many of the rights of individuals such as the protection of speech, due process and equal protection. The Supreme Court argued that because they are an organization of people, they should receive due protection under the 14th amendment because people should not be denied their constitutional rights simply because they are a collective. This decision was not without its criticisms. First, all individuals investing in a corporation still maintain their individual rights outside of the collective. But the biggest objection could probably be summarized in a dissenting opinion by Supreme Court Justice Stevens in January of 2010: ". . . corporations have no consciences, no beliefs, no feelings, no thoughts, no desires. Corporations help structure and facilitate the activities of human beings, to be sure, and their 'personhood' often serves as a useful legal fiction. But they are not themselves members of “We the People” by whom and for whom our Constitution was established."

In recent years, the corporation is no longer a single entity housed within the confines of a single nation, but are multinational in scope, extending their reach into every corner of the globe. Those corporations with this level of global reach are called multinational corporations because their headquaters, production, distribution centers, finances, and sales occur in multiple countries. They do business in, sell to, and produce in multiple countries, often producing parts in several countries and bringing them all together in another country for assembly. While corporate headquarters are generally located in one country; profits, sales, and production extend almost everywhere throughout the globe. For instance, Toyota actually hires a larger percentage of its workforce in the United States than General Motors, even though it is not an “American” company. GM reports 74,500 jobs in the United States and 122,500 abroad, whereas Toyota touts 365,000 US jobs.

In recent years, many multinational corporations have grown so large that they are now deemed transnational corporations in the literature. The phrase “trans” in transnational stems from the world “to transcend.” To transcend means to overpower or become larger than something else. In this case, the world transnational corporation specifically refers to corporations that are so large in terms of power, wealth, and global reach that they transcend the power of even countries. Many corporations today use their economic advantage to grow business throughout the world, gaining economic control in virtually every country in the world. This allows them to capitalize on differing raw resources, wage structures, political climates, environmental regulations, and labor laws. They go where they find the best market conditions and avoid those countries not willing to accommodate their business needs.

As their power and profits have skyrocketed they have been able to negotiate with countries that give them the terms they find most suitable and profitable for their operations. Countries, particularly debt ridden and poor countries end up doing the bidding of these corporations to help draw in business and tax revenues. They can draw raw resources at competitive prices, find cheap labor pools among countries with a desperate work force, and sell to consumers throughout the world. Governments and consumers willingly cheer on this growth because it means we, as consumers, are guaranteed large SUVs with low cost oil and gas, big screen TVs, quick processed foods, and myriads of other stuff to fill our homes. Their sales and penetration into the market is so ubiquitous that children in the United States recognize corporate logos better than major historical figures like George Washington, Abraham Lincoln and Jesus. (Cornwell and Anna R. McAlister, a lecturer at the University of Wisconsin, published their study "Children's Brand Symbolism Understanding" in the journal Psychology 2010)

As globalization moves to global free trade, they are able to weave themselves into political systems, culture systems, and finance systems. Using trade policies to their advantage, they have coalesced more and more economic global wealth into the hands of a few global players. Through this process, they have also been the most egregious and vociferous spoilers of environmental conditions. While claiming that they are bringing jobs, development and economic growth to struggling poor countries around the world, they are actually using poor people throughout the world as cheap labor pools while dumping waste and wreaking environmental havoc among the most vulnerable people throughout the world. Corporations profit by cheap labor and fewer environmental regulations that would increase their expenses.
The poor in these countries absorb that cost by sacrificing their environmental health. Externalizing these costs onto the poor has enabled them to consolidate even greater wealth into their hands.

Transnational corporations rule our modern world. They mine, refine, and distribute the world’s energy and fossil fuels. They manufacture computers, electronics, medical equipment, paper and chemicals. They grow most of our food, own most agricultural land, produce the pesticides and herbicides, and even hold patents on the very DNA of our food. Their profits exceed the rate of inflation, with the top corporations growing at almost 10% a year in profits. Even following the great recession of 2008 – 2010, many of the top corporations made record profits. Despite their profits, the largest 51 corporations only employed less than one third of one percent of the world’s population. Even through the recession, despite making record profits, they chose to keep their employment costs low by not expanding employment opportunities. Greater profits did not translate into more jobs. (Karliner: The Corporate Planet)

## Ford Pinto

The growing power of corporations and their limited liability to wrongdoing was played out in the 1970’s by Ford with the production and sale of the Ford Pinto. Ford maintained the rights of an individual without similar criminal charges that individuals will be held accountable. If an individual is responsible for the deaths of one person, let alone dozens, they face criminal charges. While corporations can be sued, they cannot be put in prison. This became evident in 1971 after Ford released the Pinto for sale. Before the actual marketing and distribution of the car, the mechanical engineers identified a major flaw in the design. The location and design of the gas tank meant that it had a nasty habit of bursting into flames on a rear-end impact even from a car traveling as little as 20 mph. Executives at Ford then had to make a decision. They could go ahead and sell the car as is and deal with the financial cost of wrongful death lawsuits after the fact, or they could fix the design so the car wouldn’t burst into flames on impact. What they did next epitomizes their single minded goal of reducing costs and increasing profits; they calculated which course of action would be the cheapest. First they estimated that the tank designs would lead to approximately 180 deaths, 180 serious burn injuries, and about 2,100 burned vehicles each year. They further estimated that they would have to pay $200,000 per wrongful death, about $67,000 for each burn injury and $700 for each burned Pinto, giving them an estimated cost for the poor design of $49.5 million. On the other hand, they knew it would cost $11 per car to fix the problem. Based on the number of cars to be sold, it would cost the company $137 million per year, a much more expensive option. This was the dilemma: spend the money to fix the car and save lives, or knowingly sell a car that will kill some people for a cheaper price tag. Lee Iacocca, the CEO of Ford, told the engineers to sell the car anyways and simply said, “Safety doesn’t sell.” They sold the car with the design flaw and twenty seven people died as a result of this decision.

Ford became the first company ever be charged and prosecuted for reckless homicide, but the company was acquitted at trial because the jury considered the case too complicated for prosecution. Ford, working with a top notch lawyer, argued that their design was industry standard, deaths did not exceed typical deaths expected of other models, and that people cause accidents and deaths, not cars. Ford did end up paying millions of dollars in lawsuits and discontinued the car in 1980.

## Corporate Wealth

Corporation’s primary objective is to grow and grow they have. Pushed by stock holders who have little interest in the daily activities and impacts of corporations, corporate executives’ prefer stock dividends and profits above social stewardship. They don’t care how that earnings are accomplished. Stock holders generally do not manage the day to day operations of a corporation but hire a separate management team for the daily operations of the corporation. This management team is beholden to the stock holders and can be fired if stock holders do not see the economic gains they hired them to produce. What this means is that while we believe that corporations exist to provide us goods and services, cars, gas, televisions, shoes, or food, their actual primary and sole objective is to produce wealth for their stock holders. Consumers and employees are not their target interest group, wealth stock holders are – stock holders with very little interest or awareness of how that is accomplished. Employees and consumers are simply a tool to accomplish this task.

 Corporations have switched their ends and their means. Initially, the end goal was the product they made and sold while the means was the capital used to create and develop that product. In today’s market economy, the end goal is the creation of grater wealth, while making products is merely a means to that end. Corporation with a single minded focus on wealth, limiting their concerns for human and environmental concerns can often make greater profit. These corporations become the places investors want to put their money.

While neoliberal economic theory argues that the ends is the production of goods and services and money is the means, in the modern day global world, money is the end and providing goods and services is the means. This means that they will sell, trade, buy, and distribute any goods and services that they believe will make money, even if it is something people do not even know they need. You may not know you needed a widget, but they will convince you otherwise. This often translates into aggressive marketing strategies and clever profit maneuvering. Products are dreamed up on a daily basis to make us buy more so they can make more money. Just sit down and watch an hour of television and all the commercials. Notice the ever increasing creativity of products being pushed on the consumer.

They will engineer food to make us want to eat more of it. McDonald’s French fries are more an experiment in brain chemistry and the pleasure nodes of the brain, than production of actual real food. They will convince us that our clothes, furniture, cars, and technological gadgets are out of date and desperately need to be replaced with more modern versions. We are convinced that life would be better with the new iPad, the new jeans by Abercrombie, or the latest flat screen TV. We don’t buy them because our lifestyle determines what we need and could use, but marketing by corporations create our needs and wants, making sure the market remains to grow their profit. But their power just end with marketing stragegies, they can actually engineer our social world so we need the product they are selling. This was cleverly done with the automobile industry as they cunningly took away all alternatives to the car shifting market penetration from 10% in the 1920’s to almost 90% in the new millenium. To this day, public transporation is kept as difficult and inconvenient as possible. There is not simply one car per household in the United States, but almost one car per adult, with some families sporting 3 or 4 cars in their garage and driveway.This strategy has worked, if we look at the combined GDP of the largest economies in the world, 49 of them would be countries like Switzerland, Japan, the United States and China, but 51 one of them would be corporations. Mitsubishi, General Motors, Toyota, Wal-Mart and Exxon are just a few of these corporations that lead the pack. Additionally, their growth rate exceeds that of countries making for a future economy more and more defined by corporations. While the world economy is growing at about 2 to 3 percent a year, the largest transnational corporations are growing at about 8 to 10 percent a year. What began as corporate chartered designed to accomplish large scale tasks have become permanent and powerful fixtures to the economic landscape. Today, of the 150 largest economies in the world, 63.3% or 95 of them are corporations.

With transnational corporations growing at a record pace, not all of that wealth is distributed equally among all corporations. Just like wealth in the United States is concentrated in the hands of a few wealthy individuals, all corporate wealth is concentrated in the hands of just a few corporate giants. Just the top 1% of corporations make most of the wealth and secure most of the profit. The Economist calculates that if we examine about 6,000 corporations from the American stock exchange, the top 5% take home about 90% of the corporate profit, or about $765 billion dollars. (The Economist Nov 1st 2011) This growth in profit has also helped to escalate the difference in incomes between those at the top and the workers at the bottom. In 2005, corporate CEO’s earned 158 times more than the average worker. In 1970, this difference was only 28 times the amount. Add this difference to the lower marginal tax rate the wealthy make compared to those in the middle income class bracket. Mitt Romney acknowledged in 2012 that his 2011 marginal tax rate was only about 15%. (Frydman-Molloy data and numbers provided by Emmanuel Saez at the University of California at Berkeley)

Indelibly, this concentration of wealth translates into tremendous political power. In fact, one of the key defining characteristics of a transnational corporation is that they are so powerful and wealthy compared to that of countries that they have the ability to steer the political process in countries around the world in their favor. They have greater leverage to shape tax codes, environmental regulations, workers’ rights, international trade rules, consumer protection and a whole host of other policies that could impact their profits and market share, whether positively or negatively. And they do this without chagrin or apology. During the Iraq War, Dick Cheney’s former company Halliburton was able to push for war and then push for favorable contracts that earned them greater profits. The reality is that every major military action the United States has taken in the last 50 years has been undertaken to protect corporate interests. The Iraq war was primarily launched to defend capitalism under a perceived threat that the spread of communism would undermine corporate profits and the private market.

This trend has only increased with the help of international trade policies that allow corporations to circumvent regulatory bodies all together and allow corporations to gain a stateless quality; a child without a parent, a teenager without rules. They have a home country on paper, to be called upon when they need protection, but without any real teeth to enforce rules. Their political and international power comes directly from their vast economic pockets. Governments work for those entities that pay for them and corporations purchase governments as the highest bidders. Do countries to politicians, political maneuvering to insert their own individuals into political office and powerful lobbyists. This wealth enables them to keep a firm grip on the political system throughout the world. Those living in poverty are helpless to protect themselves from such immense wealth and power. Governments respond to those who have the greatest economic voice.

In the United States, as a result of this power, corporation’s makeup 63% of the entire countries’ GDP, but only about 5% of tax revenue comes from corporations. Corporations receive billions of dollars in subsidies and tax breaks from the United States that translates into many of the largest corporations paying no taxes at all. Transnational corporate power means that passing stringent and effective environmental policies become next to impossible. The entire global warming “debate” is premised on the idea that regulating greenhouse gases would be an unfair burden on corporate interests. When it comes to the planet vs. corporations, corporations are the definitive winners on that front. Wetlands are redefined to aid corporate development, regulations to enforce clean air and water standards are watered down to reduce corporate costs, taxes on excessive and unsound energy consumption are eliminated all to ensure that corporations continue to profit. So, while discussions that may cost corporations money or require them to pay higher taxes are diverted, Congress does the only thing it can do and pushes cuts onto those individuals who are most vulnerable, the poor, children and the elderly. Social welfare, health, education, housing and environmental programs are cut or eliminated in the name of economic growth. Corporations simply make the economic claim that they, not workers produce wealth, jobs and therefore grow the economy, meaning they deserve the greatest government protection and assistance.

Ralph Nader was the first to coin the term “Corporate Welfare” to highlight the increasing dollars spent on corporate interests, while watching social programs for the poor be stripped to the bones. Much like families in the United States receiving tax breaks for expenses such as child care, college and medical expenses, corporations are also receiving much of their government help in the form of tax breaks. While many argue that corporations pay a high tax rate, their actual taxed rate is far below that of many well-off families. Industrial machinery companies, including General Electric, paid a negative tax rate of 13.5% between the years of 2008 and 2010. This means they not only did not pay any taxes, but actually received tax money. They made money from our taxing system. Information technology companies, while making tremendous profits, paid a mere 2.5% tax rate. Utility companies came in at 3.7, and only did financial companies pay many taxes, coming in at a rate of 15.5%. Even Wal-Mart, a corporation that clears $9 billion in profits each year, has benefited in $1 billion dollars in subsidies from local and state governments around the country according to Good Jobs First, a Washington, DC-based research center. Even farm subsidies, a program historically designed to aid farmers is increasingly going to fewer and fewer large corporations. In 2005, with almost $25 billion in farm subsidies, 78% of the money went to only 8% of producers according to the USDA. A system which was originally designed to help individual farmers is instead pushing small farmers out of the market while large corporate producers collect most of the benefits.

These are not poor or working class families in the United States who may need these tax breaks to cover their costs of food, clothing and shelter, but of major corporations, using our tax system to boost their profits. Warren Buffet, one of the world’s wealthiest individuals, argues that corporations and wealthy individuals should pay their fair share, never paying a rate less than 30%. Disclosing his own company’s profits of Bershire Hathaway at a rate of about 15-16%, he argued that despite the risk of losing additional profits, special interests should be put aside so money is directed to the neediest portions of the economy, rather than the most powerful.

Countries that attempt to protest and insert regulations or social protections for their citizens find their hands tied when transnational corporations threaten to pick up shop and take their business to a nation that has far more corporate friendly policies. This creates a Spiral to the Bottom as countries continually lower their standards to compete for corporate business. Their mobility is the source of their power. They can go anywhere on the globe to find the lowest wages, cheapest natural resources, best tax breaks, laxest environmental regulations, and worst worker protections. The country that lowers their standards the most has the greatest ability to draw business. But that comes at a cost as each country tries to lower their standards below their neighboring countries.

This played out in the Maquiladoras (the factories), the borderlands in Mexico to the United States where many companies have established this manufacturing zone to get the benefits of producing in Mexico, but selling in the United States. Women workers at several plants were facing 19th century working conditions of exposure to hazardous materials, long work hours, and little pay. Women were losing their eyesight staring into magnifying glasses all day long to piece together small electronic parts. Their skin and health were suffering as a result of their exposure to hazardous materials without proper safety equipment. The women staged a strike which eventually led to a hunger strike. The company told the Mexican government to control the situation or they would take their business elsewhere. While initially allowing the women their right to strike and form a union, they eventually stepped in and took the women to a hospital where they were treated for not eating. In the end, the company responded to the strike and the slow response by the government by closing down the plant and moving elsewhere, ostensibly to a nation that would respond harsher to worker protests.

## Corporate government

Corporations also maintain tremendous political influence by making sure they have a foot in both doors, both corporate and political. Nepotism (hiring family members) and cronyism (hiring friends) defines a hiring system where those from the Board of Directors of major corporations send their closest allies into the political system and those retiring from political positions in congress or other political positions move seamlessly into corporate boards of directors. Even lobbyists transition their careers between politics and corporate interests. President Obama even tried to reduce the number of corporate lobbyists working in government to little avail because the two systems were so deeply entwined. This seamless transition from high level corporate positions into political careers means that rather than governments serving as a regulatory body, they are instead working for corporate interests. This system isn’t limited to the United States but exists throughout the world where governmental bodies are made up of individuals who grew up in the corporate world. In Japan, this system known as Sei-kan-zai ittaikiko forms an air tight system of politics and big business that is dubbed by many Americans as “Japan, Inc.”

Even corporate executives recognize their power over nation states as explained by Takuya Negami, a senior executive at Kobe Steel, “the nation-state is not really dead, but it’s being quickly retired.” When nation-states have limited authority that goes no further than their borders, but corporations can extend their reach into every nook and cranny of the world, the entity with the largest area of expansion is the one with the truest authority. Countries don’t rule corporations, corporations rule countries. Their power *trans*cends beyond what any nation state can effectively control making them true *trans*national corporations. The expansion of US corporate power was galvanized in 2010 in a 5-4 landmark decision when the Supreme Court ruled that Congress could not legally restrict corporate do countries to political causes. The limitation to corporate political power which had existed for 20 years was eliminated immediately. The decision was premised on the idea that corporations should be granted all the rights of individuals and that the government cannot impose restrictions on the free speech rights granted to corporate interests. As a result of this decision, corporations can launch high dollar political campaigns to steer the democratic process in their favor. If one candidate is more favorable to their cause, they simply pour money into supporting them and opposing the alternative candidate. Any candidate that proposes limitations on corporate profitability will be quickly silenced in this process. Special interest money, Big Oil, and Wall Street have unfettered economic power that will translate into greater political power. Our government will be sold to the highest bidder, and they are now allowed to bid as high as possible. Individuals in the United States simply do not have enough economic wealth to compete effectively.

Not just in the United States, a British publication, The Ecologists, even argued that the formation of the European Union was to consolidate European corporate interests rather than for the interests of the people of Europe. By allowing European corporations to consolidate their power across all European countries, moving their market share and wealth freely across Europe’s borders, they become more competitive in a larger global economy.

The power of corporations to shape environmental law has been demonstrated in recent years with the chemical Atrazine, a common weed killer.

Acute Health Effects: EPA has found atrazine to potentially cause a variety of acute health effects from acute exposures at levels above the MCL. These effects include: congestion of heart, lungs and kidneys; hypotension; antidiuresis; muscle spasms; weight loss; adrenal degeneration.

Chronic Health Effects: Atrazine has the potential to cause weight loss, cardiovascular damage, retinal and some muscle degeneration, and mammary tumors from a lifetime exposure at levels above the MCL.

Banned in the EU, associated with frog deformities

Syngenta – despite evidence, atrazine was re-approved by the EPA and continues to be an approved chemical.

## Ecological Shadow

As corporations shift production overseas to other countries, they are also able to shift the environmental costs of production away from consumers in first world countries to producers in many third world countries. When corporations move overseas, the largest concern Americans have is the loss of jobs. We see our manufacturing, service, and trade jobs moving overseas and worry about the consequences to our own economy. But when corporations move overseas, they don’t just take the goods with them in the form of jobs, they also take the bads, the stuff we don’t want like production waste, toxic waste disposal, resource extraction, air pollution, and water pollution. When a factory moves from the United States to a poorer nation, they also shift the production waste and chemical use to the poor people of the world. The shadow that is cast of environmental destruction from large corporations travels to each nation in which they operate. As they expand globally, the shadow grows. The environmental destruction that follows in the wake of their production becomes as global as the corporations themselves. Meanwhile, consumers of corporate goods gain a sense of global security in our consumption, lengthening the tail pipe between our actions and consequences of our actions. When we go to the store and buy the latest computer, or fill our car up with gas, or load our shopping carts with food and other items, or buy a set of sheets for our bed, we remain blissfully unaware of the environmental waste that was produced to bring us these items.

A large ecological shadow enables them to continue environmentally destructive practices with little repercussions from the consumer. They know that if we had to live with the consequences of our own lifestyles, we may not feel as eager about maintaining that lifestyle. If we knew all the chemicals used to grow the cotton for our clothes, to make our products, all the production waste dumped into rivers, air and land we may be more considerate of our decisions. Less than 9% of all waste produced comes from households; the rest comes from the manufacturing process, whether that include mining, energy, production, etc. Economic expansion does not work as well on a thoughtful consumer. So corporations have one goal when delivering to us everything they want us to buy, to make sure we don’t see the nastiness of the production process. Therefore, moving production overseas has two objectives, to lower costs by making sure resources and workers are cheaper, but also to make sure we aren’t turned off by the dangerous manufacturing conditions for workers or the smelly and nasty pollutants dumped into the environment. We only see what we want them to see, the cleverly engineered images presented in commercials of young children playing in green clover fields. We go to the store, buy the beautifully wrapped item, without one ounce of thought to what it took to bring me that item. Once we’re finished with the item, it goes into our trashcan and disappears from our own lives forever. We remain blissfully unaware, and corporations make sure we remain so.

This removal of production from the buyer creates our ecological shadow. Just as our own shadow, when the sun is set low, is caste away from our body, the waste, toxins and pollutants from our corporate industries is cast away from our sight. We just see the sun and the shadow is strategically left behind us, where it remains out of sight and out of mind. And the Core countries cast a long shadow, shifting our environmental burden to even the most remote places of the world. Often the places in the world, and their people, that create the least pollution, live with the most and those who create the greatest environmental destruction live with the least of it. Transnationals manage much of the agricultural land of third world countries for export to first world countries, for instance; margarine and cooking oils in Indonesia, cattle ranches in the Amazon rainforest. All use heavy reliance on fertilizers, pesticides and other chemicals. Of all corporate activities in poor countries around the world, the United Countries estimates that approximately 20 to 30 percent of them are engaged in ‘pollution-intensive industries.”

With some of our dirtiest industries moving overseas, primarily to poor countries, the environmental consequences don’t remain with those who consume the goods they produce but with those who live and work with the production. For instance, chlorine compounds, a known carcinogen, has been found in the depths of the oceans to Antarctica; clearly not where the chemicals are produced or consumed. This translates into unequal economic growth where wealthy countries and consumers benefit, and poor countries pay the social and environmental costs. While transnational corporations tout following or exceeding environmental requirements overseas, increased production inevitably leads to increased environmental harm. Despite ‘sustainable management’ and environmental plans, dangerous substances are continuously poured into local water, earth, and air of the places they manufacture. If markets expand, even if environmental impact per unit decreases, more environmental harm occurs.

Marketing is a primary way that transnationals have been able to keep the ecological costs of production away from the consumer’s eye. This has meant a forceful public relations campaign to control the debate on environmental issues. Transnationals given their global reach and global impact have been on the front line of the environmental debate, weighing in on issues from global warming, waste disposal, clean water, clean air, agricultural policies, forest preservation. These corporations have a vested interested in making sure that all environmental policies ultimately work to their advantage. This role has been managing a balance between ensuring that their harvesting of resources, and production of wastes continues unabated, while appearing to be “green” for the environment. Consumers, while not particularly sophisticated at determining whether products are produced in environmentally sustainable ways, are at least conscious of the image projected by corporations. Therefore, corporations only need to maintain an image of sustainability even if their actual practices fall far short. This strategy involves public relations and clever green marketing on the one hand and a manipulation of the scientific evidence that is presented to the public on the other.

This strategy has worked in the United States, convincing the American public that corporations do more good than harm. The public is convinced that corporations are beneficient producers of the world’s economy and the creator of jobs, protecting the environment, and are unnecessarily bridled by burdensome regulations that actually hinder their ability to develop new technologies that are better for the environment. Primarily, regulations that manage environmental issues are viewed as ‘job killers.’ As a defense, transnationals will often point to pockets of improvement, areas where rivers or lakes have improved or cities have better air quality.

## Maquiladora

Along the Mexican-United States border in towns like Tijuana, Ciudad Juarez and Matamoros is an area of corporate development where US manufacturing companies establish industries that take advantage of low wages and less environmental enforcement in Mexico, but easy transport to consumer markets of the United States. Taxes and customs fees are almost nonexistent allowing corporations to maximize profits by capitalizing on low fees, low wages, lax environmental enforcement, and easy transport to the world’s most vociferous consumers, Americans. This area, heavy in environmentally destructive industries, is known as the Maquiladora. The Maquiladora has more than one million Mexicans working in more than 3,000 manufacturing and assembly plants, producing electronic equipment, clothing, plastics, furniture, appliances, and auto parts. More than 90% of goods produced are shipped to the United States. U.S., European and Japanese manufacturers all take advantage of the low labor costs in this part of the world with many workers making less than $1 per hour. Most workers are not part of unions working more than 75 hours.

These manufacturing plants are responsible for a significant amount of industrial pollution and environmental damage to Northern Mexico. According to Corpwatch, workers and local residents have watched their water supply become too contaminated to drink, while they are faced with health problems such as skin lesions, cancer, gastrointestinal problems, respiratory issues, headaches, vision and hearing problems. Workers are exposed to xylene, trichloroethylene, zinc and lead oxides, and nitric acid xylene in the technology industries and thinners, paints, solvents, resins, solders, dyes, flux, and acetone in many other industries.Producing one computer chip takes 20 litres of water, 45 grams of chemicals and 1.8 kilowatt-hours of electricity, and spews out 17 kg of liquid residues and 7.8 kg of solid waste, according to the United Countries UniversityIndustrial solvents are unceremoniously pouring into the local water supplies. Foaming, discolored chemicals gush out of the plants into canals. Barrels that once held production chemicals now hold water for drinking supplies. The conditions are so hazardous that the area is also a breeding ground for infectious diseases. Tax breaks afforded to these corporations means that local communities can’t raise the money for adequate infrastructure and waste water treatment plants. A 13 year old boy died in Nuevo Laredo from an ameba found in untreated water supplies.

While Mexico does have environmental regulations in place, their system is so dramatically underfunded that enforcement is virtually nonexistent. When companies are required to clean up their mess, the process is so slow that residents live with the waste for years before clean up even begins. Under the North American Free Trade Act, there have been several attempts to address the environmental conditions with agreements by the United States and Mexico. The first is a Commission for Environmental Cooperation (CEC) which was developed to aid environment of environmental regulations and the second is the North American Development Bank (NADBank) which provides funds to communities for infrastructure and sustainable development; however, both are fraught with problems. The CEC has a cap on imposing fines at $20 million and process can only be initiated by local governments with a tremendous degree of burden of proof. CEC simply does not have enough teeth to enforce environmental provisions. NADBank requires local governments to prove that they can pay back the loans, with the poorest and neediest towns left out of the process.

Another problem for the Maquiladora region is the abandonment of industries as they move to China and other more alluring manufacturing zones. Once these companies leave for more attractive production locations, the chemicals, supplies, and plant waste is left for the local communities to deal with. While there has been improvement and many companies treat or recycle their waste, with such a large volume of production, small violations still create catastrophic consequences. Unfortunately, the pressures of profit and gain are far more powerful than the pressures for environmental consciousness and worker treatment. Under global capitalism, what will win, profit or altruism?

## Spiral to the Bottom

 The greatest dilemma for Mexico dealing with the Maquiladora has been fighting back against the horrid labor and environmental conditions. In the late 1990’s, workers held strikes in both Tijuana City and Baja California against Han Young factory which produces truck chassis for the Hyundai Corp. manufacturing facility. Initially, state authorities called in the police to suppress the Han Young strike, ensuring the labor practices of the companies involved. The tide turned, however when the Federal government argued that strike suppression was in violation of their labor laws. This Federal decision did not resolve the issue and local authorities, with a vested interested in protecting foreign investment continued to engage in strike suppression tactics. The battle lasted for more than two years. The battle culminated with President Clinton and President Zedillo weighing in on the issue to insure that NAFTA is designed to protect workers. The final outcome has been that workers in Mexico have greater ability to form independent unions and political changes that require higher wages, day care and investment in sewers, roads, housing, electricity and other infrastructure in local towns.

 While this several year long battle led to local and international recognition of the problem and implemented changes, Han Young simply responded by closing the factory and opening another in Eastern Tijuana. The workers lost fighting momentum and the movement dissipated. The battle did ensure that stronger labor protections exist, protecting workers against the abuses of foreign investment. The result, however, has been that fewer corporations are establishing themselves in Mexico and are instead moving to other countries where labor protections are weaker and production costs are lower. The trend is for transnationals to move out of countries with increasing regulations towards countries that are willing ensure protection of corporate rights over human rights. There are unfortunately many poor countries willing to do the bidding of transnational corporations to help bring in investment revenue. This demand is shored up by the demands of structural adjustment policies.

Potential wealth of transnational corporations combined with financial desperation of many poor countries, means that many countries actually change their economic policies to attract these corporations. As corporations search for an attractive set of policies and economic conditions to move their industrial productions, countries begin a bidding war for their business. Each nation promises to reduce up their labor laws, lighten up their environmental regulations, and hand out tax breaks and other economic incentives. As one nation accommodates these corporations, other countries try to compete by offering even more incentives, reducing their regulations and labor laws and increasing their tax incentives. This creates a ‘Spiral to the Bottom’ where corporations benefit. They can dictate to countries what conditions will be acceptable to attract their business, giving them more power than the countries themselves. Countries begin to act on what is best for the corporation than what is best for their own people.

Who is dependent on whom? Who has the greatest leverage? The relative size of corporate wealth over national wealth has tipped the scales of power. Historically, countries held the power to keep corporations in check, protect their citizens, and enforce regulatory protections. In recent years, corporations have held the power to tell countries what policies they will and will not follow. If countries do not comply, they simply pick up and move their operations elsewhere. Wealthy, powerful countries do not find themselves positioned any better. Even the United States finds itself buckling under enormous corporate pressure. Minimum wage was held stagnate for more than a decade, financial regulations were whittled away to virtually nil, enforcement of environmental laws were reduced in funding and power significantly, and health protections for clean water, air and food standards have been undermined.

They are able to negotiate with countries for conditions that are conducive to their business goals, often pitting nation against nation. As they negotiate, they can request absence of labor unions, lower wage requirements, fewer trade restrictions and government regulations concerning environmental harm. These countries, often pushed by the World Trade Organization and the World Bank, find themselves in position to concede to their demands. Many of the countries, most willing to concede to the demands of these corporations are highly stratified dictatorships, where a powerful, but small, ruling elite negotiate to their advantage at the expense of the vast and poor populations. As in Mexico where democracy ultimately has some power, governments have less power to step in and suppress workers for the interests of corporations. This was highlighted in a quote by: Naemeka Acheba, general manager for Shell Nigeria when he stated, “For a commercial company trying to make investments, you need a stable environment… Dictatorships can give you that.” This spiral to the bottom unfortunately includes the undermining of democracy. It also means that places like the Maquiladora where laborers are successfully fighting for better conditions are watching firms leave Mexico for places like China and Indonesia. Where they once attracted thousands of companies because of their poor environmental record, improving that record has come at a cost of lost business.

## Shell Nigeria

The ability of dictatorships to protect corporate interests over their citizens’ interests played out in Nigeria, the home to a dictatorship where democracy has little power. The Nigerian Delta, home of the Ogoni is home to some of the best farming and grazing land as well as vast oil resources. Beginning in 1958, Shell began tapping into the oil reserves beginning decades of harm and decline to the local ecosystem. Dozens of oil spills, mining waste, gas flares, and waste dumping have made the area all but inhabitable. For the local Ogoni, operating with a 500 year history of a successful subsistence culture, it was life threatening. They were unable to offshore fish, farm the land, and drink clean water. Illnesses, sicknesses, cancer, asthma, birth defects became rampant. As a subsistence economy, the local Ogoni depend on fishing and agriculture to feed themselves, and the land was irreparably harmed by Shell’s practices. Historically, a rich fertile land in the Niger Delta, the 30 years of drilling pushed the local population into abject poverty as devastating fish kills, lack of potable water, reduced crop yields destroyed their ability to feed and care for themselves.

Oil spills were excessive in this area of Nigeria with more than 100 pumping stations throughout Ogoniland and pipes crisscrossing the land, often passing through farm land and villages. More than 40% of all of Shells oil spills at their drilling stations throughout the world have occurred in Ogoniland alone. While the profits from the drilling produce 90% of Nigeria’s export and 80% of their revenue, the tax revenue for Nigeria was controlled almost exclusively by their government, with very little trickling down to the Nigerian people. The Ogoni saw virtually no benefits from the presence of Shell. They had no hospital, sewer system, schools, or water filtration systems. This two-tiered political system created a political nightmare where the Ogoni people needed to reign in the environmentally destructive practices of Shell, but the Nigerian government and Shell Corporation aligned themselves together to maintain maximum profits. In a battle between a small group of poor people and a dictatorship strengthened by Transnational wealth can only end with one conclusion.

This political conflict of interest came to a head in the 1990’s when the Ogoni people organized themselves to protest Shell. Lead by Saro Wiwa, a local poet, the Ogoni formed the Movement for the Survival of Ogoni People (MOSOP) in 1990, drafting a Bill of Rights demanding improved drilling practices and distribution of oil revenues to the local people. In 1993, MOSOP organized a peaceful protest of more than 300,000 Ogoni. These peaceful protests received worldwide attention but were met with military violence by the Nigerian government. The military intervention ended with the arrest of Saro Wiwa and 8 other leaders of MOSOP. The wake of the protests lead to violence between villages and against government officials for which the Nigerian government found it convenient to blame Saro Wiwa. It became a politically expedient way to remove Saro Wiwa and the other leaders from a thorn in their side. Those leaders arrested were eventually executed for trumped up charges of killing of four government officials. While MOSOP accused Shell of engineering the military response, Shell finally acknowledged that they did subsidize troop patrols in many instances.

Shell, in the wake of these events, decided that drilling in the Nigeria Delta was no longer worth the public relations nightmare and pulled out. Shell pulled out without removing the remnants of their drilling operation, leaving the environmental nightmare behind as the people must live around all the pipelines and drilling waste, much of which still continue to leak oil into the local environment. The tribal Ogoni people, who have a rich history with more than 500 years living successfully in the area, were reduced to a poverty stricken group in need of refuge. Shell and the Nigerian government made tremendous profits from the livelihoods of the local Ogoni people.

## Texaco Ecuador

A similar scenario played out in Ecuador with the drilling practices of Texaco in the Amazon reserve. An area inhabited by local populations is home to some of the most diverse rainforest land in the world. In the 1960’s, this vast forest was discovered by Texaco as an immense reservoir of oil. Over the next 30 years, Texaco began the building of an infrastructure of pipelines, oil wells and roads. During this time period the spills, gas flares, and waste wreaked havoc on the local environment and population. But a secondary result was the influx of poor Ecuadorians from around the nation coming to work for Texaco. This population boom lead to overpopulation with a decline in health and living conditions.

Texaco, which eventually became Chevron, estimated that 17 million gallons of oil and18 billion gallons of toxic wastewater were dumped into the local rivers and streams. The local people were forced to collect rain water in barrels for drinking and bathing because the local water supplies had become so contaminated. Small children died from drinking contaminated water while birth defects and deformities, cancer rates, miscarriages, and skin discolorations and infections became rampant. One quote by a local leader explains their plight: “Our health has been damaged seriously by the contamination caused by Texaco. Many people in our community now have red stains on their skin and others have been vomiting and fainting. Some little children have died because their parents did not know they should not drink the river water.”

Basic drilling practices that are required in the United States were not adhered to in Ecuador. When oil companies commission a drill, they build two to three pits for drilling waste near the drill. In the United States, these pits are temporary and the company must empty the waste and backfill the land once the drilling has stopped. In Ecuador, these pits left by Texaco were abandoned, leaving them to slowly infiltrate ground water and other water supplies.

The result of these activities have led to an almost two decade long legal battle as the local Ecuadorians try to force Chevron to clean up the mess and pay for their destruction. The legal battle with Chevron, who bought and took over Texaco’s operation, has centered around their legal responsibility for cleanup. Chevron claims that they were 40% of a consortium with PetroEcuador, the Ecuadorian oil company. With an estimated 916 pits, Chevron cleaned up 162 pits. They argue that they have filled their legal requirement for which they were released from by the Ecuadorian government and that the remainder of the cleanup should be carried out by Ecuador. In addition, they argue that the Ecuadorian court is biased, with a clear interest in protecting the government from paying the cleanup costs. Controversy in the case comes from the fact that Texaco was the sole builder and operator of all drilling production in the area. It is simply a red herring to argue that the PetroEcuador built and operated any of the drilling sites. In addition, among the cleaned pits, oil residue remains higher than allowed by Ecuadorian standards. Caught in this negotiation between Chevron and the Ecuadorian government are the indigenous people of the region. The claim, made by the people, was originally filed 18 years ago and they argue that Chevron must pay more than? billion dollars for cleanup, water filtration, medical costs and reimbursement for cancer rates.

1. Ruling expected – may need updated by publication

## Freeport Indonesia

One of the biggest environmental and human rights tragedies takes place in Jakarta, Indonesia, located in what was once a remote part of Papua. Freeport-McMoRan operates one of the largest copper and gold mine in the world in this once pristine rainforest, topped with glacier-capped mountains. Freeport first entered the region in the 1960’s inhabited only by tribal peoples with virtually no contact to the outside world. Since that time, Freeport has generated revenue of $2.3 billion as well as built a vast city to support the mining operations. The Freeport mine supplies the Indonesian government almost 2% of its entire revenue with an estimated $33 billion from 1992 until 2004. All of these benefits include direct contributions to government officials, building of roads, schools, and hospitals, and direct funding of the military. While it may appear that they have been a financial stabilizer to the region, providing services absent many poor countries, their contributions have created government officials who are paid off by the mining company and willing to sacrifice environmental and health standards for their own benefit. The often receive vacations, funding for their children’s college education, and direct financial benefits. The military, also receiving direct contributions for Freeport, is at the beck and call of the mining company and has been involved in human rights violations against the people, protesting the destruction of their local environment. And while they have built schools, roads and hospitals, it has been to build a city that surrounds the mine. All of it has been to house workers for the mines benefit.

With the growth of the mine has come decades of environmental disaster. From the process of mining gold and copper, mining waste, also called tailings, is generated. The gold is embedded into the rock of majestic mountains in the area. As they dig away at the mountain, the gold and copper is extracted from the rock. The unwanted tailings make up most of the mining waste. The harsh chemicals used to remove the gold and copper from the rock generates vast amounts of waste water. The mining waste contains dissolved metals, mercury, cadmium, selenium, sulphuric acid, all toxic to humans and the ecosystem. An estimated 700,000 tons of mine’s waste a day is dumped into the rivers, forests and wetlands. Much of the waste has acid leaching material, and has been accumulating in the surrounding area. While the company argues they are neutralizing the acid, a consulting company in 2004 reported that there was still an excess of acid-generating material. The sediment levels in the water show toxicity to a functioning ecosystem. This mining waste led to a massive ecological disaster in the area. Virtually 90 square miles of wetlands were buried in mine waste, suffocating trees and killing virtually everything else. Much of the waste has been drawn into the coastal estuary by the river, extending the damage down river to coastal lands.

As the people of Papua protested these mining practices, Freeport responded by stepping up contributions to the military. What began as environmental violations, negatively impacting indigenous peoples, turned into a military human rights nightmare. Freeport argues that they were merely trying to provide a safe working environment for their employees, but military intervention turned the area into a military zone with unexplained killings, arbitrary detentions, and whole host of other human rights violations. Its purpose was always to protect the company from local protesters who could hinder their profitable but destructive practices.

## Technology Industry

In the new millennium, the fastest growing manufacturing industry has been Apple with the development of it’s I pads, iPhones and other technological devices. With much manufacturing in China, environmental and working conditions to produce these devices at a rate that can keep up with US consumption have deteriorated quickly. Inside the plants there are often deadly safety and environmental problems. Workers labor under harsh conditions and excessive work hours, living in overcrowded dorms. Underage workers, swollen legs from standing long periods of time, improperly disposed of hazardous waste, and explosions at some plants that left some workers dead.

Apple is not the only technology company operating under these conditions, similar conditions are found at Dell, Hewlett-Packard, I.B.M., Lenovo, Motorola, Nokia, Sony, Toshiba and others. According to a New York Times investigation, “Apple found 70 core violations over that period, including cases of involuntary labor, under-age workers, record falsifications, improper disposal of hazardous waste and over a hundred workers injured by toxic chemical exposures.” This included one report that more than 100 workers were exposed to n-hexane a dangerous chemical that can cause nerve damage and paralysis. Machines that polish the iPad cases use aluminum dust which remains on workers even after they shower. This dust, while harmful to health, is also the cause of an explosion that killed 4 workers and injuring 18 others. A second explosion at another plant was also caused by aluminum dust, injuring 59 workers, and putting 23 in the hospital.

While Apple requires Chinese manufacturers to comply with health and safety standards, few contracts are terminated when they don’t comply. The reason, the technology needs to keep being rolled out at an almost superhuman pace. Terminating a contract would mean establishing a new manufacturer which would delay and ultimately slow down the production of I pads and other technology in high demand. When establishing contracts with new suppliers, Apple gathers information of the cost of every component, gathering information about the number of workers and their wages. Once they deduce the cost, they allow suppliers only a marginal profit margin, pushing suppliers into a position of cutting corners to maximize profits for themselves. This includes pushing for longer work shifts and switching chemicals to less costly but more harmful ones. N-hexane was used instead of rubbing alcohol because its faster evaporation rate meant that more screens could be produced in a smaller amount of time.

Squeezing the profit margins of suppliers has allowed Apple to walk away with larger profit gains. During the last quarter of 2011, Apple reported $13.06 billion in profits and $46.3 billion in sales. Secrecy of their contracts and lack of information about subcontractors in China is a powerful motivator for the status quo. This secrecy means that consumers don’t push for change. According to the New York Times, 56% of Americans could not name a single thing wrong with Apple and the biggest complaint were their prices were too high.

## Summary

Globalization: Star bucks to open 50 stores in India in 2012, in a joint venture with Tata Global Beverages. India had 1,600 cafes, up from just 700 in 2007, (Tata Starbucks Ltd.) Starbucks currently operates over 17,000 stores in 57 countries

Book Notes “Shadows of Consumption

Private consumption expenditures quadrupled between 1960 and 2000.

North America and Europe hold 12 of the world’s population, but 60% of total private consumption.

Tend to view consumption as the “choices” consumers make, but the global political economy determines the “options” available.

People buy for “need, habit, belief, desire, fear”

Consumption increasing because of new technologies, advertising and culture

“pockets of poverty”- assumption that high total consumption is good, even though it may only be good for some.

1. Unequal globalization growth – unequal within societies and between countries. Used computers shipped to Africa or China for recycling, timber and beef imported from South America, Oil drilled from Nigeria or Ecuador.
2. Globalization can exert some pressures for environmental safeguards: transnationals bring newer and cleaner technologies to Third World countries, push for cleaner processes in response to consumer demand, but as the per consumer impact on the earth may be decreasing, it depends on total increases in consumption and production that still inevitably raise the total environmental impact. While they bring more sophisticated production capabilities, it comes with the price of greater extraction of natural resources, and consequently more waste produced.
3. Unbalanced globalization: Global world merchandise exports, up to $10 trillion in 2010 from $6 trillion in 2000. 100 times higher than 1948. Foreign direct investment in developing countries by multinationals has grown from $22 billion in 1990 to $380 billion in 2006. World GDP tripled from 1970 at $13.4 trillion to $34.1 trillion in 2000. First world economies grew by 3%, while third world grew by 7%. The World Bank predicts even greater growth in developing countries like India and China between now and 2030, expanding the global middle class (those earning between $4,000 and $17,000).
4. However, world has $2.7 billion living on less than $2 per day while there exist only 946 billionaires in the world. Just the top 3 wealthiest people in world, which includes Bill Gates and Warren Buffet, own $157 billion dollars.
5. Chemical manufacturing: roughly 2/3’s of all hazardous waste – 1 million tons produced yearly in 1930, 63 million in 1970 and 500 million tons in 1990.