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STRUCTURAL REVOLUTION IN INTERNATIONAL BUSINESS ARCHITECTURE

Political Economy: Volume 2



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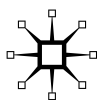
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To

My parents Walter and Tanya with love

VM

My aunts Mamata Sen and Krishna Dutta with respect

DB

Contents

<i>List of Figures and Tables</i>	viii
Introduction	1
1 Implications of Structural Revolution	2
2 Structural Revolution in Russia	22
3 Chilean Revolution	41
4 Globalization and the Philosophy of Life in India	50
5 Globalization and the Philosophy of Life in Japan	65
6 Aims of the New International Business Order	79
7 Victims of the New International Business Order	90
8 Empire of China	129
Conclusion	142
<i>References</i>	147
<i>Index</i>	158

List of Figures and Tables

Figures

2.1	GDP growth rate, USSR	23
2.2	Industrial production growth rate, USSR	24
2.3	Growth and investment, Russia	25

Tables

1.1	Trade restrictions by economic group, 1997–2000	9
1.2	Exports and GDP, 1980–2000	11
1.3	Population living below US\$1 per day in developing countries 1990 and 1998	12
1.4	Sub-Saharan Africa: evolution of employment in the formal sector during the early adjustment phase	14
1.5	Informal employment as % of labour force (non-agricultural) in early globalization, selected countries in Latin America	15
1.6	Wage dispersion and real wage changes in manufacturing in early globalization	16
1.7	Composition of social sector expenditures	17
1.8	Trends in the selected social indicators	18

Introduction

The economic reform programme was started by the International Monetary Fund (IMF) and World Bank a long time ago—first in Africa. The aim was to have a structural reform that would make the global economy more efficient. It was not declared, at that time, what it would mean in practical terms, but instead a number of critical remarks were made against the planned economic systems and their inefficiency. The espoused aim was to remove obstacles against efficient running of the economy. Gradually, and particularly since 1991, after the collapse of the Soviet Union, it was clear that by ‘efficient economy’ the IMF and World Bank meant a free market system of capitalism, not a social market system of European style. That doctrine was enhanced with the establishment of the World Trade Organization (WTO) to create a revolution in the trade, production and capital flows in a world unrestricted by any sense of nationalism. This book is the analysis of the historical process in the first phase of globalization as promoted by the World Bank, IMF and WTO.

Globalization of production aims to achieve allocative efficiency on a global scale, irrespective of national interests. In that framework, the financial needs of the developing countries and the transitional economies of the ex-socialist countries for their economic developments will be determined by the multinational companies. In this new international business order, how the affected countries can progress and adjust their production and trade are very important questions. Conflicts of interest between various trade blocs and between owners and users of resources are inevitable. The tendency is there to create some new imperial order to gain control over resources and markets. In such conflicts there are many victims. This book has tried to analyse that new colonization process and the ongoing conflicts in various parts of the world.

1

Implications of Structural Revolution

It is essential to understand the philosophy of 'globalization'. Globalization signifies the ultimate rights of multinational companies to allocate resources according to their own criteria of efficiency, which may or may not correspond to the national culture of the countries in which they are operating.

During the colonial period, before the Second World War, the relationship between the multinational companies and the corresponding host governments was similar to that between the agents of the oppressor and the oppressed. The doctrine of free trade was used to justify that aim so that host countries would accept domination of their sovereign rights in exchange for economic growth.

This chapter examines the overall trends in structural conditions and their effects related to the international business policy in IMF-supported adjustment programmes during the early days of globalization. Structural reforms, economic reforms and globalizations mean the same thing; they imply a free market system for the world as a whole and for each nation. With a free market system, worldwide production systems can be achieved. This is the ultimate purpose of 'globalization'. The aim of the IMF, the World Bank and the World Trade Organization (WTO) is to create free market systems for each national economy.

In order to understand the nature of this transformation process, it is essential to understand the philosophy of globalization. An economic system can be successful if it corresponds to the host country's culture or philosophy of life—otherwise it will die out sooner or later. Thus, it is essential to examine whether the globalization process corresponds to the basic doctrine of life of the people.

From the mid-18th century to the mid-20th century multinational companies from Britain, France, Holland and Belgium achieved

globalization; later, during the early 20th century, followed by Japanese and German multinational companies, in their respective colonies. The British East India Company forced Indian farmers to produce indigo and opium for sale to China in order to purchase silk and tea. Britain used to invest their tax revenues from India to build railroads in the USA and industries in Brazil and Argentina. There was a huge mobility of labour too. Indian and Chinese slaves (or indentured labourers) were employed on the sugar plantations in the West Indies and Latin America, in railroad construction in Africa and in mining in Australia and South-East Asia. The European multinational companies, since the 18th century, have created the European empires.

Hudson's Bay Company in north America, Dutch East India Company in Indonesia, British East India Company in China and India, Cecil Rhodes mining company in Africa and Anglo American Oil Company in the Middle East are some of the examples of multinational companies supporting their respective governments to gain colonies, which are now called the 'developing countries'. That type of globalization was halted only when, after the Second World War, the Soviet Union became the victorious power in Europe, a large number of colonies became independent and an alternative and very successful strategy of economic development, 'planned economy', became the model for the newly independent countries. When the power of the Soviet Union was at its zenith during the 1970s, the developing countries asserted themselves to implement a 'new international economic order', so that they could reverse the adverse terms of trade of their exports. This was maintained historically by the developed countries as the source of exploitation.

However, with the destruction of the Soviet Union, the power of the so-called 'group of 88' developing countries disappeared and it was possible for the developed countries to impose a very new international business order through three very powerful international organizations: the International Monetary Fund (IMF), the World Bank and the WTO. This so-called 'new order' or globalization means re-establishment of the old order that prevailed before 1945. Thus, it should be obvious that a minority will gain while the majority in the developing countries experience great loss, because the world in the 21st century seems to have regressed to the 19th century.

Multinational Companies and National Economies

During the colonial period, before the Second World War, the thesis put forward by Hobson (1902), Bukharin (1917) and Lenin (1917)

was that multinational companies seek new markets to increase their profits and enlarge their scope of investments of surplus capital. The doctrine of free trade was a tool to justify that aim. State powers were used to provide security of interests of the multinational companies. The interests of the multinational companies and their governments were identical in exploiting the colonized countries. The effects of these investments on colonial economies were initially great social and economic upheavals, destruction of domestic industries and, in some cases, great famines and catastrophes. At the same time, some parts of the host countries, particularly in the coastal areas, benefited from their subscriptions to the global economy controlled by the colonial powers.

Given that history, it was not surprising that after the Second World War most developing countries considered multinational investments to be instruments of neo-colonialism and have tried to implement a series of regulations to restrict their powers and intrusion in the domestic economies. However, in East Asia and Latin America in particular, the economic interests of the developing countries' expanding middle classes have a complicity with the international interests of the multinational companies. As a result, gradually developing countries have accepted multinational companies as a source of investments and have started creating hospitable conditions for them.

This tendency has become most prominent since the mid-1980s, due to two major factors. The rapid developments of the East Asian countries, including China, are mainly due to foreign investments. The negotiations of the GATT (General Agreement on Trade and Tariff) and instructions from the IMF and World Bank have created enormous pressures, both intellectual and economic, on the developing countries to accept capitalism and globalization, and to remove obstacles against foreign investment. Individual developed countries also have created economic pressure on the developing countries to facilitate entry of their multinational companies. As a result, now developing countries are competing for foreign investments and are offering the multinational companies much more attractive terms, which they do not even offer to their own domestic companies.

Multinational companies' activities in the developing world can be characterized in a number of ways. Multinational companies work as protégés, obtaining protection from the home governments (Kudrle, 1991). In several developing countries, European and North American countries intervened militarily to assert the property rights of their multinational companies. Encouragement given by the USA in Chile in 1973

to destroy the government of Salvador Allende, when he nationalized the copper mines, Anglo-French invasion of Egypt in 1956 when Nasser nationalized the Suez canal and the coup organized by Britain and the USA in 1953 to destroy the government of Mossadeg in Iran when he nationalized the oil fields, are some of the examples. Currently, developed countries withhold economic assistance and prohibit economic aid from the multinational agencies if a country does not protect the property rights of the multinationals or create entry barriers.

Multinational companies, particularly in many developing countries, are considered to be the symbol of the modern world. Penetrations of foreign and alien culture can have devastating effects. Examples from Thailand and Latin America show the social and moral destruction that can be caused by the foreign culture that multinational organizations spread (Sunkel, 1972; Cardoso and Faletto, 1979). Multinational companies in the developing countries frequently manipulate not only government decisions but also the broader political process. Corruptions and attempts to shape regulations on environments and tax evasions normally include manipulations of the political system.

Recently, with the emergence of corporate sectors in the developing countries, rivalry between multinational companies and domestic corporate sectors has become an important issue. Host governments, in order to attract foreign investments, relax rules only for the multinationals. Also multinational organizations can obtain sovereign guarantees on their rate of profits and relaxed regulations on labour management, taxation and international transactions. These perks are denied to the domestic firms. Quite often host governments, under pressure from international financial organizations, the World Bank in particular, have denied government contracts to their domestic firms. Recent modifications of the international patent laws, originating from the WTO, particularly prohibit domestic firms from producing medicines independently without any collaboration with the multinational companies.

The problem is now acute. The Indian government, under pressure from the multinational companies, closed down public sector pharmaceutical firms in 1995 and forced other private sector pharmaceutical companies to collaborate with the multinational companies. A number of studies (Cardoso and Faletto, 1979) for Latin American countries have shown that, in Brazil, Mexico and Argentina, multinational pharmaceutical companies successfully collaborated with the host governments of these countries to destroy highly sophisticated and profitable pharmaceutical industries and research organizations. These conflicts

with the domestic firms will be more acute when the laws of the WTO are implemented fully and most domestic firms in the developing countries will have to forgo their independent existence.

Multinational companies, particularly in the developed countries, face conflicts with the trade unions as well as the organized labour forces who consider the multinational companies to be agents destroying the welfare of the state by reducing national autonomy of the host governments. In the developing countries however, where both the governments and trade union movements are weak, multinational companies face difficulties only in certain countries or in certain parts of the country. It is quite normal to expect that the host governments will use the force of the government to destroy any opposition to the multinational companies. Relaxed environmental regulations and labour laws are some of the most important attractions of developing countries for multinational companies in recent years. The globalization process is intensifying these tendencies to undermine labour rights and trade union rights in the developing countries in their drive to attract foreign investments. The developing countries are all trying to be like China, where the labour and trade unions have no rights.

The crucial question is whether the new system is sustainable, and if not what system may emerge. If a new system of economic management is not rooted to the cultural values of the recipient country or if, because of its cultural characteristics, the recipient country cannot adjust to the new reality, the new economic system will fail.

View of the IMF, World Bank and WTO

The question is why the developing countries, knowing the true nature of the so-called 'economic reforms' or 'structural adjustments', refuse to understand the real meaning of these words and have done nothing but accept these subjugations very gladly. Apart from the fact that economic reform is meant to benefit the business communities of these countries, while having adverse effects on the general interests of the people, the IMF, World Bank and WTO never expressed the real meanings of the structural adjustment in clear terms. They have expressed a number of objectives, but not much about the instruments by which these objectives can be achieved. As a result, the developing countries have received many different impressions about the structural adjustment. To understand it clearly we need to analyse the views expressed by the IMF, World Bank and WTO in their own words.

The Fund, the World Bank, and the World Trade Organization (WTO) share common interests and complementary objectives in the area of trade. Through efforts in their respective areas of competence, they foster the progressive liberalization of trade in goods and services. The Fund and the Bank approach trade issues from the perspective of economic efficiency and the appropriate design and sequencing of trade reforms within an overall policy framework. The Fund encourages market-oriented policies to improve the efficiency of resource use within an appropriate macroeconomic framework consistent with a viable external position. It focuses on broad-based reforms to remove the anti-export bias of the trade and exchange regimes and domestic policies. (IMF, 2001)

The IMF is assigned to facilitate the expansion and balanced growth of international trade and to ensure its general resources are available to give members the opportunity to correct maladjustments in their balance of payments without resorting to financially destructive measures. Consequently, the IMF's assistance provides an incentive for the recipient country to liberalize its exchange and trade systems not only in its own interest but also in the interest of other members.

The WTO is an institution that creates and enforces a rules-based system for the conduct of trade relations among its members. Through the "binding" of negotiated tariff concessions and the enforcement of agreed rules, the WTO improves the security and predictability of market access in world trade. The WTO enforces its rules through its dispute settlement mechanism, which allows sanctions (in the form of trade retaliation) for breaches of obligations established in WTO Agreements. (IMF, 2001)

IMF members' trade policies are influenced through intermittent multilateral trade negotiations, the accession process, the dispute settlement mechanism and regular reviews of trade policies.

Trade Policy's Role in IMF-Supported Programmes

'The overall objectives of Fund-supported programs are to achieve macroeconomic stability and a viable external position with a high degree of resource use' (IMF, 2001). Trade liberalization plays a key role in achieving these objectives. In the opinion of the IMF:

well-designed trade reform geared toward the medium-term objectives of moving to a trade regime should be characterized by the absence of

quantitative restrictions and low, relatively uniform tariffs enhances the effectiveness of exchange rate policy and supports fiscal and external sustainability. (IMF, 2001)

According to the IMF, 'liberalization has a particularly important role to play in attaining program objectives in countries facing protracted balance of payments problems of a structural nature' (IMF, 2001). In order to address these problems, the IMF has designed the Extended Fund Facility (EFF) and the Poverty Reduction and Growth Facility (PRGF), which emphasize structural reform, including the liberalization of restrictive trade and exchange regimes and complementary structural measures. The aim is to help relieve external and domestic constraints on growth and generate a viable external position.

With regard to the sequencing of trade liberalization, in the first stage of liberalization, according to the IMF, replacement of quantitative restrictions with price-based measures allows the transmission of changes in exchange rates and international prices to the domestic economy. The next stage, simplification of the tariff structure, elimination of exemptions and reduction of the highest tariffs, are normally revenue enhancing. The IMF argue that, 'Early action to develop and strengthen the domestic tax system is required to support the final stage of moving to low, relatively uniform tariffs, which improves the overall efficiency and competitiveness of the economy and reduces the dependence of the budget on trade taxes' (IMF, 2001). However, all these benefits are assumed and any alternative economic policy regimes, other than that of the free market systems, are not considered, but are considered as inefficient.

A number of the trade reforms have been undertaken in the context of IMF-supported programmes. In 1997, a review of trade policy content of these programmes discovered that, at the beginning of the programme, almost three-quarters of the countries covered had restrictive trade regimes. Two-thirds targeted quantifiable reductions in trade restrictiveness and, generally, these objectives were achieved. Trade reform in these countries has continued, often in the context of subsequent IMF-supported programmes, with almost three-quarters reducing their trade restrictiveness ratings even further (IMF, 2001).

For the remainder there was no backtracking; so that at present only about 18 per cent of these countries have restrictive trade regimes. This movement toward openness since the 1997 study is also reflected for all IMF members, although progress has varied (Table 1.1)

The Trade Restrictiveness Index (TRI), developed in 1997, provides a quantitative measure of the restrictiveness of a country's trade regime.

Table 1.1 Trade restrictions by economic group, 1997–2000

	1997	1998	1999	2000
Average tariff rates (in per cent)				
Industrial countries	6.9	6.7	6.1	5.2
Developing countries (non-IDA/PRGF)	14.0	13.7	13.6	13.1
IDA/PRGF-eligible countries	18.5	17.1	17.0	16.2
Overall trade restrictiveness (percentage in each group)				
Industrial countries				
Open	95.8	95.8	95.8	100.0
Moderate	0.0	4.2	4.2	0.0
Restrictive	4.2	0.0	0.0	0.0
Developing countries (non-IDA/PRGF)				
Open	43.8	47.5	48.8	51.3
Moderate	37.5	36.3	33.8	32.5
Restrictive	18.8	16.3	17.5	16.3
IDA/PRGF-eligible countries				
Open	37.5	44.4	47.2	52.8
Moderate	29.2	27.8	31.9	29.2
Restrictive	33.3	27.8	20.8	18.1

Source: Trade Policy Information Database, WTO.

Note: PRGF = Poverty Reduction and Growth Facility.

The major elements of trade restrictiveness—the average level of tariff protection and the coverage of nontariff barriers (NTBs)—are combined in relation to trade and production in the economy. The Index specifies five ranges for the restrictiveness of import tariffs (the un-weighted average statutory tariff rate, incorporating, where relevant, other duties and charges). The categories of import tariffs reflect the distribution of average tariff levels of IMF members in 1997. For NTBs, there are three specified categories—open, moderate or restrictive (IMF, 2001)—which measure restrictiveness based on the share of imports, the share of production or the number of sectors subject to NTBs (Goldstein et al, 2000). The five-point classification of tariffs and the three-point classification of NTBs are combined to derive a 15-cell matrix. Within the matrix, the cells are converted to a ten-point scale—the TRI, with ‘1’ denoting the most open and ‘10’ denoting the most restrictive trade regimes (Krishna, 2009). In the overall Index, NTBs carry a heavier weight than tariffs, because they usually result in greater economic distortions and

are not as transparent as the price-based tariffs. Countries with a rating of 1–4 on the Index are said to have open trade regimes; a rating of 5–6 indicates moderately restrictive regimes; and 7–10 indicates restrictive regimes. The TRI is a broad-based measure that is not sensitive enough to reflect modest changes in individual countries' trade regimes. Although it does provide a useful gauge of overall trade restrictiveness for analytical purposes, it is not used to define structural conditions in IMF-supported programmes.

According to the IMF and World Bank, 'the trend toward openness, along with other factors such as decreases in transportation, communication, and computing costs, has contributed to the rapid expansion of trade and the further integration of countries into the global economy' (IMF, 2001). Worldwide growth in export volumes has outstripped real GDP growth in the last two decades, and especially during the 1990s when developing countries' increase in export volumes and real GDP far exceeded that of the advanced countries (Table 1.2). Regions such as Asia and the Western hemisphere with the most open trade regimes have registered the most impressive trade volume growth. Moreover, when adjustments are made to exclude those countries that are experiencing conflict, trade performances in other regions, such as sub-Saharan Africa, were better than those shown in Table 1.2.

Extent and Focus of Trade Policy Conditions

This section examines the evolutions of structural conditions regarding policy of the external sector of the economy during the IMF-supported adjustment programme since the 1980s. The IMF database for Monitoring Fund Arrangements (MONA) (1991) examined how relevant the trade policies were to the adjustment programmes. Membership of the WTO expanded the scope of trade policy in the adjustment programmes. Since 1995, trade-related conditions attached to the adjustment programmes increased. These are a significant part of the so-called conditions for the Poverty Reduction and Growth Facility (PRGF)-eligible countries (IMF, 2001).

World Poverty Trends over the Last Decade

Despite the rhetoric, the global situation cannot support the enthusiasms of the IMF, World Bank and WTO. The reduction of poverty over the last decade has been worryingly slow. The number of people living on US\$1 a day or less fell slightly from about 1.3 billion in 1990 to

Table 1.2 Exports and GDP, 1980–2000

	1980–2000	1980–1990	1990–2000
	(average growth rate%)		
World			
Volume of exports of goods	5.6	4.5	6.8
Real GDP growth	3.3	3.4	3.2
Advanced Economies			
Volume of exports of goods	5.9	5.3	6.6
Real GDP growth	2.9	3.2	2.7
Developing countries			
Volume of exports of goods	5.7	3.2	8.3
Real GDP growth	4.8	4.1	5.5
Asia			
Volume of exports of goods	9.0	6.8	11.2
Real GDP growth	7.2	6.8	7.5
Sub-Saharan Africa			
Volume of exports of goods	2.4	3.1	1.7
Real GDP growth	2.3	2.4	2.3
Middle East and North Africa			
Volume of exports of goods	2.1	0.6	3.6
Real GDP growth	3.0	2.5	3.5
Western hemisphere			
Volume of exports of goods	7.5	5.0	10.0
Real GDP growth	2.5	1.5	3.4

Source: World Economic Outlook (World Bank).

1.2 billion in 1998 (we concentrate on the income dimension of poverty). The proportion of the population living in poverty—the poverty rate—fell from 29 per cent to 24 per cent (Table 1.3). The trends for people living on less than US\$2 a day were similar: absolute numbers rose slightly from 2.7 billion to 2.8 billion between 1990 and 1998, while the poverty rate fell from 62 per cent to 56 per cent (UNICEF, 2000).

Poverty reduction performance was also extremely uneven. East Asia, whose population make up a third of that of developing countries as a whole, saw the most dramatic fall in poverty (UN, 2012). Here the poverty rate was reduced by almost 50 per cent, while the number of people earning US\$1 a day or less was reduced by approximately 174 million. This was historically the largest and most rapid reduction in poverty to date, according to the World Bank (2000). Although much of the reduction in poverty occurred in China and the quality of statistics is questionable, most countries in the region shared in the dramatic fall. In 1998 countries hit by financial crisis experienced a rise in poverty, but

Table 1.3 Population living below US\$1 per day in developing countries 1990 and 1998

	Number of people below US\$1 a day (millions)		Poverty rate (%)	
	1990	1998	1990	1998
East Asia	452.4	278.3	27.6	15.3
Excluding China	92.0	65.1	18.5	11.3
South Asia	495.1	522.0	44.0	40.0
Sub-Saharan Africa	242.3	290.9	47.7	46.3
Latin America	73.8	78.2	16.8	15.6
Middle East/N. Africa	5.7	5.5	2.4	1.9
Europe & Cent. Asia	7.1	24.0	1.6	5.1
Total	1276.4	1198.9	29.0	24.0

Source: World Bank, *Global Economic Prospects and the Developing Countries* (2000).

by less than had been initially feared. An unanticipated strong rebound in growth in the region in 1999, raised hopes that poverty in East Asia would resume its historical decline.

The progress regarding the so-called *Poverty Reductions* is disappointing in most developing countries. Total numbers under US\$1 a day increased in most areas. There was only a very modest decline in poverty rates in South Asia. In Latin America, sub-Saharan Africa and the Middle East and North Africa there were no improvements, but, in recent years, the American invasions and the Western inspired coups and revolts have led to increasing poverty rates among the growing number of refugees. Similar were the cases in Eastern Europe and Central Asia regions, where the transition from socialism to capitalism destroyed the life-style of the people and created mass destitution.

Globalization and Inequality between Countries

The distribution of per capita income between countries has become more unequal in recent decades. For example, in 1960 the average per capita GDP in the richest 20 countries in the world was 15 times that of the poorest 20. Today this gap has widened to 30 times, since rich countries have on average grown faster than poor ones. Indeed, per capita incomes in the poorest 20 countries have hardly changed since 1960, and have in fact fallen. But greater openness to trade is unlikely

to explain why poor countries on average grew less quickly than rich ones, since openness should foster, in theory at least, higher not lower incomes (Conference Board of Canada, 2015).

Labour Market Developments

With so many adjustment policies imposed on the developing countries and implemented during the 1980s and 1990s, there may be a relationship between these policies and the conditions of employment. The position of the IMF and World Bank is that adjustment policies have prevented much worse scenarios. The next section provides an overview. For more specific country analysis on adjustment and labour market issues, the readers are referred to Volume 1 of this book along with van der Geest and van der Hoeven (1999), Garcia (1993) and Toye (1995).

Changes in Employment Patterns

Since the introduction of adjustment programmes, changes in employment patterns in Africa have indicated that employment in the formal sectors has declined (Table 1.4). This could be the result of privatization of state-controlled industries and the service sector, along with general reductions of government expenditure as directed by the IMF and World Bank (van der Hoeven and van der Geest, 1999); although the declared aim of the liberalization programme was to create more employment in the formal sector.

In Africa, exchange rates have been adjusted, currencies have become (almost) fully convertible and budget deficits have decreased. However, despite all these changes there was no massive creation of new jobs. The counter argument was that adjustment programmes can have long-term effects. Results are not impressive even after 25 years. International markets have reacted in a different way to that which was expected by the IMF and World Bank. Despite Africa's very rich natural resources and low cost of labour, foreign investment is meagre. This makes the cases for adjustment process and the conditions for structural reforms very weak. Employment experiences in East Asia were characterized by high growth in the formal sector employment as a result of massive growth in the manufacturing sector. In South Asia employment in the informal sector became very important (UNILo, 1996).

Table 1.4 Sub-Saharan Africa: evolution of employment in the formal sector during the early adjustment phase (as % of the active population)

Country	1990	1995
Kenya	18.0	16.9
Uganda	17.2	13.3
Tanzania	9.2	8.1
Zambia	20.7	18.0
Zimbabwe	28.9	25.3

Source: ILO: World Employment Report, 1998–1999 (Geneva, ILO, 1998).

In Latin America, as Lee and Mansfield (1996) pointed out ‘The experience of Chile in the early 1980s illustrates the severe effects of overshooting in terms of stabilization policy. Output contracted by 23 per cent in 1982–93 and unemployment remained above 23 per cent for 5 years. Similarly the Mexican crisis of 1994–95 illustrated the devastating effect of wrong monetary and exchange rate policies’.

Although strong recovery took place in Latin America in the 1990s (Table 1.5), growth in formal sector jobs remains limited (UNILO, 1995). In most countries in Latin America many workers are fearful of further liberalization measures as informal low paid jobs have replaced formal sector jobs. Growth in formal sector jobs is correlated with high economic growth (UNILO, 1995).

Change in wage and income inequality is another phenomenon experienced in many countries. Income inequality went up in the 1980s:

- In six out of 12 Asian countries: Bangladesh, Indonesia, Thailand, China, Singapore and Sri Lanka.
- In four out of six African countries: Nigeria, Tanzania, Kenya and Ethiopia.
- In nine out of 14 Latin American countries: Bolivia, Mexico, Argentina, Brazil, Panama, Venezuela, Guatemala, Honduras and Peru. (World Bank, 1996)

In general, changes in income inequality can have significant effects on future social conflicts and destructive change in a country. Trade liberalization will favour the production of goods by the production factor in which a country has comparative advantage. For most developing countries this is in unskilled labour. UNILO (1996) indicated that, in most countries in the 1980s that underwent structural

Table 1.5 Informal employment as % of labour force (non-agricultural) in early globalization, selected countries in Latin America

	1990	1991	1992	1993	1994	1995	1996	1997
Latin America	51.6	52.4	53.0	53.9	54.9	56.1	57.4	57.7
Argentina	47.5	48.6	49.6	50.8	52.5	53.3	53.6	53.8
Brazil	52.0	53.2	54.3	55.5	56.5	57.6	59.3	60.4
Chile	49.9	49.9	49.7	49.9	51.6	51.2	50.9	51.3
Colombia	55.2	55.7	55.8	55.4	54.8	54.8	54.6	54.7
Mexico	55.5	55.8	56.0	57.0	57.0	59.4	60.2	59.4
Paraguay	61.4	62.0	62.2	62.5	68.9	65.5	67.9	59.4
Uruguay (Montevideo only)	36.3	36.7	36.6	37.0	37.9	37.7	37.9	37.1
Venezuela	38.8	38.3	37.4	38.4	44.8	46.9	47.7	48.1

Source: UNILO (1998).

adjustment programmes, wage dispersion increased with falling real wages (Table 1.6).

The World Bank (1997) argued that 'Evidence from East Asia supports that greater openness in countries with an abundance of unskilled labour benefits this type of labour', but in reality increased openness was associated with widening wage differentials.

As UNILO (1996) had observed, 'In Africa greater openness and policy changes in the 1980s are associated with increased inequality. The generally favourable verdict on East Asia in the 1960s and 1970s has been brought into question by analysis of experience in Latin America in the 1980s'.

The facts are therefore quite clear, but the increasing inequality could lead to different conclusions. More than two categories of labour (namely with no education and with basic and higher education) are introduced by inequality and it is argued that basic education at the very least is essential (Berry and Sam, 1997; Owens and Wood, 1997).

Formal sector employment in the manufacturing industries increases demands for a skilled labour force and, with the increasing imports of capital goods due to openness of the economy, there will be less and less demand for a labour force. That can increase the demands for a specialized labour force even further (UNDP, 1997). Amsden and van der Hoeven (1996) observed that the distribution between incomes from labour and capital in industry shifted in the direction of capital in the 1980s, which has led to changes in consumption patterns and lifestyles adding to inequity (Tabatabai, 1996). Also, liberalization has resulted

Table 1.6 Wage dispersion and real wage changes in manufacturing in early globalization (US\$) (1975–9 to 1987–91)

	Wage dispersion	Real wage
Asia		
Singapore	-12.5	58.5
Taiwan	-9.8	151.5
India	-9.3	-2.5
Korea, Republic of	-8.2	16.9
Indonesia	4.7	-22.0
Philippines	7.4	12.5
Sri Lanka	8.2	-10.2
Pakistan	14.7	17.9
Malaysia	19.8	2.8
Thailand	49.2	29.5
Africa		
Mauritius	-25.1	-37.3
Zimbabwe	-8.8	-32.2
South Africa	6.8	-7.4
Kenya	17.2	-40.4
Tanzania	38.0	-83.1
Latin America		
Colombia	-5.3	-31.5
Uruguay	1.8	-3.9
Mexico	15.1	-44.5
Guatemala	25.3	-41.2
Peru	26.5	32.7
Argentina	26.5	-29.1
Panama	27.2	-17.1
Brazil	34.2	-15.5
Chile	55.4	-16.6

Source: UNILO (1996).

in the decline of trade union membership, which has weakened the bargaining power of workers.

Changes in Human Capital Formation

Liberalization and adjustment programmes in developing countries have induced reduction in government spending on social services. The World Bank (1996) has pointed out that, especially in Latin America and Africa, adjustment programmes were accompanied with a decline in the percentage of social expenditure in total government expenditures (Table 1.7). Deterioration in education standards and a slowdown in the

Table 1.7 Composition of social sector expenditures

	Asia			Latin America(a)			Sub-Saharan Africa(a)		
	Before	During	After	Before	During	After	Before	During	After
Expenditure, (percentage of GDP)									
Total social spending	2.7	3.3	3.4	7.1	7.3	7.8	5.9	5.6	5.3
Education	1.8	2.2	2.2	3.0	2.7	2.6	3.4	3.3	3.1
Health	0.5	0.6	0.6	1.7	2.1	2.4	1.3	1.2	1.1
Percentage of total expenditures									
Total social	17.9	19.6	19.6	23.7	23.4	19.3	26.1	22.4	19.9
Spending									
Education/total expenditures	11.8	12.9	12.6	19.6	16.9	14.3	16.3	14.2	13.5
Health/total expenditures	3.6	3.4	3.7	9.2	10.9	11.0	6.0	5.4	5.2

Source: World Bank (1996).

Note: a = only countries with data for the post-adjustment period.

Table 1.8 Trends in the selected social indicators

Indicator	Asia			Latin America(a)			Africa(a)		
	Before	During	After	Before	During	After	Before	During	After
% change in gross enrolment ratio	1.3	0.5	0.3	1.4	-0.4	1.0	4.7	-0.5	-0.4
% change in infant mortality rate	-2.5	-3.1	-3.6	-5.6	-2.5	-2.4	-1.8	-1.7	-1.4

Source: World Bank (1996).

Note: a = only countries with data for the post-adjustment period.

decline in infant mortality rates during adjustment are visible (Table 1.8). In Africa, even primary school enrolment rates declined (van der Hoeven and van der Geest, 1999). In Latin America the middle class suffered large setbacks in providing their children with accessible quality education.

Londono (1996) argued that the growing uneven distribution of human capital in Latin America has had the result of increased income inequality. There are strong correlations between the increasing number of households in poverty and the growing number of households headed by illiterates (UNCTAD, 1997).

The majority of countries where high educational achievement has translated into skill-intensive exports are those that have maintained a fast rate of capital accumulation, technology upgrades and growth in productivity over many decades. The relation between adjustment, education, skills and productivity increases are thus complex, but data are sufficiently robust to argue that a slowdown or reversal in primary and basic secondary and vocational education contributes to greater inequalities in societies and that this hampers countries' possibilities and abilities to take full advantage of increased production for exports.

Trade-off between Growth and Equity

A trade-off between growth and income equality is frequently based on the accumulation argument (van der Hoeven, 2000, 2004). That is, lower income inequality means lower national savings rates and therefore future growth. Research in the 1970s showed rather convincingly that the savings arguments for a trade-off between income equality and growth are regularly invalid. Examples of countries that have combined high income equality with high growth rates have been provided by the studies.

The inequality and growth debate has received impetus from authors who combined new growth theory with endogenous technical progress and political economic models with endogenous political decisions. Their argument is that inequality harms growth. Alesina and Perotti (1994), for example, discuss several causal links, including the effect of income inequality on the composition of the demand and the effect of inequality on factor endowment and the supply of human capital. According to van der Hoeven (2000, 2004):

A more equal income distribution leads to an increased demand for industrial goods, which triggers off innovation and growth. Growth is further enhanced by increased investment in education by low income groups, as

a consequence of increased equality in income and capital, allowing them to build up stocks of human capital more rapidly.

There are two prominent explanations:

- Inequality leads to voting behaviour that approves higher taxes and bigger budget deficits—with a resulting negative influence on rates of growth (Persson and Tabellini, 1994).
- According to Lanjouw and Stern (1991), inequality leads to political instability and therefore prevents governments from managing effectively.

Higher taxes and deficit financing can negatively affect decisions on savings and distort growth through neoclassical reasoning. Conversely, a greater level of expenditure by governments (as a result of higher taxes or deficit financing) may increase investment in human resources, support markets' development and improve the infrastructure, to contribute to increased levels of growth.

'Macroeconomic policies can be more poverty-focused if "sound" macroeconomic policies are carried out in tandem with a set of incomes policies' (van der Hoeven, 2000, 2004). This includes policies on minimum wage and meso policies, which underline the redistributive feature of the macroeconomic policies. When it is based on employer and worker consultation, incomes policy can contribute to a better social climate and, in turn, reduce inflationary pressure. Those countries that reduced income inequality and achieved an acceptable growth record were reliant on a set of incomes policies that included an active minimum wage policy, among others. Meso policies deal with the distribution of the fiscal burden of targeted public expenditure, of microeconomic policies (functioning of the labour market integration in the product market) and distribution of ownership assets. In spite of the potentially redistributive role of fiscal policies however, that is not often what fiscal policies are explored for. Tax policies are regularly less redistributive than they are originally designed to be and budget deficits are often dealt with by a reduction in spending rather than an increase in taxes. Many public service programmes are more beneficial to the rich than the poor and the application of priority ratios to favour expenditure items that affect the poor is often not well developed; hence the distributive aspect of government expenditure is frequently less than it is claimed. Some countries did, nonetheless, combine high priority ratios with high growth rates (UNDP, 1991).

A pro-poor design of macroeconomic policies does however depend on the social situation in the country, rather than the actual macroeconomic policies—and especially on whether the society is willing to give distributional issues priority during economic crisis (Khan and Hoshino, 1992). It is often politically harder to develop distributional strategies in economically challenging times than it is in periods of economic growth. Hence, the paradox is that macroeconomic policies can include elements that favour the poor, particularly in countries that already have a more egalitarian society, but that applying more poverty-oriented macro policies in a less egalitarian society is very likely destined to fail. It should become necessary to change distribution of assets and human capital in order to complement macroeconomic policies to reduce inequality and encourage growth (Stiglitz, 1998). The often-made case that policies of income distribution are not as relevant as the stimulation of overall growth in a poverty alleviation strategy is therefore weakened, because a steady state of growth will gradually raise everyone above the poverty threshold.

The IMF and World Bank may actually be harming poor countries in times of recession with their Structural Adjustment Programmes (SAPs) (Easterly, 2000). It has been shown that the poor gain less during periods of economic expansion under structural adjustment programmes. The poor may be ill-placed to take advantage of new opportunities created by SAPs. They may also suffer less from the loss of old opportunities in sectors previously protected prior to reforms, because they are mainly concentrated in the informal sector, while SAPs predominantly hit the formal sector. The IMF broadened its objectives for concessional lending, in September 1999, to include an explicit focus on reducing poverty reduction. The World Bank and the IMF replaced the Enhanced Structural Adjustment Facility by jointly adopting the Poverty Reduction and Growth Facility (PRGF). A series of recent economic crises and their aftershocks have generated intense concern about how the poor are faring under SAPs supported by the World Bank and IMF.

2

Structural Revolution in Russia¹

The demise of the Soviet Union, in the view of the World Bank, IMF and WTO, was due to the inherent defect of the socialist system. The collapse was due to the internal contradictions between the absence of the market and the desired aim of the planning system to create a perfectly competitive market. In this chapter we critically evaluate the effects of market revolution on the economy of Russia considering the political development and international conflicts. According to Jeffrey Sachs, the task was to change an entire social and related political order, so power and conflict would be absolutely central to the process (Basu, 1996). This chapter analyses how revolution of international business process created social and international political conflict in Eurasia.

Background of the Russian Reform

The Soviet economic plight during the Mikhail Gorbachev era (1985–91) and Russian economic failures during the Yeltsin era (1992–98) attracted worldwide attention. These events demonstrated the failure of the so-called liberalization programmes that were implemented worldwide in the developing world and in every other former socialist country except Cuba and Belarus (Duch, 1995; McCauley, 1990; Davies, 1989; Ellman, 2000; Ellman and Kontorovich, 1998). There are important questions about what lessons we can learn, when China was successful but Russia had failed, until about 2000, when both Yevgeny Primakov in 1999 and thereafter Vladimir Putin went backward to an almost state-controlled economy. Although Boris Yeltsin immediately after the destruction of the old Soviet Union had implemented the structural adjustment

¹ The material in this chapter comes from Basu, 1997.

programme—commonly known as ‘shock therapy’—it was Gorbachev who initiated the process and tried to build necessary institutional structures. Similarly, although Deng Xiao Ping in China is known as the architect of the Chinese reform process, it was Mao Tse Tung himself who, after the failure of the cultural revolution of 1965–70, initiated the reforms in agriculture and land ownership in China, which later became the so-called Chinese style reform process (Mao and Koo, 1997; Woo, 2001; Wang and Woo, 2011).

Figures 2.1 and 2.2 demonstrate the dramatic decline of the economy and the industrial sector during Gorbachev’s reform period. Figure 2.3 demonstrates that the introduction of capitalism in Russia in 1992 resulted in ruinification of the Russian industrial sector. Agriculture had a similar fate. Thus, the capitalistic reforms introduced first by Gorbachev and continued by Yeltsin had the result of destroying the economies of both the Soviet Union and Russia. However, economic reform in China had a different fortune.

A Comparative Analysis with the Reform in China

China was a desperately poor country in 1949, when the People’s Republic was formed. The immediate concern for the Chinese Communist Party

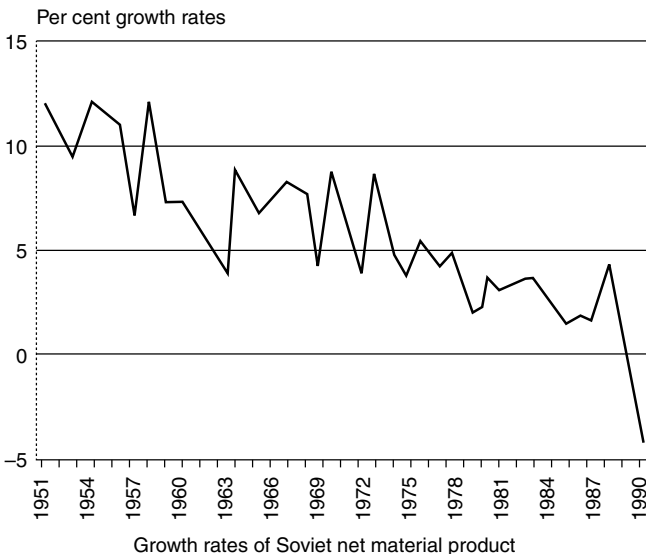


Figure 2.1 GDP growth rate, USSR

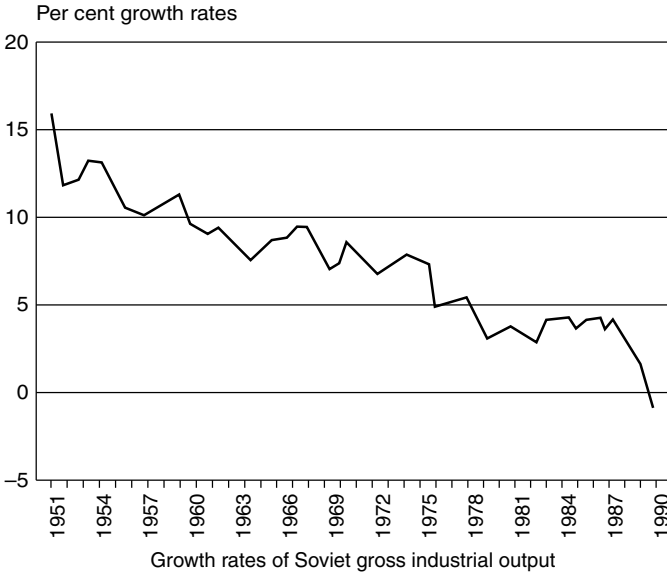


Figure 2.2 Industrial production growth rate, USSR

was to occupy more lands to consolidate its power (it has attacked and occupied both Tibet, East Turkistan and Mongolia in 1949 and received Manchuria as a gift from the USSR) and to initiate what it had called a socialist state, where every resource was controlled by the state. However, the Chinese system was very different from the Soviet system, in the sense that the Soviet Union was an industrialized country with a large urban population, but China was an agricultural country with a large rural population. Hence, the Chinese thought that the emphasis on heavy industry, which was the cornerstone of the Soviet economic plans, was unsuitable for them. Differences with the Soviet Union were apparent from the beginning and it became an open hostility in 1960 when the Soviet leader Khrushchev put forward his idea of peaceful coexistence with the capitalist world. Mao Tse Tung, the Chinese leader who was to create a pure Chinese communism in his programme of 'cultural revolution', strongly opposed this ideal (Gittings, 1968).

In China, both before and after the cultural revolution, about 30 million people perished at the hands of Mao's experiment. There were terrible famines from time to time (in the 1959–61 famines about 15 million people died) due to the destruction of the rural economy and the peasant class (Tingjun, 1993; Malenbaum, 1982). As a result of all

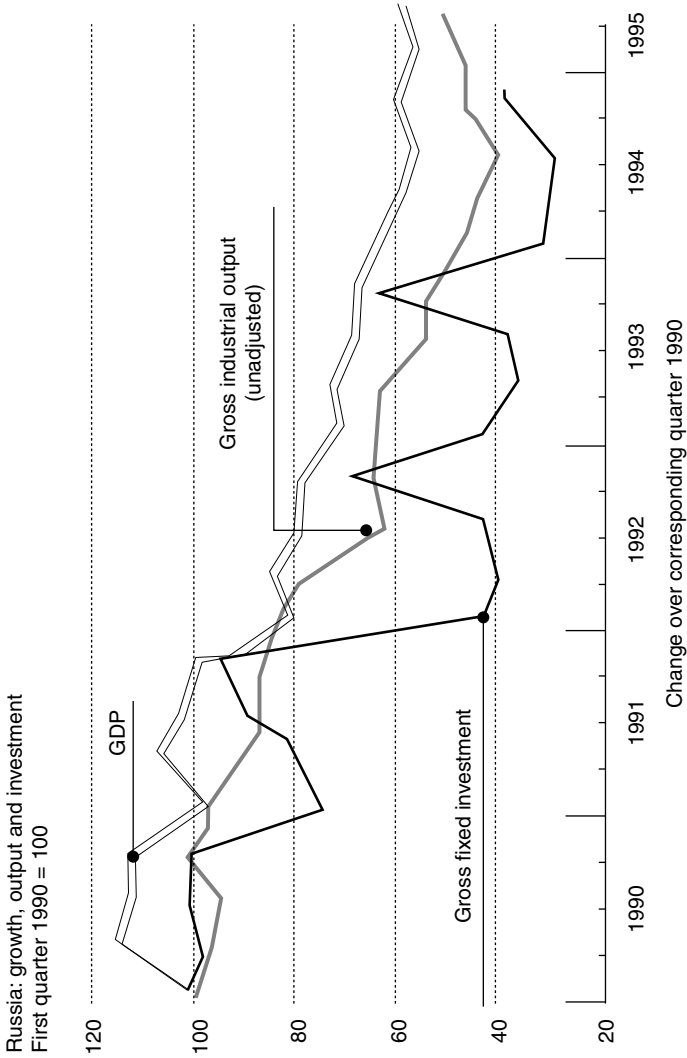


Figure 2.3 Growth and investment, Russia
Source: Goskomstat. OECD.

these sacrifices, China was no better economically than its Asian rival India, which was developing in a free democratic way. In 1966 the per head annual national income of China was US\$110, in India it was US\$90, even in 1986 per head annual national income in China was US\$300, in India it was US\$290 (World Bank, 1997) the average growth rates of these two countries were very similar: 5.1 per cent for China and 5.6 per cent for India, between 1966 and 1986 (UNDP, 1997).

The failure of Mao's economic policies had prompted some Chinese politicians to look for an alternative. Although Mao managed to kill most of his political opponents, including Leo Chao Tse, Lin Piao and a whole generation of leaders who had questioned his policies, Deng Xiaoping was able to escape death, despite being tortured and imprisoned. His only son was permanently paralysed by beatings, but he somehow survived and managed to turn the tables on Mao, becoming the paramount leader by 1987–8 (Naughton, 1996, 2007; Perkins, 1975; Vogel and Myers, 2011). Deng Xiaoping was opposed to Mao's extreme controls. Instead he wanted to have a mixed economic system, more or less in the line of Lenin's new economic policies of 1921–8 (where land was distributed among individual peasants and small- and medium-scale industries were allowed, resulting in a prospering Soviet economy) (Baum, 1996; Baykov, 1946).

From 1979, Deng Xiaoping expanded the land reform process initiated during the early 1970s to redistribute lands from the collective farms to the peasants, which has increased rural income and savings significantly given the necessary supports and subsidies from the governments. The increased rural incomes and savings were diverted to create a large number of small- and medium-sized industries in the rural and semi-rural areas. These are jointly controlled by the local communes, the peasants and the local municipalities. The emergences of these small- and medium-sized enterprises are a very important factor in recent Chinese developments. Even more so than the infusion of the foreign investments that began to arrive in significant amounts only since 1992, two years after the killings of 4000 pro-democracy students in Tiananmen Square in Peking when the then Soviet President Gorbachev was visiting (Munro, 1990; Zhao, 2004).

The brutal suppression of that student movement has proved that Deng was not Gorbachev. Just like Hitler or Stalin, he wanted to achieve rapid economic developments for China at any human cost, so that China would soon be a power to rival even the USA in their impending conflicts in the Asian arena. That show of strength by Deng prompted other Chinese Asian leaders, such as Lee Kuan Yew of Singapore, to

say that Deng was a decisive leader and that China had a great future (Zakaria, F. and Yew, L.K., 1994). In fact, the floods of foreign investment had started as far back as 1992, with the Chinese economic growth rates going up to nearly 12 per cent between 1990–5. However, most of the foreign investments were from overseas Chinese in Taiwan, Hong Kong and Macau, Singapore, and from Chinese business communities in Indonesia, Malaysia and Thailand. This is a very important factor, because other countries adopting economic reforms do not have this advantage.

Background of Soviet Reforms

The Soviet Union had started, after the revolution in 1917, from the basis of a very poor, backward agricultural country. The immediate priority of the government was to gain economic development and to introduce socialist economic management, with economic planning as the central pillar of that system. Due to the continuous civil war and invasions by Britain, Japan and France, the war–communism system adopted in 1918 was not a success. As a result, in 1921 Lenin introduced a number of reforms for a mixed economy (Baykov, 1946). That regime was abolished in 1929 when Stalin became the leader. He introduced complete socializations of production, distribution and exchanges, all private enterprises were banned, lands were collectivized and all private small-scale or service sectors were nationalized. The period saw rapid economic growth, so that by 1939 the Soviet Union had become an industrialized country with industrial production levels matching those of Germany and Britain.

After the Second World War, there were rapid reconstructions for the Soviet Union and several East European countries—liberated by the Soviet Union from the Nazis—formed the COMECON (Council of Mutual Economic Co-operation), the common market of the planned economies of Eastern Europe (later Vietnam and Cuba also became members). COMECON opened up an expanded market to the Soviet Union, as well as a good source of manufactured products, particularly from the countries not destroyed during the war such as East Germany, Czechoslovakia and Hungary (Kaser, 1967; Pelzman, 1978).

After the death of Stalin, the new leader Khrushchev tried to introduce economic reforms. He relaxed the agricultural sector, by allowing peasants in the collective farms to have their own small plots, limited rural market and small industries and considered large-scale changes in the price structure, which had remained unchanged since 1929. At that time, the Soviet economy was growing at a very rapid rate

(Kushnirsky, 1982). Brezhnev's economic policy was very similar to that of Khrushchev. There was a lot of discussion about the kind of reforms desirable for the Soviet Union. In fact, both Hungary and Poland were allowed to have their reforms, in which some private sectors and private land ownerships were allowed. A Yugoslav type of economy with labour-managed firms was on the way. The reason both Hungary and Poland, after the shock therapy of the 1990s, recovered quickly was because both countries had had a mixed economy for a long time (since 1960) and, as a result, they already had a solid private economy, which the Soviet Union never had. However, the economic reforms in the Soviet Union had to be postponed due to the great diversion of resources to the defence sector that resulted from a number of international conflicts in which the Soviet Union was involved (Vietnam, Cambodia, Afghanistan, Middle-East, Angola, Mozambique, Somalia, South-Africa, Rhodesia, Ethiopia, Cuba and Nicaragua are only a few examples) (Brezhnev, 1976; Allison, 2009).

In addition to the economic assistance given to a large number of developing countries and to the members of the COMECON (supply of oil and gas at a fraction of the world prices even after 1974's oil-price shock is an example), there was also the fear of nuclear attacks from the USA. This was intensified after the introduction of President Reagan's strategic defence initiatives in the 1980s. As a result, the real economy was receiving less and less investment; the worst affected part of the economy was the consumer goods sector. The gradual decline of the economy and the stagnation of the standard of living during the early 1980s called for a strategy of economic reforms and political initiative to reduce international tensions between the 'East' and the 'West'. Gorbachev was selected in 1985 to initiate that reform.

Soviet Economic Reforms during the Gorbachev Era

Soviet economic reforms started with Gorbachev, who had identified two areas of reforms primarily: economic policy and international relations (Aganbegan, 1988; Davies, 1990; Sachs and Woo, 1994). Gorbachev's first priority was to create an atmosphere of understanding between the two super powers of the day, the Soviet Union and the USA, in order to reduce international tension and thereby lower the defence expenditure. At the same time, along with Boris Yeltsin, Gorbachev and the Communist Party were the most aggressive supporters of pro-market oriented policies. However, unfortunately for the Soviet Union, Gorbachev had no clear ideas; his approach was mainly political not

economic. From the beginning Gorbachev's *Perestroika* was characterized by the following:

- Breakdown of the existing planning system.
- Financial freedoms for the republics.
- Shift of resources from investment and defence to consumption.
- Erosion of economic cooperation between the republics and between the countries within the COMECON.
- Attempts to run the productive enterprises with profit motives.
- Attempts at privatization of the economy.

The results can be summarized as follows. The traditional Soviet economic system was based on central planning, with planners setting output targets for all kinds of products and allocating the supplies needed to produce at the targeted levels with the targets set by the central planners. When Gorbachev came into power, the role of planning became secondary as there were many kinds of proposals to replace the planned economy by a market economy. Enterprises were instructed to earn profits; but most prices were planned prices, predetermined by the planners and dependent on the needs of the people and the investments, which were not changed until 1991. Even the reformed prices in 1991 could not reflect demand, but only costs of production. Under these conditions, prices did not stimulate production of the most urgently needed goods. Moreover, controlled prices combined with inflationary pressures, fuelled by the excessive budget deficits, to create steadily worsening shortages (Davies, 1990; Maddison, 1998).

The worse problem was that the development of direct links between buyers and sellers that were intended to reduce the need for central planning had run into difficulties. Many Soviet industries remained dominated by monopoly producers whose development was actively encouraged by central planners.

The efforts of republics and local authorities to protect factories and consumers in their territories from the general deterioration of the economy became a major factor in the erosion of the traditional system. In the past, Soviet economic development policy had encouraged most republics to specialize in certain kinds of production. For example, Ukraine is a major centre of heavy industry, Uzbekistan specializes in cotton, Baltic States used to produce medicines. Given these circumstances, republics' bans on shipping goods outside their borders were particularly disruptive. They were in open rebellion and refusing to transfer tax revenues to the central government (Adomeit, 1998; Sakwa, 1998).

The leadership's policy of shifting resources toward consumption was a move that led to disarray and confusion in investment and the defence industry. Another reason for the economy's decline was the mounting political and social tensions over which Gorbachev had lost control. Centre–public clashes over efforts to achieve independence sparked labour protests and blockades, as well as violence and loss of life. Strikes, provoked partly by worsening consumer shortages and inflation, also became an increasingly serious problem.

As the Soviet economic crisis deepened during 1990–1, most politicians came to realize that the reform and stabilization plan approved in 1989 had been overtaken by events and was simply inadequate to the task at hand. In May, 1990, Prime Minister Ryzhkov had presented a plan calling for a five-year transition to a regulated market economy and emphasized the need for price revisions as a first step towards deregulation. Meanwhile, Yeltsin began promoting an alternative programme to supplement state control of assets with private ownership and to shorten the time allotted for the transition to a market economy: from five years to 500 days (Adomeit, 1998).

A very disturbing factor was the increasing unwillingness of enterprises, or even retail traders, to accept payment in Rubles. That led to the complete breakdown of the formal and informal links in the economy. Gorbachev's council of ministers made the attempt in August 1991 to replace him, but it was a failure because the army and the security services had refused to accept orders from the Soviet government. They had already switched their loyalties to the provincial government of Russia and President Yeltsin. Realizing that he could never be the president of the Soviet Union, as other republics would not accept him, Yeltsin decided to abolish the Soviet Union in December 1991 (Naylor, 1988; Moltz, 1993; Ticktin, 1992).

Economic Reforms in Russia: 1992–6

Yeltsin's team of economic advisers were not Soviet economists. Jeffrey Sachs from Harvard, Richard Layard from the London School of Economics and Andreas Aslund from Oxford were appointed to create a new economic policy for Russia. Sachs had his previous experience in Bolivia, Poland and Africa working for the IMF. The result was the shock therapy.

Shock therapy

Sachs was a passionate advocate of the following:

- 1) Breaking up the COMECON region and, above all, breaking East-Central European countries from the USSR.
- 2) Making a root and branch switch to a particular form of capitalist institutional structure in each state a precondition for normalizing relations of other states with that state.
- 3) Imposing a hub and spokes structure on the relationship between the West and East-Central Europe with each target state in the region relating to the others principally via its relationship with the Western hub.
- 4) Starting the process of regional transformation in the states with the most politically sympathetic governments and then using both negative and positive incentives to extend the required mix of domestic policies across the region as a whole.
- 5) The entire process would be carried forward by the capacity and will of Western countries like the USA to provide, via the IMF and World Bank, the necessary positive incentives for cooperative governments and constraints for uncooperative governments.
- 6) The revival of economic activity in cooperative target states would take the form of trade-led growth directed toward Western Europe, compensating for COMECON's collapse.
- 7) Cooperative states would gain full access to the market of the EC (partly through radically changing some of its key institutional pillars, such as its trade regime and Common Agricultural Policy), very substantial economic assistance and eventual membership of a greatly enlarged EC. (Sachs, 1990)

Sachs' 1990 article outlines this entire approach, which was adopted by the G7. French and German proposals to keep the USSR and Eastern Europe linked via a free trade regime were rejected; French ideas for an EBRD (European Bank for Reconstruction and Development) to finance large public infrastructure projects embracing the USSR and Eastern Europe were emasculated. Also, the French notion of a pan-European confederation embracing both the EC and the whole of the East was repudiated. Similarly, a Japanese proposal for a state-regulated development via slowly growing markets was rejected.

As a result, in 1990 and 1991 Western influence was used to encourage the fragmentation of the COMECON region. Sachs (1990) also suggested:

- Open international trade.
- Currency convertibility.

- Private ownership as the main engine of economic growth.
- Corporate ownership as the dominant organizational form for large enterprises.
- Openness to foreign investment.
- Membership of key international economic institutions, including the IMF, World Bank and the GATT.

As part of the agenda the West must provide large funds to help the government with economic and political crisis management. Shock therapy thus required that Western governments would provide grants for a target state's foreign exchange reserves, money for social security payments, 'cancellation of most of the debt owed to Western governments and banks' (Sachs, 1990) and long-term development finance.

Results of shock therapy

There are four main arguments against shock therapy:

- (1) Its macro instruments of regional fragmentation and domestic change were immensely costly in the short and medium-term.
- (2) Its free trade-led policy for economic revival was largely misconceived.
- (3) Its micro policies for sustained economic revival had weakened rather than strengthened longer-term revival.
- (4) Its practice on the part of Western governments was different from what was expected, particularly regarding financial assistance.

The results of shock therapy in Russia were savage destructions of the economy and the lives of the people. In Russia, after six months of shock therapy in 1992, real incomes were reduced to 40 per cent of their 1991 levels and production had plummeted. The fragmentation of the COMECON reduced the demands for industrial outputs through massive trade disruptions. It was the people who suffered most. According to UNICEF (1994) the excess mortality in Russia, Ukraine, Bulgaria, Hungary and Poland between 1989 and 1993 was 800,000. Before the start of the shock therapy in January 1992, the total excess deaths in Russia alone in that year, according to Ellman (1994), was 82,000 and there were 'substantially more' such deaths in 1993. The crude death rate in Russia rose from 11.4 per cent in 1991 to 14.4 per cent in 1993 and 16.2 per cent in 1994 (Davis, 2006; Gavrilova et al, 2000; Ellman, 1994). UNICEF explains that the transition generated the health crisis in three ways:

- By increasing the levels of stress-related heart and circulatory diseases, which accounted for 32–80 per cent of the rise in deaths in the region as a whole.
- By producing dietary deficiencies.
- By causing socio-psychological tensions, which have sharply increased murder and suicide rates.

The East European health crisis has no historical precedents. In Russia the number of murders rose by 42 per cent in 1992 and a further 27 per cent in 1993. The suicide rate had increased from its 1989 level by 153 per cent in Russia, 133 per cent in Poland and 150 per cent in Romania. If we define the poverty line as the income needed to maintain food consumption sufficient to retain a normal body weight at an average level of activity, 37 per cent of the Russian population fell below this line in 1992. The figure for children under 15 years old was a horrifying 46–7 per cent. If we define the poverty line as 40 per cent of the average wage in 1989 and the extreme poverty line as 24 per cent of the 1989 average wage, then by 1992 those in extreme poverty amounted to between 15 per cent and 26 per cent in Poland, Bulgaria, Romania, Russia, Ukraine and Albania. Those in extreme poverty were an extra 28–38 per cent. Life-threatening diseases have increased sharply in Russia. Typhoid and paratyphoid increased 13 per cent in 1992 and 66 per cent in 1993; diphtheria increased 109 per cent in 1992 and 290 per cent in 1993; and deaths from tuberculosis increased 15 per cent in 1992 alone.

The OECD supported the establishment of export credit insurance and financing, via export credit agencies (ECAs), provided they would follow the OECD's *Arrangements on Guidelines for Officially Supported Export Credit*. However, major Western countries failed to stick to these guidelines. The Eastern European countries adopted shock therapy, particularly Russia, but they faced severe protectionist barriers from the EC under the European agreements. The CAP (Common Agricultural Policy of the EC) was not modified significantly. Most countries in the EC used anti-dumping measures against imports from Russia and imposed quota limitations for others. The tragic result has been that the domestic depressive shocks policed by the IMF and World Bank have largely led these countries up a blind alley.

There were not enough flows of foreign investments to the region either. Universal experience shows that an IMF-approved institutional and policy framework does not in itself generate substantial flows of foreign direct investments. UNCTAD's *World Investment Report* (1994) shows that institutional or policy orthodoxy was not a significant

determining factor. A list of important factors identified by UNCTAD was as follows:

- (1) Host country economic growth, especially growth outstripping population growth.
- (2) Size of the domestic market.
- (3) Degrees of regional integration.
- (4) High profit rates.
- (5) Highly skilled but low cost labour.
- (6) Improved infrastructure.
- (7) Low exchange rates.

These factors could not be present in an economy depressed due to shock therapy in a fragmented region. The experience showed that the whole of Eastern Europe and the ex-Soviet Union have attracted very small flows of foreign direct investment. On the other hand China, which had not followed the IMF's prescriptions and had failed to do such allegedly vital things as clarifying property rights and guaranteeing contracts, had attracted massive amounts of foreign direct investment. In 1992 alone, China attracted more foreign direct investment than the former Soviet bloc had for the years 1989–93. In 1996, China had received US\$34 billion of foreign investments, while Russia had received only US\$2 billion. China's institutional structure still is the type that Sachs set out to discredit in 1990 (UNCTAD, 1994, 1997). International experiences suggest that, if the COMECON region had remained integrated, if the shock therapy slump had been avoided and if an adequate trade-protection regime had been in place, foreign investment flows would be a significant contributor to growth. The shock therapy assumed that foreign direct investment flows would bring modern technology into production processes in East European and Russian economies. Empirical studies (OECD, 1994; UNCTAD, 1994) have confirmed that the existing foreign direct investment flows are principally 'market seekers'. Despite the overall collapse in purchasing power, there was a new market among the growing class of new-rich traders, entrepreneurs and professional people.

Effects on Domestic Fiscal Policies

The slump plunged most governments in the region into a deep fiscal crisis. That was a normal by-product of the decline, although it was made far worse by the shock therapy, which made no provision for tax

reforms and stronger administration. When the tax system was exclusively focused on the turnover of industrial enterprises, fiscal crisis was inevitable with the drop in production levels, where governments could not fund deficits by borrowing on domestic bond markets that were not there at all. Thus, deficit spending directly fuelled further inflations. The IMF had put pressures on the government to reduce spending, which deepened the slump and caused long-term damage to the social, administrative and economic infrastructure of the region.

The IMF used the slump as an instrument to provoke the state to open itself to foreign direct investments. Sachs himself has commented that, 'the sums transferred from Western public bodies have been derisory' (1995). Virtually all Western aid came in the form of export credits to Russian enterprises, with short periods of repayments, rather than in the form of grants and long-term loans to Russian budgets. Overall support from Western governments for the Russian budget, vitally needed for stabilization, has been essentially nil. In 1994, there was a near complete collapse of international assistance from governments on behalf of Russian reform (Sachs, 1995). Thus, the main assumption in Sachs' model was not fulfilled.

In a normal Western country, such a slump would lead to crisis management by the governments. During the recession in Western Europe in the 1990s, in 2008 and afterwards, the German, Italian, French, British and American governments provided massive targeted subsidies to the industries. In addition, credit conditions were eased and budget deficits were the norm. The Japanese government followed suit too during 1995–7, and recently since 2011.

However, for Russia, the IMF was opposed to that subsidy policy, and the World Bank blocked governments from restructuring and refinancing state-owned enterprises before privatizing them. They sought to emasculate national development banks that are so vital not only in Western Europe, where the European Investment Bank operates, but also in China. The IMF and the World Bank prohibited subsidies for agriculture where that sector had a serious decline because of lack of funds (Shah, 2013).

At the same time, EC companies were striving to capture ex-Soviet markets from their previous suppliers, particularly in the food sector. The experience shows that the policies prescribed by the shock therapy and the IMF and World Bank had not promoted flows of foreign investments. In 1996, even Burma had US\$6 billion of foreign investments, but Russia had only about US\$2 billion. This is because foreign investment follows growth. Foreign investors do not go to a country to develop

but to earn more profits. Naturally they will not go to a country with declining outputs; on the contrary they will, along with the domestic capitalists, leave that country. The situation in Russia had provoked such an outflow of investments. Since 1992 that outflow is roughly about US\$500 billion, far more than the total amount of foreign investments Russia had received from 1992 to 1996—about US\$4 billion. For China the figure was about US\$134 billion (Loukine, 1998; UNCTAD, 2012).

Japanese Proposals for Russian Reforms

There were a number of critics of the IMF-induced shock therapy programme. Even the former head of the IMF, Jacques de Larosiere, said that ‘the macroeconomic measures advocated by the IMF make no sense in an economy that still has rigid monopolized production and allocations ... In this environment, the price liberalization begun in 1992 only served to increase the monopolies’ profits and to impoverish the very population groups that expected so much from reform’ (de Larosiere, 2001). The Japanese Economic Planning Agency, headed by Noda Takashi, had recommended a number of proposals that are worth mentioning here (Economic Planning Agency, 1997).

Japan felt it was a lethal mistake to concentrate entirely on macroeconomic stabilization and especially to confine everything to it.

Shock Therapy was a measure that was able to produce only a short term and purely fiscal effect. If the state makes an active effort to influence the economy at the initial stage of reform in order to give an economic and political incentive to still weak, market mechanisms, selective credits would have to be extended to a limited number of companies. ...

In the matter of financial stabilization, priority should be given to expanding supply by increasing output. Otherwise economic activity in Russia would be reduced and any talk of progressive changes in the structure of production would become meaningless. Until the productive sphere has recovered, reform in the ex-Soviet states will remain infeasible. Contrary to the idea that worst structural shortages can be compensated by imports or large-scale outside economic help, Russian development should rely on self-help. (Economic Planning Agency, 1997)

The Agency suggested that some of the measures recommended by the IMF could be stopped or could be gradually carried out over several years. The main recommendations were as follows:

- (1) In early 1992, because of inflation and a tight monetary policy, the real value of financial assets decreased, producing an insolvency crisis in inter-company relations. Henceforth, credits and other forms of government aid should be more selective and distributed only to promising enterprises and companies or to those occupying a key position in the national structural policy.
- (2) Because the system of economic regulation is shaky, profits, including the monopoly producers' super-profits, are not used to update or increase the production of goods in short supply.
- (3) To break the inflationary spiral (wages-price-wages) the wage trend can be monitored and excess wages can be deterred by imposing excess wage tax.
- (4) Monopolization has penetrated the supply and trade networks; it can be combined with a more rapid privatization of retail trade and cartels can be prohibited and prices should be controlled strictly by the governments through anti-monopoly laws.
- (5) It should take several years to raise the prices of domestic fuel and energy which strongly affect other prices, to the level of world prices. A dramatic rise in energy prices is impractical. It would destabilize industries, consumer, prices, transportations and relations between Russia and other ex-Soviet republics. Foreign companies can take part but only if they reinvest most of their profits.
- (6) An avalanche-like privatization was futile. The emphasis should be on gradual de-monopolizations. It will take Russia considerable time to develop a capital market that enables stockholders to effectively control the management of firms. In the midst of economic disorder, which is widening the gap between the rich and poor. Voucher trading can cause an unfair asset distribution, and massive sales of vouchers may greatly increase the volume of money in circulation to increase inflationary pressures.
- (7) Thus prior to any further privatizations, Russia needs a horizontal (by plant) and vertical (by production stages) division of enterprises.
- (8) The enterprises that manufacture essential products but are loss-making units should be given financial and tax privileges. The state should regulate prices set by monopoly producers and encourage and facilitate the process by which new producers join monopolistic sectors.
- (9) Supervisory bodies should be created to monitor the management of privatized companies using information disclosed by them on an obligatory basis; controls should be in the hands of fiscal authorities as well.

- (10) For a certain period of time, sales of vouchers and stocks obtained in exchange should be prohibited.
- (11) There can be only small scale privatizations using auctions.
- (12) Lands should be transferred to private ownership, paving the way for family farming in the medium term. At the same time government must increase agricultural investments through cooperative farms who will take responsibilities such as agricultural machineries, shipping and transportations, fertilizers and finance. Anti-monopoly measures should be taken against the monopoly producers of fertilizers, agricultural machines, and other equipment. (Economic Planning Agency, 1997)

The report outlines fiscal and currency plans, which include raising interest rates to expected inflation rates; encouraging foreign currency savings; and improving customs and banking supervisions to eliminate illegal capital flight abroad.

The famous Japanese economist Okita Saburo maintained that the budget deficit should had been reduced, but not at the expense of damaging key industries. He cited cases where the Japanese government, during the reconstruction period of the 1950s, had allocated means for industrial developments without advertising the fact and the central bank had printed more and more Yen, thereby boosting inflation. Japan was able to curb inflation only after it had reached 60 per cent of the pre-war level—it had been about 30 per cent of the pre-war level immediately after the war in 1946. Focusing exclusively on the budget balance could result in a severe economic crisis and political chaos.

Russia had inadequate and obsolete fixed assets, therefore it should have formed regional economic zones by creating 'growth poles' and efforts should have focused on medium-term gains. Transportations, communications and power networks should have been established between the poles, and between the poles and their hinterlands.

Regarding foreign trade, Japanese economists called for an abolition of export taxes except in energy industries and raw materials exports (to fill the gap between the world prices and the domestic prices). Import taxes should have been maintained to secure state revenue and foster domestic industry. Undue haste to apply free trade principles might have had adverse effects. Liberalization of imports makes sense only when domestic producers become competitive on the world market. Foreign investments and developments of export-oriented productions in the free trade zones should have been encouraged by granting taxation privileges and providing adequate labour, infrastructure and other

favourable conditions. Zones of free enterprises require a certain environment, which cannot be created everywhere (Basu, 1996).

Differences between the Chinese and Russian Reforms

We have seen how the economy of new Russia after the introduction of reforms as suggested by the Western economists fell apart and millions were badly affected. After the economic crisis in 1998, when the Russian economy was on the verge of total collapse, some former members of the Soviet Gosplan, under the leadership of Yevgeny Primakov, took over the economy. Later, from 2001, Vladimir Putin started the re-nationalization of the core sectors of the economy. The Russian economy has been revived due to an almost state-controlled capitalism.

China has not suffered much, except for the initial years of the reforms—the Chinese workers particularly in the special economic zones. The reason is that China never went in for a capitalist economy as Yeltsin did from the beginning. There was no mass privatization in China, except that they allowed foreign companies to set up industries along with the Chinese private sector or the Chinese government as partners. The private sector in China was developed very slowly and was always in partnership with the government. China can be called a decentralized, socially-controlled economy. It is not a market economy, not even a ‘social market’ economy of German and Scandinavian style. China instead allowed local governments, municipalities or village committees to start industries with or without any collaboration with foreign companies. Thus, China’s private sector is not really private, but an extension of the government in liberal forms, where the important private owners are closely associated with the military or the Communist Party and private ownership is never 100 per cent. As the workers have very little freedom, and they are not involved in the management of the companies, a social market economy (Peacock and Willgerodt, 1989) does not exist in China. It is not a market economy either, because the private companies are not free enterprises. It is a state controlled decentralized economy.

Russia, in contrast, wanted a pure capitalist economy from the beginning, where most industries and mining resources, particularly in 1996, were initially privatized. Instead of foreign investments, there were and still are massive outflows of money from Russia depriving the economy of investments. Since 2001, mining resources, especially in the oil and gas sector, came back to the state sector.

In Russia, political reform in early 1992, when the Communist Party was banned, caused disaster for the economy. In China, the Communist

Party never lost its control. As a result, order not chaos enabled China to invite foreign companies to come to their country and produce. Instead, Russia started importing practically everything and its own industries declined rapidly. The reform in China was very gradual. It started in 1978, but only during the 1990s did China start to see the results (Naughton, 1996). In Russia, Yeltsin's government was in a great hurry and wanted to have a capitalist economy within a few months. This created chaos and ultimately disaster for the economy.

3

Chilean Revolution

Privatization was started in Britain in 1980 when the British Prime Minister at the time, Margaret Thatcher, declared her aim to roll back the public sector. Support came also from the USA in terms of deregulation in the Reagan era, despite the fact that the economy there has no major public sector organization, but only regulations of the private sector. In 1973, after the coup in Chile, General Pinochet implemented the same kind of programme. Although it was not called a 'reform programme', in nature it was possibly the first real 'reform' programme. This chapter analyses this structural revolution in Chile in terms of its social and economic effects.

Deregulations were declared as a virtue to make the organizations more efficient. The same idea was promoted for the developing countries by the World Bank and IMF as the 'structural adjustment reforms'; that is, to turn the economy into a complete market economy by removing all public sector so that the role of the government would be restricted only to the defence and maintenance of law and order. The liberalization process has the obvious objective to remove all barriers to free trade and, as a result, removed the measures to protect the domestic industries from unfair foreign competitions. These types of structural adjustment reforms were applied to a number of developing countries whenever they applied for any loans from the World Bank or IMF.

These programmes were implemented in Africa and Latin America at that time, in Eastern Europe after 1990 and then in all other developing countries. India had to adopt it after the 1991 financial crisis. There are a number of arguments against these privatizations or turning public sector organizations into private ones. The success of privatization is dependent on a number of factors.

Unfortunately, experience showed that it is not possible to privatize public utility companies efficiently. The normal outcome is to create private monopolies, which are highly inefficient. These monopolies can charge consumers very high prices to maximize their rate of profit and consumers are helpless to do anything about that. The abuse of natural monopolies is what happened in Great Britain after Thatcher privatized the public utilities. By 1987, public complaints over very high prices and reduced quality of services from the likes of British Telecom became all too apparent. The experience was the same for gas and electricity supplies. Private electricity companies created more power generators to compete with each other, but the result was a 70 per cent overproduction by 1995. Privatization of electricity killed Britain's coal industry. Companies began using gas for electricity generation, because it is a much cheaper raw material and creates more profit with no benefits for the consumers. By 1992, the British government had closed down most of the coal mines and 70 per cent of miners became unemployed.

The USA allows private ownership of natural monopolies. These organizations used to be price controlled and regulated by the government. When Congress deregulated these industries, the results were increased unemployment and rising prices for the consumers.

In the privatization of Russian enterprises the IMF and World Bank prescribed the 'voucher' system. Some 46 per cent of the (grossly understated) value went to the workers; 5 per cent went to the management; 29 per cent was sold at cash auctions; and the remaining 20 per cent was left in the state's hands. Most of the workers' shares were purchased by the elites who also purchased government shares by taking loans from the same government. Thus, very quickly almost all national assets, and most of the natural resources, were converted into private assets of the Russian oligarchs, some favoured politicians and officers of the government.

Plunders of national assets under the guise of 'privatization' and 'reform' occur all over the world. To understand the effects of the 'Reform Programme', one needs to look at Chile, the country that, in 1973, implemented most thoroughly every recommendation of the IMF and World Bank, making the programme a precondition for future loans to Chile. The IMF and World Bank had made similar conditions for other developing nations around the world, but none would implement their programme as thoroughly and completely as Chile did. Interestingly, the World Bank now holds Chile up as an example to be emulated by the rest of the developing countries and transitional economies. Thus, it is essential to examine the case of Chile to understand the effects of these reform programmes.

Privatization in Chile under Pinochet

Chile is the example of privatization long before it was implemented in any other developing countries during the 1980s, under the directions of the World Bank and IMF. Under the military regime of Pinochet the government privatized all enterprises in 1973 that were under state control previously. Until 1979, nearly all enterprises were controlled by private business—in 1980, only 25 companies belonged to the public sector. Many firms were sold at heavily discounted prices (Meller, 1991).

The privatization programme in Chile between 1985 and 1987 was the most radical project in a developing country ever. A second phase of privatization began in 1986, when a total of 33 state-run enterprises were sold. It was mainly service sector companies that were sold. Telecommunication and power supply companies, water purification units and steel mills were all privatized. From 1985 until 1990, more than one half of the foreign investments were transacted in shares of privatized firms by debt-equity swaps. The enterprises were in good financial condition. Thus, the privatization was ideologically motivated—the military government wanted a pure private economy.

The Recent History of Chile

In March 1975, a set of programmes were introduced in Chile, which became infamous as the ‘shock therapy’ (discussed in Chapter 2). The plan included a drastic reduction in the money supply and government spending, privatization of the public sector, deregulation of the private sector and free trade (Kangas, 1986; Meller, 1991).

The shock therapy caused unemployment to rise from 9.1 to 18.7 per cent between 1974 and 1975. The real national output declined by 12.9 per cent. However, from 1978 to 1981 the real national income grew by 6.6 per cent per year (Kangas, 1986; Remmer, 1989). The government removed, in the mean time, all restrictions on foreign investments. However, much of Chile’s growth was in the unproductive sectors such as marketing and financial services. Foreign speculative investors were attracted to Chile’s phenomenally high interest rates, which, at 51 per cent in 1977, were the highest in the world (Kangas, 1986; Remmer, 1989).

Chile’s economy experienced a serious decline because of its openness policy when, along with the fall of the commodity price and world recession, foreign investments declined and Chile had to pay out very high interest rates on its existing foreign debts. By 1983, Chile’s

unemployment rate became 34.6 per cent; manufacturing production was reduced by 28 per cent. The IMF offered loans but on strict conditions. Chile had to provide government guarantee for their entire foreign debt of US\$7.7 billion. These costs were financed by the already poverty stricken taxpayers through an austerity programme (Kangas, 1986).

So what was the record for the entire Pinochet regime? Between 1972 and 1987, the GNP per capita fell by 6.4 per cent. In constant 1993 dollars, between 1970 and 1989, Chile's total GDP grew by 1.8–2 per cent a year. That was slower than most other Latin American countries; and slower than its own record in the 1960s (Kangas, 1986; Corbo and Solimano, 1991). The standard of living for workers was devastated under the Pinochet regime. By all accounts, the average worker was worse off in 1989 than in 1970. During this period, the labour force's share of the national income fell from 52.3 per cent to 30.7 per cent (Kangas, 1986; Corbo and Solimano 1991; Sheahan, 1997).

By 1989, Chile's poverty rate was 41.2 per cent—one-third of the population was desperately poor. In 1970, the daily diet of the poorest 40 per cent of the population contained 2019 calories. By 1980 this had fallen to 1751, and by 1990 it was down to 1629. Furthermore, the percentage of Chileans without adequate housing increased from 27 per cent to 40 per cent between 1972 and 1988, despite the government's boast that the new economy would solve homelessness (Kangas, 1986; Meller, 1991; Solimano, 1992).

Meanwhile, the richest 20 per cent of society enlarged their share of the pie at everyone else's expense.

Chile's income inequality also became the worst on the continent. In 1980, the richest 10 per cent took in 36.5 per cent of the national income. By 1989, this had risen to 46.8 per cent. By contrast, the bottom 50 per cent of income earners saw their share fall from 20.4 per cent to 16.8 per cent over the same period. Oligopolies rapidly formed in virtually every sector.

Widespread unemployment reduced the wage levels. During the crisis of 1975, the unemployment rate hit 18.7 per cent—easily the worst in all Latin America (Kangas, 1986; Solimano, 1992; Yotopoulos, 1989).

Chile's Privatized Pension Scheme

The privatization of the public social security system is one of the most heralded 'successes' of the economic 'miracle' in Chile, as generated by the IMF and World Bank (Barrientos, 1993; de Mesa and Mesa-Lago,

2006). The recent goal of the IMF and World Bank is to have ‘pension reforms’, for all developing countries. Even in the USA efforts are under-way to follow the Chilean pension system.

The basic features of this pension system are:

- Employers do not have any responsibility for their employees’ pensions.
- Employees are required to contribute 10 per cent of their income to their pensions.
- Self-employed people are required to contribute according to their self-declared income.
- All contributions are invested in the stock market, thus the workers take full responsibility of the ups and downs of the market.

This scheme has given a boost to the stock market, employers are relieved of their obligations and it was declared by the IMF and World Bank to be a miracle plan.

What are the consequences so far? For the working people of Chile, for whom the pension system is designed, it is a disaster in the making (Basu and Miroshnik, 2012a). According to SAFP, the government agency, which regulates the private pensions, 96 per cent of the workers were covered by private pensions in 1995, but 43.4 per cent of them could not add to their funds. Perhaps as many as 60 per cent are unable to contribute regularly, but regular contributions are needed to receive full benefits (Barrientos and Boussofiane, 2005; Iglesias-Palau, 2000; Kangas, 1986). By 1988, only 25 per cent of the Chilean workforce was contributing enough to receive the programme’s minimum benefits—US\$1.25 a day! Thus, the net effect has been to deprive the workers of any pensions at all (Kangas, 1986).

For the majority of Chileans, almost 75 per cent, the new system does not mean progress. Low-income workers or the frequently unemployed in particular can hardly afford necessary payments for an adequate pension (Solimano, 1992; de Mesa and Mesa-Lago, 2006; Basu and Miroshnik, 2012a). The authorities realized that, given Chile’s poverty rate of 21 per cent, some workers would never be able to save much toward retirement (Basu and Miroshnik, 2012a; Riumallo-Herl, Kawachi and Avendano, 2014). Almost half of the workforce isn’t covered by any pension system, according to government statistics. These are mostly independent contractors and workers in the informal economy. They can make voluntary contributions to the system, but almost none do because their incomes are so low.

Unfortunately, all developing countries, including India, are compelled by the IMF and World Bank to adopt the Chilean revolutionary pension system, as a part of the government financial discipline to deprive the employees of any state pension, thus reducing their status to the level of the workers of the informal sectors of the economy.

The Result of Privatization

In 1973, the year General Pinochet seized the Chilean government from elected President Allende, the country's unemployment rate was 4.3 per cent. In 1983, after ten years of liberalization under the supervision of the IMF and World Bank, unemployment reached 22 per cent. In the meantime, during the reform programme, real wages declined by 40 per cent.

In 1970, 20 per cent of Chile's population was in poverty as the result of the reform programme (Basu and Miroshnik, 2012a). By the time 'President' Pinochet left office in 1990, the percentage of the population classed as destitute had doubled to 40 per cent (Meller, 1991; Remmer, 1989). However, Pinochet did not destroy Chile's economy all by himself. He was helped by the world's most exceptional academics and nine years of their hard work. Encouraged by these academic theories, the General put an end to the minimum wage, criminalized trade union bargaining rights, privatized the pension system, revoked all taxes on wealth and business profits, cut public employment, privatized 212 state industries and 66 banks and ran a fiscal surplus (Basu and Miroshnik, 2012a).

Liberalized from government controls, taxes and trade union rules, the country took a giant leap forward—into bankruptcy and depression. After nine years of experimenting with the reform programme, Chile's GDP had declined by 19 per cent. It was a pathetic failure, yet it was praised by President Reagan, Milton Friedman and Art Laffer as being 'a showcase of what supply-side economics can do' (Palast, 1998; Skousen, 1997; Basu and Miroshnik, 2012a). Western advisers persuaded the military government that removing restrictions on the nation's banks would free them to attract foreign capital to fund industrial expansion. Pinochet sold off the state banks—at a 40 per cent discount from book value—and they quickly fell into the hands of two conglomerate empires controlled by speculators Javier Vial and Manuel Cruzat (Angell, 1982; Sigmund, 1983). From their captive banks, Vial and Cruzat siphoned cash to buy up manufacturers; then leveraged these assets with loans from foreign investors. The banks' reserves filled with hollow securities from connected enterprises. By 1982, the Vial and

Cruzat *Grupos* defaulted. Industry shut down, private pensions became worthless and the General restored the minimum wage and unions' collective bargaining rights. Pinochet, who had previously decimated government ranks, authorized a programme to create 500,000 jobs. To save the nation's pension system, Pinochet nationalized banks and industry on a scale unimagined by the previous government of Allende. The General expropriated at will, offering little or no compensation. While most of these businesses were eventually re-privatized, the state retained ownership of one industry—copper.

The introduction of free market policies in 1975 initially resulted in a shock-induced depression. Consequently, national output fell by 15 per cent, wages went down to one-third below their 1970 level and unemployment rose to 20 per cent. This meant that, in per capita terms, Chile's GDP only increased by 1.5 per cent per year between 1974 and 1980: considerably less than the 2.3 per cent achieved in the 1960s. The average growth in GDP was 1.5 per cent per year between 1974 and 1982, which was lower than the average Latin American growth rate of 4.3 per cent and lower than Chile's 4.5 per cent in the 1960s. Between 1970 and 1980, per capita GDP in Chile grew by only 8 per cent, while for Latin America as a whole it increased by 40 per cent (Corbo, 1985; Hojman, 1993).

In 1982, after seven years of free market capitalism, yet another economic crisis faced Chile. In terms of unemployment and falling GDP, this was even greater than that of the awful shock therapy of 1975. In 1983 there was a dramatic drop in real wages, which fell to 14 per cent below what they had been in 1970 (Rayack, 1986). Bankruptcies skyrocketed, as did foreign debt. By the end of 1986, GDP per capita barely equalled that of 1970. Inflation was reduced during the Pinochet regime, from around 500 per cent at the time of the CIA-backed coup, to 10 per cent by 1982, to 87 per cent in 1983. 'The Chilean business community, which strongly supported the coup in 1973, was badly affected' (Ffrench-Davis and Marfan, 1988). The result was that many local firms lost out to multinational corporations. However, according to Rayack (1986), the worse hit group was the working class, especially those in urban areas. By the third year of junta rule—1976—real wages had fallen to 35 per cent below their 1970 level; rising to 97.3 per cent of the 1970 level in 1981, only to fall again to 86.7 per cent by 1983. Unemployment, excluding workers involved in state-organized work programmes, was 14.8 per cent in 1976, falling to 11.8 per cent by 1980 and rising to 20.3 per cent by 1982 (Rayack, 1986). By mid-1983, unemployment (including government make-work programmes) rose

to a third of the entire labour force. By 1986, per capita consumption was 11 per cent lower than it was in 1970 (Corbo, 1985; Corbo and Solimano, 1991).

Between 1980 and 1988, the real value of wages grew only 1.2 per cent, while the real value of the minimum wage declined by 28.5 per cent. During this period, urban unemployment rate averaged 15.3 per cent per year. In other words, after nearly 15 years of free market capitalism, real wages had still not exceeded their 1970 levels.

The law was also changed at this time to reflect the power property owners have over their 'wage slaves' and the 'total overhaul of the labour law system which took place between 1979 and 1981, aimed at creating a perfect labour market, eliminating collective bargaining, allowing massive dismissal of workers, increasing the daily working hours up to twelve hours and eliminating the labour courts' (Chomsky, 1993).

Little wonder, then, that this favourable climate for business operations resulted in generous lending by international finance institutions. One should note that the IMF and World Bank still insist upon the 'labour reforms', which are exactly the same as implemented by Chile with devastating results.

The consequence of Pinochet's policies 'was a reduction of demand, since workers and their families could afford to purchase fewer goods. This posed yet another obstacle to economic growth and led to increased concentration of income and wealth in the hands of a small elite who were protected from the devastating effect of the Shock Therapy' (Arellano, 1988).

'It is the increased wealth of the elite that we see the true "miracle" of Chile' (Chomsky, 1993). Per capita consumption fell by 23 per cent from 1972 to 1987. The proportion of the population below the poverty line (the minimum income required for basic food and housing) increased from 20 per cent to 44.4 per cent from 1970 to 1987. Per capita health care spend was more than halved from 1973 to 1985, setting off explosive growth in poverty-related diseases such as typhoid, diabetes and viral hepatitis. On the other hand, while consumption for the poorest 20 per cent of the population of Santiago dropped by 30 per cent, it rose by 15 per cent for the richest 20 per cent (Chomsky, 1993).

Since Chile has become a democracy, some movement towards economic reforms have begun and been very successful. Increased social spending on health, education and poverty relief lifted over a million Chileans out of poverty between 1987 and 1992. So, for all but the tiny elite at the top, the Pinochet regime of 'economic liberty' was a

nightmare. Economic liberty only seemed to benefit one group in society, an obvious 'miracle'. For the vast majority, the miracle of economic liberty resulted, as it usually does, in increased poverty, pollution, crime and social alienation. The irony is that many right-wing 'libertarians' (President Yeltsin and Putin are the examples) point to Chile as a model of the benefits of the free market.

Comments

Chile provides a real example of where free market reforms and privatization took place long ago in 1973 and continued for a prolonged period. The IMF and World Bank are still promoting exactly the same type of policies, which were applied to Chile after the coup of General Pinochet in 1973. The economic programme of Chile became the well-known shock therapy, used also in the Soviet Union and other East European countries after the fall of the socialist system in 1991. For the developing countries the IMF and World Bank termed these economic policies 'structural adjustment reforms', but the contents are the same. The basic instrument is privatization.

The experience of Chile shows very clearly that the efficiency of an organization cannot be enhanced by transferring it from a public to private ownership. If a public sector organization does not work efficiently it is essential to look at the reason. It can be due to lack of continuous investments, innovations, lack of new product developments, corruptions, militant trade unionism or theft. A private sector organization can suffer from the same defects and can decline or go bankrupt. There are many examples of successful public sector organizations and inefficient private sector organizations, and vice versa. The recent experiences of Enron and WorldCom show that there is no shortage of corrupt private sector organizations either. A change in the ownership is no substitute for detailed analysis of the cause of the inefficiency and remedial actions. Only a mentally lethargic doctor will take the option of killing the patient to cure the disease. It is unfortunate that the developing countries are forced to take that fatal option.

4

Globalization and the Philosophy of Life in India

This chapter analyses the fundamental issue that, while the purpose of the globalization process is to shift the economic advantages to a minute part of the society, ignoring the vital interests of the majority, the question of desirability was never answered by the proponents of the Economic Reform programme. If a country's culture and heritage does not accept the fundamental philosophy of the 'new international business order', the resultant discontent can, over the course of time, disrupt and destroy the economic system. This chapter shows that the relationship between culture or the philosophy of life of a country and its economic and social system is important for all nations, Eastern and Western.

East versus West: A False Western Idea

Some fundamental differences between the East and the West have been highlighted by numerous Western writers, meaning that these two different civilizations can never be compared equally. According to Guy Sorman in the Project Syndicate, three major characteristics separate the East from the West: innovative nature, self-criticism and gender equality. Sorman claims that the East cannot innovate but are instead dependent on the West for all scientific innovations. He argues that the East cannot criticize or deny the concept of a God and that there is discrimination against the women in these countries (Sorman, 2008). A number of Western intellectuals have expressed similar views. Paul Krugman, professor of economics in Harvard, recently wrote that the Eastern people, including the Russians, couldn't innovate but depend on the West for every scientific innovation (Krugman, 1994). US politician James Schlesinger has also written

articles arguing that the concept of 'human right' is solely European and that it is an alien concept in many Asian civilizations (Schlesinger, 1993). Geert Hofstede, the management guru wrote in his very well known book *Cultures and Organizations* (1991) that the cultures of both South Asia and East Asia are authoritarian and closed, whereas the Western culture is democratic and open.

What is East and What is West?

The first problem is that there is no proper boundary of Western and Eastern civilizations. Where exactly does the East start, if the Arab world is the 'Middle East'? If it starts from Constantinople (now Istanbul), a fusion of Greek, Roman and Armenian civilizations, then Greece itself is also a part of the East, as the Greeks do not consider themselves to be Western. The Hindu deity Mitra was the principal God in the Persian, Roman and Byzantine empires before the 4th century. Ancient temples of Mitra still exist in both Armenia and in Britain, which was a colony of the Roman Empire.

Innovations

Even before the birth of Gautam Buddha there was a great university in Taxila. After Buddha's death, several universities were formed in Nalanda, Ujjain, Vikramshila and Paharpur, which received scholars from China, the Arab world and South-East Asia, until their destructions by the Turkish invasion of India in the 12th century. The oldest surviving university of the world today is in Cairo.

Since the days of the invasion of India by Alexander the Great until the Arab invasion in the 7th century, Afghanistan had Indo-Greek kingdoms that created a fusion of all knowledge from three great civilizations—India, Persia and Greece. In the 7th century, Baghdad became the world's reservoir of knowledge, until it was destroyed by both the Turkish and the Mongol invasions from the 9th century onwards. Scholars from India were invited to go there and translate books of Indian mathematics and sciences from Sanskrit to Arabic. Several Arab scholars, including Al Beruni and Iban Batuta, also travelled to India searching for knowledge.

Modern development of science and mathematics in Europe started in Italy in the 14th century, when Italian and Armenian traders transmitted the knowledge of India translated by the Arab scholars in Baghdad and Constantinople. Thus, much of what is considered to be Western is

nothing but recycled Eastern knowledge; that is particularly true about inventions in science, technology and mathematics.

That was the reason the East India Company, when it first came to India and China, had nothing new to offer Asia until the industrial revolution was started in Britain by Scottish scientists with money that had flooded in from the exploitation of Bengal. However, even then, the East had made major contributions to 19th century science, which was not acknowledged by the West. Radio transmission, for example, was first invented and demonstrated by J.C. Bose in Calcutta, India in 1896 and in London in 1897 but was copied by Marconi who got all the credit. That was also true of Copernicus who merely repeated the discovery made by Arya Bhatta in 4th century India. Thus, innovations and inventions are not only down to the West.

Self-Criticism

Self-criticism is the fundamental aspect of Indian philosophy. Thousands of years ago in the *Rig Veda*, the Hindu religion's most influential book—and the first book composed in the Indo-European language group—it was written: 'Only that God in highest heaven knows whence comes this universes. He only knows or perhaps he knows not' (Book 10, Verse 129).

Continuous criticism of existing ideas was the foundation of Indian philosophy. Materialism was not created by Hegel and Karl Marx; it was already there in the 7th century BC philosophy of Brishaspati, Kapil and Kanad in India. They, together with Gautam Buddha and Mahavir, denied the existence of God, almost 2600 years before Nietzsche did. Zorathustra denied the existence of Mitra, considered to be the God in ancient Persia, and revolutionized religious ideas. Thus, self-criticism is not an exclusive Western virtue.

Gender Equality

Gender equality was not a Western virtue either. Women had been denied even the basic right to education until the mid-19th century in the West and did not gain civil rights, even in Britain, until 1928. However, in ancient India, one of the seven stars of Ursa Major is named after a famous astronomer of ancient India, Arundhati. *Rig Veda* mentions the three female influential philosophers of ancient India: Lopamudra, Gargi and Maitreyi. These women challenged their philosopher husbands and other scholars in open debates. Gender equality was a part of ancient India, but not of the West.

Although the examples given here are mainly from India, similar examples can be drawn from other Eastern civilizations, including China, Japan, Iraq and others. Thus, the distinguishing virtues of Western civilizations are not unique; these were also prominent in Eastern civilizations. The only way one can distinguish the East and the West is through geography—not through culture, race, colour or any other attributes.

Globalization and the Indian View of Life

Since 1991, India has adopted the so-called Economic Reform policy, designed by the World Bank, IMF and WTO. The purpose of these organizations is to create a worldwide market system in which the multinational companies can freely invest, relocate and redesign the host economies to maximize their profits. This is commonly defined as the globalization process, which, according to the Western media, is now all-pervasive. No country can escape from its embrace. Thus, every country needs to reshape its national priority and accept a subordinate role by giving up some parts of the national sovereignty.

Whether it is sustainable or desirable is questionable. If a country's culture and heritage do not accept the fundamental philosophy of this 'new international economic order', the resultant discontent can, over time, disrupt and destroy the system.

Philosophy of Globalization

The philosophical basis of the globalization process is the philosophy of capitalism; that is, the utilitarianism of Bentham (1843), James Mill (1824), John Stuart Mill (1865) and other writers. The idea is that maximization of self-interest is the rationalism. Individuals, while maximizing selfishly their own interests, maximize the combined social welfare of the society; the process was explained as the 'invisible hand of the market' by Adam Smith (1887). This virtue of self-interest is the motive force of capitalism and is the so-called 'Protestant ethics' (Weber, 1930). The ideas of the modern-day economists—the high priests of globalization—are not any different from their 18th and 19th century predecessors.

According to Bentham (1843), 'What is good is pleasure or happiness... therefore, one state of affairs is better than another if it involves a greater balance of pleasure over pain'. John Stuart Mill (1865) said, 'Pleasure is the only thing desired; therefore pleasure is the only thing desirable'.

General happiness that results from these pursuits of pleasures is the effect but not the intention. All human actions are based on self-preservation and self-interest. Selfishness is a virtue that leads to economic prosperity. In the pursuit of profit maximization, resources are allocated by the producers only to satisfy demand, so that the most efficient production systems are used and costs are minimized. It satisfies consumers to receive high quality goods at the lowest possible cost. Economic growth depends on acquisitive actions, therefore self-serving behaviour is justified. To enhance economic growth, the state should intervene as little as possible, limiting its input to the defence and judicial system, leaving everything else to the spirit of free enterprise. This laissez-faire doctrine was propagated by the originators of modern Western economics, David Ricardo and J.B. Say. It was then further decorated, using mathematical tools, by Jevons, Marshall, Knight, Walras and, very recently, by Milton Friedman and Robert Lucas (Blaug, 1986, 1997). Although the society has changed and the 'perfect competition', as imagined by Adam Smith, is no longer a reality in the days of monopolistic markets of big multinational corporations, the argument remains the same. The idea is that capitalism, left to its own devices, can recover from any crisis and public intervention can only make things worse. Thus, all public actions are nothing but distortions to the system, which must be minimized so that the multinational companies can pursue their self-interests freely, in order to maximize the interest of the world economy.

The efficiency of the market is to satisfy a demand that can only be created by people who can afford to create demand. The market rejects those who cannot. As prices are determined by the monopolistic multinational companies, the number of people rejected by the system cannot be determined by national government policies. For countries experiencing poverty, the number of those rejected can continue to increase, thus producing an expanding army of the so-called 'underclass', who exist in large numbers even in the developed countries (Basu and Miroshnik, 2009).

Although India and the developing world, along with the former socialist countries since 1991, have adopted such ethics, whether the society and its cultural basis in these countries can accept it is questionable. In India, for example, the idea of Bentham was known to Raja Ram Mohun Roy, the father of the Indian renaissance in the 19th century, but was ignored. It was mocked by the famous 19th century writer Bankim Chandra Chattopadhyaya as being 'the philosophy of the stomach' (Chatterjee, 1986). Whether or not the doctrine of selfishness

as a virtue can be acceptable to the Indian culture, which is based on renunciation and selfless work, is debatable. The issue is the same for other cultures as well.

An Economic Policy for India

The common Indian view of life is that the personal life of an individual is ultimately subject to the same universal law as of all nature. The fundamental principle is the 'theory of karma', which says that each action eventually causes a certain effect. Everything in nature, from abstract thought to practical action, is determined and directed by this law. Man sets himself the goal of freeing himself from the bondage of nature. The meaning of man's life, according to Indian culture, 'is the awareness of the soul to its bondage and its efforts to stand up and assert itself' (Rolland, 1944).

The message from Krishna in *Bhagavad Gita* is that this freedom can only be achieved by karma yoga or selfless work and gnana yoga or pure knowledge (Ch. 3, Verse 3; Swami, 1983). Karma yoga recommends working for the sake of the task itself, not for the fruits of the labour. Work without pay, absence of attachment to the result, generally to the point of complete disregard for one's personal interest, and complete selflessness is the karma yoga. This is essentially opposite to the philosophy of globalization, that is, 'utilitarianism'. As Aurobindo (1947) further explains, the principal contradiction of human life is that between the individual and society, or aggregate, the essence of ideal law of human development demands that the individual should harmonize his or her life with the life of the social aggregate. Individualism, the ideal of Western culture, propagated by the globalization process, does not correspond to the ideal view of life according to this universal law of nature.

Economic Reform Policy and the Indian View of Life

Following the basic philosophical premise that the universe is subject to the action of identical universal laws, Vedantic philosophy, according to Vivekananda (1946a), says that 'Society develops cyclically. With each cycle, society rises to higher and still higher stages achieving more and more perfection'. Vivekananda divided the whole of Indian society into two classes: the rich (the upper class) and the poor (the lower class). The lower class, the Sudras or the workers are the people, the masses; the future is theirs. 'The only hope of India was from the masses, for the

upper classes were physically and morally dead' (Vivekananda, 1946b). The world at present is being ruled by the merchant class. However, the supremacy of the merchant class will come to an end. In future, 'the supremacy of the workers must emerge. Under it, just distribution of material values will be achieved, equality of the rights of all members of society to ownership of property will be established and caste differences will be obliterated' (Vivekananda, 1946a).

Vivekananda did not specify how this can be achieved. However, he has mentioned the nature of that ideal state in the future.

If it is possible to form a State in which the knowledge of the priest-period, the culture of the military, the distributive spirit of the commercial and the ideal of equality of the last (period of the workers) can all be kept intact, minus their evils, it will be an ideal State. (Vivekananda, 1946b)

The first three periods, according to Vivekananda, have already occurred for the world and now the time has come for the fourth (Vivekananda, 1946b).

In order to achieve this ideal state, according to Vivekananda, one must understand the causes of the downfall of the colonized world. The causes are perversion of religion, tyranny towards the masses, absence of due education and instructions, underestimating the role of women and physical and spiritual weakness and inertia (Vivekananda, 1946b; Organ, 1970). Down the centuries, the rulers and the dominant castes neglected the interests and the lot of the simple people, and that was one of the greatest social evils. Without support of the lower class, there should be no question of serious reforms. Highly developed production and material well-being cannot by themselves make man happy if 'spiritual civilization' is low.

Capitalism concentrates wealth in the hands of the few. The capitalist class control today is justified in the name of economic growth and production efficiency. The deprivation that results is visible even in the developed countries. In the USA, about 12 million people are homeless. One-third of US citizens cannot afford even primary health care. Some 17 per cent of the children live below the poverty line. About 23 per cent of the people are functionally illiterate. There are no securities of either job or of life. As Albert Einstein explained:

The United States is fortunate in producing all the important industrial products and foods in her own country, in sufficient quantities. The country also possesses almost all important raw materials. Because of

her tenacious belief in 'free enterprise' she cannot succeed in keeping the purchasing power of the people in balance with the productive capacity of the country. For these very same reasons, there is a constant danger that unemployment will reach threatening dimensions (Einstein, 1948)

Individualism, the ideal of Western culture, propagated by the globalization process, does not correspond to the ideal view of life according to this universal law of nature. Thus, capitalism has so far failed to maximize social welfare through the maximization of the individual's profit. The resultant discontent will grow substantially due to the globalization process, which will intensify deprivation in the pursuit of efficiency across the globe.

Art and Culture of a Globalized Society

There is an ongoing debate, along with that on globalization, on the concept of the freedom of expression. Is it a natural expression of an artist or a deliberate conspiracy to destroy what is decent and to impose a counter-culture as modernity?

Modern abstract art was said to have been first created by the Russian artist Malevich. His objective was to free art from narratives. A synthesis of geometric forms and the spirituality of icons were meant to eliminate the subject in favour of the pure painting.

All past and recent painting before Suprematism (as sculpture, verbal art, music) has been subjugated by the shapes of nature, waiting to be liberated, to speak its own language, independent of reason, common sense, logic, philosophy, psychology, laws of causality, and technological changes. Malevich in From Cubism to Suprematism, 1915, (Bowlt, 1988).

Subsequent abstract artists—whether Duchamp or Picasso or Pollock—all derived their ideas from Malevich's view that behind the world of appearances there is a higher reality. Art serves as a vehicle in the communication between realities. The purpose of the modern artists, who have deviated from the traditional expression, as demonstrated by the works of Turner, Manet, Picasso, Greco and Van Gogh, is to express differently in order to capture these realities. However, still their main purpose has been to create beauty, because art is an expression of beauty.

If there is no beauty in a creation, there is no art. Culture should not promote anything that is disgusting. Art as an expression of culture also must not include the repulsive. Thus, what is the origin of a bizarre

form of art that can create only shocks and horrors but not any appreciation because it is devoid of any beauty? Is it a product of a cultural war designed to destroy European classical culture and replace it with a culture of perversity? Would it create a culture of perverse conformity and abnormal sensual gratification in the name of creativity? What link does this doctrine have with globalization?

The high priest of this doctrine is the British philosopher Bertrand Russell. Russell wanted to create a world government dominated by the Anglo-Americans through terror of nuclear weapons. He wrote a book in 1951, entitled *The Impact of Science on Society*, describing his idea about the future society and its culture.

The subject which will be of most importance politically is mass psychology. Social psychologists of the future will have a number of classes of school children on whom they will try different methods of producing an unshakable conviction that 'snow is black'. The opinion that 'snow is black' should be treated as a morbid taste of eccentricity. This science will be rigidly confined to the governing class. The populace will not be allowed to know how its convictions were generated. (Russell, 1951)

One of Russell's ideas was to control the population of black-brown races. His solution was that, 'A bacteriological war may prove more effective. If a black death could spread throughout the world once every generation, survivors could procreate freely without making the world too full' (Russell, 1951).

Russell became the chairman of the Congress for Cultural Freedom, an organization created by the secret services of the USA and the UK to spread the appropriate culture with the help of a galaxy of Anglo-American literary and journalistic circle. Writers Stephen Spender, George Orwell, Arthur Koestler, Malcolm Muggeridge, Kingsley Amis and Edward Shills, along with artist Jackson Pollock, sculptor Henry Moore and India's Jayaprakash Narayan were enlisted to serve this purpose—to create a world opinion that snow is indeed black.

The magazines *Encounter* in London and *The Quest* in India were directly funded by the British secret services through the Information Research Department of the British Foreign Office, managed by Richard Conquest who was at the time an MI6 officer and is now a Professor in Stanford University's Hoover Institute.

The Philosophy of Modern Music, a book written by Theodor Adorno (1973) gives us the design of that psychological warfare against classical high culture. According to Adorno (1973):

all forms of beauty had to be purged. Instead there should be a steady cultural diet of pop music and other degenerate forms of mass culture which over time would trigger various form of mental breakdown on a mass scale.

Adorno was teamed up with Aldous Huxley to propagate the use of brainwashing and psychotropic drugs to create 'concentration camps without tears'. His friend Christopher Isherwood promoted Berlin's Weimar culture of drugs and perversion. Herbert Marcuse promoted the counter culture of the 1960s. *Philosophy of Modern Music* is intended to produce a society of necrophilia through perversion of music, art and culture.

Adorno and his co-authors narrated the method suggested by Russell to brutalize the flock of human beings into a sheep-like psychological impotence in their book *The Authoritarian Personality* (1964). For them 'fear and destructiveness are the major emotional sources of fascism. Eros belongs to democracy'.

Meyer and Steinberg (2004) wrote:

Eros was the weapon used by these members of the Congress for Cultural Freedom and the entire intellectual class in the Anglo-American and Western European world to transform Western culture towards an erotic, perverse system which promotes drug abuses, sexual perversions and glorification of violence.

The ultimate aim was to tear down civilization by turning out generations of necrophiliacs for whom idealism is subversive, social consciousness is irrational, religion is outdated and public services must be eliminated altogether to make room for a reformed efficient economy where only those who are rich and successful should be promoted and those who are poor should be removed to the Special Economic Zones and would be classified as underclass (Coleman, 1999; White, 1980).

In 1952, Congress for Cultural Freedom organized a grotesque modern art and sculpture exhibit in Paris from the Museum of Modern Art of New York. In 1955 it organized the Young Painter's exhibit in Rome and in 1960 a European show of abstract impressionism, which expressed mental schizophrenia and counter-culture through art and literature. Leading members of the CIA, Allen and John Foster Dulles and George Kennan have supported both the Museum of Modern Art and the Congress for Cultural Freedom through front organizations like the Fairfield Foundation, the Rockefeller Foundation and the Ford Foundation. C.D. Jackson, special adviser to President Eisenhower on

psychological warfare, assisted them. They together have advocated the concept of 'post-industrial society', a perfect vehicle to promote drug, rock and sex infested counter-culture to breakdown all idealism, which is against the promotion of the free enterprise efficient economy (Meyer and Steinberg, 2004).

The promotion of degenerate art, drugs, sex and rap music with foul language created an atmosphere in which a cultural person in the classical sense would be considered as uncultured. Using counter-culture as the opium, it would be possible to control the psychology of the population so that any person promoting decency and morality would be called a 'fanatic lunatic Hindu saffron brigade' by those who really think that 'snow is black' (Basu, 2007a). That is the reason why many of the English-speaking journalists of India are supporting this perverted art. They are proving what Russell wrote in 1951 that, 'it may be hoped that in time anybody will be able to persuade anybody of anything if he can catch the patient young and is provided by the state with money and equipment'.

The real purpose of the counter-culture was to promote what was generally thought to be disgusting as modern artistic expression and to hypnotize the general population so that they are deprived of any social and ideological purpose to life but would consider these well-known slogans of the reformed economy: 'lust is the origin of our birth', 'pleasure is the only thing life deserves', 'greed is good, greed motivates people to achieve' and 'competition not cooperation brings efficiency'. What was the impact of the British Raj on India? Rabindranath Tagore wrote in his essay *Crisis of Civilization* (1950) that:

Rudely shaken out of my dream I began to realize that perhaps in no other modern state was there such hopeless dearth of the most elementary needs of existence. And all the time before our eyes Japan has been transforming herself into a mighty and prosperous nation. I have also been privileged to witness the unsparing energy with which Russia has succeeded in steadily liquidating ignorance and poverty wiping off the humiliation from the face of a vast continent. I cannot help contrasting two systems of governance: one based on cooperation and the other on exploitation. Thus, while these other countries were marching ahead, India smothered under the dead weight of British administration lay static in her utter helplessness.

However, today, in India, in the reformed economy exploitation has been accepted as the means to progress by driving out poor farmers

from their mud huts to make room for the large corporations to create Special Economic Zones. Cooperation became a dirty word spoken only by those ignorant Hindus who have not received American education. Swami Vivekananda asked us to say with pride that the poorest Indians, wretched Indians and illiterate Indians are our brothers. However, the high priest of modernity, British philosopher Bertrand Russell, had a different prescription for those poor inferior dark-skinned social outcasts of the modern society; he suggested their elimination so that the efficiency of the market system would not be disturbed (Russell, 1922). In Sweden, sterilization of people with mental health problems was a common method right up until 1970.

Colin Powell, the former national security adviser to President Bush, recently proclaimed the supremacy of the American culture and declared openly that the USA will not allow any alternative system to flourish. However, the question is what kind of American culture does he promote? (Kurečić, 2011). It is not the high American culture of people such as Emerson, Whitman or Mark Twain that was strongly influenced by Raja Ram Mohan Roy and messages of Upanishad. Neither is it the high European culture of Schopenhauer, Gothe, Voltaire and Kant. This new American culture has its roots in the Kulturkampf of Berlin of 1950 and Congress of Cultural Freedom of 1951, promoting degeneracy as modernity. Whatever is disgusting should be considered as ultra-modern artistic expression. For them snow is indeed black and anyone who would protest should be called uncultured.

India came late to this picture. Before 1985, India was still trying at least as a slogan to pursue the 'socialistic pattern of society', when vulgarity was not considered to be modern. However, since 1991 when India introduced economic reforms, cultural reforms became the order of the day. An efficient market system, as opposed to the planned socialist economy, demands maximization of self-interest, which, according to Adam Smith, through the invisible hands of the market creates the rational efficient outcome. However, glorification of selfishness is opposed to the spirit of humanism.

Roman philosopher Cicero (106–43BC), promoter of classical humanism, wrote in his book, *De Natura Deorum* (Nature of the Gods):

In the heavens there is nothing arbitrary, nothing out of order, nothing erratic. Everywhere is order, truth, reason, and constancy. The orderly motion of the stars, which is constant through all eternity, cannot be attributed to natural processes alone. It is the expression of an inward purpose.

(Cicero, 1896)

The inward purpose is explained in Hinduism and Buddhism as pure action devoid of any desire.

Rabindranath Tagore, in his letter to the German philosopher Rudolf Eucken on 1921, explained it further:

there are three ways of realizing the infinite: through knowledge, through love, and through action. Their respective paths are philosophy, religion and science. But owing to the distraction of selfish passions and want of detachment of spirit men almost everywhere have missed the chance and brought upon us continual series of disasters.

While selfishness is the virtue of the market system, it is driving the spirit of humanism away from the people and promotes a rootless culture, although art in the classical culture is the expression of beauty not an expression of an ill mind intoxicated with vulgar manifestation of counter-culture. What Roman Rolland said in 1934 is still true:

‘Appeal to life against those ravages of humanity: the forces of money drunk with gold, the dictatorship of great companies drunk with blood’, because counter-culture in the name of modernism is against humanism. We should remember the message of Rabindranath Tagore (1950) once again:

A day will come when unvanquished Man will retrace his path of conquest, despite all barriers to win back his lost human heritage. By unrighteousness man prospers, gains what appears desirable, conquers enemies but perishes at the root.

Counter-culture and vulgar expression in the name of art is the ingredient of a rootless society based on mindless efficiency of the market system.

Increased Poverty during the Reformed Period

The economic reforms have contributed to increased poverty and economic inequality in India. First we need to examine the impacts of the economic reform on the extent of poverty. According to the NSS (National Sample Survey) in 1983, while 45.6 per cent of the rural population was below the poverty line, the incidence of poverty in urban areas was around 40.8 per cent. The overall incidence of poverty for the country as a whole was 44.5 per cent. By 1990–1, the incidence of poverty had declined to 35.0 per cent in the rural areas and to 35.3 per cent

in the urban areas. Taking the two sectors together the incidence of poverty was 35.1 per cent. This implies that during the 1980s the increase in growth rate coupled with the poverty alleviation programmes led to a significant decline in the spread of poverty. This trend was however reversed during the 1990s and the liberalization decade witnessed a steep rise in the incidence of poverty, particularly in the rural sector.

In 1998, 45.2 per cent of the population in rural areas was below the poverty line. Even overall, the situation was not distinctly better as, at the country level with rural and urban sectors considered together, 43 per cent of the population was below the poverty line. The rise in the overall poverty ratio during the post-reform period, in spite of the higher GDP growth, is to be attributed to the growing rural-urban divide. The 53rd round of NSS data for 1997 (January to December) reveals that India's rural poverty ratio had gone up by 3.42 per cent between 1991 and 1997, even as the urban poverty ratio declined marginally by 1.32 per cent.

Measured in terms of monthly per capita expenditure, the poverty ratio was estimated at 33.97 per cent in the urban areas in 1997 against 35.29 per cent at the beginning of 1991 (46th round of NSS data). On the other hand, the proportion of rural population in the poverty bracket had risen over the same period to 38.6 per cent from 35.04 per cent.

The 54th round of NSS for 1998, conducted between January and June 1998, shows a widening of disparity between rural and urban expenditure at both current and constant prices. In absolute terms, the average per capita expenditure at current prices rose from Rs.244 in 1991 to Rs.382 in 1998 in rural areas and from Rs.370 to Rs.648 in urban areas. At constant prices, the expenditure had actually declined from Rs.164 in 1991 to Rs.153 in 1998 in rural areas and rose from Rs.257 to Rs.269 in urban areas.

Supported by the World Bank, the Indian government introduced a new method to calculate the poverty rate so as to hide the facts and propagate a massive reduction in the poverty rate, which given the increasing rate of unemployment cannot be supported by the facts. The methodology for collecting data on consumption expenditure was modified by the NSS for the 55th round and the government received the estimates of poverty, which were not comparable with the earlier estimates. One of the major flaws is to assume that the rate of poverty in the villages around an urban centre is the same as in the city itself.

The NSS data for 1999–2000 reveals that the rate of growth of total employment fell sharply from 2.04 per cent per year during 1983–84 to 1993–94, to only 0.80 per cent per year in the 1993–94 to 1999–2000

period. On the other hand, the labour force grew at a rate of 2.0 per cent per annum during the same period. How it is that poverty can go down when unemployment is increasing only the World Bank and the Indian Government can answer.

However, since these biased estimates of poverty based on the data obtained from the 55th round of the NSS showed lower incidence of poverty, the government propagated that the incidence of poverty had declined during the decade of economic reforms. This governmental approach of manipulating the methodology to obtain convenient results to prove the point that the liberalization measures have brought down the incidence of poverty is highly unethical.

As a result of the reform measures of the 1990s, income inequalities have increased. In 1992, the lowest 40 per cent households had accounted for 20.6 per cent of the national household expenditure. Their share however declined to 19.7 per cent in 1997. In contrast, the share of the top 10 per cent households in the national household expenditure rose from 28.4 per cent to 33.5 per cent over the same period. This accentuation of income inequalities may be attributed to the reform measures of the 1990s, which on the one hand denied employment opportunities to the common people but on the other hand enriched the business community.

It is unfortunate that the views of the Indian people are not reflected in the economic system the government has tried to impose since 1991. The economic reform policy has a philosophy that is directly opposed to the philosophy of the life of Indian culture and religion. Thus, the people of India have to live with an alien economic system, which they are opposed to.

5

Globalization and the Philosophy of Life in Japan

This chapter analyses Japanese organizations, Japan's cultural roots and the origin of the Japanese people who gave rise to this culture. It also looks at the cause of Japan's stagnation in terms of the conflict between the philosophy of life in the country and the globalized culture that the revolution of international business process generates.

Origin of the Japanese

Japanese culture originated from the Ainus, who still exist in Hokkaido and other Northern islands of Japan. Ainus are not savages; they are Russians from Eastern Siberia, who, before the arrival of the so-called Japanese from China and Korea about 2000 years ago, used to live in both Japan and Okinawa (Walker, 2001; Kayano, 1994). Both the Soviet Union and Russia have recognized that Ainus are Russian but, since the 16th century, due to the arrival of the run-away slaves from Russian serfdoms (commonly known as Cossacks or free spirit in Russian) and continuous inter-marriages between Ainus and Cossacks, Ainus have lost their separate identity in Russia. In Japan, Ainus were driven away to Hokkaido from the rest of Japan and Okinawa by the Mongoloid people coming from Asia.

However, Ainus have a glorious past, now forgotten. Marine geologist Professor Masaaki Kimura and his team at the University of Ryuyus in Okinawa, discovered ruins of a city in 1997 that are at least 6000 years old. These ruins were found under the sea near Okinawa, where Japan's western most Yonaguni Island lies (*New Scientist*, 2009). The structure of the ruins has close similarities to the ancient architecture of India and Persia. Thus, the original Ainus people of Japan were Indo-Aryans, which is obvious from their physical features. Their civilization vanished because of rising sea water. Details of this lost civilization and

photos of the undersea buildings can be found in *Mu Tairiku Wa Ryukyu ni Atta* (Kimura, 1991) and on the Okinawa prefecture website (<http://www.pref.okinawa.jp/summit/tokusyu/ruins1.htm>).

Ancient Indo-Aryans came originally from India and Persia to Russia via Syria, Anatolia and Armenia. They formed the vast cities in Sintashta-Petrovka valley near Chelyabinsk in Western Siberia, according to Russian archaeologists Professor Grigoryev, Professor Gamkrelidze and Professor Ivanov. The Institute of History and Archaeology of the Ural branch of Russian Academy of Sciences, Chelyabinsk were responsible for excavations in that site, which was originally discovered in the 1930s (Grigoryev, 1996, 1998; Gening, 1979). The Indo-Europeanization of Armenia, Georgia and Ukraine lasted for a long time, from the Neolithic to the beginning of the Iron Age. In the Middle Bronze Age Indo-Aryans arrived in Bulgaria, former Yugoslavia, and Greece.

Thus, Ainus in Japan and Okinawa used to have a very high level of civilization, but, due to serious climatic changes, at the time of the arrival of the Mongoloid people in Japan, they were reduced to simple rural folks. That has happened to other very highly civilized people such as Mayas, Incas and Aztecs in Latin America and to the Tibetans and Ethiopians as well.

Japan and Buddhism

Japan, for historical reasons, has a special bond with the teachings of Prince Siddhartha Gautama, who became Buddha or the enlightened. There is a tendency in the modern world either to deny the existence of religion and the creator God, or to blame him for all the terrible things that take place in our life and in the world. By blaming a 'flawed creator' we cannot proceed anywhere. Only through proper understanding of what we are in the context of an imperfect world and what our actions should be considering the defects of our present circumstances can we devise our actions knowing that every action will have its effects and reactions either in this life or in future lives, as said by Buddha. Attacking religious beliefs is illogical. As Karl Marx wrote, those who attack religious feelings are only attacking the 'Vale of Tears' that lies under the 'Halo of Religion' (Marx and Engels, 1872).

The world is not just matter. Matter exists in two levels, physical and metaphysical. This gave rise to two separate branches of philosophy, Sankhya or deductive logic and Yoga or inductive logic, in ancient India, where Siddhartha Gautama was born. Materialism or Prakriti (nature in Sanskrit) on its own is highly destructive and violent. It can

destroy everything in the long run. However, the union of matter and mind, two conflicting forces, creates new levels of consciousness, new society and new creations, which ultimately leads us to the 'deathless' existence, as described by Buddha (Collins, 1990).

This is the 'dialectical' process of Hindu philosophy, which gave rise to Buddhism as a rebel child, and the messages of Jesus (but not the Judaist religions) as echoes. Buddhism, in its Hinayana form, does not deny the existence of 'The God'; it is just silent about it. In the Mahayana form, it accepts most of the features of Hinduism including its views on 'after life'. In modern Hinduism, Buddha is another reincarnation of the Supreme One, the Creator, as the Bodhisattva, a reincarnation of the spirit of the Buddha.

The oldest book of Hinduism and the Indo-European language group, *Rig Veda* (Griffith, 1889), describing creation, says that the One Supreme Creator Brahman was in meditation when there was no existence or even non-existence; out of his meditation came 'love', the first creation and the seed of all other creations. *The Bible* also said, in the beginning there was only Theologos or the Word. Buddhism followed that to its ultimate perfection by declaring that non-violence and love for all creatures are the most important principles to follow.

Mind or consciousness give rise to matter and both are in conjunction with each other. The proponent of dialectical materialism, Karl Marx, wrote that the greatest sufferings of the world come from the fact that human beings, due to the oppressive social and economic system, are alienated from their inner souls and the unification of one's soul with oneself can be achieved only with a new level of consciousness, in scientific socialism. Thus, in this way, materialism and the deductive logic (called Sankhya in Indian philosophy) coincides with the yoga philosophy where unification of the soul of a person with that of his or her creator is the ultimate purpose of human existence (Dasgupta, 1930). Ultimately materialism and consciousness merges in union to create new levels of consciousness or new society. Buddhism gives us the way to achieve this new reality. The role of Buddhism is to console human sufferers by providing a road map for all human efforts.

Japanese culture is the combination of two main currents prevailing in Japan still. Buddhism, which, despite all the attempts of the Meiji Emperor and subsequent Japanese governments to erase it, is the most dominant factor of the society. Another factor is Bushido, or the idealism of the Samurai soldiers of extreme loyalty, sacrifice and bravery.

Japanese societal culture and corporate culture reflect these two value systems.

Global Corporate Culture

Globalization gave rise to a new cultural concept, called 'jet set culture' (Triandis, 2006). The idea is that multinational companies are converting everyone to the US culture. By creating, in the words of Zbigniew Brzezinski, 'total spectrum dominance', other cultures will be subjugated by it. The implication is that, ultimately, there will be one global corporate culture, rather than separate ones (Basu, Miroshnik and Shigeru, 2008).

'Flat World' is the term coined by Thomas Friedman (2006) to describe a world where people have the jet-set culture of the high Anglo-American executive class, with similar language, education, tastes and preferences but with varied citizenships and nationalities. The emergence of this global culture results from a globalization process that began in the 1990s. Globalization is defined as the freedom of multinational companies to invest in and produce products and services anywhere they like across the world, where the costs are cheapest. That has created a new breed of managerial class whose culture is global, not national. If that is the case, organizational systems that were developed using national characteristics are undergoing changes to include global characteristics (Basu et al, 2008).

Managerial cultures are spreading across the world from East Asia, mainly via Japanese multinational companies. Japanese management practices are influencing the rest of the world in a significant way (Adler, 1997). It has been observed that firms that cultivate 'collectivist' values or 'long-term orientations' perform more efficiently. The rise of Toyota as the most important automobile company in the world, outperforming even General Motors (GM) or Ford, is an example. Values are shifting from materialistic to post-materialistic, emphasizing long-term orientations (Hitt et al, 2006; Inglehart and Abramson, 1994).

Triandis (1989) divided the people of the world into two categories. Those people in individualistic cultures (in North and Western Europe and North America) have a complex culture, while the people of the collectivist cultures (Asia, Africa and South America), along with Fascists, communists and religious fundamentalists, have a simple culture. The jet-set culture is complex. It is, according to Triandis (1989, 1990) followed by those who are sophisticated, multicultural, materialistic and supportive of liberalism, humanism and rationalism. The people with collectivist minds emphasize soul, instinct and intuition (Basu and Miroshnik, 2010).

There are two types of collectivist cultures. Vertical collectivist culture (Indian villages) emphasizes in-group cohesions, respect for in group norms and directives of authorities (Triandis, 1995). Horizontal collectivists are less authoritarian. People in that kind of culture are interdependent within groups (Markus and Kitayama, 1991), give priority to the goals of their in-groups (Triandis, 1990) and behave in a generally communal way. They value patriotism, bravery, loyalty and self-sacrifice (Triandis and Trafimow, 2001).

The individualistic culture of the jet-set culture emphasizes self-reliance, competition, uniqueness, hedonism and emotional independence. One of the effects of globalization is the creation of this jet-set culture, made up of people who belong to an emergent global culture, which promotes primarily the vertical individualistic US corporate culture irrespective of national boundaries. This global culture consists of people who are attached to other members of this global culture through a process of self-selection. Core values of global managers are not derived from ethnic group or national origin but from a cultural cross-pollination (Bird and Stevens, 2003).

Globalization is a Western concept and Western nations are the most globalized, while non-Western countries are not yet all connected to the global culture. Thus, the real meaning of global culture is essentially Western culture. A minority of people in the non-Western countries who can afford to have Western culture, due to their expensive education and affluences, can be members of the 'global-western' club and have the jet-set culture. That leaves out the majority of the countries and the majority of the people of the world. Thus, the so-called jet-set culture cannot be truly global. Instead it corresponds to a minority of people, the executives of the multinational companies of the world and their associated companies.

Marx and Engels wrote over 150 years ago about the globalization initiated by the industrial revolution in Britain where;

The need of a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country. It compels all nations to adapt the bourgeois mode of production; it compels them to introduce what it calls civilization into their midst, i.e., to become bourgeois themselves. In one word, it creates a world after its own image. (Marx and Engels, 1872)

Baron Macauley, who went to India in 1834 to reform the education system of the British India, wrote:

We must at present do our best to form a class who may be interpreters between us and the millions whom we govern; a class of persons, Indian in blood and colour, but English in taste, in opinions, in morals, and in intellect. (Macauley, 1860)

Indeed both the British and the French had created a class of people in their empires very similar to the British or French of the homelands, but had not changed the cultures of these countries even after 150 years. Thus, the predictions of Triandis or Friedman, just like those of Marx and Engels or Macauley before, has not materialized. There will not be a 'global jet-set culture' in the foreseeable future.

The US corporate values are the values of the dominant group in the USA, which may not be shared by everyone in the society. While a national culture is heterogeneous, there are also worldwide heterogeneous cultures that may cross national boundaries. That creates a number of cultures for each affiliated group, not a single global culture.

Globalization may be an optical illusion, because most global trends were originally local practices. The introduction of foreign cultural practices in a new culture often results in hybridization. Total Quality Management (TQM) had its origin in the USA in the early 20th century. Japan has adapted it and refined it as an 'organizational software of mind' (Emiliani, 2006). Now it has returned to the USA as a Japanese management culture. The adopted practice can never mean the same to the adopting culture as it did to the original culture. Globalization, localization and hybridization are complex and interrelated phenomena and these are a continuation of an old process of cultural change that has taken place for millennia (Husted, 2003; Clark and Knowles, 2003).

The rising economic power of Asia (Japan, China and India) means that global enterprises may organize around global centres of excellence taking into account different types of efficiency of different types of people. Increasingly US companies have their manufacturing units in China, research and development centres in Russia and India, and main corporate headquarters in the USA. This will lead to a fusion of different cultures, but not one single dominant culture.

Sociologists have always promoted their own culture as the basis for efficient economic growth and higher business productivity. Max Weber (1930) promoted protestant virtues for superior economic performances

of organizations in the Western countries and condemned the Asian, particularly Confucian, culture for backwardness. Now Hofstede (2002) is promoting Confucian values as the basis for superior economic performances of East Asia. Hofstede (2002) moderated this extreme nationalism by defining certain values that promote organizational efficiency as 'long-term orientations'; the same values are characterized by Triandis (1989) as 'collectivist' values. However, Hofstede (1980) has shown that there are important differences between the Japanese, who emphasize traditional male roles associated with achievement, control and power, and the Chinese or Koreans who are more materialistic and much less communal. The Japanese tend to work as a group and have great faith in social institutions; the Chinese work more as individuals and often have great mistrust of people and social institutions (Leung, 2006).

Values that characterize an organization's culture significantly affect performance (Marcoulides and Heck, 1993). These values are innovation, stability, respect for people, outcome orientation, detail orientation, team orientation and determination. They are closely related to what Triandis (2006) has described as 'collectivist' values, which must give way to the 'individualistic' values in a fully globalized value system according to the supporter of the jet-set culture. However, as we can see, 'collectivist' values from the East are associated with superior business performances and are affecting the psychology of 'Western' managers more and more. Thus, the direction for the global culture as suggested by the supporters of globalization may not be the correct one.

The cultural value system in Japan promotes hard work and attention to detail, group orientations and consensus orientations. It emphasizes conflict avoidance, respect and concern for people, importance of long-lasting relationship with others, harmony and uniformity. The end result is a very high level of loyalty for the company (Lazar, Murata and Kosaka, 1985). This has led to lifetime employment, slow evaluation and a non-competitive workforce. US corporate culture, on the other hand, promotes more communication and coordination and short-term performance evaluations (Ueno, 1992).

If an organization has a 'strong culture' with a 'well integrated and effective' set of values, beliefs and behaviour, it normally demonstrates a high level of corporate performances (Cameron and Quinn, 1999; Kotter and Heskett, 1992; Mintzberg, Simon and Basu, 2002; Ouchi, 1981; Owens, 1987). Ouchi (1981) has analysed how a Japanese clan type of organizational culture can make an organization efficient. Mintzberg, Simon and Basu (2002) have analysed how unselfish and

socially responsible behaviour of Japanese firms can improve their performances.

Company Citizenship as the Product of Globalization

Organizational culture, through its beliefs and assumptions, influences behaviour in an organization, which in turn affects the decisions and actions of the members of the organization and creates a citizenship or membership that is ideal for the organization to satisfy its purpose. Company citizenship is formed for a multinational enterprise first in its home territory. It then spreads in the subsidiaries located in various parts of the world creating a common organizational culture throughout the organization.

We can elaborate the argument as follows, with Toyota as an example. The purpose of Toyota Corporation is to fulfil its super-ordinate objectives, which can be categorized into the following subdivisions (Basu, 1999):

- (1) Market driven objectives are to improve efficiency and productivity.
- (2) Operational objectives are to reduce cost and improve profit to have sustained growth.
- (3) Dominant objectives are to provide employees' satisfaction and fulfil its obligation to Japan to enhance its honour.

The organizational culture of Toyota is designed in such a way so as to achieve these objectives. It moulds its employees into active agents to fulfil these objectives both in its Japanese and overseas operations.

To the employees of Toyota, the company is a living entity. The continuous growth of the company is needed for the preservation of these values. The end objective of the employees of Toyota is continuous progress and the respect that is associated with a company with continuous growth. A deep religious value to perpetuate growth is also an objective of the corporate growth of Toyota. Toyota's employees think and operate with their outlook for the long-term prospects of the organization, as well as harmony with the workplace and broad social environment. These feelings lead them to develop a family feeling within the workplace, and responsibility towards their fellow employees and the community at large. They believe they have a responsibility towards the organization and the local and global societies—Toyota is now a global organization. Irrespective of the location, Toyota is striving to inject these values into its employees across the globe, creating

an organization citizenship that will carry the essential values of Toyota as a global organization. The fear of loss of face due to non-achievement of its objectives to the employees in Japan and the global community, is the motive for Toyota's efforts to mould every employee, irrespective of their nationality, into a company citizen. The president of Toyota in 1995, Shoichiro Okuda, said that his task was 'to encourage a change in nationality through globalization—to transform Toyota Motor Corporation into Toyota, a company with a world nationality' (Basu and Miroshnik, 2010).

Multinational companies with weak organizational culture may not have any vision for the future and, as a result, they may allow their subsidiaries to develop their own distinct national organizational culture, rather than a global organizational culture. A company with a strong organizational culture instead promotes the culture of the company. Thus, it is highly likely that instead of a jet-set culture we are going to have company citizenships of various multinational companies.

Sources of Organizational Culture in Japan

Japanese society is collectivistic (Ouchi, 1981). Individuals are generally motivated by the social benefits that might occur as a result of their actions; and they often prefer working in teams, ignoring individual preferences (Miroshnik, 2013). Conformity is the basis of Japanese society. Decisions are also made by a team, not by any individual. That may moderate the power distance a little but it may not have any effects on masculinity, that is, the tendency to take innovative decisions (Onishi, 2006).

Major characteristics of Japanese organizational culture place low emphasis on individualism, high emphasis on long-term views, high emphasis on masculinity, moderate emphasis on power distance and high emphasis on stability (Hofstede, 2002). This is reflected in the high emphasis on uncertainty avoidance. The Japanese, as citizens of a country with homogeneous population and stable society, prefer stability, risk free and a rule-based organization; that may have some effect on decisions that require risk-taking (Hayashi, 1989). Long-term views are the results of Buddhist culture, where time is circular and thus individuals do not have to hurry to achieve their life time goals. Instead they can invest a great deal of time in achieving them. These views on life and time management impose certain characteristics on the individuals that also can shape the organizational culture of the company they are engaged in (Lincoln and Kalleberg, 1990). The most important

religion in Japan is Buddhism, which exists side by side with Shintoism. Christians are very few in number (Hayashi, 1989).

Values are considered to be the most important component of organizational culture. Cultural values are transmitted across generations and maintain continuity through learning or enculturation. Values can be used as major traits of a culture. A subsystem of culture is a 'macro values system' or 'national culture system' that combines basic values—religious, moral and habitual—that are common for a particular nation. A second subsystem of culture is a 'meso values system' or 'organizational values system' that embodies the myths, beliefs and ideologies of the organization (Basu and Miroshnik, 1999). Leaders attempt to influence the development of values and to define the organization's purpose, policies and strategies to organize the work structure. A third component of culture is a 'micro value system' or 'individual value system' (Cameron and Quinn, 1999). This subsystem is comprised of the values of the individuals within the organization.

Combinations of micro and macro values can give rise to an organizational culture given certain meso or organizational values, which are specific for a country. Meso values are certain codes of behaviour, which influence the future. These are the expected behaviours of the members of the society if they want to belong to the main stream. These vary from one society to another because the expectations of different societies, as products of historical experiences, religious and moral values, are different. Cultural values are shared ideas about what is good, desirable and justified; these are expressed in a variety of ways. Social order, respect for traditions, security and wisdom are important for the society, which is like an extended family (Basu and Miroshnik, 1999; Hayashi, 1989). A combination of macro values, meso values and micro values creates a specific organizational culture, which varies from country to country according to differences in national culture.

Japanese firms are considered to be a family unit with long-term orientations for human resources management (HRM) and with close ties to other like-minded firms, banks and the government. The organizational culture promotes loyalty, harmony, hard work, self-sacrifice and consensus decision making. These, along with lifetime employment and seniority based promotions, are considered to be the natural outcome of the Japanese national culture (Imai, 1986; Ouchi, 1981). Psychological dependency of the Japanese workers on their employers emerges from their intimate dependent relationships with the society and the nation.

Japanese national culture has certain micro values: demonstration of appropriate attitudes (*taido*); the way of thinking (*kangaekata*); and spirit

(*ishiki*). These form the basic value system for the Japanese (Shingo, 1985).

Certain meso values can be identified as the core of cultural life for the Japanese if they want to belong to mainstream Japanese society (Hayashi, 1989; Basu, 1999). These are: *Senpai-Kohai* system; conformity; *Hou-Ren-Sou*; and *Kaizen* or continuous improvements/perfection. Japanese primary and junior schools train their students in the basic Japanese way of doing things, which gives supreme importance to cooperation, tidiness, discipline, conformity and suppression of individualistic opportunism. For example, during the annual sports day in Japanese schools there are no individualistic competitions but only group competitions where every student can participate. These practices form the basic values, or meso values, which the Japanese follow throughout their working life. *Senpai-Kohai* or senior-junior relationships are formed at primary school, where junior students follow the orders of senior students, who in turn may help the juniors in learning. The process continues throughout their lifetime. In the workplace too, *Senpais* will explain to the *Kohais* how to do their work, the basic codes of conduct and norms (Basu and Miroshnik, 1999).

From this system emerges the second meso value, conformity, which is better understood as the saying that 'nails that sticks out should be beaten down'. The inner meaning is that, unless someone conforms to the rules of the community or co-workers, he or she will be an outcast. There is generally no room for individualism in Japanese society or in the workplace.

The third item, *Hou-Ren-Sou* is the basic feature of Japanese organizations. *Hou-Ren-Sou* is a combination of three different words in Japanese: *Houkoku* (to report), *Renraku* (to inform) and *Soudan* (to consult or pre-consult). Subordinates should always report to their superior. Superiors and subordinates share information. Consultations and pre-consultations are required; no one can make a decision by him- or herself even within the delegated authority. There is no space in which delegation of authority may function. Combining these words, *Houkoku*, *Renraku* and *Soudan*, *Hou-Ren-Sou* is the core value of the culture in Japan. Making suggestions for improvements without pre-consultations is considered to be offensive behaviour in the Japanese culture. Everyone from the clerk to the president, from the entry day of their working life to the date of retirement must follow the *Hou-Ren-Sou* value system (Basu, Miroshnik and Uchida, 2001).

Kaizen is another meso value that is one of the basic ingredients of the Japanese culture. The search for continuous improvement during

the Meiji government of the 19th century led to searching the world for knowledge. Japanese companies today are doing the same in terms of both acquisitions of knowledge, by setting up research and development centres throughout the world, and by having 'quality circles' in workplaces in order to implement new knowledge to improve product quality and to increase efficiency (Lincoln and Kalleberg, 1990).

Japanese Industrial Culture

The Japanese system of management is a complete philosophy of organization, which can affect every part of the enterprise. There are three basic ingredients: lean production system, TQM and HRM. These three ingredients are interlinked in order to produce a total effect on the management of Japanese enterprises (Basu, 1999; Imai, 1986).

The basic idea of the lean production system and the fundamental organizational principles is the 'human-ware' (Shingo, 1985). Human-ware is defined as the integration and interdependence of machinery and human relations and a concept to differentiate between different types of production systems. The constant strive for perfection (*Kaizen*) is the overriding concept behind good management, in which the production system is being constantly improved and perfection is the only goal. Involving everyone in the work of improvement is often accomplished through the quality circles. Lean production system uses 'autonomous defect controls', which are inexpensive means of conducting inspections of all units to ensure zero defects. Quality assurance is the responsibility of everyone. Manufacturing tasks are organized into teams. The principle of 'just-in-time' means each process should be provided with the right part, in the right quantity at exactly the right point of time. The ultimate goal is that every process should be given one part at a time, exactly when that part is needed (Imai, 1986).

The most important feature of the organizational setup of the lean production system is the extensive use of multi-functional teams, which are groups of workers able to perform many different tasks. The multi-functional team is expected to perform supervisory tasks. This is done through the rotations of team leadership among workers. As a result, the number of hierarchical levels in the organization can be reduced (Basu and Miroshnik, 1999).

Macro values, according to the opinions of many Japanese executives, are religious values, habitual values and moral values (Basu, 1999). Although moral and habitual values can be the result of religious values, it is better to separate out these three values as distinct. The moral and

habitual values are different in Japan from other East Asian nations. Honour and 'respect for others' are central to the Japanese psychology. It is possible to identify five different meso values, which are important outcomes of Japanese national culture. These are:

- (1) Exclusivity or insider–outsider (*Uchi–Soto* in Japanese) psychology by which the Japanese exclude anyone who is not ethnic Japanese from social discourse. (This is different from colour or religious exclusivities. For example, Chinese or Koreans who have been living in Japan for centuries are often excluded from Japanese social circles.)
- (2) Conformity or the doctrine of 'nail that sticks up should be beaten down' (*Deru Kuiwa Utareru* in Japanese); deviations from the norms of the main stream are not tolerated.
- (3) Seniority system (*Senpai–Kohai* in Japanese) by which every junior must obey and show respect to their seniors.
- (4) Collectivism in decision-making process (*Hou-Ren-Sou* system in Japanese).
- (5) Continuous improvements (*Kaizen* in Japanese), which is the fundamental philosophy of Japanese society.

These meso values are exclusively Japanese, a reflection of the unique Japanese culture (Basu and Miroshnik, 1999; Hayashi, 1989), and are fundamental to Japanese organizations. National culture, along with the meso values, affects the organizational culture. The value system of different levels of culture supports the firm's ability to exploit opportunities. Cultures of different levels and of leadership develop entrepreneurial activities to achieve growth of the firm. The social capital of the organization enhances its capability to identify and create opportunities. Human capital can be enriched by adding social capital to create motivation to perform. Social capital can intensify the firm's ability to perform by creating the psychological factors needed to set targets and to focus aspirations. These all create commitment, resulting in the success of the firm.

For a company, values of the original organizational culture of that company can be transmitted to its subsidiaries by the HRM system (Basu and Miroshnik, 1999; Lincoln, Kerbo and Wittenhagen, 1995). Japanese multinational companies normally give priorities to team spirit and involvement of the employees in quality enhancements (Basu, Miroshnik and Uchida, 2001). Various values and mission statements are psychological contracts between the leadership and the employees to create competitive advantages.

Comments

The rise of China could destroy the Japanese culture and, as a result, the organizational culture of the Japanese companies by creating a sense of defeatism in the minds of the workers and executives alike. Japan has annual trade deficits with China—at about US\$34 billion in 2013. Import penetration of China in Japan's consumption goods sector is near complete. As a result, the Japanese economy is now stagnated with rising unemployment—64 per cent in 2014 among young people aged less than 25 years old. The poverty rate of Japan was about 16 per cent in 2014, almost the same as the average poverty rate of the OECD countries.

Prime Minister Shinzo Abe has put forward a growth strategy with a strong emphasis on rejuvenating the manufacturing industry. The plan includes reduction of corporate taxes and social security burdens to prevent Japanese companies from shifting operations overseas. The government plans to set up a new private–public initiative to support overseas acquisitions by Japanese companies and promote infrastructure investment in Asia. Under the new system, the state-owned Japan Bank for International Cooperation (JBIC) will set a ¥200 billion credit line and provide financial support to companies, including small businesses. The central government will inject around ¥70 billion into JBIC. Another plan is to lend about ¥100 billion to a fund of the government-owned Development Bank of Japan, to strengthen corporate competitiveness (*The Guardian*, 2015).

Quantitative easing (QE) of the Bank of Japan is the plan to expand the availability of money to the banks, while the Bank of Japan will get more and more bonds from the banks and release money to them (Shiratsuka, 2010). However, that cannot make the private sector demand loans when the prospects for their profitable investment are limited. QE can increase supply of loans but it cannot automatically create demands for loans, which are crucial for the future growth of the economy. QE cannot ensure that a highly indebted private sector will be able to borrow. So we shouldn't assume that QE will power a recovery unless and until there is restriction on Japanese companies going to China for production and importing the finished products to Japan. There should also be overall import restriction on Chinese products. Otherwise unemployment will go on increasing in Japan, the poverty rate will go up and there will be less and less demand for domestic companies and less incentives for them to invest in Japan. As a result of the economic stagnation in Japan, increasing selfishness, aggressiveness and desperation, the results of any economic crisis on an individual's mental condition can ruin the value system of Japan.

6

Aims of the New International Business Order

Globalization of production and investment provoked a resurgence of the old 19th century concept of having a 'world government' in order to remove all impediments on the free flow of investments and products worldwide. The economic crisis of 2008 is not solved yet. That crisis has demonstrated the futility of the old Keynesian method of government spending and budget deficits and also the new method of Quantitative Easing (QE) by giving more money to the banks to lend.

Keynesian policy did not work even during the depression of the 1930s. Henry Morgenthau, US President Roosevelt's treasury secretary at the time, wrote in 1939:

We have tried spending money. We are spending more than we have ever spent before and it does not work ... After eight years of this administration we have just as much unemployment as when we started ... and an enormous debt to boot!

In today's reality it cannot work at all, because Keynes devised his policy of budget deficit to stimulate the economy in the context of Britain's vast empire, with a gigantic market only for the British manufacturers and protection for the British market against its competitors. The problem of Keynes's days was to make sufficient money available for British industry to grow. That money would come from the empire through a murderous taxation policy, which would affect the natives of other countries, but not the people of Britain. Thus, whatever Keynes suggested, such as putting money in a cave and asking people to dig it up to increase their demands for consumption, is irrelevant in the context of countries with no empire to exploit for both the market of the empire and the tax revenues from the colonies; and when there is no protection

from imports coming from China or from any foreign multinational company. In this context the desire for the major countries to dominate the World in terms of a single world government is immense.

In 1991, President George Bush proclaimed the coming of a New World Order. On 8 December 1941, Dr Quincy Wright, professor of International Law at the University of Chicago, predicted that Hitler's 'new world order' would be replaced 'by a post-war world confederation in which Anglo-American sea power would ensure peace and freedom of commerce'. The Council for Foreign Relations (CFR) and the Royal Institute of International Affairs (Chatham House) were founded after the First World War with a common goal to secure world domination in the 20th century and beyond, for the English-speaking people. In 1973, David Rockefeller, along with Alan Greenspan and Paul Volcker, two former chairmen of the federal reserve Bank of USA, and Zbigniew Brzezinski, national security adviser of the former President Jimmy Carter, established the Trilateral Commission. The aim of this commission was to work towards a new world order in three stages: Europe, America and Asia, with the USA having the controlling interest in each of the three regions. Zbigniew Brzezinski wrote, in his book *Between Two Ages – America's Role In The Technetronic Era*, that 'The technetronic era involves the gradual appearance of a more controlled society'. He is talking about a 'full spectrum dominance' where countries other than the USA will be in a subservient position.

In 1995 the Multilateral Agreement on Investments (MAI) was proposed to be a part of the agenda in the WTO, as the constitution for a single global economy. The MAI would make it illegal for national governments to block foreign corporate investment on the grounds of special national customs or conditions, protection of the environment. Because of the opposition of the developing countries, it is not yet possible to include it in the Doha round of WTO negotiation. In response, various trade blocs are being formed under the leadership of the USA to achieve the same aim as given by the MAI. Trans Pacific partnership or a trade bloc for all APEC countries, excluding Russia or North American free trade agreements and so on, are some of the examples.

The notion of liberty promulgated by the so-called 'liberal-imperialists' of 19th century Britain, such as Jeremy Bentham, James Mill, John Stuart Mill and David Ricardo, was based on the concept that freedom could only be secured on the basis of economic independence and security where liberty was a product of the natural law. The first capitalist countries (i.e. Britain) used their economic and military might to establish empires where the natural resources and the labour of the local

population were exploited to maximize the wealth of the colonizing countries. Britain extended this facility to its allies, in the 19th century, for example when, in collaboration with Britain, Japan colonized Korea, Formosa and Manchuria.

John Stuart Mill, the great champion of 'individual liberty', along with Bentham, supported colonialism when he wrote:

To appreciate the benefits of colonization, it should be considered in its relation, not to a single country, but to the collective economical interests of the human race. The question is in general treated too exclusively as one of distribution; of relieving one labor market and supplying another. It is this, but it is also a question of production, and of the most efficient employment of the productive resources of the world.

Much has been said of the good economy of importing commodities from the place where they can be bought cheapest; while the good economy of producing them where they can be produced cheapest, is comparatively little thought of. If to carry consumable goods from the places where they are superabundant to those where they are scarce, is a good pecuniary speculation, is it not an equally good speculation to do the same thing with regard to labor and instruments? The exportation of laborers and capital from old to new countries, from a place where their productive power is less, to a place where it is greater, increases by so much the aggregate produce of the labor and capital of the world. It adds to the joint wealth of the old and the new country, what amounts in a short period to many times the mere cost of effecting the transport. There needs be no hesitation in affirming that colonization, in the present state of the world, is the best affair of business, in which the capital of an old and wealthy country can engage.

It is equally obvious, however, that colonization on a great scale can be undertaken, as an affair of business, only by the government, or by some combination of individuals in complete understanding with the government; except under such very peculiar circumstances as those which succeeded the Irish famine. (Mill, J.S., 1865/1891, pp. 540–60)

Classical utilitarianism is the view according to which an action, rule, policy or social institution is right if, and only if, it is designed to advance aggregate well-being, hedonistically construed. Relying on some version of this 'moral' framework, the classical utilitarians, such as Jeremy Bentham, James Mill, John Stuart Mill and Henry Sidgwick, advocated for a wide range of social, political and legal reforms but also colonialism.

Gains from Colonialism

In 1773, a statement to the British Parliament put the total net revenue from Bengal at £13 million. Individual East India Company staff made huge fortunes. Robert Clive, the hero of Plassey, returned home with a fortune of more than £250,000. The wealth of Bengal was crucial for England's industrial take-off. It has been estimated that the total British plunder of India between 1757 and 1815 amounted to £1000 million. The national income of Britain in 1770 was about £125 million. Direct payments alone through the East India Company approximated £1million in some years. The British profits from operations in the West Indies and India between 1760 and 1780 was probably more than double the money available to invest in new industries. (Hayter, 1990)

European powers met at a conference in Berlin, in 1884–5, with the purpose of dividing Africa up between them. At the end of the 19th century, because of her economic and naval strength, Britain ruled an empire that covered one-third of the world's land surface. The British empire provided raw materials and mineral wealth for British industry, and a huge market for manufactured goods. The British ruling class tried to justify their colonialism with openly racist ideas. During the 20th century, the British Empire was finally broken up by mass movements for independence and the USA overtook Britain as the dominant world economic power.

British liberals theorized that free trade was the preferred option for international relations, rather than imperialism, with its built-in governmental controls and trade monopolies. However, they also agreed that, in order to spread the vision of a global liberal world, functioning according to the virtues of liberty, autonomous individualism, property and peaceful commerce, empire was the best available tool for making these values accepted around the world.

Perhaps the most important aspect of colonial rule was the transfer of wealth from India to Britain. Without capital from India, British banks would have found it impossible to fund the modernization of Britain that took place in the 18th and 19th centuries.

Lord Curzon, Viceroy of British India in 1894, wrote: 'India is the pivot of our Empire If the Empire loses any other part of its Dominion we can survive, but if we lose India the sun of our Empire will have set.' (The transfer of wealth through unprecedented levels of taxation on Indians, whatever class, funded the great Industrial Revolution and laid

the foundations for 'modernization' in Britain. An East India Company report, back in 1812, had stated that 'The importance of that immense empire to this country is rather to be estimated by the great annual addition it makes to the wealth and capital of the Kingdom'.

Colonialism in Modern Time

In 1991, after the destruction of the Soviet Union, the idea of a new international business order became the reality. Earlier, in 1954, the Bilderberg Group had been formed, by Prince Bernhard of the Netherlands, to oversee the process of maintaining the momentum for a world government to create this new order after the gradual decay of the old empires. The Group decided 'to create an "Aristocracy of purpose" between Europe and the United States to reach consensus to rule the world on matters of policy, economics, and overall strategy'. NATO was essential for their plans to ensure 'perpetual war and nuclear blackmail' (Estulin, 2005). As well as military dominance, controlling the world's money is crucial for absolute control of the world. The Group's grand design was for 'a One World Government with a single, global marketplace, policed by one world army, and financially regulated by one "World Central Bank" using one global currency' (Estulin, 2005).

In the USA, the Council on Foreign Relations (CFR) was committed to 'a one-world government based on a centralized global financing system' (Estulin, 2005). The Trilateral Commission is a similar group that 'brings together global power brokers', founded by David Rockefeller, who is also a leading organizer and financier of the Bilderberg Group and CFR. The Trilateral Commission advocates a global super state with the USA as the leader and other nations sacrificing their sovereignty to that central power. CFR had planned a 'new world order' even before 1942. Powerful figures in America, Europe and East Asia let 'the rich ... safeguard the interests of Western capitalism in an explosive world probably by discouraging protectionism, nationalism, or any response that would set the elites of one against the elites of another', in their common quest for global dominance (Estulin, 2005).

According to Brzezinski (2012b): people, governments and economies of all nations must serve the needs of multinational banks and corporations. The old framework of international politics, with their sphere of influence and the fiction of sovereignty, is clearly no longer compatible with the reality.

In September 2000, Project for the New American Century (PNAC) released a major policy study entitled 'Rebuilding America's Defenses: Strategies, Forces and Resources for a New Century'. This PNAC paper is the essential basis for the September 2002 presidential White Paper, 'The National Security Strategy of the United States of America'. The PNAC's paper supports a:

blueprint for maintaining global US pre-eminence, precluding the rise of a great power rival, and shaping the international security order in line with American principles and interests. The American Grand Strategy must be pursued as far as possible in the future. Further, the US must discourage advanced industrial nations from challenging the leadership or even aspiring to a larger regional or global role. (Wolfowitz and Libby, 2002)

The PNAC membership in 2000 included, among others, former Vice President Cheney, former Defence Secretary Donald Rumsfeld and former World Bank President Paul Wolfowitz. It also included former Lockheed-Martin vice president Bruce Jackson and ex-CIA head James Woolsey.

On 17 September 2002 the Bush administration published its 'National Security Strategy of the United States of America'. The document asserts as the guiding policy of the USA the right to use military force anywhere in the world, at any time it chooses, against any country it believes to be, or it believes may at some point become, a threat to American interests. The document begins by saying that, 'The United States possesses unprecedented and unequaled—strength and influence in the world'. It declares with conviction that 'The US national security strategy will be based on a distinctly American internationalism that reflects the union of our values and our national interests'. President Bush asserted in the introduction to the document that America's values 'are right and true for every person, in every society'. These values are:

- Respect for private property.
- Pro-growth legal and regulatory policies to encourage business investment, innovation and entrepreneurial activity.
- Tax policies, particularly lower marginal tax rate, that improves incentives for work and investment.
- Strong financial systems that allow capital to be put to its most efficient use.
- Sound fiscal policies to support business activity.

The document then declares:

The lessons of history are clear: market economies, not command-and-control economies with the heavy hand of government, are the best way to promote prosperity and reduce poverty. Policies that further strengthen market incentives and market institutions are relevant for all economies— industrialized countries, emerging markets, and the developing world, (The White House, 2002)

The USA and the EU, through the international organizations they control—the World Bank, IMF and WTO—are promoting market economy worldwide and are highly intolerant to any alternative system or any rival that may emerge.

Defining its idea of a 'distinctly American internationalism', the document states that 'While the United States will constantly strive to enlist the support of the international community, we will not hesitate to act alone'. In another passage, the document warns that the USA 'will take the actions necessary to ensure that our efforts to meet our global security commitments and protect Americans are not impaired by the potential for investigations, inquiry, or prosecution by the International Criminal Court (ICC), whose jurisdiction does not extend to Americans and which we do not accept'. In other words, the actions of the leaders of the USA will not be restrained by the conventions of international law. President Obama in a 2014 State of the Union address asserted the exceptional role of the USA in world affairs, which calls for exceptional rights of the USA to intervene anywhere.

In 1997, Zbigniew Brzezinski, the national security advisor of President Carter, published a book entitled *The Grand Chessboard*. By 'chessboard' Brzezinski meant Eurasia, the enormous landmass comprising two continents and containing the majority of the world's population. He said that 'America's capacity to exercise global primacy' depends on whether America can prevent 'the emergence of a dominant and antagonistic Eurasian power'. Concluding that, 'Eurasia is thus the chessboard on which the struggle for global primacy continues to be played' (Brzezinski, 1997).

'Rogue States' and 'Failed Nations'

The Western politicians and their academics now have a new argument; creating a 'new international order' to rescue the so-called 'failed states', a new name of the 'rogue states' of the 1990s. Their arguments

are based on utilitarianism, the fundamental philosophical principle of capitalism, which is the guiding force for the new international order. The architecture of the new international order for the last decade was based on three international organizations: the IMF, the World Bank and the WTO. These are all controlled by the former colonialists of the Western world. The purpose is to control world trade, finance and the economy in order to reward those who are efficient, whether these are countries or social classes. A new dimension has now been added to justify physical control of the unfavoured nations in terms of the inefficiency of their governments to sustain economic growth. According to the Western powers, inefficient governments breed international terrorism, which must be erased by taking control of the so-called failed states. The World Bank has recently produced a list of these failed states: they are all either developing countries or former socialist countries, most of which have enormous natural resources.

A failed state is defined as a state where the government is in near collapse after long drawn insurgency, civil war or invasion; where people are at the mercy of the armed groups or war lords; where most of the public services are either not available or only for the powerful people; where basic facilities for a decent life, education, law and civil services are in a near collapsed state. Most countries in Africa, the Middle East, smaller republics of the former Soviet Union, former provinces of now defunct Yugoslavia and some of the island states in the Pacific and the Caribbean Sea are in that condition. Some parts of a large country can also be in that situation: for example, Bihar, Kashmir and most of the north eastern states in India; Aceh province of Indonesia; Mindanao province of the Philippines; some parts of Thailand, Peru, Bolivia, Nepal and Ukraine. However, does that mean they have to be subjugated and their sovereignty should be passed on to the developed countries in order to provide welfare for the people? The question can be raised: who is responsible for creating such conditions for these unfortunate countries?

The Old Imperialism and its Rejuvenation

The logic of the old imperialism was to occupy countries in order to extract their resources and labour force to enrich the home countries. For the European powers, occupation was not enough. Whenever possible they reduced the local population to a very minimum to create a commonwealth of white European people. Australia, New Zealand, the

USA, Canada, Central and South America and, to some extent, South Africa have experienced deliberate depopulation policies.

The argument for colonialism was in terms of 'white man's burden', that is, white Europeans have a moral responsibility to uplift the people of the 'backward' countries with primitive civilizations and protect the native people from their aggressive neighbours and invasions. Justification for the colonization of India by the British was that otherwise the Tartar horde from central and west Asia—implying Turks, Mongols, Persians and Afghans—would have occupied India. Another justification was imposition of civilized order, administration and Christian culture and religion. Although the industrial revolution in Britain was financed by the colony of Bengal in India, where within ten years from 1757 one-third of the population was wiped out by ruthless exploitation, Western historians and intellectuals appear to have no knowledge of that, or they simply deny it.

James Mill (1817) had the conviction that India needed enlightenment and progress. Mill believed that if non-European peoples in Asia, including India, were enlightened through interacting with the Europeans, they would progress and global happiness would be increased. The Indians would be able to achieve greater happiness under British rule than when they were governed by their native kings. He believed that global happiness can be obtained if all races of peoples of the globe are 'civilized' in the utilitarian sense. Mill had a conviction that all non-European peoples would become 'civilized' if European knowledge, arts, manners and institutions were diffused to them. He was particularly concerned with how to bring enlightenment to what he believed to be 'half-civilized' peoples, such as the populations of India and other Asian nations:

What glorious results might be expected for the whole of Asia, that vast proportion of the earth, which, even in its most favoured parts, has been in all ages condemned to semi-barbarism, and the miseries of despotic power?
(Mill, 1817, p. 284)

In Bentham's view (Boralevi, 1984), 'If the Indians were left to their own native princes, they would inevitably be ruled by despots'. Inspired by the utilitarian mentality, Mill (1865, 1891) committed himself to an agenda of creating a global liberal order in which the happiness of humankind would be maximized. Such an order is attainable only if every nation progresses to a maximal extent. From Mill's perspective, it was desirable for those who were at a higher level of progress to help

those that were at a relatively lower level of progress. Mill's logic was taken up by the US President Woodrow Wilson:

Since trade ignores national boundaries and the manufacturer insists on having the world as a market, the flag of his nation must follow him, and the doors of the nations which are closed against him must be battered down. Concessions obtained by financiers must be safeguarded by ministers of state, even if the sovereignty of unwilling nations may be outraged in the process. Colonies must be obtained or planted, in order that no useful corner of the world may be overlooked or left unused. (Wilson, 1907)

During the conquest of the Philippines between 1898 and 1901, the USA declared Filipinos as 'unfit for self government' and claimed to be fighting 'with scrupulous regard for the rules of civilized warfare', while it massacred hundreds of thousands of Filipinos.

'Neo-imperialists' have the same logic in terms of enhanced welfare for the people of the so-called failed states. *Foreign Affairs*, the organ of the US Council of Foreign Relations recently asserted that as a very powerful argument for imperialistic intervention.

Experience has shown that non-imperialist options—notably, foreign aid and various nation-building efforts—are not altogether reliable. An obstinate group of dysfunctional countries has refused to respond to these approaches. The chaos in the world is too threatening to ignore, and existing methods for dealing with that chaos have been tried and found wanting. The question is not whether the United States will seek to fill the void created by the demise of European empires but whether it will acknowledge that this is what it is doing. (Mallaby, 2002)

Past British Prime Minister Blair (*The Guardian*, 2004) advocated the idea of 'pre-emptive intervention' as a solution to international terrorism that normally emerges from these failed states. Failed states also challenge orderly ones by boosting immigration pressures. According to Robert Rotberg (2002, 2010), 'Weak states threaten not only themselves but also their neighbors and even global security. Preventing state failure is thus a strategic and moral imperative'.

In the new theory of failed states, the 'international community', that is, the Western nations, can intervene in another country to change its government if that country is a failed state. According to Michael Ignatieff (2003), 'The United States is the natural nation-building power in the world and must shoulder the burden of the new imperialism'.

In the Berlin conference of 1886, European countries divided the world between them as their colonial assets. In the same way that the USA had concentrated on central Asia, Latin America and the Middle East, the Western European powers moved on to Africa and Eastern Europe. Some of the so-called failed states have already been taken over by the developed countries. Former Yugoslavia is under the UN-NATO control; East Timor and the Solomon Islands were taken over by Australia in conjunction with the UN; Rwanda-Burundi are under UN control; and Liberia and Sierra Leone are controlled by Britain. The USA has already occupied both Iraq and Afghanistan and destroyed Libya and Syria. The government of Ukraine is also under its control.

The main problem is to know whether a failed state is the result of deliberate policy of the developed countries to provide justification for the take-over or it is the result of the poor quality of its civilization and its leadership. Yugoslavia was destroyed when Germany gave recognition to the breakaway provinces of Croatia and Bosnia, who were pro-German during the Second World War. Afghanistan was destroyed because of the intervention of Pakistan and the USA in 1978 immediately after the revolution to abolish the monarchy. Now, a destabilization process is going on in Venezuela to turn it into a failed state. The problems in Thailand, Indonesia, the Philippines and Kashmir in India are the results of interventions by some Islamic countries. In the former socialist countries, criminals are allowed to steal all state properties in the name of privatization, with encouragement and financial support from the Western development organizations. Thus, it is not possible to rule out deliberate intervention as the cause of the emergence of the failed states.

In the next chapter we describe the efforts towards the formation of world dominance and some of the victims of the design to create a world government.

7

Victims of the New International Business Order

This chapter analyses a number of countries that are victims of the proposed new international business order designed to create a unified world. Victims are the countries and people who stand in the way of this new international business order. In this chapter we have analysed the situation of the people of India, China, Yugoslavia, Iraq, Libya, Georgia, Ukraine and Russia.

Special Economic Zones in China and India

The farmers' dispute over the oppressive governments in India is not a war between industry and agriculture, or between progress and conservatism, but between some basic human rights and a government determined to create a pure, capitalist heaven by taking the one possession of the poorest people, their land, without paying proper compensation. The introduction of special economic zones (SEZ) would cause problems in India because the poor, who make up 80 per cent of the population, now understand that they have no choice but to fight in order to survive against the combined might of most political parties, who are now acting as agents for India's true ruling class, the captains of Indian industry. In India the Land Acquisition Act of 1894, a colonial act of the British rule to take over lands for public purposes, is now being used to take away lands from poor farmers to give to mega rich private companies for their businesses, which do not serve any public interest.

Land is needed for industrialization. However, those who lose their land must be compensated properly. An adequate compensation implies at least payment to cover lost homes, assets, professions and regular income. Thus, those who have lost their homes and land must receive

from the government a new home, the value of the land, taking into account the possible appreciations over the next decade, and a new job or regular monthly payments to compensate for the loss of income. In most cases, the government is paying a maximum of 1.3 times the value of the land, although the price of land is doubling every five years or less. There is no promise of a new job or regular monthly income or a new house. There are no provisions for lost education for the children of the farmers. Thus, the declared compensations are highly inadequate. That is the source of the dispute (Basu and Miroshnik, 2006).

There is also a second argument from the point of view of overall economic policy. Industrialization just for the sake of it is not justified. It is essential to look at the costs and benefits of setting up an industry. The same argument is much more valid for the Haldia SEZs in West Bengal, which demand more than 20,000 acres of land. Already 250,000 people have been evicted in Narmada Valley, thousands if not millions will be evicted in Orissa, Jharkand and Chhatisgarh or Hariyana in India to make room for the SEZs, making millions destitute on the streets, just like in China where possibly 150 million people are now unemployed. Thus, it is essential to ask whether we really need this type of economic growth and industrialization when the gains for the people are really negative (Basu and Miroshnik, 2006).

To understand the issue, it is essential to examine what has happened to the SEZs in China and why Indian industrialists are so eager to follow the Chinese road (Basu and Miroshnik, 2006).

Industrialization and Land Use in the Developed Countries

Industrialization in the developed countries in Western Europe, including the UK, did indeed destroy a lot of fertile lands, but at the same time they had encouraged and financed their evicted farmers to go to foreign lands, such as North and South America, Oceania and Africa, to kill the local people and take over their lands. Red Indians in North and South America, Africans, Aborigines in Australia and Maoris in New Zealand were systematically killed over the last 250 years to make room for thousands of evicted farmers from Western European countries. Even Japan had sent away its evicted farmers to Manchuria, Korea, Taiwan, Brazil and Peru. It is not possible for the evicted farmers from India today to go anywhere to kill the natives to take over their land.

After the Second World War, it was no longer possible for the Western European countries or Japan to colonize foreign lands for their own people. Thus, severe land use and regional planning were introduced in

every developed country to preserve fertile lands and areas of natural beauty and entice industries to move into the areas of high unemployment and infertile land, so that valuable lands could be preserved for agriculture. At the same time, various forms of subsidies and price supports were introduced for the farmers along with total protection from foreign imports in every developed country. Central planning for agricultural production became the norm in the European community, USA, Canada, Australia and Japan—with the government effectively protecting the farmers by giving them a stable price for their products, subsidizing production and compensating them for loss or over production. These types of protections are now so important for the developed countries that the governments of these countries are prepared to even ruin the prospects of the WTO just to maintain the level and quality of protections for the farmers in their home countries.

Thus, it is wrong to suggest that the developed countries have ignored agriculture in preference for industries. That was never the case. The declining number of people engaged in agriculture was due to a combination of factors. Industrialization, emigration to the former colonies, consolidation of land holding, sometimes in a very brutal way as observed in USA during the depression years of the 1930s, and mechanization of agriculture have reduced the attractions of employment in agricultural farming.

Agriculture is still very important for Europe, where it is a way of life for many people. The prosperity of agriculture in the developed countries since the 1950s and their attractive landscapes are the results of effective agricultural land use and environmental planning. Companies are not allowed to set up industries wherever they like; they have to comply with the environmental regulations. Industries producing dangerous products or using hazardous processes, chemical and nuclear industries are not allowed to be anywhere near major population centres.

In East European countries, outside of the former Soviet Union who were mainly agricultural before 1950, industrialization took place in a planned way without causing any unemployment or eviction of the farmers. In the Soviet Union itself agriculture flourished alongside industrialization that had started in 1929. In 1931 grain production was 69.5 million tonnes: in 1940 it rose to 118.8 million tonnes. The peasant population, rising from 120.7 million to 132 million between 1926 and 1940, was able to feed an urban population that increased from 26.3 million to 61 million, because of industrialization in the same period. The consumption of the farmer in the collective farms rose

from its pre-collectivization period by 125 per cent for bread and flour, 147 per cent for fruit and vegetables, 148 per cent for milk and dairy products and 179 per cent for meat and sausages. Collectivization and a planned economy allowed the Soviet Union to survive the barbaric war waged against it by the German Nazis. Between 1942 and 1944, 12 million hectares of newly cultivated land were sown in the eastern part of the country.

This progress properly reflected the sustained rise in investment in agriculture, which increased from 379 million Rubles in 1928, to 4,983 million Rubles in 1935. Agriculture's share in the total investment increased from 6.5 per cent in 1924 to 18 per cent in 1935. Thus, it is possible to sustain rapid industrialization along with prosperity in agriculture. There should not be any conflict between industry and agriculture in a planned economy. Both in planned economies of Eastern Europe and in the mixed economies of Western Europe and Japan, agriculture and industry flourished simultaneously (Baykov, 1946).

Chinese SEZs and Exploitation of the Workers

Foreign direct investment in China is almost ten times that in India. The Indian Ministry of Labour supports strongly the Chinese model as one of the 'doable options' for making the labour market more flexible and attractive. There are many restrictions on foreign investors in China. They must have a Chinese partner company; they have to export a substantial part of their production; they cannot raise finance from China; they in many cases supply defence technology to China in return for permission to invest in China. Still the foreign companies are going to China, because they can use the Chinese workers as they please. Chinese workers have no trade union rights or any basic human rights. Workers who have tried to form independent unions or led labour protests have been imprisoned for many years, and were often severely punished or killed (Basu and Miroshnik, 2006; Amnesty International, 2015).

Exploitation of the workers is the basic element of Chinese economic policy. As a result, increased foreign investments do not add to the social welfare of the people of China, but to the economic welfare of a small elite who are connected to the government, army and, above all, the Chinese Communist Party (Basu and Miroshnik, 2006).

The exit policy or the right of the employers to retrench is a part of the so-called 'flexible labour market policy'. The flexible labour market includes some other characteristics as well: temporary job contracts,

outsourcing of most of the activities, contract labourers, hiring of home-based workers and so on. The idea is to save money by not paying pensions, medical benefits, leave entitlements and complete freedom of the employers not to take any responsibility for the workers. Employers also do not need to have office facilities or factory premises if the company can contract out most of the activities. As the employees do not know each other and suffer from the chronic fear of unemployment, organized trade union activities cannot take place. The employers are at the mercy of the employers and the market forces. China, since it has started an economic reform to transform itself into a pure capitalistic economy, has a flexible labour market with flexibility organized and implemented by the ruthless state machine. India wants to emulate that (Basu and Miroshnik, 2006).

Flexible Labour Market in the SEZs in China

In the Chinese SEZs workers are treated in a militaristic fashion with very strict discipline, which amounts to serious abuse. The rights of Chinese workers are routinely violated. Workers are often required to work far more than 40 hours a week, have few days off, are paid below the minimum wage and are not paid the required overtime payments. Improper deductions from wages are common. Some Chinese workers must pay a large sum of money as a 'deposit' to their employer, and they may have to pay a 'recruitment fee' in order to be hired. These payments can prevent workers from leaving jobs where their rights are violated. Physical abuse of workers and dangerous working conditions are also common (Basu and Miroshnik, 2006).

Among the 150 million migrant workers in China about 60 per cent are women from the poor areas. China has a virtually inexhaustible supply of migrant workers, most of whom are ignorant of their rights under the Chinese law, which are never implemented. They are willing to work under any conditions without protest (Basu and Miroshnik, 2006).

Factories owned by Hong Kong Chinese, Taiwanese and South Korean companies tend to have worse conditions, as is the case in some small, privately-owned Chinese factories. The conditions of the workers in the SEZs for Taiwanese and Korean foreign investors are some of the worst. Some work 12-hour shifts called 'long day shifts'; others are on 'long night shifts'. Often these exceed 12 hours. One has to work longer if one cannot finish the day's production quota. Another unpaid extra hour or so is spent in preparation before the shift begins (Basu and Miroshnik, 2006).

The director general of the UN International Labour Organization (ILO), Juan Somavia, during a visit to Beijing in 2001, handed China's labour minister a list of 24 detained labour activists and requested their immediate release. The list has grown since then. There is no organized labour movement of any size and significance, because the Communist Party of China does not recognize any worker rights. Throughout China, there are increasing numbers of clashes between the workers and the armed police.

Peasants who lost their land or could not support themselves by farming—tens of millions—were forced to migrate to the coastal industrial areas in order to work as super-exploited cheap labourers.

In July 2005, Public Security Minister Zhou Yongkang told Reuters that 74,000 'mass incidents' involving over 3.8 million people had taken place in 2004, an increase from 58,000 protests in 2003. In response to escalating social tensions, the Chinese government announced on 18 August 2005 the formation of specialized, heavily armed 'anti-terror' and riot police units in 36 major cities, including Beijing, Shanghai, Chongqing and Tianjin. The first 500-strong squad was sent to Zhengzhou, the capital of the very poor Henan province. The Chinese government already possesses a million-strong paramilitary force, the People's Armed Police. However, the new units greatly enhance the ability of the police to suppress large-scale urban unrest. They are being formed in large part because the regime no longer feels confident that it can rely on the peasant conscripts in the People's Liberation Army (Basu and Miroshnik, 2006).

Today, the peasantry is one of the most rebellious social layers in China. Free market restructuring in the countryside over the past 20 years has led to tremendous inequalities. A minority of wealthy farmers connected to the regime control the most profitable land and local industries, while the majority of peasants barely eke out an existence or have been driven off the land altogether. Millions of farmers were forced to migrate to the cities to find work. As a result, the size and social weight of the working class has grown enormously. The animosity toward government and party officials is inseparable from their role in impoverishing masses of people and enforcing the ruthless exploitation of tens of millions of workers by transnational and Chinese corporations.

According to UN statistics, the poorest 20 per cent of China's 1.3 billion citizens account for only 4.7 per cent of total income, while the richest 20 per cent account for more than half (Cody, 2005). Moreover, that gap has been widening steadily over the last few years. It is China's

most serious social problem. India is trying to adopt the Chinese style labour market in the SEZs to impress foreign investors and Indian industrialists (Basu and Miroshnik, 2006).

Failed States and Terrorism: 'Greater Middle East' Policy

The best examples of the deliberate intervention to create failed states are in the Middle East. None of the Middle East countries could previously have fallen within the definition of the failed state. All of them had functioning governments, although in all cases these were dictatorial. However, those that defied the USA were branded first as 'rough states' and then 'failed states'. Iraq, Iran and Syria are within this category. Iraq has already been colonized based on this argument (Basu, 2004a, 2004b).

However, the source of terrorism in the Middle East since 1978 has been Pakistan, which has sent its armed terrorists, with the encouragement of the USA, to Afghanistan to destabilize it. From 1989 it also began sending terrorists to Kashmir in India. It also created the Mujahideens, who destroyed the government of Dr Najjubullah of Afghanistan in 1992. In 1995, the Taliban were formed, at the instruction of the US Clinton administration. In 1986, Osama Bin Laden joined a terrorist organization called Ghunda-e-Jadeed, located in Para Chinar, inside the Afghan territory occupied by Pakistan. According to General Mirza Aslam Beg, the former Chief of Staff of the Pakistan Army, 'Osama and his outfit were paid by US government over US\$500 million annually for waging Jihad against the Soviets' (Beg, 2004).

Osama Bin Laden was honoured by both Mrs Thatcher and Reagan as the 'freedom fighter of Afghanistan', although Osama was a citizen of Saudi Arabia and his father came from Yemen. Osama went to Sudan in 1992 but came back to Afghanistan after the Taliban took over in 1996. From 1998, he was considered to be a threat for the USA (Basu, 2004a, 2004b).

Although Pakistan has been a source of international terrorism and was a failed bankrupt state before the events of 9/11, it is not considered to be a failed state. Quite stable countries such as Iraq before 2003 or Syria and Libya today are however considered to be failed states and a source of international terrorism (Basu, 2004a, 2004b).

The reason lies in the US policy towards the Middle East, which aims to destroy any threat for Israel and to turn all Middle Eastern and North African countries from Morocco to Pakistan into countries under American economic and political order. That would pacify the Middle East and ensure that Israel can incorporate the territories occupied by it,

in the Golan Heights of Syria, South Lebanon, the West Bank of Jordan and the Gaza strip of Palestine, without any objections from any Arab countries (Basu, 2004a, 2004b).

The Ba'ath socialist party, established by Nasser of Egypt, was the most influential political force in the Middle East since 1956 and the political force against the colonial policy of Israel. Egypt, Iraq, Syria, Algeria, under Ben Bella, and Libya, before Gaddafi, were all within the domain of the Ba'ath socialist party. Egypt, influenced by a massive amount of American foreign aid, was reduced to a subservient state of the USA. After the recent occupation of Iraq, the USA is determined to erase all influences of the Ba'ath party and its socialist policy. That is the reason for the privatization drive in Iraq—to give control of the oil and gas industry in Iraq to the Anglo-American oil companies, as was the situation before 1960 (Basu, 2004a, 2004b).

Syria is the only country left with the Ba'ath party, and that is the reason the USA now has imposed sanctions against Syria in order to destabilize it and supported rebel armies against the government. Thus, in the Middle East the failed states are being created as a ploy to ensure subordinate positions for the Arab states (Basu, 2004a, 2004b).

Iran does not fall within the category of a 'socialist' state, nor is it anti-American as such. Iran is a theocratic Islamic state that has executed almost all Iranian socialists. Islamic Iran had collaborated with the US Reagan administration to destroy the progressive governments both in Nicaragua and in Afghanistan. In turn, the USA has supplied both Iran and Iraq with weapons to fight against each other (Basu, 2004a, 2004b).

After the first Gulf War in 1991–2, the USA no longer needs Iran, but they do need the oil resources of Iran, which are about 4 per cent of the oil reserves of the entire world. Although Iran has nuclear power plants from Russia but no ability to produce nuclear weapons, it is now being described as the replica of Nazi Germany by Israel, who influences the policy of the USA in the Middle East. Iran has turned from an ally into a 'rogue' state and a 'failed' one as well. However, Pakistan, armed with nuclear weapons and missiles, committing genocides in Baluchistan and terrorism in both Kashmir and Afghanistan, is the example of democracy in the Islamic world and a non-NATO ally of the US (Basu, 2004a, 2004b).

Plan for the Future Colonization of the Failed States

The Middle East is important for the USA for many reasons. The proponents of neo-imperialism want to create a new international

political architecture disregarding the UN, because it stands in the way of neo-imperialism. The plan is to create a new international body with the same governing structure to deal with the task of nation building. It would not be subject to the UN Security Council, with its Russian vetoes, nor to those of the UN General Assembly, with its democratic 'one-country-one-vote' system, which gives undue importance to the poor countries (Basu, 2004a, 2004b).

A new international reconstruction fund might be financed by the rich countries belonging to the Organization for Economic Cooperation and Development (OECD). It would assemble nation-building muscle and expertise and could be deployed wherever its American-led board decided. It would fill the security void that empires left, much as the system of mandates did after the First World War (Basu, 2004a, 2004b).

The question of how all these can be financed is answered by a prominent supporter of imperialism, Deepak Lal (2003) of the University of California, Los Angeles. According to him, a new financial institution, International Natural Resources Fund (INRF), combining the World Bank and IMF, should be created:

To obtain the rents from the natural resources of failed or failing states, once they form part of the direct or indirect Imperium. These revenues would be put in escrow by the fund for use only in the country in which they were generated. The funds from these country escrow accounts would only be released on the authority of the fund, for purposes determined by the fund's managers in consultation with the local government. . . . Power of the Imperial Power becomes crucial. It needs to provide the necessary military muscle to protect the mines. (Lal, 2003)

Invasion of Iraq took place in 2003 for that purpose—to finance the creation of the future empire. In the late 18th century the profit from Bengal financed both the industrial revolution in Britain and the war to colonize China. Australia took over a vast offshore oil field of East Timor and sold billions of Dollars worth of petroleum to China to benefit Australia. The USA organized a coup in Haiti, as a precursor to the invasions of Cuba and Venezuela, the most important oil-producer in Latin America (Basu, 2004a, 2004b). They then went on to invade Iraq.

The New International Business Order

The proponents of the failed state disregard all existing treaties and laws regarding national sovereignty. The modern concept of sovereignty

traces its history back to the signing of the Treaty of Westphalia in 1648. This treaty established the national self-determination as a principle for the formation of a state. Sovereignty was embodied in the monarch, who enjoyed formal equality with other monarchs. These rights enjoyed by the monarch became the doctrines of non-intervention and of formal equality in modern international law. Non-intervention has been codified in many treaties and agreements; most notably, it appears in Article 2, Principle #7 of the United Nations Charter:

Nothing contained in the present Charter shall authorize the United Nations to intervene in matters which are essentially within the domestic jurisdiction of any state or shall require the Members to submit such matters to settlement under the present Charter; but this principle shall not prejudice the application of enforcement measures under Chapter VII.

Only the UN Security Council, using Chapter VII, can enforce humanitarian intervention on a country, as it has done in Yugoslavia and Rwanda-Burundi. Non-intervention means that sovereigns have the right to be free from interference by others in their domestic affairs. The doctrine of formal equality was also codified in Article 2 of the UN Charter.

The Organization is based on the principle of the sovereign equality of all its Members.

However, the neo-conservatives of the USA and the UK want to disregard even the UN, as they did when they invaded Iraq and Libya or when they organized a coup in Ukraine and armed the rebels in Syria. Thus, national sovereignty is already subjected to the will of the USA. As the former British Prime Minister Blair said: 'For me, before September 11th, I was already reaching for a different philosophy in international relations from a traditional one that has held sway since the treaty of Westphalia in 1648' (*The Guardian*, 2004). This is the imperialism of the new century, elaborated by the adviser to Blair, Robert Cooper:

All the conditions for imperialism are there, the weak still need the strong, and the strong still need an orderly world. When dealing with more old fashioned kind of states outside the post modern continent of Europe, we need to revert to the rough methods of an earlier era, force, preemptive attack, deception, whatever is necessary to deal with those who still live in the 19th century world of every state for itself. (Cooper, 2002)

With the destruction of the Soviet Union, Western countries are now free to re-colonize the former colonies and take back the economic and social rights of the poor people throughout the world. If a country does not welcome multinational companies, privatize its public industries and financial services and open up itself for free flow of imports, regime change will be imposed to create an orderly condition, a stable environment for the foreign capital, because non-imperialist options such as foreign aid and economic control by the IMF and World Bank are not enough for the impatient Western countries to control the resources of the world. Invasion of Iraq and the destabilization process in Syria, Ukraine and Venezuela are parts of that grand design (Basu, 2004a, 2004b).

The invasion of Iraq in 2003 was needed to ensure two objectives. The first is the occupation of the second largest oil fields in the Middle East, thus to ensure both future oil resources for the USA and trade of oil in Dollars. The second objective is to scare away any other oil producers from even thinking about de-linking the Dollar from oil trading. This would diminish the special status of the Dollar, reduce the ability of the US economy to buy goods and services virtually free from the rest of the world and force countries that have trade surplus with the USA to lend them money. That would certainly destroy the US economy, which is built on borrowed money (Basu, 2006).

Because Iraq was the first oil producing country to convert its foreign exchange reserves from Dollar to Euro, it became the first country to come under US attack. Libya was destroyed. Venezuela already had a coup. Currently it is going through a US inspired destabilization process. OPEC countries in the Middle East are accused of harbouring terrorists, so they are scared about converting their foreign exchange reserves. As a result the laws of economics would not apply to the USA and the Dollar would survive as a supreme currency (Basu, 2006).

The USA has selected three areas that contain possible rivals: The Middle East, Eastern Europe and East Asia. In the Middle East the rival is militant Islam. In Eastern Europe the rival is resurgent Russia under Putin. In East Asia the possible rival is China. However, China is now the most important partner of US corporations and, as a result, is not a rival as such on the political front. The USA has the hope that by controlling the oil wealth of the Middle East it will be possible to regulate militant Islam and to set it against resurgent Russia. President Clinton tried that in the past by supporting Bosnian Muslims against the Orthodox Christians of Serbia. He sent an army of 10,000 Arab terrorists, trained in Pakistan and armed by Turkey, into Bosnia to kill

the Christians. Serbia was bombed into submission so that it would give up Kosovo. During Clinton's presidential term, Chechen Muslims revolting against Russia also received support from the USA, Britain and other Western European countries. Although Iraq is certainly a set-back, the USA is trying, as suggested by a Baker-Hamilton report, to develop relationships with Syria and Iran to eliminate any possibility of Russian influence in the Middle East. Thus, still the real rival for the USA on a worldwide scale is Russia, just as the Soviet Union was (Basu, 2006).

In order to contain Russia, the USA has adopted a multi-level approach. The USA and its Western allies support directly or indirectly the Islamic insurgency within Russia. At the same time, there are serious efforts to encircle Russia by putting pro-Western governments into every former republic of the former Soviet Union. Reversals of the results of the elections in Ukraine, Georgia and Kyrgyzstan, in which elected presidents are replaced by new pro-Western presidents—as demanded by the mob, who are hired, fed and employed by Western organizations—are the direct result of that policy (Basu, 2007b).

The election of pro-Western presidents through dubious means for Ukraine, the birthplace of the Russian nation of Kiev-Rus in the 9th century; for Georgia, the birthplace of Stalin; and Kyrgyzstan, the gateway to the former Soviet central Asia, mean that the USA now occupies a crucial position on Brzezinski's global chessboard. From 1945, the Soviet Union had formed the most important obstacle to the unrestricted world domination of American imperialism—now under no circumstances could Russia ever play a remotely comparable role (Basu, 2007b).

In the Balkans, after the war on Serbia in 1999, the former Yugoslavia became firmly under Western control. In 2001, in the context of the invasion of Afghanistan, the USA established military bases for the first time in former Soviet republics with Uzbekistan, Tajikistan, Kyrgyzstan and Azerbaijan allying themselves to the USA. In 2003, a pro-Western regime came to power in Georgia, through a mob violence that was also witnessed in Ukraine in both 2004 and in 2014. In Europe, most members of the former Warsaw Pact, including the former Baltic Soviet republics, have now joined NATO and the European Union. The joining of Ukraine leaves Russia largely isolated (Basu, 2007b).

According to Brzezinski (1997):

Without Ukraine and its 52 million fellow Slavs, any attempt by Moscow to rebuild the Eurasian empire was likely to leave Russia entangled alone in protracted conflicts with the nationally and religiously aroused non-Slavs, the war with Chechnya perhaps simply being the first example.

It is worthwhile to remember that Brzezinski, as the national security adviser to President Carter, had manufactured the Mujahideen terrorists in July 1978 from the ranks of the Pakistani army to destroy the socialist government of Nur Mohammed Taraki of Afghanistan and to set up the trap for the Soviet Union, who came to the aid of Afghanistan in December 1979.

Return of the Cold War

A new Cold War is slowly but steadily emerging between the USA and Russia. This may have significant implications for the world in the near future and could alter all strategic plans of most countries regarding their positions in the world and, as a result, their economic policies.

In an assembly of world's leaders on national security in Munich on 10 February 2007, President Putin warned that the USA's increased use of military force is creating a new arms race, with smaller nations turning towards developing nuclear weapons. He said:

Nations are witnessing an almost uncontained hyper use of force in international relations. One state, the United States, has overstepped its national borders in every way. This is very dangerous: Nobody feels secure anymore because nobody can hide behind international law.

Putin voiced concern about US plans to build a missile defence system in Eastern Europe, in Poland and the Czech Republic, and the expansion of NATO as being possible challenges to Russia. War is going on in Ukraine between the Russian residents and the government forces who are trying to drive them out of the country.

The Baker-Hamilton Study Group Report on Iraq has demonstrated the limit on the projection of US power over the globe. The report suggested gradual withdrawal of the American forces from Iraq, admitting defeat (Baker and Hamilton, 2006). The declaration of the USA attack on Iraq in 2003 was to create a democracy in the Middle East, although one may ask why the USA tolerates dictators in Egypt, Saudi Arabia, Jordan and China. The answer can be found by examining the real aim of the US foreign policy (Basu, 2007b).

Recent unrest in Ukraine and expulsion of the elected President Victor Yanukovych by protestors have created the prospect of a division between the East Ukraine's mainly Orthodox Christians and the Western Ukraine's Catholic majority. The Ukrainian-speaking Catholic west and centre want closer links with the EU, and the Russian-speaking

east and Crimea want closer ties with Russia. The protests were initially about an agreement with the EU and the IMF that would have destroyed the industrial structure of Ukraine but would lead to a closer integration with Europe. Yanukovich chose instead a \$15 billion credit line and gas subsidies from Russia. The first protesters were largely young middle-class students and liberals. Later that protest drew in an older, more nationalistic group, some of whom had served in the old Soviet army. The most recent violence has seen ultra-right wing nationalists, followers of Stepan Bandera, the Ukrainian Nazi leader during the Second World War, and Pravy Sektor, who are not interested in political compromise but in war against the Orthodox Christians and Jews (Wiesenthal Center, 2015).

Emerging Relationship between Ukraine and USA

With nearly 50 million inhabitants, Ukraine is, after Russia, by far the biggest of the successor states of the Soviet Union. Ukraine is connected to Russia by a common history, extending back to the Kiev-Rus in the 9th century. During the past 300 years, the largest part of today's Ukraine was either Russian or Soviet national territory, or both. The heavy industry of Eastern Ukraine, developed under the Soviet Union, is closely linked with its Russian counterpart. A dissolution of these links would have damaging consequences for both countries (Basu, 2005b).

An additional factor is the strategic significance of Ukraine. Eighty per cent of Russian gas and oil exports to Europe—its most important source of foreign exchange—flows through Ukrainian pipelines. The main base of the Russian Black Sea fleet, Sebastopol, is also situated on former Ukrainian national territory in Crimea, which is once again part of Russia. Russia is threatened with the loss of influence over one of the most important industrial regions of the former Soviet Union and the loss of control over the export routes of its most important raw materials, oil and natural gas.

Russia has planned a trade and security alliance called Eurasian Customs Union that would incorporate some of the republics of the former Soviet Union in Central Asia, the Caucasus and Eastern Europe, in which Russia would be the dominant power. Wherever Moscow attempts to reassert its influence, it meets with opposition from the Euro-American alliance, which has the strategic aim of incorporating Russia's periphery—especially in Eastern Europe and in the Caucasus—into the Western trade bloc of the EU and NATO. Ukraine now has the support of both the EU and NATO (Basu, 2005b).

Affairs in Georgia

During the Soviet Union era, most of the Soviet investment went into building up the developing, mostly Muslim nations and non-Russian areas. The result is well-educated and well-organized republics such as Uzbekistan, Turkmenistan, Georgia and Azerbaijan, among others. These countries are sitting on top of or in close proximity to Caspian Basin oil (Basu, 2005b).

After the overthrow of the Soviet Union, the United States moved to establish its strength in the Caspian area. They practically bought up Georgia, a key Caspian country. Both the former heads of the Georgian government, Eduard Shevardnadze and Mikheil Saakashvili, are very pro-USA and therefore anti-Russian. The war in Chechnya was nothing more than a reflection of that, when Georgia became the sanctuary of the Chechen terrorists (Basu, 2005b).

The most important factor in Georgia is that the country is an essential link in the Baku-Ceyhan pipeline that will carry oil from the Caspian Sea to the West. Control over Caspian Sea oil is perceived by the USA to be a vital strategic interest. Uppermost in Western policy towards the entire Caucasus region is the goal of sufficient political stability to guarantee that the oil will flow. Georgia's strategic importance has resulted in an American military presence in the country to train its armed forces. American firms are now building a major pipeline through this volatile area. This US presence is only likely to expand in future (Basu, 2005b).

Former President of Georgia and current Governor of Ukraine's Odessa Oblast, Saakashvili forced President Eduard Shevardnadze to resign on 23 November 2003 after three weeks of peaceful demonstrations during which a mob challenged the results of the general elections that were held on 2 November 2003. He had colossal support from George W. Bush himself. The result of a subsequent new election was the withdrawal of Russian military bases from Georgia and their replacements by the US army, which Shevardnadze had resisted (Basu, 2005b). Although Saakashvili is not in power anymore, after his growing unpopularity after his war with Russia for a few days in 2008, Georgia is still trying to become a member of the EU and NATO.

Velvet Revolution in Kyrgyzstan

Former President of Kyrgyzstan Askar Akayev said in his book, *Thinking of the Future with Optimism: Ideas on Foreign Policy and the World*, that,

'Installation of the new regime in Georgia is a challenge to all CIS countries. Proliferation of the technology of velvet revolutions of Georgia in 2003 aims to weaken the Commonwealth of Independent states'. Pro-Russian candidate Akayev became the president in 1990 and was re-elected in 1995 and again 2000. The West and the local opposition refused to recognize the election unless pro-Western candidate Felix Kulov was elected, after mass protests resulted in re-election in Kyrgyzstan and Askar Akayev fled to Moscow in April 2005. It was similar to what took place in Georgia in 2003 and in Ukraine both in 2004 and in 2014 (*LA Times*, 2005).

Economic Sabotage against Yugoslavia

Multi-ethnic, socialist Yugoslavia was once a regional industrial power and an economic success. In the two decades before 1980, annual GDP growth was on average 6.1 per cent. Medical care was free, literacy was 91 per cent and life expectancy was 72 years. Then, in the mid-1980s, Yugoslavia found itself in a debt trap and asked the IMF to help. After a decade of Western economic rescue packages from the IMF and World Bank, and five years of disintegration, war, boycott and embargo, the economy of the former Yugoslavia by the mid-1990s was in serious decline, with their industrial sectors dismantled under the instruction of the IMF. Throughout the 1980s, the IMF and World Bank periodically prescribed further doses of their bitter economic medicine as the Yugoslav economy slowly lapsed into a coma and eventually died (Sørensen, 2006).

From the beginning, due to successive IMF-sponsored programmes, industrial production declined to a negative 10 per cent growth rate by 1990, accompanied by the piecemeal dismantling of the welfare programme, with all the predictable social consequences. Debt restructuring agreements increased foreign debt and currency devaluation was very destructive for the Yugoslav's standard of living. Shock therapy began in January 1990. Although inflation had reduced the net earnings of the people, the IMF ordered that wages be frozen at their mid-November 1989 levels. Prices continued to go up and real wages collapsed by 41 per cent in the first six months of 1990.

By reducing the financial links between Serbia and the republics, the reform programme provoked secessionist tendencies that were caused by economic factors as well as ethnic divisions, with the result

of de-facto secession of the republics. Croatia and Slovenia had formal secession in June 1991, supported first by Germany and then by all Western countries. In front of NATO soldiers, organized ethnic cleansing continued. This was first conducted in larger urban areas and in those rural areas that had been inhabited by ethnic Serbs for centuries and where ethnic Serbs constituted the majority. One can see the parallel situation in Eastern Ukraine today where an ethnic cleansing is going on against the Russian speakers.

In late 1995, then US President Bill Clinton dispatched some 20,000 US troops to Bosnia and Herzegovina as part of a NATO-led 'implementation force' (IFOR) to ensure that the warring Muslim, Serbian and Croatian factions complied with provisions of the Dayton peace plan. In April 1994, Clinton gave the government of Croatia what has been described by Congressional committees as a 'green light' for shipments of weapons from Iran and other Muslim countries to the Muslim-led government of Bosnia. Along with the weapons, Iranian Revolutionary Guards entered Bosnia in large numbers, together with thousands of Arab Mujahideens (holy warriors) from across the Muslim world, trained in Pakistan (Pakistan Defence, 2007). Also engaged in the effort were several other Muslim countries (including Brunei, Malaysia, Pakistan, Saudi Arabia, Sudan and Turkey) and a number of radical Muslim organizations. The role of one Sudan-based 'humanitarian organization', called the Third World Relief Agency, is now well known. The Clinton administration's 'hands-on' involvement with the Islamic network's arms pipeline included inspections of missiles from Iran by US government officials (Chossudovsky, 2009).

Underlying the Clinton administration's misguided green light policy was a complete misreading of its main beneficiary, the Bosnian Muslim government of Alija Izetbegovic. Rather than being the tolerant, multi-ethnic democratic government it pretended to be, there is clear evidence that the ruling circle of Izetbegovic's party, the Party of Democratic Action (SDA), has long been guided by the principles of radical Islam. Iranian Revolutionary Guards accompanied Iranian weapons into Bosnia and soon were integrated into the Bosnian military structure. In short, the Clinton administration's policy of facilitating the delivery of arms to Bosnian Muslims made it the de facto partner of an ongoing international network of governments and organizations pursuing their own agenda in Bosnia: the promotion of Islamic revolution in Europe (*Washington Post*, 1995, 1996; *Washington Times*, 1996; *New York Times*, 1996).

Aim of the Jihad in former Yugoslavia

In 1970, the Bosnian President Alija Izetbegovic wrote the radical 'Islamic Declaration', which calls for 'the Islamic movement' to start to take power as soon as it can overturn 'the existing non-Muslim government . . . and build up a new Islamic one', to destroy non-Islamic institutions. 'There can be neither peace nor coexistence between the Islamic religion and non-Islamic social institutions', and to create an international federation of Islamic states (Izetbegovic, 1970; Pavković, 1997).

Classified reports to the UN force commander, General Satish Nambiar, concluded that, 'To state that the Clinton Administration erred in facilitating the penetration of the Iranians and other radical elements into Europe would be a breathtaking understatement'. The terrorists who carried out a spate of suicide attacks in Iraq in August 2004 were trained in Bosnia. Bosnia today is a centre for terrorists to acquire weapons, money, shelter and documents. They were mostly Chechen and Afghani fighters passing through Europe before heading to Iraq and Kashmir.

Britain's Sky News, in December 2005, showed a programme entitled *The Hidden Army of Radical Islam*. The programme focused on a 'growing radicalization' and a base for Al Qaeda in Bosnia:

In the heart of Europe, thousands of Arab fighters. There we see footage of Bosnian Muslim forces destroying an Orthodox Christian church; and killing Bosnian Serbs. (Jevtić, 2009)

Israeli Col. Shaul Shay, author of *Islamic Terror and the Balkans*, explains the significance of Kosovo, Albania and Bosnia:

In the eyes of the radical Islamic circles, the establishment of an independent Islamic territory including Bosnia, Kosovo and Albania along the Adriatic Coast, is one of the most prominent achievements of Islam since the siege of Vienna in 1683. (Shay, 2006; Jansen, 2007)

During the Second World War, Axis forces invaded Yugoslavia and sponsored the creation of a Nazi Croat state (Ustashi) with which many Bosnian Muslims cooperated. At the prompting of the Mufti of Jerusalem, Haj Amin al-Husayni, they formed military corps, including the 13th (Hanjar) Waffen SS Division, some of which were trained in

France. Early in the war, these Muslim Slavs actively participated in the policies of the Ustashi Croats and Nazis involving the genocide of hundreds of thousands of Orthodox Serbs, Jews and gypsies in Yugoslavia (Jevtić, 2009).

During the war in Kosovo, Western Europe and the USA, in early 1998, increasingly became involved and enhanced the Jihadists in Europe directly. A Contact Group on Kosovo was established, consisting of representatives from Germany, France, Russia, the UK and the USA. Speaking to the group in March 1998, Secretary of State Madeleine Albright put the blame for violence in Kosovo squarely on Yugoslavia's President Slobodan Milošević's shoulders. In October of that year, NATO authorized the NATO Commander to launch air strikes. On 27 October 1998 Milošević agreed to withdraw the bulk of his military forces from Kosovo. A conference was held at Rambouillet in France in mid-February 1999 to negotiate an end to the war. This settlement, dictated by the West, required Yugoslavia to withdraw its forces from Kosovo. Yugoslavia was unwilling to sign the Rambouillet document. After 73 days of bombing the infrastructure of Serbia was seriously damaged and its economy was destroyed. Ultimately, NATO ignored the UN and recognized an independent Kosovo.

In the Bosnian wars of 1992–5, Muslim, Croat Catholic and Serb Orthodox factions fought for control of Bosnia. The USA intervened in the conflict decisively with air power on the side of the Muslims. More than half the pre-war population was displaced during the 1992–5 war and, as of 1998, fewer than 15 per cent had returned. In March 2007, after seven years of Kosovo being under a UN protectorate, UN Special Envoy Martti Ahtisaari proposed independence. Under the UN protectorate hundreds of Orthodox Christian churches were destroyed and thousands of Serbs removed from Kosovo. Before the UN took over there were 40,000 Serbs living in Pristina, compared with about a hundred today. In 1971 Kosovo was 75 per cent Muslim compared to at least 92 per cent today.

In 1995 25 radical Islamic organizations met to plan expanded Jihadist activities in the Balkans. On the agenda was planning enhanced ways to penetrate Europe and turn Europe the Dar al Harb, that is, the world of war, into Europe the dar al Islam or the world of Islam. Two of the 9/11 hijackers had links to Al Qaeda in the Balkans. After 9/11 there were escalations of radical Muslim attacks against Serbs in Kosovo, southern Serbia and Macedonia, along with an increased activity of the Albanian National Army (ANA) in Kosovo and Macedonia and an escalation of violence in Bosnia and Herzegovina. During the war, many

Iranian Mujahideen moved into Bosnia to fight Serbia. Many didn't leave. At this time the Clinton government allowed Iran to ship large amounts of weapons into Bosnia in violation of the UN embargo that was in place. From 1994 to 1996, 5000 tonnes of military goods including anti-tank weapons and land to air missiles went into Bosnia (Del Ponte, 2006; Del Ponte and Sudetic, 2009; Jansen, 2007).

In 1992, Sali Berisha became President of Albania. He declared his desire for a 'greater Albania' that would include part of Kosovo and his belief that the struggle in Kosovo by Muslim Albanians against Serbia was indeed a Jihad. Thus, the USA and its NATO allies were directly helping the Jihadis in the former Yugoslavia (del Ponte and Sudetic, 2011; del Ponte, 2006; Sorensen, 2006).

Carla del Ponte, a former prosecutor for the International Criminal Tribunal for the former Yugoslavia (ICTY) in the Hague, now Switzerland's Ambassador to Argentina, made a sensational announcement. Her autobiography, *The Hunt* (2009), reveals that Serbian men were kidnapped and their organs sold to international traffickers. Carla del Ponte's announcements have led to a criminal case institution in Serbia. In 2008, the District Court of Belgrade began the hearing of 300 young Serbians kidnapped in the summer of 1999, who, as del Ponte claims, were transported to Albania and had their internal organs removed (Del Ponte and Sudetic, 2009).

These villainous crimes, compared just to the horrors of the Third Reich, were committed by the leaders of the Kosovo Liberation Army (KLA) whose co-leader was the present-day Kosovo Deputy Prime Minister Hashim Thaci. His profile, gathered by his opponents, contains the evidence of dozens of crimes committed by him against the Serbians in Kosovo whilst he was a field commander.

Belgrade newspaper *The Press* showed evidence that many Serbian organizations had tried to make ICTY investigate the crimes of Albanians in Kosovo, and sent detailed maps of the concentration camps in the north of Kosovo and the north of Albania to ICTY. However, no investigation was ever initiated. According to *The Press*, the entire criminal business was controlled personally by Hashim Thaci. He earned millions of dollars on human organ trade. UN Mission in Kosovo (UNMIK), headed at that time by France's Minister of Foreign Affairs Bernard Kouchner, was prohibited from investigating the cases of disappearance and kidnapping. Meanwhile del Ponte and her former assistant Florence Hartmann state that the UN administration prohibited their attempts to charge Albanians (del Ponte and Sudetic, 2009; Stokes, 2005; Sørensen, 2006).

Invasion of Iraq

Back in 2003 we witnessed the beginning of the USA's and Britain's military operations in Iraq that ended with the fall of Hussein's regime. The war in Iraq was one of the greatest foreign policy debacles for the USA in contemporary history. Today, few believe that the overthrow of Saddam Hussein by a foreign intervention, which caused chaos and death of civilians, was justified. On 1 May 2003, the USA officially announced the completion of military operations in Iraq and victory of the coalition forces. One way or another, the coalition forces remained in Iraq indefinitely due to the emergence of a new force of militant Islamic terrorists. According to several sources, by July 2010, the number of civilian deaths ranged between 97,461 and 106,348.

US President George Bush decided to invade Iraq in April 2001, six months before 9/11. The official reason was to improve Western access to Iraqi oil. President Bush's cabinet agreed in April 2001 that Iraq was still a destabilizing influence to the flow of oil to international markets from the Middle East. As this was an unacceptable risk to the US, 'military intervention' was deemed to be necessary.

The decision to take military action had nothing to do with 9/11, the war on terrorism, the UN weapons inspections, weapons of mass destruction, Iraqi human rights or any of the factors that the US government would like the people to believe are the true motives for war. The real cause was control over Iraq's oil resources (Le Billon, 2012).

After the first Gulf War both the George H.W. Bush and the Clinton administrations hoped that the combination of economic sanctions, military containment and the no-flight zones in northern and southern Iraq would result in a military coup or a palace revolution by members of Saddam's own Ba'ath regime. After the 1991 Gulf War, President George H.W. Bush signed a presidential finding authorizing the CIA to topple Saddam. A 1998 law passed by Congress and signed by President Bill Clinton authorized up to US\$97 million in military assistance to Iraqi opposition forces to remove the regime lead by Saddam Hussein. In October 2001, the USA invaded Afghanistan, which marked the beginning of its Global War on Terrorism (GWOT). One year later the Congress and the Senate passed a law authorizing the use of armed force against Iraq.

A simple examination of America's foreign policy efforts in the wake of the 'oil shock' of 1973, and in the ensuing foundation of the petrodollar system in the mid 1970s, makes it painstakingly clear to any

casual political observer that a central goal of Washington has been to control global oil supplies (Robinson, 2012).

The US-led invasion was inspired predominantly by Iraq's public defiance of the petrodollar system. On 24 September 2000, Saddam Hussein allegedly 'emerged from a meeting of his government and proclaimed that Iraq would soon transition its oil export transactions to the Euro currency' (Engdahl, 2004). By 2002, Saddam had fully converted to a Petro-Euro—in essence, dumping the dollar (Engdahl, 2004). On 19 March 2003, George W. Bush announced the commencement of a full scale invasion of Iraq.

In January 2003, British Foreign Secretary Jack Straw admitted that oil was a key priority to the West's involvement in Iraq, even more so than the supposed 'weapons of mass destruction'. In June 2003, Deputy Defence Secretary Paul Wolfowitz made the following comments, while speaking to an Asian security summit in Singapore, after being asked why Iraq was being treated differently than North Korea on the question of a nuclear threat:

Let's look at it simply. The most important difference between North Korea and Iraq is that economically, we just had no choice in Iraq. The country swims on a sea of oil. (Clark, 2005)

Former Chairman of the Federal Reserve Bank (FRB), Alan Greenspan, stated the following:

I am saddened that it is politically inconvenient to acknowledge what everyone knows: the Iraq war is largely about oil. (Greenspan, 2008, p. 463)

Within weeks of the invasion of Iraq, all Iraqi oil sales were switched from the Euro back to the US Dollar.

The USA controls three major financial institutions, the World Bank, the IMF and the WTO, by various means in order to control the world economy. These organizations advise other countries to be prudent, not to have deficits in the balance of payments or in the government finance. However, the USA itself from time to time has massive deficits in the balance of payments and government finance, but no one from the IMF is asking the USA to control itself. There is no massive depreciation of the Dollar. There is no sign of impending bankruptcy of the US economy. Foreigners are rushing to buy US assets. One may wonder why the laws of economics do not apply to the USA (Basu, 2005).

The answer is the special status of the US Dollar, which is now under threat from the Euro. The dollar is the de facto world reserve currency: the US currency accounts for approximately two thirds of all official exchange reserves. More than four-fifths of all foreign exchange transactions and half of all world exports are denominated in US Dollars. In addition, all IMF loans are denominated in Dollars. The strength of the Dollar is not justified by the economic strength of the USA, because whatever the USA can export, can be obtained from alternative sources (Basu, 2005).

The more Dollars there are circulating outside the USA, or invested by foreign owners in American assets, the more the rest of the world has had to provide the USA with goods and services in exchange for these Dollars. The Dollars cost the USA next to nothing to produce, so the fact that the world uses the currency in this way means that the USA is importing vast quantities of goods and services virtually for free (Basu, 2005).

Britain used to have the same status at the time of the British Empire: now only the USA has it. The self imposed restriction on Britain was the link between the Pound and gold. Britain had captured country after country for their gold mines and ended up with a gold reserve of more than 300 tonnes in the Bank of England. The Dollar has had no such restrictions since 1973. Since so many foreign-owned US Dollars are not spent on American goods and services, the USA is able to run a huge trade deficit year after year without apparently any major economic consequence. One of the stated economic objectives, and perhaps the primary objective, when setting up the Euro was to turn it into a reserve currency to challenge the Dollar so that Europe too could get something for nothing.

If countries and businesses convert their Dollar assets into Euro assets, the US property and stock market bubbles would burst without doubt. The FRB would no longer be able to print more money to rejuvenate the economy, because, without lots of eager foreigners prepared to accept the Dollar, a serious inflation would result. This, in turn, would make foreigners even more reluctant to hold the US currency and thus heighten the crisis.

The above scenario may never take place, because of the safety net that the trade in oil or crude petroleum provides to the USA. Oil is not just by far the most important commodity traded internationally; it is the lifeblood of all modern industrialized economies. Until recently, all OPECs (Organization of Petroleum Producing Countries) agreed to sell their oil for Dollars only. So long as this remains the case, the Euro is unlikely to become the major reserve currency.

This arrangement also meant that the USA effectively controlled the entire world oil market: a country could only buy oil if it had Dollars, and only one country had the right to print the Dollar—the USA. The USA thus in effect can just print more Dollars and import oil as much as it likes, without worrying about the price. If, on the other hand, OPECs were to decide to accept Euro only for their oil, then American economic dominance would be over.

So far, only a few OPEC countries have dared switch to the Euro, as Iraq wanted to do in November 2002. However, the consequences for Iraq of making that decision were the US invasion, total destruction of the country and loss of independence. One other OPEC that has been talking publicly about possible conversion to the Euro since 1999 is Iran. A third OPEC that has recently fallen out with the US government is Venezuela and it too has been showing disloyalty to the Dollar. Venezuela has established barter deals for trading its oil with 12 Latin American countries as well as Cuba. This means that the USA is missing its usual subsidy. This might help explain the American attempts to destabilize Venezuela (Basu, 2005). Another OPEC country that tried in February 2011 to nationalize its oil fields, now invaded and destroyed by NATO, was Libya.

Invasion of Libya

The entire anti-Gaddafi campaign was organized from abroad, propagated by the Western media, with Western powers, NATO and its allies who prepared for a long time to invade the country. What had already been destroyed was the respect for international law, which upholds the right of all countries to apply their Constitution in their own territory. When gangs of heavily armed protesters are committing arson, looting shops and homes, and murdering people, should we expect the authorities not to do anything, because if they do the UN can impose sanctions and NATO will invade?

The Libyan 'Revolution' was a creation of NATO, starting on its borders so ably secured by the 'Revolutions' in Tunisia and Egypt, not originating in the capital Tripoli, but in Eastern Libya, and on the western frontier with Tunisia and in the port city of Misrata.

UNSC Resolution 1970 on Libya says in paragraph 9 regarding the supply of weapons to Libya:

all Member States shall immediately take the necessary measures to prevent the direct or indirect supply, sale or transfer to the Libyan Arab

Jamahiriya, from or through their territories or by their nationals, or using their flag vessels or aircraft, of arms and related materiel of all types, including weapons and ammunition, military vehicles and equipment, paramilitary equipment, and spare parts for the aforementioned, and technical assistance, training, financial or other assistance, related to military activities or the provision, maintenance or use of any arms and related materiel, including the provision of armed mercenary personnel whether or not originating in their territories

However, NATO countries have openly violated this clause (Ulfstein and Christiansen, 2013). The London-based Libyan newspaper *Libya Al-Youm* published an appeal to Libyans by Al-Ameen Balhadj, a former spokesman for the Muslim Brotherhood in Libya:

My compatriots of august Libya, ... I greet each one of you with great pride for we Libyans have ignited the spark of freedom. ... We all now have but one path, one goal: that Libya, for whose freedom our forefathers fought, should become a state governed by the rule of law.

These laws will be nothing but the same as those imposed on Afghanistan by the Taliban. Britain supported the Libyan Islamic Fighting Group (LIFG), a terrorist organization linked to Al Qaeda, whose objective was to overthrow Gaddafi.

Britain has connections to several members of LIFG. The founder of LIFG, Norman Benotman, has lived in London since 1995. While living in London, he met members of Al Qaeda such as Abu Qatada and Mustafa Setmariam Nasar. Before moving to London, he lived in Sudan where he met with Osama bin Laden and Ayman al-Zawahiri. Britain also has connections to another member of LIFG, Anas al-Liby, who also knew Osama bin Laden. Britain gave him political asylum. Interestingly, Libya issued an arrest warrant for Osama bin Laden in March 1998. At that time, British and American intelligence tried to conceal the origins of the arrest warrant and they minimized the danger of bin Laden. On 21 February 2011, Islamist gunmen stormed a military arms depot and a nearby port in Libya and seized numerous weapons and army vehicles after killing four soldiers. Then the representatives of the armed faction of the National Front for the Salvation of Libya, trained by NATO, were flown in to Egypt and Tunisia to infiltrate across the Libyan borders. This anti-Gaddafi group, sponsored and trained in terrorist activities by the CIA and Israelis and financed by Saudi Arabia for decades, had tried to kill Gaddafi on several occasions. According to General Wesley Clark

in an interview with *Democracy Now!*, their purpose is to control 'Iraq, and then Syria, Lebanon, Libya, Somalia, Sudan and, finishing off, Iran' (Corten and Koutroulis, 2013).

Crime of Gaddafi

Gaddafi led a revolution to overthrow King Idris, a puppet of Italian and American interests in the region with the largest US military base abroad in Libya. Gaddafi did not build palaces with gold, did not buy luxury yachts or collect imported cars. He devoted himself to rebuilding the country, ensuring better living conditions for the people in the style of Arab socialism, as imagined by Gamal Abdul Nasser before him.

Gaddafi always supported revolutionary movements around the world. When the Western countries supported the racist apartheid regime in South Africa, Gaddafi trained and equipped the freedom fighters of the African National Congress in Libya. Gaddafi supported the freedom struggles and people's efforts to improve their lives in Nicaragua, Cuba, Angola, Mozambique, Palestine, El Salvador and Vietnam.

The Green Book, written by Gaddafi (1999), says that workers should be involved and self-employed, and that the land must be of those who work on it. Power shall be exercised by the people directly, without intermediaries, without politicians, through popular committees, where the whole population decides the fundamental issues of the district, city and country.

Gaddafi's achievements were many. Libya during his time had achieved what most other African countries, particularly Egypt next door failed to achieve (Bond, 2011; Hatita, 2011; Otman and Karlberg, 2007). In Gaddafi's Libya, citizens paid no electricity bills; bank loans were interest free; newly wedded couples were receiving approximately US\$50,000; health and education were free; people wishing to become farmers received land and tools free of charge; the state paid for all expenses when people went abroad to seek medical treatment; the state paid 50 per cent of the purchase price for private use vehicles; the cost of petrol was 14 cents per gallon; Libya as a country was free of debt and it had cash reserves of US\$150 billion; if no work was available, the state paid unemployed people the average salary until they found a job; a small percentage of oil sales passed to all Libyans; every new born child received US\$10,000; 40 kg of bread cost 15 cents; 25 per cent of Libyans had a university degree. A great river project was the biggest ever workable solution to bring water to the desert and gave work to thousands

of Libyans. According to Wikipedia, it has the highest level of Human Development Index (HDI) in Africa.

HDI devised by the UN shows that Libya had in 1970 HDI of 0.541. In 2010, Libya had HDI of 0.755, similar to that of Saudi Arabia with 0.752, while India had only 0.519 and the Arab states as a whole had 0.588. It had the best distribution of income, and health and public education were free.

Libyan immigration stopped 30 years ago, because conditions are favourable for the population to stay and work in Libya. In Libya girls went to school and universities. Thus, it appears that if a leader can achieve great things for his country he must be removed, unless he would do that in the way the Western countries want.

The real reason why the Western countries wanted to occupy Libya and to install a puppet government there was the fact that Gaddafi wanted to nationalize the oil fields and production facilities. He had started giving more and more contracts to develop oil fields to Russia, China, India and Malaysia, rather than to the Western countries. The Libyan leader proposed on 25 January 2009 the nationalization of US oil companies, as well as those of the UK, Germany, Spain, Norway, Canada and Italy. These statements worried the main foreign companies operating in Libya: Anglo-Dutch Shell, British Petroleum, US Exxon Mobil, Hess Corp., Marathon Oil, Occidental Petroleum and Conoco-Phillips, the Spanish Repsol, Germany's Wintershall, Austria's OMV, Norway's Statoil, Eni and Canada's Petro Canada.

In 2008, the Libyan state oil company, National Oil, prepared a report on the subject. In the report officials suggested modifying the production-sharing agreements with foreign companies in order to increase state revenues. As a result of these contract changes, Libya gained an additional US\$5.4 billion in oil revenues. On 16 February 2009, Gaddafi took a step further and called on Libyans to back his proposal to dismantle the government and to distribute the oil wealth directly to the five million inhabitants of the country.

In 2010, Libya wanted payments not in US Dollars but in Euro, just like Venezuela and Iran, the two other countries already on the Western hit lists. Invasion of Iraq in 2003, for example, started when Saddam Hussein refused to accept the US Dollar as payment for Iraqi oil exports.

Western countries do not seem to like a leader who is determined to uplift the fortune of his people. Shah of Iran, a staunch supporter of the West and a progressive leader, had learned the lesson in a very hard way. While facing unrest in Iran in 1978–9, he was asked to step down by US President Jimmy Carter. When the popular leader of Iran,

Bani Sadr, tried to create a democratic system in Iran in 1979, France sent in a special Air-France aircraft for Ayatollah Khomeini, who was kept by France in a suburb of Paris in great luxury. The result was a blood bath in Iran, during which all traces of civilized governance were wiped out. A dictatorship, much worse than that of the regime of Shah, was imposed upon Iran. Similarly, US Secretary of State Hillary Clinton asked Gaddafi to resign.

According to the UN Resolution 1970 against Libya, the UN Security Council wanted all member states to 'freeze without delay all funds, other financial assets and economic resources which are on their territories, which are owned or controlled, directly or indirectly, by the individuals or entities' listed in the resolution. It imposed a travel ban on Gaddafi and other associates in his administration, including some members of his family and other relatives. Hillary Clinton offered dissidents 'any kind of assistance'. US Senator Joe Lieberman compared the Libyan situation to the one in the Balkans in the 1990s when the USA invaded and destroyed Yugoslavia. He thought that was what should be done in Libya. The US military deployed naval and air units near Libya. NATO sent its concrete aid to Libya's rebellion in the east of the country, because most of Libya's oil is actually closer to Benghazi in the east. The Sirte Basin of eastern Libya is the world's 13th most oil rich province.

UN Resolution 1970 (in 2011) forbids the delivery of weaponry of any sort to any citizen in Libya. However, both Egypt and the USA have been delivering weapons to the 'unarmed civilians'. UN Resolution 1973 (in 2011) while allowing the use of force to protect 'civilians' does not mention attacking conventional ground forces not engaged in battle to help 'rebels', nor does it bear any mention whatsoever of aiding rebellious forces to gain power. The wording of its paragraph 4, on the Protection of Civilians, quotes paragraph 9 of Resolution 1970 (in 2011), which expressly forbids the export of weapons to Libya. Whoever is supplying the 'rebels', is therefore breaking international law.

The wording of paragraph 4 of Resolution 1973 (in 2011) mentions the authority 'to protect civilians and civilian populated areas under threat of attack in the Libyan Arab Jamahiriya'. This is against the precepts under international law that member states are free to protect themselves in cases of armed insurrection. Where does one draw the line between 'protecting civilians' and attacking the government forces, allowing the civilians to advance to Tripoli? How can a group of people in uniforms, armed with heavy weaponry, be considered civilians? Thus, any substantial military attack on the forces of Libya is a breach

of international law, occasioning interference in the internal affairs of a sovereign state.

The CIA and MI6 (the British Secret Intelligence Service) permitted control of training operations at Darunta, an 'Arab Afghan' base located near the camp of Osama Bin Laden and used to manufacture explosives and chemical weapons and train in their use, to pass to the control of Ibn Sheikh, a Libyan leader of Al Qaeda. The CIA and MI6 were dealing with a Libyan Al Qaeda member when Libyan leader Muammar al-Gaddafi declared war on Al Qaeda. Unlike the USA, Libya issued an Interpol arrest warrant for Bin Laden back in 1998. In a speech on Libyan state television in 2011, Gaddafi blamed Al Qaeda for the uprising (Aljazeera, 2011).

There is a lot of truth in Gaddafi's son Saif al-Islam's accusations that foreigners and opposition groups fomented unrest within Libya. Ibrahim Sahad and his National Front for the Salvation of Libya (NFSL) formed the National Conference of the Libyan Opposition (NCLO) in London in 2005, supported by the USA. Corporate-owned Western news media, the US State Department and the corporate-funded Movements.org were getting their reports entirely from Sahad's NCLO in Washington, DC. These reports have become the basis for accusations of 'genocide', the convening of the UNSC, economic sanctions, threats directed toward Libyan security forces that attempt to quell protesters and NATO enforced no-fly zones, as planned by British Prime Minister David Cameron. Ibrahim Sahad of the NFSL echoed the Soros-Brzezinski International Crisis Group calls for the UN Security Council to intervene in Libya.

Recent estimates place Libya's oil reserves at 60 billion barrels, which represents 3.54 per cent of the world's proven reserves. Armed rioters have taken control of Libyan oil fields. Does this create any benefit for the people of Libya or only for the Anglo-American oil companies who have already taken over all the oil fields of Iraq! Recently Wikileaks revealed that the plans to divide up the oil fields of Iraq were negotiated between the British and the Americans at least a year before the invasion of Iraq by George W. Bush and Tony Blair. Gaddafi, on 25 January 2009, proposed the nationalization of oil companies of the USA, the UK, Germany, Spain, Norway, Canada and Italy operating in Libya. He paid the price for his revolt against the Western oil companies.

The objective of the invasion of Libya by NATO was not just the securing of oil resources, with reserves estimated at 60 billion barrels, the most important in Africa and with extraction costs among the lowest in the world. There are also natural gas reserves estimated at about

1.5 trillion cubic metres. Libya's 'Sovereign Funds' invested in Western countries and now confiscated by the Western governments, are estimated to have been US\$150 billion just before the invasion of Libya. The USA alone has confiscated about US\$32 billion of Libya's money invested in USA.

Confiscations of these funds will seriously damage the economic prospects of poor African nations. In Africa, the Libyan Arab African Investment Company made investments in over 22 countries in sub-Saharan Africa, particularly in mining, manufacturing, tourism and telecommunications. Libya has financed three financial institutions launched by the African Union: the African Investment Bank, with its headquarters in Tripoli; the African Monetary Fund, based in Yaoundé in Cameroon; and the African Central Bank, located in Abuja, Nigeria. The objective was to allow African countries to escape the control of the World Bank and IMF, both instruments of Western domination on African countries. Invasion and confiscation of Libya's money would end that dream and also mark the end of the CFA franc, a common currency created by the African Union to facilitate independent trading of the African countries to avoid the control of the Western trading agencies.

Another purpose of NATO invasion is to shut out Russia from North Africa altogether. Russia has invested heavily, as it did in Iraq, in both the oil industries and the defence sector of Libya. The companies working in the non-defence areas in Libya are Tatneft, Gazprom and the Russian Railways (RZD). The Russian state-owned oil company is involved in the projects under the production sharing agreement with Libya's National Oil Corporation (NOC). In 2009 alone it invested US\$43 million in Libya and Russia's gas monopoly, Gazprom, invested \$163 million. RZD is constructing a 500-kilometre road from Sirt to Benghazi, and a modern high-speed (up to 250 mph) railway running along the Mediterranean coast and connecting major cities of the country, with a contract of 2.2 billion Euros. Possible losses of Russian defence export company Rosoboronexport in Libya are at least US\$4 billion. The existing investments made by Russian companies, just like in Iraq, have all wasted away.

A totally illegal war started against Libya by NATO, bought and paid for mercenaries posing as 'Libyan protesters' to invade Libya from Egypt. Libya had tried to defend itself, its territorial integrity and sovereignty. The West has done all in its power to counter it and destroy it, by subverting countless governments in Asia, Africa and Latin America to put in place ruthless anti-people dictators. Libya is one more victim of that grand design.

Invasion of Syria

The invasion of Syria started while it was a prosperous, stable country with no apparent problem. Just like in Ukraine and Georgia, and then Egypt and Tunisia, crowds were hired by some strange shadowy agency. The purpose was to change the regime first by creating mass demonstration and then concerted international denouncements by mainly the Western media, followed by some violence and ultimate change of the regime (Brzezinski, 1997, 2010; Shulsky and Schmitt, 2002).

The Libyan regime collapsed quickly because of the direct attacks from NATO. In Syria, NATO could not take any direct part because of the opposition raised by Russia and China in the UN Security Council. In the meantime the invading forces were not doing very well and were under serious attack by the government forces. The invading forces were crying for Western military support. Thus, they found an excuse, which was created by a chemical attack on 21 August 2013 on the civilians in the suburb of Damascus—blamed on the Syrian government. The fact is that whether or not there were any chemical weapons in Syria, the USA, France, Saudi Arabia, Qatar and UAE would have invaded Syria anyway. Economics is the real issue (Lal, 2003; Mallaby, 2002, Rotberg, 2002, 2010; Brzezinski, 2012).

Iraq has lost control of its oil resources—the most important petroleum fields are already taken over by the US, French and UK companies. The same plan is in place for the Syrian oil fields. That is the reason foreign invaders have targeted these oil fields, to deprive Syria of its export earnings. In the future, when the occupation of Syria is complete, Western oil companies will take over these oil fields after getting rid of the Russians, who had discovered and developed these fields for Syria (Mallaby, 2002; Rotberg, 2002).

Syria has an estimated reserve of about 2.5 billion barrels of petroleum. This is higher than the reserves of all other Arab countries except Iraq, Saudi Arabia and Kuwait. Syria is also fortunate to have a very large reserve of natural gas. Thus, it has every potential for large-scale chemical industries. Since 1964, Syrian oil and natural gas fields have been in the Syrian public sector. Foreign companies, except Russian ones, are not allowed to enter that sector. Before the disturbances started, Syria used to earn at least US\$4 billion every year from its export of petroleum (EIA, 2014).

The Foreign forces are guided by Turkey, Saudi Arabia and Qatar, because of their plan to set up a long pipeline, controlled by US and other Western oil companies, to export natural gas to Europe. Syria is an

impediment to that plan. Thus, the Syrian war is the war of the natural gas pipeline.

During the invasion of Iraq in 2003, the pipeline of Kirkuk-Banias connecting Iraq to Syria was destroyed by the US forces. However, recently an alternative pipeline between Ain Zalah and Suweidiva was opened to connect Iraq to Syria. Plans are in place to set up more pipeline for both petroleum and natural gas. The purpose of these proposed pipelines is to export both petroleum and natural gas from Iraq directly to the European market (Oxford Institute for Energy Studies, 2013).

Another development is possibly more important. In 2011 Syria, Iraq and Iran had made an arrangement to construct a pipeline to export Iranian natural gas to Europe via Iraq and Syria first and then to Lebanon and ultimately to Greece through a submarine pipeline. This proposed pipeline would be 6000 miles long, with a capacity of 100–20 million cubic feet of natural gas every day. The estimated cost will be at least \$10 billion. In 2013 Syria, Iran and Iraq had finalized the agreement to share the cost. According to Al Monitor.com, Western oil companies are against this plan. These will be surely destroyed if the foreign forces are able to occupy Syria. This is the reason for the war.

The first target of the foreign invaders was the city of Homs in Syria, near the Turkish border. Homs is the place where the existing gas pipeline from Egypt ends. This pipeline was established by the Western oil companies to export natural gas from Egypt, Saudi Arabia, Qatar and UAE. The plan was to extend the pipeline from Homs to Turkey, to export natural gas from the Arab countries in the Persian Gulf area to Europe. Recently Syria has accepted the proposal of Iran and Iraq to have pipelines connecting Iran to Europe via Syria, Lebanon and Greece; it has rejected the plan of the Western oil companies for the alternative route via Turkey (Global Research, 2013).

As a result, Syria has invited the wrath of the Arab states of the Gulf. These countries have sent terrorists trained by the Taliban in Pakistan and Afghanistan and the Arab speaking soldiers of the French Foreign Legion, a lot of them from Libya, to destroy Syria and the planned pipeline from Iran to Lebanon. Al Qaeda and Taliban also have joined in. This is the reason US Secretary of State John Kerry wants to hand over control of Afghanistan to the Taliban as the price.

Empire Building for Oil

Now, just as the USA had its wars in Afghanistan and Iraq, the rebels in Syria are being helped, and troops are being deployed for the first

time in the energy-rich regions of Central Asia and the Caucasus. The borders of a new American empire appear to be forming. The aim is to protect the growing economic interests of the USA in Central Asia and the Caucasus, which are crisscrossed by oil and gas pipelines. Former US Secretary of State Colin Powell said, in December 2004, that Kazakhstan's oil was becoming of 'critical importance'. Jane's Foreign Report said recently that 'Caspian reserves could be critical to future global energy supply'. This is in line with the doctrine of 'full-spectrum dominance' that now seems to govern American foreign policy and is manifesting itself in the Caucasus and Central Asia (Basu, 2005).

In his book *The Grand Chessboard* (1997), Zbigniew Brzezinski, National Security Advisor to President Carter, urged that the USA take command of Central Asia and its 'enormous concentration of oil and gas reserves' in order to command all of Eurasia. Brzezinski (1997) noted that 'a truly massive and widely perceived external threat' would be needed to incline the US public into a 'supportive mood' for engagement in international war. That was in 1997, four years before the 9/11 attacks. Brzezinski remembered, 'the shock effect of the Japanese attack on Pearl Harbor' as providing just such a threat. In 2000, Cheney, Rumsfeld, Wolfowitz and Defence Policy advisor at the time, Richard Perle, were among the authors of Project for the New American Century (PNAC) papers, which repeated the goal of absolute US supremacy (Basu, 2005). That ambition is shared by the leading members of the Obama administration as well.

PNAC also wrote, in September 2000, that the US military should be transformed to a capability that let it 'fight and decisively win multiple, simultaneous major theater wars' (PNAC, 2000). They estimated that such a 'transformation' would require defence spending to have 'a minimum level of 3.5 to 3.8 per cent of gross domestic product, adding \$15 billion to \$20 billion to total defense spending annually' (PNAC, 2000). PNAC (2000) added, one year before 9/11, that 'The process of transformation is likely to be a long one, absent some catastrophic and catalyzing event—like a new Pearl Harbor'. Following the 'new Pearl Harbor' of '9/11' the US defence budget rose to US\$345.7 billion in 2002, a 12 per cent increase from 2001. It rose to US\$365 billion in 2003, not counting the cost of the war against Iraq, which was about US\$757.8 billion until 2010 (US Department of Defense, 2010). This could reach a total of US\$2.4 trillion by 2017, according to a Congressional Budget Office (CBO) report.

Russia, which was during the days of President Yeltsin impoverished and descending into social and political chaos, is now revived by the leadership of Putin and by the enormous amount of wealth from exports of oil and gas. It is still armed with thousands of nuclear warheads, sprawling across Eurasia, encompassing or bordering on vast energy

reserves in Eastern Siberia. Thus, it is not surprising that the Western media is now spreading disinformation to discredit Russia. When Russia asked the hostile government of Ukraine to pay the international price for oil and gas, rather than having a 70 per cent subsidy from Russia, Western media and their governments termed that as economic blackmail. Most recently, the Western media is blaming Russia for the thousands of Russian speakers killed in eastern Ukraine in the war that was started by the newly installed President of Ukraine Poroshenko, after the US organized coup in February 2014. With the destruction of Iraq, Libya and Syria, export of democracy is now redirected with full force to Eastern Europe and the former Soviet Union.

As Russia is the real obstacle for this expansion of the new empire, it is essential for the Western media and the US government to discredit Russia by all means. The US Council on Foreign Relations published a special report on Russia, *Russia's Wrong Direction: What the United States Can and Should Do* (2006), written by Jack Kemp and Senator John Edwards, a former democratic candidate for the presidency. According to the report, 'the power in Russia is democratic only outwardly, whereas the content of the Russian power is not democratic at all'. Vladimir Putin in reply, in his 2006 annual state of the nation address, compared the USA to a hungry wolf that 'eats and listens to no one'.

It is now clear that the actual reasons for the highly costly and ineffective regime changes in Iraq and Libya were not for democratic changes but control of the world's oil and gas resources. The quest for energy control has initiated the attempts for regime changes also in Syria, Georgia, Ukraine, Uzbekistan and Kyrgyzstan in recent years. It also can explain the USA's hostility towards Latin America's very popular democracies in Venezuela and Bolivia. The series of invasions are attempts by the USA to control the oil resources, to the extent that in future only the Western companies would be allowed to control all natural resources of the world eliminating all competition from Russia or any other nations.

In 1978 the world had failed to understand the significance of the US design to provoke Pakistan to invade Afghanistan in the guise of tribal Mujahideen. The objective of the USA, as admitted recently by Brzezinski (1998) was to drag the Soviet Union into Afghanistan. On 3 July 1979, President Carter signed the first directive for that secret aid and the Soviet Army came to Afghanistan on 24 December 1979; otherwise Pakistan would have occupied Afghanistan by then. Weapons for the Mujahideen were bought with US and Saudi funds from China and Egypt. Reagan increased the budget by thousands fold. As a result of the continuous military aid from the USA, Pakistan became very

powerful. Ayub Khan wrote in his recently published diary that even in 1968 the US was thinking of an independent Kashmir in collaboration with Pakistan.

The war against the Soviet Army gave a boost to that effort. In 1987 the Soviet Union decided to withdraw the Soviet Army from Afghanistan, because the situation was then stabilized, according to Gorbachev. During that same year, violent demonstrations in Kashmir for independence started. It began with anti-India tirades all over the valley and the mushrooming of a number of underground militant organizations like J.K.L.F. and Hizb-i-Islami.

The operation was designed in Pakistan with a code name Operation TOPAC. General Zia Ul Haque addressed a meeting of selected military commanders and top bosses of ISI (Inter Services Intelligence) in April 1988. He said:

As you know, due to our preoccupation in Afghanistan, in the service of Islam, I have not been able to put these plans before you earlier. Let there be no mistake, however, that our aim remains quite clear and firm and that is the liberation of the Kashmir Valley - our Muslim Kashmiri brothers cannot be allowed to stay with India for any length of time, now. We whip up anti-Indian feelings amongst the students and peasants, preferably on some religious issues, so that we can enlist their active support for rioting and anti-government demonstrations. By the grace of God, we have managed to accumulate large stocks of modern arms and ammunition from US consignments intended for Afghan Mujahideen. This will help our Kashmiri brethren achieve their goals.

In 1989, the last soldier of the Soviet Union had left Afghanistan. A full-scale attack on the non-Muslims of Kashmir also had started in 1989. In 1992, the Pakistan Army in the guise of Mujahideens occupied Afghanistan and reduced the country to rubble. In 1992, President Clinton's Special Assistant to South Asia Robin Raffael had declared that the USA did not recognize Jammu and Kashmir as a part of India. The USA constructed its most active regional terrorist partnerships with Pakistan and Saudi Arabia, despite evidence that both governments had been penetrated by Al Qaeda.

As Brzezinski (1997) wrote:

the Eurasian Balkans are infinitely more important as a potential economic prize: an enormous concentration of natural gas and oil reserves is located in the region, in addition to important minerals including gold...It

is imperative that no Eurasian challenger emerges, capable of dominating Eurasia and thus of also challenging America...A power that dominates Eurasia would control two of the world's three most advanced and economically productive regions.

This geopolitical strategy of dominion in Central Asia, which began in 1978 with the 'Afghan trap to ruin the Soviet Union', has emerged again to stop Russia from re-emerging as a superpower and challenging the supremacy of the USA in Eurasia. Pakistan can still be useful for the USA to control the region and that was the reason Pakistan was already chosen as the NATO ally of the USA. China is a very important economic partner of the USA.

Stages of Empire Building

The first stage of this American empire started with the Mexican–American war, but began to flourish at the conclusion of the Civil War. All the states east of the Mississippi River had been acquired by force with the might of the rule of the federal government. For many years prior to that, Americans had been pushing into the western lands occupied by the native peoples. In the process, the vast majority of native Americans were erased from the book of history. By the time Woodrow Wilson assumed the presidency, the first stage was expanded to include Cuba, Guam, Puerto Rico and the Philippines. Imperial footholds were established in South America and East Asia as well (Basu, 2005).

Despite the eventual victory in Europe in the First World War, the second stage took many more years to flourish. American armies and navies were essentially dismantled in the aftermath of the First World War. The 1930s saw the near-collapse of the American economic system and a massive famine. The eventual victory in the Second World War resurrected the American economy. At the end of that war, the influence of the American empire stretched throughout Europe to the borders of the Soviet Union. The central reality of the second stage was the Cold War. When the Berlin Wall fell, when Gorbachev and Shevardnadze refused to support the East European allies of the Soviet Union and gave away these countries to NATO, the third stage of empire came into being (Basu, 2005). For the first time in history since the apex of the Roman rule, one nation and one government and one military ruled supreme over the known world. Permanent war and rule by fear are accepted without question. The dominance of the military/industrial/petroleum combination is unquestioned. Now the declared aim is the containment

of so-called Islamic extremism. The real aim is to protect the growing economic interests of the USA in Central Asia and the Caucasus.

The National Security Strategy of the United States of America (September 2002) bluntly declared that the US is seeking 'unilateral world domination through absolute military superiority'. The idea is that economic globalization is now being accompanied by the emergence of a 'global governance'. Condoleezza Rice, then George Bush's National Security Adviser, said that the administration would 'proceed from the firm ground of the national interest, not from the interests of an illusory international community' (Rice, 2000).

The USA initiated the 1999 Balkan War under the aegis of NATO, without any reference to the UN Security Council. The Clinton administration had already flouted the UN when it launched a bombing campaign against Iraq in December 1998, with the support of Britain and Kuwait. Madeleine Albright, Secretary of State for President Clinton, justified an earlier cruise missile attack on Iraq by saying: 'If we have to use force, it is because we are America. We stand tall. We see farther into the future'. (Johnson, 2000).

This doctrine of 'pre-emptive retaliation' is enshrined in the US National Security Strategy:

While the United States will constantly strive to enlist the support of the international community, we will not hesitate to act alone, if necessary, to exercise our right of self defense by acting pre-emptively. (White House, 2002)

Vice-President Dick Cheney, former Secretary of State Colin Powell and Defense Secretary Donald Rumsfeld are ideologically related to the era of Ronald Reagan, president during 1981–9. It was Reagan who denounced the Soviet Union as an 'evil empire', and authorized the CIA and the Pentagon to support right-wing guerrilla movements against Third World nationalist regimes in Nicaragua, Mozambique, Namibia, Angola and Afghanistan. Cheney, in March 1992 said:

Our first objective is to prevent the re-emergence of a new rival...that poses a threat on the order of that posed formerly by the Soviet Union. Our strategy must now refocus on precluding the emergence of any potential future global competitor. (Tyler, 1992)

Comments

Although the USA and NATO have declared war against the Muslim extremist terrorists, in practice they have actually helped them in

parts of the world. We should not forget that both President Carter and President Reagan supplied every type of weapon to these terrorists during the 1980s in Afghanistan and Pakistan. In 1992, President Clinton declared that the whole of the Jammu and Kashmir region was a disputed area. In 1995, the Taliban was created by Pakistan with the full knowledge and collaboration of Clinton. In 1999, the USA invaded Yugoslavia to create the Islamic state of Bosnia and now it has recognized illegally a province of Serbia as an independent Muslim country. Subsequently, all progressive Muslim countries that stood up against the Jihadists came under attack and were destroyed one after another.

While the destruction of Yugoslavia was to eliminate a surviving socialist country, the destructions of Iraq, Libya and Syria were designed to control the world's most important natural resource, oil, and not to allow any country to trade oil in any other currency than the US Dollar. The coup in Ukraine and the resultant ethnic cleansing of the Russians from Ukraine was designed to destroy the economic power of Russia in order to impose the new international business order. However, there are two adversaries: International Jihadis and China, who in many ways from time to time collaborated with the USA, as we have seen in Yugoslavia and in international trading systems composed by the WTO. In the next chapter we analyse another imperial order, China: a country that has taken every advantage from the new international business order and, as a result, is expanding its geographical territory.

The reason why the USA and its Western allies are so interested in the oil and gas resources of the Middle East lies in the economics of the US Dollar (Klare, 2001). Since 1972 the US Dollar has not been backed by gold but instead is just a paper currency, which the USA can print at will. The US government can exchange that Dollar for any commodities or services anywhere in the world. No other country has that facility—to print its own money to pay for imports. The value of the Dollar depends on its control over the international trade of the world. Petroleum and natural gas dominate the world trade. They are traded, except for in a few countries, in terms of the US Dollar only. This system provides and protects the value of the US Dollar; otherwise it will have no value at all. Thus, it is extremely important for the FRB to protect the US Dollar by controlling the oil and gas resources of the world in advance (Brzezinski, 1997, 2012; Shulsky and Schmitt, 2002).

The question is, which private companies control the FRB, if not the US Government? They are: Rothschild Bank of London, Warburg Bank of Hamburg, Rothschild Bank of Berlin, Lazard Brothers of Paris, Kuhn Loeb Bank of New York, Israel Moses Seif Banks of Italy, Goldman Sachs of New York, Warburg Bank of Amsterdam and Chase Manhattan Bank

of New York. There are other banks and individuals who also have significant shares in the FRB. They are: First National Bank, National Bank of Commerce, James Stillman National City Bank, Hanover National Bank, Chase National Bank, J.P. Morgan (Equitable Life/Mutual Life), William Rockefeller, Paul Warburg and 13 other individuals. These banks and individuals also control all major Western oil and gas companies. For example, Bank of America, JP Morgan Chase, Citigroup and Wells Fargo own the four major oil companies, Exxon Mobil, Royal Dutch/Shell, BP and Chevron Texaco (Hendersen, 2011).

Thus, the interest of the FRB and the Western oil companies that buy oil and natural gas using the US Dollar, which they themselves print through their control of the FRB, coincides. The countries that refused to accept the US Dollar for payments for their exports of oil and natural gas were Iraq of Saddam Hussein, Libya of Gaddafi, Venezuela, Syria, Iran and the old Soviet Union. Iraq and Libya were invaded and the Western oil companies have taken over their oil fields. There was a coup attempt in Venezuela to kill Hugo Chavez, who is not alive anymore. Syria is on the verge of total destruction. Iran is the next target. Western countries are using the so-called Islamic terrorists to destabilize these rebel oil producing countries with the ultimate aim of destabilizing Russia, which the USA still considers its prime enemy. This is the very reason Russia is supporting Syria when NATO's invasion of Syria had been planned long in advance (Shulsky and Schmitt, 2002; Brzezinski, 1997, 2012).

Oil is not just by far the most important commodity traded internationally; it is the lifeblood of all modern industrialized economies. Until recently, all OPECs agreed to sell their oil for US Dollars only. So long as this remains the case, the Euro is unlikely to become the major reserve currency. If, on the other hand, OPECs were to decide to accept Euro only for their oil, then American economic dominance would be over. Not only would Europe not need as many US Dollars anymore, but Japan, which imports over 80 per cent of its oil from the Middle East, would convert a large portion of its Dollar assets to Euro assets. Japan is the major subsidizer of the USA because it holds US government bonds worth around US\$400 billion. In this way, Japan is effectively maintaining the US government.

American domination in the world ultimately rests on two pillars: its overwhelming military superiority, especially on the seas; and its control of world economic flows through the role of the Dollar as the world's reserve currency, in which oil is a strategic factor (Brzezinski, 1997, 2012).

8

Empire of China

The winner of the new international business order is China, which has dominated the markets of most of the developed countries. The result of that victory also has promoted Chinese imperialism in Asia. This chapter analyses the history of some of the victims of China.

China's geopolitical strategy, as declared by the People's Liberation Army, is to use their competitive advantage of soft power to out manoeuvre the USA, and other countries such as India, Japan, Vietnam or the Philippines, in acquiring natural resources and to allow for continued growth of their economy while gaining political influence in various countries and regions throughout the world (Liang and Wang, 1999).

China's application of unrestricted warfare is apparent when the security and military aspects of China's involvement in Afghanistan are examined. China enjoys protection of its projects in Afghanistan because of its close relationship with Pakistan. This implies that Pakistan's national intelligence agency, Inter-Services Intelligence Directorate, or ISI, exerts its influence over the Taliban to allow the Chinese projects to continue unimpeded. While Chinese workers in Afghanistan have been attacked, the level of violence is very low when compared to attacks on the USA, India, and UN personnel and facilities.

It is unlikely that there will be peaceful development of China overall, as there appears to be no desire for peace and stability, but rather a development of good, old-fashioned militarism and imperialism. In the first place, the economic 'miracle' of the Chinese economy is based on the fierce exploitation of its working class and farmers, and on an export drive to destroy the manufacturing capacity of most of the countries of the world by offering cheap debt facility and cheaper manufactured products. The economic colonization accompanied by

a strong geo-political strategy to project Chinese power, both military and financial, are the building blocks for the new Chinese empire, in which the new international business order is facilitating the Chinese expansion.

Since China resumed its threats against Taiwan, India, Vietnam and the Philippines, and increasingly threatened Japan, both France and Germany have been trying to overturn the arms embargo on the People's Liberation Army for purely commercial reasons. That demonstrates the influence of Chinese finances and the lure of the Chinese markets for the European powers.

To the south of China, the country is largely underwriting the construction and development of a 1850 kilometre network of roads, rivers and ports in Vietnam and Laos, circumventing the natural defensive barriers of the foothills of the Himalayas in India, which will directly connect Chinese Kunming to Thailand. That facilitates the movement of the Chinese military to the South East Asia region whenever it needs and provides markets and natural resources for the Chinese economy.

Around India and Pakistan to the west of China, within the framework of Chinese imperialism major development is also occurring. As the USA and India enjoy an increasingly warmer relationship, Pakistan will probably look closer to China for technical and military assistance. China already supplies Pakistan with nuclear technology, including nuclear weapons. According to the Asian Studies department at the Brooking Institute, the nuclear programme in Pakistan is essentially the result of Sino-Pakistani relations. Some news agency reports suggest that Chinese security agencies knew of the transfer of nuclear technology from Pakistan to Iran. Worldanalysis.net shows that one of the most significant recent projects is the construction of a major port complex at the naval base of Gwadar on the Arabian Sea, giving China strategic access to the Persian Gulf and a naval outpost on the Indian Ocean.

Relations between China and India deteriorated after India gave refuge to the Dalai Lama in 1959, followed by India's humiliating defeat in the 1962 war over a disputed border, and Chinese aid to Pakistan. India still claims that China occupies 38,000 square kilometres of its territories and, for its part, Beijing still lays claim to the north eastern Indian province of Arunachal Pradesh.

China's recent demand that Arunachal Pradesh of India is a part of China has provoked a very adverse reaction from the government of India and the Indian media in general. Once again India has failed to turn the tables against China. India should have said, China has no border with India at all, but Tibet has. By not recognizing the fact that

China is occupying Tibet illegally India has once again, in practice, accepted the Chinese occupation of Tibet, Manchuria and Eastern Turkistan or the Pakistani occupations of Baluchistan and NWFP (North West Frontier Province) (Basu and Miroshnik, 2012b).

There is no evidence that Tibet was a part of China before China colonized it in 1949. The same is true of Taiwan and Eastern Turkistan. If the Manchus are not Chinese, as Sun Yat Sen declared in 1911, Manchuria, which China received as a gift from Stalin in 1950, was never a part of China either (Basu and Miroshnik, 2012b). However, the world has ignored this Chinese imperialism and even gives recognition to China as being one of the five controlling powers of the world affairs as a permanent member of the UN Security Council.

China has no continuous history as a nation state. Before 1279, only the central part of what is China today, was pure Chinese—that is, inhabited by the Han Chinese tribe. During 1279–1368, China was a part of the Mongol Empire and it ceased to exist as a sovereign state. From 1368 to 1644, China had the Ming Dynasty of the Han Chinese tribe, but was occupied by the Manchus in 1644 until 1911.

Chinese Empire of Tibet

Tibet has a history of at least 1300 years of independence. The first recorded contacts between Tibetans and Chinese date back to the 7th century, following the unification of Tibet under King Songtsen Gampo and the marriage of a Chinese princess to Songtsen Gampo in 641. This marriage alliance was sought after Tibetan armies had captured towns in Sichuan province. In 821, a treaty recognizing them as two independent nations ended almost 200 years of war between China and Tibet (Basu and Miroshnik, 2012b).

During the 13th and 14th centuries both China and Tibet came under the influence of the Mongol empire. The Mongol's militarily conquered China while the Tibetans and the Mongols established the historically unique 'priest patron' relationship, also known as CHO-YON. The Mongol aristocracy had converted to Buddhism and they sought spiritual guidance and moral legitimacy for the rule of their vast empire from the Tibetan theocracy. As the patrons of Tibet, the Mongols promised to protect Tibet against foreign invasion. The Mongol empire came to an end in the mid-14th century. Today Mongolia is an independent country, not a part of China—Mongols are not Chinese. By the 15th century, political authority in Tibet had passed into the hands of contending religious hegemonies that were eventually replaced by a system of rule

under the Dalai Lamas. In China, the native Ming Dynasty overthrew the Mongols. During the Ming Dynasty both Tibet and China existed as separate and fully sovereign states (Basu and Miroshnik, 2012b).

Chinese Empire of Manchuria

In 1639, the 5th Dalai Lama established another CHO-YON relationship with the Manchu Emperor, who, driven out of Manchuria by the Russians, occupied China and established the Manchu Dynasty in 1644. Manchu officials or *Ann bans* were stationed in Tibet from 1728 until the fall of the dynasty in 1911. *Ann bans* were instructed not to interfere in the internal policies of Tibet and to refrain from exploitation. In 1911, Sun Yat Sen declared Manchus to be foreigners, deposed the Manchu Emperor of China Pei Wei and proclaimed China to be a republic (Basu and Miroshnik, 2012b).

Manchuria had been a Russian territory since the 16th century. Russia had developed industrial cities like Harbin in Manchuria and Port Arthur in Korea. The settlement of Han Chinese in Manchuria was prohibited until late into the 19th century. In 1905, Japan according to the Portsmouth Treaty took over Manchuria from Russia but allowed some pro-Japanese war lords of China to rule over it from 1918. In 1931, Japan took complete control over Manchuria, renamed it Manchuko, re-established Pei Wei as the sovereign Emperor of China and in his name they tried to occupy the rest of China. The Soviet Union took over Manchuria in 1945 after the surrender of Japan to the USA, but gave it away to China in 1950 without any consideration for the wishes of the people in Manchuria (Rearden, 2012). Despite claims of Chinese propaganda, millions of non-Chinese people living in areas presently under the People's Republic of China suffer all kinds of discrimination. The most disturbing effect of Chinese policy towards people in these areas is the demographic transformation that has been imposed upon them. In virtually every area, new Chinese immigrants have become the majority community. Manchuria has been completely absorbed and the distinct Manchu culture that was vibrant until 1949 does not exist at all anymore.

Tibet and the British

The British, after 1911, convened a tripartite conference to discuss Tibet's border with the British India in Simla in 1914 (Aitchison, 1929). The Tibetans arrived at the conference with written proof of Tibet's historical independence. The Chinese delegation—present only to witness

the treaty between Britain and Tibet—argued that Tibet’s subjugation by the Mongols and the Manchus became an integral part of China, and should therefore be ruled as part of the new Republic of China of Sun Yat Sen from Peking. That was also the beginning of the border dispute between China and India. However, although Tibet was not really subjugated by the Mongols and Manchus, it was certainly influenced by them. Neither Mongols nor Manchus were Chinese. In fact, China itself had been occupied for a long time by both the Mongols and the Manchus (van Walt van Praag, 1987).

The fact that both Tibet and China came under Mongol political influence does not indicate unification of the two countries, as China claims. Iraq, Turkey, most parts of Russia and Eastern Europe, the Indian subcontinent, northern Burma, north Vietnam and Korea were all part of the vast Mongol empire. Would that mean these areas belong to China? British India included Burma until very recently. The British empire also used to control Sri Lanka, Malaysia, Iraq and Burma. Does that mean India should now legitimately claim Sri Lanka, Iraq, Malaysia and Burma as its integral parts? Such is the absurdity of the Chinese claim (Basu and Miroshnik, 2012b). The most important point is that Manchus, like Mongols, are not ethnic Chinese and suggestions that Tibet became an integral part of a ‘Chinese’ empire during the Manchu empire are just absurd. Tibet continued to conduct itself as a fully sovereign nation, recognized by the British empire until its occupation by Communist China in 1949 (van Walt van Praag, 1987).

Today however, China disputes the legal status of the Simla Convention and the resultant McMahon line—the border between India and Tibet accepted by the British, the true significance of which lies in its recognition of Tibet as an independent nation with which binding agreements such as the Lhasa Treaty of 1904 could be negotiated. Throughout the Nationalist (Kuomintang) period from 1912 to 1949, no Chinese government was able to exert any influence over Tibet. During the Second World War, Tibet remained neutral, despite strong pressure from the USA, Britain and China to allow the passage of raw materials through the country. When Nepal applied for membership of the UN in 1949, it cited its treaty and diplomatic relations with Tibet to demonstrate its full international personality (van Walt van Praag, 1987).

Chinese Invasion of Tibet

The invasion of Tibet by troops from the People’s Liberation Army in 1949–50 is described in official Chinese histories as a ‘peaceful

liberation'. The Seventeen-Point Plan for the Peaceful Liberation of Tibet (1951) was signed between the Communist Government and Tibetan officials in May 1951, which apparently 'enjoyed the approval and support of the people from every ethnic group in Tibet' (Information Office of the State Council of The People's Republic of China, 1992). If Tibet was part of China, then there was no need for the agreement, which was forced upon the Tibetan delegation in China for signature, and then China announced to the world that Tibet was liberated.

Human Rights Violations in Tibet by China

In fact, discrimination and the suppression of traditional practices in eastern Tibet drove hundreds of Tibetans up into the mountains to conduct guerrilla warfare, while thousands more fled west to Lhasa to escape Chinese persecution. In March 1959, growing Tibetan resistance exploded in an uprising against the Chinese occupation. The 14th Dalai Lama fled into exile in northern India, and the subsequent Chinese crackdown in Tibet was brutal. ... Tibetan sources suggest as many as 430,000 were killed in the Uprising and subsequent years of guerrilla warfare. (Tibet Support Group, 1994)

From 1951 to 1959 China broke every promise that it made towards Tibet, resulting in the Tibetan uprising against China in March 1959. The Dalai Lama and 100,000 Tibetans escaped into exile. From that day onwards, Tibet effectively became an occupied country.

Despite promising not to get involved with the existing system of government and society in Tibet by signing the Seventeen-Point Plan for the Peaceful Liberation of Tibet, China did interfere in eastern Tibet—reneging on the treaty altogether in 1959. China has renamed two of Tibet's three provinces as parts of the Chinese provinces of Qinghai, Gansu, Sichuan and Yunnan, and has renamed the remaining province of U' Tsang as Tibet Autonomous Region (TAR) (Basu and Miroshnik, 2012b).

On 28 October 1991, US Congress under a Foreign Authorization Act passed the resolution wherein they recognized 'Tibet, including those areas incorporated into the Chinese provinces of Sichuan, Yunnan, Gansu and Qinghai, AN OCCUPIED COUNTRY under the established principal of international law'. The resolution further stated that Tibet's true representatives are the Dalai Lama and the Tibetan Government in exile as recognized by the Tibetan people (US State Department Authorization Act, 1991).

Some 1.2 million Tibetans are estimated to have been killed by the Chinese since 1950. Reprisals for the 1959 National Uprising alone involved the elimination of 87,000 Tibetans by the Chinese count,

according to a Radio Lhasa broadcast of 1 October 1960. Tibetan exiles claim that 430,000 died during the Uprising and the subsequent 15 years of guerrilla warfare. In its 1959 and 1960 reports, the International Commission of Jurists concluded that 'there was a prima facie case of genocide committed by the Chinese upon the Tibetan nation'. These reports consider events before the Cultural Revolution of Mao-Tse-Tung, during which much of Tibet's own cultural assets were destroyed and thousands of Tibetans killed (Tibet Support Group, 1994; Basu and Miroshnik, 2012b). Up to 260,000 people died in prisons and labour camps between 1950 and 1984. Since September 1987, approximately 3,000 people are believed to have been imprisoned for political offenses such as giving out leaflets, writing letters or talking to foreigners about the Tibetans' right to independence. From March 1989 to May 1990, the Chinese administered a campaign of torture against Tibetan dissidents in prison. During 1994–5, three nuns died shortly after release from custody as a result of ill treatment and torture in detention. Beatings and torture are still regularly used against political prisoners today. Detainees are held in sub-standard conditions, malnourished, forbidden to talk, denied medical treatment and often held in solitary confinement. According to the Tibet Support Group (1994), 'The Chinese have refused to allow independent observers to attend so-called public trials. Prison sentences are regularly decided before the trial. Less than 2% of cases in China are won by the defense' (Basu and Miroshnik, 2012b).

Tibetan was replaced by Chinese as the official language and despite official pronouncements there was no practical change in this policy. It is difficult for Tibetans to gain employment in the state sector without proficiency in Chinese. Secondary school children are taught all classes in Chinese. Religious practice was forcibly suppressed until 1979, and up to 6,000 monasteries and shrines were destroyed. In 1995 the Chinese authorities rejected the child recognized by the Dalai Lama as the rebirth of the Panchen Lama, and installed their own candidate (Basu and Miroshnik, 2012b). There are an estimated 300,000 troops stationed on Tibetan territory and three nuclear missile sites. Near Lake Kokonor, the largest lake on the Tibetan plateau, there is a 20-square kilometre dump for radioactive pollutants and China has admitted depositing nuclear waste (Tibet Support Group, 1994).

Demographic Change in Tibet

China is filling up Tibet with ethnic Chinese in an attempt to destroy the ethnicity of the Tibetans. This policy has much more potential to destroy Tibet as a nation than the millions who have died from Chinese

policies, the destruction of more than 6,000 Buddhist monasteries, the arrest and torture of Tibetan monks, the destruction of Tibetan forests and the stationing of nuclear weapons and waste dumps in Tibet.

Samdhong Rinpoche, the Prime Minister of the Tibetan government-in-exile, estimates that seven million ethnic Chinese now live in Tibet, where there are only 2.3 million Tibetans. In towns like Lhasa and Chengdu, 75 per cent of the people are ethnic Chinese. According to the Tibet Support Group (1994), it was this influx of Chinese nationals that destabilized the economy. Forced agricultural modernizations in Tibet were the cause of extensive crop failures and the country's first recorded famine (1960–2), in which 340,000 Tibetans died. Tibetan farms and grazing lands have been confiscated and incorporated into collectivized and communal farms.

The resettlement of Chinese migrants has led to Tibetans becoming the minority in many areas, including Lhasa. This in turn has created high unemployment among Tibetans. Official figures put the number of non-Tibetans in the TAR (Tibet Autonomous Region) at 79,000. Independent research puts the figure at 250,000–300,000, and for the whole of Tibet 5–5.5 million Chinese to 4.5 million Tibetans. In Kham and Amdo the Chinese outnumber Tibetans many times over (Basu and Miroshnik, 2012b).

As with previous railways built by China in Mongolia and East Turkistan, the more recently built Tibet railway would greatly speed colonization of the area. The railway will improve China's military manoeuvrability, enable rapid troop deployments and facilitate the expansion of People's Liberation Army bases and increases in nuclear weapons stockpiles and missile deployments on the Tibetan plateau (Basu and Miroshnik, 2012b).

China's Empire in East Turkistan

East Turkistan, another colony of China, is bordered by Kazakhstan to the north, Tibet and India to the south, and Afghanistan and Pakistan to the West. It is China's largest province of 640,000 square kilometres—one sixth of the present Chinese territory. However, it was not a part of China until 1949 and the people of that land are not Chinese either. About 96 per cent of its population are Turkic peoples of Tazik, Kyrgyz, Uzbek or Kazakh, similar to their relatives in the former Soviet Union, commonly known as Uyghurs. The invasion of East Turkistan by the Han Chinese started in 104 BC, and the country was occupied several times by Chinese soldiers, but none of these occupations lasted for

long. There were six invasions from 104 BC to 751 AD, but during that period the Chinese invaders sustained their control for only 157 years. Arab, Turkic and Tibetan forces repulsed the Chinese occupiers in 751 AD. East Turkistan later became a part of the Mongol empire briefly. In 1876, the Manchu empire occupied East Turkistan. The people in the southern part of East Turkistan established an Eastern Turkistan Islamic Republic in 1933 and then, in 1944, established the second Eastern Turkistan Republic.

East Turkistan was occupied by China in 1949 and its name was changed to Xing Kiang in 1955. Communist China has been exercising a colonial rule over the land since then. The people there, just like the people in two other colonies of China in Tibet and Manchuria, have to undergo unimaginable suffering and have been subjugated to inhuman conditions under the repressive alien rule. The year 1999 saw mass arrests and murders of the people of East Turkistan become most widespread. This policy was especially sinister in the regions of Hotan, Kashgar, Aksu and Ili. As recently as 1999, some 2500 were killed. According to Amnesty International, currently at least 250,000 people are in prison.

China's False Claim on Formosa

In 1949, Kuomintang forces of Chiang-Kei-Seik defeated by Mao-Tse-Tung invaded Formosa. They massacred the local population, who are not ethnic Chinese but a mixed population of Japanese, Chinese, Portuguese and the indigenous proto-Malays (Schaffer, 2012). However, now China claims that Formosa, renamed as Taiwan, is an inalienable part of China and China wants to reclaim it as soon as possible. History cannot support that Chinese claim.

From 1368 to 1644, China had the Ming Dynasty of the Chin or Han Chinese tribe. At that time, Formosa was occupied first by the Dutch and then by the Portuguese. For a brief period from 1645 to 1662, a half-Japanese general of the Ming Dynasty, Tei Seiko, after being driven from China by the invading Manchus from the north, occupied that island. However, the Portuguese soon regained control of the island, which they had renamed as Formosa, or the beautiful island. The Machu empire only ruled Formosa for eight years between 1887 and 1895, but Manchus were not Chinese either.

The Manchu empire of China managed Formosa for just that brief period of time and, in 1895, gladly ceded it to Japan. After that, China had forfeited its rights to the island permanently or until the

signing of another international treaty. The present-day Beijing government claims that the 1943 Cairo Declaration and the 1945 Potsdam Declaration recognized China's sovereignty over Formosa. That is not factually correct. The Cairo Declaration had nothing new on the question of Chinese territorial sovereignty over Formosa. Furthermore, both the Cairo and Potsdam Declarations were not valid international treaties but, to quote Justice Radha Binod Pal, a 'victor's justice' (Ushimura, 2007), where Japan never took any part.

The People's Republic of China, which came into being in 1949, was at war with the UN in 1951 over Korea and wasn't invited to sign the San Francisco Treaty in which Japan formally renounced 'all right, title and claim to Formosa'. The Republic of China or Kuomintang was unable to represent China in that treaty. Accordingly, to follow the UN principle of self-determination, Formosa belongs only to Formosans, not to China.

The history of Tibet, Manchuria, East Turkistan and Formosa, dating back more than two thousand years, has been one of independence from China. At no time, since the founding of the nation in 127 BC, have the Tibetans conceded their sovereignty to a foreign power. East Turkistan was occupied from time to time, but those periods of occupation were brief. Manchuria was not occupied by China until 1950. Formosa, except for seven years, was never a part of China.

India had the prime responsibility towards Tibet and East Turkistan as their neighbour. It has failed so far to pursue that interest. India's peculiar stand towards China cannot be explained in any way. China had invaded India in 1962; supplied every kind of weapons including nuclear weapons and missiles to Pakistan since 1963; gave sanctuary to the terrorists of the north eastern states of India; opposed India in every international matter; opposed India's possible permanent membership of the UN Security Council or possible membership of the ASEAN; and tried successfully to encircle India with naval bases in Sri Lanka, Burma and Pakistan. Despite of all these hostile acts by China, India has not so far learned any lesson. The Indian business community has invested billions in China and is ever so interested in importing from China, although it would mean destruction in India's own manufacturing industries (Basu and Miroshnik, 2012b).

Due to the pressures from the Indian business community, the government is now following the same appeasement policy that India has followed since 1949. India so far has refused to stand up against Chinese imperialism in Tibet, East Turkistan and Manchuria and the Chinese demand for Taiwan. As a result, India today has no support or sympathy from the world when China is claiming a vast part of Indian

Territory. India must understand that, so long as India accept Tibet is a part of China, China can claim Arunachal Pradesh, Ladakh and Sikkim, as historically these areas were at one time parts of Tibet. The only way out for India is to recognize Tibet as an occupied territory and to declare that India would negotiate its border only with an independent Tibet in future, not with the colonialist China (Basu and Miroshnik, 2012b).

Chinese Empire in Vietnam and the Philippines

China has no limit to its demands on lands, islands, rocks and reefs in the South China Sea, disregarding any international laws and conventions. China only recognizes might, not logic. Legitimate claims by other nations of East Asia have no meaning in the dictionary of China.

China has claimed sovereignty across most of the South China Sea. It grants itself rights that cannot apply to an international shipping route. In fact, China imposes its demands by building military structures on uninhabited archipelagos, islets, rocks and reefs that are already possessed by other countries in the region, including Japan, Vietnam, the Philippines, Malaysia and Indonesia. Chinese citizens are encouraged to fish everywhere under the protection of China's coastguards and to engage in prospecting for oil, with the installation of a drilling platform off the coast of Vietnam. In a direct head to head with Vietnam, Malaysia, Brunei and the Philippines, Taiwan and Japan, Beijing claims possession of the Paracel and Spratly Islands, the Scarborough Shoal and the Senkaku Islands. It also appears to be extending its own territorial waters so much that there is practically nothing left for the rest of South-East Asia.

In April 2012, there was a clash between China and the Philippines over Scarborough Shoal, one of the Spratly Islands in the South China Sea. The confrontation between the naval vessels of the two countries continued for almost two months and in the middle of this the USA and the Philippines carried out a joint military drill in the vicinity. Japan, Australia and South Korea all sent their personnel to participate in this drill.

China deployed an armada of 80 military and civilian ships, along with support aircraft, to install a billion dollar oil rig on Vietnam's continental shelf well within its 200 mile exclusive economic zone (EEZ). According to Rodis (2014):

When Vietnam responded by dispatching 30 of its ships to defend its sovereign territory, China used high-powered water cannons to disperse them and even rammed its vessels straight into Vietnamese ships causing

damage to the Vietnamese ships and injury to those on board. Vietnam may have the will to fight but clearly lacks the 'suitable' might to defend itself against China.

Vietnam is mindful about what happened on March 14, 1988 when four ships of the Chinese People's Liberation Army Navy [PLAN] landed on Vietnam's Johnson South Reef and faced Vietnamese defenders on the reef who refused to leave. The Chinese ships fired at will at the sailors and pounded the reef with heavy shells. When the dust settled, several Vietnamese ships were destroyed and 64 Vietnamese sailors lay dead. The Johnson South Reef Massacre was recorded by the Chinese Navy and shown all over China as an example of China's might.

China's recent attack against the Philippines was initiated when China moved a giant oil rig to the Recto Bank—just 85 nautical miles from Palawan. The US Energy Information Administration (USEIA) has estimated that there could be approximately 11 billion barrels (bbl) of oil reserves and 190 trillion cubic feet (tcf) of natural gas reserves in the West Philippine Sea. Ayungin is the gateway to the Recto Bank and China intends to occupy Ayungin Shoal (Robis, 2014).

China's occupation of the Philippine mining industry is another issue. One of China's mining companies is operating in the Philippines 'located near the Scarborough Shoal in the coastal town of Masinloc where China's Wei-Wei Group has set up a US\$100 million nickel processing plant. In nearby Botolan, Zambales, China's Jiangxi Rare Earth and Rare Metals Tungsten Group Company Limited operates a US\$150 million nickel exploration and cobalt processing project' (Rodis, 2012).

There is an estimated US\$1 trillion in untapped mineral resources in the Philippines. Chinese mining companies, many of them operating illegally, have been exporting precious minerals such as gold and nickel out through the island country's porous coastal ports, where there are no customs officials. If China can occupy the Scarborough Shoal, smuggling precious metals from the Philippines to a Chinese base will be easy. In 1996, China occupied the Mischief Reef—75 miles from Palawan. Vietnam, Malaysia and the Philippines have separately protested against Chinese land reclamation at numerous reefs in the Spratly Islands. The fear is that they could be used for air, naval or logistic bases to strengthen China's territorial claims a long way from its mainland.

Comments

China's aim to make Asia's seas its exclusive property, keeping Japan at bay and excluding US military presence, is just one part of a greater mission. China intends to extend its military power through Burma, Africa and Pakistan up to the Arabian Sea, on to the Persian Gulf and into the Middle East and Africa. China's defence budget is second only to that of the USA, giving it great purchasing power and increasing military capabilities.

Every nation in the world talks of peace. Throughout the 20th century countries have enthusiastically praised the virtues of 'stability', 'peace', and 'good relations', yet they have all been caught up in the irrationality of actively prepared for and fomented war. Among growing economic chaos, there is unlikely to be a 'peaceful rise' to Chinese imperialism—just preparations for war to expand China's economic interest through its militarism.

Conclusion

The comparative advantage theory of David Ricardo, one of the directors the East India Company—instrumental in the creation of the British Empire—says that all states should benefit from specialized trade, all other things being equal. However, all these other things are not equal and never will be under the present system. If a developing country specializes in one or two primary products, then the only way to increase its wealth is to increase production and sell the products and services at a profitable price. However, if all developing countries step up, for example, the production of coffee, as they did in the 1980s, the market will be flooded and the price of coffee will fall, resulting in trade deficits for the producers. Again, prices are determined not by the producers but by the marketing companies of the consumers.

Thus, during industrialization, manufacturing industries are essential for the developing countries to diversify their exports so as not to depend on one or two items of exports. The WTO allows high tariffs on services, banking and manufactured items from the developing countries. It prevents production of high-value export items and medicines in the developing countries in the name of protecting intellectual property rights. However, it is permitting subsidies for agricultural sectors in advanced countries while the IMF and World Bank are advising the developing countries to reduce subsidies in agriculture, fertilizer and even in the public distribution of food items for the poor. This effectively denies to the poorest countries the path of growth that the developed countries have taken in the past. The absence of a skilled workforce, poor infrastructure and lack of capital make entry of the poorest countries into the world of production of high-value items for export nearly impossible.

The Cancun round of trade talks collapsed in September 2003 because the USA, Japan and the EU insisted that they had to continue to subsidize their agriculture massively. At 2014 prices, the EU pays subsidies for cows at the rate of US\$2.20 a day—more than the income of half the world's population—but demands that the markets of the developing countries must be open for trade. The developed countries and their multinational companies were able to create bilateral trade blocs where the developing countries are mainly excluded.

From the perspective of development, the WTO is a failure. The WTO is practically an instrument for the developed countries to capture the markets of the developing countries. It does not promote free trade because it prohibits free production. The GATT, the forerunner of the WTO itself, was developed by Western powers with an explicit aim to benefit the US and Europe. Former colonies that joined the GATT were influenced to follow the instructions of their former colonial masters. There were very few trade-related benefits for the developing world, whose main export items such as textile and agricultural products have restricted entry in the markets of the developed countries. The WTO is continuing with the same policy, which is prohibitive for the development of trade policy that may be of benefit for the developing world. The Doha Conference, rather than being about development, actually enhanced the asymmetric power structure in the WTO by concentrating on issues of benefit for developed countries. For example, holders of intellectual property rights on pharmaceutical products prevent independent development of low-cost drugs in the developing countries. In both Brazil and India, public sector firms producing low-priced drugs were wiped out by the WTO. India's former representative to the GATT stated that intellectual property rights are designed to protect the 'investments of multinational corporations' by ensuring the maintenance of their 'monopoly profits'. There is overwhelming empirical evidence that trade liberalization does not lead to sustainable growth. On the contrary, developing countries that adopt protectionist trade policies actually develop quicker than those that liberalize their economies; for example, South Korea and China. While developing their infant industries, developing countries implemented protectionist tariffs to prevent competition from foreign countries. Only when these economies were already developed did they begin to advocate free trade for other nations, but not for themselves—a policy rightly referred to as 'free trade imperialism'.

There is currently no agreed upon multilateral 'social clause' in international trade, meaning that the WTO does not include any protection

for labour rights or arguably see any role for internationally-agreed labour standards. This presents a major obstacle for the development of equitable and progressive trade policy and is indicative of the WTO's failure. There are pressures on the developing countries to integrate their financial centres to the corresponding centres in the developed countries by removing all barriers to free flow of funds with a capital account convertibility.

According to Michael Ignatieff (2002),

Imperialism used to be the white man's burden. This gave it a bad reputation. But imperialism doesn't stop being necessary because it is politically incorrect.

International banks are the foot soldiers of this new imperial order. What Hobson (1902) wrote more than a hundred years ago is still relevant:

Every improvement of methods of production, every concentration of ownership and control, seems to accentuate the tendency to imperialist expansion. As one nation after another enters the machine economy and adopts advanced industrial methods, it becomes more difficult for its manufacturers, merchants, and financiers to dispose profitably of their economic resources. Everywhere appear excessive powers of production, excessive capital in search of investment. It is admitted by all business men that the growth of the powers of production in their country exceeds the growth in consumption, that more goods can be produced than can be sold at a profit, and that more capital exists than can find remunerative investment. It is this economic condition of affairs that forms the taproot of Imperialism. (Chapter VI)

He believed that imperialism was due to the dominance of certain concentrated economic and financial interests.

Monopoly capitalism is the reality in which finance capital, an alliance between large firms and banking capital, dominated the economy and the state. Monopoly capitalism is inseparable from inter-imperialist rivalry, manifested primarily in the form of a struggle for global markets. The resulting division of the world into imperial spheres and the struggle that this encourages led directly to wars. Impetus to gain exclusive control of raw materials and tighter control of foreign markets that arose out of the globalizing conditions of capitalism have the same consequences at the advanced phase of globalization today,

whether in the Ukraine or Chinese efforts to occupy the whole of the South China Sea.

The USA's financial position is deteriorating, due largely to its growing trade deficit—the country is more dependent on the rest of the world for capital than at any time in the past 50 years. The Bush administration's military expansion had connections to its economic needs. Large US-based transnational oil companies, looking for increased markets and profits, played an important part in the invasion and occupation of Iraq, where the world's second largest proven oil reserves are, and then Libya and in the destruction of Syria. Through the IMF, World Bank and WTO the USA exercises economic power over poorer countries and shapes the international trade framework. The war in the Ukraine is in effect a war between two competing trade blocs: the EU supported by NATO and the Eurasian Customs Union supported by Russia.

A new competition is emerging from China, which has neo-colonial ambition in Africa. China is Sudan's single largest customer of oil, taking over half of the country's exports. In a classic re-run of the trade relations established by European imperialism, South Africa, like other African states, exports raw materials to China while importing cheap Chinese products that compete with, and undercut, local industries. Thus, the trade relationship between South Africa and China is a replay of the old story of South Africa's trade with Europe. Africa's local industry also suffers from the growth of low-cost Chinese exports to the USA and Europe, cutting off prospective African exports in those markets. This effect was been particularly aggravated since the end of the Multi-Fibre Agreement (MFA). When the MFA expired in January 2005 however, Chinese exports to the USA soared and African exporters found they could not compete. More than ten clothing factories in Lesotho closed in 2005, throwing at least 10,000 employees out of work. South Africa's clothing exports to the USA dropped from US\$26 million in the first quarter of 2004 to US\$12 million for the first quarter of 2005. In October 2005, trade union representatives from the clothing, textiles, footwear and leather sector from Ghana, Kenya, Malawi, Madagascar, Mauritius, Namibia, Tanzania, Nigeria, Lesotho, Swaziland, Zambia, Zimbabwe and South Africa met in Cape Town to discuss the effects of the phasing-out of the MFA. They concluded that the African continent had lost more than 250,000 jobs over the preceding few years, because cheap textiles and clothing imports from China had flooded the domestic African markets. In Zambia only a handful of local textile factories remain and Chinese competition is blamed. In Nigeria the textile and clothing workers union estimates some 350,000 jobs had been lost

directly because of Chinese competition and 1.5 million indirectly by 2006.

One may point out Chinese railroad constructions in Zambia and Tanzania. However, in the early 19th century, while the East India Company was destroying the textile industry in India it also developed the railroad in India. Thus, from oil fields in Sudan to farms in Zimbabwe, China's presence in Africa can be described as a classical pursuit of economic self-interest. It is a paradigm of globalization that favours China to access raw materials, markets and spheres of influence through investment, trade and military assistance. In this way, China is pursuing the goals of any classical imperialist. In Africa, China is now demonstrating its soft imperial power whereas in the South China Sea it is using its hard colonialist power.

According to Samir Amin (2001), imperialism is not a stage of capitalism but, from the beginning, it has been inherent in capitalism's expansion. The dominant dogma in the West and in China is that democracy was a 'luxury' that could come only after 'development' had solved the material problems of the society. This theory is now branded as 'Asian Culture' by China, Malaysia and Singapore, some of the successful countries of the new international business order. However, their ideas have nothing to do with 'Asian values' because there are no Asian values in the same way that there are no Western values. Confucian doctrine of authoritarianism was never shared by India, where the prevailing doctrine was the fundamental ideas of human freedom as proclaimed by Emperor Ashoka in 269BC and by the democratic society of Vaishali in the 6th century BC.

These are also reflected as secular humanism by the Roman philosopher Cicero (1896) in his book *De Natura Deorum*. Greeks do not consider themselves as Western.

Thus, what are now considered as 'Western' values are not really 'Western', but essentially the 'utilitarianism' of Adam Smith, Jeremy Bentham, John Stuart Mill and David Ricardo, who have supported imperialism and, as a result, became the mainstream economic philosophers of their days. However, the ideas of many other economists or philosophers of the 19th century—Karl Marx was the most prominent among them—were very different from the utilitarians. Thus, there is no agreement on the concept of Western value, unless we accept that it is the value of the Western colonialists only, who after 1991 became once again the rulers of the world, starting violent colonial wars everywhere. Thus, the new international business order is the dominant imperial order of today.

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Index

References to figures are shown in *italics*. References to tables are shown in **bold**.

- 9/11 terrorist attacks, 96, 108, 110, 122
- Abe, Shinzo, 78
- abstract art (modern), 57
- Abu Qatada, 114
- accession process, 7
- Adorno, Theodor, 58–9
- Afghanistan
- and China, 129
 - Indo-Greek kingdoms and knowledge, 51
 - invasion of by Mujahideens, 123–4
 - Soviet-Afghan war, 123–4
 - and Taliban, 96, 114, 121, 127, 129
 - and terrorism from Pakistan, 96, 97, 102
 - and United States, 89, 96, 97, 110, 121, 123
- Africa
- and Berlin Conference (1884–5), 82
 - and Cecil Rhodes mining company, 3
 - and China, 145–6
 - economic reform programmes, 1
 - employment patterns, changes in, 13
 - and ‘failed states’ concept, 86
 - foreign investments, 13
 - Gaddafi’s downfall and impact on poor African nations, 119
 - and IMF/World Bank, 119
 - income inequality, 14, 15
 - infant mortality rates, trends in, **18**
 - school gross enrolment ratios, trends in, **18, 19**
 - slave labour in railroad construction, 3
 - social expenditure and adjustment programmes, 16
 - and structural adjustment programmes (SAPs), 41
 - see also* North Africa; sub-Saharan Africa
- African Central Bank, 119
- African Investment Bank, 119
- African Monetary Fund, 119
- African Union, 119
- agriculture
- and central planning (developed countries), 92–3
 - EU’s Common Agricultural Policy (CAP), 33
 - subsidies and developing vs developed countries, 142–3
- Ahtisaari, Martti, 108
- Ainu people, 65–6
- Akayev, Askar, 104–5
- al-Ameen Balhaji, *see under* Ameen
- Albania
- and Kosovo war, 108, 109
 - poverty as result of shock therapy, 33
- al-Beruni (or al-Biruni), *see under* Biruni
- Albright, Madeleine, 108, 126
- Alesina, A., 19
- Algeria, and US Middle East policy, 97
- Allende, Salvador, 5, 46, 47
- al-Liby, Anas, *see under* Liby
- al-Qaeda, *see under* Qaida
- al-Zawahiri, Ayman, *see under* Zawahiri
- al-Ameen Balhaji, 114
- Americas, *see* Canada; Central America; Latin America; North American countries; United States (USA)
- Amin, Samir, 146
- Amis, Kingsley, 58
- Amsden, A. H., 15

- Anglo-American Oil Company, 3
 anti-dumping measures, against imports from Russia, 33
 Arab socialism, 115
 Argentina
 British tax revenue investment in industries, 3
 domestic pharmaceutical firms vs multinationals, 5
 income inequality, 14
 art/culture, and globalization, 57–62
 Arunachal Pradesh (India), 130–1, 139
 Arundhati (or Arundhati), 52
 Arya Bhatta, 52
 Ashoka, Emperor, 146
 Asia
 income inequality, 14
 infant mortality rates, trends in, 18
 school gross enrolment ratios, trends in, 18
 social sector expenditures, composition of, 17
 trade volume growth, 10
 see also Central Asia; East Asia; Eurasia; South-East Asia
 ‘Asian Culture’ concept, and democracy, 146
 Asian values, concept of, 146
 Aslund, Andreas, 30
 Aurobindo, Sri, 55
 Australia
 and central planning for agriculture, 92
 and Chinese presence in South China Sea, 139
 colonialism and depopulation policies, 86–7
 and East Timor and Solomon Islands, 89
 and East Timor offshore oil field, 98
 slave labour in mining, 3
 Ayungin Shoal (South China Sea), 140
 Azerbaijan
 and Soviet Union, 104
 and United States, 101
 Baath party, 97, 110
 Baghdad (Iraq), as reservoir of knowledge (7th century), 51
 Baker, J. A., The Iraq Study Group Report (Baker and Hamilton), 101, 102
 Bandera, Stepan, 103
 Bangladesh, income inequality, 14
 Bani Sadr, Abolhassan, 117
 banks
 Africa, 119
 Chile, 46–7
 Federal Reserve Bank (FRB, United States), 112, 127–8
 and new imperial order, 144
 Basu, K., 71–2
 Belgium, multinationals from, 2–3
 Ben Bella, Ahmed, 97
 Bengal
 and British industrial revolution, 52, 82, 87, 98
 British net revenue from (1773), 82
 special economic zones (SEZ), 91
 Benotman, Norman, 114
 Bentham, Jeremy, 53, 54, 80, 81, 87, 146
 Berisha, Sali, 109
 Berlin Conference (1884–5), 82, 89
 Berlin Wall, fall of, 125
Bhagavad Gita, 55
The Bible, 67
 Bilderberg Group, 83
 bin Laden, Osama, 96, 114, 118
 al-Biruni (or al-Beruni), 51
 Blair, Tony, 88, 99, 118
 Bolivia
 and ‘failed states’ concept, 86
 income inequality, 14
 and US quest for energy control, 123
 Bose, J. C., 52
 Bosnia
 state of and United States, 127
 and terrorism, 107
 Bosnian war, 100–1, 106, 108–9
 Brazil
 British tax revenue investment in industries, 3
 domestic pharmaceutical firms vs multinationals, 5
 income inequality, 14
 and WTO, 143

- Brezhnev, Leonid, 28
 Brishaspati, 52
 Britain, *see* United Kingdom (UK)
 British East India Company, 3, 52, 82, 83, 142, 146
 Brunei, and China, 139
 Brzezinski, Zbigniew
 and Afghanistan, 102, 123
 on Eurasia, 85, 122, 124–5
 and International Crisis Group, 118
 on international politics new framework, 83
 on technetronic era, 80
 on total spectrum dominance, 68
 and Trilateral Commission, 80
 on Ukraine and Russia, 101
 Buddha, Gautama, 51, 52, 66–7
 Buddhism, 62
 and Japan, 66–7, 73–4
 Bukharin, Nikolai, 3–4
 Bulgaria
 excess mortality (1989–93), 32
 poverty as result of shock therapy, 33
 Burma, foreign investments, 35
 Bush, George W., 80, 84, 104, 110, 111, 118, 145
 Bush, H. W., 110
 Bushido, 67
 Cairo (Egypt), oldest surviving university, 51
 Cameron, David, 118
 Canada
 and central planning for agriculture, 92
 colonialism and depopulation policies, 87
 Cancun round (WTO, 2003), 143
 CAP (Common Agricultural Policy, EC), 33
 capital account convertibility, 144
 capitalism
 and colonialism, 80–1
 and developing countries, 4
 and free market system, 1, 2, 41
 and globalization, philosophy of, 53
 and imperialism, 146
 laissez-faire doctrine, 54
 monopoly capitalism, 144–5
 and poverty, 12, 56–7
 and Protestant ethics, 53, 70–1
 and Russia, 23
 state-controlled, 39
 and utilitarianism, 86
 see also globalization; imperialism; market economy
 Caribbean Sea island states, and 'failed states' concept, 86
 Carter, Jimmy, 116, 123, 127
 Caspian Sea oil, 104, 122
 Caucasus, and US empire building for oil, 122, 126
 Central America, colonialism and depopulation policies, 87
 Central Asia
 poverty, 12
 and US empire building for oil, 122, 125, 126
 Chatham House (Royal Institute of International Affairs), 80
 Chattopadhyaya, Bankim Chandra, 54
 Chavez, Hugo, 128
 chemical weapons, and war in Syria, 120
 Cheney, Dick, 84, 122, 126
 Chiang-Kei-Seik, 137
 Chile
 banks, 46–7
 foreign investments, 43
 GDP (gross domestic product), 44, 46, 47
 income inequality, 44
 poverty, 44, 46, 48–9
 structural revolution: background on adjustment reforms and privatization, 41–2; Chile's economic history (1972–1989), 43–4; privatizations, 43, 44–9
 trade unions, 46, 47
 unemployment, 14, 43–4, 46, 47–8
 and United States (1973), 4–5
 China
 and Afghanistan, 129
 and Africa, 145–6
 and 'Asian Culture' concept, 146
 and Brunei, 139

- Chinese slaves under colonialism, 3
 colonization of, 98
 cultural revolution (1965–70), 23, 24, 135
 culture of, compared with Japan, 71
 defence budget, 141
 and East India Company, 3
 and East Turkistan, 131, 136–7, 138
 economic growth, compared with India, 26
 economic ‘miracle,’ basis of, 129
 and Europe, 130
 foreign direct investments, 34, 93
 foreign investments, 4, 26, 27
 and Formosa (renamed Taiwan), 130, 131, 137–8, 139
 and France, 130
 geopolitical strategy of, 129–31, 141
 and Germany, 130
 history of as nation state, 131
 imperialism of, 129, 130, 131, 141, 146
 income inequality, 14, 95–6
 and India, 130–1, 133, 138–9
 and Indonesia, 139
 and Japan, 78, 139, 141
 and Laos, 130
 and Malaysia, 139, 140
 and Manchuria, 131, 132, 138
 migrant workers, 94, 95
 and Pakistan, 129, 130
 and Philippines, 130, 139, 140
 poverty reduction, 11
 private sector, 39
 and protectionism, 143
 reforms: Chinese style reform process, 23; comparison with Russian reforms, 23–4, 26–7; differences with Russian reforms, 39–40
 social unrest, 95
 and South Africa, 145
 and South China Sea, 139–41, 145, 146
 special economic zones (SEZ), 91; and flexible labour market policy, 93–6
 and Sudan, 145
 and Syria, invasion of, 120
 and Taiwan (previously Formosa), 130, 131, 137–8, 139
 Tiananmen Square massacre, 26
 and Tibet: background and history, 130–3, 138; Chinese invasion, 133–4; demographic change, 135–6; human rights violations, 134–5; National Uprising (1959), 134–5
 and trade union/labour rights, 6, 93, 94, 95
 and United Nations Security Council (UNSC), 131
 and United States, 100, 127, 139, 141
 and Vietnam, 130, 139–40
 Chinese style reform process, 23
 Chomsky, N., 48
 Cho-yon (‘priest patron’ relationship), 131, 132
 CIA
 and al-Qaeda, 118
 and National Front for the Salvation of Libya, 114
 and right-wing guerrilla movements, 126
 Cicero, Marcus Tullius, 61, 146
 Clark, Wesley, 114–15
 Clinton, Bill, 96, 100–1, 106–7, 109, 110, 126, 127
 Clinton, Hillary, 117
 Clive, Robert, 82
 Cold War
 return of, 102–3
 and US empire building, 125
 collectivist cultures, 68–9, 71, 73
see also Hou-Ren-Sou (collectivist system)
 colonialism
 and capitalism, 80–1
 and depopulation policies, 86–7
 and ‘failed states’ concept, 97–8
 gains from, 82–3
 and globalization, 2–3
 John Stuart Mill on, 81
 in modern time, 83–5
 and multinational companies, 2–4
 neo-colonialism, 4

- colonialism – *continued*
 new colonialization process, 1
 and new world order, 79–81
 re-colonization of former colonies,
 100
 Vivekananda on, 56
 and ‘white man’s burden’
 argument, 87
 Woodrow Wilson on, 88
see also imperialism
- COMECON (Council of Mutual
 Economic Co-operation), 27,
 29, 31, 32, 34
- Common Agricultural Policy, EC
 (CAP), 33
- company citizenship, 72–3
- conformity, and Japanese culture,
 75, 77
- Confucianism, 71, 146
- Congress for Cultural Freedom, 58,
 59, 61
- Conquest, Richard, 58
- Cooper, Robert, 99
- Copernicus, Nicolaus, 52
- corporate culture, and globalization,
 68–72
- corruption, 5, 49
- Council of Mutual Economic
 Co-operation (COMECON), 27,
 29, 31, 32, 34
- counter-culture, 59, 60, 62
- Croatia
 and demise of Yugoslavia, 89, 106
 Ustashi, 107–8
- Cruzat, Manuel, 46–7
- Cuba, US invasion of, 98
- culture/art
 and globalization, 57–62
see also collectivist cultures;
 counter-culture; global
 corporate culture;
 individualistic cultures;
 industrial culture; jet-set
 culture; organizational culture
- Curzon, George Nathaniel. 1st Marquess
 Curzon of Kedleston, 82
- Czechoslovakia, and COMECON
 (Council of Mutual Economic
 Co-operation), 27
- Dalai Lamas, 132, 134, 135
- Dayton peace plan, 106
- de Larosière, Jacques, *see* Larosière,
 Jacques de
- del Ponte, Carla, 109
- democracy, and ‘Asian Culture’
 concept, 146
- Deng, Xiaoping, 23, 26–7
- depopulation policies, and
 colonialism, 86–7
- deregulation, 30, 41, 42, 43
see also liberalization; privatization
- developed countries
 agriculture: and central planning,
 92–3; and subsidies, 142–3
 exports volume growth, 10
 and ‘failed states’ concept, 85–6,
 88–9
 industrialization and land use,
 91–3
 and multinationals, 4–5, 6
 trade blocks of excluding
 developing countries, 143
 trade restrictions by economic
 group (1997–2000), 9
 and WTO, 143
- developing countries
 and capitalism, 4
 exports volume growth, 10
 and ‘failed states’ argument,
 86
 foreign investments, 4
 and globalization, 4
 group of 88 and collapse of Soviet
 Union, 3
 and IMF’s pressure to accept
 globalization, 4
 and international financial
 institutions, impact of policies
 on, 142
 and labour/trade union rights, 6
 manufacturing industries and
 export diversification, 142
 and Multilateral Agreement on
 Investments (MAI), 80
 and multinationals, 1, 3, 4–6
 pension reforms and IMF/World
 Bank, 45, 46
 and planned economic systems, 3

- poverty, 10–12; population living below US\$1 per day (1990–98), 12
- and protectionism, 143
- and structural adjustment concept, 6–7
- and structural adjustment programmes (SAPs), 41
- and subsidies in agriculture, 142–3
- and trade blocks, exclusion from, 143
- trade liberalization and unskilled labour, 14–15
- trade restrictions by economic group (1997–2000), 9
- and WTO, impact of policies on, 142–4
- dialectical materialism, 67
- dispute settlement mechanism, 7
- Doha round (WTO), 80, 143
- Dollar (US)
- vs Euro and oil trade, 112–13, 116, 128
 - and Federal Reserve Bank (FRB), 112, 127–8
- domestic corporate sectors, vs multinationals, 5–6
- Duchamp, Marcel, 57
- Dulles, Allen, 59
- Dulles, John Foster, 59
- Dutch East India Company, 3
- East Asia
- foreign investments, 4
 - income inequality, 15
 - and multinational companies, 4
 - poverty reduction, 11–12
 - US East Asia policy, 100
- Eastern Europe
- and COMECON, 27
 - excess mortality (1989–93), 32–3
 - foreign investments, 33–4
 - industrialization and land use, 92, 93
 - and NATO, 125
 - poverty, 12
 - and shock therapy, 33–4
 - and structural adjustment programmes (SAPs), 41
 - US Eastern Europe policy, 100–1
 - see also* ex-socialist countries
- East Germany
- Berlin Wall, fall of, 125
 - and COMECON, 27
- East India Company
- British East India Company, 3, 52, 82, 83, 142, 146
 - Dutch East India Company, 3
- East Timor
- under Australia-UN control, 89
 - offshore oil field taken over by Australia, 98
- East Turkistan
- and China, 131, 136–7, 138
 - and India, 138
- East vs West
- boundary problem, 51
 - false Western idea of, 50–1
 - and gender equality, 50, 52–3
 - and innovations, 50, 51–2
 - and self-criticism, 50, 52
- ECAS (export credit agencies), 33
- economic growth, *see* growth
- economic reform programmes
- in Africa, 1
 - see also* structural adjustment concept; structural adjustment programmes (SAPs); structural revolution, implications of
- economic systems
- free enterprise, 57
 - free market system, 1, 2–3, 41
 - market economy, 53, 54, 85
 - planned economic system, 1, 3
 - social market economy, 39
 - state-controlled decentralized economy, 39
 - supply-side economics, 46
 - see also* capitalism; globalization
- education
- access to and Latin American middle classes, 19
 - and liberalization, 16, 19; enrolment ratios, trends in, 18
- Edwards, John, *Russia's Wrong Direction: What the United States Can and Should Do* (Jack Kemp and John Edwards), 123

- EFF (Extended Fund Facility), 8
- Egypt
 and Libya, invasion of, 117
 oldest university (Cairo), 51
 Suez crisis, 5
 and US Middle East policy, 97
- Einstein, Albert, on free enterprise
 and unemployment, 56–7
- Eisenhower, Dwight D., 59–60
- Ellman, M., 32
- Emiliani, M. L., 70
- employment
 changes in, 13–16; Latin America
 and informal employment
 as % of labour force (non-
 agricultural), 15; sub-Saharan
 Africa and evolution of
 employment in formal sector,
 14; wage dispersion and real
 wage changes in manufacturing
 (1975–9 to 1987–91), 16
see also income inequality; labour;
 minimum wage policies;
 unemployment
- Encounter* (magazine), 58
- Engels, Friedrich, 69, 70
- Enhanced Structural Adjustment
 Facility, 21
- enrolment ratios, trends in, 18
see also education
- Enron, 49
- equity
 trade-off between growth and
 equity, 19–21
see also formal equality; income
 inequality; inequality
- Estulin, D., 83
- Ethiopia, income inequality, 14
- ethnic cleansing, 106, 127
- Eurasia, and United States, 85, 122,
 124–5
- Eurasian Customs Union, 103, 145
- Euro, vs US Dollar and oil trade,
 112–13, 116, 128
- Europe
 and China, 130
 and GATT, 143
 and Iran, 107
 and multinationals, 2–3, 4–5
see also Eastern Europe; Eurasia;
 European Union (EU)
- European Union (EU)
 and agriculture: CAP (Common
 Agricultural Policy), 33; central
 planning, 92, 93; subsidies, 143
- Euro vs US Dollar and oil trade,
 112–13, 116, 128
- and former Warsaw Pact countries,
 101
- and market economy, promotion
 of, 85
- and NATO, 145
- and protectionism, 33
- and Ukraine, 103
- export credit agencies (ECAS), 33
- exports
 diversification of and developing
 countries, 142
 OECD's *Arrangements on Guidelines
 for Officially Supported Export
 Credit*, 33
 skilled-intensive exports and
 education, 19
 worldwide growth in, 10; exports
 and gross domestic product
 (1980–2000), 11
- ex-socialist countries
 and 'failed states' concept, 86, 89
 and multinationals, 1
see also Eastern Europe
- Extended Fund Facility (EFF), 8
- 'failed states' concept, 85–6, 88–9,
 96–8
- Fairfield Foundation, 59
- Federal Reserve Bank (FRB), US Dollar
 and oil/gas resources, 112,
 127–8
- Ffrench-Davis, R., 47
- financial crisis (2008)
 crisis management by governments,
 35
 and Keynesian policy, 79
 and Quantitative Easing (QE), 79
- 'flat world' concept, 68
- flexible labour market policy, and
 Special Economic Zones
 (China), 93–6

- Ford, 68
 Ford Foundation, 59
Foreign Affairs, argument for imperialistic intervention, 88
 foreign investments
 Africa, 13
 Burma, 35
 Chile, 43
 China, 4, 26, 27, 34, 93
 developing countries, 4
 East Asia, 4
 Eastern Europe, 33–4
 foreign direct investments and IMF-approved framework, 33–4
 Multilateral Agreement on Investments (MAI), 80
 Russia, 33–4, 35–6
 formal equality, doctrine of, 99
 former Yugoslavia
 aim of Jihad, 107–9
 under UN-NATO control, 89, 101
 see also Yugoslavia
 Formosa (renamed Taiwan), and China, 130, 131, 137–8, 139
 France
 and China, 130
 and financial crisis management (2008), 35
 and Iraqi oil fields, 120
 multinationals from, 2–3
 and Suez crisis, 5
 and Syria, invasion of, 120, 121
 FRB (Federal Reserve Bank), US Dollar and oil/gas resources, 112, 127–8
 freedom of expression, 57
 free enterprise, and unemployment, 57
 free market system, 1, 2–3, 41
 see also capitalism
 free trade
 doctrine of, 2, 4
 ‘free trade imperialism’ concept, 143
 and imperialism, 82
 Friedman, Milton, 46, 54
 Friedman, Thomas, 68, 70
 full-spectrum dominance, doctrine of, 122
 G7, and shock therapy for Russia, 31
 Gaddafi, Muammar, 97, 114, 115–16, 117, 118–19
 Gaddafi, Saif al-Islam, 118
 Gargi, 52
 gas
 and invasion of Libya, 118–19, 123
 and invasion of Syria, 120–1
 Western gas companies and FRB, 128
 West Philippine Sea gas and China, 140
 GATT (General Agreement on Trade and Tariff), 4, 143
 see also World Trade Organization (WTO)
 GDP (gross domestic product)
 Chile, 44, 46, 47
 and exports (1980–2000), 10, 11
 Latin America, 47
 Russia, 23
 gender equality, and East vs West, 50, 52–3
 General Motors (GM), 68
 Georgia
 and Soviet Union, 104
 and United States, 101, 104, 123
 Germany
 Berlin Wall, fall of, 125
 and China, 130
 and financial crisis management (2008), 35
 Kultur Kampf (Berlin), 61
 multinationals from, 3
 social market economy, 39
 Weimar culture, 59
 and Yugoslavia, collapse of, 89
 see also East Germany
 global corporate culture, 68–72
 global governance, 126
 globalization
 and art/culture, 57–62
 and Chinese presence in Africa, 146
 and colonialism, 2–3
 and company citizenship, 72–3
 and developing countries, 4
 first phase of, 1, 2
 global corporate culture, 68–72
 global governance, 126

- globalization – *continued*
 and inequality between countries, 12–13
 and labour/trade union rights, 6
 and multinationals, 2–3, 54
 vs national interests, 1, 2
 philosophy of, 2–3, 53–5
 and wars, 144–5
 and world government concept, 79
see also capitalism; imperialism;
 Indian philosophy of
 life and globalization;
 Japanese philosophy of
 life and globalization; new
 international business order,
 aims of; new international
 business order, victims of
- Global War on Terrorism (GWOT), 110
- gnana yoga, 55
- Gorbachev, Mikhail, 22, 23, 26, 28–30, 124, 125
- Great Britain, *see* United Kingdom (UK)
- El Greco, 57
- Greenspan, Alan, 80, 111
- gross domestic product (GDP), *see* GDP (gross domestic product)
- group of 88 (developing countries), 3
- growth
 new growth theory, 19
 and trade liberalization, 143
 trade-off between growth and equity, 19–21
- Guatemala, income inequality, 14
- GWOT (Global War on Terrorism), 110
- Haiti, coup and United States, 98
- Hamilton, L. H., The Iraq Study Group Report (Baker and Hamilton), 101, 102
- Hartmann, Florence, 109
- health crisis, as result of shock therapy (Russia and Eastern Europe), 32–3
- Hegel, Georg Wilhelm Friedrich, 52
The Hidden Army of Radical Islam (TV programme), 107
- Hinduism, 62, 67
- Hitler, Adolf, 26, 80
- Hobson, John A., 3–4, 144
- Hoeven, R. van der, 15, 19–20
- Hofstede, Geert, 51, 71
- Holland, multinationals from, 2–3
- Honduras, income inequality, 14
- Horkheimer, Max, 59
Hou-Ren-Sou (collectivist system), 75, 77
- HRM (human resource management), 74, 76, 77
- Hudson Bay company, 3
- human capital formation, changes in, 16–19
 composition of social sector expenditures, 17
 school gross enrolment ratios and infant mortality rates, trends in, 18
- humanism, 61–2, 146
- humanitarian intervention, 99
- human resource management (HRM), 74, 76, 77
- human-ware, 76
- Hungary
 and COMECON, 27
 economic reforms (Soviet period), 28
 excess mortality (1989–93), 32
- Hussein, Saddam, 110, 111, 116
- Huxley. Aldous, 59
- Iban Batuta, 51
- ICC (International Criminal Court), and United States, 85
- Ignatieff, Michael, 88, 144
- illiteracy
 and capitalism, 56
 and poverty, 19
- ILO (International Labour Organization), 13–15, 95
- IMF, *see* International Monetary Fund (IMF)
- imperialism
 and capitalism, 146
 Chinese imperialism, 129, 130, 131, 141, 146
 and free trade, 82
 ‘free trade imperialism’ concept, 143

- liberal-imperialists, 80
 and monopoly capitalism, 144–5
 neo-imperialism, 88, 97–8, 99
 old imperialism and its
 rejuvenation, 86–9
 and utilitarianism, 146
see also colonialism; globalization
- income inequality
 Chile, 44
 China, 14, 95–6
 India, 64
 and structural revolution, 14–16,
 19–21; wage dispersion and real
 wage changes in manufacturing
 (1975–9 to 1987–91), 16
see also inequality; minimum wage
 policies
- indentured labourers, 3
- India
 Arunachal Pradesh, 130–1, 139
 British justification for colonization
 of, 87
 British revenue from (1757–1815),
 82–3
 and Chilean pension system, 46
 and China, 130–1, 133, 138–9
 and Confucian doctrine, 146
 and East India Company, 3
 and East Turkistan, 138
 economic growth, compared with
 China, 26
 economic reform policy and Indian
 view of life, 55–7
 and ‘failed states’ concept,
 86, 89
 income inequality, 64
 Indian slaves under
 colonialism, 3
 poverty increase during reform
 period, 62–4
 public sector pharmaceutical firms
 vs multinationals, 5
 special economic zones (SEZ), 61,
 90–1
 structural adjustment programme
 (SAP), adoption of, 41
 and terrorism from Pakistan, 96
 and Tibet, 133, 138, 139
 and WTO, 143
- Indian philosophy of life and
 globalization
 art and culture of globalized society,
 57–62
 East vs West: boundary problem,
 51; false Western idea of, 50–1;
 and gender equality, 50, 52–3;
 and innovations, 50, 51–2; and
 self-criticism, 50, 52
 globalization, philosophy of, 53–5
 Indian view of life and economic
 reform policy, 55–7
 poverty increase during reform
 period, 62–4
- individualism, vs Indian view of life,
 55, 57
- individualistic cultures, 68, 69
- Indo-Greek kingdoms, and
 knowledge, 51
- Indonesia
 and China, 139
 and Dutch East India Company, 3
 and ‘failed states’ concept, 86, 89
 income inequality, 14
- industrial countries, *see* developed
 countries
- industrial culture, in Japan, 76–7
- industrialization
 and land use (developed countries),
 91–3
see also special economic zones
 (SEZs)
- industrial revolution
 and globalization, 69
 and UK profits from Bengal, 52, 82,
 87, 98
- inequality
 between countries and
 globalization, 12–13
 and political instability, 20
 trade-off between growth and
 equity, 19–21
see also income inequality
- infant mortality rates, trends in, 16,
 18, 19
- innovations, and East vs West, 50,
 51–2
- INRF (International Natural Resources
 Fund), 98

- intellectual property rights
and multinationals, 143
see also patent laws
- international banks, and new imperial
order, 144
- International Criminal Court (ICC),
and United States, 85
- International Crisis Group, 118
- International Jihadis, and United
States, 127
- International Labour Organization
(ILO), 13–15, 95
- International Monetary Fund (IMF)
and Africa, 119
and Chilean structural reform
programme, 42
and developing countries, pressure
on to accept globalization, 4
on employment patterns and
adjustment policies, 13
- Enhanced Structural Adjustment
Facility, 21
- Extended Fund Facility (EFF), 8
and ‘failed states’ argument, 86
and foreign direct investments, 33–4
and market economy/free market
system, 1, 2, 3, 41, 85
- Monitoring Fund Arrangements
(MONA), 10
and pension reforms in developing
countries, 45, 46
and poorest countries, impact of
policies on, 142
- Poverty Reduction and Growth
Facility (PRGF), 8, 10, 21
privatization and reductions in
government expenditure,
advocacy of, 13
and Russian slump, response to, 35
and shock therapy in Russia and
Eastern Europe, 33
on Soviet Union, demise of, 22
and structural adjustment concept,
6–7
and trade liberalization, 7
trade policy’s role in IMF-supported
programmes, 7–10
on trend towards open trade, 10
and United States, 111–12, 145
- voucher system and privatization of
Russian enterprises, 42
and Yugoslavia’s economic collapse,
105
see also structural adjustment
programmes (SAPs)
- International Natural Resources Fund
(INRF), 98
- Iran
and Bosnian war, 106, 109
and Europe, 107
invasion of, 98, 100
and Israel, 97
Mossadeg government and UK/
USA, 5
oil exports and Dollar vs Euro, 113
overthrow of Shah, 116–17
and US Middle East policy, 96, 97
- Iraq
Baghdad as reservoir of knowledge
(7th century), 51
bombing campaign against (1998),
126
invasion of, 100, 102, 110–13, 116,
118, 123, 127–8, 145
oil fields under US, French and UK
control, 120
US cost of war against, 122
and US Middle East policy, 96, 97
US occupation of, 89, 98
- The Iraq Study Group Report (Baker
and Hamilton), 101, 102
- Isherwood, Christopher, 59
- Islam
and Bosnian war, 106
The Hidden Army of Radical Islam
(TV programme), 107
and US Middle East policy, 100
see also Jihad; Mujahideens
(or Muzahideens); Muslim
terrorism
- Israel
and Iran, 97
and National Front for the
Salvation of Libya, 114
and US Middle East policy, 96–7
- Italy, and financial crisis management
(2008), 35
- Izetbegovic, Alija, 106, 107

- Jackson, Bruce, 84
 Jackson, C. D., 59–60
 Jane's, on Caspian Sea oil reserves, 122
 Japan
 and Buddhism, 66–7, 73–4
 and central planning for agriculture, 92, 93
 and China, 78, 139, 141
 and colonialism (19th century), 81
 culture of, compared with China/Korea, 71
 and financial crisis management (1995–7 and 2011), 35
 growth strategy and Quantitative Easing (QE), 78
 industrial culture, 76–7
 industrialization and land use, 91
 Japanese, origin of, 65–6
 and Manchuria, 81, 132
 multinationals from, 3
 organizational culture, 73–6
 poverty, 78
 and Russian reforms, proposal for, 36–9
 unemployment, 78
 and US Dollar vs Euro for oil trading, 128
 Japanese philosophy of life and globalization
 global corporate culture, 68–72
 globalization and company citizenship, 72–3
 Japan and Buddhism, 66–7
 Japanese, origin of, 65–6
 Japanese industrial culture, 76–7
 Japanese organizational culture, 73–6
 jet-set culture, 68, 69–70, 71, 73
 Jevons, William Stanley, 54
 Jihad
 aim of in former Yugoslavia, 107–9
 International Jihadis and USA, 127
 see also Islam; Mujahideens (or Muzahideens); Muslim terrorism
 Johnson South Reef Massacre (South China Sea, 1988), 140

 Kaizen (continuous improvement), 75–6, 77
 Kanad, 52

 Kapil, 52
 karma, theory of, 55
 karma yoga, 55
 Kashmir
 and 'failed states' concept, 86, 89
 and Pakistan, 96, 97, 124, 127
 Kazakhstan, and US empire building for oil, 122
 Kemp, Jack, *Russia's Wrong Direction: What the United States Can and Should Do* (Jack Kemp and John Edwards), 123
 Kennan, George, 59
 Kenya, income inequality, 14
 Kerry, John, 121
 Keynes, John Maynard, 79
 Khomeini, Ruhollah (Ayatollah), 117
 Khrushchev, Nikita, 24, 27–8
 Kimura, Masaaki, 65
 Kirghizstan, reversal of election results, 101
 Knight, Frank, 54
 knowledge
 and Indo-Greek kingdoms, 51
 see also scientific innovations
 Koestler, Arthur, 58
 Kosovo war, 108–9
 Kouchner, Bernard, 109
 Krishna, K., 55
 Krugman, Paul, 50
 Kulov, Felix, 105
 Kultur Kampf (Berlin, Germany), 61
 Kuwait, bombing campaign against Iraq (1998), 126
 Kyrgyzstan
 and United States, 101, 123
 velvet revolution, 104–5

 labour
 flexible labour market policy (China), 93–6
 labour laws and multinationals, 6
 labour rights and WTO, 143–4
 mobility of under colonialism, 3
 unskilled labour and trade liberalization, 14–15
 see also employment; income inequality; minimum wage policies; unemployment

- laissez-faire doctrine, 54
- Lal, Deepak, 98
- land use, and industrialization
(developed countries), 91–3
- Laos, and China, 130
- Larosière, Jacques de, 36
- Latin America
- access to education and middle classes, 19
 - colonialism and depopulation policies, 87
 - employment patterns, changes in, 14; informal employment as % of labour force (non-agricultural), 15
 - GDP (gross domestic product), 47
 - income inequality, 14, 15, 19
 - infant mortality rates, trends in, 18
 - and multinationals, 4, 5
 - poverty, 12
 - school gross enrolment ratios, trends in, 18
 - slave labour on sugar plantations, 3
 - social expenditure and adjustment programmes, 16; composition of social sector expenditures, 17
 - and structural adjustment programmes (SAPs), 41
- Layard, Richard, 30
- lean production system, 76
- Lee, J.-Y., 14
- Lee, Kuan Yew, 26–7
- Lenin, Vladimir, 3–4, 26, 27
- liberal-imperialists, 80
- liberalization
- and education, 16, 19
 - and employment patterns, 13–14
 - and government spending on social services, 16
 - trade liberalization, 7–8, 14–15, 41, 143
 - and trade unions, 15–16
 - see also* deregulation; privatization
- Liberia, and United Kingdom, 89
- al-Liby, Anas, 114
- Libya
- invasion of, 113–19, 123, 127, 128, 145
 - Libyan Islamic Fighting Group (LIFG), 114
 - National Front for the Salvation of Libya, 114, 118
 - and Russia, 119
 - and South Africa's African National Congress, 115
 - US destruction of, 89, 100
 - and US Middle East policy, 96, 97
- Lieberman, Joe, 117
- Londono, J., 19
- long-term orientations, 68, 71, 73, 74
- Lopamudra, 52
- Lucas, Robert, 54
- Macaulay, Thomas Babington, Baron, 70
- macro values, 74
- Mahavir, 52
- MAI (Multilateral Agreement on Investments), 80
- Maitreyi, 52
- Malaysia
- and 'Asian Culture' concept, 146
 - and China, 139, 140
- Malevich, Kazimir, 57
- Mallaby, S., 88
- Manchu empire, 132, 133, 137
- Manchuria
- and China, 131, 132, 138
 - and Japan, 81, 132
 - and Russia/Soviet Union, 132
 - and Tibet, 132, 133
- Manet, Édouard, 57
- Mansfield, E., 14
- Mao, Tse Tung, 23, 24, 26, 135, 137
- Marconi, Guglielmo, 52
- Marcuse, Herbert, 59
- Marfan, M., 47
- market economy
- free market system, 1, 2–3, 41
 - philosophy of, 53, 54
 - promotion of by USA and EU, 85
 - social market economy, 39
 - see also* capitalism
- Marshall, Alfred, 54
- Marx, Karl, 52, 66, 67, 69, 70, 146
- masculinity, and organizational culture (Japan), 73
- materialism, 52, 66–7, 68
- medicines, and international patent laws, 5–6

- meso values, 74, 75, 77
- Mexico
 1994–95 crisis and employment, 14
 domestic pharmaceutical firms vs
 multinationals, 5
 income inequality, 14
- Meyer, S., 59
- MFA (Multi-Fibre Agreement), 145–6
- MI6, and al-Qaeda, 118
- Middle East
 and Anglo-American Oil
 Company, 3
 failed states, concept of, 86
 failed states and terrorism,
 96–7
 poverty, 12
 US Middle East policy, 96–8, 100–1
- migrant workers, China, 94, 95
- Mill, James, 53, 80, 81, 87–8
- Mill, John Stuart, 53, 80, 81, 146
- Milošević, Slobodan, 108
- minimum wage policies
 and flexible labour market policy
 (China), 94
 and privatizations (Chile), 46, 47,
 48
 and trade-off between growth and
 equity, 20
see also income inequality
- Mintzberg, H., 71–2
- Mischief Reef (South China Sea), 140
- modern abstract art, 57
- Mohammad Reza Pahlavi, Shah of
 Iran, 116–17
- Mongol empire, 131–2, 133, 137
- Monitoring Fund Arrangements
 (MONA), 10
- monopoly capitalism, 144–5
- Moore, Henry, 58
- Morgenthau, Henry, 79
- mortality rates, Russia and East
 European countries (1989–93),
 32–3
- Mossadeg, Mohammad, 5
- Muggeridge, Malcolm, 58
- Mujahideens (or Muzahideens), 96,
 102, 106, 109, 123–4
see also Islam; Jihad; Muslim
 terrorism
- Multi-Fibre Agreement (MFA), 145–6
- Multilateral Agreement on
 Investments (MAI), 80
- multilateral trade negotiations, 7
- multinational companies
 and bilateral trade blocks excluding
 developing countries, 143
 and colonialism, 2–4
 and company citizenship, 72–3
 and developing countries, 1, 3, 4–6
 vs domestic corporate sectors, 5–6
 and ex-socialist countries, 1
 and globalization, 2–3, 54
 and intellectual property rights, 143
 and ‘jet set culture’ concept, 68, 69
 and national economies, 3–6
- Museum of Modern Art (New York,
 USA), 59
- Muslim Brotherhood, 114
- Muslim terrorism, 126–7, 128
see also Islam; Jihad; Mujahideens
 (or Muzahideens)
- Muzahideens, *see* Mujahideens
 (or Muzahideens)
- Najjubullah (or Najibullah),
 Mohammad, 96
- Narayan, Jayaprakash, 58
- Nasar, Mustafa Setmariam, 114
- Nasser, Gamal Abdel, 97, 115
- national economies, and
 multinationals, 3–6
- national interests, vs globalization,
 1, 2
- Native Americans, 125
- NATO
 and Bilderberg Group, 83
 and Eastern Europe, 125
 and ethnic cleansing in Yugoslavia,
 106
 and European Union, 145
 and former Warsaw Pact countries,
 101
 and former Yugoslavia, 89, 101
 and Kosovo war, 108, 109
 and Libya, invasion of, 113–14,
 117, 118, 119
 and Muslim terrorism, 126–7
 and Russia, 102
 and Syria, invasion of, 120, 128
 and Ukraine, 103

- neo-colonialism, 4
 neo-conservatism, 99
 neo-imperialism, 88, 97–8, 99
 Nepal, and ‘failed states’ concept, 86
 Netherlands, *see* Holland
 new growth theory, 19
 new international business order,
 aims of
 colonialism, gains from, 82–3
 colonialism and new world order,
 79–81
 colonialism in modern time, 83–5
 old imperialism and its
 rejuvenation, 86–9
 ‘rogue states’ and ‘failed nations,’
 85–6
 new international business order,
 victims of
 failed states, plan for future
 colonization of, 97–8
 failed states and terrorism in Middle
 East, 96–7
 Georgia and United States, 104
 industrialization and land use in
 developed countries, 91–3
 Iraq, invasion of, 110–13
 Kyrgyzstan’s velvet revolution,
 104–5
 Libya, invasion of, 113–19
 nature of new international
 business order, 98–102
 Russia, United States and return of
 Cold War, 102–3
 SEZs (special economic zones) in
 China and India, 90–1
 SEZs and flexible labour market
 policy in China, 93–6
 Syria, invasion of, 120–1
 Ukraine and United States, 103
 US empire building: for oil, 121–5;
 stages of, 125–6
 Yugoslavia, economic sabotage
 against, 105–6
 Yugoslavia, Jihad in former
 Yugoslavia, 107–9
 New World Order, 80
 New Zealand, colonialism and
 depopulation policies, 86–7
 Nicaragua, and US Reagan
 administration, 97
 Nietzsche, Friedrich, 52
 Nigeria, income inequality, 14
 Noda, Takashi, 36
 non-intervention, doctrine of, 99
 nontariff barriers (NTBs), 9–10
 North Africa
 poverty, 12
 and Russia, 119
 and US Middle East policy, 96–7
 North American countries
 and multinationals, 4–5
 see also Canada; United States (USA)
 Obama, Barack, 85, 122
 OECD (Organisation for
 Economic Co-operation and
 Development)
 *Arrangements on Guidelines for
 Officially Supported Export Credit*,
 33
 and neo-imperialism, 98
 oil
 Caspian Sea oil, 104, 122
 East Timor oil and Australia, 98
 and invasion of Iraq, 100, 110–13,
 118, 120, 123, 145
 and invasion of Libya, 116, 117,
 118, 145
 and invasion of Syria, 120–1, 145
 and US Dollar vs Euro, 112–13, 116,
 128
 US empire building for, 121–6
 and US-Georgian relations, 104
 Western oil companies and FRB, 128
 West Philippine Sea oil and China,
 140
 Okita, Saburo, 38
 Okuda, Shoichiro, 73
 OPECs (Organization of Petroleum
 Producing Countries), and oil
 for Dollars, 112–13, 128
 organizational culture
 and company citizenship, 72–3
 in Japan, 73–6
 Orwell, George, 58
 Ouchi, W., 71
 Pacific island states, and ‘failed states’
 concept, 86
 Pakistan

- and China, 129, 130
- and invasion of Afghanistan by Mujahideens, 123–4
- and Kashmir, 96, 97, 124, 127
- and terrorism, 96, 97, 102, 127
- and United States, 96, 97, 102, 124, 127
- Pal, Radha Binod (Justice), 138
- Panama, income inequality, 14
- patent laws, and domestic firms vs multinationals, 5–6
- pensions schemes, privatization of (Chile), 44–6
- Perestroika* (Soviet Union), 29
- Perle, Richard, 122
- Perotti, R., 19
- Peru
 - and ‘failed states’ concept, 86
 - income inequality, 14
- pharmaceuticals, and international patent laws, 5–6
- Philippines
 - and China, 130, 139, 140
 - and ‘failed states’ concept, 86, 89
 - US conquest of, 88
- Picasso, Pablo, 57
- Pinochet, Augusto, 41, 43, 44, 46
- planned economic systems, 1, 3
- PNAC (Project for the New American Century), 84, 122
- Poland
 - economic reforms (Soviet period), 28
 - excess mortality (1989–93), 32, 33
 - poverty as result of shock therapy, 33
- political instability, and inequality, 20
- Pollack, Jackson, 57, 58
- Poroshenko, Petro, 123
- poverty
 - and capitalism, 12, 56–7
 - in Chile, 44, 46, 48–9
 - and globalization, philosophy of, 54
 - and illiteracy, 19
 - in India, 62–4
 - in Japan, 78
 - as result of shock therapy (Russia and Eastern Europe), 33
 - and Structural Adjustment Programmes (SAPs), 21
 - in the United States, 56–7
 - world poverty trends (1990s), 10–12; population living below US\$1 per day in developing countries (1990–98), 12
- Poverty Reduction and Growth Facility (PRGF), 8, 10, 21
- Powell, Colin, 61, 122, 126
- Pravy Sektor, 103
- ‘pre-emptive intervention’ concept, 88
- pre-emptive retaliation, doctrine of, 126
- PRGF (Poverty Reduction and Growth Facility), 8, 10, 21
- ‘priest patron’ relationship (Cho-yon), 131, 132
- Primakov, Yevgeny, 22, 39
- private sector
 - in China, 39
 - efficiency/inefficiency of, 49
 - in Hungary, 28
 - in Poland, 28
- privatization
 - and changes in employment patterns, 13
 - in Chile: under General Pinochet, 43; of pensions scheme, 44–6; result of, 46–9
 - and IMF/World Bank, 13
 - in Soviet Union/Russia: *Perestroika*, 29; voucher system, 42
 - success factors, 41–2
 - in United Kingdom under Thatcher, 41, 42
 - see also* deregulation; liberalization
- Project for the New American Century (PNAC), 84, 122
- Project Syndicate, 50
- protectionism, 33, 143
- Protestant ethics, and capitalism, 53, 70–1
- public sector, efficiency/inefficiency of, 49
- public utility companies, and privatization, 42
- Putin, Vladimir, 22, 39, 49, 100, 102, 122, 123
- al-Qaeda, 107, 108, 114, 118, 121
- Qatar, and Syria, invasion of, 120

- Quantitative Easing (QE), 78, 79
The Quest (magazine), 58
- racism, 82, 115
- Raffael, Robin, 124
- Ram Mohun Roy, Raja, 54, 61
- Rayack, E., 47
- Reagan, Ronald, 28, 41, 46, 96, 97, 123, 126–7
- Recto Bank (South China Sea), 140
- regime change, 100, 123
- Rhodes, Cecil, 3
- Ricardo, David, 54, 80, 142, 146
- Rice, Condoleezza, 126
- Rig Veda*, 52, 67
- Rinpoche, Samdhong, 136
- Rockefeller, David, 80, 83
- Rockefeller, William, 128
- Rockefeller Foundation, 59
- Rodis, R., 139–40
- 'rogue states' concept, 85–6
see also 'failed states' concept
- Rolland, Romain, 55, 62
- Romania, and shock therapy, 33
- Roosevelt, Franklin D., 79
- Rotberg, Robert, 88
- rough states, 96
see also 'failed states' concept
- Royal Institute of International Affairs (Chatham House), 80
- rule-based system (WTO), 7
- Rumsfeld, Donald, 84, 122, 126
- Russell, Bertrand, 58, 59, 60, 61
- Russia
 anti-dumping measures against, 33
 and Eurasian Customs Union, 145
 excess mortality (1989–93), 32–3
 foreign direct investments, 35
 foreign investments, 33–4, 35–6
 and Libya, 119
 and Manchuria, 132
 and NATO, 102
 and North Africa, 119
 poverty as result of shock therapy, 33
 privatization and voucher system, 42
 and Syria, invasion of, 120, 128
 and Ukraine, 101, 102–3, 123, 127
 and United States: return of Cold War, 102–3; Russia as prime enemy, 128; US criticism of Putin's Russia, 123; US Middle East policy, 100–2; US supremacy in Eurasia, 125
 and Western media, 122–3
- Russia's structural revolution
 background of reform, 22–3; GDP growth rate (USSR), 23; growth and investment (Russia), 25; industrial production growth rate (USSR), 24
- comparative analysis of Russian and Chinese reforms, 23–4, 26–7
- differences between Chinese and Russian reforms, 39–40
- Russian economic reforms (1992–6):
 Japanese proposals for Russian reforms, 36–9; shock therapy, 30–2; shock therapy, impact of, 32–4; shock therapy, impact on domestic fiscal policies, 34–6
- Soviet economic reforms:
 background of, 27–8; under Gorbachev, 28–30
see also Soviet Union
- Russia's Wrong Direction: What the United States Can and Should Do* (Jack Kemp and John Edwards), 123
- Rwanda-Burundi
 humanitarian intervention, 99
 under UN-NATO control, 89
- Ryzhkov, Nikolai, 30
- Saakashvili, Mikheil, 104
- Sachs, Jeffrey, 22, 30–2, 34, 35
- Sahad, Ibrahim, 118
- Samurai soldiers, 67
- Sankhya, 66, 67
- SAPs (structural adjustment programmes), 2, 10, 21, 41
see also structural adjustment concept
- Saudi Arabia
 and Mujahideens in Afghanistan, 123

- and National Front for the Salvation of Libya, 114
- and Syria, invasion of, 120
- Say, J. B., 54
- Scandinavia, social market economy, 39
- Scarborough Shoal (South China Sea), 139, 140
- Schlesinger, James, 50–1
- school enrolment ratios, trends in, **18**
see also education
- scientific innovations, and East vs West, 50, 51–2
- Scotland, industrial revolution, 52
- self-criticism, and East vs West, 50, 52
- self-interest, and capitalism, 53–4
- selfishness
 - vs humanism, 61–2
 - as a virtue, 54–5
- Senpai–Kohai* (seniority system), 75, 77
- Serbia
 - Serbian prisoners' internal organs criminal case, 109
 - US recognition of, 127
- SEZs, *see* special economic zones (SEZs)
- Shah of Iran, *see* Mohammad Reza Pahlavi, Shah of Iran
- Shay, Shaul, 107
- Shevardnadze, Eduard, 104, 125
- Shills, Edward, 58
- Shintoism, 74
- shock therapy
 - in Chile, 43, 47, 49
 - in Russia: description, 23, 28, 30–2; impact of, 32–4; impact on domestic fiscal policies, 34–6
 - in Yugoslavia, 105
- Sidgwick, Henry, 81
- Sierra Leone, and United Kingdom, 89
- Simla Convention (1914), 132, 133
- Simon, R., 71–2
- Singapore
 - and 'Asian Culture' concept, 146
 - income inequality, 14
- slavery, 3
- Smith, Adam, 53, 54, 61, 146
- socialism
 - Arab socialism, 115
 - transition to capitalism and poverty, 12
 - see also* ex-socialist countries
- social market economy, 39
- social services
 - liberalization and government spending on, 16; composition of social sector expenditures, 17
- social unrest, China, 95
- Solomon Islands, under Australia-UN control, 89
- Somavia, Juan, 95
- Sorman, Guy, 50
- Soros, George, 118
- South Africa
 - African National Congress and Gaddafi, 115
 - and China, 145
- South America, *see* Latin America
- South China Sea, Chinese sovereignty claim over, 139–41, 145, 146
- South-East Asia
 - employment patterns, changes in, 13
 - poverty, 12
 - slave labour in mining, 3
- South Korea
 - and Chinese presence in South China Sea, 139
 - and protectionism, 143
- sovereignty, concept of, 98–9
- Soviet Union
 - collapse of, 1, 3, 22, 30, 83, 100
 - and COMECON, 27
 - economic reforms under Gorbachev, 27–30
 - as 'evil empire' (Reagan), 126
 - GDP growth rate, 23
 - industrialization and land use, 92–3
 - industrial production growth rate, 24
 - and Manchuria, 132
 - new economic policies (1921–8), 26
 - and non-Russian areas, 104
 - Perestroika*, 29
 - and planned economic system, 3
 - Soviet-Afghan war, 123–4
 - war-communism system, 27
 - see also* Russia

- special economic zones (SEZs)
 China, 91; and flexible labour
 market policy, 93–6
 India, 61, 90–1
 and the underclasses, 59
- Spender, Stephen, 58
- Spratly Islands (South China Sea),
 139, 140
- Sri Lanka, income inequality, 14
- Stalin, Josef, 26, 27, 131
- state-controlled decentralized
 economy, 39
- Stenberg, J., 59
- Stern, N., 20
- Straw, Jack, 111
- structural adjustment concept, and
 IMF, World Bank and WTO, 6–7
- structural adjustment programmes
 (SAPs), 2, 10, 21, 41
- structural revolution, implications of
 globalization, philosophy of, 2–3
 globalization and inequality
 between countries, 12–13
 human capital formation, changes
 in, 16–19; composition of social
 sector expenditures, 17; school
 gross enrolment ratios and
 infant mortality rates, trends
 in, 18
- labour/employment patterns,
 changes in, 13–16; Latin
 America and informal
 employment as % of labour
 force (non-agricultural),
 15; sub-Saharan Africa and
 evolution of employment
 in formal sector, 14; wage
 dispersion and real wage
 changes in manufacturing
 (1975–9 to 1987–91), 16
- multinationals and national
 economies, 3–6
- structural adjustment concept and
 IMF, World Bank and WTO, 6–7
- trade-off between growth and
 equity, 19–21
- trade policy's role in IMF-supported
 programmes, 7–10; exports and
 gross domestic product (1980–
 2000), 11; trade restrictions by
 economic group (1997–2000), 9
- world poverty trends (1990s),
 10–12; population living below
 US\$1 per day in developing
 countries (1990–98), 12
see also Russia's structural
 revolution
- sub-Saharan Africa
 employment in formal sector,
 evolution of, 14
 poverty, 12
 social expenditure and adjustment
 programmes, composition of
 social sector expenditures, 17
 trade volume growth, 10
- Sudan, and China, 145
- Sun, Yat-sen, 131, 132, 133
- supply-side economics, 46
- Suprematism, 57
- Sweden, sterilization of people with
 mental health problems, 61
- Syria
 destabilization process, 100
 destruction of, 89, 128, 145
 invasion of, 120–1, 127, 128
 and US Middle East policy, 96, 97
 and US quest for energy control,
 123
- Tagore, Rabindranath, 60, 62
- Taiwan (previously Formosa), and
 China, 130, 131, 137–8, 139
- Tajikistan, and United States, 101
- Taliban, 96, 114, 121, 127, 129
- Tanzania, income inequality, 14
- Taraki, Nur Mohammed, 102
- tariffs, and nontariff barriers (NTBs),
 9–10
- terrorism
 9/11 terrorist attacks, 96, 108, 110,
 122
 Bosnia as centre for, 107
 and failed states in Middle East,
 96–7
 Global War on Terrorism (GWOT),
 110

- Muslim terrorism, 126–7, 128
and Pakistan, 96, 97, 102, 127
and ‘pre-emptive intervention’
concept, 88
- Thaci, Hashim, 109
- Thailand
and ‘failed states’ concept, 86, 89
income inequality, 14
multinationals and penetrations of
foreign culture, 5
- Thatcher, Margaret, 41, 42, 96
- Third World Relief Agency, 106
- Tiananmen Square massacre (China),
26
- Tibet
and China: background and history,
130–3, 138; Chinese invasion,
133–4; demographic change,
135–6; human rights violations,
134–5; National Uprising
(1959), 134–5
and India, 133, 138, 139
and Manchuria, 132, 133
and United Kingdom, 132–3
- Total Quality Management (TQM),
70, 76
- Toyota, 68, 72–3
- trade
free trade: doctrine of, 2, 4; ‘free
trade imperialism’ concept,
143; and imperialism, 82
multilateral trade negotiations, 7
trade blocks excluding developing
countries, 143
trade liberalization, 7–8, 14–15, 41,
143
trade policy reviews, 7
trade policy’s role in IMF-supported
programmes, 7–10
trade restrictions by economic
group (1997–2000), 9
Trade Restrictiveness Index (TRI),
8–10
- trade unions
Chile, 46, 47
China, 6, 93, 94, 95
and liberalization, 15–16
and multinationals, 6
- Treaty of Westphalia (1648), 99
- TRI (Trade Restrictiveness Index), 8–10
- Triandis, H. C., 68, 70, 71
- Trilateral Commission, 80, 83
- Turkey, and invasion of Syria, 120
- Turkistan, *see* East Turkistan
- Turkmenistan, and Soviet
Union, 104
- Turner, J. M. W., 57
- UAE (United Arab Emirates), and
invasion of Syria, 120
- Uchi-Soto* (insider-outsider), 77
- Ukraine
destabilization process, 100
ethnic cleansing, 106, 127
and European Union, 103
excess mortality (1989–93), 32
and ‘failed states’ concept, 86
and NATO, 103
poverty as result of shock therapy,
33
reversal of election results, 101
and Russia, 101.102–3, 123, 127
and United States, 89, 103, 127
and US quest for energy control,
123
war in eastern Ukraine, 102–3, 123,
145
- UNCTAD (United Nations Conference
on Trade and Development),
World Investment Report (1994),
33–4
- underclass concept, 54, 59
- unemployment
in Chile, 14, 43–4, 46, 47–8
and free enterprise, 57
in Japan, 78
see also employment; income
inequality; labour; minimum
wage policies
- UNICEF, excess mortality in Russia
and East European countries,
32–3
- UN ILO, *see* International Labour
Organization (ILO)
- United Arab Emirates (UAE), and
invasion of Syria, 120

- United Kingdom (UK)
 and al-Qaeda, 118
 and Bengal: net revenue from (1773), 82; profits from and industrial revolution, 52, 82, 87, 98
 British empire, 82
 capitalism and colonialism, 80–1
 colonialism, gains from, 82–3
 colonization of India, justification for, 87
 and Congress for Cultural Freedom, 58
 financial crisis management (2008), 35
 industrialization and land use, 91
 and Iran's Mossadeg government, 5
 and Iraq: bombing campaign against (1998), 126; invasion of, 110, 111–13, 118; oil fields, control over, 120
 and Liberia, 89
 and Libya, invasion of, 118
 and Libyan Islamic Fighting Group (LIFG), 114
 multinational companies from, 2–3
 poverty, 56–7
 privatization under Thatcher, 41, 42
 and Sierra Leone, 89
 and Suez crisis, 5
 and Tibet, 132–3
 and United Nations, 99
 women's civil rights (1928), 52
- United Nations (UN)
 and East Timor and Solomon Islands, 89
 and former Yugoslavia, 89, 101
 and Kosovo war, 108, 109
 and neo-imperialism, 98
 and Rwanda-Burundi, 89
 UN Charter, Article 2, 99
 UN Mission in Kosovo (UNMIK), 109
 UN Security Council (UNSC):
 and China, 131; Resolution 1970 (Libya), 113–14, 117; Resolution 1973 (Libya), 117; and United States, 126
 and US/UK neo-conservatives, 99
 United Nations Conference on Trade and Development (UNCTAD), *World Investment Report* (1994), 33–4
- United States (USA)
 and Afghanistan, 89, 96, 97, 110, 121, 123
 agriculture and central planning, 92
 and Azerbaijan, 101
 and Bin Laden, 96
 and Bosnia, state of, 127
 and Bosnian war, 100–1, 108
 and Chile (1973), 4–5
 and Chilean pension system, 45
 and China, 100, 127, 139, 141
 CIA: and al-Qaeda, 118; and National Front for the Salvation of Libya, 114; and right-wing guerrilla movements, 126
 colonialism and depopulation policies, 87
 and Congress for Cultural Freedom, 58
 corporate culture, 68, 69, 70, 71
 Council on Foreign Relations (CFR) and one-world government, 80, 83
 and Cuba, invasion of, 98
 defence budget, 122
 deregulation under Reagan, 41, 42
 Dollar vs Euro and oil trade, 112–13, 116, 128
 East Asia policy, 100
 Eastern Europe policy, 100–1
 economic needs and military expansion, 145
 empire building: for oil, 121–5; stages of, 125–6
 and Eurasia, 85, 122, 124–5
 Federal Reserve Bank (FRB), 112, 127–8
 financial crisis management (2008), 35
Foreign Affairs' argument for imperialistic intervention, 88
 and GATT, 143
 and Georgia, 101, 104, 123

- Global War on Terrorism (GWOT), 110
- Great Depression and Keynesian policies, 79
- and Haiti coup, 98
- and International Criminal Court (ICC), 85
- and international financial institutions, 111–12, 145
- and International Jihadis, collaboration with, 127
- and Iran, 5, 98
- and Iraq: bombing campaign against (1998), 126; cost of war against, 122; invasion of, 100, 102, 110–11, 118; occupation of, 89, 98; oil fields, control over, 120
- and Kosovo war, 109
- and Kyrgyzstan, 101, 123
- and Liberia, 89
- and Libya, 89, 100, 117–19, 128
- and market economy, promotion of, 85
- Middle East policy, 96–8, 100–1
- and Muslim terrorism, 126–7
- ‘National Security Strategy’ document (2002), 84–5, 126
- and Nicaragua, 97
- and Pakistan, 96, 97, 102, 124, 127
- and Philippines, 88
- poverty, 56–7
- Project for the New American Century (PNAC), 84, 122
- and Russia: return of Cold War, 102–3; Russia as prime enemy, 128; and supremacy of USA in Eurasia, 125; US criticism of Putin’s Russia, 123; and US Middle East policy, 100–2
- and Serbia, state of, 127
- and Sierra Leone, 89
- strategic defence initiatives and impact on Soviet Union, 28
- and Syria, invasion of, 120, 121
- and Tibet, recognition of, 134
- trade blocks, 80
- and Ukraine, 89, 103, 127
- and United Nations, 99
- and United Nations Security Council, 126
- and Venezuela, 98, 100, 123
- universities, Indian and Cairo University, 51
- Upanishad, 61
- USSR, *see* Soviet Union
- Ustashi, 107–8
- utilitarianism, 53, 55, 81, 86, 87–8, 146
- Uzbekistan
- and Soviet Union, 104
- and United States, 101
- and US quest for energy control, 123
- Vaishali (ancient city), 146
- van der Hoeven, *see* Hoeven, R. van der
- van Gogh, Vincent, 57
- Vedantic philosophy, 55
- Venezuela
- coup attempt, 128
- destabilization process, 89, 100
- and ‘failed states’ concept, 89
- income inequality, 14
- oil exports and barter deals, 113
- and United States, 98, 100, 123
- Vial, Javier, 46–7
- Vietnam, and China, 130, 139–40
- Vivekananda, Swami, 55–6, 61
- Volcker, Paul, 80
- voucher system, and privatization of Russian enterprises, 42
- wages
- wage dispersion and real wage changes in manufacturing (1975–9 to 1987–91), 16
- see also* income inequality; minimum wage policies
- Walras, Léon, 54
- Warburg, Paul, 128
- war-communism system, 27
- wars, and globalization, 144–5
- weapons of mass destruction, and Iraq war, 111
- Weber, Max, 70–1
- Weimar culture, 59

- West, *see* East vs West
- Western hemisphere, trade volume growth, 10
- Western media, and Russia, 122–3
- Western values, concept of, 146
- West Indies
British revenue from (1760–80), 82
slave labour on sugar plantations, 3
- West Philippine Sea, and China's quest for oil/gas, 140
- 'white man's burden' argument
and colonialism, 87
and imperialism, 144
- Wikileaks, oil and invasion of Iraq, 118
- Wilson, Woodrow, 88, 125
- Wolfowitz, Paul, 84, 111, 122
- women
UK women's civil rights (1928), 52
see also gender equality
- Woolsey, James, 84
- World Bank
and Africa, 119
and Chilean structural reform programme, 42
and developing countries, pressure on to accept globalization, 4
and domestic firms vs multinationals, 5
on employment patterns and adjustment policies, 13
Enhanced Structural Adjustment Facility, 21
and 'failed states' argument, 86
and market economy/free market system, 1, 2, 3, 41, 85
and pension reforms in developing countries, 45, 46
and poorest countries, impact of policies on, 142
and poverty increase in India, 63–4
Poverty Reduction and Growth Facility (PRGF), 8, 10, 21
on poverty reduction in East Asia, 11
privatization and reductions in government expenditure, advocacy of, 13
- Russian slump, response to, 35
and shock therapy in Russia and Eastern Europe, 33
on social expenditure and adjustment programmes, 16
on Soviet Union, demise of, 22
and structural adjustment concept, 6–7
on trade liberalization and unskilled labour, 15
on trend towards open trade, 10
and United States, 111, 145
voucher system and privatization of Russian enterprises, 42
and Yugoslavia's economic collapse, 105
see also structural adjustment programmes (SAPs)
- WorldCom, 49
- world government concept, 58, 79, 80, 83
- World Trade Organization (WTO)
and Brazil, 143
Cancun round (2003), 143
and developed countries' central planning for agriculture, 92
and developing countries, impact of policies on, 142–4
Doha round, 80, 143
and India, 143
international patent laws
and domestic firms vs multinationals, 5–6
and labour rights, 143–4
and market economy/free market system, 1, 2, 3, 85
membership of and structural adjustment programmes, 10
Multilateral Agreement on Investments (MAI), 80
rule-based system, 7
on Soviet Union, demise of, 22
and structural adjustment concept, 6–7
and United States, 111, 145
see also GATT (General Agreement on Trade and Tariff); structural adjustment programmes (SAPs)
- Wright, Quincy, 80

- Yanukovych, Victor, 102–3
Yeltsin, Boris, 22–3, 28, 30, 40, 49
Yoga, 55, 66, 67
Yugoslavia
 collapse of, 89
 economic reforms (Soviet period),
 28
 economic sabotage against, 105–6
 ethnic cleansing, 106
 humanitarian intervention, 99
 reason for destruction of, 127
 see also former Yugoslavia
al-Zawahiri, Ayman, 114
Zia-ul-Haq, Muhammad, 124
Zorathustra, 52