

MAI: The formalization of the reign of the multinationals

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The push towards the **Multilateral agreement on investment (MAI)** seems to have lost some of its momentum lately giving rise to wild hopes that it may after all be abandoned. To my mind, this agreement will eventually go through, despite the present teething troubles caused not by any massive opposition to it but mainly because parts of the European elite, particularly the French elite, wish to achieve some modifications to the agreement appropriate to their own interests. The reason the agreement will go through is that it constitutes a fundamental element of the process of formalising the marketization (i.e. the lifting of social controls) and internationalisation of the market economy.

Of course, this is not the official aim of the agreement which is simply described as the creation of a harmonized framework which will replace several bilateral agreements and will lead to a new multilateral system governing foreign investment, initially between OECD countries and, later, between all countries wishing to sign and be committed for at least 20 years. In fact, the formalisation of today's informal marketization of foreign investment, which is the real aim of the agreement, simply complements similar movements in other markets. The formalisation of the marketization and internationalisation of the commodity market has already been completed with the latest GATT round, whereas the movement of capital has already been freed, following various peripheral agreements. The time was therefore ripe for the formal marketization of investment and lending capital. The particular importance of this sector is shown by the fact that during the last decade alone foreign direct investment more than doubled compared to global commodity transactions. Furthermore, it is far from accidental that the initiative for this agreement was taken by the OECD, where more than 85 percent of the world's foreign direct investment flows out of and where 477 of the Fortune Global 500 companies are based. In turn these 500 companies control today 25 percent of the global production and 42 percent of the planet's wealth.

We may classify as follows the fundamental principles underlying this agreement:

- **No discrimination of any kind against foreign investment.** The signatory countries are committed not to impose any restrictions whatsoever on foreign investment, which will differentiate between it and local investment with respect to the transfer of capital, labour, technology, the exploitation of natural resources, the repatriation of profits etc. So, no protection whatsoever of

domestic investment would be possible anymore, either it is capitalist investment or cooperative investment, with the aim to protect domestic development against foreign competition.

- **No entry restrictions of any kind.** Thus, no form of foreign investment could be refused, including the purchase of privatized public sector companies — apart from cases affecting national security.
- **No restrictions on foreign investment on the basis of special conditions or aims,** such as to ensure the protection of labor and the environment, a good export performance, to control currency speculation, to transfer advanced technology etc.

In all these cases the multinational would be able to demand compensation in a special court. It should also be noted that the term investment is defined very broadly to extend to intellectual property, real estate and shares.

The implications of this agreement are extended to almost all aspects of life and are very important indeed:

At the ***economic level***, the basic implication will be that henceforth any measures to protect local development and employment against foreign competition are formally forbidden. This means that, after the signing of the agreement, the socialdemocratic rhetoric about taking special measures to fight unemployment, poverty etc. would be not just wishful thinking, as is the case today, but a clear deception. Of course, even today, any government that would even think of imposing similar restrictions on the foreign investors' activity, with the aim to protect local development and employment will be instantly punished by the massive exit of speculative capital first, followed by investment capital. But after the signing of the agreement any such move would be formally forbidden as well. Therefore, the very jobs and incomes of everybody would be formally determined by the market forces, in other words, the multinationals.

At the ***ecological level***, the agreement would have several negative implications. In general, it will mean that the Greens' aims for local self-reliance, enhancing local employment etc. would be impossible to be materialised within the new legal framework. Furthermore, several specific regulations will be adversely affected. For instance, the agreement would challenge the UN convention on Biological Diversity, which was designed to protect developing countries' genetic resources. It is well known that foreign multinationals demand equal access to such resources and therefore, following the agreement, the entire convention would be effectively undermined.

At the ***cultural level***, the agreement would forbid any restrictions imposed against the present effective monopolization of film and video production by Hollywood. This is a major area of friction with the French elite, which demands the introduction of various exceptions to protect its own film industry.

At the broader **social level**, the agreement introduces protection of multinationals against any civil strife which could undermine their efficiency, from insurrection up to strikes. For instance, the French and Spanish lorry drivers' action last year would give an immediate right of compensation to foreign multinationals.

Finally, at the **political level**, the agreement would strike another blow against the deceptive image of popular sovereignty, which supposedly is guaranteed by representative democracy. The citizens of the signatory countries would be formally deprived not only of their right to control economic policy (which local elites have already transferred to multinational institutions through the Maastricht/ Amsterdam agreements, NAFTA, etc.), but would even be denied the right to control multinational corporations!

To my mind, this agreement constitutes the culmination of a process, which started two centuries ago with the establishment of the market economy in Europe. At that time two parallel processes were set in motion:

- a) a process of growth (and internationalization) which was the direct outcome of the dynamics of the market economy and
- b) a process of "marketization" following the need of those controlling the market economy to minimize social controls which were undermining their competitiveness.

At the other end, the rest of society has always found itself in the past two hundred years in a struggle of self-protection, i.e. protection of labor and the environment. As a rule, the elites which control the market economy have come out victorious in the various phases of this struggle. This is particularly the case today when the state, after the collapse of "existing" socialism, ceased to play everywhere the role of the protector of society from market forces, as it attempted to do with some relative success in the postwar period up to the mid '70s. However, this success was inevitably temporary since the parallel intensifying of the internationalization of the market economy was, at the end, incompatible with the socialdemocratic welfare state.

Today, the marketization and internationalisation of the market economy is pushed forwards as the logical consequence of the GATT, Maastricht/ Amsterdam, NAFTA treaties etc. Therefore, MAI constitutes the logical extension of existing institutions and, at the same time, the formal institution of existing practices. In other words, it constitutes, on the one hand, the formalisation of marketization, i.e. of the minimization of social controls over markets and, on the other, of the internationalisation of investment.

It seems that the day has come for the formalization of the reign of multinationals.