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Thorstein Smith

1969

Early this year, George Meany's AFL—CIO pulled out of the International Confederation of "Free" Trade Unions because ICFTU, originally set up as an anti-Communist rival to a pro-Soviet World Federation of Trade Unions in 1949, is getting closer to dealing with WFTU bodies.

"In the future," said the *Wall Street Journal*, "AFL-CIO will spend the money on its own international programs," that is, the ICFTU will no longer be directly on the CIA payroll. Unfortunately, nationally-isolated trade unions run into other kinds of problems.

For example, dozens of American companies are setting up "runaway" shops in Mexico, out of reach of the AFL—CIO, a development which WSJ last February called "a Hong Kong economy."

Since 1964, 125 plants have been set up in Mexico alone, not counting another major runaway area, the colony of Puerto Rico. Wages in Mexico average 30 to 40 cents an hour, and involve simple assembly tasks for products that are then shipped back across the border to be completed in the U.S. Now, the unions in Mexico that could be pressuring the Mexican government on this issue belong to international groups which U.S. unions won't deal with…and even, through such CIA channels as the American Institute for Free Labor Development, tries to subvert.

While U.S. labor suffers from the competition of cheaper labor outside, U.S. investments abroad increase by about $10 million per day. About $50 billion is presently invested abroad in directly-controlled enterprise, and another $80 billion in businesses in which the U.S. shares control with others—the majority of this in Canada ($30 billion alone) and Western Europe, and about half of the rest in Latin America. This investment represents, however, less than one per cent of GNP; compared with domestic investment in many countries as much as half of their GNP may be exports, and half of that may go to the U.S., e.g. Bolivia. About 45 companies control 57% of all foreign investments from the U.S.

Here are some interesting sidelights on the foreign investment picture: Since 1965 the U.S. has plowed $2 billion into foreign investments, the return on this is highly profitable, to put it mildly.

Between 1950 and 1961, about $13.7 billion was invested abroad, and $13.2 billion returned. Return on investments in South Africa runs about 20%. Furthermore, while overall exports of capital are not high as compared with U.S. product- [Web archive note: there is a break in the print original here.]

Thailand, mostly military. This has created a fantastic growth rate in the Thai economy, and equally fantastic balance of trade deficits; about 20,000 Thais now earn their living off U.S. bases.

Nor is it surprising that foreign investment has increased: trade unions were outlawed in 1958, tax exemptions on foreign imports are extensive, and profit taxes relatively low. Japan is the leading foreign investor, and the U.S. is second. Almost all capital goods are imported, almost all exports are raw materials—the classical colonial syndrome. Spell Thai investment with a capital Oil, Rubber, and Tin.

To ease the cold war, on the other hand, National Distillers has just worked out a swap arrangement with the USSR: Russkaya vodka for Old Grand-Dad bourbon.

And another old enemy, Germany's Messerschmitt, which built two-thirds of Hitlar's World War II air force, is back in business full tilt at the old racket, building a NATO combat aircraft, the MRCA-75. Boeing owns 10% of Messerschmitt.

Japan's old World War II firms are doing well also: Mitsubishi is the world's 17^{th} largest industrial firm outside the U.S. (Germany's Thyssen family is 18^{th}, Krupp is 37^{th}.)

In the computer field, the U.S. (especially IBM) still leads all foreign competitors. In fact, four out of five of the estimated 20,000 computers now installed in Western Europe were built in U.S.-owned factories (*Fortune* 8/15/69), and IBM controls 57% of the German computer market, 30% of the British, 60% of the Italian, 66% of the French, and 52% of the Benelux.

However, some of IBM may be owned by citizens of those countries, in turn. In fact, jittery Europeans have been looking to the U.S. of all places as a safe haven for savings (through mutual funds, mainly)—especially since the May, 1968, crisis in France. In 1968 alone, foreigners bought over $2 billion worth of shares in U.S. companies.

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