# *Capital's Last Frontier*

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To understand the nature of American involvement in the underdeveloped areas of the globe, one must recognize that the economy of the United States differs from that of many other developed countries. England and Japan, and to a lesser extent France and West Germany, are heavy exporters of goods, although they *also* export capital. In the United States, however, export of capital so far outruns export of commodities as to cause a serious dollar drain. Being primarily a capital-exporting nation, the United States needs markets for investment.

Since 1939, the gross national product of the United States has risen steeply, in large part because of the demand for armaments to wage the cold war and to maintain the American universal gendarmerie. A main purpose of this activity has been to keep socialism at bay, and the primary reason for doing so is that Socialist economies are useless to a country relying heavily on capital export. Socialist countries will buy abroad, but they want to develop, as far as that is possible, without foreign investment. Our failure to establish more than trivial economic relations with the Communist countries no longer derives so much from our reluctance to trade with them as from the fact that we are less interested in trade than in investment.

Meanwhile, our military efforts to keep the world free for American investment generate huge economic surpluses, i.e., capital for investment, because the war-nourished industries at home expand the economic surplus. Thus the very process of protecting the world for American investment creates still greater need for fields in which to invest. The presence of a huge and growing economic surplus makes it absolutely imperative that the world be kept free—for American investment. For that reason we cannot, *under our present system,* ever withdraw our armies from underdeveloped areas, unless we can arrange for a substitute gendarmerie. Corporation profits have no other place to go because the fields for investment at home grow steadily narrower.

Asia represents one of the last frontiers for investment capital. In this connection, the following quotes from a Saigon dispatch in *The New York Times* of May 12, 1965, are important:

> New industry is developing [in South Vietnam] at an encouraging rate. Moreover, American aid officials believe, several companies operating here for a few years with American financial support are plowing back their profits into expansion rather than returning them to the United States.

The article then states that the Vietcong have spared industrial developments in South Vietnam, and goes on to say:

> In one instance, guerrillas made no hostile move against an important dairy products processing plant, backed by American investment, but they attacked a police post only a few hundred yards away.
>
> "When the shooting stops," a United States aide said,

"there is every expectation of a lively expansion. . . . "

American investment in South Vietnamese industry is still light, centered chiefly in three plants: A cotton textile mill, a paper mill, and a dairy products plant. Other companies have surveyed the possibilities and expressed interest, but are waiting for the situation to improve.

On December 9, 1965, *The New York Times*, in a dispatch from Saigon, revealed that the Bank of America and the Chase National Bank had opened offices in Saigon. The dispatch continues:

> Their representatives have quietly visited Saigon in recent weeks for conferences with officials of the National Bank of Vietnam.
>
> At least two other big American financial institutions—the First National City Bank of New York and the American Express Company—are also studying the possibility of opening offices in Vietnam.
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> Their interest has been whetted by the large number of United States servicemen on duty here. But in the opinion of economic specialists at the American Embassy, Vietnamese businessmen are good potential customers.

The United States, however, is not the only country with banking interests in Vietnam. Ten of the fifteen banks now operating in Saigon are owned by foreigners, particularly by British and French interests. The article continues:

> Henry M. Sperry, a First National City Bank vice-president and resident in Hong Kong . . . [said] "We believe we're going to win this war. . . . Afterwards, you'll have a major job of reconstruction on your hands. That will take financing, and financing means banks.
>
> "I think the Government here recognizes the need for American banks. It would be illogical to permit the English and the French to monopolize the banking business, because South Vietnam's economy is becoming more and more United States oriented."

It is clear that investments now being made create a road of no return. Once made, investments must be protected.

The establishment throughout Southeast Asia of industrial complexes backed by American capital is sure to have a salutary effect on the development of our foreign involvements: the vast and cheap labor pool will permit competition with the lower production costs of Chinese and Japanese industry, which have immobilized our trading capabilities in Asia for many years.

The history of American involvements in Asia casts light on the foresight of American statesmen. Early in the 19th century, the British were "opening doors" in Asia with the simple key of artillery. In 1858, the United States helped open the door of Japan, which at that time was closed to international trade, by sending Admiral Perry to line up an American fleet in Tokyo harbor. The Japanese, always quick to accept the inevitable, let the Americans in; but at the same time they launched industrialization and militarization programs of such power that by the turn of the century Japan had defeated Russia, was rapidly penetrating the Asian market, and was able to squeeze the Americans out. The rest everybody knows: by the 1930s Japan had almost brought China to its knees; it controlled Manchuria and could use China and all of south Asia as outlets for its industrial production. Thus our effort to get into Asia through Japan had boomeranged, and when in 1941 Cordell Hull presented the Japanese with an ultimatum to get out of China, the boomerang hit Pearl Harbor. In short, our eco-

Illustrated London News

nomic adventures in Asia helped to embroil us in World War II.

After the war Japan—with the help of substantial U.S. orders during the Korean War—became again a world economic power, its growth in recent years being faster than our own (at least, until the recent Japanese recession).

Japan must export to live, and China must import to live. Despite American objections, trade between Japan and mainland China is expanding. So, having crushed Japan because of its control of China, we assist it to its feet, whereupon it develops trade with China. If the question be asked, "Who can speak on foreign policy?," one is constrained to answer, "Surely not the statesmen who planned our past wars; for they lack the power to see beyond their noses."

Though the dream of the "co-prosperity sphere" brought Japan to ruin in 1945, the following quotes from *The New York Times* of February 10 suggest that it has not entirely renounced the concept. The article was headed "Japanese To Call Asian Aid Meeting," and said in part:

> Japan's second attempt in this century to win a leading role in Asian regional affairs will begin shortly with the issuance of invitations to Southeast Asian countries to confer in Tokyo April 6 and 7. . . .
>
> Without saying so openly, leading Japanese see the conference plans as a revival of earlier Japanese ambitions in the region. . . .
>
> The previous Japanese aims were conceived in a more ruthless political age, when all but one of the countries that will be invited to the April conference were under Western rule. . . .
>
> Acceptances of the invitations have already been obtained in advance from Thailand, Malaysia, Singapore, Laos, South Vietnam and the Philippines.

It is perfectly clear that if the war in Vietnam ends with a military victory for the United States, we shall have to confront not only China but also Japan in Asia; for Japan must have Asia as a market—and for the export of *its* surplus capital. Meanwhile, Tokyo is intelligently taking advantage of the present American umbrella over Southeast Asia, while China is weak and Southeast Asia is being "protected."

The economic stake of the United States in Southeast Asia is presented in a striking way by a full-page ad which Thailand placed in *The New York Times* of January 24, obviously to attract American investment. On the same day, the paper carried an article captioned: "Foreign Investors Provide Thailand With Economic Life," and saying:

> The economic progress of the last six years has attracted several large foreign investments, mainly from the United States. Among the larger ones were a $30,000,000 paper mill, a mechanical equipment and machinery plant, and a new luxury hotel. . . .

The economic effect of American armed intervention in Asia can be seen in the fact that in that issue of the *Times* South Korea had three full-page advertisements—more than any other country — promoting the country's economic attractions, and calling for foreign investment.

We are fighting in Asia now for the same reason we fought there in World War II. In 1941, we told *Japan* to get out of China because Japan had monopolized much of the economic capability of that country. Now we think we are fighting to prevent *China* from monopolizing the economic capability of Asia — including China. Thus we have fought an almost uninterrupted series of wars, beginning with World War II, to keep the door in Asia open to American investment. While a military foothold in Southeast Asia will permit the expansion of American capital there, an eventual flow of American capital even into China itself is not entirely a pipe dream for a far-seeing economics statesman.

If China could be made "reasonable" it might accept American investment under some form, just as an occasional country in the Russian orbit has accepted foreign investment. One by one, Socialist countries that have excluded foreign capital have found it impossible to get along without it. The removal of Ben Bella in Algeria was followed instantly by broad agreement with France on the exploitation of Algerian oil; and Egypt, after attempting to struggle along without American capital, has at last initiated talks looking to the expansion of American investment there. The economic surplus pleads, then insists, and may eventually use force to gain an outlet; but it never loses patience, for to lose patience is to dam it up at home, and to dam it up is to suffocate the home economy. We would like to keep underdeveloped countries from going Socialist, but Socialist or not, we want an economic foot in their doors.

Extensive trade by Japan and European countries with mainland China stands in sharp contrast to our fear of the Communist dragon. Over the years *The New York Times* has reported some of the deals; I give a selection of articles, by headlines only:

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| October 8, 1962 | Australia Sees China As Great Wool Market. High Level Delegation Will Visit Peking This Year. |
| August 21, 1963 | Communist China Buys Textile Unit From Japanese. |
| December 18, 1964 | Red China Is Seen As Huge Market. $1.1 Billion Orders Predicted By British Trade Officer. |
| January 22, 1965 | Japanese To Fill Red China Order. Textile Mill's Sale Approved But No State Credit Given. |
| December 20, 1965 | China And Australia Sign Big Contract on Steel-Mill Unit. |

I think the issue is clear: our economic stake in Asia is immense and we cannot turn back because, under present conditions, we need a field of play for our economic surplus, and because we already have an investment to protect in Southeast Asia.

Considering the ambiguities and the confusion in Administration statements about Vietnam, and the increasing immensity of our military commitment there, one might conclude that the Administration was mad. But before declaring a man mad, one has to exhaust every clue that bears on his sanity. I think that an examination of our economic situation in Asia makes it clear that the Administration is perfectly sane, as far as sanity goes in such issues, but that it dare not explain its real motives because their revelation would instantly cancel all support for the war. The United States is doing what it has always done: following or attracting the dollar. Our foreign policy has not changed—except in verbiage—since the days of Theodore Roosevelt. In the light of the economic conditions, we are literally at bay with China not in the sense that China will swallow Southeast Asia physically but in the sense that economic competition with China—and with Japan—is as inevitable as it will be unpleasant. It is clear that we are trying to do in Asia today precisely what we fought Japan for in World War II—we are trying to monopolize a market by force of arms.

Therefore, we must look forward to an existence as an armed camp for perhaps the next hundred years; for we must bear in mind that all victories will entail the policing of the areas we have won, and the peoples we have subdued will always rise against us. The solutions to our predicament are difficult also because of the structural and psychological nature of our economy. The problem can be quickly perceived if we note the difference between the way automation has been used in West Germany and the way it has been used here. In West Germany, automation is used to drive down prices; consumption rises, with the result that the unemployment created by automation is soon taken up by the expanded market. Reduction in prices also enables West Germany to compete successfully in all foreign markets, and West Germany is now the most powerful economy in Western Europe. In the United States, prices are not reduced by automation; the resulting savings are distributed in profits or retained for future investment. Though expanding, American corporations do not have to borrow.

The alternative to the present situation with respect to automation is the following: (1) Give a larger share of corporate income to workers. (2) Tax corporate profits more heavily in order to expand spending in the public sector, i.e., on control of the natural environment (water, conservation, pollution, education, hospitals, etc.). Therefore, as we have been told a thousand times before, the solution to our international problems lies at home.

Of course, such measures can be only temporary because the economic surplus is inexorable in its demands. Part of corporate profits must always be invested in expansion, but since the more expansion the greater the economic surplus, there can be no diminution of the thrust to invest abroad, even if more money is spent at home. Capitalism is a sorcerer's mill, and nobody knows the magic word that will stop it from grinding out the economic surplus. The mill shifts from country to country, but it does not cease to grind.

A final word is necessary for those who shed tears about the destruction of the Vietnamese countryside and the disintegration of the peasantry. The history of industry shows that it is impossible to create an industrial revolution without a landless proletariat. The uprooting of peasant life in Vietnam therefore is a necessary preliminary to the industrialization of Vietnam. We know that there is more to rice cultivation than seeds and paddies—it is the *social organization* of the peasantry that makes it possible, the close integration of people in a productive system. The uprooting of families, the killing of the young men, the conversion of the daughters into prostitutes or kept women, the killing of the persons who are repositories of the lore and technique of rice culture, the fall in the birth rate, and so on, all make the rehabilitation of the old rice culture impossible and the creation of a landless proletariat inevitable. The uprooted people, however, will find work in the new industrial revolution the war holds miraculously in store for them. There will also be an agricultural revolution, for since the disintegrated peasantry will not be able to farm the land, it will be bought for a song and farmed by "more modern" methods: large enterprises run by managers and worked by hired hands. The destruction of the Vietnamese countryside is the first, and necessary, step to the industrialization of Vietnam and the rationalization of its agriculture.

published by
New England Free Press
791 Tremont St.
Boston, Mass. 02118