Free-market Globalisation: a ‘rising tide that will lift all boats’ or a ‘race to the bottom’?

The rapid paced nature of the 21st century digital age demands an efficient and fast acquisition of new technology to contribute to the development of economic and social conditions across a global scale. This demand attributes to the common perception of globalisation upheld by free-market advocates as a ‘rising tide that will lift all boats’. However, such a perception is not presented without widely controversial debates surrounding the political history of commodity chains in developing nations, particularly one that is engulfed in civil conflict amid bloody war through not only government exploitation, but international exploitation. Hence through the advocacy of counter-globalisation and global justice movements, an opposing view of globalisation as a ‘race to the bottom’ emerges. The political history and debates surrounding the mineral coltan commodity chain and its mining in the Democratic Republic of Congo spark the controversies against free-market globalisation, as Soros (1998) states; “By allowing market values to become all-important...we actually narrow the space for moral judgment and undermine public morality...Globalization has increased this aberration, because it has actually reduced the power of individual states to determine their destiny.” (Boli & Lechner 2004, p.7)

The wide and diverse debates surrounding the aspect of globalisation highlights the contentious issue of it’s proliferate worldwide interconnectedness in the study of world politics, as some globalist-theorists argue – “globalisation has now become ‘the central thematic for social theory’, and ‘a key idea by which we understand the transition of human society into the third millennium.’” (Rosenberg 2000). The perception of globalisation as a ‘rising tide that will lift all boats’ is upheld by free-market advocates who promote integration into the world economy through opening up borders, finding competitive niches and attracting foreign capital, thereby triggering economic growth (Beaudet et al, 2009). This global free-market ideology is supported in the writings of Micklethwait and Wooldridge (2000) who argue that globalisation is “helping to give birth to an economy that is closer to the classic theoretical model of capitalism, under which rational individuals pursue their interests in the light of perfect information, relatively free from government obstacles” (p.14), ultimately creating a society “that is closer to the model that liberal political theorists once imagined” (p.15). However, David Harvey (2005) argues that modern capitalism has integrated the world much more profoundly than ever before, with time and space no longer insurmountable as they were in the past, for current patterns of development under globalisation lead to “shifts in the patterning of uneven development, both between sectors and between geographical regions” (Beaudet et al, p.105) As Scheurman (2006) summarizes, “[contemporary social] theorists of globalization agree that alterations in humanity’s experiences of space and time are working to undermine the importance of local and even national boundaries in many arenas of human endeavour.” (p.105) Hence this change in space and time has challenged the popular discourse of globalization as economic liberalization. Rather, the proposition that globalisation is a ‘race to the bottom’ has been advocated by counter-globalists such as John Gray (1998), who critiques that “a global free market belongs to a world in which western hegemony seemed assured” (p.27), that it is “a Utopia that can never be realized; its pursuit has already produced social dislocation and economic and political instability on a large scale.” (p.23)
Evidence of such perceptions is demonstrated in the slow economic growth of developing countries of weak public institutions whose export concentrations are based upon natural resources such as oil and minerals. Figures 1 and 2 demonstrate the concept that export structures influence socioeconomic and political institutions. However, in a developing nation which has not integrated into the world market due to exploitation of resources by armed forces and international multicitations, impacting on the impossibility of tracing its commodities once sold onto the international market, the exportation of natural resources is only a mere indication of its influence on the quality of political institutions and economic growth performance compared to the intense corruption of bloody conflict surrounding the trade of its commodities.

FIGURE 1. Smoothed Median per Capita Growth Rates in 90 Developing Economies, 1955-97


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1 Figure 1 shows that, smoothed over three years, the median annual growth rate of GDP per capita for 90 developing economies from the early 1960s to the late 1970s was consistently above 2 percent (figure 1). But since 1980, developing economies have endured a growth collapse of Grand Canyon proportions, with growth well below 1 percent for the early 1980s and remaining below 2 percent until the mid-1990s. It shows that the composition of natural resource exports influences the quality of political institutions and that these in turn shape growth performance. (World Bank 2005)
The mining sector in the Democratic Republic of Congo (DRC) bears a long history of political and civil conflict and instability caused by the demands of the global trade market, challenging the perception of globalisation as a ‘rising tide that will lift all boats’. The exploitation of Congolese civilians dates back to the reign of Belgium King Leopold, who instigated a culture of rent seeking, corruption and impunity which has deeply engrained into the economic and political ideology of Congolese politics and government administrative services today (World Bank 2008). This pervasive culture of corruption can be traced in the commodity chain of columbo-tantalite ('coltan'), a valuable mineral found in many digital electronic devices such as mobile phones and gaming devices. Mantz (2008) discusses the significance of coltan in the global markets, stating that “Congolese coltan has been pivotal to the digital revolution within which we now find ourselves” (p.41). An analysis of coltan’s role in the global markets demonstrates that,

“The more general intellectual turn toward introspection and reflexivity has all too often diverted attention away from the economic activities of those on the productive margins of the global economy, and the accompanying processes that in fact provide the material foundations that are necessary any deriving of meaning from any consumer products by ordinary Western subjects can emerge.” (p.41)

Demand for coltan in the global market increased dramatically in the late 1990s following the boom of the technology industry (see Figure 3). Sales of tantalum capacitors used in the electronics industry for digital devices such as cellular phones, pagers, PC’s and automotive electronics increased by 300%

2 The increasing polarization of the world economy is also having adverse effects on the LDCs. The inability of more advanced developing countries to move up the technological ladder and move out of simpler products exported by poorer countries is contributing to the saturation of commodity markets and increasing the vulnerability of those LDCs that have sought to escape the poverty trap by diversification out of commodities.
per cent between 1990 and 1999 (Montague 2002, p.105). The United Nations Report of the Panel of Experts found that many international corporations such as Banro-Resources Corporation, Geologistics and Ventro Star have imported coltan from the DRC via Rwanda for use in Europe, Asia and the United States. However, the tracing of the commodity chain from producers through the intermediaries to the consumers is impossible to trace, with the Congolese coltan reaching the market unnoticed and unhindered (p.106).

FIGURE 3. Average Year-End Prices for Tantalite, 1990 to 2002 (based on USD/lb Ta2O5 content)

Source: Roskill 2002 (Burge & Hayes 2003)

The ‘rising tide that will lift all boats’ concept in the 21st century incorporates practices of neo-liberal globalisation, an economic doctrine that rejects the role of the states in the economy, handing the role of the state in the economy to the markets while promoting the integration of economies and societies across the world into the ‘new world order’ – a global economy based on the principles of liberalism and capitalism. However, critiques of globalisation who uphold the perception of it as a ‘race to the bottom’ argue that “neo-liberalism [has become] a new orthodoxy not only among Western governments but also among the Third World where elites were impatient of the obligations of their own working and peasant classes implied by developmentalism.” (Beaudet et al, 2009, p.62) This concept is evident in the political history of the conflict between labour and capital intensive

3 Expected growth in tantalum demand/supply: There has been an average yearly growth of 8-12% in tantalum demand since about 1995 (TIC, 2003). Though the peak was short-lived as tantalum prices dropped dramatically in 2001 while world production was increasing and the global economy was slowing down (de Ville 2009), industry analysts, Roskill, in their 2002 report ‘The Economics of Tantalum’, state that the growth in global tantalum demand in recent years has been driven specifically by the use of tantalum capacitors in portable electronic devices including mobile phones and this demand, expected to increase at 9-10% p.a., will continue to set the pace. (Burge & Hayes 2003)
production of coltan in the DRC through labour exploitation, as Davis (2004) states, “the real macroeconomic trend of informal labour...is the reproduction of absolute poverty.” (p.26). The majority of mining activity in the DRC from 1976 was industrial type and controlled by the state-owned Société Minière et Industrielle de Kivu. However, following the economic crisis in the DRC, dictator Mobutu’s loss of control over Eastern territories in the DRC and a growing market demand for coltan minerals through informal trade with neighbouring countries in the 1980s and 90s, capital intensive production decreased and labour intensive production through artisanal mining increased. By 1995 the DRC state had control over artisanal mining. Further political conflict struck in 1996 when the rebel group Laurent -Dés iré Kabi la, the Alliance of Democratic Forces for the Liberation of Congo-Zair (AFDL) overthrew Mobutu with the support of Angolan, Rwandan and Ugandan forces who are involved in the exploitation of minerals in Eastern DRC. SONEX, a financial arm of Rwandan and Ugandan rebel institutions established a framework for the transfer of minerals from rebel territories to Rwanda in March 1999 (De Ville 2010). Coltan from the DRC was transported illegally by rebel groups during the civil war (1998-2003) to Rwanda before being sold on international markets, being listed as originating from Rwanda and Uganda (Pole Institute 2002). Hence it is evident that the impossibility in tracing the commodity chain of coltan initiates at the production stage as a result of corrupt exploitation measures of rebel groups thus questioning the role of globalization as a ‘rising tide that will lift all boats’.

In terms of the distinction between producer-driven and buyer-driven commodity chains, coltan is distinctly buyer-driven (Raikes et al., 2000: 9). Producer-driven commodity chains are generally defined by capital-intensive production with key agents controlling the buyer-driven chains through methods such as marketing. At the level of primary intermediaries, there is still freedom of entry for non-military individuals, though reports suggest that some military officers – Congolese and Rwandan – moonlight as coltan buyers and sellers. At the level of secondary intermediaries and syndicates, however, military predominance has become consolidated over the years of boom and bust (Jackson, 2003 p.10)

The social cost of coltan mining in the DRC on Congolese miners and civilians have been severely detrimental and unfortunate, emphasizing global-justice advocates’ proposition that globalisation is a ‘race to the bottom’. Since August 1998, more than two and a half million people have died (IRC, 2001). Of these, 350,000 were killed by acts of direct violence (IRC, 2001:15), with the remainder dying from the impact of economic collapse, displacement, loss of livelihood, malnutrition and communicable disease. (Jackson 2003, p. 14) The costs to financial assets of the DRC during the coltan boom in the strong coltan-rich regions of Sake and Masisi demonstrate a decrease in the supply of basic foods such as manioc thus inflating the price in dollar and Congolese franc terms (see Figure 4).

During the boom, dependent commerce quickly emerged around coltan mines through sale of food and drink, gambling, brewing and prostitution:

_There have been deaths in the mines as a result of inexperience. Mines collapse and so on. The kids leaving school, for the first time touching ten or 12 dollars, they drink, take drugs, prostitution is a real danger for them – and of course sexual diseases are a real problem. Leaders are saying that these kids will become irredeemable. They don’t see the need for education, they just dream of getting a big rock [of coltan] which will buy them a car, entry into the business of ranching etc. They criticise their parents: ‘OK, I wanted to study, but my parents couldn’t pay, so I was chased from school and I decided that I should just rely on myself. None of the business people in this region have studied, why should I?_
Interview with local coltan researcher, Goma, 30 July 2001 (Overseas Development Institute 2003)

Such evidence profoundly challenges the aspect of globalisation as a ‘rising tide that will lift all boats’ by the very idea, Mantz (2008) believes, that “human beings themselves, not only their labour but also their very corporeality, have become the instruments of global exchange, we should be concerned about the implications for a digital age that seems to thrive precisely because of their production” (p.40).

FIGURE 4: Manoic Price Trends (Congolese Francs), 1999-2001*  

Source: Overseas Development Institute 2003

Transnational corporations, through their global economic power, dominance in trade and global production chains are the main drivers of globalization - “The transnational corporation is one of the defining features of economic life in the contemporary global economy” (O’Brien & Williams 2010, p.184) Though the development of technology through trade has undergone positive growth through the global trade of transnational corporations, Baran argues that multinational corporations play an increasingly important role in blocking industrial development and producing stagnation in poor countries (Beaudet et al, p.58), fueling underdevelopment and essentially contributing to the perception of globalisation as a ‘race to the bottom’. As Wichterich (2000) states, “…the accelerated mobility of capital means that labour disputes that remain purely local are often counterproductive; resistance and defensive measures must rather be internationalized….governments should take responsibility for the liberalised market.” (p.31) According to the World Investment Report 2006 there are now transnational companies based in as many as 138 countries – 35 from developed countries

* All four markets have seen exponential increases in Congolese franc prices as a result of war-based hyperinflation – as much as 9,000% over a two-year period. Years of war have affected the provincial agricultural market, depressing both supply and effective demand, interrupting delivery, hyperinflating currency and severing economic linkages. Price increases in Sake are partly due to a radical drop-off in local food production as people moved into mineral exploitation instead. (Overseas Development Institute 2003)
and 103 from transition and developing countries, including 31 African countries (Baylis et al 2008, p.334). Transnational companies in the U.S. are particularly dependant on coltan (see figure 5), with the Minerals Yearbook published by the U.S. Geological Survey, and the Department of Defense’s Strategic and Critical Materials Report to the Congress, listing coltan as a “critical” mineral. However, the difficulty in tracing the commodity chain due to rebel group activity in the DRC has deepened the bloody conflict in the country. According to the United Nations, the financial leverage of transnational corporations only exacerbates state instability, and creates an environment in which those who are seeking to undermine state sovereignty are rewarded, while civil society suffers – “states that depend on mineral exports are among the most troubled states in the world today. They suffer from exceptionally slow rates of economic growth; their governments tend to be weak and undemocratic; and they more frequently suffer from civil wars than resource poor states.” (Montague p.116) Yet, it appears that established U.S. trading companies and governments were also involved in trading coltan illegally obtained from the DRC. Evidently from the corruption and exploitation by transnational corporations through the ramifications of globalization have challenged it’s view as a ‘rising tide that will lift all boats’, as Mizruchi (2004) argues, “a paradoxical situation has emerged, in which individual firms have an increasing ability to pursue their narrow self-interest – even to the point of engaging in illegal activity – while the business community as a whole is less able to act collectively, even when such coordination would be beneficial to the vast majority of firms.” (p.606)

FIGURE 5: U.S. Imports of Tantalum Ores and Concentrates by Country

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<td>Congo (Kinshasa)</td>
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Sources: U.S. Census Bureau and U.S. Geological Survey

The debates surrounding the political history of mining the DRC for coltan reveals “dynamic, longstanding contours and mechanisms of inclusions and exclusion, created and reinforced through violence.” (Mantz 2008, p.19). This pervasive culture of violent corruption and exploitation can be observed from Mobutu’s Zaire and King Leopold’s Congo Free State, actions based upon the theories and practices supporting concepts of greed and wealth exercised by the liberalization of the global market. As Jackson observes, “individual and collective beneficiaries come and go; if anything has

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5 U.S. imports of tantalum from Rwanda more than doubled from 1997 to 2000, particularly increasing after Rwanda created an elaborate network of businesses to facilitate their trade in Congolese coltan in 1998.
changed, it is merely the technologies and techniques of predation.” (Jackson 2009). The growing demand for coltan by the electronics industry of the 21st century digital revolution has placed the coltan mining industry under great pressure. The trade in natural resources still underpins some of the most serious violence in eastern DRC Congolese and foreign companies are continuing to trade with individuals and entities responsible for grave human rights abuses, thereby enabling them to survive and to continue inflicting violence on the civilian population (Global Witness 2009, p.25) Though advocates for free-market globalisation have seen it as a ‘rising tide that will lift all boats’, the deep problems embedded within the political history of mining coltan in the DRC reveals a dark and grim reality of globalisation exacerbated by neoliberal economic theories and the exploitation of armed forces and transnational corporations – a reality, for victims in the ongoing bloody conflict in the DRC, of globalisation as a ‘race to the bottom’. 
References


