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MULTI-NATIONAL CORPORATIONS

R. VENKATARAMAN

MAN'S CONQUEST of space, through telecommunication and jet travel has enabled gigantic corporations to own and manage business in more countries than one, establish sales organizations abroad, license the use of patents and know-how to several countries, erect manufacturing facilities in different parts of the globe and control and direct them with ease. In so far as multi-national corporations help to bring resources for investment, relieve unemployment, transfer technology and stimulate growth, the less developed countries stand to benefit. Unfortunately, however, these multi-nationals with vast resources have exploited local labour, meddled in local politics and resorted to unethical practices that have corrupted weaker nations and harmed their societies. The role played by the International Telephone and Telegraph Company in the overthrow of Dr Allende's regime in Chile has caused consternation and a sharp cleavage in the world opinion on the utility of such multi-nationals. The United States, the United Kingdom, France and the Federal Republic of Germany account for 80 per cent of the multi-national corporations, having an annual sales turn-over of one billion dollars. Apologists of the multi-nationals have argued that they have helped to internationalize production for the benefit of humanity as a whole, to transfer technology and improve the skills of the less developed countries, to

encourage the flow of capital and resources to the poor nations and accelerate their growth; but a closer scrutiny of these claims exposes their hollowness. As stated by the United Nations Report on Multi-national Corporations, "The operations of multi-national corporations may be destructive of the local economy. For instance, the introduction of machine-made goods may contribute to net output but only at the expense of displacing handicraft products. Although this is a common phenomenon in the process of modernization, caused also by domestic enterprises, the ousting of local products by the output of multi-national corporations and the displacement of indigenous entrepreneurs by foreigners are highly visible and much resented."

Secondly, the full benefit of research and development is never passed on to the less developed countries and sophisticated components and equipment are either imported from their headquarters or from their other associates. Even the employment provided by the multi-nationals is small, in comparison with the total local employment. On the other hand, the multi-nationals, by offering very high rates of wages and attractive fringe benefits, create an elite labour group in the less developed countries causing irritation and social tensions. An examination of the inflow of foreign investment into and the outflow of income from selected developing countries shows that

the outflow is always greater than the inflow and that there is always a net deficit. The figures for 1970 of the inflow and outflow in respect of selected areas are given below:

	Inflow	Outflow	Deficit
	(In millions of dollars)		
Africa	271	996	-725
Asia and West Asia	200	2,402	-2,202
Western Hemisphere	1,142	1,944	-802

From Table 37 of the United Nations Report on Multi-national Corporations, it is observed that while the United States gets a return of 7.9 per cent on its investment in developed market economies like Europe, it obtains 24.7 per cent from Asia and 22.3 per cent from Africa. Thus, the economic drain from these investments appear to be greater than the benefits flowing from them.

It is an irony of nature that free competition itself promotes monopolies. By keeping costs down, securing easy, cheap and adequate credit and buying weaker units, the giant multi-nationals soon become oligopolistic and stifle competition from others including the developing nations. Recent exposures of corruption at high levels have added fuel to the fire of wrath against these transnational corporations. Holland's Prince Bernhard is said to have accepted over one million dollars from the Lockheed Corporation in return for his influence in securing contracts, which the

Prince has, however, denied. It was revealed before the Senate Committee of the United States that roughly 22 million dollars had been spent on improper payments in Holland, Germany, Italy, Sweden and Japan to promote sales by the Lockheed Corporation. Where such payments are made to those in positions of authority to grant favours, it clearly falls under the definition of bribery but where such payments are made as brokerage or commission to those not in authority for procuring the contract, it becomes difficult to establish the charge. The legality of the issue apart, the power wielded by these giant corporations constitute a menace to the weaker and less developed nations. It has also been established that the multi-nationals use their stupendous resources to buy tax and other concessions and even to subvert governments not to their liking in the host countries.

Unless the multi-nationals are controlled and regulated, they may become a threat to international peace as well as good relations.

As regards measures for containing the multi-nationals, the United Nations Report has suggested self-regulation by the multi-nationals themselves in their own enlightened self-interest, international trade union action, an international forum where the subject could be discussed as an agenda item and an information centre providing data on inter-affiliate flow of goods and pricing, international distribution and actual financial investment and flow of these corporations. It has also been suggested that a multi-nationally negotiated charter may be drawn up and an international organization (GATT type) set up to administer the charter. Many of these are at the initial stage of consideration and may take a long time coming through. Meanwhile, governments are already taking measures to reduce the power and influence of foreigners in those corporations in various ways. For instance, in India, expansion of activity by foreign-owned companies has been made conditional upon their reducing the percentage of their

A 'Pocket' Polyclinic

SOMM (USSR): Medical workers of this popular Soviet resort city on the Black Sea coast of the Caucasus have developed a new method of treating radiculitis. To get treated for this ailment, a patient usually has to visit a polyclinic for a long period of time. There is no more need to do it now. All the bulky physiotherapeutic equipment has been replaced by a small box which can be carried in the pocket. The small device working on electric batteries, makes it possible to undergo a course of treatment without discontinuing one's regular occupation.

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holding and diversifying the shareholdings within the country. New collaborations are limited to absolutely essential lines with only minority foreign participation. The Third World has to be watchful of the octopus grip of the multi-nationals and guard themselves against their economic and political power for their own survival, development and growth.

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