On Men & Matters

—R. V.

CODE FOR MULTINATIONALS

I.T.T. and Lockheed scandals have exposed the sordid side of multinational corporations and world opinion is directing itself towards taming the shrew. While the United Nations is still struggling with the problem, the Organisation for Economic Cooperation and Development has formulated a code of conduct for multinationals. The code is voluntary, and there is no provision for its enforcement. Provision, however, exists for a review of the code on the basis of experience gained. A committee of the OECD constituted for this purpose may invite companies to give their views, though it cannot decide on the conduct of individual companies. There appears to be no provision for similar consultation with the Unions.

The code provides that multinational companies shall take fully into account — not necessarily observe—(parenthesis ours) the local government's policies, provide subsidiaries with information the local governments may ask for (subject to their own judgment on requirements of business confidentiality) and publish information about their structure, holdings in cross affiliates, operating results etc., (with due regard to confidentiality and costs). The hedging of the obligations mentioned above shows that these rules of conduct are nothing more than pious wishes left to the multinational corporations for their observance at their convenience. There are, however, a few positive recommendations, namely, that the multinationals shall not — (a) bribe, make illegal political contributions or become improperly involved in local politics; (b) abuse dominant market positions by, e.g., anti-competitive take-overs, unreasonable refusal to deal, discriminatory pricing or using such pricing within the group so as to harm competitors; (c) modify (by fiddling transfer prices) in ways contrary to national laws the tax base on which the members of the group are assessed and (d) take part in anti-competitive cartels.

Though these are welcome assurances against intervention in political and economic affairs of the developing countries, it is hardly likely to satisfy the Third World in the absence of a machinery to enforce these obligations and penalty for breach thereof. As regards labour relations, the code, provides that the multinationals shall respect employees' right to unionise and negotiate, provide the necessary information for such negotiations and neither discriminate between employees except in furtherance of the host government's policy for promoting equality of employment opportunity, nor threaten to transfer their operations elsewhere. In the earlier draft, the multinationals were required to observe standards at least as favourable as those of "good local employers" but in the final code, this has been replaced by 'comparable employers'. As the *Economist* of London puts it pithily, "if your competitors are bastards, go ahead and be one too".

If the OECD wanted to forestall United Nations action on multinationals with a code already in operation, they will be sorely disappointed. The code will hardly satisfy the Third World. Nevertheless as a basis for further negotiations between the developed countries and the Third World, the OECD effort may serve a useful purpose.

FACTS AND FIGURES:

PRODUCTION of paper and boards during the year 1975 was only 8,29,109 tonnes as against 7,98,603 tonnes during 1975 and 7,96,000 tonnes in 1973 and 8,03,541 tonnes in 1972. Thus there was only a marginal increase of about 25,558 tonnes during the last four years, not to speak of the decline in production in 1975 from that of the peak year. The present installed capacity for the manufacture of paper and paper-board is 11.03 lakh tonnes per year, while production during 1975 was 8,29,109 tonnes. The capacity utilization works out to 77.4 per cent during 1975 as against 83.5 per cent during 1974. This is to be set against the estimated current demand of 15.5 lakh tonnes, which gives a rough idea of the gap to be filled by additional capacity creation. The capital cost per tonne of paper at today's machinery prices works out to Rs, 8000 per tonne and the total capital outlay for the creation of additional capacity of 5 lakh tonnes inclusive of that to be, in the pipe line for the initial period of the Sixth Plan (estimated at 1.5 lakh tonnes and at 80 per cent output of installed capacity, would be around Rs. 450 crores. The problem of raising capital and investment outlay on such a scale is very real, vis-a-vis the profitability of such investment. A calculation made by the Indian Paper Mills Association brings out the acuteness of the problem. Assuming a debt equity ratio of 3 : 1, dividend on equity capital and interest on borrowings at 12 per cent per annum, the minimum price support that would be required to a new unit should be Rs. 6,250 per tonne as against the present average sales realisation of Rs. 3,500 per tonne only. The dual pricing for paper — direct supply at lower prices and market supplies at higher prices, has not proved to be effective from the point of making up the losses on the one front by the supposed profits on the other. This is the crux of the problem of the paper industry.

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THE OUTLAY required presently to set up an industrial unit has gone up by as much as 3 to 5

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