FOR PRIVATE CIRCULATION

INTRODUCTION

Multinational corporations have emerged as mighty social organisms. They have come increasingly to dominate domestic economies and international relations. They straddle nations : owned by shareholders in one country(and most of the time more), their operations are world wide. The international character of multinational corporations have made them irresponsible in a national context . their main motivation being the maximisation of world profits and their sole responsibility being to their international shareholders, they have no moral, political nor economic commitment to the particular people of the countries in which they operate.Multinational corporations'decisions are made out of the country.

Multinational corporations are equipped with the best scientific minds (they spend billion of dollars in research) , the best information, the greatest financial resources, the most efficient technology and the most complex organisation.They produce everything that man can create, from ordinary goods to cultural values.Some even claim that they can solve all the problems of human history !

Multinational corporations have also built for themselve an enormous political power. They have created some form of new technocracy in which technocrats and believers in science and technology form the dominant force and seek to solve all social and human problems.The practical implication is that technocracy emerges as a new system of politics where the political life of the people is limited to the tune of technology. The participatory process is more and more curtailed through technocratic politics.This is true in both capitalist and socialist societies.

Dr. Kim Yong-Bock,Co-Director for Research at the Institute for the Study of Justice and Development,who spent years to the study of the functionning of multinationals, wrote :"If we had all the information about the Multinational corporations for accurate analysis, all the categories of social analysis would probably be very much strained." He adds, "they are the most powerful social corpus ever to emerge in human history."

The present file is meant to help in the study of this new phenomenon. The file has been divided into two sections. Section one is a broad introduction to the topic.It gives the historical background of the Multinationals (paper one), describes and analyses the enormous power they have developed (paper two) and looks into the effects of multinationals in general(paper three).

The papers that follow in this first section takes again and more in details the main aspects which have been covered in the above three papers. Concrete applications to India are made.

The second section deals with concrete studies analysing the actual functionning of the multinationals in certain areas of trade. One of the case studies explains how, for instance, 85 per cent of world food supply is controlled by 5 corporations. Another case study analyses the control exercised by a few multinational corporations on the trade of seeds. Studies of specific corporations have also been presented, thus, for instance the case of NESTLE.

Finally, in that same section one will find concrete instances of how people have attempted to stand up against the exploitation of the multinational corporations and their domination.

This file has been brought out with the conviction that multinational and transnational corporations represent an essential component in the new international order ushered in by Capitalism at a new stage of development. It is hoped that the materials presented in the two sections of the file will help studying these new developments .

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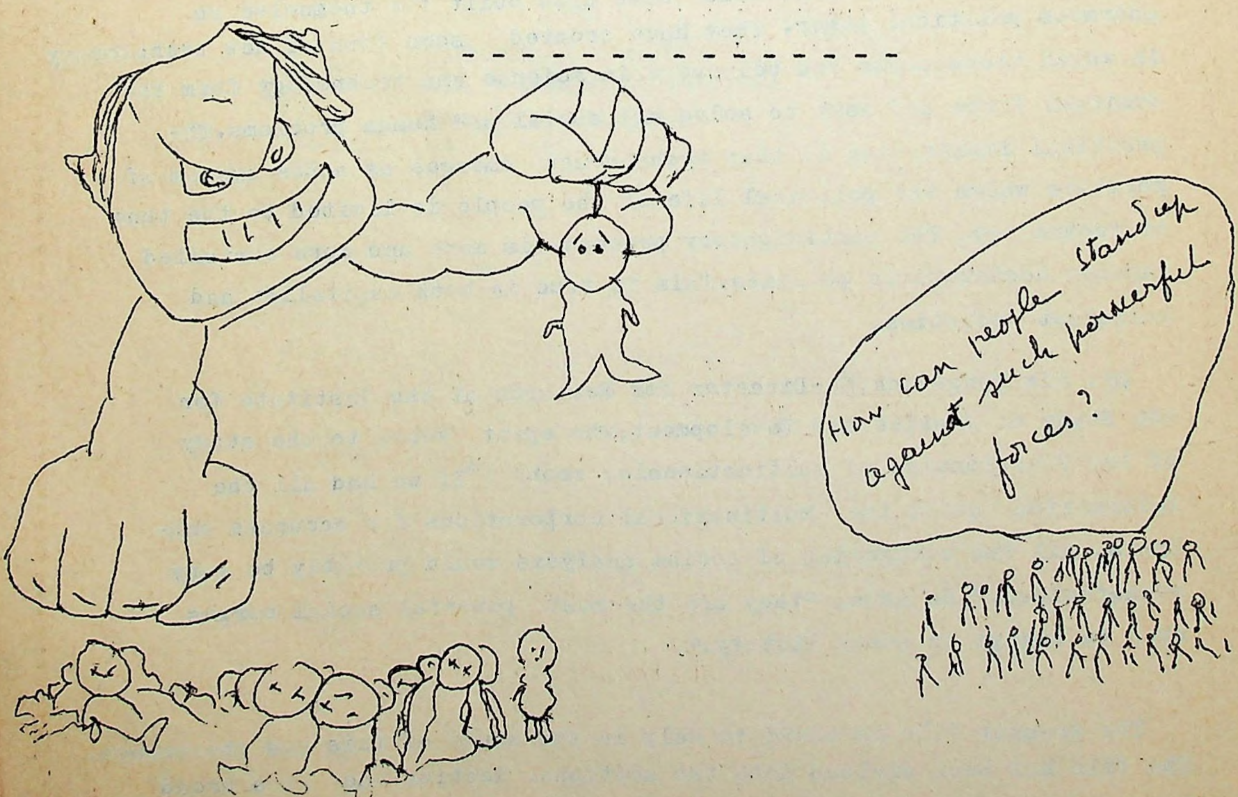

C O N T E N T S

SECTION -I = An Introduction to Multinationals
An Over View of its functioning

PRIVATE CIRCULATION ONLY

HISTORICAL BACKGROUND
OF THE
MULTINATIONALS

In recent years vast international companies have developed which dominate the commanding heights of the economy throughout Western Europe and North America and exerts great influence on the economics of the Third World countries. In the following pages, Christopher Tugendhat examines the origin of the multinationals and traces their history up to the second world war.
This is taken from Christopher Tungendhat, "The Multinationals", a Pelican bokk published in 1971.
The author, born in 1937 and educated at Ampleforth College ,and at Gonville and Caius College, Cambridge had a seat in the British Parliament as a conservative. He was a regular writer in the Financial Times, Multinationals being _ his special subjects. He has also published "Oil : The Biggest Business"

In June 1969 the International Chamber of Commerce held its fiftieth anniversary congress in Istanbul. To mark the occasion the organizers wanted to find a suitably momentous theme. So the chamber's president, Arthur K.Watson,* who was at that time Chairman of IBM's World Trade Corporation,+ proposed 'The Role, Rights, and Responsibilities of the International Corporation'. The choice proved a good one. More than 1,800 delegates turned up, among whom were the heads and other senior executives of most of the world's leading companies. There can be no doubt that in business circles the importance of the growth of large international companies, and the gravity of the resulting problems, is fully appreciated.

Yet Watson's choice came in for some criticism. Several of the larger multinationals felt it was dangerous to stir up debate on this subject. Leroy D. Stinebower, a vice president of Standard Oil (New Jersey), expressed concern lest 'all this talk lead host countries to believe that international companies are something completely new from what we've had in the past, which will cause them either to welcome or discourage investors becasue they fit some description they've read of multinational companies'‡ The critics represent a sub-

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* Arthur K.Watson is now the U.S. ambassador to France.

\+ The IBM subsidiary responsible for the company's non-U.S. interests.

‡ Business Week, 14 June 1969.

stantial segment of business opinion. Many industrialists feel it is dangerous to discuss the implications of the rapid growth of international companies in public. They argue that it tends to alarm governments and public opinion, and will therefore provoke political action that will be harmful to their interests.

1. INTERNATIONAL COMPANIES.

They prefer to argue that international companies have a long history, and that, despite their rapid growth in the postwar period the novelty of the present situation is being exaggerated by politicians and writers. They have plenty of ammunition to draw on. Banking has been conducted on international lines since the Middle Agees; some academics trace the origins of international trading companies back to the Mesopotamians, and even if that thesis is rejected it is true that the East India Company, which at one time ruled India, was established in the reign of Elizebeth I; in the nineteenth century companies from Britian, the U.S. , and several European countries were conducting huge international trading operations, while others were running public utilities, such as tramways, and gas and electricity undertaking in foreign countries; also in the nineteenth century companies from several countries, notably Britain and the U.S., exploited the raw material and natural resources of Latin America, Asia, Africa and Austrialia on a vast scale from about 1860 onwards manufacturing companies began to establish production facilities outside their own countries and by 1914 many of today's giants were already operating in several countries.

International companies are certainly not a new phenomenon- But to list these examples is to evade the issue*. The present situation is quite different from the past, and it is important to be clear about those differences.

The most striking characteristic of the modern multinational company is its central direction. However, large it may be, and however many subsidiaries it may have scattered across the globe, all its operations are coordinated from the centre. Despite frequent assertions to the contrary, the subsidiaries are not run as separate enterprises each of which has to stand on its own feet. They must all work within a framework established by an overall group plan drawn up at headquaters, and their activities are tightly integrated with each other- They are judged not by their individual performance, but by the contribution they make to the group as a whole. Thus a subsidiary which records a loss but whose operations prevent a rival from moving into one of its parent company's more profitable markets may be fulfilling a more valuable task than a subsidiary with a better financial record.

Central direction of this sort only became possible in the last two decades. It depends for its effectiveness on rapid and reliable air

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* Comparisons are also sometimes drawn between the enormous international investments of Britian in the nineteenth century, and those U.S. and other international companies today. These are based on misconception.

Britian wasindeed an enormous foreign investor, and at the outbreak of the First World War its overseas investments amounted to some £4,000m, compared with about £ 1,200m, for Germany, and £600m. for the U.S. But international companies comparable with those whose operations are discussed in this book played a negligible role in this total.

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travel, an efficient telephone, telegraph, and telex system, and computers capable of handling a mass of information. When trans-Atlantic and trans- European journeys took several days, and most communications were by letter, it was impossible. Subsidiaries had to be left with a larger measure of independence, and their operations had to be kept separate. Each was established to serve its local market, not as a link in an integrated network.

Another factor preventing closer integration, especially between the wars, was the absence of any commonly accepted set of rules governing international trade. Countries signed separate and often mutually exclusive trade agreements with each other. Thus a factory in one country might be used to supply components to a plant in another, but it could not do so on the same terms to a plant in a third. As a result of the establishment soon after the war of the General Agreement on Tariffs and Trade (GATT), to which all but the Communist countries subscribe, this problem has been immeasurably reduced.

After central direction, the most notable feature of the modern multinational companies is their importance, which is increasing all the time, in the industrial and economic life of the most powerful nations. This is shown by their leading positions in key manufacturing industries, and their influence on the flow of trade among developed countries. In the past the main impact of international companies, · except and semi-colonial territories. The companies themselves were generally involved in trade, the running of public utilities, or the exploitation of raw materials/In the more advanced countries the role of international companies was very small until after the Second World War, as the figures for U.S. direct investment in Europe show. In 1929 their total book value, including ventures ofevery sort, amounted to only $21,554m., of which manufacturing companies accounted for $12,225m., and oil companies for $4,805m.*

The vast and rapid expansion of the last twenty years has brought momentous changes in its train. In the past it was a characteristic of an independent country that the most powerful economic interest in the state - at first the great landowners and later the great manufacturing companies - should be citizens. Today these interests may just as easily be foreign-owned, and even if they are domestically owned they may have interests and commitments abroad that are greater then those they have at home.

Some forty per cent of the British investments were in the share of foreign or imperial railway companies, thirty per cent in government and municipal bonds, ten per cent in raw materials, and eight per cent in banking and finance. These were portfolio investments undertaken for the purpose of financial gain. They did not involve control of the operations in question, as the history of the U.S. railroad companies, much of whose stock was owned by Britons, so amply demonstrates. Nor did they evolve ownership of physical assets, except in cases of default. Contemporary international companies, by contrast make direct investements, which means they established or take over subsidiaries and factories in foreign countries which they own and control.

Portfoilo investments still flourished on a very large scale, as the enormous European holdings on Wall Street, and huge investments b y Britons and Americans in Austrialian shares, show. But there is all the difference in the world between buying shares in a foreign company, and establishing a subsidiary in a foreign country.

* Department of Commerce.

/through mining, plantation, and ranching bentures.

2. GROWTH OF MULTINATIONALS:

The forerunners of the modern multinationals began to expand beyond their home countries in significant numbers in the 1860's. Among the pioneers was Friedrich Bayer, who took a share in an aniline plant at Albany in New York State in 1865, two years after establishing his chemical company near Cologne. In 1866 the Swidish inventor of dynamite, Alfréd Nobel, set up an explosives plant in Hamburg. In 1867 the U.S.Singer sewing machine company built its first overseas factory in Glasgow. Singer was the first company to manufacture and to mass-market a product in basically the same form and bearing the same name across the world. It has the strongest claim to be regarded as the first of the multinationals.

Each company that went abroad in search of higher profits had its own particualar reason for doing so. But there were a number of factors that influenced them all. Industrial enterprises were becoming larger and mass markets were beginning to develop. The improvement in transportation and communications through the development of the steamship, railways and the telegraphs drew the attention of manufacturers to foreign opportunities, and made it possible for them to exercise some control over distant subsidiaries. They discovered that it could be cheaper to manufacture in a foreign market near the final consumer than to do so at home and pay the cost of shipment. It was for this reason that Bayer decided to invest in the U.S. and Singer in Scotland.

The spirit of nationalism also played a part, Companies began to realize that it was often more effective to supply local needs through local managements who understood their customers far better than an export manager in the home offices. Direct pressures of various sorts emphasized this point. The U.S. Westinghouse Airbrake was induced to establish manufacturing facilities in France becasue of stipulations in railway contracts that supplies had to be made locally. Edison built a plant in Germany because it found that 'national feeling' resulted in local suppliers receiving preference over imports. In addition governments could in effect force importers to set up local plants by insisting that patents should be worked in order to maintain their validity.

However the most important reason for the growth international companies in the last thirty years of the nineteenth century was the spread of protectionism, itself a manifestation of nationalism. Except in Britian, then the world's leading manufacturing and exporting nation, governments everywhere introduced tariffs in order to reduce imports of manufactured goods, and to foster the growth of local industries. Sometimes the tariffs were specifically designed to encourage foreign companies to invest in the country concerned. This was the case in Canada where the government wanted U.S. companies to establish local plants rather then supply its market from over the border. More usually the object was to encourage the local citizens them selves to create new industries. But as there were no currency restrictions and few regulations preventing foreigners from establishing factories if they wished to do so, the more tariffs were imposed the more international business tended to become.

The effect tariffs could have on a company's thinking was explained in 1902 by William Lever (later Lord Leverhulme), the founder of the Lever Brothers soap empire: 'The question of erecting workers in another country', he said, ' is dependent upon the tariff or duty. The amount of duties we pay on soap imported into Holland and Belgium is considerable, and it is only required that these shall rise to such a point that we could afford to pay a separate staff of managers with a separate plant to make soap to enable us to see our way to erect works in these countries. When the duty exceeds the cost of separate managers and separate plants, then it will be an economy to erect works in the country that our customers can be more cheaply supplied from them'* Other companies reqponded to traffis in the same way. In 1887 Bismarck introduced a tariff designed to protect German agrarian interests against imported food, and to encourage a German margarine industry. Within a year the large Dutch margarine manufacturer, Jurgens, had built a factory in Germany, and by 1914 Jurgens and Van den Berghs, the other principal Dutch margarine company, each had seven factories in Germany. High import duties also prompted Bayer to set up dyestuffs factories in Moscow in 1876, at Flers in France in 1882, and at Schoonaerde in Belgium in 1908.

Most of the leading European countries had companies of their own involved in the new move, but from quite an early stage U.S. companies began to play a particularly prominent role. In the 1880S and early 1890S the U.S. went through a period of intense industrial concentration Over 5,000 companies were consolidated into about 300 trusts, and, although a great many small companies remained, these giants dominated the industrial scene. Some, such as Standard Oil, United States Steel and International Harvester, are still household names today. Most had no desire to extend their activities beyond North America, except to export their surplus products and to secure raw materials, but those that did provided formidable opposition to the Europeans.

They knew how to think and plan on a much larger scale. Their management was frequently more efficent, and because of their larger profits at home they could afford to allow a foreign subsidiary to run at a loss while it established its position. When a U.S. company went abroad it often did so in a massive fashion. In 1901 the British were surprised to learn that the local American-owned Westinghouse factory was the largest single industrial plant in the country. John D. Rockefeller's Standard Oil was the largest oil company in Europe and by 1914 Ford was producing a quarter of the cars made in Britian.

Moreover the American emphasis on research and innovation coupled with the high cost of American labour often meant that the U.S. secured a lead over other countries in some of the most technically advanced industries of the period, such as telephones, heavy electrial equipments, sewing machines, and cars. Many of these had been invented in Europe, but were first mass-produced in the U.S. The result was that Europeans and others frequently went to American companies with suggestions that they establish a foreign subsidiary. The early expansion of the Ford Motor Company occurred in this way. Within a year of its establishment in 1930 Henry Ford was approached by the Canadian Gordon MacGregor with a proposal for a Canadian subsidiary, and in 1906 the British Perceval Perry went to Dearborn with a scheme for a British Ford Company. These approaches enabled Ford to build up its overseas network far more quickly than if it had to rely entirely on its own efforts.

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* The History of Unilever, Volume 1, By Charles Wilson (Cassell).

The movement across the Atlantic was both ways. Some European companies secured very important positions in the U.S. BY the outbreak of the first World War, to take only three examples, the Bristish Courtaulds dominated the new and rapidly expanding U.S. rayon industry through subsidiary the Viscose Company (later and better known as the American Viscose Corporations), that dynamic Dutchman Henri Deterding had established Royal Dutch Shell as a force to be reckoned with in the oil industry, and Lever Brothers was prominent in soap. In dyestuffs, the forerunner of much of the modern chemical industry, the U.S. producers were hopelessly outweighed by the Germans and to lesser extent the Swiss. U.S. producers supplied only about ten per cent of their own domestic market, and even for this small output they imported about ninety per cent of their intermediates.

In both the U.S. and Europe foreign companies arouded controversy But the U.S. was so large that beyond their particular industries foreigners did not make a great impact on public opinion. In Europe, by contrast, the U.S. companies by virtue of their size in relation to the markets aroused widespread fears. In 1920 F.A. Mc Kenzie wrote: 'American has invaded Europe not with armed men, but with manufacutured goods. Its leaders have been captains of industry and skilled financiers whose conquests are having a profound effect on the lives of the masses from Madrid to St Petersburg'. Nothing, he feld, was safe before this onslaughter: 'Our aristocracy marry American wives, and their coachmen are giving place to American-trained drivers of American-built automobiles .....Our Babies are fed on American foods, and our dead are buried in American coffins'* McKenzie was referring as much as to the flood of imports from the U.S. as to the establishment of U.S. subsidiaries in Europe. But his outcry was to be the forerunner of many similar attacks on American business abroad down to the publication in 1967 of Jean-Jacques Servan-Schreiber's le De'fi Amcrican.

3. CONCEPT OF INTERNATIONAL COMPANY:

By 1914 the concept of the international company was firmly established. This was especially true of those industries, such as cars, oil, chemicals, and aluminium, which are so important today. But the scale of the international companies' operations in relatinn to total economic activity in the industrialized countries was very small. In what were then the most important industries - coal, railway, iron, and steel, engineering, shipbuilding, textiles, and above all agriculture and agricultural products - international companies played an insigificant role. All the main companies in the leading countries were locally owned. Relevant figures are almost impossible to produce since countries drew no distinction between direct and indirect investment in their statistics. But it has been estimated by Professor John Dunning that in 1914 ninety per cent of all international capital movements took the form of portfolio investments* by individuals and financial institutions, whereas today seventy-five percent of the capital outflows of the leading industrialized nations are in the form of direct investment by companies+.

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* The American Invaders by F.A.McKenzie (Grant Rishards, 1902).

* For an explanation of the difference between portfolio and direct investments, see the footnote on pace 30-31.

\+ 'The Multinational Enterprises: Some Economic and Conceptual Issue', Speech by Professor John Dunning at a conference on the multinational enterprises held at Reading University, 28-30 May 1970.

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Another indicatiin of the smallscale of pre-First World War direct investment is that in 1914 Britian, the main recipient of U.S. investment, had only 12,000 people employed by U.S. - Owned companies‡

4. INTERWAR PERIOD:

During the inter-war period a number of companies continued to expand their international interests. They were mostly in the new technologically advanced industries of the day, or producers of goods for which there was a mass consumer demand. General Motors and Ford were particularly active in establishing manufacturing faciltities in Europe and elsewhere, while the oil companies created petrol distribution networks to keep pace with the growth in car ownership. However, Remington Rand, and Procter& Gamble all crossed the Atlantic in this period, and by 1939 more than half the employees of the Dutch Philips Electrical were outside Holland. Another notable international investor was the German IGFarben chemical trust. Initially in the 1920s it set out to recover as much as possible of Germany's prewar position in the industry after the expropriations and sequestrations of the allies. In the 1930s it went on to become the most powerful chemical company in the world. But the most trend was not all one way. Many companies disposed of their international interests to concentrate on their domestic markets.

In the intet-war years conditi ns were not favourable for a rapid expansion of international direct investments, or the growth of international companies. There were many factors to discourage the expansionist. What might be described as 'was psychology' was the most pervasive. People were not only living in the shadow of the 1914-18 holocaust, they also believed for most of the period that another was of some sort would probably break out. This simulaneously deterred companies from investing abroad, while encouraging governments to aim for industrial self-sufficiency and to discriminate against foreigners.

5. NATIONALISM:

Nationalism was strongest in Nazi Germany where the government required companies to 'swear' that they were 'pure Germans' and no under'foreign, Jewish or Marxist' control. But it was to be found everywhere. In the U.S. the American Viscose Corporation, which was the world's largest rayon producer and owner by Courtaulds, was hounded in Congress and the Press until in 1941 the U.S. Government insisted that it should be sold at a knock-down price as a condition of lend-lease aid to Britian. In France, when the Czech Bata company wished to construct a shoe factory, the Poullen Law of 22 March 1936 was passed forbidding the opening of new factories or ateliers for shoe manufacturing, or the enlargement of existing ones.

The curren cy situation was another major deterrent to international investoment. Before 1914 currencies were based ongold, funds could be moved easily from one country to another, and inflation was not a serious problem. After the war chaos took the place of certainty.

‡ The American Take-Over of Britian by James McMillan and Bernard Harris (Lesli Frewin).

In Germany and Austria in the early 1920s inflation reached the point where money became worthless. Nowhere else was it so bad, but every country suffered to some extent. Inflations were followed by deflations, currencies lacked confidence, and exchange controls beganto appear.

Finally there was the Great Depression, which brought with it a catastrophic decline in the level of world trade and sent company profits tumbling like the wall of Jericho. In the light of all these factors it is perhaps surprising that international companies were able to expand as much as they did.

The most characteristic form of international industry enterpises in the inter-war period was to cartel. There were many variations on this theme from a straightforward exchange of information on price and investments at one end of the scale to common marketing arrangements at the other. The specific aims of each cartel varied, but the underlying objective of all was to maintain prices and profits, and to provide some mechanism whereby companies could reconcile their conflicting interests without loss of blood. Inevitably this tended to reduce the level of investment undertaken by companies in the markets of their rivals.

As Adam Smith the father of economics, pointed out in the eighteenth century, businessmen have an instinctive perference for curtailing competition rather than for intensifying it. Cartels may be found anywhere, and at any time, and they still exist today. But in their development on an international scale. Industrialists were worried about excess capacity. In many industries they had expanded their factories during the war only to find that after an initial boom the level of post-war demand was lower than they required. With the onset of the Great Depression the problem of overcapacity grew worse. At the same time the number of large companies involved in most industries was quite small owing to the rise of great monoliths incorporating many smaller concerns that had taken place through the industrial concentration of the preceding decades. It was obviously much easier for the British Imperial Chemical Industries (ICI), the German IG, Farben, and the U.S. Du Pont and Allied Chemeical to roadh understanding with each other than it would have been for the plethora of British, German, and U.S. chemical concerns that had been absorbed into those giants.

To the men who ran the monoliths the concentraction of a particular industry within one country was frequently regarded as merely the first step towards an agreement with similar concerns abroad. The founder of ICI (established in 1926) certainly took this view. A Du Pont official recorded for his company's confidential files the following account of a conversation with ICI's chairman Sir Harry (Late Lord) McGown: 'Sir Harry ..... went on to give me a general picture of what he and Sir Alfred Mond (another of ICI's founders) had in mind in the matter of international agreements .... Sir Harry explained that the formation of ICI is only the first step in a comprehensive scheme which he has in mind to rationalize the chemical manufacture of the world. The details of such a scheme are not worked out, not even in Sir Harry's own mind, but the broad pic ture includes working arrangements between three groups - the IG in Germany, Imperial Chemical Industries in the British Empire, and Du Ponts and Allied Chemeical and Dye in America. The next step in the scheme is an arrangement of some sort between the German and the British'*.

* Cartels in Action by George W.Stocking and Myron W.Watkins(the Twentieth Century Fund).

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6. INTERNATIONAL CARTELS:

The first international cartels were formed well before 1914. One of the earliest documented examples is in the aluminium industry in which the U.S. Alcoa and the Swiss AIAG reached an agreement in 1896. In 1901 this was expanded to include three other producers. Also before the war the Nobel Dynamite Trust, which at that time had subsidiaries in Britain and Germany, the German Vereinigte Köln-Rottweiler Pulverfabriken and Du Pont formed an explosives cartel to divide world markets between them. However it was not until after 1918 that the cartels became really widespread. At one time or another they were to be found in practically every major industry.

Soemtimes their internal arrangements were so extensive and the degree of cooperation demanded from their members so far-reaching that, on paper, the scope of their activities looks much the same as that of an international company with subsidiaries in several different countries. But the modern international company is a highly coordinated, disciplined, and integrated form of organization. The cartels, by contrast, tended to break down under stress, and the members often failed to fulfil their obligations to each other.

In the first steel cartel, established in 1926, the main steel-producing companies of Germany, Luxembourg, Belgium, the Saar, and France, undertook, in effect, to pool their interests. It was agreed that each country should be allotted production and export quotas, and that, those members who exceeded their limits should be fine. To contemporaries the formation of the cartel seemed an event of great historical significance. A representative of the U.S. Department of Commerce in London said: 'The conclusion of the European steel argeement has been hailed by some of its sponsors as the greatest recent economic development and the first step towards the formation of an "Economic United States of Europe"*.

These high hopes were quickly shattered. The Germans were suffering from an enormous over-capacity, and exceeded their export quotas from the start. In the first year of the cartel their fines amounted to the equivalent of $10m., which was ninety-five per cent of the total penalties incurred by all the members. This situation could not endure, and by mid-1931 the cartel had collapsed.

A second arrangement was started in 1933 to which the British American, Czechs, Poles, and the Austrians in due course adhered as well as the original members. A central management groups consisting of representative from each country was set up, and another representative committee dealt with the export and sale of the various products (bars, rods, structural shapes, and the like)- The exports of each country were determined centrally, and all export sales were made through the central organization. Distributors in the importing countries were licensed and guaranteed both a fixed profit margin, and a share of their local market. This cartel was more successful than its predecessor. Prices rose throughout the duration of its life. But this was at least partly due to the revival of business conditions in general, and to the fact that the German rearmament programme meant that the German companies no longer had to fight for exports.

* Cartels in Action.

The oil cartel was officially formed in 1928 when Shell, Anglo-Persian (now British Petroleum), and Standard Oil (New Jersey), the three largest oil companies in international trade, agreed to combine their non-U.S. interests, and to share each other's facilities. In various markets this offer was extended to other companies, and usually accepted, even by the Russian export agency. The cartel members agreed to change common prices, and not to steal each other's customers. At one time they even agreed to coordinate their advertistising, and not to submit their individual plans to a joint committee. These commitments undoubtedly inhibited competition, and helped maintain prices at a higher level than would otherwise have been the case. But it is significant that the rules were broken so after that four separate agreements had to be signed. Even in Sweden, where there was a relatively small market, few companies, and unusually close cooperation, Shell estimated that the cartel never achieved more than fifty or sixty per cent effectiveness.

The less ambitious cartels fared no better. In 1927 Courtaulds, and the lead-ing rayon producers in Germany, Italy, Holland, Switzerland, France and Belgium reached an agreement for limiting exports to the U.S. in order to maintain prices there. Within months it was broken. When the Depression began in 1929-30 the rayon companies put forward ambitious plans for exchanging information on all their activities and setting sales quotas. But as soon as business began to revive in 1933 these were forgotten.

In all industries the desire of management to increase sales at the expense of the other companies always remained stronger than the desire to cooperate when it actually came to the point of having to choose between securing a contract and making a sacrifice for the common good. It also proved impossible to devise rules to which the members of the cartel would adhere in bad times as well as in good, and which could be enforced at law*.

Another weakness of the cartel was that companies were not sufficiently tightly organized for the central management always to know what its subsidiaries were doing. In 1936 my father, Dr Georg Tugendhat, and Dr Franz Kind started an independent refining company in Britian called Manchester Oil Refinery. This was contrary to the interests of the cartel, and a leading figure in Shell warned them that they would not be able to secure supplies. However, without much difficulties they found an American broker, who dealt in crude oil on a wholesale basis, and he provided them with cargoes purchased from the Shell sunsidiary in the U.S. The major companies also tried to prevent Manchester Oil Refinersy from selling its output in Britian, and this problem was circumvented when the Belgian subsidiary of Gulf oil, another cartel member, agreed to buy it.+

For alltheir deficiencies the cartels were a step in the evolution of todays multinational companies. They gave industrialists a traning international cooperation. They also gave them an understanding of national differences and of the need to modify business practics to take these into account. Instead of thinking primarily in terms of supplying their home markets, and exporting surpluses, their industries on a world basis. These lessons were to prove externely useful in the changed conditions of the post war world, especially to the Americans.

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* For further details see Appendix.

\+ For full details of the pre-war international oil cartel see Oil: the Biggest Business by Christopher Tugendhat (Eyre and Spottiswoode).

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SOURCE;Christoper Tugendhat, The multinationals, Penguin Books, 1971, pp.29-44.

MONOPOLY POWER

THE NEW FACE OF IMPERIALISM

11a

IMPERIALISM ,THE "HIGHEST STAGE OF CAPITALISM".

Lenin made a special study of the first great movement toward concentration in the capitalist world, which occured at the end of the last century. The concentration of capital finds its most notable expression in the tendency to monopoly. A monopoly, in the fullest sense, would be an industry which has absolute control of an entire market. Such enterprises are extremely rare in the real world and the term monopoly is used for large-scale corporations which control a significant slice of a particular market and strive to expand to dominate the whole. In western Europe, during the last third of the nineteenth century, such monopolies grew so rapidly that national markets soon appeared too smal for them.Customs barriers hindred real competition between British,French, and German monopolies, in their respective national territories ; on the other hand, there were many countries, some vast, in Asia and Africa, which were still outside the capitalist system or on its fringes.Moreover, many of these had very poor defenses.The principal West European states, sharing the objectives of their own capitalists, launched or relaunched a powerful new wave of colonial conquests designed to provide their respective monopolies with vast reserved of privileged "economic space".

Thus was imperialism,"the highest stage of capitalism",born. Imperialism is nothing more than capitalism which has reached a given size and scale, entailing, in turn,qualitative mutations and transformations of its resources and methods. From the first, the colonized lands offered imperialism some raw materials (oil) and some products for mass consumption but, above all, they provided an outlet for commodity exports and the investment of capital which was accumulating so rapidly that it was difficult to apply at home. Imperialism was to modify the effect of imbalances inherent in the capitalist system and the tendency of the rate of profit to fall.

Rivalries between imperialist nations are, on the other hand, exacerbated by colonialism. Some had more colonies than others, and the partition of the world was virtually complete by the end of this century, leaving the less fortunate no recourse but to seek a redivision of the spoils by violence.Therein lie the root causes of the First World War (1914-1918) whose end saw Africa repartitioned at the expense of a vanquished Germany.Between the two world wars the capitalist world was somewhat stagnant with exports of commodities and capital stable and the movement toward concentration slow and even.

THE CHANGES AFTER THE SECOND WORLD WAR

During the period following the end of the Second World war in 1945, a variety of major changes occured.The world capitalist economy regained momentum through necessary reconstruction, enhanced its efficiency through a new technical and scientific revolution, and learned to use various palliatives and buffers to prevent recessions and depressions degenerating into general crises. In these conditions growth was rapid, exports of commodities and capital increased prodigiously, and rates of capital accumulation reached new heights, engendering a similarly unprecedented movement toward concentration. This development began in the United States and the United Kingdom and extended to Japan and some Western European countries. It came rather late to France, where it became equally marked by the late 1960s. New mergers, regroupments, etc. are constantly being announced, often with capital foreign to the country concerned in control or participation.

During the same period, an irresistible movement for political emancipation spread like wildfire through Africa and Asia, where most countries gained nominal independence peacefully or through violent struggles.This independence is termed nominal because the subordination and pillage of what is called Third World continues.The form has simply been adapted to the new situation of neocolonialism and is usually operated through indigenous governments which are virtually at the beck and call of imperialist masters.

The imperialists and monopolists of the present are the successors of those which flourished at the beginning of the century, but there are a number of important differences.

STRENGTHENING OF FINANCE CAPITAL

With reference to the Monopolies, capital accumulation and concentration have not been specific to the industrial sector, but from the nineteenth century onward have also characterized banking,giving great impetus to the growth of 'investment banks' .These are specialist banks which concentrate on investing their capital in a great variety of different undertakings, but with special emphasis on industry and alwyas seeking to gain control.The barrier between banking capital and industrial capital has thus begun to break down and more deeply, it became finance capital. Conversely, and more recently, many giant corporations of industrial origin have begun to invest a major portion of their accumulated profits in enterprises operating in quite unrelated sectors..They function very much like investment banks and are called 'holding companies'.

THE FINANCIERS OLIGARCHY

Financiers who direct investment banks and also rule expensive capitalist empires enjoy a form of power which has long been described as 'oligarchy'. Now this form also applies to the capitalists of holding companies and is extending to the large capitalist corporations which are diversifying their activities. In fact, the financial, commercial, and industrial sectors overlap one another more and more.

Thus the ologarchy consists of a small number of very big capitalists whose direct and indirect power enables them to dominate the economy. Their real powe is,moreover, much greater than is reflected in the volume of capital they own. Small and medium shareholders do not usually attend meetings, or exercise proxy votes, and so the major shareholders can do as they like.The company may be control by the person or persons holding a minority of shares -- 30 percent, 20 percent, or even less. The game of acquiring subsidiaries reduces the holding required for control still further.

HOW THE CONTROL BY A FEW IS EXERCISED .

Let us supposed the average number of shares required for control to be 33 per cent ,through one financial group. If company A in this group controls 33 per cent of its capital, in turn holds 33 per cent of the shares in subsidiary company A', the latter can be controlled by the group through 33 per cent of 33 per cent, or 11 per cent. And there is nothing to prevent subsidiary A' from setting up a further subsidiary.This is why the capital of investment banks and holding companies is often invested through a complicated network of subsidiaries. Thus, capital of 1,000 units might control an an empire of 5,000 , 10,000 or more. In 1973 the Suez Finance Company and the bank of Indochina admitted to joint control of 300 to 400 companies!

THE TRANSNATIONALS

Industrial and banking monopolies show an increasing tendency to transcend national barriers and are often called multinationals -- which is not quite accurate. These are large corporations and investment banks whose activities extend beyond the frontiers of their country of origin and often penetrate the whole world. Two hundred of the world's largest corporations have affiliated(affiliates) in twenty or more countries. The Compagnie Générale d' Electricité is a French company which is only a modest international monopoly, yet its 1969 report stated that it is present in more than one hundred countries. So too ,Citibank, N.A., a New York-based commercial bank, reports branches, affiliates, and subsidiaries in over a hundred countries worldwide.

It is broadly true to say that almost major companies, and almost all monopolies, are transnational. The most remarkable transnationals are those industrial monopolies with productive enterprises scattered about most diverse countries throughout the world. The French aluminum monopoly, Péchiney, is an interesting example : in 1972 44 percent of its production took place in France and 56 per cent in five other countries from the United States to the Cameroons.

THE MULTINATIONALS

Firms can be not only transnational, but truly multinational, if their capital is drawn from different countries. Such companies are often joint subsidiaries of a number of national monopolies from different countries. Multinationals are still fairly uncommon in industriallized countries but are, on the other hand, becoming increasingly numerous in Thids World countries.

THE GENERAL TENDENCY OF MONOPOLIES

There are other forms of partial association or international cooperations between monopolies of different nations. What stands out from the points outlined is the general tendency for monopolies alone or in combination , to spread their tentacles over the entire world market, always with the purpose of accelerating the accumulatiom/ concentration of capital. It is alsoe their desire to trade as freely between Chicago, Paris, and Singapore as between two cities in one state ; and to set up factories in Montreal, Sao Paulo, or Abidjan with the same ease they would have in a single industrial country. To this end they aspire to a world economic and political order which would free the movement of capital and commodities and regulate currencies and their circulation. The European Common Market is simply a regional forerunner of such a world order. The crises which frequently occur in this field are an indication of the enormous difficulties in the way of achieving such a world order (even without taking into account the possibility of revolution intervening). As we have seen every tendency clashes with its opposite ; every development is contradictory within itself. However the dynamics of a situation are best understood by seeking out the dominant tendency. Within monopoly capitalism today this is the aspiration for an integrated world order.

There is no longer much argument about the fact that international monopolies pillage of the Third World in various ways. But debate continues as to the extent of the proceeds of this pillage in relation to the vast surplus value extorted from workers in the 'developed' countries , and as to its effects on the system's prospects for survival.

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TRADE AS ONE IMPORTANT FORM OF PILLAGE : THE UNEQUAL EXCHANGE

Trade is the vehicle for one important form of pillage We know that the value of a commodity is determined by the amount of labor socially necessary to produce it, and that the value of the labor force is represented by the value of the goods required to maintain and renew it. It is recognized, however, that the value of such goods is infinitely lower in underdeveloppedcountries, where it is a little more than a "physiological minimum" (the exact amount indispensable for subsistence and work) m, and that in developedcountries it combines a complex of individual and social expenditures. It follows that, even if one were to calculate on a basis of equal productivity, which is unreal,African, Asian, and South American labor is at a far lower price than that of Europeans and North Americans.To give a concrete instance, if our coffee, cocoa, banans etc. could be produced in Europe and North America they would be much higher in price. It is generally true that the underdeveloped countries export goods . are relatively undervalued .,while those of the developed world are overvalued.This is known as unequal exchange

The financial value of unequal exchange is almost incalculable. At best one can make a few rough estimates. It is however possible to measure its progress.For, it is progressing in a negative direction. It is described as the"deterioration in the terms of trade", which are, for any country, the relationship between the average value of a ton of goods exported and a ton imported. Thus we know statistically that the Thrid World countries, taken together, had to export 15 percent more of their raw products in 1970 than has been necessary in 1956 to import the same amount of manufactured goods. In producing this 15 percent of their exports in 1970 they were working not for their own development but for" the King of Prussia", that is for the monopolies and the imperialist economies.

Though the amount so extracted is vast on the Third World scale, it makes only a modest contribution to the coffers of the imperialist economics, for only 19 per cent of the total external trade of all the advanced countries together is conducted with the entire Third World, or 2.25 percent of their gross product. And this proportion is declining.

The capital the imperialist monopolies have invested in the Third World countries, on the other hand, drains them large profits. Very little is reinvested (less than 15 per cent), the bulk of it being repatriated to the imperialist countries. In 1970-71 an annual average of $ 8.8 billion were so rapatriated.This was a significantly large sum for the Third World, in excess of all overseas aid received during the same period. Yet the amount px represents only some 2 per cent of internal savings in the rich countries -- to whom it is,therefore, of little significance.

To sum up, superprofits from unequal trade, together with those fom capital invested in the Third World and any other forms of pillage, have a countervailing effect on the tendency of the rate of profit in imperialist countries to fall, and this may have been important in the past. Now it is only marginal, and these superprofits cannot be regarded as the safety valves of the imperialist system.

DEPENDENCY OF DEVELOPED OUNTRIES ON DEVELOPING COUNTRIES FOR RAW MATERIALS

It seems that imperialism's continued interest in the Third World stems from something else. Today the whole industrial edifice of imperialism rests on the energy (fuel oil) and industrial raw materials of the Third World. In 1975 it was only possible for the developed industrial countries to satisfy their global needs by turning to the underdeveloped nations for the following proportion of their supplies :

50 percent of requirements in fuel oil
35 percent of requirements in iron
50 percent of requirements in bauxite
85 percent of requirements in chrome, manganese, antinomy
70 percent of requirements in cobalt
90 percent of requirements in tin
45 percent of requirements in copper.

All the major industrial countries are dependent in this way, and not only those which lack natural resources, such as Britain, Germany, Italy, and Japan, but also those which were originally well endowed, such as the United States and, to a lesser extent, France. The latter was once the world's biggest producer of bauxite, and is now sixth, producint only 5 percent. The United States is still the world's biggest producer of fuel oil and copper (but reserves are beginning to dwindle) but even so it has to import ever increasing quantities of both.

WHY CAPITALIST COUNTRIES WOKR OFR INTEGRATION

Being common to all, this dependency tends to strangthen the urge for imperialist integration aimed at establishing a firm, multinational grip on the indispensable wealth of the Third World. This is why corporations built on multinational capital proliferate in the field of extraction and preliminary processing of minerals from the underdeveloped areas --especially Africa. Such corporations are still relatively uncommon elsewhere. The monopolies of the new imperialism are quite firm about their preference for a Third World where natural wealth would be accessible to all, with trade and capital movement as free as possible for all. The raw materials of the Thrid World are the vital safety walve of the system and of each national imperialism. And so, all, including imperialist states themselve, are basically agreed to maitain and, if possible strengthen, the structures enabling them to dominate and exploit the peoples of Africa, Asia and Latin America. State-to state aid to the Third World is now almost fully coordinated with economic interests. It serves to open the way for private capital and to insure the subservience of so many indigenous authorities. It serves to open the way for private capital and to insure the subservience of so many indigenous authorities. Intent to control the Third World is now a dominant tendency of monopolistic capitalism. In some field it is still weak, but it is already acting with some effectiveness and little hindrance to subrodinate the peoples of the underdeveloped countries and pillage the fruits of their labor. In reaction, hoever the consciousness of the masses in these countries is stirring and the voice of protest is making itself heard.

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SOCIAL EFFECTS
OF
MULTINATIONAL CORPORATION

(11)

The emergence of multinational corporations has come up as new challenge to the whole world. The powerful corporations have not only exploded the traditional thesis of consumer's sovereignty but have created economic implications of far-reaching ramifications in both developing and developed countries of the world. Whereas the developing countries consider them as instrument of neo-colonialism, the developed countries are trying to establish the credibility of non interference(?) in other countries politics and the medium of socio-economic development.
The present paper is taken from N.S. Gupta's " Multinanional corporations". It is partof a paper prepared by the author for an International Seminar held at Mexico between 18th to 22nd October 1976. Dr.S.N. Gupta is professor and dean, faculty of commerce and management studies, University of Jammu.

Much has been said about the economic implications but very little about the social effects of multinational corporations in the third world. The social implications are perhaps more deep seated and subtle than the economic effects which erode the premises of economic independence and viability which are needed for the existence of a nation state. The economists, the business scientists, the United Nations Conference on Trade and Development and the Economic and Social Council of the United Nations have studied at length various facets of economic implications of the working of multinational corporations. They have given scant attention to the social affects except in so far as the political interference' 'Inter-governmental confrontation' or challenge to the 'sovereighty' of host countries having a bearing on international relationship are concerned.

The social effects I would like to discuss under the following heads:-

* Social Tension
* Socio-cultural transformation
* Political interference and the challenge to sovereighty of nation states.
* Socio-economic inequality
* Restricted development of Social amenities and their lopsided distribution and
* others

SOCIAL TENSION: Tension in a society exists on account of class, caste, racial, regional or lingual conflicts. Multinational Corporations have succeeded in creating the classes of haves and have nots - the two rival factions which are generally in clash with one another thereby bringing the entire society in the arena of conflict. The means of production and distribution concentrated in the hands of a few persons have led to widen the gap between the rich and the poor on account of improper income distribution which is quite evident from tables 3.1 and 3.2.

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TABLE 3.1 [1]

Pattern of Income Distribution in some of the Developing Countries of Eastern Asia and the Pacific:

Country	Year	Gross national product per capita $1969	% of population with per capita income below $50(1969)		GNP per capita Poorest 40%	Income shared Mid. 40 to 80	Richest 20%
1	2	3	4	5	6	7	8
Burma		72	54	-	-	-	-
India	1964	100	45	99	16.0	32.0	52.0
Iran	1968	350	9	332	12.5	33.0	54.0
Malaysia	1970	323	11	330	11.6	32.4	56.0
Pakistan & Bangladesh	1964	100	33	100	17.5	37.5	45.0
Phillippines	1971	233	13	239	11.6	34.6	53.8
Republic of Korea	1970	224	6	235	18.0	37.0	45.0
Sri Lanka	1969	95	33	95	17.0	37.0	46.0
Thailand	1970	173	27	180	17.0	37.5	45.5
Average		124	38	201	15.1	35.2	49.7

TABLE 3.2 [2]

Pattern of Income Distribution in Some of the Latin American and the Caribbean Countries :

Country	% of Population per capita below $ 50 1969	Poorest 20%	Income Received Poorest 40%	Top 20%	Richest 5%
Brazil	14	3			36
Chile	-	5			30
Colombia	15	4			33
Costa Rica	2	-	12	59	-
Equador	37	-	7	74	-
El Salvador	14	-	11	52	-
Mexico	8	4	-		29
Peraguay	-	5	-		30
Peru	-	2	-		34

1- UNO Repart on world social situation, 1974, New York, 1975, p. 80-81.

2- Ibid, p.47.

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The pattern of Income distribution indicating income inequalities though the result of economic activity in general and the governmental policy in particular has further been distorted and made more and more disparity-oriented by the activities of multinational corporations. The data of income distribution in the developing countries of East Asia and the Pacific shows that about 40% of the total population of this region exists below the poverty line i.e., having per capita income of less than $ 50 per annum. The percentage of the population below the poverty line fluctuates between the minium of 6% in the Republic of Korea and the maximum of 54% in Burma. Again the richest 20% share 49.7% of the total income and the poorest 40% only 15.1% of the total income.

The level of disparity though comparatively of a lower degree, exists in the countries of Latin America and the Caribbean. The per centage of population falling below the poverty line in this region has been estimated on an average (1960-70) at 11% as against 38% in the country of East Asia and the Pacific. The percenrage of the category of population varied between the minimum of 2% in Costa Rica and the maximum of 37% in Ecuador. Similarly the poorest 20% of the population received income between 2 to 5% the poorest 40% between 7to 12%. But the top 20% received more than 52% of the total income in Elsalvador, 59% in Costa Rica and 74% in Ecuador. The disparity of the highest order is manifested by the fact that 29 to 36% of the total income in the repective countries of Brazil, Chile, Colombia, Mexico, Paraguay, and Peru is shared by only 5% of the richest class of these countries.

The concentration of the means of production and distribution through ownership control or other restrictive business practices in the hands of a few multinational affiliaties in the developing countries has led to the formation of the two warring groups of rich and poor which seek to inflame the fire of conflict and confrontation resulting ultimately in social tensions.

The other source of conflict is the creation of two classes in the industrial workers of the developing countries consequent to the entry of the multinational corporations. One-the class of low income earners employed in the local industries and the class of high income earners in the industries and other establishments of foreign affiliates. The creation of "elite"[3] groups or the formation of "enclaves"[4] of high income groups naturally confronts with the low income groups apart from inculcating a psychological complex between the two. Even the group of eminent persons appointed by the U.N.O. to assess the impact of multinational corporations also recommended that the "over all object should be to reduce inequalities between the industrial workers and the poorer sections of the population or among industrial workers themselves: thereby avoiding the undesirable creation of small "enclaves of high income groups".

Though the comparable data on the wages of the workers employed by the multinational affiliaties and the local concerns is not available to make a comparative study possible but it may be stated on the basis of I.L.O. Report of Zambian Workers[5] and a study of multinational corporations in Jamaica[6] that the workers emplbyed in the foreign affiliates get more wages than those in local concerns.

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3. For details refer to Multinational Cprporations in world development, op.p. 53.

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The creation of groupism among the industrial workers Will not only result in conflict among this class of workers but will spread the conflict beyond the confines of factories and commercial establishments. It is not only the wage difference which creates "elite" and "enclave" groups but also other welfare amenities such as housing, medical care, recreation, education and training which cement the forces of disparities in the rank and file of labourforce. The wage payments and the welfare amenities provided by the multinationals to workers may not only cause groupism directly but contribute indirectly to augment the forces of discord and discountent by way of forming 'elite' or 'enclave' types of groups. They provided amenities not merely to increase efficiency of workers but also to attract efficient workers from other concerns. Further they pay higher emoluments not merely for the welfare of the employees but to convert the taxable surplus into non-taxable deficits. In other words they pay higher emoluments at considerable social cost.

The other source of tension in the host country is the adoption of their own standards of work for the labour by multinational corporations and the adoption of their own "policies and practices much different to national customs and patterns"[7] These corporations have adopted a number of# the trade unions by the threat of or actually shutting down a plant or transerrring productive operations from one country to another[8].

CULTURAL TRANSFORMATION :

Social institutions and values are the basic premises of social framework. They provide an independent indentity to a nation state and the requisite norms of social behaviour. Every nation therefore tries to protect their institutions and values from every encroachmend from outside so as to sustain their identity, solidarity and the fabric of their culture.

There are historical evidences on record which throw ample light on the technique of cultureal transformation adopted by European rulers to fortify their political domination in the colonies of Asia, Africa and Latin America. The dilution of culture and social values by the overwhelming influence of their masters' activities weakened the forces of emotions and sentimentals of nationshood.

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4. Ibid. Also refer to the Impact of Multinational Corporations on Development and on International Relations p. 76.
5. I.L.O. Report to the Government of Zambia on income, wages and prices in Zambia: Policy and Machinery (Geneva doc. ILO/TAP/ Zambia/R5,1969: Mimeographed) pp.9-13.
6. Jeffrey Harwel: Multinational Corporations, trade Unions and Industrial relations: A case study of Jamaica in Hans and Gunter (ed): Transnational Industrial relations: The Impact of Multinational Corporation and economic regionalism on industrial relation A Symposium held at Geneva by the International Institute of Labour Studies, London, Macmillan, St. Martin Press pp.173-194.
7. For details refer to ILO; Multinational Enterprises and Social Policy, op. cit., p. 93.
8. Ibid, pp. 90-99
   Also refer to the Impact of Multinational Corporations op. cit. p-77.

#ways to weaken or neutralise the strength of collective bargaining of the trade unions..

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The psychological strategy of denouncing the native culture provided invaluable dividends to the foreign rulers at the minium cost. This experience is fresh in the memories of the people living in the countries of third world. They apprehend that history may not repeat again through the medium of multinational corporations. The creation of "elite groups" or the "enclave groups" are more susceptiable to foreign influence which may at a future stage develop into the protogonists of foreign culture which may in addition to providing political domination may also provide economic dependence.

Multinational corporations like their ancestors are trying to transplant their cultural values in the social fabric of developing countries. These values being alien to native cultures are apt to clash with the way of living and social behaviour of the people in these countries more specially where national sentiments are so strong as to tolerate no infringement by transnational cultures.

The impact of their influence is so overwhelming that the restrictive measures adopted by the nation states have failed to punctuate the pace of penetration. The sustaining factor is the pockets of energy created by them in the form of "enclave groups". These groups of local population manifesting foreign values prove provocative more specially to the local elites consisting of intellectuals, politicians and business and labour leaders which generate the force of class conflict to the detriment of developing countries. More often the vested interests throw certain powerful social groups in the lap of multinationals without regard to legitimate politico-economic development. This opens the floodgates of political interventional in local politics to the powerful multinational corporations.

The study of Multinational Corporations and social policy conducts by the ILO further suggests that "the multinational corporations as an employer is the (source of) potential conflict between the cultures of the home country and the host country and the effect of any such conflict on industrial relations [10] is particularly hazardous. In this connection John C.Shearer[11] rightly suggestes that the American Firm usually operate on the basis of the values and assumptions obtaining in their own countries which prove generally conflicting with the local values. He further states that these corporations are not even prepared to mend themselves to local conditions. This maladjustment to local environment in Chrysler in U.K. [12] General Motors in Canada [13] and John Deere-Lanz AG in Federal Republic of Germany.[14]

Another source of conflict is the privileged position of the expatriate staff as compared to the local staff. The locals resent disparities in incomes, perks and living conditions between the local and the expartiates. The difference in the wages and benefits of the

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9. Multinational Corporations in World Development, op., cit., p-57.

10. ILO Document, op. cit.. p.78.

11. John C.Shearer: Industrial Relations of American Corporation abroad i.e. Solomon Berkin et al (eds) International Labuur, Harper & Row New York, 1967. p.23.

12. Trade Union Congress: Report of a Conference on International Companies, congress House, London, oct.1970,p.7.

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of the local miners, and the outsiders was a source of great social conflict in Zambia immediately after independence. This difference was not based merely on the efficiency factor but the racial factor which led to infuriate racial violence.[15]

The Government of the developing countries should stop immediately the dangerous erosion of their cultural heritage by transnational cultures with a view of consolidate their freedom and preserve their sovereignty and integrity. If this process is not averted it may be apprehended that the forces of foreign domination on the politico-economic desisions will be so overwhelming that they will not be able to forge ahead their programme of economic development and social welfare,

POLITICAL INTERFERENCE AND CHALLENGE TO SOVEREIGNTY OF NATION STATES:

The economic domination exercised by multinational corporations in the host country by way of their control of national resources and other means of production and distribution has made them powerful enough to afford political interference, if the host government does not too their line of action, and even challenge the sovereignty of a nations state. This challenge, as already pointed out is not merely confined to economic sector alone but extends to encompass other aspects of the national life such as social, political and even international. Their capacity to circumvent or subvert national politics[16] and programmes has increased further as a result of modern means of communication, the advanced technology, skill and capital possessed by them, the general agreement or Tariffs and Trade under which the host countries have agreed to liberalise gradually the trade barriers, their policy to integrate and centralise their production and trade strategy on a global scale and their capacity to bargin with the nation stage on the basis of agreements, patent rights, licences and also the capacity to execute cartel agreements with other concerns.

There is a fundamental difference in the goals of a Corporation and the Government. Whereas the former concentrates largely on growth and profit, the latter on growth with welfare within the broader framework of the national policy.

In pursuance of the broader national policy the government may even sacrifice in short period the growth aspect for development or welfare aspect. For instance many public sector undertaking in India, inspite of incurring losses are allowed to continue becasue they seek to achieve the basic goal of social equality by decentralising the ownership of means of production and enforcing equitable distribution of income and wealth generated in the country. The corporations and

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13. Duane Kujawa: International Labour Relations Management in the automotive industry: A comparative study of Chrysler, Ford and General Motors, Preager Special Studies in International Economic and Development, Preager, New York, 1971, pp.199-201.
14. Shearer, op.cit., p.117
15. For details refer to ESSO eastern Review Jully- Aug. 1971.
16. For details refer to Jack N.Bohram: National Interest and Multinational Enterpireses: Tension among the North Atlantic Countries, Prentice Hall Inc. Engle Wood Cliffs, New Jerrsy, pp.2-11.

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more specially the foreign multinational corporation is not concerned with promoting the interest of a particular nation, but maximise their goal of growth with profit through all the individual affiliates operating in different countries of the world in pursuance of their global strategy. Both these objects are contradictory with one another. Whenever the multinational corporation finds that a decision of a government will obstruct the pursuance of their global strategy and object, the multinational corporation takes all steps to circumvent or distupt their trade, fiscal or monetary policies through subversion or political influence in the top hierarchy of government.[17]

To influence a government decision the multinational can go to the extent of bribing diplomats, ministers and the policy makers in different countries of the world.[18] This was exposed in the Lockheed scandal. It has been stated that the Gulf Oil paid $5 million to different parties in South Korea, Labanon, Bolivia and Italy.

With their economic power they can wield considerable influence on government policies. Their economic power and contacts in the government cadres, political and social organizations are instrumental in influencing political decisions, making or unmaking of the governments and implementing or thwarting any programme of socio-economic developkent according to their liking.

The record of operation of some of the multinational corporations is most alarming which has attracted the worldwide attention. It is now an open secret that the multinational corporations in collusion with other parties overthrew an elected government in Chile. Their record in other countries is also of the same nature.

There are further positive signs of erosion of sovereignty of the host countries. If the government policies and programmes are directed to bring about economic growth and social welfare against their wishes, they are either sabotaged or thwarted by the multinational corporations. For instance the strategy of multinationals on capital intensive industries concentrated in urban areas and their decisions as to products and product mix may confront with basic policy of import substituations to reduce the burdun of foreign earnings and the policy of labour-intensive industry pursued by the host government The host government looks as a helpless spectator to the negation of the domestic policy to the enormous disadvantage of the public at large.

It will be more appropriate to state that the working of multinationals acts more often against the national interests in a number of ways. The concentration of economic power in the hands of a few, the inequitable distribution of benefits among different regions and different people, the extinction of competition in the home market the truncated economic development, the creation of social inequality and the tactics of transfer pricing adopted by multinationals are the other outcomes of the operations of multinational corporations. All these effects are generally contrary to the national policies and programmes pursued by the government of host countries. They have indomitable capacity to upset economic stability or equilibrium. A

17. Multinational Corporations in World Development, op.cit.
18. If sheck many countries of the world such as Netherlands, Japan, Italy, etc.etc.

stablised economy having enormous fiscal capacity in the shape of asset transfer will not only put the host country to insurmountable economic difficulties in regard to fulfilling its basic commitments but more importantly its international commitments. It does not mean that the host governments are unable to do anything. They also do a lot by chopping of the unbridled command of the multinationals in their countries. The international community is also quite alive to the gigantic power enjoyed by them. They have also suggested a number of steps which I will discuss in the last part of the book. However, I am inclined to agree with the following observations of the group of eminent persons appointed by the Secretary-General of United Nations.

"Corporate power cannot of course, be compared with the political powers of governments which possess both legitimacy and means of enforcement. Yet many development countries may hesitate to exercise their governmental power because of the real or perceived costs entailed.[19]

It is clear that not always are the governments in the host countries able to take action against the activities of multinational corporations. Sometimes the governments policies fail to escape the commitments made to such corporations which have been instrumental not only in retaining them in power but also helping them to perform their day to day functions. The multinationals have done a lot to instal people in government through their economic power and their influence among the electorate or different sections of people. Under these circumstances the governments deliberately do not take any action because they are not strong enough to fulfil their rights and responsibilities without the open or covert support of the multinational corporations.

In other cases they are really helpless,. They should exert through regional cooperations and international agencies like U.N.O. to dilute their impact. They should also create a strong industrial base which could break the monopoly of these corporations.

OTHER EFFECTS:

Apart from the socio-economic implications already discussed at length under separate heads the residual effects termed as other effects concern directly with (i) social welfare (ii) problems of urbanisations (iii) neglect of rural society or the process of urban socio-economic activity and the (iv) problem of migration.

Social welfare is attained by increasing the level of expenditures on social amenitites like education, health, utilities and recreation by a government. The government, in every country while seeking resources for defence, maintenance of law and order if unable to get sufficient revenues to meet expenditure on these priority sectors perfer to scuttle the expenditures of social amenities. Inspite of this constraint the modern governments have realised the significance of social welfare and are doing their best to fulfil their commitment The level of welfare will, however, be determined by the revenues available, the most important source of which is the taxes on income, profits and wealth. Corporation tax has occupied the most important place in the tax structures of practically every nation. The technique of transfer pricing and the exorbility charges of multinations cor-

19. The impact of Multinational Corporations...op.cit.p.31.

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porati ns convert the taxable profits into non-taxable costs. Transfer pricing is the most effective weapon under which prices are charged on the inter-corporate transfer of inputs such as raw material, capital equipment and even skill. The foreign affiliates are required to pay a very high price for the compulsory imports of the inputs from their head officers located in the development countries. This is a very serious problem which needs to tackled in a systematical manner.

Other heavy charges on the revenues of the foreign affiliates are the fees and salaries, leave and pension contributions which prove a burden on the over all resources of the host government. A similar situation resulting in heavy burden on the revenues of the foreign affiliates as a result of excessive payment to expatrates has already been pointed out earlier. The emoluments including perquisities and other receipts are much higher than the local with the same qualification and efficiency.

The activities and of multinational corporations relying most on the capital intensive techniques are mostly localised in the urban areas. The unban areas which are already infested with the industrial activity tend to be concentrated further by the operation of multinational corporations. This gives rise to many social problems of housing, sanitations, pollution etc, in addition to agravating the level of moral degradation as a result of gambling, excessive drinking, prostitution etc.

The Urban centres being the seats of governments and the industrial corporations attract top doctors, scientists, lawyers, and other technocrats to the neglect of the vast human populations living in the backward rural areas. People living in rural areas are denined the fruit of development and welfare which hightens the process of uneven development . The process of uneven development has deep seated ramifications, both on the economic and social planss. The malady of regional inequality accentuates the degree of social conflict to the determent of the entire human population in that country. When the vast chunk of human population in a particular society is denied the fruits of rowth process, how can that society register the desired level of growth and welfare? Instead, most of the creative effort will find extinction in regional feuds whih will lower the degree of efficency processes by people. The amenities and opportunities provided by the urban centres have attracted efficient and hard working people from the rural area. The continuous migration of people from the rural to urban areas has affected not only the effeciency of agriculture and other crafts carried in the rural areas but also accentuated the problem of urbanisations. If the account of the factor migration is prepared it will show a huge social deficit. Inter governmental confrontations is also associated with the functioning of multinational corporations. Three situations may arise which may inflame the bogy of inter-governmental disputes : (i) nationalisation of the branches of multinational corporations (ii) jurisdictional problem and (iii) multinationals as instruments to disrupt or subvert the socio-economic apparatus in host countries.

The host country is perfectly competent to nationalise any venture in the wide national interest. Their authority in this rogard may not be questioned. The host couhtry may however be persuaded to give adequate compensation to the foreign affiliates. In the

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event of any difference of opinion on the quantum of compensation it may be settled amicable under the agies of Centre for the settlement of Investment Disputes established by the International Bank for Reconstruction and Development of which the majorities countries of the world have sough memberships. It will however be appropriate that host countries should avoid confrontation on this issue. The best example in this regard of negotiated settlement may be of India and uganda. After nationalisation of trade and industry run by Indian in Uganda and their repatriation, the home country negotiated a compendation for them which is stated to be sufficient in offical quaters.

The jurisdictional issue for the operating area of foreign affiliates on account of the restrictions imposed either by the home country or the host country may also be settled amicably. If the host country imposes a restriction on the exports of its goods to some country, it should generally be respected not only by the foreign affiliates but also by the home government too. Similarly the restriictions of home country should also be respected by the host country generally.

The third and the most serious source of confrontation may be the extra economic object of home country towards host country either as a result of the policy of the home country or as a result o of the persuasion by the affliate of multinationals as in the eighteen and nineteeth centuries. It has been observed that multinational corppration have acted as the tool of their government in certain counties to hatch a political conspiracy which may perpetuate an atmosphere of chaos and strife either to weaken the government or even to topple it. This is by far the most serious crime against humanity which should be curbed by the international agency. If the involvement of any country in the political or economic disruption is proved, the international community should take strict measures against the erring government that it may set an example to be emulated by others.

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Source: Dr. N.S.Gupta, MULTINATIONAL CORPORATIONS, Pragati Prakashan, Meerut-250 001. 1978, pp. 29-41

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TRANSNATIONAL CORPORATIONS

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TRANSNATIONAL or MULTINATIONAL CORPORATIONS are an enduring phenomenon in the new capitalist restructuring of the world economy, they continue to raise novel and grave economic, political and socio-cultural problems for large sections of mankind.
CAPITALISM in its ultimate conglomerate phase is marked by its ominidirectional predatory qualities, its inherent and irreversible annexationist thrust. This article gives a brief introduction to TNC s their origin, spread and global influence ; tending to a unitary culture. The next despatch will carry the concluding article " TNC s and India" with a bibliography and some guidelines for group study.

I. Transnational Corporations (TNC S)

The emergence of a transnational economy is now a major feature of our time. The growth of TNC's may seem a recent phenomenon, its roots are in the past. Quite a number of big world groups were founded around 1880 - eg. oil companies like Esso and Royal Dutch, or engineering firms like McCormick - but others like I.B.M. for instance, date from 1920's. The world-wide expansion was achieved in three stages the first was prior to 1914 the second extended from the end of 1st World War to the crisis of 1926 and the third was post 1945. The crucial element in the phenomenon has been the change of scale over the past 20 years. Expansion that was limited to the exploitation of natures raw materials - of the mineral type like oil, or plant type like rubber and bananas and to heavy engineering or heavy-electrical equipment has now become a general movement. Multinational expansion has more or less actively filled the whole range of ecnomic and industrial activity. It has become essential in certain services (transport tourism, advertising, communications, minerals, metals and now in agri-business, nuclear, space and several areas of armaments). For the last ten years, in fact, it has unsettled the worlds Banking and financial networks. Under its various aspects, then it offers a complete and coherent system for organising activities.

A few statistics will reveal the importance of the T.N.C's. The leading 4000 odd TNC's account for 40% of total market production (in the capitalist countries); they employ several million people abroad and they are responsible for one-third of world trade.

Whatever the power of Nation-states, the TNCs contribution is essential from the economic angle, also very important is the social and political spheres.

Definition and Birth of TNC

The term 'transnational' or 'multinational' company is now part of current vocabulary but it is not without its ambiguity. In its most widely accepted sense it signifies an enterprise or group of enterprises whose activities are carried on in several countries. In fact specialists and international bodies like the U.N. distinguish between two categories of enterprises, depending on how internationalised their activities are. There are:- (i) the Transnational Companies with affiliated branches abroad that produce and sell goods, and do so under close control from the head office from one country. (ii) the Multinational Companies that are world oriented, whose sales and production operations, spread over several countries, are thought out and organised on a world-wide scale - the managers and capital coming from the whole group of countries in which the corporation operates. Drawing this distinction between the two types stresses the enormous difference between the small and large TNCs as regards their nature and importance. But in either case, the TNCs are not basically different from other enterprises. It is simply a company that has been led by its success to extend its activities abroad, since it has particular features of its own that give it a decisive and lasting advantage over its competitors, better organisation, greater dynamism and so on.

Only gradually does a company become transnational, and only in favourable conditions. The Transnational, as it grows goes through 3 stages.

1. There is a period of commercial expansion and limited industrial expansion. This stage is marked by the establishment of network of sales subsidiaries, depots and repair services and the setting of one or two production subsidiaries.

2. Then comes a stage of generalized commercial and industrial expansion with linking together of many countries, of a whole ensemble of relay-affiliates and work-shop affiliates, either specifically built or else bought up. The latter are often based on assembly ~~or processing~~ shops. It is only with development of the market and the acquisition of industrial experience that local production gradually replaces imports.

3. Finally, there may be a period of integrated world expansion, marked by the creation of regional commercial and industrial complexes run by Screen affiliates*. The TNC then tends to specialize its industrial subsidiaries and is led to create 'service' subsidiaries that have a financial or research function.

This ideal process does not always carry to its final stage. In practice only the largest groups (IBM, ITT, or Philips) get that far for completion of the final stage of the process depends on the utilization on a world-scale of the groups resources and growth potential and this requires a complex organisation at once centralized yet flexible. The transnationalization can sometimes be reversed should circumstances become unfavourable. Certain American companies, for example, ceased all international production after 1973.

The Spread of TNCs

In 1978 no sector of activity was really free from TNCs. The place the TNCs occupy, however, varies greatly. In general, an activity is all the

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* *The role of Screen-affiliates (G.Bertin) is that of directing and overseeing the operation of a whole complex of integrated affiliates at regional level.*

more transnational for being based on the exploitation of a rare product - some limited natural resource or technical discovery - or on large scale manufacture resulting in lower production costs. These two factors explain the concentration of activities among a small number of important world producers. While TNCs may crop up in other sectors their presence there is a limited phenomenon.

(1) Highly transnationalised sectors: in which more than 50% of world activity is controlled by a limited no. of groups (from one to twenty) that hold a dominant position - the following sectors in particular: Mineral production and research (oil, ores, seabed mining etc): certain vegetable products tea, rubber, tobacco etc): High technology products (calculators computers, microprocessors, electronics, fine chemicals, pharmaceutical products etc): Heavy complicated goods, (aircraft, cars, chemicals, heavy electrical equipment, paper. Also in the service seotors: Activities involving advanced techniques (telecommunications) or capital intensive activities (maritime transport), for example and more often with defense productions.

Moderately Transnationalised Sectors

In which, along side a small number of sometimes highly specialized world producers, there is important fringe of National producers - in light engineering, machine tools, precision tools, eletrical household appliances.

Sectors only slightly touched by transnationalization (less than 30% of total activity) where activity is only on a modest scale: farming produce*, building, the greater part of food and textile industries.

Such a classification is neither absolute nor unchangeable. Some sectors were transnationalized only recently (wood, publishing etc.) on the other hand, transnationalization of metal production has fallen off over the last ten years. The iron and steel industry, for example, has almost/had a always national basis, but iron ore production is highly internationalized.

The Origin of TNC's

Up to about 1970, it was American based companies that were most of all noted for transnationalization, and they still hold the front rank positions of the 1000 TNCs of European origin with 5000 affiliates, 40% are German, 24% British and 15% French, thus illustrating the importance of older industrial economies. But a good number of the largest TNCs began in 'small' countries that of necessity were open to the outside world: the Netherlands (with Royal Dutch, Philips), Switzerland (with Nestle', Hoffman-Laroche etc) the Belgian-Luxembourg union and Sweden all have scores of TNCs. The most recent expansion of all is also the most rapid, that of the Japanese TNCs for the large Japanese groups together control more than 2000 affiliates throughout the world

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* *See "U.S. food complexes and multinationa corporations" EPW Special Number 1980, page 1815.*

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The growing number of TNCs originating from countries, almost 150 today compared with less than 10 some few years ago, shows the movement is becoming general. The companies belong either to new countries or countries where industrialization is developing rapidly, (Canada, Brazil, Iran) or to medium developed countries (Spain and Austria). Finally, in a different context and on different foundations the movement is gaining ground also in countries of the East, where industrial groups are increasingly embarking on combined operations not only in the industrized but also in the developing countries. *

Transnationalization is no longer a simple phenomenon signifying American domination, even if the American TNCs power is still by far the greatest. Despite the most recent development, however, transnationalization is above all the fruit of the most advanced capitalist economics.

<u>The Diversity of the TNCs</u>

A composite picture of the TNCs is impossible due to their diversity of form and structure. They differ notably in their area of <u>activity</u>, their <u>orientation</u>, their <u>si-ze</u> and <u>nationality.</u>

There are <u>primary</u> TNCs which exploit natural mineral and Agircultural resources, and secondary TNC's which produce manufactured goods. The former look for long term control of natural wealth, and in order to reduce costs try to integrate the various stages of production. They need very stable operating conditions and access to resources 'centred' on a single product or be it many sided arn: anxious to establish their presence in different national markets under the best possible conditions. They are able to accomodate themselves to more changeable conditions and they often have a more flexible strategy. Those secondary TNCs are of two kinds: those that work for markets in which they are established and those though established in a particular country, work for export.

Despite such differences, all TNCs have in common a system of action based on the principle of aiming at the best performance possible. It involves the TNCs achieving high profits: this necessary for preserving and if possible, improving the corporations position over against its competitors, for financing research, and for remunerating schareholders and executives. The TNC strives to get the utmost from its resources and capacities at its disposal in the sphere of technique, financial means and manpower. It does so in a systematic way (i) by making use of the possibility of large-scale production (ii) ensuring free access to the whole range of means of production regardless of frontiers (iii) taking advantage of the differences in costs as between different countries, especially in the case of enterprises that produce in any one country for export markets and (iv) trying to control the basic markets.

The TNC, then, is able to take advantage of a world in which local situation show great contrasts and is able to profit from those very differences... But it is also able to develop just as strongly within entities that pursue policies of integration (the EEC, for example).

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*(1) *"FAIRCHILD Assembles an Asian Empire"*

.(2) *TNCs in Malaysia and Singapore*

For the attainment of its objectives a TNC in pratice needs <u>two conditions</u> to be fulfilled:. (1) <u>Freedom to transfer</u> from country to various elaments involved in production and (ii) a certain stability in the international situation. As the latter is not always what it would like, the TNC operates in a world of constraints with which it has to come to terms. Its action does not therefore always run in the direction of the goals proposed by other international agents in particular nation-states.

<u>The Socio-cultural Influence of TNCs</u>

Due to their validity and their widespread growth, TNCs have a profound effect on thought and organisation. Over and above local or national cultural differences, they have largely contributed towards the development of what may be called a life style, a way of looking at things, common atleast to the Western world and based on a few postulates connected with the principles on which TNCs themselves conduct operations. While TNCs are far from being the only agents responsible for the evolution towards a materialist consumer society (the American way of life) they do contrib-ute in several ways to the spread.

First , in its concern to ensure its continued existence and development the TNC tends to give priority to efficiency and profitability and essential criterion in its relations within the group, with consumers, with other producers and with public authorities. This logically implies attention to control of demand, rationalisation of conditions and methods of production regards for the ways consumers act etc. (in a subtle way also includes control of consumers tastes leading finally to research into forms of mind control etc.).

Secondly, growth depends on continued progress in the <u>consumption</u> of goods which satisfy the needs that have been suggested, stimulated and constantly reawakened. Sales development, essential for ensuring low costs and good profitability, leads TNCs to standardize production but also to a certain extent consumption.

Thus depending on the level of consumers' means tinned or processed foods or a demand for organised travel is promoted. "Create a demand and meet that demand". "Produce only what brings in the greatest profits and not what is the need of the people". "Produce things that become rapidly outdated or have limited life" (use and throw away).

This orientation inevitably calls into question old and local forms of behaviour, and implicitly challenges traditional cultural forms. It is difficult to preserve an archaic way of life when production and marketing is oriented towards promoting consumption or, indeed wastefulness.

With the success of a cultural schema, of American inspiration perhaps but taken up and spread by TNC as a whole regardless of their country of origin, there comes a cultural leveling, along with impoverishment of local values and their replacement by a world cultural model conducive for TNCs.

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CONCLUSIONS

TNCs, in the present form and in the present day world production system, do occupy an important place . These also happen to command huge financial , technical manpower and natural resources , They have access to a variety of crucial information for carrying out commercial operations , to their advantage on a world-scale.

TNCs also represent a culture , a philosophy and a powerful economic f force which can at times be manipulative and corruptive when it wants to obtain political and administrative favours . In brief , TNCs represent a giant force -- spreading its tentacles like an octopus.

In countries like India , oneview could be in seeking complete isolation from TNCs ; and the other to submit to the pressures of the TNCs . Both stances reflect extreme positions . Before taking a position, policy- makers need to examine more critically many of the claims made, and the merits associated with TNCs . It is for countries like India to equip themselves with more objective studies , so that ,while formulating policies , the essentials do not get missed-- as has been the case of enacting FERA (foreign exchange regulating act). This aspect will be dealt with in a forth-coming article "TNCs and India ".

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"When the forces of virtue rise one foot the forces of vice rise ten feet "

(a Chinese proverb)

TRANSNATIONAL CORPORATIONS

INDIAN CASE *paper II*

TNCs with very vast economic and technological POWER at their command, have little use for politics and even less for ideology . They seem to thrive in any political enviroment . TNCs belong to East, West and even the Socialist Blocs. Every group is represented in India. This paper attempts to bring together the facts related to this phenomenon in the Indian context. If nation States like India are not vigilant these Industrial Giants may pose a threat to the economy if not its sovereignity.

IN INDIA

India has been very much, of late, a subject of keen debate by groups who want to change the investment climate to facilitate the entry of TNCs, as well as those who express the view that TNCs are already entrenched and it will not be long before they deminate the economy.

It is a fact which cannot be disputed that the aggregate inflow of foreign capital in the corporate sector and industrial and commercial enterprises has been steadily growing. Further, the number of foreign companies in India has also increased from 890 in 1972-73 to 1136 in 1976-77.

The main thrust of foreign private investment through TNCs in India has been from the U.K., mainly because of the colonial past. As pointed out by J Ade

"the former control of politco-economic life of these countries by the governments of western countries has not ended, but merely been passed on to the MN investors."

Initially, the British companies were dominating the public utilities and mineral industries, and those areas of agricultural sector which provided raw materials for British industries such as jute, tea and rubber. Among the public utilities, the Railways provided the most important monopoly capital in colonial India. The total capital investment in 1938-39, according to the statistical abstract for the British India was Rs 8,478.2 million on which the return was Rs 359.6 million. In 1943-44 the capital investment was Rs 8,585.3Mn and profit was doubled to Rs 852.1 Mn.

Investment in other British companies operating in India totalled £ 300 Mn in 1929. On 30th June 1948, according to RBI figures, the total value of foreign business investment in India in manufacturing, mining, utilities, transport, trading, financial, plantations and other industries, was Rs 3,204 Mn, of which Rs 2,301 Mn (71.9%) were accounted for British business investments alone followed by US (Rs 179.7 Mn, 5.7%). The investment was both direct, ie, financial as well as portfolios (shares). Over the period 1948-55, the British investment increased and the main increases were in manufacturing and plantation industries.

The vast market, the low production cost and cheap labour tended to attract the British investment in manufacturing and plantation industries. The plantation manufacturing industries centered around cigarette, tobacco, food products, jute, coir goods, electrical goods, medicines and pharmaceuticals.

By the end of March 1970, branches and subsidiaries of foreign controlled companies held a direct foreign investment of Rs 7,350 Mn. At the end of 1972-73, there were 740 foreign companies operating in India, of which 538 operated as branches and 202 as subsidiaries of TNCs.

Origin	Branches	Subsid.	Affiliates
U.K.	320	140	--
USA	88	28	--
Switz.			21
Japan			18
W.Germ.			17
Sweden			14

ASSETS (Rs in Million)

Origin	1967-69	1972-73
U.K.	17,980	18,180
USA	5,270	5,420

Total of all affiliates: 29,22

ASSETS AND NETT SALES OF BIG TNCs
(Rs in crores)

TNC	Assets	Sales
Hindustan Lever	136	275
Dunlop India	104	146
Indian Explosives	77	76
Ashok Leyland	74	123
G.K.Williams	72	92
Metal Box	66	117
Peico electronics	60	80
Alkali & chemicals	48	46
Glaxo Laboratories	47	58
Siemens India	45	71
Motor Industries	43	71
General Electric	34	41
Bayer	29	42
Chemicals & fibres	26	16
Chloride	22	30

(MNC-Big Business, India-Today, Feb 1-15, 1981, p. 19).

If this increase is taken as a per cent of total assets, the increase of USA is significant and points to a direction when it would overtake British capital.

Total assets of 125 TNCs(branches & subsidiaries) have gone up from Rs 3154 cr in 1972-73 to Rs 4107 cr. in 1978-79! (this is excluding companies now "technically known as 'Indian Companies' because of FERA).

As regards the UK branches, the assets of 351 branches in 1969-70 was Rs 823 Mn which increased to Rs 10,840 Mn in 72-73 despite a fall in the number of the branches from 351 to 320. For USA, the branches has increased from 84 in 69-70 to 88 in 1972-73, and the total assets rose from Rs 2370 Mn to Rs 3500 million. Here again, the lead of USA is siginificant. Most of the investments went to manufacturing and processing sectors (Rs 13,480 Mn) in which cigarettes, petroleum refineries, medical and pharmaceutical preparations take the lead. Next comes trades and finance, accounting for Rs 11,580 Mn of which whole-sale trade & insurance company accounted for Rs 1,830 Mn.

New form of entry:
FOREIGN COLLABORATIONS

A new form of entry into Indian economy is being utilized by foreign companies because:(i) a higher profit through royalties and technical fees can be drawn on a lower rate of taxation; (ii) a fixed rate of interest on loans and credits for imports of machinery and plant is assured free of tax under certain provisions of the Indian income tax Act, subject to the approval of the Central Government; (iii) licences can be tied upto the purchase of raw materials, machinery and plant, spares from the foreign company or its associate at high cost; (iv) preferential access is gained to improvements made by the local licencee on the processes licenced; and (v) exports can be restricted to certain specified areas and companies so as to maintain the world wide hold that the foreign company has. In fact, unless the Indian collaborator is vigilant and exercises proper care in accepting the terms of the foreign collaborator as Walter Hamilton said, the relationship between the patent owner and licencee will fall into a kind of feudal formula of lord and vassal.

Upto the end of June 1977, there were 5498 foreign collborators in Indian industry (chemicals & drugs: 662; industrial machinery—other than textiles -759; electrical equipment & components: 705; transport equipment: 382).

In several cases, foreign collaborations have been entered into by a foreign company with its Indian subsidiary, so that the foreign company obtains both dividens and technical fees, apart from exercising other controls over the activities of the subsidiary as a result of the overall decision-making power that it possesses.

"Fortune" (Aug 1976) has listed 50 largest transnationals of the world. Of these 23 operate in India directly through branches or subsidiaries, or indirectly through foreign collaboration. Thus nearly half of the 50 world corporate giants are in India. If one takes into account the fact that the total sales of each one of these TNCs are higher than the annual budget of the government of India, one can gauge the power and strength of these companies in any bargain that they may choose to make for extending or curtailing their activites in India. There are other foreign companies operating in India, outside the UN classfication of TNCs, but are nevertheless, operating in significant sectors of the economy.

TNCs in Consumer Sectors

The impact of the TNCs products on the daily life of the average middle-class town dweller is so pervasive that one hardly notices the degree of his enslavement to the foreign products. His entire life is caught in a web of foreign products, through they are manufactured in this country under licence from foreign companies. It is difficult to get away from the style of life so well regulated and aided by these TNCs products. This also shows the measure of influence these big companies have exerted on the economic & cultural life of this country. For example, Colgate, Nescafe, batas, terene, dunlop, erasmic philips, surf, glaxo baby food, etc are a few of the trade names that influence us much more than we are sure of...

Economic Effects

The total foreign investment in India has been on the increase as pointed out earlier. But the trend, of late, has been to lessen the risks and increase earnings through foreign collaborations. Nearly 5,500 foreign collaborations have been approved by the Govt. of India for both public sector and private business during 1968-77 covering corporations or state undertakings of more than 20 countries. According to one estimate, 750 Indian organizations were linked to foreign companies with total assets estimated at Rs 2,535 Cr. (Patriot, 30 May 1977).

The actual direct foreign investment through TNCs in the form of paid up capital loans etc., was estimated in 1978 to be around Rs 1,800 Cr, which is roughly 8% of the total investment in the corporate sector, both private and public. If a total view is taken of moneys brought in and moneys taken out it would be seen that over the period 1964-65 to 1969-70, there was a nett outflow of foreign exchange of Rs 684cr. which definitely affected the balance of payments position then. Imports of subsidiaries alone amounted to Rs 749 cr against the exports of Rs 248 Cr. resulting in a nett out flow of Rs 510 cr. In the case of total exports and imports resulting from technical or financial foreign collaborations, the total exports amounted to Rs 901 cr. while imprts by TNCs amounted to 1/5 of the total Indian imports, their exports formed only 1/8 of the total Indian

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exports. Streeton and Lall had shown that 48 foreign companies operating in India has a negative impact on foreign exchange balance, It has been stated in Parliament that in the case of IBM and Coca Cola, there has been a nett outflow of foreign exchange.

Metal Box with a turnover of Rs 54.80 Crs exported only Rs 14,000 worth of goods in 1975. Pfizer reported a sale of Rs 26.02 crores, and export accounted for only Rs 62 lakhs. Hindustan Lever had exported goods worth Rs 5.92 lakhs, while they had a turnover of Rs 227 lakhs. In 1978-79 the same company reported a turnover of Rs176 crores, and exports of 32 crores, though they exported only Rs18.11 worth of their own products!

Disguised remittances were also made on account of what is known as Head Office expenses to the extent of Rs 4.21 crores, whereas profits remitted by way of dividends was Rs 5.88 crores. IBM had remitted 78% of its income as Head Office expenses while a TNC bank remitted 70% of its income as Head Office expenses!

Therefore the TNCs have yet to demonstrate that their activities in India are calculated to help this nation to increase its production in the desired sectors of economy and that their contribution to export earnings is significant and real.

Diffusion of technology and training people in modern managerial skills is claimed to be the second advantage of TNCs. Here again, the operations of TNCs in India have shown that they extract a very high price for transfer of technology, which, moreover, is only a third-line technology. Even that transfer is not the appropriate technology suited to the needs and requirements of this country.

As regards labour relations, the international labour organisation has been repeatedly pointing out the disparity in strength between TNCs, with an integrated financial and managerial control and the labour unions dispersed over many countries. In a paper submitted to the ILO (Statesman, New Delhi, 8 Dec '76) it has been found that a majority of the millions of workers who produce the most widely used products, such as rubber, sugar, tea cotton or coffee, earn less than $1 a day in developing countries which supply these products to industrial countries. Many of these companies pay less than Rs 4 per day in India! Another phenomenon is the massive exploitation of casual/contract workers in collusion with some labour unions. In tea plantations, besides paying low wages, overcharging of company supplied products and services between 25% and 60% over that of city prices is common. It also reported that their children remain undernourished, uneducated and potential victims of all kinds of diseases.

It was stated earlier that very little capital is actually brought into the economy by foreign companies when they enter the developing countries and a very significant part of the direct foreign investment consists of retained earnings. In India this is most pronounced.

For 1972-73, nett equity brought in was only about Rs 5.6 crores, wereas Rs 6.4 crores was taken out!
For 1973-74, Rs 17 crores was brought in as against 16.2 crores taken out. The nett investment brought in as the retained earnings for the above two years amounted to Rs 70 crores.
(See RBI bulletin , India's international investment position, 1973-74 , March 1978 p.170-7.)

Unless controlled Chomsky warns that the " rise of Super national Corporations pose new dangers for human freedom."

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TRANSNATIONALS AND CONSUMERISM

The impact of transnationals on the Thrid World countries is very great. This is so more specially in the countries of Latin America and on some countries of Asia like the Philippines. In those countries the impact is at the maximum and pervades the entire life of the people. In this article by two Philippinos, both of them professors of psychology at the University of the Philippines, the influence of the multinationals on the taste and culture of the people is being studied. This study will help people in India to grasp better still the role of the multinationals in their own country.

IMPACT ON FILIPINO TASTES AND VALUES:

One may be tempted to leave all about transnational corporations (TNCs) to the economists, as the processes and their consequences are largely economic in nature. However, TNCs make a socio-psychological impact on the people of host countries which economists tend to overlook. This discussion focuses on the effects of TNCs on the values, habits, thinking and social status norms whilethe economic aspects form only the backdrop of the picture.

Transnational corporations are characterised by several features, the most obvious being the tremendous size of capital, sales and income. To qualify as TNC, a corporation must have a capitalization approxmating US $15 million,[1] with gross sales reashing the same figures. They have subsidiaries and affiliates which are scattered world wide. Based in the advanced capitalist countries from where central control is exercised, the TNCs possess a distinct global nature which sets them apart from the ordinary business organizations which are local, independent, and national. The TNCs are also known as multinational or global corporations.

A study by Tsuda, Tiglao and Atienza[3] reveals that there are 250 TNCs operating presently in one comparatively small south Asian country, the Phillippines. Of these, 122 are American 96 Japanese, 12 British, and seven others based in Germany and elsewhere. From these 250 TNCs originate some 356 so called Philippine enterprises 171 of which belong to the top 1000 corporation in the country in 1976.

Most of the TMCs operate in the industrial sector particularly manufacture of food and drugs, petroleum-refining, automobile assembling and supplies, machinery and so on. They are entrenched in the banking and finance sectors. Of the ten investment houses in the Philippines two are fully and the rest partly owned by foreign investors and banking. TNCs of the US, Japan and Europe[4].

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Dominating nearly every sector of the Philippine economy foreigners parctically dictate to the ordinary Filipino what to use every hour of the day. The Filipino uses soap manufactured by Unilever, Procter & Gample or Colgate-Palmolive; takes medicine produced by Muller-Phipps, Bristol-Myers, Wyeth-Suaco, Mead Johnson, Warner Chilcott & Abbot; drinks milk manufactured by Sanna, Inc., Nestle SA., Vevey, Carnation Co. or SC Johnson Co., and desires to wear clothes made by Bargain House, Gucci, Levi-Strauss and Co, Christian Dior Paris, H D Lee co., Amco, Wrangler and others.

Giant enterprises such as Pepsi. Cola, Coca-Cola, Del Monte, Dole, Shell, and Toyoto are so intimately related to the lives of the Filipinos that they create a greater impact[5] than on the peoples of such countries as Peru, Bangladesh or Nigeria.

This is equally true for other Asian countries like Indonesia and Malaysia. In Malaysia. for example, a study on consumption expenditure of female electronic workers showed that many of them spend a good portion of their small income[6] on TNC products such as tendy clothes, consmetics and entertainment.

PROCLAIMED BENEFITS:

One of the proclaimed benefits of the TNCs is economic growth and development from which flow other blessings: higher living standards; improved quality of life, better educational facilities, and more employment opportunities. Do TNCs really bring these about?

The Gross National product (GNP) of the Philippines in 1977 was 10.5 billion US dollars. The earnings of one corporation, the Exxon (formerly Esson) in the same year was $54 billion or five times the Phillippines' GNP. Indeed, the TNCs are richer than their host countries. As cartels with all the advantages of exporters of capital goods, TNCs purchase raw materials at every cheap prices from the host country. Superprofits derived from these operations go either to the parent company out of the country or are shared among the members of the indigenous socio-economic elite who control the economy and politics on behalf of the TNCs. Draining away the natural resources this unequal trade is definitely useless to the host country.

Transfer of technology, another advantage attributed to the TNC operation, does not uplift an underdeveloped economy. The technology transferred is often obsolate or inappropriate. Indigenous technology is given no chance to develop. All this leads to faulty planning based on capital-intensive technology which in turn results in increased dependency.

TNCs promise employment. Unemployment has long been the bane of underdevelopment. With the advent of TNCs, hopes were raised of an end to all unemployment. But what most people did not realize was that the TNCs are capital-intensive, using large amountrs of a capital rather than reserves of unemployed labour. In addition, the high unemployment rate makes labour cheap and reduces labour costs. In 1975, Bock and Harvey found that a labourer is paid one dollar for work that is equivalent to 3.65 dollars, illustrating that but for the small share that goes to the local elite, the surplus goes out of the country.[7]

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Where TNCs dominate, trade unions are either weak or non-existent. Malaysia's electronic industry has no trade unions worth the name. An ordinance prohibits a worker from joining a union unless he or she had worked in that particular industry for over three years. Very few do. The high labour turnover rate due to the flexibility with which TNCs decide on where to increase or decrease production accounts for the weakness of the labour unions. The ban on strikes by restrictive laws as in the Philippines, is another factor responsible for the weak bargaining power. Such anti-union policies in fact are supposed to attract TNC participation in the economy.

ARTIFICIAL WANTS:

Since there used to be little or no organized market structures in development countries prior to TNC penetration, the developed countries began to create a market, establishing structures similar to those in developed countries. Catchwords like modernization and urbanization were used to describe schemes for imposing new types of consumer habits. Impact-advertising or hard-sell propaganda was employed to create false wants.

Far from meeting the basic needs of food, clothing and shelter, Third World people are increasingly being led to a kind of "product trap". To illustrate: while the existing economic situation prohibits people from owing high-costs luxury goods, impact-advertising generates wants for these items: even a poor fisherman starts nursing desires to have a colour television in his home. These wants are a warped and contrary to the people's well being. The priorities, then, are so distorted that satisfying these wants are intimately linked with the operations of TNCs which market products and services that do not contribute to economic improvement of Third World countries. The cultural weapons used in the process are evidently persuasive and have become so institutionalized as to be accepted as legitimate.

It is no more craving for TNC products. A neurosis of wide social dimension set in, generated by urges to adopt the lifestyles and albeit poorly, to ape the food and dress of the West, Characterized by a craving for flashy cars of the latest model, clothes of the latest design, supermarkets, fastfoods, luxurious appliances and the like, this is a sickness of capitalist origin. To satisfy these wants is beyond the means of ordinary citizens; nevertheless, their minds are so conditioned to the reality of those wants that they consider these things as pressing economic needs. This new lifestyle is wasteful and quite inconsistent with social reality. Aspiration to improve social status through acquisition of TNC products assumes such power that hire-purchase instalments and loans pile up.

Human behaviour is greatly influenced by TNCs. Creative energies go to waste in such activities as new hairstyles or dress designs and not in the cultivation or propagation of a national culture. Witness, for instance, writers with literary potential racking their brains for lines to go into an effective advertisement copy. Indigenous cultural progress is stunted, human productivity is wasted.

Let us now look into some of the values imposed on the Filipinos and the impact on their behaviour.

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WHITE IS BEAUTIFUL:

Many TNCs cater to women. Among other things, women use cosmetics and fashionable clothes that are supposed to enhance good looks. And how is a beautiful woman defined? "White is beautiful". An attractive lady is one who is tall and fair-skinned, with round, deep-set eyes, aquiline nose, and thin lips. During the Spanish era in the Philippines, this corresponded to the Virgin Mary type of beauty.[9] The American counterpart is the Hollywood film star. This is one of the values perpetuated by the TNCs, as displayed by their models who are usually Caucasians. Day in and day out, we are bombarded with commercials that say the same thing, giving the same definition of beauty.

What is the effect of this kind of value on the mentality and behaviour of an average Filipina, who is not fair-skinned, but morena kayumanggi, or has brown complexion? Her eyes are not round and deep-set; in fact, there are more Filipinas with chinita eyes, similar to the chinese. Her nose is not aquiline, nor is it flat, but just the right size for her small face. Her lips are not thin or thick but simply malaman "full of sensuous".[10] She may not be tall but tall enough for her Filipino partner. However, she does not realize these. Due to her adherence to a false notion that "white is beautiful", anything that is not white is criminally ugly. A national inferiority complex is there imposed. There is a deep-seated, yet unconscious "conviction" of being an ugly people, not worthy of being seen or too plain and simple to be noticed. A concept of beauty is formed to which they feel like misfits.

So what does the Filipina do? She would spend half of her salary or allowance buying expensive, facial foundations and eye-shadow to cover up her natural features in order to approximate the Western picture of beauty, and also to measure up to bourgeois standards. A few women would even spend lavishly on surgery abroad to have their eyes or nose "repaired". They also dye or streak their hair in order to look like television commercial model.

This is one of the most ridiculous and destructive expressions of colonial mentality. This value betrays an idiotically superficial view of beauty. It diverts people's attention from the true meaning of beauty which is beyond physical features, but which can be found in the goodness and dignity of a person.[11]

Why would the TNCs want to propagate such a concept of beauty? The answer seems clear: in order to turn people into avid patrons of their products. A value like "white is beautiful" has helped to create a national inferority complex reflecting a destructive colonial mentality and a very superficial mind. Moreover the value is based on an artificial want that supports a foriegn economy.

SOCIAL ACCEPTABILITY:

TNCs also impose a wrong criterion of social acceptance. You are not part of the group if you have body odour, pimples, dandruff or bad breath. You will be "in" if you patronize these TNC products, and "out" if you dont. At the same time, some other concepts are derived like "class", "cultured", and "baduy". "Class" means youve with the latest fashion, cosmopolitan. "Cultured", means you possess an air or finess, sophistication and urbanity. A "baduy" is one who has provincial mentality, who does not know the right thing to

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to say at the right time because he lacks experience in interacting with people. This is a very materialistic view of social acceptancewhich values the superficial cover rather than the finer inner abilities and qualities of a person. What will a person not familiar with Philippine culture think after being exposed to the advertisements in the mass media-that the Filipinos measure a person's worth by the freshness of his breath, the smoothness of his complexion or the absense of dandruff from his scalp.[12]

A false hope for good and easy fortunes is instilled in the minds of consumers through gimmicks like "A Trip to Disneyland", "Win A House and Lot", raffle draws giving away fabulous prizes like cars, appliances, groceries, and other items. The poor consumer who gets stomach ulcers drinking bottles of softdrinks, who buys and stores soap so that the packs can be dropped in raffle boxes, would just wait for his good fortune which usually does not come for 99.99 per cent of the patrons of these consumer items. Instead of earning money the hard way, even if consecutive efforts at joining these contests have failed, they would still try, becasue even before they have fully recovered from the effects of thesd gimmicks; another one immediately follows to raise false hopes again. Attention is diverted from the more urgent questions of why a person is suffering. Who exploits the person, and makes one passive to the worsening social conditions. A solution has been presribed for poverty: buy a particular product and then sit and wait for the pay-off. This is nothing more than a debilitating sickness of relying on chance.

A sense of admiration for companies that sponsor such projects is even cultivate. They are looked upon as individuals who would share their fortunes with the less endowed. Peopke tend to feel beholden to these companies for whatever little luck or benefits they receive from them. Little do these mesmerized people realize, however that the prizes are not really free since they are paying for these prizes themselves when they buy products that allow them to join the product promotion compaigns. By generating sales in the process, the companies cannot at all be the good samaritans that their ad agencies would like to advertise. Contest participants actually subsidize their own winnings and this is sheer exploitation and dishnoesty.

Beauty queens, movie stars and celebrities whom people admire are used as models not only for beauty products but also for advertising appliance, food itemes, clothing and drinks. A pattern of modelling is naturally expected. By their mere media exposure, it is hoped that the public would imitate their ways and would avail of the products they advertise.

EDUCATIONAL SYSTEM:

People are made to believe that close family ties can be enhanced with the purchase of products for family consumption like soft drink and noodles, soap, shampoo, cars and gas ranges. This is not so, because close ties are nartured in an atmosphere of love, selflessness, and concern for the other person.

Children are easy prey to the gimmicks of impact-advertising. Instead of proper, adequate and nutritious food, children and adults a like would rather have junk foods like barbecue curls, potato chips or chicharon for snacks. Children fall for TV programmes showing cartoon, Sesame Street and the various robot shows like Voltes V an

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Mazinger Z. Moreover, they could nag their parents to buy items that resemble the characters in these shows, products that are sold at exorbitant prices. Poor parents, in wanting to please their children, would save up and stretch their budget in order to buy these products.

And what values do these and other TV shows reinforce: Violence in the guise of robot play; prejudices against certain races of people; belief in police and spy agencies as the only successful crimefighters. Quite unconsciously, the conditioning and brainwashing start at a very young age as they watch television shows and movies. The belief gains ground that the white American is the superior race, which is also taken to mean that other races are inferior. Obviously, such values and beliefs do not make for national pride.

The educational system has not escaped the effects of TNCs. In some Philippine universities there are cources which are considered 'marketable' and 'non-marketable'. Among the marketable courses are business administration, tourism and psychology. Why are these marketable? Becasue these are courses that will land graduates in white collar job in large, mostly foreign-owned, corporations.

The system of education does not help improve the life of the broad masses of the people. Through this education, they are detached from the native culture and value system. The terms 'scientific', 'objective' and 'technological' are overemphasized to such an extent, that anything outside is not considered useful. Therefore, one cannot expect a person from the barrio who finished a course in tourism to go back to serve his people.

A close examination of a curricula course content will reveal that most of the knowledge imparted fails to make one understand one's own country better. According to Filipino historian Renato Constantino the existing educational system does not aspire for and encourage nationalsm.[13] This orientation, indeed, has a historical background. No one can forget how three different powers have colonized the Philippines, and how the influences of one of them is still greatly felt even up to this day, Constantino uses the term "miseducation" in referring to the past and present education.

HUMAN RIGHTS:

When speaking of human rights, whose rights are we referring to? Obviously, not the rights of the managers of the TNCs but those of the Third World people whom the TNCs have come to victimise: small farmers, fishermen and minorities who are forced to have their lands (and seas) for the sake of so-called industrial projects; the urban poor who have to give way to the onslaught of urbanization and modern technology; the consumer of TNC products.[14] Profits are given precedence over human rights by the corporations.

All along the western technological path to development, factories and industrial plants have been built right and left. Hydro-electric dams have been constructed to provide cheap electric power. In the process, thousands of families have been displaced from ancestral lands to be relocated to places far up in the mountains, or lands which will take years to cultivate. The psychological effects of relocation may seem to be simply an adjustment to a new place but may in fact be as grave as the loss of the will to live. Resistance to these moves are not few, but they are not powerful enough to make their proponents give up particular "development projects". The cost of industrialisation in case like these includes the loss of lives, the frustrations, and violations of the human rights of those people to live a decent life. Demolitions are also prevalent in the urban areas. Urban poor communities are demolished and the people are usually relocated to places without adequate water supply and far from sources of employment and livelihood.

Thousands of Indonesians have been uprooted from the lands which sustained them over the years in their ancestral abode. They are transported to live a new life with a different set of values in place where the new social organization and new economic structures makes them ill at ease. Those who manage to survive, do so by adopting extreme individualism, quite contrary to their former values, but rational in the new circumstances.[15]

Other dangers posed by TNCs are environmental pollution and oil shortage. The industrial sector where TNCs are deeply entrenched consumes a much bigger percentage of oil supply and yet it is the public sector which is nagged to conserve energy and fight pollution.[16]

CONCLUSIONS AND RECOMMENDATIONS:

Operation of TNCs are so extensive that their impact is not only economic but also socio-psychological. Through impact-adverstising the Filipinos continue to fall prey to the TNCs. In view of the above analysis the following recommendations are proposed:

1. Organize an intensive information dissemination programme that would reach a large number of people from as many sectors as possible to expose the effects of TNCs and to stop further deception in the process. This programme may consist of distribution of printed materials, sponsoring and holding of lectures and slides presentations.

2. Carry out more intensive research so that empirical data can be provided to support existing information.

3. Create a coordinating body that would direct all efforts against TNCs. We propose an Institute on Transnational Corporations.

4. Suggest to the governments to intensively weigh and analyse the real effects of TNCs.

This paper has rasied a number of issues. In analyses like these psychology is making itself relevant to social problems,. It has always been suggested that psychologists should come down from their ivory towers and open their eyes and use their skills in the solution of everyday problems, big or small. Social scientists by virtue of their objective to understand man own such a responsibility to society. The solution may not lie in their hands, but somehow they can be instrumental in unveiling the real roots of the problems.

Cross-cultural studies have to be undertaken. This paper illustrated the experiences of the Philippines. As an underdeveloped country, it has a lot in common with other Third World countries.

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who are victims of TNCs. If data on the socio-psychological impact of TNCs on countries like India, Malaysia, Indonesia, Singapore, Korea and Thailand can be properly documented, there will be a useful literature, which can be built up. Some tentative answers can be found as to why people from the Third World think, feel, or act in certain ways.

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For Private Circulation

TNCs Impact on the Third World

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The TNCs are continously moving
from one production process to
another, routing labour-intensive
traditional workshops only to re-
appear under a different signboard
either in trouble-free European
State or in a less developed
Third World Country overburdened
with labour -- CHEAP LABOUR.

CANNOT EXPECT A BETTER TOMORROW :

Mounting unemployment, endless lock-outs, reorganisations and rationalisations, dubious tactics of corporate merger and multilateral tie-ups, rising industrial sickness, a constant reduction in spending power, systematic attacks on whatever remains of democratic rights, virtual absence of workers resistance: all this forms the background of the industry scene as it is today. The situation looks equally gloomy for the villagers -- in fact they are worse off. With industrial stagnation reaching an alarming stage, the hinterland -- both in terms of the globe and individual underdeveloped countries -- cannot expect a better tomorrow. The Manufacturing companies, more precisely the big ones, have undergone drastic changes in their style of functioning during the last two decades or so. They look almost transnational within the national boundary.

INTERNATIONALISATION OF CAPITAL :

The workers in the West are today facing growing internationalisation of capital which in real terms means dissolution -- or in most fortunate cases - shifting of different departments of a plant or export of the plant altogether. The TNCs are continously moving from one production process to another, routing labour-intensive production such as textiles and some aspects of the electronics industry, closing the traditional workshops only to reappear under a different signboard either in a trouble-free European State or in a less developed Third World country overburdened with labour - cheap labour. Interestingly, the capitalist West prefers "COMMUNIST" East Europe to heal the wounds inflicted on it by organised labour.

In this connection, Charles Levinson, general secretary of the International Chemical Workers' Federation has told a fascinating tale of how TNCS are becoming increasingly influential in the eastern "COMMUNIST" economy in his otherwise provocative title VODKA COLA*. How Itlay's Fiat is planning enormous plants in Eastern Europe at the cost of Italian car-workers' is self-revealing. The Italian Communist Party has no answer to this phenomenon -- th [illegible] cerests of the Fiat bosses coincide with those of the communist brotherhood of Italian variety. The TNCs have made the Arab Sheiks and the Isreal shylocks shake hands and talk to each other on how to invest more and more in the capital starving world. The days are not far when TNCs will make their presence felt, if they have not already done it, even in the Soviet Union, according to Mr.Levinson. In short the West is penetrating into the East and vice-versa, cutting across ideological barriers.

THE TNCs DISEASE AND THE WEST :

The disease that has infected the West is called plant-closure one firm after another is being sold out involving massive elimination of jobs. TNCs have such a vast net-work of production activities that a few closures in West Germany or in France make little difference to their average returns. They are always after tax rebates, more rebates, concessions and cheap labour.

True, the planned shutdowns are definitely radicalising even the most "backward" workers of West Germany where they have just begun to challenge the authority of TNCs -- Churches are coming forward in support of them -- but an all-embracing resistance strategy is yet to emerge. Right now they are demanding shorter working hours thereby trying to keep the existing level of job potential from further sliding down. As they cannot get new plants under the East-West detente, unofficial though, this seems to be the only way out for creating a few jobs. The flight of capital from the highly developed ones and rationalisation of production process at a pace faster than that the workers can cope with have created havoc. Here is the latest TIE Bulletin :

> "In Germany's Rhine-Main area, there were six vacant jobs for every unemployed person in 1971. Ten years later, there is only one vacancy for every four jobless. The forecasts for the Frankfurt area vacillate, but predictions indicate a loss of 30,000 to 80,000 jobs by 1985. Eeven if these forecasts are no more than a projection of old data into the future -- thus being as questionable as they are optimistic -- they nonetheless indicate an alarming trend for employees in factories and offices.

It has become clear, since 1981, that in Frankfurt, a city of commerce and banking, declining employment in industry is no longer balanced by growth in the service Sector. On the contrary, rationalisation in the federal railways and federal mail, as well as in trade and in the banks will mean a drastic drop in the number of employed."

WORKERS SOLIDARITY : EAST AND WEST :

In a way Indian States today resemble Europe in reverse. Here they are migrating from Calcutta to Bangalore via Bombay and the process coupled with increasing rationalisation invariably increases the number of [illegible]. In West Bengal alone 399 units had been closed and seven had shifted to other States during the past five years. Of the closed establishments, 143 will never open, the fate of the rest still hangs in balance. All other States suffer from a similar industrial bankruptcy -- only the degree varies from place to place. Labour neither in Calcutta nor in Bangalore benefits from this in the long run. But the industrialists -- have the whole world to win they get subsidies, sometimes they demand subsidies for a plant that might not take off at all. Differing State Governments irrespective of their colour bias are vying with one another in wooing the captains by offering them a better haven. The situation has reached such a pass that even some traditional cottage industries, namely, coir and cashew, are shifting from Kerala to Andhra Pradesh -- an island of low wages. The Beedi manufacterers and tobacoo merchants in West Bengal went on strike on August 30-31 in protest against the upward revision of minimum wages long overdue. If the CPM-led Left Front Government tries to enforce the law which, of course, it does not -- they might down the shutters, rather transfer the operations to neighbouring Orissa, thorwing out some 1,50,000 workers, mostly women (80%) according to Mr.Chandrakant Patel, President, Calcutta Biri Tobacco Merchants Association, an afficiate of FICCI, the trend-setter. The European disease seems communicable.

Look at GKW, a London-based multi. Its Howrah plant has been under lock-out since July 12. Some 6000 odd workers are experiencing a nightmare for the first time in 12 years during which there had been no large-scale shutdown. Why this lock-out ? The company did not face any liquidity problem in yesteryears -- it cannot be a problem for it for years to come. They blame it on labour. Asked the established labour leaders who nowadays oppose even a minor protest demonstration, presumably to appease the barons, cannot recall such "nasty things" as agitations.

But immediately after declaring lock-out of the factory, the GKW management entered the capital market with a bang. They are now mopping up resources at lucrative dividends for their expansion programme in Nasik, Bombay and Bangalore -- if the situation so demands they will start a workshop in Hyderabad too, it is said. Given the circumstances, the locked-out unit of Howrah may have to cut back production at least by 60 percent in the near future, according to some insiders. This cannot be done without reducing the existing jobs. So a lockout to gain bargaining strength.

The question is how to brave the situation. If the workers fail to keep their jobs at one plant, the recruits at the new plants created by way of flight of capital will have to face similar consequences soon. Can they demand reduced working hours ? They need alternatives - alternative slogans, otherwise they will continue to cry out without sounds.

VODKA COLA* - By Charles Levinson (£ 4.50) Distributed by Biblias, Glenside, Partridge Green, Horsham, West Sussex, RH 13 8LD.

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INDIA AND THE MULTINATIONALS

VP ARYA

There seems to be an undercurrent of antipathy towards foreign investment based on the mistaken impression that it dominates the country's economic scene, says the author, who is the resident director, Union Carbide India Ltd, New Delhi. This article first appeared in the December 1977 issue of India Management published monthly by the All-India Management Association, New Delhi.

The Multinationals are comparatively a new phenomenon (although as far as India is concerned, the East India Company established in December 1600, could be called an archetype). They are, more or less, a post-world war development and have emerged, whether for good or not, as the one form of international economic organisation that seems to survive and prosper in spite of continuous attacks from home governments as well as the host countries, the trade unions, the ILO and other agencies of the UN, as to their role. Their rise to dominance has been swift and startling and the enormous resources of technology, capital, managerial talent, and man-power at their command have created suspicion apprehension, and antagonism against them. They have become the subject of acute controversies, supported by some as an obvious and desirable instrument for transfer of these resources from development to developing countries, for mutual benefit, and detracted by others as vehicles of exploitation.

GENERALISED DEBATE:

The debate and controversy as to the role, impact and desirability of multinationals in the Indian economy has been carried on in India too. But, generally this debate is carried on with vague and generalised statements charged more with emotion than with logic: an examination of the issues involved factually and dispassionately would, therefore, be useful.

The first and foremost question is, whether we need foreign technology and investment or not. On foreign technology the answer would obviously be in the affirmative. There is no country in the world, including the advanced countries, which is self-sufficient and does not import technology. In India, given the constraints of indigenous research, the compulsion to import technology is obvious. As regards the need for foreign investment, the answer is, however, not so simple.

Foreign capital for developing country like ours may be needed for reasons of balance of payment, and to supplement domestic resources for investment. In the current India context need of foreign capital is no longer that important in view of the more than comfortable foreign exchange reserve position. But as a supplement to the domestic savings, investment inflow of foreign capital (by way of grant of soft loans and private foreign investment) seems to be of great necessity.

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REQUIREMENT OF GROWTH:

In terms of per capita income, India is one of the poorest countries and has 20 million unemployed. The Janatha government has stated removal of poverty and unemployment in 10 years as one of its objective. Achievement of this objective requires a rate of economic growth of 10 per cent. But, according to economists, even for a modest economic growth of say six per cent we need a rate of domestic savings of 20 per cent of G[illegible] rate of domestic savings is stated to be around 14 per [illegible] .[illegible] crores. This leaves a gap of Rs. 4,[illegible] crores [illegible]. Can this be filled by inflow of foreign capital? In the [illegible] 76-77, the total inflow of foreign capital, comprising foreign aid and private foreign investment amounted to Rs.1,8000 crores only (of this roughly Rs 1,200 crores was used for debt servicing, leaving a net foreign aid of Rs.600 crores) while total private foreign investment amounted to an insignificant Rs.30 crores only (including reinvestment of retained earnings).

These figures establish the enormous capital need of the country, and that inflow of all forms of foreign capital should be welcome. A section of economists prefer foreign aid by way of grants/soft loans to private foreign investment for the reason that grant/soft loans are cheaper. But wisdom of too much dependence on grants/soft loans is doubtful for reasons which need not be discussed here. The need for a substan tial private f reign investment is thus aspects of such a need, its qualitative aspects cannot be lost signt of becasue such investment comes in a package, bringing along with its technology and management skills. But we seem to have developed psychological inhibitions regarding such investment.

STAGGERING SIZE:

The genesis of such inhabitations can be traced to the suspicions and apprehensions which multinationals arouse. What has been alarming to the developing countries is that the staggering size of these 'economic monsters' and their capacity for misdeeds. For example, the International Telephone and Telegraphs which has more than 100 subsidiaries and affiliates operating in about 70 countries, is virtually an empire richer in assets and manpower resources than some of the countries in which it operates.

There have been other instances of multinationals' misdeeds, particularly in Latin American countries.

Unfortunately, on the basis of such limited and partial experience generalised impressions have been forme and a marked antipathy has developed amongst most developing countries towares them, To remove the misgivings about their operations, several multinationals have developed their own code of conduct for their transnational operations. And , in response to the critical, if not always hostile, criticism from business, trade unions, and government, both domestic and foreign a code of conduct dealing with all the social, political and economic aspects is also being developed by the UN Commission on Transnational Corporations.

As far as India is concerned, we have a followed a policy of selective admission of private foreign investment and have sought to discipline their operations althrough formal and informal regulations

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now mostly codified in FERA. Provisions of FERA apply to new foreign investment as also to foreign investment already in existence. To the latter apply two other regulations whose main thrust, alone with FERA provisions, is towards dilution of foreign equity holding, one relating extent of dilution to size of approved expansion plans and the other to borrowings from financial institutions. FERA and these regulations set the framework for operation of foreign enterprises in India. They appear to be, more or less, well defined but in their application there have arisen several areas of uncertanity and ambiguity, which, unfortunately, the government does not seem to be in the great hurry to remove, and which continue to act as irritants to foreign investors.

This part, there seems to be an undercurrent of antipathy, some-times obvious and sometimes not so, towards foreign investments, generally based on the mistaken impression that foreign investment dominates the country's economic scene and that the financial cost of foreign investment (by way of remittances back home) is greater than the financial benefits. Empirical evidence shows how erroneous is this impression.

The facts are that against a total paid up capital of Rs 5,400 crores of all companies registered in India, the total paid up capital of foreign subsidiaries and minority companies is only Rs260 crores or less than five per cent, that on an average dividend remittance of these companies as percentage of their net worth does not exceed 3.5 per cent and that the total of their remi-ttances back home by way of dividend, royalty payment, collaboration fees and other expenditures, as a percentage of their foreign exchange earnings averages around 30 per cent. These facts, even if we omit to take into account a good many other aspects of foreign investment such as taxes paid to the government (generally four times the net profits earned), technology and managerial transfers, employment creating effect, domestic purchasing power produced and imports substituted, should belie these mistaken impressions.

Given India's democratic set up, political stability, an alert and vigilant civil service, legal framework for foreign investment, and past experiences, we should have no apprehensions as to the possibility of multinationals dominating the economy of the country or subverting its economic and political system, and their utility in the correct perspective. Let us not put on ultra-nationalist blinkers and fail to see what is in the interests of the country. Hard economic realities should, as a matter of fact, induce and motivate us to seek out priority industries rather than adopt a passive (sometimes even indifferent) attitude towards such proposals from foreign investors.

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SOURCE: VP Arya, Eastern Economist, February 17, 1978. pp. 292-293.

TNCs IN INDIA

Those who have been wrestling from day to day with the problem of India's development surely feel perplexed at times by the presence of TNCs and their linkages in both the private and the public sectors. The main entry of foreign private investments through TNCs in India has been from the U.K. mainly because of the colonial past. As pointed out by J. Ade Dyalal, the distinctive feature of foreign investment in underdeveloped countries has been that "the former control of politico-economic life of these by the governments of western countries has not ended, but merely been passed on to the multinational investers". From the pre-independence era to the present, the corporations originating from U.K. have dominated among all corporations in India. The British companies have been dominating the sectors of public utility, mineral for British industries, such as juto, tea and rubber. Among public utilities Railways has been considered as the British monopoly capital in colonial India. The total capital investment in 1938-39, according to the Statistical Abstract for the British India (published in London in 1942) was Rs.8,478 million, on which the return was Rs.359.6 million. In 1943-44, the capital investment was Rs.8,585.3 million and the profit was double to Rs.852.1 million.

On June 30, 1948, according to RBI figures, the value to total foreign business/investment in India in manufacturing, mining, utilities, transport, trading, financial plantetion, and other industries, was Rs.3,204 million of which Rs.2,301 million (71.9%) were accounted for British business investment alone, followed by the United States, Rs. 179.7 million (5.7%). The investment was direct, i.e., financial as well as portfolios, i.e., shares.

Between 1968-69, India began to accommodate most of the giant transnationals in all the sectors of its economy. Out of the 22 large manufacturing enterprises in India in 1968-69, 13 were TNCs.

TABLE II: LARGE FOREIGN MANUFACTURING ENTERPRISES IN INDIA (Manufacturing firm only)

INDIA. 1968-69
gnpm $42 billions *

Firm	Rank*	Industries	Net * Assets $m	Sales* $m	Foreign Parent or Controlling Company
Oil India	5	Petroleum	116.0	34.8	Burmah (UK)
Hindustan Aluminium	8	Metals	74.1	34.8	Kaiser (US)
India Aluminium	9	Metals	64.1	27.1	Alcan (Canada)
Imperial Tobacco of India	10	Tobacco	62.0	76.3	Imperial Tabacco (UK)

INDIA. 1968-69
GNP m $42 Billions*

Firm	Rank*	Industry	Net * Assets $ m	Sales $ m	Foreign Parent or Controlling Company
Voltas	11	Engineering	50.0	80.7	12% UK & Swiss.
Indian Explosi-vies	12	Chemicals	49.3	18.5	ICI (UK)-minerity
E.I.D.	13	Chemicals	47.3	37.8	E.I.D. Perry (UK)
Dunlop Rubber	14	Rubber prod.	46.1	74.1	Dunlop (UK)
Union Ca-rbide In-dia	15	Chemicals	44.5	40.1	Union Carbide(US)
Guest,Keen Williams	16	Engineering	44.0	39.0	GKN (UK)
Hindustan Lever	18	Foodstuff	41.3	115.3	Unilever (Neth.UK)
Esso Standard Refinery	20	Petroleum	39.3	45.1	Standard Oil(US)
Premior Autos	22	Automotive	37.6	35.7	Fiat (IT)-minority

Source: The Economic and Political consequences of Multinational Enterprises: An Anthrology, Raymond Vernon, Harvard University,1972. p.138.

Table II, very clearly projects that by the end of 1970, the most powerful TNCs at the global level had penetrated into the India's major productive sectors where the profit maximization has been proportionately high. By the end of the year 1972-73 there were 740 foreign companies operating in India, of which 536 operated as branches and 202 as subsidiaries of TNCs. Of these, companies belonging to the UK had 320 branches and 140 subsidiaries, closely followed by the United States with 88 branches and 28 subsidiaries. Switzerland, Japan, West Germany and Sweden had, respectively 21,18,17 and 14 affiliates, i.e., both branches and subsidiaries, respectively. The total assets of these branches and subsidiaries aggregated to Rs,29,220 million, of which the British companies (subsidiaries and branches) accounted for Rs.18,180 million, and that of the United States for Rs.5,420 million.

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It is interesting to observe the rapid growth of these transanationals every year. In India, by the end of June 1976 were 4687 foreign collaborators in Indian industry -- the bulk of which were in Chemicals and drugs (636), electrical equipment, apparatus and component (638), industrial machinery (other than textiles) (685), and transport equipment (364). As indicated in Table No.III, out of the 50 largest transnationals of the world, 23 operate in India directly through branches of subsidiaries, or indirectly through foreign collaboration.

TABLE III: THE TOP TNCs OPERATING IN INDIA (1974-75)

	Name of the TNCs	World Sales (in bill on dollars)	Operation Branch/ Collaboration
1.	EXXON	44.86	Branch
2.	General Motors	35.72	Collaboration
3.	British Petroleum	17.28	Subsidiary
4.	Unilever	15.01	Sub.& Collaboration
5.	IBM	14.43	Collaboration
6.	Gulf Oil	14.26	Branch
7.	General Electric	13.39	Subsidiary
8.	ITT	11.36	Subsidiary
9.	Philips	10.74	Branch
10.	Hoechst	8.46	Subsidiary
11.	ENI	8.33	Subsidiary
12.	BENZ	8.19	Branch
13.	BASF	8.15	Collaboration
14.	Siemens	7.75	Subsidiary
15.	Bayer	7.72	Collaboration
16.	Nestle	7.08	Subsidiary
17.	ICI	6.88	Branch & Subsidiary
18.	British American Tobacco	6.14	Subsidiary
19.	Hitachi	5.91	Subsidiary
20.	Westinghouse	5.86	Branch
21.	Mitsubishi	5.69	Collaboration
22.	Union Carbide	5.66	Subsidiary
23.	Goodyear Tyre & Rubber	5.45	Subsidiary

(Note: In some cases like Unilever, British American Tabacco, there has been more than one subsidiary).

Source: Taming the Giants, V.Gauri Shanker, Vidya Vahini, New Delhi, 1980. p.54-55

Thus, nearly half of the 50 world corporate giants are involved in India. If one takes into account the fact that the total sales of each of these TNCs is higher than the annual budget of the Government of India, for example during 1974-1975 the total outlay of the Government of India was Rs.14,196 crores or about $20 billion - less than the annual sales of some TNCs. Thus one can guage the power and strength of these companies in any bargain they may choose to make for extending or curtailing their activities in India.

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Apart from these companies, there are other companies operating in India which could be classified under the United Nations definition as TNCs, with a turnover of one billion dollars, and others not yet qualified as giants on the basis of the criterion, are nevertheless operating in significant sectors of our economy.

CONCLUSION

TNCs are overwhelmingly oligopolistic in character - that is, they dominate the world market which is effectively controlled by a few buyers and sellers, and thus essential characteristics of TNCs (technological innovation, product innovation and differentiation, heavy advertising and brand identification) are both a feature of, and reinforce the oligiopolistic market structures. Their dynamics and behavioural pattern (from capital investment to that of end product and manipulation of the market), can be understood within the framework of oligopolistic competition. They are themselves contributors to, and products of, technological evolution in so far as developments in the field of telecommunication, air transport, advanced computers and data processing make possible management on a global scale.

The unique features of the TNCs is that they are able to view the world as a single economic unit and thus plan, organise and manage on a global scale. As Barnet and Muller put it:

> The power of the global corporation derives from its unique capacity to use finance, technology and advanced marketing skills to integrate production on a world scale and thus to realize the ancient capitalist dream of One Great Market.

The size, spread and activities of the TNCs in India raises serious concern about the TNCs and their activities in India. Their capacity to influence political decisions, the pattern of consumption, the composition of culture, the direction of production and trade, the structures of class composition and other elements jeopardize to the people of India.

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Source: A Thesis By John Mohan Razu, Submitted to the Senate of Serampore College(University) 1984. pp. 74-80.

PRIVATE CIRCULATION ONLY

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POLITICAL IMPACT OF TRANSNATIONAL CORPORATION ACTIVITIES IN INDIA

The multinational corporation is an emerging actor on the international stage with the power and strength often exceeding those of many nation-States.
Transnational corporations have posed many major problems in the fields of political relations, economic independence and international law. These problems have been the subject matter of wide-ranging debates among nations and international conferences. The political interference by the Transnational Corporations leading to the dislodgement of regimes unacceptable to them, the economic enslavement of many developing nations, the distortion of traditional values and cultural patterns, the fouling of the environment and the disregard shown to national rules and regulations have compelled the world community to seek ways and means to "tame" these giants.

What follows is an extract from the book "Taming the Giants, Transnational corporations" by Dr. V. Gauri Shankar. It deals with the functioning of the multinationals in India.

In India, allegations have been made about how foreign firms were functioning. Vidiya Prakash Dutt, MP, made the following statement on 14 May 1975 in the Rajya Sabha:

"I should like to draw the attention of the Government.....to a Series of disquieting articles that have appeared in the New York Times about the functioning of the US firms abroad. And I am not concerned with all other countries except my own. I should like to read what a very responsible journal has said about how they function in India. 'Forty American companies-widely believed that many of them are liaison offices, who in turn probably deal with Indian Officials - made donations to political parties, spend money to maintain lobbies inside the Government and in the Parliament and provide other inducements such as liquor supplies, entertainment in luxury hotels and hospitality outside India when officials travel abroad'. Sir, this is a serious newspaper and obviously the information has come from the companies themselves, because, in the case of other countries, even names have been mentioned of cantacts, agents and so on and so forth. Sir, this has to be read along with another article that appeared on the 11th May in the New York Times about the wide CIA use of USA firms overseas. The list reads like who's who of business and includes such diverse fields as petroleum, rubber products, travel, advertising, publishing, public relations and the import and export trade. I think it is a serious matter and the Government should institute an inquire into it and find out which political parties are receiving funds from the foreign companies, what are those lobbies that they have mentioned in Parliament and in the Government offices, and what machinery is the Government going to establish to keep a tract of the hospitality the officials and others who go abroad receive... I am also worried about what they have said about the political financing and the lobbies in Parliament...So, I do not know how much truth is there....."

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It is significant that this allegation made by an honourable member was not contradicted in the Rajya Sabha. That there might be some truth in the allegation is borne out by the Report of the Parliamentary Joint Committee on the Foreign Contribution (Regulation) Bill, 1973. The Committee specifically brought in the Multinational Corporations in the bill whose activities in the political arena were examined in greater detail at the time the evidences were taken by the Committee. Kalyanrai Chandrappan and J.Rai, member of the Committee, observed in this connection:

> " The closest ally of the CIA is multinational companies which used various means to corrupt and subvert the independence and territorial integrity and economy of the countries where they operate. With tremendous financial power at their command and their firm grip over raw materials and minerials and other resources of the Third World countries, they are continuously trying to maintain their hold through massive financial support to anti-democratic elements and have become states within states- Under cover of trade and business, they attempt to infiltrate into every layer of society and resort to every possible means including financial assistance to influence the politics of the country were they operate. They are the biggest single menace to independence and democratic forms of government which are trying to delink themselves from the stronglehold of colonial economy".

A general fear exists that CIA agents are working through the Multinational Corporations covertly under what are known as commercial cover agreements.

Recently, two important cases came to the notice of the Government of India of Transnational Corporations operating in India trying to influence the Government policies and implementation of such policies by officals by indulging in corrupt practices. It came to be known that M/s.Phillips Petroleum Company of USA and Good Year Tyre (India) Ltd. were dealing with Government officials and were making illegal payments and political contributions. In the case of Good Year Tyre (India) Ltd., the Securities and Exchange Commission of the United States filed before the District Court in Colombia a case against the company for such offences. From the statement filed by the Good Year Tyre (India) Ltd., purporting to be a full disclosure, it is confessed that:

(i) "The Indian subsidiary of the Company had been maintaining funds which had not been recorded in the books of the company.

(ii) These funds were derived largely from rebates from supplies of raw materials, reflecting the difference between the minimum price fixed by the Government and the lower market price;

(iii) Estimates of the total amount in the fund during its existences over a period of 5 years from 1971 to 1975, varied from \$ 500,000 to \$ 800,000. The precise amount at any particular point of time was not ascertainable;

(iv) The fund was utilised for a variety of purposes including payment of minor foreign Government officials to assure and adequate supply of raw materials, police protection and

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to secure Government business.....payment to labour officials to settle labour problems, for political contributions and for the financing of, among other things, employees's travel, school, and moving expenses".

The disclosure statement further revealed that, out of the secret fund about $100,000 was paid during the period 1972-75 to the office of a low-level Government offical in order to facilitate the supply of electric power (provided through a Government agency)to the subsidiary's manufacturing facility. The fund was also used in 1974 and 1975, for payments amounting to $51,000 to a trade association and others in connection with desired price increase, under circumstances from which it could be inferred that the funds might be used to secure the goodwill of Government officials so that the ultimate use was presumed to be contributions to a political party.

As regard Phillips Petroleum, revealations before a grand jury in the United States in September 1976 and earlier disclosures pressed for by the US Securities Exchange Commission brought to light the possibility of one million dollar pay-offs to Indian nationals in connection with the negotiations and construction of the Cochin Refinery in the sixties. Giving details of the judgement of the grand jury at Tulsa, Oklahoma State, relating to tax evansion by Phillips Portoleum Co., the report said that $440,000 were paid by Cochin Refinery Limited each year for the three years, 1969 to 1971, and Phillips Petroloeum put this money in numbered Swiss accounts. This money, the Tulsa Grand Jury said, was then transmitted to a Panama subsidiary of Phillips Petroleum for disbursement "to certain foreign associates of the Company and not properly recorded on the company's books of financial accounts". The indictment said that the money was withdrawn for this purpose in March 1969, December 1970 and January 1973.

These are again not isolated instances. Imperial Chemical Industries which has affiliates in India and which dominates the chemical industries in a statement filed before the Securities and Exchange Commission admitted having made "some payments directly or indirectly to Government officials in other areas of the world (other then UK, Europe, North American Austrialia and Japan). These payments averaged $300,000($300 000) a year. Maurie Corina, writing in the Statesman dated 22 September 1976, said:

"While I.C.I. is declining to indicate specifically where and to whom payments were made there is bound to be speculations that the questionable sums were paid out in Southern Europe, Africa, South America, India and the Middle East".

It may not be irrelevant in this connection to mention that Alkah & Chemical Corporation of India, a subsidiary of ICI, was a recipient of duty concession of Rs.240 crores on its import of Ethyl Alcohol and its case for duty concession was stated to have been sponsored by the West Bengal Government and by then Minister for Petroleum and Chemicals in the Government of India".

The foreign paragraphs would indicate that though the extent of direct intervention may be smaller as compared to the indirect political intervention by indulging in corrupt practices or building up pressure nevertheless, such political intervention in the internal affairs of the countryes, where the transnational corporations operate, is seen by

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by the various countries as a threat to their national sovereignty. The Group of Eminent Persons in their report unequivocally condemaned the "subversive political intervention on the part of the multinationals directed towards the overthrow and substitution of host country Governments or to fostering an internal or international situation that stimulate conditions for such actions". They recommended that in such an eventuality, host countries should impose strict sanstions in accordance with the due processes of law of the host country concerned. The non-aligned nations also were concerned with this political interference. At the Fourth Conference of the Heads of State of Non-Aligned Countries the following declarations was issued:

> "The Heads of State or Governments denounced before the world public opinion the unacceptable practices of transnational corporations which infrige the sovereignty of developing countries and violate the principles of non-interference and the right of peoples to self-determination, which are basic pre-requisites for their political, economic and social progress."

The Charter of Economic Rights and Duties of States issued a clear directive that the TNCs must not interfere in the internal affairs of the host State. The programme of action on the establishment of a new international economic order referred to efforts to formulate, adopt and implement an international code of conduct for Transnational Corporations to prevent interference in the internal affairs of the countries where they operated. In the areas of concern submitted by the Group of 77 and the Latin American Group to the Commission of Transnational Corporations, the need was stressed to direct these Transnational Corporations to desist from all interference in the internal affairs of all states where they operated.

The issue of political contributions is closely allied to the corrupt practices. The Groups of Eminent Persons dealing with the issue of political contribution stated that the financial contribution of MNCs as well as of others to interested groups should be regulated and disclosed. The Organisation for Economic Co-operation and Development (OECD) guidelines also suggested that unless legally permissible, enterprices should not make contributions to candidates for public organisations. As already pointed out, the Indian Partliament was exercised over this and one of the reasons for enacting the Foreign Monies Contributions Act, 1973, was the suspected activities of TNCs in making secret contributions to individuals, groups and political parties.

With all these disclosures and such an array of recommendations by international bodies, there should be no doubt whatsoever that covert political activities by TNCs should be unequivovally condemned, However, the Group of Eminent Persons referred to "permisible public activites" of those corporations. They said, "The host countries should clearly define the permissible public activities of the affiliated of the MNCs and also prescribe sanctions against infringements". The OECD guidelines, similarly, called upon these corporations to abstain from any improper involvement in local political activities. These observations seem to indicate a kind of reservation in the matter of unequivocal condemnation of political interference. Permissible public activity, or improper involvements, would mean that there is scope for a proper involvemnt in local political activity which could be permitted. Whether involvement in political affairs would not itself per se violate the principle of domestic jurisdiction and internal sovereignty of states is a question which does not appear to have bothered either the Group of Eminent Persons or the OECD.

On 15 December 1975, the General Assembly also adopted a Resolution (Resolution No,3514 (XXX)), in which it condemned all corrupt practices, including bribery, by Transnational and other corporations, their intermediaries and others involved, in violation of the laws and regulations of the host countries, and reaffirmed the right of any State to adopt legislation and to investigate and take appropriate legal action, in accordance with its practices. The Economic and Social Council adopted a resolution , in August 1967, entitled "Corrupt practice, particularly illicit payments, in international commercial transactions"and decided to establish an Ad Hoc Inter-governmental Working Group to conduct an examination of the problem from all angles. The OECD Guidelines, the Parlimentrary Assembly of the Council of Europe and Permanent Council of the OAS have similarly condemned in most emphatic terms "any act of bribery, illegal payment or offer of payment by any transnational enterpriese".

These Resolutions of the various bodies are adequate reflections of the concern of the International Community regarding the activities of the Transnational Corporations in influencing indirectly the political and administrative machinery to subserve their interests. It may be added that the General Assembly resolutions expressing the political and juridical conscience of all nations, are much more than recommendatory, They are in the twilight Zone of law and refer to the direction in which international law is progressing, or at least ought to progress however long it may take.

SOURCE = V.Gauri Shankar :" TAMING THE GIANTS, TRANSNATIONAL CORPORATIONS IN WORD ARENA",
Intellectual book Corner, New Delhi, 1980
pp. 82 to 89.

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THE BONDED CAPITAL

Since the re-emergence and ascendancy of the Congress (I) in New Delhi in January 1981, the manoeuvre and penetration of the international finance capital in the Indian Econony has been more perceptible, rapid and phenomenal.
In a previous document (Cfr."India mortgaged = IMF $ 5.7 billion loan, pp. 227 to 246),It has been explained how such international institutions as the IMF play a key role in facilitating the penetration of international finance capital into the developing countries.
In the present document the efforts of the French, German, British, American and Russian capital to penetrate Indian economy are described. This is taken from "Frontier" November 21/81. The material has been edited and condensed when necessary. However this one among the several Maxian approaches in existence in India today. Regular correspondents can refer to oure previous document "analysis of Indian society " (pp. 49-54)

THE"PARIS GROUP "

Representatives of the imperialist "Paris Group" led by Mr. Jean-Jacques Servan-Schreiber a former French Cabinet Minister met Mrs. Indira Gandhi on January 9, 1980 and she indicated that her new Government would seriously consider the Group's offer for a massive French investment programme in India, covering computerisation of educa ion, provision of technological training and promotion of industries such as steel, electronics, drugs and pharmaceuticals, textile, fishing, telecomunication , chemicals and fertilizers etc. The signing of seven protocols on wide ranging economic and technical cooperation after four days of intensive talks between the French President, Mr. Valery Giscar d'Estaing and the Prime Minister Mrs Indira Gandhi on 28 January,198o was the logical culmination of the earlier talks. The protocol inter alia, related to setting up of a Rs. 1000 crore alumina complex in Orissa to be financed by France, agricultural and rural development, renewable energies petrochemicals and fertilizers, industrial and commercial ventures and technology and development of local mining in India. In October 1981, the Government of India finalized details for the purchase of 150 Mirage-2000 combat aircrafts in a major deal worth an estimated 2o billion Francs ($ 3.3 billion) by availing the French Government credit line.

THE MOSCOW PEOPLE

Then came the Moscow people. The Governments of the Soviet Union and India had agreed to set up a joint working group on Indian agriculture and irrigation. The ambitious project will indicate the areas where the Soviet side will offer India "assistance" in agriculture in return for Indian

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food grains. The Soviet Union will also assist BHEL in developing 200 mw turbine sets.

THE GERMANS STEP IN

With the departure of the Russians, the Germans stepped in. Dr. Kurt Hansen leader of the West German economic mission reported to the press on November 4, 1980, the Indian Government made some positive steps" in the past to encourage foreign investment in this country. Consul Herbert Pavel, leader of the delegation of the Association of West German Industry expressed the confidence that foreign investment climate in India "is very favourable". According to the official assurance of New Delhi, West German industrialists are reported to be keen on a massive investment in India's oil, steel, power coal and transport sectors. In the beginning of 1981, the Union Government finalized an agreement for credit purchase of West German submarines.

THE BRITONS CAME LATE BUT DID A BRISK BUSINESS

The Britons, however, came late but did a brisk business. In December 1980 Lord Limerick, the chairman of the British overseas Trade Board and leader of a 14-member high-level British Industrial Mission to India observed that India was against imposition of any further import restraints. He further clarified that Britain was now looking for new markets and India provided "a suitable ground". The Indian and British Prime Ministers signed agreemennts of wide ranging"co-operation" in the key sectors of Industry and trade on 16 April 1981. They spelt out broad areas of "indo-British economic cooperation" which provided for collaboration and transfer of technology by Britain in such fields as power, coal, railway, ship building, petrochemicals, fertilizers, science and technology and space research. Sir John Thomson. British High Commissioner in India, said in an exclusive interview with the representative of the 'Financial Express' on April 9, 1981 that there was mark of the"fundamentally warm relations" between India and Britain. Said he "Britain has always been the largest single foreign investor in India since Independence, and from our side, there is no reason why this should not continue since the British Government imposes no foreign exchange restrictions on British business wishing to invest abroad".

It may not be a mere coincidence that a British consortium has recently captured the prestigious contract for construction of a big steel plant at Paradeep, Orissa. Out of the total credit of 1250 million pounds to be supplied by the U.K. Government for this project, as much as 850 million pounds will be spent for the purchase of plant and equipment and expertise from the U.K., France and Germany. This contract has mainly gone in favour of the Davy , a U.K. firm, solely due to the personal triumph of the British Pirme Minister during her recent visit to India, it is said. The "Financial Express " (Bombay, November 25, 1981) editorially noted : "The U.K.'s close relation and association with India is deeply rooted, and Britain remains the largest single foreign investor in India. For some time it has also been the largest bilateral and donor to India having given 535 million pounds (nearly Rs. 1000 crores) over the past five years." The old Lion is still very much here.

THE USA DOES NOT LAG BEHIND

The USA also does not lag behind. Mr. Donald V.Ernshaw, the Deputy Assistant Secretary of the U.S. Commerce Department while addressing a New York Seminar on"Business opportunities in India" organised by the Indian Chamber of Commerce on June 26, 1981 said that, in 1980, American exports to India were 53% above the export level of 1979. Particularly significant was the fact that India had approved two and half times the number of collaborations with the USA, it had approved in 1979. While Mr. Ernshaw expressed satisfaction with the ever growing economic relationship with India, the Indian ambassador, Mr. K.R. Narayana stressed that there were few developing countries which offered a "safer and more profitable" business atmosphere than India.

MARX'S THEORY

The surplus production of agricultural mass products and their exchange with industrial products. Marx stressed, "from the outset sets apart the colonial states founded on the basis of the modern world market from those of earlier, particularly ancient times. They receive through the world-market finished products, such as clothing and tools which they would have to produce themselves under other circumstances.... The division of labour on the World-market makes this possible" (Capital ,Vol III, Chapt 39, Moscow 1966, p 671).

Given this material condition, it would be clear from the above disquieting account that, under the existing international division of labour, the same character of the exchange of commodities predominates in the Indo-West trade even more characteristically until the present time and that India is still a vast colonial market ; and thereby proves that it is not the Indian capitalists who themselves are developing capitalism in India but the monopolists of the Western imperialist countries like USA, U.K., France , West Germany and the bureaucratic capitalists of the social imperialist Russia who are actually developing capitalism on the Indian soil. From this just standpoint, India is essentially a vast colonial market of Europe and North America, and the economic development of our country certainly becomes the product of the modern industry of the world banker countries.Every important industry in India must have a foreign imperialist collaborator and that has been the official prescription, and, according to which the whole show is condcuted. The result : India has been humbled to perpetuate a semi-colonial country.

EXPORT EARNINGS FOR FOREIGN LOAN REPAYMENT

Nearly a fifth of India's present export earnings is set aside for foreign loan repayment with interest. Over the year 1975-76 to 1978-79, India paid the Soviet block in debt repayment $ 313 million more than it received in the form of aid. .The total foreign private investment in the country rose to Rs. 1943 crores at the end of March 1974. Britain accounted for Rs.689 crores (35.5 %), USA Rs. 531 crores(27.3%),Federal Republic of Germany Rs. 181 crores(9.3 %) and France Rs. 49.7 crores(2.5%) . In other words, these four big world banker countries together account for 75 per cent of foreign private investment in India.

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CURRENT PROBLEMS HAVE VERY REAL COLONIAL ROOTS

A random survey of about 30 foreign equity companies indicates that there are as many as 50 foreign nationals holding controlling positions as managing directors or directors. Similarly remittances on account of dividents, royalty, technical know-how fees and interest actually made by the foreign companies operating in India sharply increased over the years from Rs. 42.83 crores in 1965-66 to Rs. 248.5 crores in 1977-78. Moreover, the total outstanding foreign debt of the Government of India rose to an astounding figure of Rs. 15000 crores as on December 31,1980 and the total interest paid for this up to that time amounted to Rs. 3307.3 crores. On official account, more than Rs. 350 crores are being annually drained out of India as tribute to international capital, thanks to industrialisation The problems have been so acute and burning in the present day world that even the newspaper like "The Statesman" (Calcutta) had to acknowledge editorially on 17/1/80 : "The very real colonial roots of many of the current problems of international trade have made the standard Marxist denunciation of Western attitudes plausible and easy to merge with the third world attacks".

That the Indian bourgeoisie cannot even think of its sustenance,save progress, without aligning itself more and more with the foreign imperialist capital is beyond dispute. No sooner the present administration came to power that the Indian Chamber of Commerce, Calcutta, on January 24, 1980, urged the Union Government to create favourable conditions for foreign investments, In this regard what Mrs. Gandhi said in the Third General Conference of the United Nations Industrial Development Organisation in January 1980 is interesting : "If we seek help, it is not as charity but rather as part of a process to undo the injustice of ages". The Vice President, Mr. Hidaytullah openly came out in favour of the operation of multinationals in India while inaugurating the World Marketing Congress in February ,1980.

CANCUM CONFERENCE AND THE IDEA OF "GLOBAL COMPACT"

The more rapturous bellicosity of the Indian bourgeoisie was exposed in the recently concluded Cancum Conference where the Indian Prime Minister meekly advocated for a "global compact" that would ensure the "development" of the poorer countries along with the prosperity of the developed nations in conditions of international peace and security.

What is the result in fact of the past pious wishes of the world rich in this score ? Nothing except slavery and destitution of the weak nations of the world. Just as there is the minority number of millionaires and consequently the overwhelming majority poor in the population of the less developed country, so in the world, under the domination of capital, there is bound to be a handful of rich banker nations and a large number of poor, chronically debtor and feudatory countries. This is the absolute law of capitalism and more especially of monopoly capitalism. It is the Communist Manifesto which had pointed out : "The modern labourer on the contrary, instead of rising with the progress of industry, sinks deeper and deeper below the conditions of existence of his own class. He becomes a pauper and pauperism develops more rapidly than population and wealth". The prosperity of the developed nations, the imperialist countries to be exact, essentially means perpetual dependence and the very colonial market character of a large number of backward countries in the world.

Materially speaking, the vision of "global compact" as espoused at Cancum actually means nothing but more alliance and greement between the ruling classes of the countries in the capitalist world, the whole brunt of which has all along been borne by the toilers of the world. In firm complicity with Mr. Reagan, the Prime Minister of India preached sermon that the backward countries should rely more on private foreign investment. "We are trying to use help to become self-reliant and stand on our two feet".

SPEAKING "SELF RELIANCE" PROMOTING DEPENDENCE

Being drowned over head and ears in debt to the imperialist countries, how can the weaker nations stand on their two feet? If the so called help really aids us to become "self-reliant" why and how does the contract like the building of the Paradeep steel plant, goes in favour of a British Multinational even after thirty years of planning ? In their curious dialectics, self-reliance stands for dependence -- abject dependence on imperialism.

Under the changed circumstances this design is being accomplished, strangely enough, with the visit of a delegation of Indian capitalists led by no less a person than Mr. Naval Tata to Moscow in September, 1981, for collaboration between the USSR and the Indian corporate world ;and Kremlin was found jubilant over the Tata plan. But at the same time the Union Finance Minister, Mr. R. Venkataraman stated on October 1, 1981, that India "intends" to seek a $ 2 billion loan from the Asian Development Bank for a five-year period beginning in 1983 at 9 to 10 % interest rate per annum. This much more climaxed when he enthusiastically pleads for availing of a huge new loan of $ 5.6 billion [now granted] from the IMF even after acknowledging that "most of the low-income countries face a grim situation. Their terms of trade deteriorated sharply at a time when their export markets are stagnant and protectionism has increased. Their combined current account deficit has risen from $ 37 billion in early 1970s to 84 billion in 1980. And this has happened when financing has become much more difficult. Aid flows are stagnant, and in some cases declining, while commercial borrowing has been made prohibitively expensive". Despite all this, the Government of India is said to be planning substantial borrowings from the world capital markets at relatively high rates of interest to "finance" what they call development porjects.

THE EXAMPLE OF THE "GRINDLAYS BANK "

Meanwhile the Grindlays bank's involvement as a lead manager of foreign currency loans for different projects in India is likely to be of the order of $ 400 million in the next couple of years. Disclosing this information in October 1981, Mr. I.A.W. Evans, managing director of the Bank's Asia Pacific Division, said that nearly 80 per cent of the amount would be in energy sector including oil exploration, development of coal mines and installation of power plants, followed by shipping steel imports, engineering, automotive industry and plantation. Mr. Evan described the Union Government's change in attitude towards foreign financing as "radical and fascinating",

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and observed that India's credit rating in the world money market was very high --"topmost among the Third World countries". This was also evident from the sharp rise in India's foreign borrowing from a meagre 100 million a few years back to about two thousand million dollars now. Mr. Evans indicated that at this rate the figure might be much higher shortly.

WHAT TO CONCLUDE ?

How can one view this sho_dy state of affairs daily surcharged with new developments. Again it is the Manifesto which had said : " The cheap prices of its commodities are the heavy artillery with which it (bourgeoisie) batters down all Chinese walls, with which it forces the "barbarians'intensely obstinate hatred of foreigners to capitulate. It compells all nations on pain of extinction, to adopt bourgeois mode of production...Just as it has made the country dependent on the towns, so it has made'barbarian and semi-barbarian' countries dependent on the civilised ones, nations of peasants on nations of bourgeois, the East on the West". This operates at large in the world market now dominated by the monopoly and finance capital. The weak, flabby Indian Bourgeoisie having little power to contest gradually capitulates to the International finance capital more and more. The hard facts of economic materialism in the present time confirm that it has almost completely capitulated before the monster.

Source = "The Bonded Capital", by an Observer, in Frontier, November 21/81 pp. 3 to 7 .

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FOREIGN COLLABORATION : THE FACTS

(Technological dependence for ever ?)

In matter of foreign collaboration the crucial point is whether technology is being mastered and digested, leading on to self-sufficiency in technology, or a reproduction is occuring of the originalrelations of technological dependence.

A quick glimpse into technology import into a few key sectors of the Indian industry during the last three years will reveal what the situation is in this respect.

STEEL

More than 20 years after steel plants were commissioned at Bhilai, Rourkela and Durgapur (1959), foreign technical know-how has again been sought for their expansion and modernisation (the third plan saw the fi round of expansion with the help of the original collaborators).
In the mean time, mid-way in 1969, the Bokaro Steel Plant came on stream with Russian assistance. But all these years have not been suffi cient, it appears, for a policy of self-reliance to have developed in this core sector.
Bhilai's capacity is being increased from 2 1/2 million tonnes to 4 a 5 million tonnes, and the older units are being'modernised', relying technical collaboration with the original Russian designers and supplie of equipment. For the expansion of Bokaro's capacity to 6 million tonn and for updating its technology, the Russians are once again the techn collaborators, though Wean United of the USA has bagged the contract for the five-stand tandem cold rolling mill, in the teeth of oppositio by the Russian lobby.
The Overseas Service of the British Steel Corporation has prepared th scheme for doubling the existing 1 million tonne capacity of Durgapu and 'modernising' the technology here by substituting the 'bottom-bl process for the existing open hearth one.
The Rourkela plant is also being expanded. A silicon steel plant is to be added in collaboration with ARMCO of the USA
The new plants offer no exception. The cold rolling stainless steel mill at Salem was supplied by Hitachi of Japan. The technical know- was obtained from Peugeot, the steel and automobile manufacturers France. The 1 1/2- 3 million tonne Paradip plant will be set up turn-key basis by Davy McKee, a British firm which was one of 14 Br companies which participated in the original construction at Durg Dary will supply equipment for the blast furnace and enrol Semag o West Germany for the rolling mills. 55-60 % of the finance is to b raised through'aid' from EEC countries and soft loans from the Eu eurrency market. The 3 million tonne Vizag project will also be a

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turn-key project for the Russians. They will also supply Rs.196 crores worth of equipment which will appear as credit granted by the Russians. Russian experts are also preparing the feasibility report on the expansuion of IISCO. Change-over of the open-hearth furnaces of IISCO to the oxy-refining system is to be entrusted to Korf of the USA, an associate of Korf-Stahl of W. Germany. Disjpromexport of Russia is to prepare a 'modernisation'study for the Bumpore works.

The private sector ,too, continues dependence on foreign capital. The TISCO plant, the oldest in the country, is being'modernised" . More than a quarter of the finance is being raised from the IMF, the IFC and British sources. Mukand Iron and Steel Works set up in 1937, is undergoing 'expansion and modernisation' using technical help from Japan, France and Russia.

AUTOMOBILES

Indian capital entered this field in a big way from 1953, when foreign companies were prohibited from assembling motor parts in the country. However every manufacturer started off in collaboration with a foreign partner. Reproduction of these relations is proceeding with clock work precision.

Hindustan Motors of the Birlas was set up in 1942 and proceeded to manufacture automobiles from 1954 in collaboration with British Motor Corporation. Now they are launching a new passenger car. Technical assistance, designs, drawings and capital goods are being imported from Vauxhall Motors of the UK, a subsidiary of General Motors of the USA.

Premier Automobiles of the Walchand group , set up in 1944, was the other big company producing passenger cars. Fiat was the collaborators. Premier is now embarking on a new car programme, once again in collaboration with a foreign company. This time the collaborator is SEAT of Spain, a subsidiary of Fiat of Italy. SUNRISE Auto of Bangalore has also been allowed to import know-how for the engine of a passenger car. Maruti, too, was never conceived as indigenous product , as advertised. The Sanjay Gandhi scheme envisaged 50% import equipment. Fresh talks on Maruti have been held with several prospective foreign collaborators. The latest in the running is Nissan of Japan, the makers of Datsun.

Mahindra and Mahindra, the manufacturers of jeeps and tractors, are going for enlarged and modernised production of jeeps, tractors and light commercial vehicles. One-sixth of the finance is being met by a loan from IFC (Washington), and the engine is to be built in technical collaboration with Peugeot of France.

In the field of commercial vehicles, the star Indian company, TATA's TELCO, is still being run in collaboration with Daimler-Benz of W. Germany who retain even now 13 1/2 % of the total paid-up capital. In the case of ASHOK LEYLAND, 51 % of the total paid up capital is still held by British Leyland. It is now undergoing expansion with the help of its British parent. HINDUSTAN MOTORS is to give up its Bedford model and manufacture a new truck in collaboration with Vauxhall, somewhere in Gujarat . PREMIER IS TO UPDATE AND MODERNISE ITS TRUCKS in technical collaboration with Fiat... Not only are the manufacturers looking abroad for the second time but they are found to be looking at more or less the same which offered collaboration the first time.

Light vehicles are exception. Automobiles Products of ~~India had~~ entered into a collaboration with Lambretta of Italy for the manufacture of scooters. API is now shopping again around for foreign know-how especially in Japan.

MINING

The mining of coal and Iron have been well established industries in the country. It has now been discovered that the existing base of technology cannot be broadened and strengthened with indigenous efforts of its own ingineers and scientists.

In the sixties, the Russians set up three mines at Korba and a washery at Kathara. More than a decade later, they have entered with new technology in the design of large open cast mine projects and washeries, as well as in underground mining. The Russians are preparing a master plan for the Talcher and Karanpura coal fields, while the master plan for the Singrauli coal-fields, prepared with their collaboration, is already being implemented. At Nighal (Singrauli) and Jhara, they are to develop large open cast mines. Long-wall mining in the Jhanjhra block in Ranigunj and open-cut mining in the Ramgarh coal-fields are also in their hands.

Underground mining is being modernised and developed mainly with British help. The British are supplying the latest technology for the extraction of the massive coal pillars of the existing mines, and are assisting in the mechanisation of the present pillar and board method of mining as well as introduction of fully-mechanised long-wall mining. The Russians are also helping at the Sudamdih deep-shaft mine and the Russians and the French are helping in the extraction of pillars in coal-fields near Ranchi.

Seventeen years after lignite mining commenced at Neyveli with foreign assistance, collaboration agreements have again been signed for lignite mining, this time with the East Germans.

Kudremukh is the major addition in the Iron ore industry. In this case, the appeal to foreign know-how, has been justified on the ground of "concentration" and "pelletisation" of the ore. Rumania has bagged both contracts. In the case of pelletisation, the Rumanian Uzine Export and Import Co, will itself import the process from Lurgi of W. Germany.

ALUMINIUM

Five companies are producing aluminium at present. Each has a separate technological collaboration agreement with some foreign company. The two largest companies, INDAL, affiliated to Alcan of N. America, and HINDALCO of the Birlas, set up in collaboration with Kaiser of the USA, so far dominated the industry, which had an effective smelter capacity of 351,000 tons. A complete complex is now coming up in Orissa in the public sector, under the National Aluminium Co Ltd., which will produce 800,000 tonnes of aluminium. The know-how has again been imported, this time from Aluminium Pechiney of France. Apart from this, the Russians are helping to build a 600,000 ton alumina complex at Visakhpatnam. Technology, equipment and material will flow from Russia.

Foreign finance accompanies foreign technology. The NALCO-Pechiney collaboration will bring forth the largest alumina-cum-aluminium project in

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Asia, with an outlay of Rs.1242 crores.Of this $ 400 million worth of soft loans will come from France and $ 680 million worth of Euro-currency will bex lent by a consortium of Europenn banks.

FERTILIZERS

In mid 1964, half of the licensed capacity was occupied by foreign-controlled firms, while the other half, which included public sector participation,had foreign technical collaboration. The commissioning of Sindri plant started the development of indigenous technology. The Fertiliser Planning and Development Division (FPDI) which grew out of the Planning and Development Division of Sindri, succeeded in evolving a wide range of catalysts and substituting fuel oil and coal for naphta as fertiliser base. FPDI designed the giant fertiliser plant at Rourkela.

However the "expansion" of Nangal and the 'modernisation' of Sindri were awarded to West Germans. Italian and Japanese for the Trombay, Phulpur and Gujarat plants.

Ten new fertiliser plants are to come up on the basis of Bombay High gas. The seven urea-based plants at Thal-Vaishet and Hajira have been handed over to Spam Progetti of Italy, who are to be the consultants for all urea-based plants. The ammonia-based plant coming up at Thal-Vaishet has as consultant Haldor Topsoe, a Danish firm, in which Spam Progretti has a 50 % share-holding. Technical collaboration and consultancy for all ammonia-based plants, using Bombay high feedstock, are to be awarded either to Haldor Topsoe or Kellogg. The Bongaigaon petro-chemical complex is being set up with know-how and basic engineering from French, American, British and W. German firms. The Broach fertiliser project has obtained assistance from the W. German firm of Linde.

At Goa, the Birlas are setting up the Zuari agro-chemical plant jointly with the Government. The Government is in favour of the import of Italian technology while the Birlas are pressing for technology from Toyo of Japan, which again obtained it from Kellogg .

BASIC CHEMICALS

Indian explosives of Gomia (ICI and Government) was for long the main producer of explosive and nitric acid. Recent entrants into the field are again importing technology. To take two examples, one may look at Chowgules, who are setting up an explosive plant with know-how from Dupon of the USA, and Narendra Explosives, which is importing Swiss technology. Hindustan Organic Chemicals are building a 'modern'nitric acid plant with technology from W. Germany and the Netherlands.

Even a sulphuric acid plant in the joint sector (East Coast Fertilisers and Chemical Ltd) is using know-how from Monsant oChemicals of the USA, although sulphuric acid has been produced in the country for a long time now. Two other such basic chemicals are soda-ash and ammonium chloride. For these two common chemicals, Tuticorin Alkali Chemicals and Fertilisers has imported know-how and machinery from Hitochi Zoser of Japan.

OIL

Oil exploration and drixlling was for long a foreign preserve . ONGC promise a breakthrough in this domain, and till 1980, carried out off-shore drilling without any foreign collaboration in depth, although foreign contradtors and drill-ships had to be relied on. Mazagon Docks are in a position now even to supply off-shore drilling platforms and drilling rings. In 1978 BHEL supplied ONGC the first Indian-made on-shore drilling ring. Clearly, there was a strong case for self reliance on this base.

Yet, from 1981, foreign technology has been welcomed with open arms. 32 blocks, 15 on-shore and 17 off-shore, are to be offered to foreign companies for exploration. A 20-year oil exploration plan drawn up by ONGC on its own is being supplanted by grafting on to it a 10-year master plan for on-shore exploration, drawn up with Russain collaboration. The Russians have started drilling in Tripura, re-activating sick wells in Gujarat and planning exploration in W. Bengal.

For off-shore work, intensive negotiations are under way with Western firms. CFP of France has been awarded a 4-year contract for increasing production at Bombay High, South and Ratnagiri, and assisting in future exploration. A U.S.A. firm is conducting surveys in off-shore West Bengal. Chevron of the USA has been alloted an off-shore block in Saurahstra for exploration and development.

TRACTION

The first steam locomotive came out from the Chittarajan works in 1957. The first DC electric locomotives were produced here in 1961-62. Diesel engine manufacture commenced in 1966-67 in collaboration with MAK of W. Germany. Even the difficult AC locomotives have been manufactured at Chittarajan. Yet, the Rs.600 crore loan now being negotiated with the World Bank for the railways, envisages import of 15 prototype locomotives one of which is to be chosen for manufacture under a foreign technical collaboration agreement, possibly with U.S. firms.

Durgapur CMERI evolved the indigenous 20 HP "Swaraj" tractor. But this was shelved , and tractor manufacture continued in technical collaboration with foreign companies (tractor manufacture was started in the country in 1962 by the Massey-Fergusson organisations). Hindustan Machine Tools , in the public sector, started manufacturing 'Zeteor' tractors with Czech collaboration. As late as 1972, there was a fresh entry of technology, when Harsha Tractors started manufacture with Russian assistance.

Bharat Earth Movers, in the public sector, had considerable unitilised capacity caused by deficient demand. Yet, it entered into a new collaboration agreement for the manufacture of mining trucks with Westinghouse of the USA in 1978, and in 1979 entered into contracts for equipment worth Rs. 27 crores with firms in the UK.

TOOLS AND MACHINERY

Heavy engineering Corporation, Ranchi, was set up with Czech and Russian assistance. After a decade of operation,it was decided to set up a design institute'of its own' with technical collaboration from Russia the USA and W. Germany.

Hindustan Machine Tools started with Swiss collaboration (Oerlikons) in 1953. In the early sixties, it entered into collaboration with the West Germans, the French and the Italians. Now it is pressing a number of applications for further collaborations with West Germans.

Instrumentation Ltd, of Kota, was set up with Russian collaboration. To 'update ' its product range, it has switched over to George Kent of the UK.

This is a short account of some of the major sectors of industry. In numerous other sectors, the same feature of a renewal of technology by import can be demonstrated in the same detail. The available information relates to cement, tyres, paper, photographic films, ophtalmic glass, antibiotics and even machinery for cotton, woollen and Jute goods, although in the field of textiles manufacture has been continuing on end with Indian capital.

CONSUMER GOODS

However the account will remain incomplete if no example is offered of the extension of the trend even into the manufacture of consumers goods. One turns ,therefore, to blades. 75% of the razor blade output of the country was accounted for till recently by three units owned by the Malhotras, who had a collaboration going on with Wilkinsons Sword of the UK. There were four other indigenous units. Gillette has now moved into the picture to collaborate with the Poddars, and Wilkinsons have entered into technical collaboration with a joint sector company in Karnataka, promoted by Goenka of Duncans. Centron, another manufacturer, imports know-how from Perma Sharp of Australia. It is now being wooed by Brook Bond. Hindustan Lever and Escorts own Sharpedge, which has recently felt the need of direct import of new technology and has approached T. Gibbs of France for this purpose.

RELATIONS OF TECHNOLOGICAL DEPENDENCE ARE REPRODUCED

However the MIG deals, the Jaguar deal, the Rs.1300 crore Russain 'aid' package , the Mirage talsk and the purchase of new models of tanks, aircraft, submarines and helicopters are all poointers in the same direction. Technical kmow-how is imported for the basic equipment and process of industry, and instead of consolidating a self-reliant base on this know-how, new technology is imported in the name of 'expansion' ,'modernisation' , and 'updating' after a few years. Relations of technological dependence are reproduced.

SOURCE = Dipanjan Rai Chowdhury, "Forcing Collaboration"
in Frontier, Feb. 13,1982 p. 12 to 13
Feb. 20, 1982, p. 6 to 9

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FROM CORPORATIONS TO CONGLOMERATES/ A REVIEW OF MULTINATIONALS

(67)

The size of multinationals has increased dramatically over the last two decades.Revenues of the top 200 firms have jumped 10-fold, from around $ 200 billion to over $ 2 trillion.

Over the past 20 years, Multinational corporations have become the dominant force in the world economy. But they no longer take the same form or operate in the same way as they did back in 1960.

Five basic changes have occured in the structure of multinational enterprise.

CONGLOMARATES AND OLIGOPOLIES

For all the talk of a "free market" and "free competition", the world economy over the past two decades has increasingly been run by giant companies that exercise control by virtue of their oligopolistic or conglomarate strength.

An oligopoly refers to a handful of firms that dominate the market by various collusive practices, such as predatory pricing or erecting barriers to entry.

International oligopolies have become paramount over the past decade in automobiles, migroporcessors, seeds, and numerous primary commodities such as coffee and cotton. Meanwhile, the ranks of the older oligopolies have been thinned in industries like petroleum and cigarettes.

With the growth of the international oligopolies, their ability co control prices and wipe out competition has correspondingly increased.

Equally striking has been the rise of the conglomarates companies whose subsidiaries engage in unrelated economic activities. Conglomarates have expanded through mergers and take-overs in a series of waves cresting in the 60's and 70-s and into the 80's.

Certain conglomaretes even straddle agriculture, industry, and service. A good example is the maker of Winston cigarettes, R.J. Reynolds, which has the following subsidiaries : Del Monte (fruit), Heublein(alcohol), Sealand Services (shipping), Kentucky Fried Chicken (food retailing) and Aminoil (petroleum).

By their nature, conglomarates have the ability to undermine their competitors .As different markets expand anc contract, the conglomarates can shift resources into whatever sector is most profitable at any given time

Moreover Conglomarates often engage in a practice called cross-subsidization, whereby they shift profits from one product line to subsidize another. This is an ideal marketing device which enhance the company's market share by underpricing competitors.

For instance, Marlboro Cigarettes creator, Philip Morris, revolutionized the U.S, beer market in the 1970's by buying up a small regional brewer, Miller, and transforming it into the second largest beer producer in the world. Philip Morris pulled this off largely by low pricing and massive advertising, subsidized by Malboro's tobacco profits. Coca-Cola, through its acquisition of Taylor Wines, is in the process of doing the same to the U.S. wine sector.

DECLINE OF U.S. Multinationals

The size of multinationals has increased dramatically over the past two decades. Revenues of the top 200 firms have jumped 10-fold, from around $200 billion to over $ 2trillion.

But amidst this overall growth, the position of U.S, firms has fallen. In 1960, of the top 200 multinational companies, 127 were U.S.-based ; These companies accounted for 72.7 % of the group's revenues. By 1980, however , U.S. firms numbered only 91 out of 200m their revenue share having fallen to 50.1 % of the total (see chart).

As U.S. firms have lost some of their commanding lead, other companies based in foreign countries - particularly France and Japan - have gained ground. The number of France's multinationals in the top 200 has jumped from 7 to 15, with sales skyrocketing from 4 billion Dollars to $ 161 billion.

No less dramatic is Japan's steep ascent, with 20 companies now in the top 200, as opposed to only five in 1960.Revenues of these Japanes companies have zoomed up from $2.9 billion in 1960 to $ 155 billion in 1980. (The figures for Japanese companies do not include the Sogo Soshas, the Japan's general trading companies. Led by Mitsui and Mitsubishi, there are nine giant Sogo Shoshas, whose 1981 aggregate revenues exceeded $ 357 billion.)

Over the past two decades, multinationals have altered their approach to the control of production. In general the giant firms have given up direct ownership of primary commodity output, while greatly increasing their control over processing, marketing and distribution.

In response to internal political shifts in many developing countries since independence, multinationals have sought to preserve friendly relations with segments of local oligarchies by formally transferring mine and plantation ownership over to them. Crucial, however, in this entire process has been the retention by the multinationals of effective control over output. They achieve this result by various menas, including contract farming in agricultural production.

Firms like Del Monte, Castle & Cooke(Dole) and even Gallo are often the sole buyers of agricultural products in a region. With total control over prices, product size and quality, they are able to squueze local farmers to workk for them on their terms. Peasants and farmers who don't like the arrangemehts have no place to sell their goods.

In the realm of marketing and distribution, multinationals have come to dominate world trade. Japan's nine Sogo Shoshas, for instance, handle over half of their nation 's international trade, as well as a good deal of domestic trade.

FRAGMENTATION OF PRODUCTION

The production line is now global, as companies manufacture parts of one good in one country, assemble it somewhere else, and put on the finishing touches in yet another. Multinationals have achieved this globilization of production by means of joint ventures, licensing and subcontracting agreements, the burgeoning free trade and export processing zones.

Engineered by companies seeking out the cheapest labour and most profitabl concessions, this change in production has pitted Third World governments against one another . Developing nations now compete among themselves for the distinction of granting the greatest incentives to multinationals.

And the global production line enabled multinationals not only to cheapen labour power, but also to neutralize the strike weapon. When workers try to demand higher wages, multinationals can either pull out and move to another country boasting cheaper labour, or simply threaten to pull out. Either tactic yields the same result : diminishing the force of the labour movement

RISE OF THE BIG BANKS

INTERNATIONAL FINANCE IS NO LONGER BEING PERFORMED PRIMARILY BY THE WORLD BANK AND THE INTERNATIONAL MONETARY F UND . Over the past decade , commercial banks have taken over this function, providing more than 50 % of the loans to developing countries.

During this period , theassets of the major banks have scaled awesome heights ; the top 100 banks have combined assets of 4.4 trillion Dollars, equivalent to half the global gross domestic product. Big Japanese and U.S,banks together control two-fifths of the top 100's total assets with 24 Japanese banks holding over a quarter of total assets.

The rapid ascent of private commercial finance has placed the banks in conflict, at times, with multinational corporations. Although the relationship between the two is generally harmonious in period of growth, during the current global recession, tensions have arisen.

Multinational banks are increasingly concerned about the ability of their country clients to repay loans. Thus in the past three years, the banks have deccelarated their lending to developing countries. This is an unpopular move with multinational corporations which, in their desire to increase world trade, dependent on bank loans to provide developing countries with the foreign exchange to buy Western goods.

By and large ,the combined impact of these five structural changes has been to increase the power and influence of multinationals. In particular , the flexibility of multinationals to shift resources accross economic sectors and national boundaries has been greatly enhanced over the past two decades.This manoeuvravility expands the companies economic power as they can move readily to the most profitable areas.It also allows them to dodge political accountability, for whenever an entity - be it a government, labour union, or consumer group - attempts to regulate the companies, they can simply pull up their stakes and find a more hospitable host.

While becoming better organized in many countries, workers and peasants are only beginning to develop the strategies, networks, and ability to counter such power and flexibility.

THE RETURN OF BARTER

Odd as it may seem, multinationals in the last decade have reintroduced the oldest form of trade : barter. Unlike conventional transactions based on foreign exchange, in barter deals (sometimes called counterheads or buy-backs), purchases of one item are pegged to the selling of another. Prices of goods exchanged may or may not bear any relationship to prevailing world market prices.

For instance, Levi Strauss, one of the world's leading apparel manufacturers, entered into a counter-trade agreement with the Hungarian government in 1978. Hungary received equipment and expertise in exchange for three-fifths of pant's annyal output, now amounting to around one million pairs of jeans a year, wh ch Levi Strauss merchandises in Western Europe and Africa.

Levi Straus is not alone in this practice. Other giant multinationals, like General Motors and General Electric, have engaged so extensively in counter trade that special corporate departments have been set up to develop markets in countries whdre cash deals or capital investments are not feasible. With these trades, a company can increase its market share in an economy that would otherwise be difficult to penetrate and can avoid taxes and tariffs in addition. Also, a multinational often can barter products at highly favourable terms, due to pressing financial needs of its trading partners.

Centrally planned economies and Third World economies engage in such trades out of convenience or desperation : the countries simply don't have enough foreign exchange to buy all the goods they want. As debt levels increase in these countries, the lure of barter looks all the more attractive. According to General Electric, the global barter market accounted for $350 billion in 1979, or a fifth of the world trade. As the global economic recession has deepenend over the past three years, countor-trade transactions have risen as high as 25-30 % of world trade.

APPENDIX

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TOP 200 COMPANIES BY COUNTRY, 1960 - 1980

Countries	1960 Number	1960 Sales ($ billion)	1960 % of total sales	1980 Number	1980 Sales ($ billion)	1980 % of total sales
USA	127	[illegible]	[illegible]	91	1,080.4	50.1
FRG	20	[illegible]	[illegible]	21	209.0	9.7
U.K.	24	19.6	9.9	16 1/2	199.5	9.2
France	7	3.5	1.8	15	161.0	7.5
Japan	5	2.9	1.5	20	155.2	7.2
Netherlands	3	6.4	3.2	5	89.6	4.2
Italy	3	1.9	0.9	4 1/2	69.5	3.2
Canada	5	2.6	1.3	5	32.5	1.5
Switzerland	2	2.0	1.0	4	31.9	1.5
Belgium	1	0.5	0.2	2	14.5	0.7
Sweden	1	0.4	0.2	2	11.0	0.5
Rep. of Korea	-	-	-	2	10.0	0.5
Others	2	1.1	0.5	12	91.1	4.2
Total Excl. USA	73	54.4	27.3	109	1,074.8	49.9
Total	200	199.0	100.0	200	2,155.2	100.00

Source = Calculated from "Fortune's Listings" of leasing Induatrial corporation

Next page see top 100 Commercial Banks by country

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TOP 100 COMMERCIAL BANKS BY COUNTRY

COUNTRIES	No. of Banks	Assets ($ Billion)	% of Total Assets	Profits (Billion) (Dollars)	% of Total Profits
Japan	24	1,097.6	25.1	88.4	20.8
USA	12	350.7	14.9	91.2	21.4
France	8	50[illegible].2	11.6	35.8	8.4
FRG	11	464.3	10.6	45.9	10.8
U.K.	5	344.5	7.9	42.1	9.9
Italy	8	258.1	5.9	29.6	6.7
Canada	5	240.6	5.5	34.5	8.1
Netherlands	4	160.4	3.7	2.5	0.6
Switzerland	3	141.9	3.2	12.8	3.0
Belgium	4	100.2	2.3	12.2	2.9
Spain	3	67.5	1.5	6.7	1.6
Brazil	1	65.1	1.5	5.3	1.2
Sweden	3	64.6	1.5	3.1	0.7
Australia	3	60.0	1.4	7.1	1.7
Hong Kong	1	52.1	1.2	--	--
Iran	1	23.9	0.6	1.1	0.3
India	1	20.5	0.5	1.9	0.5
Isreal	1	19.2	0.4	4.2	1.0
Mexico	1	18.4	0.4	--	--
Austria	1	18.2	0.4	1.7	0.4

SOURCE: Computed from "BANKER", June 1982

Source of the article = John Cavanagh and Frederick F. Clairmonte, "From Corporation to Conglomarates : A Review of Multi-Nationals" in 'The Otherside', May 1983, p.29 to 32.

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3. Foreign Aid and Multi-National Corporations.

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FOREIGN AID, MULTINATIONAL CORPORATIONS(MNC): A BLESSING OR A CURSE ?

The problem of Foreign Aid as well as the investment by the Multi-national Corporations (MNCs) is very much on the forefront these days. We have gathered here facts and figures which can be of help for information and study concerning Foreign Aid and MNCs. References for these facts and figures have been indicated after each paragraphs.

INTRODUCTION

Private foreign investment and foreign aid in India has been a matter of high concern to us. As in the case of every other developing and under-developed countries of the world, the concern has been on the side effects of such investment.

India's desire for rapid industrialization in the absence of measures to strengthen the structural base that can sustain the increased tempo of development, has given a new impetus to the demand for foreign capital and technology; and the investors have taken full advantage of such knowledge.

The total assets of MNCs in India, with 538 branches and 202 Indian subsidiaries stood at Rs.2555.20 crores, according to the latest study by the government. The vast bulk of these companies were British and the US, the study revealed, reports UNI(Source: Economic Times, 23/5/75).

According to the above study the foreign companies remitted abroad as profits or as dividends a sum of Rs.71.46 crores in the two years, 1971-72 and 1972-73(Source: Economic Times, 23/5/75).

As regards foreign trade, the year 1970-71 was characterised by high exports and lowering imports. Exports rose by 8.6% and amounted to Rs.15,300 million. Expansion of national production led to a reduction of imports to Rs.1,62,00 million. The trade deficit in 1970-71 was Rs.976 million, the lowest in 15 years.(Source: Soviet View of India 1957-75, Edited by Zafar Imam, Kalyani Publication, 1977, Page 150).

As for the foreign aid, it is a reality that the amount of real help from overseas has been declining annually. It is a reality that an increasing amount of foreign aid is not given ~~by~~ but lent. The governments of the poor have no options but to accept these loans. But their debts are slowly crucifying their economies. For the accumulation of repayments on ~~private~~ loans raised, and on aid loans, is fast becoming ~~impossible to meet~~.(Source: New Internationalist, No.35, January 1976, Page 26).

THE EXTENT OF SUCH CONTROL

At this stage, it would be interesting to know the extent of such a investment. Foreign investment and control which began with the British East India Company, has penetrated into nearly every industry - private and public - through the so-called collaboration agreements. These agreements which amounted to just 50 in 1947, had reached 4,244 by October 1974 and are increasing till today (RBI Study, June 1974). They involve not only Tata, Birla and other monopoly houses, but also the nationalised industries. For example, HMT which is supposed to be independent is involved in no less than 15 collabo-

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and Japan. As for our gaint public sector undertakings like Bhilai,Bokaro Steel Plants,IDPL etc., they are all Russian collaborations. In short, the hold of foreign firms and investment, whether through loans or through direct investment, in big industries, mining, plantations, banking, is particularly powerful.
(See Economic Times, May 25, 1977).

To look into the extent of such control, let us look into the data available with us:

" From 1951 to 1974, we find that 4810 foreign collaborations have been approved. Out of that, 1274 from the UK and 929 from the USA and the USA collaborations are now happening in a quicker fshion. On the 31st March, 1974, there were, according to a question answered in this House, 540 branches of foreign companies were operating in India of which the UK had £ 319 and the USA 88. As on 31 March, 1974, 188 Indian subsidiaries of foreign companies were operating in India. The total assets of the MNCs in 1972-73 were Rs.2,921.8 crores.... The Span Magazine of 1970 refers that these MNCs have their gross sales (annual) which are larger than those of most of the soverign states of the world... only 22 countries in the world had a larger GNP than 'General Motors'. The top 50 MNCs had total sales of $ 538.5 Billion. This would amount to Rs.500,000 crores. The total GNP of all developing countries, according to World Bank Atlas, as of January 1975, was only $ 509 Billion."
(Source: Lok Sabha Debates,Vol.LX No.25,April 15, 1976,Page 200; While answering a question Mr.HN Mukerjee,MP was telling these facts).

"In for a penny, in for a pound" sums up the steadily increasing flow of private investment into the developing world. In 1974, it was $ 12,000 million and, near as or equalled all the aid programmes put together.
(.Source: New Internationalist, January 1976,Page 26).

At present also, the official policy is clearly in favour of offering to foreign private capital greater scope ! This is indicated by the refinements and modifications in the Foreign Exchange Regulation Act (FERA) and the flexibility observed in its application. Liberalisation of the industrial policy and easing of restrictions on the growth of the private sector also provide expanded opportunities for mutually profitable collaborations deals between Indian and foreign business interests. The foreign investor is not reconciled to distinctions between priority and non-priority sectors andgoes by profitability alone. The collaborations agreements approved in the past year (in 1975) stil. covers items like shoes, porcelain, table-wares, squash rackets and hotels, and have not extended to areas that are of high priority to India.(Source: Indian Express, October 26, 1976).

STRANGLEHOLD OF DEBTS

Let us now see how much the foreign aid helps us. Theoretically, aid loans are given instead of grants to ensure that the money is spent wisely. But many of the development plans which the loans finance don't have commercial, but social returns. For the building of schools, clinics or clean water wells greatly helps the ordinary people but doesn't provide the wherewithal to pay off the loans.

By the end of 1974, it was calculated by the World Bank, the developing world was having to send $ 12,462 million in scarce foreign exchange to the Western world to service its debts. That same year, official aid in the other direction amounted to $ 11,300 million. This means that despite the aid programmes, more money was flowing back to the rich world than was leaving it.

These repayments amount to approximately a third of all the money earned by the third world from their exports. Small wonder that some of the most indebted countries are beginning to sink beneath the burden. To keep afloat aid-giving countries and the international banks have been allowing short-

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term postponements of national repayments. The reported 'rescheduling' of debt builds up the obligations of the debtor country to its creditors. (Source: New Internationalist, January, 1976, Page 26).

India is one such country which apart from inviting foreign private investment, invites other countries to lend huge sums of money to run the economy of the country. This stranglehold of foreign loans and investment have hindered our development. And this perhaps is the reason that we are unable to have any say, when the money thus pouring into India, happens to be utilised for non-priority sector.

SOME INTERESTING FACTS

* During the decade 1960-70, the Reserve Bank of India conducted a survey of foreign financial and technical collaboration in Indian Industry. This appeared in the RBI Bulletin of June 1974. The study confirms that India has been a 'net looser'. The net outflow of foreign exchange during the period 1964-70 has been Rs.891 crores, because imports by these companies far exceeded exports. According to Prof. Michael Kidron, "during 1948-61, the foreign investors as a whole had taken out of the country's reserves three times as much as they directly contributed. This situation has not changed one bit in the 70s".

* The then Minister for Industry (Mr.T.A. Pai) agreed to a question in the parliament (the question raised by Mr.C.K. Chandrappan,M.P.) that in the tooth paste industry, the MNCs control a proportionately larger share. The Minister also said that in the organised sector, except one manufacturer, the remaining companies have substantial foreign equity ranging from 45% to 100%.
(Source: Lok Sabha Debates,Vol.LXIV, No.11, August 25, 1976, page 77).

* According the Minister (Deputy) of Law Justice and Company Affairs(in answer to(Mr.C.K Chandrappan,MP's question) the paid up capital of MNCs in India in 1974 had gone up from Rs.129 to 144.6 crores, even though the government had got only 62 balance sheets out 13' Indian subsidiaries of MNCs. (Source: Lok Sabha Debates,Vol.LX,April 6, 1976,Page 22).

* The Coca-Cola Export Corporation Charges the 22 bottling plants a royalty fee of 7 paise per bottle of coca-cola. The present rate of production is about 50 crores bottles per annum. The full capacity of the plants amount to around 130 crore bottles per year. The royalties now earned annually by the corporation works out to about Rs.3.5 crores of which certain per centage is allowed to be repatriated.(Source: Indian Express,April 25, 1975).

* The total US foreign investments in the world has more than doubled from $ 20.7 billion to $ 64.7 billion in 9 years from January 1,1960 to January 1, 1969.
(Source: The Challenge to US Dominance of the International Corporations, Rainer Hellman,Cambridge Univ.Press,Dunellen,N.Y.1970,Page 3).

* According to the newly published World Bank Atlas the annual per capita GNP of the industrialised countries of West averaged $ 4550; production grew at over 4% and population at less than 1% per year. Per capita GNP grew at a steady dip of 3%, i.e. and increase of almost $ 150 per person per year. In the developing countries per capita GNP averaged $ 116 a year.The average rode from $ 102 to $ 120 between 1960 and 1970, but in 1975 it was close to $ 116.
(Source: Foreign Aid to India,Brojendra N.Banerjee,Agan Prakashan,Delhi 1977,Page 15).

* The biggest single misconception about foreign aid programme is that we send money. We don't. Foreign aid consists of American equipment, raw materials, expert services and food - all provided for specific development project which we ourselves review and approve. 93% of AID funds are spent directly in the [illegible] 4000 American firms

and 50 states recieved 1.5 million dollars in AID funds for pro... lied as part of foreign aid programme.
(Source: H ... and Administrator in the US Agency for International Development, quoted by ... in 'Aid as instability factor' in Impact. Aug.-Sept. 19..).

* The UN has calculated that while developing countries increased their export volume by 35% between 1966 and 1969 resulting earnings rose only by 13%. During the same ... the price index for imported manufacturers from rich countries ... by 17%. It is therefore evident that nearly 1/3 ... their export volume did not compensate for the increase in price which developing countries had to pay for imported goods. In 1969 ... only two tractors. 70% of the world's people ... industrial output; 93 of the industrial output is done only by ... of the world population. In 170 average return on US ... developing countries was 21%, twice the rate of investment in the developed countries. (Source: Soviet View of India 1957-75, Edited by Zafar Imam, Kalyani Pub., 1977, Page 149-150).

* During 1976, German Private Investment in India incrased by Rs.1.89 million. Since 1957, altogether Rs.676.14 million have been invested by the German Private Industry in India, apart from re-investment which is not included. The major part of the investment have been in th branches of machine building industry, chemical and pharmaceutical indstry and automobile industry.
(Source: Eastern Economist, May 13, 1977, Page 908).

* MNCs are also known to cheat India in various cases foud during the course of investigation. For example Philips India Ltd., had their licenced capacity of manufacturing 8 million lamps and that they were quietly manufacturing over 20 million lamps, which probably the government has regularised. They started manufacturing over 20 million lamps without the government's permission.
(Source: Economic Times, May 7, 1975).

* It is stated that 2/3 of the sales of pharmaceuticals in India goes to 24 foreign companies operating in this country and they contro, 80% of the sales of vitamins preparations and 84% of the sales of antibiotics.
(Source: Economic Times. March 31, 1975).

* Referring to the profits made by the trans-national, the Panorma (GDR feature service) commentary says that between 1969 and 1973 direct investment by US monopolies in the developing countries totalled $ 9,100 million The profits sent back to the US totalled about $ 19,400 million - more than double.
(Source: Economic Times. November 15, 1975).

* For the third world, 'tied' aid generally means having to pay between 20% to 50% more for the goods than the competitive world market level. If 80% of all country to country aid-giving was tied in 1974 this brings a reduction in real value of $ 2,100 million(Source: New Internationalist, January, 1976).

* Giving surplus goods and foodstuffs to the third world is included in aid-giving budgets at the official market value. But the value of surplus goods or food to the aid-giver is nothing like this sum. For giving away this excess food economizes on storage costs. And if the mountain of surplus food had been sold normally, the market value would have dropped dramatically. Because of this, the real cost of aid flows should be reduced by a further 10% of the net total.
(Source: New Internationalist, 2 January 1976).

WHY DO THEY COLLABORATE

What makes investment in India so attractive to the foreign investor ... India. But also

the favourable returns in India as compared to that in most other developed countries like UK etc., where they get only 7% as against 17.5% in developing countries like India.
(Source: Economic Times, December 5, 1975).

India also offers enormous untapped resources - with a fairly developed infra-structure, and of course vast and low cost man-power(cheap labour). Not only does India supply raw material resources to be exploited by foreign know-how, but also highly profitable narrow market that can be manipulated and controlled with their sophisticated advertising.(Source:The Rally,Dec.1976).

An excellent detailed study by the United Nations Conference on Trade and Development put the number of skilled migrants from the developing world to the USA in 1970 as [illegible]. This brain drain was calculated to provide the USA with the equivalent of [illegible],700 million. In the same year development assistance from Washington was $[illegible]3,500 million. Since then the amount of American aid had gone down, and the number of migrants increased. From this it is reasonable to maintain that r through the export of the cream of skilled personnel the Third World provides more real aid to the West than all the aid put together.(Source: New Internationalist,Jaunary 1976).

TO SUM IT UP

-- Today MNCs like Shell,ICI,IBM,Colgate-Polmolive etc., are one of the most basic and powerful barriers to world justice.

-- They concentrate wealth within the rich sections of nations like USA,UK, USSR, while impoverishing countries of Africa,Asia and Latin America, which are poor.

-- For these MNCs the 'third world' including India is merely asource of raw materials, cheap labour and protected markets to earn huge profits.

-- Their average(MNCs) rate of profit in the third world is higher than in developed capitalist countries. The ration of the bulk of profits to the balance capital cost obtained by the US MNCs in the developed countries is 7.9% and in the developing countries 17.5%.

-- Being interested only in maximising profits, which they can do only at the expense of poor peasants and workers in these countries.

-- Thus when poor nations require a highly labour intensive rural based technology, the MNCs offer only capital intensive labour-saving know-how, which yeild enormous profits but leaving the people of third world poorer and poorer.

-- Not content with industries, they also invade agricultural sector/agricultural universities of poor nations by way of offering modernization, development etc. Thus the famous 'green revolution' was backed by Rockefeller and Ford Foundations. These two transnationals include ESSO, Caltex,Good Year, Colgate and IBM. They then tighten control by combining food production with processing of hybird produce,baby foods etc.

-- Their combined total sales exceed the GNP of every country except the US and USSR and few more countries.

-- Throughout the poor countries, they market the same dreams through their well oiled machinery of mass-media.

-- MNCs cater to the taste of the few rich and hoodwink the poor but manage to reap more and more profits.

CONCLUSION

To conclude, the 'Trojan Horse' of foreign capital and know-how brought inside our country by the Indian collaborators, makes an unholy alliance with the Bullock Cart - our backward rural economy dominated by the landed aristocracy - thus holding the country in its constrictive grip. By the very logic of this 'unholy alliance' industrial growth turns out to be a process

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of parasitic ' pseudo-industrialisation' that is marked by production BY THE FEW FOR THE FEW, with no regard for the genuine needs of the masses. And to quote Ranjit K.Sau," No one is in a mood to disturb this equilibrium except the impoverished peasants, agricultural labourers, industrial workers and the multitude of unemployed and underemployed ' shadow of human beings'.

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THE WORLD TRADE OF GRAIN

When one speaks of multinational corporations one often has in mind the big industrial or financial concerns. A good many people may not be aware that some of the biggest and most powerful multinationals are operating in the food sector. The present article gives an overall view of the domination exercised by a handful of corporations in this particular field of economic activity.

85 Per Cent OF WORLD FOOD SUPPLY CONTROLLED BY 5 PRIVATELY OWNED COMPANIES:

The World-Trade of Grain -- The Most Important Raw Material for food-supply in the world -- is controlled to 85 per cent by five privately owned companies. Four of them are American based. One of those is alone controlling more than 50 percent. Those companies have their own world-stocks and world-wide distribution systems. They have close links with the American administration, for example by exchanging of top adminstrators with the United States agriculture department. NASA does regular analyses of the earthcrust by their satellite system and can because of that tell the companies, how the harvest will be in the different parts of the world, in the Soviet Union, as well as in the third world, which is very useful when they plan their production and set their prices.

One of the American grain companies - Cargill - has close links with the Chase Manhattan Bank, one of the big international loan givers. The bank is dominated by the Rockfeller family and David Rockfeller himself.

He is also the founder of the Trilateral Commission, consisting of 250 of the economically most powerful persons in USA, Japan and Europe. Members of the Trilateral have also kept important seats in the last American Administrations.

ROCKEFELLER FOUNDATION'S LINK WITH THE BIGGEST COMPANIES :

Rockfeller Foundation is one of the main forces heind the "green revolution" which is the TNC strategy for food production all over the world in the future. One of the biggest oil companies in the world, Exxon, belomgs to the Rockfeller group. Oil is of course one of the most important products for creating the so called "green reolution", as a raw material for pesticide and fertilizer, and as energy for the machines and agricultutre and food processing factories.

And this Exxon is in itself the biggest producer in the world of pesticide and fertilizer. Besides, Rockfeller Foundation and Ford Foundation have close contacts with producers tractors and other machines for agriculture.

THE ROLE OF FAO :

FAO cooperates in a s.c Pesticide-group with a number of chemical companies, for example British Portoleum and Shell, Ciba-Geigy, BASF, Bayer, Borden, Cianamid, FMC, Hiechst, Hoffman, LaRoche, Imperial Chemical, Phillips and Sandoz. There also exists an organisation called International Cooperative Program, consisting of about one hundred private companies in connection with food-production. Hoffman-LaRoche is a member even there, but also Nestle and the Swedish company Alfa Laval, with processing technics and Tetra Pak, one of the biggest companies in the world production of prepacking material.

FOOD MANUFACTURING AND MARKETING DOMINATED BY A FEW COMPANIES LIKE UNILEVER AND NESTLE :

In food manufacturing and marketing a group of very big international companies dominates as well. The 150 biggest food processing companies in the world had one third of all industrial processing outside the socialist states states already in 1976. 58 per cent from the 86 US-based companies, 27 percent from a relatively small group of English companies, 6 percent from twelve Japanese and four percent from two Swiss companies, and so on. Unilever, half English and half Netherlands-based, is the biggest of these companies with 500 daughter-companies in 75 countries, with their own plantations, transport and fishing fleets, plants and land distribution systems, marketing systems and so on; totally more than 300,000 employed. Unilever control 40 percent of world trade in the important vegetable fats and oils.

The second biggest company is Nestle, the Swiss company, Unilever and Nestle cooperate close by. They own together the originally Swedish trade-mark of Findus. In West Germany and Itlay they own factories together. In Norway, Unilever's Northsea-navy transports fish to Nestle's canning factories In countries where Unilever is big, Nestle is small, and the opposite. All signs say that they share markets and avoid competition.

The food sector in all is maybe the most important sector in the world, if we also count the metal and machine industry, chemical industry and energy sector, which are involved in food production. In the centre of this sector stand the five big grain companies and about one hundred big companies in processing and marketing. They are all linked with the international banks, which more and more direct the economic development pf the world.

THE LANDOWNERS OF UNDERDEVELOPED AND DEVELOPED COUNTRIES ARE LINKED TOGETHER :

By the highly technological production of food, the landowners in underdeveloped and developed countries are linked up with the international capitalists; the landowners who traditionally are a powerful political and financial pressure group with great power over the individuals. For instance, 45 million people are in fact migrant workers and unemployed, underfed, starving inside their own country in Brazil, because of the land reforms in the interest if the capitalists. Coordination and concentration of power is not less in other sectors, however. Only thirteen companies control more than 98 per cent of the computer production in the world. All these companies have cooperation agreements with each other. Some of these companies do only produce copies of IBM-Machines. IBM itsel produces more than 60 percent of all computers, that means the hardware.

IBM is also now expanding rapidly in the soft-ware sector. Computers and electronics is the most strategic sector for the industrial development in the future. It deals with information and knowledge as such. In this sector world monopoly is already estabilshed in practice.

The luquidity of the biggest transnational is about ten billion US dollars. If they think that the course of the adminstration into a very difficult situation just by some telephone calls. Even the financially strongest administration in the world has difficulties with the international flexibility of capital.

AN OVERALL PICTURE = A NEW ELITE IS EMERGING IRRESPECTIVE OF CAPITALIST (OR) SOCIALIST COUNTRIES :

The total picture is this : 200 of the biggest transnational today produce one third of the total production in the world. About 1000 companies control half of the world-trade. And there exists about 1000 agreements of cooperation between transnational companies. (These figures derive from a Swedish expert working for chemical workers union in Sweden, Lennart Nystorm).

And now we are talking about single companies. But to an increasing extent we can regard the management and the capital owners behind the transnationals as a cooperating economical elite. Which increasingly gets common interests with the bureaucratic elite in communist states.

This international elite also gets increasingly possibilities to dictate the resource allocation in the world, allocation between developing countries and industrial countries and between different groups of people inside these countries.

These elites, of course, fight each other in the short run and on less important issues ; there is of course competition in a lot of different ways, in different sectors of the market, and in different parts of the world. But on the main and important principle issues, they do cooperate or at least work in the same direction. Most of all, this is the case on the most basic issue of all; the issue of the resource allocation. Basically they are fighting for an, as unjust allocation as possible. Nowadays this striving is expressed in the new and very advanced ideological tendency, sometimes called new conservatism, sometimes called new liberalism.

This very advanced ideological tendency is created by the TNCs. In Sweden they were opened and directly involved in election campaign '76 and '79 through the Employer's Associations.

There was a period when some of us thought that the transnational companies should die as the dinosaurus did before icetime, because they became unable to control their extremities, tentacles. But science and technological advancements and even behavoire psychological advancements have made it possible to manipulate the tentacles of these big, privately owned, plan economical units very efficiently.

I consciously use the expression " Plan Economical ". Because that is what it is. They have reduced the influence of the free market to a marginal extent.

THE EXTRAORDINARY POWER OF THESE NEW ELITES :

World-Trade statistics are based on the trade between countries. These statistics say nothing about the trade inside transnational companies between their daughter-companies and so on. A series of future studies in Sweden about " a new economic order" tried to come to an answer about the influence of the transnationals, but failed because of lack of statistics. The figures I have used here are of course inactual and insufficient. The transnationals have -- I am sure -- even more power than these figures describe.

And what I have described is just power by ownership. But the transnationals also built up power with adminstrative means. Internatiional Organisation of Employees (IOE) and International Chamber of Commerce (ICC) are examples of that, as for example the Trilateral Commission I mentioned before, which is probably the most important example of existing informal organisations. IOE have member organisations in 83 countries. ICC in 101 countries. US employers are of course dominating these international organisations. Among the members we can also find enmployers associations from South Africa, Chile, The Philippines, Indonesia, Taiwan and son on -- associates who are probably not more humanistically oruented than the dictators who rule their home countries. A ramification of the US Chamber of Commerce in Gautemala, which very clearly expressed its support of the reckless killing of all oppositional persons in Guatemala, even hitting the right wing opposition inside the former Christian, Democratic party. Fred Sherwood, the former president of the US Chamber of Commerce in Guatemala said in September 1980 to an American Journalist :

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"Why should we be worried about the death squads ? They are bumping off the commies, our enemies. I would give them more power. Hell, I would get some cartridges if I could and everyone else would too... Why should we critize them ? The death squad ? I am for it.

In this man's factory, four union leaders have been murdered by death dquads. The death squads are -- according the Amensty International -- organized directly by the president's security guard, Romeo Gracia Lucas.
Keith Parker, the vice president of the Guatemala Bank of America, said to an American journalist on the 8th of September, 1980 :

"What they should do is to declare martial law. Then you catch somebody, they go to a military court, 3 colonels are sitting there, you are guilty, you are shot. It works very well."

Thomas Mooney, the actual president of the US Chamber of Commerce, said to a group of managers in New York, in April, 1980 :

" The State Department (under the Carter adminstration) opposed the use of violence as a weapon to subdue the leftish orientated groups which seek to depose Guatemala's government.. There is another point of view that contends that the only feasible way to stop comminism is to destroy it quickly. Argentina and Chile have demonstrated themselves as nations, which use this approach with considerable effectiveness and have gone on to become Latin America's most stable and successful countries.

One of the members of this US Chambers of Commerce in Guatemala is Nestle. And any question to Mr.Phillippe de Weck, as a members of the board of Nestle, was : Are you prepared immediately to demand Nestle's withdrawal from membership in this organisation, and do it publicly by advertisements in the Guatemala press declaring that the compnay is withdrawing because US Chamber of Commerce is supporting assassinations of union leaders ? I Got No Answer. He promised to inquire the circumstances and come back with an answer. So the question remains. IUF and its members organisation all over the world are waiting for the answer.

In the global power concentration we find the basic reason for injustice underfeeding and starvation. Here we also find the basic reason of the economical crisis in today's world, in developing countries as well as in industrial countries, in the east as well as in the west.

SOME MORE CONSEQUENCES OF THIS POWER CONCENTRATION :

Power concentration means that they who have power and capital, collect more and more capital and power. They use their power to press the productivity up and the wages down. Then the demand is reduced. The investments decline. Unemployment, suffering, underfeeding and starvation in the world is enhancing. At the same time super abundance is becoming more and more bizarre.

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In every country they try to reduce costs of wages and increase the productivity. The result is a harder and harder fight for the export markets. The fight for export markets, the social restlessness and the growing class contradiction lead to protectionism, trade war and weaponry war. The armament is increasing the suffering and contradictions between social classes and nations nad taken us faster and faster in direction of the war. A war which will be the catastrophy of the cilivization, a period of horror and desperation, under the clouds from the nuclear detonations.

WHAT IS THE SOLUTION ? HAVE PRIVATE AGENCIES A ROLE ?

The only way out of this devilish circle is an international union and political struggle for fairer deal. We must make it impossible for the financial elite of the world to separate the wage earners in different countries from each other, to put up the people in different countries against each other,. We must make it impossible to move employment between countries just in order to exploit cheap labour. The international division of labour must be nased on rational ground. The poor people must gain the strength to produce for their own needs. New demands must be created amoung the poor people in developing countries, as well as in the industrialized countries, in the east and in the west.

The democraatically chosen national governments are a minority of the countries in the world, and the super national bodies, which are built up with much difficulties, are insufficient instruments.

Only broad movements amoung the people itself, unions, religious and politicalmovements and so on, can counter balance the financial elite,.

World council of churches, the catholic church, Amnesty International and other movemants can play an important role. It is, however, the international movement of the workers which has the crucial fate in its hand.First of all, the international movement of the unions.

We must go together in an international struggle in order to froce a more fair deal from the production, inside nations and between nations, in the east and in the west. But in that struggle we have to cooperate much more with other movements. In the Coca-Cola-action in 1980, I cooperated very closely with Christian groups in the USA. We have noticed the very important role of the Catholic church in Poland and in Latin America.

The first step must be to broaden the union right to negotiate in countries where they do not exist, and in democractic countries where they today, in fact are threatened by reactionery political regimes under the ideological parachute of new liberalism and new conservatism. The only accurate method is the old classic one : strikes, blockades and boycotts, but on an international level. That us what we, inside IUF have mounted, in our congress, last May in Munich, and what we have already practised, for example in the case of Coca-Cola in Guatemala. The action involved 70 unions in more than 30 countries. More than fourteen unions were prepared to stop production of Coca Cola, when the company suddenly gave up its resistance, bought the license factory and stopped the murdering.

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CAN WE FIND INSPIRATION IN THE SWEDISH MODEL ? :

I am convinced that the financial elite must be forced to accept effective formulas for international negotiations with a strong international union movement. That is the only way out of the world's crisis today and in the future.

This difficult process will be easier if human and idealistically oriented persons inside the financial elite can obtain a broader insight. That can be what's needed to avoid the catastrophy.

What I am talking about is what -- often outside Sweden -- is called the Swedish Model, practised on an international level. This model did not come to us by itself, but it was not unaffected by our Christian human tradition and the will to talk to each other as human beings.

This model cam to us after half a century of hard struggle, strikes and class conflicts. It came to us when the financial elite in Sweden realized that the unions and the workers movement was so strong that it couldn't be beaten. But there were also persons in the financial elite who had idealistic views. And when this model was established, it became the basis for social and economic progress without example. Now, however, the international financial elite has for great influence in Sweden. And the employers -- during first five years of bourgeoise governing -- seem to have forgotten the the experiences from the long period of balance of power in Sweden. Because of that we in 1980 have got our first big conflict at the labour market after many decades. And now unemployment is also rising to the level of the second world war period -- however it is still not more than between 3 and 4 percent.

Because of that we now are dependent on the struggle for example in Brazil, Philippines, South Africa, USA and son on. We are now standing in front of the fact that problems cannot be solved at national level.

SOURCE: Power Concentration and The World Economic Crisis by Bror Pejrus, The author is a functionary of the International Union of Food Allied Workers' Association (IUF) headquartered in Genevia.

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THE CONCRETE FUNCTIONNING OF A MULTINATIONAL

A CASE STUDY : NESTLÉ

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A TURNOVER GREATER THAN THE GROSS NATIONAL PRODUCT OF 51 OF THE 53 DEVELOPING COUNTRIES OF BLACK AFRICA.

Nestlé is the most profitable food industry on earth. Bigger than any of U.S. food giants it ranks second only to Unilever in magnitude of turnover. It manages, however, to be more efficient than the other food multinationals. (In 1976 it netted 4.6% profit, compared with Unilever's 3.3 %, General Food's 3.82).

It is one of the largest companies on earth, employing over 146,000 people with a turnover (1978) of 19,538 million Swiss Francs (approximately £ 5700 million), a trading profit of Sw.Fr. 1556 million (£ 455 million) and a net profit of Sw.Fr. 739 million (£ 215 million). To give an idea of the scale of operation it is interesting to note that Nestlé advertising costs alone exceed the entire worldwide budget of the World Health Organisation.

Nestlé is the world's biggest milk processor -handling over 7,500,000 TONNES OF MILK PER YEAR. It is also the world's largest buyer of Coffee and cocoa and, operating almost 300 factories and 97 administrative centres in some 51 countries : it really deserves its title of the "most multinational of multinationals". Less than 5% of its employees are based in the home country, Switzerland.

Nestlé is particularly active in the U.S. (where sales topped $ 2000 million) in Germany (where it is the largest food concern representing some 3% of food spending), in France (where it controls 50% of the frozen food market), in Spain (where it is the largest food concern), in Latin America -- particularly Argentina, Brazil, Chile, Columbia and Mexico, and of course in Britain.

Nestlé turnover is relatively stagnant in Europe since the company prefers to concentrate in the countries with political climate which facilitates rapid corporate growth - such as those of Latin America.

In the Western world Nestlé particularly favours the U.S. since, as the Chairman, Mr. Furer explained, "The U.S. seems likely to continue along the path of economic freedom, while Europe risks going in a more socialist direction". Factories are closing,then, in Europe while new ones are opening in the Third world and U.S.A.. By 1982 U.S. sales are projected at $ 4 billion.

Nestlé 's turnover is greater than the Gross National Product of 51 of the 53 developing countries of Black Africa and is, indeed, greater than the budget of the Zwitzerland Government in its home country.

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IMPRESSIVE GROWTH RECORD

Nestlé's impressive growth record (15% per year increase in sales from 1969 to 1973) far exceeds the growth rate of most countries on earth and, indeed, is artificially lowered by the increasing value of the Swiss Franc. Profits, too, are increasing rapidly. Shared amongst the 80,000 shareholders profits for the average investor equal half the average Nestlé worker's wage. And that excludes increase in company assets due to inflation.

WHAT NESTLE PRODUCES AND SELLS

Nestlé - founded by a German and an American as the Anglo-swiss Dairy Company - was initially dairy concern. Out of its leading role in milk drying (discovered by Henri Nestlé in 1867) stemmed, in 1930, Nestlé's discovery of instant coffee (using the same drying equipment). In 1947 it acquired Maggi, in 1960 Crosse and Blackwell and, in 1962, Findus. In merging with Ursina-Frank in 1972 it became Switzerlan's largest company.

In more recent years, Nestlé has acquired Libby's, a leading share of Chambourcy, 49% of l'Oreal (France's largest perfume and cosmetic combine) - Author of Ambre Solaire) and Alcon - the World's largest producer of opthalmological products (contact lenses and products for their maintenance). Nestlé now markets over 14,000 different products

Some of the leading brand names are :

Nestlé, Nescafe, ideal milk, Milk Maid, Lactogen, Mix-o-Choc, Maggi stocks, Crosse and Blackwell, Branston Pickle, Waistline, Chambourcy, Findus, Le Parfiat, Frigor, Swiss Knight, Highland Toffee, Oreal Cosmetic, Club, Quick, Nesquick, Decaf, Sweeheart , Flair, Brite, Chef and Savoury , etc. Nestlé also has vast interests in hotles, caterings (especially fast-food restaurants) mineral water, wines and essences.

20.7% of Nestlé turnover (1977) is dairy and refrigerated products, 7.3% infant foods and dietetic products, 35.7% beverage (soluble teas, coffees etc), 9.5% chocolate and confectionery, 7.5 % Frozen foods and ice cream and the rest, 19.3% culinary products.

L'Oreal - France's largest cosmetics industry - is Nestlé's most significant non-food subsidiary and it is highly lucrative. From 1977 to 1978 profits rose 50% to 200 million francs. Next - at a cost of 270 million dollars - comes Alcon which has factories manufacturing pharmaceutical products in Brazil, Argentina and subsidiaries in Chile and Philippines.

Nestlé has 50% share(with the Belgian-French International Sleeping Car and Tourist Co.) of the Eurest Catering and restaurant group which, with a turnover of $ 189 million (1977) ,claims to be the largest restaurant chain in Europe, serving over a quarter of a million meals daily .

Nestlé - a pioneer of convenience and synthetic foods - jumped a big step ahead of its competitors in 1975 when it entered into 'collaboration with a very large oil company ' (Chairman's words) to produce petro-proteins (guaranteed to contain no natural ingredients).

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HOW TO AVOID TAXES

Nestlé has a curious capital structure. It has a Panamanian sister company , Unilac, which is a holding company for key operations in the Western Hemisphere. It also has Canadian and Bahaman holding companies. Nestlé says this has nothing to do with avoiding tax. The company, however, is remarkably successful at keeping down its tax bills. For instance, with a 20 billion Swiss franc turnover in 1977 taxes came just to over half a billion - nine years previously over 300 million francs tax was paid on a turnover of less than 9 billion francs. Countries such as Switzerland Panama and the Bahamas are low tax zones. It is, of course, illegal to "cook the books" by transfer pricing in order to declare profits where taxes are lower but, having holding companies, there are some effective legal dodges.

Even the business world of New York and London is suspicious of the secrecy and intricacies of this giant company. According to Business Week (in 1973) Nestlé is not allowed on to those stock exchanges for these reasons. Many US stock exchange investors had their fingers burnt when Nestlé acquired Libby's. When it first acquired a majority shareholding Nestlé was investigated by the Federal Trade Commission for possible Anti-Trust violation. For the next two or three years Libby's lost money. The board of directors was dominated by Nestlé employees who, against the advice of much of the Business world, closed down some of the loss-making sectors - especially its frozen foods concerns.(At that time Nestlé's wholly owned subsidiary Stouffer was doing very well in the frozen foods scene). The shares of Libby's plummeted and, in 1975, Nestlé bought up the remaining shares.

Not surprsingly ,many investors felt that Nestlé had siphoned off Libby's profits so that they could engineer a cheap takeover. The International Labour Movement is also cautious about Nestlé - so much so that, in 1972, a permanent international committee of Nestlé trade unionist was formed.

MOVING OVERSEAS, TO DEVELOPING COUNTRIES : "FAVOURABLE" WAGE BILL.

An increasing volume of Nestlé activity is located in Africa, Asia and Latin America. In 1974 this accounted for 21 % of turnover - by 1977 it had risen to 30.1 % (Africa 4.9 %, Latin America 12.8 %, Asia 12.4 %) compared with Europe 45.4 %, North America 22.2 % and Oceania 2.3 %). Though only 67.6 % of turnover is in Europe and North America 90 % of capital rests there . The Third World, then, brings in a much healthier return.

The preference for overseas operations can best be understood by a look at Nestlé's wage bill accross the world. In 1974, when the average Nestlé worker in the developed world received $ 8101/year, the workers in their Indian factories received $ 683/year. On top of this the absence or powerlessness of trade unions in most Third World countries means that labour is often temporary and without security.

Worldwide Nestlé salaries represent 15.72 % of turnover (1974) whereas in Africa the figure is 1.6% and in Asia 2.8 %. On average the Third World wage bill is probably 26-43% that of the developed countries. So the European workforce of Nestlé is also suffering in many ways. First, there is a preference within the rich world. For the corporate safety of U.S.. Then there there is the transfer of interests to the Third World, and also a move towards automation. In 1975, then, there was a drop in workforce of 2.3% in spite of a 10% increase in turnover.

Substantial expansion of operation in the Ivory Coast, for instance, increased the capacity of a Nescafe factory by over 50% and introduced Maggi Bouillon and cocoa manufacture, threatening the future of 2 big French plants.

The inventiveness and diversity of Nestle operations in the Third World are no less impressive than those in the Western World. They have developed a wide range of cheap convenience foods using indigenous inputs, such as instant noodles in Asia. They have built up an enormous market for ice cream in Latin America and Africa and have also developed a sizeable market for cosmetic and perfumes. Their catering subsidiary has landed contracts with Saudi Arabia which entails providing 300,000 school meals per day. In Senegal they produced groundnut oil (which is much cheaper than milk's own oil -- butter). They are also planning a condensed milk venture there. In Ivory Coast they use local millet and again, skimmed milk powder to produce cereal, " CERELAC ". In Brazil, they have combined forces with the US Firm " ARCHER DANIELS MIDLAND & CO " to produce soya-seed vegetable protion (mainly for export -- in a country where over 40% of the population are malnourished).

NESTLE AND COMMODITY DEALING :

Since Ntesle is such a powerful trader of commodities (leading handler of milk, coffee and cocoa) it is in a very strong bargaining position. It can woo local authorities into generous concessions under threat of pulling out of that country altogether. Nestle itself recognises that " the volume of our purchases of coffee and cocoa are so vast that it influences the market for these commodities". When prices start to rise Nestle stockpiles and strongly resists multi-lateral action to regulate proces. At other times- especially when prices seem to be at a stable high, Nestle calls urgently for international commodity agreements. Generally, then Nestle with relatively secure investment and a very low wage bill is able t make high profits out of Third World Commodities trading.

In the Ivory Coast, for instance, Nestle is by a very long way the biggest customer for coffee. Of 2494 tonnes of soluable coffee exported, 2200 tonnes is exported by Nestle. In 1974 Nestle paid the Ivory Coast $ 393 (per tonne) for the raw coffee compared with an average world price of $ 1300 per tonnes - four times higher.

Likewise, in that year, Nestle paid Ghana $ 1135 for cocoa compared to a world price of $ 2163 per tonne and worldwide paid only 57% of the average world price for sugar. Monopoly buying positions, long term contracts and the desperation of poor countries to gain foreign exchange make them vulnerable to powerful traders such as Nestle. Few peasants or poor farmers would have sympathy with the Nestle view that their " presence in the Third World is based on common interests ".

Few, on realising Nestlé's strength in commodity trading, can muster much sympathy for that company's chairman who laments that " a further unwelcome development is the tendency of some countries to use raw materials as a weapon by manipulating prices and threatening boycotts".

And can we really believe him when he says " a company as multinational as ours undoubtedly contributes to the economical equilibrium of the countries in which we operate" (perhaps he means "keeps them at rock bottom".)

By 1976 Nestlé was involved in operations in 12 African countries making instant coffee, evaporated and condensed milks, powedered milk, dietetic products, beverages, infant cereals, soups, condiments, refrigerated deserts and frozen foods. In South Africa it has 10 factories producing 300 products and holds 60-85 % of the S. African market in condensed milk, full cream powder and instant coffee. Wages there often fall well below the poverty datum line.

PLAYING SAFE AND TAKING FULL ADVANTAGE OF ALL OPPORTUNITIES

Nestlé is no gambling concern. They always prefer safety. Even though they are one of the largest handlers of agricultural produce in the world today they themselves have very little farmland. They own not a single cow in the world, nor a single acre of coffee or cocoa land . They prefer to let the local farmers take the risk -- they can then sell their produce to Nestlé. Nestlé - by being a monopoly or near monopoly buying position - is able to control production without needing to own the land.

In Brazil, then, Nestlé's experimental research station develops the seeds for the local farmers' pasture and provides loans for purchase of the variety of cattle, fodder , vaccins, machinery, etc. that Nestlé thinks should be used. Nestlé will buy farmers' milk and deducts loan repayments from the price of that milk. Even, in this way, Nestlé loans are safe.

In some countries Nestlé is even able to pick up development grants to make its operation even more lucrative. In Nicaragua, then, the government and the interamerican Development Bank have both helped out Nestlé by building roads from its plant to the milk-producing areas.

In Mexico, Nestlé succeeded in persuading many farmers to switch from their traditional crops to producing milk by offering fodder at greatly reduced prices and providing free silos for animal feed storage. Nestlé, likewise, has built up milk production in Peru and Columbia. In many parts Nestlé has a monopoly milk buying position and so, in 1977, when they cut back in milk purchase (powdered milk being so cheap on the international market) the result was the throwing away of huge quantities of unsaleable milk.

BABY FOODS

Nestlé is the larger manufacturer of baby milks (infant formulas) in the world and is most criticised for its sales methods in the Third World. Papua New Guinea, Guinea Bisau and Sweded have all banned direct baby food advertising -largely as a reaction to Nestlé methods. In Colombia, Nestlé powdered milks were banned after bacteria contamination caused the death of 25 babies.

The criticism of Nestlé for its baby foods marketing led to a Swiss pressure group being sued for libel. Two days before the end of the trial Nestlé withdrew three of the four charges concerning immoral sales methods, using sales girls dressed as nurses and its responsibility for thousands of infant deaths or injuries as a consequence of its practices. Presumably, even Nestlé found the evidence too convincing.

Obvpusly the Swiss court (and subsequently many critics from the medical world) have been unconvinced by Nestlé 's claim that " we ourselves made every effort to ensure that our infant milks are only used as a supplement or substitute if mother's milk is lacking or the mother cannot, for various reasons, breast feed her baby.

It is now widely accepted that widespread use of baby milk in the Third World makes a major contribution to infant malnourishment and death. It is then, extremely disturbing that the EEC, through its Common Agricultural policy, supports directly or indirectly exports of dairy produce -including baby milks. This, as Nesle themselves say, helps their export no end. "It is worth mentionning here the considerable support given by the Common Market Agricultural Policy, which consists, inter alia, in the granting of export subsidies on dairy products".

FINALLY ....

A Swiss consumers'review showed that Nestlé's white chocolate (Galak) (which advertised itself as "a delicacy excellent for health") has no right even to call itself a chocolate. Its ingredients are only 24% cocoa butter, compared with 45% sugar and 31% powdered milk plus s nthetic flavourings !

Source = John Clark : "Milking Whom ?
(International Coalition for Development Action, London, 1979), p. 59 to 66.

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OPERATION FLOOD

(A Case Study of Dairy Aid)

Operation Flood is comparable with the Green Revolution. Both depend on extensive national and international funding, both use western technology and advanced genetic science, both use auxiliary inputs (The green revolution uses fertilisers, tractors and pesticides, the White Revolution uses animal feeds, pasture festilisers and veterinary services)
What follows is an assessment of the "White Revolution".

INTRODUCTION :

India's 180 million cattle and 60 million buffalo constitute some 18% of the world's bovine population, yet India produces a mere 2 to 3% of the world's milk. The "animal feeds" section explains how, in part, this is not inefficiency but a reflection on the alternative uses for cattle that have been developed in India (notably for draft). Nevertheless, Indian dairying, particularly in the cities, can be justifiably accused of wastefulness.

Every year in India 10 million cattle die of starvation (the city calves which are too expensive to keep, the cows which have dried up, etc)(1) In Bombay, for instance, some 100,000 buffaloes and their claves are brought into the city every year. The calf keeps the mother in milk until the owner has developed a market for the milk -- then it it allowed to die. One hundred thousand buffalo calves are lost this way each year in Bombay alone (2). After 8 to 9 months the buffalo cow's milk dries up. Many can't afford to take their cows back to the countryside for breeding and so they sell the cow to a slaughter house. With what little they receive there, plus nny savings they have, they buy another cow with a newborn calf in the rural areas and start over again. Nearly half the cows brought into Bombay are slaughtered at the end of their first city lactation.

This story is repeated in every city in India with the exception that, in many cities, cattle, not buffalo cows are used. In Many states (for instance Haryana and Punjab) the law forbids the slaughter of useful cows (cattle) and so it is commonplace for the owner to cripple her so severely that the state officers declare her to be of no useful service so that she can be slaughtered.(2)

In the cities, animal feed (imported from the villages) is expensive, consequently the milk is costly (and often diluted by the seller). The milk is marketed under unhygienic conditions and so is a major carrier of disease. The urban pollution caused by cattle manure, etc; is also a major health hazard.

In the countryside, the milk trade also leaves much to be desired. Traditionally, the producers sell to middlemen (there being no way of direct marketing in the city themselves). The middlemen, who are also the village moneylenders, pay a "rock bottom" price, they then dilute the milk for transportation in unhygienic conditions to the cities.

In the light of the unhygienic and inefficient nature of traditional Indian dairying (very similar to British dairying of the 19th century) and, indeed, of the domination of the dairy product processing industry by Western multinational corporations (notably) Blaxo, Unilever and Nestlé (3), much attention has been given in recent years to revolutionising the dairy sector.

Inspired by some of the successes of the "green revolution", but sadly unhindered by the pertaining failures, agricultural development planners have looked to the Western World for the keys to dramatic dairy reform -- the "White Revolution". This chapter is a description (not an assessment-- the research being to cursory for definitive criticism) of the resulting programme -- Operation Flood -- the largest dairy development programme in the world and largely the brain child of one man.

THE WHITE REVOLUTION :

Operation Flood is in many details comparable with the Green Revolution. Both depend on extensive national and international funding, both use western technology and advanced genetic science (in one for developing hybrid wheats, in the other for breeding high milk yielding cows), both use auxiliary inputs (the Green Revolution uses fertilisers, tractors and pesticides, the White Revolution uses animal feeds, pasture fertilisers and veterinary services).

As with the Green Revolution, Operation Flood is a very expensive programme. From 1951 to 1956 the Indian Government spent 78 million rupees on dairy development. In 1974-79 this had rocketed to Rs 4479 million (4). With both "revolutions" this expenditure tends to increase the power of the landlord over the peasant. Only the relatively rich can afford to buy (or borrow money on reasonable terms to buy) the high yielding cows and required feed. Although 90% of India's milk derives from holdings smaller than 5 acres, it is mostly the wealthier farmers who are participating in Flood and there is a danger that the green revolution's displacement of small farmers from the land might be repeated here.

more detailed criticisms of Flood will follow an account of its aims, objectived and successes. Even at present, however, one could begin to challenge the World Bank's self-eulogy that, by funding Flood, they are "Helping to promote a technology most appropriate to Indian Condition" (5)

FLOOD'S : AIMS AND OBJECTIVES:

The principle of Flood is to accept donations of milk powder and butter under the Western World Food Aid Programme, to reconstitute these into liquid milk in purpose-built modern dairies and to sell the resulting milk in a modern, hygenic distribution network in all major towns and cities. The proceeds from such sales (plus aid donations and loans from the west) would be used to build more dairies, extend the distribution network (homogenisation plants etc.) and to help resettle the traditional urban dairyman, who, in theory, is squeezed out of business by the modern urban dairies. The cities would recieve a steady supplu if hygenic milk, the producers would , by being organised into marketing cooperatives, receive good prices, city slaughtering of cows would be greatly reduced, and a "National Grid" modern distribution system would evolve.

The ambitious $550 million dairy development programme is estimated to embrace 10 million producer families and supply milk to 142 towns and cities by 1980 (6). The demand for an efficient dairy system— though perhaps inappropriate to India's poor— is perhaps best described in a ten-year old Hindustab Times article: " Talk to any middle class urban housewife for 5 minutes and she will complain about the milk situation"(7). Today she will not complain so vocifcously. The long queues have been greatly whittled away and she no longer needs a milk card. Does this concern for the middle class housewife warrant, though, the BBC's impassioned praise that Flood is " the most spectacular project of this kind" (8).

A SHORT HISTORY:

In the 1940's dairy cooperatives started to develop in the rural areas (particularly of Gujarat State) in response to the mercenary practices of the dairy middle-men. A particularly active union formed in Kaira district, Gujarat, under the leadership of S.Patel (late Home Minister, Morarji Desai (ex-Prime Minister) and the leading Gandhian, T.Patel. A few years later a young engineer, called Varghese Kurien, joined the team of the dairy in Anand, Kaira District, which processed the cooperatives' milk. This man was to be the leader of India's dairy revolution. His technical skills and innovation led to the expansion of the AMUL dairy into what is now one of the top 30 industries in India. It was the first dairy in the world to ever to dry buffalo milk and to make other buffalo dairy produce. In the late 50's (aided by UNICEF) it diversified into condensed milk, baby foods and cheese -- using some 55% of the milk output of the Kaira district cooperatives, covering an area, similar to Scotland's whose population was 25 million (9).

Aided and advised by Kurien the milk cooperatives reproduced rapidly throughout Kaira. Veterinary services, fodder seeds and animal feeds were provided and by 1966 there were 540 cooperative socities in the district and the dairy shipped 100000 litres of milk daily to Bombay, 265 miles away. Kaira district was a model for the rest of India.

An ambitious animal feed mixing plant was opened in Anand in 1964 (with the help of a £ 108,00 grant from Oxfam -- the largest ever single grant). which helped to bring the Kaira milk yield upto twice the national average, using largely vegetable waste materials.(9)

In the 60's Kurien was called on to sort out the problems of the ailing, inefficient Delhi dairy. His experience and siccess there led him to set up the National Dairy Development Board (NDDB) -- an all- India advisory service to do feasibility studies, design and build dairies and iron out dairying problems. By 1970 this had a staff of 26 professionals and apprentices and a two million rupees campus in Anand.

In the early 70's, Kurien spearheaded a widespread programme of improving the diary stock and building compound cattle feed plants. The Jersey bulls received as "AID" from Europe turned out to be of poor genetic origin, however, and the improvement programme was held up while the project imported their own. By 1976, 18 new Anand pattern dairy plants had been completed and Kaira district boasted 830 village cooperatives, 233,000 member families (10). The NDDB had designed and built its own road and rail tankers and many sophisticated pieces of dairy equipment. In 1975 it even had to employ a Western marketing consultant (previously marketing milk was unheard of -- milk ration cards had to be issued). The lucrative dairy processing market in India had presvously been the preserve of the Western multinational dairy corporations. The meteoric rise of the AMUL dairy was, in part, a response to this monopoly. As Kurien describes" we were a bit peeved to think that in a poor country, the Indian Subsidiary of a foreign company was taking so much profit that it could delcare 90-110% dividend". (11). The multinationals tried -- on realising the success of AMUL -- to muscle in.

One such firm triend unsuccessfully to coax them into not making baby food but collaborating with them, saying "with our brand name you can charge one rupee extra. You take half the rupee." (12). A "famous Swiss multinational corporation" was asked to collaborate in the building up of a condensed milk operation but it insisted on having European Management. Kurien refused and a successful all-Indian condensed milk factory resulted. Up until the mid 70's the development of the milk cooperatives and of AMUL dairies had been a gradual "organic" process. The transition into the largest dairy development scheme on Earth came about as an ironic twist of the EEC food aid programme.

When Kurien heard of the EEC plans to give away surplus milk powder and butter he was very alarmed. The hinted at 20,000 tonnes of [illegible] destined for India would wipe out AMUL's market and the milk powder, likewise, would cut heavily into their market. The AMUL scheme and Kaira cooperatives could be killed. Kurien dreamt up Operation Flood as a somewhat desperate gargantuan bid to save AMUL (10). Rather than a gradual growth of the Kaira pattern, the dairy aid could be converted into milk, sold, and the funds used to boost the Kaira and AMUL model throughout India. The World Food Programme (agents for a large portion of EEC dairy aid) accepted Kurien's proposals and the first leg of Operation Flood commenced with £ 50 million in grant.

Operation Flood I centred on the development of modern dairy distribution systems in the four big cities (Delhi, Bombay, Calcutta, Madras) with the construction of feeder dairies and compound feed plants,etc; in the adjacent rural areas. This scheme, though slower to build up than envisaged, was the world's largest dairy development programme, though itself dwarfed by the $ 550 million scond stage - Operation Flood II.

By 1978 there were 16 District cooperatives' unions modelled on the Kaira union (13), and a plethora of political dignitories (including Judith Hart and James Callacghan) flocked to visit the heart of Indian dairying development in Anand. By this time, the income of approximately one million producer families has increased by an estimated 50 - 100% and AMUL was one of the top 30 Indian businesses. Many agricultural development experts, then describe Flood as a shining example to be followed by the rest of the Third World and the EEC is delighted (here is a country which actually seems to be making use of the embarrassing dairy aid).

Even Unilever has bestowed repeated praise on the project (14)(though whather its international involvement in the animal feed industry is a vested interest leading to this enthusiasm for modern dairy development in the Third World is not clear).

THE OTHER SIDE OF THE COIN :

The progress of Flood has not always been easy and the project is not without criticism. This section constians an account of some of the major problems and criticisms that Flood have encountered. These are not intended to prove that the project is worthless. The present research is far too cursory to make such bold statements and in any event some of the dramatic achievements of the scheme (described above) must go unchalleneged. However, the intention is to show that there must be grave doubts as to those appropriateness of at least some aspects of Flood -- particularly those stemming from the use of EEC dairy aid.

Operation Flood depends very heavily on aid. It has received help from Britain, Canada, Sweden, New Zealand, the EEC and from the World Food Programme, Food and Agricultural Organisation and UNICEF (of the United Nations).

The $ 550 million needed to provide the support for Operation Flood II derives 36% from World Bank loan, 49% from the sales of EEC dairy aid (186,000 tonnes of milk powder and 76,000 tonnes butter over 6 years) and 15 proceeds from Flood I. With most such "AID" there are, of course strings attached. For instance, countries give not cash but credit for the pruchase of dairy equipment. When such an aid agreement is made the dairy equipment suppliers all immediately bump up the export price of their machinery -- so devaluing the aid. (11).

In early days of EEC dairy aid support, Flood was a convenient dumping ground for EEC's substandard milk powder and butter (in the first year 23% and 25% respectively had to be dumped -- it was unfit for human consumption(10).). More recently, food aid promised simply did not arrive. The World Food Programme when approached appeared uninterested and merely suggested that they would have to buy on the world market (15).

The appropriateness of certain aid allocation must in particular be criticised. UNICEF -- the UN agency for aiding the world's most deprived children -- for instance, provided the cash for India's first ever automatic chilled milk dispensing units (machines which, because of their expense and high running costs, are not in use in many western countries). It is unlikely that a single child in the category UNICEF purports to support has ever used one of those machines -- but thousands of them (those who depnded for a living on selling milk) will have lost their source of income.

On big source of criticism is that Flood is failing to meet its targets by a very long way. The four big city dairies are only working at 65% capacity (16) and what milk they produce is not marketed efficiently according to the Committee on Public Undertakings (17). The biggest shortfall, however, is in the production of raw milk. While the throughput of locally produced milk at the four major city dairies was more or less stagnant at 0.84 million litres (10). Very little reliable information appears to be available but there is some disturbing evidence which shows that indigenous production of milk has actually fallen in the Delhi scheme by 40% in a single year (1976 to 1977) (15). The ouput of milk from the dairies may be increasing but this results from reconstitution of imported ingredients, not from local production. Only 3 out of the projected 17 cattle feed plants are ready and none of the 18 Anand pattern cooperatives appear to be functioning properly, according to the Indian Minister of State of Agriculture in his criticism of the lack of emphasis on the promotion of local production.(19). Flood, he concluded, offered very little incentive to the small farmer.

This failing to meet targets means a heavy dependence on imported milk powder and butter. (the value of total imports -- rather than falling as indigenous production develops -- actually rose from 250 million rupees in 1974 - 75 to 390 million rupees in 1976-77 (15).

This dependence has already transcended the limits of Western Aid and has forced them to buy heavily on the Western Market. A dream of the European dairy manufacturers could well come true then -- the dairy aid develops a taste for dairy products in the Third World which can, in the long term, only be met by buying from them on the commercial market. If this new demand continues to rise the days of dairy aid are numbered. (Why give away what you can sell !).

The dairy revolution in India is not just leading to a dependence on imported raw ingredients. There is also a dependence on imported technology for the sophisticated milk plants, etc. For instance, one entire seven storey, 2 acre cattle-feed plant was imported from Switzerland in the sixties (20) and two British ICL computers have been installed at the cost of 20 million rupees ([illegible]). Now a Swedish Tetrapack plant is to be built.

Operation Flood has not achieved its goal as fas as its relevance to the rural poor is concerned. Even in Kaira only 10% of the cooperative members are landless.(11) The deep-rooted indebtedness of the rural milk producers to the middle men, restricting them to sales in this private, exploitative section, remains unbroken and is a major factor in the failure of Flood as far as the rural poor is concerned.(21)

Even if the targets were being met, there was no growing dependence on Western imports and the programme embraced mainly poor,producers, there would still be strong criticism of Flood on the grounds of its nutritional irrelevance to the poor consumer and that it diverts agricultural land into the less efficient dairy sector.

Development experts have oft praised Flood for the bringing of a highly nutritious food stuff, milk, to a country of chronic malnourishment. The irony, however, as even the FAO agrees, is that at some 2 rupees per litre, milk is priced well out of the reach of the poor. Perhaps this is just as well -- there is much nutritional evidence that shows how inappropriate milk actually is in the diet of very many socities un-accustomed to dairy produce. It should also be stressed that,in general, India's problem is not one of malnourishment but undernourishment. The theories of the 60's that protein deficiency was the poor world's main problem is now known to be false and studies in Calcutta, for instance,have shown that the poor in general consume a very balance diet, but that is contains less than half of the required levels of most nutrients (23). Milk would both inbalance this diet and be some 3 or 4 times as expencive as the traditional diet. Certainly to the poor (Which from 1971-72 to 1974-75 has actually fallen by more than 10% to 374 grammes cereals and 42 grammes of pulses per day) though it has made available foods such as cheese,Chocolate,ice cream and Italian Mozzarella - previously unknown or rare in India. While malnourishment in India worsens, India develops its own dairy surplus (over 300 million rupees worth in 1975(24) and some of the surplus has to be converted into ice cream (25). Even in Gujarat (centre of India's dairy revelution) the greater availability of milk is more or less irrelevant to the poor and the per capits consumption in that state has hardly changed since 1963 (26) (and is amongst the lowest in India).

Flood has also failed in its other commitment to the poor -- that of resettling the traditional urban milk sellers, Criginally, it was intended that these would be put out of business by the heavily subsidised sales from the modern dairies, and that counterpart funds would be used for their resettling. Whether Flood has failed to displace significant numbers of milk sellers, whether those displced don't want to be forced to move to the rural areas, is not clear, but what is apparent of Flood have simply changed their minds is not clear, but what is apparent from official records (13) is that the 15% of the total budget originally intended for resettlement has been whittled away to a mere 0.5%. The funds have been diverted into other, more prestigious areas.

Although cattle can be, and often are, fed on vegetable waste material (and so could ideally be suited to the landless labourer), increased demand for milk and milk products can lead to the use of more and more concentrated (high protien and calory) animal feed. One observer has commented on the extensive transfer of land once used for cultivating pulses and other human foods to growing fodder for cows. (27). He also warns of the danger of chronic over-grazing in some areas.

The development of dairy cooperatives in parts of Gujarat state has been truly remarkable -- more so for the relative absence of external funding until recent years -- but it seems that this phenomen is not to be repeated elsewhere in India for a variety of factors (Gujarati farmers suffered less indebtedness, they have a ready market -- Bombay, they are relatively literate, communication is easy etc) consequently by 1976 Gujarat had a total of 2400 village cooperatives socities but the whole of the rest of India had only 1540 such socities (10).

CONCLUSIONS AND COMMENTS :

Dairy development can undoubtedly be a good idea for countries where milk and meat are traditional parts of the diet (e.g in parts of South America) and where, perhaps, arable farming is suffering declining yields (e.g. in the slash and burn regions of Bolivia). The argument that the dairying diverts scarce agricultural resources into the less efficient and, therefore, less appropriate leivestock sector is only partially true, since food shortage is now generally regarded to be a problem of distribution, not of production. An enormous amount of land would have to be shifted into the livestock sector on order to so affect the price of pulses, etc; that food availability to the poor is reduced -- hence the keeping of a certain number of cows should not worsen the distribution problem.

Whether or not dairy development is helped by food aid is another question. It undoubtedly "primes the pump" for a new dairy and helps it establish a market, and in that the dairy aid is reconstituted and sold, it is equivalent, in some ways, to financial aid. However, milk is a food of the elites, it is a dubious value to the poor and may be harmful (due to lactose intolerance, etc and, in that it it a baby food ingredient, can contribute to infant malnourishment).

The resettling of traditional milk sellers has not been tackled, and India is courting a dangerous dependence on Western Dairy products and machinery.

A main criticism of food aid in other countries has been that it depresses prices and discourages local production -- this seems to be true in the case of Flood. Also true is the general comment that food aid is difficult to handle (due to storage problems, transport hold-ups, etc). The successes for Flood quoted in Gujarat (incomes up 50 to 100%) disguise the disproportionate effect according to the richer farmers and, indeed, that it is in general the richer villages that benefit most.

It would not be too cynical to say that Operation Flood benefits the EEC (in providing an outlet for dairy surpluses) and Western multinationals (in providing outlets for their equipment and expertise) more than the Indian poor.

While it would be unfair to dismiss the entire Flood programme as in-appropriate it must be accepted that there are grave and valid criticism of some aspects of it. Very little reliable data is at present available for full analysis but it is evident that a complete investigation should be made if the EEC, World Food Programme and World Bank are to continue both funding this scheme and actively promoting its adoption by other Third World countries.

SOURCE: John Clark, " MILKING WHOM ? ", in International Coalition for Development Action, London, 1979, p 43 to 50.

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PRIVATE CIRCULATION ONLY

THE ROLE OF INTERNATIONAL FOUNDATIONS

The Rockefeller and Ford Foundations

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One characteristic of capitalism is that it likes to present itself under a smiling and benevolent face. Foundations, like the Ford and Rockefeller Foundations, are examples of such deceptive appearances of capitalist institutions. Under an outward pretence of humanitarian and social concern, they are, in fact, tools of crafty domination of the capitalists.
What follows is a factual description of the functionning of two of the most powerful foundations, known all over the world namely, the Ford and the Rockefeller Foundations. As will be seen from a short appendix, the activity of such Foundations extends to the whole world, including India. One example is Indian Agriculture.

WHEN "CHARITY" BECOMES EXCEPTIONALLY GOOD BUSINESS

Twenty five thousand foundations are in existence in the USA with a total capital of more than 20 billion dollars, entirely exonerated from taxes. The income of the 596 most important foundations is worth more than double the net profit of the first 50 commercial banks. The actual income of the Ford Foundationa alone is bigger than the income of the largest international bank.

The functionning of the Foundations rests upon an ambiguous legislation and upon the connivance of the Administration. Some explanation will make things clearer:

1. The Foundations in USA can use their assets to borrow money or to buy business.
2. The income thus acquired can be kept by the family.
3. The legatee appoints the person who operates and exercises control over the foundation and its investments. Any company is authorised to deduce 20 per cent of its income (20 % charity deduction) by giving funds or transferring an important portion of its property to a foundation. This permits the companies to escape the taxes levied on profits.

In this way, Henry Ford has transferred 90 per cent of the shares of the Ford company to his foundation without any loss of economic power

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which such transfer might have implied. Thus also nin-tenths of the assets of the third biggest company in the world were not taxable. Through this "wise measure" the heirs of the Detroit Empire could avoid paying inheritance duties.

In line with the present legislation, Ford could increase his portfolio by lending, selling or investing 92,7 million of shares belonging to the Ford Motor Company, involving a total of 4 billion dollars. Thus for instance he bought shares of "Time Inc.", "Magnovox General Mills","Pepsi-Cola","American Motors", Exxon", "Gulf Oil", "IBM", "Lokheed" ,"Dow Chemical", ETC. Between 1950 and 1962, he lent more than 300 million dollars to various commercial companies. All this through his Foundation.

Ford Foundation, it will be noticed, is an organisation whose charter prescribes that "all its activities must be in response to charitable goals and nothing else". But it has used one million shares of the Ford Motors to buy and absorb "Philco Corporation", under-evluating each share by 4 dollars below the market rate. Since the market rate was twice higher than the value entered by the Foundation in its account books, the Foundation, in fact, more than doubled its profits in the transaction. These profits, it should be remembered, are not taxable.

WHEN FOUNDATIONS ARE USED AS TOOLS TO BYPASS ANTI-MONOPOLY LEGISLATION

The Rockefellers display no less aptitudes to break through the juridical niceties in order to keep intact property, power and control.

The Rockefeller Foundation was started in 1913 with the main objective of consolidating and perpetuating the control of the family over its oil empire which had been cut down into seven new and distinc companies two years earlier, when a judgement of the Supreme Court dismembered the Standard Oil for monopoly activities. But today, the Foundation is the biggest holder of Standard Oil Company (Exxon) of New Jersey, having 4 300 000 of its shares worth several hundred of millions of dollars. The Foundation also owns 2 million shares of Standard Oil of California, 300 000 shares of the Mobil Oil and 300 000 shares of Continental Oil. Some other branches of the Foundation, less important, also owns 3 million shares of Exxon, 300 000 shares of Mobil Oil and 450 000 shares of Standard of Ohio.
The total assets of the above companies are worth more than 50 billion dollars.

Among other Rockefeller's interests one should mention Chase Mahattan Bank (the third largest international bank), Metropolitan and Equitable (2nd and 3rd most important Insurance Companies) etc.

A HIDDEN HAND IN PUBLIC AND SOCIAL AFFAIRS

In reality the Rockfeller and Ford Foundations exercise a determining influence in public and social affairs, control and modify, if need be, the evolution of habits, ideas, values and institutions. These private agencies become substitutes to the Government and to public collectivities and constitute a parallel administration whose means of pressure and capabilities for influencing public opinion are immense. The tolerance of political circles towards them is all the more explicable because they are actually the emanation of true power. Since 1954, there is hardly any political dignitary in the USA who was not, at one moment or an other, been employed and remunerated by one of those two foundations.

More than the Mellons and the Du Ponts, the Rockefellers keep and strengthen the myth of their identification with the American power. The entire fortune of the family is distributed among more than 200 companies. They include six among the first ten industrial companies, five among the top 10 insurance companies and a few others. The assets of these twenty companies controlled by the Rockefellers amount to 640 billion dollars.

Apart from these "mercantile activities", the charitable activity of Rockefeller includes, besides the Rockefeller Brothers Fund, the Rockefeller University, the Rockefeller Centre, the Colonial Wiliimasburg, the Rockefeller family Fund, the Museum of modern and primitive art of New York and the Chicago University.

Among other recipients of the Rockefeller's "generosity" one should also mention the U.N. and the Organisation of the American States. The persons who are pppl inted, at times as experts, the sums that are granted, the study-programmes which are elaborated in collaboration with the various services of those organisations and the Foundation of the Universities give to Rockefeller an important influence in those institutions.

Among the recipients is also the Republican Party. The Rockefeller family wipes out every deficit of the Party and Nelson Rockefeller keeps permanently in his pocket a small piece of blue paper which reminds him in precise figures the details of the sums which the Party has costed to him and to his family in the course of the years.

The Rockefeller Brothers Fund also finance the advisory board for International relations, a true executive of the American policy, whose president, David Rockefeller is also director of the Chase Manhattan Bank.

WHERE THE COORDINATION TAKES PLACE AND DECISIONS ON BEHALF OF THE WORLD ARE TAKEN

The coordination of these various organisations takes place in the Council For International Relations where all the foundations regularly meet. The Council is a true Pantheon of the Business World, of finances, of Universities and of the Mass Media. There is no important decision in the American politics which has not been elaborated and suggested by the Council, actually presided over by David Rockefeller and financed jointly by the Rockefeller Brothers Fund, the Ford Foundation and the Canergie Foundation. One thousand four hundred persons belong to this kind of Assembly. More than half of them have been seating in that assembly since 1946.

Some more details will show the influence of this Council. Out of 82 persons selected by John Kenedy for the State Department, 64 were members of the Council, Republicans and Democrats irrespective of their political allegiance. John F. Kenedy's State Secretary, Dean Rusk (democrat) and his Finance Minister, Douglas Dillon (Republican) both belonged to the Council and to the Rockefeller Foundation.

THE FOUNDATIONS BUYING THE UNIVERSITY ESTABLISHMENT - C.I.A. CONNECTIONS

In 1975, 107 out of 191 most important intellectual centres in the U.S.A. were essentially depending for their finances on the Ford Foundation.

18 are financially controlled by the Rockefeller Foundation. 11 out of the 12 most prestigious universities which have institutes of International studies exist only through the generosity of the Ford Foundation. They are Columbia, Harvard, Chicago, Berkeley, U.C.L.A., Cornell, Indiana, the Massachusetts Institute of Technology, the Michigan State University Stanford and Wisconsin. These institutions have among themselves 95 centres of research out of which 83 are financed by Ford and 5 by the Canergie Foundation. This university set up is the place of predilection where intellectuals military men and business people meet and operate a symbiosis.

In 1945, the Rockefeller Foundation created and financed in Colombia the first institute on Russian Studies. This Institute is directly attached to the military school and to the Centre of Sea Warfare of the University, whose Director, Schyler Wallace occupied, some years later, the post of Executive of the Ford Foundation. The man who started the Institute and who was to become his first Director is Gerald Robinson, Chief of the branch "Research and analysis" of the Soviet Section in the O.S.S., the ancestor of the C.I.A. Soon, Joseph Willits, Director of social Sciences at the Rockefeller Foundation, made a donation of 1 250 000 dollars to the Institute, spread over five years. Wilits, like Robinson and Schyler Wallace, is a member of the Council for International Relations. The Objective of the Russian Institute is to train students for technical posts and for posts of direction in those Government Agencies which entertain activity abroad. In 1960, some students of the Institute have published a pamphlet intitled "Job opportunities for students trained for International Affairs". The jobs most frequently enumerated, in their order of priority are : the C.I.A., the State Department, the International Agency for Development, American Information Agency, the National Agency for security. Then followed the Chase Manhattan Bank, the First National City Bank, Standard Oil of New Jersey etc.

In 1947, the creation of another centre of Russian Studies was initiated by Harvard University. The spirit behind the move was John Gardner, a graduate of the O.S.S....Finance was assured by the Canergie Foundation which granted a donation of 750 000 dollars spread over five years. In 1953, Ford Foundation joined in the financing and contributed its share towards the expenses of the Centre. In 1949, the Centre inaugurated a vast study project on the social system of the U.S.S.R., known under the name of "Refugee Interview Project". The information collected was destined for the Pantagone, the C.I.A. and for feeding anti-communist propaganda. Members from the Navy, the Army, Air Force, from the War College and from the Industry are working at the Russian Centre as professors and experts.

From 1954, Kissinger, a product of Harvard, directs an International Seminar entirely financed by the C.I.A. and in which personalities like Raymond Aron, Bertram Russel, the Turkish socialist leader Bulent Ecevit, and many others, innocently participated....

The German Philosopher Herbert Marcus, well known for his revolutionary options, wrote his book " L'Homme Unidimensional", a disgusted analysis of the Capitalist system and culture. Few know that the book was entirely financed by the Rockefeller Foundation. To criticise the American state or the Capitalist system in abstract analysis, in fact reinforces the

the real power which hides itself behind those abstract concepts and benevolently smiles at the whole process.

The importance and the diversity of the Rockefeller Empire explains why Nelson Rockefeller has regularly been associated -- under all the administrations - with the important discussions concerning the problem of espionage. Under the Nixon regime, Nelson Rockefeller was seating with the Foreign Intelligence Advisory Board, created to watch over and to evaluate the impact of the various para-diplomatic activities of the C.I.A. and of the National Security Agency. His assistant for these questions was Nancy Maginness, who became in 1973, the second wife of Kissinger....

Translated and adapted from the French,
Charles Levinson, "Vodka-Cola", Stock,
1977, pp. 203 to 234.

APPENDIX : FORD FOUNDATION AND INDIAN AGRICULTURE

The Foundations do not restrict their "humanitarian" activity to the country where they originated. They spread their "benevolent aid" to all countries all over the world. One such instance is the activity of the Ford Foundation to promote the "green revolution" in India.

" The successive Five Year Plans in India focussed their attention on the acceleration of food production, and for seeking advice of experts, the Government of India (the Ministry of Food and Agriculture) invited Ford Foundation to review India's agricultural policies and offer suggestions to improve production.

The Ford Foundation set up a Team of American Experts under the leadership of Dr. Sherman E. Johnson and its Report on "India's Food Crisis and Steps to meet it" was submitted to the Government of India in 1959. The Ford Foundation Team suggested that a few districts for "intensive Agricultural Development" should be selected for applying new technology based on new varieties of seeds and fertilizers. ... One of the major recommendations of the Team was that India should develop fertilizer industry for increasing agricultural output.

Consequently under the Ford Foundation inspired experiment of intensive agricultural development programme, the use and production of fertilizers, as a very important component of the "Green Revolution" assumed high priority among the Indian planners. The World Bank and its affiliates, the Consortium countries, and the "International Oil Giants" were willing to develop the fertilizer industry in India for several reasons :

1. To encourage fertilizer production, 42 industries, including several industries crucial to agriculture, such as power-driven pumps, sprayers,

and mixed fertilizers, were exempted in 1966-67 from licensing provisions of the Industries (Development and Regulation) Act of 1951. And these exempted industries could establish new units or substantially expand the existing units without bureaucratic controls as envisaged under the Act of 1951.

2. The Annual Economic Survey of the Government of India for 1967-68 stated that the use of various chemical fertilizers had increased during 1967-68) by more than 200 per cent since 1964-65. It stated that the value of fertilizer imports increased from $ 25 million in 1960-61 to 190 million in 1966-67 and was expected to reach $ 265 million in 1967-68. With the implementation of "new technology" fertilizer production was becoming a profitable enterprise in India.

3. The established Oil Companies in the United States had great incentive to get into fertilizer business in India because the price of fertilizers charged to farmers was highest in the world, e.g. in 1961-62, for a ton of ammonium sulphate the price paid by farmers "at farm gate" was $ 376 in India, $278 in Japan, and $ 240 in Thailand.

The interest of Oil Companies in India was concretized by a visit of 28 top U.S. Businessmen in 1964 "to look at investment possibilities in oil refining, Chemical machinery manufacture, and other industries"

A revealing Comment was made by the New York Times on an agreement in 1966 between the Government of India and American International Oil Company (a subsidiary of Standard Oil of Indiana) for setting up a fertilizer plant at Madras:

Much of what is happening now is the result of steady pressure from the United States and the International Bank for Reconstruction and Development, which for the last year have been urging a substantial freeing of the Indian economy and a greater scope for private enterprise".

The way had been opened by the Ford Foundation experts.

Condensed from CP Bhambhri, "World Bank and India", Vikas Publishing House, 1980. pp. 105 to 111.

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STANDING UP TO THE MULTINATIONALS

Global economic power lies not in the hands of governments but of corporations. Brian Bolton argues that if trade unions don't take on the multinationalsno-one else will- and explains just how multinational trade unionism can work.

A SMALL GROUP OF immigrant workers in a garment factory in New Mexico are struggling in appalling conditions-and want to get their union regognised. Where can they turn to ?

They do have one advantage. The company they work for, Farah Jeans, is, like many of the textile corporations, a multinational. It is not one of the bigger ones-a Coats Patons, a Burlington or a Volkhart Brothers with branches in every corner of the globe. But it does have factories in other countries and the workers there could be a source of help.

But first their request goes to Belgium-to the forth floor of a building in Maroles-one of the few quarters of central Brussels that has not been razed to the ground by the bulldozers to make way for the Eurocrafts or international businessmen.

This is an international headquarters too- but one for workers - the International Textile, Leather and Garment Workers Federation. Popular mythology would, no doubt, have union activity across international frontiers being orfanised by 'tightly-knit groups of politically motivated men meeting in smoke-filled rooms'. But in fact the surroundings here look neither sinister nor conspiritorial.

The Federation is one of what are called International Trade Secretariats; organizations set up originally under the league of Nations and then continued under the UN. Their job is to coordinate trade unions working in the same industry but in different countries.

Like most of the Secretarists, the Garment Workers Federationkeeps copies files on all major companies and is always ready to respond to requests for help and information. These arrive continuallyby letter, by cable or telephone call.

Im the case of Farah there was a lot of basic information to gather together. Who are they? What do they make and where? And, most important of all, what unions are involved?

Farah, it was discovered, had another plant in Sweden. And that rang a bell withe of the officials: 'what about that Swedish trade union secretary that we met in that congress in Madrid? Let's give him a ring and see if he's got members in the Farah plant'.

And that was how a group of Swedish workers came to launch a boycott and mount an effictive campaign to win basic union rights for a group of workers they had never seen. But for the action like this happen at all the workers must, of course KNOW that they are part of a multinational-and that is not always the case. People are usually most aware of the nature of the company when they can see that the management is o foreign or when they are working in the home base of the company concerned.

'Widening the dispute' is common enough within national boundaries; there might be sympathetic strike action or a ban on strike-bound goods being moved. But the same tacties can work just as well within multinationl companies on an international basis. When Fiat workers in Brazil were in dispute in 1981 it only needed a one-day strike at the Italian plant in Turin to bring the management back around the negotiating table.

When workers in another country are asking for a basic right like union recoganistion then there will bea pretty straight-forward case for international support. Wages claims, how-ever, are more 'relative' matter and it is rare for a union to call for international action unless the situation is desperate the dispute has been going for some time and something is needed to break relocations by transnationals, however, are not to the Third world bu to other countries (industrialised). The tendency is merely to move where investment and tax advantages are better.

When companies move to the Third World they sometime give the impression that more jobs are going to be created as a result. And you might think that since labour is cheaperm they would employ more people. In fact the reverse is true; companies usually become more capital intensive when they are setting up a new plant-having been attracted by the massive capital subsidies and tax write-offs available at the new site.

When Canadian multinational, Bata Shoe, moved to Rufisque in Senegal, jobs were lost in three Western countries. But even more jobs were lost in the local shoe making industry when the capital-intensive company moved, in. Similarly, when Japanese textilecompanies moved in to Indonesia, rural unemployment in the industry as a whole rose by 3000,000. Allowing the multinationals a free rein is not doing anyone any favours.

But trade union does not have to beconcerned just with production. Trade is an equally important issue. Multinationals control half the world's manufacturing but they also control an even greater proportion of the trade is no slacker now that they have divested themselves of many of their tropical plantations.

The companies are amoung the leading proponents of free trade in the sense that they mean has never existed in the history of this planet.

Even the malachite traders of Anatolia in the third millenium BC had their cartel. So it is legitimate for the unions too to be concerned with issues like import penetration when they see this to be affecting the interests of their members.

The fact is that the world economy is controlled not by governments, legal or otherwise, but by companies. And itis the realisation of this that has encouraged a hardening of attitudes amongst workers- particularly in the devdeloped countries. They know that it is only the unions who havethe power to take on the multinationals.

The companies know this too, as do the governments that they support. And the Third World is littered with examples of collaboration between governments and multinationals like Coca-Cola, United Brands, ITT and Union Miniere where lives have been lost as well as jobs.

We are challenging the multinationals' right to run the world. They are taking decisions that can have a profound effect on all of us-whether it is Bluebell Jeans moving from Belgium to Tunisia or ITT teleprinters from the UK to the far East-and there has to be a response. If trade unions don't act no one else will.

SOURCE: NEW INTERNATIONALIST, November 1982. Page No. 14 to 15.

COCA COLA

The Hard Company Behind The Soft Drink

(110)

Things go better with Coca-Cola, the hearding I have been screaming all these years, ever since the first Coke bottle popped in Sardar Mohan Singh's new Delhi bottling plant in 1958. But they are going anything but better right now, with threat of expulsion-lock, stock and bottles-from the country, unless the company sign on the dotted line by April 1978.

The Government is playing it cool, as well it might, with the prospect of the entire Rs.100-crore bottling business landing in its lap, complete with a country-wide production and marketing network of 22 bottling plants and over 2000,000 retail outlets. To all appearances, it is well set to substitute 7-X, the Coca-Cola company's secret ingrediet, with seven-seven, which sounds like a typing mistake, but it is in fact a new cola-type concentrate developed by the state-owned Central Food and Technological Research Institute (CFTRI), Mysore. This indigenous Cola is to be manufactured and marketed by modern Bakeries, also a state-owned undertaken. The only person to have gained materially from the dispute so far is Hari Vishnu Kamath, the Janata MP, who has received a Rs.10,000 prize for suggesting the name Seven-Seven, but who, it is learnt, prefers beer to Coca-Cola.

Although Industry Minister George Fernandes has referred to Coca-Cola's fantastic profit-nearly Rs.10 crores remitted abroad so far on an initial investment of Rs.6.6 lakhs- this is not what actually bothers the Govt. It's case, seemingly cast-iron, rests on two provisions of the 1973 Foreign Exchange Regulation Act (FERA) under which (1) foreign companies engaged in low-priority, low-technology industry have to transfer 60 per cent of the equity share to Indians; and (2) also fully transfer technical know-how to the Indian company within a fixed time limit. The Reerve Bank of India issued orders under FERA last April asking CCEC to comply with the two provisions, and it is now for the company to decide, says the ministry, whether to comply with the requirements or just pack up and leave. The officials handling the Coca-Cola case in the ministry give the impression that they would be happy to see the last of Coca-Cola. "One multi-national loss to deal with", says a harried Officer in Udyog Bhavan and his colleagues agree.

On its part, the Coca-Cola parent company which operates here through a fully owned baranch of the Coca-Cola Export Corporation, is understandably sore at the cavalier treatment which they are receiving at the government's hands . " If the government has decided to close down Coke in India, they should have given us a fair warning", Chranjit Singh, director of one of the major bottlers (Pure Drinks Pvt. Ltd.,) and a son of the founder, complained to INDIA TODAY in an interview last week. " I still don't understand their reasoning behind this drastic action", he said, murmuring all the time about the 2,800-odd workers he employs and their uncertain future, following the closure. His business is down to about 3000 crates a day (as against 6,500 crates last year) and may soon have to fold up.

The Case with other bottlers - 22 of them - is no different. They purchase their concentrate (about Rs.50 per kg) from the CCEC which makes it in its own modern plant at Faribad, according to a formula which contains s secret ingredient called 7-X. The ingredient-the main cause of all the rumpus-constitutes only four per cent of the concentrate,but it is imported all the way from Atlanta,Georgia, the parent company's headquarters in the US, against import licences that are carefully doled out every quarter. The last licence was received in December 1976 but when it cameup for renewal in April this year, a new government had taken over at the Centre and the ministers concerned - industry and commerce-refused to oblige, until the Reserve Bank of India had cleared the case under FERA. The licence is worth about Rs. 8 lakhs, a fleabite actually in terms of foreign exchange, but worth its weight in gold, for the 22 bottling plants which between them sell 30 lakhs bottles a day, or a cool one thousand million bottles a year. For them, as for the CCEC, it is the real thing.

According to Kisan Mehta,vice-president and area manager of CCEC until June this year, there is really no dispute. "We have done our best to comply with the FERA provisions and agreed to dilute the equity but we have asked for a quality control cell to supervise the blending of the concentrate so that we can preserve the world wide integrity of the product which sells in 140 cojntries including Soviet Union" he told INDIA TODAY, adding almost as an afterthought, that it was the company's fundamental policy not to divulge the secret formula. "Secret or not secret" sneered a government official, "surely they can't expect us to change our laws to suit their convenience." The Reserve Bank has turned down the company's proposal for a quality control and liaison cell - which would continue to be directly under the control of the parent company - on the grounds that this would reduce the proposed Indian unit to operating as a selling agent. "We want the Indian company," George Fernandes told the Lok Sabha, "to be in complete charge of the operations, including manufacturing and know-how." His officials say that no company has been permitted to import know-how and pay for it in foreign exchange in perpetuity. Tata's , stopped using the Mercedes-Benz trade mark after 20 years, and so have Premier Automobiles. The officials suspect that the profits and head offices costs remitted to the parent company - around rupees one crore annually - include a hefty element of royalty but the CCEC denies this.

However, these are minor grouses. The main point is that the Coca-Cola people who are such experienced wheeler-dealers when it comes to dealing with governments seem to have grossly miscalculated their political clout with the Janata administration. Coca-Cola is a highly politicised organisation used to dealing with governments at the highest level. In India, ties of kinship and language have been traditionally used to smoothen the way through the corridors of power but Coca-Cola seems to have overdone it. Kisan Mehta, until recently Coca-Cola's top man, in India, is related to Hitendra Desai (their mothers being sisters), former Chief Minister of Gujarat and a close associate of Prime Minister Moraji Desai until he defected to Indira Gandhi in June 1975. Bipin Patel, the no. 2 man, is Sardar Patel's grandson and also close to the Desai household. During and some years before the Emergency, when Moraji Desai was in the dumps, Coca-Cola is said to have established a cosy relationship with the "caucus" through Charanjit Singh who controls nearly 50 per cent of the bottling capacity in the country and has a major stake in the Coca-Cola franchise. The company operated mainly through the Prime Minister's secretariat, with R.K.Dhawan and Yashpal Kapoor pushing the files through the controller of imports and exports and the Reserve Bank. (This is one reason why the FERA notice was not served on the company until April 1977, after the new government came into power). Charanjit Singh's company bought shares in Maruti worth Rs 2.25 lakhs (INDIA TODAY April 16-30, 1977) and also agreed to [illegible] managed to secure a Congress ticket from South Delhi for the Lok Sabha elections against Vijay Kumar Malhotra, former chief executive councillor of Delhi, but was badly mauled.

"It is a pure and simple political vendetta," moans Singh. "They are just taking it out on me." Throughout the Emergency, Coca-Cola virtually ignored the industry ministry which, as the former minister T.A.Pai confessed at the AICC meeting, was, in any case, run as Sanjay Gandhi's private fief.

On March 23, everything changed, but Coca-Cola chiefs believed that they could continue to operate through the new Prime Minister's office, and particularly through one of its senior officials who claimed to have been close to Sardar Patel. However, almost the first thing Morarji Desai did was to decentralise decision-making and stopped the unending movement of files to his office. When the Coca-Cola chiefs approached the industry ministry for recommending an import licence, they were met by surly officials who said that nothing could be done until the FERA affair was over. Commerce Minister Mohan Dharia also put his foot down, although he could have obliged with an interim licence.

At the height of the crisis, there were rumours that US President Carter, who also hails from Georgia and has close links with the COCA-COLA organisation had expressed interest in an early solution. Coca-Cola chairman J.Paul Austin, is a confidante of Carter and so is Charles Kribe, his closest political adviser and Coca-Cola's attorney, Charles Duncan, who until recently headed CCBC is now under-secretary of state for defence in Carter's administration. At one time, there were strong reports of a link between the US administration's reluctance to supply enriched uranium and the Coca-Cola crisis, but Embassy officilahs have denied any pressure.

A sore point with the industry ministry's hawk-eyed officials is the alleged reluctance on the part of Coca-Cola to come clean with their sales and profit figures. George Fernandes' claim that the concentrates were sold to Indian bottlers with a very high profit margin around 400 per cent is disputed by the company but it is nonetheless true, according to available figures, that the company's net profit before tax averages between 55 and 60 per cent of sales, an extraordinarily high profit rate that is not matched by any other company of that size in India. In 1974, the latest year for which results are officially available, the company made a net profit before tax of Rs 2.62 crores on sales of 4.36 crores. The remittances to head office and head office expenses in foreign currency that year exceeded Rs 1 crore - and all this on an initial investment of less than Rs 7 lakhs.

There are many, including George Fernandes, who suspect that it is the high profit margins - Coca-Cola is a gold mine, said an agitated official - and not the secret formula that is at the root of the company's reluctance to go Indian. Another factor is the sharp drop - to something like Rs 2 lakhs in 1976-77 from a high of Rs 1.56 crores in 1971 - in exports which has virtually crippled the company's capacity to import the ingredient. There is even now a feeling in the industry ministry that if the company goes public under FERA and pushes up its exports to Rs 2 to 3 crores annually, a way can be found to import 7-X, but the company doesn't seem to be took keen on exports right now.

George Fernandes was very categorical in his last Lok Sabha statement. "We can't allow a foreign multinational to destroy our soft drinks industry," he declared, and there the matter apparently stands.

How George Fernandes deals with this particular multinational dragon - and there are already others watching the fight - will depend as much on the dragon as George himself. A delegation of Coca-Cola workers which called on him, was assured that nothing could be done that would harm their interests. The delegation came away wondering what exactly he meant.

COCOA-COLA EXPORT CORPORATION LIMITED

"Statistics of Indian Branch"

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"It is the Real Thing," says the Coca-Cola advertising blurb. But one look at the balance sheet of Coca-Cola and it is easy to see that in fact "Money is the Real Thing". By internationally peddling their soft drink this company has grown into a gigantic multinational which has recently been ranked 69th by Fortune magazine (the US businessmen's bible) in their latest list of the top 500 corporations in the USA. The Coca-Cola parent company has total sales of $3.03 billion (Rs2,575 crores) and total assets worth $1.90 billion (Rs1,615 crores). The secret of its success lies in two basic facts: creation of a near monopoly product and application of sophisticated mass-marketing techniques. INDIA TODAY'S special investigative team reports on Coca-Cola's financial operations in India.

Coca-Cola discovered its pot of gold in India almost immediately after the introduction of its well-known marketing techniques. The Indian branch o office of the Coca Cola Export Corporation (CCEC) was established on September, 15 1958, with a modest capital of a few thousand rupees. In its second year of business the company netted a profit (before tax) of Rs 3,97 lakhs on a comparatively low turnoever of Rs 12.88 lakhs. Since then the company's fortunes have been a rapidly rising graph in sales and profits to reach a record profit - before taxation - of Rs 3.34 crores in 1971 on a turnover of Rs 6.37 crores. Such high profit figures in India are normally associated with companies of a much larger capital base and turnover.

The operations of the Coca-Cola branch in India, as probably in other countries, are of a close circuited nature. Not only does Coca-Cola not disclose the ingredients of its much-vaunted formula but it also zealously guards the costing and pricing structure of its vital product - the concentrate. The concentrate is locally manufactured by Coca-Cola and supplied to franchise holders. These holders are completely at the mercy of the branch office since their entire business depends upon receiving the supply of concentrate. There is no available substitute for the concentrate. Therefore thereis no question of bargaining for the price which coca-cola charges. And there are no complaints since there is enough money to be made all round.

Besides, Coca-Cola's Indian branch experts mainly to the parent Coca-Cola company in the US and also imports directly from it. Coca-Cola's business circle is complete. There is no way for an outsider to check on the international price of Coca Cola concentrate (as there is for steel, coffee, etc.) since there is no equivalent for the product.

However, Coca-Cola's operations in India are but a miniscule proportion of international business of the parent company. The Indian Branch's sale constitutes only 0.2 per cent of the parent company's sales and the net profit from India constitutes only 0.25 per cent of the total profits of the parent company which are $285 million (Rs256 crores). Although by closing their Indian branch they may lose a foothold in a growing market, the closure of the Indian branch could hardly be expected to cause any loss of sleep for the Coca-Cola chiefs based in Atlanta, USA.

Points to note on the Accounts:

SALES: The total sales of the Indian branch have declined by 30 per cent between 1971 (Rs637.78 lakhs) and 1974 (Rs436.84). Also the exports between 1971 (Rs156.14 lakhs) and 1974 (Rs100.50 lakhs) have dropped by almost 35 per cent. It appears that since the import quota for raw material was reduced in 1971, the company's sales have steadily declined.

Return on capital: The capital of the company has been for many years stationary at Rs6.61 lakhs. The returns on the capital have been a phenomenal 800-1200 per cent. This high rate of capital clearly indicates the monopoly element prevalent in the selling of Coca-Cola.

Profit margin: The profit margin for the Indian branch after taking into account all expenses except tax, is in the region of 55-60 per cent. This is far above the average profit margin of 15-25 per cent for consumer products in India.

Export Earnings and expenditure in foreign currency: With the declining trend of exports, the total exports for the years 1973 and 74 were Rs 234.71 lakhs against expenditure in foreign currency, counting of profits, head office expenses, head office service charges and import of raw materials, which were Rs 442.35 lakhs.

Amount payable to American Company (head office): As on 31-12-1974 the total amount that was payable to the head office (not taking into account remittances already made) aggregated Rs 450.12 lakhs.

As a counterpart for this liability, the Indian branch has set aside in fixed deposits with banks a sum of Rs 319 lakhs (1974). Unlike the other company recently in the news, Maruti Limited, the CCEC's Indian branch is obviously flushed with cash. In the event of any emergency it is in a position to immediately remit a major amount payable to the head office. Keeping this fixed deposit in the bank almost equivalent to the current account payable to the head office seems to have been a regular practice.

Taxation: The Indian branch has paid income tax for the last five years amounting to Rs 11.40 crores which represents about 75 per cent of its profits. The government will have to take into account loss of this revenue plus revenue from other sources such as excise, sales tax, octroi, in the event of Coca-Cola closing operations in India.

SOURCE:

India Today
September 1 - 15, 1977.

(for private circulation only)

SEEDS OF THE EARTH

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(Private Circulalation Only)

Over the past decade a handful of multinational corporations have quietly gained control of the first and most vital link in the food chain - the production and marketing of seeds. Pat Roy Mooney investigates this new corporate concern and raises some tough questions about our future food security.

Seeds are the beginning of food, the first link in the food chain. Control seeds and you control food. Yet, take a stroll through any of the North's super marts and the threat of such control seems patently absurd. The cornucopia of fruits, vegetables and canned goods lining the shopping aisles may total an average of 11,000 seperate food products. Another 7,000 products are test-marketed each year. Such abundance and diversity makes any thought of food monopolies seem ridiculous.

SUPER SEEDS: Paving the Way to Disaster

In fact the North's food choices are narrowing and food quality declining. We now eat less fresh fruit and vegetables than we did in the comparatively dismal days following World War II. Today's diet contains a quarter of the apples our grandparents ate and consumption of garden 'greens' and beans in North American has been declining since the 1950s. U.S. Government surveys show only nine vegetables make a significant nutritional contribution tothe American diet.

North America and Western Europe are 'meat 'n potatoes' country. We occasionally dabble in exotic foodies from some small corner of Mother Nature's pantry. But our overwhelming vegetable choices boil down to maize (corn), peas and carrots.

In fact diversity has never been a strong suit in the North's agricultural system. Ninety-five per cent of all human nutrition is from only

30 plants and ~~three~~-quarters of world energy requirements come from eight basic crops. There may be 300,000 potential food plants out there in nature but the marketing strategies of agribusiness have managed to ignore most of them.

Virtually every major food plant in the industrialised countries originated in the Third World. In Asia, Africa and Latin America traditional farmers continue to cultivate seeds and crops that form the genetic base for all plant breeding and our entire food system.

After more than 10 million of selection by nature and by farmers, the plant genetic diversity of the Third World makes it the 'mother lode' of raw materials for modern plant breeding. Northern agronomists must return to the Third World regularly in order to find new genes (the building blocks of plant breeding) to insert into crops in the North. We may be grain-rich but we are gene-poor.

The problem is the genetic base of our major food crops in the Third World is being wiped out. As go these old seeds so goes our food secuirty. As new 'Green Revolution' varieties spread around the Third World, farmers eat the old seed and plant the new. Geneticist Garrison Wilkes describes the effect of this phenomena as 'building the roof with stones from the foundation'.

Events in the early 1970s served to accelerate the destruction of our food base and make the control of seeds possible. Shell Oil noted then that two major changes had affected the seed industry: the Green Revolution and Plant Breeders' Rights'.

For companies the size of Shell, the success of the new ~~'super seeds'~~ showed that the North's aid agencies were ready to underwrite a global seed industry. Third World governments would have the funds to subsidize seed prices and world markets could be found for new commercial seeds. In the same year that Norman Borlaug picked up the Nobel Peace Prize for leading the Green Revolution, the United States adopted plant patent legislation.

In one stroke the global market for patented seeds tripled. With patents, companies could look to exclusive monopoly control over a new plant variety. This monopoly provision (Plnat Breeders' Rights') would allow big companies to vertically-integrate from breeding to seed retailing. The threat of patent litigation would bar small family-based seed companies from the competition.

From a standing start in 1970, Shell Oil now markets seeds through atleast 60 companies in Europe, North America, Latin America and Africa. It is by far the largest seed enterprise in the world.

Close behind are the two Swiss chemical twins, Sandoz and Ciba-Geigy - with 22 and 30 companies respectively. Other European majors - none of whom appear to have been in the seed business a decade ago - are Sweden's Kema Nobel and Cardo; France's Elf Aquitaine and Rohne - Poulenc, and

Holland's Suiker Unie. Across the pond the Americans caught on fast; dominant companies now include Pfizer, Upjohn, Olin, Occidental Petroleum, Stauffer Chemicals, Atlantic-Richfield and Superior Oil.

It appears more than 400 firms have been bought up or chased out over the past ten years.

The effect in the marketplace has been astonishing. For the first time ever U.S. seed prices broke their traditional link to farmer commodity prices to rise at a rate exceeding all other agricultural input costs - including petroleum products. Seed prices in the United States doubled and doubled again in the course of a decade.. One forage crop, alfalfa, jumped from just over $22 a sack in 1967 to $111 in 1978.

At the same time multinationals moved to consolidate their control of both patents and the market. In a land of seed companies dating back to Cromwell's day, three multinationals took over England's packet seed (vegetable and flowers) trade. Shell Oil, Kema Nobel and Cardo now have 78 per cent of the retail business after buying out local firms.

Seed industry sources in the UK claim Shell accounts for 40 per cent of all plant-patent royalties in that country. Often the same companies exert the same patent influence around the industrialized world from Sweden to New Zealand.

WHO CONTROLS THE AGRIBUSINESS

Farmers and consumers in many countries are particularly concerned that the world's new seedsmen are almost exclusively from the chemicals side of agribusiness. Since seeds flow through the same marketing channels as crop chemicals this is hardly surprising, but analysts are worried that chemical giants may reap special advantages from the dove-tailing of their plant breeding and crop protection work. Certainly, the possibility exists that companies may offer farmers a 'package deal' of seeds and chemicals.

New work in seed pelleting is increasing the market for clay-wrapped seed complete with chemical inoculants - thus making the farmer an offer he can't refuse.

Ciba-Geigy has recently come up with the perfect seeds and chemicals package. With its patented sorghum varieties, the company now offers a trio of chemical seed 'safeners'. Two combat pests in the soil while the third protects the seeds from Ciba-Geigy's leading herbicide spray, 'Dual', which might otherwise harm the seed. This is known as the 'Clint Eastwood' approach to plant breeding ('Any-which-way-you-can').

Of still greater concern is the potential for seed/chemical companies to profit by simply doing nothing if and when a disease attacks a crop. Rather than find an 'organic' way of combating a new disease with an improved variety, the company may merely refer farmers to the chemicals already on the shelf.

As disturbing as the coporate trend is in the North, it is reaching crisis proportions in the South. Overly-aggressive marketing of genetic erosion beyond the capacity of geneplasm. The big companies are only interested in the large acreage crops, often export crops. These tend to take over traditional poor people's crops or move into climatic zones and soils inappropriate to the commercial variety.

This 'commerciogenic wipe-out' has led to intense efforts to collect and store endangered germplasm. Through the International Board for Plant Genetic Resources (IBPGR) a campaign to establish a system of global gene banks for storage of crop material is now eight years old. Of the more than 30 crops for which base collections have been established, virtually every crop of economic importance has been assigned to the North - to countries with Plant Breeders' 'Rights' monopolies.

It is estimated that 75-90 per cent of all Third World plant genetic resources in storage are banked in the North.

Many Third World scientists are infuriated by Plant Breeders' 'Rights' provisions that allow someone to simply 'discover' a new variety and obtain exclusive rights. Such a loose provision leads to the direct rip-off of Third World treasures. A case in point is U.S. patent No. 551 awarded some years ago to Quincy McKeen. McKeen found the rare flowers on a stroll in Guatemala. He scooped up all the could find and hot-footed it back to his New England home where he grew out the seeds - kept the best and destroyed the rest of the natural diversity to avoid competition.

Third World governments are not anxious to be any further indebted to multinational corporations. As one diplomat said at the FAO conference in Rome last November, 'give us this day our daily bread' should not be a prayer to Shell Oil.

- Pat Roy Mooney is a Canadian writer and author of 'SEEDS OF THE EARTH', available from ICDA, Rue des Bollandistes 22, Brussels, Belgium. £3.00 / $7.50

Courtesy

New Internationalist - February 1982.

REGULATION OF DRUG MULTINATIONALS IN INDIA

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In order to bring the operation of the multinational drug companies in line with national needs and priorities, the Government outlined its policy towards the foreign companies, with equity participation exceeding 40%, in the New Drug Policy announced in March 1978 following the report of the Hathi Committee submitted in April 1975.

Government Policy

Some of the key feature of this policy towards the foreign companies are as follows: (1)

* Foreign companies engaged only in the manufacture of formulations must be directed to bring down their foreign equity forthwith to 40% . i.e. become 'Indian' companies.

* Foreign companies engaged in the manufacture of bulk drugs not using high technology (see the following para for a discussion on what constitutes "high Technology") must also reduce their foreign equity to 40%.

* Foreign companies manufacturing bulk drugs involvijg high technology will be allowed to retain foreign equity exceeding 40% upto a maxium of 74% depending upon the propor tion of the total turnover from such high technology drugs and activities related to Appendix I or the "core sector" of the Industrial Licensing Policy, 1973.

* The Government, vide Article 14 of the new drug policy, redefined 'drug and pharmaceuticals' listed in Appendix I to mean:

A. drugs intermediates from the basic stage for production of high technology bulk drugs, and

B. High technology bulk drugs from the basic stage and formulations based thereon with an overall ratio of bulk drug consuption from own manufacture to formulation from all sources of 1:5.

* A list of bulk drugs was also drawn up reserving 25 bulk drugs for the public sector and 23 drug for the Indian sector (Public and Private) No foreign companies will be given a licence for these reserved bulk drugs.

* In future, foreign companies will be given new licence, including capacity expansion licences, only for high-technology bulk drugs and formulations linked to them, subject to the condition that they supply 50% of their bulk drugs production to non-associated formulators. They must also maintain the ratio of 1:5 between their bulk drugs consuption (from own manufacturs) and formulations production (from all sources).

* With regard to regularisation of production in excess of the licensed quantities, the highest production achieved in any year during the 3 year preceding 31 March, 1977 will be the basic regularisation. In the case of foreign companies, this will be further subject to their supplying 50% of total bulk drugs production (including regularised excess production) to non-associated formulators, and maintaining the 1:5 ratio between bulk drugs and formulations production. No regularisation will be permitted to foreign companies for excess production in household remedies.

WHAT IS " HIGH TECHNOLOGY "?

It was in the context of this new policy towards the multinationals that the Government appointed the K.V.Ramanathan Committee in 1978 to identify the foreign drug companies engaged in the production of one or more bulk drugs using high technology. The report was submitted in October 1979.

The Committee divided the bulk drugs produced into 4 categories: (2)
1) Bulk drugs based on fermentation through microbiological processes.
2) Those produced through synthetic chemical processes.
3) Those extracted from plant or animal sources.
4) Those thatdo not come under any of the above 3 categories.

For the first category, the Committee decided that the development of high-potency strains of microbes used for the production of antibiotic bulk drugs and the extraction and purification processes invloves "very intricate technology and maintenance of well-controlled operation parameters, which would qualify such products as involving high-technology in case these are produced from the basic stage."

For the Second category, technology involving continuous sequential synthesis resulting in reduced costs, better quality, leeser pollution of specific drugs without involving selective separation would also qualify as high technology.

For the/Third category, only the special processes used to extract active ingredients conforming to strict specifications or to increase their yields would qualify as high technolgy.

For the fourth category, products like catguts,Sutures, etc. produced from animal or plant materials would qualify as high technology drugs only if the production processes involve very intricate techniques and operations.

The committee studied the operation of the 45 foreign drug firms with foreign equity exceeding 40% in 1978-79. The Committee found that out of these 45 firms, only 22 were producing bulk drugs involving high technology in varying proportions to their total turnover.(3) (see Table on the following page giving the full list of these 22 companies.) The rest were pure formulators :7 or did not make any bulk drugs involving high technology:16. The Committee had studied the bulk drugs production processes of 24 companies in great detail involving 207 bulk drugs. It found that only 127 of these bulk drugs involved high technology. Out of these 24 firms, Richardson Hindustan Ltd., and Whiffen India Ltd., with foreign equities of 55.97% and 50% respectively, were not found to producing any high technology bulk drugs. (3)

As can be seen in the Table, the foreign equity participation varies widely for the 22 companies from 100% for Burroughs wellcome & Co., to 75% for Pfizer to 50% for Hoechst and 45% for Geoffrey Manners.

Few of the 22 companies listed above have a high proportion of high technology bulk drugs in their total product-mix of bulk drugs. Pfizer has 10 such drugs in their total product out of 11, Wyeth Laboratories 25 out of 28, Sandoz 8 out of 10, Hoechst 9 out of 20 and Glaxo 11 out of 34. (3) Also, very few companies have a large portion of their value of production contributed by high technology bulk drugs.

DILUTING GOVERNMENT POLICY

The 7 foreign drug companies, involved in purely formulation activities, were directed by the Government to dilute their foreign equity to 40% in 197[illegible] itself. By August 1981, all these companies - Richardson of India ((10[illegible] [illegible] d Carter

Wallace (49.46%) -had diluted their foreign holdings to 40%. SKF took the longest to comply with the government's order after protracted "negotiations" for over 3 years.(5)

But regarding the 21 foreign companies* making at least one or more high technology bulk drugs which comprise the most important segment of the foreign sector, the government has yet to order their equity dilution. According to the strict criteria being applied by the FERA Committee, a foreign company can retain a maximum of 74% foreign equity only if not less than 75% of its total turnover is from high technology activities and exports and 51% it not less than 60% of the total turnover is from such activity. (3) It is expected that only 2 out of the 21 companies viz. Roche Products (89%) and Parke-Davis (83.3%) will be able to retain their foreign equity at 74%. Most of the 12 companies with foreign equity of 60% and above (see Table II) will have to reduce it to between 50% and 60%. For example, through Glaxo manufactures a turnover is accounted for by inessential, consumer products e.g baby food.** It is expected that Glaxo may haveto dilute its foreign equity from 75% to 51%,.(6)

LIST OF 22 FOREIGN COMPANIES EMPLOYING HIGH TECHNOLOGY ACCORDING TO THE RAMANATHAN COMMITTEE

COMPANY	EQUITY (%)
Foreign Equity 41% to 49%	
1. Geoffrey Manners & Co. Ltd.	45
2. Suhrid Geigy	47.5
3. Organon (India) Ltd.	49
4. Uni-Sankyo Ltd.	49
Foreign Equity 50% - 59%	
5. Hoechst Pharmaceuticals Ltd.	50
6. Warner-Hindustan Ltd.	50
7. Alkali & Chemical Corp. of India Ltd	56.15
8. Bayer (India) Ltd.	51.37
9. Boots Company (India) Ltd.	53
10. Cyanamid India Ltd.	55
Foreign Equity 60% - 100%	
11. E.Merck (India)Pvt. Ltd.	60
12. Merck Sharp & Dohme of India Ltd.	60
13, May & Baker (India) Ltd.	60
14. Sandoz (india) Ltd.	60
15. Ciba-Geigy of India Ltd.	66
16. Wyeth Laboratories Ltd.	74
17. Johnson & Johnson Ltd.	75
18. Glaxo Laboratories (India) Ltd.	75
19. Pfizer Ltd.	75
20. Parke-Davis (India) Ltd.	83.33
21. Roch Products Ltd.	89
22. Burroughs Wellcome & Co. (India) Pvt. Ltd.	100

* Out of the 22 high technology companies identified by the Ramanathan Committee, Suhrid Gegy Producing 8 bulk drugs of high technology has completely withdrawn its foreign equity and is now a 100% Indian Company.

** For a break-up of the drugs and non-drugs sales of the 22 companies listed in the Table

To ascertain how much of the turnover of the concerned companies arises from high technology activities and exports, the Government had asked them to submit detailed data. According to some repots in August 1981, the companies have already submitted the data to the Government "many months ago". But the Government had not yet taken any action.(5)

Why has the Government been dragging its feet on the dilution issue over more than 3 years after taking a policy decision in March 1978 and almost 2 years after the high technology committee submitted its report in October 1979? It is highly probable that the 'row' created by the multinationals against the strict norms to be applied for equity dilution has been successful. These companies have challenged the competence of the Ramanathan Committee to decide on what constitute high technology. They have even questioned the 'jurisd iction' of the Committee to identify companies engaged in high technology bulk drugs manufacture, when it was appointed to identify only those companies not engaged in high -technology manufacture! (7)

According to the FERA Committee, only Article 14 of the New Drug Policy of 1978 whcih redefined the term 'drugs and Pharmaceuticals' appearing in Appendix I of Industrial Licensing Policy 1973 should be considered for deciding the permissible limit of foreign equity for all foreign companies.

According to the foreign companies, only Article 17 of the 1978 policy should be used to decide on the equity limit of existing foreign companies Article 17 states: "In respect of foreign drug companies currently engaged in Appendix I activity on drugs and formulations, the value of turnover which will be considered as such Appendix I Activity will consist of (A) the value of bulk drugs sold by them to non-associated formulations, plus (B) the value of formulation not exceeding 5 times the value of their total bulk drug production."(1)

In other word, the turnover relating to Appendix I i.e. the core sector activity, should not be computed on the basis of high technology bulk drugs but all bulk drugs. The FERA committee dismissed this argument of the multinationals as "ridiculous" because the principle that only high technology product should be included in the core sector applies to all industries.

The following items appearing in The Economic Times, March 12,1981 ably sums up the essence of the controversy:

"Take two companies manufacturing 20 items each. One makes 19 high-technology items and 1 low-technology item. The other makes 19 low-technology itemsand 1 high-technology item. "Can both these companies be treated on a par for the purpose of equity dilution? No, asserts the FERA committee. The foreign drug companies contend that even if a company makes only one high technology item among its total products its total turnover should be treated as Appendix I (See first page) activity.

The FERA committee says the principle that high technology items alone form the core sector activity which is applicable to all industries cannot be diluted in favour of the drug industry.

"Foreign drug industry hint at the possibility of certain companies challenging the FERA committee's decision if it seriously affects their equity positions." (7)

According to reports appearing in April 1981, the Government was reported to be "Contemplating a Change in the norms of foreign equity in the pharmaceutical industry". Following protests from the companies, the "Current thinking" of the Government is that "the recommendations of the high technology committee needs not be the sole basic for deciding the extent of foreign equity." (8) After 2 years of non-implementation of its policy decisions made 3 years ago, now the Government has descovered that in "Quite a few cases" the conclusions of the high-technology Committee do not conform to "the realities of the situation".(8) The Technological 'realities' of drug production or the political 'realities' of the Indian Economy ?

GOVERNMENT HELP ING HAND

Unauthorised installation of capacity in excess of licenced capacity has been going on for years in the drugs industry as in many other industries. The Tariff Commission which went into this question extensively in the 1960s found that the drug companies had made a mockery of the industrial licensing policy of the Government and there was no relationship between licensed and installed capacities.(9) Many units had installed capacities farin excess of licensed capacities-in certain cases 10 times the licensed capacity and many had not installed any capacity for years after having obtained the necessary licences. What is worse, the Committee found that no penal action was taken against any firm. (9) The manner in which the D.G.T.D. has handled these matters is vividly portrayed in the following examples furnished by th Tariff Commission:

1) VIAMIN B-12 AND VITAMIN B-12(B)

" The total licensed capacity is 25kg. while the installed capacity is 64kg. in the case of Merck Sharp and Dohme. When the unit approached Government for theregularisation of its increased capacity it was informed that this could be done only if it was prepared to reduce the price, Since the unit was not prepared to reduce the price no regularisation of the capacity was made. As against the licensed capacity of 25kgs for the drugs, the unit manufactured 53.6 kgs. in the year 1967. It appears that no restrictions were placed in the way of the unit producing more than its licensed capacity. The refusal to recognise the fait accompli was therefore inconsequential so for as production was concerned.Had the unit been subjected to restrictions which would have resulted in its not exceeding the capacity for which it is licensed or at the most 25% over and above the licensed capacity, that is a total of 31.25 kg., it could be considered that Government'sDisinclination to increase the capacity owing to the intransigence of the unit in the matter of reduction of price, bore fruit, but in the present case it was not possible to descern any advantage that may have resulted from this approach." (9)

2) PENICILLIN

"Alembic Chemical claimend an instakked capacity if 50 MMU as against a licensed capacity of 20MMU. The .D.G.T.D. has mentioned that the producton of penicilline by this unit was well above the licensed capacity and this was helpful in meeting the increasing demand. Notwithstanding this, the partywas told that keeping in view the total capacity of the manufacturer and the fact that licenses were held both in the public and private sector against requirments by the end of the Fourth -Plan period., in regard to the progess of the licensed units, it was not possible to regularise the additional capacity.Government would however have no objection to the additional production over and above the licensed capacity being exported.This presents certain very complicated issues with regards to the licensing pf capacities. On the one hand it is recognised that the installed capacity for the unit was higher than that licensed; it is also stated that this nodoubt proved to be helpful in meeting the increasing demand. But, it has been simultaneously stated that it was not possible to recognise this fact."(9)

3) CHLORPROPAMIDE

"Pfizer produced 12.21 tonnes of this product in 1966. It claims an installed capacity of 5 tonnes and the licensed capacity is only 1.5 tonnes. The clarification received from Government on this discrepancy was that the proposal of the unit for expansion of its capacity for manufacture was not approved as its output was not up to the licensed capacity, and it was suggested to it that it can submit its proposal for expansion after it had been able to fully utilise the licensed capacity for at least a period of one year. This introduces a new feature in the matter of licensing of capacities. While the D.G.T.D. recognised that the proposal was for expansion or capacity for the same product, it mentioned that such expansion is allowed only if it becomes fait accompli and the performance justifies the expansion. "This would mean that if the unit is allowed to increase the capacity and show higher production and then is asked to come up to Government for the regularisation of its higher capacity, Government than has the choice to reccganise it or refuse recognition, subject to the diverse criteria adopted by Government in such matters. If the expansion is refused, the unit does not stand to lose anything. It goes on producing at the higher rate and most probably it continues to get the necessary foreign exchange for few raw material. Licensing of unit for capacities is thus likely to be rendered unfructuous. On the other hand, if Government were to deter the unit from increasing its production, the outlay on expansion would be a dead loss." (9)

These example need no comments.

Let us now move to early 1980. With the coming to power of the Indira Gandhi Government, the Organisation of Pharmaceutical Produceres of India (OPPI), which represents the intrests of the large foreign companies,* launched a Rs. 2 lakhs advertising campaign spread over 15 publications critising the previous Government's drug policy. The main target was the 1978 decision to freeze the output of drug companise at the highest level achieved in any year during the 3 years preceding 31 March, 1977. The main argument (or was it a threat ?) of the OPPI was tht this decision would lead to a 25% fall in the output of bulk drugs as well as formulations at a time when many drugs were in short supply due to inadequate indigenous production. (10)

"OPPI Media Blitzkrieg", a report appearing in Business India (February 18 - March 2, 1980) correctly predicted that "the publicity canpaign lanched by OPPI is certain to sway official opinion, already somewhat sympathetic--thanks to the minister in charge of pharmaceuticals, P.C.Sethi --in its favour." (10)

In August 1980, the industry ministry, announced an excess capacity regularisation scheme for 34 industries including drugs and pharmaceuticals which recognised installed capacities as on 1 september, 1980 as the basis for regularisation.(11) This was in clear contradiction to the March 1978 drug policy of the petroleum and chemicals ministry which stipulated regularisation of excess production over the licensed capacity on the basis of the higher production achieved in any year during the 3 years preceding 31 March, 1977.

In May 1981, the Depatment of Chemicals and Fertilisers was reported to have designed a 'new' regularisation scheme. "The new Scheme proposes to regularise installed capacity as licensed capacity in the case of companies which have achieved 60 per cent and above capacitty utilisation in any of the three years preceding 1980.

* including companies with foreign equity less than 40% of total equity.

In the case of other with less than 60 per cent capacity utilisation, the licensed capacity will be the highest production achived during the three years preceding 1980." (12) And this is precisely what the OPPI desired: "If there is to be a freeze on our output at all, it should be at the highest annual output produced in the triennium prior to 1980, not 1977",(10)

Other elements of the earlier policy, such as supply part of the bulk drugs output to non-associated formulators and restricting formulations to bulk drugs output at certain stipulated ratios, were, however,retained.

Out of 139 drug units asked to furnish capacity and production date for regularisation, 114 units have applied till now. (12) But the Government has yet to identify their excess production, more than 3 years after the policy was first announced in March 1978. Meanwhile the companies go on producing as they like in excess of licensed capacities, with the Government engaged in bureaucratic exercises to legitimise, ex-poste, the violation of its own basic, economic policies.

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CHALLENGING MULTINATIONAL CORPORATIONS

(Case of Bristol Myers Company in Netherlands)

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Bristol Myers Company belong to the largest Multinational Corporation in the World. The Company has operations in more than 80 Countries.

***We reproduce this article from** Mainstream, August 4, 1984, pp 20-24. The author of this article is connected with the Centre for Development Education and Third World Centre, University of Nijimegen, the Netherlands.*

The Economic crisis has been belt in Nijmegen (population 150,000), a city in in theeastern part of the Netherlands, more than in any other area of the European Economic Community. While 18 per cent of the total employable population in the Netherlands in Uneployed, unofficial estimates consider the actual unemployment rate amoung the work aged population of Nijmegen to be nearing 40 per cent.

These are nearly unique figures for the so-called European Welfare States. According to the new guidelines set by the European Comision, the executive committee of the European Community, the Nijmegen area is one of the most depressed regions in the community.

Multinational Corporation (MNCs') and sudivisions of large Duch concerns provide nearly half of all jobs in the Nijmegen area without creating any significant backward- or forward linkages. The lack of an integrated industiral infrastrucure is the single most serious problem in the area.

Together with the (centre and right wing) national Government, the local Government of Nijmegen is attempting to improve the employment situation in the area. One of their methords is to offer considerable subsidies to potential investers, up to 50 per cent of the total investment costs. AS a result of promotion campaign in the United States and Japan a number of American multinationals have been attracted to the Nijmegen area, including recently the foods division of the Bristol Myers Company (BMC), Mead Johnson (M!J). This last company plans to export, amoung other products, milk substitute for breast feeding of babies to a number of Third World Countries.

AGRO-CORPORATIONS

In the last decade food has increasingly become sales goods for large corporations. The so-called multinationals, especially, try to earn maximum profits with this trade. Companies such as Unilever, Cargill, Nestle, United Brands, Carnation and Oetker are not the only ones in the foodstuffs sector. Other companies whose origins have nothing to do with agriculture are now, via take-overs and mergers, actively involved in thisarea. For example, Volkswagen and Mitsubishi have set up a ranch in Brazil, ITT has purchased seeds companies, and Shell and the Pharmaceuti-company CIBA Gaigy have also large interests in the seed industry. 1

This process is very clearly visible in the Nijmegen area in the Netherlands. Large corporations are active in the meat processing industry (Homburg, Hendrix Meat, NCB, Corda) in the general foods sector (Heinz, Home Juice Holland, CSM-Honig) and in the dairy industry. The most important dairy companies in the Nijmegen region are Coberco (located in Arnhem, 15 km from Nijmegen) and Nutricia. Following extensive debates during three meetings of the Nijmegen city council in 1982 it was decided to offer Bristol Myers Company a location in Nijemgen. The factory will produce a number of food products for children and adults. The products are meant to be exported to developing countries in South East Asia and Latin America, where BMC has already markets.[2]

BRISTOL MYERS COMPANY

Bristol Myres Company belongs to the largest multinational corporations in the world. The company has operations in more than 80 countries. Its European offices are in Italy, Spain, France, Great Britain, and the Netherlands. In the Third World the company has subsidiaries in among others the Philippines, Peru, Mexico, Ecuador, Venezuela, Jamaica and Malaysia. With $ 3.5 billion sales, this company is rated 133 on the 1982 Fortune list of the world's 500 largest industries. These sales figures are larger than the Gross National Product of such developing countries as Angola, Nicaragua and Jamaica.

The 1983 gross profits of Bristol Myers were 18 per cent of the company's total turn over. "Despite the poor international and internal American economic situation, Bristol Myers has", according to the Office of the Mayor and Aldermen of Nijmegen, "a healthy and solid financial structure".

According to investment guides and journals BMC has "an unbroken 30-year string of sales and growth" and hence the company has "a healthy earnings trend" and "ranks near the top in profitability"[3]. This is also apparent from the increasing annual profits of BMC, consistently higher than those of competing companies in the same sector.[4]

The company has about 35,000 employees world-wide. These figures have remained more or less constant over the last few years. The organisation is divided into four main sections, consumer, pharmaceuticals, health care, and food products, which are directly under the responsibilities of the board of directors.

BMC is originally a pharmaceutical company and production of medicines and medical products is still the most important activity of the company, accounting for 39 per cent of the total earnings in 1983. The Nijmegen factory belongs to the food products division called Mead Johnson.

NIJMEGEN PLANT

The company plans to produce in Nijmegen Mead Johnson's whole range of nutritional products including infant formulas as substitute for mother milk and diet foods for adults. The production will be made by the so-called "spray-dry procedure" for which tall powder towers must be built. This is to be the first BMC factory to use this technique and the first BMC dairy investment in the European Economic Community (EEC). The production in Nijmegen is mainly meant for export outside the EEC and Europe (Far East and Latin America), and will be shipped from the Rotterdam harbour. The raw materials for the production (milk, soybeans, etc.) can be purchased in the Netherlands. The factory will have an annual capacity of 7 million kilos of milk powder. Regional farmers will deliver 50,000 liters of milk daily to the factory.

The first phase of the Mead Johnson plant should be in operation in late this year, and will offer employment to about maximum 80-100 people. The factory, including the machinepart, will cost about $ 20 million to build. Upto now the company had to rely on third parties or a BMC-plant in Canada for finishing raw goods Manufacturing capability is now "in-house".

Bristol Myers' final decision to settle in Nijmegen was based on three factors namely export subsidies, traind workers and investment subsidies.

Export Subsidies

The milk production in the EEC has increased enormously in the last years due to increases in scale and automatisation. Between 1950 and 1980 the butter production in Holland increased by 92 per cent, the condenced milk production by 208 per cent, the powered milk production by 700 per cent and the raw milk production by 104 per cent. The milk production in general has increased markedly since 1950, as can be seen from these figures. The supply of milk to the factories in this period has increased from more than 5 million tons to nearly 11 1/2 million tons. The number of milk cows has increased from 1.5 to 2.3 million; the milk production per cow has also increased. In contrast, the number of dairy farms and the number of dairy processing factories has decreased during this period.

The increase in production has lead to large surpluses. These have become an interest characteristic of European agriculture, as is apparent from the fact that the Dutch government estimates the total dairy production to be approximately 120 per cent of the national demand. Part of the surplus is used for feeding animals, and part is exported to countries outside the EEC. Between 1950 and 1980 the export of butter increased 280 per cent, the export of condensed milk increased 207 per cent, and the export of powered milk increased by a giant 1981. Some of this surplus is sent as "development aid" to a number of Third World Countries including in India (Operation Flood). 5

To prevent excessive dairy surpluses, the EEC subsidises the export of dairy products to other foreign countries. Because of the high costs for dairy production in the EEC, the exporters would not normally be able to complete with other world producers of dairy products. However, the member states of the EEC have decided to bridge this difference in price levels with the so-called "export restitution". The exact amount for this is determined monthly. Exporters and producers of milk products who export at a lower price than the minimum price guaranteed by the EEC are reimbursed for the difference by this restitution policy. This fact that BMC can also continue to profit by these subsidies was one of the main reasons to open the new European factory.

Trained Workers

A second important reason for BMC to decide to build in Nijmegen was the fact that there are many highly trained workers available in the area. Until recently Nijmegen had a local dairy plant. Because the production equipment wasoutdated, the factory, which could have been renovated for less than one million dollars, was closed. The farmers from Nijmegen factory and the surrounding area now deliver their milk directly to the Coberco factory in Arnhem (15 km from Nijmegen). The employees of the Nijmegen factory were offered the choice of accepting work in Coberco factories in other cities, or of being discharged. The majority chose to work, and now commute between the two cities.

Considering the fact that Coberco in Arnhem has an excess of employees, it can be expected that a number of these will be available for work in the Bristol Myers plant. This is especially so since BMC will probably sign a sales contract with Coberco and will need trained personel. This means that, at least for the time being, the net number of new jobs actually created will be less that planned. BMC creates with the aid of investment subsidies (see following section)- new jobs, while employment is diminished in other cities.

Investment Subsisies

A third important factor for the choice of Bristol Myers for Nijmegen was the investment subsidies which were offered by the Netherlands government. While 18 per cent of the total employable population in the Netherlands is unemployed, the percentage in the Nijmegen area is much higher, 28 per cent. This unemployment has increased greatly in the last few years; in 1979 only 9 per cent of the employment rate for men under 25 in the Nijmegen areas is at present 48 per cent and for women of the same age group, 38 per cent.

These, for European standards very high figures, are still underestimated. Older workers are often legally considered to be medically unfit for work, not because of physical or mental illness, but simply because of the work situation. Many people, especially youths and women, no longer register by the local employment offices for a variety of reasons. Unofficial estimates consider the actual unemployment rate among the work aged population of Nijmegen than also to be nearing 40 per cent.

The city government, together with the national provincial governments, is trying to combat this unemployment. The city has attempted via an active acquisition policy to attract foreign concerns to the Nijmegen area. The inducements included "investment options" (in accordance with the legal investment regulations) for estimated $ 10 million half of the total investment needed. These would be paid by the nati nal government.

The municipal council voted to allow BMC to buy considerably more land than is normally permitted, an extra 5.58 has more than is normally be expected to be needed for the purposes. In addition"in the negotiations... based on the competing bids to the concern from other foreign cities... a price was decided upon which was less than the official price". This was a direct subsidy of about $ 40.000 for BMC. "The industrial area requested by the BMC was so large that the municipality was unable to offer this as a single site" according to the city government. It was therefore decided to reroute a road, at a cost of another $102.000 for the city. In addition BMC was given a special exemption from the public hindrance law so that the high powder towers could be built.

However there are certain negative aspects too. A number of councilmen, as well as a large number of people and groups in Nijmegen city, have raised Nijmegen. These objections to the set up of the BMC factory in Nijmegen. These objections are related to the WHO-code and employment effects.

WHO-code

Experts are unanimous in their agreement that mother's milk cannot be improved upon. This is because: it gives protection against infections diseases; the quality of the milk is not affected by the time and place of the feeding; it favourably affects the bond between the mother and child; and breast feeding lowers the chance cthat the nursing mother again becomes pregnant. Moreover mother's milk is very cheap in relation to manufactured infant formulas. Breast feeding is without any doubt the best for infants in developing countries, where local conditions are often unsuited for the responsible use of artifivial formulas. Clean water, good hygiene, and sufficient family income are often lacking.6 Despite this, breast feeding has rapidly been loosing ground to imported formulas in many Third World Countries. This is due to social and economic changes, changes in the position of women and in health care activities. The often aggressive advertising campaigns used by the baby food industry have contributed to the growing unpopularity of the excellent mothers milk.7

Each year 120 million children in the world are exposed to the devastating effects of malnutrition. More than 10 million annually die because of the direct or indirect effects of dificiencies. The infant mortality rate in the Third World is, then, ten times greater than that in industrial countries. Malnutrition among children is increasing. Scientific research has proven that bottle feeding is developing countries leads to higher rates of infant disease and death. For example, a study in rural areas of Chili showed that the mortality rate of babies which were bottle fed was three times higher than that of breast-fed babies. Numerous other scientific studies reach the same conclusions.8

These facts led to the ratification of the "inter-national Code of marketing of Breast-Milk substitutes" by the WHO(World Health Organisation) of the United Nations in May 1981. This code limits the advertising with, and the sale of, artificial formula in both Third World and developed countries.9 The code is an important breakthrough, but is poorly observed since it is only a recommendation. Still, a large number of governments in the

Third World as well as developed countries, have agreed to implement the code in their national laws. Sri Lanka and India are among the few contries, that have actually done so.10 Moreover the Indian-code is less unambiguous as the WHO code, which is basically a compromise between governments, the infant food industry and action groups.

Publications show that companies continue to violate the code, both nationally and internationally. In May 1982 the International Baby Food Action Network (IBFAN) published a list of 2259 violations of the WHO code by 57 companies in 37 countries.11 The companies Nutricia, CCF, Nestle, Mead Johnson and Abot Ross, Wyeth were often mentioned, amongothers.

From information of IBFAN, the National Coalition far the promotion of Breast Feeding (Manila, the Philippines), the Interfaith Center on Corporate Responsibility (New York), and from a court case between the sisters of the Precious Blood and the BMC, it is clear that this company's tactics for the marketing and sale of baby food products are, at least up to now, not in accordance with the WHO code.12 The company itself was not embarrased to admit this. According to a spokesman of the compant: "The Medical premise underlying the code is fundamentally faulty... the WHO's proposed code contains many unwarranted restrictions and prohibitions that are unconstitutional and represent a dangerous precedent... we believe that the United States should vote "no" on the proposed code"13. The company issued a brochure, in which it is stated: "The present code proposed ... is not acceptable to infant formula manufactures .... many (provisions) contained in the document.... collectively represent an attempt to arbitrarily prohibit legitimate commerce in the name of health... while the purpose of the WHO code is obstensible health promotion, its real motivation is clearly political... it is clear the result could be disastrous".14

In a letter sent to the New York Times in 1981 R.L. Gleb. Chairman of BMC, added to this by stating "the courageous decision by the US government to vote "no" on the World Health Organisation marketing code for infant formula this week is one all Americans should be proud of " (italics added).15

During council debates concerning the proposed establishment of a BMC plant in Nijmegen, a minority proposed that the office of Mayor and Aldermen of Nijmengen request BMC to "comply with the WHO Code". The mayor however, ignored all evidence when he answered that the company already obeyed the WHO code.

EMPLOYMENT

A more general point of dispute can be added to the above-mentioned objections. The world market for dairy products is a type of "dump market" where surplus products are unloaded with subsidies. This unstable market with a low price level often has negative effects on the local milk productions in developing countries. Studies in Suriname, Peru, and India, among other countries, show that it is often cheaper for these countries to import powdered milk than to stimulate the local dairy industry. The long term effects of this are an increase in the already high unemployment rate and a continuance of the international dependency relations.

As was already indicated, it is doubtful whether the new BMC factory will have any favourable effects on the employment situation in the Netherlands since the employment in other local companies will decrease, and secondly a one-time subsidyof approximately ƒ 0.13 million per job created has been given, as well as permanent EEC agriculture subsidied for the export product itself- all with public funds, which could have been better used.

In the last few years the so-called Action Plan Employment Nijmegen, a coalition of the largest Dutch labour unions with local environmental, Third World, and other action groups, has prepared and carried out a number of employment proposals to slow the loss of jobs in the region. The experience of this group is that with relatively small amounts of subsidy small-scale, labour-intensive and environmentally sound industries can be created and integrated into the regional infrastructure using only a fraction of the gigantic subsidy needed by BMC. These groups therefore find it unacceptable that the Office at the Mayor and Aldermen of Nijmegen has decided to give such large sums of money to BMC, especially considering that the first multinational corporations which were attracted to the Nijmegen area with comparably generous investment subsidies have already left the area.

RESISTANCE

During the city Council debates over BMC only the three small left-wing parties were against the new plans. The spokesman for these parties held a well-documented speech, which, however, was summarily dismissed by the Mayor and Aldermen, who were interested in only higly visible and spectacular short-term successes. The minority in the City Council could do little more than vote against the proposal. At the close of the debate they started, however: "We shall seek ways other than via this council to force the company - when it has arrived - to obey the WHO code".

The situation remained fairly quiet after the debate. An employee of the Center for Development Education (COS), a small independent foundation for development education in Nijmegen, started in the meantime to research the various aspects of the BMC establishment in Nijmegen. The results of this research formed the basis of a widely publicised information day over "Infant formula in Nijmegen", organised for the World Food Day in October 1983. Various Third World, women, and church groups, as well as the largest Dutch labour unions, participated in this Day. Lectures slide shows, and aspects related to the production, export, and consumption of mother's milk substitutes.

Despite the fact that at the last minute representatives of BMC and the Nijmegen city government declined to participate, the day was a huge success. About 100 people attended the various meetings and actively participated in the workgroups. The national press published several articles on the "mother's milk-powder milk" issue, [illegible] the fact that BMC does not obey the WHO code.

A permanent coalition of the various action groups emerged early 1984 as a result of this information day. The group is aware of the fact that despite frequent attempts to raise other impressions, it is the plain truth that multinational corporations such as BMC operate from the simple doctrine that "business is business". Companies limit their social responsibilities to safeguarding their own existence, growth, and chances to make optimal profits. The responsibility for the social effects of the use of baby food, especially in the Third World - is seen to be the task of the governments. It is according to the group an illusion to assume that the business world in general, and the BMC- management in this case, acknowledgement its own "social responsibilities".

So actions cannot be limited to appeals to a company's ethican responsibilities since a company is only willing to change its policy when there is danger of a decrease in the profits.16

Therefore the group tries to involve not only so-called "middle group" (church, Third World group, etc.) in the actions but also organisations of employees of the company (in the developed and underdeveloped world) itself.

The primary goal of this coalition is maintain a dialogue with the BMC management, in the hope that the company will reveal more of its operations in the developed and Third World, and that it eventually will agree to obey the WHO Code in all countries of the world. Where necessary the group is prepared to organise and carry out actions against the company.

The second goal of the group is to stimulate in the Netherlands development education activities. The programmes use the example of Bristol Myers Company to direct attention to such subjects as international development policies, international division of labour, the role of multinational corporations in these, and the possibility for international solidarity with the oppressed groups in the Third World. For the BMC-case cannot be considered as an isolated example.

NOTES

1. For a description of these developments see for instance: R.Burbach & P. Flynn, Agribusiness in the Americas, New York (Monthly Review), 1981; F.F. Clairmonte, United States Food Multinationals: Lessons from the Third World, Journal of Contemporary Asia, vol 11. no 1, 1981, pp 62-90, and various publications of e.g. Ernest Feder.

2. Data obtained through interviews with representatives of the BMC- management in August 1984 (Geneva, Switzerland). See also the Annual Reports of the company.

3. See. Thomas Jaffe, when opportunity knocks; why is Bristol Myers consistently more profitible than most of its competitors? In: Forbes October 13, 1980; and E. Sanger, Just what the doctor

ordered; R& D is [illegible] Myer's prescription for the growth, in: Barron's, December [illegible].

4. See Jaffe, [illegible] Bristol Myers consistently [illegible]table than [illegible] competitors? In: ForbesOct[illegible].

4. See Jaffe, 1980 [illegible] Business Week's regularly published "Corporate Scoreboard".

5. Research Team Centre for Education and Documentation, Operation Flood; Development of Dependence?, Bombay (Cite publication) 1982.

6. For more detailed information regarding the "infant food issue" see the very useful so-called "IBFAN Action Packet": IBFAN, Breast is best: From Policy to Practise, Minneapolis/Geneva, n.d.

7. See for instance: Michael B. Bader, Breast-Feeding: The Role of Multinational Corporations in Latin America. In: V.Navarro (ed) Imperialism, Health and Medicine, London (Pluto Press) 1982, pp 235-253.

8. See note 6.

9. World Health Organisation, International Code of Marketing of Breast-milk Substitutes, Geneva 1981.

The United States was the only country which voted against the Code. During the May 1984 World Health Assembly (WHA) a resolution "Infant and young child nutrition" that widens the scope of the WHO-Code considerably was accepted. The resolution draws attention to the health hazards associated with the promotion draws attention to the Health hazards associated with the promotion of the foods unsuitable for infant feeding and the too early introduction of some infant foods. It calls for an examination of this situation and for a report recommending measures to deal with it. The US- delegate at the WHA protested against the resolution which is an "...example of WHO interfering with private enterprise". A. Chetley of IBFAN reacted differently "The action urged by the WHA is a timely response to this growing treat to infant health" (Source: IBFAN -press, release, Geneva, 17 May 1984). For more information see: A Allain, Not jûst formula, in: Health now (Geneva), 11 May 1984.

10. Government of India (Ministry of Social Welfare,New Delhi), Indian National code for protection and promotion of breast-feeding,New Delhi,1983.

11. See:IBFAN?Breaking the rules: An IBFAN investigation into the aggressive promotion of artificial infant feeding, Geneva etc 1982 and recent violations:IBFAN News (Minneapolis) Vaficus issues, and the recently published "Breaking the rules 1984". Moreover a number of groups in the Third World, like the Manila-based "National Coalitions for the promotion of breast-feeding" report countless violations.

12. Recently the company has announced that from June 1983 onwards the WHO!Code will be followed for "Developing countries",defined as those countries having a per capita income less than US $4,000 and having an infant mortality rate higher than 20 per 1,000.BMC has however not publicly released an implementation plan and schedule for policy change: The various groups have decided to keep on,monitoring BMC-practics in the developed and under developed world. (Information obtained through interviews (see note 2) and from :IBFAN news,April 1984.

13. Quoted [illegible], 1981.

14. Prist[illegible], Process, Provisions and [illegible].

15. New York [illegible] 1981.

16. For a [illegible] analysis of " Company tactics" see: A.Allain " Win a batl[illegible]er"... In :International Coalition for Development Action [illegible] Transnationals, And how Transnationals react to their critics [illegible] Brussels, 1985.

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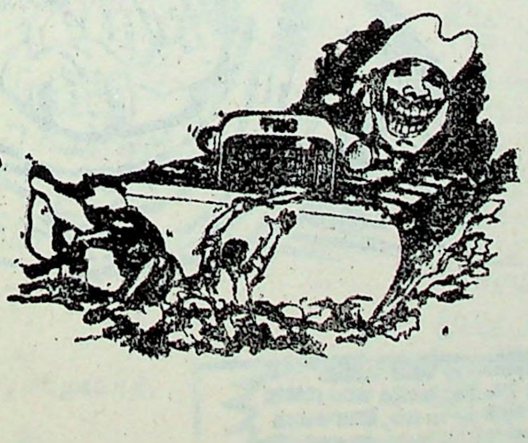
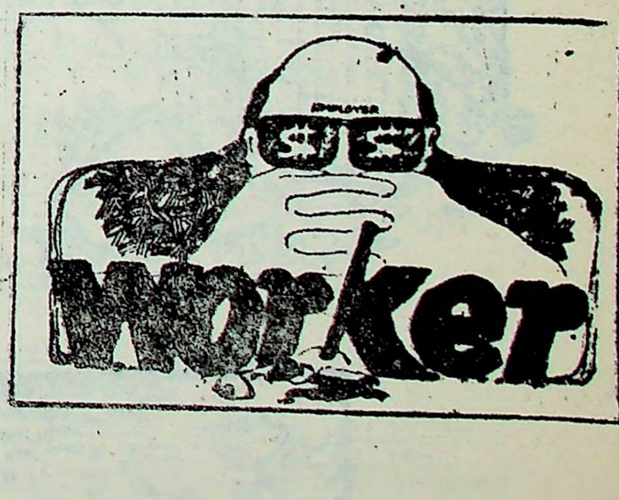
S O U R C E : Fons Van Der Velden, Challenging Multinational Corporations, Mainstream, August 4,1984, pp20- 24 .

I was hungry, but you would not feed me


SO YOU WANT TO KNOW HOW I BE-CAME A SUCCESSFUL CAPITALIST?
COME, SEE THAT TREE? CLIMB IT. THEN JUMP.
BUT...
DON'T WORRY. I'LL CATCH YOU.
YOU SEE, I NEVER TRUSTED ANYONE. HE HE-HE
EACH TO HIS OWN.

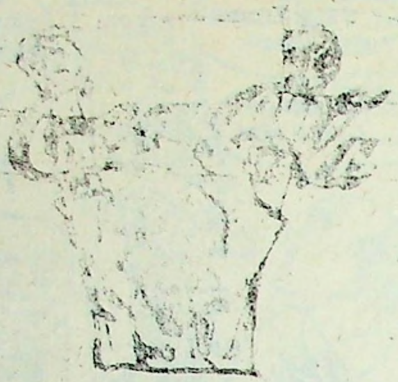
CARTOONS



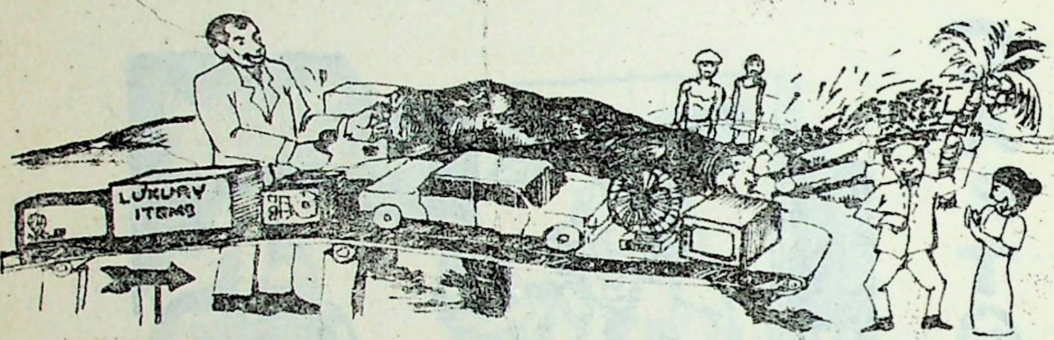

EMPLOYER
worker

SS

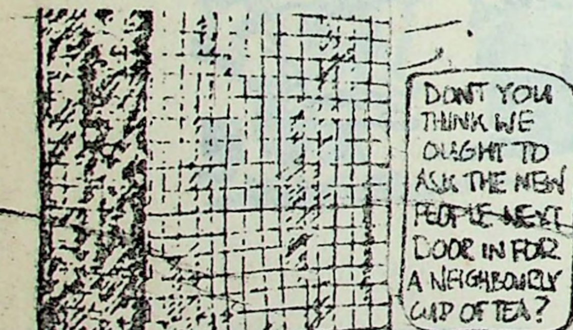
Coca-Cola



16-19 APRIL
Coca-Cola
NEJ TACK!



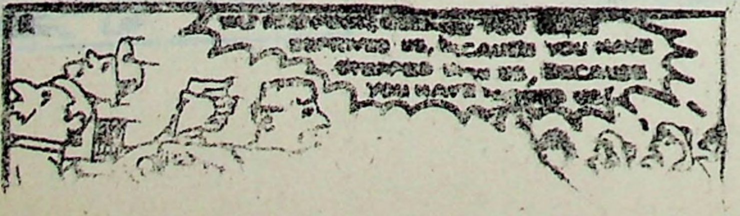
LUXURY ITEMS



DON'T YOU THINK WE OUGHT TO ASK THE NEW PEOPLE NEXT DOOR IN FOR A NEIGHBOURLY CUP OF TEA?

CARTOONS

TO FIRST WORLD
WORLD BANK
TNC'S
FERTILIZER FOR SALE
RP
LOAN
DEVELOPMENT POLICY
PERPETUALIZE AGRO ECONOMY



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