FACTS against MYTHS

VIKAS ADHYAYAN KENDRA | June - July 2004 | INFORMATION BULLETIN

Maximisation, Appropriation & Profit Repatriation:

Myths on MNC "Governance" & "Social Responsibility"

COMMENT

The current era of corporate globalisation has provided MNCs with unbrideled economic power and dominance. Foreign investment and the activities of MNCs has increased even more rapidly than global trade. The changing nature of global corporations however means that these figures underestimate the real extent of their global activities. An important factor has been the rise of global "commodity" or "value" chains in many industries. While trade has always been a significant feature, what is new is the ability of MNCs to control production over large distances without exercising ownership. A wide variety of consumer goods, including garments, footwear, food plus fruit and vegetables, are characterised by value chains where control of the chains resides with brand name producers like Nike, Reebok or large retailers like DMart. The turnover in the global economy alone exceeds $1.4 t. per day, over 100 times than the volume of trade in goods and services. This dominance is what provides the corporations their awesome power — the ability to move capital, finance and expertise at will anywhere in the world in the face of increasingly hapless governments. Little wonder, questions continue to be frequently raised on the '*modus operandi*' of the MNCs and how to therefore control their business dealings that often collide with societal wellbeing. The concern is equally over national organised capital interests that accumulate their profits without any semblance of accountability towards society at large and making them accountable and transparent to the people of India whilst advancing distributive socio-economic justice. These concerns have hence increasingly led to public campaigns against these corporations. Such action is also seen as necessary in order to ensure that the South shared in the gains from the growth of international corporate activity.

The first ever effort to challenge the activities of MNCs in India was against Coca-Cola in 1977 during the Janata Government. Coca Cola had to eventually quit India. But it was the Bhopal gas holocaust in 1984, in which thousands of people perished, that exposed the callous and inhuman face of MNCs. Union Carbide's criminal misconduct in this holocaust raised a number of issues viz., accountability and responsibility on the part of MNCs in general as well as Indian corporates. Since then, there have been a number of campaigns in various parts of the country ranging from protests against food MNCs like Macdonald's and Kentucky Fried Chicken to power projects like Enron and biotech giants like Monsanto including the ongoing struggle in Kerala against Coca-Cola which re-entered India in 1993 under the protection of the libralised economy.

This issue of MNCs has indeed been a long-standing subject of debate. A major concern was on how to regulate the power and control these MNCs wield especially with regard to their malpractices. The roots of these efforts were in the postwar international economic order aimed at establishing an institution that would democratise global trade rules. Thus, the plan to set up the International Trade Organisation (ITO) at Havana-Cuba was established on par with the other two global institutions, the World Bank and the IMF. The attempt however failed to materialise because the US refused to ratify the Havana Charter. (See earlier issue of this publication for details on ITO).

Subsequently, in the 60s during the era of national liberation movements the MNCs were attacked as agents of imperialism an accusation still valid going by what is presently taking place in Iraq. In 1972 when Chile's President, Salvador Allende alerted the UN to plans of the ITT (International Telephone &Telegraph) and the Kenneth Copper Corporation to overthrow his UNITA government, the first calls for international codes of conduct for TNCs were made at the UN Conference on Trade and Development (UNCTAD) in Santiago-Chile. Allende's assassination in a CIA-sponsored military coup in 1973 resulted in UN Codes emerging on the international policy agenda. The UN demanded a comprehensive international regulatory regime as part of a broader push towards a socially just New International Economic Order (NIEO). The demand was part of a general climate of change, which saw governments of the South become more assertive in global economic negotiations in the wake of the OPEC hike in oil prices. In 1974 the UN Economic and Social Council (ECOSOC) set up a UN Commission on Transnational Corporations with the Centre on Transnational Corporations (UNCTC), a research group based in New York with the following principles: to maximize the contribution of MNCs to development and to provide technical assistance to the South on foreign investment issues. Spurred by the experience of Chile a number of initiatives by other countries had been launched to construct global codes on MNCs. Legislations were enacted and nationalisation of foreign companies reached a peak in the first half of the 70s. Regional agreements such as the Andean Pact imposed controls on incoming investors.[1] The other attempts include ILO's Tripartite Declaration Concerning Multinational Enterprises and Social Policy (1977), UNCTAD's Code on Restrictive Business Practices and on the Transfer of Technology, and OECD's Declaration on International Investment and Multinational Enterprises (1976).

A common perception that underpinned these regulatory efforts was that the interests of TNCs and those of host countries in the South, most often than not, were antipodes to each other. Despite the corporate dictum 'What Was Good for General Motors Was Good for the USA', was no good for India or Argentina. General Motors and TNCs generally have often been notorious in violating existing regulations that the host nation stipulates. This is often the case in the domain of public health, environment and education. This also means that these firms have been allowed to get away easily whereas in their home countries public opinion and state machinery would have ensured otherwise. Moreover, they have repeatedly opposed any external international regulations and increasingly advocated industry or corporate self-regulation (or certification by private bodies) on the grounds that it is as effective as external regulation, and a lot cheaper! Backing them, the US government also opposed any such move especially against American MNCs. The US position contended that outcomes of international trade and investment generally need to be market-driven with the reasoning that this would result in maximising welfare of the people in the South. Interventionist policies on the other hand by governments, they held, would jeopardise this global welfare. Consequently, they challenged the very merit of an international code of conduct for MNCs who fear any semblance of public scrutiny. MNCs also avoid any serious discussion of critical issues: their global market dominance, price fixing practices, wage cuts and job losses in the South, huge commercial debt repayments, and bribes. The demand that they must be held responsible to anyone other than their own stockholders was anathema. Hence, from Day 1, the UN Centre UNCTC was attacked by corporates and treated it as far more powerful than the Centre really was. The International Chamber of Commerce – a high powered corporate lobby group — denounced anything this Center published if specific MNCs were named. When the late US President Ronald Reagan came to power the UNCTC was attacked by the ultra conservative Heritage Foundation. The "crimes" of the Centre included helping governments of the South work out non-binding principles for foreign investment, and documenting the investment of foreign firms in South Africa then under the brutal Apartheid regime. (In actual fact, the Center did little more than suggest that MNCs were legitimate subject for international consideration – not really earth-shattering matter. But the corporate propaganda was that the Centre was highly threatening!)!

By the early 80s, however, the tide had started to turn against the regulation of TNCs and the early 90s witnessed dramatic changes viz., the globalisation of economic life. The neoliberal doctrine of liberalisation, privatisation and de-regulation (sometimes followed by re-regulation in the interests of TNCs) – known as the Washington Consensus – gradually spread worldwide. Sectors which had been closed to foreign capital had to open up once again. At the same time most of the countries that had imposed across-the-board restriction on foreign ownership abandoned them by the 90s. Similarly, restrictions on profit repatriation and the terms permitted in technology transfer agreements were relaxed. In contrast to the 1970s, the attitude of governments in the South shifted emphasis dramatically towards attracting, rather than regulating, MNCs and foreign investment. These changes also impacted India. The deregulation and liberalization of the economy prompted the MNCs to capitalise on such policies. Swiss MNCs were the first to expand their products and production lines but they also increased their equity share in order to have a majority share holding in the Indian subsidiaries.[2] Many of these mega companies have also involved in takeovers and mergers of existing Indian companies with serious implications for domestic markets and national sovereignty.

The geo-political changes also led to the weakening of the global efforts to regulate MNCs. The UNCTC Code which was never agreed upon in the first place, was virtually abandoned. In March 1991, the US Government asked all its foreign embassies to lobby their host government to "quietly build a consensus against further negotiations" on the UN Code. In 1992, the Code was officially abandoned and the UNCTC shut down. Working at this Center through all this critical period was marred by various attempts to sabotage its working with the main aim to paralyze the UN's work on social justice issues, just as the Heritage Foundation wished.

However, with this Code set to rest, only two major international codes on MNCs, those of the OECD and the ILO survived from the 70s. The OECD Guidelines did not represent a genuine attempt to control MNCs, but were designed to deflect criticism of their activities. They were voluntary in nature and had no enforcement mechanisms. The ILO Declaration is narrower in scope, focussing on the social aspects of MNC activities. Like the OECD Guidelines, the Declaration is not binding and compliance is on a voluntary basis. It is not a procedure for dispute settlement over compliance with the Declaration. Therefore, like the OECD Guidelines, the impact of the Declaration has been relatively weak. The few other 30 or so international codes and guidelines, envisioned during the 70s, were adopted viz., the 1981 International Code of Marketing of Breast-milk Substitutes; the 1985 UN Guidelines for Consumer Protection; the 1985 FAO International Code of Conduct on the Distribution and Use of Pesticides and the 1988 WHO Ethical Criteria for Medicinal Drug Protection. Even these would have been abandoned had global citizen networks not exerted constant pressure.

The failure on the part of the international community to effectively check the mal-practises of MNCs paved the way for a "new" focus on corporate behavior — with one final attempt by UNCTC – to introduce international corporate regulation via the UN at the 1992 UNCED (UN Conference on Environment and Development) Conference – the "Earth Summit" at Rio de Janeiro-Brazil. The UNCTC drafted recommendations to be included in Agenda 21 (the Global Plan of Action) on environmental regulations of MNCs. The height of the absurdity, however, was at the final preparations for the Earth Summit with intense lobbying by a coalition of countries of the North along with the corporate lobby to strike out the term "Transnational Corporations" as well as the recommendations on the code of ethics for MNCs. UNCED in effect launched the 'Corporate Social Responsibility' a much watered down code and the changed role of MNCs was given free play in global politics thereby UNCED abdicating its responsibility towards the international community. The Earth Summit also marked a "regulatory vacuum" at the UN level: a clear case of corporate hijack of UNCED!

While the trend in terms of both national and international policies was directed towards liberalisation and deregulation, the period also saw the trend towards voluntary corporate codes of conduct. (See Box on pg.4). These began to be adopted in the late 1970s particularly by US corporations, in response to the bad publicity over their activities, not only due to the ITT scam but also from revelations about bribery and questionable payments by many prominent US firms. In 1972 a formulation on self-regulation, the International Chamber of Commerce Guidelines, was framed. This represented the first wave of corporate codes, predominantly concerned with issues of questionable payments and later on environmental and labor issues. The second wave[1] emerged in the early 90s with Levi Strauss and other clothing manufacturers and retailers adopted Codes of Conduct including European clothing MNCs C & A, Otto Versand in Germany and the Pentlkand Group in the UK, Nike and Reebok in sports goods, and British shopping malls.

In their support for self-regulation MNCs present two beliefs. One is that corporations are becoming more and more responsible of their own accord, for which the growing number of industry codes of conduct is cited as evidence. According to this view, society no longer needs to insist on legally binding international regulation. The other belief is that MNCs have gained such awesome power that it is impossible to regulate them by externally defined rules anyway. Building on voluntary agreements with corporations is thus regarded as more pragmatic than antagonising them by promulgating binding international regulations.[3]

On a closer look, however, these codes are weak, limited in number and voluntary by nature and differed from the international code like the UNCTC. The focus on the corporate codes and their impact have been on two main areas – social conditions and the environment. They are part of a much wider debate on the impact of globalisation on labour and environment, which is also reflected in the call for social and environmental clauses in trade agreement and with the WTO.

In the interim years, in the wake of the collapse of the Socialist bloc and the opening up China and Viet Nam as well as more liberal policies in the South (particularly significant in India) meant increased scope for the operation of these powerful MNCs. Other global players also entered into the geo-political arena, in anticipation, and embraced the term "Governance" with the aim to secure the `peace dividend'. Gradually, "Governance" became a political buzzword, and an obsession. The term was subsequently re-introduced in international policy discourse by the World Bank in its 1989 report examining the roots of the sub-Saharan African economic crisis. This report queried why the Bank's SAP policies had failed the promised benefits. The Bank chose this archaic term `governance' rather than, for example, `good government' because the Bank is not allowed (according to its founding principles) to intervene in national politics. Thus, its definition of governance, a technocratic one, is `the manner in which power is exercised in the management of a county's economic and social resources for the development. According to the Bank it is bad governance on the part of recipients of WB funds that explains why its policy prescriptions had failed, and the need to introduce `good governance as a conditionally for future World Bank loans.[4]

In today's geo-political situation public space has been hijacked by the WB/IMF/WTO combine, de-linking themselves from all political attachments to their nation-state 'homes'. Nation-States are being made less and less relevant in performing their functions and placing this responsibility on business and commerce. The latter situation has led to undermining the principle of self-governance that most countries are founded upon. Abetting in their design are major public relations and advertising corporations with whom the rich élites in the North invest hundreds and billions of tax deductible dollars. Together they manufacture ideas, concepts and theories or a cockamamie that frames and reframe global agendas. Their managing of global discussions is evident in the ways fast track legislation, global rights agreements like GATS, war in Iraq, energy and health care policies, including Good Governance, etc., are mass produced and disseminated worldwide especially in the South. For instance, the Washington-based Centre for Democracy and Governance distributed the

MNCs, Corporates & "Good Governance"

The term governance is an old concept that became part of the political discourse in the 70s. It derives from the ancient Greek verb 'kubernan', meaning to take the helm and 'steer'. Theorist, J.A. Rosenau defines the process of governance as that 'whereby an organisation or society steers itself'. In 1992 the MNC Cadbury's in the UK introduced the notion of Corporate Governance in its publication, the Code of Best Practices. This Committee was "succeeded" by the Greenbury Committee in 1995 and the Hampel Report in 1998 both in the UK. Most of these recommendations were incorporated in the Combined Code of the London Stock Exchange. Subsequently, several codes of Corporate Governance have been published in various countries. Recent times have seen several more such initiatives designed to further strengthen Corporate Governance framework. These include the enactment of the Sarbanes Oxley ACT, the proposed modification in the listing guidelines of New York Stock Exchange and NASDAQ.

A major actor in promoting "Good Governance" was the Commission on Global Governance, which dates back to an initiative of the former German Chancellor, Willy Brandt. In 1990 he was instrumental in getting together top world leaders at a meeting (chaired by Julius Nyerere) to deal with the challenges of the next decade. In April 1991 at Stockholm these leaders (including Vaclav Havel, Gro Harlem Bruntdland, Jimmy Carter, Robert McNamara and Maurice Strong) in there 'Stockholm Initiative on Global Security and Governance' launched the idea of building a more effective system of global security and governance.

Soon other agencies like the ADB adopted the term as part of administrative reforms to check corruption among the conditions they demanded in return for their loans. Obviously, the term "good governance" is an invention to describe the opposite of "corruption". Indeed, the international organisations' enthusiasm to highlight corruption was one way they undermined the legitimacy of national governments and increased the legitimacy of their own interventions.[5] The crusade for good governance took on some of the functions of the "civilising mission" as in colonial times. Since then it has become fashionable to present policy statements on "transparency", "accountability", "social responsibility", etc. Besides, the MNCs utilise their power to "inform" the public on the need for adopting a "positive" outlook — of 'dialogue' and 'partnership' rather than what is considered by them as the negative attitude, of responsibility.

In India, the first initiative in Corporate Governance was taken by the CII, which released its code on Desirable Corporate Governance in April 1998. Later, the Securities and Exchange Board of India (SEBI) appointed the Kumar Mangalam Birla Committee in early 1999 to make recommendations on Corporate Governance practices. Subsequently, in early 2000, the SEBI inserted a new clause, Clause 49, in the Listing Agreement making it mandatory for all listed companies in India to adhere to certain principles of Corporate Governance, based on the recommendations of the above Committee. The Companies Act, as amended in 2000, gave a major statutory fillip to improving Corporate Governance standards in all companies in India. In addition, in recent times, the Naresh Chandra Committee and the Narayan Murthy Committee have come up with a detailed set of recommendations on coporate governance.

USAID Handbook on Legislative Strengthening, an attempt to make the democratic institutions subservient to the interests of global corporates.

Clearly, corporate globalisation has become a serious challenge for citizen groups worldwide. The task is to regulate socially-responsible or environmentally degradable practices of the MNCs and to dispel their claims on "dialogue", "Partnership", "Good Governance", etc., which are masked attempts to manipulate public debates; to silence or neutralise critics; and through propaganda to create an image of socially-concerned business. Expunging these phrases out of the development discourse is a necessary first step. It is a long haul ahead, but nailing these mega corporations for their criminal behaviour is too important and imminent a task to be left to the corporates themselves to self-regulate.

MYTH: The establishment and strict enforcement of an international Code of Conduct is an effective check against the activities of multi-nationals and trans-national corporations.

FACT: The above has clearly shown how the earlier attempts of even a UN regulatory mechanism had failed. This raises the pertinent question, namely, can internationally negotiated legal regulations direct the MNC and TNCs towards objectives other than those that constitute their very 'raison d'être', i.e., maximising profits? (It may be worthwhile to note that many scholars have commented that most international 'laws' have no real binding force since there is no enforcement mechanism and implementation machinery!) Will it be possible to direct the activities of these mega corporations towards mutual aid instead of towards global domination and exploitation?

The answer is clear No! Otherwise, there would be need to admit that a simple legal instrument — even if it were signed by the entire world – could transform the very essence of globalisation (read: capitalism) – or the system of production relations that is co-substantial to it and of which the MNCs are the present bearers. After all, as pointed out above, what may be good for General Motors may not be good for India or Argentina. Economic development could best be promoted, not by a policy of absolute openness to foreign capital, but by regulation, which would ensure

Excesses by MNCs: A Glimpse

- During its stint in India Enron – since closed down and declared bankrupt with the US federal court indicting it with securities and bank fraud on July 8,2004 in the US – it had violated environmental norms. To construct a thermal power plant in Maharashtra State it displaced thousands of fisherfolk and farmers. Effluents had been blamed for the decline in agricultural and fisheries productivity in the region. The plant is now shut, since the State government could not afford the exorbitant tariffs charged by Enron. Those displaced have yet to be compensated and with Enron's bankruptcy and indicted with criminal charges their rights are unlikely to be addressed.

- Food MNCs like Nestle have been violating WHO Code by indulging in unethical marketing strategies affecting the health of thousands of infants and chances of survival by persuading mothers to shift to infant formula food from breast-fed milk. In India, the Breastfeeding Promotion Network of India had reported that Nestle used various tactics since 1995 to delay cross-examination of alleged violations of the labeling requirments of the Indian law on marketing of breast-milk substitutes. At first the company refused to receive the summons. Instead it sent a lawyer to observe the proceedings secretly. When the Court realized that Nestle's lawyer was in attendance it seized the opportunity to serve the summons through him. Between August 1997 and September 2000 Nestle successfully adjourned 143 proposed court hearings. In 1999, the Czech Republic heavily fined Nestle for violating national consumer protection legislation because it claimed that its complementary food was 'ideal food' for infants from 4 months of age. In another incident 4-month old bottle-fed baby died. Where clean drinking water is unavailable, a bottle-fed baby is 25 times more likely to die of diarrhoea and 4 times more likely to die of acute respiratory infections than an optimally breast fed baby.[6] In the same year, the UK Advertising Standards Authority asked Nestle to revise its claim that 'Naturally they (Nestle employees) do not provide free supplies to hospitals for use with healthy infants' because of evidence to the contrary. The MNC was also told that another of its claim went `too far', namely, `Even before the WHO International Code of Marketing of Breast Milk Substitutes was introduced in 1981, Nestle marketed infant formula ethically and responsibly, and has done so every since'.

- The mega soft-drinks TNC, Coca-Cola, had set up a monster bottling plant amidst an Adivasi and Dalit village of Plachimada in Kerela. In the High Court of Kerela Coca Cola has been charged with over exploiting groundwater and thereby depriving the locals with drinking water. It has also been indicted with polluting the groundwater, and of passing off their toxic sludge (high in cadmium and other metals) as fertilizer to farmers. Besides this, in 2000, a lawsuit was filed against Coca-Cola, on behalf of African-American employees for $156m. for systematically discriminating them on the basis of employment, paying them lower salaries than whites for the same work, passing them over for promotions and workplace harassment. Black employees are clustered at the bottom of the pay scale averaging $ 26,000 a year less than the white workers[7];

- In 1994, Siemens was accused of dumping in India cancer-cure machine banned in the West. It had offered these machines at scrap-rate prices so as to get rid of the large stocks of sub-standard equipment which it cannot get markets for in its own continent;

- In 1996, Boehringer Mannheim-India Ltd., was involved in a controversy as its drug, Comsat Forte, was found to be contaminated which led to the death of two people and seriously affected several others;

- Hoechst India has been accused of its involvement in transfer pricing by importing a drug intermediate from its German Company, Hoechst AG, 7 times more than the international competitive prices. The MNC, also involved in biotechnology, has been found of taking biological/genetic resources from India and making commercial use of these resources, including by obtaining patents;

- In 1996, Bayer (India) was accused of 'modifying' production processes and claiming price control exemption on the grounds that the new processes are being developed through indigenous R&D; .

- In 1999 the Government of Peru in South America leveled criminal charges against the German agro-chemical MNC, Bayer, in the poisoning of 42 children died after they consumed a school breakfast contaminated with the *organophosphate pesticide methy parathgion.* Of the 42 children, 24 children died and the remaining are suffering long-term health ill effects. The pesticide was heavily marketed under the brand name Folidol to farmers all over Peru. Bayer had packed the pesticide in small plastic bags labeled in Spanish and displaying a picture of vegetables. The labels failed to give any usable safety regulations, such as pictures, and little indication of the danger of the product.[8]

that FDI was channeled into the areas where it could make a particular contribution. Foreign investors were also duty-bound to promote local development through joint ventures, local purchasing and indigenisation policies. The role of the international codes of conduct proposed during this period was largely to improve the bargaining power of the South in their efforts to get a greater share of the benefits from the MNCs.

Obviously, no "Code of Conduct" will refute the historically proven thesis that capitalism (Globalisation is its euphemism), in its growth, generated poverty and under-development. In this light, even the most perfect code will never force MNCs to channel their direct investments toward those branches that contribute to the economic progress of the South unless they were highly profitable branches.

From the political standpoint, the Code would not offer any protection that the country receiving the foreign investments could not give itself. If a country in the South with a firmly established, independent government, which defends national interests, needs that Code, it could pass it self, without any need for it to be negotiated internationally. These would actually be binding laws of the particular country and not a Code!

However, the relevant point is that in the absence of a national regulatory mechanism MNCs will exploit this loophole and escape Scot-free! This is presently the experience in India with the Coca-Cola and PEPSI. Both these MNCs have flouted even international regulatory norms in manufacturing these beverages! Enron is the other MNC, which has since gone bankrupt in the US and is now facing criminal charges of fraud. Apart from flagrantly violating regulatory standards over the Dabhol Power Project in the State of Maharasta Enron is now (with the backing of the US government) trying to escape by penalising India for damages to the tune of $5.65 b. to strengthen its expropriation claims.

So, the central issue is in the measures that a given country wishes and is able to take at a given moment – in the political orientation and the nature of its all-round development goals – and thus, for the adoption of fundamental measures to meet the interests of its people. Only on these bases would it be possible to obtain something in the practical field in relation to the so-called Code of Conduct for MNCs.

MYTH: Investments by MNCs leads to the development of the people and country.

FACT: This is more of a rare (isolated) exception than the rule! Since the 90s and the policy of liberalisation there has been significant rise in FDIs. Yet, government data reveals that the incidence of poverty and the percentage of population below the poverty line have not reduced. These figures have risen even sharply. By December 1992, the percentage of people below the poverty line in rural areas rose to 41.72 percent from 33.7 per cent in 1989-90. In the country as a whole, the percentage rose from 34.3 percent to 40.69 percent – that is, an increase of 6.4 percent or nearly 60 m. people below the poverty line. According to the estimates provided by the Planning Commission's Mid-term Appraisal, the living conditions of the people have deteriorated much more in the post reform period. Similarly, the statistics provided by the National Sample Survey of 48th round (the only statistics available on the consumption pattern of people), had also indicated that during the first two years of economic reforms, the share of consumption of the bottom 30 percent of population has declined considerably. For the middle 40 percent, there was a decline in the rural areas and near stagnation in the urban areas. However, there is an increase in consumption levels only of the top 30 percent of the population and the bulk of this attributed to the rise of the top 10 percent. This evidence clearly demonstrates that the living condition of the poor has worsened while that of the rich have improved.

In 1996 a study by PIRG-Delhi on Swiss MNCs showed that foreign investments, per se, cannot help India solve its basic problems of unemployment, poverty, illiteracy, environmental degradation, poor sanitation and social infrastructure. On the contrary it established that the main motivation of Swiss firms to invest in India was to capture the Indian markets and establish monopoly over products and sectors, by taking advantage of cheap and abundant labour with lax environmental and labour laws and regulations. It showed that Nestle-India was found violating India's codes of conduct and other regulations in baby food and related businesses. Another Swiss mega firm, Sandoz-India and Hindustan Ciba-Geigy have been found laying off workers on a massive scale and undertaking sub-contracting systems of production.[2] Thus, far from helping the South improve their economies, TNCs only intensify their underdevelopment.

MYTH: Since free trade and political freedoms are inextricably inter-linked with the introduction of the first inevitably results in the second, MNCs are recognised ambassadors of democracy.

FACT: Market economies flourish in some of the world's most autocratic and tyrannical regimes and MNCs have shown no interest in, and have even less effect on, changing political systems, preferring the maintenance of the status quo. Singapore, Malaysia, Indonesia, Pakistan, and Russia, Colombia: all have thriving market systems where MNCs are dominant actors. But these States cannot be considered among the world's functioning democracies.

According to the American political scientist, Benjamin Barber: "Capitalism requires consumers with access to markets and stable political climate in order to succeed; such conditions may or may not be fostered by democracy…". Barber concludes: "Capitalists may be democrats but capitalism does not need or entail democracy". Finally, corporate power and democracy cannot co-exist! One of the true tests of democracy is the power availed by Corporations over Governments vis-à-vis the power and rights of ordinary citizens. In people's experience of fighting corporations, it has already become clear that Governments – more and more – do not matter much. In their campaigns against corporations, people are being forced to pressurise the company directly, or through their financiers, share hold or consumers.

MYTH: A 'sine quo non' to economic growth quality control is intrinsic to business practices of MNCs.

FACT: Most often this is not the case in countries of the South! For instance, in 1993, the Maharastra Food and Drug Administration (FDA) had ordered the closure of the corporation,

Guide to Corporate Terms

MNCs and TNCs: The two terms are often used interchangeably with tension between the multinational and the natransnational view of the global corporation. 'Transnationals' (TNCs) is more precise, but 'Multinationals' is in more common usage. The UN defines these companies as 'associations which possess and control means of production or services outside the country in which they were established'. Although they may operate in dozens of countries, hiring workers and managers of all nationalities, most are firmly controlled from their national base. An MNC takes on many national identities, maintaining relatively autonomous production and sales facilities in individual countries, establishing local roots and presenting itself in each locality; as a good local citizen. Its globalised operations are linked to one another but are deeply integrated into the individual local economies, in which they operate, and they do function to some extent as local citizens. Transnationals involves the integration of a firm's global operations around vertically integrated supplier networks. For example, when Otis Elevators set about to create an advanced elevator system, it contracted out the design of the motor drives to Japan, the door system to France, the electronics to Germany, and small-geared components to Spain. System integration was handled from the US.

Corporatespeak

Public Regulation. This refers to rules set by the parliament and by government authorities. The rules they set usually include measures for monitoring and enforcement. Corporations should comply with such regulations by, for instance, devising internal guidelines and auditing procedures and allowing public verification of their compliance.

Self – Regulation

Under self-regulation, corporations or business associations set their own rules – codes of conduct, corporate guidelines or mission statements, for example – and pledge to abide by them. Following the 'sustainable development' trend, for instance, many companies have committed themselves to using cleaner technology, environmental reporting and certification. Many 'sustainable development' business codes, however, omit key UN – agreed standards and lack effective enforcement mechanisms.

'Regulations' may not be the most appropriate term for arrangements in which the party to be regulated sets its own standards and whose effectiveness in protecting public interests depends entirely on its own sense of moral obligation!

'Self-regulation' is certainly a misnomer when it refers to corporations' own non-legally binding codes drawn up to avoid mandatory regulation or to defuse public pressure.

"While not generally recognised as such, 'self-regulation' is really an oxymoron (contradiction in terms). Potential polluters cannot make 'laws' (ie. Regulate) and order 'sanctions' (ie. authorise penalties and fines) that are against self – interest. Further state regulation presumes that there is a political process that defines a level of pollution and regulations are issued to disperse this standard equitably over the generators of pollution. No individual 'self-regulator' can determine the publicly approved level of pollution or allocate itself the correct amount of pollution."

Co – regulation and self- regulation must be backed up by industry - independent measures if the public interest is to be effectively protected. These include clear guidelines on how to ensure compliance, external third - party verification of internal audits, public reporting and public participation.

Expunging Corporate Phrases* (from our vocabularies)

"Corporate responsibility" – an irrelevant term. A corporation should either do what it is chartered to do or be dissolved. It is not chartered to "bastardize the democratic process, shape public debate, manipulate our language and values, or pit communities against one another."

"Corporate accountability" – Elected officials are, theoretically, accountable to the people who elect them – but to whom are corporations accountable? Corporations are chartered by states, which represent the sovereign people; technically, they are accountable to "we, the people." "We should not have to fight a revolution to dissolve a corporation that has exceeded its authority and caused massive harm". We fought that revolution in 1776. But we have forgotten who we are, and it may take another revolution to restore our rights.

"Corporate citizen" – A corporation is a legal fiction with neither the responsibilities nor the rights of a citizen.

"Corporate America" – America represents a lot of things, and while there was always a gap between ideals and reality, the ideals hold. Americans are a sovereign people governed by the Constitution. America is the people, not corporations.

Source*: Corporate Globalisation of our Minds by W. Ballentine, "TNCs in Asian Societies", April 1996.

German Remedies, at Andheri (E) in Mumbai, for 15 days from October 25 to November 8 for failing to observe Good Manufacturing Practice and maintain the quality, purity and strength of its drugs. It also filed a FIR with the police for violation of the Drugs and Cosmetics Rules and sought action against concerned officials of the MNC. Moreover, apart from its own drugs, the firm used to manufacture drugs of other German drug MNCs like Schering, Beecham Wulfinf, Koll and Boehringer.

Among the specific offences that German Remedies has been charged with are extending the shelf life of ingredients going into the manufacture of drugs, and also the life of the finished products beyond the original limit. Discrepancies were also found in the records about rejected and destroyed drugs *Denphylin and Complamina* injections; recorded as having been sent to the company's Patalganga factory but were found instead near the scrap of the *Andheri factory in Mumbai.*[9]

MYTH: Foreign investments are an important means for the poor countries to in overcome poverty. After all, it is the lack of capital, which is behind their underdevelopment.

FACT: Governments, with the prodding of multilateral institutions beg TNCs to set up shops in their countries. Some even makes the attraction of foreign investments the cornerstone of their development programme. According to the Times of India (2/10/1996) the present Finance Minister, in 1996, in conversation with foreign ministers had remarked, "You came to India and stayed for 200 years. Now come prepared to invest and stay for another 200 years, and there will be huge rewards". However, while investments by TNCs appear as inflows, they represent future claims on the country's foreign exchange. In the end, the super profits, which generate and repatriate far outweigh all the capital they infused.

TNCs also result in a significant amount to trade deficit as they insist on importing parts and raw materials from their subsidiaries from another country. As a result, the percentage of value-added of foreign affiliates to world GDP is merely 5-6 percent. Further, not all FDIs, which enter the country, translate to additional capital or infrastructure as what is commonly assumed. A growing proportion of FDI merely embodies changes in ownership such as when a government privatizes a TNC. When a TNC buys the asset, it is recorded as an FDI but there is no increase in the capital stock. The same applies to mergers and acquisitions or buy-outs.

Sectors, which were restricted by governments due to a strong tendency towards monopoly like telecommunications, energy, public utilities, etc., have since been deregulated. Thanks to economic globalisation, TNCs freely appropriate monopoly profits from these ventures. As a result, there is a boom on TNC investments within these oligopolistic markets.

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☎ 2882 2850 & 2889 8662 **Fax:** 2889 8941
Email: vak@bom3.vsnl.net.in
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