THE ROLE OF TRANSNATIONAL CORPORATION ACTIVITIES IN THIRD WORLD COUNTRIES

Ugwu Edward Gods Mark

Department of Public Administration
Institute of Management and Technology, Enugu State Nigeria
Email: imtenugu@yahoo.com

Abstract: *The impact of the Transnational Corporation in Third World Countries is tremendous and has varied consequences. For several centuries economists have used the classical economic theory of comparative advantage to explain trade movements between nations. Springing from the writings of Adam Smith and David Ricardo in the eighteenth and nineteenth centuries. The theory in simple terms states that every one gains if each nation specializes in the production of those goods that it produces relatively most efficiently and Imports those goods that other countries produce relatively most efficiently. The theory has supported free-trade arguments.*

Keywords: Transnational Corporation, Economists, Classical Economic Theory, Free-Trade and Third World Countries.

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INTRODUCTION

Third world countries are under-developed and lot writers have proffered reasons for this offered especially by the liberationists' school of thought is the presence of Multinational Corporation who are often accused of deliberately exploiting the natural resources of the host running the host countries down economically and interfering in their internal affairs. On the other hand, other observes such as the Liberals; hold that the MNC are force for economic development in Third World. The question that this paper will therefore seek answers to are as follows:

What are the basic aims of the Multinational Corporation in the Third World?

What is the relationship between the Transnational Corporations and the host government in Third World?
What other observations and verification did Dr. Asisi Asobie prefer his work on the role of multinationals in Africa.
What should be the future role of the Transnational Corporations in the Third World?
Maharder Kumar Saini in his book "Politics of Multinationals, A pattern of Neo-Colonialism (1982)", outlines some of the major reasons why the Transnational Corporations go to Third World Countries.

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THESE REASONS INCLUDE:

To help developing nations overcome economic backwardness inherited from pre-Colonial and colonial past.

To provide meaning and substance to newly acquired political independence by extending the logic of this national independence to the entire field of economy for breaking the continuing shackles of colonialism and neocolonialism.

To assist Third World Countries solve the major and urgent problems of socio-economic transformation like removal of poverty and unemployment eradication of hunger and want, elimination of rampant illiteracy and epidemic disease.

The current fuel subsidies in Nigeria, which cartel are behind it? Are the multinational involved in the above motive? The MNC role is later displaced by profit which is the prime mover of their mission to Third World.

How do Transnational Corporations, operate in relation to Nation-States in World politics?

J.S. Nye and Seymour J. Robin 1975 states that Transnational Corporations play at least three vital roles in the day-to-day process of world politics.

First, they help, both intentionally and unintentionally to set the agenda of issues that arise among governments. Secondary, they serve, usually as instrument of power by which governments and other groups try to influence one another. Thirdly, they sometimes act quite internationally and independently to influence political actors and political structures.

However, before examining the pros and cons in the debate concerning the general activities of these corporations, let us briefly review the two principal and opposing schools of though on the impact of the Multinational Corporation as postulated by Dr; H.A. Asobie in his work captioned "The Influence of the Transnational Corporations on the Management of Public Enterprises in Nigeria. These schools of thought are the "Liberals" and the Liberationists" and will be reviewed this paper.

THE BALANCE OF THIS PAPER ORGANIZED AS FOLLOWS:

Statement of Problem
Literature Review and Theoretical
Framework
Rise of the Transnational Corporations
The Aims and Objectives of the Transnational Corporations, Implications & Findings.

STATEMENT OF PROBLEM

Third World countries are under-developed and a lot of writers have proffered reasons for this. One of such reason offered especially by the Liberationists school of thought is the presence of Multinational Corporation who are often accused of deliberately exploiting

the natural resources of the host countries, running the host countries down economically and interfering in their internal affairs. On the other hand, other observes such as the Liberals; hold that the MNC are force for economic development in Third World. The question that this paper will therefore seek answers to are as follows:

1. What are the basic aims of the Multinational Corporation in the Third World?
2. What is the relationship between the Transnational Corporations and the host government in Third World?
3. What other observations and verification did Dr. Asisi Asobie prefer his work on the role of multinationals in Africa.
4. What should be the future role of the Transnational Corporations in the Third World?

Maharder Kumar Saini in his book *"Politics of Multinationals, A Pattern of Neo-Colonialism (1982)"*, outlines some of the major reasons why the Transnational Corporations go to Third World Countries. These reasons include:

(1) To help developing nations overcome economic backwardness inherited from pre-Colonial and colonial past.

(2) To provide meaning and substance to newly acquired political independence by extending the logic of this national independence to the entire field of economy for breaking the continuing shackles of colonialism and neocolonialism.

(3) To assist Third World Countries solve the major and urgent problems of socio – economic transformation like removal of poverty and unemployment eradication of hunger and want, elimination of rampant illiteracy and epidemic disease.

(4) The current fuel subsidy in Nigeria which cartel are behind it? Are the multinational involved in the above motive? The MNC role is later displaced by profit which is the prime mover of their mission to Third World.

How do Transnational Corporations operate in relation to nation-states in World politics? J.S. Nye and Seymour J. Robin 1975 states that Transnational Corporations play at least three vital roles in the day-to-day process of world politics. First, they help both intentionally and unintentionally to set the agenda of issues that arise among governments. Secondary, they serve, usually as instrument of power by which governments and other groups try to influence one another. Thirdly, they sometimes act quite internationally and independently to influence political actors and political structures. The three case studies in this book Chile, OPEC and "Subsidy" in Nigeria will provide the reader with examples of all the aforementioned roles. In many instances we will see that the line dividing economic from political actions is at least obscured and at worst, totally ignored. It is safe to say that the Corporation/Nation state relationship is one of uneasy alliance tempered by mutual distrust and mutual need.

LITERATURE REVIEW

According to Richard J. Barnet and Roland E. Muller, authors of Global Reach: *The Power of the Transnational Corporations (1974),* the global corporation is the first institution of human history dedicated to centralized planning on world scale. The primary purpose is to organize and integrate economic activity around the world in such a way as to maximize global profit. The global corporation is "an organic structure in which each part is expected to serve the whole"[6]. It measures its successes and failures not by the balance sheet of an individual subsidy, or the suitability of a particular country, but by the growth in global profit and global market shares. Its fundamental claim is efficient, both of management and of allocation of resources. Unlike a national corporation, which has its entire operation within the geographical confines of a single country (or even two countries), the Multinational Corporation as the name implied, has its headquarters in home country, and subsidiaries in two or more host countries. Although the aforementioned definition is generally accepted, Robert Kochene and Joseph Nye (1973) define the Multinational Corporation as any Business Corporation in which ownership, management, production, and market extends over several national jurisdictions. While both definitions of MNC connote the same meaning, Seymour Maxwell Finger and Joseph R. Harbert (1982) offers still a more technical definition of MNC. They said that it is a corporation that invests for a variety of reasons: to have access to a foreign market, to secure sources of supply, or to have the benefit of lower-cost production or lower taxes. While investing in Third World Countries these corporations have profit as their prime mover. They further postulated that the obvious and essential goal of MNC is to secure control over a country's national resources and to maximize profit or make the best out of It[7]. An example of this is noted in the activities of the MNC in Chile.

Dr. H. A. Asobie on the nature of the MNC said that Transnational Corporations are private, public, or foreign companies or corporations whose operations are distributed among two or more countries to a significant extent. Their distinguishing feature is that they have affiliates in a number of countries – and there is a substantial international dispersion of their assets. [8] He said further that the Transnational Corporations usually "have a string of subsidiaries bearing different names either in different countries or even in the same country; so that one may be dealing with a new subsidiary of MNC with which one had just severed a strained partnership without knowing it[9]". Having given a rough definition of Multinational Corporations, it is necessary to answer the question, who are the Multinationals? Reading through the preamble and the subsequent definitions of MNC, it is noticed that part of the question who the Multinationals are has been answered.A listing of all the Multinationals would reveal that the United States enterprises easily predominate. In the mid 1960's some sixty percent of the book value of the world directs (as distinct from portfolio)" foreign investments were attributable to American companies. If American overseas investments were considered jointly with Canadian, British, and Dutch corporate activities, the total share of these frequently interlocking systems rises to over eighty percent. 11 A few large corporations constitute

the Multinational Corporations. Standard Oil of New Jersey, The Royal Dutch Shell group, Texaco, Gulf, Mobil, and British and American Petroleum together control over three quarters of the world market in petroleum.

In the auto industry, which support a myriad of other industries: General Motors, Nissan and Toyota (Japan) dominate the industry and account for approximately one quarter of all Multinational Businesses? The others are IBM, International Telephone and Telegraph (In), Westinghouse Electric, Phillips, Siemens and Hitachi. 12 Even a cursory glance at the preceding paragraph should have given the reader some indication that the Multinationals wield tremendous economic and as a consequence political Influence/power. The rapid growth of the Transnational Corporations over the past several decades has seen the steady emergence of the United States as the world's dominant power. This process began in the later part of the Nineteenth Century, when American Industry began to supersede its European rivals. As the American power grew, the United States created an increasingly large sphere of influence. This expansionism reached its zenith in the decades after World War IL Following its victory in the War and in response to the Soviet challenge, the United States created in its own security interests the pattern of relations among the non-Communist Countries within which American Multinationals flourished."The sufficient conditions for the rise of the Multinational Corporation have been economic and technical That is to say: the reason why American corporation took advantage of the pattern of relationships created by the United States and expanded overseas are to be found in the evolving nature of the American economy itself and in the contemporary revolution in communications and transportation. The steady growth of American – industrial corporation and shrinkage of the globe underlie this process of corporate expansionism. Market-oriented investment accounts for nearly 90 percent of foreign direct investment of manufacturing." There also is a number of American and foreign corporations that invest abroad, especially in places like Hong Kong, Taiwan, and Mexico, in order to cut costs; the destination of goods produced by such "offshore production" is usually the American market itself. Increasingly, however, this latter type of investment is becoming integrated into a corporate strategy of global production of components and semi processed goods.

Certain general characteristics of Transnational Corporations may be noted. In the first place, they make direct investments in a foreign country." In contrast to portfolio investment, which involves the purchase of non-controlling equities in a firm or debt instrumentalities of any kind, direct investment implies the establishment of a foreign branch or subsidiary or the take over of a foreign firm. The underlying motive behind portfolio investment is largely financial, management control continues to rest with the borrower, and the liabilities incurred by debt borrowing can be liquidated through repayment. The motivation behind direct investment and the possession of foreign branches or subsidiaries, on the other hand, is primarily the acquisition of managerial control over a production unit in a foreign country. Direct investments are intended to establish a permanent source of income or supply in the foreign economy; consequently,

they create economic and political relationship of a lasting and significant value or character. Second, the MNC's of greatest interest to this study are characterized by parent firm (usually American) and a cluster of subsidiaries or branches (owed wholly or partially by American Corporations) in several countries. There is a common pool of managerial, financial, and technical resources, and, most importantly the parent operates the whole in term of a coordinated global strategy.

BRITISH AND AMERICAN FOREIGN INVESTMENT

	BRISTISH 19TH CENTURY	*UNITED STATES TWENTIETH CENTURY*
Investors	Banks Individual Bond Market	Corporation
Type of Investment	Portfolio Loans	Direct Investment
Activities	Raw materials Agriculture Utilities (railroads & seaports)	Manufacturing Raw materials (especially Petroleum marketing)
Primary Motivation	Local opportunity for immediate profit	Global corporate management

SOURCE: U.S. Policy in International Institutions, Institutions- by Seymour Finger and Joseph Herbert. 1982-1986.

Purchasing, production, marketing, research, and so forth; are organized and managed by the parent in order to achieve its long-term goal of corporate growth. Through vertical integration and centralization of decision-making, the Transnational Corporations seek to perpetuate its predominant position with respect to technology, access to capital, source of supply, or whatever else gives it competitive advantage and market power. Traditionally, British and European capitalism have practiced portfolio investment, loans, and similar forms of capital export. Although Great Britain and other countries did make direct investment in the Nineteenth Century, these investments were invariably infrastructure investments - such as utilities, port facilities, and railroads.[16]" In the Twentieth Century, American other direct investment has been largely in manufacturing, particularly in the growth sectors of advanced or rapidly developing economies (e.g. Europe, South Africa, Canada, and Brazil). Another major area of foreign direct investment has been petroleum. Although Table I undoubtedly oversimplifies the contrast between British investment in the Nineteenth Century, and American investment today, it does serve to point out the differing emphasis of two important capital - exporting nations. Whereas British investment was accompanied by mass migration of labor, American investment has been accompanied by the flow of corporate management. Management, capital, and technology have gone as a package to foreign lands in search of labor, markets, and resources.[17]" In the Nineteenth Century, at least in

the so called lands of recent settlement (Canada, Australia, the United States and South Africa), management and operating control usually remain in the local lands. The essence of American direct investment has been the shift of managerial control over substantial sectors of foreign economies to American nationals. In character, therefore these direct investors in other countries are more similar to the trading companies of the mercantilist era than to the free traders and finance capitalists that dominated Britain in the Nineteenth Century.[18]"

A REVIEW OF DEPENDENCY THEORY

Underdevelopment and Dependence: The radical perspectives define capitalism as international stage of imperialism. This kind of orientation agrees with Lenin's imperialist theory relevant to us, in highlighting that "imperialism is a survival mechanism of capitalism in its higher state of development. II 1920:231. This simply implies continuous subtle but sophisticated exploitation of poor countries by means of capital export to developing countries - by the Multinational Corporation. 19 In other words, radicals hold that Third World Countries have been underdeveloped first by the development and expansion of Europe, neo- European countries and Japan. According to Galtung (1982), therefore, "capitalist world economy is the basis of underdevelopment through generation and reinforcement of the infrastructures of dependency such institutions, and industrialization".[20]

Furthermore, the radical perspective classifies that dependency is not merely an external matter because according to it, foreign exploitation is possible only when it finds support among local elites who profit from it. The obvious interface to draw from this basic tenet of radical perspective according to Okolocha (1989) is that, "exploitation and domination of poor countries are fostered by a tiny collaborations of urban based bourgeoisie mainly of cooperative cadre".[21] to engender dependence. Thus, it is on the basis of these themes that we modeled the role or activities of the Transnational Corporations in the Third World as an extension of the Dependency Theory of development. As the apostles of dependency emphasize, the domination of the economics of developing countries by forces of Western imperialism explains how the economic development/dependence is sustained by social forces generated by the socio-economic formation. In Nigeria, development plans have tended to manifest such strategies as strengthening of ties with industrialized countries, external borrowing and accepting aid assistance. There is also the tendency towards infrastructural oriented and elitist programs in the plans. The presence of such strategies in the plan implies dependence since they might provide avenues or opportunities for the enhancement of economic interests groups principally the Transnational Corporations and domestic bourgeoisie who are involved in the implementation and the planning process in Nigeria.

The ultimate consequence of this is promotion of dependence. According to Offiong in 1980, dependency theory itself is essentially a structure of interdependent relationships whereby one economy is dominated and could enjoy expansion and self-sufficiency only

as a reflection of the growth and expansion of the domineering ones. His form of relationship could in fact provide the setting or socio-economic environment under which collaborations or alliance is formed between social forces or economic groups in the metropolitan nations with those in the periphery countries as part of the international interdependence system. [22] On the whole, our extensions and use of dependency theory as our theoretical framework for this thesis may be justified. The theory itself has drawn from various. Intellectual currents like Structuralism, Marxism, Capitalism, Colonialisms, and imperialism. Hence its relevance to the present study.

RISE OF THE MULTINATIONAL CORPORATION

At the early stages in the evolution of modern capitalism, the most important corporations were ecclesiastical, educational, and international in reach. In the eyes of the law, the property of the Church in each of its administrative areas was deemed to be vested in the person of the responsible Bishop, as the "corporation sole". Colleges and universities were similarly established as perpetual corporate bodies pursuant to statute or decree, and governed by designated groups of men, who were not liable for the debts or wrongs of the corporate body save in exceptional circumstances. However, the true ancestors of the modern corporation were not the churches, colleges or universities. The real forerunners were the great trading companies of the Seventeenth and Eighteenth centuries, the East India Company, the Hudson Bay Company, La Compagnie des Indes, the Company of Adventurers of London Trading into Africa, and their Spanish, Russian, Italian, and German analogues. Many of these companies undertook to govern as well as trade. In modern times they have claimed to be solely economic in their activities, though as will later be seen, small nations still fear some carryover of the idea that MNC are only concerned with economic development. [23]

With the progress of the industrial revolution and the immense shift from agriculture to industry in Europe and America, men began to perceive the need for a more effective way to form corporations than by a special legislative charter (as had been the practice up until that time). Corporations had long been familiar to the law of special circumstances. But the industrial revolution required the flexibility of corporations on a totally new scale. Doing business as an Individual proprietor or a partnership was practical enough in predominantly agricultural societies which were engaged in relatively little commerce and less manufacturing. A new legal framework based on the concept of limited liability was needed to facilitate the development of the risky modern technological economy spawned by the industrial revolution.[24]" In 1811, an unnamed hero of American legal history persuaded the legislature of New York to pass a statute authorizing the creation of corporations not by the enactment of special legislation, but by the simple process of filing simple documents of incorporation with a state official. By 1850, the New York practice was common in the United States. In the same period, comparable methods for establishing corporations by a filing procedure under general statutes were accepted in the law of Great Britain, France, Germany and other countries. [25]" Easy procedures for the creation of corporations would not, by themselves, have led to the great American

companies of today had not the Founding Fathers, without fully realizing what they were doing, established the conditions that made possible the modern American economy. They did this by writing two key provisions into the U.S. Constitution. One prohibited the states from laying duties or imposts on imports or exports; the other delegated to Congress the power to regulate interstate commerce, a power which the Supreme Court of U.S.A., through a series of decisions over a period of years, was to elaborate and expand to meet the needs of a developing continent.[26]

By forbidding the states to interfere with the nation-wide growth of enterprise, they prepared American for the explosive expansion that accompanied the wide use of machinery. Once the Civil War had fractured old patterns, free wheeling entrepreneurs struck out with energy and confidence to supply the burgeoning needs of an expanding nation, and, by the end of the Nineteenth Century, America was quite prepared to challenge the older industry of Europe on its own territory. Unlike America, European industrialists had no great free market in which to expand. The nation states that emerged in Western Europe were not organized on a continent-wide basis. It was inevitable therefore, that America firms, with a wide continent in which to operate and maneuver, should have learned concepts of scale and magnitude for exceeding those common in European business. Meanwhile, a few American companies built plants and facilities overseas. For others, the American market provided all the challenge and opportunity they required. This abruptly changed with the Second World War. At that time, many Americans gained familiarity with Europe through military involvement, while at home; there was a vast expansion of production to meet war-time needs. Emerging from the war with intact industrial plants and a new sense of scope, American businessmen developed not only wider Interest in overseas markets, but a greater self-confidence in expanding operations beyond the confines of their home country.[27] It was no accident that American entrepreneurs should begin to think in global terms. No longer was it a question of producing at home and exporting overseas. New possibilities emerged for deploying the factors of production on a global scale. The opportunity to find and use materials, machines, capital, and management with a new flexibility that took little account of the limits imposed by the political boundaries of nation states which were much too confining for modern enterprise.[28] Just as it was inevitable that great enterprises should feel driven to organize themselves on a world basis, it was also inevitable that there would be an increasing collision between Transnational Corporations and nation states. Even though the corporations had been created by private initiative and with no political objectives of their own, corporations that bought, sold, and produced abroad did have the power to affect the lives of people and nations in a manner that necessarily challenged the prerogatives and responsibilities of political authority [29].

Two developments, the broadening of governmental responsibility and rapid expansion of the multinational company resulted in a competition and ultimately, a collision of sovereignties. A national government would not be expected to sit by idly while a corporate management based 5,000 miles away made decisions which affected the

prosperity of that government's country. The goals of the corporations, primarily, maximization of global profits and corporate growth, rarely coincided with the goals of the host nation. Often, their goals turned out to be conflicting. To understand how this state of affairs came about, we must now examine the ideas of some of the corporate managers, economic experts, and government spokesmen who have written about the corporation national relationship.

WHAT IS THE RELATIONSHIP BETWEEN MNC AND HOST GOVERNMENT?

As Charles P. Kindleberger, one of the leading U.S. authorities on international economics, puts it, ''The international corporation has no country to which it owes more loyalty than any other, nor any country where it feels completely at home". The global Interests of the world company are, as the British financial writer and Member of Parliament, Christopher Tugendhat has pointed out, separate and distinct from the interests of every government, Including its own government of origin.[30] Although in terms of management and ownership, all global corporations are either American, British, Dutch, German, French, Swiss, Italian, Canadian, Swedish, or Japanese (most of course, are American), in outlook and loyalty they are becoming companies without a country. The power of the global corporation derives from its unique capacity to use finance, technology and advanced marketing skills to integrate production on a worldwide scale and thus to realize the ancient capitalist dream of one great market. This cosmopolitan vision stands as a direct challenge to traditional nationalism. Indeed, the world's leading corporate managers now see the nation-state, once the midwife of the Industrial Revolution, as the chief obstacle to planetary development. ''The political boundaries of nation-states, U.S. declares William I. Spencer, President of the first National City Corporation, which does business in over 90 countries, "are too narrow and constricted to define the scope and sweep of modern business." For George Ball, a former Undersecretary of State cites in a study of corporate management, "the world corporation is planning and acting well in advance of the world's political ideas," because it is a "modern concept, designed to meet modern requirements.

The nation-state unfortunately, is a very old fashioned idea and badly adapted to our present complex world." A true world economy, according to John J. Power, President of Pfizer Pharmaceutical, "is no idealistic pipe dream but a hard headed prediction: it is a role into which we are being pushed by the imperatives of our own technology." Even a more blunt attack on the nation-state comes from Maisonrouge of IBM. ''The world's political structures are completely obsolete. They have no changed in at least a hundred years and are woefully out of tune with technological progress." Business International warns its corporate clients in a 1967 Research Report, " ... the nation-state is becoming obsolete: tomorrow... it will in any meaningful sense be dead and so will the corporation that remains essentially national. [31] The managers of the global corporations keep telling one another that there can be no integrated world economy without radical transformations of the obsolete nation-state; but however progressive a notion this may be, those who depend on the old fashioned structures for their careers, livelihood, or inspiration are not

easily convinced. The executives, who run locally owned, managed and controlled.[33] However, it is somewhat questionable if home countries have all that much more effective controls over corporation. Seymour R. Robin pointed out that Third World host governments voice a number of complaints which the Transnational Corporations can exert over them. For example, Transnational Corporations frequently command greater resources and are more sophisticated than the governments of the poor nations. Further, because many companies operate over wider geographical areas, they have more options. A classic example of this ability is the practice of intracorporate pricing and costing. To a considerable extent, a large integrated corporation can control the amounts of money it earns in a host country by manipulating the prices it charges local subsidiaries for its products and the costs it allocates to it. [34] Thus, by controlling transfer prices the management can, within limits, determine its own base for local taxation and even avoid exchange controls and efforts to limit repatriation. Though the host government can insist on seeing the books of the local subsidiary, it cannot examine the books of the parent organization; and even if it Could, It would not have the highly trained manpower or the authority to make informed reallocations of earnings and costs.

Other than simply trusting the organizations to keep accurate and fair records, the host country can refuse to permit a corporation to perform certain types of operations, or even to operate at all, within its borders. But, in such a contest, the relative bargaining power of the two parties can no longer be taken for granted. As in the case of oil companies and OPEC, practical options are not as readily available to the corporations. The OPEC countries, by handing together, have worked their will on some of the largest, most powerful Multinational Corporations. As a result of the comparatively low cost of producing Middle Eastern Oil, the existence of a world shortage, and their success in maintaining a common front, the OPEC governments have been able to exert exorbitant revenues from, and Impose conditions on, the major oil companies; to the point of compelling them to serve as political instrument for enforcing an embargo against their own countries.[35] the global corporations have persuaded themselves that they are far ahead of the politicians in global planning because the political managers are the prisoners of geography. As much as the mayor of Minneapolis or Milan may aspire to a planetary vision, his career depends upon what happens within his territorial domain. Rulers of nations exhibit a similar parochialism for the same reasons. They are jealous of their sovereign prerogatives and do not wish to share, much less abdicate, decision making power over what happens within their territory. According to George Ball (1975) for many years, the relations between huge multinationals and small developing nations were regarded as an unequal contest. This was because the multinational could and did deploy overwhelming resources of money, technology, mobility, and sophistication." Today, however, particularly in the case of extractive industries where the multinational company is bound to the host state by immobile investments, relative bargaining power is undergoing rapid shift. The experiences of the copper companies in Chile and of the oil companies with the OPEC (Organization of Petroleum Exporting Countries) ministers has challenged some of the old assumptions. The David and Goliath relationship, while

still visible, is rapidly becoming a thing of the past. Seymour R. Robin in his book, The Relation of MNC to the Host states" (170), said that the MNC does business outside the country of its nationality by sufferance of the local or host state. If the corporation's behavior becomes too offensive to the host state, it can expel the offender, expropriate or nationalize their assets (usually, but not always with compensation). Host governments exert their power over the corporation in a variety of ways: taxation, regulation and expropriation. However, these "powers" are not so formidable as they might seem at first glance. These powers are limited in numerous ways. A host country can, as a general rule, control only that part of the company's activities that are physically within its jurisdiction. It does not have the same degree of effective control over the whole of the guest's operations that it (theoretically) would have if the corporation were Robin maintained that Third World Countries are not alone in their complaints against the multinational giants. The size of the multinationals and the extent of their resources give rise to fears that their actions may override the policies of the home nations as well as those of the host nations. Some developed countries charge that during the recent monetary crisis (1973-74) a substantial part of the disequilibrium was produced by the slashing of corporate funds from one currency to another. They, the corporate managers, did this to beat the devaluation of one currency or the appreciation of another.

In its relations with its home nation, the multinational represents several, not entirely consistent entities. It is, in the first instance, a conduit by which home nation polices may be transmitted to other parts of the world. Though this power is clearly limited and of questionable legality, it implies an important aspect of the relationship between the multinational and the home state. This ability to function as a conduit is something which other nations are equally aware and to which they are extremely sensitive. There is an aphorism that the flag follows commerce. Many, if not most, disputes between the United States and the nations of Latin America, for example, are investment disputes." As we will see later in this paper, the United States government is not adverse to intervening on behalf of the multinationals when corporate interests are threatened." One need not invoke the simplistic notion that big government is the tool of big business to have some thoughts, and perhaps worries about the process that leads a government (and this is not a criticism unique to the United States) to find a foreign policy issue in an investment that was originally made for private reasons.

WHAT ARE THE BASIC AIMS OF THE MULTINATIONAL CORPORATION IN THIRD WORLD COUNTRIES

Capitalism is the extraordinary belief that the nastiest of men, for the nastiest of motives will somehow work for the benefit of us ett." John Maynard Keyness noted British Economist.

The primary interest of the global corporation is worldwide profit maximization. It is often advantageous for the global balance sheet to divert income from poor countries. As anxious to be good corporate citizens as they are, the global managers are the first to

proclaim their primary allegiance to the shareholders. Global corporations, as they themselves like to say, are neither charities nor welfare organizations, although some devote modest resources to good words. The Ford Motor Company, for example, is building schools in Mexico, asking only that the name "Ford" appears prominently over the door.[38] the claim of the global corporations rest instead on a theory of the market-place which says, in effect, that by enriching themselves they enrich the rest of the world. The various profit maximizing strategies of the global corporations give us a glimpse of the true profits earned by the companies in poor countries. Thanks to the magic of modern accounting, these bear little relation to the figures that the companies report either to the local government of the host countries. To get a true picture of the annual return, a U.S. based global corporation derives from its subsidiary in a Latin American country, it is necessary to include in the calculation over-pricing of imports and under-pricing of exports as well as reported profits, royalties, and fees repatriated to the global headquarters. This total sum can then be divided into the declared net worth of the subsidiary. Vaitsos performed this exercise for fifteen wholly owned drug subsidiaries of U.S. and European based global corporations. He found that the effective annual rate of return ranged from a low of 38.1 percent to a high of 96.2%, with an average of 79.1 percent. Yet that year these firms' average declared profits submitted to the Colombian tax authority was 6.7 percent.

Another equally revealing approach has been taken by economists at the University of Lume, Sweden. In an analysis of 64 mining operations of U.S. companies in Peru between 1967 and 1969, they found that while the companies reported to the local corporation's total profits of $60 million, the declaration to the U.S. government on identical operations showed profits of $102 million. In 1966, the Peruvian Parliament established an investigatory commission to study the double accounting methods of U.S. controlled Southern Peru Copper Corporation. For the years 1960-65, the commission found that Southern Peru had reported net profits to the Peruvian government of $69 million, whereas to the U.S. Securities and Exchange Commission the corporation had filed net profits of some $125 million. [39] There is now abundant empirical evidence to demonstrate that global system profit maximization does not necessarily mean the maximization of each individual subsidiary's profits as recorded by national statistics. In the previous Section, "Relations with Governments," I discussed transfer pricing as one method of "hiding" profits. It permits cost minimization for the global system by shifting profits, earned but not recorded, from one nation to another nation with a lower tax rate. One outcome of this practice is global tax minimization which is one of the key requisites for global profit maximization. A second outcome is the negation of the classical and neoclassical theoretical proof (which underlies much of current policy) that a national production unit will be operated to maximize profits earned, declared, and occurring to the nation-state within which it is located.[40] At the very least, the operational techniques of managing the multinational economic system of a global corporation make uncertain whether a parent's operation of any given subsidiary will be in harmony with a given country's national welfare. Unfortunately, one need only look at recent developments in

the world to find cases where global profits maximization is not only in harmony with a given country's national welfare but is directly detrimental to that welfare. An example of profit maximization detrimental to the welfare of Third World is examined hereunder. In May 1981, the World Health Organization (WHO), formed by the United Nations, proposed the adoption of an international advisory code on the sale of baby formula to Third World countries. Multinational Corporations, using modern high pressure sales and advertising techniques (some of which were clearly unethical) were selling baby formula to mothers in Third World countries, claiming it was better for infants than breast feeding and much more convenient as well. A serious problem arose because the mothers in those countries often mixed the formula which itself was healthy and nutritious with contaminated water. This contamination caused many infants (some estimates run over a million) to become ill with diarrhea, suffer dehydration, and eventually die:' The multinationals lobbied long and hard with the Reagan Administration in the United States against the resolution, primarily because it would cut into their profits If the resolution passed and was enforced upon them.[42]

The companies that marketed the formula were quick to point out that it was not their fault that these people were mixing the formula with contaminated water. They felt they should not be condemned or penalized for something that technically was not their fault. The United States government, much to its disgrace in the eyes of the world, gave its blessing to the multinationals and decided to vote against the resolution. During the third week of May 1981, the proposal came to a vote in Geneva, the United States found itself outvoted 118 to 1.[43] The message to the Third World seemed clear enough: We are concerned with profits first, and human life only second. Perhaps this example, more than any other which will be presented in this paper, speaks to the need for stronger regulation of the Multinational Corporation. Having examined the aim of MNC in Third World, it is now necessary to take a closer look at exactly what some of the multinationals have done to live up this high billing. It would be a comfort to be able to say that the cases to be presented in this Section were Isolated and a typical incident, but unfortunately, they are neither isolated nor a typical. Barnel and Muller 1975, said that the evidence of the 1960's is now available. It is an unhappy fact that the development track pursued by the global corporations in those years contributed more to the exacerbation of world poverty, world unemployment, and world inequality than to their solution." In light of the conventional development wisdom of the 1960's, these appear to be irresponsible charges. After all, global corporations do spread goods, capital, and technology around the globe. They do contribute to a rise in overall economic activity. They do employ hundreds of thousands of workers, often paying more than the prevailing wage. Most poor countries appear to be eager in fact as to create a good investment atmosphere for them, make generous tax concessions and provide other advantages. If the corporations were really spreading poverty and unemployment, why would they be so welcomed? Primarily, because some people get very rich at the expense of the poor. Though there are no easy answers to this question, it is safe to say that the Third World countries view the corporation as necessary evils. It could almost be called:

Development at any Price

The purpose of Case Study One is to provide an insight into the activities of MNC in Chile and how they controlled, managed, and exploited the natural resources of this country. The MNC acted as power broker by removing the Chilean leader Dr. Alende and instituting the person of their choice in order to protect their corporate gains.

Chile - Where Copper was King

In 1904, as the possibilities of vein mining were running out, the Chilean owners of El Teniente, a mountain of copper are located in the Andes Mountains about 100 miles Southeast of Santiago, sought financial support from fellow Chileans and from investors in several European countries. They found very little enthusiasm. After passing from one owner to another, Kennecott Mining Company, El Tenlente became the largest underground copper mine in the world. Between 1937 and 1969, this mine produced 145,000 metric tons of copper each year. [45] In 1913, work began on the Chuquicamata property in the Alcama Desert of northern Chile. This became and remains the world's largest open pit copper mine. By 1923, Anaconda Copper had gained control of this property. Three years later, they purchased a second mine at Potterville's, several hundred miles from Chuqulcamata." According to Theodore H. Moran in his book MNC and Politics of Dependencies, 1974, there can be no doubt of the skill, imagination, and risk involved in the early development of the Kennecott and Anaconda mines. The North American entrepreneurs were given ample opportunity to enjoy the fruits of their initiative through the copper boom of the 1920's. Complete data are not available, that the total taxes Kennecott paid in the period 1913-24 amounted to only 8 percent of gross sales. An income tax was not initiated until 1922 and amounted to only 12 percent until 1932. In the late 1920's Kennecott was making 20-40 percent per year on its investment in El Teniente, and Anaconda recovered over 14 percent per year on its *two* properties.[47]

Between 1932 and the outbreak of World War II, the copper companies spent their time consolidating their power and influence in Chilean affairs. The history of legislation in Chile, favorable to the copper companies, is long and unbroken during this period. To be sure, some important Chilean politicians and historians raised their voices against this trend. This interference in Chilean politics together with Chile's growing dependence on copper revenues from the corporations in the form of income taxes and duties, and employment, cemented the companies' leverage over the Chilean government.[48] During the Second World War, the allied governments set the export price for Chilean copper at a figure equal to or slightly lower than late depression levels. This arbitrarily low ceiling cost the Chilean government at least $107 million and some estimates place the figure closer to $500 million. At first, the Chileans were proud to claim, rightly or wrongly, that they had contributed more per capita to the allied war effect, in terms of earnings foregone, than any other power.[49] Chilean reserves of $70-$80 million did accumulate from sales of copper at the fixed price, but were generally frozen in the United States for the duration of the war. When the war ended, all U.S. prices were released and the Chilean

reserves were free to be spent on goods unavailable earlier. But by the time the accumulated dollars could be used, their purchasing power had substantially declined in the inflationary U.S. economy. In addition, prices for copper exported from Chile did not rise as rapidly in the post war period as did the cost of manufactured goods imported from the U.S. This process of deterioration in the Chilean position lasted throughout the U.S. economic expansion of 1946-1948.[50] Then, with the business recession in the United States in 1949, the price of copper dropped by half. Anaconda and Kennecott cut back their production in Chile further than they did at their mines in the United States. To protect the United States industry, Congress considered reimposing a 4¢ tariff on foreign copper. The 1949 recession ended abruptly with the beginning of the Korean War in 1950. Without even consulting the Chilean government, United States officials in conjunction with representatives of the copper companies again imposed a price ceiling on Chilean copper.[51]

In short, Chile was being denied full enjoyment of the boom side of the business cycle in the developed countries while having the recession side of the cycle exported with exaggeration into the Chilean economy. The system of relations between Chile as an exporter of raw materials and the industrial countries as exporters of manufactured products seemed to work coherently and perhaps even intentionally, to frustrate Chilen efforts to build its own industrial base, provide for its own national welfare, and promote the broad process of development. This was the thanks Chileans received for selling the United States cheap copper during World War II and the Korean War and receiving depreciated payments afterwards. The embers of Chilean discontent with their dependence on the copper companies and with high handed U.S. policies had begun to burn with a new flame.[52] After the United States Office of Economic Mobilization unilaterally set the price of copper at 24.5¢ per pound for the duration of the Korean War, Chilean officials at every level clamored for justice. A Chilean delegation, headed by the outraged president of the Chilean Senate Mining Commission, Herman Videla Lire, went to Washington, D.C. armed with reason and indignation. In the Washington conference of May 1951, the Chileans managed to achieve certain substantial concessions. Two of these hard-won concessions, getting the price increased by 3¢ per pound, and securing the right of the Chilean government to sell up to 20 percent of its output independently at whatever "free" price it could command, may have sounded the death knell for the tremendous power the copper companies enjoyed In Chile. The two price system whetted the Chilean appetite for greater returns and greater justice [53]. The Chileans used the term "dependencia" to describe their relationship with the copper companies. Dependencia meant serving as captive producer for the large North American Corporations and receiving whatever price for Chilean copper that the companies decided upon. The Chileans felt that having 100 percent of the price dictated to them was a challenge to their sovereignty and national growth. Though the 1951 negotiations allowed Chile to set its own price on 20 percent of its production, the corporations still dictated the price on 80 percent. This was more acceptable to Chilean politicians than the 100 percent arrangement had been. The 20 percent served only to give them a taste for

full control. [54] In 1952, President Gonzalez Videla informed President Truman that his government was annulling the Washington agreements and establishing a state monopoly over a" copper sales. Chile would find a just (higher) price on all of its copper. The specifics of what happened are not important here, but for a variety of reasons, this policy failed. Chief among the causes for failures was that Chile did not have enough expertise in marketing and did not understand market fluctuations. They simply did not understand that they could not sell all of their copper at the same price they had been able to command for the 20 percent they had been selling under the Washington agreement. However, the fault did not entirely rest with the Chileans. The companies banded together and put pressure on the buyers to refuse to purchase Chilean copper. The corporations were able to make up the losses with copper from their other mines. This Chilean monopoly on copper pricing and its subsequent failure marked the end of the first step toward Chileanization and the eventual nationalization of the copper industry.[55]

The second step in this movement occurred in 1955 with the passage of the "Nueve Trato" (New Deal) legislation in Chile. During this period, Chilean thinking, at least from the government viewpoint went through a complete cycle. The Chilean sales monopoly had been established to gain control over pricing and marketing policies. After the failure of the sales monopoly, a mood of laissez faire replaced the preoccupation with control. The Chilean business interests and political parties which represented them were instrumental in creating this free enterprise atmosphere and in getting the Nuevo Trato legislation passed. The establishment of a good investment climate for foreign investment was part of their own domestic campaign to restrain government intervention in their activities. Consequently, the Nueve Trato was constructed according to the philosophy that the foreign corporation would contribute the maximum to Chilean development if they were left unimpaired to pursue their own strategies. In theory, this would greatly increase their output and, in turn, benefit Chile.[56] For a variety of reasons, the copper companies failed to respond very enthusiastically to the stimulus of higher profits, to legal guarantees and tax provisions more generous than those enjoyed by many Chilean businesses. The sense of frustration and dependencia returned full force. The Nueve Trato legislation failed to stimulate the production of copper by the corporations, but it was successful in another respect; it lit the fires of Chlleanization. Chilean politicians, who had promised the people that the corporations would do their utmost to Increase their own profits and that the benefits would flood into Chile, came off looking foolish. It was these red-faced politicians who led the drive for Chileanization.

At this point it is Important that throughout this period, Chileans were working for the multinational companies in nearly every capacity except management. Between 1945 and 1960, they accumulated an enormous amount of knowledge and experience in nearly every phase of the copper industry. As part of the Nueve Trato, the Chilean legislature established the Cooper Department to watch over the actions of the corporations. Over a ten year period from 1955 to 1964, this agency developed a working bureaucracy familiar

with every aspect of copper production, marketing, and pricing.[57] When Edward Frei narrowly defeated the Marxist candidate, Salvador Allende for President, the United States government and the copper companies breathed a premature sigh of relief Allende had talked during the campaign of nationalizing the copper industry. Frei had taken a more moderate stance, but promised to push for Chileanization of the companies. That meant Chile would force the companies to sell them 51 percent of the company's stock in the Chilean mines. This would allow Chile to wield decision-making power. Most of the companies grudgingly went along with Chileanization. Anaconda was not among the grudging complaints. It decided to fight Chileanization and maintain internal control. It was afraid that this process of pushing and giving would just go on until it was expropriated. In a surprise move, Anaconda asked to be nationalized with compensation! On June 26, 1969, the government and the company reached an agreement. However, the actual process of nationalization would take some time and some legal battles.[58]

Dr. Salvador Allende took office as President of Chile in 1970. He immediately introduced the long awaited bill for complete nationalization. It provided for an immediate takeover of all the Chilean subsidiaries of Anaconda, Kennecott, and Cerro with compensation to be paid over a thirty year period. The nationalization legislation was passed unanimously as a constitutional amendment by the Chilean Congress on July 16, 1971. All did not go according to plan, but after a great deal of legal turmoil, Chile finally gained complete control of its copper Industry.[59] For twenty-five years after the end of the Second World War, Chile mounted a drive to close in on and ultimately take over the large foreign copper companies whose operations played such a central rule in the development of the Chilean economy. Perhaps one can draw an analogy between the importance of the multinationals to the U.S. economy and the Influence of the copper companies were in Chile. If we took all of ***Fortune 500's*** largest U.S. Corporations and combined their assets, the amount of taxes they pay and people they employ, we would find that they pay only a fraction of the taxes that Kennecott and Anaconda alone supplied in Chile. When President Frei began the nationalization of Anaconda, he said, "This is the greatest battle that Chile has ever won. A second independence". When President Salvador Allende finished the nationalization he affirmed, "The recovery of basic resources is a sovereign decision reflecting the feelings of all the Chilean people ... (an) indispensable requirement imposed by the economic development and social processes of the country". A high Kennecott official in Santiago reflected, "Nationalism was inevitable. It was just a matter of time." One of Anaconda's chief counsels put it in "legal terms" when he remarked: We used to be the fucker, now we're the fuckee.[60]

While the copper companies felt the greatest impact of nationalization, other multinational giants such as ITT and the U.S. Banking Industry, realized that their interests were also threatened buy the Allende regime. In a classic novel, the companies now turned to the government for help. Replying to his plea for assistance, Secretary of State William Rogers in October 1971 told a closed meeting of the executives from ITT, Ford, Anaconda, Purina, the First National City Bank, and Bank America, among others, that

the Nixon Administration was a business administration. Its mission was to protect American business. The new ball game with new rules, as John Petty, Assistant Secretary of the Treasury had termed it, included cutting off export-import bank credits upon which vital imports from the United States depended; pressuring multilateral institutions such as the World Bank and the Inter-American Development Bank (in which the United States has the dominant voice) to disapprove further loans to Chile; encouraging private banks to cut off credit and other such measures. The line of credit shrank from $220 million to $136 million the first year of Allende's presidency. The U.S. government also terminated the aid program, with the exception of military aid, which jumped from $800,000 in the last pre-Allende year to more than $12 million in two years. None of these activities was particularly visible. Most Americans were unaware of any of them. But together, they added up to a concerted campaign to bring about the downfall of a government whose internal policies conflicted with the economic interests of U.S. corporations. The corporations themselves, despite their initial reliance to join with ITT, whose methods a number of corporate managers found abhorrent, went ahead and joined the campaign by refusing to sell spare parts for trucks and machinery, even for cash. Kennecott went so far as to conduct a worldwide legal battle to keep Chile's expropriated copper off the market. As history records, the Allende government fell in 1973 to the military. It should also be noted that the military government returned the nationalized properties to the corporations. It does not take any great strength of the imagination to see the hand of the multinationals and the American Central Intelligence Agency (CIA) in the overthrow.

Richard Barnet and Richard Muller pointed out that what the Chilean case suggests Is that as late as 1972, the U.S. government was still prepared to use its power to crush a government that, in its view, treated U.S. corporations Improperly, but that it would no longer take public responsibility for doing so. As former CIA Director William Colby stated during closed door hearings on October 11, 1973, "The presumption under which we conduct this type of operation is that the United States' hand is not to show.[61] The importance of the Chilean struggle goes beyond the fortunes of any particular ideology or regime. It demands study by any producing country that wants to use an endowment of natural resources to serve the national welfare in a world where resource Industries are integrated with the demand imposed on the host government by the MNC. It requires study by consuming countries that want access to raw materials in a world where more and more of those materials must come from the hands of sovereign economic nationalists. The Chilean experience occupies a position of global significance in a world of nations growing increasingly interdependent and nationalistic at the same time. Corporations and countries alike learned some valuable lessons from the Chilean example. The corporations saw the importance (at least from their perspective) of hoarding critical technology and for dragging their feet in using foreign nationals in key management roles. The companies had trained and professionally educated the very people who finally took over their operations in Chile. For years, the Transnational Corporations have required the presence of two environmental factors before they would invest heavily in

developing countries: (1) a stable political atmosphere, and (3) a market for the goods or other economic incentives, i.e. cheap labor, natural resources, favorable tax treatment, etc. The Chilean experience only served to reinforce this view and caused the corporations to demand, sometimes, unreasonable guarantees. For their part, the governments in the underdeveloped and developing countries saw the weakness in Goliath's armor. It is interesting to note that during the Chilean nationalization of the copper industry, the oil rich countries in the Middle East were banding together to form the Organization of Petroleum Exporting Countries (OPEC). Though there are significant differences in the two cases, there are also some striking similarities. In both cases, a few multinational giants controlled the entire industry; corporate interference in the internal affairs of the host nation had become obvious; and a feeling of semi-helplessness dependence on the part of the host country became unbearable to the Multinational Corporations. The purpose of case study two is to show how the MNC conducted their operations in Lybia with almost total disregard for the welfare and needs of home and host countries alike. It shows how global profit maximization has led to variety of abuses which continued today.

OPEC-WHERE DAVID BECAME GOLIATH

In 1960, few people in the oil industry had worries about the future. Seven companies dominated the industry, and they felt so confident that they responded to a slowdown in the world market by cutting the prices they paid the producing governments for their crude oil. There was an immediate uproar from the producing countries, but it was another ten years before the governments got these prices raised again. The situation came to a head in 1970 and 1971: no one in the oil industry will ever be the same.[62]

The changing balance of power between the governments and companies can best be illustrated by the experience in Lybia. In 1960, King Idris, a conservative whose reputation rested on his role in heading the resistance to the Italians in World War II, ruled the country. Promising oil discoveries had been made in the late 1950's by some western oil companies which the king had allowed in the country to drill for oil, on extremely generous terms. Production started in 1961, and Lybia, a poor country with few natural resources, moved rapidly into the position of the world's third largest oil exporting nation, and upon whom Western Europe depended for one-third of its oil.[63] It did not take long for the other oil producing governments, who had already joined in an organization called OPEC (Organization of Petroleum Exporting Countries), to see that King Idris was being overly generous to the companies based in Libya. In 1965, under heavy pressure from the other 011 producing countries, King Idris persuaded the companies to accept terms that were in line with those offered in the OPEC countries. The King was becoming far too conservative and too pro-Western for many of the younger Libyans, who looked toward the more radical leadership of President Gamal Abdel Nasser of Egypt. In 1969, while undergoing treatment in a Turkish spa, a group of young officers led by Colonel Muammar el-Kaddafi (then 27 years old) overthrew the King. For an initial period the new regime concentrated on rooting out the corruption that had been rife under Idris; on ousting the British and Americans from the military bases on Libyan soil; on expelling Italian technicians and what remained of the Jewish

community; and on removing foreign language signs -- even from the airport, and on banning alcohol. However, when these games were finished, Kaddafi and his colleagues turned their attention to bigger game; the oil companies.[64] In May 1970, a bulldozer engaged in able laying work for the Syrian telephone company somehow managed to puncture the Trans-Arabian pipeline, which was used to transport oil from Saudi Arabia to the Mediterranean, thus by passing the Suez Canal. The actual circumstances of this incident will probably remain obscure, but the crucial point is that Syria refused to allow the pipeline to be repaired for another nine months. Europe, already suffering from the closure of the Suez Canal since the 1967 Arab-Israeli War, found itself ever more dependent on Libyan oil, its only major source on the European side of the Canal. The Saudi Arabian oil would have to come around South Africa at a time when tanker charges were mounting at an alarming rate. Libya put on the pressure.[65]

During May and June of that year, Libya forced the oil companies on its soil to cut back production, thus tightening the squeeze on Europe. At the same time, the government started to negotiate with the weakest of the companies. In September Occidental Petroleum, one of the smaller firms in the industry, not only conceded an increase in the posted price of 011, but also granted the government 58 percent of that price as its share. By the end of the month, the other companies in Libya had followed suit, and the government revenue from oil increased over 30 percent almost overnight.[66] There followed seven months of escalating demands from all over the 011 world that left the companies shattered. The Shah of Iran was able to use the Libyan deal as a lever in his own negotiations, and his success was followed by pressures from the remaining oil producing countries:

> *This statement is not* as *clear cut* as *it might* seem. *In his book,* ***Answer* to *History*.** *Mohammed Reza Pahlave, the Shah of Iran (before the fall of the monarchy), states categorically that Dr. Henry Kissinger, then Secretary of State, pressured Iran* to *raise its 01/ prices. The United States military wanted* a *strong ally on the Southern boarder of the Soviet Union. The only way the Shah could pay for the massive amounts of military hardware the United States wanted to sell Iran was from oil revenues. This charge is backed up by the Saudi government which sought to have the United States pressure Iran to stop raising oil prices.*

This led to a series of ad hoc deals between the OPEC ministers and the companies. In January 1971, the Libyans came back to the companies saying that they were no longer satisfied with the deal worked out the previous fall. They claimed that the full agreement had merely compensated for the previous exploitation the country had suffered at the hands of the oil companies for years. Now came the big demands.[67]

The companies were thunderstruck. First, Libya had to be pinned down to an agreement that would stick for some time. This proved difficult because Libya's financial reserves were strong enough to survive without any oil revenues for almost a year, while the

Industry could not replace the three million barrels of Libyan oil a day. Second, the industry had to counter the Libyan tactic of picking on the smaller companies. It had to stamp out any possibility that Libya and the governments east of the Suez might start a series of leap frogging negotiations in which the concessions given to tone country would immediately be demanded by all the others. Along with the companies, the consuming governments were also deeply concerned. Any further concessions would damage their balance of payments. These governments therefore allowed the companies to ignore the usual antitrust legislation by coming together to decide on a common negotiating stand and to discuss ways of helping their smaller brethren should the Libyans or anyone else continue to try picking the companies off one at a time.[68] In the negotiations that followed, the producing governments demanded more money in the form of higher posted prices and other fringe allowances. The companies, though obviously trying to limit the size of any such concessions, were chiefly aiming at an agreement that would be guaranteed for five years and that would not be undermined by any staggering claims. The east of the Suez states proved more amenable than Libya, but finally, by April 1971, all the major OPEC governments had agreed to deals that were to last for a five year period. In return, the companies had conceded payments to governments that, in the case of Libya, were about 80 percent higher than they had been twelve months previously.[89]

It was an expensive settlement and the cynics asked whether the five year guarantee was worth the paper it was written on. By autumn 1971, it was already clear that the contracts (specified in United States dollars) would have to be renegotiated to compensate for the fall in the value of the dollar. More seriously, a drive for government participation in the production activities of the companies was underway with the blessings of OPEC. Thus, even if the prices paid to the governments did remain at the agreed level for five years, most objective observers of the industry accepted that the firms would have to let producing governments take at least a 10 percent share in their production activities. In some cases, such as Libya, it would be more.[70] Whatever concessions they are forced to make over oil production, there is no doubt that the oil companies, like the copper companies in Chile, will survive. They retained control of marketing, refining, and to a lesser extent, the transportation of oil. Their knowledge in all these areas is still vastly greater than that of the producing governments. As long as most of these governments are highly dependent on their regular checks from the companies, it is in their best interest not to push the companies too far. Both sides still need each other, though the terms of the often unwilling partnership are steadily moving in favor of the governments. In the meantime, the companies are diversifying out of oil as fast as they can, although oil will continue to provide their major source of income for the immediate future. They now claim to be in the energy, not the oil business, and are buying up coal mines and moving into nuclear power.[71] If anything good, from a company point of view, can be said to have come out of the bargaining with the OPEC governments, it is that the companies are now heavily into research, development and exploration in an attempt to find new oil reserves and alternate energy sources. Some are capitalizing on their exploration and production know-how and are instigating more general mining. Many of

the others are now capitalizing on extensive land holdings in the United States and devising means to pump oil out of wells it had previously been thought too expensive to continue production. Unlike the corporations, for whom the future looks difficult, like looks good for the producing countries. Their economies rest on a product that more developed countries need desperately, and in quantities that mean any short run attempt to find substitutes are doomed to failures.[72] It may be that nuclear power will eventually supersede the demand for oil, but in view of the Three Island accident and those which are coming to light in Japan (and its attempted cover-up) the prospects do not look all that promising. Public resistance in many countries is increasing rapidly. It may also be that new sources of oil from countries like Nigeria or Indonesia, or from areas like Alaska and the North Sea will lead to a glut in production, causing falling prices and therefore giving greater bargaining power to the companies. Finally, since the OPEC countries do not operate in a political vacuum, the producing countries may be able to exert more economic and political pressure on the MNC in the future. Indeed, we are seeing some of this sort of thing happening with Saudi Arabia, which is over-producing in order to bring world prices for oil down, or at the very least, stabilize them. The efficacy of such a policy remains to be seen but given the current tension in the world and the energy dependence of the super-powers, political and economic pressure may become a powerful tool.

The energy intensive developed countries should not lay their hopes on new oil reserves being discovered. For such sources to have the desired effect, annual discoveries on the scale of the Alaskan and North Sea operations would be necessary. In the meantime, everything is going the way of the producing nations. Countries like Libya, which in 1960 were of little global importance, have set an example with a mixture of nationalism and really tough bargaining that shook the industry. The success of the 1970-71 negotiations needs to be placed in a wider perspective to show that, although important to the companies and to the producing nations, the actual achievement was minimal. [73] In 1969, the seven leading oil companies paid 4.2 billion dollars to the producing governments in the Eastern Hemisphere. The 1970-71, negotiations raised this figure by another 2.9 billion dollars or so. For an Industry where everything has been 'running in favor of the producing countries' this figure does not appear to be unreasonably high. Perhaps some comparisons would be helpful here in obtaining a better perspective. Despite cries that the developed economics will be bankrupted if the greedy oil producers continue their demands, the producing governments "take" of the final selling price of a gallon of gasoline at the beginning of 1971 was 12.5 percent. By comparison, the consuming governments received 45 percent in taxes alone. N other words, the government of countries like Britain, the United States, West Germany, and the like, are doing roughly four time as well in oil revenues from the final product a the producing governments like Lybia, Iran or Kuwait.

In 1971, the after-tax profits of America's five most profitable companies (General Motors, Exxon, IBM, Ford, and Texaco) came to $6 billion. This is more than the producing government's income from oil in the same year. [74]. To be sure, the OPEC

countries have demanded and received increases in prices since 1971, but the profit split remains uneven, in favour of the oil companies and the consuming country's government. However, unless the Saudi's and the diplomats are successful in their efforts to control and stabilize the price of oil during the negotiations this year, this picture could and probably will change in favour of the producing countries. Chapter four and five makes valid the activities of the multinational clear. First, the Transnational Corporations conducted their operations in the past with almost total disregard for the welfare and need of the home and host countries alike. Global profit maximization has led welfare and need of the home and host countries alike. Global maximization has led to a variety of abuses which continue today. However, it must be pointed out that in many instances, the hosts countries invite continue today. However, it must be pointed out that in many instances, the host countries invite such abuses. In the International arms industry graft and corruption are well documented. Through the late 1950's and mid-1960's, companies such as Lockheed, Northrop, and Boeing paid millions of dollars in bribed to host government officials. Spokesman for the companies' claim, with some justification, that they could not compete if they did not make such payments.

In Middle Eastern countries especially, government officials actively bribes. While it is true that a company could have simple refused to do business with corrupt officials, it is also true some other company would have paid the bribe and received the contract. One might ask why the companies didn't band together and force such countries to clean up their act. There are two reasons why they could not do this. First, anti-trust laws in the home country (in this case) will not allow the companies to collaborate on such matters. Second, aside from charges of price fixing, the host countries could simply have claimed that they had not solicited bribes and that the corporations were trying to band together and interfere politically in their domestic affairs. Further, one need only remember that the companies were direct competitors in an industry not known for its ethical business practices. Put another way, the companies do not trust each other any more than they did the host countries. What options are available to host countries in their efforts to stop corporate abuses? As the two case studies indicate, host countries can force the companies to turn over a given percentage of control and stock in the company to them. They can, and do insist that their citizens be trained into and occupy high management positions. Additionally, we have seen that the best countries have the power to tax and enforce regulatory laws (though to a limited extent), and as a last resort expropriation and nationalization. However, as the Chilean copper monopoly of 1952 showed, the host countries are often not adequately prepared for or capable of running a multinational enterprise. Indiscriminate local interference with the operation of the Transnational Corporations seems likely to do more harm than good. To be sure, there are many who contend that the development of the Multinational Corporation is more likely to encourage oligopoly than competition, and that such companies do not achieve the efficiencies attributed to them. Small poor nations cannot prevent the creation of international oligopolies through national laws and regulations, even if they regarded the creation of free competition as a good thing, which most of them assuredly do not.

Interference at the local level usually results in distortions and inefficient resource allocation rather than making the poor countries any better off. Though multinational companies may not have achieved the ultimate goal of operating at full efficiency within the world market, it is not entirely their fault. At least in part, the governments of nation state have created rigidities and obstructions seeking, all too often, to force the multinational companies to conform to the limitations of small nation markets. This is not a very useful endeavor. A worldwide division of labor cannot be achieved merely by permitting the free movement of goods unless the other factors of production are permitted to move freely.[75]

Third World countries' reactions to the multinationals can and sometimes does go too far, especially if it ignores the genuine contributions they can make to a development program. There is a significant cost attached to any policy that aims to do without multinational investment. In some cases, this cost may be justified. There is a perfectly valid trade-off to be made between national susceptibilities and sheer economic efficiency.[76] Some governments argue that multinational investment goes into sectors that make an equitable economy hard to achieve. A country like Cuba deliberately exclude investments from multinationals in the hope of achieving a more just and equitable domestic society. However, as critics point out, the Soviet Union must send the Cubans over three million dollars per day in aid to keep the Cuban economy operating. Supporters of the multinationals point to the glaring inefficiencies that can be found in such autocratic regimes. While there is no denying that the Third World countries have been wronged, the abuse has not been a one way street. Multinationals, with equal justification, point out that they too have been wronged. Most multinational managers feel genuinely bitter about what is happening to their companies in the Third World countries. They feel betrayed and are very reluctant to admit that the Third Word countries may have a case. Even though the multinationals can cite numerous instances where the Third World countries have acted in bad faith, it is still difficult to feel much sympathy for them. Even the better behaved firms have acted abominably. They bribed officials, failed to train local nationals with any urgency; used transfer pricing methods to cheat host governments of needed revenues, and avoided taxes on a large scale in the name of profit maximization. This uncompromising account weakened poverty stricken countries by causing massive outflows of precious foreign exchange. When there were disputes with local interests, the corporation attempted to get as much diplomatic aid from the home country as they could muster.[77] Even today, many of the complaints against the activities of genuinely well meaning companies have considerable justification. Both country and company appear to have some valid complaints and to be guilty of abuse and though it may be this is the way of world business. It is precisely for these reasons that some formal code of conduct on international regulation of multinational operation is necessary. Much of the international trade which these corporations conduct goes in within their own organizations, between the parent firm and its affiliates. According to one estimate, this extensive "intrafirm" trade makes up over 30 percent of all world trade.[78] Other transactions also take place extensively between the different parts

of these enterprises, for example, the granting of loans, the licensing of technology and provision of services. In all such transactions, transfer prices may be settled which are different from the price which would have been the case between independent parties operating at arms length. Such differences may reflect the legitimate business concerns of the companies but are also capable of being used in order to shift profits from high to low tax countries or to get around exchange or price controls or customs duties. Intrafirm trade also opens up the possibility for corporations to impose restrictive business practices within their own organizations; they can limit the exports of their affiliates, allocate their markets between nations or restrict the use of their technology or that developed by their affiliates. Such practices, although pursued in the best business interests of the companies, may conflict with the development objectives and national interests of host countries.

Transnational Corporations have also been heavily criticized for unethical political and commercial activities. The attempt to bring down the Allende regime in Chile, the illegal payments to officials; the support given by certain corporations to illegal regimes in Africa, and other such instances of abuse have exposed the corporation to scrutiny and criticism in the United Nations and elsewhere.[79] This is not to suggest that as a class, transnational corporations have been guilty of such practices. Many of them have believed in maintaining legal and ethical standards and have been free of blame. Clearly, a corporation which aims to maximize its worldwide profits will not have the same interests as a country which seeks to derive the maximum national benefit. But there are also strong mutual interests which can reconcile the concerns of home and host governments with those of the investors. The issues involved in foreign investment are becoming broader and call for participation of all countries in their discussion. If the Multinational Corporation is to playa productive role In the development of the Third World, it is essential to find the means both to promote and regulate private investment with measures that would be mutually reinforcing[80]

THE INFLUENCE OF TRANSNATIONAL CORPORATIONS ON THE MANAGEMENT OF PUBLIC ENTERPRISES IN NIGERIA AS PRESENTED BY PROFESSOR ASISI ASOBIE

Professor Asisi H. Asobie (1986) observed that opinions differ widely on the question of the impact which Transnational Corporations have on the economies of African States. But there are, broadly, two principal and opposing schools of thought which may be described loosely, as "the Liberals" [(1)] and "the Liberationists".The Liberals believe that Transnational Corporations (M.N.Cs) are agents of economic development and that mutually beneficial relationships could be established between tem and public enterprises in African State which enters into partnership with a multinational corporation to establish a joint enterprise would enjoy the following benefits: financial support from the M.N.Cs in the training of indigenous personnel; relatively cheaper costs of some of the production inputs of research and development activities carried out at the headquarters of the M.N.Cs; and a higher degree of standardization and quality control than would otherwise be the case [(2)]. Thus, to the Liberals, partnership between M.N.Cs and public enterprises in the underdeveloped states of Africa is a beneficial arrangement which ought

to be encouraged. In contrast, the Liberationist argue that, whatever minor, superficial and short-term benefits the M.N.Cs. may bring to an underdeveloped country, all in all, they take more away than they give. And, what is more important, they make it virtually impossible for self-directed and self sustained development to occur. The liberationist contends further that the relationship between an M.N.C. and a public enterprise in an underdeveloped state is, inherently, one of unequal partnership characterized by the exploitation of the latter by the former. As Issa SHIVJI put it.

"The partnership (of a public corporation of an x underdeveloped nation) with foreign private capital results in the loss of control by the nation of its vita; resources. The size of the economic surplus available for productive investment is critically reduced and the mode of capital. Technological development is minimal and the type of technology, including technical know-how is unsuited and not likely to expand the productive capacity of the economy. The net effect is that the public corporation, instead of being a vehicle of development becomes a vehicle of economic underdeveloped" [(3)].

The proponents of this viewpoint therefore, recommend that, for the African states to develop, they must, as a first step, disengage (or, as they put it, *liberate* themselves) from this exploitative relationship and, in future, refrain from entering into unequal partnerships. In this paper, we shall draw examples from the Nigerian situation, as we examine critically these two contrasting viewpoints. In specific terms, we shall attempt to analyze the influences of multinational firms in the management of public enterprises in Nigeria. But, first, it is necessary to understand the nature and *raison d'etre* of both public enterprises and multinational corporations, as they operate in underdeveloped countries, in order to determine whether, in essence, they are complementary or mutually exclusive.

THE NATURE OF PUBLIC ENTERPRISES IN UNDERDEVELOPED STATES

Public enterprises are non-ministerial organizations either established or acquired, but in any case owned and/or controlled by the Government for the purpose of rendering specific services or producing goods either "for the government itself or for the general public, They include public corporations operating public utilities such as the radio and the television which render services to the public at minimum cost, and others such as the electricity corporation, the coal corporation, the railways and the airways which are expected to break even while rendering services to the public at reasonable prices. Public enterprises also include commercial and industrial concerns such as state-owned or state-controlled industries, state banks and trading firms. Public enterprises may be classified according to the degree of government control, into three main categories:

(a) Those owned wholly by the government;

(b) Those in which the government holds a majority (i.e. 51 % or above) of the equity shares;

(c) Those in which the government holds a minority share but is, nevertheless, given a controlling voice on the board of directors.

One distinguishing feature of public enterprises in underdeveloped nations is that, although some, of them may be required to make some pro- fits or at least break even, for most of them, profit maximization is not their chief aim, let alone their *raison d'etre.* In any case, the personnel of such enterprises - the managers and workers alike - 00 not easily conceive of the goal of the enterprises in terms of maximization of profits. Often the main reason for establishing, acquiring or controlling public enterprise. may be because the services they render or the goods they produce constitute the main-stay or the commanding height of the national economy which must be wrested from the hands of foreign nationals and kept firmly under secure indigenous control and guidance. Other reasons include: the need to create employment opportunities for a swelling and restive popular bon of school leavers, develop human skills. Provide outlet for surplus revenue, render essential services and defuse explosive political situations arising from dissatisfaction with the performance of the Government; and finally achieve self-sustained economic development. As we shall see, some of these aims stand in direct opposition to those of the multinational corporations.

THE NATURE OF TRANSNATIONAL CORPORATIONS

Transnational Corporations are foreign, private or public companies or corporations whose operations are distributed among two or more countries to a significant extent. Their distinguishing feature is that they have affiliates in a number of countries - and there is a substantial inter- national dispersion of their assets. They generally have a string of subsidiaries bearing different names either in different countries or even in the same country; so that one may be dealing with a new subsidiary of an M.N.C. With which one had just severed a strained partnership without knowing it. Also, their share of industrial and commercial activities in different countries is large and most of them would be classified as large companies by any standard [(4)]. They are therefore able to spread the over-head costs of investigation of projects feasibility as well as research and development. At the same time, a loss that would seem colossal and disastrous to a public enterprise in an underdeveloped state may, to them, seem marginal or in- consequential. Thus because of their size and world-wide operations M.N .Cs undoubtedly have capabilities which are often different from, and greater than those of more narrowly based firms. One important advantage they have is that they tend to take longer views of investment prospects and, more important, to have access to a wide range of information about marketing opportunities. For these reasons, in the field of manufacturing for a wide market in particular, M.N .Cs may become powerful agent 'for organizing production and possibly trade in an efficient way especially from a global point of view. But then, the global productive efficiency of a multi- national corporation may not equally bring benefits to all constituent countries' [(5)].

Thus, while they may be attractive partners of public enterprises in developed countries they can, at best, be only potentially beneficial to underdeveloped countries where markets may be restricted. And the sophisticated, labour-saving devices and production

processes they employ may not be suitable for countries at lower levels of development. Because of their desire to maintain effective control over their far- flung economic empire, M.N.C's tend to adopt a different form of organization and control structure from firms of narrower scope. For instance, the decision-making structures and processes of a multinational corporation are global in scope and highly centralized. Such basic questions as expansion and contraction of investment, determination to produce or design certain products, purchase of equipment and other inputs locally or abroad, employment of expatriate or local personnel, exports to the world market and research and development activities are done by the firm's chief executives at the headquarters. This tendency to over centralize runs against the general desire of the governments of underdeveloped countries to establish effective control over the key aspects of the national economy.

In making these far reaching decisions, the chief executives of 51 multinational firms are guided; firms are guided, first and foremost, by the rule of profitability. Since, as we saw earlier, public enterprises in underdeveloped countries stress values which' are not necessarily congruent with profit maximization, it follows that when multinational firms and local public a corporations enter into partnership, that relationship becomes, inherently, C one of conflict. Conflicts arise over three main issues: the degree of local (content of goods produced, especially with respect to import-substitution industries; the choice of technology and process of production - i.e. whether it should be capital/machine-intensive or labour-intensive; and the extent and speed of indigenization of managerial personnel. Despite these inherent sources of conflict, however, partnerships have been, and continue to be formed between public enterprises in Africa and Transnational Corporations.

FORMS OF PARTNERSHIP BETWEEN TRANSNATIONAL CORPORATIONS AND PUBLIC ENTERPRISES IN NIGERIA

Partnerships between Transnational Corporations and public enterprises in Nigeria take many forms. One of the commonest forms is where the Central Government, or the central or state/regional Governments, a public corporation or its subsidiary, or a public industrial/commercial company enters into equity participation and/or consultancy and management agreement with one or two multinationals firms for a stipulated period, with the M.N.Cs. owning only a minority share of the equity capital. An example of such partnership is the agreement between two British companies, the Tunnel Portland Cement (5.36 % of the equity capital). its consulting agents, F.L. SMITH and Co. Ltd. (5.36 %), the Common wealth Corporation (10.72 %), the Federal Government (42.85 %), the former Eastern Nigerian Government (l-4.28 %), and the now defunct Eastern Nigerian Development Corporation (21.43 %). This partnership resulted in the establishment of the Nigerian Cement Company (NIGERCEM) in 1954 [(6)]. A more recent example of this form of partnership is the agreement between the Peugeot Automobile of France (owning 40 JC of the share capital), the Federal Government of Nigeria (35 %). The former North Central State Government. The Nigerian Industrial Development Bank and

some private Peugeot distributors (25 %). This agreement led to the establishment of the Peugeot Automobile of Nigeria (P.A.N.) which own the Peugeot automobile assembly plant in Kaduna). There is a similar agreement between the Volkswagen of Germany *(holding 40* r7*of the sh:;rl',l. German financial institutions (II* f*the Federal Government (35 (;), till' Lagos State Government (4)* (r7*and Nigerian distributors of Volkswagen (10 %). This led to the establishment of the Volkswagen plant in Lagos* had, reluctantly accepted the 10 % equity participation.

A second kind of partnership which became common in Nigeria in the 1970s is where the local subsidiary of a multinational firm which was formerly owned wholly or in part by foreign nationals is forced to sell majority of its shares to either the Nigerian Government or both the Nigerian Government and the Nigerian Public. In such a case, the Government usually appoints a Board of Directors composed of government representatives and representatives of the M.N .C. to exercise supervisory control over the company. But the actual management of the company may still be left in the hands of representatives of the M.N.C. However, the company or enterprise is expected to operate in accordance with the Government's policy guidelines. Examples of such enterprises include the major oil companies operating in the country: Mobil Producing Nigeria Ltd., Shell Nigeria Ltd., Agip Nigeria Ltd., etc. One way by which the Govern- ment establishes control over such companies is to designate members of the Board of Directors 'A' and 'B' directors, with indigenous directors designated 'A' directors and having, at least de *jure,* a controlling voice on the Board. A third kind of partnership is where a number of multinational firms merely provide secured or unsecured loan to a Government department or development authority for the implementation of a specified project, and one of these multinational firms then receives the contract to manage the industry. An example is the partnership between the now dissolved Nigerian Steel Authority and a group of West German and Austrian Banks led by Deutsch Bank to finance the Warri Steel project which was placed under the management of a German firm, *Guttehoffnungshuette Sterkrode* (8).A variant of this is where a public corporation or the government, acting on its behalf, enters in a straightforward management contract with a foreign firm. In Nigeria, this has become an important form of partnership. Usually, the management agreement embraces consultancy, licensing and, sometimes, Marketing (Sales and Purchasing Agreements. It provides for the supply of sophisticated equipment, training of indigenous personnel, general reorganization of the corporation, introduction of new methods of production and new technology, and other measures that might be taken to make the public enterprise generally viable. The duration of the agreement varies, and so does the remuneration of the managing agents which may take one or a combination of the following forms: salaries, allowances, royalty for patent, trade mark usage, percentage of net sales or turnover, percentage of profit, etc. a prominent example of net sales o turnover, percentage of profits, etc.. A prominent example of such a partnership is the techno-managerial contract signed in August of net sales or turnover, percentage of profits, etc. A prominent example of such a partnership is the techno-managerial contract signed in August 1978 between the Federal Government and the Rail

India Technical and Economic Services (RIETS). The agreement provided that a task force of RITES-comprising a 35 man management team plus 398 technicians and engineers-would manage the Nigeria Railway Corporation (N.R.C) for three years for a contract (consultancy) fee of N4.8 million plus another sum of N10.9 million as salaries and wages. In additional Bank reconstruction and development to finance the purchase of spare parts and defray other expenses within the three years. Similar agreement has also been reached between the Federal Government and Kpex Overseas Mine Construction Company of Poland to manage the Nigerian Coal Corporation, and the Dutch (K.L.M.) airlines to manage the Nigeria Airways.

MULTINATION CORPORATIONS AND THE MANAGEMENT OF PUBIC ENTERPRISES

The influences of Transnational Corporations on the management of public enterprises in Nigeria may be examined in terms of their impact on the financial and personnel management of those enterprises as well as their effect on the attainment of certain specific development goals.

MULTINATIONALS, FINANCIAL RESOURCES AND FINANCIAL MANAGEMENT

By efficient financial management we refer simply to the effective control over the use of scarce financial resources and the efficient application of these resources to the advancement of the corporate goals of the enterprises. It includes both the ability to generate funds and the capacity to manage such funds n such away as to achieve maximum goals at minimum cost. The evidence of influences of Multinational Corporation on the management of the financial resources of public enterprises is ambiguous. On the one hand, and as the liberationist would be quick to point out, partnership arrangements result, in the long run, in financial losses to public enterprises. On the other hand, public enterprises managed by Transnational Corporations seem to perform better than indigenously managed public enterprises in terms of aggregate profits. Drawing from the experiences of Latin American States interacting with multinational firms based in the United States, it has been of amply demonstrated that the «less developed countries end up exporting more funds than they receive». Thus, from 1950 to 1965 remittances of income to U.S. parent companies exceeded net private investment by S 7.5 billion [10]. Although this process of decapitalization which is said to i.e. mature after very many years .of private investment may not have reached such an advanced state in Nigeria where the net inflow still outstrips the net outflow, it has at least already been set in motion. Between 1987 and It 1988, out of a gross inflow of private capital totalling W 2.1 billion only ₦1.03 billion or 48.7 % was retained in Nigeria. The outflow was ₦1.085 billion only or 51.3 %: This means that out of every two naira that is invested in Nigeria, more than one naira leaves the country. As is shown below, there are many methods by which Transnational Corporations in partner- ship. With Nigerian public enterprises milk them of precious investment capital.

Flow of Foreign Private Capital to and from Nigeria, 1967/1988

Year	Net Flow as % Of Gross inflow	Inflow Outflow (₦ million)	Net Flow	
1973	40.56	107.0	63.6	+43.4
1974	68.6	106.4	33.4	+73.0
1975	20.98	150.6	119.0	+31.6
1983	48.45	251.0	129.4	+121.6
1985	65.3	489.6	170.0	+319.6
1987	57.37	432.8	184.5	+248.3
1988	33.33	577.8	385.2	192.6
TOTAL	48.7	2,115.21.085.11,030		
AVERAGE		302.17155.0		147.16

SOURCE: Adapted from Y. R. BARONGO, "The Political Economy of Foreign Private Investment in Nigeria": *Paper presented at the Seventeenth Annual Convention of the Nigerian Political Science Association held at the University of Port Harcourt Nigeria,* 25-28 *March, 1988 - p. 7.*

Of the methods used is the manipulation of the equity share arrangement. A main source of finance for public enterprises in partnership with M.N.Cs is the equity share method. But this method, if not carefully handled, may create loopholes through which unscrupulous multinational firms could drain the country" of its financial resources. Some M.N.Cs which, probably, never intended in the first place to contribute to the finances of the public enterprise may devise devious means by which the local partner pays up both its own percentage of the share capital and that of the foreign partner. One strategy is to plead unforeseen increases in the cost of equipment and other inputs and on that basis demand that the share capital be doubled or trebled. The unsuspecting local partners', having already made a substantial initial investment, throws in more money to meet its increased liability and ensure that the initial capital outlay would not be a waste. In the 1970s, Nigeria had such an experience with an European based M.N.C. which entered into a ₦2 million partnership agreement with the Federal Government to prosecute a project aimed at "reinforcing the ability of the country to produce food". But the M.N.C., through a combination of guile and blandishments, got the Federal Government to pay the full share capital of ₦2 million, which had on paper been increased to ₦4 million without, apparently, fulfilling its own financial obligation involving the provision of 50 % of the share capital. Alternatively, the multinational firm may abandon its local partners when the going becomes tough and leave it to bear a disproportionate percentage of the risks which both parties had earlier agreed to share more equitably. This seems to have happened in the case of the joint venture between the Borno State Government and a European based multinational firm. Both had agreed to enter into partnership for the running of a shoe manufacturing and leather tanning complex. Work was expected to start on the project in 1974; but up until 1979, the shoe factory had not yet been completed, let alone going into operation. Meanwhile, in 1977, the European partner who held 30% of the share and was to provide the technical and

managerial expertise with- drew. After paying ₦210,000 as part of its capital, the multinational firm refused to make further payments although the share capital had increased from ₦700,000 to ₦1,000,000. By 1979, the Borno State Government had put in a total of ₦4,250,007.80 in the venture; and it was estimated that an additional sum of W 4,617,398 would be needed to get the proposed sophisticated shoe factory off the ground. Clearly then, not all foreign firms are willing to provide the initial capital needed to finance a new project or to share the risk involved in starting such a project in an underdeveloped country. But then all of them are anxious to enjoy the profits that may accrue. A commoner method by which M.N.Cs siphon funds away from public enterprises is by supplying to their local partners or the joint enterprises obsolescent machinery which break down rather often. In some cases, the models of the machinery supplied may be so old that their spare parts cannot be easily secured even from those countries which manufactured the machinery. This was the kind of problem faced by Aba Textile Mill (Abatex).

Before the Nigerian civil war, Aba Textile Mill was owned by the former Eastern regional government (30%) and an American firm, Indian Head Incorporated, Massachusetts (79%). Later the 70% share of Indian Head was transferred to United States Agency for International Develop- ment. After the Nigerian civil war, the Federal Government bought over the share of U.S.A.J.D. As soon as the Nigerian government took full control of the company, it was then realized that the machinery recovered from the factory after the civil war were old and obsolete. It was also discovered that there was still a balance of $1.2 million to be repaid. This was part of a ₦2 million loans secured from the U.S. Export-Import (Exim) Bank in 1964. This credit, together with its interest, was converted into a loan at 6% interest. In addition, the *Exim* bank extended another loan of ₦4.80 million at 6% interest to Aba Textiles on condition that this would be used to purchase American made machinery. Abatex accepted this condition. But then, again, the Americans sold an obsolescent model of machinery to Abatex; what was worse, the spare parts of the newly purchased machinery could not be obtained unless they were placed on special orders.

The effects on Abatex, of the disruption of production and rise in production costs arising from the payment of loans, paying for the specially ordered spare parts and generally maintaining the obsolescent machinery were that: (1) the factory's production efficiency declined from 70% in 1971 to 27% in 1975. (2) the volume of total sales decreased from 69% in 1971 to 29% in 1973; (3) the company's financial losses shot up from $654,000 in 1971 to $2.8 million in 1974: (4) the ratio of debts to equity capital increased from 2: 1 in 1971 to 5: 1 in 1974 (13) . Moreover, the meager financial resources of the company were wasted in servicing debts - consequently; the company could not even carry out its primary function which was the manufacture of printed cotton. One of the main reasons why public enterprises, in partnership with multinational companies, find themselves in such a predicament is that the official representatives of the underdeveloped countries often hastily enter into management and partnership

agreements without undertaking thorough and systematic pre-investment feasibility studies, taking steps to inspect the condition and cost of the machinery being imported or transferred, and working out fool-proof measures for checking other exploitative practices of MNCs.

A cogent illustration of this point may be taken from the experience of Estavision and Sound (Nigeria) Ltd., which was established by the former East Central State Government. As the Government White Paper on the Report of the Board of Inquiry into Estavision and Sound (Nigeria) Ltd. observed, before the company was established:

> *"There were no feasibility studies undertaken to determine the desirability or otherwise of embarking on the venture. And there were no manifest political, economic or social considerations which gave rise to the establishment of Estavision and Sound (Nigeria) Ltd." (14).*

Rather what seemed to have happened was that some representatives of the East Central Government were persuaded by representatives of a foreign firm, Salora OY of Finland, to visit Finland, in order to tour their factories and discuss the possibility of setting up a television assembly plant in Enugu, Nigeria. As a result three representatives of the government travelled to Finland and, on their return, submitted a report. On the basis of this report, "an agreement was entered into between the East Central Government and Salora OY for the setting up of an Assembly Plant to assemble black and white TV (Salora) sets" (15).This unequal partnership, while benefiting Salora OY tremendously, constituted a source 'of serious exploitation of the East Cell State Government and people. The agreement provided that the Fin: firm should be paid a lump sum of " 30,000 for providing the 'know-h even though Nigerian technicians sent to Finland to understudy the F: did not in fact acquire any 'know-how'; nor was any secret design pal on to the Nigerian company as a result of the agreement. Worse still, agreement also provided that royalties-of $40,000 should be paid by E vision to Salora OY before October 1974 even though production was expected to start then. And from 1975 when production was expert to begin, and a production rate of 10,000 sets per year was projected, E vision would pay the Finnish Company royalties of g 4 per unit product and $ 4 per unit sold. Then from 1976, Estavision would pay Salora 0 minimum-of $ 35,000 annually as royalties whether or not there was production. In addition, all the products would bear the brand narm Salora. All this meant that if Estavision, the Nigerian Company, was: to start production and meet its annual targets, Salora OY would be handsomely from the financial charges on every set produced whether not they were sold. If they were sold, the financial benefits accruing, Salora OY would increase. If, on the other hand, there was no product and no sale, Salora OY would continue to receive its fixed royalty's sides, the Finnish Company would benefit from the extended market the free advertisement on their product in Nigeria without making any essential contribution to the development of either Nigerian television technology in particular or the Nigerian economy in general. In the event, between March 1975 when production was born February 1976 when an inquiry was conducted into the affairs 01 company, only 90 Black

and White TV Sets were assembled in Enugu. Estavision imported 138 sets from Salora OY, Finland. To advertise 1 the home-assembled and the foreign-made sets, Estavision (Nigeria) I spent ₦5, 120 of public money. But out of the 228 sets only 53 were at a total price of W 18,160; of these, only 15 sold at ₦6, 328 belong to the Local Company. It is difficult to understand the justification for the establishment of Estavision. At the time it was established, unemployment was on the greatest socio-economic problems of the East Central State. But Estavision was not such an establishment as could help to substantially reduce the level of unemployment. Between 1975 and 1976 only 43 Nigerians were given regular employment in the company. In 1977, the Company offered employment to only 55 persons. Its product was not such a meet the basic needs of the people; nor could the establishment of company be justified in terms of serving the interests of even the elites' obviously preferred to buy foreign made television sets anyway. In short, as the *Government White Paper on the Report of the Board of Inquiry Estavision* rightly pointed out, "there were no manifest political, economic or social considerations which gave rise to the establishment of Estavision and Sound (Nigeria) Limited" (16),

There is yet another devise used by M.N.Cs to exploit those public enterprises with which they are associated and drain them of vital funds. Transnational Corporations tend to inflate the prices of the capital goods which they supply to their partners in developing countries; they also tend to insist on crippling terms for repayments of suppliers' credits. Sometimes, all this is done, if not with the positive encouragement of the official representatives of the government of the African state entering into partnership, at least with their deliberate connivance. An illustration may be drawn from the partnership of Coutinho Caro (Nigeria) Limited with the Mid-West Government. As noted above, in 1964, Coutinho Caro (Nigeria) Ltd., a subsidiary of Coutinho Caro of Hamburg and a Company in which a relative of a Federal Finance Minister had a share, entered into partnership with, tile Midwest Government for the establishment and management of three industries - textile, glass and cement - at a total cost of W' 19.46 million. Coutinho Caro was to own 10% of the shares, provide some credit, supply the plants, machinery, equipment and 'know-how' and also provide "the management for the industries. With the connivance of some members of the State Government, and probable active encouragement of a former Federal Finance Minister, Chief Festus OKOTIE-EBOH, Coutinho Caro agreed to top 10% on the actual cost of the industries. In actual fact, Coutinho- Caro, inflated the cost of the industries by between 30% and 40%. In addition, the Midwest Government was obliged to make an initial down payment of ₦1,400,000 in 1964 and between then and 1968 to make annual installment repayments ranging from ₦1,243,000 to ₦2,132,000. The repayments were to be completed in the year that production would start - that is in 1967/68.

This meant that should production fail to start on schedule, or to start at all, Coutinho Caro would not be seriously affected since it shall have, by then, recovered its loan plus the interest. No wonder the company was reluctant to accept some shares. The exploitative motive of the Company was also demonstrated by the facts that: (a) it did

not undertake any feasibility studies with respect to availability of raw materials, strength of potential effective demand for the products, avail- ability of electric power and the general viability of the projects before the partnership agreement was signed; (b) it refused to break-down the cost of machinery from that of the 'know-how'; (c) it rejected suggestions that independent experts should be appointed to evaluate the cost of the machinery it supplied; (d) it rejected a proposed clause in the partnership agreements requiring that the Mid-West Government would not start the repayment of loans until six-months after the commencement of production; (e) the Nigerian subsidiary did not get its Hamburg-based parent company to sign the partnership agreements thus limiting its liability to only ₦20,000 which was its total fully paid share capital in Nigeria *(18).*

From the experiences of Nigeria in dealing with multinational firms, it' is therefore clear that not all of them are interested in promoting the financial health of those enterprises with which they are associated. While it is true that, generally, M.N .Cs are profit-oriented organizations. When in partnership with public enterprises in developing countries, they perceive profit-maximization in terms of exploiting their local partners. Thus while the M.N.Cs may benefit financially, the public enterprises which they run continue to suffer serious financial losses partly because the M.N .Cs employ a number of devices to siphon funds away from these enterprises. A number of other methods used by M.N.C's to drain their local partners of their financial resources may be mentioned briefly. These include : (a) manipulating the accounting procedures of the local enterprises which they manage: this may take the form of *either* increasing apparent profits and therefore illegally repatriating capital where a ceiling is placed on the percentage of capital to be repatriated or artificially increasing the turnover, by engaging in extra-curricula contract jobs even when this involves aggregate loss for the public enterprise - this device is used where consultancy fee is charged on turnover, (b) manipulating intercorporate prices by multinationals, over-invoicing and other devices which help to boost the repairable profits of the M.N .C. As a counter to the liberationist view presented above, the liberals ' would quickly point out that, despite their exploitative tendencies, public enterprises managed by M.N .Cs still perform much better than those managed by indigenous personnel when both are compared in terms of profitability. Illustrations of indigenously managed public enterprises that were in a position to make profits but failed to do so may be taken from the experiences of:

(i) The Nigerian Construction and Furniture Company (N.C.F.C.).
(ii) The Golden Guinea Breweries.

THE N.C.F.C.

Established in 1960 as a joint venture between the Eastern Nigerian Development Corporation and Solel Bonch, an Israeli Company, the N .C.F .C. was taken over by the East Central State Government after the Nigerian civil war. It carried out civil

engineering construction contract jobs. And built hard and soft furniture. From 1970 when it was rehabilitated - from civil war damages - to 1974, its turnover both from contract jobs and furniture sales was on a steady increase. But the profits of the company remained insignificant; in fact, they were generally on the decline. Thus, during the period 1970-71, the company made a net profit of only ₦23, 886 on a total turnover of ₦846, 872, - that is a profit of 2.8% on the turnover. In the 1971-72 financial years, the profit climbed to ₦99, 384 (or 4.8% of the turnover). But, in 1973 when the turnover increased by 62%, i.e. from: ₦2, 086, 306 in 1971/72 To: ₦3, 380, 350 in 1972/73, the profit declined to the meager sum of ₦27, 906 or 0.8% of the turnover. Similarly, in 1974 when the turnover increased to the huge sum of ₦5,237,628, the profit recorded was the insignificant sum of ₦21, 391 or 0.4% of the turnover. On the whole, between 1970 and 1974, a period when private small-scale cabinet workshops recorded an average net profit of 15%, the N.C.F.C., a giant mechanized furniture and construction complex, has an average net profit of merely 2.2%. Indeed, the performance of its huge mechanized furniture factory alone was so appalling that it actually sustained losses of ₦17,967 in 1970/71 and ₦46, 748 in 1973/74.

Between 1970 and 1974, the furniture section alone recorded a total loss of ₦53,985. Not surprisingly, by March, 1974, N.C.F.C.'s total liabilities exceeded its current assets by as much as: ₦966,927 (19). The poor financial performance of the N.C.F.C., as reflected in its low profit margin, may be attributed to a number of factors; but most of them centre around the utter indifference shown by the managers of the company to its profitability. As a result of this attitude, theft of the company's materials and even finished products was common and could not be checked either by the company's managers or by government officials, some of whom were culprits or collaborators. A former manager of the company, for example, was known to have carted away, illegally, tonnes of the furniture company's finished products to his private furniture-selling company. He was merely asked to resign! Similarly, a former site engineer of the company used, free of cost to himself, materials and labour belonging to the company to build a house, thus causing ,N.C.F.C. to lose *₦40,000 (20).* Furthermore, in dealing with contracts on jobs for members of senior staff, Board Directors, some Commissioners and other top officials of the former East Central State Government, no proper costing of the work done was undertaken. Indeed such jobs were treated as 'favours' to persons in high office. And furniture was sold to them at almost factory cost. As a result, the company lost very large sums of money. Thus, a total of ₦141,367 was lost by N.C.F.C. in building houses for top officials of the company' and through under quotation, the company lost another huge sum of ₦151, 845 on one road contract job (21). It is interesting to note that favours granted, at the expense of the company, to top company and government officials were regarded as part of a public relations effort. I But the effort was directed, not at keeping the company, as a corporate entity, in business, but at keeping certain officials of the company in their elevated positions. Another reason why N.C.F.C. failed badly in terms of profitability was simply because it was unable to compete on equal terms with subsidiaries of multinational firms vying for the same contract jobs with it. A major

handicap was the lack of adequate number of the necessary modern equipment required to perform important construction jobs efficiently, Other problems included lack of qualified indigenous staff, inadequate funds and, ironically, its position as a company owned by' a state Government in the Federation of Nigeria.

THE GOLDEN GUINEA BREWERIES LTD

On the face of it, the story of Golden Guinea, with respect to profit-making, provides a reassuring contrast to that of the N.C.F.C. Indeed, the Golden Guinea Breweries owned by the Governments of Imo and Anambra states has been described as the first brewery in "all Africa profitably managed by an all-black personnel" (23). The account of the company is said to have shown "a steady and increasing buoyancy from a reported loss of ₦12,642 in 1971 to a healthy unaudited profit of ₦800,000 in 1975". And, from its own resources, the company was able to make repayments and refund of loans to the tune of an estimated ₦9million since it was reactivated. But a closer look at the company's performance shows that it has not, in fact, fared much better than the N.C.F.C. As a white paper published jointly by the Governments of Imo and Anambra states put it,

> *"unorthodox, ill-advised and shady financial arrangement through wrong indents, poor and irrational (and arbitrarily awarded) contracts and orders ... cost the company about ₦705,000 which could other- wise have been avoided through more cost-conscious management, proper financial planning and standard budgetary control"*

As a result of poor financial and personnel management. Ineffective and chaotic distribution pattern, deliberate misuse and diversion to unofficial sources of company's products and property. As well as the uncompetitive quantity and occasional poor standard rating of the company's finished products (25), Golden Guinea's financial position was in fact far from buoyant during the period reviewed by the Board of Inquiry. In 1975, its 'current liabilities far exceeded the current assets. Rendering precarious the liquidity potentials of the company'. Among the causes of Its poor financial state were: (a) *official corruption:* for instance an official of the company awarded a contract to foreign firm for the supply of ₦2,160,000 empty bottles at 24k per bottle instead of purchasing them locally at 7k per bottle; as a result, the company sustained a loss of ₦367,200. It also sustained some loss as a result of its purchase of hop and roasted malt from a German company which failed to grant the Breweries any rebate; (b) the tendency of the managing director to act without consulting either the Board of Directors or the other members of the management staff; (c) the lack of effective and sustained in-service training for staff, especially all categories of the sales staff ; this adversely affected morale and was reflected in the ineffective distribution pattern, and the defective sales promotion tactics which became "hollow in content and form".

It is safe to assume that these two cases are fairly representative of the performance of profit-oriented public enterprises managed by indigenous personnel in Nigeria. Although there may be a few that have consistently-recorded profits most of

them operate at a loss most of the time. From a study of their history, certain facts relating to their financial management have emerged. It is evident that, in Nigerian public enterprises, funds are spent without due regard for established practice and norms which are regarded as inviolate either in the civil service or by commercial and industrial concerns operating in the private sector. Apparently, some managers of public enterprises mistakenly identify speed in operation with neglect of set down procedures for handling corporate finances. And the accountants of these enterprises are either too weak to stand up to authoritarian General Managers or Managing Directors as well as influential members of the public, too incompetent to handle effectively the accounts of public enterprises or simply too indifferent and corrupt to worry about the proper use of the company's finances. A liberal would insist that, unlike public enterprises run by indigenous personnel; those managed by multinational firms generate a lot of revenue which could be used not only for running them but also in developing other aspects of the economy. Take Mobile Producing Nigeria, Ltd., for example. It was incorporated in Nigeria in 1969, started production in 1970 and became a Nigerian owned company in 1974 as a result of the Federal' Government 55 % equity participation. In 1971, its profit was ₦102,8 million; this rose to a peak of ₦375.1 million between 1975 and 1977 when the average annual profit was ₦343.6 million (27). This record contrasts coldly with that of the N .C.F .C. which, in 1971 (after 11 years of existence) recorded a loss of ₦17, 967 and also with the record of the Nigeria Railway Corporation (another indigenously managed company) which, in 1977, had to be given a government subsidy of ₦38.3 million to make up for the deficit which it incurred in the course of its operations.

However, in answer to this point, three observations may be made. First, it should be noted that much of the revenue generated by a profit- making M.N.C. may find its way, not into the host government's coffers, but into the hands of the subsidiaries of the M.N.C. also operating inside the country. As Professor NZIMIRO has shown, in 1966, the oil companies operating in Nigeria generated revenue totalling ₦124.4 million. But of this amount, only ₦37.6 million or 30.2 %went to the Nigerian Government. As much as ₦52.2 million or approximatively 42 % went to contracting firms which were either subsidiaries of, or associated with the oil companies (28). Secondly, it should be pointed out that not all public enterprises managed by M.N .Cs make profits; indeed, some are known to be operating at a loss. For instance, as Mr. 1GB, Chairman of Volkswagen (Nigeria) Limited has revealed, the best of the vehicle assembly plants in Nigeria is 'just managing to keep its head above water while the worst is merely piling up losses year after year (29). Thirdly, even those which make profit may still gobble up much of it by way of purchase of more sophisticated and therefore more expensive (labour-saving and so un-employment-creating) equipment and employment of more expatriate Personnel.

On balance, it is fair to conclude that multinational firms do not necessarily have a better record of applying the finances generated by public enterprises toward the further development of such enterprises. If indigenous managers of public enterprises are reckless and carefree in handling corporate finances, it is partly because they consider it normal to

offer financial rewards and kickbacks to gain market advantage since the giant M.N.Cs like Lockheed, Leyland, International Telephone and Telecommunications. etc. also do so. With respect to financial management, therefore, there is really little to choose between public enterprises managed by indigenous personnel and those managed by M.N .Cs. In some respects, those managed by indigenous personnel are preferable since much of the funds lost by them through official corruption, generous gifts to Ministers or payment of wages to unproductive personnel is still retained in the economy. Thus such practices merely represent an inequitable distribution of the revenue of, or the income earned by, public enterprises. On the other hand, money lost to M.N.Cs represents a net loss, to the economy. It could, of course, be argued, and it has indeed been contended, that Transnational Corporations «could be making excessive profits and repatriating more capital than they (originally) invested and still contribute significantly to the economic growth of less developed countries». The point stressed is that if the 'organizational and technical know-how they contribute serves as the spark to the industrialization process' then departure of capital is not an unreasonable price to pay *(30).* It is therefore necessary to assess the contribution of the MN .Cs in Nigeria with respect to these intangibles which come, under the broad rubric of personnel management since it is more in this area than in the transfer of capital that the primary utility of cooperation with M.N.Cs is said to lie.

MOTIVATION

With respect to *motivation,* a key concept in personnel management, three different approaches may be distinguished: the paternalistic approach, the scientific management approach and the participative management approach. The *paternalistic approach* involves the institution of measures designed to satisfy the employees' general material needs and to instill in them a general feeling of gratitude and loyalty to the organization. In contrast, the *scientific management* approach entails attempts to link rewards and punishment strictly and directly to excellent and poor performance respectively. It therefore involves the setting of standards or clearly and precisely defined measures of performance and criteria for the allocation of rewards and punishment. Then there is the *participative management* approach which emphasizes effective participation of the workers in the decision-making processes of the organization. Transnational Corporations tend to apply a combination of paternalistic management and scientific management approaches with the accent on the former. They try to ensure that the general material needs of the indigenous employees are satisfied, but they do their best to exclude even the top management indigenous personnel from the top level decision-making structures and processes. This fact was revealed in Nigeria during a recent dispute between the eight Nigerian managers of AGIP (Nigeria) Ltd., and the Italian Managing Director of the Company, Mr. G. MAZZI. The frustrated Nigerian managers disclosed that: (i) the Managing Director generally excluded Nigerian Heads of Departments in the company from the process of formulating «management decisions»; (ii) budgets were pre- pared without the participation of the Nigerian Department Heads; and (iii) the

Managing Director was the sole signatory to the company's accounts, so that whenever he was not available the company's operations would suffer unnecessary delay.
However, these indigenous, *sinecure* managers are kept quiescent and loyal to the company by offers of fantastic salary and wage rises. Thus, the salaries of the Nigerian managers at *AGIP* are said to range from ₦19,000 to ₦26,000 per annum. One manager's salary was raised from ₦9,000 to ₦19,000 within a year; another, from ₦10,000 to ₦26,000 within six years (32). Such salary scales are beyond the wildest dreams of even the highest paid public servants in Nigeria: the Vice-Chancellors of Nigerian Universities and the super permanent secretaries, for instance, are on salary GL 17 - that is ₦12,996 X 636 - ₦ 17,448. The attraction of these multinational companies which offer such fantastic salary scales is therefore almost irresistible for Nigeria's top management personnel. However, while the general offer of monetary incentives, in the form of high salaries not directly linked with productivity, may keep workers docile and loyal to their employers, it may not necessarily be reflected in increased production nor may it, ultimately, bring lasting satisfaction to the workers. Indeed, the case of AGIP cited above shows that for top management personnel, monetary incentive is no Substitute for effective participation in the decision-making processes of the ………………

POSSIBLE METHODS OF REGULATING THE MULTINATIONAL CORPORATIONS

Even though the need for regulation is well established, the problem remains how to effectively monitor and regulate. For reasons already explained at some length in this paper, national laws in home and host states, taken separately, are not adequate to regulate the giant multinationals. One answer might be to coordinate the laws of commerce in host and home nations, creating a parallel legal structure. Unfortunately, while this might be the best method of regulation, given the mood of nationalism and jealously guarded sovereignty, such cooperation seems unlikely. The number of countries in which any given corporation has subsidiaries further exacerbates the difficulty of close legal cooperation. The process of negotiating such laws between countries, the influence of vested interests via their lobbying groups, and sharp ideological differences complicate such a suggestion to an extent that such a system becomes impractical. I could find no organization in existence today which could handle this complex task. Perhaps a more palatable and realistic solution would be the creation of a new agency, possibly under the United Nations, the World Bank, or other similar super national organizations. Nearly ten years ago, the United Nations Economic and Social Council considered just such an idea. In July 1972, the Council passed a resolution requesting that the Secretary General appoint a group of eminent people to study the role of the Transnational Corporations in international relations and the process of development. Of the twenty people appointed, eight came from less developed nations, two from Communist countries, and ten from the rich countries. Throughout 1973, the group heard testimony from corporate presidents, professors, trade unionists, and general social critics. In the summer of 1974, the group presented its report to the United Nations. They proposed three man recommendations:

The establishment of a U.N. Commission on Transnational Corporations which, among other things, would work out codes of conduct;

The creation of an Information and Research Center on Transnational Corporations as part of the U.S. Secretariat; and

A number of specific steps including technical assistance to strengthen the bargaining position of less developed countries vis-a-vis Multinational Corporations.[81]

Unfortunately, these recommendations were not carried out at the time. It is uncertain whether an organization such as the one proposed in recommendation one could have been effective, but perhaps it is an idea which should be reconsidered.

Another way to regulate the Multinational Corporation might be the establishment and enforcement of a Code of Conduct for Multinational Corporations. Many writers and students of multinational behavior have recommended such codes. L. A. Litvak and C. J. Maule, two Canadian writers, attempted to devise such a code. In an article by C. J. Maule entitled, "Guidelines for the Multinational Corporation", they outlined twelve rules for foreign corporations operating in Canada. Admittedly, Canada is a northern, developed nation, but several of the suggested rules have just as much application in developing countries. Rules 1, 2, 5, 8 and 9 are especially relevant to the Third World.

GUIDING PRINCIPLES OF GOOD CORPORATE BEHAVIOR FOR SUBSIDIARIES OF FOREIGN CORPORATIONS OPERATING IN CANADA

Pursuit of sound growth and full realization of the company's productive potential, thereby sharing the national objective of full and effective use of the nation's resources.

Realization of maximum competiveness through the most effective use of the company's own resources, recognition the desirability of progressively achieving appropriate specialization of productive operations within the internationally affiliated group of companies. Maximum development of market opportunities in other countries as well as in Canada. Where applicable, to extend processing of natural resource products to the extent practicable on an economic basis. Pursuit of a pricing policy designed to assure a fair and reasonable return to the company and to Canada (or the host country) for all goods and services sold abroad, including sales to the parent company and other foreign affiliates. In matters of procurement, to search out and develop economic sources of supply in Canada. To develop as an integral; part of the Canadian operation wherever practicable, the technological research and design capability necessary to enable the company to pursue appropriate product development programs so as to take full advantage of market opportunities domestically and abroad.
Retention of a search out and develop economic sources of supply in Canada. To work toward a Canadian outlook within management, through purposeful training programs,

promotion of qualified Canadian personnel and inclusion of a major proportion of Canadian Citizens on its board of directors. To have the objective of a financial structure which provides opportunity for equity participation in the Canadian enterprise by the Canadian public. Periodically to publish information on the financial position and operations of the company. To give appropriate attention and support to recognized national objectives and established government programs designed to further Canada's economic development and to support Canadian institutions directed toward the intellectual social and cultural advancement of the community.

The present international system is simply not adequate to deal with many of the problems that businessmen face when they establish business operations in several sovereign states. There is no over arching structure of supernational authority, comparable with the national authority of home and host governments, to prescribe uniform and enforceable merchant laws. There is no single source of power to establish a Multinational Corporation entity with a legal personality of its own. The Multinational Corporation is an ingenious institutional device, or rather a complex or devices, to overcome the severe handicap of balkanization in the present international system of scores of sovereign states that yield to no supernational body."

The negotiatory capacity of a Multinational Corporation vis-a-vis sovereign states is sometimes considerable. Corporate negotiations, backed up by economic power and communicational techniques, as well as the forces at the disposal of governments, may not meet the international jurists criteria of actors in the international law (though they are instrumental in its development), but they are decidedly among the makers of an emerging transnational system. The Multinational Corporation is, in fact, often so potent and independent an aviator of transnational movements in goods, services, credit instruments, and the like that the elites of sovereign states become jealous and fearful of its power.

WHAT IS THE POSSIBLE FUTURE ROLE OF THE MULTINATIONAL CORPORATION TO THE DEVELOPMENT OF THIRD WORLD?

What is to be the precise role of the Multinational Corporation in the emergent system? Will it be just another sovereign state, a corporate sovereign with the reduced authority that all actors in the international system must suffer if the world is to be saved from suicidal destruction? Or will it take its place along side other transnational institutions that may work out a system of collaboration with the present major and sovereign actors?

The international system of sovereign states could in this latter way be transformed through functionally specialized supernational organizations that would provide a substantial framework for a global economy. The beginning can already be seen in such institutions as the World Bank and the International Monetary Fund (IMF), to be followed in time by an updated Bretton Woods agreement and new functionally defined regional organizations such as the European-Economic Community (EEC)[84]. While men

struggle with the problem of a world order under law to supersede the anachronistic international system, the MNC of today and tomorrow must per force devise its own corporate strategy not only for survival and profitable enterprise in the world of strongly contending forces, but also for adapting their transnational organizations to rapidly changing conditions in that arena, anticipating where possible new global structures of political economy within which the Multinational Corporation can play an organic part.[85]

The Multinational Corporation can be regarded as a new institution seeking a new place in man's total environment. From the political scientist's point of view, the function of the Multinational Corporation may be said to be one device for the governance of man in his productive activities on a transnational and even global basis.[86] from a business point of view, it may be seen more narrowly as an instrument only for the profitable transnational use of owner's capital. The businessman sees business enterprise, lured on by the hope for profit as phenomenon for production not only in the industrialized countries where it has been responsible for pushing up the standard of living to unprecedented levels, but also potentially capable of doing so on a global basis. Insofar as production for profit means the production of goods, one faces the argument that services will then cost more than goods. As to the American corporation, for example, it has been said that education, health care, and research along with the diverse functions associated with the qualitative improvement of life in an urbanized society, promise to supplant goods and production as the economy's main propulsive forces." Yet, when one surveys the global economic situation, it hardly seems probable that the need for goods production will decline for decades to come, if ever. More likely is the prospect of heavier demand upon the corporate Instrument to produce the food, the fiber, the energy resources, and the housing that will be required to satisfy the soaring tide of rising expectations.

There is an urgent need for a theory of international production that focuses on how to obtain an optimum International allocation of resources in a world in which productive factors, especially capital, move with considerable ease among nations whose governments are by no means reconciled to the phenomenon. Here we reach the key question about political and economic processes that meet and often conflict. Cross boarder movement of capital and other factors of production has vastly increased during the past few decades, posing a central problem for the macro-economist how to keep the manifold benefits accruing from extensive transnational economic intercourse while maintaining sufficient domestic freedom for each nation to pursue its legitimate economic objectives. How are we to deal with the non-congruence of the transnational domain of a Multinational Corporation, on the one hand, and the numerous and often jealous national jurisdictions on the other?

That the Transnational Corporations are inescapably affected by the swirl of political forces in world affairs is a truism. Less well understood is the integral role of the Multinational Corporation in the international system. Indeed, some observers regard the

Multinational Corporation as little more than an ingenuous corporate device for overcoming the handicaps of the international system of sovereign states." The mutually exclusive territorial jurisdictions of states, although reasonably well suited to nationalistic purposes, seriously hamper cross border factor mobility. But the productive instrumentalities required at this stage in man's reach for a better life on this planet necessarily include the Multinational Corporation. The international system must bend to this necessity. National economies, whether capitalist, socialist, or mixed, probably could not shoulder the world's production and distribution tasks through state trading and other forms of public sector economic organization at national and supernational levels, without heavy reliance on private sector organizations of the Multinational Corporation type. Collectivist systems of limited nationalistic reach are incapable of producing and distributing the goods and services that will meet the mounting global expectations of people. The Multinational Corporation is a partial response to the need for larger geographical reach, for more flexibility in organizational experimentation, for greater latitude in corporate procedure, and above all, for more imaginative innovation in the design of corporate goals for this vast productive output."

The Multinational Corporation is only one part of the practical answer to the problem of a viable world economy. But it is a far more significant part than is generally recognized. One reason for this belated recognition is the ideological struggle that mistakenly puts corporate enterprise on the reactionary side against radical and revolutionary programmes of the right and the left. The Multinational Corporation today is undoubtedly an instrument of a capitalist economy that is under attack. Unfortunately, the zealots of the right and left seldom pause to examine the Multinational Corporation as an organizational instrument that is, in essence, quite neutral. Another reason is that in the strong contemporary resurgence of anarchist and related doctrine there is wide-spread skepticism about all large scale organizations. Their power to govern man is regarded as quite as dangerous to liberty as the power of states, and there is reluctance to fly to new evils.[90] This new era in the evolution of the corporation as a major *social* institution will in *all* probability see the corporate instrument drafted for *global* ecological service. It will help to meet the need for a better adaptation of man to his environment in the earth's biosphere. In meeting this need, the Multinational Corporation will seek and find a corporate domain that transcends the traditional political frontiers. For this reason, it seems fair to say that the *transnational* dimension of the modern corporation is its natural dimension.[91] Confined within *national* boundaries, corporate enterprise is *unnaturally* constricted; its market, even in the large continental dimensions, as in the case of the United States corporations, and those which may eventually be free to roam the European Common Market, is to be contrasted with the worldwide market of the Multinational Corporation. The transnational reach of corporate enterprise has been possible through ingenious corporate policy that plants subsidiaries and affiliated of a corporate group in several countries. It is a policy that works almost entirely among the private sectors of the several countries and does not depend primarily upon inter-sovereign agreements. Thus it cannot properly be described as international,

but rather as intercorporate, transcending the political boundaries that mark off the territorial jurisdictions of sovereign states.[92] The goals and strategies of large Transnational Corporations are now a matter of concern in most of the capitals of the world as well as in the board rooms of the companies. These policy makers cannot think of the world arena simply as a world market- place, a situation for buyers and *sellers.* It is above, a power situation, an arena of contenders for influence and status, who include the transnational firms as *well* as traditional sovereign actors. This concept of a world context of corporate action demands revision of some conventional modes of thought. In the future, many Transnational Corporations will be characterized by general skills in the adaptation of products and technologies to developing countries. An increasingly important ingredient of these skills *will* be the ability to liaison effectively with host governments in the planning and day-to-day operation of production activities.

There is a definite trend toward a concerted action among developing countries in restricting the discretion of foreign firms. Sometimes, host government intervention takes the form of statutory restrictions on, say, the proportion of foreign nationals in senior administrative grades. In other cases, permission to invest is dependent on a measure of government participation in the project, or on some form of joint venture arrangement with an indigenous producer.[93] The attitudes underlying these restrictions have formed as a response to a number of difficulties, both real and imagined, some of which I have outlined in the course of this paper. An understanding of these attitudes and an ability to resolve the problems from which they arise will be an important attribute of the successful foreign Investor of the future. Another future role the Multinational Corporation can play is the continued production and diffusion of knowledge and technology. The type of knowledge which is most significant to the Multinational Corporation is undergoing some changes. In the world of tomorrow, there will be less reliance on very specific skills in producing products and processes, and more reliance on general skills in adapting existing products and process to new environments.

There is no little doubt that in a world of imperfect markets the activities of the Transnational Corporations in developing and transferring knowledge internationally have been beneficial to both source and host countries. Foreign investment has allowed multinational companies to bypass imperfect external markets for knowledge and thereby diminished barriers to the production and diffusion of proprietary knowledge. It is also possible to visualize policies which would improve the external markets for knowledge, first by reducing the incentive to competitive duplication of research and development, and second, by permitting more effective marketing of knowledge.[94] The implementation of these policies would involve radical changes in the patent system and a new approach to competition policy in general. Their effect would be to encourage a rationalization of research and development as activities between competing firms and the substitution of licensing for foreign direct investment.

RECOMMENDATIONS AND CONCLUSION

As indicated during the course writing this book it's believe that regulation of the multinationals to be essential if they are to play a constructive role in the development of the Third World, more effective regulations is critical for achieving global objectives of maximizing benefits and minimizing costs from transitional investment. For instance, the restraint of restrictive practices by transitional corporations, along with the reduction of protectionist barriers by governments will lead to greater benefits from freer trade. In the commodity sphere, prices, improved marketing arrangement and monitoring of transfer pricing are necessary if the share if income going to producers and workers engaged in the production of primary commodities is to be improved. Providing greater security and trusts will stimulate private investment as well. [95]

To obtain full benefits, the developing countries, particularly the smaller and poorer ones, need to improve their bargaining strength. This would lead to a more stable relationship with corporations as it would help to dispel distrust and increase confidence. In addition to improved access to international development finance, these countries need to have more information about the choices and relative merits of different technologies. They need information about the rivals merits and skills of corporations, and information about their worldwide contracts. The services provided by the United Nations system and other international bodies could be developed by the United Nations system and other international bodies should be developed to strengthen the capability of developing countries to negotiate effective and durable agreements with Transnational Corporations and to assist them in the interpretation and implementation of agreements.[96]
The sharing of technology is a worldwide concern, since all countries have much to learn from others. But clearly it is most important to the developing countries, and it can even be argued that their principal weakness is the lack of access to technology, or the command of it. [97]

In their report to the United Nations General Assembly, the members of the Brant Commission made a number of recommendations for the regulations and role of the multination in the developing world. Below, I have listed some of their recommendations which I deem to be applicable to the multinationals, in view of the information in this paper:

1. Effective national laws and international codes of conduct are needed to govern the sharing of technology to control restrictive business practices, and to provide a framework for the activities of transnational corporation.
2. Reciprocal obligations on the part of host and home countries covering foreign investment transfer of technology, and repatriation of profits, royalties and dividends.
3. Legislation, coordinated in home and host countries to regulate transnational corporation activities in matters such as ethical behavior, disclosure of Information, restrictive business practices and labor standards.

4. Intergovernmental cooperation in regard to the policies and the monitoring of transfer pricing.
5. Harmonization of fiscal and other incentives among host developing countries.
6. Nationalization, where it occurs, be accompanied by appropriates and timely compensation, under internationally comparable principles which should be embodied in national laws.
7. Greater international, regional and national efforts to support the development of technology in developing countries and the transfer of appropriate technology to the reasonable cost.
8. Increase efforts in both rich and poor countries to develop appropriate technology in higher or changing restraints regarding energy and ecology; the flow of information about such technology should be improved.
9. The international aid agencies should change their practices which restrict the recipient's freedom to choose technology, and should make more use of local capacities in preparing projects.[98]

We have carefully unraveled the role of Transnational Corporations in Third World Countries. However, it is pertinent to point out that one characteristic of Multinational Corporation is that their worldwide operations and activities tend to be centrally controlled by parent companies.

The presence and operations of Transnational Corporations in the developing countries has been criticized for the following reasons:

1. MNC's Impact on development of host counties or undeveloped countries is uneven and in many situations its activities reinforce dualistic economic structure and exacerbate income inequalities. Their products are for the elite consumption and their presence widens urban/rural dichotomy.
2. Corporations produce inappropriate products and stimulate inappropriate consumption habit through advertisement and monopolistic power and do this with (inappropriate) capital intensive technology. As a result local resources tend to be allocated towards socially undesirable projects which tend to aggravate the rich/poor imbalance, e.g. the expenses of ITT n in Chile.
3. Transnational Corporations use their economic power to Influence government policies and can in fact thwart or even disorganize a government as Case Study One connotes. The U.S. government wanted to protect the interest of her Corporation ITT in Chile and that prompted to the collapse of Allende's regime.
4. Transnational Corporations may damage host economic by suppressing local entrepreneurship and using their knowledge, advertisement and world-wide

contact to drive out local competitors. In the permeable of this paper I highlighted a number of programs which the Multinationals intentionally and unintentionally accomplish in Third World Countries. These include:

1. Helping developing nations overcome economic backwardness inherited from pre-colonial past.
2. MNC assist Third World Countries solve major and urgent problems of socio-economic transformation like removal of poverty and unemployment, elimination of epidemic diseases, and eliminating of rampant illiteracy.
3. The Multinational Corporation help in filling the resources gap, that is, it stimulate national development in terms Gross National Product growth rate. MNC contribution analogues to the above is its effort in filling the gap between targeted Foreign Exchange requirement and those derived from export earnings plus public foreign aid. This foreign capital cannot only alleviate part or all of the deficit on the balance of payment of host or developing country but can also function to remove that deficit over time if the foreign owned enterprise can generate a net positive flow or export earnings.
4. By taxing MNC's profit and participating financially in their local operations, host governments are thought to be development projects.

We discussed two kinds of investments without clearly defining them: (i.e.) Direct Investment and Portfolio Investment. Direct investment is a way of penetrating and establishing control over another social unit by means of capital export. It usually takes the form of establishing a wholly-owned subsidiary firm, the large Multinational Corporation obviously being the investor. In other words, direct investment is a medium or a mechanism used by corporations to penetrate foreign markets and obtain resources. In contrast to portfolio investment, which involves the purchase of non-controlling equities in a firm or debt instrumentalities of any kind, direct investment implies in the shortest form, establishment of a foreign branch or subsidiary or the take-over of a foreign firm. The underlying motive behind portfolio investment is largely financial. The Multinational Corporation had become more of a foreign investor than exporter of goods in Third World Countries. International production by Multinationals had surpassed trade as the main component of international exchange. In fact, there can be little doubt of the significance of Multinational Corporations; they loom large as a factor in contemporary society and world affairs. The Multinational Corporation is not so much an economic institution, but a means of pursuing economic objectives through direct investment, which has shifted from extractive industries to manufacturing.

GLOSSARY/DEFINITIONS

1. **Direct Foreign Investments:** Is a way of penetrating and establishing control over another social unit by means of capital export. It usually takes the form of establishing a wholly owned subsidiary firm, the large multinational corporation obviously being

the investor. That implies that direct investment is a medium or mechanism used by corporations to penetrate foreign market and obtain resources.

2. **Portfolio Investments:** In contrast, portfolio investment, which involves the purchase of non-controlling equities in a firm or debt instrumentalities of any kind; direct investment implies the establishment of a foreign branch or subsidiary or the take over of a foreign firm. The underlying principle or motive behind portfolio investment is largely financial.
3. **Multination Corporations:**The MNC is not so much of an economic institution, but a means of pursuing economic objectives through direct investment, which has shifted from extractive industries to manufacturing. The multination corporation is also used to designate any business corporation in which ownership management, production and marketing extends over several national jurisdictions.
4. **Global Corporation:** Is an organic structure in which each part is expected to serve the whole. It measures its successes and failure not by the balance sheet of an individual subsidiary, or the suitability of a particular country, but by the growth in global profit and global market shares. Its fundamental claim is efficiency both in management and allocation of resources.
5. **Multinational Corporation:** Is defined as any Business Corporation in which ownership, management, production, and market extends over several national jurisdictions. The summary is that both Global Corporation and Multinational Corporation strive to accomplish the same objective. That is, it is a corporation that invests for a variety of reasons:
   (1) To have access to a foreign market
   (2) To secure sources of supply
   (3) To have benefit at lower-cost.

While investing in Third World Countries they have profit as their prime mover. Eg. In the activities of Oil dealers in the Niger Delta Region of Nigeria.

1. **Efficiency:**
   Efficiently implies the attainment of set objective with the expenditure of minimum input of resources. According to Fredrick W. Taylor-Scientific Management Theory drives the multinationals to efficiency, and technical know-how in their motive to invest in different countries. It also implies the optimization of an objective with a given quantum of resources.
2. **Public Enterprises:**
   Public enterprises are non-ministerial organization either established or acquired but in any case owned and/or controlled by the Government for the purpose of rendering specific services or producing goods either "for the government itself or for the general public. According to Advance Learners Dictionary.
3. **Personnel Management:**
   This refers to the measures and procedures designed to mobilize the human resources of an organization towards an efficient attainment of cooperate goals. It

includes measures aimed at improving the ability and skill of the individual to perform his job as well as measures aimed at improving the ability and skill to increase productivity and advance other goals of the organization.

4. **Motivation:** Is a key concept in personnel management and involves three different approaches: (a) The paternalistic approach. (b) The Scientific Management approach and (c) the participative management approach. Refer to chapter six.
5. **Capitalism:** Refers to an economic system based on private ownership of the means of production. This implies that there is minimum or no control from Government. It also means an economic system of free enterprise based on private ownership for profit in the open market.
6. **Company and Allied Matter Act:**
7. **Laissez Faire:** Is an economic doctrine which emphasizes little or no government intervention in the economy of a handoff policy based on the assumption that if everyone competes in pursuit of his or her own interest, all will benefit. This is a French Phrase meaning "Lets do or "Let alone.
8. **Liberals:** Refers to those who believe that governments should play a minimum/public order or role (I.e.) maintaining role in economic activities and that private enterprise, whether foreign or indigenous, should be given maximum freedom to oil the engines of economic growth.
9. **Librationist:** Are those who argue or believe that whatever minor, superficial and short-term benefits the multinational Corporation Posses may bring to undeveloped country all they take more than they give to host country. The liberationists believe that the MNC make it virtually impossible for self-directed and self-sustained development to occur. They also argue that the relationship between the MNC and public enterprise in an undeveloped state is on of unequal partnership.
10. **Colonialism/Imperialism:** These terms refers to system of government and policy practice of forming and maintaining an empire in seeking to control raw materials and would markets by the conquest of colonies by the British during the colonial era.
11. **Imprialism:** Also refer to the practice of seeking to dominate the economic or political affairs of underdeveloped countries and areas that have week governments.
12. **Socialism:** Refers to any of the various theories or system of ownership and operations of the means of production and distribution by society or community rather than the private individuals with all members of society sharing in the process. It is also the political movement for establishing such a system that addresses collective responsibility.
13. **Dependency Theory:** Is essentially a structure of interdependent relationship where by one economy is dominated and could enjoy expansion and self –sufficiency only as a reflection of the growth and expansion of the domineering ones. Dependency has relationship with capitalism because capitalist world economy is

the basis of underdevelopment through generation and reinforcement of the infrastructures of dependency such institutions and industrialization.

14. **Imperialism:** Refers to a survival mechanism of capitalism in its higher state of development. This supply implies countries subtitle but sophisticated exploitation of poor countries by means of capital export to developing countries by the multinational cooperation.
15. **Economic Theory:** Refers to the economics of managing an organization or agency using an acceptable economic theory that will address the management of private ownership of the means of productions and its inherent consequences and benefits.
16. **Partnership:** Refers to the relationship and association of two r more partners in a business enterprises. It is also a contract by which such an association is created.

FOOTNOTES

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3. Ibid., pp.1-3
4. ibid
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6. Richard J. Muller and Roland E. Muller, Global Reach: *The Power of the Multinational Corporation* (New York: Simon & Schuster, 1984), p. 14.
7. Edited by Seymour Maxwell Finger & Joseph R. Harbert with a Foreword by Cyprus R. Vance, *U.S. Policy in International Institutions (Western Press/Boulder. Colorado),* 1982/86.
8. It is vital to mention that profit does not necessarily demand total control of country's national resources but control would make it easier and greater. Note that what I imply is all natural resources.
9. Dr. H.A. Asobie, Op. Cit, Pp.2-4.
10. Maher Kumar Saini, *Politics of Multinationals. A Pattern in Neo Colonialism,* Atlantic Highlands, New Jersey and Girtanjail Prakasten, New Delhi Humanities Press, 1986.
11. Direct foreign investment involves using corporate capital stock, i.e., machinery, test equipment, personnel, and other assets, whereas portfolio investment simply means investing money and management in an enterprise.
12. George W. Modelski, *Transnational Corporations and World Corporation and World Order. Multinatlon Business, A Global Perspective* (Beverly Hills, CA and London, England, Sage Publications, 1982), p. 51.
13. Ibid
14. J. S. Nye and Seymour J. Rubin, "The Longer Range Political Role of the Multinational Corporations" in *Global Companies,* Ed. George, W. Hall. (Englewood Cliffs: Prentice Hall, Inc., 1985), p. 127.

15. Excerpt from United States Power and the Multinational Corporation (New York), Basic Books, 1980, pp. 8-18.
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28. Ibid
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30. Richard J. Bernet and Roland E. Muller, Global Reach: *The Power of the Multinational Corporation* (New York: Simon & Schuster 1974), pp. 16-19.

31. Ibid
32. George W. Ball, ed. "The Multinational Corporation in a World of Militant Developing Countries" *in Global Companies* (Englewood Cliffs: Prentice Hall, Inc., 1975), p. 70.

33. Seymour I. Rubin, "The Relation of the Transnational Corporations to the Host State "*in Global Companies,* Ed. George W. Ball (England Cliffs: Prentice Hall, Inc., 1975), pp. 64-68.

34. Ibid
35. Ibid
36. Ibid
37. Ibid

38. See also the Case Study on Chile and the section of profit as the prime mover for more examples of this kind of conduct.

39. Richard J. Barnet and Roland E. Muller, *Global Reach: The Power of the Multinational Corporation* (New York: Simon and Schuster, 1974), pp. 151-158.

40. Ibid
41. Ronald E. Muller, "A Qualifying and Dissenting View of the Multinational Corporation", in *Global Companies,* Ed. George W. Ball (England Cliffs, Prentice Hall, Inc., 1975); pp. 26-27.

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43. "Baby Formula Fight Amazing," editorial. *The Spokesman.* Review, 26 May 1986.
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88. Ibid
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See also the Case Study on Chile and the Section of Profit as the Prime Mover for more Examples of this Kind of Conduct.

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