MULTINATIONALS AND LIBERATION

Logos

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Logos

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CENTRE FOR SOCIETY AND RELIGION

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We shall be grateful for help in the work of the Centre, including the building up of the library and documentation.

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EDITORIAL

A COMMISSION OF INQUIRY REQUIRED

In this issue of Logos we publish some of the documentation from the Seminar on Multinationals and Liberation conducted on eleven Wednesday evenings from Jan. 28 – April 7th 1976 at this Centre for Society and Religion. Our next issue of Logos will carry some of the specific case studies on Multinationals in Sri Lanka.

This Seminar has revealed how little awareness we in Sri Lanka have had about the private sector foreign companies. These have a large say over our economy, social values, and consequently even political life. Thanks to the Mass Media we are rather well informed about Watergate, Lockheed and I.T.T. in Chile, but we are largely ignorant about companies here. On the contrary these enjoy the benefits of large scale subsidized advertising in the newspapers and over the Radio. Their marketing agents cover the country; their bill boards stare us in the face all along the roads. From town to village they proclaim their purported service to the nation Yet do we have the data? How much of public information is there about the Ceylon Tobacco Company that handles 3% of our Gross National product, and 10% of our budgetry revenue? What do we know of the financial operations of Lever Brothers Ceylon (Ltd.) that almost every Sri Lanka home supports. What do we have on Bata – the nation's principal shoemakers? How do the MNCs deal with us regarding textiles, pharmaceuticals, agro-chemicals, tourism, banking, shipping, insurance, soft drinks, electrical goods etc.?

There is however a powerful demand for more foreign investment. The large scale unemployment of about 900,000 persons out of a population of about 13½ million can partly explain this trend to invite foreign investment, most of which is now controlled by t world's giant multinationals.

The international situation too can explain why the Multinationals themselves are keen on strengthening their position in the Third World Countries. Since the defeat of American power in Vietnam, and their withdrawal from Indo China, there is much pressure on the other countries of South and South East Asia to harbour the business enterprises of North America, Western

Europe and Japan. They wish to ensure for themselves the immense resources of the Pacific and Indian Ocean Countries. The cheap labour plentifully available in these countries without much social restraints, and the possibility of transferring industrial pollution to these less sophisticated peoples are an added attraction. These countries even without China, North Korea and Indo China represent over a quarter of the human race. The elite classes alone of this region are a market almost as large as Western Europe. This is the world's reservoir of labour, markets and even raw materials.

The multinational corporations have only one ultimate goal to which they subordinate all other considerations - viz. their profit maximization over a long period of time and over as wide an area as possible. We cannot therefore allow them a free hand in our countries. All the participants at the Seminar agreed on the need of at least a control over the MNCs in the national interest. We need to develop a corporate awareness and ethic about the private sector also of the economy. The present company law framed after the 19th century British legislation is far too weak to deal with MNCs of the 1970s. Our Company law needs to be fundamentally rethought in terms of our ideals of a socialist democracy.

Over the next few months we in Sri Lanka have to decide our basic orientations towards foreign investment. How far do we want to invite them; control those already here or even extend the area of national and public ownership and management of the economy? What are our national goals for the type of society we want? We are now at an important cross road in our post-independence history

An informed decision on these issues requires public awareness and the political will to endure the hardships for self reliance. The report of the Commission on Agency Houses and the Wickremasinghe-Bibile report on pharmaceuticals revealed many abuses and pointed the way to important reforms. Ultimately the public pay the price of all these ventures, hence the public should know more clearly why foreign investments of over one and a half centuries have not prevented our country being so badly indebted to the rich countries; why there has been so little technological advance; why unemployment is rampant in the rural areas and why our raw materials are exported in an unprocessed way or even go unused here? Is it possible that previous foreign investment is partly the cause of our present mess and misery?

We therefore urge the government to appoint a special Commission to inquire into the operation of foreign firms that are already here in several sectors of our economy.

Before we invite new ventures we should be able to control those which are already with us, some for several decades.

MULTINATIONALS AND LIBERATION IN SRI LANKA

TISSA BALASURIYA, O.M.I.

Multinational enterprises or corporations are ones which operate in several countries. They are not necessarily multinational in ownership. Their owners are mainly in the U.S., Western Europe and Japan.

Liberation means being freed to be one's better self, to self realization and fulfilment. Liberation implies freeing ourselves from the internal and external obstacles to our growth as a people. It requires the conditions for liberation to become a just society based on sharing, fellowship, freedom and truth. It is a process of making ourselves and the world more human, more just and sensitive to others—of realizing human solidarity; of humanization.

The religions stress liberation from selfishness in order to live for others. Marxism stresses liberation from alienations particularly due to exploitation of one person by another, and of the weaker class by the dominant ones. In this seminar we have liberation as one pole of our search, for liberation indicates the aspirations of men and women of our country for a more decent human existence. It is a goal to be worked for and a criterion for evaluating our actions and policies.

Development has generally been used as a term referring to economic growth. Not all development is liberative. There can be the development of some at the expense of others. Development of the powerful has gone hand in hand with the under-development of the weak and the exploited. We must seek a path of economic growth that is really beneficial for all the people of this country. Our development can then be liberative, provided it respects human values in all persons here and else where.

Our question is *do multinationals help in the integral liberation of our people*? Are they developpers or underdeveloppers? Whom do they develop? Do they enslave others? We can discuss this both theoretically and in relation to their past impact on our country. I shall confine myself here to their past in Sri Lanka.

Multinationals as Colonizers

Multinationals are not new to Sri Lanka. The whole of the 450 years of colonization are related to multinational operations by the traders of imperialist powers. When the Portuguese captured the maritime provinces of Sri Lanka they were conducting a multinational operation. The spoils of Western Colonial enterprise in Asia, Africa and Latin America were first taken to Portugal and Spain. With the Dutch power came the Dutch East India Co. This too was a multinational enterprise in Asia.

The British, since 1796, were an even bigger multinational venture on which the sun never set. The British East India Co. underdeveloped India, which prior to their arrival had a superior technology in many lines such as textiles and ceramics. Systematically the British companies undermined the Indian economy and society. These are now common knowledge and hardly need detailed proof.

Ceylon as a colony helped in the building of some of the British multinationals. The British plantation and manufacturing companies expanded through their control over the colonies. They were able to determine the policies of the colonies to suit the requirements of the "mother country". Thus Brooke Bond Liebig which is a major controller of the world's tea trade has been subsidized by Sri Lanka for decades—with Liptons, now owned by Uni Levers, is another Multinational which has had Sri Lanka as their tea garden. James Finlay's, Harrison and Crossfield are other British firms which have world wide links in several lines. They have obtained large profits from Sri Lanka for many decades. The multinational corporations have had a controlling power in Sri Lanka in many other areas, e.g. Shipping, Banking, Insurance, oil distribution and fertilizers.

The Myths of Multinational Corporations

While we have thus subsidized these multinational corporations what has been their impact on us? Did they fulfil the claims of multinational corporations to bring in capital, technical know how, employment and use of our raw materials? Our experience has been rather negative in these regards. The plantation companies hardly brought in any capital from outside during the past sixty years. Their capital grew from their profits here. On the contrary we have allowed them to remit about £57 million capital between 1950-1970 from here. This is about Rs. 800,000 million. In addition to these straightforward remittances we gave them the even greater advantage of good tea at very low and declining prices.

During the period 1947–1972, according to a reply of the then Minister of Finance in the National State Assembly on 6.6.1973, Sri Lanka has sent out over Rs. 3,000 million as dividends on profits, interest and capital repayment both private and official. It will be worthwhile our inquiring how we have had to make such payments. Of these the remittance of dividends was Rs. 1,096 million. Private capital outflow was Rs. 721 million. The total private investment in Sri Lanka between 1965–1972 is estimated to be about Rs. 141 million. These figures should make us delve further into this question of capital flows. *Who aids Whom?*

Our Increasing Indebtedness

Foreign investment in Sri Lanka means we contract a debt. Is the income from them commensurate with the debt servicing charges? Or are we increasingly becoming indebted and mortgaging the future in the process? The foreign investors recover their original capital in less than 10 years, sometimes in 3–5 years. But we continue to remit dividends in perpetuity.

Even the original investment is in the form of technical services, payment plans drawn up in the foreign country or importation of machinery at monopoly prices. These have to be repaid from the earnings of the investment.

The demand for compensation of the nationalized estates is a further instance of the burden Sri Lanka has of supporting the British companies which have reaped enormous profits over the decades.

Perhaps the same is true of the Banking, Insurance, Shipping and commercial services. A little capital was brought at the beginning. But thereafter it grew due to profits made here. We help foreign firms to build their capital here.

As yet we do not have enough information on these issues. It is hoped that during the three months of this Seminar much light would be shed on these. We invite the companies to make available whatever data they have so that our discussions may be as objective as possible.

Is our problem not one of preventing the flow out of funds, rather than the invitation of foreign capital? *Is not Sri Lanka a net capital exporter?*

Jobs

If we take the question of *employment*, the plantations provided some employment but for whom and at what a cost. Foreign labour was imported on semi-slave conditions and maintained in that situation. The Kandyan peasantry lost their land and have since been pauperized and landless in their own country. Food production was neglected. The economy was made dependent on Britain. Rural unemployment today is partly due to this socio-economic transformation carried out in the hill country to suit the profit hunger of the foreign companies. This is another aspect that must be researched further. To what extent and where do foreign enterprise create employment?

Multinationals do not increase employment in the rural areas

They prefer manufacturing industries which are located in Urban areas. The country's requirements of soap, toothpaste, shoes. drugs, radios, agro-chemicals, cigarettes etc. are all produced mainly in and around the city of Colombo. The rural hinterland is a market, but hardly a participant in production, and certainly not in profits. Thus the villages are deprived of even their local market. Even District Development Councils find that there are few things they can produce for sale in their areas as large urban firms can flood the markets. Hence is not our unemployment partly due to the multinational corporations presently here?

The foreign investments in the period 1950-1970 were particularly capital intensive. Over Rs. 10,000 had to be invested to create a job. This also means a payment of Rs. 1000 per year for each job thus created. Due to the concessions on lump sum depreciation, repatriation of profits and the disincentive of the difficulties of labour laws, the new companies prefered labour intensive technologies.

Technology and Skills

It is claimed that multinational corporations bring in *technology* and educate people in new *skills*. This is true in terms of certain types of complicated machinery—such as in computers. Even the original importation of machinery may be so. But if we take the main multinational corporations in the plantations—what technology did they bring in the past 100 years? Our tea factories are rather outmoded. Further they did not develop the secondary processes of manufacturing—e.g. in packeting, and blending.

Much less were they concerned about tea products: instant tea, lemon tea, dyes from tea. On the contrary they used their control over marketing to make Sri Lanka depend on their brands, advertising and influence in the world markets.

The case is even stronger in rubber and coconut, which are important raw materials in the production of consumer goods. Rubber is still exported largely as a raw material. Hence over a century of foreign enterprise, has not brought much skills to our land. On the contrary our scientists work in the research institutes mainly to increase primary productivity. The result has been a flight of scientists to other countries – specially to the "mother countries" of multinational corporations where research and development receive high priority. *Is Sri Lanka not a nett exporter of technicians* ?

Sometimes we are supposed to receive technical know-how in fields like footwear, textile and batteries where we already have wholly Sri Lankan firms.

The same is substantially true of the foreign commercial ventures. It is only now that we have our shipping lines and training of personnel for the higher level of navigation. It is our hunch that even the more recent private investments in manufacturing lines does not lead to much development of local skills. First of all there is not much skill required in the production of some of the consumer goods which multinational corporations like Levers and Batas monopolize. Their success is largely due to their ability to kill local competitors by all the methods of "fair competition" such as price cutting, advertising etc. What research did the rubber companies encourage in tyre making, or the oil companies about by-products of oil etc? Sometimes the skill was in merely assembling the parts of a machine or bottling imported drugs. The public sector enterprise with the participation of socialist countries have done much better concerning the training of local technicians e.g. in the Tyre, Tube, Textile and Plywood manufacture. This too is a field of inquiry for this seminar. What has been the effort of the multinational Corporations in manufacturing enterprises in training personnel, in developing new products, in relating research and development mainly in the metropolitan countries.?

Local Raw Materials

Another claim of multinational corporations is that they help in the use of local *raw materials* and create new *export markets*. The evidence seems to be that often the larger portion of the raw material is imported, sometimes about 85%-95%. It is only under heavy pressure from the Sri Lanka authorities that local raw materials are used. The soft drinks industry is a case in point. Our fruits still largely go waste due to neglect in their bottling and canning. Why is Coca Cola brought in from U.S.A. when excellent soft drinks can be made from mango, lime, orange, Jak, coconut, palmyrah, pineapples etc.? Where is the research on these by private foreign companies? What research do pharmaceutical firms do on native medicinal herbs? Or do they help kill the tradition of Ayurveda? Do they help increase final unemployment?

Export promotion may be an area where multinational corporations may come in as they have control over the markets, presuming that we are unable to enter them without the help of multinational corporations. But will they like to create new foreign markets for Sri Lanka goods if this inteferes with the sales by their subsidiaries in those countries?

Social Costs

All this is still without considering the *social costs involved.* The multinational corporations encourage a consumerism that is rather elitist. They are less concerned with real needs of the people than with creating wants to suit their products and increase their profits. They engender false values and leave the country open to all forms of corruption as the history of big companies reveal. Our own educational system, mass media, advertising, social life are all unduly and often undesirably affected by the multinational corporations. We shall discuss in the subsequent sessions the social and cultural impact of multinational corporations.

Sri Lanka's Struggle for Liberation

Sri Lanka has carried out a significant *campaign for liberation from Multinationals.* After political independence, economic self reliance and social justice have been some of our goals. During the past two decades successive governments have supported this policy, specially between 1960-64 and since 1970. Our policies of the take-over of the oil companies, of insurance, of a large portion of the export and import trade, of import restrictions, of exchange control, of restricting the area of private investment, of controls over foreign investment, of partnership with socialist governments in investment are all aspects of this liberative struggle.

The Estates' nationalization is a major step in this direction of liberation from foreign oppression. If however we pay handsome compensntion even in rupees and guarantee their investment here, we might relieve the Multinational Corporations of the burden of plantations and ensure them a privileged position in lucrative manufacturing lines. Then plantation multinational corporations will be replaced by dominant foreign industrial and commercial giants.

Sri Lanka is at an important turning point in our modern history. What path of evolution will we take? We face a dilemma. We have about 900,000 unemployed, specially in the rural areas. The world inflationary process has hit us badly? Will we open our doors to foreign investment? With what guarantees to them and safeguards for this country? If we do so will we also apply these to the multinational corporations presently operating here? Will we be able to use this opportunity to bring them in line with national priorities?

If we give further guarantees to foreign enterprise and joint ventures, are we likely to induce local businessmen to tie up with foreign companies as an insurance against nationalization, or for the benefits of tax reliefs?

How are all these compatible with the goals of a socialist democracy?

How far is a link up with the socialist countries a feasible alternative? Do they help us balance off the impact of multinational corporations? Or do they too increase the dependence on foreign countries. What are their political and social consequences? Is the invitation to M.NCs. to tie up with our state enterprises an answer to our problem? Can we thus avoid the evils of competition, profit maximization, corruption, etc? These too are approaches which need to be studied further.

On the other hand do we have the *political will* among the masses and the leadership to opt for an alternative approach of greater self-reliance even if it be considered wise in an election year? In any case will foreign investments flow in so fast and in such quantities as to generate employment on a large scale. Their past record has been that about Rs. 100.000/- of capital is required for the employment of one person; and it takes about 2-3 years before decisions to invest mature into working enterprises.

Sri Lanka is faced with a serious option. Within this situation we would like to urge that information be sought concerning these issues. There is a vast area of ignorance concerning the whole impact of Multinationals which are the main foreign investors. We recommnd strongly that research institutes, universities, trade unions and other relevant public bodies including the mass media pay attention to these issues. This Seminar has been organized to help in the process. We hope it will help the country to take a satisfactory option in keeping with our needs and aspirations.

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CAPITAL FLOWS

The U.N. Report on Multinational Corporations and World Development 1974 (Praeger N.Y.) gives the current inflow of Foreign Direct Investment by Region 1965-70 (p. 198) for Asia and West Asia.

Asia and West Asia*

Total	1965	1966	1967	1968	1969	1970
Inflow	436.9	271.2	185.0	159.0	189.5	200.1
Outflow	1,367.4	1,592.4	1,744.2	1,997.5	2,138.5	2,401.9
Balance	-930.5	-1,321.2	-1,559.2	-1,839.6	-1,949.0	-2,201.8

*Including: Indonesia, Israel, Lebanon, Philippines, Sri Lanka, Thailand and the Republic of Vietnam, Iran, Iraq and Saudi Arabia.

MULTINATIONALS-A GLOBAL PERSPECTIVE

GODFREY GUNATILLAKE

Director, Marga Institute.

This series of seminars address themselves to a subject which is unquestionably of vital interest to developing countries in their relations with the developed countries. In recent times the international community has begun to pay increasing attention to the activities of multinational corporations. There has been a growing concern regarding their operations not only in so far as they affect the fortunes of developing countries but also in regard to their increasing dominance within the developed economies themselves. Their power has begun to surpass the capacity of national governments to control their activities in the metropolitan countries themselves,

In the last few years we have had numerous international conferences on the role of the multinationals There has been a very large volume of literature devoted to the subject. The analytical work that is available provides a very valuable source of information and knowledge on the multinationals for the policy makers of developing countries in the formulation of their strategies to deal with the country's relations with the multinational corporations. The seminar that the Centre has organised, however is not only significant at this broad general level. It has also a very immediate topical interest in Sri Lanka at a time when the country is in the process of designing a new framework for foreign investment. No policy framework on foreign investment can afford to ignore the central role played by the multinationals. Foreign investment is and will remain one of the most controversial elements in the development strategies of the less developed countries. Therefore although the foreign investment issues are not my specificconcern this evening, I think it is useful to get our bearings in regard to these issues when discussing the activities of the multinationals.

Real Issue Facing Developing Countries

A great deal of the debate on whether foreign investment is *per se* a good or a bad thing is very often inconclusive and sterile. At one end of the spectrum we have the opponents of foreign investment who reject it outright, who see in it only a mechanism which links developing countries with the world capitalist system.

They would argue that foreign investment consolidates the rule of oppressive elites in the developing countries themselves and makes the developing economies captive peripheral units within an international exploitative system increasingly controlled by the multinationals of the developed countries. At the other extreme we have the protagonists of foreign investment who would pursue a liberal open-door policy, welcome a free flow of foreign investment and regard it as the indispensable supplement both in terms of scarce capital resources as well as technology for strengthening the national development effort. Between these two extremes however there is a wide range of policies and choices available to developing countries such as Sri Lanka.

The real issue is often not whether foreign investment is good or bad per se, but whether it is possible for a developing country to identify and demarcate that narrow area in which the interests of foreign investors and the development objectives of the host country can converge. The real issues are then those of bargaining power, negotiating capability. The possibility of identifying such an area very often depends on the comparative advantages which a developing country can offer its own real opportunities in terms of markets and factor endowments. Countries which are poor in term of investment opportunities are prone to grant too many concessions in an attempt to make themselves attractive for foreign investment and in the process create conditions which erode any net benefits that can accrue to them through such investments. Consequently they run the danger of becoming *captive partners* in a system of economic relationships within which they are liable to lose their national control over their own social and economic destinies. It is not difficult to point to various examples which illustrate these hazards.

On the other hand, there is no reason why a country such as Sri Lanka could not judiciously balance its economic relationships with the various segments of the world economy with the developed market economies, with the centrally planned economies and with the Third World economies. It might be able to take advantage of the competitive elements in such a situation. In a well-managed pragmatic and selective set of relationships of this kind it may be possible for a developing country to escape the exclusive dependence on either the developed market economies on the one hand or the centrally planned economies on the other. Thereby it might be able to avert the captive bipolar relationship which is often the outcome of the exchange which takes place between a developing country and the dominant partner in either of these political and economic power blocs. There are many combinations of foreign been recently prepared by the UNCTAD Secretariat in connection with such programmes as those relating to restrictive business practices, the transfer of technology and so on. Let us first look at the concentration of economic power in the multinational corporations. The value added of each of the ten biggest multinationals exceeds 3 billion US dollars which is greater than the gross national product of more than 80 developing countries. Let us look at a few country profiles in regard to the concentration of economic activity through multinationals. The top 187 transnational manufacturing corporations of the *United States* account for more than one-third of the manufactured output of that country. In selected industries such as automotive, pharmaceutical and fabricated metal products the aggregate sales of these 187 corporations according to UNCTAD estimates represent more than 75% of the total sales of all U.S. firms in these sectors. The U. S. transnational corporations together control almost 70% of the total U.S. exports, 298 of these firms supply more than one-half of the total U.S. exports and more than one-third of the total imports. In terms of total world trade the multinational corporate sector of the United States is estimated to account for nearly one-quarter of world exports. It has in recent times been increasing its share and the trends are that it will continue to do so. In terms of the total exports of groups of developing countries the percentage share of the U. S. transnational corporations was as much as 36% for Latin America and 27% for other developing countries.

When the scene shifts from the U. S. to the *European Economic Community* we find that the process of mergers and increasing concentration of business in *U.K.* has resulted in the share of the 100 largest industrial undertakings rising in terms of the total industrial turnover from about one-quarter of the national total in 1953 to one half the turnover in 1970; in the case of the *Federal Republic of Germany* from one third to one-half during the same period. In certain sectors between 80 and 90% of the total European output is already concentrated in the hands of no more than four companies.

This pattern of increasing concentration of economic power and of a dominant market position of a few massive multinational corporations in the main areas of economic activity – whether they be domestic output or exports and imports – is to be perceived not only in the major developed market economies such as the United States and the countries of the European Economic Community but also in other smaller economies such as that of Sweden. For example, in *Sweden* it is estimated that 75% of the country's exports originated with transnational corporations.

These statistics all add up to a formidable concentration of power. The transnational or multinational corporate sector, if one can use that term, has today assumed the major role in the economic activities of the developed market economies.

Corporate Power in Developing Countries

When we turn to the developing countries we observe in most parts of the Third World a similar pattern of emerging dominance of the multinational corporations. The total bank value of the direct foreign investment is 33 billion approximately. The concentration is heaviest in Latin America and oil producing countries. In many important industrial sectors in these economies the multinational corporations have moved to market positions which are either oligopolistic or monopolistic. In *Equador*, for instance, 60% of the total assets of companies are foreign controlled. Foreign firms control over 50% of the capital of the largest 1,000 private companies in Brazil and over one-half of the largest firms in 14 industrial sectors.

A recent note which was prepared in UNCTAD sets out some estimates of the shares controlled by the multinationals in a number of selected commodities. It is estimated that practically all *food items* which are exported in a preserved processed form are controlled by the multinationals and that the percentage share approximates to almost 100%, In the case of bananas three firms control 68% of the exports of bananas from developing countries. In the case of tobacco the estimate is in the region of 65%. For tea, *in India* 13 agency houses in Calcutta purchasing for the multinational firms in the U. K. control approximately 75% of the output in the northern part of the country. The exports from *African countries* are largely in the hands of transnationals. The share of tea exports from developing countries which is controlled by the transnationals is estimated at nearly 65%. The commodities where the transnational have shares which are less than 50% and are closer to one-quarter are sugar, natural rubber, cotton and jute. In the case of iron ores, minerals and metals, again the share of exports controlled by transnationals is inordinately high. In copper it is as high as 100%, in iron ore the indicative figure given is in the region of 90%. The same proportion is to be found in bauxite and aluminium. The foreign owned part of tin mines amounts to nearly 60%. The share of the total manufactured exports of developing countries controlled by the transnationals is in the region of 20-25%.

These figures give us the broad magnitudes of international trade which are directly and indirectly managed and controlled by the multinational corporations. But the data relating to trade by themselves do not provide us with a complete view of the actual situation that prevails. The multinationals have been able to *internationalise production* and move the units of production across national boundaries when they find that it is in their interests to do so. This was particularly true in the case of the import substitution programmes followed by developing countries where the restrictions on imports triggered off a whole process of import substitution for the domestic market in which multinational firms played a major role. The U. N. document on multinational corporations estimates that in 1971 the international production of foreign affiliates of multinational corporations has surpassed trade as the main vehicle of international economic exchange. It is estimated that international production reached approximately $ 330 billion in 1971. This was larger than the total exports of all market economies which was estimated at $ 310 billion for that year.

These figures are specially significant as they bring home the fundamental changes that were being introduced into the international economic system through the global activities of the multinational corporate sector. The conventional model which was implied in our approach to international trade in which the exchange of goods took place as between countries which produced these goods within national boundaries through firms and enterprises subject to national control has no longer the relevance it previously had. The structures of production which have been created by the multinationals bypass the normal channels of trade. Within the structure of trade itself the share of interfirm and intra-firm transactions have risen enormously. This form of the international movement of goods does not take place within a system of competitive exchange. They take place as sales and purchases of horizontally interlocked and vertically integrated commercial enterprises which span a major part of the world economy both in developed countries and developing countries.

Their Advantages

The multinational corporations have become the dominant form for organising the economic activities in the developed market economies. They have become the central organs for the rapid accumulation of capital in these economies, for the organisation and expansion of productive capacity, for the management of the system of distribution and marketing of goods, and perhaps most important of all, for the advancement of technology. Over 90% of income on royalties, licences and other fees earned out of the sale and transfer of technology accrues to the multinational corporate sector. In the developed market economies they have become the main generators of technology and a large part of their power in the world today derives from the fact that they are proprietors of the major share of the stock of advanced technology available to the world. This gives them a unique bargaining strength. For example, they can hold a near monopolistic position in regard to the exploitation of the sea bed. The entire organisation of economic activity from the formation of consumer tastes and the distribution and marketing system geared to it, to the massive investments on research and development in search of new products to sustain an ever-changing pattern of demand in the high income countries, is closely interwoven. It is only the multinationals with their scale of operations which have been able to combine all these activities in an effective manner.

If one looks at some of the *positive features* of the multinational corporation one needs to distinguish its essential organisational elements from its present position in the economic power structure in the world today. The organisational and institutional form of the multinational has made it possible for the *coordination of all the major economic activities from research and development* to the *final sale of the product*. It has also made it possible for the commercial enterprise to transcend the constraints of the national economy and seek to maximise its efficiency on a global scale. The fact that within the present setup this maximisation of efficiency is in the interests of a particular group of countries or a particular segment of the world population is ofcourse another aspect. What is important to distinguish here, however, is the capacity that has been created through the multinational form for the efficient production of resources on a transnational basis, for the vertical integration of whole industrial sectors from the stage of primary production to the final consumer product, the optimisation of resources ranging from capital to cheap labour across national boundries. *It might be well argued that in a sense the form of economic organisation contained in the multinational firm prefigures the future forms of organisation in an international economy in which power is more equitably distributed. Just as much as the corporate business enterprise broke through the social entities of the feudal system ond grew as part of the nation-state, the multinational corporate enterprise seeks to burst through the constraints of the national economy and organise and exploit productive capacities on a global scale.* It is however well and good to say this in considering the problem in the abstract. It is even tenable to argue that in these forms of economic activity one sees the germs of a more rational system for the global management of resources. But it would be *certainly fatal* and altogether misguided to imply that these forms of economic and commercial organisation could or should perform this task within the prevalent structure of power.

Some major issues confronting Developing Countries

One can look at the activities of multinational corporations in developing countries in three broad areas – a flow of *capital* and investment, the *transfer of technology*, and *international trade*. In each of these three areas the multinationals have certainly a very significant role to play. There is no denying the fact that developing countries need to augment their limited capital resources by means of external flows which could include foreign investments. In the field of foreign investments the multinationals will be the main actors. The developing countries need to acquire technology and know-how for the transformation of their societies, and here too the multinationals will be the major suppliers of that technology. *The developing countries need access to markets for the goods they seek to export.* The marketing and distribution systems in the developed market economies are *increasingly controlled by the multinationals.*

A study of the past relationships between the multinationals and the developing countries reveal a disquieting picture of unequal exchange in which the developing countries as recipients have frequently been unable to obtain a fair deal. The power which has been built up by the multinationals has caused concern even among the developed market economies. In the search for the optimum efficiency and the maximum profit, multinationals have acted in a manner which defeats the objectives of national governments. *Decisions of multinationals can aggravate recessionary trends in a period where a government would be working hard at overcoming a recession.* General Motors would not hesitate to shift their production capacity from a country in which conditions are economically unfavourable to a country which offers them better opportunities. The consequences of such a shift, such as unemployment, would not be a concern of the multinational. The recent Chrysler episode in U. K. is an example. When this economic power is translated into a situation in which national governments are inherently weak and economically dependent such as the governments in the Third World, the position becomes infinitely worse.

Problems caused in developing countries

The problems caused by the multinationals in developing countries in purely developmental terms without taking into account the political spillover could be very briefly enumerated. If one examines the activities of multinational corporations within the developing countries and the investments which they have undertaken, several negative features emerge. First, the multinationals have quite understandably worked within the market structures that were to be found in the developing countries. These market structures reflected very often a gravely unequal pattern of income distribution. The pattern of consumption which emerged from such an income distribution favoured the production of goods demanded by the high income elites. A substantial portion of the import substitution programmes of developing countries was based on structures of income distribution and patterns of consumption which were of this type. The activities of the multinationals not only strengthened and consolidated a manufacturing sector oriented to elite demand but it could be said that it further helped to distort development priorities by attracting resources to this sector.

The operations of multinationals have also helped to *dampen indigenous enterprise and initiative*. Many studies reveal how multinationals have been able to appropriate a significant share of local financial resources such as bank credit in competition with indigenous enterprises. This is to be expected as the multinationals would obviously have a higher credit rating and employ local resources wherever possible if national policy makers are not vigilant. The technology which the multinationals imported has been widely criticised on the ground that it was inappropriate, that it was biased in the direction of capital-intensive techniques in a situation in which labour was abundant, and that it helped to create a climate in which the growth of indigenous technology was inhibited. This again was to be expected as the technology generated by the multinational was specially designed for a capital-abundant labour-scarce economy. Multinationals have little or no incentive to develop efficient technologies appropriate to conditions where capital is scarce and labour is abundant. The transfer of technology was also such that it perpetuated the dependence of the recipients on the supplier through all manner of restrictive conditions.

The cost of this transfer of technology reveals another negative aspect of this bargain. The market for technology gives the seller of technology unique advantages which markets for other goods will not provide. The use of technology involves the seller in no marginal cost. The cost of developing new technologies is most often recovered in the developed country markets themselves.

Technology is a 'good' which is not normally depletable through use. The income it provides is somewhat in the nature of monopoly rents. The income from technology sales in the form of royalties, licence fees and so on, is by itself significant, but what is more important is the leverage it gives its owner in any transaction. He is often in a position to lay down his terms. The data revealed in a study of 53 foreign enterprieses in *Columbia* is relevant in this context. The declared profits of these firms after tax amounted to 8.4% of their net worth, when royalty payments were added it rose to 13.1%.

The *decision making power of the corporations* encompass those areas which are critical for the growth and development of the Third World countries. The way in which the import-export trade is structured by these corporations enables them to *take crucial decisions on the external trade of developing countries.* They are able to decide which parts of the multinational firm will export and import what products and to and from what markets. They have been able to determine how their affiliates in the developing countries should conduct their commercial transactions, lay down the levels of production and the type of productive activities, the limits to which the process of import substitution should be taken and the extent to which indigenous raw materials should be used. The OECD Committee of Experts on restrictive business practices have listed the following adverse effects of export cartels. Export cartels may affect the price and supply of inputs used in exporting industries of developing countries by discriminatory practices as well as by the refusal to sell certain materials or equipment to developing countries. Export cartels in developed countries may engage in monopolistic practices against their less powerful competitors in developing countries. The multinationals are able to share the market among themselves and through such international market allocation control international prices to their advantage. Export interests of developing countries may be adversely affected by international market allocations, binding also subsidiaries of cartel members in the developing countries concerned.

Price Manipulation

The other major element in the business operations of the multinationals which has come in for study and criticism is the price manipulations that are possible within their global transactions, a practice which has been described as transfer pricing. Through their international network of operations, multinationals are able to decide where and how they would obtain the return on their investments. They are able to decide on the most advantageous pricing on the intra-firm transactions which take place on a transnational basis. Inputs from affiliates in country A to affiliates in country B might be highly priced to reduce profits in country A. By this means it is able to circumvent the national tax structures and the national controls. The Columbian study that was quoted earlier reveals that the declared profits and royalty payments which amounted to 13. 1% of the net worth of the firms rose to 52. 0% when overpricing of intra-firm inputs was added. In this process a country which operates on a weak balance of payments with an unrealistic rate of exchange is likely to become the victim of multinational policies which can seriously worsen its situation.

The Dependence on metropolitan countries

When one surveys the growth of the multinational corporations over the last quarter century and the relations they have established with the developing countries, it is evident that the type of international specilisation which they have been able to create has intensified the dependence of developing countries on the metropolitan countries. This dependence has assumed various forms. The production capacities they have created in the developing countries often continue to remain dependent on the technological inputs provided by the multinational corporations. The intermediates which are needed by these productive units are often tied to the supplies which are available through other affiliate enterprises of the multinational sector located in developed countries or other developing countries.

In the case of exports the developing country is critically dependent on the access to markets which is arranged by the multinational corporation. A great deal has been recently said regarding the industrial sub-contracting activities of the multinationals and how they have been able to farm out labour-intensive components of highly sophisticated industries to the developing countries where a supply of cheap labour is still available. Examples are South Korea, Malaysia and Singapore. The export processing zones are often organised and expanded around this activity. There is no doubt that these activities have been able to create employment and have resulted in sizeable foreign exchange earnings by the countries which have hosted these activities.

Some of the inherent weaknesses in such an industrial sector should however not be ignored. The processing activities that are set up can create few backward and forward linkages and set a process of new industrial activity in motion. The multinational organisation of this activity permits the host country to earn only the wage input in the product. *What is exported is, in fact only wage labour, not the product of labour.* The higher rewards on management and organisation, the surplus of all types accrue to the foreign enterprise alone. The continuance of the industry is entirely dependent on the business decisions of the parent firm taken at the metropolitan centre in response to the changes that may take place in the international markets. For example, the shortage of plastic resulted in a closure of a large number of these industries in South Korea and Malaysia. While it is true that most export industries are in one way or another vulnerable to the changes in the international market and they suffer the adverse effects of any recession, the industrial sub-contracting type of activity can be specially vulnerable to these changes.

In all what I have said so far I have concentrated on the negative effects and the inherent hazards to developing countries in their relationships with multinationals. It would have been superfluous to enumerate the benefits that could accrue to developing countries from the activities of multinationals in developing countries. If one were to view the global problem of development with a ruthless rationality and objectivity one could ask the question whether the Third World would have been economically in a better position had the activities of multinational corporations not taken place at all. It might be argued that these enterprises have through there immense technological and organisational power been capable of creating new productive capacity in developing countries and linking it to the markets of the developed countries, thereby there has been an inevitable flow of capital, technology and other resources. It would certainly be futile to deny the economic gains that would inevitably accrue to the developing countries through these activities of the multinationals. But this in fact is not the real issue. Here one might resort to an argument derived from a somewhat analogous situation when discussing the question of higher wages or better conditions of work for the workers one is not gainsaying the fact that the employment itself has been created by the coordinated application of capital, technology and management. Yet at the same time when this fact is accepted it does not follow that the workers should be grateful that they have thereby received a livelihood and thereafter not seek to change the structure of relationships which condemn them to an inequitable distribution of the income from the whole enterprise. What we are examining in the case of mutinationals is an analogous structure of relationships.

Strategies For Developing Countries

Given the networks of production and marketing which have been created on a global scale by the multinationals, it is necessary to ask what strategies can be evolved by developing countries in particular to deal with the relationships that have arisen. Any effective programme of action which is capable of attacking the problem needs to be launched at three levels. These are strategies which are closely inter-related and mutually reinforce each other. There is first the need to mobilise the world community to take effective action at the international level. Already various initiatives have been taken at this level and possible approaches have been broadly formulated. The United Nations system has already set up a centre to deal with the issues concerning the multinational corporations.

There is at the same time some measure of agreement among developing and developed countries to work out a *code of conduct* for the multinational corporations with a view to eliminating restrictive business practices and creating an international framework in which multinational business operations could be better regulated. The UNCTAD initiatives in the field of technology for a code of conduct on the transfer of technology and the revision of patents are also extremely important building blocks in setting up an international legal and juridical structure which could govern the relations between multinationals and developing countries. It is possible to conceive of various mechanisms through which the business operations of the multinational corporations would be *subject to global controls* somewhat in the manner in which national enterprises observe the rules of the game within the national framework.

It might be even feasible to work out a structure in which multinational corporations are subject to *international taxation and for the proceeds of such taxes to be re-cycled in the form of development assistance.* Some of these ideas have already been canvassed in various forums. The active search for international machinery to cope with the new type of international economic relations arising out of the activities of multinationals is of fundamental importance in creating a new international economic order and developing countries need to participate fully in it.

The next level at which strategies have to be evolved is that which involves the Third World as a whole. The structures of production and trade and the mechanism for the transfer of technology we have seen are such that they cut across the developing world as a whole. If one looks at a single commodity such as tea or coffee or cocoa, it is evident that the form of collective action which developing countries have to evolve can no longer be thought of in terms of small units of co-operation such as regional or subregional groupings. The structure of trade which confronts the developing world is one which has spread its controls in a closely integrated manner to cover the developing world as a whole. If these structures are to be re-ordered so as to distribute the benefits of trade more equitably, the developing countries would need to evolve entirely new collective strategies. One of the possible strategies has already been demonstrated by the oil producing countries in the form of a well-knit producer cartel. The integrated programme of commodities which is being proposed by UNCTAD offers an opportunity of a different kind in which developing countries could consolidate their bargaining power around a wide range of commodities.

The whole area of foreign investment and transfer of technology offers yet another opportunity for close collaboration among developing countries. There is the obvious potential for exchange of technological know-how among developing countries. This would include a much more intensive exchange of information relating to the operations of multinational corporations. Such exchange of information would enhance the bargaining strength of the individual developing countries. There is also scope for developing countries to work out their own agreement in regard to the framework of investment and technology transfer by multinational corporations. Such an approach would attempt to minimise competition among the developing countries themselves for the inflow of multinational corporate investments.

Another field for Third World collaboration is that of joint enterprises. The investible resources of the oil producing countries offers scope for multinational enterprises within the Third World itself. Such enterprise should be designed and conceived within a participatory framework which avoids the relationship of dominance and dependence which have characterised the metropolitan multinationals. A programme of this kind will build up the countervailing corporate power within the Third World which will considerably enhance its bargaining strength in relation to the advanced countries.

At the national level there is evidently a great deal to be done to enhance the bargaining strength and negotiating capability of developing countries. This would eventually derive from a well conceived legislative framework for foreign investment which reconciles the national interest with a reasonable return to the foreign investor. But beyond this there is the need to build up a whole infrastructure in which both the public sector and the private sector collaborate to safeguard the national interests and maximise the gains to the country in conducting their external economic relations.

TRANSFER OF TECHNOLOGY IN SRI LANKA

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This study intends to analyse and evaluate the costs of transfer of technology to developing countries in general and inter-alia assess the nature of collaboration from foreign agencies including multinationals and the extent to which their activities have been contrary to the interests of the countries where they have operaed and further determine whether the costs incurred on such transfers were justified in relation to the benefits accrued therefrom.

In relation to the study of transfer of technology to the private sector, twenty firms typical of the medium-scale manufacturing enterprises which sprang up in the import substitution phase during the late 'fifties' and 'sixties' were selected for detailed analysis. These firms broadly typify the heterogenous character of the technological dependence and foreign collaboration to be found in the private sector industry. They ranged from foreign owned subsidiaries and joint ventures to local enterprises obtaining technological know-how on contractual agreements. The sources of technology were correspondingly diverse; they included U. K., India, Hongkong and Japan – all market economies.

On the other hand, in order to illustrate the conditions which governed the import of technology into the public sector from the socialist countries and to form a basis of comparison and contrast with the package of technology which were imported into the private sector, the Tyre and Tube project was chosen for detailed examination. This project was set up with financial and technical assistance from the U. S. S. R.

Background to transfer of Technology

Transfer of Technology in Sri Lanka had been very insignificant in the 'thirties'. The manufacturing activities then were confined to the processing of the three major plantation products-tea, rubber and coconut. Outside the plantation sector the manufacturing activity was of a rudimentary character, mostly consisting of plants, producing items such as ice, aerated water, soap, beer and textiles.

The outbreak of the *Second World War* provided ideal conditions for industrial development, but the industries set up during the period of the war neither possessed the necessary commercial viability, nor were they supported by a framework of national policies to enable them to survive in the market conditions which followed the war.

With the cessation of the war and the country reverting to an open economy, industries set up during the war, unable to face stiff competition from foreign firms, were forced to shut down. Under such a hostile environment the government was compelled to assume a pioneering role to promote industrial development locally. Between 1948-56 *State Corporations* were set up for the production of plywood, leather, footwear, cement, oil, and fats, caustic soda, chlorine, paper and ilmenite.

The expansion of the state sector of industry received a further stimulus in 1956 with the formation of a government with socialist policies. The *Ten Year Plan* (1959-68) envisaged the creation of a sizeable industrial sector. The expansion of the existing industries and the development of new industries were planned for the public sector. The technical assistance agreements and Bilateral Trade Pacts concluded with the USSR in 1957 and the subsequent agreements with socialist bloc of countries gave further support towards the expansion of the state industry.

In obtaining technology transfer for public sector enterprises set up during and after the War, the government did not adopt a uniform procedure. In some instances individual consultants were engaged - sulphuric acid, paper and textile. In some it employed firms of consultants - steel rolling. In many instances individual experts were engaged for the preliminary work, and for advice in the pre-investment phase, and subsequently consultant firms took over at the stage of designing and construction. It is to say that during this period all those elements in the transfer of technology from the pre-investment studies to the commissioning of the plant had to be undertaken by foreign firms and experts.

Besides, there existed no machinary to co-ordinate the activities of the various agencies from which technology was obtained nor were there trained personnel who could both negotiate with foreign collaborating firms and individuals and could take over the management of the plants when once commissioned. The result was that in many instances inappropriate technology, plant, machinery and equipment were supplied, leading to inefficiency in operation and lower levels of output and higher costs.

Transfer of technology in the private sector took place at the end of the 'fifties' and early 'sixties'. Problems related to the balance of payments assumed grave proportions at the end of the 'sixties' with the consequential need to curtail imports. Naturally *import restrictions* fell on a whole range of consumer goods, and the trading establishments suddenly deprived of business saw in the scarcities that were created an excellent opportunity to shift their enterprises to industry. The government also saw in the situation the possibility for the implementation of its sectoral programmes and accordingly approvals were granted for the setting up of new industries. Between 1963 and 1969, over 1,000 *new industries* were approved in the private sector as against about 500 set up during the 15 years since 1945.

However, approvals of new industries could have understandably been given with greater discrimination and the structure of industry based on *import substitution* could have been created with greater national economic benefits if aspects relating to import savings, employment and essentiality had been examined more critically and investment proposals subjected to closer appraisal. Another deficiency associated with the import substitution programme was the scant regard paid to market limitations on the corresponding capacities of plant. Several units were approved to manufacture the same product with the result that substantial over-investment and heavy under-utilization of capacity prevailed.

Furthermore, in terms of technology the import substitution programme in the early 'sixties' was marginal. What was transfered was in most cases end processes of manufacture. There was no systematic effort to increase progressively the local component in manufacture and find local substitutes for imported subsidiaries.

An analysis of the 20 firms

A detailed analysis of the twenty enterprises revealed several features that are characteristic of collaborations with private enterprises from capitalist economies.

(1) The evidence suggests that the private enterprises of the West were *reluctant to provide technology* in certain fields of investments, and in instances where such technology was provided the contractual agreements contained various restrictive and abusive practices.

(2) Often *restrictive conditions* pertained to the purchase of plant, machinery and equipment and raw materials, marketing of products and the use of process technology.

(3) An analysis of contractual arrangements in respect of the 20 firms showed that 18 were denied export opportunities; 13 were compelled to obtain their raw materials from the foreign collaborators, while 5 although not specifically debarred from obtaining raw materials in the open market, yet procured them from the collaborators.

(4) Contractual arrangements also contained clauses obliging the technology receiving enterprises particularly in the private sector to buy all or part of the capital goods from the collaborating enterprises. This condition was found in respect of nineteen of the twenty firms.

(5) In lieu of tie-in clauses there was evidence where licensers were specific on quality controls of products which inter-alia meant the use of inputs approved by them, although the licensees' production was not intended for international trade. It meant that through this from of restrictive practice the licensers were able to earn bigger rewards. This restrictive practice was found in the paint industry.

(6) There was evidence that as regards contractual transfers of patented technology licensers had stipulated clauses that permitted for the indefinite continuance of their control over the licensees. Contractual arrangements in respect of an enterprise examined stipulated that the licensee should cease to make use of the process formulae when once the contract expired and in order to stay in manufacture he has had to repeatedly renew the contract. This kind of stipulation was found again in the paint industry.

(7) The many *abusive practices* adopted by foreign collaborators give them considerable control over the activities of local enterprises. Some of the broad implications of such practices cannot be satisfactorily assessed quantitatively. Yet, looking at it qualitatively, they have constituted a strong disincentive to domestic research and development by local participants and increased the real cost of technology transfer. It should be admitted that in the private sector very few foreign collaborators have provided for any sort of research in the use of locally available raw materials nor to aspects related to the development of indigenous skills.

(8) Many enterprises that were set up with foreign collaboration possessed substantial unutilised capacities: they were dependent on imported raw materials; were capital-intensive in character; were consumer oriented; and as a whole they failed to meet the country's needs.

(9) In the absence of data both in respect of the direct and indirect costs a satisfactory estimate of the costs of technology was not possible. Yet from the examination of the twenty firms taken for study there is substantial evidence to insist that the costs have been high.

(10) During the three-year period 1968–70, the total *outflow of foreign exchange* by way of patents, royalties, licence fees; technical services fees; salaries to repatriates; and dividends amounted to Rs. 14. 3 million, as against the *foreign capital outlay* of Rs. 23. 15 million, the outflow representing 61.9% of the foreign commitments. The total direct *foreign exchange cost* for the acquisition of technology by the twenty firms thus averaged Rs. 4. 8 million or 21% of the total foreign investment for the three years.

(11) The total outflow of foreign exchange by way of *dividends* was very high in relation to the total foreign outlay in the various industrial enterprises – 39. 6%; and the dividend remittances constituting 24.5% of the total foreign outlay exceeded the current lending rates or that of reasonable return on capital.

(12) Cost of *salaries* to repatriate personnel was high in relation to foreign investment - 20% and again, the salaries were very high when compared with those paid to local personnel holding similar positions.

(13) There was a tendency for collaborating firms to empoly personnel in excess of requirements, and to retain their services for periods longer than necessary although the technology involved was unsophisticated and local personnel have absorbed the process technology. This pattern of employment was seen in the firm manufacturing kerosene oil stoves and enamelware, Twelve foreign technicians were employed even in 1970, six years after the commencement of manufacturing operations and Rs. 889,000 had been paid by way of salaries during the three years 1968–70, although local personnel had acquired the necessary skill and expertise to manage the industry on their own.

(14) *Technical services fees* have also been remitted to parent firms even though no new innovations were introduced in the process technology, as was in the case of the oxy-acetylene industry.

(15) Apart from the readily identified direct costs the *indirect costs of technology transfer* have also been substantial. These arose by way of excessive prices for plant and equipment as well as raw materials, and through foreign exchange leakage that has or is likely to have occurred with the connivance of the local partners. Besides, overpricing of imported inputs was strikingly evident in cases where they have been tied to specific sources. The cost increases ranged from 5% to 10%. But there was a glaring example in the case of sulphuric acid imported by two firms manufacturing galvanised iron sheets where the cost difference was around 300%.

(16) Collaborators often charged higher prices on plant and machinery supplied as part of the contractual agreements, facilitated by the inadequacy of knowledge on the part of local personnel in regard to the technolgy and the market for capital goods. There was also evidence of considerable cost differences in respect of machinery supplied by collaborators from the same countries manufacturing the same products and possessing identical capacities. This was evident in the galvanised Iron Industry where the cost difference for machinery obtained from the same source - Japan - was of an order of Rs. 497,000.

(17) Additional costs were sustained when collaborators knowingly supplied *inappropriate plant* machinery as well as technology and the local participants were compelled to modify them to suit local manufacturing purposes. Such a situation arose in the case of the electric bulb manufacturing enterprise. The Ceylonese staff have been strongly critical of the quality of the machinery provided.

(18) *Reconditioned equipment* have been supplied as if they were new as it happened in the case of enterprises manufacturing automobile batteries and electric bulbs. While initial direct costs of technology transfer were enchanced on account of the higher prices, subsequent costs were incurred when replacements had to be effected at shorter than normal intervals. Furthermore, due to the supply of equipment obsolete by prevailing world standards, large stocks of spares have had to be held, blocking much needed foreign exchange in the process.

(19) *Profits*: were extraodinarily high in certain areas of activities. As a case in point, the firm manufacturing sewing machines earned 103% in 1968 and 1969 and 92% in 1970 respectively while that manufacturing kerosene oil stoves and enamelware earned 81% in 1968. Often the majority of enterprises examined

earned on an average of 50-60% profit. This suggested that the local market had been considerably exploited, particularly since the larger portion of the profits was expatriated.

(20) There was general reluctance on the part of foreign collaborators to reduce the foreign content of raw materials; to provide facilities for the training of local personnel both to take over management and to acquire technical know-how. In short, they were not interested in the development of the domestic industrial sector.

The Tyre and the Tube project

Apparently the form and manner in which technology was obtained for the public sector from socialist countries differed substantially from that obtained for the private sector from private enterprises of the market economies. The distinguishing positive features of collaborations with socialist countries as evident from the examination of the Tyre Project could be summarised as follows:

(1) Socialist countries offered a complete package of technology.

(2) There was relatively free access to technology. Sri Lanka personnel were given the opportunity to acquire all available technical know-how relevant to the plant(s) set up.

(3) No restrictive conditions were laid in regard to procurement of raw materials or marketing of products abroad.

(4) In regard to the Tyre Project there were no conditions that imposed constraints on future policies of the Sri Lanka Tyre Corporation in the direction of technical collaboration with other parties.

(5) There was the genuine concern for creating the local technical capability for running the plant as well as establishing the research and development aspects of each plant to ensure the growth of technology.

(6) The USSR agencies were particular to provide the Tyre project with the best available plant, machinery and equipment. As such, the plant included equipment purchased from U. K., G. D. R., Poland and Sweden, countries from both market and socialist countries.

(7) Socialist countries were generous as regards their aid. Loans carried lesser rates of interest and were repayable over longer periods of time than would be allowed by capitalist economies.

The *negative features* in respect of the Tyre and Tube Project are:-

(1) The pre-investment studies did not employ the methodology of project evaluation including market research and analysis that form part of project appraisal as made by the consulting firms of market economies. The result was a certain degree of over-investment in utilities and plants.

(2) While there was anxiety on the part of the USSR agencies to take all necessary safeguards to ensure the successful operation of the plant, yet in the process, the element of cost and the strict exercise of economy did not receive the priority and attention that they deserved. For instance, the Sri Lanka team of experts by way of economies desired one internal mixer instead of the two suggested and desired the recirculation of treated cold water, and wanted to avoid the north-light roof construction. The U.S.S.R. experts were not agreeable to the latter two suggestions.

(3) There was excessive expenditure on the training of local operative grades in the U. S. S. R. Rs. 800,000 was incurred on that score.

(4) A common feature in projects implemented with aid from socialist countries was the unusually large number of foreign specialists sent for the implementation of the project. This meant additional avoidable costs.

(5) There were suspicions voiced that some of the equipment obtained from non U. S. S. R. sources were reconditioned items, but these allegations were unsubstantiated.

(6) The supply of equipment from different sources however had other disadvantages. Direct purchase from the original source might have reduced the price. Additional expenditure on transport was incurred since the items were shipped from the Soviet Union. More important, however, were the problems connected with the servicing and maintenance of those items after installation. The Tyre Corporation had to correspond direct with the original suppliers in connection with spares as well as other problems that arose and the service was not always as prompt as it might otherwise have been. Furthermore, the local project has had to carry large stocks of spares. Supplies of spares for maintenance even in respect of items supplied by the agencies in the U.S.S.R. was unduly delayed because the U. S. S. R. system was not as

yet adapted for prompt post-sales servicing as in the case of market economies. Here again, unusually large stocks of spares had to be held tying up capital investments.

(7) The negotiations on the cost of the Tyre Plant raised a number of problems. First, the U. S. S. R. agencies did not itemise the price of each piece of equipment. The prices were expressed in terms of tonnage. The different items were grouped under a few broad categories. and as such, a detailed analysis and comparison of prices were therefore not possible.

(8) A recent study published by the Central Bank of Ceylon in comparing the capital costs of the Sri Lanka Tyre Factory with similiar factories established in India, Thailand and Singapore suggests that the costs incurred by Sri Lanka have been comparatively high. However, in the absence of detailed figures for these factories, it would be difficult to arrive at a firm conclusion. Nevertheless, it has to be pointed out that the block prices quoted by the Soviet authorities did not provide an adequate and detailed basis for informed bargaining.

(9) The lack of better formulation of operational plans led to the lowering of effective plant capacity of the factory. It was said that the expansion of output to include a wider range of tyre sizes took approximately three years from the date production commenced. This was due to the non-availability of moulds to produce tyres of different sizes that were in demand locally, and the U. S. S. R. agencies had failed to provide for such an eventuality.

(10) It would appear that from the point of view of foreign exchange costs alone the contribution that the Tyre Project would have made is marginal.

Institutional Framework for the Transfer of and Development of Technology

It was apparent that the absence of an efficient machinery for the evaluation, approval and regulation of industrial ventures had been one of the main shortcomings related to the development of industry in Sri Lanka.

The manpower resources available to the Ministry of Industries does not enable it to do a searching and thorough analysis of the various industrial proposals that are put up to it. These proposals extend over the whole range of industries and include the vast diversity of products and technical processes. It would be difficult for the Ministry to aim at building up sufficient expertise which would enable it to rely extremely on its own staff for competent project appraisals over the entire range. At present the staff that have been given the task of project evaluation are largely drawn from among enonomists. Naturally, in the absence of technological expertise, the in-depth analysis of technological processes, the line of production and the choice of equipment, the costs of machines, engineering designs have not been undertaken to that extent that would have been desirable. In recent years efforts have been made to regulate the payment of royalties, licenses and technical fees. But other elements of transfer of technology are not being evaluated as part of a system of project appraisal.

The procedure for project formulation and appraisal in regard to public sector projects is more elaborate and intensive. The Ministry of Industries would convene a panel of experts whose report if accepted by the Ministry, will be recommended for final approval by the Cabinet. But here again, it should be admitted that these teams were 'ad hoc' bodies and are assembled for the analysis of a specific project. Thereafter they are disbanded. In the absence of an institutional set-up there is little systematic and continuing effort to assemble and accumulate the knowledge and experience gained at every stage.

To the private sector entrepreneur the sources to which he could go for assistance in formulating the project and negotiating with his foreign collaborator where there was such collaboration were limited. There were no well established industrial consulting agencies which could perform this task for him.

In recent years a few institutions have been set up to provide local enterprises the means to secure indigenous technical assistance. The Ceylon Institute of Scientific and Industrial Research is essentially such an instrument. The other is the Industrial Development Board, which has been required to foster industrial research with the objective of utilising the natural resources of the country. In 1974 the National Engineering Research & Development Centre for Sri Lanka was set up. It is expected to promote the local adaptation of imported technologies, the creation of national technologies and help formation of skilled manpower. But it is too early to comment on the impact that they have had or could have on the technological development process in the country.

Besides these organisations, research activities have been undertaken by agencies such as the Rubber Research; Tea Research, and Coconut Research Institutes on problems related to their respective trades. Government Departments such as Irrigation, Fisheries, and Agriculture have their own research units. Public Corporations such as Tyre & Tubes, Petroleum, Paranthan Chemicals too run their independent, well equipped research units. In the private sector too certain industries are deeply involved in industrial research. However, co-ordination between the various research units is poor and in many instances efforts are duplicated.

Sri Lanka's industrial property laws have, instead of promoting local innovative skills and initiative, stifled them and seriously impeded the country's technological development. The Patent Ordinance of 1906 considerably favoured foreign firms vis-a-vis local industrialists.

The foregoing account would indicate the main gaps in the existing set-up in regard to regulation and analysis of the transfer of technology. What is urgently required is an institutionalised form for the accumulation of know-how and experience specific to the transfer of technology. What is particularly unfortunate is that valuable experience and knowledge gained in the course of developing a particular project is often lost when the personnel who were involved in the negotiations are either transferred from the organisation concerned or leave its service for other reasons. As already mentioned, the negotiations are once-and-for-all ad-hoc exercises and the experience gained through them is not incorporated into any system of knoweledge. For example, even on matters such as competitive bidding for the procurement of plant guidelines have not been worked out in adequate detail in respect of industrial projects which take into account the numerous complexities that are specific to industrial projects.

The improvement of existing machinery so as to include a more thorough appraisal of the various elements in the packages of technology that have been transferred to the country requires action on several parts. First, it would be necessary to strengthen the units which now undertake the appraisal and evaluation of projects. The main unit which would perform the function of evaluating the transfer of technology would be most approximately located within the Ministry of Industries. Before the installation of such a unit, it would be useful to organise a working group which would closely examine and analyse the existing system and the capacity in so far as it relates to the regulation of technology transfer. Such a working group could also undertake the very necessary tasks of reviewing past experience and collating information and knowledge gathered in the process of the negotiations conducted on the wide range of public sector projects in the past. Similar information should be collected for a selected range of private sector industries. For this purpose, the work already completed in this study could be suitably extended. Such a unit would also work out the system whereby the lessons obtained form technology transfers in both the public as well as in the private sector will be systematically documented and available for future reference. The resources of existing institutions such as the C. I. S. I. R., the Industrial Development Board, the National Institute of Management and the National Science Council should be harnessed in deepening and extending the knowledge - base pertaining to the transfer of technology. A unit such as envisaged here could be the focal point from which signals could be transmitted to different research organisations such as the C.I.S.I.R. for programmes of research and development on those aspects of technology which could lead to a reduction of technological dependence. One of the first tasks of such a unit should be the preparation of a comprehensive set of guidelines which would specifically address itself to the methods for analysing and "unpackaging" the transfers of technology. These guidelines should be prepared with a view to assisting investors and project formulators both in the private and public sectors so as to enhance their capability to protect the national interests in the negotiations for the transfer of technology.

Many questions emerge from the above discussion

(1) It is evident that the contribution of foreign collaborators towards the country's industrial development had been *minimal.* The technology transferred had been inappropriate, inadequate and in various ways had failed to meet the desired national objectives. The maximum use of indigenously available raw materials and labour had been neglected and the development of indigenous skills had been forsaken. It is a matter of concern whether such a situation should continue ?

(2) Individual agencies from capitalist economies have been reluctant to provide technical know-how in fields of activities where their own interests were likely to clash with local interests. Against such a situation socialist countries were willing to assist us. Furthermore, the conditions of collaboration of the latter, notwithstanding certain misgivings, appear more favourable than those offered by capitalist agencies. Under such a situation would it not be advantageous for Sri Lanka to look to assistance from socialist countries for her entire needs ?

(3) Since socialist participation had been up to now on a government to government basis in public sector activities, and in the heavy industrial sector, should not such participation be sought in the private sector of activities and in the small scale industrial sector ?

(4) To what extent are the steps taken to remedy the shortcomings in Sri Lanka's industrial property laws adequate to encourage the development of indigenous skills ? Up to now these laws have instead of promoting local innovative skills and initiative stifled them considerably favouring foreign firms.

MULTINATIONALS AND THEIR POLITICAL AND SOCIO-ECONOMIC IMPLICATIONS

BERNARD SOYSA, M.P.

Multinational Corporations have been discussed at national and international levels, in the developed world and at 3rd World Conferences, with the result that the output of literature on the Multinational Corporations has been so vast as to cause a threat of paper pollution !

At the discussion of the Commonwealth Heads of States at Ottawa in 1973, the position was taken that there is a need for a code of behaviour to be observed by Multinational Corporations if developing countries are to have dealings with them. It appears that some kind of code could be evolved for developing countries to deal with Multinational Corporations.

There are *different approaches* to the problem of Multinational Corporations. Some would say that we cannot do without them, so let us accept them. Another group would maintain that they are exploiters and therefore bad, but they are the repositories of capital and technology and they control the world markets, hence we cannot do without them; so we should come to terms with them.

I dislike Multinational Corporations and do not want them to come in. But in certain cases you may deal with one or other foreign company, provided your economy is strong enough and the controls are strong. We can make use of their technology provided they come in as a turn-key investment and we make sure that we are not saddled with dud machinery. But by the time we have defined our defences, no Multinationl Corporation would be prepared to come in on these terms, unless they think that they could find loop-holes to get past even these laws.

Behaviour of M. N. Cs in Sri Lanka

The Auditor - General's Report of 1970/71 contains the findings of a study of 12 firms. It points out that provision for depreciation has been negligible, that high profits have been earned and repatriated due to tax concessions meant for local industralists. The return on capital has been between 100% - 136%, while the average annual dividend has been between 40% - 65%. Dividends as a percentage of foreign investment were in the range of 536%, 425%, 307%, 44%, etc. Dealing with the foreign exchange aspect, the report states that "no rigid criteria had been applied concerning foreign investment". The result has been that we do not have industries for the industrial development of the country, but industries for raking in maximum profits for the investors by manipulating tax concessions originally meant to encourage local industries. The Multinational Corporations bring in their technology in a packaged form and we get their capital, machinery, spare parts, raw materials and technical services at prices determined by them, so that we have to obtain loans to pay for them, and the remittances that follow are many times larger than the capital invested. Our company law is very primitive. It helps the companies to take away funds from here.

The Social and other implications of their impact have been a sad tale in many countries. Honduras, Costa Rica, Hong Kong, Macao etc. have been in the grip of laws passed by the Multinational Corporations The "Banana Republics" of Latin America were controlled by the United Fruit Co. which exploited the rich resources and cheap labour, while repressing popular movements by resorting even to 'blood baths'. The Allende affair is now past history but it unfolds a sordid story of *I. T. T.* and *C. I. A.* operators in Chile. World War II provided a means for accumulating profits for the Multinational Corporations.The great military complex built up by them controlled even the Pentagon. Armament manufacturers went to the extent of providing holidays and shooting trips to members of the administration and defence chiefs.

In the 19th century the big companies were family concerns of Ford, Rockefeller, Mellon and Pierpont Morgan, who, as head of General Electric, hired Al Capone and his thugs to shoot down strikers. The I. B. M. which was started by a man whose motto was "think" and produced devices to eliminate thinking, is one of the very few corporate bodies with one man at the apex. The pattern has somewhat changed in modern times. With the advances made in the science of management, family concerns have become less important and the business technocrats rule the modern companies. The line of authority is quite complex with decentralisation at the periphery, yet the vital economic decisions are taken at the centre with repercussions all over the globe, and it is for this reason that we may find the same soap suds flowing down the Irrawady, the Ganges or the Mahaweli.

M. N. Cs Determine Prices

The Multinational Corporations were now international in their organisation and technocracy. Their operations covered several fields simultaneously — industry, banking, mass media, hoteliering, insurance and consumer goods Through superior market intelligence the Multinational Corporations were able to control prices in the international market.

Price is no longer solely determined by the interplay of supply and demand, There are other factors which dominate the price mechanism, namely the decisions taken by the giant Multinational Corporations. Their determinants are - Where is it cheapest to invest, where is the tax system most favourable, where is it most profitable to insure, where is the political climate most stable or the goodwill climate most cordial ? Brooke Bond Liebig control Tea, Coffee and meat, and they make their decisions on the basis of the market intelligence provided by their highly advanced market research. But Sri Lanka, which provides the tea and is a buying-selling economy, does not possess any market intelligence service worth the name in either aspect,. Hence we are exploited because the Multinational Corporations control the market as well as the price., They charge more and more for their imported capital goods but gives us less and less for our export products.

Tourism is a form of exploitation of the Third World, because our low living standards and cheap labour are exploited to enable the tourists to enjoy a comparatively cheaper holiday here, compared to the prices in the developed countries. The *brain drain* from our shores is a result of the international wage structure. The Multinational Corporations help the developed countries to offer higher salaries combined with a wide range of consumer goods which attract the doctors, engineers, accountants etc. of the less developed countries, with the nett result that we are losing-skills. This is another aspect of the international exploitation of labour.

Consumer Values

The hypnotism of consumer values has gripped the entire world today, due to the insidious propaganda of the Multinational Corporations. Their logic is 'invest more — to produce more—to sell more - to earn more - to invest more'. Thus the Multinational Corporations create a surplus of production which cannot be absorbed by the consumer elite. Therefore war and waste are encouraged to generate consumption, Every form of Mass Media is deployed in their advertising campaigns to create a demand for the products they put out, in the Cinema halls for instance, we have to face the ordeal of advertisements being hurled at us for 1/3 of the time and that at our expense too. When the advertising media is thus unscrupulously used for amassing profits, then there is a debasing of values. The Multinational Corporations encourage and exploit a consumer elite. The gap between the rich and the poor is thus widened and the alienation of society is aggravated. Consumerism has thus become a basic social crime of the multinational Corporations.

From the point of view of *economic development* our dealings with the Multinational Corporations have been far from satisfactory, as seen for instance in the negotiations for Government participation with Leyland Motors. They had set up Ashok Leylands in India with discarded machinery from Scotland and they dragged on negotiations with the Sri Lanka government over a number of years at a time when Mercedes Benz were also negotiating to come in. Meanwhile the Government purchased second-hand Leyland buses and, when Benz lost interest in coming over, Leylands backed out and we were left without a factory.

I am not against buying technology from the Multinationals on the basis of a turn-key investment. For then the investment is ours. But when it comes to capital participation it is quite a different matter. The Anglo-Swedish Match Co. came to Sri Lanka on such a basis and killed local competition by undercutting the local firm, H. Don Carolis & Co., who had originally established the match industry in this land.

Enquire into M. N. C. Operations

I agree with the idea that there should be an inquiry into the operations of Multinational Corporations already operating in Sri Lanka, before we invite new ones.

Nestles may not wish to call themselves Swiss or even transnational, but they prefer to speak of "Nestles' Citizens" However the fact remains that the majority of Multinational Corporations are American based. Having lost Vietnam they are looking out for new areas in which to operate and there is hardly a doubt that they intend coming our way. The American militarization of Diego Garcia is a pointer to U. S. interests in the vital sea lanes of commerce, which have to be kept open for Multinational Corporations to operate. The rapidly expanding economies of the world have ear marked the 'Heartland of Asia' which has immense natural resources, cheap labour, and large markets as potential centres for their operations, and for this purpose the Pacific Area Command will dominate the sea lanes from East to West.

I have grave doubts whether we could live with the Multinational Corporations without the complete subservience of our life and culture to these giant corporations.

MULTINATIONALS AND THE WORKING CLASS

A. AZIZ, M.P.

It is an axiomatic truth that all who hold power must account to a higher authority. Even Governments of super-powers must account for the exercise of their powers to the people in internal affairs and to world public opinion in their external relations. But unfortunately, the multinationals need not account to any one for their activities. This is a peculiar by-product of the technological revolution which within the capitalist framework has given rise to the formation of private Corporations. A statesman derives his authority from public endorsement; But a Corporation Director derives his authority by virtue of holding that post and not by endorsement by the share-holders. His only object is to show increased dividends and growing profits which justify his activities as a technocrat or manager. It is extremely difficult to negotiate with such technocratic managers. They will not hesitate to close down plants and hit back with lock-outs and retrenchment. They cannot agree to sacrifice part of the profit. It is difficult also to enter into collective bargaining with them. They will have all the knowledge and all the necessary information and the Trade Unions will know nothing or very little about them. No Trade Union can effectively bargain with them on the basis of equality.

Multinational Corporations are Anti-Working Class.

Fundamentally, in the view of Marxists, profits represent exploitation of labour. Therefore, institutions that exist and continue to expand with the sole purpose of increasing profits and obtaining the highest possible profits are undoubtedly a lethal instrument of exploitation of the working class. Theoretically, therefore, Multinational Corporations - all of them without exception - exploit the workers and exploit them throughout the world. Working classes throughout the world comprise the bulk of humanity. If the aim of Multinationals is as I have said earlier 'maximum profit on a Global scale', then clearly they are a menace to humanity because they operate in a world where their activities are not controlled and where their instruments of exploitation are sharp and efficient and where their pressure on consumers are very high. Because of the concentration of capital and technology they control humanity from both ends of the production line as workers and as consumers. Because of the technological requirements of enormous capital, they wipe out competitors and represent a frightening process of capital concentration.

In Search of Cheap Labour

As directly opposed to these super instruments of economic exploitation are the working classes of the world. When the Multinational Corporations realize that higher production and advantages namely, profit, can be obtained where labour is cheap they move out to those areas. Multinational Corporations based in the USA or based in the EEC countries move out to Asia, Africa and Latin America — the underdeveloped regions of the world primarily because of cheap labour. This is evidenced by the fact that in recent years Fair Child Camera and Texas Instruments have settled in Hongkong to take advantage of a labour pool in which 60% of the adults work a seven-day week and which includes 34,000 children aged 14 and under, half of whom work 10 or more hours a day. In this single example of exploitation in Hongkong, one can see how gruesome is the exploitation of human resources. Exploitation of this type reduces human beings as mere appendages to a machine complex. There is no cultural development, there is no educational advancement; there is only a total involvement in the production process. This is a case of wage slavery, where powerful economic combines are able to impose with ease on areas of the world where there is large-scale unemployment.

Against Trade Union Rights

Very often Multinational Corporations demand certain preconditions to bring in their technology and capital. One such demand they had made (Rollie Camera) at Singapore is that the Government must assure a strike free situation for a period of 2 or three years. Singapore has agreed to such a strange request and curbs trade union activities in order to help unhampered exploitation by Multinationals! This is one of the evil effects of Multinationals on organized labour around the world.

Since Multinationals come in search of advantages and not to confer benefits on the poor population of the country, they would wish to *create collusive trade union movements* or if that is not possible to entirely suppress the trade union movement. They do it in a variety of ways. In the first place there are restrictions imposed on trade union rights. This practice is very common in the Plantations. The management encourages particular trade unions which are collusive and submissive, and resist others. Big economic combines are in a position to *corrupt trade union officials.*

The second method as I had alluded to earlier is the demand that there be no strikes for a specified period. This stipulation would deprive the working class of its most effective weapons.

Divide the Working Class.

They categorically suppress and favour certain categories as against others thereby *bringing about disunity in the trade union movement.* There is another method of bringing about disunity in the trade union movement. Most of the Multinational Corporations. have at their command. tremendous financial advantages, super technology and global markets, They could afford to pay higher wage levels to their workers. Through such economic blandishments as higher wages and a large number of fringe benefits such as free transport, of schooling etc. they *create an elite working class.* Such a creation combined with foreign cultural influences alienate employees of Multinational Corporations so as to make them a separate group from their brethren in the rest of the country. This is a method by which Multinationals divide the unity of the working class. They generate "black legs" among the working class.

Yet another serious threat to organized labour is in the form of their enormous capacity to resist pressure from trade unions. They are in a position to close down plants whenever they wish. This *shift of plant* from one region to another with consequence of unemployment has a tremendous intimidatory effect in the trade union movement. In the words of a famous author, "Corporate organisation on a global scale is undercutting the power of organised labour everywhere. These run-away shops have been responsible for a net loss of 500,000 jobs in the USA between 1966 and 1969. While unemployment is mounting in the US, US companies are making components in Mexico - one mile away from the US border and are creating employment to the tune of 50,000. This is a glaring example of exploitation of cheap labour which to unsuspecting individuals appears to be creation of employment.

The large sized Multinational Corporations also suffocate the development of small national firms by their dominant economic powers. Through this suffocation, they create unemployment and make the working class entirely dependent on a monster whose attraction is to come in because labour can be bought cheap. The moment labour becomes expensive they shift their plant to another region where labour is cheap. These practices clearly bring out the nefarious activities of Multinationals in *dividing and suppressing and exploiting the working class.* The working class will have to endeavour to capture the power of the State in order to better its conditions. The Multinationals will want to perpetrate friendly and subservient regimes which will aid and abet in their exploitation. They therefore confront the working class in the political field as well as use the power of capital to corrupt and disrupt elections to bring about the Government they want, even if it is against the interest of the nation or its people.

One glaring and homely example is when the S. L. F. P, Government nationalised the American Oil companies in 1963-64 and refused to pay compensation. It is claimed that this act was responsible to bring about a change of Government in 1965, whose first principal act was to pay compensation to the American Oil Companies and restore the American aid which was cut off following the nationalisation of the oil companies. Before nationalization Shell Company in Sri Lanka used to over-invoice the imports so that the profits shown were less than what were really earned. These profits were located outside the control of the taxation of this country. Even then their profits were quite high.

The experience of the working class in the plantations of Sri Lanka is one of inhuman and long term exploitation by the Multinational Corporations that dominate the world Tea and Rubber industries. Almost everything connected with the lives of the workers was subject to a complete exploitation, to a sucking of their blood. The devastating effects of the Multinational Corporations on the plantations is enough proof for the working class in this country and any developing country to beware of the myth that the multinationals are the friends of the working class. The highest death rate is in the plantations, the infant mortality rate is also very high, while wage and living conditions and health facilities are far below accepted standards.

Even if we know what Multinational Corporations are, can we control them? The entire political structure and political movements in developing countries have been marked by the struggles between the haves and have-nots. We cannot control even our own vested interests - in spite of the knowledge we have of them. How can we then control the Multinational Corporations? They run like parallel governments. Therefore their structure, their motivations, the purpose for which they come are only for exploitation and profit. They would do everything in their power to preserve and encourage their profits.

The effective answer to this global threat to the well-being of man is international solidarity of the working class. When capital becomes internationalized labour should also do the same. The inevitable confrontation between capital and labour may be brought about if labour reacts through closer international solidarity and effective trade union strategies transcending national boundries.

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COST TO SRI LANKA

The report from Sri Lanka to the UNCTAD study gives some significant data. The Sri Lanka reply studied 79 contracts involving the transfer of technology to Sri Lanka. Of these 23 were majority foreign owned and 23 wholly nationally owned (p. 26). Payments by Sri Lanka for Transfer of Technology (PTT) in 1965, 2 million dollars, in 1970 9.3 million dollars (p. 26).

In 1970 payment for patents, licences, know-how, and trade marks was 0.1 million dollars; while management and other services involved a payment of 9.2 million dollars.

The PTT of 9.3 million dollars was 0.42% of our gross domestic product (GDP) of 2,200 million dollars and 2.8% of our export earnings of 300 million dollars. This figure is also given in the U.N. Report on Multinational Corporations in World Development, Praeger, N.Y. 1974 p. 1977.

The amount paid as P.T.T. has been growing very rapidly between 1965 and 1970 by an annual average growth rate of 36%. Whereas the G.D.P. manufacturing output grew by 8.6% and gross domestic product G.D.P by 3.9%. The growth in payment for technology was 9.2 times more than growth of G.D.P. This is a very high rate even among "developing" countries.

It is possible that the payment may have decreased between 1970–1976, though we lack the data.

Assuming these figures as correct, we in Sri Lanka have to ask ourselves: how is it that we paid out so much as direct payment for transfer of technology i·e. excluding raw material costs and remittance of dividends ? 9.2 million dollars is about Rs. 60 million (without FEECs). What would have been the possibility of developing our own technology if we spent about Rs. 300 million more on research done by us.

MULTI OR TRANSNATIONALS (TNC's)

– IN RURAL SHOW CASES

– in a few places in Uva. SRI LANKA

SEVAKA FREDERICK L. PERERA
SEVAKA MICHAEL P. RODRIGO, O.M.I.

The initiative as regards this study of multinationals is highly to be praised, but one wonders if we would ever get down to the real misery and the tragedy in rural Sri Lanka, especially in places where the goods of these giant corporations are being sold, pushed and peddled around.

Interviews were made with shop owners and salesman in the following urban and rural areas: Bandarawela, Welimada, Lunugala, Haputale, Badulla and Passara as well as with school-children and adults of the Bandarawela area.

I. DEALERS INTERVIEWED

Ten to fifteen leading shop-owners were interviewed. Almost all the areas declared:

- *sales are very good in relation to Levers and Batas.*
- *many estate people (workers) and rural folk come to purchase goods.*
- *the main item of sale is soap. The second is a pair of slippers.*
- *estate workers buy slippers for their children. It so happens that, in the measure that estate children are now diverted to town schools, for the sake of social integration, they have to buy slippers, however poor they are.*
- *Salespeople say that quite frequently parents "quote the newspaper in which they saw the advert," either by themselves or their children, or it was narrated to them by their children who had heard it at school.*

- *children seem to demand THAT kind of shoe or toothpaste and parents do not want to see that they are less generous than their neighbours towards their children. Children often say: "Others in school wear, so I to MUST wear them".*

- *On the other hand, girls are obliged to wear white shoes in the girls' schools in the towns and Batas have a ready sale. Stocks go down and the sales go up.*

Customers interviewed:

A farmer in his 'fifties said in January 76 at Kebiliwela, a suburb of the town of Bandarawela' in our day, we used to take a king-coconut stem as our fathers did, and brushed our teeth with it or we used charcoal or brick-powder". An estate-worker used tea-root or charcoal and his teeth were in good condition. Besides, "we have no money to buy SR and other toothpastes which our children keep on demanding".

Despite the ubiquity of these goods, there seems to be a rural-urban tussle - unhealthy and unwise - between the older generation's desires and the younger set of student's likes. Perhaps there is no awareness and the teachers do not have the know-how and the necessary macro-analysis in order to educate the students to be critical in their use of multi-national enterprise goods. In this we seem to be very far from making a critical generation of people. Isn't "Education meant to help people resist manipulation by mass-media or by political powers" ? Isn't it meant to help "people take control of their own destinies, to create communities that are genuinely human" ? (*Synod of Justice* 1971 October, Rome).

Rural teachers of Uva: *used to Lever products; buy them for convenience. Alternate with use of local Dimuthu, Gopal, Hareetaki (aralu).*

Town teachers of Uva: *quite used to Lever products and to Maharajah distributed Ponds creams and facial goods, shampoos, scents, Goya goods.*

Older villagers: *used and use stems of Nelun flower, pomegranate peelings, roasted aralu powder. Some deplored the use of SR, Signal etc by their children or grandchildren because they spoil the gums, make teeth misshapen and waste money.*

Younger people especially school children: *our parents used the whole gamut from gall-nut to King-coconut stems or "dahiya", but we use toothpaste because they are easily purchased, have nice flavours, pleasant taste, are labour -saving and are commonly used.*

2. A WORD ON FERTILIZER: PROPHECIES COMING TRUE ?

A common feature in Uva towns and rural areas is the brightly coloured Lankem (Shell) poster advertising fertilizer. Few people know that the 1954 Report of the Agriculture Committee pushed a new program that will develop free enterprise in developing countries. Here is the text:

> The agricultural development of under developed nations affords this country (USA) perhaps its best opportunity in all history to expand the foreign markets for American products. New billions of dollars worth of manufactured goods should cross the seas........ The US should recover the costs of financing its leadership in the world war on hunger, It should get back in dollars and cents in the long run, as much as, or more than it invests." (Report, 1954). Quotation from C. R. Hensman's Rich vs Poor, p. 255.

Twenty-two years later, rural Sri Lanka feels the impact of the truth of these words, as she depends rather heavily on foreign fertilizer. The CIC, Haychem, Lankem and Baurs are in the field in rural Uva. Urea, so much insisted upon, is today 70 cts. a lb. (10th March), while it was only 25-40 cts., earlier in the year. If already the USA itself is affected by the "decreasing availability of cheap oil-based fertilizers, growing dangers of pesticides, and increased susceptibility of monocultured 'miracle' grains to devastation by disease, one wonders if she will not pass all this on to rural Sri Lanka.

3. BATA AND THE OUSTING OF OUR RURAL SHOEMAKERS

With a few ounces of our own rubber, our own men, and a technical know-how that is not costly, Batas rule the roost in shoes, in rural areas.

The simple, unsophisticated wooden pair of clogs with its single leather strap across, once kept our dignity as Sri Lankans, even if there was the sound of clipety-clop. Decent leather slippers which were the pride of the rural or estate cobbler were well-made, well-worn and repairs were few and far between. The Bata slipper has no possibility of repair. It is just discarded when the rubber knot gives way. It is irreparable. So is the dent it has made on our economy and our shoe and slipper habits from urban to rural Sri Lanka. Bata thrives on manipulation of the human mind by undue advertising, on untrue pricing,

No one bothers about tropical heat. No one, except a few doctors - even now in Uva - suggest that "it would be a good thing not to wear rubber shoes. It is bad for the eyes." These cautions and precautions are not uttered too loud, because the money and the greed can expunge the truth and silence even good persons. The rich in the town areas and in the city areas go in for hockey boots and succumb to the advert: "Sporty shoes for the sporty". Furthermore, six times in January this year, Batas advertised a so-called new brand: HAWAII which has no difference either in shape or quality to the previous pairs advertised. Some gullible country-folk, especially the school-children easily fall for this type of advertising, and many a rural parent, rather than challenge the children, reluctantly buy them the shoe or the slipper in question.

4. MULTINATIONALS OR TNC'S DO NOT CREATE EMPLOYMENT IN RURAL AREAS

Uva people are literate. Of 4696 students who took up the GCE O' (exam) in 1975, 2088 passed and 942 obtained credits which is about 75%.

There are only 9 firms *in* Uva. It is true that Uva is fast developing, but the MNC's do not seem to be contributing to the employment pattern of the area. Why not produce the toothpaste with local skills within the area itself? Why get the tea blended and packed in Colombo or outside the country and why not in Uva itself? Why send Moneragala rubber to Colombo for processing, and why not use local skills to produce local slippers, if needed? Why not continue to deepen and situate the sugarcane industry in Haldumulla - giving employment not only to growers of sugar-cane (slow but rewarding crop) but also to the subsidiary products of sugarcane which will assure round-the-year employment to many more? Civilization *has* advanced but our plea is that at least the intermediate stages could be done in the provinces and rural areas rather than have a total centralization in the capital city. Village vegetables are taken away to Colombo and not much capital comes in. There is no industrial growth. Didn't Chairman Mao say something useful and noble when he said that agriculture and industry are the two legs on which man must walk?

Take Tobacco: over a hundred acres or so are cultivated in Moneragala, Randeniya, Wellawaya, Bibile and other places. The Hali-Ella collecting centre of the CTC gathers it all and sends it to Colombo. Only 1749 workers roll the leaf and vans distribute the cigarettes all over the island. Why could not even part of the paper wrapping be done *in* Uva? The raw material is available, if only to guess from the large and quality-type leaf in Uva, the men are available, but no MNC is interested in processing in Uva. All this talk about cancer of the lung and therefore no-smoking prohibition seem only for the City cinema halls and the city buses- In Uva, buses are one big travelling smoking - room, and cinema halls a large smoking hall. The bureaucratic, centralizing machine of Colombo is important, rural man seems relatively unimportant except at election time, Colombo pays 24 cts for a cigarette; so does rural Uva, so does any other part of the country. but the amenities are for Colombo only. Why ?

Leather slippers, shoes:

There are 19 leather shoe and slipper units (one man or a few together) in Badulla District of Uva, and one single unit in Moneragala (acc. to 1971 Census Data). What guarantee is there that they would continue in the face of rabid advertising of Shoe companies ?

Limes, other citrus fruits:

While a 1000 limes are sold for Rs. 2 at Mahiyangana (our survey of May 1975) in the north of Uva, to mudalalis, who eventually sell it to Colombo and to the consumer at 15 cts a lime, we still have no local provision made for the sale of our limes, oranges (Bibile) and other citrus fruits which abound in the rich soil of East Uva.

Pastels, Crayons

Or take Kadurugama at Haputalegama, where Kadurugama Mahavidyalaya has discovered veins of coloured earth in the area, suitable for pastels, crayons, "samara", distempers, shoe polish, water colours and even 'tempera colours'.

After two or three years of hard, painstaksng work, lack of subsidising such a move with a fair balance of labour intensiveness and capital - intensiveness has led the pupils to feel frustrated.

It is true, too that in a re-developing country like ours, attempts are being made in some areas to counter multi-nationals with *some appropriate technology*, The labour intensive idea is excellent, but here again, there is much more to it, such as standards, prices, equitable sales, use of raw material from the area, training programmes and the like. As for running counter to Multi-nationals with a few unorganised sporadic efforts of this kind is like a belch in a storm but a step in the right direction.

Furthermore, the rural areas must be taken into the discussion. Enough of a centralised bureaucracy that sends its minions down to the remotest areas to teach the villager, the so called ignorant peasant, and not to learn from him. Colombo will continue to have an academic (and vested) interest in rural Sri Lanka as inheritors of the British love for the commercial capital, somewhat wedded to the financial elite of most First World countries. So they might fail to understand the thrust of rural Uva. its potential, its powder - keg atmosphere which broke into three rebellions, two in the last century and one as late as 1971.

5. THE RAISING OF STANDARDS

One might expect the maintaining of standards after the Government has taken over certain firms like the BCC, but it is the common opinion that standards *have* fallen with regard to Suvendra, Sandalwood, Kohomba and Sovereign bar soap. Shop-dealers and customers seem to agree in that standards have fallen also in regard to Cook's Joy, White coconut oil, BCC Shaving Soap, Permasharp blades and Champion blades. Every customer wants something useful, hardy and worthwhile for his money.

6. BUILD AWARENESS IN RURAL AREAS TOO, AT ALL LEVELS RE MNCs

If the Education system would take into account non—formal means together with formal means to improve awareness by Macro-analysis or world analysis in and out of the school, there would be a helpful, critically-minded socialism that would be rural-estate-urban and not only urbanised and urbanising as at present. We need to own and control our own political and economic lives, to use our wealth and our resources. We need not only Agricultural colleges and an Agricultural university in what was once Wellassa (in Uva), we need the urge and the fulfilment for serious researches of our own. We need to shed the hypocrisy that fights for a Savings Campaign and for Thrift Societies and then allow our people to buy shoes and slippers with gay abandon every three months with a half baked lie Rs. 8.90 when it is really Rs. 9 but with a minimal cost of less than Rs. 3 per pair, paid for our own rubber, our own moulds, our own acids and decried by both rural and urban doctors as being "bad for the eyes", because the human being is not earthed and rubber is no conductor of electricity. This may or may not be true; but just as there is more research needed for Thermos Flasks and mercury and for aluminium cauldrons, so too we need proper study of what is involved at all levels of the TNC's, in Sri Lanka and the rest of the oppressed, "never – to – be – developed" Third World.

★ ★ ★

"Do the operations of MNCs in the sphere of trade pose a threat to our political sovereignity? It is my belief that our democratic institutions are strong enough to resist subversion from which ever quarter it comes. If the USSR can enter into contracts with MNCs, why can not Sri Lanka?"

Gamini Dissanayake M.P-
on MNCs and National Sovereignty

* * *

"What we really need is to work harder, but under a capitalist set up there is no incentive for hard work. Cambodja a small country like Sri Lanka has struck out on a path of liberation relying on her own resources, we too could follow her example as self-reliance is the only path to liberation."

Harry Abeygunawardene

* * *

"The crux of the problem revolves round the notion of development. What is the model of development we need and what is it we are seeking? Is it the type found in the metropolitan cities of the developed world or is it one rooted in the ethos of our people. Is it the development which benefits the elite 10% or one which benefits the 90% of our people economically, socially and culturally? If it is the latter model that we need, then the MNCs are incapable of providing it."

George Caius

MULTINATIONAL CORPORATIONS AND TRANSFER OF TECHNOLOGY

C. KUMARASURIAR
Minister of Posts and Telecommunications, Sri Lanka

We in Sri Lanka have long been exposed to Multinational Corporations. Was not the East India Company a Multinational Corporation? So were the Tea and Rubber companies and the oil companies.

Net Capital Outflow

If one studies the capital inflow and outflow from Sri Lanka one always comes up against a net outflow since 1948. Successive governments have tried to attract and hold capital here with different types of incentives – but so far unsuccessfully. There is a historical cause for this in the pattern of colonization that took place in our countries. In Canada, Australia and New Zealand, the British colonists were settlers; hence with political independence there was no question of transplanting their capital and assets. On the other hand in countries like India and Sri Lanka when the colonial government withdrew as rulers, the physical links with the colonizers too were gradually cut off. Hence their desire to repatriate capital. Thus we have had a net outflow of assets from Sri Lanka mainly to Britain.

Another aspect of this problem is the foreign exchange cost of the production of import substitutes. It is cheaper to import the goods directly. But if we allow foreign goods to come in, the local industries will be killed. We cannot get foreign exchange without its cost.

Economic Development for whom

An important issue in this connection is, what is the type of economic development that we want? Economic development to be worthwhile must be such as to benefit the farmers, tappers and fishermen who form 90% of our population. I would consider worthwhile economic development any steps that are taken to improve their lot, and not what helps only 10% of entrepreneurs and city dwellers. Many of us watch with interest a capital intensive glass and aluminium development called "industrial development" while we ignore the life of 90% of our population.

Industry has to grow as a service to the mass of the people. On the other hand whatever the multinationals do will be largely for the benefit of the 10%. Unfortunately the preference among the 10% is for the towns. It is difficult to find doctors, D.R.O's or even a Grama Sevaka in the far off villages. We need a change of heart that will accept the change in life styles required for a self reliant pattern of development. Are we ready for the discipline that is called for to achieve this?

We should purchase "experience" but not "expertise", individually or in groups - under the total overall guidance of our technical group. In the Mahaveli Diversion project we called on outsiders only where we did not have the experience. We did not hire a continuing group of foreign consultants, but set up our own permanent group of specialists. We have done likewise for the work on the satellite station .

Investment need not be through Multinational Corporations. Why not borrow through the Banks. A multinational corporation borrows from a bank and does its work. Let us borrow from the banks, as we need some foreign exchange, No one has taken a hard decision on this. We are concerned on how to benefit both sides - the country and those who lend us the foreign exchange.

We do not need a transfer of technology. We have expertise in all fields. We are a highly educated country. We are a very flexible, easily acquisitive people as far as knowledge is concerned. We should acquire experience within our existing structure of technology.

★ ★ ★

"The MNCs are "multi-national" only in the scope of their operations but they are very much national in their ownership and direction, being generally based in the USA and a few in Japan.

Sri Lanka has had central planning under every government, but such planning would be impracticable with multinationals. Japanese MNCs have come over to invest their capital in the ceramic industry because of cheap labour, and raw materials, further the workers are denied basic trade union rights."

Sarath Muttetuwegama M.P.
on MNCs - Developers or Neo-Colonizers?

LOCAL COLLABORATORS OF MULTINATIONALS

TISSA BALASURIYA, O.M.I.

It is not possible for foreign transnational firms to get a foothold in our countries and gradually dominate our economic, social and political life, if there are no willing local collaborators within our own societies. Prior to political independence, political and military power too were on the side of the foreign firms. They could then exploit the colonial peoples more blatantly benefitting from all the advantages of state power.

After Independence the British found new strategies for maintaining their hegemony over our economy. It is in more recent years that Western European, American and Japanese firms have entered Sri Lanka to "develop" us, or rather themselves. One of the ways of defeating the power of independent states trying to stop imports from foreign countries was to set up subsidiaries of foreign firms within the country. Whereas earlier the international firms had mainly an agency for distribution, after Independence they set up local manufacturing units. Thus Batas for footwear, pharmaceutical firms, textiles etc. Others which were already manufacturing developed their enterprises. With exchange control restrictions they made an effort to use local raw materials. This was a next stage of import substitution. Now the foreign firms have to think of export promotion due to the severel balance of payments problems. In all these we have to find out the real net impact of the operations as there is often a differencc between the advertised gains to the country and the real situation. Thus some firms broadcast their earnings from exports but do not mention the cost of imports, or that their contribution to exports is only a certain processing of raw materials produced by others, and marketing.

An Environment of Thinking

Tne multinational firms depend on and foster a climate of thinking that develops dependence on the "developed" Western countries. In addition to the myths about employment, capital and skills mentioned in the introductory article, they propagate other myths concerning development, planning and social justice. Some of these are that –

(a) development is measured by the growth of the gross national product, G.N.P., without adequate analysis of the nature of such growth, its costs and distribution.

(b) Allied to this is the view that economic growth will automatically bring about social justice. There is an absence of analysis about the way in which inequalities are increased or reduced in society.

(c) That the growth of the rich countries helps the poor ones, whereas this might be at the expense of the latter. The whole experience of the world in the past 25 years contradicts this view. The myth of "aid" and foreign investment is a major obstacle to self-reliant development.

(d) that the poor countries can hope to catch up with the rich countries - with only a time lag between them. Here too evidence of recent history proves that the gaps are growing within countries and among them. The poor countries have to take another path of development if they are not to be for ever dependent on the rich.

(e) That the technologies of the "developed" countries are the only form of development. That poor countries cannot do without the research and skills of the multinationals which are the world's bank of technology.

(f) and consequently we have to be open to the world market and international trade, as if the world economic system operated necessarily for the best interests of all.

(g) that the "developed" capitalist and socialist countries are both equally exploitative, and hence there is no advantage in seeking the help of the socialist countries to escape the stranglehold of the rich capitalist ones.

Many groups of persons in the poor countries help the foreign multinational firms. The first and most visible of these are the industrialists, planters and traders who are directly linked to them. The local entrepreneurs derive immediate and direct benefit from collaboration with foreign firms. They ensure a national identity and local business know-how for the MNCs. In countries like Sri Lanka, which are rather socialistically oriented the the MNCs do not sometimes reveal their identity directly. Thus it is not known that Nestles in Ceylon changed their name to Ceylon Nutritional Foods, and that the big synthetic textile firms are linked to Japanese textile giants. Local businessmen find it advantageous to link up with foreign firms due to the many concessions these obtain under the present dispensation.

Economic planners in our countries accepted the earlier mentioned myths for quite some time. They determine policy on the basis that a certain mix of consumer goods is necessary for the country. They therefore plan for the production of less essential goods which an affluent middle class can buy while neglecting the basic needs of food and clothing of the mass of the population. Generally the planners have been nurtured in the traditions of a Western capitalistic economic theory. Their contacts are the professors of the West and the planners of those countries. Their way of life is such that they take it for granted that large income differentials such as 1: 15 have to be provided for in order to have incentives for work in a country. The planners tend to get isolated in their offices, elitist life styles and restricted academic contacts. Their thinking seldom envisages perspectives for a total transformation of the socio-economic structure of the country.

The research in the universities and the teaching too tend to foster these myths and mentalities. The post graduate studies in Economics and sociology are generally done in Britain and the United States. Thus there is a tendency for research projects to fit in with the capitalistic hypothesis. There have however been notable exceptions, but by and large the dominance of the West over the academic community has prevailed. Other research bodies such as in Tea Research, Rubber Research, Coconut Research, Industrial and Scientific Research, Central Bank Research also neglect the social dimension. They are generally concerned with the physical and biological sciences or the economic aspects within a capitalistic framework. Hence there is less of a critique within the intellectual community of the MNCs. It is only in recent years that some dissentient voices may be heard. Thus the planners, researchers and scientists give an indirect support to the MNCs and their dominance over the country's economy.

Other professional groups such as accountants, lawyers, journalists and even artists are also brought into their service by the MNCs. This is made easier by the prevailing values of the capitalistic system. Thus accountants are concerned largely with the correctness of the accounts. They have privileged access to the accounts of the MNCs, but their professional task is understood as a service to the firm that employs them rather than to the consumers or people at large. Their incomes are ultimately derived from the consumers, even when firms pay them quite handsomely. The *lawyers* serve the firms because these can afford very high salaries. The present system according to which the services of lawyers can be bought for money is a great advantage to the giant global combines. Small firms cannot obtain the services of highly competent lawyers, accountants or managers and hence are at a relative disadvantage in a competitive situation. A more fundamental question is the whole legal system that supports private property and the right to its accumulation without much reference to its social responsibilities. The accountancy profession operates on the basis that any amount of profits are justifiable provided these are "legal". Thus unconscionable profits of 100% per year and repatriation of 100% capital each year to the investor country does not provoke an accountant's protest. They merely do the job assigned to them by the system and are well rewarded for it.

Journalists are under the pressure of the proprietors of the newspapers. The advertisers have a hold over the proprietors; and the MNCs are the largest advertisers in the free enterprise countries. Thus the MNCs have an effective control over what is published in the newspapers. It is easier to focus public attention on the weaknesses of politicians or of public enterprises, than to turn a critical eye on large multinational firms. The *artists* too have to earn a living. Artists, specially of the intermediate category are bought up by the big firms to become commercial artists. Musicians become composers of radio jingles, painters become bill board and poster designers. At the world level the big advertising firms such as Grants and Walter Thomsons are themselves multinationals globally related to their MNC clients.

In this way the *newspapers*, the *Radio* and *Television* render a subsidized service to the MNCs. Much of the newspaper and radio advertising is taken up by these firms.

The Cinema too depends much on the advertisers. It has been remarked that about a third of the time within a cinema hall is devoted to presenting the viewers with advertisements.

Governments often subsidize the media in various forms and the MNCs profit from it. The small competitors can do little against the massive and attractive displays by Levers, Batas and Ceylon Tobacco Company. The MNCs can bring pressure against newspapers by threatening to withdraw advertisements. Thus the left wing newspapers and journals have hardly any Ads. Hence their prices have to be higher than those of the more rightwing ones. This dominance of money over the media and the artists, not only distorts the message, but also has a depraving effect on the artists and writers themselves. The commercializing of art is an attack at the finer values of human life. With this it is easier to spread superficial consumeristic values to an entire popuiation. Often within a given system the media personnel and artists have hardly any other choice, due to their own financial needs and the poor patronage for artists.

Bankers help the Multinationals more than small firms because the MNCs are credit-worthy due to their enormous financial backing. MNCs do not need to bring in capital into poor countries. The foreign banks in these places gather local savings and place them at the disposal of MNCs. Thus big agro chemical, textile and footwear firms operate on overdrafts. With local capital they can earn profits and build up their share capital. On the basis of this they claim a right to "repatriate" more dividends. Foreign owned banks in poor countries thus do a signal disservice to the peoples of these countries. The bank managers and higher executives are handsomely rewarded for such services. In this too it is the system of foreign ownership and capitalistic orientation that has to be remedied for the bankers to really serve the people and not a few big corporations.

Trade Union Leaders often neglect the overall implications of their industries, while they strive for the improvement of the conditions of their workers. They struggle for benefits such as increased wages, better working conditions etc. Only a few trade unions work for the overall transformation of the socio-economic system towards self reliance and social justice. The trade union leaders can thus be bought over by concessions to workers and considerations to them within the generic system of foreign domination. However the trade unions are among the signs of hope within our difficult circumstances Those among them which are conscious of the overall systemic injustice are strong champions of a liberative process.

The *educational system* too tends to fit into the general pattern of the country. It helps the MNCs by the type of skills it communicates and the values it fosters. The colonial education system was established to help the British administrators, planters and merchants. Later the education system tended to fit into the capitalistic framework of economic development. The emphasis on science and technology to the detriment of the arts, creative thinking and critical analysis helps develop the type of persons who fit into the model of society which MNCs find most suitable for their growth. The teaching of science and technology too tends to neglect their relevance to the local setting - e.g. regarding uses of raw materials, intermediate technology, traditional skills etc. Thus *medical training* on Western lines almost completely neglects the indigenous traditions of medicine. The doctors are thus Westernized. They readily patronize the giant pharmaceutical firms, without trying to develop the local tradition and the use of the indeginous herbs, oils, and skills. The drug firms have, no doubt, contributed much to modern medicine, but we need not neglect our own traditions of Ayurveda which have also many claims to merit. The brain drain of doctors is encouraged by such an education often divorced from the cure of the usual diseases the mass of the people suffer from. Post graduate studies in medicine and engineering being generally in Western countries aggravates the alienation of these services from the people's needs.

The private schools become particularly connected to the multinational firms when they have to go to these for funds, advertisements in souvenirs, participation in carnivals and for jobs for "old boys" and past pupils. The "old boy" system fits into the tradition of selecting executives for firms from among the elite families. Loyalty to the system is considered a higher value in such appointments than technical competence and social sensitivity. The local directors of the big private firms and MNCs are generally chosen from among the prominent "old boys" (few women among them of prestigious private and public schools.)

Religions themselves tend to indirectly subserve the MNCs system and values partly through their services to education and their overall message of social conformism. MNCs are keen on their public image. They do not like to be contested in their values. They readily propagate the idea that Communism is athestic, and since communists oppose them, they can claim to be on the side of religion. The religions can be made to serve the MNC cause of profit maximization, by not opposing it. In recent years however the religions have been developing an alternative critique of society based on social justice. But by and large the religious establishments do not contest the injustices of the social system in a significant way as yet. This is partly because the local elite sets the value patterns within the religions themselves. The MNC's are particularly perturbed when the religious motivation becomes a criterion for a critical attitude towards their dominance.

The *political* leadership has a very great responsibility for dealing with the whole direction of our social and economic life. Political parties should have more information at their disposal. The Government research institutes should make information regarding private sector companies available to the leadership of different political parties. MNC's are an issue which all parties should concern themselves with. While members of Parliament are rightly concerned with public corporations, they should be vigilant too about the private sector - specially the large multi-national corporations that operate here.

A National Consensus on Priorities

In order to deal effectively with the MNC's a complete reversal of values is required. MNC's are based on the concept of the periphery enriching the metropolis; the rural areas are serving the urban industries; the poor village folk subsidising the city elite; and the pampered local elite subserving the extremely prosperous overlords in the home countries of the MNC's. These ideas have to be radically changed. The priority should be the supplying of the basic essentials for the masses of the poor people especially those in the villages. Food, clothing, houses and employment are their urgent needs. While planners and politicians stress the service to the masses, often the actual policies inhibit this.

Sri Lanka has an unique record of achievement in social policy and in maintaining certain democratic freedoms during the past three decades. We have, all the same, not surmounted the problems of unemployment, rising cost of living and foreign indebtedness. We arrived at a national consensus in dealing with the nationalization of the foreign owned estates. Can we now work towards such a togetherness in seeking the national and mass interest concerning the foreign industrial, marketing and other commercial interests? If we give priority to this aspect of our self-reliance, we may be able to focus our attention on the really urgent problems and not be divided over issues such as race or even ideology. Political divisions should not prevent us from seeing the canker in our socio-economic system that saps our vitality. We began this inquiry with a question mark concerning foreign investments. The proceedings of the Seminar have revealed much information concerning the impact of multinationals on our society; the evidence indicates that they are rather a burden to the country. The next issue of Logos will present several case studies of foreign companies operating in Sri Lanka. The fundamental issue is whether the elite classes which make the important decisions are prepared to accept the price in terms of more simple life styles in keeping with our poverty. The poor will readily follow if the rich will give the lead.

COMMENT:

In the preceding pages the activities of the MNCs have been discussed from a global perspective depicting where relevant their impact on Sri Lanka.

The case studies of the MNCs operating in Sri Lanka in specific areas like Tobacco, Footwear, Textiles, Pharmaceuticals, Cosmetics, Detergents and Agro-Chemicals will appear in the next issue of this volume.

The cost to Sri Lanka of the Transfer of Technology by the MNCs operating in the island, based on an analysis of 15 local firms is given below.

Editor

COST OF THE TRANSFER OF TECHNOLOGY IN SRI LANKA

– Based on an analysis of **15 firms**

Issued share capital of the 15 firms			–	Rs.	25.5 million
Average yearly payments			–	Rs.	5.1 million
As Dividends	–	58%	–	Rs.	2.9 million
As Salaries	–	30%	–	Rs.	1.5 million
As Tech. Service Fees	–	10%	–	Rs.	0.5 million
As Royalties	–	2%	–	Rs.	0.1 million

In 10 years Sri Lanka would remit abroad to the MNCs collaborating with the local firms Rs. 51 million or *Double the Share Capital.*

	Remittances Abroad	Examples
Foreign Capital	Dividends – 10% – 160% Rs. 5 I m. remitted yearly as dividends on a capital investment of Rs. 25.5 m.	**Firm 'A'** Foreign Capital – Rs. 400,000 Av. dividend remitted – Rs. 345,500/– In 5 years the capital will be repaid 4 times over
Technical know-how	Technical Service Fees – 1% – 5% of sales per year (Information – scanty)	**Firm 'B'** remits Rs. 167,000/- per year In 2 years the capital investment will be recovered on Tech. Service Fees alone
Personnel	Rs. 1.5 million remitted yearly as salaries Training of skills is marginal	**Firm 'C'** remits Rs. 296,000/– per year In 2 years 1 1/2 times the capital investment is sent out.
Brand Names	Royalties – 1% – 3% of sales remitted yearly (Information scanty)	**Firm 'D'** Remittance of Royalties for 1 year less tax – Rs. 112,000/–
Machinery	Price Paid – value (including Transfer Pricing) (Machinery is Generally Capital Intensive)	**Firm 'E'** Foreign Capital – Rs. 1.5 m. Cash – 202,920/– (14%) Machinery– 1,297,080/– (86%) Dividends Paid on Value of Machinery
Raw Materials	Av. Imports – 86% Value (Including Hidden costs) Remitted yearly	**Firm 'F'** Av. Raw Material imports per year – Rs. 2.5 m (83%)

The Firms: Ceylon Oxygen, Acme Aluminium, Glaxo, Associated Batteries, Usha, Singer, Berec, Union Carbide, Ceylon Stoves, Ceylon Bulbs, Galvanised Iron Ind., Warner-Hudnut, Paragon, Kundanmals, Ceylon Synthetics.

SNIPPETS FROM THE SEMINAR PROCEEDINGS

"In the global scene today there is a confrontation of two forces – the political power of the sovereign state and the economic power of the Multinational Corporations. They command vast resources beyond the control of nations. In fact they have internationalised the processes of production and distribution, so that from their vantage point, the world is one unified field of action for investment, and the business decisions that they take affect the lives of millions the world over. They have even become trans-ideological and have entered several socialist countries to set up joint ventures.

The Multinational Corporations provide a package of capital, technology, management skills, export market access and product development backed by vast research. The developing countries starved of other sources of development enter into agreements with Multinational Corporations, but they are essentially contracts between unequal partners. Hence there is a general consensus that this economic monster need to be tamed. The proposal for a New International Economic Order calls for an international control over Multinational Corporations".

Prof. S. Tilakaratne
on MNCs – a global perspective

"Tourism involves high costs and that in terms of foreign exchange. It requires imported capital goods as well as luxury items, a sophisticated infrastructure to maintain a high grade service and promotional activities abroad.

We do not need any more Hiltons or Intercontinentals. Sri Lanka should be proud to demonstrate her own life situation characterised by simplicity. Local food and drink should be made available to tourists, while the women should not be exposed to immoral situations. The focus should be on our national cultural heritage and the image we create in the minds of our visitors".

Ven. Hewanpola Ratanasara
on Tourism and National Culture

"The MNCs operate for their own economic gain and not for the development of the indigenous people. The reasons for their coming to the third world countries are obvious, It is to benefit by the cheap labour, large consumer markets and rich sources of raw material which are in short supply in the developed world viz 60% of the world's bauxite used in the aero industry, 50% of the antimony, 95% of the chrome, 50% of Copper, 95% of tin and 72% of Cobalt, which is a strategic material.

The theory that the consumer is sovereign is a myth because it is the MNC that decides what you should consume. Do we need all the drugs that we take and are being marketed? And so far as they are the decision makers they would hamper local skills and we would not be able to develop our system of Ayurveda",

H. L. K. Karawita
on Multinational Corporations and Capital Flows

"MNCs are a creation of monopoly capitalism and a danger to civilisation itself. One-third of the world is socialist but produces more than 1/3 of the world out-put. Within the socialist world there is a growing brotherhood where there is an internal exchange of resources. There is foreign capital participation in the USSR. The Fiat plant is ownedby the Soviet State and there is no question of vested interests. The Japanese are involved in an oil project, which is owned by the State. Sovereignty has no meaning without economic independence".

Dr. S. A. Wickramasinghe M.P.

"Multinationals are almost a necessary evil, and we in Sri Lanka must work out a "modus vivendi" consistent with our economic independence and national sovereignty. If certain rules and codes of conduct are laid down with the backing of the United Nations, it would be the best safeguard for a small country to deal with them in order to obtain their capital and their technology.

Besides repatriation of dividends, foreign exchange is remitted by the MNCs through over pricing of raw materials and machinery, dumping obsolete machinery, spares, royalties and technical service fees.

An UNO report states that the employment contribution of MNCs in respect of developing countries is small, while the relatively high wages paid by them create a wage elite. Regarding balance of payments, the net flow is generally negative for host countries. Between 1965-70 in the case of 43 countries, after deducting out flow due to previous investments; the in flow was only 30% of the out flow. Regarding the cultural aspect, the living styles of the foreign personnel foist alien values on the people, while the danger of pollution is one of the ecological effects of the operations of the Multinational Corporations."

Ronnie de Mel M.P.
on Global Aspects of MNCs.

"MNCs are motivated by the maximisation of profits and the continuance of the capitalist system. They only help to preserve the Establishment and any radical must be completely opposed to MNCs whether in the Tourist industry, the estates or in the decentralised factories. Unemployment is a problem in USA and UK, how then can the MNCs solve our unemployment problem? We now hear of mass corruption by the MNCs to sell their products. They are able to buy up even governments. How could we in Sri Lanka cope with them?

Prins Gunasekera M.P.

"De - centralised development of industries cannot be carried out due to the lack of funds. If the MNCs can give us the funds, why do we not invite them with suitable controls. We get loans from big international organisations like the IMF and the World Bank and we are bound hand and foot by their conditions, but we are frightened of MNCs whom we can control."

Ananda Dassanayake

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MULTINATIONALS
AND
LIBERATION

Contents

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