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Towards dealing with multinationals

https://hdl.handle.net/2144/29874
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TOWARDS DEALING WITH MULTINATIONALS

By Ann Seidman

I. By analysing of role of multinational corporations (MNCs) in the context of the changing international division of labor can lay the foundation for dealing them as a key aspect of a strategy to escape Africa's crisis([1]):

A. Since independence, in context of historically shaped export orientation of African countries, MNCs have bought cheap raw materials, sold surplus manufactures to narrow high income market, and extracted major shares of their investable surplus:

1. Taking advantage of African economies' competition with each other and other third world countries in exporting raw materials, MNCs profit from low export prices and worsening terms of trade:

a. After World War II, MNCs shifted from ownership and even from buying from local estate owners to purchasing peasant-produced export crops:

(1) EG shift from estate agriculture of eg Latin American coffee, Asian tea to African growers

(2) beneficiaries = MNCs:

eg tobacco: 1980 comparative study showed: a) 1,200 settler farm owners in Zimbabwe kept

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[1]. Rejecting the ends-means approach too often adopted by positivist development theories, the approach here adopted employs a problem-solving methodology that involves the following four steps: 1) Explicitly define and provide evidence of the particular characteristics of the problem or difficulty of concern; 2) Test the range of explanatory hypotheses suggested by alternative theories against the available evidence to identify the causes of the problem which must be surmounted to solve it; 3) Examine the range of proposals for solution suggested by the explanatory hypothesis most consistent with the available evidence in terms of the constraints and resources to determine which will most likely succeed; 4) monitor the consequences of implementing the solution, starting the process over again to overcome the new problems that will inevitably emerge. For discussion of the problem-solving methodology in Africa, see D. Kalyalya, K. Mhlanga, A. Seidman and J. Semboja, Aid and Development (Trenton, NJ: Africa World Press, 1986) Ch. 2.

roughly half of nation's gross tobacco income themselves, paying 76,000 farm workers about 16%, while government received 5% in taxes, and BAT, Rothmans (SA-based) and TA holdings (US linked) got rest;

b) BAT discovered that peasants grew crops cheaper, since grew their own foodstuffs, low overheads; in collaboration with independent governments, encouraged growth throughout continent (without concern for known health hazards, encouraged smoking habit, too)

b. In mines, MNCs welcomed independent governments' purchase of shares in mines,

(1) MNCs retained control of management, technology, and most important, global marketing and processing (in their factories at home required to sell minerals to final buyers)

(2) Government ownership reduced MNC risk of capital, and freed them to shop around for lowest bidder as third world countries competed to expand output, pushing down mineral price:

(a) When MNCs owned mines, they cooperated among each other to restrict output, keep prices up (eg in copper: 5 major MNCs in Zambia, Zaire, Chile, Peru controlled world market).

(b) When governments acquired shares, all sought to expand exports to raise foreign exchange and revenues, increasing supply in face of limited world market; prices collapsed (copper is only one eg; even, despite OPEC), eventually, that happened in oil.

(3) Note: In US, mine companies similarly began to get rid of real estate:

eg in Arizona, AMAX sold housing (long since fully paid for) to workers, told them to accept wage cuts to meet 'overseas' competition; if workers struck, could close plant (long since depreciated) with little or no loss

2. Precise data on MNC drain of investable surplus = hard to get;

a. Available evidence suggests it is myth that Africa does not generate enough investable surplus to initiate development; what happens is that MNCs drain a major share abroad (more than equivalent to all the investments and loans African countries receive!

b. Aggregate official reports of data relating to US investments in Africa illustrate the extent of the direct drain of profits from MNC investments;

(1) US MNCs became relative newcomers in Africa after World War II: Their investments in Africa more than doubled from 1965 to 1985 as they either collaborated with British and French firms, or displaced them (as had earlier in Latin America)

(2) US MNC "investment income" -- ie profits, interest, dividends -- shipped out of Africa, excluding South Africa, in 20 years, 1965-85:([2]

(a) outpaced new US investments (including reinvested earnings) in Africa (excluding South Africa) by an $565 million a year - ie every year, MNCs took an average of $565 million more out of the independent African countries than they put in.

(b) The actual amount MNCs extracted each year increased as their investments rose; in the crisis year of 1984, for example, MNCs took out $1,678 million = their total investment in Africa (outside South Africa) in 1964.

(c) In 1965-1985 period, MNCs drained a total of $11.3 billion out of Africa

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[2]. Source: Calculated from official aggregates reported by United States Department of Commerce and the Bureau of the Census, Statistical Abstract of the United States (Washington, DC: Government Printing Office, annual) for relevant years. Note: In 1987, the Department of Commerce altered its method of presenting the data, making it much more difficult to estimate the annual total of funds drained away by MNCs.

outside South Africa, that is, two and a half times the as much their total investment remaining in Africa (excluding South Africa) in 1986: $4,263 million.

(3) Since US MNCs = relative newcomers, their investments and associated drain of surplus presumably constitutes smaller than British and French.

(a) If just tripled US MNCs' drain to represent British-French MNCs' additional income taken out of independent African countries (ie = underestimated), average annual loss of investable surplus to MNCs would reach at least $1695 million -- exceeding all US investment in 1965

(b) Multiplied by 20, that suggests investable surplus drained by MNCs from independent African countries from 1965 to 1985 reached at least $33,900 million -- enough to finance major balanced, integrated industrial development throughout the continent.

c. Transfer pricing and other forms of extracting surpluses constituted another form of indirect drain of independent African countries' investable surplus:

(1)= difficult to detect, but became more common as African governments attained independence, and increased taxes or acquired shares in MNC factories or mines, or as more peasants engaged in export crop cultivation:

(2) Estimates suggest that, every year, Third World countries lose 10%-15% of value of foreign trade through transfer pricing([3]);

Assuming a minimum 10% loss of investable surplus through MNC transfer pricing, the 40 low-income countries (excluding China and India, but including the 26 poorest African states)

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[3]. See R. Murray, Multinationals Beyond The Market, (New York: Wiley, 1981) for discussion of techniques.

lost a total of almost $19,758 million in 1987, alone -- exceeding by almost a third all the foreign assistance ($14,819 million) they all received that year([4]).

(3) two Egs of "indirect" drain of Africans' investable surplus:

(a) Mining:

i) When Anglo and AMAX sold 51% of mines to Zambia, government, seeking expanded investment, permitted them to take out $1 profit without paying tax on it for every dollar invested; so Anglo borrowed $ (which mine company, half government owned, had to help pay out of future profits) and shipped past profits home without tax

ii) Mining companies "Costs of production" rose an unexplained 20% -- cutting reported mine profits, and likely reflecting a process of transfer pricing that shifted those profits abroad, unreported and untaxed.

iii) Anglo American used profits from Zambia and those it took out of Rhodesia to finance MINORCO in Bermuda; reinvested in US to become second largest foreign investor there (including mining interests, oil, finance, etc.)

(b) In tobacco, MNCs sold finished products (cigarettes, etc) in the United States for 10 times the price paid for leaf purchased from growers;

that is, for every $1 earned by African country (however divided

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[4]. Source: Calculated from World Bank, World Development Report, 1989 - Financial Systems and Development, World Development Indicators (New York: Oxford University Press, 1989), Tables 14 and 20, pp. 190 and 202.

between farm owners and workers), the sale of tobacco products reaped $10 in the US (roughly half of that went in taxes to US federal and state governments -- a case of Third World tobacco growers' subsidizing US government)

B. After World War II MNCs shifted patterns of investment in Third World economies from primarily raw materials to include labor-intensive manufactures, enhancing global profits by taking advantage of growing pools of unemployed labor desperate for jobs at any wage:

1. Early post-WWII expansion in Carribean, Mexico, Central America, Brazil; later in Asia:

a. Note: earlier shift south in US of textile, shoe, electrical appliances, (even US Steel went to Birmingham in 1920s=Pittsburgh of the South), from New England to US South; effect of slavery, post-civil war sharecropping pulled southern wages down to 1/3 less than the north's; and southern governments offered all tax breaks, industrial zones, anti-union legislation, etc., now offered by Third World countries

b. After World War II, MNCs moved further south to set up factories in Third World:

(1) took advantage of wages 1/4 of those in US; note undemocratic governments provided "labor discipline", eg in Dominican Republic, Haiti, Brazil

(2) MNCs increasingly changed form of investment, contracting with local factory owners (as had begun to do in agricultural and mineral exports), avoiding risks of capital and at any time could shift to still lower cost producers:

(a) Sold machinery, equipment, materials (=market for surplus MNC manufactures);

(b) Bought finished shoes, textiles, toys, electronic parts and equipment

note: 2/3 of labor on hi tech products = unskilled, low paid)

(c) Make profits via sale of

technology, finance, and marketing of finished products; sometimes (not always) provide management expertise for high fees.

c. Expansion in Asia: The "little dragons"

(1) Korean and Vietnam war provided growing knowledge about investment conditions, expanding markets with direct and indirect US government support ($billions in military spending) especially = markets for military-related high tech/electronics,

In 1960s-70s, world market expanded at 8% a year; now growing at less than 3% a year, while competitive expansion of Third World manufactured exports is creating oversupply, forcing prices down (as formerly with raw materials, minerals)

(2) "Little dragons" seemed centers of stability: authoritarian governments backed by British or US military support

(a) MNCs opened financial and marketing headquarters in Hong Kong & Singapore, some labor intensive factories; MNC oil refineries in Singapore -- 1/3 of "manufactures" -- provided control of markets for Southeast Asian oil;

(b) From headquarters on these islands, MNCs spread into larger neighboring countries for raw materials, minerals, and low cost labor for manufacturing

i) After 1978 reforms, in China -- with 1 billion population and growing unemployment, eager to enter world competition -- real wages paid by MNCs= 1/20 of those in US([5]; manufacturing goods sold to MNCs through Hong Kong

(c) Taiwan and South Korea:

i) Larger internal labor force than

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[5]. China Business Review

Singapore or Hong Kong, (20, 40 million population, respectively), major US military support, plus growing US investment, seconded (and perhaps now outpaced) by Japan

ii) Note: Undemocratic = control of labor, martial law backed by military; skewed income distribution, with real poverty of wage workers

iii) Instability/fragility of dependence on competitive exports;

eg S Korea's growing foreign debt (4th largest in 3rd World) requires debt service =30%; if loses in competition as MNCs shift to lower wage areas, S. Korea may look more like Brazil's failed "miracle"

2. MNC shift to labor intensive manufacturing in Africa has taken place more slowly

a. Like "little dragons" South Africa emerged as regional subcenter of MNC manufacturing investment in southern Africa (an area 3X size of US, with 100 million population):

(1) By 1980s, 3/4 of US MNC manufacturing investment in Africa was in South Africa;

(a) similar pattern of other European MNC investors

(b) Japanese laws prohibited direct investment, but invested through US and other firms, and by contracting with South African firms, providing technology, imported parts and materials and reaping share of profits as payment.

(2) Reasons:

(a) Labor control via apartheid system = low wages, labor discipline;

(b) Neighboring countries provided reservoir of low cost labor, Raw materials, and markets

(c) Low taxes since didn't pay for social services/black majority;

(d) Racism: Reflected in US MNCs shifting from US south to South Africa;

eg. head of North Carolina Commercial Bank (NCNB - a major regional US bank), a former US marine explicitly praised SA's apartheid environment economy

(3) South Africa's alleged "miracle growth" collapsed in crisis of '80s: economic impact aggravated by (and accelerated emergence of) liberation struggle

(4) MNC divestment: partly in response to sanctions, but also = shift to new MNC pattern of contractual relations: less risk, greater flexibility to take advantage of competing manufacturing industries elsewhere in Third World

(a) Ironically, Taiwanese capital set up almost 100 factories in SA bantustans to take advantage of even lower wages there; sold under "made-in-Taiwan" labels to global retailers (Sears, K-Mart) = evade sanctions.

b. Smaller sub-Saharan regional subcenters in former colonial settler areas - eg Kenya, Zimbabwe, Ivory Coast:

(1) MNCs welcomed government participation in shares in accord with their new world wide investment pattern:

(2) Primarily import substitution industries:

(a) MNCs sought access to African markets; apparently MNC managers feared independent governments would not maintain labor discipline, skills, needed to enter global competition.

(b) Typical consequences of import substitution industries everywhere in Third World:

i) Manufactured luxuries, semi-luxury goods primarily for narrow high income group (some broadly consumed items like beer, cigarettes); did not manufacture tools and equipment to increase productivity throughout African economies;

ii) Imported machinery, equipment and materials = cost scarce foreign exchange;

iii) capital intensive = little employment;

iv) located in export enclaves, aggravating uneven development;

v) didn't use local resources, undermined existing smaller handicrafts industry that had used local resources and provided jobs

(3) Little emphasis on export industry, tho more in '80s:

(a) eg. In 1980s, in Zimbabwe, international agencies (World Bank, IMF) advised shift to export-oriented industry; to compete in world market, should devalue, hold line on wages

(4) Crisis of '80s stifled further industrial growth in independent African states:

(a) Falling export earnings: independent African economies couldn't afford imported inputs so industries operated at levels far below capacity, aggravating domestic scarcities and raising prices

(b) Devaluation to increase "international competitiveness:"

i) further reduced capacity to import essential machinery, parts and materials for industries;

ii) Aggravated competition between

African countries, hindering efforts to achieve regional cooperation for industrial development.

(c) IMF, IBRD policies requiring the "opening of markets" to MNC manufacturing firms operating elsewhere (including South Africa) contributed to deindustrialization; Illustrated by Zimbabwe examples

i) eg. Zimbabwe government's permission to MNCs to import machinery, equipment and parts (with DC government export-financing) replaced items formerly manufactured by local (white-owned) industries during UDI

ii) eg World Bank financing of Hwangwe Thermal Plant required bidding for boilers (tho Zimbabwe manufacturer could make them using Zimbabwe steel and labor); a British MNC won bid, (I believe MNC built the boiler in SA!).

(d) As sought to continue essential imports and attractive investment climates (via low no taxes on profits, etc) these would-be African "little dragons" had borrowed heavily abroad, becoming burdened by debt service ratios among the highest in Africa (See below)

C. In late 1970s MNCs shift to bank loans, rather than direct investments, another feature of changed MNC strategy from direct investment and ownership of real estate (whether agriculture, mines or factories) to indirect control through management, marketing, technology and finance:

1. SubSaharan African countries, which in 1980 received barely 10% of all foreign investment in developing countries, received a still smaller fraction -- only about 8% of the declining total in 1987. Its share of official grants rose slightly from 33% to 36% of a larger total.

Table: Selected capital flows to developing countries, 1981 and 1987

Country group:	Total		Official grants		Foreign direct investment	
	1981	1987	1981	1987	1981	1987
All developing countries	24.5	30.4	14.5	20.0	10.2	9.5
Sub-Saharan Africa	7.1	11.1	4.9	7.3	1.3	0.8
Middle-inc. Asia	1.8	2.2	0.9	1.5	1.8	2.5
Low-inc. Asia	5.3	7.2	2.7	3.5	0.2	1.3
Europe, Mid-East & North Africa	8.2	6.3	5.1	5.0	1.3	0.8
Latin America & Caribbean	2.1	3.6	0.9	2.7	5.6	4.1

Source: World Development Report, 1989 Financial Systems and Development, world Development Indicators (New York: Oxford University Press for World Bank, 1989) Table 1.3, p. 23.

2. SubSaharan Africa increased its external debt by almost four times, (other low and middle income countries increased their foreign debt about six times.)

a. Debt service = new form of MNC finance capital's drain of African's investable surplus:

(1) In 1970, on average, SubSaharan African countries spent $5.3 out of every hundred they earned in foreign exchange for their exports to service their foreign debt;

(2) In 1987 they spent, $14.7, almost three times as much,

(3) Individual African countries paid far more: (note * = budding MNC regional subcenters):

(a) Ethiopia: $28.4
(b) *Kenya: $28.8
(c) Niger: $33.5
(d) Malawi: $23.3
(e) Senegal: $21.4
(f) *Zimbabwe: $23.2
(g) *Ivory Coast: $19.6
(h) Congo: $18.6
(i) Gabon: $21.8

Note: For most of these countries, even Zimbabwe -- which started from near zero foreign debt in 1980 -- the 1987 debt service ratio exceeded the average ($22.0) for Low and middle income countries

II. This analysis suggests a range of national and regional strategies for dealing with MNCs, along with areas of further research([6]) required to work out the details and implement them:

A. Strengthen African governments' capacity to control and direct MNCs role to implement national and regional development plans:

1. Lesson No. 1 derived from analysis in Part I:

a. MNCs, seeking to maximize their global profits, take advantage of competitive efforts of 3rd world countries to expand exports and attract foreign investments; as a result, unless controlled, they aggravate the causes of poverty and oppression like those which culminated in crisis of the 80s;

b. In Africa (as in other Third World countries), the state is THE only agency capable of representing national interests to direct MNC capital, managerial capacity, technology and market access in ways more likey to help overcome the poverty of African people:

(1) No one else in African countries can shape national policies in order to bargain effectively:

(a) small private African business cannot compete or protect their efforts to build domestically-oriented industry using local resources to provide local consumer and producer requirements; nor can they muster sufficient funds to build basic industries-- iron and steel, transport and energy, etc.

(b) small African peasants cannot

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6. Space limitations here only permit indicating the key areas for research, but prohibit details. The detailed research agendas should, however, derive from the use of a problem-solving analysis of causes of the problem of concern in each case; see footnote #1 above.

bargain effectively to protect their incomes

i) Even the colonial government established marketing boards to protect domestic farmers (settlers or peasants) against world price fluctuations

(c) Workers cannot protect their wages and working conditions without government assistance via minimum wages, inspectorates, and control over prices (including exchange value of national currency)

c. Therefor reject today's conventional wisdom/IMF, IBRD, that governments must withdraw, leaving economic development to private sector; in Africa as throughout the Third World, MNCs dominate private sector and, seeking to maximize their global profits without regard to national welfare, have aggravated all the factors that have caused Africa's crisis.

2. Task is to use state and law to control framework within which MNCs invest, ensuring redirection of their role to national and regional development:

a. Restructured state institutions must formulate and implement national plans:

(1) to capture and redirect investable surpluses to finance national and regional physical plans for balanced industrial and agricultural development capable of providing increasingly productive employment for the continent's inhabitants;

b. Will not here discuss obvious necessity of restructuring the state institutions to facilitate formulation and implementation of appropriate plans;

(1) that is topic of another set of discussions at this conference;

(2) have been writing book together with Bob Seidman on that subject,focusing on how to analyze inherited state structures to build new institutions more capable of implementing

declared intentions of African governors[7] to overcome the causes of the poverty and powerlessness of great majority of the continent's inhabitants (including those causes resulting from MNC behavior).

(3) Emphasis: state is not a free good:

(a) even restructured, will operate with limited resources and serious constraints (including shortages of personnel, information, finance, etc.); must analyze these to determine what action state can take;

(b) Given the state's limited resources, must decide:

i) in which priority areas state must function (eg "commanding heights": banks and finance, foreign and internal trade, and basic industries including energy and transport[8])

ii) how state can best function in those areas;

(c) Given that MNCs may provide needed additional capital, managerial skills, technologies and access to markets, must discover ways to improve bargaining power to ensure they do in fact contribute to -- and do not undermine --national and regional plans.

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[7]. Here assume that those holding the reins of government really do represent national interests -- workers, peasants, small national business, professionals, and intellectuals -- who would benefit from restructuring the national economies to eliminate the crisis' underlying causes. Obviously this is not always the case, but contradictory features characteristic of every African government -- reflecting in part the contradictory class interests of the society -- permit key actors, if they have adequate knowledge, to make choices relating to the use of state power and the law which favor the national welfare as opposed to MNC interests.

[8]. For discussion of why these constitute the "commanding heights" see A. Seidman, Planning in Subsaharan Africa" (Dar es Salaam: Tanzania Publishing House,1976)

3. Specific proposals for dealing with MNCs in framework of national and regional plans:

a. 1982 conference in Zimbabwe on the topic of how to control MNCs, including economists and lawyers from most SADCC member states, formulated proposals for dealing with MNCs (see A. Seidman, R.B. Seidman, D.B. Ndlela and K. Makamure, eds, Transnationals in Southern Africa (Zimbabwe Publishing House, 1986) = range of proposals, focusing on

(1) Negotiations, aid and loans from MNCs by individual governments to reduce competition among them and strengthen their bargaining positions;

(2) Create institutions and train personnel to ensure that transfer technology from MNCs along with knowledge of how to adapt it to African circumstances, starting in priority sectors, to spread increasingly productive employment opportunities and rising living standards throughout national and regional economies.

(3) Alternative government banking and financial policies to capture greater share of investable surpluses generated by MNC activities which African governments decide they cannot, themselves, manage;

(4) National and regional investment codes to provide minimum standards for agreements reached through bargaining with MNCs -- a floor on which all African governments would build their negotiations with MNCs.

b. Here, review and extend these proposals from southern African to Africa-wide context and modify them in light of nearly a decade of more analysis of MNCs and the crisis' impact: generated by past policies:

(1) To improve negotiations with MNCs re investments and loans to overcome competition and strengthen African countries' cooperation:

(a) at the national level,

i) establish a central unit to coordinate dealings with foreign investors to ensure consistency and build up government negotiation expertise;

ii) Improve collection of information re foreign companies via detailed and regularly updated information re ownership, affiliates and parents; financial condition according to prescribed accounting standards; details of cash flows; details of companies' physical operations in country, including resources, reserves and production, now and in future;

iii) Require each MNC to provide information filed in all other countries of the world, with effective sanctions (eg withdrawal of registration, fines, etc.) to ensure compliance.

(b) Build regional and Africa-wide centers to provide information and technical support for national governments. These centers would:

i) collect and disseminate information to participating governments:

*re current government policies relating to MNCs operating in African and other Third World countries (including contract terms and laws, regulations etc);

*re specific foreign firms: by introducing standardised registration procedures and coordinating collection of information on MNC operations in Africa; and cooperating with other Third World regions and countries to obtain similar data on foreign firms' policies throughout the Third World;

*on transfer pricing, including collection of price data, continuing price monitoring, etc.;

ii) Provide technical assistance:

*in negotiations with or regulation of MNCs, either by center's own staff; consultants from within the region (including African universities or other countries); or outside consultants whose expertise and loyalty the center has vetted;

*Preparation of model laws, regulations and contracts as floor for African governments' bargaining with MNCs;

*Development of standardised accounting principles and procedures to apply to transnational corporate operations;

*Arrange training for member-country personnel in relevant state institutions dealing with MNCs;

(2) Re technology transfer: To relate technology transfer to national and regional development strategy, need comprehensive and coordinated system of regulation and control that extends beyond "laws in the books":

(a) Establish national, regional and/or Africa-wide science and technology centers to compile detailed technological data-bases and engage in technological research and development activities to improve national technological base, focusing on priority areas:

eg, at national level, within national and regional plans: pole of growth industries in energy, transport, and machinery and equipment, linked to requirements of rural development, low-cost housing, small-scale industrial and artisan enterprises;

eg, at regional and Africa-wide level, energy, transport and pole of growth basic industries at appropriate levels of technology to provide essential inputs to increase productivity in all sectors of national and regional economies.

(b) Incorporate in national and Africa-wide codes of investment provisions on technological transfer requiring investors to impart technological innovations and skills to Africans through formal and on-the-job training; establish research and training programs and other methods of facilitating technology transfer, and closely monitor their progress.

(c) Diversify sources of technology to replace one-source exploitative relationships with mutually beneficial diversified sources, including smaller competitive firms and other-than-MNC sources like socialist and other third world governments and NGOs.

(3) Formulation and implementation of alternative government banking and financial policies to capture and redirect nationally and regionally-generated investable surplus within planned framework:

(a) Tax policies: short of direct intervention to control banks and financial institutions, national governments, wherever possible in cooperation with each other, should:

i) implement tax policies based on ability to pay, contributing to redistribution of income and

wealth, in accord with development plans;

ii) establish efficient tax systems, based on realistic appraisal of practicality and enforcement capabilities;

iii) conduct research to eliminate possibly ineffective incentive measures (eg accelerated depreciation, depletion, and other capital-recovery provisions); and to prevent tax avoidance through transfer pricing;

iv) Analyze and publish effects of tax provisions on sector by sector basis;

v) Obtain and publish foreign tax credit provisions of MNC home countries to facilitate imposition of national and regional taxes that do not reduce net return to MNCs;

vi) Develop continent wide policies to avoid competition in granting of tax benefits to MNCs.

(b) If and when resources permit, more direct state control of banks and financial institutions (typically in most African countries managed by MNC bankers) may facilitate enforcement of measures designed to halt outflow of investable surpluses:

i) egs:

*Control of banks could facilitate supervision of MNCs' domestic income and expenditures;

*Banks usually handle foreign exchange transactions; state monitoring is needed to block unwarranted transfers of prices;

ii) These and other aspects of

banking and financial institutions and policies require research to discover in national and regional context what government policy could be effectively implemented to redirect locally-generated investable surpluses to finance national and regional plans ([9]).

(c) Exercise state power to exert greater controls to ensure maximum foreign exchange earnings and revenues from exports and their best possible use in buying essential imports in context of national and regional plans:

i) MNCs currently dominate foreign and internenal whole sale trade in most African states, typically exercising their control to foster labor intensive and crude exports and import of high-profit items not appropriate for development, as well as transfer price

ii) Given constraints on state personnel, access to marketing networks, and information, require research relating to best means of using state power to restructure pattern of foreign trade while maximizing generation and optimal use of foreign exchange earnings:

(4) Formulation and implementation of national, regional and continental investment codes to establish a bargaining floor for dealing with MNCs in context of development plans;

(a) Code should specifying desired characteristics of MNC role - eg:

i) Number of jobs created;

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[9]. For discussion of alternative approaches, see A. Seidman, Money, Banking and Public Finance in Africa, (London: Zed Press, 1986)

ii) Use of local resources and provision of inputs for other sectors of the economy;

iii) Foreign exchange MNC will likely generate;

iv) Imported inputs required;

v) Proposed location and impact on balanced economic development;

vi) Appropriateness of technology;

vii) Expected local value added;

viii) Whether a pioneer industry;

ix) Areas of MNC investment permitted (others may be reserved to state or domestic private firms);

(b) The code should specify the conditions on which host country will permit MNC investment, including:

i) Local incorporation;

ii) Agreement on characteristic of proposed investment;

iii) Plan and guidelines for initial localization of jobs, and annual increase by job category, including requirements for fair participation in various employment categories of all ethnic groups (where relevant) and both sexes.

iv) Plan for training local people for all employment categories;

v) Disclosure to host country of technology used in form that makes it available for replication in host country;

vi) Annual disclosure to host country of all information filed by MNC affiliates anywhere in the world;

vii) Minimum proportion of capital MNC must provide from foreign sources;

viii) Limitations on local

borrowing;

ix) Requirements for (or limits on use) of local material resources;

x) Extent of participation by local or government investors and, where appropriate, the minimum amount of that sort of investment required;

xi) Compliance with host country's marketing, recruitment, purchasing, and transport policies (including sanctions against South Africa);

xii) Reinvestment of stated minimum of surpluses in host country (with government approval; may be limited to government bonds with proceeds to go to productive investment);

xiii) Agreement that MNC will abide by host country laws (unless otherwise stated by the code), and litigate disputes with host government in host country's courts in accord with host country laws;

xiv) Annual reports disclosing sufficient information to permit implementing authority to ensure compliance with original statement of proposed investment and conditions of entry.

(c) Investment and investor compliance code should create an enforcement authority:

i) Authority should grant certificates of admission to MNC investors, which -- since the greater the discretion, the greater potential for corruption -- defines the benefits as far as possible;

ii) The code should provide an appeal or review mechanism from decisions of the authority;

iii) The authority's decisions should receive publicity to reduce danger of corruption;

iv) The authority should have an institutionalized relationship to the planning authorities to ensure MNC investments conform to economic plan.

B. In addition to strengthening African national, regional and continental capacity to deal with MNCs, initiatives should be taken along similar lines in collaboration with other Third World regions: Latin America, Asia, and the Middle East:

1. Various fora already exist:

a. UNCTAD has provided one forum for this approach, though proposals generated for a New International Economic Order have proven relatively ineffective, primarily due to developed country resistance;

b. Other kinds of cooperative agreements exist, eg re specific commodity agreements, like OPEC, those for sugar, coffee, etc; but in conditions of the crisis these have proved difficult to implement.

2. Have neither time nor space here, but require careful study of the reasons for failures to discover what obstacles must be removed to attain increased Third World cooperation to bargain more effectively with MNCs and their home governments.

C. Global reach of MNCs, pitting first world workers, wages, working conditions and living standards against those in Third World, suggests need to develop links with and cooperate with peoples' organizations in developed countries:

1. Some examples:

a. Help to educate their citizens (parenthetically, trying to do that through US African Studies Association; ASA Task Force is seeking cooperation in getting facts to US public

re crisis and alternative policies for overcoing it)

b. Trade unions members, in particular, have experienced effects of global competition in terms of worsening wages, working conditions, national social services, and anti-union activities

Note: US union membership down to 18% of total; but confront same MNCs (including now from Japan) that African workers and governments confront.

2. Again, need research re existing mechanisms, their potential and limits, with a view to improving them in order to mobilize world-wide support for controls required to ensure that the global management skills, capital, technology, and marketing networks, now in hands of MNCs contribute to -- and do not undermine -- efforts to achieve improved working and living conditions the world around.