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MULTINATIONAL CORPORATIONS — AGENTS OF ECONOMIC IMPERIALISM*

One prominent feature of the present day international business relations is the resurgence of the Multinational Corporations (MNCs). The MNCs of U.S., Europe and Japan have expanded greatly in recent times both in terms of number and in terms of industries and exert very significant influences on the economic system of the host countries.

Many studies exist supporting the proposition that the MNCs are significantly advantageous on the economic grounds. They are considered to be beneficial as they are said to generate employment, bring in new and advanced technology, accelerate rate of investment and growth, develop export market and elevate the level of competition and efficiency. But the MNC's are seen with antagonism and disfavour by the host countries. The fact can be substantiated by a few examples, where host countries have taken actions against the MNCs. It is well known that a few years ago Chile nationalised several foreign multinational enterprises. Peru some time ago expropriated the assets of International Petroleum Company, a subsidiary of Standard oil of New Jersey. Similarly, Cuba expropriated the properties of foreign sugar companies several years ago. Australia has disallowed foreign investment in certain sectors. France felt greatly offended by the presence of American MNCs in the early 1960s[1]. Many other countries, while not taking direct measures, do display substantial concern with respect to the presence of foreign enterprises. These actions of the host countries may reflect their nationalistic feelings. However, there are more crucial economic questions attached to the working of the MNCs. It hardly needs any emphasis to say that the MNCs are the agents of economic imperialism. MNCs may generate some temporary gains to the less

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developed countries (LDCs), but it must be realised by them (LDCs) that the big imperialist powers of the world are exporting capitalism together with wage slavery to their lands through the MNCs. The capitalism so exported not only supports and strengthens the local capitalism but also degenerates into monopolies. This also results in unnecessary wars, political subjugation and economic exploitation of economically backward and politically innocent countries. The purpose of this paper, therefore, is to highlight the monopolistic tedencies of the MNCs.

ECONOMIC IMPERIALISM—A THEORETICAL PERSPECTIVE

Although Marx did not explicity offer a theory of imperialism[2], the literature linking imperialism with capitalism has been dominated by the Marxist thoughts[3 4]. The most authentic Marxist view on imperialism is provided by Lenin. According to him, imperialism emerges as the development and direct continuation of the fundamental characteristics of capitalism in general. But capitalism becomes capitalist imperialism at a definite and very high stage of its development, when certain of its fundamental characteristics begin to change into their opposites. Economically, the main thing in this process is the displacement of capitalist free competition by capitalist monopoly. The monopolies so grown out of free competition do not eliminate latter but exist above it and alongside it, and thereby give rise to a number of very acute, intensive antagonism, frictions and conflicts. Thus, imperialism is the monopoly stage of capitalism. Imperialism is capitalism at that stage of development at which the dominance of monopolies and finance capital has acquired pronounced importance, where the division of world among the international trusts has begun, in which the division of all territories of the globe among the biggest capitalist powers has been completed[5]. It should be clearly understood that imperialism is an economic phemomenon, not merely political as thought by Karl Kautsky.

In the early socialist literature, which can be traced back to Sismondi[6], economic imperialism was linked to under consumption in the home country. According to this view, which was brought to popular notice by social liberal Hobson[7], capital exports are necessary to take up the economic slack created by the processes of the capitalistic system. Lenin also expressed the same opinion, though independently. He writes that, "On the threshhold of the . 0th century we see the formation of a new type of monopoly; firstly, monopolist associations of capitalists in all capitalistically developed countries, secondly, the monopolist position of a few very rich countries, in which accumulations of capital has reached gigantic proportions. An enormous "surplus capital" has arisen in the advanced countries . . . As long as capitalism remains what it is, surplus capital will be utilised not for the purpose of raising the standard of living of the masses in a given country, for this would mean a decline in profits for the capitalists, but for the purpose of increasing profits by exporting capital abroad to the backward countries." Such an export of capital, influences and greatly accelerates the development of capitalism in those countries to which it is exported.

It is within the context of the above mentioned theoritical framework that it is intended here to establish the fact that the MNCs are monopolies in nature and the most modern means of exploiting the backward nations.

MONOPOLISTIC POWERS OF MNCs

The power and scale of operations of MNC's have grown considerably during the last few years. This is largely due to the fact that with the changed international alignment of forces it has become very difficult to use the "gunboat diplomacy" methods of the early and mid 20th century and to resort to direct intervention like the US aggression against Guatemala in 1954 or against the Dominican Republic in 1965. The failure of US adventure in Vietnam has spotlighted still more the crisis of imperialism's reliance on force. In this situation to expand the sphere of their interests beyond national borders, the big capitalist powers of the world—U.S. being the most powerful—have discovered a more modern form of exploitation, neo-colonialism. The MNCs are the backbone for this new colonialism; for them, there is no such thing as national sovereignty, laws, control, dignity, morality or ethics. They are unbelievable mass of grasping monsters which bleed the former colonies of raw materials at low prices or produce goods in the neo-colonies at a very low cost because of the starvation wages paid to the indigenous workers. Thus, exhorbitent profits over and above normal profits are obtained.

In the capitalist world there are 9,448 MNCs, and, in 1971, 211 of them produced goods worth $ 540,000 million—that is, a fifth of the total value of the industrial and agricultural output of all the capitalist countries in the world. According to the UN estimates, in 1971, the production of MNCs abroad was worth $ 330,000 million, which is 50 percent more than Japan's gross national product—and Japan is the second ranking capitalist country in terms of economic potential.

At present, the 500 largest American MNCs have more than 24,200 branches in the western world with assets of $ 278,000 million. In its May, 1976 issue; Fortune magazine reported that, in 1975, the sales of these 500 American corporations totalled 865,234 million dollars—that is more than the exports of all the nations in the world put together, which according to the IMF, totalled $ 789,000 million.

It is well known that the MNCs invest in developing countries because they are able to earn a higher rate of return on foreign investment than on home investment. The data for U.S. firms quoted in Table 1 bring out this fact. In the developing countries, the profit potentialities are generally high, for capital is scarce, the price of land is relatively low, wages are low, raw materials are cheap. Moreover, rates of return to the foreign investors must on an average be higher than those obtained by the local investors. If they were not, the foreigners could achieve the same profit goal by merely buying shares in locally controlled firms while simultaneously escaping the headaches associated with management control of the operation. But the foreign investors ensure that they have management control in the countries where they have invested their capital. Thus their overall control is ensured through the financial control.

Thus the only theory which is consistent with the desire of the MNCs to invest abroad is the potentiality of earning monopolistic profits. The view that MNCs elevate the level of economic progress is a radiculous fallacy in face of the incredible booty earned by them. According to the U.N. figures, in 1970, the MNCs invested $ 200 million in Asia but, the same year, took out a net profit of $ 240 million. They invested $ 270 million in Africa and took out $ 1000 million; they invested $ 880 million in Latin America and took out $ 2900 million.

TABLE I

PERCENTAGE RETURNS ON HOME AND FOREIGN INVESTMENT TO UNITED STATE FIRMS

Industrial Group in	*1971*	*1972*
	%	%
MANUFACTURING :		
Home	10.6	12.4
Foreign	10.8	12.7
PRIMARY PRODUCTION :		
Home	11.1	10.8
Foreign	14.1	14.8
OTHER INDUSTRIES :		
Home	8.5	8.6
Foreign	10.7	11.5
ALL INDUSTRIES :		
Home	9.7	10.5
Foreign	11.9	13.2

Sources : A. For Home Investment—First National City Bank Monthly Newsletter, April 1972 & 1973.

B. For Foreign Investment—Survey of Current Business, Sept. 1973.

In 1975 the ten leading American MNCs had a gross income of $ 233,000 million, which was almost equivalent to the value of all exports of the so called Third World and much more than the gross national product of all nations of Latin America put together (excluding Cuba), which was $ 193,048 million that year, according to the O.A.S. Standard Oil of New Jersey (Exxon) registered $ 44,865 million income for 1975, which is more than the gross national product of each of 120 nations from all over the world. In 1975, Brazil was the only Latin American country with an income approaching that of the Rockefeller Company. Similarly $ 35,725 million. income of General Motors was more by $ 5000 million than the gross national product of Argentina, one of the Latin American nations with the greatest economic development and it was 63 times as great as that of Haiti, with a population of nearly 6 million people.

The multinationals vipers—are, thus, capitalist monopolies which are national in terms of capital and actual running but have subsidiaries in other countries. The proposition that the MNCs help in generating healthy competition is just a cynical guess. They enjoy monopoly powers due to their big sizes and other special advantages such as patent rights, economies of scale through advertising, styling of differentiation of products etc. The multinationals investing in the backward countries are large size corporations in the home countries. In 1967 Census of foreign investments, just over 80% of the total United States direct investment was held by only 163 firms with assets of, at least, $ 25 million each invested abroad. In manufacturing, the share held by companies of this size was 69% and included only 79 firms. Another indicator of large size, these firms having earnings of, at least, $ 5 million annually accounted for 85% of total earnings reported by United States firms abroad. This group was comprised of 113 firms. Or stated differently, only 4% of the total number of firms included in the census accounted for 85% of total earnings. In petroleum production only 15 firms had assets in excess of $ 100 million each, but they accounted for more than 86% of the assets control abroad. Only 6 firms in mining and smelting were in this same size class, but they controlled 71% of the assets. In the public utilities sector, 3 firms holding $ 100 million or more in assets abroad controlled 61% of the total public utility investment of U.S. firms abroad." These facts are given in Table 2.

TABLE 2

NUMBER OF U.S. FIRMS CONTROLLING, AT LEAST $ 100 MILLION IN ASSETS ABROAD, 1957

	All Industries	*Mining and Smelting*	*Petroleum*	*Manufacturing*	*Public Utilities*
No. of U. S. based firms with $ 100 million or more invested abroad	45	6	15	15	3
Percentage of total U.S. assets abroad held by these firms	57%	71%	86%	35%	61%

Source : Manson, R.H., R.R. Miller and D.R. Weigel "The Economics of International Business" John Willey & Sons, Inc., New York, 1975, page 235.

The reason for the most international investment being undertaken by large firms is that, because of their sound position they can exploit the resources of the host countries more effectively to their advantage. Their sound financial position also puts them into a better position to assume the operating risks. They can afford the high cost of acquiring information of markets, distribution systems and sources of finance and technologies. They are, thus, in a "superior" position to wield monopoly power. The MNCs have the advantage of a well developed intelligence regarding the sources of supply, market conditions, and the like. Unlike a purely national firm it can resist the pressures of any single government by threatening to withdraw or by curtailing its activities.

MNCs have often organised and financed conspiracies against "unfriendly" governments, with economic and financial boycott and anti-government propaganda. Reliance on such practices by MNCs is clearly demonstrated in the case of Chile, where the American International Telephone and Telegraph Company (ITT) conspired against the Salvador Allende Government with the CIA and other U.S. Federal Agencies. ITT offered the CIA up to one million dollars for a campaign against Chile's legitimate Government[8].

In particular the subsidiaries of the American Corporations ITT, TIMEX the Canadian Conlush and other's curtailed production and dismissed workers. The Engineering and Steel Workers' Union of Southern Portugal declared in a statement published in mid-April 1976: "The Multinational Corporations are continuing organised destruction of Portugal's productive forces". The multinationals' activities in Italy are notorious. The foreign press has repeatedly reported that after the Communists' success in the Municipal Elections in 1975, the American Corporations based in Italy have been systematically threatening to curtail production, expecting that under the current depression and unemployment such threats will influence the political situation in that country.

This distinctive characteristic of the multinational firm rankles host governments that may be attempting to shape the destiny of particular industries and the firms therein, through an economic plan. The behaviour and decisions of MNCs are influenced by the politics and pressure of home country. It is a well known fact that the majority of the MNCs have their headquarters in U.S. It is also known that there are laws for U.S. Government intervention on behalf of U.S. based firms operating in developing countries. The Hickenlooper amendment of 1962 calls for suspension of foreign aid to any country expropriating without compensation the properties of the U.S. based firms. Since the United States is the largest source of aid funds on both a unilateral and multilateral basis and since it weilds great influence on organisations such as the World Bank and the Inter American Development Bank, hardly any developing country is beyond the reach of the U.S. Government's influence even if an American owned firm were quite legitimately nationalised by a developing country.

The U.S. influence on such organisations in apparent from the fact that an almost complete halt was ordered on credits from the U.S. Export Import Bank on which Chilean imports of vital commodities depended. Pressure was brought to bear on the International Bank of Reconstruction and Development and the Inter-American Development Bank to induce them to cut or Suspend the issue of loans to Chile. The sum of short term credits dropped from $ 220 million to 35 million within the first year of the Allende Government being in office[9].

Given these conditions, the MNCs are in a position to bring to bear extra-ordinary influence. Not only can they lobby host governments in usual fashion; they can also use whatever political capital it has built with its home government, which is turn, may be convinced on occasion to intervene diplomatically on the firm's behalf. This places them (MNCs) in a strategically superior position to its locally controlled competitors.

In the Marxist view, 'the state will be corrupted by foreign firms and become increasingly reluctant to take appropriate measures'.[10] And there have been incidents were MNCs attempted to persuade the governments to pass favourable legislations and grant administrative favours. A specific example was the role played by the International Petroleum Company (a subsidiary of Standard Oil of New Jersey) in the politics of Peru for several decades prior to the 1968 expropriation[11]. Another example was a Brazilian government instruction, giving MNCs preferencial access to foreign exchange[12].

Since the end of '50s and beginning of the '60s, the MNCs have been growing at such a rate that by 1974 they controlled the greater part of trade and production in the world. These capitalist monopolies are national in terms of capital and actual operations but have subsidiaries in many other countries. But the strategy and tactics governing these subsidiaries are those elaborated and dictated by the parent company.

According to the 1968 Yearbook of International Organisation (Brussels), a total of 589 MNCs had investments in at least ten countries, and 268 of these were U.S. companies. A hundred and forty six had spread their tentacles over 20 countries and 14, over more than 40 countries.

The multinational consortia are clearly an instrument for exploiting the neo-colonial world and subjecting that world to imperialist designs. The most extensive of the consortia is IBM, which operates in no fewer than 80 countries and which came second (on the basis of net income) in the 1976 "Hit Parade", complied by the U.S. magazine Fortune[13]. That year IBM had net income of $ 1989 million, a figure that was only topped the world over by EXXON of New York. ITT—a company whose underhand dealings have come well into light—operates in 71 countries; Mobil Oil, in 62 countries; General Electric, in 32; Ford Motor in 30. Closely behind these companies, all of which U.S. owned, came British Petroleum, operating in 52 countries, and the Dutch Company Philips in 29. According to different sources; U.S MNCs in toto have around 25,000 subsidiaries abroad, while Western European and Japanese MNCs have around 30,000 subsidiaries. Behind the scenes of formally independent trade dealings in the capitalist world are some 400 to 500 imperialist multinational consortia, including 300 of the largest Yankee monopolies and some 200 Western European and Japanese monopolies.

According to some estimates, the MNCs at present control over 50 percent of the export trade of the capitalist world. In 1970, subsidiaries of these companies accounted for over 40 percent of the total export trade of the developing countries of the so called Third World. Of the total exports of the Third World for the year 1970, which amounted to $ 55,000 million in value, $ 15,000 million (28%) of this was accounted for by the export of goods produced by U.S. subsidiaries. The percentage was as high as 36 in Latin America, and 27 in Asia and Africa.

Needless to say, the strong control that the multinationals have over the foreign trade of the developing countries goes against the economic interests of these nations as such. In a report drawn up by the U.N. in 1973, it was admitted that, "the operations of subsidiary companies of the multinational corporations in the developing world are controlled from centres outside those countries in which the subsidiary companies function, and the policy of the corporations stems from a line of reasoning that is opposed to the interests of those countries and, more often than not, the interests of the state."

The most graphic expression of monopoly capitalism is the celebrated cartel—"The Seven Sisters". The cartel came into existence in Scotland in 1928. Standard Oil of New Jersey, Royal Dutch Shell and Anglo-Iranian (new British Petroleum) got together to divide the world among themselves penciling off their respective zones of operation on the map. The rest of the companies comprising that cartel joined in the early '30s. Today they control 70 percent of the World's oil reserves. In 1974, they extracted no less than 1600 million metric tons of oil, out of the world total of 2960 million. They control half of the world's refineries and half the capitalist world trade in this product. Five of these are U.S. companies: Standard Oil of New Jersey, Standard Oil of California and Mobil Oil of New York, all of which fall within the Rockefeller group; Gulf Oil of Pittaburgh, and TEXACO of New York. The other two are Shell and British Petroleum. The five U.S. monopolies are among the ten largest U.S. companies and according to Fortune, registered an income of $ 121,082 million in 1975. This figure alone is greater than that of the combined gross national products of ARGENTINA, BARBADOS, BOLIVIA, CHILE, COLOMBIA, COSTA RICA, the DOMINICAN REPUBLIC, ECUADOR, EL SALVADOR, GUATEMALA, HAITI, HONDURAS, JAMAICA, MEXICO, NICARAGUA, PANAMA, PARAGUAY, PERU, TRINIDAD and TOBACO and URUGUAY.

The dealings of the Seven Sisters are known to the full. They have engineering coups d'etat; they have custed and brought presidents and kings to power; they have been responsible for assassinations and they have drowned popular movements in blood.

The host governments should redress all the enumerated abuses that in fact exist. Through appropriate tax, trade and anti-trust policies and with the help of honest public servants, the government should rectify the distribution of income, penalise parasitic firms and end improper interference with public affairs, before the story of

Chile, Cuba and Peru is repeated on their lands. If all such policies fail to materialise then the only answer is revolution and expropriation.

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