

New Angels or Old Rascals? What are Transnational Corporations?

(PAUL GREGORIOS)

As a philosopher, I am persuaded that the more significant aspects of reality are corporate and not atomistic, social, not individual. From that perspective, I should be glad at the emergence of a new kind of corporate reality—the Trans-National Corporation or TNC for short.

We insist on calling them TNC's rather than MNC's for it is not their multi-national character that bothers us. In fact I am personally convinced that national sovereignty is an obsolete concept, and we are already in a multi-national world. For example, one of the major areas of development in which I am interested is multi-national co-operation among the so-called developing countries and the socialist countries. I am for multi-national co-operation for an equitable development of all cooperating societies. The multi-national character of an economic enterprise does not make it ipso facto evil. What is evil is that these TNC's are trans-national; i. e. they escape the authority of any nation. So we stick to the term TNC's rather than use the term MNC's.

Let us first get some facts about Corporations as such before we get to the TNC's. These animals, functioning within the world market economy system, have already grown to some frightful proportions.

Fortune magazine publishes every year a list of the 500 largest companies outside the U. S. with an indication of their sales, their assets, their net income, etc.

You know that the largest of these animals outside the U. S. A. in both 75 and 76 was Royal Dutch/Shell group. Total sales U. S. dollars 36,087 million. Profit after taxes and so on—U. S. dollars 2,347 million. Employees—1,53,000. Now that is a TNC, and the figures given are only for their operations in Netherlands and Britain. The next largest non-American TNC is *Unilever*, which also operates out of Britain-Netherlands. They employ twice as many people (3,17,000) as *Shell*, but their total sales was less than half as large (15,762 million) and their profit after taxes only 518 million. Poor *Unilever!* *Philips* of course did worse than *Unilever*. Employed almost 4,00,000 people, sales only \$11,521 million, profit only 213 million.

If you take only profit, National Iranian Oil Company did best. Employing only 57,331 people, and having a sale of only 19,103 million, they made a profit of 17,175 million (which is actually 87% of turnover, and about 2½ times as much as the total assets of the company!). But that is a special case. Petrol business is like that. Even British Petroleum, which had almost the same amount of turnover (19,103 million) as Iran Oil, made a profit of 325 million after taxes, but then they had to buy most of the petrol they sold, they did not dig it out of the ground.

What about German and Japanese companies? Well, actually Germany's *Hoechst* (chemicals and medicines) comes only 9th in rank in the list of the 500 largest outside the U. S. BASF, another German company in the same field, comes, 10th. *Hoechst* made \$ 188 million last year, and BASF \$ 241 million. Numbers 12, 13, 14, 16 & 17 are all German.

| | <i>Sales</i> | <i>Profit</i> | <i>Employees</i> |
|-------------------------|-----------------|---------------|------------------|
| 12. Daimler-Benz | \$ 8938 million | 164 million | 160,863 |
| 13. Volkswagen | „ 8513 „ | 399 „ | 183,238 |
| 14. Bayer (drugs) | „ 8297 „ | 181 „ | 171,200 |
| 16. Siemens (Electric) | „ 8060 „ | 222 „ | 304,000 |
| 17. Thyssen (Machinery) | „ 7947 „ | 105 „ | 139,440 |

The largest Japanese giant Nippon Steel Co., is No. 15 in the list in 1976 (she was No 7 in 1975). She made a sales of 8089 million dollars but her profit was only 38 million. The next Japanese giant, Toyota Motor company, had a sales of 7696 million. Her profit last year was \$345 million.

What about Indian giants? The largest is Indian Oil Co., and she comes 103rd in the list (she was 115 in 1975). Total sales \$2145 million; profit \$29 million. The next Indian Company is also a State undertaking—the Steel Authority of India. Sales \$1015 million, profit 34 million. People employed 204,532. But she is 229 in the list (in 1975 she was 181). The third Indian Company in the list of 500 is Bharat Heavy Electricals—sales about \$425 million, profit 26 million. Employees 52,000. Her rank is 474 among the 500.

No Birla, no Tata, No Dalmia on this list. Because the 500th largest company had a sales of U. S. \$395 million, and our companies are organized in smaller units than that.

Of the 500 companies, Britian has 87, Canada has 39, France has 46, Germany has 67, Japan has 117 and India has 3. A little country like Holland has a dozen; Sweden has 25; little Switzerland has 14; even Spain has 12; and Italy has 14. All of Africa has 1, namely Zambia Mining Co., which is 141 in rank. If you exclude Japan, East Asia has seven companies—three in India, three in South

Korea and one in Taiwan. West Asia has four, 2 in Turkey, 1 in Iran and 1 in Israel. Most of these Asian companies are oil companies.

It is good to know where we stand. What about banks? If we take the 50 largest banks outside U. S. A., the first is Deutsche Bank (Germany) with assets of U. S. \$44,593 million, the second is Dai-Ichi-Kangyo Bank in Japan with \$43,012 million, the third is Banque Nationale de Paris (France) with \$41,424 million. The largest Swiss Bank, the Swiss Bank Corporation, comes only 29th in rank; the next, Swiss Bank Corporation, is 30th. They have assets of 21,556 million and 21,513 million respectively. The 50 Banks are distributed as follows:

| | | |
|-------------|---|----------|
| Japan | — | 16 banks |
| Germany | — | 9 banks |
| France | — | 5 banks |
| Britain | — | 4 banks |
| Canada | — | 5 banks |
| Switzerland | — | 3 banks |
| Netherlands | — | 3 banks |
| Italy | — | 3 banks |
| Belgium | — | 1 bank |
| Brazil | — | 1 bank |
| | | <hr/> |
| | | 50 banks |

The total assets of these 50 banks is U. S. dollars 1,287,592 million. You know now who runs the world.

I have not mentioned the U. S. A. so far. I come to that now. If you take the 50 largest companies in the *world*; and rank them in terms of sales, the first ten are the following:

| <i>Company</i> | <i>Country</i> | <i>Sales (1976)</i> <i>(million</i> <i>dollars)</i> | <i>Profit (76)</i> <i>(million</i> <i>dollars)</i> |
|--------------------------|--------------------|---|--|
| 1. Exxon | U.S.A. | 48,630 | 2641 |
| 2. General Motors | U.S.A. | 47,181 | 2902 |
| 3. Royal Dutch/Shell | London/ Holland | 36,087 | 2247 |
| 4. Ford Motors | U.S.A. | 28,839 | 983 |
| 5. Texaco | U.S.A. | 26,451 | 869 |
| 6. Mobiloil | U.S.A. | 26,062 | 942 |
| 7. National Iranian Oil | Iran | 19,671 | 17175 |
| 8. Standard Oil of Calif | U.S.A. | 19,343 | 880 |
| 9. British Petroleum | Britain | 19,103 | 324 |
| 10. Gulf Oil | U.S.A. | 16,451 | 816 |

Seven out of these 10 are American. The non-American giants cannot compete with the American giants.

The fifty largest companies of the world together made a profit of 46,085 million U. S. dollars in 1976. The total income of 620 million Indians was about the same as this—perhaps a little more.

Of the 50 largest companies, not one is Indian. The only Asian companies are five from Japan and one the National Oil Company of Iran. There are two Latin American companies, both oil, one in Venezuela and one in Brazil. No African company; U. S. A. has 22, W. Germany has 7; France has 5; Britain and Holland together have 6; Italy and Switzerland 1 each.

Why talk about Trans-National Corporations at all? The giants are clearly in U. S. A., W. Germany, Japan, France, Britain, Netherlands, Canada and Italy. They control the World Economy and the World Capitalist-Imperialist system.

The TNC's are only one aspect of this world domination and should never be detached from the picture of world imperialism and capitalism led by the above nations of North America, Western Europe and Japan.

Now I give below a list of giant TNC's with direct holdings or subsidiaries in India.

| <i>Company</i> | <i>Country</i> | <i>Goods</i> |
|-----------------------------------|-------------------|--|
| 1. Metall Gesellschaft AG | W.Germany | Metal works |
| 2. Friedrich Krupp GmbH | W.Germany | Metal works |
| 3. Union Carbide Corp: | U.S.A. | Chemicals |
| 4. Firestone Tyre and Rubber Co., | U.S.A. | Rubber goods |
| 5. Dunlop Holding Ltd., | U. K. | Rubber goods |
| 6. British Steel Corp: | U. K. | Iron and Steel |
| 7. Sandvik AB | Sweden | Nails, Screws |
| 8. Akzo NV | Holland | Silk and Chemicals |
| 9. Unilever Ltd., | U. K./ Holland | Food preparations, Soaps, Cleaning materials |
| 10. Asca Allmanna S.E.A. | Sweden | Electricity distribution & transport equipment |
| 11. Bayer AG | W.Germany | Chemicals and Pharmaceuticals |

| | <i>Company</i> | <i>Country</i> | <i>Goods</i> |
|-----|--|----------------|--|
| 12. | Robert Bosch GmbH | W.Germany | Electrical goods, appliances |
| 13. | Hoechst AG | W.Germany | Chemicals, fertilizers |
| 14. | Banque Nationale de Paris | France | Money |
| 15. | CIBA-Geigy AG | Switzerland | Chemicals and Pharmaceuticals |
| 16. | Sandoz AG | Switzerland | Chemicals and Pharmaceuticals |
| 17. | British Leyland Motor Corp: | U. K. | Buses & Trucks |
| 18. | American Motor Corp: | U.S.A. | Buses & Trucks |
| 19. | Turner and Newall Ltd., | U. K. | Plastic materials |
| 20. | Tata and Lyle Ltd., | U. K. | Sugar |
| 21. | The Plessey Co., Ltd., | U. K. | Food preparations, Telecommunication equipment |
| 22. | Lucas Industries Ltd., | U. K. | Electricity distribution equipment |
| 23. | International Computers Ltd., | U. K. | Computer equipment |
| 24. | Imperial Chemical Industries Ltd., (ICI) | U. K. | Chemicals, Fertilizers |
| 25. | Beecham Group Ltd., | U. K. | Pharmaceuticals |
| 26. | Brook Bond Liebig Ltd., | U. K. | Food & Tobacco |
| 27. | E. M. I. Ltd., | U. K. | Electricity distribution equipment |
| 28. | Fisons Ltd., | U. K. | Chemicals, fertilizers Pharmaceuticals |
| 29. | General Electric Co. Ltd., (GEC) | U. K. | Electricity distribution equipment |
| 30. | Telefonaktieboletet LM Ericsson | Sweden | Telecommunication apparatus |

| | <i>Company</i> | <i>Country</i> | <i>Goods</i> |
|-----|---|----------------|---|
| 31. | AG Brown Boveri et Cie | Switzerland | Electric equipment |
| 32. | Nestle Alimentana AG | Switzerland | Electric Equipment |
| 33. | Albright and Wilson Ltd., | U. K. | Chemicals and Fertilizers |
| 34. | CPC International Inc. | U.S.A. | Information not available |
| 35. | American Telephone and Telegraph Co., (Bell System) | U.S.A. | „ |
| 36. | International business Machine Corp: (IBM) | U.S.A. | „ |
| 37. | Tootal Ltd., | U. K. | Textiles |
| 38. | The De La Rue Ltd., | U. K. | Plastics |
| 39. | Coats Patons Ltd., | U. K. | Textile Yarn |
| 40. | Burmah Oil Co. Ltd., | U. K. | Petroleum Products (Nationalised?) |
| 41. | British Petroleum Co. Ltd., | U. K. | „ |
| 42. | British American Tobacco | U. K. | Tobacco and perfumes |
| 43. | Vickers Ltd., | U. K. | I. N. A. |
| 44. | Tube Investments Ltd., | U. K. | I. N. A. |
| 45. | Shell Transport & Trading Co., | U. K. | Petroleum (nationalised) |
| 46. | Metal Box Ltd., | U. K. | I. N. A. |
| 47. | Cie Francaise des Petroles | France | Petroleum Products, Chemicals |
| 48. | Phelps Dodge Corp: | U.S.A. | Copper and Aluminium |
| 49. | The Goodyear Tyre & Rubber Co., | U.S.A. | Chemicals and rubber manufactures |
| 50. | Svenska Tandsticks AB | Sweden | Paper board |
| 51. | Svenska Kullager Fabriken | Sweden | Hand and machine tools |

| | <i>Company</i> | <i>Country</i> | <i>Goods</i> |
|-----|--|----------------|-------------------------------|
| 52. | Svenska Flaekt Fabriken | Sweden | Jute? |
| 53. | Facit AB | Sweden | Office machines |
| 54. | Atlas Copco. AB | Sweden | I. N. A. |
| 55. | Guest, Keen and Nettlefolds Ltd., | U. K. | I.N. A. |
| 56. | Standard Oil Co., (Indiana) | U.S.A. | Gas |
| 57. | Sperry Rand Corp. | U.S.A. | I. N. A. |
| 58. | Philip Morris Inc. | U.S.A. | Tobacco |
| 59. | Mobil Oil Corp: | U.S.A. | Petroleum, gas coal |
| 60. | Borg-Warner Corp: | U.S.A. | Chemicals |
| 61. | Caterpillar Tracter Co., | U.S.A. | Tractors & agri- equipment |
| 62. | Gulf Oil Corporation | U.S.A. | Petro Products. |
| 63. | Ingersoll-Rand Co., | U.S.A. | Machinery |
| 64. | International Harvester company | U.S.A. | Agromachinery |
| 65. | Johns-Manville Corp. | U.S.A. | I. N. A. |
| 66. | International Nickels Co. of Canada Ltd., | Canada | Tubes, Pipes |
| 67. | Massey-Ferguson Ltd., | Canada | Agromachinery |

There must be many many more companies operating in India through various other devices, and many others operating through subsidiaries. These were the companies that I was able to track down from available evidence. Do we not have a right to demand from the Government of India that the facts be public about:

- (a) What companies operate now in India?
- (b) How much capital have they brought in?
- (c) How much profits have they taken out?
- (d) When would they leave India?
- (e) What policies are in force now about admitting them to continue to operate in this country?
- (f) What is their record in terms of efficiency of operation, effectiveness in transfer of technology, their labour relations, their efforts in corrupting Government officials, their role in elections etc.?

Such a study should be undertaken also by institutions like the Indian Institute for Development Studies.

We now take up the arguments pro and contra TNC's.

(1) **Means of Efficient Production.** Their proponents argue that TNC's are the most efficient means of large-scale development efforts; that since they have technical and managerial experience of a high order acquired through massive operations elsewhere, they can produce goods more efficiently and at an accelerated pace. This argument really breaks down when we make a study of the efficiency and cost-benefit factors. It has been found in other places that the work done by TNC's could have been done by a local company or group of companies much more efficiently and at a lower cost.

(2) **Transfer of Technology.** The second argument is that they are the most effective instruments for the transfer of technology from the developed to the developing countries. This argument too breaks down on examination. Usually we pay for the technology that the TNC'S bring. We do not get it free. We could just as well have bought that technology without using TNC's. Besides, when TNC's operate, they **jealously guard the key technology**, without communicating it to local elements. **The key technicians** are also foreigners. **Only that way can they assure their continuing operation** in the country. **Clearly there are other and more efficient means of transferring technology.**

(3) **The Creation of New Employment.** The third argument for TNC's is that since developing countries have an acute problem of unemployment aggravated by the fact of capital shortage, these TNC's bring capital from outside and generate new employment. This argument is only partly valid. In many countries there are serious complaints about their employment practices. In the first place most TNC's use the capital-intensive form of technology. If the production were completely under local control, we could have used a more labour-intensive technology and provided more jobs than what the TNC's are doing. TNC's actually put a lot of small companies out of existence, and thereby create new unemployment.

(4) **Their Contribution to Research and Culture.** The TNC's claim that they make very generous grants for research and cultural activities in the lands of their operation. This argument is certainly not valid. No TNC brings money from outside to make contributions to culture and research. It is usually a small portion of their local profits that they devote to research and cultural programmes. This money is produced by the labour of the local people and not money contributed by the TNC's. Besides, the kind of research that they do is not always the most needed by the people; often it is the sort of research that will bring more profits to the TNC's,

(5) **Pace-makers for the Future:** One of the more interesting arguments in favour of TNC's is that they are the signs of the future. Glossy propaganda magazines like SPAN argue that since tomorrow's world has to be international, rather than national, these TNC's show the way towards the future, and should be seen as full of promise for the future. The fact of the matter, however, is that the private enterprise TNC's belong to the last stage of imperialistic capitalism, the last attempt to establish a complete network for maintaining the economic and technological hegemony of the Metropolitan countries in the market economy world. They are attempts on the part of the neo-colonialist world market economy to bypass the authority of the ex-colonial governments and to have an instrument which can neutralize from within the growingly strident political and economic power of the poor countries.

The arguments against the TNC's are manifold.

(a) Their basic orientation is towards quick profits for the company and not towards safe-guarding and promoting the interests of the people of the land in which they serve. Such an orientation on the part of an economically powerful group becomes a serious handicap in the developmental efforts of the poorer nations.

(b) Arising from that fact, the TNC's often specialize in quick-profit areas like beverages (Coca-Cola) luxury consumption items, packaged food, toilet articles, Television, Telephone, Refrigerators; high profit foreign label mass market items (pharmaceuticals) rather than on basic commodities related to food, clothing, housing and transportation.

(c) By entering an area where the small entrepreneur is making a living and employing a few people, the TNC's push out the small local businessman and his employees. This dampens the spirit of enterprises. Thus even small capitalists are often opposed to TNC's. Only the big ones benefit from them by collaboration.

(d) They can control the pricing of certain commodities (like pharmaceuticals) by common agreement among the few TNC's or other corporations who remain after the small ones have been pushed out. They thus become a major exploitative force. In Britain recently, Swiss pharmaceutical companies have been fined millions of pounds for over-charging for the medicines sold by them.

(e) The biggest problem is that they have ways of evading control by local governments. They can do all kinds of foreign exchange deals because they have branches in several countries. Governments may not be able to control how much foreign money comes or goes,

(f) They have a very bad record of bribing and corrupting local politicians and government officials. We know about the Boeing scandals, the Douglas Aircraft scandals and so on. The TNC's are a major element in promoting bribery and corruption in the poor as well as the rich countries.

(g) They can enter into local politics, and finance politicians and elections through their local companies. It would be interesting for someone to make a study of what role some of these companies played in the last Indian elections, and to what extent they were used by foreign elements to influence the outcome of the elections.

(h) In some cases they can use other techniques as well as their tremendous economic power and international contacts to bolster up tottering reactionary regimes which will ensure the security of TNC operations and of the World Market Economy system in general. They can undermine a government as happened in Chile.

(i) The worse kind of TNC's are the information media corporations like Reuters, UPI, etc. By controlling information they exercise enormous influence in forming the minds of the people in developing countries in the direction that serves the vested interest of the industrially developed countries and the propertied classes of the developing countries who are allied with the world market economy system.

(j) They spread an unhealthy consumerist bourgeois culture, based on greed and sensuality, quick gratification of the basest desires, heavy consumption of tobacco and alcohol, loose sexual morality. The TNC's play a major role in "Americanizing" or "Westernizing" an ancient culture. The advertisement techniques, movies, novels, television programmes etc. of a decadent bourgeois culture provide the coveted values of TNC culture and work like a cancer destroying the cultural creativity and life of the developing countries.

That I think, does not detract from the fact that some TNC's have done some good work in promoting industrial development despite their basic profit orientation.

A distinction has to be made between TNC operations of Private Enterprises and similar activities of Transnational State Corporations created by Socialist countries which operate on socialist principles.

Similarly, distinctions have to be made between Private Enterprise TNC operations in socialist countries where the State control is extremely effective and watchful and in poor countries where such control can be easily by-passed or bought off,

A sober evaluation of the role of TNC's in today's world need leave no doubt about the answer to the question: Are TNC's new angels bringing a new world order of international and national justice, or merely old rascals of the market economy imperialist-neo-colonialist system in a new garb and endowed with more dastardly power?