

organisations. The proposed United Nations Commission on Multinational Corporations could prove of great importance in this context because it could coordinate the knowledge of all developing countries as well as drawing upon the expertise of consultants, businessmen, officials and scientists in the developed world.

- (iii) Skill - In order to cope with a highly sophisticated and skilled opponent, the host government must devote to the task of bargaining an equally well-trained, informed and honest body of nationals, drawn from the administration, public sector industries, universities and perhaps private enterprise. While less important items on the agenda can be decided at lower levels, and minor problems be settled by reference to standard procedures and rules, the overall package and its more important elements must be reviewed and negotiated by a competent authority which can understand national priorities and implement them without either dogmatism or compromise. There may, however, be a trade off between the need to build up an experienced and mature organisation and the danger of corruption, arising from continuous exposure to powerful temptation from MNCs. These points will be raised again in the last section, but they impinge upon the effectiveness of all the policy measures considered in this paper.

Regulation

Many of the considerations arising in bargaining recur in the regulation of existing investments. The purpose of regulation is, first, to ensure that the laws and provisions relating to foreign investments are met, second, to ensure that the particular bargain struck with an MNC is kept in practice, and, third, to ensure that the renegotiation of the initial bargain is kept up-to-date.

187. Many problems of the regulation of foreign investments apply to industry generally - health and safety measures, anti-monopoly rules, social security, employment and wage provisions, quality control, compliance with various municipal laws, and so on - but some are specific to the former. The main ones are the regulation of remittances abroad (which goes together with taxation), employment of nationals, open or hidden participation in local political activity, and the use of unfair or disallowed (as part of the bargain) business practices. All these have been discussed at some stage already, and we need not go into them again here; what we need to stress here is the importance of efficient regulatory mechanisms which would be able to carry out these tasks, the full reporting of MNC activities, the registration of all forms of contracts and agreements, and a recourse to speedy and fair arbitration in cases of dispute.

CHAPTER VI

PROBLEMS IN FORMULATING AND IMPLEMENTING POLICY

188. We have, throughout this paper, laid enormous stress on the role of the government, in finding out what is conducive to social welfare, in specifying policies which would promote it, and in implementing those policies with honesty and efficiency. At no stage have we tried to make it sound easy;

however, before finishing we must mention some of the problems inherent in formulating and implementing policies for dealing with MNCs.

189. At the level of policy formulation, we may distinguish between two general problems, quite unrelated to those of information, skill and coordination mentioned above. The first arises from the perception and definition of social welfare, perhaps the most pliable and amorphous of concepts, open to an enormous range of interpretation, and basically a matter of the social conscience of whoever is in power. Is there any guarantee, or even the likelihood, that the 'welfare' which is pursued by a particular government conforms to the welfare of the greater majority of the people in the country? If what is in fact understood as 'welfare' is simply the benefit of the privileged élites, there is a fundamental conceptual barrier which prevents the real problems from even being considered.
190. The second, similarly, arises from the pressures exerted in the shaping of policies, even assuming that social welfare is correctly perceived. No government policy of any importance to the distribution of wealth and income can be formed independently of the groups which control them, and even the most liberal of administrations is subject to the realities of a given power structure.(1) If policies on MNCs are part of a larger effort to redistribute wealth and promote independent national development, they can succeed only to the extent that the internal political structure permits a meaningful basis for such policies.(2) In many cases the only feasible result may be 'dependent' development of the sort discussed earlier, with the interests of MNCs, national industrialists and the political élite corresponding to a large enough extent to prevent any major change.
191. We must not, however, assume that there is no freedom for manoeuvre. There are clearly a number of issues on which the interests of different groups in a host country would coincide, or at least would not clash, and on these a solid foundation of MNC policy can rest: the regulation of the direct cost of MNC investment, the promotion of domestic technology and domestic enterprise, and the use of labour-intensive techniques are good examples. The policies of the Andean Group, which lay down fairly stringent conditions for the entry and operation of MNCs, are pursuing precisely this sort of objective, of getting a better deal from foreign investors without attempting to reform the domestic pattern of distribution and development. The extent to which any individual government will shift the balance inside this range of freedom, to favour one section over another, will depend again on its political basis and its ability (by

(1) See a fascinating recent study of the sociology of administration based on the Latin American experience, by Stinchcombe (1974), who is Professor of Sociology at Berkeley.

(2) "Responsibility of the political élite to constituencies inside the country is the only long-run alternative to responsibility to a constituency of copper companies, frigoríficos, and oil companies. And that responsibility to national constituencies has stable structural supports only if the poor are organised into leftist parties and strong trade unions". *ibid.*, p.183.

consensus or by force) to apply its preferences in practice. Conversely, the structure of the political system will itself reflect the interplay of the various social and economic groups, with the dominance shifting in response to changing economic circumstances, in this case the entry of MNCs.(1)

192. Given the practical limits to the formulation of MNC policies, their implementation faces a host of different problems. Bureaucracies in developing countries are not renowned for their efficiency, administrative skill or honesty, when these are all essential ingredients for bargaining with and regulating MNCs. There are ample opportunities for administrative incompetence and corruption when a tough line is taken against the massive multinationals, which are adept at using these situations to their own advantage and quite aware of the possibilities of intimidation, persuasion, concealment and bribery.(2) The greater the number of restrictions and regulations imposed on the operations of MNCs, and the greater the profit opportunities for the MNCs in a particular economy, the greater clearly will be the pressure put on the abilities of the administration. If these abilities are limited, in terms of skill or honesty, a case can be made for reducing the opportunities for bureaucratic interference rather than increasing them.
193. We do not intend to end on a pessimistic note. The recent course of events in the world economy indicates that host countries are indeed waking up to the problems created by the emergence of MNCs, and many of their actions have redressed the balance of power in their favour. The initiative undertaken by the United Nations in proposing a permanent Commission on Multinational Corporations is a very hopeful sign, and the realisation within the developed countries that orthodox reliance on competitive-market models for forming policy is outdated is inducing MNCs to reform themselves and think of their 'social responsibility'. The entry of trade unions from developed countries into the scene, mainly as an attempt to reestablish their own bargaining power, also augurs well for the prospects of control, while various measures undertaken by the Government of the United States, the home of the biggest MNCs, show that all will not go the multinational way. The developing countries must, however, look after their own interests, since they diverge both from those of MNCs and their home countries: there can be no substitute for independent and strong action to promote their development.

(1) For a comparative socio-economic analysis of the development of political structures in various countries (U.S.A., U.K., Germany, Russia, India, China and Japan) see the brilliant study by Moore, 1966. For the application of such an analysis to the MNC phenomenon in India, Pakistan and Bangladesh, see Weisskopf, 1971, and Alavi, 1972.

(2) Interestingly enough, business-school literature frankly discusses all these measures for dealing with governments in developing countries, while pressing firms to be 'good citizens'. See, for instance, Williams, 1965.