

What are TNCs ?

Transnational corporations are among the world's biggest economic institutions. A rough estimate suggests that the 300 largest TNCs own or control at least one-quarter of the entire world's productive assets, worth about US\$5 trillion. ¹ TNCs' total annual sales are comparable to or greater than the yearly gross domestic product (GDP) of most countries (GDP is the total output of goods and services for final use by a nation's economy). Itochu Corporation's sales, for instance, exceed the gross domestic product of Austria, while those of Royal Dutch/Shell equal Iran's GDP. Together, the sales of Mitsui and General Motors are greater than the GDPs of Denmark, Portugal, and Turkey combined, and US\$50 billion more than all the GDPs of the countries in sub-Saharan Africa.²

Partly as a result of their size, TNCs tend to dominate in industries where output and markets are oligopolistic, or concentrated in the hands of a relatively small number of firms. The top five car and truck manufacturers are responsible for nearly 60 per cent of worldwide sales of motor vehicles. The five leading oil majors account for over 40 per cent of that industry's global market share. For the chemicals sector, the comparable percentage is 35 per cent, and for both electronics and steel it is over 50 per cent.³

Though based predominantly in Western Europe, North America, and Japan, TNCs' operations span the globe. The Swiss electrical engineering giant ABB has facilities in 140 nations, for example, while Royal Dutch/Shell explores for oil in 50 countries,

refines in 34, and markets in 100. Offices of the US food processing firm H.J. Heinz cover six continents and Cargill, the US's largest grain company, operates in 54 countries. Britain's leading chemical company ICI has manufacturing operations in 40 nations and sales affiliates in 150.⁴

Technical definitions of TNCs vary, but for the purposes of this guide the term "transnational corporation" means a for-profit enterprise marked by two basic characteristics: 1) it engages in enough business activities -- including sales, distribution, extraction, manufacturing, and research and development -- outside the country of origin so that it is dependent financially on operations in two or more countries; 2) and its management decisions are made based on regional or global alternatives.⁵

A TNC can be a "public" corporation, which trades its shares of stock at stock exchanges or brokerage houses; the buyers from the public are "shareholders," and can include individuals as well as institutions such as banks, insurance companies, and pension funds. DuPont and Enron are examples of publicly-traded corporations. Or a TNC can be "private," meaning that it does not have shares which are traded publicly; such firms are frequently family-controlled. Cargill is a private firm which until recently was controlled by two families.

A "parent" company, located in the TNC's country of origin, exercises an authoritative, controlling influence over a "subsidiary" in another country either directly if it is private or, if it is public, by owning some or all of the shares (parent corporations can

Total Gross Domestic Products (GDPs) / Total Annual Sales of Select Countries and Transnational Corporations			
Country / TNC	GDP / Total Sales <i>(in billions US\$)</i>	Country / TNC	GDP / Total Sales <i>(in billions US\$)</i>
Itochu Corporation	166	Matsushita Electric	61
Austria	164	British Petroleum	59
Marubeni Trading	149	Philip Morris	59
Mitsui	148	Hitachi	58
General Motors	132	Greece	58
Indonesia	117	General Electric	57
Exxon	116	Volkswagen	55
Argentina	114	Venezuela	53
Denmark	112	Nissan Motor	50
Finland	110	Siemens	50
Saudi Arabia	109	Peru	48
Norway	106	Malaysia	47
Ford	100	Philippines	45
Royal Dutch/Shell	97	Unilever	44
Iran	97	New Zealand	43
Turkey	96	Colombia	42
South Africa	92	Fiat	40
Nisso Iwai	91	Pakistan	40
Toyota Motors	81	Singapore	40
Grand Metropolitan	80	Nestle	38
Poland	78	Chrysler	37
Hong Kong	68	Toshiba	37
IBM	65	Texaco	37
Portugal	65	Elf Aquitaine	36
Mobil	64	ENI	34
Israel	63	Nigeria	34
Daimler-Benz	63		

(Sales are based on 1992 figures, GDPs on 1991 figures)

Source : United Nations.

exert controlling power even with relatively small share holdings in subsidiaries). United Carbide India Ltd., for example, was the Indian subsidiary of the US-based Union Carbide Corporation. Subsidiaries can have a different name than the parent company, and can of course also be located in the same country as the parent. The style of relation-

ships between parent and subsidiary companies --that is, how control is exercised--differs among TNCs' main home regions. More formal, centralised control has typically been a hallmark of US, and to a lesser extent European, corporations than of Japanese TNCs.

A Glossary of Key TNC and Foreign Investment Terms

- **Affiliate** -- A company owned or controlled by another corporation through ownership of ten per cent or more of outstanding voting stock.
- **Conglomerate** -- A business organisation generally consisting of a holding company and group of subsidiaries engaged in dissimilar activities. Usually, a conglomerate expands through mergers or takeovers of other independent companies.
- **Export Processing Zone or Free Trade Zone** -- A physically fenced-in industrial estate developed by host country governments to facilitate manufacture by foreign as well as domestic investors primarily for exports.
- **Foreign Direct Investment (FDI)**--The primary measure of cross-border investment of TNCs. FDI involves giving managerial controlling power to the foreign investor (in a joint venture, for example).
- **Franchise** -- A form of license agreement where the contract established involves a continuing relationship.
- **Holding Company** -- A holding company has control over one or more firms through ownership of the latter's stocks. It may or may not produce marketable goods and services, but is concerned with control over the managerial, financial, marketing, and other functions of the enterprises in which it has an ownership stake.
- **Joint Venture** -- This refers to an enterprise where two or more investors agree, as co-owners, to engage in business for profit. The extent of ownership of each partner determines its profit shares. It is common for one partner to own a minority of the total shares.
- **License Agreement** -- A contract made by a TNC with a subsidiary or local company for the use of a brand name, trade mark, patent, or copyright of a product for a specified duration of time. Payment may be in the form of a fee, sales percentage, royalty, etc.
- **Management Contract** -- An arrangement where a local firm "hires" a TNC to manage its business.
- **Merger** -- An amalgamation where two independent corporations agree to join together their equity and capital to form a new single company. In a **takeover**, one corporation acquires control of another company without mutual agreement.
- **Portfolio Investment** -- This is investment which goes into the financial sector in the form of treasury bonds and notes, stocks, money market placements, and bank deposits. Portfolio investment involves neither control of operations nor ownership of physical assets. Portfolios may include equity, but portfolio investors usually do not get involved in operations. Portfolio investment is typically of a more speculative nature, responding quickly to higher returns offered elsewhere as well as to higher risks in the host economy.
- **Service Contract** -- An agreement between a TNC and a domestic company or subsidiary where the former provides the latter with assistance such as technical services procurement services and proprietary technology.
- **Subcontracting/Offshore Assembly** -- A technique used by TNCs where the manufacture of one part of a product made in a country is subcontracted in another country to take advantage of cheaper labour. The raw materials are imported from the parent company abroad and processed by a local subcontractor. The semi-finished good is exported back to the parent corporation.
- **Subsidiary** -- A company legally owned and controlled by another corporation because a majority of its shares are held by the latter. The corporation owning a majority interest is foreign, the company where the interest is held will be a foreign subsidiary.

(Excerpted from the IBON Philippines Databank and Research Center's TNCs -- In the Thick of Everything)⁶

Brief History of TNCs

From the Origins to the Second World War

The earliest historical origins of transnational corporations can be traced to the major colonising and imperialist ventures from Western Europe, notably England and Holland, which began in the 16th century and proceeded for the next several hundred years. During this period, firms such as the British East India Trading Company were formed to promote the trading activities or territorial acquisitions of their home countries in the Far East, Africa, and the Americas. The transnational corporation as it is known today, however, did not really appear until the 19th century, with the advent of industrial capitalism and its consequences: the development of the factory system; larger, more capital intensive manufacturing processes; better storage techniques; and faster means of transportation.

During the 19th and early 20th centuries, the search for resources including minerals, petroleum, and foodstuffs as well as pressure to protect or increase markets drove transnational expansion by

companies almost exclusively from the United States and a handful of Western European nations. Sixty per cent of these corporations' investments went to Latin America, Asia, Africa, and the Middle East. Fuelled by numerous mergers and acquisitions, monopolistic and oligopolistic concen-

Over the past quarter century, there has been a virtual proliferation of transnationals. In 1970, there were some 7,000 parent TNCs, while today that number has jumped to 38,000; 90 per cent of them based in the industrialised world.

	1991	1992
World Sales of TNCs' Foreign Affiliates	4.8	5.8
World Exports of Goods & Services	4.5	4.7

[figures in US\$ trillions]

Source: United Nations, 1994

tration of large transnationals in major sectors such as petrochemicals and food also had its roots in these years. The US agribusiness giant United Fruit Company, for example, controlled 90 per cent of US banana imports by 1899, while at the start of the First World War, Royal Dutch/Shell accounted for 20 per cent of Russia's total oil production.⁷

Demand for natural resources continued to provide an impetus for European and US corporate ventures between the First and Second World Wars. Although corporate investments from Europe declined somewhat, the activities of US TNCs expanded vigorously. In Japan, this period witnessed the growth of the zaibatsu (or "financial clique") including Mitsui and Mitsubishi. These giant corporations, which worked in alliance with the Japanese state, had oligopolistic control of the country's industrial, financial, and trade sectors.

FDI Outflows from the Five Major Home Countries (1982-1994)							
Country	1982-86	1987-91	1990	1991	1992	1993	1994
	[annual average]						
France	3	20	35	24	31	21	25
Germany	6	18	29	23	16	15	15
Japan	7	35	48	31	17	14	18
United Kingdom	10	28	19	16	19	26	27
USA	11	28	30	31	41	58	56
Total	37	129	161	125	124	134	141
Total All Countries	55	192	239	191	194	193	204

[Figures in US\$ billions]

Source: United Nations, 1994

1945 to the Present

US TNCs heavily dominated foreign investment activity in the two decades after the Second World War, when European and Japanese corporations began to play ever greater roles. In the 1950s, banks in the US, Europe, and Japan started to invest vast sums of money in industrial stocks, encouraging corporate mergers and furthering capital concentration. Major technological advances in shipping, transport (especially by air), computerisation, and communications accelerated TNCs' increasing internationalisation of investment and trade, while new advertising capabilities helped TNCs expand market shares. All these trends meant that by the 1970s oligopolistic consolidation and TNCs' role in global commerce was of a far different scale than earlier in the century. Whereas in 1906 there were two or three leading firms with assets of US\$500 million, in 1971 there were 333 such corporations, one-third of which had

assets of US\$1 billion or more. Additionally, TNCs had come to control 70-80 per cent of world trade outside the centrally planned economies.⁸

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Foreign Direct Investment (FDI) and Portfolio Investment (PI) Inflows to Africa, Asia, and Latin America (1986-92)			
Region	1986-90	1991	1992
	[annual average]		
<u>Africa</u>			
FDI	2.6	2.5	2.9
PI	--	--	0.1
<u>Latin America & the Caribbean</u>			
FDI	6.4	12.4	14.5
PI	--	8.9	5.5
<u>Western Asia</u>			
FDI	0.3	0.5	0.3
PI	--	--	--
<u>South, East & Southeast Asia</u>			
FDI	7.5	14.5	21.1
PI	2.2	4.3	8.1
Total	19	43.1	52.5

[Figures in US\$ billions]

Source: United Nations, 1994

world, which control over 207,000 foreign subsidiaries. Since the early 1990s, these subsidiaries' global sales have surpassed worldwide trade exports as the principal vehicle to deliver goods and services to foreign markets.

The large number of TNCs can be somewhat misleading, however, because the wealth of transnationals is concentrated among the top 100 firms which in 1992 had US\$3.4 trillion in global assets, of which approximately US\$1.3 trillion was held outside their home countries. The top 100 TNCs also account for about one-third of the combined outward foreign direct investment (FDI) of their countries of origin. Since the mid-1980s, a large rise of TNC-led foreign direct investment has occurred. Between 1988 and 1993, worldwide FDI stock -- a measure of the productive capacity of TNCs outside their home countries -- grew from US\$1.1 to US\$2.1 trillion in estimated book value.

There has also been a great increase in TNC investment in the less-industrialized world since the mid-1980s; such investment, along with private bank loans, has grown far more dramatically than national development aid or multilateral bank lending. Burdened by debt, low commodity prices, structural adjustment, and unemployment, governments throughout the less-industrialised world today view TNCs, in the words of the British magazine *The Economist*, as "the embodiment of modernity and the prospect of wealth: full of technology, rich in capital, replete with skilled jobs."⁹ As a result, *The Economist* notes further, these governments have been "queuing up to attract multinationals" and liberalising investment restrictions as well as privatising public sector industries.¹⁰ For TNCs, less-industrialised

countries offer not just the potential for market expansion but also lower wages and fewer health and environmental regulations than in the North.

Thus, in 1992 foreign investment into less-industrialised nations was over US\$50 billion; the figure had jumped to US\$71 billion in 1993 and US\$80 billion in 1994. In 1992-93, less-industrialised countries accounted for between one-third and two-fifths of global FDI inflows -- more than at any time since 1970. These flows have not been evenly distributed, however, with just ten host recipients—the majority in Asia—accounting for up to 80 percent of all FDI to the less-industrialised world.¹¹

Problems Arising from TNCs

Intra-Company Trade and Manipulative Price Transfers

The post-Second World War period witnessed not merely a rise in TNCs' control of world trade, but also growth of trade within related enterprises of a given corporation, or "intra-company" trade. While intra-company trade in natural resource products has been a feature of TNCs since before 1914, such trade in intermediate products and services is mainly a phenomenon of recent decades. By the 1960s, an estimated one-third of world trade was intra-company in nature, a proportion which has remained steady to the present day. The absolute level and value of intra-company trade has increased considerably since that time, however. Moreover, 80 per cent of international payments for technology royalties and fees are made on an intra-company basis.¹²

Problems stemming from intra-company trade concern TNCs' ability to

maximise profits by avoiding both market mechanisms and national laws with an instrument of internal costing and accounting known as “transfer pricing.” This is a widespread technique whereby TNCs set prices for transfers of goods, services, technology, and loans between their worldwide affiliates which differ considerably from the prices which unrelated firms would have had to pay.

There are many benefits TNCs derive from transfer pricing. By lowering prices in countries where tax rates are high and raising them in countries with a lower tax rate, for example, TNCs can reduce their overall tax burden, thus boosting their overall profits. Virtually all intra-company relations including advisory services, insurance, and general management can be categorised as transactions and given a price; charges can as well be made for brand names, head office overheads, and research and development. Through their accounting systems TNCs can transfer these prices among their affiliates, shifting funds around the world to avoid taxation. Governments, which have no way to control TNCs’ transfer pricing, are therefore under pressure to lower taxes as a means of attracting investment or keeping a company’s operation in their country. Tax revenue which might be used for social programs or other domestic needs is thus lost.

Moreover, in countries where there are government controls preventing companies from setting product retail prices above a certain percentage of prices of imported goods or the cost of production, the firms can inflate import costs from their subsidiaries and then impose higher retail prices. Additionally, TNCs can use overpriced imports or underpriced exports to circumvent governmental ceilings on profit repatriation, causing nation-states to suffer large foreign

exchange losses. For instance, if a parent company has a profitable subsidiary in a country where the parent does not wish to re-invest the profits, it can remit them by overpricing imports into that country. During the 1970s, investigations found that average overpricing by parent firms on imports by their Latin American subsidiaries in the pharmaceutical industry was 155 per cent, while imports of dyestuffs raw materials by Indian TNC affiliates were being overpriced between 124 and 147 percent.¹³

Influence in Nations’ Political Affairs

TNCs’ influence over countries, particularly those in the less-industrialised world, has not been manifest solely in sheer economic power or manipulative price transfers. Such influence has also been reflected in corporations’ willingness and ability to exert leverage directly by employing government officials, participating on important national economic policy making committees, making financial contributions to political parties, and bribery. Furthermore, TNCs actively enlist the help of Northern governments to further or protect their interests in less-industrialised nations, assistance which has sometimes has involved military force. In 1954, for instance, the US launched an invasion of Guatemala to prevent the Guatemalan government from taking (with compensation plus interest) unused land of United Fruit Company for redistribution to peasants.¹⁴

Perhaps the most notorious example of TNCs’ meddling in the political affairs of a sovereign state, however, occurred in the early 1970s, when International Telephone and Telegraph (ITT) offered the US Central Intelligence Agency US\$1 million

to finance a campaign to defeat the candidacy of Salvador Allende in Chilean national elections. Though this offer was refused, and Allende democratically elected, ITT continued to lobby the US government and other US corporations to promote opposition to Allende through economic pressure including the cutoff of credit and aid and support of Allende's political rivals. After copper mines in Chile owned by the firms Kennecott and Anaconda were nationalised, the US government took a series of steps based largely on the recommendations of ITT to subvert Allende.¹⁵

Disclosure of ITT's efforts to overthrow Allende helped prompt initiatives in the United Nations to draft a TNC Code of Conduct to establish some guidelines for corporate behaviour. This move was part of more general concern about the extent of corporations' economic and political influence which emerged in the 1960s and 1970s, and which led some less-industrialised countries to demand that TNCs divest from certain sectors or to require changes in the terms of a company's investment. Yet such developments have been minor and temporary obstacles to the augmentation of TNCs' economic power, and overall the past three decades have been characterised by increased regional economic integration, the liberalisation of many international markets, and the opening up of new areas such as Central and Eastern Europe.

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TNCs and International Politics

Especially since the 1980s, TNCs' involvement at international political negotiations and fora has accompanied and encouraged the rise of global corporate economic power. In an effort to reduce barriers to trade and investment capital flows in the last decade, TNCs have lobbied vigorously to shape to their liking Europe's Single Market agreement, the North American Free Trade Agreement (NAFTA), and the Uruguay Round of the General Agreement on Tariffs and Trade

(GATT). For TNCs, so-called free trade lessens governmental restrictions on their movement and ability to maximise returns. "The deregulation of trade aims to erase national boundaries insofar as these affect economic life," economists Herman Daly and Robert Goodland have noted. "The policy-making strength of the nation is

thereby weakened, and the relative power of TNCs is increased."¹⁶

For example, rules established in the GATT's recently concluded Uruguay Round regarding trade-related intellectual property rights (TRIPs) and trade-related investment measures (TRIMs) will be of particular benefit to TNCs. The first gives corporations greater capacity to privatise and patent life forms, including plant and other genetic resources of less-industrialised nations and peoples. TRIMs render illegal certain measures which countries— notably Southern nations—have employed to

encourage TNCs to establish linkages with domestic firms. TRIPs, TRIMs, and other GATT rules fall under the authority of the World Trade Organisation (WTO), a new supranational body which works with the World Bank and other financial institutions to manage global economic policy to serve transnational corporate interests.¹⁷

In another demonstration of transnationals' growing political might, and perhaps the most striking example to date of organised corporate lobbying on the world stage, TNCs' efforts at the 1992 United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro undermined sections of the Summit's key documents. And well before the Summit took place, TNC pressure had led to the removal from UNCED materials proposals to regulate the practices of global corporations.¹⁹

This success in Rio underscores a broader issue: although TNCs are collec-

tively the world's most powerful economic force, no intergovernmental organisation is charged with regulating their behaviour. United Nations efforts to monitor and to some extent address TNCs' impacts, notably through the UN's Centre on Transnational Corporations (CTC), have recently been decimated. Under a 1992 restructuring, the CTC lost its independent status, and in 1993 it was dismantled and a 17-year attempt to negotiate the aforementioned Code of Conduct on TNCs was abandoned. A new Division on Transnational Corporations and Investment emerged—with the aim of promoting foreign direct investment.

TNCs, Human Health, and the Environment

The unwillingness or inability of national governments to control TNCs in a period of deregulated global trade and investment does

Royal Dutch/Shell in Nigeria

The presence of Royal Dutch/Shell and a handful of other top oil TNCs has devastated the environment in southern Nigeria, jeopardised the livelihoods of local peoples such as the Ogoni, and led to severe human rights abuses by the Nigerian government, which receives 80 per cent of its revenues from oil. Because of the operations of Shell, which account for half those revenues, as well as the other TNCs, oil pipelines run above ground through villages

and agricultural areas and gas is flared continuously near human settlements. The Ogoni are rapidly losing their ability to farm and fish in the area, and many Ogoni youth are leaving the community to seek employment elsewhere.

The Ogoni have long challenged the oil TNCs, especially Shell, over the ecological degradation and its social consequences. In recent years, the Ogonis' peaceful protests have led to violent and repressive responses by Nigeria's military including

human rights violations such as extra-judicial executions and imprisonment of activists, according to Amnesty International. Shell admits that it has asked for the military's assistance in quelling the agitations. Moreover, a 1994 Amnesty investigation notes that one Nigerian military commander "is reported to have boasted openly of his proficiency in killing people and of payments made to himself and his men by Shell to protect oil installations."²¹

How Free Trade Helps TNCs

In 1994, the European Union (EU) extended until the beginning of the next century a moratorium on Bovine Growth Hormone (BGH), a biotechnological product developed by the US TNC Monsanto and designed to increase cows' milk production. The reason behind the European Union's caution is simple: many countries have not approved BGH's use because its risks have not been fully investigated. However, the moratorium has come under fire since the completion of GATT's Uruguay Round. GATT allows a country to challenge another country's domestic law if that law is seen as a barrier to trade, and a forthcoming challenge to the EU moratorium is likely.¹⁸

not bode well for people's health or the environment. TNC operations routinely expose workers and communities to an array of health and safety and ecological dangers. All too often these operations erupt into disasters such as the gas release at the Indian subsidiary of the US-based corporation Union Carbide in Bhopal.

To regard such tragedies only as "accidents," however, distracts attention from the larger, inherent harm to the planet and its inhabitants TNCs' industrial development strategies cause. For example, TNC activities generate more than half of the greenhouse gases emitted by the industrial sectors with the greatest impact on global warming. TNCs control 50 percent of all oil extraction and refining, and a similar proportion of the extraction, refining, and marketing of gas and coal. Additionally, TNCs have virtually exclusive control of the production and use of ozone-destroying chlorofluorocarbons (CFCs) and related compounds.²⁰

In destructive minerals extraction, TNCs still dominate key industries. In aluminum, for example, just six companies account for 63 per cent of the mine capacity, 66 per cent of the refining capacity, and 54 per cent of the smelting capacity. Four TNCs account for half the world's tin smelting capacity.²² With respect to their influence on global agriculture, TNCs control 80 per cent of land worldwide which is cultivated for export-oriented crops, often displacing local food crop production.²³ Twenty TNCs account for about 90 per cent of the sales of hazardous pesticides.²⁴ Additionally, because TNCs control much of the world's genetic seed stocks as well as finance the bulk of biotechnology research worldwide, they are poised to reap large financial rewards from patenting life forms.

TNCs also manufacture most of the world's chlorine — the basis for some of the most toxic, persistent, and bioaccumulative synthetic chemicals known such as PCBs, DDT, dioxins and furans, chlorinated solvents, and thousands of other organochlorine compounds. These chemicals' impacts on health include: immune suppression; birth defects; cancer; reproductive, developmental, and neurological harm; and damage to the liver and other organs. As a group, TNCs lead in the export and import of products and technologies that have been controlled or banned in some countries for health and safety reasons. For instance, 25 per cent of total pesticide exports by TNCs from the US in the late 1980s were chemicals that were banned, unregistered, canceled, or withdrawn in the US itself.²⁵ And a handful of Northern companies are responsible for the nuclear technology now found at plants in South America and Asia.

TNCs and their business associa-

tions claim that deregulated trade and investment will produce enough growth to end poverty and generate resources for environmental protection. The unrestricted free trade and investment-based growth beloved by TNCs, however, is the same kind of development which has led to overexploitation of land and natural resources, air, water, and soil pollution, ozone depletion, global warming, and toxic waste generation. As economists Herman Daly and Robert Goodland observe: "The dream that growth will raise world wages to the current rich country level, and that all can consume resources at the U.S. per capita rate, is in total conflict with ecological limits that are already stressed beyond sustainability."²⁷

TNCs and Occupational Safety

There have been many instances of TNCs failing to control industrial hazards at their facilities in less-industrialised nations as thoroughly as in their home countries. The situation in Bhopal, where comparison of operations of Union Carbide's Indian subsidiary and a similar plant in the US has revealed many double standards, is only the most infamous example of what the Industrial Labour Organisation acknowledges is a prevailing trend: "In comparing the health and safety performance of home-based [TNCs] with that of the subsidiaries, it could generally be said that the home country operations were better than those of subsidiaries in the developing countries."²⁸ The case of the German TNC Bayer's chromate production factory in South Africa is illustrative. Chromate is a corrosive compound which can cause respiratory illness including lung cancer. Bayer has owned the facility, Chrome Chemicals, since 1968. In 1976,

Hoechst in the Philippines

Even when governments try to establish safety restrictions on hazardous corporate products, TNCs often work to thwart such efforts. The German chemical giant Hoechst, for example, has for several years doggedly challenged a ban on the pesticide *endosulfan*, which the company manufactures, ordered by the Philippines' Fertilizer and Pesticide Authority. *Endosulfan* is the leading cause of pesticide poisonings in the Philippines. Because of its pressure, Hoechst obtained a reversal of the ban from a Regional Trial Court. In 1994, the Philippines Supreme Court upheld the Fertilizer and Pesticide Authority, effectively banning *endosulfan* except in products with less than five per cent concentration. In response, Hoechst sent two letters to the Philippine President requesting the formation of a new review committee and saying that its decision to remain in the Philippines was at stake.²⁶

a South African government report noted health problems in nearly half the plant's employees which were related to their work and which, it said, "are extremely disturbing and would appear to indicate a lack of concern regarding the physical welfare of the workers."²⁹

In 1990, a trade union learned that several workers had developed lung cancer, although none had been informed that the disease might be related to their employment. Chrome Chemicals management refused the union's request to review the plant's industrial hygiene records, and in 1991 the firm shut down much of its operation and laid off most of its workers. In South Africa, lung cancer was not added to the list of compensable occupational diseases until 1994, and Bayer has so far refused to provide compensation to a growing number of

General Motors and Job Cuts

To reduce costs, the US's leading automaker General Motors is laying off tens of thousands of workers in the US — 30,000 in the late 1980s and a planned 75,000 by the mid-1990s. Frequently, the company shifts facilities to Mexico and other countries where wages are a fraction of those in the US, but sometimes the movement occurs within the US. For instance, GM had promised to keep a particular plant running in the state of Michigan in return for tax abatements of US\$13.5 million the local township had granted in 1984 and 1988. In late 1992, however,

GM announced it was closing the facility, adding an extra shift at a plant in the state of Texas, and cutting 4,500 Michigan jobs.

The township took GM to court. In February 1993, a local judge ruled in the Michigan town's favour, placing the rights of the community over those of the company. "There would be a gross inequity and patent unfairness," the judge asserted, "if General Motors, having lulled the people... into giving up millions of tax dollars which they so desperately need to educate their children and provide basic governmental services, is allowed to simply decide that

it will desert 4,500 workers and their families because it thinks it can make these same cars a little cheaper somewhere else."³³

In August and September 1993, however, two higher courts reversed this February ruling. According to the attorney who represented the Michigan town, the failure of the higher courts to side with the towns people "allows corporations like GM to continue to practice deceit and dishonesty and to bamboozle communities when they seek tax subsidies in exchange for creation of employment."³⁴

former employees at Chrome Chemicals who have developed lung cancer. Bayer could not get away with this in Germany, where as early as 1936 lung cancer was considered a compensable occupational disease for chromate workers. Indeed, German compensation authorities consider any labourer with more than three months of chromate work eligible for compensation if lung cancer develops subsequently.³⁰

TNCs and Employment

In an era of declining constraints on their mobility and the attraction of cheaper wages in less-industrialised nations eager to draw foreign investment, TNCs are eliminating jobs in their home countries and shifting production abroad. Although overall TNCs' employment in their home countries has

changed little in the last decade, among the 300 largest corporations employment in 1989 was lower than it had been in 1980. US-based TNCs have eliminated jobs especially vigorously. Between 1982 and 1993, for example, US TNCs cut over three-quarters of a million jobs at home but added 345,000 jobs outside the United States.³¹ For workers in the US and other industrialised countries, TNCs' increased willingness to move operations to lower wage areas along with their greater use of automation, subcontractors, and part-time labour have rendered the strike relatively ineffective and undermined trade unions' collective bargaining power. In the US, there were one-tenth the number of strikes in 1993 as in 1970, and only 12 per cent of the US workforce is currently unionised, a lower proportion than in 1936.³²

World FDI Stock and TNCs' Estimated Employment, 1975-1992				
<i>(millions of US\$ and millions of employees)</i>				
	1975	1985	1990	1992
Outward FDI Stock	282	674	1649	1932
Estimated Employment in TNCs	40	65	70	73
Employment in Parent Companies at Home	--	43	44	44
Employment in Foreign Affiliates (Total)	--	22	26	29
Industrialised Countries	--	15	17	17
Less-Industrialised Countries	--	7	9	12

Source: United Nations, 1994

In less-industrialised regions, the lure for TNCs of fewer costs and regulations offers little promise to workers of decent working conditions, sufficient pay, or job security. Tax breaks and subsidies governments use as incentives are no guarantee that the TNCs will not move on after the benefits have expired, and as cost advantages now found in Singapore appear in, say, Bangladesh, the countries currently experiencing an influx of investment may eventually find themselves in the same position as that of the US and other industrialised nations today.

More fundamentally, as Richard Barnett has emphasised, the transnational corporate order cannot begin to solve the chronically severe unemployment problems in Asia, Latin America, and Africa, where an estimated 38 million new job seekers enter the labor market annually.³⁵ A comparison of the growth in TNCs' outward foreign investment stock worldwide and their estimated global direct employment in recent decades lays this fact bare. Between 1975 and 1992, outward FDI stock increased almost seven times, whereas TNCs' employment did not even double. In less-

industrialised countries, TNCs added only five million employees between 1985 and 1992.³⁶ ■

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TNCs and Foreign Investment in India

Independence to 1980

During the three decades after India gained political independence in 1947, the Indian Government displayed a “stop-and-go” attitude towards foreign capital and its institutional form, transnational corporations. On the one hand, the Government sought to establish limits on the areas of industrial activity in which TNCs’ could operate, and also to restrict the degree of foreign ownership of those operations. On the other hand, the Government wanted to draw foreign investment in the hope that it would provide technology and capital for industrialisation as well as boost foreign exchange reserves. Usually, the latter considerations prevailed. Initial post-independence hostility to foreign capital quickly changed to toleration. This was reflected in the shift from the Government’s first Industrial Policy Statement of 1948, which maintained that only Indians should hold effective control of industrial concerns, to a 1949 statement which stated that the “Government would not object to foreign control of a concern for a limited period.”¹

Transnationals’ investment steadily increased in subsequent years. Between 1948 and 1959, for example, the value amount of foreign investment in India more than doubled. In the manufacturing sector foreign investment tripled, with noteworthy increases in transport equipment, machinery, and chemicals and allied products. During the same decade, the share of the manufacturing sector in the total foreign capital increased from 28 to 38 percent. Foreign investment in petroleum grew almost seven

times, with its share in the total foreign capital jumping from nine per cent to 26 per cent. A small number of foreign companies rose to prominence in these years, including Firestone, Dunlop, and Bata Shoe Company. Hindustan Lever, subsidiary of the TNC Unilever, became India’s biggest manufacturer of food products and toilet articles.²

By the mid-1960s TNCs had assumed a dominant role in Indian big business, thanks partly to depleting foreign exchange reserves which had encouraged the Government to liberalise its stance towards foreign investors. In 1966, of the largest 112 corporations in India (by assets), 62 were foreign owned or controlled. The assets of these 62 accounted for 54 per cent of the assets of all 112 companies. Moreover, many Indian firms were involved in technical collaborations with TNCs, and were dependent on them for machinery and spare parts. TNC dominance was particularly evident in India’s pharmaceutical sector, where by the early 1970s 80 per cent of production was controlled by foreign corporations including giants such as Ciba, Glaxo, Pfizer, Hoechst, and Bayer.³

After devaluation of the rupee in 1966, which enhanced the rupee value of foreign currencies and allowed TNCs to establish operations in India with a relatively lower foreign exchange commitment, FDI inflows increased considerably, further strengthening transnationals’ position in Indian industry.

While foreign investment inflows slowed after 1970, FDI continued to rise as TNCs reinvested profits which Indian foreign exchange rules prevented the TNCs

from repatriating. Such rules notwithstanding, TNCs -- especially US corporations which were rapidly expanding in India -- profited handsomely from their investments. However, TNCs' profit and dividend repatriation as well as remittances of fees, royalties, and interest constituted a severe drain on Indian foreign exchange resources.

Concern about this drain and foreign economic domination generally led the Indian Government to pass the Foreign Exchange Regulation Act (FERA) in 1973. Among other measures, the FERA required foreign companies (with some exceptions) to dilute their non-resident shareholding to 40 per cent, essentially "Indianising" TNCs' subsidiaries. While some transnationals, most famously IBM and Coca-Cola, refused to abide by the FERA and took their operations out of India several years after its implementation, most TNCs chose to stay and sold their shares to Indians. These TNCs actually benefitted because their newly "Indianised" affiliates were able to expand and diversify without any of the restrictions which had applied to foreign firms, notably those which had limited foreigners' access to certain industrial sectors. Moreover, the FERA regulators usually permitted the TNCs to issue fresh shares rather than sell the foreign-held shares to Indians, thereby promoting a wide dispersal of the new shareholdings and allowing the TNCs to retain unchallenged managerial control.⁴

Some analysts have suggested another reason why the majority of transnationals complied with the FERA, namely that it offered them a defensive strategy at a point when TNCs were coming under criticism about the extent of their economic sway and political influence (*see Chapter 1*). By offering Indians a stake in

their business, the TNCs were trying to legitimise their presence and protect their interests. "This is the functional role of the strategy of Indianisation," economist Dalip S. Swamy wrote in 1980. "It helps them [TNCs] to avoid the potential risk of being expropriated, to diversify their operations in the host country with local participation, and to release some capital which can be deployed in their parent countries or elsewhere for joint collaboration."⁵ Given the advantages the FERA presented to TNCs, it is unsurprising that a year after the Act's passage the Indian Government approved a record number of foreign licensing and equity joint venture proposals, with most of the approvals going to US-based companies, or that foreign investment had increased from 1973.

The 1980s

Just as the FERA began to be implemented, a doubling of crude oil prices on the international market in the late 1970s caused India's annual oil import bill almost to quadruple, creating an immediate and acute foreign exchange crisis. In response, the Indian Government applied for and received what was the largest loan in the country's history from the World Bank/International Monetary Fund (IMF). This multi-billion dollar loan carried requirements which worked powerfully to TNCs' advantage. As part of an "adjustment program" on which the loan was conditioned, the Government ended support to public sector industries. The Government also increased the number of industrial areas in which TNCs could invest; this included allowing public enterprises to enter into collaborations (with equity ownership) with transnationals. Imports of commodities

Foreign Investment Flows into India after 1991				
<i>(in million US\$)</i>				
	1991-92	92-93	93-94	94-95
	<i>(to date)</i>			
1. Foreign Direct Investment (Approvals)	150	341	620	756
2. Portfolio Investment (Actual)	8	92	3493	3141
Total	158	433	4113	3897

Source: Economic Survey, 1994-95, Government of India 1995.

and technology were liberalised. TNCs were permitted to increase their foreign equity, and export- and technology-oriented units were allowed 100 per cent foreign equity. TNCs were also allowed to place these export units anywhere in India. Additionally, the Government instituted other measures such as reducing corporate income tax which encouraged foreign investment.⁶

The result of these and other liberalising changes was a near three-fold increase in foreign collaborations, and an eleven-fold rise in Government approved foreign investment, between 1981 and 1985. Many TNCs including Suzuki, DuPont, Mitsubishi, Goodyear, and Seiko entered India during these years. While foreign collaborations declined slightly in the latter half of the 1980s, they were still at levels far above those before 1984, and between 1980 and 1989 overall, the number of foreign collaborations more than doubled. Especially after 1985, US-based corporations accounted for the largest value amount of foreign investment as TNCs such as Westinghouse, Xerox, United Technologies,

and Honeywell began collaborating with Indian firms.⁷

Increasing participation of the TNCs in this phase did not however lead to a decrease in the foreign exchange crunch. The strains on the economy increased as the larger imports effected by the TNCs led to an increase in trade imbalances. Compounding this problem was a dramatic escalation of the burden of external debt servicing. By 1990, a worsening balance of payments deficit had left the Indian Government with another serious financial crisis.⁸ (Balance of payments is a record of all payments made and received by nationals of a country to and from foreigners. When outflows are greater than inflows, there is a balance of payments deficit.)

The 1990s

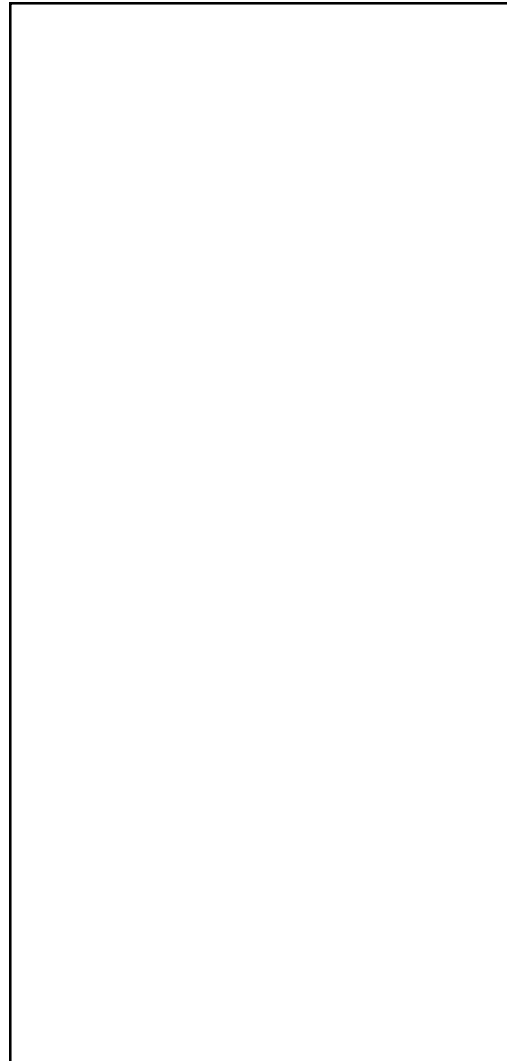
In the wake of the 1990 balance of payments crisis, the Indian Government again looked to the World Bank for assistance. Along with a loan it provided in 1991, the World Bank and IMF also dictated implementation of a structural adjustment programme (SAP) for India. Integral to this programme has been the promotion of foreign investment, and consequently the Government has come out with many policy measures to attract foreign investors in the past four years. These policy measures include:

1. Automatic approval for foreign investment upto 51 percent equity in 34 industries.
2. A powerful Foreign Investment Promotion Board was set up to process applications in cases not covered by automatic approval.
3. Existing companies with foreign equity can raise it to 51 per cent. A number of

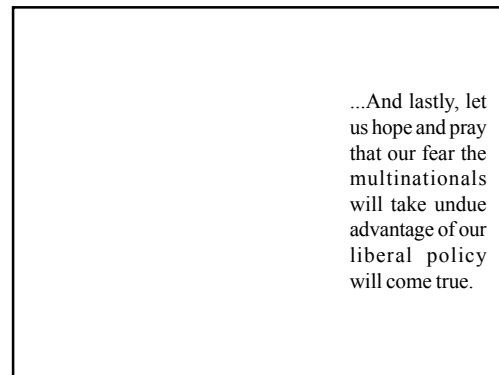
TNCs have subsequently increased their equity to 51 per cent in order to gain total control.

4. In certain additional areas, foreign corporations with 100 per cent equity have been allowed.
5. India signed the Multilateral Investment Guarantee Agency Protocol for the protection of foreign investments.
6. Provisions of the Foreign Exchange Regulation Act (FERA) were liberalised. As a result, companies with more than 40 per cent of foreign equity are also now treated on par with Indian-owned companies.
7. Foreign companies have been allowed to use their trademarks on domestic sales.
8. Foreign Institutional Investors (FIIs, which are foreign financial companies involved in bulk sales and purchases of stocks) are permitted to invest in Indian capital markets.
9. The unification of the exchange rate and the removal of exchange restrictions on imports has been allowed.
10. Import duties on capital goods have been drastically reduced which would give great options to foreign investors intending to invest in India.
11. The Government decided to extend counter-guarantees to the eight "fast-track" power projects with foreign investments (the Enron deal was one of these projects).

As a consequence of these policy measures, foreign investment in India has increased many fold since 1991. It is important to note as well that the nature of foreign investments in India has changed significantly. Prior to 1991, virtually all investments or technological transfers by TNCs came as foreign direct investment (FDI), not



Courtesy: Salam / B.P.O.



...And lastly, let us hope and pray that our fear the multinationals will take undue advantage of our liberal policy will come true.

Courtesy: Laxman / The Times of India

Banking for Foreign Investment

Any analysis of India's policies towards TNCs and foreign investment in general would remain incomplete without the mention of the role played by major international institutions such as the World Bank and International Monetary Fund (IMF) in facilitating foreign investment in India. Although India's relationship with the World Bank dates back to 1944, when the Bank was established, the Bank's influence on India's economic policy-making was not as important as it became in the 1980s and 1990s. But the recent implementation of stabilisation measures and the structural adjustment programme funded largely by the Bank has significantly influenced the Government's economic policy-making.

There has of course been continuity in the basic philosophy of the Bank with respect to foreign investment. The form in which the World Bank wanted foreign capital to participate in the Indian economy became clear when the Indian government sought the Bank's assistance to finance the Rourkela Steel Plant in 1956. The Bank insisted that the German collaborators supplying the technology to this plant should have more leverage than had been offered.

As adequate foreign exchange reserves were available at that time, the Indian Government took a strong position and negotiations with the Bank fell through.

In 1957, however, India faced its first foreign exchange crisis and approached the World Bank for loans. Taking advantage of the vulnerability of India's economic condition, the Bank pushed its agenda of giving more scope and incentives to foreign

taken to facilitate foreign investments...."

The pressure of the Bank worked and the Indian government started to open its doors more widely to TNCs. As a result, foreign investment in India doubled during 1956-1965. In 1966, when India faced second foreign exchange crisis, the Bank again prepared an aid package consisting of devaluation of the Indian rupee and import liberalisation measures designed to encourage further the entry of foreign corporations in India. This package was agreed to on the understanding that US\$900 million of non-project aid would be provided to India. Despite implementation of the devaluation and import liberalisation measures, however, India received only US\$465 million of the promised amount. This led to the sharp public criticism of the Government as well as of the Bank.

The Bank used subsequent foreign exchange crises to continue to force the entry of foreign capital into India, most recently through the structural adjustment loans India's Government received in 1991. The Government's reform measures since 1991 are based largely on the Bank's recommendations.

"The Bank welcomes the arrangements that have been made to associate foreign firms with the construction and operation of a large number of major undertakings, but hopes that more positive measures will be taken to facilitate foreign investments..."

Eugene Black, President,
World Bank (1957)

capital. Eugene Black, President of the World Bank at the time, said: "The Bank welcomes the arrangements that have been made to associate foreign firms with the construction and operation of a large number of major undertakings, both in the public and private sector, but hopes that more positive measures will be

portfolio investment. In the pre-1991 period, no Foreign Institutional Investors (FIIs) were allowed to operate in Indian capital markets, and portfolio investment remained very low. With the implementation of new foreign investment policies which allowed FIIs to operate in Indian capital markets, portfolio investment has increased many times. Portfolio investment has risen from US\$8 million in 1991-92 to nearly US\$3.5 billion in 1993-94, and is of the same magnitude in 1994-95. Portfolio investment is volatile by its very nature (the recent Mexico currency crisis demonstrated this), and reflects the speculative behaviour of international investors rather than a sustained interest in investment in the economy. This investment is short-term and can be described as "hot money," made to derive quick capital gains from foreign exchange speculation. Portfolio

investment does not lead to the creation of new jobs and productive assets.

Regarding foreign direct investment in India, during the period 1991 to 1994 the Government approved 5778 foreign collaboration proposals, including 2806 foreign equity proposals and amounting to US\$756 million. Despite many approvals, however, only a few proposals have actually materialised, and in 1994 FDI constituted hardly 20 percent of total foreign investment.

Nonetheless, TNCs such as Coca-Cola and IBM which disinvested in the 1970s have returned to India. With the opening of industries (which were previously reserved as state sectors) such as power, telecommunications, railways, coal, and oil, new TNCs are also arriving in India. The largest capital inflows have been in the power and oil sectors. For power generation, the minimum

return guaranteed by the Indian Government is 16 per cent in dollars terms, thus protecting foreign investors from any exchange rate fluctuations between the dollar and the rupee. Moreover, other concessions and benefits will substantially increase the actual accrued returns.

With respect to oil exploration and extraction, the story is similar.

Courtesy: Salam / B.P.O.

Oil fields discovered and proven by the state sector company, Oil and Natural Gas Commission (ONGC), are being handed over to TNCs such as Royal Dutch/Shell on a platter, with estimated yearly returns of 100 per cent or more on further investments. TNCs will thus earn huge profits without any risk -- or effort and cost expended on exploration. The TNCs will sell crude oil (or oil products) at import prices, while the ONGC's costs are almost half the current import prices.⁹ As a result, the TNCs' margin of profit will be very high (globally, major oil corporations such as Exxon are among the highest profit-making TNCs in the world).

Another important sector which has been the target of TNCs' foreign direct investment is the consumer industry. Although investments in this sector have been small in monetary terms, they have aroused much public outcry in India and sparked campaigns against companies such as Coke, Pepsi, and Pepsi's subsidiary Kentucky Fried Chicken. These firms repatriate huge profits, and the balance of payments impact of their relatively small investment is unlikely to be in India's long-term interest, or provide any substantial gains in the country's productive capacity.

In the rush to attract foreign investment, environmental regulations which the Government enforced in the past are now being violated. Failure to make environmental protection and sound natural resource management an integral part of foreign investment policy is leading to unsustainable rates of resource exploitation. Many TNCs with products which are hazardous to human health and the environment have been given permission to establish operations in India. For example, TNCs

which manufacture pesticides such as Dow, Atochem, Kumiaia Chemical Industries, and Mitsubishi with shrinking international markets are setting up plants in India to boost their share in the Indian agrochemicals market.¹⁰

Additionally, foreign investments in many export-oriented units are being approved aimed at earning foreign exchange for use in foreign debt repayment. These investments are being targeted primarily at fisheries, aquaculture, and agribusiness operations. Since 1991, for instance, over 100 joint ventures with foreign companies for marine fishing and fish processing, largely in deep sea areas, have been approved despite resistance from traditional fisherfolk. The fish catch along India's coast is declining, mainly due to overfishing, and such investments will not only lead to loss of traditional fishers' livelihood but also loss of domestic fish markets as well as depletion of marine resources. According to Thomas Kocherry, Chairperson of the National FishWorkers' Forum, the 100 per cent export-oriented joint ventures will deprive nearly 300 million Indian consumers of fish and displace seven and a half million fisherfolk.¹¹

Furthermore, foreign corporations are investing millions of dollars in shrimp or prawn cultivation. This has led to an unprecedented boom in commercial shrimp aquaculture in the coastal belts of Tamil Nadu, Andhra Pradesh, and Orissa, where nearly 75,000 hectares are being used shrimp aquaculture. In order to earn quick foreign exchange, the State and Central Governments have ignored the long-term negative consequences of aquaculture on the livelihoods of people and the environment. Land used for prawn farming for just ten

FOREIGN INVESTMENT

Who Approves ?

In India, there is no separate department or Ministry which exclusively gives approval to foreign investments. Till 1991, there were two agencies involved in granting approvals namely, Secretariat of Industrial Approvals (SIA) under the control of Ministry of Industry and Reserve Bank of India (RBI). However, in 1991, the Government set up Foreign Investment Promotion Board (FIPB) to approve those applications which do not come under the preview of automatic approval by SIA and RBI. For instance, the permission to TNCs like Coca-cola, Pepsi and Sony to set up 100 percent holding companies in the country has been given by FIPB. During August 1991-May 95, the FIPB approved 1800 foreign collaboration applications involving foreign investment, nearly 60% of the total number of approvals. As FIPB is part of the Prime Minister's Office, it has become more and more powerful and centralised. Many critics argue that as foreign investment is a part of industrial promotion and, therefore, should be brought under the control of Ministry of Industry. The number of members on the Board is too small which consists of only four bureaucrats — Commerce Secretary, Finance Secretary, Industry Secretary, and Cabinet Secretary with Principal Secretary to PM as Chairman. There is no representation of members of Parliament, political parties, NGOs, industry, trade unions, citizen groups and others on the Board. Unless the FIPB is decentralised and restructured, foreign investment projects which have adverse impacts on economy, people and environment, (like *Enron and Cogentrix*) will continue to be approved by it. Already, allegations of political arm-twisting and favouritism to certain proposals have been levelled against the FIPB.

Industrywise breakup of Foreign Collaboration Approvals August 1991 to April 1995

Sector	Total No. of Investment	% of Total
Metallurgical Industries	267	12.2
<i>Ferrous</i>	152	9.7
Fuels	131	23.0
<i>Power</i>	12	10.2
<i>Oil refinery</i>	71	10.9
Electrical machinery	1149	7.0
<i>Electrical equipment</i>	666	3.2
<i>Computer software</i>	247	2.3
Telecommunications	145	6.6
Transportation industry	279	5.3
<i>Automobile industry</i>	217	2.0
Non-electrical machinery	1147	4.4
<i>Industrial machinery</i>	626	2.6
Chemicals and allied industries	877	9.5
<i>Chemicals (other than fertilisers)</i>	712	8.5
Agro-based industries	959	13.3
<i>Food processing industries</i>	362	6.2
Construction-based industries	177	2.7
<i>Cement and gypsum products</i>	35	1.2
Financial services	202	7.9
Hotel and tourism	111	5.2
Miscellaneous industries	752	3.0
Total	6196	100.0

Source : SIA Newsletter, Ministry of Industry, Government of India, May and June, 1995

First Five States

[Foreign Investment Approvals in first five states]
August 1991 to May 1995

State	Total No. of Investment	% of Total
Maharashtra	464	16.5
West Bengal	101	10.6
Delhi	235	10.3
Tamil Nadu	275	7.0
Gujarat	143	6.9

Source : SIA Newsletter, Ministry of Industry, Government of India, May and June, 1995

years becomes barren and unproductive and cannot subsequently be used for any agricultural purposes. Such farming also leads to the degradation of coastal mangrove forests and water pollution. Farmers in Tamil Nadu are realising the long-term costs of this craze for earning foreign exchange and have recently decided to stop shrimp aquaculture. But overall in India there are plans to use one lakh (100,000) hectares for aquaculture and produce 2,00,000 tonnes of shrimp worth US\$1 million per year for export.

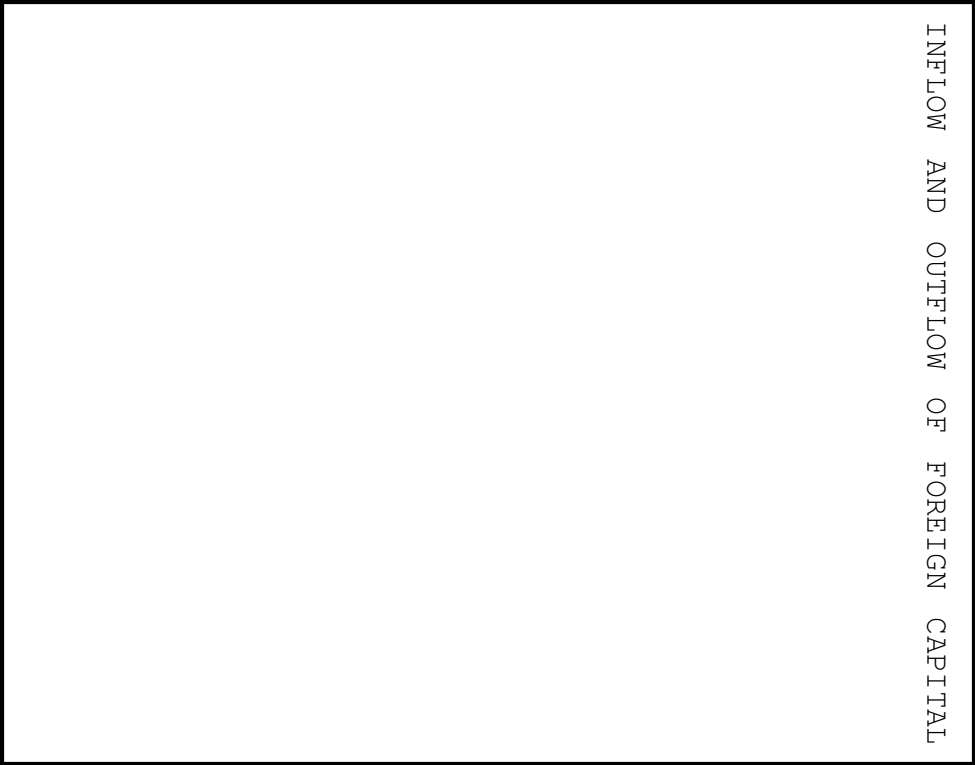
Deregulation of trade and investment policies has encouraged the dumping of toxic wastes as well as migration of polluting and hazardous technologies to India. Due to stronger environmental rules in many industrialised nations, polluting production processes such as chlorine manufacture are being shifted to countries such as India eager to attract any foreign investment or technology transfer. Since 1991, the Government has offered a number of concessions on taxes and custom duties to chemical industries to further support and encourage this dangerous trend, and this has suddenly created a boom in chemical industries in India. These plants are being set up in India without any proper clearance from the pollution control authorities and there is no serious concern for the safety and health of workers and communities living near the plants. A major disaster at any of these plants (such as the Bhopal gas tragedy in 1984) may well occur in the future. Unfortunately, the Bhopal tragedy set an example to TNCs that they can wash their hands of responsibility for a major industrial disaster after paying a few dollars.

With the Central Government abdicating its duty to make TNCs accountable to Indian laws and regulations

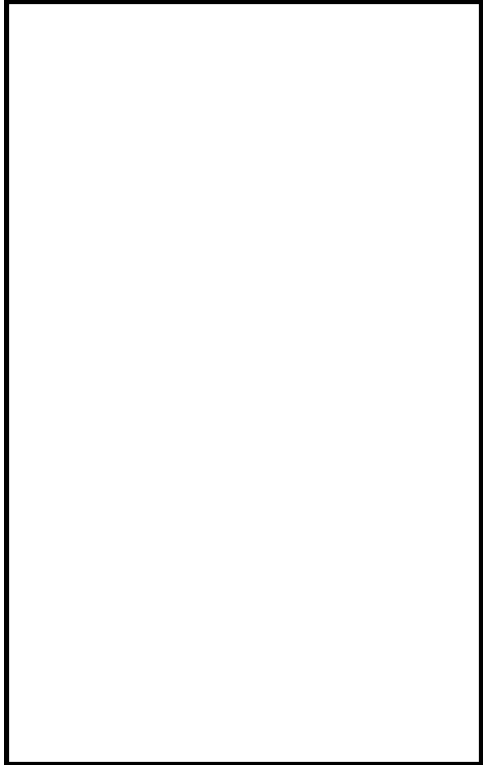
as well as to safeguard the public at large and the environment, this task has been left to citizens, activists, environmental, and other political groups. With the exception of the discussion of Union Carbide in Bhopal, which examines legal manoeuvres the TNC used to avoid accountability, the case studies in the next chapter -- about Cargill, DuPont, Nestle, Enron, and the fishing joint ventures -- will highlight the vitality of people power and civil society in India today. ■

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Courtesy : IBON Philippines Data Bank and Research Centre



Courtesy : Indian Express

Campaigns on TNCs in India : Case Studies

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Union Carbide and the Bhopal Disaster

Union Carbide Corporation (UCC) escaped the 1984 Bhopal disaster with a compensation settlement of US\$470 million, a dismally paltry amount incapable of providing adequate monetary recompense for the many thousands of death claims and many hundreds of thousands of injury claims the toxic gas release has generated. Furthermore, efforts in India to bring criminal charges against Carbide's top officers at the time of the gas release hold virtually no promise of success. "Ten years later," Indian lawyer Indira Jaising wrote of the Bhopal's decade anniversary, "the victims are forgotten, the civil suit is finished and the criminal proceedings reduced to a meaningless formality."¹

The history of this gross injustice offers insights about how TNCs' can manoeuvre to escape legal and financial responsibility for the harm they cause. According to Rob Hager, a US public interest lawyer who represented Bhopal victims against UCC in both US and Indian courts: "The three legal strategies UCC developed

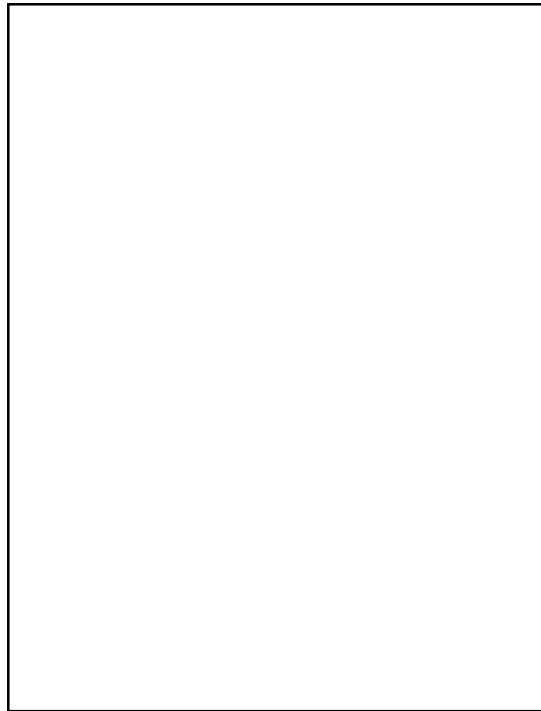
after Bhopal to avoid potentially enormous liability have set a standard for legal evasion by corporations around the world."² As individuals and groups look for ways to hold TNCs accountable, they would do well to have some awareness of Union Carbide's responses to Bhopal.

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In a recent article, Hager outlines the key components of UCC's legal defense. First, concerned about the possibility of billions of dollars in damages, Carbide began immediately after the disaster to restructure itself for financial protection. With the help of investment bankers, UCC divested about 80 per cent of its equity capital to its shareholders and almost all of its debt to its lenders, a transfer

of some US\$8 billion. While ostensibly designed to rebuff a takeover attempt by a much smaller rival company, the restructuring would have provided Carbide with an effective bankruptcy defense against potential multi-billion dollar liabilities if its other legal strategies had fallen through.

This strategic move had other important consequences. The value of UCC's shares went into a sharp decline immediately



A Campaign Postcard on UCC brought out by BGIA
Courtesy : BGIA, Bhopal

following the disaster. The company's top managers including its then Chairman Warren Anderson faced the possibility of what is known as a "derivative suit" by angry shareholders for alleged negligence which led to the gas release. Corporate directors are legally required to use reasonable business

"Multinational Enterprise Liability"

"Key management personnel of multinationals exercise a closely-held power which is neither restricted by national boundaries nor effectively controlled by international law. The complex corporate structure of the multinational, with networks of subsidiaries and divisions, makes it exceedingly difficult or even impossible to pinpoint responsibility for the damage caused by the enterprise to discrete corporate units or individuals. In reality, there is but one entity, the monolithic multinational, which is responsible for the design, development, and dissemination of information and technology worldwide, acting through a forged network of interlocking directors, common operating systems, global distribution and marketing systems, financial and other controls. In this manner, the multinational carries out its global purpose through thousands of daily actions, by a multitude of employees and agents.

Persons harmed by the acts of a multinational corporation are not in a position to isolate which unit of the enterprise caused the harm, yet it is evident that the multinational enterprise that caused the harm is liable for such harm. The multinational must necessarily assume this responsibility, for it alone has the resources to discover and guard against hazards and to provide warnings of potential hazards. The inherent duty of the multinational is the only effective way to promote safety and assure that information is shared with all sectors of its organisation and with the nations in which it operates."⁸

judgment in running a company; if shareholders believe that this judgment has not been exercised (determined in part by factors such as share value), they can launch a derivative suit against the directors personally. But UCC's financial restructuring significantly raised the value of the company's shares soon after the Bhopal disaster, and subsequent years were exceptionally profitable for Carbide. Anderson and other UCC directors thus ensured themselves protection from a shareholders' derivative suit.

Collusive Class Action Settlement and "Forum Non Conveniens"

According to Hager: "A linchpin of UCC's strategy to settle claims for mass injuries cheaply required enlisting the cooperation of a lawyer who would nominally represent injured plaintiffs but be willing to violate normal ethical prohibitions against settling claims, or bundling them together into a group settlement, without the consent of clients."³ In pursuing this strategy, Carbide had the help the judiciary in the United States (and later in India). The judge presiding in the 1985-86 US trial appointed a lawyer, who had previously arranged a cheap class action settlement in another mass injury case, to represent the Bhopal victims, whom the lawyer also tried to sell out.

This particular effort failed. Union Carbide, thinking that it could work out a better deal in India than in the US, thus employed a third strategy when it moved to have the trial dismissed from US courts under the doctrine of "forum non conveniens." Under this doctrine, courts can arbitrarily dismiss a suit brought by non-US plaintiffs on the grounds that it is too "inconvenient" or improper to try the case in the US, and that it

is more “convenient” to have the trial in the plaintiffs’ home country. “Forum non conveniens” rests on the political assumption that, in the words of one US legal scholar, “injuries done by American businesses to foreign nationals abroad are not America’s problem.”⁴ The doctrine therefore gives US TNCs strong protection from having to account financially for the damages they cause outside the United States.

“Forum non conveniens” reflects US corporate law more generally, which holds that when the stock of one company (the subsidiary) is substantially owned by another (the parent), the subsidiary will be treated as an entity separate from the parent (this is known as the “corporate veil”). There are, however, occasions where the parent will be held responsible for the obligations and liabilities of the subsidiary (this is known as “piercing the corporate veil”), such as when it can be proven that the parent controls the subsidiary’s operations or when the two operations are substantially intermingled. “Piercing the corporate veil” is typically very difficult, but to challenge “forum non conveniens,” plaintiffs’ lawyers in the US Bhopal litigation argued a counter-doctrine, “multinational enterprise liability,” which emphasised not merely that the US parent company UCC had control over the operations of its Indian subsidiary, but also that UCC **should have controlled** the subsidiary’s affairs (for an articulation of this doctrine, see the box below).

In 1986, however, the US judge accepted Carbide’s “forum non conveniens” argument, as did (after initial opposition) the Government of India, which had assumed the power to represent all the Bhopal victims. In the subsequent Indian trial, UCC’s class collusive action settlement strategy re-

emerged, this time with success. India’s Supreme Court succumbed to pressure from UCC and agreed to the US\$470 million settlement in 1989 (three years before, the Indian Government had asked for over six times US\$470 million, which is still far below the estimate of actual damages). Moreover, the Government made this settlement without consulting the victims. Indira Jaising’s critique of this blatant violation of the victims’ right to “due process” is apt:

“The role of the Court was to ensure that the settlement was not collusive, that it was fair...and that it was acceptable to the vast majority of the victims. It failed in each of those roles. That Union Carbide succeeded in achieving its game plan is thanks to the GoI [Government of India] and the Indian Supreme Court. Without the active assistance of both, it would not have succeeded.”⁵

Continued Collusion

The 1989 settlement was not the last example of India’s Supreme Court’s acquiescence to the wishes of Union Carbide. In 1994, the Supreme Court allowed the sales of UCC’s share holdings in its Indian subsidiary, so Carbide could fund a hospital it had earlier agreed to build for survivors in Bhopal. On the surface the Supreme Court’s move seems unobjectionable. In 1992, however, Bhopal’s District Court had forbidden the sale of these shares so it could hold onto Carbide’s assets as a bargaining chip in the effort to extradite Warren Anderson and other UCC officials to face criminal charges in India. Believing that Carbide should pay for any hospital it built directly from its own coffers, the District Court had expressly prohibited the shares’ sales on the pretext of building

such a hospital.⁶

Yet it was on such a pretext that the Supreme Court permitted the sale of UCC's Indian holdings, and through a trust it established, The Bhopal Hospital Trust, Carbide is paying some US\$20 million for a hospital. Not only does this weaken the District Court's (already weak) hold on Anderson and the others, the hospital is scheduled to be built over 11 kilometers from the gas-affected areas, and thus of little help to victims who desperately need local, community-based health services. Most recently, UCC has sought to set up another trust for a "research foundation" to "investigate" the effects of the Bhopal-gas on those injured.⁷ It is unclear what if any value this project will have for victims' needs, as well.

Lessons

For those seeking ways to hold TNCs accountable, being alert to, publicising, and protesting collusive class action settlement and financial restructuring strategies as well as schemes such as the hospital construction are necessary countermeasures. On the legal front, despite the failure to challenge "forum non conveniens" in the US Bhopal litigation, there have subsequently been some positive developments in attempts to bring US TNCs to court in the US for harm the companies caused abroad. These developments are discussed later, and give some hope that cracks in the barricade of "forum non conveniens" may be slowly widening.

It is not easy to obtain something approaching just compensation in any country for victims of a disaster of the magnitude of Bhopal. While Indira Jaising is correct when she asserts that the victims of such tragedies should have the right and choice to sue the responsible corporation in

either the parent company's country or the victims' own home, as regards at least US TNCs there may be advantages to the former.

Assuming the "forum non conveniens" doctrine can on occasion be beaten, Rob Hager suggests that one potential lesson from Bhopal is the need to bring punitive damages claims (those intended to punish a corporation and deter it from negligent practices) to trial as early as possible. Such claims should be separated from those for compensatory damages for each individual, which are complex and inherently slow-moving. One country does not usually execute the penal laws of another, Hager notes however, and "only a U.S. award of punitive damages could likely [have been] enforced against any of UCC's substantial U.S. assets." To improve the odds of providing victims with adequate recovery and to impose a financially significant deterrent, the case would have to be heard in the US. ■

Notes

1. Indira Jaising, "Legal Let-Down," in T. R. Chouhan et al, Bhopal -- The Inside Story, The Apex Press, New York, and the Other India Press, Goa, 1994, p. 211.
2. Rob Hager, "Bhopal: Courting Disaster," CovertAction, Summer 1995. The subsequent discussion of UCC's legal strategies is drawn from Hager's article.
3. Ibid.
4. Quoted in Hager, *ibid*.
5. Jaising, *op cit*, p. 199.
6. Bhopal Lives! 84-94 Anniversary Notes, the Bhopal Gas Peedit Sangharsh Sahayog Samiti, and the Bhopal Group for Information and Action, October 1994.
7. Trust Deed between Union Carbide and Sir Ian Percival, Kelley Drye Warren, 12 April 1995.
8. In Russel Mokhiber, "Paying for Bhopal: Union Carbide's Campaign to Limit its Liability," Multi-national Monitor, 31 July 1985.

Cargill Quits India

The news of Cargill's decision to withdraw from a controversial salt manufacturing project in India on 27 September 1993 brought cheers and relief to millions of people across the country. In an effort to attract foreign exports, a component of its new economic policies, the Government of India had given speedy permission to Cargill, the US's largest privately-held corporation which is heavily involved in global commodities trading, to produce salt on 15,000 acres of land belonging to the Kandla Port Trust in the Kutch region of Gujarat State. Besides salt production, Cargill's proposal also included construction of a private jetty at the major Kandla Port, ostensibly to facilitate its salt exports. However, the company also hoped to use its this jetty to increase significantly exports of soyabean, sunflower, and cotton seeds from India.

Cargill's proposal raised a number of concerns among Indian workers, small businesses, activists, and citizens:

1. Many believed that Cargill's main

objective was to use the Port's territory to expand its trade in agricultural commodities, and questioned why the Government would allow this, particularly in light of the anger Cargill's seeds business was generating among Indian farmers (*see box on Seeds of Protest*).

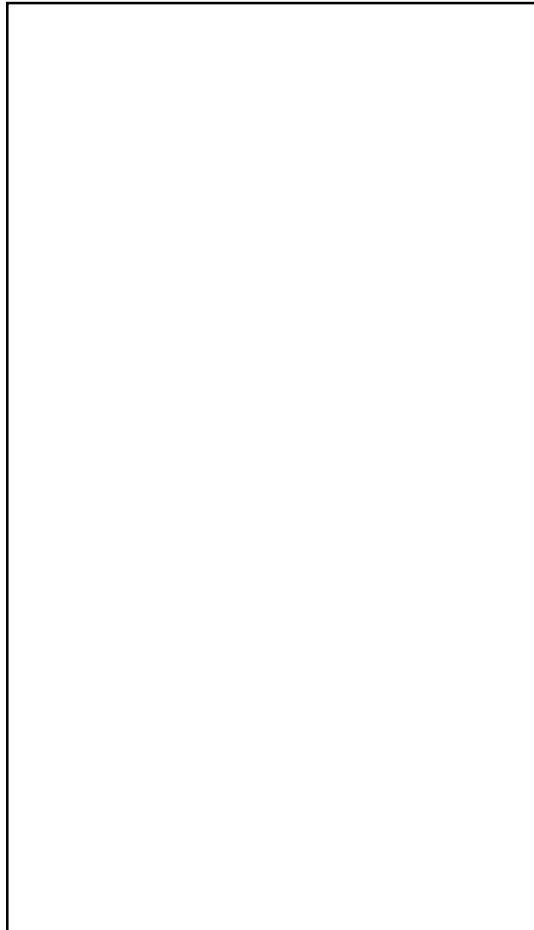
2. India has long made enough edible and industrial salt for both its own consumption and exports abroad. Indian salt production is a labour-intensive operation. People were afraid that once in India, Cargill would import capital-intensive manufacturing processes and displace numerous salt workers from their livelihood.
3. Indian salt manufacturers were frightened that Cargill, which had been allowed to sell one-quarter of its salt in India, would capture the domestic market.
4. Future development opportunities around the Port would be shut out given the large size of Cargill's project.
 5. Sedimentation and siltation resulting from the project would be a costly problem for Kandla Port.
 6. Large-scale production of salt would adversely affect marine

Seeds of Protest

29 December 1992 saw hundreds of farmers belonging to the Karnataka Rajya Raitha Sangha (KRRS, a farmers' organisation) storm into the Bangalore office of Cargill Seeds India Private Ltd., an Indian subsidiary of Cargill, and ransack it. This action marked the beginning of a movement to save India's agriculture, particularly its seeds sector, from domination by TNCs, and was followed by another attack on a Cargill facility (a sunflower seed processing plant in Karnataka) in July 1993.

The farmers were protesting against the negotiations of the General Agreement on Tariffs and Trade (GATT), which has since brought about a change in patent laws of countries such as India that enables TNCs to strengthen their control over the world's seeds business. Cargill Seeds India is the largest TNC aiming to capture the Indian sunflower and corn seeds market, and has outlined ambitious expansion plans. The company also intends to begin production of sorghum seeds for export.

Courtesy: KRRS



Farmers destroying the office records at Cargill's Office, Bangalore

life in the Gulf of Kutch and also jeopardise the area's mangrove plantations.

The Campaign's Beginnings

The Kutch Small Scale Salt Manufacturers Association (KSSSMA) became immedi-

ately alarmed when its members learned about Cargill's proposal in 1992. Worried about the impact Cargill would have on domestic producers' business, the KSSSMA sought and obtained a stay from the Gandhidham Civil court in February 1993 to prevent the Kandla Port Trust (KPT) from handing over the 15,000 acres of land. This

move put a legal block to Cargill's designs. While the KPT did not favor Cargill's project, in large part because it saw the venture as a threat to the Port's earnings, it was under strong pressure from the Central Government and the KSSMA feared that the KPT would have eventually succumbed and acceded to Cargill's demands.

The Movement Picks up

By early 1993, resistance to Cargill began to broaden. Support from Samajwadi Abhiyan—a nation-wide platform of socialists which campaigns to protect India's economic and political sovereignty—strengthened the struggle against Cargill. This group help initiate a mass movement with the launching of second salt satyagrah (protest demonstration). Beginning on 19 May 1993, hundreds of social activists, politicians, and trade union leaders braved a scorching sun to march to Kandla Port and register their anger at the Government's actions. The police arrested many of the marchers upon their arrival. During the next few months, large numbers of protestors from different parts of India joined the satyagrah at the Port.

As of September 1993, some 8000 people from all walks of life had participated in the satyagrah in the sweltering summer heat (the Kandla region is located in a desert). Among these people were political leaders from a variety of parties including Members of Parliament and Members of State Legislative Assembly as well as freedom

The history of 1930 salt satyagrah was repeated in 1993, demonstrating that for a vast majority of Indians, Mahatma Gandhi's assertion -- "We [Indians] will make salt"—remained valid.

fighters, students, trade unionists, non-governmental organisations, citizens' groups, and domestic salt manufacturers.

While the spirit of satyagrah was kept alive at Kandla, the struggle was also being waged elsewhere in India. Many dharnas (sit-ins), morchas (marches), and rallies were organised outside government offices in district headquar-

ters and other important locations throughout the country. A march — Ulta Dandi March — from Dandi to Ahmedabad began on 31 August 1993. This march reversed the route of Mahatma Gandhi's historic Dandi March in 1930, which was part of a crusade to make India independent in salt production, and which became closely linked to the country's struggle for national independence. The reversal of the route symbolised that the hard-won outcome of that earlier struggle -- independence -- was now being undone. And in southern India, the echo of the second salt satyagrah was heard when the people of Vypeen, an island in the backwaters of Ernakulam, resolved to resurrect salt manufacture in Kerala, a move toward self-reliance which helped provide sustenance for many families.

The Climax

The fight against Cargill was about to enter a decisive phase on 2 October (Gandhi's birthday) 1993 with an indefinite blockade of Kandla Port. The Abhiyan had decided

that this would be a “do or die” action, and thousands of people had agreed to converge on Kandla, including 25,000 farmers from Karnataka who had been involved the struggle against Cargill Seeds. This was an instance of various groups fighting for different causes (although against the same company) joining hands and consolidating their strength. Cargill was not expecting such a charged atmosphere, and given the prospective scenario, was left with little alternative. It decided to abandon its salt project.

However, even after this rejection, Cargill tried again to enter India in 1994, with the establishment of a 100 per cent-owned subsidiary for farm exports.¹ This time, India’s Central Government rebuffed the company’s overtures. Apparently, Cargill is determined to gain a foothold in India, and activists would do well to monitor the company’s activities to see where its next move will be.

Why the Campaign Succeeded

Cargill was unprepared for the ingenuity Indian activists employed in appealing to the powerful historical symbolism of the 1930 salt satyagrah. This symbolism helped to popularise and politicise the issue, which gave it a mass appeal and encouraged the involvement of a wide-ranging constellation of groups and interests. The history of 1930 salt satyagrah was repeated in 1993, demonstrating that for a vast majority of Indians, Mahatma Gandhi’s assertion --“We [Indians] will make salt”—remained valid.

Cargill said its decision to quit the salt project was prompted purely by commercial reasons, although six months ear-

lier it had expressed a far more positive opinion about the project’s viability. In fact, Cargill had underestimated the resentment its proposed arrival caused, hostility which was reflected by the exceptional commitment of activists who traveled to Kandla and protested daily in the hot summer months of 1993.

The struggle against Cargill’s salt project succeeded for other reasons as well, including:

- good organisation; there were regular protest meetings and arrests at various places in India;
- effective use of the courts, as exemplified by KSSSMA’s stay-order;
- vigorous use of media, including frequent press briefings;
- solid, popular campaign materials about the issue;
- activists were energetic letter writers (e.g., to the Prime Minister) and organised many petition drives at the local level;
- and effective use of democratic institutions; politicians who supported the fight against Cargill raised the issue in parliaments at both the state and central levels, which helped also in providing access to documents which shed light on the Cargill deal. ■

Notes

1. N. Minocha, “Govt Rejects Cargill’s Application,” Indian Express, 6 May, 1994.

All other information in this section about the Cargill campaign is drawn from Cargill’s Bitter Salt, Public Interest Research Group, Delhi, August 1993.

"No!" to DuPont

In the mid-1980s, the US-based chemical giant DuPont formed a joint venture with the Indian firm Thapar Ltd. to build a manufacturing factory for nylon 6,6, a synthetic cord used in tyres. The joint venture (called Thapar-DuPont Ltd., or TDL) chose a remote village in the state of Goa as the site for the facility, which was slated to become the world's largest producer of nylon 6,6 and represented an investment of some US\$200 million. With TDL, DuPont intended to increase nylon 6,6 production mainly for export to markets across Asia.

Goan community opposition to the nylon project was based on a variety of factors:

1. There were irregularities in the Goan government's acquisition of public lands for what were essentially the private purposes of TDL, which was sold the proposed site's property for one-fifth the going rate of land in the area.
2. Economic benefits to the state of Goa would have been largely nullified by the project's infrastructure costs (roads, water, power), most of which the state would have subsidised. The facility would also have depleted groundwater resources and electricity.
3. Job opportunities of the capital-intensive project to Goan citizens would have been far fewer than proponents promised. Counter-analyses suggested that if the state were to invest much less into smaller labour-intensive industries than it was into the DuPont mega-project, many more people would be employed.
4. DuPont had already developed a new cord material for tyres in North America and Western Europe; the nylon 6,6 investment represented the transfer of an outdated technology and product.
5. There had been no site appraisal, environmental impact assessment, or disaster management plan for the nylon project. Citizens were deeply worried about the hazards of large-scale chemical manufacture on human health and the ecosystem in Goa, a rural area which thrives on agriculture and tourism. In particular, they were concerned about effluent runoff into nearby farmers' fields as well as into a major source of drinking water and a river which provides much of the local population with fish.
6. While DuPont claimed that nylon 6,6 manufacture was non-polluting and safe, documents from a US state government's health department included materials involved in nylon 6,6 production on its "Hazardous Substances List."
7. Moreover, DuPont, having witnessed Union Carbide's litigation from the Bhopal disaster, had inserted clauses into the joint venture contract which exempted DuPont from any liability for damages to people or property arising from a chemical accident or contamination.¹

The Campaign's Early Years

One of Goa's oldest voluntary organisations, Nirmal Vishwa, publicly raised the issue of the nylon plant's dangers in 1988. Over the next two years, primarily environmental groups voiced objections to the plant, and

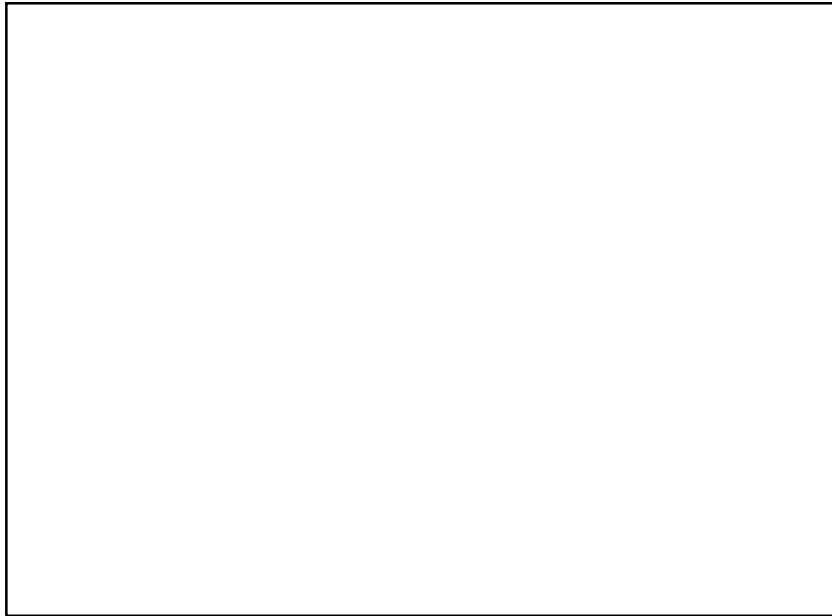
these warnings began to arouse concern among local communities near the prospective site. In 1990, a heated question-and-answer meeting between community members and DuPont officials occurred in which the company tried unsuccessfully to convince people of the plant's safety.²

Shortly thereafter, and in response to rising public inquiry, Goa's Legislative Assembly created a House Committee to examine the nylon 6,6 plant proposal. According to the Goa Foundation's Claude Alvares, a longstanding critic of the facility, the "[House] Committee's deliberations set a wholly new precedent for industrial approvals in post-Independence India. It instituted a series of public hearings on the project, a crucial instrument available to people in advanced countries and unsuccessfully demanded by environment groups in India...."³ After interviewing DuPont employees as well

as many people and organisations from Goa, in late 1990 the House Committee recommended, on both ecological and social grounds, that the proposed nylon plant be shelved. The Committee's report also emphasised the need for local communities to have an authoritative say -- including effective veto power -- over such investment. "People's participation and co-operation in decision-making," the report observed, "is vital for development."⁴

The Goan state government refused to heed the House Committee, but the report's conclusions helped galvanise public opposition in several important ways: they encouraged three governing councils of villages near the plant site to meet and pass resolutions against the project; they prompted a cooperative of 800 area farmers also to pass such a resolution; they fueled the formation of a village-level, grassroots

- ***"Making nylon 6,6 is like baking a cake. Here is the flour and there are the eggs....There are no hazardous substances involved. Both adipic acid and hexamethylene diamine are not considered hazardous even in the US. Adipic acid is used to make candy. I love candy, don't you?"*** — Rita Heckrotte, DuPont engineering associate, in a presentation to Goan journalists, 1990.⁷
- ***"Though this aspect is played down by the representatives of TDL, it is a fact that both the raw materials used, i.e., hexamethylene diamine and adipic acid, have been enlisted as hazardous substances by US health authorities and, in both cases, extensive care and protection is demanded in their handling and use."*** —Report of the House Committee about the nylon 6,6 plant, 1990.⁸
- ***"We hope that ultimately the people of India will understand that the TDL plant is in the best interests of the economic future of their country. But committed as we are to the project, TDL will not proceed unless we can gain the consent of all the Indian stakeholders, the most important of whom are the community residents themselves."*** — J.A. Krol, Vice Chairman of the Board, DuPont, 1995⁹
- ***"The recent events are a sign of hope that the people of this country have begun to resist the takeover of their resources by multinational corporations, even if they have to die while doing so."*** — Claude Alvares, 1995¹⁰



Women Protesters in a protest march against the Project

Photo Courtesy: T.J. Birdi

group, the Anti-Nylon 6,6 Citizens' Action Committee, which became a key source of information dissemination and protest; and they led to a 1991 meeting in Ponda, a city near the site, of a coalition of environmental groups, trade unions, cultural associations, and citizens who issued the "Ponda Declaration" reaffirming their firm rejection of DuPont's nylon factory. And to ensure that it reached as wide an audience as possible, the Goa Foundation published the House Committee's report in The Unwanted Guest -- Goans vs. DuPont (1991).

During the following two and a half years, anti-nylon organising activities operated on several levels. In villages surrounding the site, the Anti-Nylon 6,6 Citizens' Action Committee convened meetings of farmers and herdspeople to discuss the facility, its effects, and to organise marches against the project. In 1992, the All Goa Citizens' Committee for Social Justice and

Action was formed and became involved in the growing anti-nylon movement. This group has strong ties to the Roman Catholic Church and its involvement in opposition to the plant created a significant bridge between Goa's Christian and Hindu communities (the population around the proposed site consists almost entirely of Hindus).⁵

Certain concerned individuals from the middle class helped broaden the base of the anti-nylon work further by organising professionals such as lawyers, physicians, architects, professors, artists, and businesspeople. In early 1994, three dozen of these people, among them some of Goa's best-known citizens, submitted a memorandum entitled "No! To DuPont's Nylon 6,6 in Goa" to the Goan Chief Minister, which outlined a number of reasons they opposed the plant.

The Campaign Heats Up

The struggle between DuPont and a diverse cross-section of Goa's citizenry intensified during Autumn 1994 up through early 1995.⁶ A chronology illustrates this escalation:

September/October -- As TDL began actual construction on the plant site, there were several meetings between DuPont and activists and community members, with no effect on strong public opposition. Following a large rally at which citizens had pledged to tear down a boundary wall TDL was building if the government took no action, hundreds of villagers marched on the eve of the Hindu festival of Dussehra to the site and destroyed the wall and equipment.

November/December -- As TDL imported security guards for the site, the community began to boycott those people involved with the nylon project, with shops and hotels refusing to provide them service. The Goa Foundation produced anti-nylon stickers and published an easy-to-read broadsheet which summarized the history of the struggle and the key arguments against the facility. On the 33rd anniversary of Goa's independence from Portugal, activists held a rally at the plant site.

January 1995-- After a large demonstration of anti-nylon protestors at Goa's Legislative Assembly, police arrested several leaders of the Anti-Nylon Citizens'

Having successfully rejected unwelcome investment in one of the longest clashes between citizens and a TNC in India's history, Goan activists have sent their information and other anti-nylon material to concerned groups in Tamil Nadu.

Action Committee without charges and beat them. When news of the arrests spread, over 1000 people went to the police station and forced the police to release the activists, who held a press conference to publicize their ill-treatment. Several days later, during a people's blockade of the road leading to the facility, police opened fire without warning on the crowd, killing one protestor and wounding others. Activists in turn attacked the police, forcing

them to flee. The next day, the Anti-Nylon Committee declared a bandh (shutdown) of the community, and representatives of many political parties condemned the shootings. While some protestors ransacked TDL's office, others staged demonstrations at the homes of leading politicians who still supported the plant. Near the plant site, over 4000 people attended the funeral services for the activist killed by the police.

The police shootings marked a turning point in the struggle against the nylon plant. By February 1995, TDL had begun negotiations to shift the nylon plant out of Goa, and in June DuPont announced that it had chosen another state, Tamil Nadu, as the new site. Having successfully rejected unwelcome investment in one of the longest clashes between citizens and a TNC in India's history, Goan activists have sent their information and other anti-nylon material to concerned groups in Tamil Nadu.

What the Citizen-Activists Learned About Challenging a TNC

- As with other examples of challenges to TNC power in India, the Goans' struggle against DuPont illustrates the force of civil society when it is mobilised across class, religious, or other lines. People who led the fight -- and who by and large were ordinary citizens, not professional activists -- emphasized the need for the struggle's organisers and leaders to be as open, indeed transparent, as possible about their intentions and motives. This, they say, was an important factor in allowing them to include as many elements of Goan society as they did.
- The plant's opponents aggressively used meetings with DuPont employees to question and challenge the officials directly, vigorously, and where possible openly, about the proposed facility. Anti-nylon activists note that such encounters served two purposes: 1. they provided information about the project; 2. and they helped people learn, through company officials' evasions, what were the project's vulnerabilities.
- Anti-nylon activists made sure to publicise the abuse they suffered at the hands of the police rather than permit themselves to be intimidated and suffer in silence (as the police no doubt hoped they would).
- Goans also benefitted considerably from information from outside India, in particular from US state and federal government sources which provided technical data on chemical hazards involved in nylon 6,6 production, and from US non-governmental organisations' materials on DuPont's environmental record. Anti-nylon activists stress the importance of these materials for their work, and note that were it not for such help

from abroad, this information would have been unavailable.

- Anti-nylon activists made comparative analyses indicating how many more jobs could be created were the money involved in the nylon plant invested into a variety of small-scale, labour-intensive sectors instead of one capital-intensive industrial mega-project. Because proponents of TNC-led foreign investment frequently assert the financial and job-related benefits associated with such investment, the activists say that this economic critique was a necessary complement to their opposition work based on ecological concerns. ■

Notes

1. Information on the threats from the facility are from: interviews with Goan community members; The Goa Monitor, special election issue, November 1994; and Claude Alvares, ed., Unwanted Guest Goans vs. DuPont, The Other India Press, Goa, 1991, esp. pp. 1-7.
2. Interview with Dr. Dattaram Desai.
3. Alvares, op cit, p. 6.
4. Quoted in The Goa Monitor, op cit.
5. Interviews with K.D. Sadhale and M.K. Jos.
6. This chronology comes from: The Goa Monitor; Gary Cohen & Satinath Sarangi, "DuPont Spinning its Wheels in India," Multinational Monitor, March 1995; and various articles from Goan newspapers between 16 and 25 January 1995.
7. Quoted in The Goa Monitor, op cit.
8. From House Committee Report quoted in Alvares, op cit, p. 73.
9. Letter from DuPont Board Vice-Chairman J.A. Krol to Barbara Dudley and Kenny Bruno, Greenpeace, 7 February 1995.
10. Cohen & Sarangi, op cit.

The Campaign Against Nestle

The world's largest packaged food manufacturer, Nestle controls about half the global baby food business. Along with another firm, the giant TNC shares control of 85 per cent of India's growing infant milk food market. For over a decade and a half, Nestle has been the target of an international boycott and other campaign work to highlight and stop its unethical promotion of infant formula as a substitute for breastfeeding. The infant formula industry including Nestle is notorious for sales practices such as giving away free food samples in hospitals and elsewhere as well as aggressive and misleading advertisements which undermine breastfeeding.¹

There are numerous problems associated with the replacement of breastfeeding with infant formula, particularly in the social contexts of India and other less-industrialised countries:

1. Seventy per cent of India's mothers are illiterate and cannot read the detailed instructions on the infant milk food package; there is a high risk of the wrong instructions being followed and the babies becoming malnourished.
2. Sixty per cent of Indian families are below the poverty line and cannot pay for sufficient infant milk food. A study in West Bengal revealed that 63 per cent of bottle fed babies were being

given diluted infant formula because their parents could not afford the required amount of packaged milk food. Such dilution threatens the babies with severe malnourishment.

3. According to the United Nations Children's Fund (UNICEF), over one million babies worldwide die annually because they are not breastfed. Even in industrialised nations, studies show that babies who are totally bottle fed are four to seven times more vulnerable and susceptible to disease and hospitalisation. In many Indian households, the acute shortage of safe drinking water, lack of proper kitchen facilities, and scarce supply of fuel make it difficult to sterilise the bottles and nipples or boil the water. Thousands of babies in India die of diarrhoea and gastroenteritis every year.

Brief History of the International and Indian Campaigns

Beginning in the mid to late 1970s, activists concerned about the effects of food TNCs' marketing of infant formula in a number of countries began to raise awareness about the issue. In some places, this took the form of a boycott on Nestle, whose sales tactics have among the most egregious in the industry. Additionally, a widespread lobbying push led in 1981 to the

A widespread lobbying push led in 1981 to the adoption by the World Health Organisation and UNICEF of an international code of conduct to ban baby food promotion.

Pro and Con

While corporate codes of conduct vary as to the strictness of their written requirements, they are voluntary agreements, and thus neither well monitored (usually) nor enforceable, i.e., they do not involve any penalties for TNCs which violate them. Over the past several decades, a variety of such codes have emerged, by intergovernmental organisations (the Organisation for Economic Cooperation and Development Guidelines on Multinational Enterprises, the Food and Agriculture Organisation Code on the Distribution and Use of Pesticides, the World Health Organisation/UNICEF Code of Marketing for Breast Milk Substitutes), by industry (the US Chemical Manufacturers Association's Responsible Care Program, the International Chamber of Commerce's Business Charter for Sustainable Development), and by non-governmental and other groups.

As a way to promote greater TNC accountability, there are arguments for and against campaigning for codes of conduct. On the one hand, advocates note that a code should not be seen as an end in itself but rather as a forum for maintaining dialogue about and attention on TNCs at a national or international level. They also

Critics are skeptical that in an era of increasingly deregulated business and trade, voluntary agreements are worth fighting for.

say that codes may help harmonise upwards international labour, environmental, and consumer standards, and suggest that the codes can be used as a platform to push for national corporate regulation (as was the case in India for the code and law on marketing of infant formula).

Critics are skeptical that

in an era of increasingly deregulated business and trade, voluntary agreements are worth fighting for, and maintain that such agreements are no substitute for regulatory control. They also point out how frustrating and time-consuming such fights can be (as has also been the case in India not merely for the code but also for the baby food law) and, worse, indicate that work on voluntary codes can distract much-needed energy from the struggle for enforceable rules on TNCs.

One new idea is to have a trade union negotiate and monitor a corporate code of conduct. Under the auspices of a European Union directive, such an initiative is currently taking place.

Contact: Cecilia Brighi, Confederazione Italiana Sindacati Lavoratori (CISL) International Department 00198 Rome, via Po 21 Italy tel. 396 8473357 fax 396 8413782, for information.

adoption by the World Health Organisation (WHO) and UNICEF of an international code of conduct to ban baby food promotion. This code is voluntary, however, and companies have routinely broken it. According to the UK-based Baby Milk Action, Nestle has violated the code around the world more often than any of its competitors.²

However, the WHO code did provide

important encouragement to national level efforts to implement restrictions on TNCs' infant formula marketing. In India, for over a decade there was a concerted campaign first to adopt a national code for the protection and support of breastfeeding -- this happened in 1983 -- and then to pressure the Central Government to enact the code into law. Organizations such as the Association for Consumers Action on Safety and Health (ACASH), the Voluntary Health Association of India (VHAI), the Coalition for Protection of Women & Children, and, more recently, the Breastfeeding Promotion Network of India (BPNI), as well as many local consumer activists persistently lobbied Members of Parliament for such legislation. To substantiate their arguments, these advocates produced many good studies and educational materials including literature and videos.³

The lobbyists' commitment and diligence paid off: after several attempts during the 1980s, the Government finally passed a bill in 1992 which prohibits infant formula advertisements, free samples to mothers or

While the work of BPNI is a model of voluntary citizen activism, it is also an indictment of the Government's failure to combat corporations' continued unethical behaviour.

health care workers, promotion in hospitals, and establishes guidelines for labelling on baby food packages.

And Enforcement ?

Though technically responsible for enforcing the baby food law, in practice the Indian Government has failed to fulfill this responsibility. As a result, it has been left up to the activists who

pushed for the legislation to continue the struggle: to monitor company products and advertising; report violations to judicial authorities; find lawyers to help with cases; and publicize the issue in the press. This process is inherently time-consuming, say activists, and can be extremely frustrating because of corporate efforts to circumvent and evade the law.

For instance, in September 1994 ACASH and BPNI filed a criminal complaint in a New Delhi court against Nestle's Indian subsidiary, Nestle India Ltd., for what they allege are company violations of the baby food act's advertising and package labelling restrictions. In January 1995, the presiding judge found that there was sufficient evidence to summon the managing director of Nestle India to the court for a hearing. The first summons instructed the official to appear in April, but reportedly no company representative was available to receive the order when it was delivered. A second summons was issued for a July court appearance, but again the company refused to accept the order, saying the managing director

“ Why can’t they be human beings? ”

— Dr. Arun Gupta, BPNI, about managers of corporations such as Nestle which sell baby foods, 1995⁶

was “out of station.”⁴

At the July hearing, the frustrated judge decided to authorise a high-ranking police officer to serve a third summons personally. At this juncture, plaintiffs’ lawyers noticed by chance that an attorney working for Nestle India was present. When detected, the Nestle India attorney attempted to leave the court, but was prevented from doing so by guards. The judge served this attorney the summons for the firm, which has since dispatched a team of lawyers to respond to the complaint. The case is pending.⁵

This rather foolish example illustrates how difficult it can be to apply legislation to TNCs in the absence of determined governmental (or intergovernmental) enforcement. With voluntary codes of conduct, the problem is compounded. India is fortunate in that it has exceptionally committed activists fighting for corporate compliance with the baby foods law.

BPNI, which has 700 volunteer members in 150 cities, has distinguished itself in this regard by publishing easy-to-read literature describing the law’s various provisions as well as an excellent Monitoring Manual, which explains how to find and report violations and includes a list of companies and the baby food products they sell in India. Along with groups such as VHAI, BPNI also offers informational workshops and training tools about breastfeeding and nutrition generally. Additionally, BPNI is striving to build an international code monitoring network as part of the World Alliance

for Breastfeeding Action (WABA Secretariat PO Box 1200 10850 Penang, Malaysia tel. 604 6584816 fax 604 6572655), and people in other countries will surely benefit from BPNI’s skill and experience.

But while the work of BPNI is a model of voluntary citizen activism, it is also an indictment of the Government’s failure to assume greater responsibility for combating corporations’ continued unethical behaviour. ■

Notes

1. This information as well as that in subsequent paragraphs about the dangers of infant formula are from either Infant Milk Food -- Unsafe at Any Cost, Voluntary Health Association of India, 1992, or Baby Milk Action’s “Campaign Against Nestle” fact sheet, 1993.
2. Baby Milk Action, *ibid*.
3. Interviews with Dr. Mira Shiva and Dr. Arun Gupta.
4. Court Order of Pawan Kumar Jain, Metropolitan Magistrate, Delhi, regarding case Association for Consumers’ Action on Safety and Health vs. Nestle India, Ltd., 16 January 1995, and “Details of the Proceedings Pertaining to the Case Association for Consumers’ Action on Safety and Health vs. Nestle India, Ltd., Pending,” 6 July 1995.
5. *Ibid*, and interview with Dr. Arun Gupta.
6. Interview with Dr. Arun Gupta.

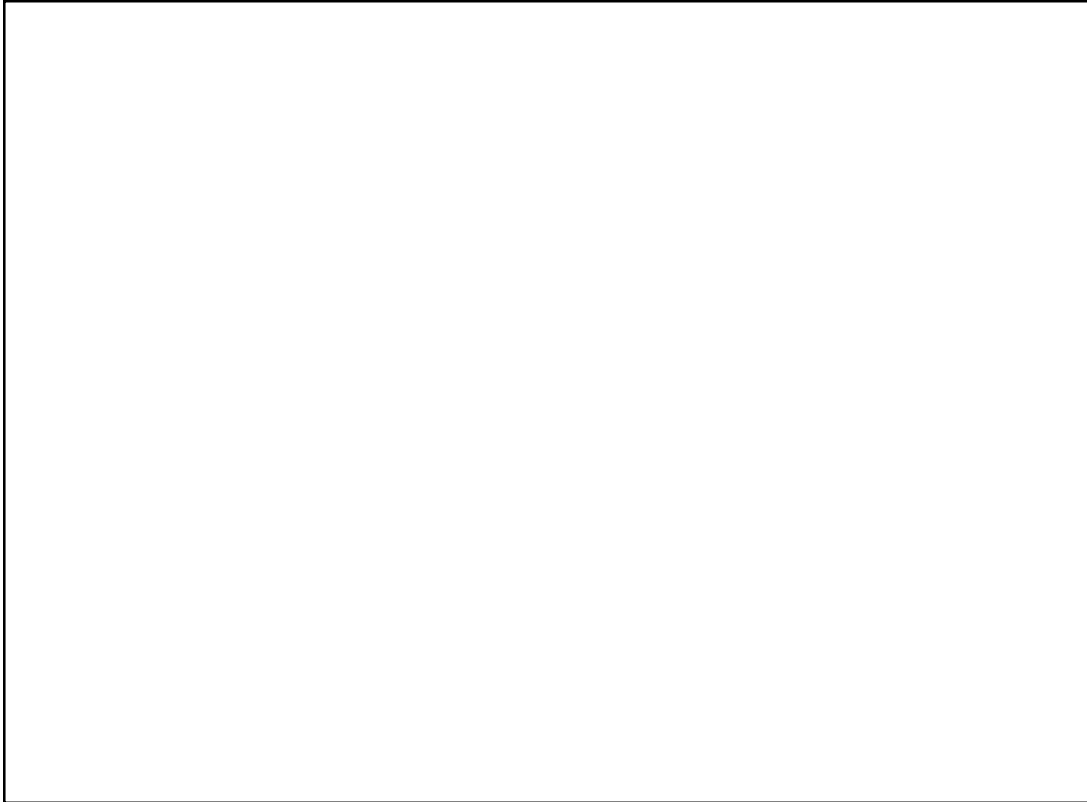
The Campaign Against Enron

On 3 August 1995, the government of the state of Maharashtra cancelled the notorious Enron project. The US-based Enron Corporation had proposed a 2015 megawatt (MW) gas-fired, combined-cycle power project in 1992 in the wake of the liberalisation of energy policies by the Central Government. In order to attract foreign investments to the power generation sector, the Central Government amended the Electricity Act and other rules and regulations, and offered incentives such as guarantees and counter-guarantees to TNCs to invest in Indian power projects. The multi-billion dollar Enron deal, which would have created India's single biggest power plant and have been the largest foreign investment in the country, was one of eight so called "fast track projects" cleared by the Central Government.

To enter India, Enron used a joint venture, Dabhol Power Company (DPC), which is a 100 per cent foreign-owned private limited liability company incorporated in India by Enron, Bechtel, and General Electric (GE). Enron itself is a major global natural gas company and is also involved in oil production. The Bechtel Group, Inc. is an engineering and construction firm with interests in power generation, oil, gas, and financial services. And General Electric is engaged in a variety of activities including the manufacture of aircraft engines and turbines. The three partners controlled DPC through a chain of companies based in Mauritius, a tax haven. Enron Mauritius Company held 80 per cent of the shares of the DPC, while the holdings of Bechtel and GE accounted for the remaining 20 percent.

From its inception, the Enron project raised controversy for a number of reasons:

1. There was no competitive bidding for the project; the deal was negotiated exclusively between the Maharashtra Government and Enron.
2. The project costs and power tariffs were higher than other power projects in India, and the cost of electricity from the Enron project would have significantly inflated prices all around.¹
3. The Maharashtra State Electricity Board (MSEB) promised to buy all the high-priced power produced by Enron, whether there was a demand for it or not, and even if cheaper power were available from its own generating plants.
4. DPC was assured of a post-tax return of 16 per cent on capital investment, and there was no limit on the capital expenditure Enron could make. Indian economists calculated that Enron's after-tax rate of return on the project would actually be 32 per cent, about three times the average rate in the United States.²
5. There were counter-guarantees from the State and Central Governments for payments which would have been due to DPC from the MSEB. Arbitration in the event of a dispute over the counter-guarantee would be under English law in London.
6. An assurance was given that the project would not be nationalised.
7. The project authorities carried out no environmental impact assessment (EIA).
8. Enron paid US\$20 million as "Educational Gifts"; critics considered these payments to be bribes to clear the project.



Courtesy : Irfan / Financial Express

9. The Power Purchase Agreement (PPA) between the DPC and MSEB was initially kept secret from the public.³

Combined, these issues led to significant mobilisation at both local and state levels to scrap the Enron project.

The Campaign

Although opponents to the Enron project were divided by ideological differences, they were still able to organise considerable collective support. The first protest against the project began in June 1992, when Enron and MSEB made a preliminary agreement. Environmental groups, namely the Bombay Environment Action Group and the Society for Clean Environment (also Bombay-based),

were among the first to point out controversial clauses in the deal. With the help of a consumer protection group, the Mumbai Gharak Panchayat, a case was filed demanding scrutiny of the then-secret Power Purchase Agreement and Fuel Purchase Agreement documents.⁴

Simultaneously, the local population began to learn about the Enron project and its ecologically harmful effects such as water pollution and land degradation. In the three administrative units to be most affected by the project (Guhagar, Dapoli, and Chiplun), people set up a coalition, the Parisar Vachava Sangharsha Samiti, to protect their environment. Environmentalists scored a triumph when the Bombay High Court directed the Central Ministry of

Environment and Forests to review the environmental clearance granted to the project. (Despite the concerns raised by the Court's judgment, however, the Ministry issued the project a fresh environmental clearance in late 1994. Neither this clearance nor the first one were based on an environmental impact assessment.) And in July 1994, the Enron Virodhi Sangharsh Samiti (the Anti-Enron Struggle Committee) was formed by 15 non-governmental organisations and trade unions backed by political parties such as the right-wing Bharatiya Janata Party (BJP) and Shiv Sena as well as the left-wing Communist Party of India (CPI) and Communist Party of India—Marxist (CPM).⁵

The campaign against Enron benefitted from research and information support from groups such as the National Working Group on Power Sector, the Indira Gandhi Institute of Development Research, Indranet, and Prayas. These and other organisations produced well-documented and in-depth studies to highlight the negative impact of project on Maharashtra's economy, local population, and environment, and also presented cost-effective and efficient alternatives to the project. Prayas analysts, for example, argued that conservation measures could meet most of the Enron facility's output at significantly less cost than the project's price tag.⁶

Interestingly, most of this research support work was carried out by institutions based in Maharashtra, with little or no input from outside the state or India. Even the mass actions against the project remained localised, with few ties to other groups fighting against TNCs or power projects in India. Neither the Cargill nor Bhopal struggles had much contact with any organisation involved in fighting Enron. Similarly,

grassroots groups against the Singrauli coal power projects had no contact with those challenging the Enron deal. But although the movement against Enron remained very localised, at the same time it became highly politicised and publicised at the national and international levels.

Tapping into local hostility to the Enron project, a Shiv Sena-BJP coalition party made cancellation of the Enron project its main poll promise during the state's assembly election campaign in early 1995. When Shiv Sena-BJP won the election in March, citizens intensified their actions against the project to ensure that Shiv-Sena-BJP government kept its pledge. New alliances such as Enron Hatao Kruti Samiti, a coalition established by left and right-wing political parties, emerged to bolster the campaign.⁷ Although ideologically divided, the coalition's members were able to rally their respective constituencies against Enron.

On 12 May 1995, nearly 400 hundred citizens of villages affected by the project stormed the project site and ransacked the office. Construction of the project's first phase (a 695 megawatt facility) came to a halt for four days after the attack. Enron Hatao Kruti Samiti launched a month-long satyagraha (series of demonstrations) in front of the state legislature beginning on 5 July. The Samiti's members organised many public meetings to discuss the ill-effects of Enron project in various parts of Maharashtra during the satyagraha.⁸ As a result of this pressure, the newly-elected Shiv Sena-BJP government set up a review committee to look into the project. Headed by the Deputy Chief Minister of Maharashtra, the committee recommended in late July that the project should be cancelled.

Lessons

The Enron episode is instructive for several reasons. First, in an era of globalisation which is weakening the power of nation-states and civil society vis a vis TNCs, the cancellation of the Enron project shows that citizens can work with (on) a state government to say no to TNCs. Unlike the Central Government, Indian State and local governments have no constitutional authority to deal with foreign investment in India per se, although they decide whether or not to clear a particular project. As the Enron case suggests, however, sovereign space still exists for state and local governments, provided they have the political will. Decentralisation of decision making on foreign investments would be an important factor to prevent controversial projects such as Enron (or DuPont) from being promoted against the wishes of people whom those projects affect.

Second, Enron became one of the main issues in the Maharashtra State assembly poll. From left to right, all the political parties except the ruling one had promised to scrap the project if elected. Not only does this demonstrate that working across party lines can strengthen a campaign, it also reveals how elections can be used as an effective tool to mobilise support for a cause.

Third, citizens forced the Shiv Sena-BJP coalition government to stick to their poll promise to cancel the Enron deal. This happened because of the commitment of various trade unions, non-governmental organisations, and people's groups in Maharashtra, and despite the fact that both Shiv Sena and BJP are pro-liberalisation and supportive of privatisation and globalisation policies. Clearly, a sustained popular movement can sometimes force a State Government and even the Central Government to

accept its demands, regardless of ideology.

Enron notwithstanding, it is a fact that many mainstream political parties, from right to left, in India and elsewhere, are endorsing the globalisation process and promoting liberalised foreign investment. To influence these parties, and to counteract the negative consequences of this trend, citizens groups, people's movements, and alternative political organisations must work vigorously to mobilise their collective power against not merely this or that TNC project, but against the general presumption of the benefits of TNC-driven foreign investment. A recent article in the Economic and Political Weekly put this point well:

“The Enron episode has...brought out the high cost to the country, not only of this particular deal had it gone through, but of the open door policy towards multinational corporations which is such a vital part of the government's economic reform policies. It is from this wider standpoint that the Enron case must be debated in the country and the opposition parties must take it up as a major political issue....These parties must respect the sentiments of the people and, in their quibbling among themselves, not allow the fundamental issues involved in the scrapping of the Enron deal to be obfuscated.” ■

Notes

1. Pratap Chatterjee, "Enron Deal Blows a Fuse," Multinational Monitor, July/August 1995.
2. Ibid.
3. For further details on the problems with the project, see "Enron: the power to do it all," Indranet, v. 3, nos. 2-4, 1994, and "The Enron Controversy," published by Prayas, 1995.
4. "Another Narmada," Indian Express, 4 June 1995.
5. Ibid.
6. "The Enron Controversy," op cit.
7. "Stir Against Enron to be Intensified," The Hindustan Times, 17 June 1995.
8. Ibid.
9. "Enron and the High Cost of MNCs," Economic and Political Weekly, 5-12 August 1995.

Fighting TNCs on the High Seas

As part of economic liberalisation, the Government of India has since 1991 offered generous incentives and subsidies to attract foreign direct investment into deep sea fisheries (defined as those beyond 12 nautical miles) of the country's Exclusive Economic Zone (EEZ). With the expressed aim of boosting foreign exchange earnings and encouraging an influx of new fishing technologies, the Government has reportedly issued over 150 licenses for joint ventures with non-Indian partners which include both large but relatively obscure fishing transnationals and well-known conglomerates such as Mitsubishi.¹

The Government's deep sea fishing policy is flawed for a number of reasons, and raises a host of social and environmental problems:

1. Past experience with introducing chartered foreign vessels into Indian waters did not raise foreign exchange earnings. These vessels routinely under-wrote the quantity of catch to boost unaccounted profits, and the joint venture vessels doubtless also do, especially since the Government is allowing them to transfer catches at sea. Government fuel subsidies and profits the foreign companies make through vessel leasing arrangements further reduce foreign exchange earnings.
2. Joint ventures export 100 per cent of their catch, causing shortfalls in the availability of fish for domestic consumption which will hit coastal communities hardest since fish is their main and cheapest protein food.
3. The large-scale harvesting technologies

of the foreign investors' are partly to blame for overfishing in Northern seas; this resource loss is driving the investors to seek new fishing grounds in places such as India. But these technologies are even more inappropriate for tropical waters, and will deplete Indian fish stocks at an unsustainably rapid rate.

4. The Indian Government permits the investors to employ non-Indian crews, and there are few job benefits for Indians on foreign investors' vessels. Because these vessels' fish catches are processed at sea, there is no need for shore-based labour.

5. Studies by the Food and Agricultural Organisation and others indicate that India's inshore, coastal waters have more commercially viable fish than deeper areas. Given this situation, foreign investors' vessels will increasingly fish inshore, competing with and displacing millions of traditional artisanal as well as small-scale mechanised fishers.²

The Campaign Against Joint Ventures

Traditional non-mechanised coastal fisherfolk have usually been at odds with the small-scale mechanised boats which entered Indian waters during the 1980s, but the TNCs' joint ventures are threatening both groups. In 1993, the National Fishworkers' Forum (NFF), a federation of primarily artisanal fishworker trade unions which has its headquarters in the state of Kerala, organised a seminar for the small-scale mechanised and non-mechanised sectors to discuss ways they could work together.³ In

Stop Selling Out Indian Seas to Foreign Companies

Join Harbour Blockade
NFACAJV Zindabad

A Campaign Poster by NFACAJV

February 1994, the NFF and the Mechanised Fishing Boat Operators' Association sponsored a bandh (shutdown) which in Kerala received strong support from fisherfolk as well as fish vendors. A rally and dharna (sit-in) at the Secretariat in Kerala's capital Kochi drew hundreds of people.

The Government offered no serious response, and in May 1994 non-mechanised and mechanised fishers and other fishing interests formed a coalition. For the past year

and a half, this tactical alliance, the National Fisheries Action Campaign Against Joint Ventures (NFACAJV), has sought to raise awareness of the deep sea fishing policy and to pressure the Indian Government to withdraw all licenses for joint ventures with an extraordinary series of collective mass actions.

—In July 1994, fishers and fish merchants in many states observed a “Black Day” (blackness symbolises poor fishing

■ ***“...I would like to reiterate that the Government is committed to protecting the interests of traditional fishermen and is open to holding a continuous dialogue with them on the subject of Government policy. The Government is seriously concerned about the welfare of traditional fishermen and is totally committed to protecting their interests and improving their economic condition by providing greater incentives to them.”***

—Parliamentary statement of Indian Minister of Food Processing Industries Shri Tarun Gogoi, 15 December 1994

■ ***“It took a fast of eight days, mounting of pressure due to parallel actions at various places including a dharna at Delhi, raising of the issue in the parliament by various MPs to finally force the Government to agree to enter into a dialogue with the agitating fisherpeople. This mode of action has been so often repeated that it [has] now almost become an integral part of all mass movements. The raising of issues, by themselves, never manages to attract the attention of this blind State apparatus; it has to be forced.”***

—Update from Delhi, Update Collective, June 1995

conditions) by hoisting black flags on their boats, wearing black badges, and staging marches on Government offices. In Kerala, the NFACAJV submitted a petition to Government officials signed by 20,000 people calling for the withdrawal of joint venture licenses.⁴

—In November 1994, some one million fishworkers from nine maritime states went on strike for two days. Virtually all fishing activity and retail and processing operations were suspended. In some areas, small-scale fishers surrounded foreign vessels and prevented them from going to sea, while in others people showed their backing with rallies, sit-ins, and fasts. Several hundred Indian Members of Parliament wrote the Prime Minister in support of the NFACAJV's demands, while five maritime state governments did the same to the Minister of Food Processing Industries (who oversees the deep sea fishing policy). All of India's central trade unions endorsed the

strike, as did Narmada Bachao Andolan as well as Canadian fishing organisations and the environmental group Greenpeace.⁵

—In December 1994, the Minister for Food Processing Industries promised to issue a freeze on new joint venture licenses, a pledge he quickly broke.

—Thus, in May 1995 NFACAJV's Convenor (and NFF head) Thomas Kocherry launched an eight-day fast in front of the birthplace of Mahatma Gandhi (in the coastal state of Gujarat), while across India there were numerous agitations including strikes, auto rickshaw rallies, children's rallies, petition drives, road blocks, sit-ins, picketing, and silent marches. Well-known Indian intellectuals lent their name to statements supporting the protests, and under pressure from Members of Parliament belonging to right, center, and left political parties, the Minister for Food Processing Industries asked the NFACAJV to call off the fast and other agitations and meet with

him and 13 MPs.⁶

At the meeting, the Minister agreed to concessions such as no new joint venture licenses pending a full review of the deep sea fishing policy, no extension or renewal of licenses already given, and the withdrawal of licenses for the most destructive types of fishing by foreign investors.

The Minister reneged on all his assurances, however. Currently, the NFACAJV is organising a day of blockades of harbor mouths all along India's coast, to be held on 23 November 1995.

Some Reasons For the Campaign's Success

One reason the fishworkers have so readily mobilized resistance to joint ventures in the last year and a half is that they have had several decades of experience staging protests against threats to their livelihood, especially from large-scale commercial industrial fishing. Historically, fishworkers have been organised at the local or state levels; the National Fishworkers' Forum gives them a national platform to voice grievances about problems which often have common origins. Thomas Kocherry would next like to internationalise the network.

But there are more current reasons for the success of the joint venture campaign's mobilisation so far. The 1993 seminar between the small mechanised and artisanal fishing sectors was the first such occasion in history, and the capacity of these traditionally opposed groups to engage in a coalition has strengthened the struggle. The National Fishworkers' Forum in particular has demonstrated an exceptional ability to organise support across class, religious, and political affiliation.

The NFACAJV has presented its case with well-documented arguments, with most if not all its material coming from within India. Information exchange has been an integral aspect of networking. The fishworkers themselves are a key source, but the Campaign has also used government data, including from the Ministry of Food Processing Industries, and has profited from insights provided by retired government fisheries scientists. Moreover, it has effectively tapped into investigative journalists sympathetic to its demands as well as business interests in competition with the foreign investors. Lastly, the Campaign and the Indian fishworkers' cause generally has benefitted from the efforts of researchers/activists such as John Kurien, who through international publications has been able to broaden awareness outside India about the issues and struggle.⁷ ■

Notes

1. Mukul, "Enter, the big fish," *Frontline*, 26 August 1994.
2. For problems caused by the deep sea fishing policy, see various material from the NFF including "Deep Sea Fishing: The Need for A New Policy Approach" and "Deep Sea Fishing Policy Ministry's Arguments and Our Counter Arguments."
3. Interview with Thomas Kocherry.
4. "Black Day Observed -- Fishworkers march to MPEDA office," *Indian Communicator*, 20 July 1994.
5. "Fisheries strike near total," *Indian Communicator*, 24 November 1994.
6. "Widespread support for fishermen's struggle," *Indian Communicator*, 8 May 1995; NFACAJV campaign letter, 15 July 1995; and notes from NFACAJV meeting, 1 July 1995.
7. See for example John Kurien, "Joint Action Against Joint Ventures -- Resistance to Multinationals in Indian Waters," *The Ecologist*, vol. 25, no. 2/3, March-June 1995.

Campaigns' Insights and Lessons

With the example of Union Carbide in Bhopal as a historical landmark and tragic illustration of the consequences of unaccountable TNCs, there is in India a rich diversity of activism challenging India's open door to foreign investment. Some of these campaigns have focussed on specific project proposals, such as those against Cargill, DuPont, and Enron, whereas activists working on Nestle and the deep sea joint ventures have aimed at overall legislative or policy changes.

Regardless, these campaigns reaffirm the hope that popular movements can weaken and on occasion render powerless the mightiest of transnational corporations. The achievements of India's TNC campaigns are all the more striking because while such challenges have never been easy, recent economic and political trends worldwide have made the struggle more difficult.

Since World War II, and particularly in the past two decades, it has become clear that TNCs enjoy tremendous political influence. This power often rivals that of national governments, especially now as less-industrialised countries desperately try to attract TNC investment in the hope that it will bring capital wealth, new technology, and jobs. Nations in the North where transnationals are based frequently function as lobbyists for their TNCs abroad, as US Energy Secretary Hazel O'Leary demonstrated vividly when she warned the Indian Government: "The fate of the Enron project would decide whether other US companies would remain interested in investing in India."¹ By issuing such a thinly-veiled

threat, the United States government revealed (again) how closely aligned are its interests with those of US-based TNCs.

In India, besides the Central and State Governments which have been promoting TNC-led foreign investment with ever increasing vigor, dominant segments of society and a large number of interest groups support the influx of transnationals. These include the upper and upper-middle classes as well as industry and trade bodies such as the Confederation of Indian Industries (CII) and the Federation of Indian Chambers of Commerce (FICCI). As they strategise and plan activities, campaign groups should be aware of those sections of India's polity and society which endorse the country's open door to foreign investment. This can lead to targets for the campaigns other than the corporation itself, as the direct public pressure exerted on the Central and State governments in the Cargill, Nestle, Enron, and fishing joint venture cases shows.

With Enron, such public pressure has apparently helped increase the bargaining power of the Maharashtra State Government. After the announcement of cancellation of the contract in August, Enron initiated legal proceedings against the Maharashtra Government for compensation. This move has led to significant change in the State's position, and now both Maharashtra Government and Enron has decided to renegotiate the project on terms acceptable to both parties. This change in State's position has, once again, activated campaigners who feel that people's aspirations have been betrayed by the State gov-

Media Relations

Being able to use the local, national, and international media effectively is as vital a part of TNC as any other campaigning. Corporations are often very sensitive about their public image, and by using the media successfully you can damage that image, sometimes seriously. You should spend some time seeking out potentially interested or sympathetic journalists, developing a media list for newspapers, radio, and television reporters, and then cultivating your contacts for events or other campaign work. Knowing the issue and having solid materials are crucial, as Rainforest Action Network's Mitsubishi campaign manual notes: "The better rapport you can establish with a contact, the more likely it is that your event will get

coverage....Make sure you are well-informed on the issue and can answer questions concisely. Educate them [reporters] on the issue so they will get the facts straight. Provide them with a copy of background material. If you don't have an answer to a question, don't fake it. State that you want to get the facts right, and that you will find out the information and get back to them. Maintaining good relations with the media and showing credibility is also important if you or your group plan to organise other media-worthy events throughout the year and get coverage."²

Rainforest Action Network also provides many other practical tips:

- when you've planned an event to highlight your issue, inform news contacts well in advance (unless the element of surprise is very important);

- stress the newsworthiness of issue and if there will be certain activities which may spark the reporters' interest;
- keep the release short and simple -- two pages at most, double spaced and clean;
- call your media contacts the day of the event;
- be sure to have press information packets available;
- designate a person to speak with the media (greet them at outset of the event, etc.), be well prepared to answer reporters' questions (you may want to practice beforehand), and keep the media informed about what is happening during the event; keep track of any coverage and share it.

ernment. Thus, they have now decided to relaunch the campaign against the Enron project. It remains to be seen how the talks will turn out, but the lesson from this episode is that political will in a government backed by widespread citizen support can tame a TNC.

Moreover, the announcement of cancellation of Enron project has led to major shifts in general policy-making. India's Central Government has now proposed to

make amendments in the country's power policy, including requiring mandatory competitive bidding and the removal of assured returns on investment. Thus, the overall policy announced just several years ago to lure TNCs to the power sector is under review, largely because of the vigorous and successful campaign against Enron.

The experience of not merely the Enron campaign but of virtually all the campaigns indicates how beneficial it can be to

Spreading the Word

In addition to using the media, another way to publicize your issue widely is through letter writing networks. For example, Global Response Environmental Action Network (PO Box 7490 Boulder, Colorado 80396 USA tel./fax 1303-444-0306 Contact: Malcolm Campbell) is an international environmental letter-writing network which produces a monthly newsletter, "Global Response Action," that highlights a specific environmental and social threat which is commonly associated with corporate practices. The newsletter recommends actions to take and gives the names and addresses of the corporations or governments responsible. "Global Response Actions" have been published on hazardous waste

exports, resource exploitation, threats to indigenous people, species extinction, and nuclear disarmament. Recently, the newsletter was devoted to the issue of DuPont in Goa.

Global Response can be an excellent way to get the word out about your campaign; it has more than 7000 names -- school and university groups, letter-writing clubs, various organisations as well as individuals -- on its database, with members in over 50 countries. Global Response has also established a "Quick Response Network" which can alert members immediately via electronic mail to emergencies to publicise and counter threats to environmental activists and journalists working to protect their communities.

broaden the base of support and include groups and individuals from different socio-economic, cultural, and political backgrounds. Backing from national-level platforms (e.g., Samajwadi Abhiyan in the Cargill campaign) also helps, as does the appeal to potent popular symbols (e.g., the salt march in the Cargill struggle or the anniversary of Goa's independence in the DuPont campaign) and effective use of the media.

Indian citizens need and should have the right to freer access of information about foreign investment projects from their Government. But secrecy is the rule in India, there are no legal provisions such as the US's Freedom of Information Act, and relatively little official information about TNC

projects is publicly available (hence, the fishworkers' have gone to retired government employees for material). A number of groups in India have discussed the need for a separate campaign for citizens' right to information, although this has not materialised. Yet this right is more essential than ever in an era of accelerating investment flows across national borders.

Linked to this issue is the significance of research and documentation support for TNC campaigns. This support work can provide valuable, in some cases crucial (e.g., in the DuPont campaign), economic, political, and technical information and arguments as well as material on the records of particular corporations. Whether such support came from within or outside India,

the struggles against Union Carbide, Cargill, DuPont, Nestle, Enron, and the fishing TNCs have all benefitted from well-organised, persuasive research and documentation.

While there is a history of information exchange between Indian and North American and European organisations, there has been relatively little networking in South Asia or Asia as a whole. By and large, campaigns against transnationals including those of victims' groups in India have remained local or national. Again, with TNCs moving more rapidly across the globe, it is increasingly important that Indian activists strive to build transboundary alliances in Asia and beyond. Campaigns such as that of the fishworkers recognise this need and are trying to internationalise their work.

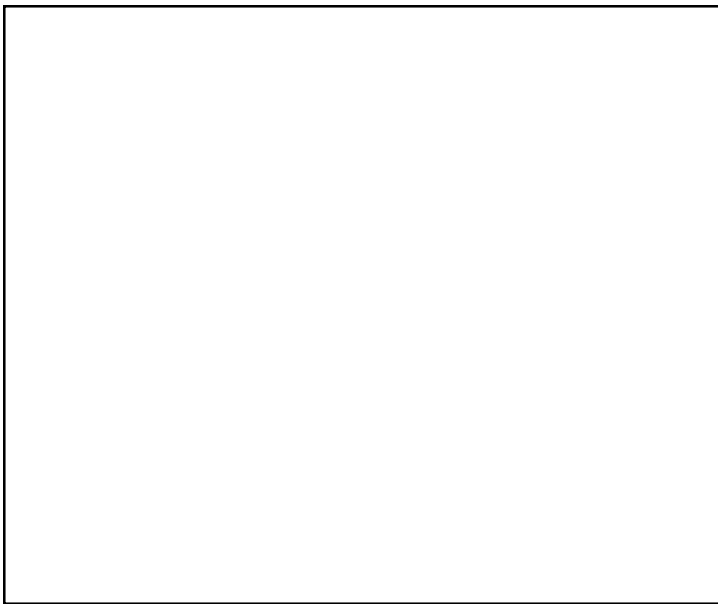
Individuals and groups working on TNCs should also expand their alliances because TNCs themselves are joining hands in the face of public opposition. For instance, in India Pepsi and Coca-Cola, though economic rivals in the global soft drinks

industry, have recently decided to work together and formed the Soft Drinks Association to address anti-Pepsi and anti-Coke campaigns launched by the right-wing organisations Swadeshi Jagran Manch and RSS as well as socialists backed by Samajwadi Abhiyan.³ This is just one example of TNCs mobilising politically around the world to protect or further their business interests.

Activist Resources in India

As the case studies showed, organisations and individuals in India have used a variety of approaches in their campaigns against TNCs. In addition to legal approaches and lobbying, they've staged rallies and demonstrations, sit-ins, blockades, public meetings, and street theater. Groups such as **Jan Natya Manch** (8, Vittalbhai Patel House, Rafi Marg New Delhi 110 001 Contact: M. Hashmi) and **Nishant Natya Manch** (A-2/15, Model Town, Delhi-110 009; Contact: Shamsul Islam) put on interesting and humorous street plays to inform people about TNCs as well as GATT and World Bank issues. These groups have organised hundreds of street plays throughout India.

Other groups have produced posters, pamphlets, leaflets, newsletters, and books to get the word out about their cause. Activists have also used the mainstream regional language press to disseminate information about TNCs; often, these publi-



cations are more supportive of TNC campaigns than the national English-language newspapers. In this regard, the feature service in Hindi which **Azadi Bachao Andolan**, **Sarodaya Press Service** (29 Samvada Nagar Navlakha Indore 452 004 Contact: Mahendra Bhai), and the **Public Interest Research Group**, bring out, have been extremely helpful in educating people in rural and remote areas of India about transnationals.

Many other Indian organisations and individuals have campaigned on or researched TNCs. The following list, which is supplemented with other Indian and non-Indian resources in subsequent chapters, provides the names of some of these activists. The list is arranged by corporate industrial sector, with indication given if the person or group has been involved with a particular campaign.

Fisheries

Orissa Krushak Mahasangh (14 Ashoknagar, Bhubaneswar 751 009; Contact: Banka Behari Das) This organisation has been very active in local campaigns on aquaculture in Orissa.

National Fishworkers' Forum (Chairperson's Office 41/1771, Veekshanam Road, Kochi 682 018; Contact: Thomas Kocherry) NFF is spearheading the fight against the deep sea joint venture policy.

Chemicals

Bhopal Gas Pidet Mahilla Udyog Sangthan (BGP MUS) (51, Rajendra Nagar, Bhopal 462 010; Contact: Abdul Jabbar Khan) BGP MUS has worked with Bhopal victims for over a decade.

Bhopal Group for Information and Action (BGIA) (18/1, Nagar Nigam Colony, Berasia Road Bhopal 462018; Contact: Satinath Sarangi) BGIA has worked on the Union Carbide campaign and is a key source of information about the company.

Delhi Science Forum (B-1, II floor, LSG J-Block Saket, New Delhi-110 017; Contact: Dr. Usha Menon) The Delhi Science Forum works on the pharmaceuticals industry.

Drug Action Forum, West Bengal (S/3/5, Srabani Sector, III Salt Lake, Calcutta-700 091; Contact: Dr. Surjit K. Das) Drug Action Forum also works on the pharmaceuticals industry.

The Goa Foundation (Above Mapusa Clinic, Mapusa, Goa-403507; Contact: Claude Alvares) The Goa Foundation was one of the key groups which campaigned against DuPont.

Consumer Goods

Breastfeeding Promotion Network of India (BP-33, Pitampura, Delhi 110 034 Contact: Dr. Arun Gupta) BPNI monitors corporations' violations of the baby foods law.

Samajwadi Abhiyan (3 Krishna Menon Marg, New Delhi 110 001; Contact: George Fernandes) Samajwadi Abhiyan helped to galvanise resistance against Cargill and has been actively involved with the campaigns against Coca-Cola and Pepsi.

Power Generation

Swadeshi Jagran Manch (SJM) (60, North Avenue, New Delhi-11000; Contact: S. Gurusurthy) is very active on the Enron Campaign. Closely linked with right-wing RSS, SJM is also involved in campaigns against Pepsi and Coke.

Prayas (Amrita Clinic, Athavale Corner, Karve Road Corner, Deccan Gymkhana, Pune-411 004; Contact: Girish Sant) Prayas is a non-governmental organisation involved in research on alternative sources in India. Prayas conducted some of the key critical research of the Enron proposal.

Enron Virodhi Sangharsh Samiti (Dabhol District: Ratnagari, Maharashtra-415 706) This was the leading local campaign group against Enron.

National Working Group on the Power Sector (J-152, Saket, New Delhi 110 017; Contact: K. Ashok Rao) This group is an independent think-tank set up, recently, to monitor developments in the Indian power generation sector. It was one of the first organisations to criticise the Enron proposal on technical and financial grounds.

Sampoorna Kranti Vidyalaya (Vedchhi Gujarat-394 641; Contact: Dr. Sanghamitra) Sampoorna Kranti Vidyalaya campaigns against nuclear energy.

Tourism

Jagrut Goenkarachi Fouz (JGF) (2 Liberty Apts., Feira Alta, Mapusa) JGF works to mobilise people against tourism in Goa.

Equations (168, 8th Main, Near Indiranagar Club, Bangalore-560 008; Contact: K.T. Suresh) Equations is a research and information group involved in tourism-related issues in India.

Biotechnology

Gene Campaign (F-31, Green Park (Main), New Delhi-110 016; Contact: Dr. Suman Sahai) Gene Campaign works on issues relating to TNCs' entry into biotechnology and the seeds business in India.

On TNCs in general

Azadi Bachao Andolan (Gandhi Bhawan, Chaitam Lines, Allahabad 211 002; Contact: Banwarilal Sharma) This group is active in raising awareness on TNCs issues in North India. It also brings out popular educational materials, including feature service on TNCs in Hindi language.

Shankar Brahme Samaj Vidnyana Granthalaya (129, B/2, Erandavane, Law College Road, Pune-411 004; Contact: Sulabha Brahme) This group was very active in the struggle against Enron, and bought out literature in the Marathi language.

Bharat Jan Andolan (BJA) (A-37 Nanglirajapur, Nizamuddin East, New Delhi 110 013; Contact: B.D. Sharma) BJA is a people's movement to free India from neo-colonialism, foreign debt, and TNCs.

Economic and Political Weekly (Hitkari House, 284, Shahid Bhagat Singh Road, Bombay-400 001; Contact: Krishna Raj) A leading Indian journal of economic and political affairs which periodically covers TNC issues including foreign investment and privatisation.

Centre for Education and Documentation (CED) (3, Suleman Chambers, 4 Battery St., Behind Regal Cinema, Bombay 400 039) CED has an extensive paper clipping service on TNCs and foreign investment. ■

Notes

1. "US Envoy Expresses Regret for O'Leary Threat over Dabhol," The Economic Times, 5 June 1995.
2. Rainforest Action Network, Boycott Mitsubishi Campaign International Organizer's Manual, 1992, p. 36.
3. "Coke, Pepsi to Counter RSS Anti-MNC Campaign Jointly," The Economic Times, 6 September 1995.

How to Research on TNCs ?

As indicated in Chapters 1 and 2, transnational capital today flows increasingly unfettered across national boundaries, and in particular across India's border. To strengthen the effort to resist the dangers posed by unaccountable TNCs, community citizens' groups, trade unions, environmentalists, consumer protection advocates, human rights activists, and others need to be aware both of the international dynamics of corporate mobility and of the variety of individuals and organisations who may be engaged in similar struggles.

This chapter and subsequent ones are designed to help you research information about overarching foreign investment trends, about individual TNC or TNCs, including issues such as business lines, finances, legal problems, and labour, health and safety, and environmental records, etc., and also to investigate various corporate industrial sectors such as chemicals or fisheries. Some though not all the resources listed in these chapters may be able to help with more than one type of information.

Most of these resources are outside India, and Indian activists are encouraged to use them actively. In a recent booklet on TNCs, Tim Jenkins of **Friends of the Earth United Kingdom** (FOE England, Wales and Northern Ireland 26-28 Underwood Street London N1 7JQ UK tel. 44 171 4901555) and David Hunter of the **Center for International Environmental Law** (see address in **Chapter 9**) suggest three important reasons for international cooperation among groups challenging deregulated corporate power:

"First, in order to gain a full picture of an MNC's [multinational corporation's] operations, information must be gathered from different countries and in particular the MNC's home country. Second, MNCs feel pressure far more if it is being applied in more than one country. Third, one of the most damaging types of evidence against an MNC is that it operates at different ...standards in different countries, i.e., double standards."¹

The emphasis on international perspective in no way lessens the vital importance of local and national work on corporations. The point is that dissemination and exchange of information among individuals and organisations across the world can be a helpful and in some cases necessary component of people's resistance to the depredations of TNCs. As the Rainforest Action Network notes about its campaign against the destructive forest practices of Mitsubishi: "[I]t appears that environmentalists have been most effective when unified international action has resulted in the shaming of Mitsubishi. The sharing of information among involved activists has been critical."²

Not just environmentalists benefit from international cooperation. Several years ago, the US TNC Campbell Soup Company threatened to shift some operations from the United States to Mexico if American tomato pickers demanded higher wages. The Farm Labor Organizing Committee, a trade union, discouraged the move by helping its Mexican counterpart to win a stronger contract. And another US trade union, the International Association of Machinists, has helped

South African workers get rehired at a TNC by threatening to make their struggle part of the US union's negotiations with the company.³

A Note on Research

Researching TNCs involves the same skills as every other research project: patience; persistence; politeness (usually); and an open minded approach to any and all possible sources which might be useful. These sources can include: corporate business directories; national, regional, and local newspapers; wires from press agencies; company annual reports and promotional materials; interviews with or speeches of corporate executives; human sources such as workers, community members, journalists, lawyers, etc.; industry association literature such as trade journals; business or economic magazines; scientific journals; magazines which cover a particular geographic region; magazines, newsletters, or other information -- including corporate case studies and reports -- from trade unions, environmental groups, voluntary associations, or other non-governmental organizations; activist network publications; videos; United Nations documents; data and records from governments; publicly available testimony given before government committees; court records.... And so on.

We will discuss most of these sources in more detail later, and provide annotated listings for some as well. But first a few general pointers on research.

The word "research" as it is used in this guide does not mean gathering information for the sake of gathering information, although it certainly can -- and in some cases should -- include general background study. But even one TNC is often a big, diverse,

and complex subject, and as suggested above corporate information sources may be widely scattered about. So it is important to decide early on not just why you want to learn more about a company or companies, but also how you wish to organise and use the information you discover. Thinking this way will provide direction and focus for your work, and thereby set limits to the investigation. You may still go through a large amount of material, but you will do so more efficiently and effectively.

Corporations rarely welcome close scrutiny and are happy if you give up easily. Don't satisfy them! Unless you have convincing confirmation otherwise from several sources, assume that the information you seek exists and that you can get it if you find the right person or place. Before you dive headlong into your own investigation, begin by trying to find out -- by telephoning, faxing, or writing letters -- if any individuals or groups already have the information you want or know anyone who does; typically, one contact will lead to another, which leads to another, and the ball is rolling. Remember always to ask people you speak with who else might be able to help. Given TNCs' wide geographic scope, this important first step may well require international networking; part of the purpose of this booklet is to point to resources in a variety of countries to assist you in this process.

Of course, sometimes you simply will not be able to find what you're looking for. Hitting such a wall can be useful, because the lack of information may itself be a noteworthy issue and because your search may have opened up other, unexpected avenues of inquiry.

Any good researcher should document sources of information thoroughly

Presenting Your Case Persuasively

Collecting information is one task. Organising it coherently and persuasively is another. Even before beginning your research, you should have your goals clearly in mind and have developed an organisational structure to help guide you to them. Below are examples of publications -- manuals, investment analyses, empirical case studies, books with interviews -- which critically address TNC power in potentially useful ways. They are not intended to serve as models, but rather to indicate a range and variety of approaches others have tried.

■ The Rainforest Action Network's Boycott Mitsubishi Campaign -- International Organizer's Manual (1992) is distinguished by its comprehensive and detailed description of the Mitsubishi Group: the conglomerate's history; the cross-ownership structure of its members; its corporate culture; a brief introduction to destruction of the world's rainforests; and a global survey of Mitsubishi's activities. The manual provides an analysis of the campaign to boycott the products of a TNC. It gives a point-by-point response to the Mitsubishi's denials and its environmental claims. RAN's manual also suggests specific campaign "action ideas," gives practical advice on issues such as dealing with the media, and lists key campaign contacts and Mitsubishi target contacts.

■ The Christian Conference in Asia's Minangkabu! Story of People vs. TNCs in Asia (published in 1981 but still relevant today) is a book which discusses TNCs from several angles. It examines how TNCs dominate the Asian economy and questions the "benefit myths" commonly associated with TNC investment, e.g. that TNCs will bring much-needed capital and foreign exchange. It analyses ways at the grassroots, national, and international levels people can challenge TNCs. Lastly, the book looks at the impact TNCs have on the life of Asian industrial workers, fisherfolk, and others by providing people's "stories" about their plight.

■ Corporate Power and the American Dream -- An Economic Workshop for Working People, produced in 1995 by the US-based Labor Institute (members of the Oil, Chemical, and Atomic Workers Union), is a manual which examines US trade

union membership in an era of deregulated investment and intensified global competitiveness, the causes behind rising corporate power, and the health, safety, and environmental effects of this increased power. Designed to spark discussions among workers, the manual addresses these issues in an easy-to-read manner with the help of numerous illustrative graphs and charts.

■ The IBON Philippines Databank and Research Center's TNCs -- In the Thick of Everything (1994) is an exceptionally well-detailed critical analysis of TNCs' impacts in the Philippines. Its strength is on economic issues: the various arrangements between TNCs and domestic firms; the financial performance of TNCs and their subsidiaries; TNCs' collusive relationship with transnational banks; and the government's policies regarding foreign investment.

■ Greenpeace International produced the Greenpeace Book on Greenwash (1992) to call attention to TNCs' efforts to dominate the agenda of the 1992 United Nations Conference on Environment and Development. The publication provides brief, factual discussions of nine major TNCs in the oil, chemicals, forestry, nuclear power, and other sectors, highlighting the discrepancy between their claims (advertising, rhetoric, etc.) about the environment and their actual practices, i.e., "greenwash." Additionally it provides a critique of several voluntary codes of conduct which TNCs have adopted in an effort to demonstrate their environmentalism.

■ The publication of Bombay-based Research Unit for Political Economy, Arms of an Octopus -- Siemens in India (1990) presents a case study to provide the evidence for theoretical formulations on TNCs. It gives an empirical analysis of the German TNC's operations worldwide, its Indian collaborations and relationships between parent and subsidiaries, and the company's penetration into the public sector. The report explains how Siemens's technology was not always appropriate for India, had a negative effect on employment generation, and shows that the corporation's investment drained foreign exchange from the country.

(of course with the necessary discretion if an arrangement of confidentiality was made). For the researcher investigating some of the most powerful institutions on earth, and which sometimes take to court those whom they perceive as threats, such documentation is an occupational necessity. Keep track of the dates and names of people with whom you have conversations and be sure that any notes or photocopies you make are referenced completely. If you're writing a critical report on a TNC, be liberal when listing your reference sources; it will show you've done your homework and help deflect criticism from opponents.

It is obvious but important to note, however, that the best referencing cannot make up for inaccurate use of sources. Moreover, even 100 per cent accuracy cannot guarantee that a corporation will not initiate a court action merely to quash information or dissuade you or others from such work. This possibility should not -- indeed must not -- deter you from challenging TNCs, but it should be borne in mind. If you have questions or concerns, ask a more experienced investigator or a libel lawyer for advice.

Researching Overarching Issues

Sources for General Trends

While perhaps not essential to the researcher investigating a particular transnational corporation, a sense of the history of international business, an awareness of the ways an individual company is part of the global corporate, and indeed capitalist, system, and exposure to various analyses of the relationship between TNCs and issues such as national sovereignty or free trade as well as

critiques of TNCs' general impacts can be enormously useful (and interesting). Knowledge of the contexts -- historical, political, socioeconomic, cultural, ecological -- of TNCs' operations can only strengthen your understanding of the activities and effects of a given TNC.

The following is a brief list of books which examine transnational corporations with a wide angle lens. These books offer differing perspectives on the role and impacts of TNCs and can be particularly useful either because of their incisive analyses or comprehensive information, or both. Though general overviews, all are substantively detailed. Moreover, their bibliographies open up a world of further reading on corporations:

Raymond Vernon, *Sovereignty at Bay* (1971), which explores the thesis of TNCs and the loss of sovereignty of nation-states; Constantine V. Vaitsos, *Intercountry Income Distribution and Transnational Enterprises* (1974), a densely argued, empirical analysis of TNCs' activities and their effects on the generation and distribution of income in the less-industrialized world, with an insightful chapter on transfer pricing; Richard J. Barnet & Ronald E. Muller, *Global Reach -- The Power of the Multinational Corporations* (1975), one of the pioneering critiques of TNCs' worldwide influence; Dalip S. Swamy, *Multinational Corporations and the World Economy* (1980), excellent for its analysis of transnationals' impacts on less-industrialized countries, its discussion of TNCs and foreign capital in India, and its introductory survey of varying schools of thought on TNCs; Rhys Jenkins, *Transnational Corporations and Uneven Development* (1987), a useful, detailed, economically technical introduction to TNCs; John Dunning, *Multinational Enterprises and the Global Economy* (1993), which provides a wealth of current and historical data and information; and Richard J. Barnet and John

Cavanagh, Global Dreams -- Imperial Corporations and the New World Order (1994), a follow-up to Global Reach, notable especially for its discussion of the ways TNCs have extended their cultural influence.

The literature on the relationship between free trade and TNCs is large and growing, and Global Dreams cited above has a good discussion of this subject. There are also several booklets or papers which concisely and cogently analyse the benefits TNCs derive from deregulated free trade: Kristin Dawkins, NAFTA, GATT & The World Trade Organization -- The Emerging New World Order (Open Magazine Pamphlet Series, 1994); Harris Gleckman and Riva Krut, Business Regulation and Competition Policy -- The Case for International Action (Christian Aid, 1994); and Herman Daly and Robert Goodland, An Ecological-Economic Assessment of Deregulation of International Commerce Under GATT, draft (The World Bank Environment Department, 1993).

For additional information, or for advice about where to pursue issues mentioned above, a researcher might contact:

- **The Institute for Policy Studies** (1601 Connecticut Avenue NW Washington, DC USA tel. 1202-234-9382 fax 1202-387-7915. Contacts: John Cavanagh and Sarah Anderson) This research institute has produced a great deal of material on TNCs including about their global scope and economic, political, and cultural sway, their social impacts on issues such as employment, exorbitant compensation of US corporate executives, the relationship of TNCs and free trade agreements, and corporate codes of conduct. Cavanagh has written extensively on transnational corporations, co-authoring most recently Global Dreams with Richard J. Barnet, cited above.
- **Benchmark Environmental Consulting, Inc. (BEC)** (33 Bartlett Street Portland, Maine 04103 USA tel. 1207-775-9078 fax 1207-772-3539 Contacts: Harris Gleckman and Riva Krut) BEC conducts research and policy projects on issues involving international business regulation, social and economic development, and environmental protection. It also does policy consulting work for regional and international environmental planning as well as research on environmental policy and analysis, corporate environmental principles and practices, and democratic processes and citizen participation in international and environmental issues. BEC has produced a number of innovative reports on problems arising from the lack of restraints on corporate behavior: "The global social benefits of regulating transnational corporations," (\$US10); "Sustainable development and TNCs: the need for a new conceptual model" (US\$ 10); and "International business regulation and competition policy: the next arena for international action," cited above and available free from Christian Aid (PO Box 100 London SE1 7RT UK tel. 44 171 6204444 fax 44 171 6200179).
- **Third World Network (TWN)** (228 Macalister Road 10400 Penang, Malaysia 604 2293511/2293713 fax 604 2264505) TWN is an international network of organisations and individuals which works to bring about greater attention to the needs and rights of people in Asia and the Pacific, Latin America, and Africa as well as to environmental problems in those regions. TWN integrates discussion of these social and ecological issues with a focus on general and specific economic trends relating to TNCs, free trade, and multilateral development banks. Additionally, TWN has regular publications including the monthly Third World Resurgence (annual subscription for Third World groups and individuals US\$30 airmail,

US\$15 surface) and Third World Economics -- Trends and Analysis (annual subscriptions in Third World countries US\$60 airmail, US\$40 surface), published fortnightly.

Sources on Foreign Investment

Overarching quantitative data on TNCs and foreign investment may seem a bit dry, but an awareness of this material is recommended for at least three reasons. First, knowing the extent of transnationals' collective economic growth and expansion helps one understand the increasingly important political and cultural role TNCs play in world affairs. Second, these "big picture" analyses provide helpful insight into geographic trends of corporate investment, including shifts such as the recent major increase in FDI to certain less-industrialised countries. Third, the aggregate information can contain useful facts and figures on individual TNCs.

The most comprehensive overarching information on TNCs and foreign direct investment (FDI) comes from the former **United Nations Centre on Transnational Corporations (CTC)**, now called the **Division on Transnational Corporations and Investment** (part of the UN Conference on Trade and Development, or UNCTAD), which since the late 1980s has produced the World Investment Report series [this series actually has three predecessors: Multinational Corporations in World Development (1973); Transnational Corporations in World Development—A Re-Examination (1978); and Transnational Corporations in World Development Third Survey (1985)].

The World Investment Reports,

published annually since 1991, are filled with data on the "universe" of transnationals, with special attention to the top 100 TNCs ranked by foreign assets, as well as on global trends in foreign direct investment (and recently, portfolio equity investment and private loans by commercial banks), organised by geographic region and industrial sectors. In particular, these volumes chart the dramatic growth of FDI since the mid-1980s among the industrialised world's "Triad" (the US, Western Europe, and Japan) and to less-industrialised regions. They also discuss liberalisation of investment (and trade) rules nationally and internationally, and privatisation. The series includes:

- Transnational Corporations in World Development -- Trends and Prospects (1988)
- 1991 The Triad in Foreign Direct Investment
- 1992 Transnational Corporations as Engines of Growth
- 1993 Transnational Corporations and Integrated International Production
- 1994 Transnational Corporations, Employment and the Workplace

The volumes have become more comprehensive and sophisticated in their presentation of data over the years, and contain many useful summary charts and graphs. In addition to macro trends and chapters on specific issues such as TNCs and employment, they also include a number of short "boxes" with more detailed information on particular topics. It must be said, though, that the considerable factual data is often more valuable than the issue and topical analyses.

Recent volumes have cost around US\$45-50, but you should check to see if a good public or university library carries them. They all have executive summaries,

however, which are usually free-of-charge for non-governmental organisations. Additionally, each Spring, coinciding with annual meetings at the UN on TNCs and investment, the Division releases a series of individual working papers, usually 25-30 pages long each, which provide much of the same factual information, but without the analytical discursions, as is included in the World Investment Report published later in the year, especially on the latest FDI figures and trends and on the “universe” of TNCs. These are also free and can be extremely informative.

To request the free executive summaries and individual working papers, contact: the Division’s Liaison Office at UNCTAD in New York City (tel. 1212-963-3817 fax 1212-963-0027); or the main office (Division on Transnational Corporations and Investment, Room E-8006, Palais des Nations, CH-1211 Geneva 10 tel. 41 22 9071124/9075707 fax 41 22 9070194). For sale of the World Investment Reports or other documents, contact the Sales Section (United Nations Palais des Nations CH-1211 Geneva 10 tel. 41 22 9171234 fax 41 22 9170123).

Additionally, the former Centre on Transnational Corporations (CTC) published a six volume series of the World Investment Directory in the early 1990s, divided up geographically (“Asia & the Pacific,” “Developed countries,” “Latin America & the Caribbean,” “Africa and West Asia,” “Central and Eastern Europe,” and “Global Trends”), which provide a large amount of data on FDI trends throughout the 1980s. They give information on legal framework issues and some individual corporate data, and have useful bibliographies and source references for further work further. The CTC also published one volume

relating to India, Foreign Direct Investment and Technology Transfer in India, in 1992. It includes essays which survey FDI trends in India, compare the role of FDI in certain Asian countries, and review India’s policy towards foreign direct investment.

Lastly, in 1991 the CTC published a useful document, Transnational Business Information A Manual of Needs and Sources, which lists additional resources for information on global and regional foreign direct investment trends as well as on a wide variety of business and industrial issues, and which includes paper and computer database sources. This volume costs US\$45.

Indian Sources on Foreign Investment

Most foreign investment into India has traditionally come as joint ventures, for which both government and non-government sources can provide information. Experts note, however, that the actual non-Indian firms involved may be hidden under some cover name, and that it is difficult over time to keep track of changes of ownership structure for individual joint ventures. Thus, the researcher should not necessarily consider the materials below to be the final word on foreign investment and collaboration projects in India.

The detailed Governmental sources on Foreign investments are given in *Chapter 10*. There are also a few non-government sources for foreign investment information which are mentioned below :

- **The Institute for Studies in Industrial Development (ISID)** (Narendra Niketan, I.P. Estate P.B. No. 7151 New Delhi 110 002 tel. 91 11 3318073 fax 91 11 3711192 Contact: K.S. Chalapati Rao) has published several volumes of Foreign Investment Approvals: An Analysis

(Project Report for the Department of Economic Affairs Ministry of Finance) with chapters overviewing foreign investment proposals as well as technical collaborations and investors' perceptions. The ISID is a public-funded social sciences research institute, and among other functions it maintains a large quantity of files and computer data bases on the Indian economy in general and especially industrial sectors and corporations including TNCs.

The **ISID** has had a clipping service since 1990 which collects articles from 16 of India's major newspapers, including those which focus on business and economics. Among other issues, articles clipped cover TNCs, foreign investment, banking, and trade as well as sectoral areas such as food and agriculture, chemicals, motor vehicles and road transport, energy, electronics, oil and gas, and tourism. Additionally, the ISID has on-line computer capacity which offers access to over three dozen Indian journals devoted to political, economic, and business affairs. The ISID has a library in its Delhi office which is open for browsing to most researchers. Additionally, the Institute answers requests for information and articles. While it prefers these requests to be made via electronic mail, it also responds to hard copy inquiries. All such inquiries should be as specific as possible. The ISID decides whether or not to charge for its services on a case-by-case basis, with the main determinant being any commercial interest the individual or group requesting the information may have.

■ The **Research Unit for Political Economy (R.U.P.E.)** ("Peter Marcel" No. 18 Plot 941/941A Opp. Prabhadevi Temple Prabhadevi Bombay 400 025 tel. 91 22 4220492), constituted under the People's Research Trust, compiles and analyses economic information and statistics, and strives to present its research in a concise, easy-to-understand format. It publishes a quarterly bulletin, Aspects of India's Economy (annual subscription 30 rupees), which examines the effects of liberalisation,

globalization, and increased foreign investment, and has produced a comprehensive report on the Indian activities (and their impacts) of the German TNC Siemens (Arms of an Octopus -- Siemens in India, published in 1990).

■ The **Research and Information System for Non-Aligned and Other Developing Countries (RIS)** (India Habitat Centre Zone IV 4th floor Lodhi Road New Delhi India tel. 91 11 4628509/4617403 fax 91 11 4628068 Contact: Biswajit Dhar) provides analytical support to less-industrialized countries on various aspects of economic development. It has a library (Documentation Centre) with a good section of books specifically about TNCs (and issues such as their economic and political role globally and regionally, technology transfer, impacts on less-industrialised nations generally and on India especially, etc.) as well as many reports from the UN's former Centre on Transnational Corporations. RIS's library also contains numerous books and papers on economic subjects including privatisation, foreign investment, banking, UN publications with global trade, financial, and labor statistics, and also on sectors such as agriculture and biotechnology. Additionally, the library receives over a hundred Indian, Asian, and international economic journals. The Documentation Centre offers bibliographic, reference, and photocopying services, and is open to the public. ■

Notes

1. Tim Jenkins & David Hunter, Multinational Corporations and the Environment: An Introduction for Central and Eastern Europeans, Friends of the Earth European Coordination, Brussels, 1993, p. 39.
2. Rainforest Action Network, Boycott Mitsubishi Campaign -- International Organizer's Manual, 1992, p. 11.
3. David Moberg, "Like Business, Unions Must Go Global," The New York Times, 19 December 1993.