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NOTES AND COMMENTS

PROBLEMS OF TRANSNATIONAL CORPORATIONS

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FOREIGN capital plays a catalytic role in the process of development. The inflow of capital represents, sometimes, the crucial difference between stagnation and growth. In the past, development has taken place as a result of private investment. The United States received large amounts of British capital during the 18th and 19th centuries; Germany, France and most of the countries of Western Europe had to borrow large amounts of capital before they began to help themselves. In the subsequent periods, some of these countries made direct investments, mainly in territories which were their colonies or dependencies. In the post-War period, the emerging countries have been anxious to develop their economies, mainly with a view to raising the standard of living of their people. In addition to institutional finance, the flow of private capital has assisted the developing countries in their plans of development. On an over-all basis, the most important sources of foreign private capital for the less-developed countries have been the United States, the United Kingdom, West Germany, France and Japan. Other countries, notably, Netherlands, Italy and Switzerland, have also provided substantial amounts of private capital. This has been largely in the form of direct investment, including re-investment of retained profits. It should be stated in this context that the majority of governments of the developing countries have encouraged foreign direct investment. Through offers of generous incentives, governments have, at times, outbidden each other in their efforts to attract multinational corporations. The motivation for investing abroad differs according to the needs of the economy and the opportunities available to the investing country and company concerned, at any given period of time. In the early stages, this was mainly for securing supplies of essential raw materials like oil and metal ores, and the investors went in for extractive and mining industries; later, they wished to capture or have a share in the markets in other countries and set up manufacturing industries. During this century, they have penetrated in service industries like shipping, banking, insurance, tourism, land development and other activities. The pivotal consideration has always been to secure as high an over-all return and long-term benefits for the investing company and its home country as possible.

In the past, relationship between the colonial Powers and their subject territories was clear both in terms of objectives and machinery. The situation has changed, and a new pattern of relationship has now been established. Most of the emergent countries are independent sovereign States, having an equal status as members of the United Nations, and their citizens are developing a sense of responsibility and dignity to manage their own affairs in an atmosphere of freedom and independence. In the matter of foreign private investment, the new governments in the developing

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