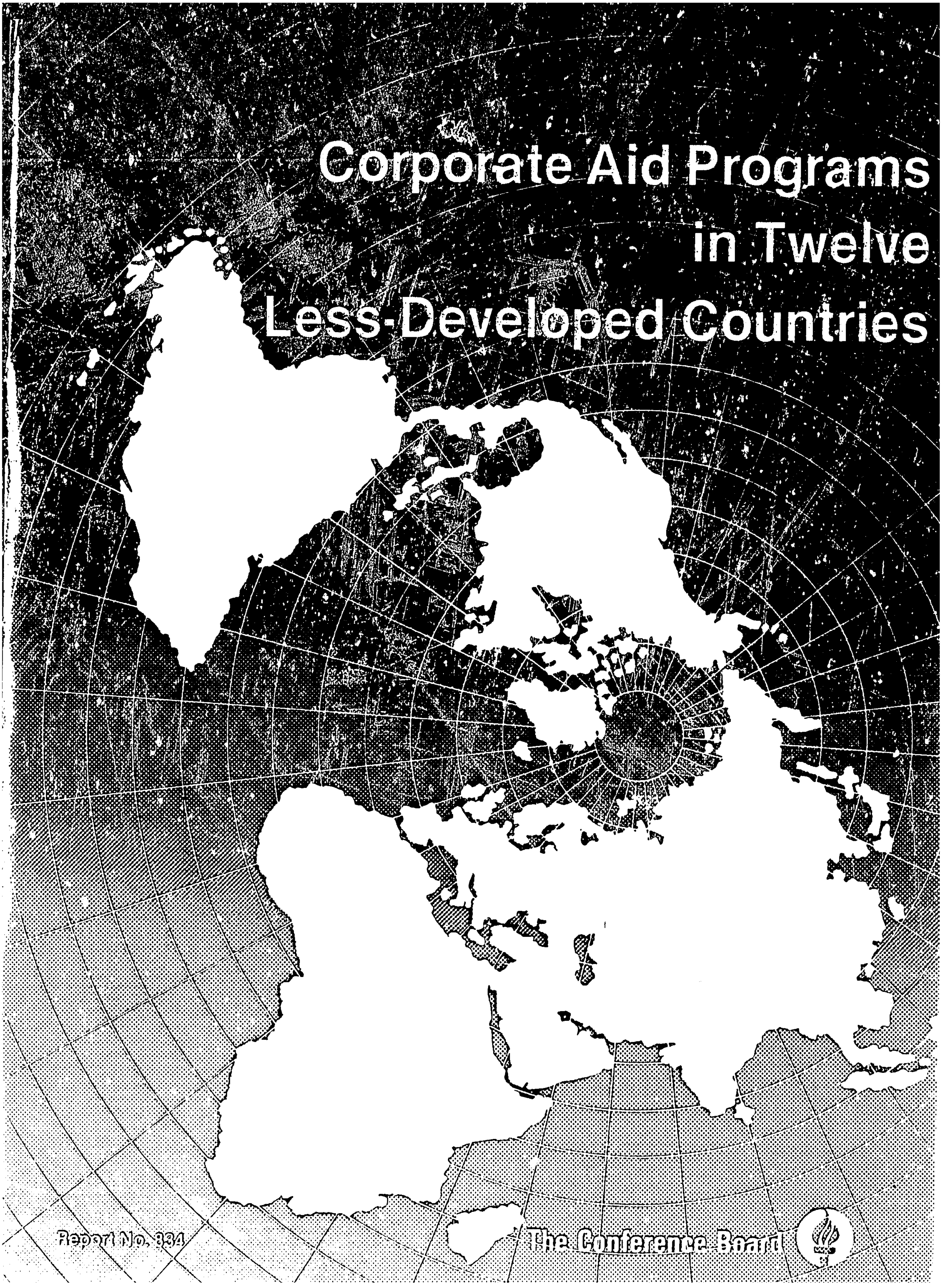
Corporate Aid Programs in Twelve Less-Developed Countries



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Contents

Why This Report

Few of the world's less-developed nations are likely to experience significant growth during the 1980's; many will grow even poorer. These countries are going to need all the help they can get—from whatever sources—to deal with the staggering problems of exploding population growth, shortfalls in food supply, inadequate infrastructures, and mounting foreign debt.

Multinational corporations can play a strategic role in helping to relieve these burdens by creating jobs, transferring technology, and making investment capital available. These firms are also engaged in a variety of assistance programs—providing health, education and training aid to employees and their families, to the communities where their businesses are located, and to host countries.

Too often, in considering the role of MNC's in less-developed countries, such corporate aid programs are overlooked or devalued. This report focuses on the kinds of assistance provided in twelve countries of Asia, Africa and South America, demonstrating the range and intensity of corporate involvement in such programs, and should prove valuable to international managers. We appreciate the assistance of the Agency for International Development that jointly sponsored this study.

JAMES T. MILLS
President

Highlights

More than 200 American multinational companies (MNC's) have operations in the countries of:

Costa Rica
Egypt
Haiti
Indonesia
Ivory Coast
Jamaica
Kenya
Pakistan
Sri Lanka
Peru
Thailand
Zimbabwe

These companies, in general, operate a variety of aid programs for their employees and families, local communities, and the host countries. Many of the programs and benefits provided are directly related to the operational requirements of the firms. In order to maintain a healthy work force, to obtain educated workers, to transport raw materials and finished products, and to maintain good community relations, firms must often provide assistance other than that traditionally given to U.S. workers and communities. In effect, these MNC's have had to take on a greater share of the responsibility for both private and public health, education and infrastructure building and maintenance.

This study finds that, as might be expected, those firms that are most labor intensive (e.g., agribusinesses, mining, light manufacturing, and the like) are also most likely to have an extensive variety of employee benefits and community assistance programs. Programs aimed at improvements in personal and public health are among those most frequently employed by the American MNC's studied, followed by programs designed to bolster employee and host-country educational standards.

In the overwhelming majority of instances, the firms regard the programs as cost effective—but many are unable to document this evaluation. Despite the lack of such hard evidence the companies report that they expect to continue—and, in some cases, significantly expand—their assistance programs.

This report is drawn from the experiences of the approximately 200 U.S. firms that have either manufacturing, sales or service operations in one or more of the 12 designated countries. Using a Conference Board data bank, which contains the overseas operational locations for over 2,000 American companies, a listing of firms with operations in the host countries was prepared. Then, a multipage questionnaire was developed and submitted to the senior operational executives in charge of the firms' operations in these countries. The data obtained from these questionnaires provided leads for follow-up telephone and personal interviews, providing more detailed information on company operations in these countries.

Telephone interviewing was performed by university interns from Douglass College of Rutgers University. Field interviews with twenty-five major American multinationals having multiple operations in the selected countries were conducted by the author in ten American cities. This interviewing took place during the Fall of 1982 and the early Winter of 1983. In addition, in order to obtain basic economic data on the size and economic organization of the countries, a research intern from Georgetown University's School of Foreign Service employed secondary data sources to develop the economic profiles in Chapter 3.

Companies provided the study data on a confidential basis. References to specific company activities in designated host countries are from publicly available data supplied by the firms surveyed.

As already noted, this study is limited to 12 countries. It does not purport to show the range of activities of American multinationals in all underdeveloped countries, but, rather, to focus on what the situation is in the 12 host countries selected by the Agency for International Development. However, in soliciting responses to the mail survey, and in gathering information from personal interviews, it was evident that many of the practices and policies demonstrated in the 12 selected host countries were also widely employed in other countries in Latin America, Africa and Asia.

In terms of assistance programs, there does not seem to be a correlation between the politics of a particular nation and the kind of assistance provided to employees and communities. Largely, the aid provided is a factor of the kind of assistance needed. There is evidence that U.S. multinationals appear to be politically "color blind" in providing assistance programs.

Chapter 1
Introduction

U.S.-BASED MULTINATIONAL corporations operate in all parts of the free world and, increasingly, their operations are situated in third-world countries. These nations provide raw materials, labor resources, and a valued market for American producers.

Exports and international trade are increasingly important to all sectors of the U.S. economy. Trade's share of the gross national product has more than doubled in the past ten years so that approximately one-fifth of our industrial output, and 40 percent of our agricultural production, now go to overseas customers. In total, nearly a third of all corporate profits are generated by overseas business operations. The developing nations play a vital role in the growth of this business. At present, the non-OPEC developing nations purchase 30 percent of all U.S. exports—more than Europe and Japan combined.[1] And a majority of these same nations are heavily in debt to U.S. banks. By June of 1982, non-OPEC third-world nations owed U.S. banks $98.6 billion—double their debt of 1978.

Managements in many U.S. multinational firms, in both the manufacturing and service sectors, have been concerned over ways to increase productivity in less-developed countries. This interest led The Conference Board to a brief investigation of the ways in which American firms were seeking to boost productivity.[2] Conference Board research on the subject pointed to the fact that productivity gains were often more dependent on investment in human resources than in capital goods. The research showed that U.S. firms were providing a variety of services—intended to improve the health, nutrition and infrastructure of host countries—to their employees, the employees' families, and the communities in which they operate.

[1] Labrecque, Thomas G., "The Case for Lending to Developing Nations, *Enterprise*, March, 1983, p. 16.

[2] E. Patrick McGuire, *Improving Productivity in Less-Developed Countries*. The Conference Board, Research Bulletin No. 107, 1982.

This report focuses on the kinds of programs, activities and experiences of American firms in twelve selected nations: Costa Rica, Egypt, Haiti, Indonesia, Ivory Coast, Jamaica, Kenya, Pakistan, Sri Lanka, Peru, Thailand and Zimbabwe.

The report examines the range of employee benefits, community relations, and philanthropic efforts that U.S. firms engage in within these nations and comments on some of the practical and managerial problems associated with the programs. It does not contain recommendations for corporate action but provides an opportunity for businesses to share experience, perhaps suggesting to firms about to enter these nations ways in which they can assist employees, communities and the nations in general.

Types of Companies Studied

There are three primary categories of American multinationals operating in the target countries. These firms can be characterized as:

(1) *Resource-intensive Companies:* Firms primarily engaged in agribusinesses, such as the production of sugar, bananas, pineapple and other crops grown in tropical regions, as well as rubber producers, and the like. This category also includes firms in the extractive fields such as the production of minerals, lumber, petroleum and chemicals.

(2) *Manufacturing:* Companies engaged in both light and heavy manufacture of consumer and industrial goods. The majority of firms within this category are operations that can be characterized as labor intensive and involve the production of consumer goods such as small appliances, electronics, textiles, garments, and so forth.

(3) *Service Firms:* There are two primary categories of services among the companies studied. The first group includes financial, medical and business service firms. The second group in this category includes construction firms that have a limited time period of involvement in

the country, for example, the time necessary to build specific major construction projects.

Obviously, firms can also be characterized as to whether or not they maintain manufacturing or extractive facilities in the country, have service or repair facilities there, or simply have sales offices to market their product. The study focused primarily on those firms that have established manufacturing or extractive processes or major agribusiness investments. Firms with only sales or service offices tend to have smaller work forces and provide fewer examples of multinational aid to the countries involved.

General Categories of Assistance

The companies surveyed report that the kinds of assistance they provide in less-developed countries, and particularly in the 12 countries studied, fall into three primary categories. Each of these may have subdivisions—a subject to be examined later in this report. The primary categories are:

(1) *Direct Contributions Programs:* This category includes the direct grant of moneys, as well as materials, supplies and in-kind services, to community groups, social service agencies, local or national governments, and so forth.

(2) *Benefits Programs for Employees, Dependents and the Community at Large:* A category that includes a diverse range of physical and financial assistance programs. These are the kinds of aid that are basic requirements to operation within the host countries. In other words, without such assistance it would be impossible to obtain a reliable, healthy work force and to maintain production operations.

The vice president of one forest products company, describing his firm's operations in a South American jungle region, says: "You have to have a healthy, intelligent work force and they must be able to get to work each day. These are issues we take for granted in the United States, but in less-developed countries our company has to intervene to make sure that these basics are met."

Again and again, it is seen that many of the programs initiated and maintained by companies are in response to an observable link between worker productivity and the benefits provided. The programs have as their goal the reduction of absenteeism due to disease, the reduction of fatigue attributed to poor nutritional practices, and so forth.

"Philanthropy doesn't have a lot to do with it," one chemical company executive explains. "We provide various assistance programs in order to keep workers on the job."

(3) *Infrastructure Operations and Improvements:* The actual construction, improvement or operation of a variety of infrastructure elements including road, rail, communication, health, sanitation and water systems within, or adjacent to, communities in which company operations are located.

Programs Tailored to Local Needs

In analyzing the survey data, it was noted early on that certain American multinationals, with operations in several of the host countries studied, had significantly different programs in each of the countries. When questioned about the reasons for these variations, company executives indicated that they are attributable to two major factors.

First, they explained, the local operating companies had a great deal of autonomy to choose the kind of benefits and programs that they would provide in a host country. Executives said further that it was their experience that "macro" programs—ones designed to be applied in company locations—often did not work. There were enough differences in the economies, culture and traditions of the countries to make it impossible to apply uniform programs of assistance. Also, as noted, the tradition of providing a great deal of managerial autonomy and authority to local plant and region managers is said to accentuate this variation in treatment.[1]

Second, there were significant differences in the "innovation quotient" of managers in the same company in providing employee and community assistance. One executive explained: "Some time back, we used to manage our assistance programs from headquarters. We then decentralized it to the regional operating managers, providing them with both a budget and the authority to dispense the funds and in-kind assistance we had previously been providing from headquarters. One of the first things we discovered was that some of our managers had large surpluses at the end of the next year. They simply did not have the imagination—or drive—to get out and use these funds in productive ways."

Rationale for the Provision of Assistance

Many of the reasons that companies provide special benefits to employees or host communities are self-evident. These forms of assistance purchase worker loyalty and facilitate community relations. But the multinationals studied did provide a range of programs and benefits in the target countries that is significantly different from that offered in the United States. These differences reflect a variety of socioeconomic conditions, cultural heritages, and political variances. The executives

[1]Berenbeim, Ronald, *Operating Foreign Subsidiaries: How Independent Can They Be?*, Report No. 836, The Conference Board, New York, N.Y. 1983.

questioned cite four primary rationales for the variations in aid programs between assistance provided in LDC's and typical assistance programs here in the United States. These reasons are described as:

(1) *Aid Is a Basic Operational Requirement.* One of the first reasons cited for many of the benefits is pressure from worker groups, and the desire to ameliorate labor-management tensions. Thus, benefits are provided which would not normally be part of the benefits package in most U.S.-based operations. In addition, labor unions in some of these situations bargained for services that, in the United States, are traditionally provided by employees themselves, or by other institutions.

A public affairs executive for one multinational agribusiness company explains: "During the early 1960's, our company was faced with charges of labor exploitation in several of the African nations and the reputation continues in other countries in which we operate. We thought we were doing a great deal for our employees as it was, but we did increase the range of aid at that time in order to defuse the political uproar that was spilling over into our labor-management negotiations at many sites."

(2) *A Statutory Requirement for Aid.* In many nations there are a range of community assistance programs that companies engage in, not because of any philanthropic motive, but because they are required to do so by law. Companies must provide certain kinds of medical assistance—both to employees and the immediate community—educational programs, and so forth, depending on where a plant is located, the number of workers employed, and the kinds of operations. Therefore, we find certain of these firms engaged in community-relations programs that have as their origin a statutory requirement to engage in such assistance. It should be noted, however, that some of the firms studied transplanted programs, such as the establishment and operation of elementary schools at certain plants, from countries where this requirement was mandated to other nations where they had operations. Once they found that the program was an effective community-relations mechanism, and that it had good cost/benefit characteristics, they used it in other host nations.

(3) *Aid as a Political Requirement.* The executives questioned are quick to point out that it would be naive to believe that company operations are in any way divorced from the political realities of the nations within which they function. Obviously, they report, their firms try to maintain good relations with whatever political party is currently in control of the host-country government. In order to cement such relationships, the firms support a variety of employee and community-relations programs which, while they certainly benefit the recipients of such aid, also provide favorable publicity for both the company and the host-country government.

In a few instances, the executives say, the political forces in the country wish to make it appear that they "forced the company to do this," that is, to provide a particular employee or community-assistance program. But, behind the scenes, both the political and corporate figures are in agreement that the program of assistance aided both the company and the host country's political forces.

American Multinationals and the Third World

Five years ago, then World Bank President McNamara, had this to say about the prospects for economic growth in the Third World.

"... some eight hundred million individuals continue to be trapped in what I have termed absolute poverty: a condition of life so characterized by malnutrition, illiteracy, disease, squalid surroundings, infant mortality and low life expectancy as to be beneath any reasonable definition of human decency.

"Absolute poverty on so massive a scale is already a cruel anachronism. But unless economic growth in developing countries can be substantially accelerated, the now inevitable increases in population will mean that the numbers of the absolute poor will remain unacceptably high."[4]

But a half decade later, at the end of 1982, the situation had not dramatically improved and, in fact, World Bank economists were revising their per capita growth rates to indicate that the outlook for the Third World was even gloomier than had been thought earlier. During the late 1970's, data had suggested to World Bank economists that the developing countries would prove resilient and be able to pass through the decades of the 1980's in good shape. In fact, the Bank's economists had been predicting a 3.0 percent annual growth rate between 1980 and 1990. But at present these economists have revised their forecast to predict a 2.2 percent growth rate during this decade, saying further that in some regions, such as the sub-Sahara African area, economic growth will actually decline.

This continues a pattern of economic maldistribution first documented during the 1960's. In that decade the gross output of the world increased by nearly $1 trillion. But 80 percent of that increment went to nations with per capita gross national products in excess of $1,000—that is, the richest countries of the world. Less than 6 percent of the gain went to the poorer nations with per capita GNP of under $200. But nearly two-thirds of the world's people live in the latter nations.

Father Theodore M. Hesburgh, President of the University of Notre Dame, has noted that: "Any world in

[4]From the foreword of *World Development Report, 1978*, Washington, D.C.: The World Bank, 1978.

International Codes of Conduct

Several of the companies studied have formalized their policies with regard to host-country governments and their relationship with employees in these nations. Listed below are excerpts from a Union Carbide policy booklet which typifies the issues addressed and points made about the relationship of American MNC's to host countries and their citizens.

To Recognize That Our People Shape Our Future

Our Responsibility to Our Employees

The personnel policies of Union Carbide that follow apply to all employees of the corporation and its affiliates of whatever nationality. Through these policies we strive to achieve a standard of excellence in employment practices.

Of particular importance in our international operations is the commitment to train and qualify host country personnel for managerial, technical, and other professional positions to the maximum extent.

It is Union Carbide's established policy to:

— Recruit, hire, train, and promote employees to all levels and for all jobs on a basis of equal employment opportunity and to abide by the employment laws and regulations of each nation in which we operate.

— Maintain a safe, healthy work environment; require safe facilities and work practices; and encourage employees to take care of their personal health and safety when away from business premises.

— Provide compensation levels and individual salaries fully comparable to those provided by our competition for equivalent performance, required knowledge, skill, and accountability.

— Make available to all employees a well-balanced benefit program that compares favorably with programs of other corporations consistent with local customs.

— Treat employees with consideration, understanding, and respect; encourage employees to discuss any job-related problems with their supervisors; and make a concerted effort to resolve differences promptly.

— Provide educational and training opportunities related to the company's requirements and promote from within the organization on the basis of merit.

— Foster high performance by maintaining open communication on matters of common concern with all employees to the fullest extent possible.

To Build for Economic Growth

Our Responsibility To Provide for the Future

The growth and prosperity of a business is related to the strength of the economy in which it functions. To try to help our host countries develop their economic base, then, is a logical goal for our company to have. And unless it is obviously uneconomic, we reinvest a portion of funds generated by our affiliates into modernizing and expanding local facilities as well as in diversifying into new product areas. Such reinvestments expand local purchases of goods and services and bolster the host country economy.

Over the last ten years an average of 50 percent of the earnings of our affiliates have been reinvested locally.

But we have a responsibility to our shareholders as well, including an obligation to return a satisfactory profit on their investments. Therefore, we must be allowed to receive our share of affiliate earnings that are available for distribution as dividends. In deciding when to declare a dividend or remit funds to the parent, however, due regard is given to economic conditions existing in the host country.

which twenty percent of the population controls eighty percent of the total life resources of a small planet cannot say that the arrangement is a formula for peace ... [but] the people I have known personally who are directing multinational corporations have been responsible people. They must operate under unusually difficult circumstances—in political, economic and social systems with rules and values very different from our own. Yet many of them try to do business in a moral way. If we are to upgrade the poorest among us at a time when resources are becoming ever more scarce, the potential contribution of the multinational corporation must be used to its fullest."[5]

Early in 1980, the Brandt Commission, headed by Willie Brandt, the former Chancellor of West Germany, issued its report on the likely emergency plans the third-world nations would have to have in place during the period 1980 through 1985. The four principal elements of the plan called for large-scale transfer of investment resources from northern to southern nations, a significant attempt at developing energy resources otherwise untapped in southern nations, a global food production and storage program, and significant reforms in the international economic system.

Why Multinationals Have to Assist

While there are over 150 political entities that are called nations now in existence, over 40 of the world's major economic entities are not countries at all but multinational corporations. Obviously, in times of short capital supply and scarce economic resources, multinationals constitute an extremely important dimension in any third-world development effort. Increasingly, observers have argued that these political entities, if they are to gain the confidence and benefits of the economic entities—the multinational corporations—have to be realistic about establishing a social and political climate conducive to confidence and its resultant economic expression—investment. This view is contained in Father Hesburgh's observation that:

"Companies are forced to be realistic. They are not in business to do good; they are in business to make a profit, and if they do not make a profit, they go under. For that reason we have to make hard and tough decisions about where one manufactures what, or where one mines what, or where one sets up markets, or where one becomes involved in this or that application of science and technology for development within what countries. These are all questions of priority, and there is no law that says that you have to do your work in Zaire or in Nepal or in Indonesia."[6]

Nonetheless, there are times when the intervention of MNC's is crucial to the economic survival of a third-world nation. It is not, the executives surveyed say, that the MNC's can do the whole job, but their partnership with the governments of the faltering LDC's can be vital in restoring economic health and order.

The situation in one of the host countries, Costa Rica, is illustrative of this point. When the government of President Luis Alberto Monge took over in the Spring of 1982, it inherited an economy which was going down hill at a breakneck speed. The gross national product had changed from a yearly increment of plus nine percent in 1977 to an estimated minus six percent in 1982. Buffeted by increases in the price of imported oil, plus skyrocketing interest rates, along with a decline in the market price of its principal export, coffee, the Costa Rican government has had to cut back on many of the traditional benefits of free education and health care which provided this country's citizens with one of the highest standards of living in Central America.

These kinds of reductions are also visible in other countries studied in this survey and support the position that private-sector initiatives will have to fill some of the gap for the workers and communities in these countries. Carlos Manuel Castillo, President of Costa Rica's Central Bank, referring to his country's plight says: "This country is going to become very sad and grey. People still have no idea how difficult things are going to be."[7]

At present, the Reagan Administration is placing much of its hopes for third-world development on a partnership of government assistance combined with private-sector investment and development. Trade is, of course, a two-way street. And Administration policymakers also point out that non-OPEC developing countries now earn twice as much from their exports to the United States alone as they gain in direct aid from all of the industrialized countries of the world.

[5] From foreword to Lee A. Tavis, editor, *Multinationals and Poverty in the Third World*, Notre Dame, Indiana: The University of Notre Dame Press, 1982, p. x.

[6] In Tavis, 1982, pp. 96-271.

[7] Alan Riding, "Costa Rica Tightens Its Belt," *The New York Times*, June 29, 1982.

Chapter 2

Profiles of Host Countries*

IN ORDER TO ASSIST the reader in understanding the nature of the economies, political and social systems, and U.S. involvement in these countries, certain basic data have been gathered and are contained in the country profiles in this chapter. Obviously, this material is intended to provide a general background rather than a detailed description of U.S. business involvement in each of the nations.

Notes and Abbreviations for Host-Country Statistical Data

N.A.: Not available. Host country does not collect or have this data available.

Gross Domestic Product (GDP) and *Gross National Product (GNP):* GDP is the total market value of all goods and services produced within a country during a year. GNP equals GDP plus income accruing to domestic residents from foreign investments, less income earned in the domestic market accruing to foreigners abroad.

Imports, Exports, and *Aid:* Standard abbreviations are used throughout the data presentation, for example, c.i.f. (cost, insurance and freight), f.o.b. (free on board), ODA (official development assistance), and OOF (other official flows).

Money Values: Dollar values are expressed in American dollars only.

Primary Data Sources: The statistical data on host countries are from file and published data available to the public from the following sources:

U.S. Central Intelligence Agency
U.S. Department of State
U.S. Department of Defense
World Bank
International Monetary Fund
U.S. Library of Congress

Costa Rica

Costa Rica was discovered by the Spanish in 1522 and remained a Spanish colony until 1821, when it achieved independence. Since 1889, the country has maintained a generally democratic and orderly constitutional government. It is regarded as one of the most stable democratic nations in the South American hemisphere. From a political standpoint, there has been a pattern of ruling-party alternation between the leading National Liberation Party (PLN) and various anti-PLN coalitions. In the most recent elections, held in May, 1982, Louis Alberto Monge Alvares, of the PLN, succeeded Rodrigo Carazo Odio as president.

The nation's economy is heavily dependent on agricultural products. Its principal exports are coffee and bananas, supplemented by rice, corn and cocoa. The Costa Ricans have attempted to diversify their economic base by adding sugar and beef products since the mid-1960's, but this has met with only limited success. Costa Rica possesses one of Central America's highest and most evenly distributed per capita gross domestic products.

During the past two or three years, the nation's faltering economy and a spiraling inflation rate, combined with declines in coffee prices and an acceleration in imported oil costs, have severely aggravated the country's balance of payments. At present, Costa Rica is said to be experiencing one of its worst economic crises in 30 years.

U.S. assistance to Costa Rica, through the Agency for International Development (AID), has focused on helping low-income farmers increase production and self-sufficiency, on family-planning projects, on nutritional

**The economic data and country information in this chapter were developed by Lisa Axel, School of Foreign Service, Georgetown University.*

Costa Rica (Republic of Costa Rica)

Resident Population: 2,396,000 1982
Population Density (persons per square mile): 117.0
Land Area: 19,575 sq. miles
Population Growth Rate: 2.9%
Male/Female Literacy Rate: 92/91
Life Expectancy: 70 years
Infant Mortality: 24.2 per 1,000

Total GDP: $4.8 billion U.S.	1980
Per Capita GDP: $2,109 U.S.	1980
% GNP in Agricultural goods/ services: 19.3%	1979
% GNP in Manufacturing goods/ services: 22.1%	1979
% GNP in Exported products/ services: 25.2%	1979

Estimated Annual GDP Growth:

1978: +5.9%
1979: +3.3%
1980: +1.2%
1981: -3.6%
1982: -6.0% (projected)
1983: 0.0% (projected)

Annual Inflation Rate 1976 through 1978—7.4% 1981—65%; 1982 (est.)—90-100%

Estimated Value of U.S. Direct Investment:		N.A.
Estimated Value of U.S. Exports to Country:		$379.2 million
Total Value of AID Support:		
	1978	$6.9 million
	1979	$16.4 million
	1980	$13.6 million
	1981	N.A.
	1982	approx. $20 million
	1983	$60 million (projected)

Exports: $1,017 million (f.o.b., 1980); coffee, bananas, beef, sugar, cocoa

Imports: $1,529 million (c.i.f., 1980); manufactured products, machinery, transportation equipment, chemicals, fuels, foodstuffs, fertilizer

Major Trade Partners: exports—35% U.S.; 27% Central American Common Market (CACM); 10% West Germany; **imports**—36% U.S.; 17% CACM; 4% West Germany; 12% Japan.

1981 Budget: $825 million total revenues, $1,209 million total expenditures, including debt amortization

Primary U.S. Financial Institutions:

Bank of America	Central St. 3 & 5 Ave. PO Box 5445 San Jose
Corporacion Internacional de Boston, S.A.	Edificio Anrisa #6370 San Jose

Value of World Bank Loans Outstanding:	$268,019,000 (as of June, 1981)
Estimated Foreign Debt:	$1,192 million (1979)

Currency System Conversion: Colone: June, 1982—62 colones = $U.S. 1
(Official rate used for all imports on essential list and by government. Free rate is for all other transactions.)

improvement campaigns, and on the promotion of industrial expansion through application of science and technology to improve local operating conditions.

Recent U.S. business investments include the construction of a $6.8 million earth station satellite and the expansion of the country's telephone system by U.S. firms, the start of an open-pit gold mine, and the construction of a major alcohol plant to produce ethanol for gasohol products. The latter project involves construction of a $36 million distillery.

American firms already operate soft-drink bottling businesses, fragrance production plants, agricultural chemical plants, paint and lacquer production facilities, food products operations—such as baby-food production, specialty chemical plants, and shipping-facility organizations.

Egypt

Egypt's 5,000 year national history is one of the world's longest. The nation became an independent monarchy in 1922 with indirect British political and military presence and assistance. Lieutenant Colonel Gamal Abdil Nasser staged a coup in 1953 and was elected President, in the heat of the Suez crisis, on a platform of strong Arab nationalism and a pro-Soviet foreign policy.

Upon Nasser's death in 1970, he was succeeded by

Egypt (Arab Republic of Egypt)

Resident Population: 44.8 million (1982 est.)
Population Density (persons/sq. mile): 111.1 average, but 4,200 per sq. mi. in Nile River Valley and Suez Canal areas.
Male/Female Literacy Rate: 56/28
Life Expectancy: 55 years
Infant Mortality: 103 per 1,000
Land Area: 386,660 sq. miles

Total GDP: $23.4 billion U.S. 1980
Per Capita GDP: $550 billion 1980
% GDP in Agricultural goods/services: 76.0 1980
% GDP in Manufacturing goods/services: 13.0 1980
% GDP in Exported products/services: N.A. 1980

Estimated Annual GDP Growth:
1979: 8%
1980: 8%

Estimated Value of U.S. Direct Investment: N.A.
Estimated Value of U.S. Exports to Country: $613.92 million
Total Value of AID Support:

1978	$750.7 million
1979	$835.0 million
1980	$865.0 million
1981	N.A.
1982	$771.0 million
1983	$750.0 million (projected)

Exports: $3.9 billion (f.o.b., 1980); crude petroleu- raw cotton, cotton yarn and fabric, rice, onion potatoes, chemicals, cement.

Imports: $7.6 billion (c.i.f., 1980); foodstuffs machinery and equipment, fertilizers, wood.

Major Trade Partners: United States, Europea- Community countries.

Primary U.S. Financial Institutions:

Bank of America	106 Kasr El Aini St., Cairo Center Bldg. Zamelek, P.O. Box 2406 Cairo
Chemical Bank	14 Tala' at Harb St. P.O. Box 2171 Cairo
Citibank	4 Ahmed Pasha St. Garden City
Manufacturers' Hanover Trust Co.	3 Ahmed Nessim St. Giza, Cairo (P.O. Box 1962)

Value of World Bank Loans Outstanding: $897,919 thousand (as of June, 1981)
Estimated Foreign Debt: $11,706 million (1979)

Currency System Conversion: Egyptian Pound (November, 1982) = .6995 Egyptian pounds = U.S. $1.

Anwar el Sadat. Under Sadat's direction, Egyptian foreign policy shifted from a pro-Soviet to a pro-Western stance and the economic system, in turn, shifted from a socialized to a free-market structure. Since Sadat's assassination in late 1981, his successor, Hosni Mubarak, has continued a majority of the Sadat regime's policies.

The Egyptian economy is still overwhelmingly dependent on agriculture, with only 13 percent of its labor force employed in industry and another 11 percent in trade and finances. The economy received its first major boost in 1956 when the Suez Canal was nationalized. However, from the mid-1960's until the early 1970's, Egypt experienced a period of economic stagnation, due primarily to unfavorable terms of trade, a severe foreign exchange shortage, and a continued drain on its natural resources—as well as the significant costs of the Israeli war.

During the mid-1970's the Sadat government so- greater assistance from the western nations and insti- a program of economic liberalization. This triggere- inflow of foreign investment and dramatically increa- the level of economic activity during the period. B- many of the root causes of the economic disequilib- remain in place. At present, public-sector control is preeminent in the economic sphere, although priva- sector involvement and influence are growing.

U.S. investments in Egypt have covered a wide ran- of activities—from oil wells in the Gulf of Suez to pla- to produce chocolate bars and chewing gum in Ca- The nation's nearly 45 million people have proved - attractive market for a variety of American consum- goods ranging from agricultural products to home ap- pliances.

Egypt, for example, has become the largest market

Haiti (Republic of Haiti)

Resident Population: 6.1 million (1982 est.)
Population Density (persons/sq. mile): 476.0
Population Growth Rate: 2.2%
Male/Female Literacy Rate: 25%/N.A.
Life Expectancy: 51 years
Infant Mortality: 115 per 1,000
Land Area: 10,714 sq. miles

Total GDP: $1,610 million U.S. 1981

Per Capita GDP: $258 1980
% GDP in Agricultural goods/services: 31.9% 1981
% GDP in Manufacturing goods/services: 17.8% 1981
% GDP in Exported products/services: 9.5% 1981
(agriculture, light manufacturing, minerals—1981)
% GDP in Financial services: .1% 1981

Estimated Annual GDP Growth:

1975-81	5%
1978	6%
1979	1.9%
1980	7.0%

Estimated Value of U.S. Direct Investment: N.A.
Estimated Value of U.S. Exports to Country: $99.3 million (1978); $120.3 million

Total Value of AID Support:

1976	$23.7 million
1978	8.9 million
1979	9.1 million
1980	11.1 million

Exports: $138 million (f.o.b., 1979); coffee, light industrial products, bauxite, sugar, essential oils, sisal.

Imports: $227 million (f.o.b., 1979); consumer durables, foodstuffs, industrial equipment, petroleum products, construction materials.

Major Trade Partners: exports—77% U.S.; imports—51% U.S. (1977)

Budget: (1979-1980 est.) revenue, $142 million; expenditure, $274 million

Primary U.S. Financial Institutions:

First National Bank of Boston	Rue des Miracles P.O. Box 2216 Port-au-Prince
First Chicago Bank	18 Rue des Miracles Port-au-Prince

Value of World Bank Loans Outstanding: N.A.

Estimated Foreign Debt: $198 million (1979)

Currency System Conversion: Gourde—pegged to $ since 1919 at the rate of G5 = U.S. $1.

Coca Cola in the entire Middle East. In a plant outside of Alexandria, a Colgate subsidiary now produces a wide variety of toothpaste, shaving cream, shampoo and other company products. And American electronics and construction firms have benefited from the rehabilitation of the Egyptian telephone system, the building of satellite stations, and similar activities. American construction firms are also active throughout the country: There are two new cement plants under construction by Morrison-Knudsen and offshore oil platforms are being built by McDermott in the Gulf of Suez.

Pharmaceutical producers, such as Pfizer, have also built plants in Egypt to serve that country's market plus an expanding market in the Mideast. Warner Lambert opened its first plant in Egypt in 1982 in response to a developing demand in that part of the world for chewing gum bases. In addition, some firms that have had operations in the country for a number of years, such as Union Carbide, have recently shown signs of modernizing and increasing the size of their facilities.

Haiti

First discovered by Columbus in 1492, the island republic was a French colony until 1791 when the slave population revolted, and by 1804 it had been established as the first independent Negro republic. Haiti has a relatively long history of political instability. For example, between 1843 and 1915 alone, there were 22 separate dictators. The U.S. intervened militarily in Haiti in 1915 and remained until 1934, acting as a stabilizing force. In 1957, Francois Duvalier was elected and ruled until his assassination in 1971. His eldest son, Jean

Claude, succeeded him and some of the political tension evident under the Francois Duvalier regime has eased.

Haiti has the dubious distinction of being one of the poorest nations in the western hemisphere, with a total gross national product of less than $260 per capita. Agriculture has provided its primary economic activity, but the country has relatively little in the way of manufacturing jobs or export trade to support its economy.

During the 1960's a combination of declining foreign investment and a loss of tourists produced a decade-long economic stagnation. The low standard of living, coupled with the political repression by the Duvalier government, motivated many Haitians to emigrate to the United States and neighboring Caribbean nations.

The government of Jean Claude Duvalier has promoted economic growth and some progress is occurring. Tourism is beginning to rise, and several export-oriented industries have been established.

Numerous major problems remain to impede Haiti's growth. The lack of a basic communications and transportation infrastructure, the lack of controls on capital flows and foreign exchange movements, and a poor public-health system combine to discourage American multinational investments. Observers believe that for the country to grow it must generate sufficient foreign exchange during the next few years to adequately service its outstanding foreign debt and to purchase the technology input necessary to revamp the country's infrastructure.

American business operations have been focused on resource extraction and agricultural production, such as the bauxite operations of Reynolds metals and the sugar-cane operations of U.S. Sugar Corporation, and a few labor-intensive operations such as a food coupon redemption center.

Indonesia

While Indonesia's civilization dates back to the fifth century, the islands were first colonized by the Portuguese in 1602. They remained under Dutch control, being known as the Netherlands East Indies, until a growing nationalist movement following World War II resulted in national independence and the establishment of the Republic of Indonesia in 1945.

The first leader of the new country, President Sukarno, was a leftist, leaning toward the PKI (the Indonesian Communist Party) until a PKI-supported coup attempted to undermine Sukarno's popular support. In the 1967 elections, Sukarno was replaced by General Soeharto, who promised political and economic reforms.

Under the Soeharto regime, economic growth has been rapid. The introduction of economic planning, with the first five-year plan (Repelita No. 1) in 1969, promoted stable economic growth and productivity.

Indonesia is blessed with an abundance of resources—particularly oil and gas—which generated more than $1 billion of investment companies. The islands' abundant timber and resources have also attracted U.S. investment.

Literally dozens of American companies operations of one kind or another in Indonesia. In sector, such major firms as Exxon, Superior O tinental Oil, Standard Oil of California, City Tenneco, Union Texas Petroleum, among other represented in both onshore and offshore operations. United States chemical companies developing aluminum ore and copper ore various places throughout the island nation. The numerous food and beverage plant operations U.S. firms, along with consumer goods companies as Gillette, Parker Pen and Richardson-Vicks maceutical producers Schering-Plough, Upjohn others also have plants here.

The growth achieved by Indonesia during the has led the World Bank to reclassify the country "middle income" country. These natural resources likely to provide a foundation for a productive in the future. But significant problems of unemployment and corrupt government combined with a rapid population growth, are retard what would otherwise be a spectacular increase per capita gross domestic product.

Ivory Coast

The Ivory Coast was first colonized by missionaries in 1637, and became a French dependency 1842. In 1893, it was made an official French colony French government granted citizenship to all citizens the Ivory Coast in 1946; and, in 1956, with the O Reform Act, granted independent political powers Ivory Coast. Four years later, the Ivory Coast be fully independent nation. Since that point, the his the African nation has been closely aligned Houphouet-Boigny, the country's first prime m and president and its current leader.

Since achieving political independence in 196 Ivory Coast has experienced rapid economic grow boom in agricultural productivity, along with a g industrial sector, has encouraged U.S. foreign vestment. However, the economy is largely depend exports—oil, coffee and cocoa. Foreign borr during the 1970's for resource exploration an ploitation has pushed the national inflation rate up the Ivory Coast still has the second highest per income level in black Africa, one of the continent's infrastructure systems, the most equitable in distribution, and a reliable source of foreign exc from coffee and cocoa production.

Indonesia (Republic of Indonesia)

Resident Population: 151.3 million est. (1982 est.)
Population Density (persons/sq. mile): 211.2
Population Growth Rate: 2.1%
Male/Female Literacy Rate: 78/58 M/F literacy
Life Expectancy: 48 years
Infant Mortality: 93 per 1,000
Land Area: 741,030 square miles (inc. Port East Timor and Irian Java)

Total GDP: $67 billion 1980 (est.)

Per Capita GDP: $450

% GDP in Agricultural goods/ services: approx. 30%	1980
% GDP in Manufacturing goods/ services: N.A.	1980
% GDP in Exported products/ services: 34.3%	1980
% GDP in Financial services: N.A.	1980

Estimated Annual GDP Growth:
1973-78 6.8%
1979 5.0%
1980 9.6%

Annual Inflation Rate 1978 through 1981—18%
1979 28%
1980 17%
1982 below 10%

Estimated Value of U.S. Direct Investment: $1 billion (1979) mostly in oil sector.

Estimated Value of U.S. Exports to Country: $1.5 billion (1979)

Total Value of AID Support:

1978	$73.9 million
1979	$95.0 million
1980	$82.7 million

Exports: $22.4 billion (f.o.b., FY1980-1981); petroleum and LNG ($16.7 billion; 1.2 million b/d), timber, rubber, coffee, tin, palm oil, tea, copper.

Imports: $15.6 billion (c.i.f) (FY1980-1981); rice, wheat, textiles, chemicals, iron and steel products, machinery, transport equipment, consumer durables.

Major Trade Partners: (1980) **exports**—49% Japan, 20% U.S., 11% Singapore; **imports**—31% Japan, 13% U.S., 9% Saudi Arabia, 6% West Germany.

Budget: (1980-1981) expenditures, $16.8 billion; receipts, $14.4 billion domestic, $2.4 billion foreign

Primary U.S. Financial Institutions:

Chemical Bank	Level 10 Wisma Metropolitan Kav. 29, Jl. Jen Sudirman Jakarta
Citibank	55 Jalan M.H. Thramin Jakarta
Bank of America	Medan Merdeka Selatan 17 Jakarta

Value of World Bank Loans Outstanding: $3,230,331,000 (June, 1981)

Estimated Foreign Debt: $14,163 million (1979)

Currency System Conversion: Rupiah—official exchange rate: 625 rupiahs = U.S. $1; market rate: 676.50 rupiahs = U.S. $1 (November, 1982).

Many of the U.S. firms active in the Ivory Coast are resource-development companies such as Phillips Petroleum, which is developing the offshore Espoir oil fields and various petroleum service operations. There are numerous agribusiness firms, such as United Brands with a pineapple production operation; and a major construction project, like the Kaiser Engineer hydroelectric dams project. Relatively few American consumer goods firms have any manufacturing facilities here, but there are marketing and service operations for both consumer and agricultural and industrial equipment in Abidjan, the capital.

American banking institutions, like Continental Illinois, have been active in helping to finance the growth of the Ivory Coast airline, Air Afrique. Continental recently provided a $62 million loan for the purchase of Boeing Aircraft.

Jamaica

First discovered by the Spanish in the 16th century, Jamaica was occupied by the British in 1655 and remained under British control until the 1930's, when the country finally began to achieve some measure of internal political independence. Jamaica joined the West Indies Federation in 1958, and in 1962 achieved formal

Ivory Coast (Republic of Ivory Coast)

Resident Population: 8.8 million est. (1982 est.)
Population Density (persons/sq. mile): 68.3
Population Growth Rate: 3.3%
Male/Female Literacy Rate: 58/24
Life Expectancy: 46 years
Infant Mortality: 127 per 1,000
Land Area: 124,502 square miles

Total GDP:	9.1 billion	1979
	10.3 billion	1980 (est.)
Per Capita GDP: $1,250		
% GDP in Agricultural goods/services: 25%		1980
% GDP in Manufacturing goods/services: 20%		1980
% GDP in Exported products/services: 26.4%		1980

Estimated Annual GNP Growth:

1975-78	7.5%
1980	6.8%

Annual Inflation Rate 1975 through 1980—18%

Estimated Value of U.S. Direct Investment:	N.A.
Estimated Value of U.S. Exports to Country:	$168 million (1979)

Total Value of AID Support:

1978	$0.1 million
1979	$0.1 million

Exports: $3.0 billion (f.o.b., 1980 est.); cocoa (32%), coffee (23%) tropical woods (19%), cotton, bananas, pineapples, palm oil.

Imports: $2.6 billion (f.o.b 1980 est.); manufactured goods and semifinished products (50%), consumer goods (40%), raw materials and fuels (10%).

Major Trade Partners: (1979) France and other European Community countries about 65%, US 10%, Communist countries about 3%.

Budget: (1980) revenues $2.8 billion; current expenditures $2.8 billion; development expenditures $1.4 billion.

Primary U.S. Financial Insitutions:

American Express International Banking Corp.	American Development & Bank Bldg. Avenue Joseph Anoma P.O. Box 2058 Abidjan 08
Chase Manhattan Bank	D.I.P.O. Box 4107 12 Avenue Joseph Anoma Abidjan
Chemical Bank	Alpha Bldg. 2000 15th floor Abidjan
Citibank	15 Avenue Joseph Anoma P.O. Box 3698 Abidjan

Value of World Bank Loans Outstanding:	$499,764,000 (June, 1981)
Estimated Foreign Debt:	$3,798 million (1979)

Currency System Conversion: Franc CFA (floats with French franc at 50:1) (March, 1981) US $1 = 249 francs CFA; (June, 1980) US $1 = 204.35 francs CFA.

independence from the United Kingdom, but retained its membership in the British Commonwealth.

The two principal parties, the Jamaican Labor Party (JLP) and the People's National Party (PNP) have alternated in control of the government since 1944.

During the 1970's the PNP government of Michael Manley promoted socialist policies that discouraged tourism and foreign investment. Reduced revenue from bauxite ore, banana production, and a precipitous decline in tourist visits eventually brought the nation to the brink of bankruptcy in 1980. The new government of Edward Seaga, of the Jamaican Labor Party, is friendlier to U.S. investment, and assistance from the United States through the AID program has climbed from $2.7 million in 1980 to a projected $55 million investment in 1983.

In terms of private-sector U.S. investment, the principal kinds of investments have been in the mining and agribusiness fields. Alcoa and Kaiser have major bauxite mining and refining operations on the island, and Alcoa has nearly doubled its refining capacity in the last several years. Some pharmaceutical producers, such as Abbott Laboratories, also have operations in Jamaica, and agribusiness firms active in banana, coconut, coffee, cocoa, sugar cane, and tobacco production provide products for the nearly 40 percent of the Jamaican exports to the United States.

Jamaica

Resident Population: 2.2 million (1982 est.)
Population Density (persons/sq. mile): 504.4
Population Growth Rate: 1.2%
Male/Female Literacy Rate: 90/93
Life Expectancy: 70 years
Infant Mortality: 16.2 per 1,000
Land Area: 4,244 square miles

Total GDP: $2.9 billion 1979
$2.658 billion 1980

Per Capita GDP: $1,089

% GDP in Agricultural goods/ services: N.A. 1980
% GDP in Manufacturing goods/ services: N.A. 1980
% GDP in Exported products/ services: 49.6% 1980

Estimated Annual GNP Growth:
1976-80 7.2% (neg)
1979 2.3% (neg)
1981 +1.2% (pos)

Annual Inflation Rate 1980 through 1981—10%

Estimated Value of U.S. Direct Investment: $1 billion

Estimated Value of U.S. Exports to Country: $562.4 million

Total Value of AID Support:

1978	$11.6 million
1979	$ 5.9 million
1980	$ 2.7 million
1981	N.A.
1982	$40 million
1983	$55 million (projected)

Exports: $1 billion (f.o.b., 1981 est.); alumina, bauxite, sugar, bananas, citrus fruits and fruit products, rum, cocoa.

Imports: $1.5 billion (c.i.f., 1981 provisional); fuels, machinery, transportation and electrical equipment, food, fertilizer.

Major Trade Partners: exports—US 37%, UK 25%, Canada 8%; **imports**—US 37%, UK 10%, Canada 6% (1978).

Budget: revenue $0.8 billion, expenditure $1.3 billion (1981).

Primary U.S. Financial Institutions:

Citibank	63-67 Knutsford Blvd. Kingston
First Chicago Merchants (Jamaica) Ltd.	2 East St., P.O. Box 219 Kingston

Value of World Bank Loans Outstanding: $244,385,000 (June, 1981)

Estimated Foreign Debt: $1,052 million (1979)

Currency System Conversion: Jamaican dollar May, 1979—January, 1981, US $1 = J$1.782.

With the ascendency of the Seaga governmen there has also been a significant boost in tourism, and the Jamaican Tourist Board has a "Return to Jamaica" promotion to recapture markets it lost during the Manley government's tenure.

Kenya

Kenya's political history began as a colony, following the partition of Africa in 1885. It was first established as an East African protectorate by the British, and local citizens were excluded from political participation until 1944. During the period 1952 through 1959, the British were faced with a popular uprising led by the Mau Mau faction, and Kenya gained its independence in 1963. It did choose, however, to assume the status of a republic in the British Commonwealth.

Since its independence, Kenya has been ruled by a coalition of the Kenya Africa National Union (KANU) Party. From 1966 until his death in 1978, the country was led by President Jomo Kenyatta. During the late 1970's, some of the popular support for the Kenyatta government began to wane as a result of political corruption, oppression of political opponents, and a world-leading birth rate that made it difficult for the economy to keep up with the population growth. Kenyatta was succeeded

Kenya (Republic of Kenya)

Resident Population: 17.9 million (1982 est.)
Population Density (persons/sq. mile): 72.5
Population Growth Rate: 4.1%
Male/Female Literacy Rate: 64/35
Life Expectancy: 54.9 years
Infant Mortality: 87 per 1,000
Land Area: 224,960 square miles

Total GDP: $4.3 billion	1980
Per Capita GDP: $340	
% GDP in Agricultural goods/ services: 28%	1978
% GDP in Manufacturing goods/ services: 19%	1978
% GDP in Exported products/ services: 19.5%	1978
% GDP in Financial services: N/A	1978

Estimated Annual GDP Growth:

1978-1982 N.A.
1970-1978 4.8%

Annual Inflation Rate 1977 through 1978—12.5%

Estimated Value of U.S. Direct Investment: $210 million (1978); 150 million (1976)

Estimated Value of U.S. Exports to Country: $98.16 million (1979)

Total Value of AID Support:

1978	202.6 million
1978	33.7 million
1979	21.7 million
1980	53.9 million

Exports: $1,168.8 million (f.o.b., 1980); coffee, tea, livestock products, pyrethrum, soda ash, wattle-bark tanning extract.

Imports: $2,233.7 million (c.i.f., 1980); machinery, transport equipment, crude oil, paper and paper products, iron and steel products, and textiles.

Major Trade Partners: European Community, Japan, Iran, U.S., Zambia, Uganda.

Budget: (1978-1979) revenue $1,582.5 million; current expenditures $1.399.1 million; development expenditures $635.9 million.

Primary U.S. Financial Institutions:

Chemical Bank	Kimathi House, Kenyatta Ave. P.O. Box 61631, Nairobi
Citibank	Wabera St. P.O. Box 3074 Nairobi
Manufacturers Hanover Trust Co.	International House, 5th flr. P.O. Box 45433 Nairobi

Value of World Bank Loans Outstanding: $733,137,000 (June, 1981)

Estimated Foreign Debt: $1,082 million (1979)

Currency System Conversion: Kenyan shilling (March, 1981) U.S. $1 = 8.28 K shilling; (June, 1980) U.S. $1 = 7.4 K shilling.

by Daniel Arap Moi, the sole nominee for the presidency, who was elected and remains in power to this date. In August, 1982, a small group of air force officers and enlisted men attempted, but severely botched, a coup.

Kenya has provided an important strategic location for the U.S. military that has been permitted to use Kenyan airports and the strategic Indian Ocean port at Mombasa for the Rapid Deployment Force. The United States is currently spending more than $50 million to deepen the Mombasa harbor to allow U.S. nuclear-powered aircraft carriers to berth there. Kenya is third in Africa, behind Egypt and Sudan, as recipients of U.S. aid. And the United States, with more than $250 million invested, is second only to Britain as a major foreign-investment source.

American firms ranging from an American Motors Company jeep assembly plant, to pharmaceutical production facilities including Pfizer, Sterling Drug, SmithKline, and others, are located here. There is also oil exploration being conducted by City Service and other firms, and consumer products companies such as Gillette, Coca Cola, and others having manufacturing and distribution facilities in the country.

Union Carbide more than doubled the expansion of its battery plant at Nakuru in Kenya in early 1982. This expansion provided 150 new jobs.

Pakistan (Islamic Republic of Pakistan)

Resident Population: 93.0 million (1982 est.)
Population Density (persons/sq. mile): 248.0
Population Growth Rate: 2.9%
Male/Female Literacy Rate: 39/18
Life Expectancy: 51 years
Infant Mortality: 126 per 1,000
Land Area: 310,527 square miles (excluding Jammu and Kashmir)

Total GDP: $27.8 billion FY1980 (est.)

Per Capita GDP: $332

% GDP in Agricultural goods/ services: 30%	1980
% GDP in Manufacturing goods/ services: 15%	1980
% GDP in Exported products/ services: 10.4%	1980
% GDP in Financial services: N.A.	

Estimated Annual GDP Growth:
1978-1982 N.A.
1970-1978 4.8%
1978-1980 6.4%
1979-1981 5.7%

Estimated Value of U.S. Direct Investment: N.A.
Estimated Value of U.S. Exports to Country: N.A.
Total Value of AID Support:

1978	$20.1 million
1979	$ 9.1 million*
1980	N.A.
1981	N.A.
1982	approx. $100 million
1983	$175 million projected

* Suspended April, 1979, as reaction to nuclear program purchase.

Exports: $2,958 million (f.o.b., FY1981); primarily rice, cotton (raw and manufactured), carpets, rugs and mats, petroleum products, leather.

Imports: $5,486 million (c.i.f., FY1981); petroleum crude and products, sugar, machinery, tea, medicaments, chemicals, iron and steel.

Major Trade Partners: U.S., U.K., West Germany, Saudi Arabia, Japan, China.

Budget: FY1981—current expenditure, $3,213.7 million; capital expenditures, $2,669.8 million.

Primary U.S. Financial Institutions:

Bank of America	P.O. Box 3715 Karachi Ismael Ibrahim Chundrigar Rd. Karachi
Citibank	St. Life Bldg. No. #1 I.T. Chundrigar Rd. Karachi
American Express International Banking Corp.	P.O. Box 249 Karachi

Value of World Bank Loans Outstanding: $414,411,000 (June, 1981)

Estimated Foreign Debt: $8,341 million (1979)

Estimated Distribution of Foreign Debt: $2,000 million U.S. to World Bank, the rest to U.S.A., OPEC and Islamic consortia. In November, 1980 IMF authorized a further $1,700 million U.S.

Currency System Conversion: Pakistan rupee since February, 1973—9.9 rupees = U.S. $1 (November, 1982)—U.S. $1 = 12.72 rupees.

Pakistan

Pakistan began in 1947 as an independent nation established for the Moslem population of the Indian subcontinent. In 1956, it became an Islamic republic and began a tumultuous political history punctuated by assassinations, coups and executions. In 1958, a military coup led by General Ayub established martial rule and the general was elected President in 1965. By 1969, political unrest had reached proportions that required a reinstitution of martial law and finally, in 1970, after a round of elections, Zulfiqar Ali Bhutto of the Pakistan People's Party was elected President.

Ali Bhutto was narrowly reelected in 1977, but there were questions of election fraud and the Pakistani army staged a coup and installed General Muhammed Zia-Ul Haq as leader. Zia subsequently executed Ali Bhutto. Between 1966 and 1971, the Pakistanis were friendly with the Soviet Union, but after a 1971 arms agreement between the Soviets and India and, most importantly, after the Soviet invasion of Afghanistan, Pakistan has tilted away from the Soviet Union and toward the West.

The continued influx of refugees from Afghanistan (by the end of 1980, there were 1.4 million) has proved to be an additional economic, as well as social, complication.

Pakistan is still primarily an agricultural society, although the first steps towards industrial production have begun. During the 1960's, agricultural production of the principal crops of wheat, rice, sugarcane and cotton advanced steadily but then stagnated during the first half of the 1970's, to be revived in the last half of the decade through a series of government aid programs.

The nation does have significant natural resources including an extensive irrigation system, a good supply of natural gas, and a relatively high percentage of arable land. If oil exploration in the Khaskeli region continues to prove successful (Union Texas has wells at this location), the country may also benefit from an oil and petrochemical complex. However, Gulf Oil did spend more than $50 million dollars in a fruitless search for oil during the past several years.

While relatively few American firms have major operations in Pakistan, absent construction projects and oil exploration, Celanese Corporation owns a majority interest in a local chemical company; CPC International is manufacturing corn-sweetener products; Pfizer is producing pharmaceuticals, as is SmithKline; and there are some U.S. food-processing operations.

The administration of President Zia-Ul-Haq has reversed some of the antibusiness strictures of his predecessor and the country is seeking to pursue a normalization of relations with its neighbor, India. Some of the nationalization steps of the previous regime have also been reversed and the aggregate effect of these steps is to increase investment by American and West European business interests.

Peru

From its discovery in 1531 by the Spanish, until it reached national independence in 1824, Peru was part of the Spanish colonial empire. Since 1824, the government has alternated between a constitutional civilian form and extraconstitutional military leadership. The Velasco coup in 1968 began a decade-long period of military rule. In 1975, General Morales Bermudez assumed power and planned for a gradual return of the government to civilian rule. In May of 1980, general elections were held and former President Belaunde Terry (ousted in 1968 by Velasco) was reinstated as chief executive.

Some of the most dramatic changes in Peruvian economy and society have taken place since 1968. Under Velasco, a reduction of domination by the wealthy elite was a priority goal of the government. And the first economic plan, the so-called 1974 Plan Inca, called for the eventual establishment of a "social proprietorship." However, its aim to restructure drastically the Peruvian economy resulted in civil disruption during the mid-1970's and the subsequent rise to power of General Bermudez.

When Bermudez assumed control, even strict austerity measures were introduced, but Plan Inca—wi its nationalization tactics—was curbed. Economi pluralism and decentralization were encouraged and th Peruvian economy began to recover. Exports climbe significantly in 1979 and agricultural production jumpe 11.4 percent in 1980.

The country has also liberalized its trade practices an put up some of the previously nationalized state-owne companies for sale. American bankers have bee pumping money into the country—for example, Morga Guaranty arranged a $300 million loan—and severa major construction projects are under way.

One of the key factors in rapid future growth involve oil discoveries off the coast and in the northern jungle Occidental Petroleum has made a find in the latter are and Belco has produced several offshore oil finds.

The mainstay, from a value of exports standpoint, i copper production. Most of the U.S. copper companies, such as ASARCO, Phelps-Dodge, Numont and St. Jo Minerals, are active in the country. But several of thes firms believe that the current export taxes on ore concentrates are a disincentive to further investmen by the mining industry.

American chemical producers, such as Celanese and Dupont, are also active in Peru, as are the pharmaceutical firms Miles Laboratories, Sterling Drug, and Schering-Plough. Peru is one of the few host countries where a major American retailer is actively involved, in this case Sears Roebuck and Company. Consumer goods firms, such as PepsiCo, Ralston-Purina, Singer, and others also have manufacturing and distributing facilities in Peru, as does Sunbeam Corporation.

Sri Lanka

The nation of Sri Lanka, formerly known as Ceylon, went through a series of colonial control eras beginning in 1505 with the Portuguese. In 1658, the Portuguese were forced out by the Dutch who, in turn, were forced out by the British in 1776. By 1815, Sri Lanka had become an official crown colony and remained so until it was granted complete independence in 1948.

Since independence there has been an alternation of leadership between Sri Lanka's two major parties—the United National Party (UNP) and the Sri Lanka Freedom Party (SLFP). In 1970, Mrs. Sriamavo Bandaranaike, heading a coalition of several parties, became the first woman Prime Minister in the world. She succeeded her husband, who died in office. Mrs. Bandaranaike remained in power until 1977, when the United National Party regained power and elected President J.R. Jayewardene. The country adopted a new constitution in 1978.

Evolving from a plantation economy in the 19th

Peru (Republic of Peru)

Resident Population: 18.6 million (1982 est.)
Population Density (persons/sq. mile): 36.9
Population Growth Rate: 2.8%
Male/Female Literacy Rate: 89/72
Life Expectancy: 57 years
Infant Mortality: 88 per 1,000
Land Area: 496,222 square miles

Total GNP: $16.8 billion 1980 (est.)

Per Capita GNP: $944
% GNP in Agricultural goods/ services: 11.8% 1979
% GNP in Manufacturing goods/ services: 25.9% 1979
% GNP in Exported products/ services: 28.3% 1979

Estimated Annual GNP Growth:

1976	+3.3%
1977	-1.2%
1978	-1.8%
1979	+3.8%
1980	+3.6%
1981	+3.0%

Annual Inflation Rate 1976 through 1979—62%

Estimated Value of U.S. Direct Investment: $2 billion total at end of 1978 (mining, petroleum).

Estimated Value of U.S. Exports to Country: $1.36 billion (1979)

Total Value of AID Support:

1946-1977	$490 million
1978	$22.0 million
1979	$34.1 million
1980	$18.7 million

World Bank:	1946-1977	$466 million
Inter-American Development Bank:	1946-1977	$365 million

Exports: $3.3 million (f.o.b., 1981 est.); copper, fish and fish products, silver, iron, cotton, sugar, lead, zinc, petroleum, coffee.

Imports: $3.8 million (f.o.b 1981 est.); foodstuffs, machinery, transport equipment, iron and steel semimanufactures, chemicals, pharmaceuticals.

Major Trade Partners: exports—32% US, 8% Latin America, 15% European Community, 13% Japan (1979); **imports**—37% US, 34% European Community, 11% Latin America, 7% Japan (1979).

Budget: 1979—$2.8 billion in revenues, $3.0 billion in expenditures.

Primary U.S. Financial Institutions:

Bank of America	Augusto Tamayo 120 y Juan de Arona San Isidoro, Lima
Citibank	Avenida, Nicolas de Aerola 1070/ 1°80, Lima
Manufacturers Hanover Trust Co.	P.O. Box 4497 Lima

Value of World Bank Loans Outstanding: $592,825,000 (June, 1981)

Estimated Foreign Debt: US $8.5 billion (1980)

Currency System Conversion: Sol floats with U.S. $ policy of mini-devaluations; (November, 1982) US $1 = 870.05 sol.

century, Sri Lanka continues to be primarily dependent on agriculture. Fluctuations in world prices for tea and rubber, its primary export crops, along with swings in petroleum prices, have buffeted the country. It also must import some of its food products and this lack of self-sufficiency has a pronounced effect on the Sri Lanka economy.

Since 1977, it has been aided by significant foreign assistance from the World Bank, the IMF, and AID. The United National Party has sought to encourage free enterprise development and economic growth. Specifically, they granted U.S. semiconductor firms a ten-year, tax-free status to locate plants there and Motorola has built a $2 million semiconductor plant in the free-trade zone outside Colombo. As a result of government incentives and a more open policy toward foreign investment, private-sector production jumped by more than 8 percent during 1980. And several American consumer goods firms, including garment producers, now have plants located here.

Sri Lanka (Democratic Socialist Republic of Sri Lanka)

Resident Population: 15.2 million (1982 est.)
Population Density (persons/sq. mile): 592.1
Population Growth Rate: 1.8%
Male/Female Literacy Rate: 82/76
Life Expectancy: 65 years
Infant Mortality: 37.1 per 1,000
Land Area: 25,332 square miles

Total GNP: $3.7 billion 1980

Per Capita GNP: $254 1978
% GNP in Agricultural goods/services: 87% 1978
% GNP in Manufacturing goods/services: 13% 1978
% GNP in Exported products/services: 43.5% 1978

Estimated Annual GNP Growth:
1978-1982 N.A.
1978 8.2%

Annual Inflation Rate 1977 through 1978—
16 to 20%

Estimated Value of U.S. Direct Investment: N.A.
Estimated Value of U.S. Exports to Country: $71 million (1978)
Total Value of AID Support: $87.12 million (1981)

1978	$23.0 million
1979	$29.0 million
1980	$31.4 million

Exports: $1.1 billion (f.o.b., 1980); tea, rubber, petroleum products.

Imports: $2.0 billion (c.i.f 1980); petroleum, machinery, transport equipment, sugar.

Major Trade Partners: 1977 **exports**—8% Pakistan, 8% U.K.; **imports**—12.4% Saudi Arabia, 9.8% Iran.

Budget: (1980 revised estimate) revenue $782 million; expenditures $1.65 billion.

Primary U.S. Financial Institutions:

Bank of America	324 Kollupitaya Rd. P.O. Box 308 Colombo 3
Citibank, N.A.	1st Flr., Iceland Bldg. Galle Face Colombo 3
American Express International Banking Corp.	45 Janadhipathi Mawatha Colombo 1

Value of World Bank Loans Outstanding: $32,451,000 (June, 1981)

Estimated Foreign Debt: $1,245 million (1979)

Currency System Conversion: Sri Lanka rupee (March, 1981) U.S. $1 = Rs 17.56.

Thailand

Although recorded evidence indicates a civilization was present in Thailand as early as 4630 B.C., it was not until the 13th Century that local Thai forces, repelling Burmese invaders, established the capital of Thailand at Bangkok. European colonialism was the major external force for centuries until European predominance in Thailand was challenged by Japan in the early 20th century. In 1932, Thailand shifted from an absolute monarchy to a constitutional monarchy, its present form of government.

Its political history in the past several decades has been characterized by several bloodless coups and by a succession of military regimes. The present Prime Minister is General Prem Tinsulanonda and the King is Bhumibol Adulyadej. Despite the sometimes tumultuous course of political leadership in Thailand, the country has remained generally stable and peaceful, and Thai leaders have demonstrated little affection for Communism.

The Thai economy has displayed amazing resilience, surviving a series of droughts, periods of political uncertainty, domestic insurgency, wide swings in oil prices, and a significant influx of Kampuchean refugees. The economy is solidly based on agriculture and natural resource development. The principal crops are rice, sugar, corn, rubber, tapioca and pineapples. It is also a significant fishing power with large exports of shrimp and canned fish.

In recent years, a number of U.S. oil companies have begun to develop the natural gas potential of the country and to explore for oil. Union Oil is building a natural-gas condensation plant, while Phillips Petroleum explores for oil on the Khorat plateau, and Texas Pacific constructs a $1.5 billion gas-liquidification plant.

Thailand (Kingdom of Thailand)

Resident Population: 49.8 million (1982 est.)
Population Density (persons/sq. mile): 242.8
Population Growth Rate: 2.1%
Male/Female Literacy Rate: 93/83
Life Expectancy: 61 years
Infant Mortality: 55 per 1,000
Land Area: 198,455 square miles

Total GNP: $32.0 billion 1980

Per Capita GNP: $680
% GNP in Agricultural goods/ services: N/A 1979
% GNP in Manufacturing goods/ services: 20% 1979
% GNP in Exported products/ services: 19.4% 1979

Estimated Annual GNP Growth:

1978-1982 N.A.
1970-1977 4.1%
1975-1979 8.2%

Estimated Value of U.S. Direct Investment: N.A.

Estimated Value of U.S. Exports to Country: $1.145 million (1978)

Total Value of AID Support:

1978	$7.5 million
1979	21.6 million
1980	26.0 million

Exports: $6.5 million (f.o.b., 1980); rice, sugar, corn, rubber, tin, tapioca, kenaf.

Imports: $9.6 billion (c.i.f., 1980); machinery and transport equipment, fuels and lubricants, base metals, chemicals and fertilizer.

Major Trade Partners: exports—Japan, U.S., Singapore, Netherlands, Hong Kong, Malaysia; imports—Japan, U.S., West Germany, U.K., Singapore, Saudi Arabia; about 1% or less trade with Communist countries.

Budget: (FY1982) estimate of expenditures, $7.3 billion; Defense Ministry budget, $1.4 billion.

Primary U.S. Financial Institutions:

Bank of America	297 Surawong Rd. CGPO Box 158 Bangkok 5
Chemical Bank	34 Phyathai Rd. Suite #1301 Bangkok 4
Manufacturers Hanover Trust Co.	P.O. Box 1660 Bangkok

Value of World Bank Loans Outstanding: $1,621,026,000 (June, 1981)

Estimated Foreign Debt: $2,504 million (1979)

Currency System Conversion: Baht (November, 1982) U.S. $1 = 23.00 baht. (March, 1981) U.S. $1 = 20.50 baht; (June, 1980) U.S. $1 = 20.41 baht.

Several other American oil companies are also actively involved, as are chemical firms such as Tenneco, which is developing the country's tripolyphosphate resources. The country is attempting to attract American manufacturing firms and such companies as National Semiconductor, Phelps-Dodge, ITT, Colgate, Firestone, Dupont, and others are already expanding their manufacturing facilities in Thailand. Economic development specialists are also attempting to attract more tourists to the area; Hyatt is building a new 267-room hotel at Chiang Mai Thai.

Zimbabwe

Although the Portuguese first attempted to develop Zimbabwe's resources in the 17th century, it was not until nearly 300 years later, in 1888, that British developer Cecil Rhodes obtained a concession for rights to minerals found in the territory. The British claimed the territory and it was named "Rhodesia" after its first ruler.

The territory was formally annexed by the British in 1923, but it gradually became an internally self-governing colony. In 1965, then Prime Minister Ian Smith made his Universal Declaration of Independence (UDI) in an effort to retain white-minority rule in the face of increased British pressure for political participation by the African residents.

The declaration of independence was considered illegal by both the British and the United Nations and economic sanctions were imposed. Guerilla warfare, plus the increasing international pressures for a political settlement, culminated in the signing of the Rhodesian Settlement in December of 1979 and the subsequent lifting of sanctions.

The Union of the Zimbabwe African National Union

Zimbabwe (Republic of Zimbabwe)

Resident Population: 8.0 million (1982 est.)
Population Density (persons/sq. mile): 50.4
Population Growth Rate: 3.5%
Male/Female Literacy Rate: 26/36
Life Expectancy: 54 years
Infant Mortality: 74 per 1,000
Land Area: 150,333 square miles

Total GDP: $4.75 billion	1980
Per Capita GDP: $630	1980
% GDP in Agricultural goods/ services: 8%	1978
% GDP in Manufacturing goods/ services: 92%	1978
% GDP in Exported products/ services: 27%	1978 est.

Estimated Annual GDP Growth:
1978 3.5%
1979 static
1980 8.0%

Annual Inflation Rate 1978 through 1980: 12.0%

Estimated Value of U.S. Direct Investment:	N.A.
Estimated Value of U.S. Exports to Country:	N.A.

Total Value of AID Support:

1980	22.9 million
1981	25-30 million (est.)
1982	$75 million
1983	$75 million projected

Exports: $1,445 million (f.o.b., 1980); including net gold sales and reexports; tobacco, asbestos, copper, tin, chrome, gold, nickel, meat, clothing, sugar.

Imports: $1,287 billion (1980); machinery, petroleum products, wheat, transport equipment.

Net Merchandise trade earnings: $160 million (1980).

Major Trade Partners: South Africa.

Budget: (FY1980)—revenues $1,422 million; expenditures $2,200 million.

Primary U.S. Financial Institutions:

First National Bank of Boston	22 Gordon Avenue Suite 401A, Box 4126 Salisbury (tel. 794-366)

Value of World Bank Loans Outstanding:	$92,000,000 (June, 1981)
Estimated Foreign Debt:	$508 million (1979)

Currency System Conversion: Zimbabwe Dollar official exchange rate: Z $1 = U.S. $1.55 (January, 1981).

(ZANU) of Robert Mugabe and the Zimbabwe African Peoples Union (ZAPU) of Joshua Nkomo strengthened the call for independence and, in 1980, independence was finally achieved. ZANU leader Robert Mugabe was elected Prime Minister. During the next several years the alliance between Mugabe and Nkomo deteriorated and finally, in 1983, Nkomo escaped from Zimbabwe after an alleged assassination attempt on him by Mugabe supporters.

Zimbabwe's economic history can be broken into three distinct phases. In the period from 1890 to 1965, the emphasis was on the development of mineral resources, primarily materials such as chrome, nickel, gold, silver and other strategic minerals. In the period from 1965 to 1979, during which the imposition of economic sanctions required the growth of industry and exports products, increased emphasis was placed on agricultural and manufacturing activities.

Since the lifting of sanctions in 1979, a variety of land reforms and improved job programs for both whites and blacks have become key factors in the economic situation. Recently, the government decided to take over the marketing of its mineral resources and has instituted a new wage law raising minimum wages by 66 percent and freezing all executive salaries above $20,000 per year. It also has expressed an intent to obtain more Zimbabwe equity in the private sector. At present 65-70 percent of the private-sector capital in Zimbabwe is in foreign hands. One of the avowed goals of the Mugabe government is that profits made in Zimbabwe by MNC's be mostly reinvested in the country.

There are a number of U.S. construction firms working on major projects in Zimbabwe and resource companies like Phelps-Dodge, Union Carbide, and others are continuing to develop the nickel and copper resources of the country. In the manufacturing sector, Ford Motor Company has recently built an assembly plant for Japanese cars, and Goodyear Tire has formed a new subsidiary for tire production there. A number of American pharmaceutical firms have processing operations; and food companies, such as H.J. Heinz, have recently expanded activities in the country.

Chapter 3
Health-Care Assistance Programs

IN EXTENDED INTERVIEWS with several multinational executives, there emerged a consensus that their corporations probably have a long-term role to play in assisting in the provision of health care to the host countries in which they operate. They see no short-term prospects for a diminution of their role. The executives cite several reasons for this view.

First, they believe that the corporations involved often have greater resources than the host countries in which they operate. These resources are intellectual as well as financial. The companies, the executives say, may have more sophisticated problem-solving experience from which to operate. They can select better solutions to various health and nutrition problems faced by their employees or community residents simply because they are able to bring greater intellectual resources to the problem. The multinational can compare the various host countries in which it operates, perhaps facing similar health issues, and observe which of several alternative solutions seems to be superior.

Second, the multinationals operate from a much more stable economic base. They can make longer term financial commitments to various health programs than can many of their host countries. And, absent merger and takeover battles, they are much less susceptible to the social and political upheavals that might terminate or truncate ongoing health and nutrition programs.

A third reason cited is the multinationals' quick response capabilities. They have the material resources and the organizational mechanisms to respond rapidly to medical and nutritional emergencies. For example, an American employer in one Central American country discovered that abnormal rainfall had resulted in flash floods that wiped out the poultry population of many villages in the country in which the firm had a major installation. The poultry was a mainstay protein source in the villagers' diet. Within days after the floods subsided, the U.S. firm had, without fanfare or publicity, airlifted more than 50,000 chickens in from the United States to replenish the breeding and egg-laying poultry stock.

Company officials say that it is unlikely that the government, even if it had the resources, would have been able to react quickly enough to provide for the villagers' needs. The same situation has occurred many times in Central and South America. In a number of natural disasters, produced by earthquakes, typhoons, and the like, there has been a need to obtain quickly the transport services of various ships to bring relief food supplies to the affected nations. Firms such as Castle and Cooke, Del Monte Corporation, Division of R.J. Reynolds Industries, and others who ship pineapples, cocoa, bananas and other tropical agricultural products often have empty ships available for the return trip to these countries. In cases of emergency, these ships are provided, without cost, to carry relief supplies back to the affected nations. This provides a reserve transport force for the affected countries. (This kind of emergency assistance provided by American multinational agribusinesses seldom receives much notice or credit in the press, either in the United States or in the affected countries.)

One additional reason cited is the generally apolitical basis on which the aid provided by multinationals is distributed. The multinationals would resist efforts to discriminate, on a political allegiance basis, between recipients of their aid. Thus all of their workers, and all residents of the commmunities in which they operate, are equally eligible for the assistance they provide. The executives, without citing specific instances, are of the opinion that some government aid in these same areas is not so "politically color blind."

The companies studied provide a variety of health-care assistance programs to their employees, the employees' dependents, and to the communities within which they operate in the twelve host countries. These assistance programs range from simple annual physicals, to screening for general and endemic diseases, to the operation of full-scale hospital facilities with company-salaried physicians, administrators and support personnel.

Annual Medical Exams

Nine out of ten of the companies studied provide free annual medical exams for their employees. This is a higher rate of assistance than the same companies provide in the United States, where the paid medical exam is sometimes available only to salaried personnel above a certain grade level.[1] In addition, about one in four companies also provide a free medical exam for their employees' dependents—spouses and children. Very few firms provide annual physicals for nonemployee members of the communities in which they operate—even if the community may be essentially a company town.

The annual physicals are usually performed by a company-salaried physician or by a physician employed on a contract basis by the MNC to perform these services. Most often, the annual physical resembles those given in the United States, except for the fact that there is a lower incidence of X-rays and electrocardiograms than is normally performed in annual physicals in the United States. In many instances, the physical is intended as a screening device to check on the incidence and progress of diseases endemic to the region, such as parasitic infection, venereal diseases, and the like.

Some firms, such as Union Carbide, make the annual physical and medical examination a mandatory requirement for employees at all levels. Employees found to have positive indications of various diseases are then monitored and recommended for treatment. The company also routinely supplies medicines for common ailments, as well as antibiotics and other medicines as dispensed by a doctor or a nurse, on a free basis.

Promoting Job Safety

Several firms report programs aimed at increasing occupational safety. But not all work out the way the companies planned them. The medical director for one major construction company, which has built several nuclear power-generating stations in South America, comments: "We have a bit of a problem with the South American machismo exhibited by some of our construction workers. For example, when we are completing the construction of a cooling tower, which involves extensive scaffolding, we find that as the workers dismantle the scaffolding, they simply throw the lumber to the ground below without any thought of who may be walking or standing below.

"At the same time, we have great difficulty convincing the workers to wear hard hats, since some of them regard it as a sign that they are frightened of their jobs. In one recent case, we had several injuries due to falling lumber and we finally had to convince the workers to build a protective walkway around the edges of the cooling tower. We got them to build the protection by explaining that there was considerable valuable equipment on the ground in the area which would be damaged by falling lumber, and that such damages might result in people being punished by losing their jobs. Then the shelter was built. Of course, it protected not only the equipment but the workers walking around at ground level."

Clinics and Hospitals

Nearly half of the companies questioned say that they operate some sort of company clinic in the host countries where they have businesses. The inability to obtain medical services in rural and outlying regions where plants, mines and refineries are situated impels companies to establish their own clinics.

About a fourth of the companies have gone one step further and operate full-scale hospitals. These are most prevalent among the agribusiness firms studied. (See examples on pages 25-27.) Some operate hospitals with more than 200 beds and staffs of up to 100 persons. In one country, the U.S. MNC operates the largest hospitals in the nation.

Besides maintaining their own health facilities, many American firms also report that they provide financial assistance in the way of grants for operating costs, moneys for capital projects, and so on, for other medical facilities in the host countries. And nearly a third of those questioned say that they donate some kind of medical or pharmaceutical products to their employees, their dependents, or to various health-service delivery agencies within the countries in which they do business.

Three-quarters of the companies that do operate clinics or hospitals go a step further and lend medical personnel to community health-service agencies on a no-cost basis to assist them in meeting local health-delivery problems. The loan of nurses, doctors and technicians appears to be a fairly common practice among American multinationals operating hospitals or clinics of their own. In addition, about one in four of the companies reporting say that they provide some kind of assistance—money, facilities or personnel—to special programs for the handicapped and disadvantaged groups in the host countries.

Nutrition Programs

Several of the companies surveyed report that they trace many of the health issues they deal with to poor

[1] See for example, Mitchell Meyer, *Profile of Employee Benefits*, The Conference Board, Report No. 813, 1982. See also, Harriet Gorlin *Personnel Practices III*. The Conference Board, Information Bulletin No. 95, 1981.

nutritional practices. Either workers do not have access to nutritious foods, or by tradition do not eat good breakfasts or lunches, or need specific diet supplements to bolster their resistance to endemic infections. The programs companies employ to meet these problems vary widely. The most frequently cited program (mentioned by more than half of those questioned) is the operation of company-subsidized canteens.

These cafeterias provide free, or heavily subsidized, meals for company employees. About half of those operating canteens do so without cost to the employees. A few of the companies studied also provide diet supplements and nutritional instruction to their employees, sometimes through the canteens, and, in other cases, through the company-run medical clinics.

Union Carbide provides free hot lunches in its plants at Alexandria, Egypt; Nekuro, Kenya; and Abidjan in the Ivory Coast. Company officials say that the meal is usually the major meal of the day for the employees, constituting a major portion of their caloric intake.

In a few instances companies have also found it necessary to operate their own food stores, or to subsidize food-distribution operations in rural areas where all plants are located. Once again, the basic premise behind this kind of assistance is that by providing access to, and support for, an adequate diet, employees are more resistant to infection and have higher energy levels. In one joint venture with CARE, an American company underwrote the cost of constructing a bakery and provides the cost of ingredients to produce bread products. These are delivered by the company, without cost, to approximately 8,000 children in 60 elementary schools in the region where the firm is located.

Multinationals' Role in Family Planning

None of the countries studied in this survey is underpopulated. Each must wrestle with the dilemma of overpopulation, either on a national or regional basis. And the problem of overpopulation, and out-of-control birth rates, pose significant policy and ethical dilemmas for the policy architects in multinational corporations.

The situation is particularly evident in countries like Kenya. Kenya, which now has a population of 16 million, is reproducing at a compound rate of 4 percent per year—one of the highest birth rates in the world. As a result, nearly half of the Kenyan population is under age fifteen. The number of these youngsters, and their anticipated rate of reproduction, guarantees that the Kenyan population will double to more than 30 million within 17 years.

Such an explosive population growth requires phenomenal growth in GNP. But such increments are not taking place. Between 1963 and 1973, the country's GNP averaged an annual growth of 6.6 percent. From 1973 to 1977, the average fell below 4 percent; and in 1981 and 1982, it was projected to be less than 2 percent.

The "boom" in Kenya's population is occurring at precisely the same time, executives point out, that the country is experiencing a real shortfall in its ability to feed itself. Agricultural production, which was growing at nearly a 5 percent rate in the mid-1960's, fell to 2.5 percent during the 1970's, and is growing at less than 1 percent per year now. As a result, Kenya—which used to be self-sufficient and, in fact, an exporter of food—now must import wheat and other foodstuffs to feed its burgeoning population.

The executive in charge of Kenyan operations for one U.S. oil company is concerned with the country's inability to control its population growth. This manager says: "U.S. firms have more than a quarter of a billion dollars invested in Kenya, and the U.S. government is pumping better than $100 million in aid into the country this year. But, in the long run, unless the country can do something about this large mass of young unemployed people, a product of its runaway birth rate, the prospects for a stable investment development climate are pretty slim."

The situation in Indonesia is also aggravated by continued gains in population. At present, the Indonesian population of 154 million—the fifth largest in the world—is estimated to double in less than 35 years. The Indonesian government is making a deliberate attempt to control population growth through family-planning projects, but many of these are scattered throughout the chain of 13,000 islands that make up the country.

While the country has made impressive gains in food production—doubling rice production in a little less than ten years—it is still faced with nearly one-third of its work force unemployed and a continuing dependence on foreign aid from the United States, Japan and European nations. In the past decade and a half, the United States has provided over $2.5 billion in direct aid to Indonesia and, at present, provides an aid budget of approximately $300 million per year. It also lends Indonesia approximately $40 million a year to buy weapons and, as in some of the other host countries examined, graft and a maldistribution of economic resources compounds the problems. (For example, when one $9,000-a-year official of Petramina, the state-operated oil monopoly, died recently, it was found that he had deposited more than $80 million in local banks.[9])

The mismatch of population and economic resources is compounded by the fact that multinational corporations are most familiar and comfortable with technologies that tend to be increasingly capital, rather than labor intensive. In the next decade, as U.S. multinationals take additional operations offshore, they will almost certainly

[9]Robert Kaylor, "Indonesia in Trouble Despite U.S. Aid," *U.S. News and World Report*, August 9, 1982, pp. 33-34.

be transplanting manufacturing and processing operations which have a lower labor input than might have been the case only a few years ago.

There is a curious disparity in this respect between the kinds of economic opportunities that multinationals can bring to LDC's and the needs of these LDC's. By and large, the host countries studied require infusions of new manufacturing operations that are highly labor intensive. They need these opportunities in order to create jobs for unemployed workers in economies where unemployment rates of thirty percent and higher are common, rather than aberrant, situations.

At the same time, the companies surveyed are extremely reluctant to put pressure on either their workers, dependents or the political leaders of the host countries to promote family-planning efforts and to stabilize population growth. Nine out of ten firms surveyed say they provide no such programs, nor do they support such programs, within the host countries.

In part, some managers explain, the companies' reluctance to become involved in this area stems from their U.S. cultural experience. One food company executive explains it this way:

"American corporations are extremely sensitive about dealing with matters of personal privacy and family relations. Certainly, the uproar in the United States during the past decade or so, between pro- and anti-abortion groups—to cite just one example—has reminded American managers of the highly sensitive nature of family-planning issues.

"Expatriate managers also bring with them the knowledge of the opposition of the Catholic church to various birth-control practices, and in many of these countries the Church is an important force to be reckoned with. This whole area of family planning is something companies would just as soon have go away or be handled by some other institution."

Despite the fact that firms support, in principle, the need for population control, relatively few of the companies studied have any formal assistance programs to aid in national or community family-planning efforts. In fact, the majority of the family-planning programs described by the survey respondents nearly all occur within two host countries—Indonesia and Jamaica. Overall, about one in five of the companies studied provide any kind of assistance in the family planning area.

The type of assistance most normally employed is the distribution of pamphlets, instructional material, posters, and so on, educating employees on family-planning methods and the advantages of slower population growth. Less than one in ten firms actually provide birth-control devices or help fund public agencies for the purchase and distribution of such materials.

Most often, educational materials on family planning are distributed not only to the employees and their dependents, but also to members of the community at large. In several cases, it was pointed out that this material is handed out at company-operated clinics or made available by a traveling nurse or paramedic teams who visit worker villages and homes.

The ambivalence of American firms and expatriate managers toward engaging in, or supporting, family-planning efforts can be seen in the responses of various managers. These comments provide some answers to the questions posed about why companies have not done more in this area. Typical of these comments are:

"A limitation of family size in several of the countries we operate in runs counter to the local culture. We're not going to come in and try to impose our mores or our ideas of a social 'fix' on our native workers. This intrudes into an area that the company should stay out of."

—vice president, international operations, chemicals manufacturing company

* * *

"Our company believes, from headquarters, that this is an area where we might run into problems with the local church leaders—and perhaps even with church leaders back in the United States—and we have stayed away from the whole problem."

—vice president, public affairs, food products firm

* * *

"Unless the country itself, that is its national government, is behind a family-planning campaign, we would just as soon not become involved in this issue."

—vice president, international, pharmaceuticals manufacturer

Despite the above and similar reservations expressed by the majority of the executives questioned, there is evidence that some American firms are supporting host-country efforts to promote family planning. They characterize such efforts as legitimate national goals, actively supported by a majority of the nations' social organizations, and believe they cannot stand on the sidelines and refuse to become involved in any way whatever.[10] Their involvement can best be described as support rather than advocacy. Typical of the kinds of programs and activities that support family planning as described by some of the companies studied, are the following:

[10]There may also be a statutory requirement that they participate.

Dealing with Local Health Prejudices

The medical director for one drug company, with operations in several African countries, explains that the influence of the local shaman (sometimes erroneously referred to as a witch doctor) can be persuasive and can thwart well-intentioned company efforts to improve both employee and community health. This physician described a situation in one African country where his firm has operations. The doctor noted that local physicians had observed a high incidence of cervical cancer among female employees and other women in the community. The firm decided to set up a local clinic to conduct Pap smear diagnostic tests.

The clinic opened but no one showed up for the tests. Investigation uncovered the fact that the local shaman had advised the women of the community that going for the tests would result in sterility. Company doctors met with the shaman and explained what the tests were, and the reason for them, and obtained his cooperation in the program. Shortly thereafter large numbers of the community's women began to show up for the diagnostic tests.

- One agribusiness firm, that runs numerous clinics and hospitals for employees in a dozen or more LDC's, instructs physicians and nurses to give new mothers a data packet on family-planning practices. However, these are only provided in countries in which there is a national public effort directed at family planning.
- A food processing company provides time off for employees to attend lectures, conducted by a company nurse, on birth-control practices.
- A construction company hands out birth-control information to workers along with their pay envelopes.
- An oil company displays posters exhorting employees to practice family planning at various worksites in countries where it has operations.
- A drug company donates birth-control devices to local medical clinics to assist in one Asian country's national program for family planning.
- An electrical manufacturing firm sponsors training courses for local doctors and nurses in family-planning education and lends company facilities as a meeting place for classes conducted by these physicians and nurses.

Assistance for Public Health Systems

In many of the host countries there is a serious shortfall in public-health facilities. An inadequate infrastructure for water and sewerage systems leads the list. Companies surveyed have chosen to meet this issue in a variety of ways. Some, of course, have drilled their own wells and created their own water systems at sites where plants and employee housing are located. These firms have also, as might be expected, developed their own sanitary sewer systems.

About one in six companies also report the donation of materials and equipment to public-health programs, managed by the host nations, aimed at the eradication of viruses, parasites, disease-causing insects, and other public-health problems through water and sewerage system improvement. Several of the companies report making significant financial grants to local water companies and sewer authorities to assist them in upgrading their operations. And nearly a quarter of the companies say that they have lent company equipment—trucks, backhoes, bulldozers, and so on—to help maintain water and sanitation-service development in their communities.

More than a quarter of those studied also have had an active program to encourage employee participation in inoculation programs. Since not all of the host nations have such programs, it appears that where the host government has an immunization program, it receives positive support from a majority of American MNC's operating in the country. This support ranges from providing time off for employees to receive inoculations to subsidizing the cost of the inoculation or providing on-site facilities for government medical teams to immunize workers.

Examples of Health-Assistance Programs

- Alcoa Corporation is building a 50-mile long water-supply pipeline in order to provide potable water to workers in a mining community in one of the host countries.
- Sterling Drug Company started a blood bank in one of the host countries, as a means of assuring reliable and tested sources of whole blood for transfusions to employees, dependents and community members.
- In one of the South American countries, arsenic in the drinking water is a major health problem, and an American MNC launched an arsenic monitoring program to detect abnormally high arsenic blood levels.
- Occasionally American MNC's have to step in to prevent misdirection provided by American government agencies. For example, Peace Corps volunteers were incorrectly advising local residents in African communities to double and triple the dosage of a newly developed and introduced antimalarial drug. Several Peace Corps volunteers, plus an uncounted number of Africans, experienced blindness as a result of the excessive dosage. An American drug company first became aware of the misuse and publicized the danger.
- One construction firm was moved to become intimately involved in the public-health facilities in one of the African host countries when it found that two-thirds

of all the employees it sent there to work on various construction projects returned within six months on medical leave.

• One aluminum company had its physicians, in back-country locations, set up a network of housewife/educators. These paraprofessionals were trained by the physicians in various basic personal/and public-hygiene techniques—such as the need to boil drinking water and how to handle uncooked vegetables—and the housewives then returned to various villages to conduct classes for other women in the villages. The physicians reported a significant decline in parasitic infections among employees from those villages where the housewife-educator network had been established.

• One metals firm instituted a procedure that provides for one major meal per day at its metals refinery operations. The U.S. medical director reports that this simple step has cut parasitic infections by over 50 percent. He theorizes that the added calories, plus the clean food, have built workers' health and has had demonstrable effects on productivity at the plants where the program is in place.

• When Bechtel Corporation was building its 534-mile oil pipeline through Peru, it had to make certain that Peruvian workers had clean housing, adequate food, and good public-health facilities. Communities established along the way were built by Bechtel crews to accommodate the workers employed in constructing the landmark pipeline that will move crude oil in a general east-west direction from the sparsely settled Amazon Basin across the Andes Mountains to the Peruvian port of Baovar on the Pacific Coast.

• Continental Illinois Bank, with the International Human Assistance Program, funded a project in northeast Thailand that trained 91 health volunteers. These volunteers were given training in primary health care, and then returned to their villages. They were trained at the Prathai District Hospital. The volunteers were taught public-health techniques, means of identifying various diseases endemic to the area, and authorized to sell medicine in these villages. The medicine is supplied by the government. These volunteers perform these services without receiving any compensation. Both the hospital personnel and the health volunteers themselves are enthusiastic about the project, and a relatively small funding seems to have made a significant difference in village health care.

• The operations of one American agribusiness firm, as far as medical services are concerned, is illustrative of the kinds of service and aid that such a facility provides. In this case, the subsidiary operates a ninety-five bed hospital with a staff of nine physicians, forty-three registered nurses, ten midwives, five medical technologists, and twenty-five nursing aides. The hospital's services are made available without charge to approximately 60,000 employees and dependents, and are also provided on an emergency basis, to nonemployees who are residents of nearby villages.

In addition to the hospital facility, the subsidiary also operates a mobile clinic, which is a medically equipped vehicle that brings visiting doctors and nurses to the employees' residential areas further from the plantation and packing plant site. These visits allow the physicians to provide field medical check-ups and follow-ups on medication for outpatients. At present, the company is engaged in an additional construction program for the hospital that will build a new laboratory and a series of consulting clinics and treatment rooms.

• The medical facilities of Union Carbide in Zimbabwe are not unlike those maintained by other American multinationals operating in outlying areas of the host countries. As an example, in Zimbabwe the company maintains a sixty bed hospital at Shurugwi with two physicians and eighteen registered nurses. At Mutorashanga, the firm operates a 36 bed hospital and an outpatient clinic for employees and their dependents. And, at Que Que, the company supplements a local state hospital, in a nearby township, by providing an outpatient clinic for employees and their dependents, supervised by a physician and four registered nurses. At all of the above locations the company provides free medical care and pharmaceuticals for employees earning less than $300 a month and, for higher paid employees, provides medical care and medicine on a dollar-for-dollar subsidized basis.

• In several of the countries studied, U.S. multinationals have instituted programs designed to train first-aid personnel. These paramedics provide emergency medical service in plants and plantations for company employees. But they also have been used by local communities during natural disasters such as earthquakes, typhoons and floods. In a number of instances they provide the equivalent of a first-aid squad in rural and suburban American communities, maintaining their own ambulances and medical equipment.

•Residents of less-developed countries are also particularly vulnerable to various natural health disasters such as epidemics and malnutrition that may follow weather reverses and such geophysical disturbances such as typhoons, draughts, earthquakes, and mud slides.

In order to focus on how best to deal with such disasters from a medical and public-health-assistance standpoint, IBM has been instrumental in compiling a data base of "disaster medicine," in cooperation with the organization Doctors Without Frontiers, as a means for coordinating the strategies and treatment methods for victims of natural disasters.

• In Thailand, Kodak Corporation worked out a joint project with the Women Secretaries Association to produce a 30-minute documentary on the perils of drug

A Case of Reinfection

The problem of the so-called "snail disease"—schistosomiasis—is one that plagues many of the host countries. An estimated 80 million persons in the Third World are infected by this disease. American drug firms, like Pfizer, Inc., and others, have worked with host-country governments to develop drugs and test procedures for various medications to provide single-step treatment for the cure of schistosomiasis. But they are often frustrated by the reality that many of the employees and dependents under their medical care will become reinfected by parasitic diseases.

The medical director at one firm explains: "We test all our employees, through urinanalysis and other methods, for parasitic diseases. The frequency of RB (red blood) cells in the urine is so great (indicating parasitic infections, among other disorders) that if we find an employee without the RB cells we have to believe that they are so anemic that they can't even bleed."

addiction. The film was written and produced in Thailand and presented to the Ministry of Education for use in schools and universities throughout the country.

• In several Latin and Central American countries, the Coca-Cola Company had produced special nutritional beverages in its bottling plants designed to bolster the diet of local school children and lactating mothers. At one plant, Coca-Cola extracts edible protein from whey, a by-product of a local cheese processing operation, and includes this protein in a nutritional beverage it prepares and distributes.

• While relatively few American trade associations have formal programs for assisting the host countries, the Pharmaceutical Manufacturers Association did mount a ten-company joint effort with the medical health department of Gambia. The ten companies contributed a total of $200,000 in products and funds. The 21-month long project was designed to improve the distribution of basic drugs essential to primary health care and to train Gambian health officers in the management, record keeping, storage and distribution of these products.

• Warner Lambert Company and its Parke-Davis Division have established a training program to help physicians, nurses and midwives in the Ivory Coast treat the prevailing diseases of that country. The program has an audiovisual training series—with an academic version for use by local schools and universities and a more simplified version for use by paraprofessionals in the field.

One of the first efforts consists of a treatment program for malaria. The audiovisual programs, whenever possible, use local health experts who are deemed to be in the best position to understand both the prevalence of the various diseases and the appropriate therapies. The programs do not promote any particular company's products or procedures but discuss all of the available therapies for a particular disease. The programs are distributed through what are known as Joint Therapeutic Commissions. These were set up at the initiative of Warner Lambert and exist in Senegal, the Ivory Coast, Cameroon and Zaire.

Ordinarily, a Commission has as its principal members the nation's health minister, the deans of local schools of medicine and pharmacy, key university health specialists, and senior Warner Lambert personnel. These Commissions play a key role in the design and dissemination of the training materials. Throughout the program the emphasis is placed on training not only health professionals but the many paraprofessionals who reside in scattered rural areas of the nations and who provide a first-line defense against disease. These local health practitioners are now using the programs and materials to combat such locally prevalent diseases as malaria, diarrhea in children, various urinary tract infections, dysmenorrhea and malaria during pregnancy.

Comparative Public Health Observations

A number of the respondents were asked to make observations about the public-health conditions their firms encountered in the various host countries under study. The observations contained here are not presented as a scientific sample of what comparative health conditions are in the various countries in this study, but rather as the executives' perception of the kinds of public-health issues their managers and workers face in these nations.

Costa Rica: Costa Rica is rated as having generally good medical services for both expatriate and local workers. The most serious health problems mentioned by executives were amoebic dysentery, typhoid and diarrhea. But these were said to occur in work locations primarily outside of the capital area of San Jose. Managers generally rated the drinking water as a serious problem in these areas, and were not entirely sanguine about public water facilities even in San Jose. The hospital and private medical practices were rated moderate to good.

Egypt: The standards of medicine and surgery are generally rated high in Egypt's principal cities, Cairo and Alexandria. There are endemic health problems, such as the high incidence of water-borne diseases, principally schistosomiasis. The executives report that there are several well-equipped hospitals in Cairo, and that they generally feel comfortable with the medical care provided to expatriate Americans.

Haiti: Managers experienced in Haiti rate the medical facilities and services as substandard. There is a ratio of only one physician to 7,200 persons, and a hospital-bed ratio of one to 1,095 persons. Only 12.6 percent of the population has access to safe water, and in rural locations there is virtually no potable water. The polluted water provides a constant threat and is the major factor in a high incidence of various water-borne diseases. There are also major problems with nutrition, child-health care, and a lack of an effective family-planning program to counter the high fertility rate of the population. Poor public-health conditions are said to rate as a major impediment to expanded U. S. investment here.

Indonesia: There is significant variation in health and sanitation standards in different areas of this islands nation. Overall, managers rate the general level of sanitation as low, and medical care as average to moderate in effectiveness. Among the primary prevalent diseases are tuberculosis, malaria, hepatitis, typhoid fever, cholera and various parasitic ailments. Executives also report that there is an overall scarcity of both prescription and nonprescription drugs.

Ivory Coast: In many of the major U.S. installations here, company clinics and physicians are available. Access to local medical care is more limited and managers rate health care as average to poor. In general, tap water is not considered potable, and sanitary conditions outside the capital are primitive.

A variety of tropical diseases, endemic to this part of Africa, are prevalent, and the country is said to still be developing a cadre of physicians and medical facilities necessary to deal with these diseases. American MNC's that are building facilities outside the capital are said to have to plan on bringing their own public health and medical personnel and facilities with them for such installations.

Jamaica: Medical facilities are rated average to good, and most businesses are within easy commuting distance of modern medical facilities in Kingston. One hundred percent of the urban population has access to piped, potable water, as does 79% of the rural population. The population-to-physician ratio is 3,523 to 1. But there is a relatively good supply of hospital beds, with a ratio of one to 263 persons.

Kenya: While 100 percent of the persons in Nairobi have access to piped, potable water, in outlying areas only 17 percent have such access. In these areas diseases such as typhoid and hepatitis are prevalent. The Kenyan government has made a determined effort to upgrade its medical services, and free medical service has been available for all children and adult outpatients since 1965. The country still has a high population-to-physician ratio of 11,625 to 1; but a better population-to-paramedic ratio of 1,085 to 1; and a hospital bed ratio of one to 770.

Gaps in Medical Procedure

There are instances in which U.S. health-care professionals are still surprised by the seemingly nonchalant attitude of even trained medical professionals in company-owned health-care facilities. For example, the medical director of one American firm, which operates a 250-bed hospital in Central America, recalls a recent visit to that facility during which he was invited to make the rounds of patients with the hospital director. The visiting American medical director examined one patient and recalls: "After examining the first patient on our tour, I asked where I could wash my hands. There was a flurry of activity at the nurses' station and they produced a bar of soap and a towel. I washed my hands and we proceeded to the next patient, whom I also examined. Following that examination, when I again inquired about washing my hands, the hospital's director seemed puzzled and commented, 'but you just washed your hands!' "

Even trained medical personnel in an LDC hospital, regardless of whether it is owned and operated by an American MNC, do not observe all of the hygienic sophistication encountered in American medical facilities. Still and all, medical directors of American MNC's say, the standards are significantly better than some of the hospitals operated by local authorities.

Pakistan: Relatively little comment was available on Pakistani medical care. The few evaluations that were offered concerned the availability of skilled medical personnel in Karachi and Islamabad. In general, medical and health facilities were rated average to poor, but detailed experience was not available from the executives questioned.

Peru: The executives questioned rate health standards in Lima as average to good, with adequate availability of hospitals and physicians. In outlying areas, yellow fever and malaria and hepatitis are persistent problems, and agribusiness firms have had to deal with these issues, along with the need to construct potable water and sanitary systems.

Sri Lanka: Water-borne diseases and parasitic diseases of various types are persistent problems in Sri Lanka, according to those questioned. They rate the health facilities in Columbo as generally good, but point out that the water sources in rural areas are almost universally not potable. Apparently, some of the managers have also had reports of a scarcity of medical supplies and pharmaceuticals for employees seeking treatment.

Thailand: Medical services, physicians and hospitals in the capital city of Bangkok were generally rated as good. Hepatitis is a common disorder in many parts of the country, and tap water is not reliable as far as potability is concerned. Executives caution that raw foods should be avoided, and that there is a relatively common incidence of parasitic disorders. Although mosquitoes are plentiful in many regions of the country, the incidence of malaria is not a major problem.

Zimbabwe: Tap water in the city of Salisbury is generally rated as safe, but potable water in rural areas is scarce. American mining companies generally develop their own water and sanitation resources, where they have mines and processing plants. The medical facilities in the cities are rated as excellent, and good to average in rural clinics. The population-to-physician ratio is 7,174 to 1, and the hospital bed ratio is a relatively low one to 347 persons.

Chapter 4

Educational Assistance Programs

EDUCATION CLEARLY has a high priority in the employee and community-assistance programs of the multinational corporations studied. Their educational involvement ranges from pragmatic job training, specific to individual companies and occupational categories, to more sophisticated programs involving the loan of technical personnel, scholarships, executive-development programs for local national managers, and so forth.

About one-quarter of the companies responding indicate that they provide some kind of grant assistance—usually direct financial grants—to secondary schools in the communities in which they operate. Most often, these are directed at those high-school programs specifically designed to make host-country youth more employable. And an even larger number, nearly half of those questioned, say they provide grants to colleges in the host countries. A number of the firms also report making grants to special training institutes, technical and vocational schools in the host nations where their plants are located.

About a third of those questioned said they also lend technical personnel to local secondary schools and universities to assist in their educational programs. Several of the companies have a good working relationship with the technical colleges in the host countries, providing engineers and scientists to serve as adjunct professors in these institutions. And, in one or two cases, the companies have actually constructed an entire college—such as Union Carbide's in Zimbabwe—to facilitate collegiate education of young men and women in the host country.

Many of the firms, nearly two-thirds, provide scholarships for employees and dependents. A few offer fellowships in which they bring promising employees or dependents to the United States for training in an American university. Several report sponsoring exchange students who have come to the United States, Canada or Britain for university training.

In many localities, when the plants were constructed, there were literally no trained workers, and companies report extensive training efforts to prepare local workers to operate company production processes. Virtually all of the companies surveyed report some sort of formal on-the-job training program that operates on a continuing basis. A third of the firms also offer apprenticeship programs for employees wishing to become trained in master crafts skills. In some instances these are operated in cooperation or liaison with local unions.

Executive Development Programs

It is the avowed goal of many American multinationals to have as few expatriate U.S. managers on site in the host countries as possible. To accomplish this goal, fairly extensive training programs had to be developed to provide managerial training for local nationals selected to manage company facilities. Nearly two-thirds of the firms surveyed report having such programs.

These programs range from job-rotation systems, which bring local national managers to the United States for a year or more to work in various phases of domestic U.S. operations, to periodic training and development programs that bring the local managers to the United States to company facilities and university training sites to teach them new management and production techniques.

Approximately half of the companies studied have funded meetings, seminars and workshops in host-country regions in order to train local managers in various managerial techniques. In most instances, these training sessions were organized and managed by the companies. But some firms report hiring consultants and other outside firms to perform these services.

Part-time Employment Programs

High unemployment among young men and women is a problem common to most of the host countries, as well as to the United States. About one-quarter of the firms studied say they have part-time work programs for both urban and rural youth, intended both to train new em-

Developing a Local Cadre of Skilled Management

Often overlooked in evaluating the contribution that American multinationals make in the host countries is the assistance that is provided by developing a cadre of well-trained local managers. These are individuals who were recruited and employed by the MNC's, trained in a variety of managerial skills, and who then left their American employers to work in locally owned businesses and government agencies. Each of these individuals represents a training investment by the American MNC of literally thousands of dollars. And scattered through the 12 host countries studied there are several thousand middle management personnel, working in a variety of locally owned businesses and agencies, who received a major portion of their managerial training as employees of American multinationals.

IBM reports that hundreds of its former employees are now working in government agencies, local banks, computer service firms, and so forth. Sears, Roebuck can point to several hundred store managers, buyers and administrative personnel who are now working in local businesses but received a good portion of their business training and education at Sears stores and training centers. This same phenomenon is also very much present in the mining and extracting industries where state-owned and operated companies are often staffed by individuals who were first trained by U.S. multinational firms.

To grasp the dimensions of company contributions in this area, one firm's experience proves illustrative of the assistance provided. In one Latin American country, during the past five years, Sears estimates that forty-four of its mid-level managers have left the company for positions with locally owned firms. Each of these executives received, on average, 350 man-days of training experience. This means that the country was enriched by approximately 3,000 man-days of training per year as a by-product of the company's management-development programs in that nation.[1]

Several of the other companies interviewed, including IBM, Firestone, CPC International, and Goodyear Tire & Rubber, report that host-country governments often hire away managers that they have spent decades training to run local company operations. Despite the inconvenience that such hirings create, in the long run the companies see this as a useful contribution to the host-country's managerial structure. In the case of Goodyear Tire, for example, the government of Indonesia runs its own tire plant and has drawn a number of its technicians and managers from the Goodyear plant in Indonesia.

[1]Clarence J. Mann, "The Technology of Mass Merchandising: Its Contribution to Economic Development," Seminar on International Issues in the Transfer of Technology, Paris, France, September 21, 1973.

ployees and to dampen the pressures created by high unemployment among young adults. In some instances, these are run as summer-job programs for university or high school students; in others they operate on a year-round basis, providing employment for one or two days during the week.

Company Owned and Operated Schools

In certain of the host countries—Peru, for example—firms are required to construct and operate elementary schools if a plant is to be located more than a designated distance from a major town or city. The purpose of the law is to assure that there will be a basic educational system to teach the children of employees when companies build facilities in outlying areas, and attract employees who live in nearby communities.

The regulation also stipulates the number of years or grades of education that must be provided. The survey data show that companies that operate such facilities normally run them for several years beyond these statutory requirements. Usually, they teach grades one through eight. The normal procedure is to hire local teachers and school administrators to run a "mixed grade" school—somewhat reminiscent of the one-room schoolhouse used by many rural U.S. communities earlier in their history.

In several cases, companies report that although the schools were designed to teach children, adult employees have asked to be admitted to learn the rudiments of writing, reading and math. The fact of life, the executives studied say, is that many of their employees in the host countries are functionally illiterate. They have been trained to perform a specific job task, and do it well, but they have been denied the rudiments of a basic education.

In some instances, a good portion of those attending company-constructed schools are children of nonemployees. For example, Caltex built 50 schools in Indonesia, with enrollments of over 15,000 children, but less than half of these are children of Caltex employees. This same situation applies to a lesser degree to many of the other schools built by American multinationals in host countries.

Examples of Aid to Education

The Sunbeam Corporation in Peru provides its several hundred employees with schooling allowances for their children. The allowance is paid directly to the parent and is calculated as a percentage of the worker's salary. The company has also participated in a variety of vocational training programs in joint ventures with the Peruvian government. At any time, several trainees are usually working in the company learning key manufacturing skills such as tool and die making. In addition, Sunbeam provides cash donations to an "industrial community group"—an organization which is an amalgam of the major Peruvian labor unions. These donated funds are used for worker-education programs, and are given under the specific proviso that they will be used for programs directly benefiting Sunbeam employees.

Sunbeam also believes that it is important for their employees to broaden their language skills, particularly skills in English. They employ local language teachers who come into the plants and offices and conduct bilingual education.

In several cases, American CEO's have traveled to host countries, in connection with the opening of new facilities, company meetings, and the like, to express their views on the relationship between the multinational firm and host-country workers. Typical of these statements is that made by William S. Sneath, former Chairman of the Board of Union Carbide:

"We are committed to the well-being of our employees in Zimbabwe in other ways as well—with pension and benefit programs for more secure retirement, with life and accident to protect them and their families, and with medical aid and subsidized housing to help employees toward the goal of improving the quality of their lives. At our larger locations, many employees are already living in modern, three-bedroom homes. Historically, mine workers have never been able to hope for such accommodations...There is no disputing that in any society the essential key to advancement is literacy. We are providing adult literacy education for 400 students at various locations, as well as support for the nationwide adult literacy organization. And our support of education does not stop there. As many of you know, we are building and equipping a new technical college here at Que Que as a gift to the Zimbabwe nation. When in full operation—within a year or so—it will have the facilities for training 240 students a year in mechanical and electrical trades...We are well aware of the critical importance of jobs, training and education, to the future of the Zimbabwe worker, and to the national economy. And we believe that our presence here will help to advance these goals."

The technical college in Zimbabwe that the Union Carbide executive referred to was provided as a gift to the people of that nation. The college cost $4.5 million to build and, as noted, will accommodate an enrollment of 240 students annually. Union Carbide employs 4,5[illegible] people in Zimbabwe, and is the largest multination[al] company operating in that country. The technical colle[ge] will train students in electrical and mechanic[al] engineering skills, and is intended to alleviate a chron[ic] shortage of trained technical personnel in the countr[y]. Many of the nation's brightest young technical graduat[es] emigrate to other countries upon graduation fro[m] colleges in those countries. The company has built an[d] equipped a total of nine other schools that provide fre[e] education to students in Zimbabwe.

- Goodyear Tire & Rubber produced its first tire [in] Lima, Peru, in 1943. The company currently emplo[ys] more than 900 people in a plant manufacturing tire[s,] tubes and industrial rubber products. They have lon[g] supported scholarship programs for university studen[ts,] and in 1978 Goodyear received a plaque from the Sa[n] Marcos University for "its important contribution to th[e] professional development of the students of Peru."
- One American company provided a 50-seat bus for [a] local high school in Zimbabwe, and maintains the bus a[t] company expense.
- A few of the companies interviewed say that they ar[e] operating adult literacy programs in the host countries. One chemical company, for example, has six hundre[d] adult students enrolled in four schools. The trainin[g] program lasts two years. In the first year, the studen[ts] become proficient in reading and writing in their ow[n] language, and in the second year they learn English as [a] second language.
- In some instances, American firms "adopt" loca[l] secondary schools. The adoption means that the companies provide part of the operating funds for the school; lend trained personnel to assist students in science, math and literacy programs; and guarantee that a certain number of members of the graduating class will find employment with the company. Enrollment in such schools is much sought after by local students because of the opportunities for higher paying jobs upon graduation.
- The school children in one country live in rural areas so distant from the schools that daily commuting was impossible. An American manufacturer built dormitory housing for the school children so that they could stay overnight at the schools during the week, returning to their rural families on the weekends.
- IBM Corporation lent one of its 370/125 large-scale computer systems to the University of Karachi to help establish a systems institute to teach programming and computer skills to scientific and engineering students at that Pakistani college.
- Some U.S. MNCs' training programs are used as models by local host governments. At the Bogor plant of

Goodyear, in Indonesia, sixty-three students have completed an intensive three-year program of instruction in electricity, mechanical repair, and maintenance during the past eight years. About half of the school's graduates have gone on to work for other corporations, and about half remained with Goodyear in new job opportunities developed in the company. The company has also provided donations to assist local orphanages, to create scholarships for the promotion of education in remote areas, to assist local Boy Scouts, Red Cross, and associations for the blind, and to develop a program of free school lunches for mentally deficient children.

• Firms such as John Deere have also sponsored special technology conferences focusing on developing nations' needs. For example, John Deere was the sponsor of an international *Conference on Agricultural Technology for Developing Nations: Farm Mechanization Alternatives for One-Ten Hectare Farms.* The latter conference was cosponsored by the American Society of Agricultural Engineers and the Interfaith Center on Corporate Responsibility at the University of Illinois.

Chapter 5

Economic and Community Development Programs

THE JOBS U.S. MULTINATIONALS provide in the host countries, and the foreign currency earned through exports derived from their manufacturing and marketing operations, are certainly the single most important contribution to the host-countries' economic development. But the companies do engage in a variety of assistance programs that have the net impact of bolstering the host-nations' economic and community development. These programs include housing, recreation, infrastructure development, and assistance to small business within the target countries.

Providing a Housing Base

Housing is regarded as an extremely important consideration in the operation of many American MNC's. This is particularly true for resource-dependent agribusinesses, mining and petroleum firms, and the like, but it is also a consideration in manufacturing operations in both urban and rural settings. The survey data indicate that nearly two-thirds of the companies with operations in these 12 countries are involved in housing-assistance programs. The most frequent form of assistance is either to provide free housing or to subsidize--through rental payments, rent allowances, and the like--the employees' housing in commercial ventures.

In a number of cases, the companies report having donated land and building materials to employees wishing to build their own houses. And in many more, they have actually constructed complete villages. The latter occurs most often in outlying areas where housing would not otherwise be available.

The U.S. MNC's are also very active in programs designed to provide home ownership for employees. Nearly half of the companies studied indicate that they make below-market-rate loans or mortgages available to employees to assist in home ownership. One manager explains: "We've constructed entire villages, in order to provide housing for our employees, but we would prefer not to own these villages over any extended period of time. We make loans and mortgages available to our employees so that they can eventually own the homes a[nd] the communities we have created."

In other instances, firms report that they assist lo[cal] communities in community housing projects. Most ofte[n] this assistance takes the form of financial grants or loa[ns] to local housing authorities. But a few companies al[so] report donating building materials or supplies; some ha[ve] deeded company-owned land to local housi[ng] authorities; and several report the loan of specializ[ed] equipment, such as pipe-laying machinery, constructi[on] cranes, and so forth, to assist local communities [in] housing projects. Firms have also assisted in buildi[ng] public facilities. For example, in Indonesia, Goodye[ar] Tire and Rubber has built a mosque near its rubb[er] plantations to facilitate religious worship by its workers.

Developing Industrial Parks

Several of the firms studied have built industrial park[s] as sites for their new manufacturing operations. The[y] then made extra space in the parks available to loca[l] businesses. The rationale for this approach has include[d] the following factors:

(1) The construction of the company facilit[y] necessitated developing roads, sewers, water supply, power, and so on, for the site. Once these facilities were installed, and there was extra land, it made sense to make portions of the land available to other industrial firms.

(2) The company was interested in persuading the firm's vendors and suppliers to locate near the company's manufacturing operations, in order to improve service reliability.

(3) It was a relatively inexpensive and rapid way of promoting regional or community development by attracting new businesses that would create additional jobs and help to develop the economic infrastructure of the immediate area.

(4) It increased the security of the firm's operations by providing a neighborhood of firms.

Building an industrial park is, of course, an option available only to a minority of firms. But the companies that have built such parks seem to be enthusiastic about their performance and recommend them as a mode of operation for firms establishing operations in LDC's. As might be expected, these parks are primarily sited in or on the periphery of the major urban centers in the LDC's.

Recreation and Conservation Programs

Supporting community recreational programs can be an important way to gain the trust and cooperation of both employees and community residents, several of the MNC executives questioned say. The companies surveyed do this by providing company-owned and maintained playing fields, parks and wildlife areas. But the single most prevalent form of involvement seems to be the support of athletic teams or leagues. In many of the countries the athletic teams, playing on an international or regional basis, are a matter of great national identity and pride.

Approximately half of the firms questioned say that they support athletic teams or leagues in the host countries studied. In some instances, they provide funding for an entire league, for example, soccer or cricket. In other instances, they sponsor a particular team. In the latter cases, the companies pay for team uniforms and supplies, travel expenses for the team members and coaches, coaches' salaries, achievement awards, and so on. In not all cases does the team have any direct identification with the company—as is often the case in company sponsorship of little league teams, bowling leagues, and so on, here in the United States.

Some companies are also active contributors to the Olympic efforts of the host countries, and support athletic activities in local colleges and training institutes. Some have sponsored sports clinics, both in the host countries and abroad, to acquaint athletes and coaches with new training techniques and equipment. Support of such programs is fairly widespread and common among the U.S. multinationals, regardless of company type or size of operations.

Several of the companies interviewed point out that their firms also help support national wildlife and nature conservation projects within the host countries. This support takes several forms. In one case, a company provides land adjacent to its agribusiness operations as a wildlife sanctuary. In other instances, companies have assisted local conservationists and naturalists in securing funds for a variety of conservation programs, ranging from swamp and tidelands preservation to the identification and cataloguing of animal species.

Construction of Transport Facilities

It is in the obvious self-interest of U.S. firms to have an adequate transportation system to move raw materials and finished goods to and from their manufacturing operations. A number of the companies studied have found that they cannot rely on the host country or local community governments to provide such facilities. In several cases, companies have had to build highways and access roads, or construct major railway facilities. In Jamaica, for example, one firm has built a railroad more than 35 miles long to move ore from its mining operations to a portside processing facility.

Firms have also helped to develop port facilities where channel dredging, docks and the like, were vital to their shipping operations. In some instances, the shipping facilities are used primarily by the company. But in many others, such as the construction of access roads and highways, transportation improvement is a form of community assistance, since the roads are open to the public.

Road construction is expensive, and maintenance costs are high. One mining company executive says: "But it's one of the lowest cost ways to promote economic development in a region. We tend to underestimate just how important a paved—or even an unpaved—road can be in generating economic growth in an area."

In some of the cases studied, the companies have undertaken to build a road entirely on their own, gaining rights-of-way and access through negotiation with local landowners or by agreement with the local community. In other instances, they have essentially underwritten a government-run program to construct or expand facilities.

Most companies would prefer to turn the roads over—for maintenance and upkeep purposes—to the local communities. But several say that they have been unable to do so, and that once they built the road they were "stuck with its repair." The managers explain that there are just no facilities in nearby communities to provide any sort of reliable repair for these roads, and the company continues to use its equipment and personnel to maintain them.

The amount of road building and maintenance can take place on a significant scale. In Indonesia, for example, Caltex Pacific Indonesia estimates that it built nearly 2,600 kilometers of roads at a cost of approximately $100 million, and that annual road maintenance costs are nearly $1 million.

In one Asian community, a U.S. tire company found that it had to build a bridge to complete a road network, in order to make it easier for employees to get to work. The company undertook the task and underwrote the entire cost of the new steel bridge.

Efforts Aimed at Agricultural Assistance

Many of the firms interviewed believe that one of the primary ways American multinationals can help in the development of the host countries is to bolster the nations' agricultural productivity and self-sufficiency. The ways in which they aid the agricultural sector vary greatly. Generally, they fall into five principal categories:

(1) *Establishment of Agricultural Research Centers and Services.* Several of the companies have either established their own, or have supported national groups in the establishment of, centralized agricultural research centers that focus on the macroagricultural production problems of the host country. Issues such as climate variations, total arable land available, water supply and possibilities for irrigation, and nutrient sources are examined in these programs. IBM Corporation has established 13 such research centers. The IBM centers take advantage of NASA satellite photographs in their evaluation of macroagricultural problems, and they are able to pinpoint areas of erosion, changes in river flows, and other problems through the satellite photos. Control Data Corporation, another computer firm, is engaged in a venture in Jamaica, designated Rural Venture Jamaica, that also focuses on macro issues, such as agricultural management and the use of appropriate technology for small- and medium-sized farms in Jamaica. The service also provides consulting advice on such agriculturally-related businesses as shipping, storage and food processing.

Castle and Cooke, and several other firms, have also contributed significantly to agricultural research stations established by Asian and Central American countries to help improve crop production in these nations. This help ranges from support funds and the loan of technical personnel to the establishment of scholarship and agricultural intern programs.

(2) *Specific Crop Improvement Programs.* A number of firms report that they have focused on a particular indigenous crop—rice, pineapples, bananas, peanuts, among them—and have attempted to improve the yield and quality of these crops as grown by local farmers. Not all of the firms engaged in this are agribusiness companies; that is, they will not necessarily purchase the output of these farms.

Among the companies that have been involved in such projects are Caltex, Massey Ferguson, Royal Dutch Petroleum, Castle and Cooke, Kaiser Aluminum, and numerous others. The focus of these efforts has been to find strains of seed that are resistant to local diseases, to changes in planting and fertilizing practices to take maximum advantage of crop growth potential, and to improve the ways in which the crops are harvested, stored and shipped.

Several of the companies report that their efforts have resulted in significant increases—a doubling in a number of cases—in agricultural productivity in the areas to which they have rendered assistance. Hopefully, these improvements are permanent and are disseminated throughout the host nation as other farmers, not directly involved in the improvement project, become aware of the improvement techniques.

(3) *Livestock-Specific Improvement Progra* Locally raised livestock, ranging from pigs and chic to cattle, are the principal protein sources for many of citizens of the host countries. U.S. multinationals h been involved in several projects aimed at improving quality and quantity of livestock. In Peru, for exam Carnation has been active in a program designed increase the quality of high-production milk c through a selective breeding program, and by introduc superior breeding stock.

Shell Oil has had a program for developing a "su pig" in Asia and making this new strain available to numerous Asian and island nations that depend on p as an important protein source. Even the honey bee h not escaped the attention of livestock improvers, a Chevron Oil has had a bee-keeping demonstrati project in Indonesia designed to increase the quality honey produced by local bee keepers in regions whe Chevron has operating facilities.

And in one Asian country, an American agribusine firm, recognizing that many of its employees are al part-time farmers, has introduced more sophisticate veterinary care and has trained employees in ways t upgrade the breeds of hogs and cattle that they grow fo family consumption and supplemental income.

(4) *Education in Agricultural Equipment an Processing Techniques.* Obviously, one of the principa keys to improvements in agricultural productivity lies i the area of mechanization. Because of the acknowledge U.S. expertise in this field, American multinationals hav been able to make significant contributions. In som instances, firms such as Ford Motor have designed tractors sized to meet the smaller plot size of many farms in LDC's. Other agricultural equipment producers, such as John Deere and International Harvester, have had special programs to teach farmers in LDC's the best methods of land clearing, plowing and planting, and to acquaint them with soil-conservation practices best suited to local agricultural conditions. They have also sought to train the farmers to maintain their own equipment. The latter is an important consideration because of the relative scarcity of dealer networks to service equipment. These firms have set up equipment maintenance courses in their principal dealerships that can be attended by local farmers and have redesigned equipment maintenance and repair manuals, reprinting them in local languages, to explain in simple terms how to maintain and repair equipment. The companies mentioned also provide equipment to local agricultural colleges and institutes and offer opportunities for professors from these institutions to visit the United States and become familiar with American agricultural equipment developments.

In addition to field equipment, American companies have also been active in assistance programs designed to teach local farmers how better to process, store and transport their food output. (The spoilage of improperly processed and stored foods is a problem that continues to plague many of the nations studied.) Ball Corporation has had small-scale food processing (i.e., canning) operations in place for a number of years in several of the host countries and, in fact, has established 25 separate locations in developing countries to help local farmers preserve the food they grow. The company has since donated the system to Food Preservation Systems, a nonprofit church group.

(5) *Supporting Local Agricultural Markets.* A number of the firms questioned say that they have taken affirmative steps in their LDC operations to assist in the marketing of locally produced produce and meat products. In some instances, this translates into the fact that companies in the construction, oil exploration and processing, mineral exploration and recovery, and similar fields arrange to procure the majority of their foodstuffs, for both expatriate and native workers, from local farmers. But in many other cases, the assistance is much more than simply purchasing groceries from local suppliers.

Some firms, for example, say that they provide free transport on company trucks to assist local farmers in moving their products to central markets. In other cases, especially those involving road construction, the building of the infrastructure helped local farmers to move perishable products quickly from the fields to local and regional marketplaces. In still other cases, firms like Kaiser, Reynolds, United Brands, Mobil and Castle and Cooke have provided counseling service to local farmers on better ways in which to pick, package and market their products.

Assisting Small Business Firms

Many of the firms interviewed report that they make a conscious attempt to utilize local suppliers, wherever possible, in procuring raw materials, components and finished goods for their operations in these less-developed countries. Providing a service as a valued purchaser of materials and services is one of the foremost contributions that an American multinational can provide for the small-business community in host countries. The extent to which firms can assist in this way varies, of course, by the kinds of business operations involved.

In the case of Sears, Roebuck, for example, its operations in Peru were instructed to purchase as much finished product as possible from local suppliers. The company has assisted literally hundreds of local manufacturers in less-developed countries to get started in business and to operate on a profitable basis.

In a majority of cases, the small-business operations assisted are family-size enterprises. Often they grow significantly with the assistance of an American MNC. In Peru, for example, a men's wear garment factory, that had begun as a family tailoring shop, expanded in two decades to become one of the nation's largest clothing manufacturers with a work force of over 600 people. During their growth period, Sears supplied technical assistance in clothing manufacture, advice on equipment purchases, market studies to pinpoint growth possibilities in the regional clothing market, and production designs to help new product lines get started.

The American retailer has also helped small factory operations in Costa Rica and in neighboring Nicaragua. In one case, a furniture factory supplying Sears stores grew from a twenty-person operation in 1972 to a three-factory facility, with over 400 employees, in 1976. Sears had provided a ready market for furniture suppliers' products throughout South and Central America.

But providing assistance to local businesses is not limited to major retailing operations. Manufacturers and mineral extraction firms also make deliberate attempts not only to select local suppliers but also to provide direct managerial assistance to many of these new businesses. One electronics firm, which purchases components and assembly work from numerous suppliers in Asian countries, says that its assistance ranges from financial planning to negotiating bank loans for its suppliers. It also assists suppliers in setting up production lines, training them how to use new materials and supplies, and even acts as a purchasing agent—combining the purchases of several different suppliers—in order to obtain price discounts on commonly used materials.

Other American multinationals have been instrumental in setting up cottage industries to provide supplemental income to local residents. This is most prevalent in agribusiness ventures, but other firms, such as the Singer Company, have adapted Singer machines to local embroidery and knitting skills and trained village women in the use of this equipment. They have also supplied the machines on long-term, low-interest credit terms to enable the local population to buy the machines and produce goods which could be sold in local and regional markets. Singer has offered such a program in both Jamaica and Egypt.

Multinational Banks and LDC's

Banks and other financial institutions can assist LDC governments, communities and workers in several ways. One is to provide loans, mortgages, and other forms of credit at interest rates below prevailing market rates. By making money available for capital or operational expenses that might not otherwise be forthcoming from lending institutions, this would become a subsidy to LDC borrowers. In the United States, this practice has been utilized by insurance companies, banks and other financial institutions to make loans to inner-city residents rehabilitating urban properties. But this is generally not the case with regard to American multinational financial institutions operating in LDC's. In personal and phone interviews with more than a dozen of the leading lending institutions in the host countries, it was found that the lenders did not favor this form of assistance program. They would prefer to make outright grants for various assistance projects, rather than grant loans at below-market interest rates.

One West Coast bank officer explains: "We have one set of criteria for making loans in these countries. We can't introduce a variable, such as the desire to express our social responsibility by lowering the interest rate, into this equation. Otherwise, we would risk the fact that some loan officers might justify loans for less than credit-worthy applicants by rationalizing the social benefit that the loan might provide. We prefer to assist worthy social goals in some other way."

Another banker explains: "In our operations in these countries, we really don't make very many loans to communities. We are making loans to companies, development authorities, or some other entity—and these are made on sound financial criteria."

The exception to the below-market-rate principle seems to occur primarily in connection with loans to the banks' own employees or dependents. Several banks report providing mortgage money and personal loan funds at significantly less than market rates. They rationalize this practice as a form of employee benefit. The bankers point out that the same kind of benefits are often also available to their employees in the United States.

Overall, it should be noted that banks are not major employers in any of the host countries studied. A decent-sized U.S. agribusiness firm, for example, will employ 100 times more people than the largest U.S. bank operation in the country. Rarely do the banks employ more than a couple of dozen persons, and often their operations in the host countries are done through corresponding bank arrangements.

In those countries where the banks have their own employees, the kind of assistance they provide most often follows the form of a grant to an existing social-service agency, with the money being used to support some ongoing program. The funds are rarely administered by the bank in programs of direct contact between the donor and ultimate recipient of the aid.

American banking institutions have been instrumental in setting up seminars to acquaint local banking officials with changes in international banking practices, regulations, management techniques, and the like. For example, Continental Bank recently hosted a summer seminar on foreign-exchange management in Bangkok. This seminar was intended to provide Thai bankers with an update and a first-hand look at existing currency-market conditions.

In general, the banks surveyed have not partic directly in development or assistance projects speci tailored to small-scale operations in LDC's. Major have, of course, been made for projects such as roadways, and harbors. Relatively few banks become sponsors of programs aimed at comm assistance, and even fewer at individual aid.

One of the principal exceptions to this has been C Manhattan Bank's Cattle Credit Program. Chase developed an agricultural credit program for small- medium-sized cattle ranchers in Central America whi designed to teach the ranchers to improve agricultural management skills and, particularly upgrade their financial skills so that they can take vantage of credit available through a network of branch banks

The Chase program utilizes the services of technicians, who visit the ranchers and provide one- one instruction in agricultural management and finan skills appropriate to their scale of operations. T program has more than doubled cattle production in areas where it is in force and is regarded as a model combined financial and managerial assistance to an L agricultural community.

Aid to Arts and Cultural Programs

About one-quarter of the companies studied give sor sort of assistance, usually in the form of a direct financi grant, to arts or cultural activities within the ho countries. The most frequent form of assistance is sponsor special exhibitions and shows either in the ho country itself, or as touring shows that bring art wor and crafts to other countries in the region.

About one in five firms provide some sort of cor tinuing operational grants to local museums. And severa of the companies studied say that they have supporte dance and theater groups in the host countries. On mining company supported a dance troupe that travele to the United States and performed in several cities.

Kenfoto Ltd., the Kodak subsidiary in Kenya organized a team of high-I.Q. high-school students for competition on a weekly television quiz show organized by the Rotary Club of Nairobi. This show is used to raise funds for various children's charities in Kenya.

In many communities in LDC host countries, U.S. MNC's try to involve the community members through inspection, tours of plants, social events held in company facilities, and so forth. For example, Warner-Lambert, at its Lima, Peru plant, brings local school children in twice a week for a plant tour, capped by a party and magicians' show and an opportunity to use the plant's own playground.

A few companies have also provided money for exchange programs that send promising young artists to the United States for training and brought U.S.-trained artists to the host countries. Usually, these stays were of short duration.

In general, support of art and cultural programs is not a majority practice by the companies studied. Several firms that do not engage in this kind of assistance explain, however, that there are relatively few opportunities in the countries in which they operate to provide such assistance, and that other pressing needs in the medical and nutritional areas cause them to focus their assistance on them rather than on the more esthetic features of the host-country's society.

Case Illustration: Champion International Corporation

Champion International Corporation estabished a logging and sawmill plant near Iquitos, Peru. The plant is located seven miles from the latter city, and is the last deep-water plant on the Amazon River. The plant employs two hundred Peruvian citizens and has five expatriate Americans working there. The plant is a veneer-cutting operation, producing a veneer ply for use in plywood manufacturing operations in Orangeburg, South Carolina.

The plant in Iquitos handles huge Amazon-basin lapuna trees that grow to 100 inches in diameter and can be as tall as 125 feet. They are cut into logs and float down river to the plant at Iquitos that "peels" the logs into thin veneer sheets which are then dried, stacked and shipped to South Carolina.

The Champion International operation at Iquitos is a good example of the kinds of assistance programs a multinational firm provides in back-country regions. To begin with, the firm operates a fleet of "bum boats"—motorboats that transport employees from their residence in Iquitos downstream to the plant—a kind of commuter fleet.

The employees are provided with meals at the plant. Typically, the company supplies a full breakfast and dinner during the regular, daytime shift, and at least one meal on the evening shift.

The company also runs an elementary school. Firms operating in Peru are required to provide schooling from grades one to four in any outlying areas where plants may be located. The children attending the Champion school range in age from five to sixteen years of age. The company recruits qualified local Peruvian teachers, who make up the faculty.

The company also provides medical assistance by employing a full-time nurse at the work site, who provides medical care for both commuting employees and for those workers who have lately chosen to build homes close to the riverside plant. The company will also pay to send employees upstream to the city of Iquitos to physicians located there. But a company spokesman notes that there is much less need—or at least less demand—for medical care and assistance by the Peruvian employees than what one might expect in the United States.

In most cases, the level of mechanical and general operational skills for new employees is so low that the company also must have a formal training program for any employees it hires. A company executive says: "Even the simplest machines can't be operated by newly hired employees without some training period."

The problem of attendance is a very real one at the Peruvian plant. Getting people to work for a four- or five-day week is a continuous battle. Once the employees are paid—and they are usually paid on a weekly basis—some take off for a bout of drinking which reduces the likelihood that they will show up for several days. As a result, the company is trying a variety of stratagems—such as alternating pay dates—to get them to work a regular week.

Because of local statutes, an evolution toward the "industrial community law" which would have had all plants owned by their employees by 1986, the Peruvian workers now own one-third of the business. They operate under a production and quality incentive bonus system.

Case Illustration: Del Monte Corporation

In the high plateau country of Thika, a city 27 miles northeast of Nairobi, Kenya, Del Monte Corporation built one of the world's most modern food processing plants. This plant was constructed four years after Del Monte acquired a major interest in Kenya Canners and is surrounded by a plantation of 9,500 acres.

The Del Monte operation provides employment for 6,500 Kenyans. An additional 5,000 jobs in various supporting industries have also been created because of the new plant. This is a highly labor-intensive operation, well suited to the needs of a less-developed country.

To provide employee and community assistance, the company has built housing close to the factory and plantation fields, creating eight separate villages with homes for roughly twelve thousand people. Del Monte has also built a nursery, primary schools, and a secondary school—now recognized as one of the top-quality educational institutions in Kenya. The Imani School provides a curriculum covering subjects ranging from algebra to skeet shooting for 300 students. The company has also been active in adult education programs, utilizing company facilities, and has established a three-year apprentice program for individuals who work in the company's automotive shop and graduate as journeyman welders, machinists and electricians—many of them to be employed by other companies in Kenya. While some multinationals experience a problem with high employee turnover, the Del Monte operation is the model of employee loyalty. It has a turnover ratio of between 3 and 5 percent annually, one of the lowest for all employers in Kenya.

In Central America, Del Monte Corporation operates a banana farm that is also illustrative of the kinds of community-assistance programs that U.S. agribusinesses are often called upon to provide. In this complex, which has a total payroll of more than 5,000, the company provides virtually all of the necessities and many of the amenities of life. Homes and schools, as well as medical care, are free. So is a newly constructed movie theater, as well as a country club with an Olympic-size swimming pool and a nine-hole golf course. The employees own a food cooperative, which runs a series of neighborhood stores near the farms, selling food at near ost. The company-operated school system employs 87 teachers and provides instruction in both Spanish and English. Twenty-six scholarships are offered yearly to students who want to go on to higher education.

In Costa Rica, Del Monte is investing more than $35 million on a new pineapple operation, which involves planting 6,000 acres of former cattle range and brush land in pineapples. The first major production will begin in 1984 and operation is scheduled to come up to full production in 1988. At present the company is building housing and recreational facilities to serve the estimated 1,250 new employees at this site. Coffee and bananas are the principal foreign-exchange earners for Costa Rica, but when the Del Monte Pineapple Corporation comes into full production it will be a contender for foreign-exchange earnings.

Chapter 6
Looking Ahead

DESPITE THE SUBSTANTIAL economic and social problems that many of the host countries face, the executives questioned are, in general, optimistic about the future of the nations and of their firms' operations in these countries. A large part of this optimism is based on a growing sense that harsh economic realities of the past few years have engendered a sense of realism and pragmatism in the operating philosophies of many LDC political leaders. There is, the executives state, a new recognition of the role that MNC's play in providing jobs and trade for the host countries—and to the importance of these factors in assuring the political leaders' own futures.

Constraints on Expanded Assistance to LDC's

While the companies surveyed indicate no intent to reduce the range of benefits they currently provide to employees and communities in host countries in any significant way, they do cite a number of factors that may inhibit the expansion of benefits and assistance levels. Among the principal factors cited are:

(1) *The Growth of a Spirit of Entitlement.* Several of the executives questioned cite recent instances of attempting to introduce new benefits in exchange for the discontinuance of certain existing benefits. They were met with strong resistance on the part of union and government representatives from host countries. In one of the countries, for example, an appliance company spokesman notes:

"The situation we face in that country is such that we'd like to introduce expanded health-care benefits for our employees, but we can't afford to increase the total cost of the benefits package. In order to add the new benefits, we have to convince our employees to give up some of the things we have been traditionally doing for them—like providing free transportation to the job. But our experience is that they accept all the existing benefits as givens—as entitlements—and negotiate only for new benefits. Realistically, there has to be some kind of exchange."

The expanding sense of entitlement leads some multinational managers to hesitate to introduce benefits because, once added to the employee- or community-assistance program, they become "set in concrete" and cannot be discontinued if economic pressures force cost reductions.

The managers point out that some of the host countries have undergone significant changes in their standard of living. Therefore, some of the company benefits provided ten years ago, and reflecting the then economic and development situation in the host countries, are now less relevant and are viewed by their firms' management as "luxury additions" to the employee-benefits package. Overall, the MNC managers interviewed argue that host countries and employees in those nations have to exhibit a greater degree of flexibility with regard to the benefits provided.

(2) *The Pressure of Declining Profits from LDC-Located Operations.* The worldwide recession of 1982 to 1983 has drastically cut the profit margins for MNC operations in many of the host countries studied. This pressure on profits, with the consequent scrutiny of operating costs, has forced many companies to take a careful look at existing benefit programs for employees and communities in the host countries. While, as noted above, there is no serious intention to cut back on these programs, there is a great deal more scrutiny of the impact on operating costs that new programs might have.

(3) *Difficulties in Assessing Costs and Benefits.* One of the continuing areas of uncertainty and argument is the degree to which certain benefits are cost effective, that is, the return amounts are equal to, or in excess of, the cost of the benefit. The difficulties in assessing this point are legend and no satisfactory resolution is yet at hand. Many of the resident managers in the host countries, according to the MNC executives questioned, feel firmly that the cost of the benefits provided are far outweighed by the gains in productivity and the improved community relations that such programs provide. But gathering empirical evidence to substantiate this feeling has been difficult to obtain and, lacking such evidence, companies are reluctant to expand such programs.

(4) *The Growth of Organizational Impediments to Grants and Assistance Programs.* In certain of the companies studied, changes in operational policy and procedure during the past several years, principally the centralization of grant-making authority at corporate headquarters, has removed some of the autonomy and discretion that made it possible for local managers to assist individuals, social-service agencies, and communities. The desire by certain companies to centralize such authority, which may have budgetary rationale, complicates the problem of obtaining funds for local groups in host countries. In the case of one office equipment firm, for example, applicants for aid are now referred to the U.S. headquarters of the company. Often, groups are rebuffed by this requirement and simply do not seek further assistance. Only the more sophisticated host-country social-service agencies will make requests for assistance at a U.S.-located company headquarters.

(5) *Growth in Host-Country Living Standards.* Ironically, some of the progress that host countries have made in raising their living standards, and improving their economic development, also acts as an inhibitor to an expansion of MNC assistance. One food processing company executive, for example, explains that: "When we first came to that country, it was really primitive. We had to provide water, electricity, health care, and even run food and clothing stores. But in the past two decades the government has stepped in, albeit not always efficiently, to provide some of these same services. We have no economic justification for competing with the government-provided services and have dropped out of certain of these areas."

(6) *Problems and Prospects for Political Instability.* In several cases executives interviewed expressed the view that "if we had it to do all over again [invest in certain of these nations] we wouldn't." The reasons most often cited revolve around political instability. (See country profiles on pages 6-20.) While the companies, with some notable exceptions, do not intend to disinvest in these nations, they are restrained from expanding operations and work forces—and expanding their aid and benefits programs—by the belief that the host countries are going to continue to be plagued by political instability.

Incentives for Expanded Aid to LDC's

The survey data show that there are a number of factors that may contribute to an actual increase in MNC aid to the host countries studied. Among the primary ones cited by the executives surveyed are:

(1) *Observed Gains in Productivity:* A number of the executives questioned point out that they have been able to observe significant boosts in productivity in LDC work forces. Some of these gains are thought to be directly related to various aid programs—particularly health and nutrition—and thus managements are encouraged to expand these particular activities.

(2) *Increased Visibility of Foreign-Owned Businesses.* The continued international dialogue over the social responsibility of multinational corporations, coupled with the increased visibility of foreign-owned firms in the host countries, has created pressure for the firms to "nationalize" these operations. Some financial divestiture, such as selling parts of the company to employees, local investors, local governments, and so forth, accomplishes part of this goal. But there is also a perceived need to improve the social responsibility of some of the firms studied. One of the principal ways to accomplish this is through expanding benefits and assistance programs to employees and local communities. Hence, the executives in these firms suggest that their companies will be budgeting more for such programs in the near future. Largely, at present, they are trying to sift through the variety of programs available and assign priorities.

Criteria for Support to LDC Programs and Agencies

One major American firm, which has distributed tens of millions of dollars of corporate contributions overseas during the past half decade, has developed a list of criteria that it uses in determining whether or not to support a program or agency in various countries. The primary criteria on this list are that:

(1) The program should support a national and/or international interest. It should not be focused on solely local or institution-specific interests.

(2) The program should provide high visibility for the donor and donee groups.

(3) The goals and achievements of the programs or agency should have a long-lasting impact—this may be less possible for the support of certain art and cultural activities, but it is a generally recognized criterion of the company's program.

(4) The activity should be innovative and catalytic in nature. It should trigger additional programs, or the expansion of existing activity, in the desired support area.

(5) The program should be nonautomatic; that is, it should be an activity that would not otherwise have been initiated.

(6) The program should not interfere with, or seek to substitute for, local business interests.

(7) The program should not be either political or religious in content or support.

(8) Where possible, the costs of the program should be tax deductible in the country involved.

(3) *Benefits Costs are Still Lower Than Those Provided to U.S. Workers.* Despite the fact that extensive benefits are provided to workers and communities in LDC host countries, the managers point out that the overall benefits costs are still lower, on a worker or host-community basis, than similar categories of costs in the United States. While there are marked differences in productivity between U.S. workers and those in the host countries, these differences are not so great as to erase the favorable—to the workers—advantage that U.S. workers enjoy. Therefore, the managers in these companies say there is still room for budgetary growth in the benefits accorded workers in the host countries and that, as they are able to substantiate the gains such benefits produce in productivity, they are likely to expand these programs.

(4) *The Deteriorating Financial Situation of Host Countries Requires Additional MNC Assistance.* A few of the executives interviewed chose to draw parallels between the budgetary cutbacks in the U.S. government programs of aid to social-service agencies and the situation in the countries studied. They point out that many of the these countries' governments have financial pressures far in excess of the Reagan Administration's difficulties, and that these governments have been forced to make reductions in health, nutrition and community-assistance programs. In the host countries, as well as in the United States, there is an obvious need for private-sector initiatives.

As primary employers in certain of these countries, MNC's are a logical source of private-sector initiatives. Plainly translated, this means that companies may have to do more to bolster the strained resources of local governments in meeting the social needs of the citizens of these countries. If the MNC's do not step in to fill some of these gaps, the executives believe, they will face increased taxation from the countries as a means of gaining funds to stretch strapped social-service budgets.

Critical Self-Assessment

One major U.S. multinational, with operations and sales in over one hundred countries, recently conducted a self-analysis of its aid programs and activities. While the analysis revealed a number of commendable achievements, it also uncovered significant weak points. This firm reports that, in its experience, companies should be certain that:

(1) *They have performed an adequate assessment of individual countries' assistance needs.* Often, local managers have not taken the time to look closely at what the primary needs of a nation are. They may tend to be out of step with the nation's real needs and thus unwittingly participate in assistance programs that are not addressed to those primary needs.

(2) *More concentration should be placed on major grants.* There is a regrettable tendency to try to make limited aid funds go further than they legitimately can by making a series of relatively small grants—rather than concentrating on a few major grants where significant leverage can be obtained as a result of the company's assistance.

(3) *Make certain that more of the aid programs are proactive rather than reactive.* Too often, the company reports, its aid is made on a reactive basis. A donee group approaches the company and the company responds. Instead, local managers should spend more time actively looking for areas where the company can be of assistance and initiating action rather than responding to requests for assistance.

(4) *Fuller utilization should be made of nontraditional assistance programs.* The company study showed that managers were not taking full advantage of the possibilities for assistance through secondments, the donation of equipment, and, particularly, through joint research projects with local development agencies and centers.