THE IMPACT OF MULTINATIONAL CORPORATIONS ON THE BRAZILIAN ECONOMY

ANAND PRAKASH GHILDYAL

A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT
OF THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF PHILOSOPHY OF THE
JAWAHARLAL NEHRU UNIVERSITY
SCHOOL OF INTERNATIONAL STUDIES
NEW DELHI
1979

Contents

Preface

The economies of the developing countries seem to be undergoing significant changes with the advent of the Multinational Corporations (MNCs). Foreign investment through MNCs have grown dramatically in recent years. More so, the sectors into which such foreign investment is moving has changed considerably. More and more of MNC investments are moving away from primary goods producing sectors to manufacturing and semi-manufacturing sectors. The kind of technology that comes along with foreign capital is increasingly more sophisticated producing in the process certain distortions in the recipient economies.

The profile of these economies, especially where MNCs loom large in respect of supply of capital and technology, therefore, are fast changing. From being primary producing and exporting economies these countries are gradually moving to specialization in the production of manufactured and semi-manufactured goods and exporting them. Such transformation it must, however, be underlined are taking place not necessarily on the basis of a choice that these countries have made for themselves. It is on the other hand, thanks to the growing economic power of the MNCs themselves which dominate these economies. It is in fact the increasing multinational corporate power which to a large extent has facilitated the transfer of economic decision-making from national to foreign hands, resulting in what is known as economic "de-nationalisation" of developing countries.

While the issue of foreign corporate power and its impact on the political process, to some extent, has been assessed following what had happened in Chile in the early 1970's, the implications of MNCs economic power in respect of determining the course of economic development in these countries has not yet been either clearly understood or adequately examined.

Information gathering on MNCs operations in the less developed countries is still inadequate. Nor is there an international mechanism for a systematic data collection on multinational corporate activities. It is therefore, imperative today, more than ever, to attempt an empirical survey of MNCs activities and their role and impact on individual developing countries.

It is with these objectives in mind, an attempt is made in the dissertation, to study the role of MNCs in Brazil. Brazil, in many respects, offers a good test case for a study along these lines because, apart from being a continental-sized country with a variety of factor endowments, it is one of the more advanced of the less developed countries both in Latin America and elsewhere. The MNCs have made a great headway in Brazil precisely because of the size of its market and the variety of natural resources that it is endowed with.

In the process, Brazil in recent times, has registered so high a growth rate that its economic development is frequently described as a "miracle". A closer scrutiny of the Brazilian "miracle" however, suggests that it has been largely due to the MNC investments. Brazil once a primary producing country, is today an important producer and exporter of manufactured and semi-manufactured goods. The presence of MNCs is substantial in precisely these sectors. How this transformation has come about and what implications it has for the future course of development of the economy of Brazil are issues that will basically be examined in the dissertation.

MNCs involvement in Brazil is a post-Second World War phenomenon. Much of MNC investment is concentrated in the critical manufacturing private sector or infra-structure producing state enterprises. To some extent, admittedly, MNCs stranglehold over these economic sectors in Brazil has largely been due to the rather liberal foreign investment policy of the Brazilian military government. In the process, however, what has happened is that notwithstanding Brazil's resource endowments, the economy has turned away from producing and exporting the primary product for which it is fortuituously placed into producing manufactured goods the markets for which are largely located outside Brazil. In other words, what the "miracle" has achieved for Brazil through the MNCs is changing the country into becoming even more critically dependent on an export market. For, much of what is being produced in the manufacturing sector is still not relevant and certainly cannot be absorbed by the domestic market.

Be that as it may, what is even more detrimental to the Brazilian economy is the growing abridgement of opportunities for the indigenous capital and enterprice to operate independently. The manner in which the economy is growing in other words, has little to do with local entrepreneurs. In sum, the direction and the destiny of the Brazilian economy, it appears, is being increasingly determined by the MNCs.

It is against this background that a modest attempt is made in the present study to survey the role of MNCs in Brazil. While, data relating to the extent of control that MNCs exercise over the different sectors of Brazil are not exhaustive, it is still possible, on the basis of available statistical data, a descriptive survey of the MNCs role in the different industries of the manufacturing sector operating under the auspices of both private and public enterprises. A study along this line would help facilitate an assessment of the extent to which the MNCs have contributed to the process of economic denationalization in Brazil.

Under this broad framework, the dissertation is divided into five chapters. Chapter one attempts a description of the economic profile of Brazil and attempts to highlight salient aspects of the political economy of Brazil since the colonial period. Chapter two surveys the role of foreign investment in Brazil and would underline the U.S. investments especially since the Second World War. Chapter three will study the different sectors into which MNCs have moved in recent times and show the extent of U.S. based MNCs control over the Brazilian economy. Chapter four attempts an analysis of the implications of multinational corporate power over the economy and the extent of the denationalization experienced by Brazilian industrial sector.

A. Ghildyal

20th July 1979
New Delhi-67

ANAND PRAKASH GHILDYAL

Acknowledgments

I am deeply indebted to my teacher and Supervisor, Dr. R. Narayanan, for his understanding and invaluable guidance at every stage in the preparation of this dissertation. He guided me at every little step, and in moments of doubts, uncertainties and desperation it was his encouragement that saw this day through.

I would also like to thank my friend, Shri L.N. Mallick of Jawaharlal Nehru University, Central Library for his generous assistance in whatever way I needed.

And a special thanks to my typist friend, who typed the drafts and final version of this dissertation.

Chapter I

INTRODUCTION

Chapter I

INTRODUCTION

Brazil is one of the five largest countries in the world, Covering an area of 3.3 million square miles with a population well over 100 million and a gross national product approaching $ 80 million. It is possibly one of the largest countries in the world with enormous forest resources much of which even to this day are yet to be exploited. Brazil's mineral reserves such as iron ore, manganese and other industrial metals are also enormous, much of which are found throughout Brazil. The principal zone of ore deposits is in the north-south mountain range running through the state of Minas Gerais. The iron ore deposits of Brazil are among the richest in the world. Brazil's known oil reserves are mainly in the state of Bahia. Manganese deposits are found near the Bolivian borders. Other significant minerals found in large quantities include copper, lead, zinc, nickel ore, gem stones, industrial diamonds, bauxite, graphite, chromium, tungston and gold.

In addition to the rich variety of minerals, Brazil's agricultural resources are also abundant. The leading agricultural products of Brazil include coffee, rice, corn, sugarcane, black beans, cotton and manioc. Besides cattle ranching, beef, pork, mutton and poultry products are products in which Brazil often has an exportable surplus.

Endowed as it is with a variety of minerals and farm products which make Brazil a potential economic power in the coming decades, the country is also endowed with hydro electric power which would in course of time accelerate the process of economic development. No doubt in the context of the Latin American continent, Brazil is by far the only country the economic development of which is far ahead of the rest of the countries. While countries such as Venezuela with a per capita gross national product of over $ 2000, per year -- several times higher than that of Brazil and is at this point of time the most leading rich country in Latin America and Argentina with a head long start over Brazil in terms of the process of industrialization with a large industrial base, yet in the long run Brazil is poised for becoming the economically leading developed Latin American country.

Modernization of the Colonial Export Economy

Given that the economic history of Brazil prior to 1930 was one of cyclical external impulses to growth, foreign demand for Brazil's exports provided admitedly the principal economic stimulus.[1] The impetus for economic

---

1. Statistical data used in the section are compiled from Werner Baer, The Industrialization and the Economic Development of Brazil,(1966, Fundacao Getulio Vargas, Rio se, Rio de Janeiro); Celso Furtado, Economic Growth of Brazil, (1963, University of California Press, Berkeley, California).

expansion came from outside the local economy -- from Western Europe, particularly Portugal and England, and later from the United States. Between 1530 and 1650 sugar exportation was the dynamic sector followed by gold between 1700 and 1780, and finally, coffee between 1840 and 1930. With Brazil's independence from Portugal and the onset of the era of free trade, Britain became the greatest foreign supplier of Brazilian market, though not without competition from France, the United States, Holland, and Sweden.

During the last half of the 19th century both Britain and the United States invested large amounts in Brazil, mostly as portfolio holdings. Bonds and other capital stocks, as well as foreign entrepreneurship, were important factors in the expansion of railroads, telegraphs, and utilities. By 1880 the stock of foreign capital (including portfolio investments) was estimated to be about $ 190 million, growing to $ 1.9 million in 1914 and $ 2.6 billion in 1930. About one-half of foreign capital in Brazil was British and one-quarter American. Although centered mainly in railroad and utilities, foreign investors had substantial capital invested in sugar production, grain mills, meat packing, banking and finance.

The Great Depression caused the collapse of the coffee export economy. As external demand plummeted, exports fell from $ 445.9 million in 1929 to $ 180.6 million in 1932, and capacity to import was severely curtailed. Ironically, more by accident than design, this created a situation that led to a Keynesian solution. With large stocks of unsalable coffee in their hands, politically powerful coffee growers succeeded in obtaining huge subsidies from the government in the form of government coffee purchases. This increased aggregate demand combined with imports effectively tariffed by the Depression created the opportunity for capital holders to invest in industry. The outcome was that industrial production fell off by less than 10 per cent in the early depression years and by 1933 recovered too its 1929 level. The protection from imports that the Depression created abated only temporarily, as the Second World War impeded the full resumption of normal trade flows. By 1947 industrial production grew to over two and one-half times its 1929 level, and the process of industrialization by import substitution was well underway.

The role of foreign capital in industrialization between 1930 and 1945 was clearly secondary to that of domestic capital, but it surged in importance after the War. The 1946 book value of US direct investments was only $ 323 million, a figure that expanded rapidly in the post-war years, to reach $ 644 million in 1950 and $ 953 million by 1960.

The expansion of U.S. enterprise in Brazil was inextricably tied to a host government policy of continuing the import substitution process inadvertently begun in the Depression and War years. The key policy elements included prohibitive tariffs for light consumer goods, consumer durables, and intermediate goods, and subsidized importation of capital goods, while at the same time, changing the composition of national output from agrarian export to industrial production for the local market. In the post-war period (1947-61), industrial production grew by 9.6 percent annually and during the Kubitschek administration (1956-60), by 12.7 percent annually. It is evident that industry became the leading sector. Government policy explicitly favoured foreign investors who would agree to import industrial equipment for the production of those goods given high priority by the government. In 1955 the Cafe Filho regime, turning away from the more nationalist policies of the Vargas administration (1941-54), issued SUMOC Instruction 113 allowing foreign enterprises to import equipment at 45 percent below the tariff level and exempting them from providing the foreign exchange "waiver" for importing machinery, an advantage not enjoyed by Brazilian-owned firms. Kubitschek's policies of "developmentalism" vigorously promoted industry. His Government offered business easy credit, protection from foreign imports, and an everwidening market due to increased public outlays that expanded aggregate demand.

The results of these policies were impressive. Industries for which more than 50 percent of the total supply had been imported in 1949 became key growth centres for the industrial sector. Between 1949 and 1962 the chemical industry provided 14.8 percent of all growth, followed by transportation at 14.4 percent, metals at 11.3 percent, manufactured foods at 10.8 percent, and textiles at 8.9 percent. The foreign component of this process was large. It is estimated that the share of total growth production by foreign firms amounted to 33.5 percent of the 1949-62 expansion in manufacturing and 42 percent of the import substitution industry growth.

Concomitant with the growth of the foreign sector came the expansion of the state sector. The early years of the Second World War had seen the creation of a number of state enterprices, among them the Fabrica Nacional de Motores (later sold in 1968 to an Alfa Romeo-Fiat joint venture), and the iron ore mining firm of Companhis Vale to Rio Doce (now Brazil's largest exporter of iron ore). During the 1950s the government's central planning apparatus was expanded along with the Banco Nacional de Desenvolvimento Economico (BNDE), a development bank important to the financing of infrastructural projects. Expansion in the steel industry with Volta Redonda and the creation of two parallel firms, Usiminas and Cospa, occurred during the early fifties and became pivotal to subsequent Brazilian growth. Perhaps more important, however, was the creation in 1953 of the government oil company Petrobras. The firm was given sole right to explore and extract petroleum, with the pointed exclusion of the foreign firms. Other government firms were created in banking and utility operations, especially power generations and distribution, public transportation, and telecommunications.

From Modernization to MNC-engineered Denationalization Process

The accelerated economic development process which began ever since the Depression years following the imports substitution strategy began to show some setbacks by the early 1960s. The administrations of Janio Quadros and Joao Goulart were in a sense, economically a disaster because of problems such as high inflation, agricultural stagnation and balance of payment difficulties. Alongside the rapidly spiralling inflation the enormous public expenditures incurred by the two administrations pushed aggregate demand beyond the capacity of Brazilian industry. In an effort to stem inflation the government resorted to monetary expansion which further aggravated the inflationary situation. Agricultural production which had been more than sufficient to meet the demand during the 50's, fell short of the increasing demand during the early 60's, thereby further worsening the inflationary situation. Above all, the uncertain political leadership during the early three years of 1960's, further compounded the prevailing economic difficulties.

The climax of the criticality of the economic situation was reached when in 1962 the government was faced with a severe balance of payment crisis. The Goulart administration coming heavily on profit repatriation of the foreign capital investment forced the foreign investment to slow down. As a result during the year 1962, from an average of almost more than $ 100 million annually the foreign investment reached a low of only $ 9 million. Even though Goulart's left-oriented foreign policy was popular atleast with the urban industrial working class, it had no support from the United States as a result foreign loans especially subscribed by the United States fell from $ 190 million during 1958-61 to $ 140 million in 1962-63. As a consequence of defaulting on payments of international debts, negative per capita growth and inflation reaching more than hundred percent the Goulart regime fell a victim to a military coup in April 1964.

Once the military came to power a radical change in respect of its economic policy became almost inevitable to meet the inflationary situation. Public expenditure was frozen and a freeze on the minimum wage was applied. To meet the balance of payment deficits the Brazilian cruzeiro was devalued and laws establishing ceilings on profit repatriation on foreign investments were removed. What is more the military junta sought foreign investments.

None of these afore-mentioned measures brought positive relief to the economy which was experiencing a severe recession. Per capita growth rates continued to be negative and reached a low of .7 per cent on an average through the years 1964-67. Inflation was lowered to under 40 percent but production losses and unemployment were quite high. The balance of payments situation remained tenuous. While the direct private investment increased to $ 73 million in 1965-67 from $ 22 million in 1962-64, the uncertain market conditions nonetheless held it below 1958-61 average.

The year 1967 with the change in the military administration under of Costa Silva heralded a change in the economic policy. The money and credit supplies were expanded and the balance of payments position improved as Brazilian exports, actively promoted and now cheaper with the "crawling peg" minidevaluations, grew in volume. Large surpluses in the trade balances for 1969 and 1970 contributed to a record level of $ 1.2 million in foreign exchange reserves. With foreign capital once again flowing in substantial amounts (a response to new market growth as well as a cause of it), per capita growth in income reached 5 percent in 1968, 5.6 percent in 1969, and 6 percent in 1970.

Throughout this period the government progressively expanded the role of the state in economic affairs to insure national control over basic sectors and continued economic growth. During the 1960s and into the 1970s, state banking, steel, and oil enterprises founded in the early fifties were expanded and some utility operations consolidated. Government firms, controlling more than half of industrial assets, have become predominant in electric power generation, steel, iron ore, petroleum exploration, refining, and marketing, and other sectors such as railroads, telecommunications, and shipping. Meanwhile, government expenditures as a percent of GDP grew from 17.1 percent in 1947 to 32.2 percent in 1967.

Despite the improved economic conditions, by late 1968 the military government found it necessary to further consolidate its political power. In response to Congressional unrest and opposition, the military dissolved the legislature and promulgated. Institutional Act No.5 giving the President virtually unlimited power "to protect national security". Since then, the political situation has remained under military rule, although state-level elections and elections for Congress (whose powers are nominal) have recently been permitted. Meanwhile, high growth rates have continued and the basic strategy of the Brazilian "model of growth" appears to be continuing under the subsequent administrations.

As has been noted ever since the Second World War, partly because of the accelerated emphasis on industrialization and partly because of the continuing need to overcome the balance of payment problems that riddled the successive administrations, the Brazilian approach and policy towards foreign investments became very favourable except for the brief period of the administrations of Quadros and Goulart. Given the expanding role of the state in certain of the basic industries the Brazilian government had since the Second World War strengthened the institutional framework to encourage foreign firms to operate in the economy, except for petroleum investments, in industries such as domestic air lines, coastal shipping, mass media and fishing were proscribed. Some limitations on foreign investments were laid in respect of industries in civil engineering, petrochemicals and mining. On the other hand no limitations whatsoever were prescribed on foreign ownership in manufacturing and semi-manufacturing sectors.

Ever since 1945 various forms of exchange and financial remission for foreign investments were offered. By 1953 a system of free currency exchange was adopted and controls on profit remittances were practically eliminated. While during the years 1961-62 because of the balance of payment difficulties stringent controls on MNC profits were adopted.

The subsequent military government rescinded these regulations converting once again a free foreign exchange market and unlimited foreign remission. Recent laws relating to MNC profit remittances, in effect, provide no limitations whatsoever. In times of foreign exchange crisis, remittances are restricted to 10 percent of the initial equity capital in essential industries and 5 percent in luxury industries. However this legal provision has never been activated.[2]

While foreign exchange is freely available for profit remittances abroad, the only limitation or restriction in regard to the MNC operations relate to technology transfer and licensing agreements. All technology agreements are submitted for registration to the Department of Industrial Property. Payments for royalties and technical assistance contracts are limited to between 1 and 5 percent of annual gross sales. However such payments abroad are considered distribution of profits and are therefore, subject to 40 - 60 percent supplementary tax on remittances exceeding 12 percent of the registered equity capital.[3]

---

2. Gasland Griffith, "Legislation and Practice with regard to Investment from abroad and International Contracts: Exchange Control; Investment Incentives", Doing Business in and With Brazil, (1971, Bank of Brazil, Sao Paulo).

3. Ibid., pp.101-104.

Chapter II

ROLE OF FOREIGN PRIVATE INVESTMENT IN BRAZIL

Chapter II

ROLE OF FOREIGN PRIVATE INVESTMENT IN BRAZIL

Despite its continental size and the variety of resource endowments, the economic development of Brazil only in recent years has been somewhat satisfactory. Ever since the colonization of Brazil by Portugal the economic development of Brazil has been rather slow and halting. Historically speaking, Brazil's colonial economic development was a proto-type of other colonies in Latin America and elsewhere. The resources of Brazil have been exploited essentially thanks to the nature and level of demand in Europe. In the process the economy experienced successive booms by way of production and export of mineral ores and primary products at any given point of time. In fact, until the beginning of the 20th century and more precisely, from the 1930s, when the process of import substitution industrialization was initiated by the Brazilian government, Brazil's economic evolution was characterized by a series of production or commodity cycles such as brazil wood, sugar, gold, diamonds, rubber, cocoa and finally, coffee.

Sugar, gold and coffee have dominated Brazilian development and all have run through their periods of quick financial investment and eventual decline and collapse. Portuguese sugar colonies brought settlement and prosperity to the Nordeste during the 16th and 17th centuries which in its high point brought African slaves to work in the cane fields. When gold was discovered in 1698 in Minas Gerais the gold rush brought foreign resources and manpower in the form of Portuguese and other European immigrants. Once of the best sources of gold and diamond were exhausted by the beginning of the 19th century, the gold cycle declined and the Brazilian economic development thereafter revolved around coffee. As the European and North American demand for coffee increased, coffee growing as an industry expanded to a point that culminated in the economic crisis which began in the early 1930s and set the stage for the indigenous industrialization process.

Foreign Investment During the Post-Independence Period [1]

Even before its independence, Brazil was subjected to the vicissitudes of external trade and foreign private investment. The very nature of the Portuguese colonization was such that it made the external capital play an important role in the

---

1. The analysis in this section regarding role of foreign capital in Brazil are based on the writings of Theotonio Dos Santos, "The Changing Structure of Foreign Investment" and "Foreign Investment and Large Enterprise in Latin America; Brazilian Case" in J. Petras and M. Zeitlin (ed), Latin America: Reform or Revolution. (Greenwich, Connecticut: Fawcett Premier Books 1968). Stanley J. Stein and Barbara H. Stein, The Colonial Heritage of Latin America: Essays on Economic Dependence in Prespective. (New York: Oxford University Press, 1970) and Nathaniel H. Leff, Economic Policy Making and Development in Brazil 1947-1964. (New York: John Wiley and Sons, 1968).

development process of the colonial economy. The export enclaves depended essentially on external capital and whatever technology that could come from outside. Since it was the level of external demand which by and large, determined the export sector, the volume of foreign investment especially from Europe varied from time to time. Much of the European capital moving into the Brazilian export sector originated from Britain. British capital reached Brazil very early during the initial colonization phase.

Even after its independence in 1822, Brazil expanded more as an export economy providing ample avenues for foreign investment. During the first half of the 19th century, British capital, with a view to secure atleast partial control over the economy made generous credit and loan facilities both to the Brazilian government and to individuals for financing the balance of trade deficits. In the process, British capital made incursions into sectors such as public utilities, electrical energy and communications. Very soon, taking advantage of its financial reserves generated by the surplus in the balance of payments, British capital moved into industries producing railroad equipment, steel, machinery and other equipments. As the capital market began to organise itself in Brazil, British control over the banking sector began to increase.

Once Brazil reached the coffee cycle, it was widely believed that the coffee boom would herald a rapid modernisation and industrialisation process and thereby minimise the role of British capital investment in the economic development of Brazil. While the industrialisation process admittedly was accelerated thanks to the coffee cycle, the foreign capital penetration however, did not abate precisely for the reason that the coffee commerce was controlled by British. It is in fact, Britain which provided the necessary capital and technology for processing of coffee and the infrastructure such as communication network etc. During times of crisis in the coffee sector whether it was declining international market price of coffee or a glut in the coffee production the coffee producers resorted to a solution that made no impact whatsoever on foreign investment in the coffee sector. Quite frequently, during times of price decline the export price of coffee was heavily subsidised by the tax revenues of the government that it practically guaranteed foreign investors in two sectors. With that in fact, began the protectionist era in Brazil for coffee which in course of time was extended to other export commodities too. Such a protectionist policy in essence aimed at stopping the declining price trend through national government support for coffee and other products. No doubt, the policy proved quite expensive for it forced the government to buy huge stocks of commodities which could not be exported and thereby contributed to a progressive increase in the national debt.

In the early 1930s, following the great economic Depression, once Brazil adopted a strategy of import substitution industrialisation, the volume of public debt increased disproportionately necessitating a more liberal policy towards private foreign investment.

Industrialisation through import substitution, in other words, created in Brazil a new commercial relation by the importation of machinery, intermediary products and processed raw materials. In the process, foreign capital retained control over machinery, intermediary goods and raw materials allowing the foreign capital to determine their use. These goods could be kept, in other words as foreign capital because earnings were sufficiently high to pay for the capital invested. Apart from these consideration, there were other factors that assured increased rate of earnings for foreign investments. The first of these is the low labour wage in Brazil. The second was the protectionist policy in regard to the nationally produced goods. Through such policy the national government provided for fiscal exemptions and guarantees to foreign investors. Inevitably therefore, foreign investors preferred investment in Brazil rather than sale of capital goods. By doing so foreign investment maintained control over the growing internal market and at the same time guaranteed the purchase of their own raw materials, machinery and intermediary goods. Again such a process allowed the foreign investors to increase the price of the products they produced in such a way as to be able to remit profits abroad.

For all these reasons foreign capital in Brazil found advantageous to invest especially at a time when the country switched to a policy of import substitution industrialization. Little did the indigenous industrial class realize that there was a conscious effort on the part of foreign investment to sabotage their national industrial development. Consequently therefore, there was little or no effort to assess the role of foreign investment especially at a time when the import substitution strategy was launched. By early 1950s, with the import substitution strategy vigorously implemented by the Brazilian national government foreign investment began penentrating into the various economic sectors in Brazil. Also, foreign investment began to move in larger quantities by coming into the so called joint economic ventures. It was in fact at this time the process of denationalization really began.

While the pre-Second World War period witnessed the increasing penentration of European, particularly British capital investment in Brazil, the immediate aftermath of the Second World War however brought a substantial change in the source of foreign investment coming into Brazil. Following the Second World War, with military investments sharply declining and the rate of unemployment increasing in the United States, an enormous capital surplus accumulated in the United States looking possible venues for profitable investments. Substantial part of US foreign capital very soon was destined to the rehabilitation of war-worn European and Japanese economies. Neverthless sufficient capital was available to move into the so called underdeveloped countries too. From this moment onwards, US investment increased in the developing countries including Brazil.

The increase of capital investments originating particularly from the United States was marked by some qualitative changes. For one thing, US capital penetrated national markets which had previously been controlled and partly defended by foreign exchange barriers. For another US capital outflow into developing countries stimulated the export of American products especially so as to protect the US capital goods industries from a threatened recession. Third, US foreign investments helped the American industries replace the obsolescent industrial equipment with modern machinery and thus enabled the United States to make great strides in the field of science and technology.

During the period of the early post-war years much of the foreign investments, almost entirely US private capital, established industries for the assembly of finished products. Soon enough US capital moved into the manufacture of spare parts and other infrastructure facilities. At the same time US government sent economic missions to propose a development programme to Brazil, the major objective of which was to create a climate conducive to foreign capital investment. Through pressure and provisions of international credit Brazil was encouraged to install minimum infrastructure while granting concesions and permission for foreign capital investment.

Such a programme of infrastructure-building coincided with the interests of national indigenous capital. However, despite the fact that during this very period foreign capital had begun to penentrate the industrial sector, no one was really aware of any specific threat to the role of national capital. On the contrary it was thought that foreign investments with the technology that it brought would strengthen national economic development through increased productive capacity. Consequently therefore, more often than not national capital reached agreements with the foreign capital on an economic development programme that designated the sectors for both national and foreign capital. In a sense national capital believed that it had imposed thereby certain conditions and restrictions on international capital.

The 'developmentalist' policy initiated in these circumstances by the Brazilian national government during the mid-1950s provided thereby an opportunity for the international capital to move into sectors which undoubtedly were irrelevant to a genuine national economic development. It was in this climate foreign capital for instance, heavily concentrated on the automobile production with substantial protection offered by Brazilian government. Closely following the commencement of massive automobile manufacture foreign capital moved into other manufacturing industries such as chemical, mechanical and heavy and light metallurgy industries. Moving as they did into profitable manufacturing ventures orienting eventially to an export market, foreign capital reinvested its surplus earnings. There was however little possibility for reinvestment of there surplus earnings within Brazil because of limited internal market. Inevitably therefore, the surplus earnings allowed for repatriation of enormous quantities of earnings outside Brazil. These remittances not only compensated for the new capital that entered but also created a deficit in the balance of payments. In the process with the growing external debt Brazil, in the 1960s and 1970s had to resort to a more liberal policy towards foreign capital. In other words along with massive US private investment foreign capital moved into Brazil from other parts of the world such as importantly, West Germany and Japan.

Ascendency of US Private Investment

Ever since the Second World War, US private investment in Brazil began to assume an important position. In the mid 1960s, US as the principal foreign investor in Brazil controlled as much as 36 percent of the total foreign capital. The second largest investor, Canada had less than one half of the amount held by the United States and much of the Canadian investment however was concentrated in public utilities. While there were other European countries which had investment interests in Brazil, the most important among the European investors was no more Great Britain but West Germany. (See Table I). An attempt is made in this section to survey briefly US investments in Brazil ever since the Second World War and show the concentration of the United States investment in particular industries.

TABLE I : BRAZIL : TOTAL STOCK OF DIRECT PRIVATE INVESTMENT BY COUNTRY OF ORIGIN, 1967
(in million of dollars)

Sector	Belgium	Canada	France	Germany	Italy	Japan	Netherlands	Portugal	Switzerland	United Kingdom	United States	Total
Petroleum	0	0	0	0	0	0	0	0	0	10.0	79.0	89.0
Mining & Smelting	0	0	4.0	2.0	0	0	0	0	0	2.0	68.0	76.0
Manufacturing	103.0	46.0	246.0	496.0	134.0	189.0	152.0	2.0	95.0	125.0	893.0	2,481.0
Agriculture	0	0	2.0	0	0	0	0	0	0	2.8	5.0	9.8
Trade	1.0	2.0	5.0	10.0	6.0	20.0	3.0	2.0	10.0	10.8	195.0	0,264.8
Utilities	0	575.0	0	0	0	0	0	0	0	0	32.0	607.0
Transport	0	0	0	0	0	0	0	0	0	4.0	0	4.0
Banking	2.0	2.0	6.0	6.0	3.0	2.0	[illegible].0	[illegible].0	[illegible].0	18.0	30.0	80.0
Tourism	0	0	0	0	0	0	0	0	0	0	20.0	20.0
Other	0	0	0	3.0	0	0	0	0	30.0	5.8	6.0	44.8
T O T A L	106.0	625.0	263.0	517.0	146.0	212.0	157.0	4.0	140.0	178.4	1,328.0	3,667.4

Source: Organization for Economic Cooperation and Development, "Stock of Private Investments by DAC Countries in Developing Countries, End 1967" (Paris: OECD, 1972).

While US private investment in Brazil increased enormously to the point where the British control over the Brazilian economy, as an important foreign investor was completely eliminated in the immediate aftermath of the Second World War, US position however, as the leading foreign direct investor in Brazil was somewhat eroded since the 1950s. The reason for the erosion of US position as the leading foreign investor in Brazil was largely because of the changes in the global patterns of investment. By the mid-1950s with the European economic cooperation beginning to take some strides, European capital investment in Brazil began to undercut increasingly the role of US investments. Also, Japan following its economic rehabilitation began to adopt an aggressive foreign economic policy to the point that very soon Japanese foreign investment began to reach distant continents and countries such as Latin America and Brazil.

Even so the pace of US investment in Brazil had quickened. From an annual rate of expansion of about 4 percent during the early 1950s, US investment increased annually at the rate of 5 percent during the latter half of the 1950s and the first half of the 1960s. Amazingly however, US investment particularly after the military coup in 1964 increased to about a 12 percent rate in 1966-1970 (See Table II).

TABLE II : BOOK VALUES OF U.S. FOREIGN DIRECT INVESTMENT IN BRAZIL: BY SECTOR, SELECTED YEARS
(in millions of Dollars)

Sector	1929		1946		1950		1960		1966		1972	
	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	per cent	Amount	Per cent
TOTAL	194	100	323	100	644	100	953	100	1,247	100	2,490	100
Petroleum	23	12	45	14	112	17	76	8	69	6	169	7
Manufacturing	46	24	126	39	284	44	515	54	846	68	1,745	70
Mining	(1)	---	(1)	---	(1)	----	10	1	58	5	136	5
Trade	(1)	---	(1)	---	(1)	----	130	14	183	15	(1)	---
Public Utilities	97	50	125	39	138	21	200	20	38	3	(1)	---
Other	28	14	27	8	110	17	23	3	53	4	440	18

(1) Included in "Other" for the selected years.

Source : Department of Commerce, "U.S. investments in the Latin American Economy, 1957" (Washington : Government Printing Office, 1958), for years 1929, 1946 and 1950; "Survey of Current Business, various issues for years 1960, 1962 and 1972."

Whereas in the early 1930s and 1940s more than one half of US investment was in public utilities, the existing tariffs and the policy initiatives of the Brazilian government to rapidly industrialize sufficiently encouraged US direct investments in Brazil to move primarily into the manufacturing sector. In fact even by the end of the economic Depression and the war years, US penetration in terms of foreign investment began to acquire sufficient strength in manufacturing to put it almost on par with its investment in public utilities - a trend which continued to accentuate during the 1950s and 1960s. As of early 1970s consequently, almost 70 percent of US direct investment in Brazil was located in manufacturing.

Rapid growth of foreign business in the sixties did not occur at an even pace. Book value of US holdings increased by 13 percent between 1959 and 1960, Kubitschek's last year in office. Then, the rate of growth fell to only 6 percent between 1960 and 1961 and to 8 percent in 1961-62. During the years of political uncertainty and the ensuing severe recession of 1962-65, capital was repatriated almost as quickly as it was brought in, and growth in total book value of US enterprises virtually halted.

In the five years after the recession, the book value of US direct investments in Brazil increased by two-thirds. Investments in manufacturing led the boom by almost doubling. As the government's income policy kept wages lower than gains in productivity and inflation, profits rose; thus Brazil once again became attractive to transnational investors. Average earnings on US manufacturing investments increased by almost half again from 7 percent in 1960-64 to 10 percent in 1965-68. The threat posed by the nationalism of Quadros and Goulart regimes disappeared with the military's conservative economic policies and suppression of political dissent. Macro-economic and distributional policies created a widened market among upper and middle class consumers. Direct investment capital flows from the United States, which had averaged only $ 15 million per year in the 1963-67 period, jumped to an average of $ 102 million for the 1968-72 period. Net profits of US subsidiaries in manufacturing continued to rise from 8 percent in the 1966-68 period to 12 percent in 1969-70 to 14 percent in 1971-72.

US manufacturing investments remained sharply concentrated in key manufacturing industries — chemicals, transportation, and machinery. These also have been the most dynamic growth industries in Brazil. A Department of

Commerce Survey found that these three major industry groups comprised well over 75 percent of all net fixed assets held by US manufactures in Brazil in 1970. Non-electrical and electrical machinery combined constituted another 11 percent.

Within manufacturing, the position of foreign firms in the various industries showed the now familiar uneven and unconcentrated patterns. These are evidenced in the distribution by industry of assets held by the largest 300 US manufacturers. (See Table III). In six of the 12 major industry groups in 1972, foreign firms controlled over one-half of the industry groups in 1972, foreign firms controlled over one-half of the total assets of the two firms. Two of the major industry groups were state dominated, and the remaining four were dominated by private Brazilian companies. In all but one of these industries -- non-metallic ores production (mostly cement) -- foreign participation was greater than 25 percent. When petroleum production is subtracted from the manufacturing figures, state control of the total capital of the 300 dropped from 30 percent to 15 percent. Foreign firms controlled 50 percent (and US firms 16 percent) of manufacturing assets held by the largest firms, while private Brazilian firms held only 35 percent.

Table III: BRAZIL: OWNERSHIP DISTRIBUTION OF THE LARGEST 500 NONFINANCIAL BRAZILIAN CORPORATIONS, 1972

Size Class	Foreign			Brazilian		
	United States	Other foreign	Total	Private	State	Total
Largest 50	6	8	14	8	28	36
51 to 100	6	11	17	15	18	33
101 to 200	11	27	38	43	19	62
201 to 300	11	16	27	64	9	73
301 to 400	13	23	36	56	8	64
401 to 500	12	14	26	64	10	74
Total:-	59	99	158	250	92	342
Percent	12	20	32	50	18	68

(Source: See Table II, Page No.25)

Seven of the 12 industries might be termed "technologically intensive" (metal fabrication, non-electrical machinery, electrical machinery, transport equipment, rubber, chemicals, and petroleum,) and these were exclusively the province of foreign-owned or government-owned enterprises. In metal fabrication and petroleum production, the leading firms even now are substantially state owned. The development of the Brazilian heavy steel and petroleum industries by state owned firms has preempted significant foreign presence in these basic industries. In non-electrical and electrical machinery, chemicals, transportation equipment, and rubber, the predominant enterprises are today foreign.

The ownership status of the largest 500 firms in 1970s is significantly different from 1966, the year when the latest cycles of foreign investment and economic expansion began. Foreign participation among the largest 500 nonfinancial firms has declined as the Brazilian government has continued its policy of buying of foreign-owned utilities and consolidating smaller state-owned enterprises. The state sector has therefore increased in nonfinancial firms at the expense of the private sector, both foreign and national.

However, foreign firms have made significant gains in manufacturing. The number of foreign firms among the largest 300 was 134, or 45 percent, in 1966 and increased to 147, or 49 percent by 1972. This gain in the foreign group was achieved mainly at the expense of private Brazilian companies, whose number declined from 156 to 139, while the state firms increased from 10 to 14. (See Table IV).

Accompanying this trend of increased foreign participation in manufacturing was the diminution of the role of US firms. US firms declined from 66 in 1966 to 57 in 1972, while other foreign MNCs increased from 68 to 90. Thus, the erosion of the US position was more than offset by the rise of other foreign enterprises. In numerical terms, then, substantial denationalization has occured among the largest firms, spurred by the increased penetration of non-US-based multinationals.

In terms of assets controlled in various industries, however, the picture is more mixed because of the increase in state participation. Only from 8 percent in 1966, state ownership grew to 15 percent six years later. This increase occurred as the proportion of capital controlled by private Brazilian owners declined from 41 percent in 1966 to 35 percent in 1972, while the foreign share held roughly constant. Much of the gain in the state share is not accounted for by acquisition of firms in the Brazilian private sector but by takeovers from foreigners. Petroleum

TABLE IV : BRAZIL : SHARE OF THE LARGEST 300 MANUFACTURING FIRMS BY INDUSTRY, 1972.

Industry	Total in Sample	Percent of assets of the largest 300 firms: Foreign			Brazilian		
		United States	Other Foreign	Total	Private	State	Total
Nonmetallic ores	29	11	11	22	78	0	78
Metal							
Fabrication...	47	4	21	25	25	51	76
Iron & Steel..	18	0	15	15	16	70	86
Nonferrous metals	8	21	40	61	39	0	39
Other.........	21	9	36	45	55	0	55
Machinery.......	14	34	40	74	26	0	26
Motors & Industrial equipment	12	29	40	69	31	0	31
Electrical Machinery.....	16	22	56	78	22	0	22
Transport equipment.....	28	37	47	84	12	4	16
Motor vehicles	8	42	58	100	0	0	0
Vehicle parts	8	53	8	61	40	0	40
Wood, paper and Furniture......	17	10	19	29	71	0	71
Rubber	3	100	0	100	0	0	0
Chemicals.........	51	34	35	69	19	12	31
Chemicals & Petroleum......	31	35	30	65	16	18	34
Plastics.......	8	41	30	71	29	0	29
Pharmaceutical and others......	7	35	65	100	0	0	0
Textiles........	27	6	38	44	56	0	56
Food & Beverages.	41	2	30	32	67	0	67
Other...........	14	3	49	52	48	0	48
Petroleum refining	13	8	4	12	6	82	88
Total including Petroleum	300	14	28	42	28	30	58
Total Manufacturing only	287	16	34	50	37	15	50

Source: See Table - II; page - 25.

refining, for example, was 25 percent foreign in 1966; but most firms taken over by the state in the next six years were foreign, and the foreign share was more than halved. Likewise, government takeovers in petrochemicals, where the state share nearly tripled, were mainly from foreigners. Therefore, the potentially rapid foreign gain in the manufacturing sector was mitigated by government policy toward certain basic industries. (See Tables V and VI).

On the other hand, the locally owned private corporations experienced losses not so much from government takeovers as from simple incursion by foreign competitors or acquisition by MNCs. Indeed, the private national groups registered a decline from controlling 70 of the lowers 100 on the 1966 largest 300 list to 57 in 1972.

Sectoral patterns tend to corroborate this analysis. Brazilian gains, both government and private, occurred in six major industry groups; nonmetallic metal ores, nonelectrical machinery, wood and paper, textiles, food and beverages, and petroleum. In petroleum, growth of state firms accounted for the growth in Brazilian share. For the other industry groups in which local ownership rose, gains were registered by private national firms. There are traditional industries requiring, in general, less technological know-how and capital investment. The exception is nonelectrical machinery production,

TABLE V : BRAZIL : OWNERSHIP OF THE LARGEST 300 MANUFACTURING FIRMS[1], 1966 AND 1972

Size Class of firm	Nationality of owner											
	Foreign						Brazilian					
	United States		Other Foreign		Total Foreign		Private		State		Total	
	'66	'72	'66	'72	'66	'72	'66	'72	'66	'72	'66	'72
Top 100	27	19	31	40	58	59	35	32	7	9	42	41
101 to 200	23	20	25	28	48	48	51	50	1	2	52	52
201 to 300	16	18	12	22	28	40	70	57	2	3	72	60
Total	66	57	68	90[2]	134	147	156	139	10	14	166	153
Percent	22	19	23	30	45	49	52	46	3	5	55	51
Average size[3]	28	137	37	174	33	161	23	118	86	600	26	154

1. Includes 13 firms in petroleum refining.
2. A breakdown of these firms by country of ownership is as follows: Germany - 23; France - 16; Italy - 14; Britain -11; Japan - 9; Canada - 7; Argentina - 1; Other (most European) - 9.
3. 1966 in billions of cruzeiros;; 1972 in billions of new cruzeiros.

Source: See Table II; page - 25.

TABLE VI : BRAZIL : CONTROL OF THE LARGEST 300 MANUFACTURING FIRMS BY INDUSTRY, 1966

Industry	Total in Sample	Percent of total assets controlled by largest 300 firms					
		Foreign			Brazilian		
		United States	Other Foreign	Total	Private	State	Total
Nonmetallic ores	23	16	17	33	67	0	67
Metal......... fabrication...	44	5	17	22	42	36	78
Iron & Steel..	13	0	4	4	34	62	96
Nonferrous metals	5	14	33	47	53	0	53
Other	26	9	37	46	54	0	54
Machinery.....	18	40	39	79	21	0	21
Motors and Industrial equipment.....	13	49	28	77	23	0	23
Electrical Machinery...	17	28	33	61	39	0	39
Transportation	29	46	36	82	18	0	18
Motorvehicles	10	50	42	92	8	0	8
Vehicle parts	11	55	17	72	28	0	28
Wood paper, furniture...	14	20	10	30	69	0	69
Rubber........	7	40	52	92	3	5	8
Chemicals.....	48	38	31	69	25	7	32
Chemicals and Petroleum...	26	38	31	69	24	7	31
Plastics.......	6	49	0	49	52	0	52
Pharmaceuticals	8	52	48	100	0	0	0
Textiles.......	37	5	42	47	54	0	54
Food & Beverage	38	15	28	43	32	0	32
Others.........	12	0	43	43	57	0	57
Petroleum refining.....	13	19	6	25	11	64	75
Total including petroleum	300	21	26	47	36	17	53
Total Manufacturing only	287	21	30	51	41	8	49

1. Includes leather, tobacco, printing & publishing and "other".

Source: See Table -II; page-25.

where the Brazilian private sector increased at the expense of foreign — primarily United States — producers. These sectoral patterns are particularly noteworthy because the four major industries where gains were made by the Brazilian private sector constituted only about 15 percent of the assets.

Foreign firms recorded advances in six major industry groups - metal fabrication, electrical machinery, transporation, rubber production, chemicals and "other" industries. Most impressive was the change in electrical machinery, from 61 percent foreign in 1966 to 78 percent in 1970s. Private Brazilian firms on the other hand have broadened their position only in the traditional sectors and nonelectrical machinery. A consideration of the changes by sector leads to the general conclusion that multinationals, particularly non-US-based one, have improved their position in almost all of the technological and capital-intensive industries except those in which the state has directly intervened as a counter-vailing force.

In summary, between 1966 and 1972 the position of MNCs declined among the first 500 largest non-financial corporations, held more or less constant among the largest first 300 manufacturing firms, but increased significantly among the largest private manufacturers. The principal force countervailing MNC penetration in the Brazilian economy was the aggressive expansion and consolidation of state enterprises, particularly in utilities, petroleum refining, petrochemicals and metal fabrication. In manufacturing, five of the seven dynamic, technologically sophisticated industries showed increases in the share of assets held by foreign firms. Reflecting the erosion of the US position as the preeminent foreign investor in the region, the US share of the top 300 firms declined in number and assets during the period. The share accounted for by Western European and Japanese MNCs grew dramatically. Therefore, the trends toward denationalization evident among the largest 300 enterprises were generated by increased participation of MNCs and moderated only in part by the countervailing growth of government-owned firms.

Chapter III

MULTINATIONAL CORPORATIONS' CONTROL OVER THE BRAZILIAN ECONOMY

Chapter III

MULTINATIONAL CORPORATIONS' CONTROL OVER THE BRAZILIAN ECONOMY

The previous chapter surveyed at length the role foreign investment plays in the Brazilian economy. It was pointed out that how over the years, especially since the Second World War US private investment has dominated the Brazilian economy. On the basis of available data it was possible to indicate that in terms of sheer volume foreign investment, particularly that of the United States is massive. An attempt is made in the present chapter to delineate the pattern of foreign investment and how the pattern of investment has resulted in the emergence of large industries. Consequently therefore, foreign private investment has become extremely influential not only in the largest industrial enterprises but also as an important factor in the total economy. In an attempt to assess the role of foreign investment through the multinational corporations two separate measures are presented namely the portion of assets controlled in each sector and the proportion of the total sales accounted by the multinational corporations.

Pattern and Sources of MNCs Control

Considering first the portion of assets controlled in each sector, research conducted in Brazil by the US Department of State for 1969 indicates that 42 percent of the manufacturing sector and 35 percent of all industry are controlled by foreign multinationals. This is based on an analysis of 60 percent of the assets in each sector. Multinational firms predominate in automobile and truck production (100 percent), pharmaceuticals (94 percent), tobacco (91 percent), and rubber production (82 percent). US firms own a majority of assets in auto and accessories and pharmaceuticals. (See Table VII).

Alongwith ownership of assets, another useful indicator of foreign penetration is the proportion of total sales produced by MNCs. Time series data for all MNCs are not available, but information on US subsidiaries' sales in 1966 and 1970 are tabulated in Tariff Commission's report on US multinationals. The value of US overseas subsidiaries' sales is compared to the total sales in each industry in Table VIII. Sales by US firms as a percentage of the total were highest in rubber manufacture (77 percent) and transportation (68 percent), followed by non-electrical (36 percent) and electrical machinery (28 percent). Twenty-two percent of chemical production was attributable to US firms. (This is understood because Brazilian industrial classifications treat petroleum refining as chemical production). As might be expected, US sales are

TABLE VIII : OWNERSHIP OF BRAZILIAN ECONOMY BY UNITED STATES, OTHER FOREIGN AND NATIONAL FIRMS, YEAR END 1969.
(in percent of assets)

Sector	United States	Other foreign	Total foreign	National and State
Private Banks	6.3	0	6.3	93.7
Insurance companies	0.1	6.8	6.9	93.1
Air Transport	1.4	3.3	4.7	95.3
Maritime Transport	0	3.1	3.1	96.9
Construction materials	9.0	4.3	13.3	86.0
Mining	19.0	0	19.0	81.0
Petroleum	13.1	5.0	18.1	78.2
Manufacturing:				
Nonmetallic minerals	15.6	5.2	20.8	79.2
Steel industry	4.4	33.3	37.7	62.3
Metallurgy	2.0	36.5	38.5	61.5
Chemical and Petroleum products	25.2	50.7	75.9	24.1
Plastics	22.5	0	22.5	77.5
Rubber	70.6	10.9	81.5	18.5
Machines, motors and industrial equipment	26.0	34.9	60.9	39.1
Automobiles & trucks	53.1	46.9	100.0	0
Vehicle parts and accessories	54.1	23.4	77.5	22.5
Naval construction	0	39.8	39.8	60.2
Highway equipment	41.6	29.8	71.4	28.6
Steel furniture & Office equipment	30.3	48.5	78.8	21.2
Electrical appliances	9.6	39.5	49.1	50.9
Wood extraction and furniture	0	0	0	100.0
Textiles	4.1	25.2	29.3	70.7
Leather and furs	0	37.1	37.1	62.9
Railroad equipment	4.2	0	4.2	95.8
Food products	29.5	25,6	55.1	44.9
Agro-industry	0	3.5	3.5	96.5
Other industries	1.0	22.6	23.6	76.4
Warehousing	0	0	0	100.0
Beverages	1.7	45.3	47.0	53.0
Tobacco	0	90.6	90.6	9.4
Pharmaceutical products	58.9	35.2	94.1	5.9
Perfumes, cosmetics, etc.	0	41.0	41.0	59.0
Retail trade services:				
Departmental stores, electrical appliances	17.4	0	17.4	82.6
Supermarkets & food stores	0	0	0	100.0
Vehicles, machinery, parts	0	0	0	100.0
Wearing apparel	0	0	0	100.00
Other branches	0	0	0	100.0
Imports & Exports	0	0	0	100.00
Newspapers & Magazines	0	0	0	100.00
Printing & Publishing	0	0	0	100.00
Radio and Television	0	0	0	100.00
Paper, cardboard, etc.	7.6	4.7	12.3	87.7
Administrative services	0	9.6	9.6	90.4
Hotels	0	0	0	100.0
Total percent, all industries	13.6	20.5	34.1	65.9
Total percent, manufacturing	16.5	25.1	41.6	58.1

Source: see Table II (page-25).

TABLE VIII: BRAZIL: U.S. MNC PROPORTION OF MANUFACTURING SALES, 1966, 1970 (In million of dollars)

Industry	Value all Sales		U.S. MNC Portion		U.S. MNC percent	
	1966	1970	1966	1970	1966	1970
Total manufacturing	11,732	16,807	1,554	3,316	13	20
Food	2,448	3,699	195	105	8	3
Chemicals	2,008	2,747	302	611	15	22
Paper	330	501	45	64	14	13
Rubber	135	222	123	171	91	77
Primary and Fabricated metals	1,366	1,978	118	257	9	13
Non-electrical machinery	459	821	110	298	24	36
Electrical machinery	632	872	164	245	26	28
Transport	1,238	1,698	347	1,149	28	68
Lumber	424	612	5	5	1	1
Textiles	1,623	2,068	34	121	2	6
Printing	223	406	7	4	3	1
Stone, Clay, Glass	494	745	51	74	10	10
Instruments	NA	NA	42	89	NA	NA
Other	352	438	10	125	3	29

(Source: See Table II, Page No.25)

particularly low in printing (1 percent), lumber (1 percent), food processing (3 percent), and textiles (6 percent).

The four-year spread offers the opportunity to examine the direction of changes in the degree of US participation in total sales. Substantial increases in the US share were recorded in chemicals (7 percentage points), nonelectrical machinery (12 percent), transportation (40 percent), and "other" industries (26 percent). Notable declines occurred in food manufacturing (4 percent) and rubber production (14 percent). For industry as a whole, US subsidiaries in manufacturing increased their share of the Brazilian market from 13 percent to 20 percent in the four-year period. Thus, even though the number of US enterprises declined among the largest firms, the overall share of US sales climbed steadily.

If the US share is 20 percent, what is the total foreign portion of sales in manufacturing? Based on the assumption that the US share of MNCs sales is about the same as its share of all foreign manufacturing investment, (See Table I) United States and other foreign multinationals together produced roughly 50 percent of all local sales in Brazil.

Therefore, denationalization — as measured by the level of MNC penetration among the largest manufacturing enterprises and by extent of foreign ownership of industrial assets —

is substantial. Moreover, the US share of Brazilian industry is increasing rapidly; the share held by non-US based MNCs is probably growing even more rapidly. Thus, both the pace and degree of denationalization are notably high.

The structure of the markets in which multinationals operate is a critical determinant of the economic power of subsidiaries to charge supra-competitive prices and to extract higher than normal profits. Of the three basic elements of market structure outlined earlier — number and size distribution of sellers, barriers to entry and product differentiation — the most important is often the first, or market concentration. Some data are available for its analysis through the use of a plant concentration ratio (which undoubtedly understates concentration relative to a firm concentration ratio). This measure computes the share of sales accounted for by the largest four plants and usefully indicates the minimum level of market concentration in Brazil.

Of a total of 302 industries (analogous to US Four-digit SIC industries) in 1968, 176 had four-plant concentration ratios of greater than 50 percent. (See Table IX).
Of these 176, 90 industries (representing 30 percent of the total) had four-plant concentration ratios of greater than

TABLE IX: NUMBER OF PLANTS AMONG THE LARGEST 4 THAT WERE MNCs' AFFILIATES, 1968

	Number of MNCs' Plants among Top 4					
	4	3	2	1	0	Total
Number of industries	9	23	34	77	159	302
Percent of manufacturing production	14.02	11.98	18.19	27.56	18.25	100

(Source: See Table II, Page No.25)

75 percent, and 86 industries (28 percent of the total) had ratios between 50 and 75 percent.

The 176 industries with four-plant concentration ratios of greater than 50 percent accounted for 37 percent of the total value of production in the industrial sector and 31 percent of its employment. The most concentrated sectors are rubber, tobacco, transportation, electrical machinery and primary and fabricated metals. The least concentrated are plastic materials, pharmaceuticals, leather, wood and furniture. Also, the divergence between value of production coming from concentrated industries and number of employees indicates that the concentrated sectors are also the most capital intensive. Inversely, the least concentrated are the most labour intensive in character.

MNCs very often hold positions of leadership within their industries. In 159 of the 302 industries, all of the leading four largest plants were nationally owned; in 143 industries, one or more of the four largest plants belonged to an MNC affiliate. (See Table X). In nine industries, accounting for 14 percent of all manufacturing production, all four of the leading plants belonged to MNCs. These include office machinery, vehicle, tires, pharmaceuticals, toiletries, woven items of artificial fibre, canned milk, and cigarettes. Considering the industries where two or more

TABLE X : BRAZIL : MARKET CONCENTRATION AND THE PRESENCE OF MNCs
AMONG THE LEADING PLANTS, 1968

Major Industry group	Value added as % of all value added in manufacturing	Industries in which 3 or 4 of the largest plants belong to MNCs		Industries in which 1 or 2 of the largest plants belong to MNCs		Industries in which all of the largest plants belong to national firms	
		% of production in industry	Average concentration	% of production in industry	Average concentration	% of production in industry	Average concentration
Nonmetallic minerals	5.8	2	73	61	50	37	45
Metal fabrication...	11.4	20	73	60	51	20	42
Nonelectrical machinary.......	6.0	35	42	63	44	2	44
Transportation......	6.3	71	58	25	35	4	59
Electrical machinary.......	8.6	84	62	15	59	1	73
Wood................	2.6	0	00	21	20	79	15
Furniture...........	1.6	0	0	23	36	77	15
Paper...............	2.7	0	0	45	55	55	40
Rubber..............	2.0	62	90	16	85	22	45
Leather	0.6	0	0	82	26	18	47
Chemicals	10.3	11	49	51	41	38	73
Pharmaceuticals.....	3.9	100	19	0	0	0	0
Toiletrics..........	1.6	98	48	0	0	0	72
Plastics............	1.8	0	0	0	0	100	25
Textiles............	10.1	16	30	71	26	13	53
Apparel.............	2.8	0	0	65	23	35	24
Food................	12.9	4	56	59	25	37	23
Beverages...........	2.7	0	0	45	44	55	43
Tobacco.............	1.4	98	53	0	0	2	95
Printing & Publishers	3.0	0	0	11	20	80	36
Other...............	1.7	20	65	29	65	51	56
TOTAL	100.0	26	54	46	37	28	39

Source: see Table II (page 25).

of the four leading plants were MNC owned, these 66 industries combined produced 44 percent of all manufacturing production.

A relation between MNC penetration and oligopolistic structure becomes evident by an analysis of the concentration in certain industries and the ownership of the leading plants. The average four-plant concentration ratio is 54 percent in industries where atleast three of the four leaders are MNCs. (See Table XI). These MNC-dominated oligopolistic industries account for 26 percent of the total industrial production. In those industries where one or two of the four largest plants are MNC affiliates, the average concentration ratio is 37 percent, and these industries account for 46 percent of industrial production. On the other hand, those industries where the four leading plants are Brazilian-owned firms had an average industrial concentration ratio of 39 percent and account for 28 percent of industrial production. These data would suggest that in those markets where the leaders are predominantly foreign, average concentration is higher than where the leaders are predominantly national. Average concentration is lowest in industries where both nationals and MNCs meet in the market. The concentration ratio for the combined MNC-national group is only marginally lower than for the Brazilian-led industries, and thus the significant difference is between the predominantly foreign and domestic industries.

TABLE XI: SELLER CONCENTRATION IN BRAZIL, 1968

	Percent of sales accounted for by the 4 largest plants in each industry				
	75 percent of greater	50 to 75	25 to 50	less than 25	Total
Number of Industries	90	86	82	44	302
Share of Manufacturing sales (percent)	19.1	18.2	25.4	37.3	100

(Source: See Table II, Page No.25)

In review, the Brazilian economy is quite highly concentrated. In 176 of the 302 industries in manufacturing, the top four plants produce 50 percent of the value of production. Furthermore, multinational firms are associated with the concentrated industries. In those industries where three or four of the leading plants belong to MNCs, the weighted average level of concentration was 54 percent, as opposed to 39 percent for all national sectors. These foreign-led industries produced 26 percent of the industrial production. It should be re-emphasized that these data significantly understate concentration since more than one plant is often owned by a firm, and therefore the Brazilian economy is even more concentrated than these data reveal. Moreover, due to their multiproduct character, MNCs are particularly likely to be multiplant subsidiaries.

MNCs Business Power and the Performance of the Brazilian Economy

With the increasing volume of foreign investment especially through the multinational corporations it is no doubt true,atleast in statistical terms, the growth rate of Brazil has shown meteoric rise. However, the deep penetration of foreign investment in the Brazilian economy along with its rather heavy concentration in key economic sectors has had deleterious impact on the Brazilian economy. Not only the industrial enterprises have become increasingly oriented to export trade, these enterprises have become incredibly large thanks to changes in ownership pattern and mergers. In the process, indigenous industrial enterprises have been submerged in the foreign-based multinational enterprises resulting in what is known as industrial denationalisation. Consequently therefore, corporate decision-making in the industries dominated by the MNCs have seen effectively transferred to business corporations located abroad.

Out of the $ 7 billion of foreign investment in Brasil today, about 70 percent is in manufacturing. Three major industries -- transportation, chemicals and machinery -- account for over three-quarters of all US net fixed assets and over two-thirds of sales in manufacturing. Moreover, a handful of MNCs in each industry control the bulk of these assets and sales.

American and other foreign firms account for 158 of the largest 500 nonfinancial enterprises in Brazil in all sectors. In manufacturing, they account for 147 of the 300 largest firms. More importantly, MNCs control 59 of the largest 100 corporations in manufacturing (the top 100 own over three-forths of the assets of the 300 largest). In certain industries, MNCs account for even more than two-thirds of the assets of the leading firms. These include motor vehicles and parts, pharmaceuticals, electrical machinery, machinery rubber and plastics. In only three industries do private Brazilian corporations enjoy a similar position of preeminence nonmetallic minerals, wood and paper products and food manufacturing. State enterprises are predominant in steel production and petroleum refining. Although the foreign share held roughly constant among all 300 industrials between 1966 and 1972, the penetration of MNCs in the largest private firms has increased significantly.

Among the foreign based MNCs, the multinational corporation of the US play a predominant role. Making use of the two indices viz, assets and sales of the MNCs, the trend in respect of US-based MNCs predominance becomes clear. During the last decade, US-based MNC subsidiaries expanded very rapidly. The rate at which they expanded was even more rapid that the rate at which the industries in which these subsidiaries were operating. The assets and equity capital of the US subsidiaries increased annually at the rate of 15 percent during the 1960s and increasing even more substantially during the early 1970s.

Almost one-third of these US subsidiaries initiated operations in early 1960s by acquiring the assets of Brazilian firms. Ever since, acquisition of indigenous assets has become so common that today any new subsidiary enters the Brazilian economy by takeover or acquisitions than by building a new firm with its equity capital. What is even more interesting is that most such acquisitions of US MNCs have occured in the large Brazilian enterprises. In other words, if the trend of MNC domination through acquisition of local assets had been checked or had not occurred, there would have been 25 per cent more private Brazilian firms as large as the 300 largest enterprises in Brazil in the 1970s. Therefore, the rapid growth of US affiliates through acquisition activity has contributed to the denationalising of the Brazilian industry. Even now, with the rate of acquisition continuing unabated, the Brazilian industrial sector is undergoing further denationalisation.

Apart from that what makes the role of US subsidiaries even more critical and detrimental from the point of Brazilian indigenous industrial sector is the close integration and dependence of affiliates on the parent corporations based in the United States and other industrially advanced countries. Most of the operating US affiliates are closely tied to their parent companies through ownership and financial and trade links. Almost three-quarters of the affiliates are wholly owned and close to 50 percent of their long-term outstanding debts are controlled by the parent companies. Intra-firm trade has increased to the point where over three-quarters of all exports by US affiliates manufactures are sold to parent companies located in the United States or sister affiliates located in other parts of the world including Latin America. While imports have seen considerably reduced from parent companies, the parent corporations still continue to supply the critical inputs.

The dominant position of US MNCs and the structure of corporation control and market have inevitably led to consistently high returns on equity. After all the tax debits of about 14.4 percent, earnings on equity capital of US MNCs have been very substantial - atleast considerably higher than the earnings of comparably sized enterprises in the United States.

Thus the MNCs share of the total economic production as measured by various indices is very high. First, control over assets in the manufacturing sector is shown to be 42 percent foreign. US firms alone accounted for about 20 percent of all manufacturing sales, an increase from 13 percent just four years earlier. The total foreign share of sales was about 50 percent of the total.

Denationalization is intertwined with industrial concentration, as MNCs generally are located in concentrated markets. Manufacturing generally is quite concentrated - in 176 of 302 industries the four leading plants produced more than 50 percent of the value of production. Foreign firms owned three or four of the four leading plants in 32 industries, which accounted for 26 percent of industrial production. When combined with the industries in which at least two of the leading four plants belong to MNCs, foreign firms were leaders in 66 industries, comprising 44 percent of manufacturing production. Foreign firms are associated with higher average concentration than are national firms, since they operate more frequently in oligopolistic industries.

With close to half of industry under foreign control MNC conduct is a critical determinant of Brazilian economic performance. Moreover, as many foreign firms are oligopolisits, denationalization is linked to concentration in product markets. Market concentration confers additional power on those MNCs freed from the discipline of the competitive marketplace. If denationalization and product market concentration continue to rise, the Brazilian economy will find itself increasingly vulnerable to the power of foreign decision-makers in the home offices of multinational corporations.

Chapter IV

MULTINATIONAL CORPORATIONS AND THE DENATIONALIZATION PROCESS IN BRAZIL

Chapter IV

MULTINATIONAL CORPORATIONS AND THE DENATIONALIZATION PROCESS IN BRAZIL

The world economy has been undergoing metamorphic changes ever since the advent of MNCs. It is becoming increasingly integrated in the framework of the MNCs. Simultaneously MNCs' individual and collective power has enormously increased. Many of the MNCs have grown massive in size. Their decision-making reach and reverberate the vitals of underdeveloped economies. Economic transactions earlier made in the international market place are increasingly internalized within the MNCs. In essence, the corporate power of the MNCs is felt all over the world. Armed with such inexorable power, MNCs role has transcended the realm of economic relations and affect the direction and destinies of several countries of both the developed and developing world. Consequently, tensions and conflicts are likely to arise over the role of MNCs in host country balance of payments, policies towards income distribution, taxation, technology, research and development. Ultimately, it is the multinationals corporate power that would determine the relative bargaining power of the countries which host these MNCs.

Denationalization and the Structure of the Brazilian Industry

The relative economic power of the MNCs depends largely upon not only the quantum of capital and technology that they invest in the host countries, much more so, it stems from the market structures in which they operate both in the world economy and in the individual countries. Concentration of foreign investments in the hands of a select number MNCs centralises the corporate decision-making in a few world business capitals as a result close identity of interests emerges within these countries quite frequently influencing their governments' policies and these MNCs themselves. Another aspect of the international situation arising out of the MNC phenomenon is the concentration of overseas private investments in some select countries' key industries or core sectors. Once that takes place, it is only in time that these MNCs control those very key industries in other countries throughout the world through the market mechanism. Above all, the sheer size of the MNCs both in respect of the assets that they own and the market they control, they command access to the policy makers both at home and abroad.

MNCs economic power also arise out of the market structures found in the host country. A high degree of control that MNCs exercise in the national industry and resources facilitating thereby the transfer of decision-making to the parent corporations debilitates and destroys the growth and dynamism of the indigenous enterprise and capital. In the process, dominating as they often do in the critical core sectors of the economy, MNCs influence the economic performance of the host country too. And given that the economic performance of the host country that by and large decides the fate and fortunes of the ruling government in many of the developing countries, very often the host countries consequently therefore experience political destabilisation, and uncertainties thanks to the presence of the MNCs.

That the economic power of the MNCs is growing rapidly cannot be gainsaid. MNCs investment in recent times has exceeded $ 200 billion. Of this US direct investments through its MNCs has risen from $ 12 billion in early 1950s to almost more than $ 100 billion in recent times. Most of the MNCs investment including particularly that of the US MNCs, has penetrated mostly into the key manufacturing industries within the developed and the developing countries. Three fourths of all foreign holdings remain concentrated in the form largest investing countries with US ranking as the largest, holding almost one half. Within these countries, the largest enterprises own the great bulk of all foreign investment. Only two hundred firms own over 75 percent of all foreign industries. And, Brazil, Mexico and Argentina in Latin America alone account for three fourths of US manufacturing investments. Most these investments are again concentrated in three key industries with a select MNCs controlling the most of the fixed assets in each of these industries. In sum, the source of MNCs corporate power are based on three structural conditions - country ownership concentration, concentration of aggregate foreign holdings and concentration in a few industries in some select countries.

The above mentioned three structural bases are present in Brazil. By the early 1970s, foreign investment in Brazil reached beyond $ 2 billion, of which the US share was almost one half. It had grown from $ 323 million in 1946 to little more than $ 3 billion in the mid-70s. US and other foreign firms accounted for more than 150 of the 300 largest manufacturing enterprises, and 60 out of the 100 largest. In certain industries such as automobiles, pharmaceuticals, machinery, rubber and plastics, MNCs owned over two thirds of the assets held by leading Brazilian enterprises. The average size of MNC affiliates are larger than their local enterprises. In industry alone, MNCs control nearly 50 percent of the manufacturing assets. And denationalization occurred in manufacturing largely at the expense of the Brazilian private sector. In the 1970s, US MNC affiliates produced almost one third of the manufacturing sales increasing at the rate of more than 15 percent annually in the 1970s. More than a half of the sales in the manufacuturing industries today are produced by foreign based MNCs with US corporations holding the leading position.

In many respects the trends in respect of the evolution of MNC affiliates and the leading position that they hold in the manufacturing industries in Brazil parallels their position in other major Latin American countries such as Mexico.[1] Assets of US affiliates grow at the rate of 20 percent in Brazil and accelerating further in the recent years. Almost one third of US MNCs entered Brazil initially through acquisitions and mergers and such takeovers is becoming increasingly prevalent in recent years thereby contributing to further denationalization of the economy unlike in Mexico where it has declined dramatically since early 1970s thanks to increasing legislative restrictions placed on acquisition of Mexican firms.

The other element contributing to the denationalization process in Brazil, engineered by the MNCs particularly that of the United States, is the symbiotic relationship the MNC affiliates has with their parent companies. Affiliates operating in Brazil are closely integrated with parent organization in ownership structure, finance and trade.

---

1. See Anjana Mangalagiri, US Private Investment and Its Impact on Mexican Economy (unpublished M.Phil Dissertation of Jawaharlal Nehru University, New Delhi, 1978).

In the 1970s, three quarters of the affiliates were wholly owned with half of their outstanding long term debts controlled by their parents. Much of the supply of inputs going into the production processes of these affiliates came from parent organisation. Almost nearly all the affiliates' sale abroad were bought by the parent organisation. Since this integration occurred in many of the most denationalized industries, affiliates' reliance on the parent companies generally made the entire industry more dependent on foreign decision-makers, making the denationalisation nearly complete.

Even within the national boundaries of the Brazilian market, US MNCs enjoy considerable power and influence. Nearly 50 percent of these MNCs shared almost nearly as much of the national market. If there exists competition in the market, the competitors most often were from outside such as West Germany or Japan and not nationally owned firms. Inevitably therefore, the dominant position US MNCs within the product market and their market power have contributed to high returns on their equity providing further incentives for additional investments.

Implications and Perspectives

It is apparent that the role of private entreprenuership is being fundamentally altered in Brazil because of the MNC economic incursions. The avenues for private enterprise is getting dangerously abridged thanks to the dominant position of MNCs in Brazil. The rapid penetration of MNCs has resulted in the marked decline in the share of the national market, held by private entreprenuers in the host countries. The rising tide of MNCs influence is largely due to their acquisition of nationally owned firms and enterprises. Equally important is the MNCs penetration in the fast growing industries where capital, technology and minimum efficient scale requirement constitute difficult barriers for the local enterprises to compete effectively. Such national firms which are established and gain initial strength are only too soon outdistanced and overshadowed by their MNC rivals. The cumulative consequence of the process is an increasingly expanding foreign presence at the expense of locally owned private enterprise.

In an attempt to stem the rising tide of the foreign economic penetration most developing countries where MNCs have loomed large, have resorted to their respective governments to provide the primary and possibly the only counteract MNC force to combat the MNCs. As a result, in the case of Brazil, state-owned enterprises have emerged to move into the industrial and other related sectors. In several basic industries, state enterprises have been formed notably in particular, steel, finance, public utilities and other infrastructural facilities. State enterprises own almost one third of the assets of the industrial sector. While the state enterprises have emerged with greater vigour than before to counter the foreign thrust, such a trend has only further complicated the political economy of Brazil, introducing and reinforcing statism with all its ramifications.

Individual economic liberties whether it be for the entrepreneures or for the consumers or for the working class are powerfully challenged and often denied by the MNCs. With business leadership in the entire industries and for that matter in the entire economy coming from beyond the national boundaries, the dependency situation gets further excerbated. If the European market and economy dictated the course of economic development during the colonial and the post-independence years, the advent of the MNCs in the post-Second World War years with the attendant denationalisation process has not only further distorted the economic development but also has inevitably created a substantial degree of economic and to some extent, political dependence.

Foreign ownership of industry tends to introduce a different pattern of growth and behaviour than would result if firms are nationally owned. Decisions relating to the use of resources, the market for which they are produced if taken by foreign economic forces they tend to contribute to the unsatisfactory performance of the host countries economic sectors. In the event of a recession setting within the host economy, foreign-owned enterprises attempt to protect their economic interests by a variety of means such as curtailing production, raising prices to maintain their profit level and if necessary, pull back their capital investments. Any one or a combination of such measures pursued by the MNCs offer little scope for the host country to restore economic growth. On the other hand, it may frustrate the host country's efforts and further intensify the recessionary situation.

In other words, the less developed countries are confronted with a situation the control of which is beyond their means and reach. The exercise of vast economic power vested in the foreign-based MNCs often transcend the economic realm. For, they frequently exercise certain non-economic powers and thereby contribute to the political destabilization in the host countries. Chile in the context of Latin America is a pointer to the extent to which MNCs could exercise their non-economic powers. Finding that a socialist government would threaten their dominant economic position, US based MNCs unhesitatingly resorted to a plying economic pressure aimed essentially to induce the collapse of a constitutionally elected government of Salvador Allende in the early 1970s. Once the powerfully placed MNCs resort to the exercise of their non-economic powers, even the governments of home countries tend to support their objectives if only to protect the economic interests of these MNCs and thereby indulge in interventionist activities. The resulting situation is admittedly detrimental to the political and economic objectives of the host countries.

Consequent upon the increasing penetration of foreign-based MNCs in the developing countries, the ruling elite of the host countries with their eyes set on their future survival quite often come to tacit agreements with MNCs and turn their back to the critical national problems of eliminating poverty, income inequalities, unemployment and other related social and economic problems. Finding that their survival is increasingly or solely dependent on the dominant position of the MNCs, they often tend to acquisce to the power and influence of the MNCs and resort to more repressive measures in order to counter their socio-economic movements reflecting the legitimate national aspirations of the masses. In the process, conter-revolution gathers momentum delaying further the process of a genuine national development that would assure social and economic justice to the masses.

SUMMARY AND CONCLUSION

SUMMARY AND CONCLUSION

Ever since the colonization, Brazilian economy has been subjected to the vicissitudes of external trade and influx of external capital. In the process economic development of Brazil was often distorted, decelerated and even halted. Much of the distortions in respect of the national economic development of Brazil was largely thanks to the free-play of overseas private investment. Such a process had continued even after the political independence of Brazil. If at the beginning of the independence years European capital, much of which originating in Britain dictated the development and the exploitation of the Brazilian natural endowments in the years following the great Depression of 1930s the process was further excerbated largely due to the flow of US foreign capital having a free access and play in Brazil.

In time, with overseas private capital pouring in through the multinational corporations the impact it made on the recipient countries was however, more or less the same. In effect, it intensified the dependency relationship of Brazil to the industrially advanced countries of Western Europe and importantly that of the United States and set in motion what is now described as the process of de-nationalization.

The analysis in the discertaion focussing attention on the role of MNCs, particularly that of the United States based MNCs in Brazil admittedly indicates the trends of increasing economic dependency and de-nationalization. The data presented in the dissertation show (i) the dominance of foreign private capital fairly widespread in the entire economy; (ii) the intensified penentration of such foreign capital especially since the advent of the multinational corporations in the aftermath of the Second World War; (iii) the high earnings obtained by the foreign capital and the repatriation of these earnings by various forms of remittances; (iv) the increasing flow of foreign capital into the key core manufacturing industries; (v) the tendency of the foreign capital through means of acquisition and mergers to organize very large enterprises which through market mechanisms are integrated with gigantic multinational enterprises and; (vi) the resultant economic denationalization of private industrial enterprises in Brazil.

The process of economic integration of Brazil to the international monopoly capital through the MNCs and the consequent denationalization of the Brazilian industries have profound implications for even a continental sized country such as that of Brazil. Not only have they created insurmountable economic problems the resolution of which are beyond the reach of the national ruling elite, it has and is likely to produce in the future profound changes in the politico-economic structure of Brazil.

BIBLIOGRAPHY

BIBLIOGRAPHY

Pri. ry Sources

United Nations Documents

United Nations, *A study of trade between Latin America and Europe* (New York, 1952).

United Nations, *Multinational Corporations in World Development* (New York, 1973).

United Nations, *The International flow of private Capital, 1946-1952* (New York: U.N. Department of Economic and Social Affairs, 1959).

United Nations, *The Multinational Corporations in World Development* (New York, 1972).

United Nations, Department of Economic and Social Affairs, Economic Commission of Latin America, *External-Financing in Latin America* (New York, 1965).

United Nations, Department of Economic and Social Affairs, *Foreign Capital in Latin America* (New York, 1955)

Government and Other Documents

Federal Trade Commissions, *Quarterly Financial Report for all Manufacturing Corporation* (Washington D.C.) Fourt Quarter, 1972).

Inter-American Development Bank, *Economic and Social Progress in Latin America* (New York) Annual Report, 1972).

Journal of the Royal Statistical Society (London), Vol.LXXII, 1909.

Special Survey of Senate Sub-Committee on Multinational Corporations. (Washington, Government Printing Office, 1975).

Statist Supplement (London), Vol. LXXIX, 1914.

Statistical Illustrations of the British Empire (London, 1827).

The Mineral Industry (New York, 1893-1915).

U.S. Department of Commerce, Survey of Current Business (Washington D.C., Government Printing Office, 1954).

U.S. Department of Commerce, U.S. Business Investments in Foreign Countries, 1960 (Washington, Government Printing Office, 1961).

U.S. Department of Commerce, U.S. Foreign direct investments in Latin America 1957, 1967, 1970 (Washington, Government Printing Office).

U.S. Senate Committee on Foreign, Relations, Multinational Corporations and U.S. Foreign Policy, International Telephone and Telegraph Company and Chile 1970- (Washington D.C., Government Printing Office, 1973), Part II.

Secondary Sources

Books

Ady, Peter, ed., Private Foreign Investments and the Developing World (New York; Praeger Publishers, 1971).

Aguilar, A., Pan-Americanism from Monroe to the present: A view from the other side (London and New York: Monthly Review Press, 1968).

Allende, Salvador, "Speech to the United Nations" in Hugo Radice International firms and modern Imperialism (Harmondsworth: 1975).

Bailey, Norman A., ed., Latin American-Politics, Economics and Hemispheric Security (New York: Fredrich A. Praeger, 1965).

Ball, George W., "Multinational Corporations and Nation States", Atlantic Community Quarterly (Washington D.C.) Summer 1967.

Baran, Paul A., The political economy of Growth (Middlesex, England: Penguin Books, 1973).

Baran Paul A. and Sweezy, Paul M. Monopoly Capital: An essay on the American Economy and Social Order (Middlesed, England, Penguin Books, 1973).

Baranson, Jack. Automotive industries in Developing Countries. (Washington D.C., 1968).

Barnet R.J. and Muller, R.E., Global Reach: The power of the multinational corporations (New York: Simon and Schuster, 1974).

Bernstein, H., ed., Underdevelopment and development (Harmandsworth: Penguin, 1973).

Barratt, Brown, M., The economics of Imperialism (Harmondsworth: Penguin, 1976).

Blackburn, R., ed., Ideology in Social Science (Suffolk: Fontana, 1972).

Brown, C.C., ed., World Business: Promise and Problems (New York: Macmillan, 1970).

Brown, Michael Barratt, Economics of Imperialism (Middlesex; England: Penguin Books, 1974).

Cairncross, A.K., Home and Foreign Investment 1870-1914 (Cambridge: Yale Univ. Press, 1953).

Chilcote, R.H. and Edelstein, J.C. eds., Latin America: The struggle in the dependency and beyond (New York: Halsted Press, 1974).

Curzon, General, etc. Multinational Enterprise in a Hostile World (London: Allen and Unwin, 1974).

Duncan, W.R., and Goodsell, J.N., The quest for change in Latin America: Sources for a twentieth century Analysis(New York: Oxford Univ. Press, 1970).

Dunn, Frederick, S., The Protection of Nationals(Baltimore: John Hopkins Press, 1932).

Dunning, John H. ed., Economic Analysis and the Multinational Enterprise (London: George Allen and Unwin, 1974).

Studies in International Investment (London: Allen and Unwin, 1970).

Edward, Boo, Multinational Companies and the Trade Unions (Nottingham: Bertrand Russel Peace Foundation, 1977).

Fann, K.T., and Hodges, Donald C., eds., Readings in U.S. Imperialism (Boston: Parter Sargent, 1971).

Feis, H. Europe, The Worlds Banker 1870-1914 (Connecticut: Yale Univ. Press, 1930).

Frank, A.G., Capitalism and Underdevelopment in Latin America: Historical Studies of Chile and Brazil (New York: Monthly Review Press, 1969).

Frank, A.G., Latin America Underdevelopment or Revolution: Essays on the development of under-development and immediate enemy (New York and London: Monthly Review Press, 1970).

Frank, A.G., Lumpen Bourgeosie: Lumpen Development: Dependence, Class and politics in Latin America (New York: Monthly Review Press, 1973).

Frank, A.G., On Capitalist Underdevelopment (Bombay: Oxford Univ. Press, 1975).

Franko, Lawrence G., Joint venture survival in Multinational Corporations (New York: Praeger, 1971).

Furtado, Celso, Economic Development of Latin America: A Survey from Colonial Times to the Cuban Revelution (Cambridge: Cambridge Univ. Press, 1970).

Galeano, E, Latin America and the Theory of Imperialism (New York and London: Monthly Review Press, 1970).

Ganguli, B.N., Multinational Corporations (New Delhi: S.Chand and Co, 1974).

Gilpin, Robert.G., U.S. Power and the multinational corporations: The political economy of direct foreign investment (New York: Basic Books Inc., 1975).

Grunwald, Joseph, Foreign Private Investment: The Challenge of Latin American Nationalism (Washington, D.C.; Brookings Institution, 1971).

Grunwald, Joseph, Foreign Private Investment: The Challenge of Latin American Nationalism (Washington, D.C.: Brookings Institution, 1971).

Gupta, N.S., Multinational Corporations: A study of Socio-Economic Implication on the countries of the Third World (Meerut: Pragati Prakashan, 1978).

Jalie, P., The Pillage of the Third World (New York: Monthly Review Press, 1969).

Johnson, Harry G., Economic Nationalism in old and new States (Chicago: University of Chicago Press, 1967).

Kindleberger, Charles P., American Investment Abroad (Connecticut: Yale Univ. Press, 1969).

Kolde, E.J., International Business Enterprise (New Jersey: Eng Lewood Cliffs, Prectice Hall Inc., 1973).

Kuczynski, Jurgea, The World Economic Crisis of Capitalism (New Delhi: People Publishing House, 1977).

Kuznets, Simon, etc, ed., Economic Growth: Brazil, India, Japan (Durham Duke University Press, 1967).

Leff, Nathaniel H., Economic Policy-Making and Development in Brazil, 1947-1964 (New York; N.Y. John Wiley, 1968).

Lenin, V.I., Imperialism: The Highest Stage of Capitalism, A popular out-line (Moscow: Progress Publishers, 1966).

Lewis, Cleona, America's Stake in International Investment (Washington D.C.: The Brookings Institution, 1938).

Lewis, Cleona, U.S. and Foreign Investment Inflows (Washington D.C.: Brooking Institutions, 1958).

Litvak and Maule, eds., Foreign Investment: The Experience of Host Countries (New York: Praeger Special Studies in International Economic Development, 1970).

Mikesell, R., U.S. Private and Government Investment Abroad (Eugene: University of Oregon Book, 1962).

Modelski, George, Multinational Corporation's and World Order (Beverly Hills: Stage Contemporary Social Science Issues, 1972).

Muller, R., The Multinational Corporations and Underdevelopment of the Third World, in C.K. Witbur, ed., The Political Economy of Development (New York: Random House, 1973).

Murray, Robin, Multinational Companies and Nation States (Nottingham: Bertrand Russell Peace Foundation, 1975).

Musgrave, Peggy B., Direct Investment Abroad and Multinationals: On the U.S. Economy (Washington D.C.: Sub-Committee, on Multinationals Corporations, of the Committee on Foreign Relations, Aug., 1975).

Needler, Martin C., Political System of Latin America (New York: Van Nostrand Reinhold Co, 1970).

North, D.C., International Capital Movements in Historical Prespective in R. Mikesell, ed., U.S. Private and Government Investment Abroad (Eugene: Univ. of Orgegon Books, 1962).

Northrup, F.S.G., ed., Ideological difference and world order (Connecticut: New Haven, 1949).

Owen, Roger and Sutcliffee, Bob., Studies in the theories of Imperialism (London: Hergman, 1976).

Peters, Irwin J., The new Industrial Property Laws in Mexico and Brazil -- Implication for MNCs, The Columbia Journal of World Business (New York), Vol.XII, No.1, Spring 1977, pp.70-79.

Petras, James, ed., Latin America: From Dependence to Revolution (New York: John Wiley and Sons, Inc, 1973).

Pizer, S., and Culter, F., U.S. Investment in Latin American Economy (Washington D.C.: Office of Business Economics, 1957).

Platt, D.C.M., "Economic Imperialism and the Businessman: Britain and Latin America Before 1914", in Roger Own and Bob Sutcliffe, Studies in the Theory of Imperialism (London: Longman, 1976).

Pletcher, David H., Rails, Mines and Progress (Cornell: American Historical Association, Cornell Univ. Press, 1958).

Radice, Hugo, ed., International Firms and Modern Imperialism (Middlesex; England: Penguin Books, 1975).

Rhodes, R.I., ed., Imperialism and Underdevelopment: A Reader (New York and London: Monthly Review Press, 1970).

Rippy, Fred, J., British Investment in Latin America 1822-1949 (Mineapolish: Univ. of Minnesota Press, 1959).

Rippy, Fred, J., The U.S. and Mexico (New York: Alfred A. Knopf, 1926).

Robock, Stefen H., Brazil: A study in development progress (Lexington: Lexington Books, 1975).

Robock, S.H. and Siminonds, K., International Business and Multinational Interprises (Horvewood: R.D. Irwin Inc, 1973).

Rosenbaum, John H. and Tyler, William G., ed., Contemporary Brazil: Issues in economic and political development(New York, N.Y: Praeger, 1972).

Said Abdul A., and Simmons, Luizr., The New Sovereigns: Multinational Corporations as World Powers (Englewood Cliffs: Prentice Hall Inc., 1975).

Senvant, Karl P., and Lavipour, Farida, ed., Controlling Multinational Enterprises: Problems, Strategies, Counter Strategies (London: William House, 1976).

Smyth, David J., etc., Size, Growth, Profits and Executive Compensation in the Large Corporation: A study of the 500 large United Kingdom and United States Industrial Corporations (London: Macmillan, 1975).

Stauffer Robert B., National Building in a Global Economy: The Role of Multinational Corporations (Beverly Hills and London: Sage Professional Papers in Compositive Politics, 1973).

Stephenson, Hugh, The Coming Clash: The Impact of Multinational Corporations on National States (New York: Saturday Review Press, 1973).

Swansbrough, Robert H., The Enbattled Colossus — Economic Nationalism and United States Investors in Latin America (Gainesville: Univ Presses of Fla, 1976).

Sweezy, P.H., "Obstacles to economic development" in C.H. Feinstein, ed., Socialism, Capitalism and Economic Growth (Cambridge: Cambridge Univ. Press, 1967).

Tancer, S.B., Economic Nationalism in Latin America: The Quest for Economic Independence (New York: Praeger Publications Division, 1976).

Tannenbaum, Frank, Mexico: The struggle for peace and bread (New York: Alfred A. Knopf, 1960).

Theobald, Robert, Profit Potential in Developing Countries (New York: American Management Association, 1962).

Tindall, R.E., Multinational Enterprises: Legal and Management Structures etc. (New York: Oceana Pub, 1975).

Tsurumi, Yoshi, Japanese are coming: A Multinational Interaction of Firms and Politics (Cambridge: Ballinger, 1976).

Turner, Louis, Invisible Empires: Multinational Corporations and the Modern World (New York: Harcourt Brace Jovanowich Inc, 1970).

Turner, L, Multinational Corporations and the Third World (New York: Hill and Wang, 1973).

Turner, L., Invisible Empires: Multinational Companies and the modern world (London: Hassish Hamilton, 1970).

Urquidi, Victor.L., The Challenge of development in Latin America Trans by Marjorg M. Urguale. (New York: Frederich A. Praeger Inc, 1964).

U.S. Department of Commerce, U.S. Business Investments in Foreign Countries. (Washington Office of Business Economics, 1960).

Vaitsos, Constantine, Inter country encome distribution and Transnational enterprises (Oxford: Oxford University Press, 1974).

Veliz, Claudio, ed., Latin America and Caribbean - A handbook (New York: Frederick A. Praeger, 1968).

Vernon, Raymond, ed., How Latin America views the U.S. Investor (New York Praeger Special Studies in International Economics and Development, 1966).

Vernon, Raymond, Sovereignty at Bay: The Multinational Spread of US Enterprises (Hamonds Worth: Penguin, 1973).

Wilkins, Hira, The Emergence of Multinational Interprises: American Business Abroad from the Colonial Era to 1914 (Cambridge, Mass: Harverd Univ. Press, 1970).

Williams, E.J., The political Themes of Inter-American Relations (Belmont, Calif, Duxbury Press, 1971).

Winkler, Max, Investments of U.S. Capital in Latin America (Boston: World Peace Foundation Pamphlete, 1929).

Winpenny, J.T., Brazil-Manufactured Exports and Government Policy: Brazil's Experience since 1939 (London, 1972).

Woodis, J., An Introduction to neo-Colonialism (London: Lawrence and Wishart, 1967).

Woytinsky, W.S. and Woytinsky, E.S., World Commerce and Governments (New York; The Twentieth Century Fund, 1955).

Wyne, William H., State Insolvency and Foreign Bondholders (Connecticut: New Haven Publishers, 1951).

Articles in Periodicals

"A Jumping Market Below the Border", (Special Report) Business Week (New Jersey) 12 July 1969, pp.120-130.

"American Capital Invading Foreign Fields" New York Journal of Commerce Dec.6, 1931.

Angell, J. W. Financial Foreign Policy of the U.S. (New York: Council on Foreign Relations, 1933).

"A Ticklish Task for Repatriating Profits Business Week (New York) 56, 1976, pp.77-78.

Bianchi, Andres "Notes on theory of Latin American Development" 'Social and Economic Studies' (Jamaica), 22(1), Mar, 1973 pp.96-121.

Cardoso, F.H., "Dependency and Development in Latin America" New Left Review (London) No.74, July-Aug 1972.

Chawla, R.L. "Efficiency of Regional Economic Groupings: A case study of Brazil's Participation in LAFTA, 1965-70" Foreign Affairs Review (New Delhi), July-Sep 1975.

Chipman, J.S. and Moore, J.C., "Why an Increase in G.N.P. need not Imply an improvement in potential Welfare" Kyklos (Basel), Vol.29, 1976, pp.391-418.

Dos Santos Theotonio, "The Strucutre of Dependence" American Economic Review (Tennessee), No.60, May 1970, pp.231-36.

Emannuel, Arghiri, "The MNCs and inequality of development" International Social Science Journal (Paris), 28 No.4, 1976, pp.754-72.

Evans, Peter B., "Foreign Investment and Industrial Transformation: Brazilian case Study" Journal of Development Economics, Vol.3, No.2, July 1976, pp.119-39.

Falero, F., "Foreign Investment and balance of payments: Serve negative implications for developing countries" Inter American Affairs (Washington D.C. 23(2) Aug 1974, pp.77-86.

Helleiner, G.K., "Transnational Enterprises, manufactured Exports and employment in ten Developed countries" Economic and Political Weekly (Bombay), Annual Number of 1976, pp.247-61.

Hone, Angus, "MNCs and Multinational Buying Groups: Their import on the growth of Asia's Exports of Manufacturers: Myth and Reality" World Development (Oxford), Feb 1974, pp.148-49.

In times like-these Britain cannot afford to ignore the promise of Latin America, Times (London), 13 Oct 1975.

Karaganov, S., "The Subersive ACTIVities of the MNCs" International Affairs, Oct 1976, pp.50-56.

"Latin American opens the door to foreign investment again", Business Week (New York), No.2444, 9 Aug 1975, p.34.

Magdoff, H., and Sweezy, P., "The Multinationals Corporations" Monthly Review (New York) Oct and Nov 1969.

Malean, Pedroo, and Bonelli, Regis, "Brazilian Economy in the Seventies: Old and New Developments" World Development (Great Britain), Vol.5, No.1, Jan-Feb 1977, pp.19-45.

Morley, Samuel A, and Smith, Gordon J., "Choice of Technology: Multinational Firms in Brazil" Economic Development and Cultural Change (Houston, Tex: Rice University) (Program of Development Studies) Vol.25, No.2, Jan 1977, pp.239-64.

Morley, Samuel A, and Smith, Gordon W., "Import Substitution and Foreign Investment in Brazil" Oxford Economic Papers (Oxford), Vol.23, No.1, pp.120-55.

Neto, Pinheiro, J.M., "Multinationals in Brazil" Journal of International Law, Western, (University, Cleveland, Ohio), Vol.8, Sprin 1976, pp.311-28.

Peters, Irwin J., "The new Industrial property Laws in Mexico and Brazil for multinational Corporations" The Columbia Journal of World Business (New York), Vol.XII, No.1, Sept 1977, pp.70-79.

Pizer, S., and Cutler, F., "The role of U.S. investment in the Latin American Economy" Survey of Current Business (Washington D.C.), 37(1), Jan 1957, pp.6-15.

Pizer, Samuel and Culter, Frederick., "U.S. Business Investments in foreign countries" : A Supplement to the Survey of Current Business (Washington D.C.), U.S. Government Printing Office), pp.89-137.

Purton, John., Export of Capital: On the Essential Basis of Imperialism (Gordh in foreign investment:- some emphasis on MNCs) World Marxist Review, (Toronto) No.20, May 1977, pp.77-88.

Rippy, J.F., "German Investment in Latin America" Journal of Business (Chicago), April 1948.

Salera, Virgil., "Liquidate U.S. Direct Investments" Inter American Economic Affairs (Washington D.C.) No.24, Summer 1970, pp.31-40.

Salera Virgil.,"On Host Countries Direct Investment" Inter American Economic Review (Washington D.C.), No.23, Winter 1969, pp.67-81.

Sainz, Jose, Compillo., "New Legislation - Technology/Foreign Investment", Business Week (New York), No.2273, March 31 1973, pp.63-64.

Solan, Pat., "The multinational menace", London Monthly, (London), 60(1), Jan/Feb 1970, pp.1-11.

Swansbrough, Robert H., The American Investors View of Latin Americans economic nationalism, Inter America Economic Affairs (Washington D.C.), No.26, Winter 1972, pp.61-62.

Utley, John, Basil., "Doing Business with Latin Nationals: Prospects of Properties much better than reports of revenue on expropriation" Harvard Business Review (Massachusetts), No.51, Jan/Feb 1973, pp.77-80.

"Views on Foreign Investment" Business Week (New Jersey), No.2273, 31 March 1973.

Tyler, William G., "Brazilian Industrialization and Industrial Policy: A Survey, World Development (Great Britain), Vol.4, No.11, Oct-Nov 1976, pp.863-82.

Newspapers

Indian Express (New Delhi)

International Herald Tribune (New York)

Le Monde (Paris)

New York Times