International Labour Review, Vol. 113, No. 1, January-February 1976

Socio-economic aspects of multinational mineral mining

Karl H. EBEL [1]

In recent economic history the mining industry, including prospection and processing of ores and minerals, has increasingly become the domain of large multinational enterprises. These companies, incorporated primarily in the United States but also in Belgium, Canada, France, Japan and the United Kingdom, are well represented in the top bracket of the largest industrial corporations.[2] Some of them virtually dominate the world markets for certain metals such as copper and aluminium. Most of them are diversified, mining and processing different ores and minerals. In some cases, too, for example the major aluminium producers, they are vertically integrated from ore or mineral mining to metal processing and marketing.[3]

These multinational mining enterprises provide most of the raw materials that are needed for the growth and prosperity of industry. The world economy depends on their ability to satisfy the growing demand for such basic commodities.

Why the dominance of the multinationals?

Capital concentration

Several factors have converged to bring about this state of affairs. Modern mining is a highly capital-intensive industry and is getting more so as the

[1] International Labour Office. The present article is a revised and expanded version of Chapter III of ILO: *General report: recent events and developments in mines other than coal mines,* Report I (Part 3), Third Tripartite Technical Meeting for Mines Other than Coal Mines, Geneva, 1975.

[2] The *Mining Annual Review, 1974* (London) lists the most prominent mining enterprises and reports on their activities. The largest ones operating internationally are, in alphabetical order: Alcan Aluminium; American Metal Climax; American Smelting and Refining; Anaconda; Anglo-American; Bethlehem Steel; Cerro Corporation; Charter Consolidated; Consolidated Gold Fields; Cyprus Mines; De Beers Consolidated Mines; Hanna Mining; Homestake Mining; International Nickel; Kaiser Aluminium and Chemicals; Kennecott Copper; Mitsui Mining and Smelting; Newmont Mining; NL Industries; Noranda Mines; Norsk Hydro; Péchiney-Ugine-Kuhlmann; Phelps Dodge; Reynolds Metals; Rio Tinto-Zinc; Selection Trust; Société Le Nickel; St. Joe Minerals; Texasgulf; Union Corporation; and United States Steel.

[3] See P. Della Valle: " Productivity and employment in the copper and aluminium industries ", in A. S. Bhalla (ed.): *Technology and employment in industry* (Geneva, ILO, 1975), pp. 298-299.

exploitation of mineral deposits becomes more difficult and costly owing to the depletion of easily accessible sources and high-grade ores. Exploration activities, geological and other research requirements, the mastering of complex new technologies and their application on the scale required in modern mining usually exceed the resources of smaller, purely national companies.

In order to attract manpower to work under conditions that are often very harsh, wages and other benefits are usually above the national average. Expenditure on pollution control, training, safety and health also tends to be appreciable.

Further, mining enterprises have to run considerable risks. The search for new deposits and extraction involve many uncertainties. In Canada, for instance, the exploration cost for any ore deposit is estimated at US$ 25-30 million. Companies generally have to build an infrastructure in previously inaccessible regions, provide housing and community facilities, and solve difficult transportation problems such as the building of rail links and ports.

Thus the capital outlay before a mine becomes productive is generally impressive.

Finally, these enterprises operate in a highly cyclical market. They must be in a position to withstand great fluctuations in raw material prices. In order to reduce and hedge such risks they naturally aim at capturing new markets and, if possible, dominating them.

All these factors have accelerated the capital concentration process which enables the industry to invest the vast sums required for modern projects. At the same time, the companies have aimed at diversification and, in many instances, at vertical integration of mining and basic metal industries. A few examples will suffice to illustrate this point [1]: American Smelting and Refining, a US-based multinational firm, produces copper, lead, zinc, silver, coal, asbestos and limestone as well as a number of minor metals. It operates mainly in North and Latin America but also has holdings in Australia and the United Kingdom.

American Metal Climax, also based in the United States, is an important producer of iron ore, aluminium, copper, molybdenum, nickel, tungsten and zinc as well as precious metals, fuels and chemicals. It has invested in Australia, Botswana, Canada, the Federal Republic of Germany, Italy, Jamaica, Mexico, the United Kingdom and Zambia.

Charter Consolidated, a company based in the United Kingdom, has interests in a great variety of mining ventures including diamonds, copper, cobalt, nickel, tin, wolfram, potash, asbestos and other minerals. In 1973 its investments were spread as follows: South Africa, 45.9 per cent; Australia, 15.5 per cent; North America, 14.5 per cent; United Kingdom, 11.1 per cent; and the balance in Europe, Africa and Malaysia.

Rio Tinto-Zinc is the largest of the UK-based mining groups. Its main products are iron ore, copper and gold. Its activities are located in Australia, North America, South Africa and Europe.

[1] See *Mining Annual Review, 1974*, pp. 15-21.

Société Le Nickel-Peñarroya-Mokta consolidates major French non-ferrous mining interests and produces nickel, lead, zinc, silver, iron ore, manganese and uranium. The company has ventures in New Caledonia, Spain, Niger, Gabon and Morocco.

Technological leadership

The strong position of these enterprises is further enhanced by their technological leadership, which enables them to expand the scale of their operations rapidly and remarkably. The application of new resource exploration techniques such as photogeology, remote sensing, geochemical and geophysical prospecting and advanced methods of test drilling gives them a clear advantage.

In underground mining considerable progress has been made in mechanisation—and hence in productivity—in recent years. The new underground technology has been characterised by the use of rapid tunnel-driving equipment, modernised cutter-loaders and " continuous miners ", efficient load-haul and dump units, self-advancing powered supports, large-diameter raise boring equipment, and more resistant roof bolting. However, the major breakthrough has been in open-pit mining where productivity ranges from 100 metric tons to 1,000 metric tons per man-shift, with an almost 100 per cent recovery rate for the available ore or mineral as against about a 60 per cent rate in underground mining.[1] Spectacular advances have been made in rotary drilling, excavating, loading equipment and conveyor-belt techniques. On the other hand, the environmental problems created by open-pit mining such as dust, noise, vibration, liquid wastes and the restoration of exhausted sites still await a solution. On balance, however, it can be said that these new techniques have not only improved productivity but have also reduced hazards for the workers.

In the future, the most serious challenge to established patterns is likely to come from seabed mining, in which rapid technological advances have recently occurred. Again, multinational enterprises are playing a pioneering role in research and the testing of new technology. The potential investment requirements are so enormous that even large companies find it rewarding not to go it alone. Thus, in January 1974, Kennecott, Gold Fields, Rio Tinto-Zinc, Noranda Mines and Mitsubishi formed a consortium to pursue research in seabed mining. A number of other consortia have been set up for the same purpose.[2]

So far only a small percentage of the total value of ore and minerals has been produced by marine operations—in 1970 only an estimated 0.03 per cent.[3] However, extensive surveys have confirmed the existence of vast quantities of manganese nodules and metal-enriched muds on the sea floor. It now appears

---

[1] See *Mining Annual Review, 1973*, p. 185.

[2] Ibid., *1974*, p. 195.

[3] See A. A. Archer: " Progress and prospects of marine mining ", in *Mining Magazine* (London), Mar. 1974, p. 150.

likely that by 1980, as recent UNCTAD studies have confirmed, seabed mining will be having a major impact on production and trade in cobalt, manganese, copper and nickel. This would lead to lower prices because of relatively low-cost production, to the advantage of the consumer nations. It could displace marginal land-based production, which might have very serious results for developing countries whose main source of income stems from mineral exports and from exports of partly processed minerals. Direct processing of mineral concentrates will probably be carried out in the home countries of seabed mining companies. The flow of investment into mining ventures in developing countries could thus be significantly reduced. All this may have drastic negative employment consequences and lead to further impoverishment of developing countries unless remedial measures are taken.[1]

In this respect, major interests are at stake among nations and it is not only technological or economic problems that have to be overcome. Future activities of multinational mining enterprises in this field are bound up with the type of political settlement sought by the United Nations Conference on the Law of the Sea. The establishment of a legal framework for the expansion of seabed mining is clearly indispensable.

Trade and employment effects

Multinational mining enterprises have acquired a dominating position not only in extraction and production but also in world trade of minerals and metals. They were in fact instrumental in shaping the existing trade patterns with which developing countries are profoundly dissatisfied. There is evidence that these trade relationships work primarily in favour of the industrialised countries, where consumption of raw materials has risen rapidly. This may be one of the reasons why the gap between the poor and the rich countries is widening, a trend which may have grave repercussions on world trade. Recent clashes in UNCTAD and UNIDO conferences are indicators that the present world economic and social order is being seriously challenged. Thus the multinational mining enterprises are caught in a process which threatens their freedom of action. If it continues, their investment in the developing countries may be seriously reduced. It is by no means certain that public investment from national and international sources could take its place.

The economic and social consequences of such disruptions are hardly quantifiable, but can easily be imagined. Unemployment would be further aggravated in both industrialised and developing countries. The pursuit of such objectives as more equitable income distribution, appropriate labour standards and better working conditions would become illusory in countries whose national income depends largely on the extractive industries. Hopes for the achievement of social justice as a basis for internal and external peace would be shattered.

[1] See UNCTAD doc. TD/B/C.1/170 (Geneva, 1975).

Modern mining operations as conducted by the leading enterprises are among the most capital-intensive of all industrial activities. There is a definite tendency to reduce their labour content to the minimum, with obvious repercussions on the industry's occupational structure and the employment opportunities it can offer. One of the reasons for this is that mining companies are not infrequently faced with recruitment difficulties owing to the nature of the work. Open-pit mining methods in particular permit a higher degree of mechanisation than underground mining, and have accordingly increased labour productivity by leaps and bounds.

The skill content of many jobs is increasing but relatively less manpower is employed. The extraction of lower-grade ore in greater quantities also leads to the replacement of labour.[1] However, one must not disregard the indirect employment effects of mining operations. As a rule they are appreciable, since the development of a local infrastructure and of services creates many jobs. An impact is also felt in the industries manufacturing mining equipment. Where employment in mining and related sectors constitutes the bulk of available industrial employment whole countries or areas are dependent on it. The effect on employment in the public sector is generally also positive.

There is, therefore, wide scope for action by multinational mining concerns as regards the creation of employment, the improvement of working conditions and the training and upgrading of workers.

Government policies

The spectacular world-wide growth of investment in the extractive industries has mainly been promoted by dynamic multinational mining enterprises using their economic power and global strategies, allegedly without adequate checks and balances. These enterprises have received considerable attention from all concerned with economic and social policy, and particularly from governments, employers and workers. Discussions in the OECD and the United Nations agencies, including the ILO, have brought to light many divergent opinions and given rise to various appeals for action.[2]

This is not the place to review the debate on this controversial subject, especially since fact and fiction are at present closely interwoven. In collaboration with national agencies, the international organisations are conducting research programmes with a view to replacing conjecture with factual, objective analysis which may serve as a basis for policy.[3] The ILO is making its

[1] See Della Valle, op. cit., pp. 287-290.

[2] See United Nations: *The impact of multinational corporations on development and on international relations* (New York, 1974); ILO: *Multinational enterprises and social policy*, Studies and reports, New series, No. 79 (Geneva, 1973); and " OECD work on multinational enterprises ", in *OECD Observer* (Paris), Apr. 1974, p. 4.

[3] A comprehensive description of research activities relating to labour matters is given in H. Günter: " An overview of some recent research on multinational corporations and labour ", in *IILS Bulletin* (Geneva, International Institute for Labour Studies), No. 12, pp. 37-46.

contribution in this field and is studying the impact of multinational enterprises on manpower, working and living conditions and industrial relations as well as the viability of international principles and guidelines in the field of social policy relating to the activities of such enterprises.

However, it must be emphasised that the concern about the role of multinational enterprises is a political fact and is already markedly influencing the decisions and actions of many governments and employers' and workers' organisations, even in the absence of comprehensive data. In the mining sector, criticism of the operations of these large enterprises has some special features which are explained by the nature of extractive industries.

Mining exploits increasingly scarce and non-renewable natural resources. Many deposits are nearing depletion. Studies commissioned by the Club of Rome show that the world's known reserves of many raw materials will be exhausted in the foreseeable future under present conditions of exploration and extraction.[1] Governments of many developing countries feel that these resources, which are often their principal source of income, are being used mainly for the benefit of the industrialised countries.

A major government complaint is that multinational mining enterprises frequently withhold exploration data and that in tapping reserves known only to them they follow a global strategy instead of taking sufficiently into account the legitimate interests of the country where the natural resources are located. The repatriated profits of mining enterprises are frequently considered excessive. Apart from being regarded as agents of foreign interests, mining enterprises are also held responsible for much environmental damage.

As a result, antagonism has developed between the producer and consumer countries and, in the past decade, a growing economic nationalism has become apparent in the attitudes of governments of producer countries towards mining companies.

Government involvement and control

The new phenomenon is not so much the nationalisation of mineral rights and ownership, which has a long history, as the refusal of governments to be satisfied with royalties and other taxes. They now seek to participate actively in the policy-making and exploration activities of mining companies, exercise ownership rights, and get involved in the actual management of mining operations and marketing. It would seem that the days of unrestricted investment and control by multinational mining companies belong to the past. Since mining companies cannot transfer their production facilities to " safe havens " and as a rule have to adapt to the changing political climate, they are, in effect, coming to terms with government agencies in the formulation of new policies and legislation. Partnerships between multinational enterprises and governments are now a frequent occurrence.

---

[1] See *The limits to growth: a report for the Club of Rome's project on the predicament of mankind* (New York, Universe Books, 1972); and M. Mesarovic and E. Pestel: *Mankind at the turning point*, Second report to the Club of Rome (London, Hutchinson, 1975).

Multinational mining enterprises have meanwhile provided some proof that, given the opportunity, they can live with differences between economic systems and overcome political, ideological and—up to a point—trade barriers. Such companies are now found collaborating with the government agencies of socialist countries in the exploration and exploitation of mineral resources.[1] Recent negotiations and agreements between multinational enterprises and governments have concentrated on providing consultancy services, the sale of " know-how " and hardware, and the financing of operations.[2]

Among socialist countries, joint moves have been made to exploit natural resources. For example, in February 1973, Mongolia and the USSR signed an economic and technical co-operation agreement for the construction of " the largest mining complex in Asia " at Erdenet, a new mining town. A joint mining company was set up in November 1973 to which the USSR is contributing 49 per cent of the capital and Mongolia 51 per cent. The USSR agreed to make a loan to Mongolia to cover this planned contribution. The company is exploiting what might prove to be one of the world's largest copper and molybdenum deposits.[3]

The collaboration of state-owned companies on a world-wide basis across trade-bloc barriers is also developing. Thus the Peruvian state mining company, Mineroperu, has formed a joint venture with the Romanian state-owned enterprise, Geomin, for the development of the Peruvian Antamina copper deposits. Geomin will take 40 per cent of the profits of the operation.[4]

A variety of policies have been devised to cope with what is often seen as the economic stranglehold of powerful mining interests. Some countries have

---

[1] See United Nations: *Permanent sovereignty over natural resources*, doc. A/9716 (New York, 1974), pp. 14 and 18: " Several Eastern European countries have passed legislation which allows joint ventures based on equity participation, though mostly limited to minority interest and the manufacturing sector. These developments suggest that appropriate safeguards are possible, or considered adequate, against any infringements on permanent sovereignty and that multinational corporations are adaptable to various circumstances and conditions." The report describes in some detail contractual relationships between multinational enterprises and government authorities in Hungary, Poland, Romania, the USSR and Yugoslavia.

[2] See " In the long term ", in *Mining Annual Review, 1971*, pp. 3-5; and *Mining Journal* (London), 8 Feb. 1974, p. 96: " Kaiser Industries Corp. has signed a five-year technological exchange agreement with the Soviet Union. . . . Kaiser described the agreement as a multipurpose scientific and technical exchange protocol which forms the basis for further discussions and possible agreements for co-operation in alumina, aluminium, iron ore, pelletisation, coal, steel, and gypsum production." In addition, Kaiser and Péchiney-Ugine-Kuhlmann are being considered as possible partners with the Soviet Government in the establishment of a 500,000 ton per year aluminium smelter in Siberia. It is also reported that the Bechtel Corporation has concluded a five-year agreement with the Soviet Union on the exchange of scientific and technical services, including joint development of industrial ventures in the mining, metallurgical and petrochemical industries (*Mining Journal*, 20 July 1973, p. 53).

[3] See *Mining Journal*, 27 Dec. 1974, p. 547; and K. Boldokhonov: " Simvol bratstva—Kombinat v Erdenet—krupneishaya novostroika mongolskoy pyatiletki ", in *Izvestia* (Moscow), 27 Nov. 1973.

[4] See *Quarterly Economic Review: Peru, Bolivia*, Annual Supplement 1974 (London, Economist Intelligence Unit, 1974), p. 7.

introduced the taxing of capital gains and abolished provisions for untaxed " prospector's profit ". The syndicate financing or small company promotion of prospection is discouraged. Tax-free periods in the early stages of production are reduced or discontinued. Depletion allowances are cut down. High expenditures for pollution control are imposed. Restrictions on marketing are introduced. Increasingly, foreign companies are limited in the equities they may hold in exploration and mining.[1]

These policies have met with some success: for instance, government ownership in copper reserves in non-socialist countries increased from 2.5 per cent in 1960 to 43.0 per cent in 1973.[2]

The countries concerned are attempting to set up other mechanisms to strengthen their economic independence and to influence price levels in their favour. Their objective is to obtain better terms of trade than have prevailed hitherto. It is hardly surprising that the recent actions of the petroleum-producing countries should have served as a model to other major producers of raw materials, who are now moving towards concerted action in order to regulate fluctuations of world market prices by constituting buffer stocks of raw materials and seeking to push up their export prices. The divergent interests of the producer countries and political as well as market factors may prevent effective measures in this field for some time to come. Nevertheless, it should not be overlooked that for certain raw materials such as copper, iron ore, bauxite and phosphate, some co-ordination is already taking place, for instance within the framework of CIPEC (the Intergovernmental Council of Copper-Exporting Countries). Copper provides an example of the difficulty of aligning prices. It has been remarked that " the cost structure of the industry varies over . . . a wide range of break-even points and may well defeat all CIPEC's efforts towards price stabilisation ".[3]

Another approach to establishing more stringent control over foreign private investment (which is primarily carried out by multinational enterprises) and to influence the terms of trade directly or indirectly is through regional groupings of developing countries to counteract unfavourable trading positions. The Andean Common Market, founded by the Agreement of Cartagena (1969), is an example. It groups Bolivia, Chile, Colombia, Ecuador, Peru and Venezuela. The Andean Foreign Investment Code of 1970 applied by these countries requires foreign investors to sell the majority of their holdings to national investors within a 15 to 20-year period. However, if foreign enterprises export more than 80 per cent of their produce to non-Andean countries, they are not liable to divestment.[4] Since this is the case with most multinational

---

[1] See D. R. Derry *et al.*: " World mining exploration trends—politics of prospecting ", in *World Mining* (San Francisco), Mar. 1974, pp. 46-50; and " In retrospect ", in *Mining Journal*, 27 Dec. 1974, pp. 541 ff.

[2] See Derry *et al.*, op. cit., p. 47.

[3] *Mining Annual Review, 1974*, p. 9.

[4] See A. Lopez Valdez: " The Andean Foreign Investment Code: an analysis ", in *Journal of International Law and Economics* (Washington), June 1972, pp. 1-19.

mining corporations, they are only marginally touched by the code. Nevertheless, this type of collaboration obviously tends to give countries more say in their economic affairs vis-à-vis powerful interests and might change the conditions in which the mining industry operates.

The need for balance

Governments obviously have to balance their desire to exercise full control over the exploitation of their natural resources with the need to attract huge amounts of private investment. They are thus interested in finding a *modus vivendi* with the multinational enterprises just as much as the latter are interested in profitable operations. In mining, only a few companies possess the technical know-how and management skills for large-scale modern operations and the facilities for financing them. This mutual interest has increasingly led to partnerships between governments and multinational enterprises in the form of joint ventures in which governments keep a controlling share, usually 51 per cent of the equity. Another form of control is through a consortium of foreign and national companies formed on an ad hoc basis, with government participation, for particular mining operations.

As discussed above, governments may take a great variety of measures to become master in their own house. However, they have to ensure that regulating devices do not become counterproductive. This can easily happen, for instance, if a country renders itself less attractive to risk capital by abolishing exploration incentives and passing other restrictive legislation. It must be remembered that in exploration ventures the odds against success are of the order of ten to one.[1] Tightening-up measures may lead to a decline in the exploration of new mineral and ore deposits, which in turn may cause raw material shortages through the failure to develop new mines. This happened between 1971 and 1973 in Australia, Canada and Ireland, where exploration expenditures dropped sharply. Instead, risk capital moved to South Africa, Brazil and the Philippines because of these countries' more liberal investment policy.[2]

More recent trends suggest that such risk capital is increasingly avoiding the developing countries owing to the spread of the above-mentioned restrictive practices. In the past three years 80 per cent of the expenditure on mining exploration (excluding expenditure in the socialist countries) was concentrated in Australia, Canada, South Africa and the United States.[3] This underlines the importance of the UN General Assembly decision to establish a Revolving Fund to assist developing countries in the exploration of mineral, water and

---

[1] See R. F. Mikesell: " Financial considerations in negotiating mine development agreements ", in *Mining Magazine*, Apr. 1974, p. 267.

[2] See Derry *et al.*, op. cit., p. 46.

[3] See J. Audibert: " Intérêts miniers français hors de France ", in *Annales des mines* (Paris), Apr. 1974, pp. 59-62.

energy resources.[1] Such a fund might alter the bargaining conditions for the development of mineral resources.

Attitudes of workers' and employers' organisations

It has been shown above that the new political and economic climate has induced many governments to take action to control the activities of multinational mining enterprises, whilst others find it difficult to define their position. The attitudes of workers' and employers' organisations play a decisive role in creating this particular climate. There is by no means complete unity of views in either camp and the interests of organisations from industrialised and developing countries do not always coincide.[2] Moreover, on important points, the views of most employers and workers are diametrically opposed, and the problems which have arisen in recent years in this context remain unsolved. The controversy extends over the whole range of international economic and social policy. Here it must suffice to evoke the most important views relating to the field of competence of the ILO and more specifically to the mining sector.

The workers' viewpoint

The workers' organisations generally agree that countries have the right to full control over their national resources and that the influence of multinational mining enterprises should be checked. They support all initiatives which are undertaken in this respect and mobilise their members accordingly. Thus in September 1974 the International Metalworkers' Federation organised a conference on collective bargaining in the iron, steel, aluminium and copper industries for its Latin American affiliates in Caracas, Venezuela, which 70 delegates from 12 countries attended. The delegates demanded trade union participation in the recently formed International Bauxite Association [3] and in the planned Association of Iron-Exporting Countries [4], which are to concert the action of the producer countries of bauxite and iron ore. During the same month, the Fourth General Conference of the Caribbean Bauxite, Mine and Metalworkers' Federation took place in Caracas. The 30 delegates from six countries called for trade union participation in programmes to develop mineral resources and to free them from the grip of the multinational mining enterprises.[5]

---

[1] Resolution No. 3167 (XXVIII) of 17 December 1973.

[2] For a statement by a trade union leader from a developing country disagreeing with the often negative attitude of workers' organisations in industrialised countries see C. V. Devan Nair, Secretary-General, Singapore National Trades Union Congress: " Multinationals in developing countries—some crucial terms of reference ", in *Afro-Asian Labour Bulletin* (Singapore), Nov. 1974, pp. 4-10.

[3] The following countries are members of the International Bauxite Association: Australia, Guinea, Guyana, Jamaica, Sierra Leone, Surinam and Yugoslavia.

[4] Since established.

[5] See *International Metalworkers' Federation News* (Geneva), Oct. 1974, pp. 2-3.

A widespread fear in trade union circles is loss of bargaining power. Unions are primarily nationally oriented and seldom have access to the decision-making centres of multinational enterprises. The world-wide outlook of the managements of multinational enterprises remains alien to most national union leaders. Comprehensive, reliable and up-to-date information on multinational enterprises is hard to come by and unions therefore consider themselves to be in an inferior negotiating position. Moreover, violation of trade union rights in a variety of host countries is a frequent complaint.

The influence of multinational enterprises on the level and structure of employment is another important area of concern to workers' organisations. It should be noted in passing that, in the case of the extractive industries, the argument that multinational enterprises are " exporting jobs " and switching production facilities from high-wage to low-wage countries, although possibly justified in certain instances [1], is in fact of limited relevance since the labour force employed in this sector is relatively small and the decision to extract mineral deposits depends essentially on the location of such resources and market factors. In fact in the developing countries themselves the chief criticism voiced by the trade unions as regards employment concerns the high proportion of expatriate managerial and technical staff employed by multinational mining enterprises.

The workers' organisations are making considerable efforts to curtail the economic and political power of the multinational enterprises and to develop a countervailing power of their own. The first step is to improve international co-operation between workers' organisations through international trade secretariats and to foster the dissemination of information which helps national unions in bargaining with the subsidiaries of multinational companies. Whether and when transnational bargaining—to which some unions aspire—can be instituted are still entirely open questions.

The various international trade union federations have taken a vigorous stand in numerous resolutions and statements.[2] Their calls for widespread international action, however, are only gradually being answered.

In view of the scant opportunities to achieve rapid progress for their claims at international level [3], many unions are now seeking to secure national

---

[1] " Our Surinamese brothers ... tell us that ... just before beginning collective bargaining for a new agreement, the management of the giant aluminium company ALCOA told them that it was going to reduce its bauxite extraction some 25 per cent. At the same time, the same company was preparing new bauxite mines in Costa Rica and beginning the preparations in nearby French Guiana." (D. Benedict: *Latin American and Caribbean workers face the multinational companies*, Report to the Second Regional Conference of Metal, Mechanical and Metal-Mining Workers of Latin America and the Caribbean, Buenos Aires, September 1972, p. 6.)

[2] A comprehensive catalogue of claims is, for instance, contained in a resolution on multinationals adopted by the 23rd World Congress of the International Metalworkers' Federation, Stockholm, 2-6 July 1974.

[3] On 1 May 1974 the United Nations General Assembly adopted resolution No. 3201 (S-VI) on the establishment of a New International Economic Order, which among other things called for " regulation and supervision of the activities of transnational corporations by

legislation that will set and enforce stricter ground rules for multinational enterprises. It would appear that this strategy is paying off to a certain extent.

The employers' case

The multinational enterprises and the employers' organisations reject the accusations levelled against them as meaningless generalisations, and highlight the positive effects of the internationalisation of production such as the transfer of know-how, technology and management skills; world-wide marketing; employment creation and the training of local manpower; improved working conditions; and contributions to the social and economic infrastructure. As regards, for instance, the siting of subsidiaries of multinational enterprises in the extractive industries, a recent survey conducted by the International Organisation of Employers concludes that the availability of raw materials is a primary concern and all other factors are of lesser importance.[1]

The above survey covers 137 multinational enterprises, including various mining companies. It also comes to the conclusion that in social policy matters and collective bargaining decision making in multinational enterprises is generally decentralised and that in labour matters and trade union rights the companies generally respect the legislation of host countries. The report also points out that, as regards employment, " the general trend is without exception towards the employment of nationals because the companies themselves recognise this as desirable in their own interests ".[2]

Co-operation or confrontation?

It would be premature to come to any definitive conclusions regarding the role and functions of multinational enterprises and the limitation of their power in the social and economic field.

It is clear that the sovereign nation-State as it emerged in the nineteenth century is severely strained by these new forces. Multinational mining enter-

taking measures in the interest of the national economies of the countries where such transnational corporations operate on the basis of the full sovereignty of those countries ". In resolution No. 3202 (S-VI) it laid down a Programme of Action on the Establishment of a New International Economic Order which calls for " regulation and control over the activities of transnational corporations ". However, the pace of implementation of this programme is far from what workers' organisations would like to see. The steps taken so far are the establishment of a UN Information and Research Centre on Transnational Corporations (ECOSOC resolution No. 1908 (LVII)) and the establishment of an Intergovernmental Commission on Transnational Corporations as an advisory body to ECOSOC which will guide the above Centre on the basis of the terms of reference given. The Commission is composed of 48 members: 12 from African States; 11 from Asian States; 10 from Latin American States; 10 from Western European and other States; and 5 from the socialist States of Eastern Europe. The Commission is expected to promote a wide exchange of views among all parties concerned with transnational corporations (ECOSOC resolution No. 1913 (LVII)). The ILO will collaborate with the Centre and the Commission.

[1] See International Organisation of Employers: *Multinational enterprises: the reality of their social policies and practices* (Geneva, 1974), p. 21.

[2] Ibid., p. 14.

prises have good reason to react in a responsible and constructive way to the social and political forces which they have helped to set in motion. The global confrontation over natural resources must not be aggravated. In a situation of inescapable world-wide economic interdependence, co-operation and partnership are the only rational way of reaching a better international distribution of wealth. This is in the interests of all concerned, as has so convincingly been shown in the second report to the Club of Rome.[1]

Moreover, enlightened self-interest on the part of multinational mining enterprises calls for the promotion of sound industrial relations. They are able to act as discerning and powerful agents of technological change in national economies, to the benefit of domestic manufacturing industries and services. Measures for pollution control can be strengthened. Their influence can make itself felt beyond their immediate business interests as developers of the infrastructure and organisers of complex operations. They could and sometimes do participate in technical co-operation programming and the training of local manpower beyond their immediate needs in order to assist other industries. They might organise the flow of information on sophisticated technology and managerial techniques and support local research and development. The positive or negative changes in value systems and traditional ways of life which they introduce into communities also need to be taken into account. In short, their presence in developing countries should be—and often is—to the mutual benefit of the countries and the companies.

A fairer distribution of wealth, desirable structural changes and equitable international economic relations will not be achieved by rash, short-sighted economic measures paralysing the production capacities of raw-material producer and consumer countries alike. This would indeed be a disservice to working people throughout the world and would render vain the widely cherished hopes placed in the promotion of a new and fairer international division of labour.

---

[1] See Mesarovic and Pestel, op. cit., p. 97: " The conflict between the two sides in the dilemma over finite resources is more apparent than real. In the long run, when all important factors are accounted for and the long-range benefits considered, co-operation is the only sensible and the most beneficial path for all participants. Attempts by one side to take significant advantage over the other backfire; they reduce the benefits to all."