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Corporations and the Less Developed Countries

The issue of overriding importance to most of the peoples of this world is the large gap between the standards of living of advanced countries and less developed countries (LDC's). In principle, through application of science and technology, standards in the LDC's could be raised substantially. In practice, change is slow in most countries. The problem is one of implementation. To create a successful enterprise, it is necessary to bring together technical know-how, skilled labor, managerial and marketing skills, and capital. Most of the LDC's are deficient in one or more of these ingredients.

The LDC's have therefore found it expedient to turn to the great multinational corporations. These have at their disposal the necessary skills and resources to create jobs and products. But relations between the LDC's and the corporations have been characterized by tensions arising from differing needs and objectives. The principal goal of the corporations is profit. The goals of the LDC's are many and changing. A decade ago, import substitution was emphasized—that is, assembling locally items such as automobiles that previously had been imported. Lately, many of the LDC's have developed the ambition to export manufactured goods in order to obtain much-needed foreign exchange. Often this desire is thwarted by licensing arrangements and patent positions. Another goal of the LDC's is jobs for their citizens. In the past, the corporations brought in high-cost, labor-saving machinery appropriate to conditions in the United States but not to those of the LDC's. The LDC's want the corporations to support local research and development; the corporations have not conducted much research and development in the LDC's.

The LDC's need the skills and capital that can be supplied by the multinational corporations but are determined to obtain them on terms that will better serve the host countries. For their part, the corporations are aware of a changing climate. They have found it expedient to respond at home to a host of social pressures, and many are preparing to be more responsive to the needs of the LDC's. A recent report* issued by the National Academy of Sciences depicts these changing attitudes. Some of the corporations have already put into practice more enlightened procedures. Recently, in Bogota, I was told of IBM activities in assembling electric typewriters in Colombia. The plant there was designed to be labor intensive. Only hand tools are used. Accordingly, the initial capital outlay was small. The tasks of the workers are rotated so that they can learn to perform all the operations of the assembly while avoiding boredom. An electric typewriter has many hundreds of parts and some of these must be imported. Nevertheless, the value-added in Colombia amounts to more than half the final cost of the machine. The assembly plant is now filling most of the South American demand for IBM electric typewriters.

It seems likely that the foregoing example will be multiplied in the future as corporations respond to wishes of the host countries. However, the LDC's want to be more than assemblers. They would like to be completely in command of their own destinies. They would like to obtain know-how cheaply from the companies. But the companies are not likely to transfer for a nominal sum know-how that cost hundreds of millions of dollars to acquire. If the LDC's wish to achieve full independence from technological dominance, they must be prepared for a long-time effort and the building of their own corps of competent scientists and engineers.—PHILIP H. ABELSON

* *U.S. International Firms and R, D & E in Developing Countries*, report of an ad hoc panel of the Board on Science and Technology for International Development (National Academy of Sciences, Washington, D.C., 1973).