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Digby J. McLaren

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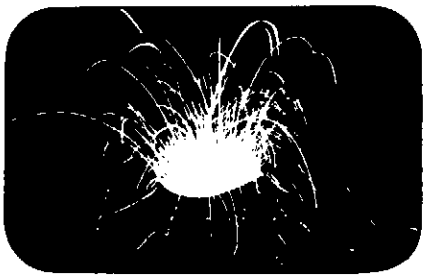

Pyroclasts

The following article was first presented by the author as a statement at the CISTOD World Congress in Tunis, April 1983

The Role of Public and Private Multi-National Enterprise: The View from Canada

Digby J. McLaren

The benefits from development of industry and natural resources carried out by multi-national companies within sovereign states are surely easy to justify. Benefits spring from employment, training, royalties and taxes, as well as the creation of markets and secondary industries. The remarks offered here assume all of the above and are in no way critical of the principle that wise investment from outside a country can be a valuable asset. It is important, however, for nation states that have not been accustomed to the heady wine of foreign investment to realize that there are certain cautions that should be observed if they are to derive the fullest possible benefit from the benevolent symbiosis. Most of these remarks concern resource companies, particularly those engaged in exploration and development of metallic ores and energy minerals including coal and petroleum. In addition, a few general comments are offered.

Multi-national corporations as well as some state-controlled enterprises operating abroad are directed by paid executives whose principal objective is to maximize profit. Benefits will flow to the country in which they are operating to the extent that the protagonists share common objectives within the limits of operating mechanisms. In general, therefore, most nation states in which such enterprises operate find it beneficial to take measures to ensure fair financial return as well as other equally valuable but more intangible benefits, including employment and training. Furthermore, they may wish to legislate the right to a fair return to the operating enterprise. Problems that might arise include:

1. Differences concerning the rate of exploitation of a resource or of industrial development in regard to short-term *versus* long-term benefits. These may take the form of disagreements over the rate of investment payback and may also involve problems related to decisions on export of raw materials as opposed to secondary processing or even manufacturing.
2. Export by the branch plant of manufactured products surplus to the home market where it is situated may not necessarily be encouraged by the parent company, even if economic benefit could accrue.
3. Employment of local population and their training is highly desirable, and may be competently carried out. Under some circumstances, however, there might be a tendency, particularly among more senior managerial staff, toward ideological identification with the company rather than with the concerns of the host state, with important national implications.
4. There is a tendency for research to be carried out within the parent company or within a regional laboratory established elsewhere, with the result that benefits from such research accrue only to the company. Results may remain secret beyond the needs of competitive advantage.
5. In countries in early stages of development there may be only one enterprise carrying on business in a particular field. The resulting tendency toward monopolistic control may be considered undesirable from a national point of view.

Most of the above problems are merely potential, to be avoided by negotiation in advance. The main determinant considered by a company contemplating operations in a new country is a fair return on investment. The following remarks are confined to resource companies, and it is in this area that particular regard must be paid to protecting sovereignty in the right to access to information on natural resources, their distribution, size and worth. Resource development must be directed toward the economic and social interests of the host state, while assuring a fair return to investors. Orderly development should provide for the evolution of secondary benefits, including training at all levels, and the possibility for full partnership in the enterprise. A country should have certain requirements in regard to its own technical and administrative capacity as well as stipulated conditions which influence its relations with its partners in development:
1. There is need for a cadre of trained scientific and technical personnel who can advise government on the development of a particular natural resource. Such experts should have as accurate as possible a knowledge of the occurrence and environment of the natural resources within the country.
2. There must be an orderly flow of information required by law arising from exploration and development by any agencies, whether internal or external. Such knowledge must be centralized and regulation must take cognizance of a reasonable need for secrecy over defined periods for different categories of information.
3. A regulatory agency should be established to advise government on levels of reserves and exports and to set developmental rates consistent with long-term economic benefits and due protection of the environment.
4. In addition to a regulatory agency there should be a technical agency, removed from the regulators, whose job it would be to interpret information received. It would

be necessary for such an agency to have some capacity for data collection, interpretation and research in order that the public, including government, be made aware of the size and value of the nation's resource base. Such information is essential if development is to be encouraged and controlled.

5. It should be realized that the needs of science and the needs of control may be in conflict, and it is important that an in-house scientific body should be independent of control agencies. Such a body must remain apart and disinterested in order to be in a position to offer objective judgements divorced from immediate political issues.

6. In fact, when dealing with the forces of international investment, it would appear that clearly defined and administered government control in setting limits to freedom of action is a necessary component in protecting a competitive economy.

In conclusion, the most valuable asset a country can possess is a knowledge of its own resource base, its distribution, size and worth. Integration of such knowledge provides one necessary parameter in assessing the balance between exploitation, conservation, and the environment. Resource development by outside forces may be highly beneficial, providing that conditions exist within a nation which enable its government to make informed and rational decisions concerning the scale and pace of such development. These few comments can scarcely outline the nature of the problems. They are made primarily from the point of view of an earth scientist. A few references are offered below in which the issues of economics as well as resource availability are dealt with.

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