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MULTINATIONAL MINING AND THIRD WORLD DEVELOPMENT : THE CASE OF AFRICA AS A LESSON FOR BANGLADESH.

Introduction

Foreign investment is occasionally denounced on the ground that it takes out from poor countries more than it puts in. The argument is mainly based on a comparison of two annual financial flows: outflow of profits from the developing countries to the MNCs and net inflows of capital from the MNCs to the host countries. Indeed, an excess of outflows of profits over inflows of capital has existed for many years. For instance, in 1974, the MNCs repatriated profits of more than US \$ 16 billion from developing nations but brought in only US \$ 7 billion in new capital¹.

However, a simple comparison of these two flows does not provide the comprehensive picture. The more fundamental question is the effect on the host country's real income. The essence of the case for foreign investment, and presumably the reason most Third World countries encourage it, is that it is expected to bring in a package of resources that adds to the output (value added) and real income in most cases over and above the profits that accrue to foreign investors. It may benefit labour in the form of higher wages,

1. For details, see Frank, I., *Foreign Enterprise in Developing Countries*, 1980.

consumers in the form of lower prices, and the government in the form of higher tax revenues.

Therefore, it is necessary to calculate the total benefits that result from foreign investments and divide that amount among the beneficiaries. Actually, labour's gain may consist not only of higher wages made possible by greater productivity but also of sheer increase in employment opportunity. The gains to consumers may consist not only of lower prices but also of a wider choice of better quality products. As for government revenues, taxes on the profits of foreign enterprises constitute a large portion of the total tax receipts of many developing countries.

On the other hand, a foreign enterprise, drawing on the vast technical and managerial resources of its parent company, may snuff out existing and newly emerging entrepreneurs. By borrowing locally, it may also deprive indigenous firms of their main source of capital. The new technology introduced by the multinationals may be highly capital-intensive and thus fail to utilize labour fully even where unemployment is already widespread. By employing few people with wages normally higher than the market wage rate, and by investing heavily in particular regions, they also distort the local labour market and create regional inequalities. Far from encouraging competition, they eventually become monopolists with considerable wealth and power that often enable them acquiring influence on national economy, and in many cases over governments as well.

Amongst all the transnational or so-called multinational companies, the mining companies are perhaps the most influential in terms of their power and share in international investments. Unlike the other multinational enterprises, they spend and invest heavily in very specific parts of the world. Security in operation and long-term flow of return are the main criteria for the establishment of multinational mining operations. Their activities differ significantly from other transnational companies in terms of market operations and implications for the host country as well as the

companies and their originating countries. In many Third World countries where export earnings are dependent on a single or few mineral items, the economies as a whole become often dependent on transnational mining companies.

Operation of multinational mining companies, has therefore assumed a matter of growing interest. The anatomy is well known : a few huge companies, with a fringe of smaller but still very large units. The companies are vertically integrated, and most of their products, produced in developing countries are eventually processed and sold in the developed countries from where the producer countries import the finished products at a much higher price.

The objective of this paper is to make an investigation into the role of multinational mining companies in the context of development of Third World countries in the light of the experiences of some of the African countries. A brief discussion on the main issues in Third World context is followed by an account of MNC activities in Africa. The impacts on development in the concerned countries are then analysed. Finally, some general observations are made to highlight the relevance for a country like Bangladesh which appears to be about to open itself to such experiences. The paper, it may be noted, confines itself to the non-fuel minerals only, mainly because of the relatively less attention received by this sector compared to oil and gas.

Multinational Mining Companies and the Third World

As a group, developing countries are important suppliers of minerals. In 1980, their share in world exports of iron ore constituted 46%, copper 64%, bauxite 71%, manganese ore 73 % and tin 85%. Projections for 1990 also show very little, if any change in these shares. In 1990, the share of developing countries in world exports is expected to be as follows: bauxite 68 %, copper 63%, iron ore 48%, manganese ore 72 % and nickel 87%.² Many developing

2. UN Centre on Transnational Corporations, *Transnational Corporations in World Development*, 3rd survey, 1983.

countries rely heavily on sales of non-fuel minerals for a substantial proportion of their export earnings. But they receive only a small share of the price paid by consumers for the finished product. It has been roughly estimated that only one-tenth to one-seventh of the prices paid by consumers accrue to the producing countries.³

The reason for this low rate of return is the inability of these countries to exercise effective control over processing, marketing and distribution. According to one estimate, only about 30% of all minerals mined in developing countries have been processed in the same countries during the past 30 years.⁴ This ratio has been changing gradually in recent years. Projections for 1983 indicated substantially higher rates: alumina refining from 25% in 1977 to 46% in 1983; aluminum smelting 5 to 21%; copper smelting 0 to 14%, copper refining 47 to 49%, steelmaking 12 to 13%, lead processing 43 to 48%, nickel processing 43 to 48%, tin smelting 44 to 84%, and zinc processing 31 to 62%.⁵ Such aggregate figures may obscure differences among individual minerals. Thus, the degree of processing tin and copper prior to export is significantly higher than it is for bauxite, iron ore and zinc but remains far below the expectations and objectives of producing countries. Similarly, marketing and distribution of mineral products continue to elude these countries.

The Level of Activity

It has been suggested that the share of developing countries in world exploration for solid minerals and in mineral development has undergone a sharp decline in recent years. This is attributed to a

3. UN Economic Commission for Latin America (ECLA), *Transnational Corporations and Export Oriented Primary Commodities*; Working Paper no. 6., 1977.
4. For details, see Bosson, R. and Varon. B., *Mining Industry and the Developing Countries*, Oxford University Press, London, 1977.
5. UNIDO, *Mineral Processing in Developing Countries*; UN Publication, sales no. II. B., 1980.

marked reduction in direct investment by multinational mining companies in developing countries.⁶ It has been suggested further that these developments are in turn due to concern on the part of the mining companies as to whether, in the event of successful exploration, they will be allowed by the host countries to earn an adequate after-tax return on their equity. The question remains as to what is the level of return that would be considered adequate. Leaving that apart, there is also said to be a fear, on the part of the mining companies, of nationalization without adequate compensation.

These views have, however, been challenged by some scholars.⁷ While it is denied that direct foreign investment in developing countries has declined, it is pointed out that the share of developing countries in solid mineral activity in the world market economy, has been rising. This rise is reflected in the fact that the developing countries' share in the output of seven major minerals (bauxite, copper, iron ore, lead, nickel, tin and zinc) in the world market rose from 41% in 1960 to 45% in 1970 and 48% in 1978, remaining at the 48% level in 1981.⁸

Mining Activities and the Environment

The activities of multinational companies have had an impact on the physical environment, since most environmental problems emerge as a result of operations related to exploitation of the minerals, i.e., extraction, production, and dispersal of goods and services. This has occasionally conflicted with the requirements of the protection of the environment, the conservation of non-renewable resources and aesthetic standards of nature in the countries where these activities are carried out.

6. For details, see Mikesell, R, *New Patterns of World Mineral Development*, National Planning Association, (British-North American Committee), Washington, D.C. 1980.
7. For instance, see Radetzki, M., "Has Political Risk Scared Mineral Investment Away from the Deposits in Developing Countries?" *World Development*, vol. 10, No. 1. 1982
8. *Ibid.*

The developing countries, generally do not have strict legislative or regulatory laws on pollution control with respect to limiting the mining activities of the multinational companies. Therefore, the companies involved, do not also take adequate measures to protect the environment. There are significant information gaps in developing countries concerning the production and processing of environmentally hazardous products. On the production side, these may relate to environmental and worker safety hazards and processing involving toxic products and by-products.

Effect on Employment and Wages

Multinational companies often pride themselves on the high wages they pay and the welfare services they provide to their workers. Serious difficulties may arise, however, when the high wages paid by the companies tend to spread to other sectors that have lower capital-intensity and lower labour productivity. They can aggravate inflationary pressures and unemployment, distort use of factors of production, and give rise to aspirations in advance of the economy to fulfill them.

According to the findings of a study by the International Labor Organization⁹ foreign affiliates of multinational companies tend to adapt working conditions to local standards which incomparably differ from those of the industrialized countries. Mining activities carried on by such companies in developing countries generally involve much harder manual work under conditions which are not permitted in the developed countries.

Multinational Mining Companies in Africa

Exploration, Production and Ownership

Preliminary results of recent surveys on Africa's mineral resources show that the continent's sub-soil is a vast reservoir. It contains a large variety minerals in exploitable quantities—number of which are indispensable to the continued growth of the developed countries

9. Reported in, UN Centre on Transnational Corporations, 3rd Survey, *op. cit.*

themselves. Africa is the world's major producer of gold and diamonds and dominates the world market in such strategic minerals as cobalt, chromium, lithium, beryllium, tantalum and germanium. It is also the principal producer of other strategic minerals such as radium, scandium, caesium, corundum and uranium. Africa contains 90% of the world's chromite reserves and produces 30% of the world output. Africa's coal reserves are sufficient to last over 300 years.¹⁰

In the post-independence period, i.e., in the 1960s, exploitation and production of minerals in Africa were almost exclusively in the hands of foreign companies, countries and international agencies. The exploration rights granted to foreign companies often led to their production ownership. Things however changed to some extent lately.

To illustrate the facts, examples of a few African countries, which are not much talked about (probably as they are not oil exporting countries) are provided in the following paragraphs.

GHANA : The principal minerals produced in this country are gold, diamonds, manganese and bauxite,. The production of gold from the Ashanti mines is carried out by the Ashanti Goldfields Corporation, a subsidiary of Lonrho Limited. The rest of the gold production is carried out by the State Mining corporation. The major diamond producer is the Consolidated African Selection Trust Limited, which has shares in the Sierra Leone Selection Trust Limited; it is also the only gold mining firm in Ghana.¹¹ Manganese is owned and produced by the African Manganese Company Limited (AMC). This is a British company which is owned by the Union Carbide Corporation of the United States. Bauxite was discovered in Ghana in 1914, and since then it is being exploited by British Aluminium Company Limited.⁽¹²⁾

10. For details, See Ochola, S.A., *Minerals in African Development*, Bogle L, Overture Publications Ltd. London, 1975

11. Consolidation African Selection Trust (CAST) Limited, *Annual Report*, 1972.

12. Ochola S.A, *op. cit.*

However, the government in due course, established its participation in the mining activities. But the situation did not improve. The MNCs reduced the scale of their operations, but retained their influence over the inefficient government administration by virtue of their power of wealth, superior business strategy and technological advantage. In 1979, 38,700 fine ounces of gold was produced compared to 709,000 ounces in 1974. The country's only remaining diamond mine at Akwatia, 55% of which is now owned by the government, produced less than 1 million carats in 1981 compared to 2.4 million carats of the early 1970s level.

The country is now in such a position that it badly needs more foreign capital to keep alive its mining industries. As a result, the government launched a new investment code in 1981 which reassured the foreign control over all investments and that repatriation of profits and dividends will be free as long as there is the foreign exchange to cover them and that there will be no public sector interference with their activities.

Investment along the line of Volta Aluminium Company (Valco) in which Ghana's subsequent governments have had little or no influence, now seemed more secure. Negotiations with Valco for improved payments for the electricity it consumes broke down, but the government was in no position to do what it might have liked to do and nationalize the company.¹³

GUIEA: The country mainly produces bauxite, iron ore, small amounts of diamonds, and raw building materials. The production of bauxite is carried out by two companies: Fria Consortium and Harvey Aluminum. The Fria is a consortium of the USA, French, British, Swiss and West German concerns. The shareholding in the consortium is as follows: the American corporation holds 48.5%, French 26.5%, British 10%, Swiss 10% and West Germany 5%. The consortium started production in 1960, at an annual average production rate of 600 000 tons which has now increased to a

13. World of Information, *Africa Guide 1964*, pp. 145-49, London 1984.

higher production level. The Harvey Aluminum Company has an average annual production of 24,000 tons. The Sangaredi bauxite deposit in the Boke region is mined by Company des Bauxite de Guinea (CBG), which is jointly owned by the Halco Consortium (51%) and the Guinea Government (49%). The Debele bauxite, estimated at 44 million metric tons in the Kindia region and the Dabola deposit were to be mined by Guinea/Soviet Union and Guinea/Yugoslavia, respectively, with Guinea holding a 51% share.¹⁴

The Guinea Government, plus five international companies, formed a concern called MIFERGUI to exploit the iron ore deposit on Mount Nimba. The Government has a 50% share, while 20% belongs to Southland Mining of Australia, 12.5% to US Steel, 7.5 and Yugoslavia have 5% each.¹⁵

The country during the period of nationalist leader Ahmed Sekou Toure brought changes into the economy. The pragmatic policies his government pursued increased significantly the productivity of existing units, and diversified the range of mineral products. In 1981, exports of bauxite alone constituted 90% of the country's total foreign exchange earnings. Unlike Ghana, foreign investment and aid has had been instrumental in the expansion of mining activities, and foreign companies are also involved with plans to bring out iron ore from the south of the country.¹⁶

The largest recent investment has been in diamond mining with Aredor — 45% Australian owned, involving a total expenditure of \$ 79.7 million. Government retains 50%, with Swiss and British interests sharing the rest. An international consortium was also formed in early 1980s to work on the country's large uranium field in the South. Here too, the government's stake is 50%, with other partners, including Nigeria, Yugoslavia, Morocco, and the UK, sharing the rest.¹⁷

14. Ochola S.A. *Op. cit.*

15. *Ibid.*

16. World of Information, *Africa Guide 1982*, pp. 162-64, London, 2982.

17. World of Information *Africa Guide 1984*. pp. 153-53

ZAIRE: The country ranks as Africa's second largest producer of copper, which accounts for about 6% of world output.¹⁸ In 1974, peak ore production amounted to 499,700 tonnes, which declined to 400,000 tonnes in 1980¹⁹ and again rose to 468,200 tonnes in 1981.²⁰ Since then production of copper continued to decline.

Zaire is said to have over 60% of known world reserves of cobalt and a similar percentage of output.²¹ Production increased from 10,596 tonnes in 1969 to 14,518 tonnes in 1971.²² Since then like copper, production of cobalt also declined. In 1983, production fell to 5,400 tonnes only, and increased quite noticeably to 9,100 tonnes in 1984.²³ The country has been the largest producer of industrial diamonds in the world but importance has diminished, and smuggling is said to be massive.²⁴ Zaire also produces manganese, tin and coal.

The mining operation in the country is largely carried out by MNCs. The Charter Consolidated Company Limited provides management and services for two companies which are exploring for copper and other minerals in the Shaba province, Society Miniere de Tenke-Fume and Societe Internationale des Miner du Zaire. Charter Consolidated Limited is a United Kingdom-based mining finance company, and it has approximately 28% shares in both companies. The other participants in the companies are the Government of Zaire, Amoco Mineral Company, an affiliate of Standard Oil of Indiana, Mitsui of Japan, Omnium des Mines of France, and Leon Templesman and Sons Incorporated of the USA.²⁵

18. Ochola S.A. *Op. cit.*

19. World of Information, *Africa Guide 1982*, pp. 362-67.

20. World of Information, *Africa Guide 1987*, pp. 248-52, London, 1987.

21. World of Information *Africa Guide 1982*, pp. 383-87.

22. Ochola, S.A. *Op. cit.*

23. World of Information *Africa Guide 1987*.

24. World of Information *Africa Guide 1982*.

25. Ochola, S.A. *Op. cit.*

The copper at Kinsenda area is produced by the Company for Industrial and Mining Development of Zaire, which is a joint venture between the government and the Nippon Mining Company of Japan. The government owns 15% of the shares but has an option of holding up to 50%.²⁶

With the decline of commodity prices in the international market, and because of political troubles which caused exodus of foreign technical staff, most MNCs notably except BRGM—a French mining concern, have carefully begun to relieve themselves of the responsibilities. For instance, in June 1983, the Japanese firms gave their 20% equity in copper mining from Societe de Development Industrie et Minier au Zaire (Sodimiza) to the Zaire government.²⁷ BRGM on the other hand, took over a majority stake at Tenke Fungurume in Shaba, which is believed to have the world's biggest untapped copper reserve.²⁸

ZAMBIA : Copper is the leading mineral produced in the country, followed by cobalt and lead. The International Anglo-American Corporation, with its associates De Beers Consolidated Mines and Charter Consolidated, was earlier engaged almost exclusively in the mineral production of the country, under the local name of Zambia Anglo-American Corporation, a subsidiary of Anglo-American Corporation of South Africa and the Rhodesian Selection Trust Group, the latter is controlled by American Metal Climax of New York. The group produced 63% of Zambian copper equivalent to more than 6% of total world production. The Government of Zambia, however, acquired 51% interests in the mining enterprises by the year 1971.²⁹

In the late 1960s, Zambia was the second largest producer of copper in the world after Chile.³⁰ But in a decade's time, its rank went

26. *Ibid.*

27. World of Information, *Africa Guide 1984*, pp. 362-66, London, 1984.

28. World of Information, *Africa Guide 1982*.

29. Ochola, S.A., *Op. cit.*

30. *Ibid.*

down to the fifth position.³¹ Beginning noticeably from mid-1970s, the production of copper continued to decline. In 1976, 849,000 tonnes were produced³² while in 1984, production amounted to only 524 800 tonnes.³³ The reasons identified for the decline are: reduction in the number of expatriates, shortage of skilled manpower, spares, capital equipments, and strikes. In 1982, the government amalgamated two mining companies which had been nationalized in 1973 to form a large concern Zambia Consolidated Copper Mines Ltd.³⁴ However, production of copper continued to decline, and during the 1974-83 period, it decreased by 20%.³⁵

Africa Exports to Import

Most of the mineral resources that the developing countries export in the form of raw materials, import them back again in the form of semi-finished or finished goods. Africa imports motor cars, copper wires, building materials—such as steel, aeroplanes, television sets and so on. These finished goods come back with a high value added for which the developing countries pay quite dearly. Let us take the case of Ghana which can be considered as being representative of most of the African countries and where some form of computation has been done. Ghana exports high-grade iron ore from which iron and steel are made. On the other hand, its iron and steel imports have been increasing steadily from 32,000 tons valued at US \$ 5.25 million in 1966 to 37,000 tons valued at US \$ 8 million in 1969. The foreign exchange spent on the iron and steel imports between 1966-69 amounted to US \$ 23.99 million. A rough computation shows that Ghana could have saved some US \$ 4.7 million annually in foreign exchange if it had constructed its own industry based on its own iron deposits. Besides, if it could develop

31. World of Information, *Africa Guide 1987*, pp. 253-57, London, 1984.

32. World of Information, *Africa Guide 1982*, pp. 390-94, London, 1982.

33. World of Information, *Africa Guide 1987*.

34. World of Information, *Africa Guide 1987*, pp. 366-74.

35. World of Information, *Asrrea Guide 1987*, pp. 253-57.

the Nauli limestone deposits, it would have saved US \$ 11 million in foreign exchange spent on cement imports.³⁶

The example of Ghana is not an isolated one. It applies invariably to all African countries. The West African sub-region produces zinc and managanese which exported to the industrialized countries. Using these two as the basic ingredients the developed countries manufacture dry-cell batteriss. Britain alone supplied about 60% of the primary cells imported by the English speaking countries in the sub-region and the remaining 40% is imported from Hong Kong and Japan. While France supplies the major share of the cells imported by the Frence speaking countries.³⁷

Africa is beginning to absorb more minerals as it moves from a subsistence economy to an industrial one. Already, the total African consumption of engineering products, including basic iron and steel in the East Africa sub-region (13 countries) was expected to reach nearly 2,740,000 tons by 1980, while in the west Africa Sub-region it was expected to reach 3,300,000 tons by 1980.³⁸ The engineering products accounted for this, and this is likely to increase with the growth of industrialization. The average V:Q ratio of the Ghanian export of aluminium ore in the world market in 1970 was 5.81 while that for import was 776. Value added on processed aluminium was 143 times that of the raw commodity.³⁹

Morocco exported lead ore to the world market at a value of 0.15 per one metric ton in 1969 and at a value of 0.48 in 1970 for the same unit of ore. It imported one metric ton of processed lead at a value of 1.22 and 1.19 in 1969 and 1970 respectively. In other words, the

36. *African Development*, (January, 1972).

37. Ochola, S.A. *op. cit.*

38. *Ibid.*

39. UN Economic Commission for Africa (ECA) publication, series B. *Foreign Trade Statistics for Africa 1968, 1969 and 1970*. Also, UN, Series 'D' on *Commodity Trade Statistics, 1970*.

value added as a result of processing was 8.1 times that of raw lead. This means that Morocco paid 8.1 times as much for its processed lead imports in 1969.⁴⁰ The V : Q of lead ore exported by Zambia to the world market was 0.23 in 1968 and 0.33 in 1969. This implied that value added as a result of manufacturing lead was 4.4 times that of lead ore in 1968 and 4.7 times in 1969.⁴¹

For Zambia, the value added by processing zinc in 1968 was 31 times that of the raw product which Zambia exported. However, there is a noticeable change with regard to copper. Here the value added for the processed copper imported was 1.6 times that which was exported. The main reason for this considerably favourable ratio is that Zambia started to process its copper before exporting it.⁴²

The Impact of Mining by MNCs on Development in Africa

The net contribution of mining by the MNCs into the development of Africa is doubtful, and it has been pointed out that mining acts as a fountainhead for, rather than an engine of growth, in that it provides a financial revenue, but does not sustain a high demand for domestically produced goods in the host country.⁴³ In addition, the mining impact becomes lessened because the mining concerns remit large profits and capital abroad, causing balance of payments difficulties for the host country.⁴⁴ Here we will review the impact of mining in the 1960s (height of direct exploitation) on employment, income, transportation and infrastructure of few selected African

40. *Ibid.*

41. *Ibid.*

42. Ochola S.A. *op. cit.*

43. For details, see Clawson. M. (ed.), *Natural Resources and International Development*, John Hopkins University Press, Baltimore, 1964.

44. Gupta, B. D., 'The Supply and Price of Imported Crude Oil to India', *Journal of Development Studies*, April, 1967.

countries and see how far the pro and con arguments correspond with the evidences.

Employment Generation

Mining creates employment. In Africa, the mining industry provided direct employment to about one million people which constituted only a small fraction of the continent's labour force and according to a 1972 computation only 0.28 % of its population. The low employment figures are a result of the automated equipment which the mining concerns use in order to attain a high level of efficiency.⁴⁵ In the 1970s and 1980s, mining activities undertaken by the MNCs decreased, and of consortiums' in few cases increased. Also, the governments participation expanded, followed by nationalization in several cases. As a result, not many new jobs were created in the last decade.

It is interesting to note that in Ghana, the total number of people employed in the sector fluctuated downwards from a peak of 31,402 in 1960 to 25,955 in 1969. This shows an average annual decrease in employment of 1.7 %, or a total decrease of 17 % over the period from 1960 to 1969. The decrease is due to depletion of some of the mines and the employment of modern capital intensive technology. The mining industry in Ghana has not generated any increase in employment and the impact has actually been negative in terms of employment creation. And, of those employed, the vast majority are in the manual category.⁴⁶ In the 1970s and 1980s, production of gold, the main source of mineral resources, decreased resulting in more job-cuts.

In Tanzania, as in Ghana, the employment figures in mining and quarrying display an interesting phenomenon. Here the number employed has been decreasing in absolute terms. The decrease had been at an average annual rate of 4% or total percentage decrease

45. Ochola A.S., *op. cit.*

46. *Ibid.*

between 1962 and 1969 was 32%.⁴⁷ The decrease is due to depletion of some of the mines. The employment creation in this sector was, therefore, negative. The diamond mine at Mwadui employed about 3000 of which 2020 were local persons.⁴⁸ In recent years, production of diamonds and gold has fallen dramatically. Large scale foreign investment is sought by the government to rehabilitate and improve the old mines. No improvement in employment opportunities in this sector is expected in the foreseeable future.

In Zambia, employment in the mining sector alone in 1970 stood at over 50,000 constituting about 13% of the total number of people employed. For mining and quarrying combined, the total number of Africans employed in 1970 was 53,000, while the number of non-Africans stood at 5,450.⁴⁹

The number of Africans employed in this sector has increased by 26% between 1960 and 1970, while the number of non-Africans declined by 25.9% over the same period.⁵⁰ The latter figure could mean that the Zambianization programme was being carried out, but, since there are no data to prove this, no firm conclusions can be drawn. Other factors, such as increases in the mining activities could contribute to this apparent increase in the number of Africans being absorbed in the sector and the application of modern management techniques, in the decrease in the number of non-Zambians.

Wage differential in the mining is astronomical. In Zambia, for instance, during the 1964-68 period, the expatriates earned six times as much as their Zambian counterparts in the mining sector. The question of wage differential in general was also raised in the International Labour Organisation (1964) report, which states that expatriates were paid relatively high incomes. Compared with the

47. Bureau of Statistics, Ministry of Economic Affairs and Development Planning, Dar es Salaam, 1962-69.

48. Ochola S.A., *op. cit.*

49. Department of Labour, Ministry of Development Planning and National Guidance, Lusaka, 1971.

agricultural sector, an expatriate in Zambia earned 524 times more than a Zambian peasant farmer in 1968.⁵¹

In the 1960s, the copper industry provided most of the employment in the mining sector.⁵² As in the case of other parts of Africa, the employment generation had been for those who toil in bowels of the earth. In Zambia, the actual impact of mining in generating employment has been declining in percentage terms when compared to other sectors, although in numerical terms it has been increasing. In 1964, the sector accounted for 18.6% of the wage employment, 16.6 % in 1966 and 14.5 % in 1970.⁵³ The same is true for Zaire.

Income Generation

The contribution of mining to the GDP in Africa as a whole increased from just 5 % in 1960 to about 10.6 % in 1969, making it the fastest growing sector during the 1960s.⁵⁴ Foreign firms, as a result of their monopolistic positions, earned abnormally high profits which were not covered by the local tax systems.⁵⁵ The most frequently quoted source of evasion is the over-invoicing of imports by the parent company to its subsidiary in an African country and under-invoicing of exports from the African countries to the parent company. The foreign firms succeed in finding ways of going around the restrictions. For instance, the profits of the Zambian mining companies, even after the boost in royalties and profit tax rates, constituted a serious drain on capital which could have been invested to provide sound economic development and meet the needs of the inhabitants of the country.⁵⁶

50. International Labour Organization, 1969.

51. Reported in Ochola S.A., *op. cit.*

52. *African Development*, October, 1971.

53. Manpower Division, *Zambian Manpower*, Lusaka, 1969.

54. *Mining Annual Review*, 1972.

55. Aboyade, O., *The Economy of Nigeria in the Economics of Africa*; edited by P. Robson and D. A. Lury, London, 1969.

56. Green, R. H. and Seidman, A., *Unity or Poverty?* Penguin Books, Baltimore, 1968.

Besides, experiences suggest that expatriate mining concerns retain all the proceeds of export sales, except those which they spend on meeting the operating outlays in the country. Mikesell⁵⁷ stated, since most of the petroleum mineral companies are international companies, the value of exports are not the same as foreign exchange earning accruing to the producing country. In Africa today, the repatriation of capital by the foreign mining companies and their expatriate employees, i.e. the outward flow of fresh capital, hardly equals the inward flow of fresh capital. Africa in other words, exports capital.⁵⁸

Development of Transport and Other Infrastructure

The location of mines in remote areas open up the region by providing transport facilities, electricity and water development or, so it is argued. However, the fact is that the social, overhead capital so developed is geared exclusively to the mines. The roads constructed lead to the coast and are outward oriented, connecting the mines with the ports, for exporting raw material. Normally, in order to maximise the mobility of the factor of production, the transport and communication network is integrated within the country. But that is not so in Africa. For example, in Gabon, where one of the world's largest deposits of high grade manganese ore is being worked at Maonda, the ore is transported by a 50-mile cableway to the railhead at Mbinda which is in turn linked by a specially constructed 180 mile railway with the Brazzaville-Pointe noire⁵⁹ system into the general transportation network of the country. In addition, the location of mining concerns in remote and sparsely populated areas only encourage the use of capital intensive methods so as to offset the added cost of constructing the necessary infrastructure for the accommodation of thousands of workers.⁶⁰

57. Mikesell, R. *op. cit.*

58. Ochola, S.A. *op. cit.*

59. *Ibid.*

60. Lardner, G.E.A., "The Mineral Economics of Africa in the 1970s and 1980s," a paper on the potential contribution of the foreign private sector and social transformation, March, 1977.

In Africa in general, the transportation system related directly to mine production represents 40 to 60 % of total mining cost using the present day installations.⁶¹ The cost is normally subtracted as operating expenses though it does not contribute substantially to the general development of the countryside. When the mining activities cease, there is usually no alternative use for the network constructed.

The development of mining industry in Africa has not been part of the process of development of the overall economy. This is mainly because the mining activity is export-oriented. Ochola rightly pointed out that Africa mines...for the needs of the metropolitan economies with the result that the backward and forward linkages are developed there, not in Africa.⁶² As Prof. Amin has so aptly observed, the key to the Euro-American concept of a growing economy is its emphasis on exports. The export model, in effect, prescribes that people of the developing countries shall not work for themselves, but for others. Development, true development, is not directed at exports but at the domestic requirement of the national economy, particularly for the great mass of the people, and the satisfaction of their most urgent needs.. The export sector helps to shape the entire economy, supporting a system of unequal exchange under which the prime task of the economy is to provide cheap labor for export purposes.⁶³

Mining has only contributed to the growth of the African economy, not to its development. It cannot be otherwise; colonialism and neo-colonialism are meant to do precisely that. Again Prof. Amin has asserted that the choice of growth over development is no accident.⁶⁴ It helps perpetuate an imbalance that has served the capitalist world as well. The imbalance concerns the interna-

61. Ochola S.A. *op. cit.*

62. *Ibid.*

63. Amin. S., "Growth is not Development," *Development Forum*, UN Centre for Economic and Social Information, vol. 1, no. 3, April 1973,

64. *Ibid.*

tional division of labour in which the industrialized nations of the centre concentrate on high-technology and a high return on manufactured products, while the developing countries of the periphery concentrate on raw materials production.

Conclusion

Developing countries have been asserting for long that certain foreign operations, notably the mining activities, have an enclave character, i.e. they have few backward and forward linkages to the domestic economy. Backward linkages are the purchase of local inputs ; forward linkages are the domestic use of the firm's output in further productive operation. The MNCs work to exploit both sides and accrue the economies of scale. During the 1970-80 period, MNCs brought in US \$ 10,341 billion in Africa while profits on investment repatriated amounted to US \$ 23,916 billion.⁶⁵

As far as transfer of technology is concerned, MNCs use far advanced and capital intensive technology despite the fact that cheap labour is abundant in most developing countries. They do not train and educate local labour, and rather prefer bringing in expatriates. R & D facilities are not also seen created in the host countries. As a result, the developing countries continue to depend on imported technology and expatriates in the absence of MNCs, should there be any fresh initiative on their own.

MNC's influence on labour market and income distribution is often very strong. They pay higher wages than that of the local market rate. If the scale of MNC's operation is significantly large, as it has been the case in many African countries, it disorganizes the local labour market. It introduces a new element of inequality in the market, and in the overall pattern of income distribution in the region of the host country.

In Africa, the development of mineral industries in the 1960s, and thereafter, exercised little direct impact on its predominantly

65. UN Centre on Transnational Corporations. *op. cit.*

subsistence economy. A high proportion of the industrial goods and services used by the mines were imported; few linkage industries emerged, and those which did (power generation, rail transportation, timber and metal products) failed to achieve self-sustaining growth. Because of the minerals' geographical concentration, mine infrastructure did little to stimulate other economic activities. Neither did employment creation and wage payments, represent a significant stimulant to African economy. Employment remained limited in both number (in fact decreasing in most cases because of the increasing use of capital intensive technology) and kind (manual or unskilled) while wages have been astronomically low compared to expatriate workers. Neither were MNC profits or taxes expended so as to stimulate economic development on a broader front. By using the technique of over and under invoicing, they even deprived the countries from their already deprived share in revenues.

However, the MNCs are not always to be accused of exploiting and depriving the host developing countries. Governments of these countries are also often equally accusable. It has been seen in this study that African countries have had been subject to exploitation by the MNCs, specially in the early stages of their independence. But with the passage of time, many of them succeeded to a great extent in establishing their own rights and controls while some failed to derive any benefit because of inefficient and corrupt administration.

MNCs invest in millions and bring in technology to do business in other countries. While the developing countries lack capital, technology, and skilled manpower to undertake such ventures on their own. This has been the main reason for inviting MNCs in mining in particular which requires high-tech and huge investments. In recent years, there has been a great deal of competition among all the nations to attract foreign capital. MNCs do not move in any country without calculating the risks and commercial viabilities. It has been therefore the primary concern of the host country, i.e. its

government to reconcile the interests of the parties concerned in such a manner that it serves both the purposes, i.e. of the country and the MNC as well.

A Note for Bangladesh

In the early stage of drilling and exploring minerals in Bangladesh the people and the government both, have much to learn from the experiences of Africa, particularly in the 1960s when the rate of exploitation allegedly reached its peak, and the issue became much publicized world-wide.

Bangladesh faces acute shortage of commercially viable mineral resources other than natural gas. In recent years, discovery of oil has been reported at different places by the national agency. Some multinational mining companies were engaged in drilling. Couple of years ago, the government of Bangladesh decided to lease a prospective oil field at Haripur in Sylhet to a foreign company for exploration of oil, which ultimately did not materialize due to strong opposition from the political parties.

On the other hand, the governmental agency concerned, is not also in a position to carry out the exploration alone due to severe scarcity of financial and technological resources. Doubts, therefore, naturally arise when the issue of leasing mine-fields to foreign companies appear in the agenda for discussion and/or consideration. Should Bangladesh then wait for an indefinite period until it achieves the required resources? What would be the use-value of oil then? This is a dilemma we face today.

Experiences suggest that like other developing countries, Bangladesh should always consider inclusion of provisions in the initial agreements with the MNCs which would allow reduction of the percentage of foreign ownership over time, if required. It should also incorporate rules and regulations to control the pricing practices and for the purpose of taxation. This will help doing away with the over-invoicing and under invoicing problems, and their probable

impact on the balance of payments position. Moreover, to safeguard the national interests, one would require further provisions that would ensure employment, training, and R & D at the local level.

It is also worth mentioning that the Government should first explore the alternative avenues of importing technology other than inviting direct involvement of multinational companies, and should acquire the capacity to determine which technology would best suit the interests of the country. Above all, it is of utmost importance that the government is capable to administer, manage and control the activities as such undertaken by foreign concerns and bring them under its financial control to the extent possible. Bangladesh needs above all, to formulate a set of national objectives determined by some pre-determined socio-economic parameters as discussed above, and seek foreign participation only within that framework so as to be able to minimize the outflow and maximize the inflow of returns.