

ADDRESS BY

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MULTINATIONAL CORPORATIONS IN NATURAL

RESOURCE DEVELOPMENT

BEFORE A JOINT SESSION OF  
THE PROSPECTORS AND DEVELOPERS ASSOCIATION  
AND THE CANADIAN CLUB OF TORONTO

ROYAL YORK HOTEL  
TORONTO, ONTARIO  
MARCH 12, 1973.

FOR SOME 30 YEARS OUR COMPANY; AMAX, HAS BEEN INVOLVED IN THE CANADIAN SCENE. STRANGELY ENOUGH, MY OWN CONNECTIONS WITH CANADA COVER ABOUT THE SAME LENGTH OF TIME; I CAME HERE AT THE BEGINNING OF WORLD WAR II TO WORK IN OTTAWA ON BEHALF OF THE BRITISH GOVERNMENT.

OUR COMPANY, WHICH I THINK IS WELL KNOWN TO MOST CANADIANS IN THE MINING AND NATURAL RESOURCE BUSINESS, HAS BEEN INTERESTED IN THE DEVELOPMENT OF CANADIAN RESOURCES AND I BELIEVE WE HAVE MADE SOME MAJOR INPUTS TO THE CANADIAN ECONOMY.

THESE INCLUDE THE HEATH STEELE MINES IN NEW BRUNSWICK, AND OUR PARTICIPATION IN THE POTASH DEVELOPMENTS IN SASKATCHEWAN, AS WELL AS OUR MANUFACTURING OPERATIONS WHICH PRODUCE OUTSTANDING ARCHITECTURAL ALUMINUM PRODUCTS WHICH GRACE SOME OF YOUR MOST PRESTIGIOUS BUILDINGS, NOT ONLY IN TORONTO BUT IN MONTREAL AND OTHER MAJOR CITIES.

WE ARE ACTIVE IN OIL AND GAS PRODUCTION AND EXPLORATION AND WE HAVE A SUBSTANTIAL EXPLORATION FORCE WITH ITS HEADQUARTERS HERE IN TORONTO DILIGENTLY FOLLOWING THEIR OWN EXPLORATION PROGRAM AND EXAMINING PROSPECTS WHICH ARE BROUGHT TO US BY OTHERS.

CANADA IS NOW THE SIXTH LARGEST TRADING NATION OF THE NON-COMMUNIST WORLD. THE 1972 FIGURES OF THE U.S. DEPARTMENT OF COMMERCE INDICATE THAT CANADA IS THE LARGEST TRADING PARTNER OF THE UNITED STATES, EXCEEDING IN THAT YEAR BOTH TRADE WITH THE EXPANDED COMMON MARKET AND WITH JAPAN.

FIGURES RECENTLY QUOTED IN THE NEW YORK TIMES SHOW THAT IN 1972 CANADIAN EXPORTS TO THE U.S. CAME TO ABOUT \$15 BILLION. THIS COMPARED WITH \$13.3 BILLION EXPORTED TO THE U.S. BY THE COMMON MARKET AND \$9 BILLION EXPORTED TO THE U.S. FROM JAPAN.

DURING THE SAME YEAR, CANADA SHARED WITH JAPAN THE DISTINCTION OF BEING IN MAJOR SURPLUS VIS-A-VIS THE U.S., EXPORTING AS IT DID \$15 BILLION AGAINST IMPORTS FROM THE U.S. OF \$12.4 BILLION, GIVING CANADA A SURPLUS OF ABOUT 2 1/2 BILLION DOLLARS. IN THE CASE OF THE EEC, EXPORTS TO THE U.S. WERE \$13.3 BILLION AND IMPORTS FROM THE U.S. WERE \$11.9 BILLION, GENERATING FOR THE EEC A SURPLUS OF \$1.4 BILLION.

JAPAN GENERATED THE LARGEST SURPLUS VIS-A-VIS THE U.S. ON A MUCH SMALLER VOLUME OF TOTAL TRADE, EXPORTING \$9 BILLION OF GOODS TO THE U.S. AGAINST IMPORTS FROM THE U.S. OF ONLY \$4.9 BILLION, LEAVING JAPANESE TRADE WITH AN IMBALANCE AND SURPLUS AGAINST THE U.S. OF \$4.1 BILLION.

ALTHOUGH THERE ARE MANY FACTORS INVOLVED, THESE ARE THE FIGURES THAT HAVE TRIGGERED TODAY'S SERIOUS INTERNATIONAL CONVULSIONS PLACING FUTURE TRADE AND ECONOMIC PLANS OF ALL GOVERNMENTS IN SEVERE JEOPARDY. I SHOULD POINT OUT, HOWEVER, THAT WHILE THESE FIGURES REPRESENT SERIOUS TRADE IMBALANCES WHICH HAVE TO BE REDRESSED IF WE ARE NOT TO REVERT TO ANARCHY IN INTERNATIONAL TRADE -- INCLUDING THE BUILDING OF ALL TYPES OF PROTECTIONISM -- THE FIGURES FOR BOTH CANADA AND EUROPE ARE SUBSTANTIALLY AMELIORATED BY THE FAVOURABLE BALANCE OF INVISIBLES IN THE U.S. FAVOUR.

IN THE CASE OF CANADA, THIS IS LARGELY DUE TO THE INCOME WHICH THE U.S. RECEIVES FROM U.S. INVESTMENTS IN CANADA.

WERE IT NOT FOR THIS, SERIOUS PROBLEMS WOULD BESET THE TRADING RELATIONSHIP BETWEEN CANADA AND THE UNITED STATES. WE HAVE TO BEAR THIS POINT CAREFULLY IN MIND IN CONSIDERATION OF ALL QUESTIONS ON TRADE AND INVESTMENT BETWEEN OUR TWO COUNTRIES. THE UNITED STATES MUST NOT DWELL ONLY ON ITS TRADE DEFICITS WITH CANADA. CANADA MUST RECOGNIZE THE MORE POSITIVE ASPECTS OF U.S. CAPITAL INVESTMENTS IN CANADA.

IN DISCUSSING CANADIAN-AMERICAN RELATIONS THESE DAYS, THE TENDENCY IS TO EMPHASIZE THE DIFFERENCES BETWEEN THE TWO COUNTRIES. YET WHAT SETS THE RELATIONSHIP APART FROM OTHER INTERNATIONAL RELATIONSHIPS ARE THE SIMILARITIES.

THERE ARE SO MANY SUCH SIMILARITIES THAT THIS PARTICULAR RELATIONSHIP IS NOT DUPLICATED ANYWHERE ELSE IN THE WORLD.

THE PEOPLE OF CANADA AND THE UNITED STATES ARE MUCH ALIKE. LANGUAGE AND ANCESTRAL BACKGROUNDS ARE IN COMMON. MUCH OF THE GEOGRAPHY IS THE SAME. THE TWO COUNTRIES SHARE A COMMON UNGUARDED BORDER AND THEY SHARE THE MAINTENANCE OF THE SECURITY AND PROSPERITY OF THE NORTH AMERICAN CONTINENT. BOTH COUNTRIES HAVE MODERN INDUSTRIAL ECONOMIES.

AT THE SAME TIME, WHILE THESE SIMILARITIES HAVE ENABLED THE TWO COUNTRIES TO LIVE IN PEACE AND MADE THEIR COMMON BORDER THE MOST OPEN IN THE WORLD, THEY HAVE, IRONICALLY, ALSO LED TO CONFLICTS IN THE ECONOMIC AREA.

FOR THE TWO COUNTRIES HAVE COME INCREASINGLY TO HAVE SIMILAR ECONOMIC GOALS. CANADA, AS IT HAS GROWN AND PROSPERED, HAS COME TO BE MORE LIKE THE UNITED STATES ECONOMICALLY. IT HAS BECOME MORE DESIROUS OF INCREASING ITS ROLE AS A MANUFACTURING COUNTRY, DIMINISHING ITS ROLE AS A SUPPLIER OF RAW MATERIALS, AND, IT HAS ALSO ASPIRED INCREASINGLY TO OWN AND RUN ITS OWN INDUSTRIAL ACTIVITIES.

THESE AMBITIONS ARE NOT EXCLUSIVE TO CANADA. WE HAVE SEEN IN RECENT YEARS, A TREND AROUND THE WORLD WHERE NATIONS WITH MAJOR FOREIGN INSTALLATIONS TAKE STEPS TO INCREASE THEIR PARTICIPATION IN THEIR OWN ECONOMIES.

THIS HAS BEEN SEEN IN THE MIDDLE EAST, IN AFRICA, AND IN LATIN AMERICA, WHERE BY VARIOUS MEANS PARTICIPATION IN BASIC INDUSTRIES HAVE BEEN SOUGHT BY THE HOST GOVERNMENTS THROUGH VARIOUS ARRANGEMENTS, ALL THE WAY FROM PURCHASED PARTICIPATIONS TO OUTRIGHT EXPROPRIATIONS. LINKED WITH THESE PERHAPS, WE SEE A GROWING TREND TOWARDS CONCERN ABOUT PROTECTIONISM. MANY COUNTRIES TODAY SEEK WAYS TO INSULATE THEIR INDUSTRIES FROM INTERNATIONAL COMPETITION. DURING THE LAST DECADE, WHILE GREAT EFFORT WAS MADE TO LIBERALIZE TARIFFS, THE WORLD WAS, IN FACT, SIMULTANEOUSLY BESET BY A MYRIAD OF NON-TARIFF BARRIERS WHICH INCREASINGLY IMPEDE INTERNATIONAL TRADE.

IT LOOKS AS IF WE ARE HAVING GREAT DIFFICULTY IN STAYING WITH THE GREAT POST-WAR CONCEPT OF INCREASINGLY LIBERAL TRADE AND THE GOAL OF THE FREE FLOW OF CAPITAL BETWEEN NATIONS. ON THE OTHER HAND, OUR WORLD IN 1973 IS IN A MUCH MORE STABLE CONDITION THAN ANYONE WOULD HAVE ANTICIPATED, EVEN A FEW MONTHS AGO.

SOME REMARKABLE THINGS HAVE HAPPENED IN THE LAST YEAR WHICH AUGER WELL FOR RELATIONS BETWEEN NATIONS. THIS IS AN ESSENTIAL BACKGROUND TO THE DEVELOPMENT OF THE INTER-DEPENDENCE OF NATIONS. THE CHANGING ATTITUDES OF RUSSIA AND CHINA AND THE END OF THE VIET NAM CONFLICT SIGNAL A NEW ERA WHERE NEW GOALS AND RELATIONSHIPS WILL BE DEVELOPED.

ECONOMIC AFFAIRS CURRENTLY OCCUPY OUR ATTENTION MORE THAN POLITICAL OR MILITARY MATTERS AND IT APPEARS THAT THIS IS THE NEW CONDITION WHICH WE WILL LIVE WITH IN THE IMMEDIATE FUTURE.

THE CHANGING ATTITUDES OF RUSSIA AND CHINA AND THE GENERAL INTENSIFICATION OF INTERNATIONAL ECONOMIC ACTIVITY ARE NOT HAPHAZARD DEVELOPMENTS. POWERFUL FORCES, THE CONTINUING DRIVE FOR THE IMPROVEMENT OF HUMAN WELFARE AND LIVING STANDARDS, THE EXPANSION OF THE ECONOMIC WEALTH, POPULATION GROWTH, CONCERN FOR THE ENVIRONMENT, THE RAPIDLY DEVELOPING SHORTAGES OF ENERGY, AND THE APPEARANCE ON THE HORIZON OF THE PROSPECTS OF LIMITS TO THE AVAILABILITY OF RESOURCES ALL MAKE FOR THE DEVELOPMENT OF A PERIOD OF MUCH GREATER INTERDEPENDENCE AMONG NATIONS.

PROUD AND POWERFUL NATIONS, ONCE SELF-SUFFICIENT, INCREASINGLY FIND IT ESSENTIAL TO DEVELOP INTERNATIONAL SOURCES OF MATERIALS SO VITAL TO A HIGHLY TECHNOLOGICAL ECONOMY, THE U.S., WHICH ONCE VIEWED ITSELF AS SELF-SUFFICIENT IN ENERGY MAY, FOR THE NEXT 10 YEARS, BE FORCED TO IMPORT A MAJOR PORTION OF ITS REQUIREMENTS.

THESE NEW CIRCUMSTANCES ARE BRINGING ABOUT RAPID CHANGE AND DEVELOPMENTS WHICH ONLY A YEAR AGO WE WOULD HAVE HESITATED TO IMAGINE -- FOR EXAMPLE -- THE RAPIDLY MOVING EFFORTS TOWARDS THE DEVELOPMENT OF U.S.-RUSSIAN TRADE. U.S. TRADE DEVELOPMENTS OF THE FUTURE MUST TAKE INTO ACCOUNT THE NEED FOR BILATERAL BALANCE TO PREVENT THE DISRUPTIVE EFFECTS OF U.S. TRADE DEFICITS.

THE UNITED STATES FACES THE FUTURE WITH MAJOR NEEDS FOR ENERGY AND MINERAL RESOURCES. AGAINST THIS, THE UNITED STATES LOOKS TO EXPORT MERCHANDISE, AGRICULTURAL PRODUCTS, OR EVEN CAPITAL.

THIS TREND MUST BE OF GREAT INTEREST TO CANADA WITH ITS OWN POTENTIAL GROWTH. ON THE OTHER HAND, RUSSIA IS SEEKING -- AT LEAST FOR THE SHORT RUN -- HELP WITH AGRICULTURAL PRODUCTS, CAPITAL GOODS, SOME CONSUMER GOODS, OR AT LEAST THE KNOW-HOW, AND THE EQUIPMENT FOR THE PRODUCTION OF CONSUMER GOODS. RUSSIA OFFERS IN PAYMENT NATURAL RESOURCES AND ENERGY SOURCES.

THE JAPANESE HAVE BEEN ACTIVELY LOOKING AT EASTERN SIBERIAN DEVELOPMENTS WITH EQUAL INTEREST.

DISCUSSION WITH THE CHINESE ALONG SIMILAR LINES SEEMSTO BE INEVITABLE,

AS THE WORLD ECONOMY GROWS MORE INTERDEPENDENT IT ALSO BECOMES INCREASINGLY INDIVISIBLE. WHAT HAPPENS IN ONE SECTOR HAS IMMEDIATE REPERCUSSIONS IN ALL OTHERS. WE APPEAR TO BE ENTERING A NEW PERIOD IN THE TRADING RELATIONS OF THE U.S. WITH THE REST OF THE WORLD.

ALTHOUGH U.S. TRADE HAS BEEN A MAJOR FACTOR IN WORLD TRADE IN THE PAST, IT HAS NEVER BEEN AS IMPORTANT A FACTOR TO THE TOTAL U.S. ECONOMY AS TRADE HAS NORMALLY BEEN FOR THE OTHER NATIONS OF THE WORLD.

JAPAN AND THE UNITED KINGDOM ARE DEPENDENT ON IMPORTED ENERGY AND RAW MATERIALS. THE FUTURE WILL SEE THE U.S. CAST IN A ROLE MUCH MORE LIKE THESE TRADING NATIONS AS ITS EXTERNAL REQUIREMENTS FOR RAW MATERIALS INCREASE.

UP TILL NOW, A LARGE PORTION OF U.S. TRADE HAS BEEN HANDLED BY THE MAJOR U.S. INTERNATIONAL CORPORATIONS, THE MULTINATIONAL ENTERPRISES. THESE CORPORATIONS IN RECENT YEARS HAVE CARRIED ON A LARGE SHARE OF U.S. INTERNATIONAL TRADE. THAT ROLE WILL CONTINUE. IT IS ALSO TIMELY TO TAKE A LOOK AT THE PART THAT THESE COMPANIES PLAY IN WORLD COMMERCE.

NATURALLY, THE U.S. IS BASE FOR A LARGE SHARE OF INTERNATIONAL CORPORATIONS, BUT A GROWING NUMBER ALSO ARE IDENTIFIED AS EITHER EUROPEAN OR JAPANESE.

MOST INTERNATIONAL CORPORATE ENDEAVOUR IS THE RESULT OF THE WORLD NEED FOR THE DEVELOPMENT OF SUCH ENTERPRISES. IF THE MULTI-NATIONAL ENTERPRISE DID NOT EXIST, CONDITIONS ARE SURELY RIPE FOR ITS INVENTION. THIS CORPORATE FORM APPEARS TO HAVE RESPONDED TO FACTORS IN HUMAN PROGRESS WHICH HAVE NOT BEEN SATISFIED BY OTHER MEANS.

THE FIRST REALLY UNIVERSAL DRIVE FOR THE OVERALL IMPROVEMENT OF THE HUMAN LOT HAS TAKEN PLACE ONLY SINCE THE END OF WORLD WAR II.

FOR THE FIRST TIME IN THE HISTORY OF MAN,  
GOVERNMENTS AND THEIR CITIZENS HAVE TAKEN AS A  
SERIOUS INTERNATIONAL GOAL THE OVERALL IMPROVEMENT  
OF LIVING STANDARDS OF ALL PEOPLE.

IN THE DAYS PRIOR TO WORLD WAR II, PARTS OF  
THE WORLD CAME UNDER THE GENERAL POLITICAL AND  
COMMERCIAL INFLUENCE OF CERTAIN NATIONS: THE  
BRITISH COMMONWEALTH, U.S. ACTIVITY IN LATIN AMERICA,  
THE FRENCH IN INDO-CHINA AND AFRICA, THE JAPANESE  
IN FORMOSA AND CHINA, AND THE DUTCH IN THE INDONESIAN  
ARCHIPELIGO. THE SPONSORSHIP WAS OFFICIAL AS IN  
THE CASE OF THE BRITISH COMMONWEALTH OR UNOFFICIAL  
AS IN THE CASE OF THE U.S.-LATIN AMERICAN  
RELATIONSHIP.

THE OUTSTANDING CHARACTERISTIC OF THESE RELATIONS WAS POLITICAL RATHER THAN THE COMMERCIAL DEVELOPMENT THAT WAS SUPPOSED TO FOLLOW. SUCH DEVELOPMENT WAS SURPRISINGLY LIMITED, PERHAPS BECAUSE OF THE NON-COMPETITIVE NATURE OF THE SITUATION WHICH PROVIDED NEAR MONOPOLY CONDITIONS IN POLITICALLY PROTECTED MARKETS AS WELL AS OTHER CONDITIONS NOT CONDUCTIVE TO RAPID DEVELOPMENT.

FROM WORLD WAR II ON, ALL SUCH ARRANGEMENTS DISAPPEARED.

THERE ARE, OF COURSE, MANY INTERNATIONAL CORPORATIONS WHICH ANTEDATED WORLD WAR II. THESE COMPANIES WERE IDENTIFIED BY THEIR DISTINCTIVE PRODUCTS AND MARKETING CAPABILITIES.

SINGER, INTERNATIONAL HARVESTER, MASSEY-HARRIS,  
FORD, GM, SHELL, STANDARD OF NEW JERSEY, UNILEVER,  
ICI ARE EXAMPLES OF COMPANIES THAT AT AN EARLY  
STAGE DEVELOPED INTO INTERNATIONAL ENTERPRISES  
BECAUSE OF DISTINCTIVE PRODUCTS, PROCESSES,  
RESOURCES, OR MARKETING AND MANAGEMENT CAPABILITIES  
-- AND SOMETIMES JUST BECAUSE OF THE DESIRE TO PRE-  
EMPT COMPETITION FROM CERTAIN MARKETS.

IT WAS NATURAL THAT U.S. CORPORATIONS,  
RELATIVELY INTACT AFTER WORLD WAR II, SHOULD BE  
IN THE VANGUARD OF THE FIRST WAVE OF POSTWAR  
DEVELOPMENTS. THE WORLD, HUNGRY AND IN NEED OF  
PRODUCTS, REPRESENTED AN IMMEDIATE OPPORTUNITY FOR  
THE OVERSEAS DEVELOPMENT OF MANUFACTURING ESTABLISHMENTS  
WITH AMERICAN PARTICIPATION.

BUT MOST IMPORTANT WAS THAT THE AFTERMATH OF  
WORLD WAR II PRODUCED IN NORTH AMERICA A GREAT  
FORWARD MOVEMENT IN TWO AREAS: ONE WAS THE  
UNIVERSAL APPLICATION OF THE PRINCIPLE OF LOW-  
COST, HIGH-VOLUME MANUFACTURING AND THE SECOND WAS  
A CORRESPONDING QUANTUM LEAP FORWARD IN MANAGEMENT  
SKILLS, THE MANAGEMENT OF PRODUCTION AND THE  
CAPABILITY OF BRINGING THE PRODUCTS EFFECTIVELY  
INTO SALE IN THESE INITIALLY RECEPTIVE POSTWAR  
MARKETS.

IN THE 1950'S U.S. PRODUCERS OF BOTH CONSUMER  
AND INDUSTRIAL PRODUCTS FOUND EUROPE AND OTHER  
DEVELOPED PARTS OF THE WORLD SUCH AS CANADA, READY  
OPPORTUNITIES FOR INVESTMENT OF LOW COST CAPITAL IN  
MANUFACTURING PLANTS.

UNQUESTIONABLY, THE EFFECTS OF THESE DEVELOPMENTS WERE FAVOURABLE. THE GREAT U.S. DRIVE INTO EUROPE IN THE 1950'S HAD SIGNIFICANT IMPACT ON EUROPEAN RECOVERY WHEN THE NATIONS OF EUROPE WERE STRUGGLING TO OVERCOME THE IMPACT OF WAR.

YOU MAY STILL RECOLLECT THE POLITICAL INSTABILITIES OF POSTWAR EUROPE. THE INCURSION OF U.S. CAPITAL HAD A POWERFUL INCREMENTAL EFFECT -- THE MORE SO AS THE RESULTS INCLUDED EFFECTIVE AND EFFICIENT PRODUCTION, SOME OF WHICH WERE TO BOLSTER THE NEEDED EXPORTS FOR THESE COUNTRIES.

THAT EUROPE SURVIVED THOSE DIFFICULT DAYS WAS DUE TO MANY FACTORS: AID FROM NORTH AMERICA, THE MARSHALL PLAN, THE INNATE WILL TO SURVIVE, AND OTHER INFLUENCES.

THE INJECTIONS OF NORTH AMERICAN CAPITAL AND TECHNIQUES IN MANAGEMENT AND MARKETING WERE IMPORTANT AND QUITE CRITICAL FAVOURABLE FORCES. THE ABILITY OF THE MNE'S TO OBTAIN NECESSARY CAPITAL NEEDED WAS AN ADDED AND VITAL FACTOR. U.S. CAPITAL MARKETS WERE BOTH BETTER ORGANIZED, LARGER AND WERE READY TO SEEK OVERSEAS OPPORTUNITIES ON FAVOURABLE TERMS.

TO SUMMARIZE, THE MAJOR EXPANSION OF THE INTERNATIONAL COMPANY IN THE POST WORLD WAR II CONTEXT WAS SEEN IN U.S. INVESTMENT ABROAD.

IN SOME CIRCLES, THE IMPACT OF FOREIGN DIRECT INVESTMENT IS BEING SEVERELY CRITICIZED TODAY. SUCH INVESTMENTS ARE ALLEGED TO DAMAGE THE BALANCE-OF-PAYMENTS AND SAP THE HOST COUNTRY'S TECHNOLOGICAL STRENGTH AS WELL AS LIMITING JOB OPPORTUNITIES IN THE PARENT COUNTRY.

WHAT IS CLEAR, HOWEVER, IS THAT SUCH CORPORATIONS HAVE CREATED JOBS IN OTHER COUNTRIES, SUCH AS CANADA, AS WELL AS IN THE U.S. THE RECORD IS QUITE REMARKABLE.

A GROUP OF 74 MULTINATIONAL CORPORATIONS ANALYZED BY THE EMERGENCY COMMITTEE FOR AMERICAN TRADE WAS SEEN TO HAVE INCREASED THEIR DOMESTIC EMPLOYMENT IN THE PERIOD 1960 THROUGH 1970 FROM TWO AND A HALF MILLION TO THREE AND A HALF MILLION. THESE COMPANIES HAVE TURNED IN A SUPERIOR PERFORMANCE AT HOME BASE IN THE UNITED STATES, BUT AT THE SAME TIME HAVE BEEN MAJOR FACTORS IN INCREASING EMPLOYMENT IN OVERSEAS COUNTRIES. THE PERFORMANCE OF THESE MNE COMPANIES IN GROWTH AND DEVELOPMENT GENERALLY OUTSTRIPS THAT OF THEIR LOCAL COMPETITORS IN SIMILAR INDUSTRIES BOTH AT HOME AND ABROAD.

AS LESTER BROWN POINTED OUT IN A PAMPHLET HE PREPARED FOR THE FOREIGN POLICY ASSOCIATION CALLED THE INTERDEPENDENCE OF NATIONS, AND I QUOTE, WHERE ONCE ECONOMIC RELATIONSHIPS AMONG NATIONS WERE DOMINATED BY INTERNATIONAL TRADE, TODAY THEY ARE INCREASINGLY DOMINATED BY INTERNATIONAL PRODUCTION ORGANIZED BY CORPORATIONS WHOSE HEADQUARTERS MAY BE IN ANY ONE OF THEM. SUCH INTERNATIONAL PRODUCTION NOW TOTALS AN ESTIMATED \$450 BILLION OUT OF A GROSS WORLD PRODUCT OF NEARLY \$3 TRILLION. GROWING AT 8 PER CENT ANNUALLY, THIS SECTOR IS EXPANDING FAR MORE RAPIDLY THAN GROSS WORLD PRODUCTION ITSELF, HERALDING THE EVENTUAL EMERGENCE OF A GLOBAL ECONOMY UNQUOTE.

LOOKING BACK ONE CAN SEE THAT THERE HAS ALWAYS BEEN A STRONG TENDENCY FOR MAJOR U.S. CORPORATIONS TO DEVELOP AROUND THE GLOBE.

THIS IS EMPHASIZED IN THE U.S. DEPARTMENT OF  
COMMERCE PUBLICATION POLICY ASPECTS OF FOREIGN  
INVESTMENT BY U.S. MULTINATIONAL CORPORATIONS  
WHICH STATES THAT U.S. MULTINATIONAL CORPORATIONS  
GO BACK TO THE 1850'S. THEY GREW RAPIDLY AND BY  
1900 ONE HALF OF THE THEN EXISTING 50 LARGEST  
CORPORATIONS HAD SIGNIFICANT OVERSEAS OPERATING  
INTERESTS.

EXPANSION WAS INTERRUPTED BY TWO WORLD WARS  
AND A MAJOR DEPRESSION. BUT THE EXTRAORDINARY  
GROWTH OF THESE COMPANIES IN THE 1950'S AND 1960'S  
WAS DEPENDENT ON MANY FACTORS OF ECONOMICS AND  
OPPORTUNITY. ONE ASPECT WHICH HAS BEEN OF  
EXTRAORDINARY IMPORTANCE IS THE REVOLUTION IN  
COMMUNICATIONS.

FOR EXAMPLE, DURING THE RECENT CURRENCY CRISIS,  
THE INSTANT ACTION TAKEN BY INTERNATIONAL CORPORATION  
TREASURERS TO PROTECT THEIR ASSETS WAS RECEIVED  
UNHAPPILY BY OFFICIALDOM WHOSE OWN MOVES TENDED TO BE  
UNEVEN OR EVEN LAGGARD. BECAUSE THE U.S. HAS BEEN IN  
THE FOREFRONT OF THESE DEVELOPMENTS, MOST PEOPLE  
ABROAD THINK OF FOREIGN INVESTMENT IN THEIR COUNTRY  
AS AMERICAN. THERE ARE OF COURSE MANY INTERNATIONAL  
COMPANIES OTHER THAN U.S., AND SOME OF THESE DWARF THEIR  
U.S. COUNTERPARTS.

PROFESSOR SYDNEY ROTH IN A 1969 PAPER WRITTEN  
FOR THE I.C.C. CONGRESS AT ISTANBUL PREDICTED THAT  
HISTORIANS WILL RECORD THAT OUR AGE MAY WELL BE KNOWN  
AS THE AGE OF TRANSITION FROM THE INTERNATIONAL TO  
THE WORLD ECONOMY.

SEVERAL INDUSTRIES HAVE ALREADY MADE THAT TRANSITION. THE PETROLEUM INDUSTRIES AND THE ALUMINIUM INDUSTRY, TO NAME TWO, ARE INDUSTRIES THAT OPERATE ON A GLOBAL SCALE. DESPITE TARIFFS AND QUOTAS NO COUNTRY CAN LONG INSULATE ITSELF FROM THE GLOBAL REACH OF WORLD INDUSTRY. THE TRANSITION TO A WORLD ECONOMY BRINGS MANY PROBLEMS -- IT RUNS AFOUL THE STRONG SPIRIT OF NATIONALISM WHICH SEEMS TO HAVE HAD A SURPRISING RESURGANCE IN OUR POSTWAR WORLD.

TO ME, THIS IS A COUNTER-TREND DEVELOPMENT. IF NOTHING ELSE HAS HAPPENED, THE LAST 25 YEARS HAVE SEEN DRAMATIC DEVELOPMENTS IN COMMUNICATIONS BETWEEN PEOPLES.

IN EVERY WAY THE IMPACT OF PERSONAL CONTACTS AND THE RAPID DISSEMINATION OF IDEAS HAS SURELY PROVIDED MEANS FOR REDUCING BARRIERS BETWEEN INDIVIDUALS AND NATIONS.

WE HAVE HAD FORMAL AND GROWING SYSTEMS OF INTERNATIONAL POLITICAL COMMUNICATION, TOO. OUR COMMERCIAL AND TRADE ACTIVITIES PLAY EVER GREATER ECONOMIC INTERDEPENDENCE AMONG COUNTRIES. BUT TODAY, IN THE POLITICAL FIELD, THE NATIONAL INTERESTS OF COUNTRIES ARE INCREASINGLY OVER-EMPHASIZED. WE ARE CONSTANTLY REMINDED OF THE NATION-STATE AND ITS FEARS OF MODERN ECONOMIC TRENDS. AS PROFESSOR RAYMOND VERNON PUTS IT: I QUOTE, SUDDENLY IT SEEMS THE SOVERIEGN STATES ARE FEELING NAKED,

CONCEPTS SUCH AS NATIONAL SOVEREIGNTY AND NATIONAL ECONOMIC STRENGTH APPEAR CURIOUSLY DRAINED OF MEANING UNQUOTE. WHILE THE GOOD PROFESSOR, DRAMATICALLY OVERDRAWS THE SITUATION, IT IS TRUE THAT NATIONAL ECONOMIC INTERDEPENDENCE HAS BECOME A VERY REAL FACT OF LIFE. THE NIXON SHOCK OF AUGUST 1971, WHICH OUR JAPANESE FRIENDS COMPLAINED ABOUT, MAY HAVE BEEN A SHOCK TO THEM INDEED. BUT ITS MOST IMPORTANT IMPACT WAS THAT, LIKE A MAJOR EARTHQUAKE, IT SHOWED UP ON THE ECONOMIC SEISMOGRAPHS OF EVERY COUNTRY IN THE WORLD.

PERHAPS THE AFTER-EFFECTS OF THIS SHOCK MAY INCLUDE A BETTER UNDERSTANDING OF THE REAL ECONOMIC INTERDEPENDENCE OF THE NATIONS OF THE WORLD.

AS FAR BACK AS 1967, UNDER SECRETARY OF STATE  
GEORGE BALL WROTE IN FORTUNE, QUOTE THE STRUCTURE OF  
THE MULTI-NATIONAL CORPORATION IS IN MODERN CONCEPT  
DESIGNED TO MEET THE REQUIREMENTS OF A MODERN AGE.  
THE NATION-STATE IS A VERY OLD-FASHIONED IDEA AND  
BADLY ADAPTED TO MEET THE NEEDS OF OUR PRESENT COMPLEX  
WORLD UNQUOTE.

AN ARTICLE IN THE CONFEDERATION OF BRITISH  
INDUSTRY REVIEW OF DECEMBER 1971 MICHAEL CLAPPIN,  
THEN DEPUTY CHAIRMAN OF ICI, ADDED QUOTE THE REASONS  
WHY THE MODERN AGE REQUIRES A NEW TYPE OF ORGANIZATION  
ARE PART POLITICAL, PART ECONOMIC, POLITICALLY, I  
HOPE WE ARE LIVING IN THE TWILIGHT OF NATIONALISM,

NOWADAYS, NO NATION IS AN ISLAND COMPLETE IN ITSELF AND CERTAINLY IN THE MANUFACTURING INDUSTRY THE TIDE OF ECONOMIC CHANGE IS PULLING US OFF OUR NATIONAL MUD BANKS INEXORABLY UNQUOTE.

I WISH I COULD SHARE MICHAEL CLAPPIN'S CONFIDENCE IN THE TWILIGHT OF NATIONALISM. STRONG FIRES HAVE RECENTLY BEEN STOKED UNDER THE CONCEPT POLITICAL NATIONALISM AND THE YEARS AHEAD WILL SEE A GREAT STRUGGLE BETWEEN POLITICAL AND ECONOMIC FORCES. IN THIS REGARD THE EVOLUTION OF THE EEC WITH ITS NEW MEMBERS SHOULD PRESENT US WITH A VERY INTERESTING PILOT MODEL. THE NEED FOR ECONOMIC UNITY AND DIRECTION CAN ONLY BE ACHIEVED WITH SOME COMPROMISE OF THE SOVEREIGNTY OF THE MEMBER STATES, AND THERE MUST BE SOME RECOGNITION OF THE VITAL ROLE OF THE MNE.

BUT IF A MULTINATIONAL ENTERPRISE IS TO MAINTAIN  
GOODWILL AND ITS CAPABILITY TO PROVIDE SUPERIOR  
SERVICE AND PRODUCTS FOR THE ENRICHMENT OF THE MANY  
NATIONS IN WHICH IT DOES BUSINESS, IT, TOO, HAS TO LEARN  
TO BE MORE RESPONSIVE TO HOST-NATION GOVERNMENTS.

SOME OF OUR MULTINATIONAL ENTERPRISES HAVE NOT  
LEARNED TRUE INTERNATIONALISM. MR. DAVID ROCKEFELLER  
POINTED OUT IN A RECENT SPEECH THAT MULTINATIONAL  
ENTERPRISES MUST PROVIDE EMPLOYMENT OPPORTUNITIES  
THAT ARE RESPONSIVE TO LOCAL SOCIAL NEEDS. THEY MUST  
PROVIDE TRAINING AND UPWARD MOBILITY FOR FOREIGN  
EMPLOYEES IN THEIR ACTIVITIES. THEY MUST BROADEN THE  
BASE OF THEIR OWNERSHIP TO ENABLE FOREIGN NATIONALIST  
OR SOMETIMES HOST GOVERNMENTS, TO PARTICIPATE IN STOCK  
OWNERSHIP AND THROUGH THAT IN POLICY MAKING ACTIVITIES,  
SUCH AS PARTICIPATION IN LOCAL AND INTERNATIONAL BOARDS.

THE MULTINATIONAL ENTERPRISE MUST DO A BETTER  
JOB OF IDENTIFYING FOR ITS EMPLOYEES AND THE PUBLIC  
GENERALLY THE CONTRIBUTION IT MAKES AND THE SUCCESSFUL  
PART IT PLAYS IN THE ECONOMIC LIFE, BOTH AT HOME AND  
ABROAD. FINALLY, TO REFER AGAIN TO MR. LESTER BROWN'S  
PAMPHLET ON THE INTERDEPENDENCE OF NATIONS -- HE SAID  
QUOTE THE DRAMATIC GROWTH IN THE INTERDEPENDENCE  
AMONG NATIONS IS IN A SENSE A TWO-SIDED PHENOMENON.  
IT CAN LEAD TO NEW MODES OF COOPERATION AMONG  
COUNTRIES AND TO A MORE EQUITABLE STABLE WORLD ORDER, OR  
IT CAN LEAD TO GREATER COMPETITION FOR SCARCER RESOURCES,  
NEW FORMS OF ECONOMIC IMPERIALISM AND A DETERIORATING  
WORLD ORDER UNQUOTE.

I'M OPTIMISTIC THAT WE MAY BE ABLE TO MOVE TO A MORE STABLE WORLD WITH THE STEADY EXPANSION OF OUR WEALTH-PRODUCING INDUSTRIES, TO PROVIDE THESE BENEFITS TO AN EVER-WIDENING PUBLIC ACROSS THE BARRIERS THAT WERE ONCE NATIONALISTIC.

THAT DAY HAS BEEN BROUGHT CLOSER BY THE EFFECTIVENESS OF THE WORLD'S MAJOR INTERNATIONAL CORPORATIONS OPERATING TO DERIVE A REWARD FROM THE TASK OF HARNESSING HUMAN RESOURCES, NATURAL RESOURCES, TECHNOLOGY, MANAGEMENT SKILLS, AND CAPITAL IN A CONSTANT OPPORTUNITY TO BETTER MAN'S LOT AND SATISFY HUMAN NEEDS.

EVEN THOUGH ONE WORLD MAY STILL BE AN  
UNREALISTIC GOAL IN A POLITICAL SENSE, IT MUST  
BE OUR OBJECTIVE ECONOMICALLY.

I BELIEVE WE ARE MOVING TOWARDS A GLOBAL  
ECONOMY, ONE FOR WHICH WE NEED A TRULY  
INTERNATIONALLY FUNCTIONING MONETARY AND TRADE  
SYSTEM. IN A ONE WORLD MARKET NO NATION CAN  
AFFORD TO BE INSULATED FROM THE ECONOMIC INTERDEPENDENCY  
OF THAT MARKET. INDEED ANY SERIOUS ATTEMPTS TO  
REVERSE THE EXISTING FABRIC OF INTERNATIONAL  
ECONOMIC INTERDEPENDENCE WOULD NOT ONLY UNDERMINE  
THE ECONOMY OF THE COUNTRY INVOLVED, BUT THE ECONOMY OF THE  
WORLD.

IT WOULD SOW SEEDS OF INTERNATIONAL DISSENTION,  
WHICH WOULD HAVE CONSEQUENCES FAR BEYOND THE TRADE  
PROBLEMS. EXPANDING WORLD TRADE, ON THE OTHER HAND,  
CAN AND HAS PLAYED A MAJOR PART, NOT ONLY IN ENSURING  
IMPROVEMENT IN THE ECONOMIC WELL-BEING OF PEOPLE  
EVERYWHERE, BUT IN ENSURING PEACE AMONG NATIONS.

THE MULTI-NATIONAL ENTERPRISE, WHICH IS A  
PRIME AGENT OF WORLD ECONOMIC PROGRESS, MAY ALSO BE  
ONE OF OUR BEST AGENTS FOR PEACE.