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COLLECTIVE SELF-RELIANCE AND THE CONTROL OF TRANSNATIONAL CORPORATIONS IN DEVELOPING COUNTRIES

With Comments On Sri Lanka's Open-Door Policy

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I. OUTLINE OF THE ARTICLE

The international, regional and national control of Transnational Corporations (TNCs) in developing countries is a main issue of the New International Economic Order (NIEO) discussion. The ongoing debate is reviewed in part II of this article. The instrumental role of Collective Self-Reliance (CSR) and Regional Self-Reliance for the control of TNCs is analysed area by area (foreign finance of development, industrialization, commodities and trade, technology and agricultural production) in parts III and IV. Some references are made to the role of Collective and Regional Self-Reliance for countries like Sri Lanka which have a comparably small internal market, a rather restricted and unexploited resource base (these are the countries in the Third World affected most by the oil price increases) and are not yet in the group of the Newly Industrializing Countries (NICs), although they want to go in this direction. The perspectives of the current economic policies of Sri Lanka - the 'open-door policy' in respect of trade and foreign investment - are evaluated in this context in part V. Emphasis is mainly on the effects of a Free Production Zone near the capital of Sri Lanka which symbolizes the economic aspirations of the Sri Lankan government since 1977.

II. THE CURRENT DEBATE ABOUT THE CONTROL OF TRANSNATIONAL CORPORATIONS

There is a long history of demands of developing countries concerning the control of the activities of Transnational Corporations (TNCs) in the developing world. The Lusaka Meeting in 1970 of the Non-Aligned Countries may be mentioned as an early starting point of the discussion about the role of TNCs in the development process. At this meeting the relation between self-reliance, collective self-reliance and the control of TNCs got a central place.

However, the most influential step towards an international discussion about the activities of TNCs in the Third World was the elaboration of a programme for a new international economic order at the level of the United Nations: first, the Declaration and the Programme of Action on the Establishment of a New International Economic Order and second, the Charter of Economic Rights and Duties of States. The Action Programme makes explicit five aspects of control with regard to TNCs:
- to prevent interference in the internal affairs of host countries;
- to regulate the activities in host countries so as to eliminate restrictive business practices and to ensure conformity of these activities with national development plans; review and revise existing arrangements between governments and transnational corporations in the light of national development objectives;
- bring about transfer of technologies and other services on 'equitable' and 'favourable' terms;
- regulate the repatriation of profits, taking the legitimate interests of all parties into account;
- promote reinvestment of profits in LDCs.

These activities at the United Nations level led to institutions (like the Centre on Transnational Corporations of the United Nations), to commissions (Commission on Transnational Corporations) and to working groups discussing these matters at the international as well as the regional level.
The UN Commission on Transnational Corporations reviewed at the Meeting in Mexico City (23 June to 4 July 1980) the work of the Intergovernmental Working Group on a Code of Conduct[1]. After three years of work the main elements of a meaningful Code of Conduct - first, nationalization and compensation procedures, second, implementation and legal status - are not decided yet and the prospects to find an agreement are rather weak.

The most important aspect concerning the implementation of a Code of Conduct is however the adjustment of national laws in those countries where the TNCs are based and to develop adequate mechanisms of cooperation between nations which have to cooperate in order to make effective any control. On the other hand, it has to be understood that each Code of Conduct has inherent

weaknesses which cannot be overcome even by a waterproof agreement. It is not possible to differentiate within a general Code according to various types of TNCs, sectors, industries, host and home countries. It is only possible to give rather general criteria of intervention. This aspect is important because there is cumulating evidence about

a) great variation of TNC behaviour (depending on the nation-base of TNCs);
b) great differences in internal production and marketing organisations of TNCs (so the US TNCs have a higher degree of internal division of labour than most of the European TNCs have);
c) whole transnational groups and conglomerates (industries, banks, insurance and shipping companies, which have strong interrelations among them and thereby affect the competitiveness of developing countries' exports of semi-manufactured and manufactured products on the world market).

Two factors are therefore determining the potential to control the TNCs: first, the importance of internal trade and transfer of resources and second, the world market 'compartmentalization' by transnational conglomerates. The first aspect poses problems insofar, as all attempts to control transfer prices of products, components, services, credits, know-how and marketing services can he successful only to a very limited extent. This has been demonstrated convincingly by various studies on the nature and the consequences of internationalization[2]. Those industries which get internationalized most rapidly involve high technology and high-risk activities which may pose insurmountable control problems to any government agency of developing countries if it decides to rely on a controlled process of foreign capital acquisition. The second aspect, the increasing importance of transnational conglomerates - i. e. of world associations of TNCs - is of importance because geographical spheres of influence are created by TNCs; thereby even the competition between TNCs on a specific market is eliminated.

A basic factor responsible for the inefficiency of any control procedures is however the fact that there exist various conceptions in the Third World about the type and the necessary comprehensiveness of TNC control. Some planners think that only drastic changes of the internal production and marketing structures in a developing country can provide the basis for a profitable cooperation with TNCs; other planners think that only an optimal negotiation process is necessary so that only some type of negotiation training is required from the side of international advisory bodies. Anyway, irrespective of these contradictory views about the nature and the scope of control measures, the role of foreign capital in the development process will also in the future be interpreted quite differently: because of different value systems which lead to different interpretations of various aspects of the economic reality[3]. It is evident that this factor may by a permanent restriction of any attempt to utilize the concept of Collective Self-Reliance (CSR) for the purpose of TNC control.

Because of this diversity of views on the developmental role of foreign capital and the causes of conflicts between TNCs and developing countries, the developing countries have supported various complementary strategies at the international, regional and national level as a minimum programme to influence the behaviour of TNCs:

a) strategies to internationalize TNCs in sectors being crucial for mankind and future world development (international control of seabed exploration for raw materials being the most striking example);
b) regional approaches to adopt restrictive legislation towards TNC investments;
c) strategies to 'unpack' the bundle constituting direct investments with the effect of importing only elements of the package (technologies, finance, services, management) separately;
d) exchange of experiences on strategies at the national level to increase local capital and management participation;
e) cooperation with other developing countries on the basis of multinational marketing and production associations referred to as developing countries' multinational corporations (MNCs).

It may not be justified to discredit these approaches in total as a failure - this would not be true in a historical perspective. But most of these activities have led primarily to institution-building rather than to directly problem-solving activities and attitudes. Developing countries, however, have shown more solidarity than could be expected when considering the degree of heterogeneity and differentiation existent within the Third World. But, the various approaches mentioned above could not be exploited fully for the purpose of control because of increasing competition between developing countries for foreign resources (coming mainly from TNCs, international banks and international organizations). Regional approaches to restrict the activities of TNCs in regional economic groupings of developing countries were therefore often only institutional. The process of unpackaging of foreign investments requires progress at the level of national, regional and interregional finance and technology transfer institutions in the Third World, but the administrative, organizational and technological capabilities in the Third World and the readiness to go continually along the road of unpackaging were unsatisfactory. There is also increasing doubt about the feasibility of unpackaging in various areas, i.e. minerals' exploitation involving high risk capital, technology, know-how and marketing potential (supplied as a package by TNCs). The cooperation at the level of multinational production and marketing companies may create unequal benefits; there seems to be an obvious tendency to stabilize unequal economic development within the Third World by such institutions and to create 'secondary peripheries' [4] (supplying to the more industrialized peripheries food and raw materials and thereby consolidating the traditional division of labour also between Third World countries). Some of the already existing

MNCs in the Third World (i. e. in the Arab World or in Latin America) proved that multinational ownership alone does not guarantee increasing independence from TNCs (may it be in the areas of technology, management or marketing of products). As far as nationalization and local participation is concerned, the now long history of Third World nationalizations (with or without compensation) and of local capital participation (taking various forms of joint ventures and foreign partners' divestments) has shown that this instrument of control is of limited usefulness only. Some products (minerals and energy resources) are exploitable only by the way of high risk capital and high technology and marketing inputs; this gives the TNCs a comparatively good position in negotiations. But even in the case of products which require less sophisticated production technologies and less risk capital, the marketing factor as such gives the TNCs and the international trading organizations some absolute advantages over national and even multinational companies of developing countries. This is for example the case for primary products like tea, jute and rubber. This is also the case for various agricultural products like fruits and vegetables; TNCs have also a strong position in all types of services like storage and shipping as well as in the worldwide marketing system. Often only TNCs can overcome nontariff barriers imposed by developed countries. The advantage of TNCs is greatest in the export of manufactured products, mainly because of the marketing factor. TNCs have direct access to markets and marketing channels as well as to all related services. Moreover in order to react to new political developments in Third World countries, an increasing number of TNCs, mainly with their nation-base in Europe and in Japan, is open to consider new forms of equity and management participation and contractual agreements.

III. COLLECTIVE SELF-RELIANCE AND THE CONTROL OF TRANSNATIONAL CORPORATIONS: THE MAIN AREAS OF CONCERN FOR COUNTRIES LIKE SRI LANKA

Self-Reliance and Collective Self-Reliance (C. S. R.) are concepts much broader than cooperation at the economic and political level. Economic cooperation is only a key element of C. S. R. The concept of self-reliance 'aims at strenghtening autonomous capacities for goal-setting, decision-making and decision-implementation in all areas of a developing society'. (CTC 1980, p. 10). Self-reliance is only attainable if traditional links with developed countries which are considered to be unequal and unbeneficary are weakened, if the reliance on the countries is reduced and if indigenous resources are put to use as a deliberate process of resources mobilization. One element of the C. S. R.

concept is the strengthening of the bargaining power vis-à-vis the developed countries, and vis-à-vis the TNCs based in these countries. But the key element of the C. S. R. process is the stablishment of linkages between countries, regions, firms, institutions and units which aim at delinking from traditionally unbeneficial relations by promoting at all levels the use of indigenous resources. Therefore, any cooperation between developing countries which themselves have not started to delink some sectors of their economy from developed countries may result in tendencies of unequal development similar to those which cooperation between developed and developing countries produces.

C. S. R. has implications for the TNCs in developing countries because self-reliance implies drastically changed interactions between developing countries and TNCs. C. S. R. can not be confined to the improvement of the bargaining process with TNCs although this is one important element. An important question arises: Is there an inherent incompatibility of self-reliant (collective self-reliant) development and a cooperation with TNCs in the development process? Although such incompatibilities can not be ruled out for individual countries of the Third World, depending on the type of 'symbiosis' (interactions) existing between TNCs and the state, a global or regional incompatibility may not be assumed for countries cooperating in a regional C. S. R. strategy. But such a strategy has to be based on self-reliant development (external delinking and indigenous resource mobilization). But what does C. S. R. mean for the various sectors, activities and areas where TNCs have up to now controlling influence?

1. TNCs and Foreign Finance of Development

Foreign direct investments in developing countries rose in the seventies by 15 per cent annually in nominal terms (from 3,7 billion dollars in 1970 to 11,4 billion dollars in 1978)[5]. This sum is divided more or less equally between the three sectors manufacturing, petroleum and other extractive sectors and other sectors including services. But the share of direct investments in the total flows of foreign finance to developing countries declined because of the sharp increase in private banks' lending to developing countries. Most of the private lending to developing countries is organized by transnational banks in the form of syndicated Euro-currency loans; the impact of the transnational companies and banks on the orientation of development is therefore increasing. The potential for delinking is reduced because of the severe balance of payments constraint (increasing outflows for debt servicing, profit repatriation and service and licence payments are some of the causes). Taking the figure for total borrowing of developing countries (in 1978 43,7 billion dollars with an Euro-currency credit share of 37,6 billion dollars)[6],

the domain of the transnational banks is striking. This money is mobilized only partly for industrial finance and productive purposes, because an increasing share is used for balance of payments purposes and rolling over of the maturing debt.

The bulk of the borrowing from international capital markets has been concentrated by a relatively small number of higher income developing countries. These countries may not be very suitable partners for C. S. R. because of their increasing links with developed countries. Because of their importance in the Third World these countries will however affect all attempts of delinking wherever they are undertaken. If the figures for the total outflow and the total inflow of resources (in 1976 the estimated total outflow was 49, 3 billion dollars and the estimated total inflow 59 billion dollars)[7] are compared an increasing dependency of those countries which take the bulk of the total borrowing from developed countries can be anticipated because of the necessity to generate additional foreign exchange for debt servicing and repatriation of profits. But what is the situation of the other Third World countries ? Developing countries like Sri Lanka, which are considered less attractive by the international capital donors, have tried to compensate for their limited markets and natural endowments by granting excessive governmental investment incentives and concessions to foreign companies; these countries also try to attract foreign firms by changing labour laws and conditions in a way which is in the interest of foreign investors. So it is not surprising to find advertisments of Sri Lanka' s Greater Colombo Economic Commission in the leading business journals and newspapers of the world drawing attention to special advantages for foreign capital in the Free Production Zone near Colombo (excessive incentives and "one of the cheapest labour force in the world" being at the same time "disciplined and skilled"). These government incentives constitute a considerable drain on local resources without guaranteeing a viable industrialization pattern. The TNCs and their affiliates as well as other firms benefitting from these incentives produce mainly standard technology products, like durable and non-durable consumer products for the domestic market. If they produce for the world market it is a risky business for the poorer developing countries because of their weakness in trade negotiations (consider for example the textile quota negotiations between Sri Lanka and the United States or the European Community); it is too not a very rewarding business because of the unequal distribution of gains between TNCs and the local producers. C. S. R. in this context means the creation of a structure of multinational financial institutions between small and capital-scarce developing countries in order to improve the capacity to negotiate with international banks and donors and to overcome the tendency of being forced to grant excessive incentives and privileges in a process of competitive bidding for foreign recources. But C. S. R. implies that a cooperation with countries in the region may be beneficial only if the countries have retained or acquired

some potential for delinking. The feasibility of such a strategy therefore is very much dependent on delinking in various strategic areas (industry, raw materials production and marketing, technology production and acquisition, production in agricultural sectors).

2. TNCs and Industrialization

C.S.R. implies the production and the mutual exchange of 'basic needs' products between developing countries without wasting money on incentives for industries which anyway would have a comparative advantage in a developing country or which without incentives would not have a comparative advantage at all. But there are sectoral differences with regard to the feasibility of such a strategy. In the case of standard technology products for the domestic market no production technology problem is involved for most of the LDCs, although the local preference for brand names creates problems. In this context a strict control of the transnational advertising companies and their agents in the Third World is required; this is a feasible strategy to control the propagation of brandnames. Recent research on the international advertising industry revealed their rapid expansion and controlling influence[8]. More difficulties arise in the case of complex high technology products (chemicals, pharmaceuticals etc.). However, as the case of pharmaceutical products demonstrates, some countries of the Third World (for example Sri Lanka) have already proved the ability to control imports and trademarks[9]. These experiences are of great value for TNC control.

Different is the case for export-oriented industries. Government incentives for export-generating national companies and TNCs' affiliates in developing countries can only be reduced in stages depending on the improvement of the export performance of domestic producers and the diversification of exports on a regional basis (exports to neighbouring countries and other buyers in the Third World). Such incentives should be reduced first in sectors where the world market risk (caused by trade barriers affecting exports) is considered to be highest and the gains from exports are anticipated to be lowest.

Industrialization based on foreign capital and TNCs affiliates may reduce the indigenous industrial capacity further. This is especially true for poorer developing countries, like Sri Lanka. The already established technological and skill levels are not utilized by TNCs. An example is the systematic diversion of skilled labour to specific non-complex activities in the Colombo Free Production Zone. This effect adds with other characteristics of TNC production in developing countries, i.e. the low level of domestic linkages created especially in the production of engineering-goods, including consumer durables and capital goods, but also in the production of drugs and pharmaceuti-

cals, chemicals and petrochemicals, and various types of processing industries[10]. Government incentives which support such TNC investments therefore necessarily intensify existing distortions and dependencies of the industry because a strict regulation of the desirable structure of local value added can not be enforced by the government.

In order to achieve greater forward and backward linkages the governments in the Third World use regulations and/or incentives to make compatible the economic interests of TNCs (to give priority to the integration of their affiliates into their international production network) with the interest of the developing country to integrate the affiliates as far as possible into the local economy. The economically weak and less attractive developing country has to rely more on incentives than on regulations to attract foreign capital. Anyway, a drain on local resources goes along with very limited linkages. All available studies on linkages created by TNC affitiates indicate that there is a tendency to buy inputs from local producers only if heavy components are concerned or items that are simple and not subject to large-scale production[11]. In order to increase the technological level of the local supplies the governments try to set quotas for local purchases by transnational affiliates. But it would be nesessary to specify exactly the items which have to be purchased locally in order to increase the indigenous technological capacity. This requires however a consistent policy towards technological autonomy.

Even developing countries with greater technological capacity and great domestic markets were not very successful in this respect. Therefore, a technical cooperation between developing countries aiming at the provision of 'basic needs' products is necessary in order to intensity domestic capabilities and linkages[12]. Such a cooperation may take various forms (from exchange of consulting services to joint ventures or multinational companies) and is quite distinct from the existing patterns of direct investments and technical cooperation between developing countries (like the worldmarket-oriented private investments of Hongkong firms in the textile industry of Sri Lanka or the 'production outlet' investments of Indian Companies in Sri Lanka[13]). Anyway, a workable definition of basic needs is first of all required for such a cooperation[14]. Then 'basic needs' items should be identified which could be produced for the region and under conditions of large-scale production.

Such an orientation of industrial production is urgent because the capital-scarce and least developed countries are affected most be the recent tendency of TNCs to establish industrial and other joint ventures in developing countries on the basis of low risk capital, but profitable contracts on management, consulting and technology services. These agreements are more or less riskless for TNCs because of the fixed annual income component involved.

Self-reliant development does not imply that joint ventures between TNCs and public/private companies of developing countries have to be abandoned altogether; but it requires that only those products are produced with foreign

resources whose production does not imply an uneven distribution of risks (capital and market related risks) and gains and a downgrading process of indigenous industrial and technological capabilities. Another area where delinking is necessary and feasible is the area of contractual arrangements between TNCs and public/private local companies without any equity participation. Management and catering contracts in the international tourist and services industries have grown in number. But the contractual agreements in the field of technology have received most attention because of the increasing balance of payments burden for the developing countries involved. Payments for technology fees and royalties are expected to increase from 1 billion in 1975 to 6 billions in 1985[15]. In various industries with rapid technological advance (drugs, scientific equipments, electronics) only TNCs can supply certain semi-manufactures or end-products. Therefore a deliberate selection of the products considered to be necessary for health, science, telecommunication etc. is required in order to avoid a future financial excess burden. Such a selection process may be successfully implemented even by small and poor developing countries; take as an example the drugs importation policy of Sri Lanka[16]. In the case of products and components which are definitely considered to be necessary a decision has to be made to what extent it is advisable to abandon the production of end-products on the basis of imported intermediate products and technologies by importing directly the endproducts. The institution of state trading organizations may be helpful and can be strengthened by a cooperation at the regional level. C. S. R. requires not only a careful selection and mutual adjustment of the products to be produced domestically but also the control of all external supplies. So neither a greater equity participation nor the use of non-equity forms of agreements may promote national autonomy if the country does not succeed in adjusting the profile of the products in a way consistent with the local control capacities.

3. TNCs and Commodities

The part of the Action Programme on a new international economic order dealing with commodities and trade is of great concern for TNCs, because of their high investments in extractive and primary commodity sectors (petroleum, non-fuel minerals and plantation sectors) and their preference to process raw materials in developed countries. Despite of the declining trend and share of such investments in developing countries, the existing marketing channels are not affected that much. Anyway the interaction between TNCs and resource-rich developing countries changes. The share of direct production by TNCs declines but the share of the production marketed by TNCs is still high and the diversification and processing strategies of TNCs being active in petroleum and non-fuel minerals give them a strong market position in

other areas (like transport, insurance, banking) too. In the processing stage the performance of developing countries is still very low.

In export-oriented plantation and food commodities ownership patterns have changed considerably (this is the case for sugar, meats and vegetable oils), but the TNCs continue to have strong positions in other commodities (i.e. bananas and tea)[17]. Even in cases where the ownership patterns have changed considerably, the effective control of the relevant world market segment was maintained by TNCs in international marketing and other areas of trading. Take the example of Sri Lanka, where according to various estimates (i.e. World Development Movement 1979, p. 15) approximately 80 per cent of the marketing of tea is still in the hands of overseas companies. Although a government marketing agency is existing, it can not match adequately the influence of the international trading agencies[18].

The case of Sri Lanka's tea production demonstrates that neither nationalization of plantation estates nor the establishment of state or joint public/private marketing agencies can be sufficient conditions for the control of this sector if vested local interest groups in the country rely on channels and resources of foreign companies. In the case of tea London is the terminal auction market because of the dominant position of the UK market and trading companies. It is evident that such a position in trade can only be controlled effectively by a cooperation of all relevant tea producers in the Third World. Therefore, only a global multilateral approach as envisaged in the Integrated Programme of Commodities can set some limits to TNCs operating in this trade. The analysis of the various proposals to improve the Third World cooperation on tea and the review of the long history of failures to find workable agreements lead to the conclusion that a reduction of tea production in favour of food crops should be a priority for all those countries depending more and more on temperate zone food imports. Such a new orientation of agricultural policies has relevance for Sri Lanka too.

C.S.R. as a strategy to control TNCs in the commodities and plantation sectors depends on a priority change towards the production of food crops but also on a planned mutual cooperation and an exchange in primary products between developing countries; this requires bilateral and multilateral trading by state and regional trading companies based on mutually benefical agreements.

The international trading companies are increasingly active also in the field of production; they take over estates and processing facilities[19]. A direct exchange of raw materials between developing countries will affect these international trading groups mainly because of their dependence from raw materials. Complementary to this type of mutual cooperation and exchange is the cooperation in the processing of raw materials, the financing of high

productivity estates and the adjustment of the economy to the priority sector, the production of food crops.

A long-term impact on the international division of labour will follow from a planned reduction of exports of raw materials; intra-industry trade will more and more replace the traditional trade pattern between developing and developed countries. The TNCs will be affected by such a policy from the supply side (raw materials) and from the demand side (profile of industrial goods); also the TNCs in the services, insurance, shipping and banking sectors will be affected consierably. A reduction of the exports of raw materials of Third World countries is a viable strategy to enforce a) the local processing of raw materials even by TNCs and b) a change of the tariff escalation systems applied by developed countries and discriminating semi-manufactured and manufactured products of the developing countries. The reaction of the developing countries to the trade policies of developed countries - taxes on raw materials' exports in an inverse tariff escalation system - is not effective at all because of the market structure and the market power prevailing in most of the raw materials markets.

4. TNCs and Technology

The growing importance of new forms of transfer of technology (contractual arrangements on know-how and services) poses a new problem for a self-reliant development strategy because there is no risk capital of TNCs involved and the overall costs and benefits of the technology and all necessary services may be difficult to assess by the developing country. But these forms of technology transfer can potentially stimulate the self-reliant development path of a developing country by a better adaptation of the technologies to domestic production needs and the local servicing capacity[20]. The main problem is however the timely phasing out of the contractual arrangements; the phasing out will be easier in the case of basic goods because they pose less problems of local technology adaptation.

Self-reliant development does not necessarily imply that all contracts with TNCs on technology transfer have to be cancelled; the basic requirement for future cooperation is that local capability has to be sufficient to control the type, the costs and the socioeconomic effects of the transfer of technology. Up to now the strategy of 'unpackaging' has not been very successful because of the lack of this capability. But the strategy of unpackaging may be justified even in cases of static 'efficiency losses' if there are sufficient technical demonstration and learning effects involved. These losses will decline if the weight of basic goods in the overall production pattern increases.

Limits to the strategy of unpackaging are set by the whole system of foreign finance of development projects because the foreign credits are approved mainly on the basis of feasibility studies and project analyses undertaken by foreign consulting agencies even when a considerable part of the project is financed locally[21]. The increasing use of local consulting services and local technology is often contingent on a drastic reduction of the external financing of projects. Even most of the project aid from oil-rich developing countries is biased towards foreign consulting services so that the local capabilities are not utilized at all.

C.S.R. in this context requires selective technical cooperation of developing countries. A considerable volume of TCDC (Technical Cooperation Among Developing Countries) is already institutionalized, also in the Asian region. 'In financial terms, perhaps it is small, but in physical terms of the extent and range of coverage it appears to be quite significant.' (ESCAP 1975, p. 7). Although training facilities, experts' services and consulting services have an important place in these efforts, it is obvious that this potential can not replace in the short run international consulting services and TNC technology transfers because of the rigid reliance of foreign donors and TNCs on the foreign consulting agencies. However, it is an established fact that small-scale industry and development projects give the best opportunity to use local technical capabilities[22]. Therefore small-scale activities should be promoted first by the governments in order to promote local technological capabilities. Sri Lanka is a case in point. It had bilateral agreements on technical cooperation, i.e. with India and Pakistan, covering small - and medium scale projects[23]. Beyond this area of cooperation an exchange of experience is required on strategies of unpackaging and a pooling of expertise and finance on projects of regional importance.

5. TNCs and Agricultural Production

Because of the growing food import needs of an increasing number of developing countries - also of Sri Lanka - the case of TNCs in food and agriculture receives more and more attention. TNCs are operating first in export-oriented plantation sectors, second in the production, processing and marketing for national markets of developing countries and third in sectors providing agricultural inputs (chemicals, pharmaceuticals, fertilizers, tractors, etc.). Important changes have taken place in the first type of TNC activities. In some sectors the TNCs have increasing importance (fish, vegetables, fruits); in other sectors their role is shrinkung (meat, sugar) because of national support and import substitution / export diversification programmes.

In the case of food production for national markets the performance of TNCs is mixed: their production is on the whole not directed towards basic foods for mass consumption. Therefore this sector of TNC production is not consistent at all with self-reliant development, although some linkage effects (agricultural backward and forward linkages) are established. The food produced in this way is mainly of limited nutritional value and/or produced with high import content for specialized markets.

Up to now it is not possible to ascertain the whole level of food processing activities of diversified TNCs; the high level of diversification makes difficult any separation of food processing activities[24].

Although the TNCs are not involved that much in the production of staple foods in developing countries, they are involved in the organization of imports of staple foods by supplying services (i. e. insurance and shipping). TNCs operating in developing countries are mainly involved in the production of branded goods. In this area of food industry the growth rates were accelerating most rapidly[25]. These goods depend on imported inputs (even dairy and grain products) and face therefore no or only little local competition. The imports of staple foods (and the food aid) from developed countries have considerably fostered the development of branded foods because the processed inputs for the branded foods (mainly temperate-climate staples) are now readily available in developing countries. In order to pay for the imports of inputs and final consumer products from the food TNCs, the developing countries had to keep going their relations with TNCs operating in the export-oriented plantation sectors; their role in marketing, shipping and other services is unrestricted. The increasing importance of advertising activities of TNCs 'has given some TNC branded products quasi-staple acceptance in local diets'. (CTC 1980, p. 32).

TNCs operating in the field of agricultural inputs can have a more favourable impact on the economy, if a national control of the supply and the use of inputs and of the ecological appropriateness is feasible. But many examples of improper use of fertilizers, chemicals and spraying can be cited. It is in this area where cooperation between developing countries can promote self-reliance. Multinational buying companies can do a lot to select the cheapest and most appropriate sources of supply. Technical cooperation programmes and joint ventures on a bilateral or regional level can be most successful if related to the same staple diet. Sri Lanka could use experiences it has gained with the state import trading of drugs. An extension of these experiences to state trading and multinational (regional) trading of agricultural inputs would be advisable.

The agricultural system of a developing country is extremely vulnerable to external changes (of demand, supply and prices) what may become a special problem if TNCs operate at the same time in export plantation sectors, in

staple and branded food production and in the provision of africultural inputs. Therefore, a careful selection of those areas open to food TNCs is urgent. C. S. R. could facilitate in many ways this selection process. Because of the accumulating evidence on the negative socio-economic effects of this type of TNC activity in the Third World there is no justification for an unrestricted open economy in this area.

IV. NATIONAL AND REGIONAL SELF-RELIANCE

The specific strategies für joint action towards TNCs at the regional level have to be designed on the basis of the concepts of self-reliance developed within the region. The Programme of Sub-Regional Collective Self-Reliance which is now worked out for South Asia during the next years may be mentioned in this context[26]. This programme may have great relevance for Sri Lanka too and can help to define the role which the TNCs should play in this country. A basic assumption of this Programme is that any type of cooperation between South Asian countries has to consider first of all the fact that one country - India - has an overwhelmingly superior position in size, resources and economic power so that the danger of dominance and dependence may be inherent in most of the joint programmes discussed. It is therefore imperative that from the beginning C. S. R. for the region must differ fundamentally from the traditional approach of cooperation (expansion of South-South trade, technical cooperation and joint ventures). 'Such a programme of economic cooperation would be conceptually different from the conventional models of economic cooperation in which the growth of trade and the expansion of economic linkages are approached as objectives independent of their impact on the pattern of internal change in the trading countries.' (Marga Institute 1980, p. 48). A high degree of national self-reliance for the smaller South Asian countries is therefore the first priority for such a programme. The productive capacities of a country like Sri Lanka will have to provide the major part of the basic needs of this country thereby reducing the external sector to a 'by-product of the internal process of development and transformation.' (Marga Institute 1980, p. 49). Nevertheless, the external sector will remain important and even crucial for development. A basic requirement for trade relations between South Asian countries which give no rise to unequal exchange and an unequal type of regional division of labour is the 'exchange of goods which embody a mix of factors of production reflecting levels of technology which are not widely disparate.' (Marga Institute 1980, p. 49). The disparities in the sectoral technological levels of the countries in the region existing at the moment have to be narrowed step by

step and a type of specialization is necessary which increases the level of intra-industry trade. TNCs operating in the region can delay such an orientation of economic policies. They may support policies which segment markets in the region by influencing for example the tariff policies or by privileging some countries in the region (in the area of capital, know-how, services) at the expense of others. There is evidence about such a behaviour of TNCs and the effects on the cooperation (integration) prospects[27]. But anyway it will be a long-term process to narrow the sectoral disparities in the level of technology between the countries of the region.

Sri Lanka is one of the countries most exposed to the problems of trade dependence in the region, not only towards developed countries but also developing countries, like India. So it can benefit most from regional self-reliance. There are important arguments in favour of regional self-reliance for a country like Sri Lanka. A basic element in any strategy of regional self-reliance may be the relatively advanced technological capability and the relatively high skill level of the labour force in the region. The second element is that a proper allocation of land and water can make food sufficiency in the region a reality. The third element - the energy situation of the region - gives rise to optimistic considerations because of the hydropower potential as well as the availability of other sources of energy which can be utilised more intensively[28]. These resources can be exploited systematically for the provision of basic needs (food, clothing, health, education, housing). Cooperation in the provision of food for the region requires first of all an analysis of the role of food TNCs and of the effects of food aid. The main sectoral priorities for the region are therefore: first, production of staple food; second, intraindustrial specialization and exchange of skills and expertise; third, cooperation in energy; fourth, regional cooperation in sourcing and marketing. Even the potential for an indigenous capital goods production, directly aimed at productivity increases in rural areas, is tremendous. Such a cooperation could in the longer run reduce the dependence from the agricultural inputs supplied by TNCs. At the international level countries of the region have common interests concerning the Integrated Programme of Commodities (the countries in the region have a controlling world market share in hard fibres and tea). In most areas discussed under the theme 'New International Economic Order' these countries have common economic interests which may be exploited for joint action.

V. SRI LANKA's CURRENT 'OPEN DOOR' POLICY AND THE ISSUE OF TNC CONTROL

The current economic strategies supported by the Sri Lankan government have to be considered against the background of the experiences of this country with TNCs operating in the import - substitution and export plantation sectors since pre-independence times. This is important because the expectations associated with the new orientation of the economic policy since 1977 towards TNC affiliates in the economy of Sri Lanka are high and the system as a whole is therefore exposed very much to disillusionment. What can Sri Lankan policy - makers learn from their economic history? The Unilever Company is one of the TNCs operating in Sri Lanka since pre-independence times. It is a representative company in the context of evaluating government - TNC relations in Sri Lanka.

The story of Unilever's business in Ceylon before and after independence reveals that TNCs in small countries may be flexible enough to gain the market-share of a near-monopoly position and to maintain this share even under adverse political conditions. Unilever had been successful in stabilizing their relations with the governments of Sri Lanka because of the financial resources required by the successive governments (either to maintain 'socialist' welfare policies or only to support vested local interest groups). Despite of fundamental political and social changes Ceylon Unilever remained not only a wholly owned Unilever subsidiary but also 'one of the most consistent profit-markers in the Unilever system, ...' (Fieldhouse 1978, p. 334). Unilever was interested in a conflict-minimizing behaviour in their relation with the Government. Even the socioeconomic performance of Unilever in Sri Lanka looks not bad if only the direct effects (on the balance of payments, employment, reinvestment of profits and use of local resources) are considered[29]. The problem is however to quantify the overall direct and indirect effects of TNCs on employment, balance of payments and the indigenous technological, industrial and agricultural capabilities. Most of the arguments discussed by Vaitsos (1976) in general terms concerning the long-term employment and socioeconomic implications of TNC penetration also apply to Unilever. The distortion of economic structures, the erosion of indigenous capabilities and the aggravation of the income and property distribution are the long-run effects caused by TNC penetration. In the case of Sri Lanka the various governments tried to attack the symptoms of stagnation, distortion and absolute poverty by changing the economic policy orientation. The new drive towards an 'Open Door' Policy after a long period of welfare state policies is such an effort. The stable TNC-government relations have implications for the regional cooperation too. TNCs may be influential enough to inhibit or to distort all attempts directed towards regional cooperation. Most of the arguments developed by Vaitsos (1978) on the regional cooperation issue may be relevant for

Sri Lanka and the South Asian region too. Stable TNC-government relations may therefore coincide with unstable relations between governments in the regions.

Alltogether, the most decisive factors determining the socioeconomic effects of TNCs are the sectoral pattern of TNC penetration and the type of symbiosis existing between TNCs government and local interest groups. In the case of Sri Lanka TNCs are in control of strategic sectors since pre-independence times[30] and have stable relations with the government and the local capital groups. In this context it is of interest to study the orientation of the new economic policy since 1977. Does this policy change imply a new stage of TNC penetration in Sri Lanka? Is the new orientation a reaction to changes in the international division of labour? What does this policy change mean in the context of the previous discussion about C. S. R. and the control of TNCs? The deterioration of the economic situation of Sri Lanka in the seventies - the increase of the unemployment figure from 550 000 in 1970 to more than 1 mill. in 1977 and the stagnation of GNP growth, caused by various factors (drought, oil crisis, instability of the economic system and uncertainty of the political system) - has changed fundamentally the outlook of the Sri Lankan economic policy makers. The 'open door' policy since 1977 is a reaction to these developments and a marked deviation from the welfare state policies in the post-independence period. Low levels of investment and high inflation rates before 1977 have considerably weakened the position of the whole economy and the status of the poorest segments of the population.

The concept of a Free Production Zone was an attempt to act immediately after the election of the new government in 1977[31]. In order to prevent a further increase of unemployment figures and an aggravation of the intense social conflicts the idea of a Free Production Zone was very attractive to politicians and was also popular because of the prospects of immediate employment effects. In many developing countries such Free Production Zones have been established because of similar reasons and under similar pressure arising from social conflicts. But neither the experience made up to now with such zones nor the theoretical reasoning on Free Production Zones give rise to optimism[32]. Sri Lanka accepted the concept without a careful analysis of the various effects. More than that, far too simple comparisons were made. Singapur was considered by the politicians in Sri Lanka as a model for Sri Lanka but the very different social and economic conditions were not analysed in detail[33]. In order to promote the Free Production Zone (FPZ) a package of far-reaching open-door policies in trade and investment was necessary. The government devalued the rupee, scrapped the import quotas, lowered tariffs and cut food subsidies[34]. IMF, World Bank, transnational banks and bilateral donors (US and EEC) approved this policy orientation and honoured it by commitments of foreign credits. The Greater Colombo Economic Commission had

been given full authority for immediate action on a FPZ in a way which has no precedent in other developing countries. The performance of the Commission - up to 1980-83 projects approved with a volume of 150 million dollars of capital committed, two thirds of it in foreign currency, direct employment effects of 38 000 workers and expected export sales of 400 million dollars upon completion of the projects[35] - is not that impressive if the high overall investment requirements of the country, the absolute unemployment figures and other economic indicators are looked at. The high infrastructural costs of the FPZ[36] raise the question of an alternative use of the funds spent. From the beginning the projects of the textile and garment industry were dominant in the FPZ because of direct investments coming mainly from Hongkong, but also from Taiwan, South Korea and Singapore. Various reasons for these South-South investments were put forward - not only lower labour costs and availability of skilled labour in Sri Lanka, but also the use of Sri Lanka's EEC and US textiles and garments import quotas. The precarious situation of the world textile market does not allow a rapid and continual expansion of this business. This has already been demonstrated by the difficult negotiations of Sri Lanka with the US and the EEC. The pressure from the US to restrain textile exports has already created enough uncertainty to bring to a halt the further expansion of this industry in Sri Lanka[37]. The Greater Colombo Economic Commission is therefore promoting higher value-added activities based on natural resources of the country (rubber, precious stones and tea), but also based on skilled labour (engineering, yacht building, assembling of microprocessors). The Commission was only successful in diversifying the investments in respect of the investors countries - mainly by facilitating the activities of foreign banks in Sri Lanka and the unrestricted movement of capital.

The Greater Colombo Commission justifies their FPZ concept by arguing that local industries are increasingly cooperating with foreign companies on the basis of joint ventures, that local unskilled and skilled labour is employed and that favourable balance of payments effects do arise. But some serious questions relate to the role of the local industries in the FPZ: will they only provide finance, markets, skilled labour and some simple technology products to foreign companies? How will be the distribution of overall costs and benefits and the distribution of risk capital between foreign and local companies? The fact that only two thirds of the capital committed is in foreign exchange may imply that the foreign risk capital in some joint ventures is rather low.

There are increasing doubts that Sri Lanka may become another Singapur, but the opinion is that is has the potential to resemble the industrial structure of Malaysia with emphasis on natural resources and resource-based industries. Because of the availability of resources which can be processed

locally (rubber, tea, palmoil, wood etc.) and a comparative advantage in such products assumed to be existing anyway, the generous investment incentives as offered by the Greater Colombo Economic Commission - for example ten-year-tax holiday - are a waste of public finance. Such incentives may have some justification in the case of more sophisticated consumer and capital goods. The Commission tries to attract also companies producing such products but with few success up to now; on the other hand these products are not those needed most by the population of Sri Lanka, so that there is no justification for incentives either.

The actual outcome of the Commission's effort is only one factor, when evaluating the overall performance of the FPZ. More important is the long-term structural impact of the FPZ: on linkages in industry and agriculture, on trade dependence, on costs and benefits of natural resources' exploitation, on conditions of labour, on indigenous technological capabilities etc. It is interesting to observe that even those United Nations organizations which have promoted most such types of foreign investments (like UNIDO) are now more explicit about the inherent dangers of export-processing free zones[38]. In recent studies UNIDO is discussing also the negative implications of FPZ for the host country. UNIDO is now a arguing that

1) the gross export figures are often mixed up with the net contribution to the balance of payments thereby neglecting the high import content of production in the zone and of all infrastructural requirements of the zone (figures which are normally not mentioned when the expansion of such zones is propagated);
2) only the very low wages in the zone constitute the component of the value added accruing to the host country;
3) the technology-related learning effects are limited because of the transfer of partial production processes and non-complex repetitive activities;
4) the type and level of employment generated create only limited special technical skills and training of the labour force; the brain drain may not be halted but even accelerated;
5) the employment structure is often biased in favour of young female workers thereby creating additional social difficulties;
6) the demonstration effects of modern technology are limited because these zones have an enclave-character, are onesided in the industrial mix, have an adverse effect on labour conditions because of the special legal status, and aggravate external dependence;
7) the linkage effects are limited, because forward linkages are a priori excluded if the production is totally export-orientated and backward linkages may be important only in respect of raw materials[39].

There is already enough empirial evidence available to support this sceptical view on FPZ; even pure theoretical reasoning can show the weakness of this approach to development[40].

What about TNCs in the zones? The TNCs operating in such zones have no specific interest in local supply; they have only a restricted interest in local weighty and noncomplex components at cheap prices - because of the own supply network guaranteeing profits from transfer pricing and regular supply of high and constant quality standardized inputs. This is even the case for India - a country with considerable technological capacity and a broad spectrum of supplies of sophisticated intermediate and end-products. The experience of the Santa Cruz Electronics Export Promotion Zone in India gives evidence that a clear tendency from the side of TNCs exists to avoid local deliveries[41]. The Greater Colombo Economic Commission is very active to motivate TNCs and big firms to produce in the FPZ, but up to now it was not successful in attracting the leading TNCs. Investments are coming mainly from middle-level Asian, European and American companies. But even on the basis of this structure no mechanism is available to spread the economic activities from the enclave to the hinterland. More than that, the domestic textile industry of Sri Lanka is hurt by the 'quota-jumping' of foreign textile companies in the FPZ; the overall performance of the textile industry in Sri Lanka is unsatisfactory, also because of the high imports of intermediate products[42].

The Colombo Commission may try to convince industrial newcomers to the zone to agree on increasing local supplies; but the logic of expansion of such zones does not give much hope that such a policy will be feasible. It will rather become more difficult if TNCs with technology - intensive products are encouraged to invest in the zone. But minimum local value added regulations should be supported anyway as well as incentives to local suppliers to the zone if these supplies have some relevance for a basic needs oriented industrialization strategy.

The backwash effects of zones on surrounding areas are an extremely important matter of concern because of the tendency that the regional disparities are in fact increased by such zones. This is in a very extreme way the case in Sri Lanka because of the proximity of the FPZ to the capital of Colombo and the International Airport. Most important in this context is that the industrial structure supported in the FPZ has no relevance for basic needs and for rural development; so the backwash effects are decreasing the future production potential of the surrounding rural areas. It was mainly because of this effect that the government of Sri Lanka supported the Mahaweli Ganga irrigated agriculture project in the dry zone. This type of compensation has nothing to do with integrated development of industry and agriculture.

Although the Colombo Commission was successful in diversifying the investments by the country of origin of investors, the structure of production in the zone is still dominated by textiles and garments. The concentration on 'sensitive' items (textiles or 'sensitive' items of the future, like electronics)

may make the country more vulnerable to world economic changes and cycles. Those thinking of Singapur as a model for Sri Lanka may not forget that from early 1974 to september 1976 the employment in the electronics industry of Singapur fell by 40 per cent[43].

The legal status of the zone has an impact on the legal status of the population in the hinterland too. In some cases labour laws may not be applied inside the zone and regulations on trade unions for the whole country may be modelled according to the interests of investors in the zone. In Sri Lanka the government tried since 1977 to make the FPZ more attractive to foreign capital by restricting drastically the labour rights in the country. External dependence is aggravated because of the pressure resulting from the competitive bidding for foreign investment of the developing countries with weak bargaining power. This tendency may be further aggravated if TNCs invest in Sri Lanka's FPZ; they are well-known for their tendency to create over-capacities because of their oligopolistic market structures.

Many industries in the developed countries affected by the socalled 'low wage competition' from developing countries argue now - in an era of 'new protectionism' - that the developing countries are artifically promoting their export industries by subsidizing free zones, thereby violating the law of comparative advantage at the expense of developed countries' traditional industries. By pressure groups of these industries 'voluntary' exports restraints and other restrictions of trade are demanded. 'Voluntary' restraints may not only result in industrial concentration and a reduction of employment in developing countries but will also favour the well-off segments of the population in terms of income distribution.

The possibilities of Sri Lanka to increase the exports of manufactured goods to the Newly Industrialising Countries (NICs), like South Korea and Taiwan, are also extremely limited. These countries are protectionist mainly in product lines where newcomers, like Sri Lanka, could supply at a comparative advantage. The NICs liberalized most their trade in products coming from developed countries. This asymmetry in liberalization limits the potential of intra-LDC trade considerably. This asymmetry is also reflected in the so-called Bangkok Agreement, Asia's first multilateral trade liberalization effort. A study by Mukherjee (1978) indicates that the countries benefitting least from this Agreement are the smallest (like Sri Lanka) and the poorest (like Bangladesh).

Keesing (1977) argues that the developing countries which are exporting manufactures are hit by three factors: first, the gains from exports of developing countries are distributed unevenly; second, developing countries are producing those manufactured goods which have similar characteristics as primary goods; third, the growth rates of manufactured exports may decline in the

future. The gains are distributed very unevenly because the manufactures exports are undertaken largely by subsidiaries of TNCs or are traded by large retail chains of international trading corporations. Most important are the characteristics of the products produced in export industries and free zones: 'In each case the developing countries find themselves producing what is for most purposes a standardized commodity turned out under highly competitive conditions with narrow profit margins and an unstable market. In many cases growth of world demand is also slow'. (Keesing 1977, p. 100). The consequence of this product structure is that the prices of these products behave like prices of primary goods. It is an open question to what extent the LDCs can move individually and as a group to more and more sophisticated products with a better market position in export.

Up to now the hopes of the Sri Lankan economic policy to change the structure of exports had been frustrated. The result of the open-door policy in this respect was poor; there was no rapid expansion of non-traditional exports and no substitution of standard technology products by more sophisticated products in total exports. The growth was biased mainly towards import trading, construction, banking and finance; there has not been any export led growth; tourism and the Free Production Zone did not produce net foreign exchange; inflation was accelerating[44]. The proponents of the open-door policy argue that 'in the longer run' the reallocative effects of the open-door policy will produce the expected results - increasing international competitiveness of the economy in traditional and non-traditional products, higher foreign capital inflow, higher growth, higher employment and an improvement of the social conditions of labour[45].

The overall prospects of the Sri Lankan FPZ are therefore rather poor but the expectations of the government are still very high. An analysis of the origins of the concept of a Free Production Zone in Sri Lanka identifies the main economic and political interests supporting it: first, the idea fascinated the politicians because of the 'modernization drive' expected to follow and as a means to reduce social tension in the country; second, it fascinated the established TNC affiliates, like Unilever, because of the new 'investment climate' it required; third, it fascinated some local industry and trading groups because of the expectation to share some of the excess profits generated by generous public investment incentives and infrastructural investments.

Sri Lanka's Open Door Policy will turn to be a rather disappointing episode in the economic history of this country because of the tremendous loss of development opportunities involved. This loss is not so much related to the fact that the FPZ will not work as actively and smoothly as envisaged by the politicians, or that the open-door policy may even aggravate the tendency towards an uneven distribution of trade and investment gains. The loss is rather associated with the continuing distortion of the economic structure

(loss of coherence) and the increasing inequality of incomes and property. The loss of opportunities results from the tremendous social and economic costs caused by the foreign financing of development, the imposed type of industrialization, the imposed structure of technologies, the imposed priorities of agricultural production and the frustration of regional and global cooperation on commodities. One consequence is that indigenous available industrial and technological capabilities and capacities are destroyed and depreciated in this process of 'opening up' the economy. It is therefore imperative for Sri Lanka to design a new development strategy which can rely partly on elements of the inherited welfare state tradition, but has to formulate the priorities with regard to basic needs and self-reliance at the national level, with regard to regional and collective self-reliance at the international level.

VI. CONCLUSIONS

The instrument of Collective Self-Reliance (CSR) has great relevance for countries like Sri Lanka as an instrument to control Transnational Corporations (TNCs). Sri Lanka has a long experience with TNCs in strategic economic sectors, but has a weak bargaining power because of a limited domestic market and a restricted industrial, technological and resource base. CSR as an alternative development concept is of importance for these countries because the costs of open-door policies in trade and investment are high in relation to the benefits which can be expected. The case of Sri Lanka's recent open-door policies gives evidence that the loss of development opportunities and indigenous capabilities associated with such a strategy is tremendous. Sri Lanka's open-door policy since 1977 is an attempt to attract foreign capital, to acquire new technological and industrial capabilities and to process in the Free Production Zone the raw materials of the country for the purpose of export. The experiences made up to now point to the fact that the long-term distortion of the economic structure and the erosion of the welfare state will outweigh by far the short-term benefits of this strategy (access to international credits, foreign capital and new technologies).

Notes

1) cf. : CTC Reporter, Spring 1980, p. 4
2) cf. : Lall 1979; Wohlmuth 1980b; IDS/UNCTAD 1977
3) cf. : Lall 1974
4) cf. Amin 1978
5) cf. : CTC 1980, p. 12
6) cf. : CTC 1980, p. 13
7) cf. : CTC 1980, p. 13
8) cf. : CTC 1980, p. 14; Sauvant 1976
9) cf. : O'Brien 1971; UNCTAD 1977
10) cf. : CTC Reporter 1980, p. 10 and p. 11; CTC 1980
11) cf. : CTC Reporter 1980, pp. 10-11
12) cf. : Green 1977
13) cf. : Asian Finance 1979; Raju 1979
14) cf. : Streeten 1979
15) cf. : CTC 1980, p. 16
16) cf. O'Brien 1971; UNCTAD 1977
17) cf. : CTC 1980, pp. 17
18) cf. : Caspersz 1975; Logos 1975; Marga Institute 1976; The Courier 1980
19) cf. : Kofi 1975; Wohlmuth 1980 a
20) Even countries like Sri Lanka have a potential for avoiding equity participation and expensive technological collaboration agreements. Cf. : Marga Institute 1978, pp. 1-93
21) Further limitations of this strategy are discussed by Wohlmuth (1979).
22) See on some attempts, also in Sri Lanka, the report by ESCAP 1975.
23) cf. : ESCAP 1975
24) cf. : CTC Spring 1980, pp. 6-7, 32
25) cf. : CTC Spring 1980, p. 32
26) cf. : Marga Institute 1980

27) See for example Vaitsos 1978.

28) cf. : Marga Institute 1980, p. 56

29) cf. : Fieldhouse 1978, pp. 334-338

30) cf. : Marga Institute 1978; See also the literature on Sri Lanka's tea industry; Ramachandran 1963; Caspersz 1975; The Courir 1980; Marga Institute 1976; Logos August 1975

31) cf. : Imfeld 1978

32) See on the recent experiences with Free Production Zones the UNIDO report 1978 and on the theory of Free Production Zones the contribution by Hamilton and Svensson 1980

33) cf. : The Economist June 23, 1979; Nugawela 1978

34) cf. : The Economist June 23, 1979; Central Bank of Ceylon 1977

35) cf. : Pacific Studies Center 1980

36) cf. : Nugawela 1978, p. 11

37) cf. : Ceylon News, Vol. 45, No. 17, Thursday April 24, 1980, p. 5; The Economic Times, Vol. 10, No. 16, Monday 26th, November 1979, p. 1

38) cf. : UNIDO 1978; see also the updated version: UNIDO 1980

39) cf. : UNIDO 1978

40) cf. : UNIDO 1978; Hamilton and Svensson 1980

41) cf. : UNIDO 1978, p. 8

42) cf. : UNIDO 1979, p. 17

43) cf. : UNIDO 1978, p. 10

44) cf. : The Economist Intelligence Unit Ltd., Quarterly Economic Review of Sri Lanka (Ceylon), 2nd Quarterly 1980, p. 5

45) An early supporter of this view was Dahanayake (1975)

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