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Multinational enterprises and employment

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Note:
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1. INTRODUCTION

Since the mid-seventies the ILO has been regularly publishing overviews of the employment situation in multinational enterprises throughout the world. The first such major report was published in 1975 under the title The impact of multinational enterprises on employment and training. In 1981 two volumes followed on the Employment effects of multinational enterprises in industrialised countries and on Employment effects of multinational enterprises in developing countries. Parallel to this, over 50 Working Papers (in addition to the initial set of Working Papers published for the World Employment Programme in 1976) on individual countries have been published (see list in Annex) which serve as case studies on selected issues and inputs to the major reports and their updating.

In a similar vein, the United Nations Centre on Transnational Corporations (UNCTC) has published since 1973 at five-yearly intervals reports on Transnational Corporations in World Development.[1] In response to the absence of information on employment in their Third Survey (1983), ILO was requested to provide an update to a report for the Commission on Transnational Corporations[2] in 1984. Most recently, ILO contributed a full chapter on the employment effects of multinational enterprises to the UN's fourth survey on Transnational Corporations in World Development: Trends and prospects (UN, New York, 1988).

In agreement with the United Nations Centre on Transnational Corporations, Chapter XIII of that report is reproduced (in section 3 below) in its entirety, in order to make it more accessible to the ILO's tripartite constituents and as wide an audience as possible. However, before that a brief overview of trends in FDI is presented.

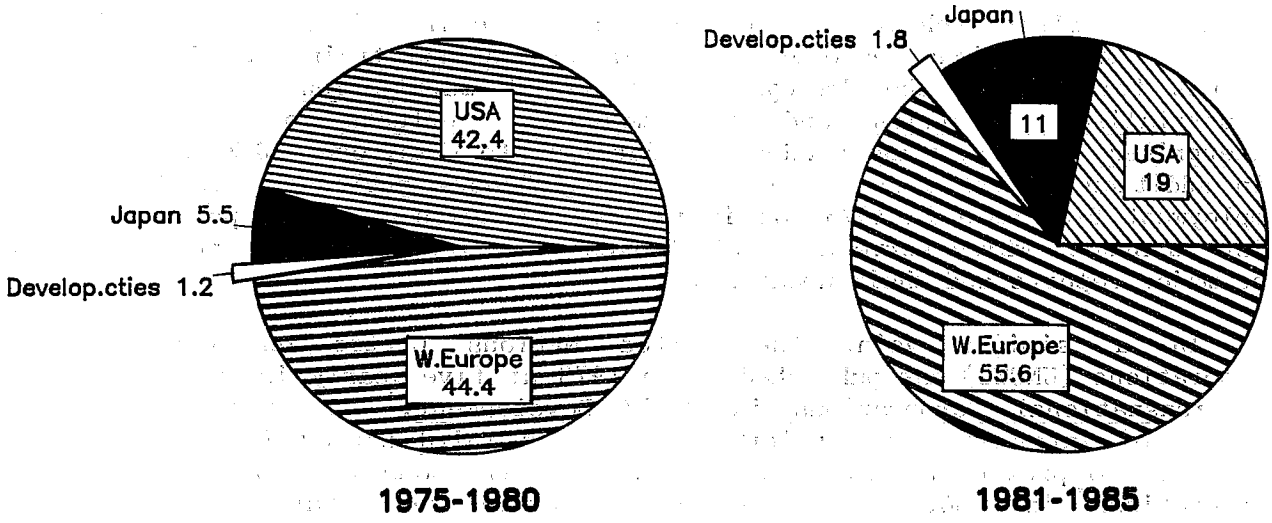
2. RECENT TRENDS IN FOREIGN DIRECT INVESTMENT

Many shifts have taken place in the behaviour of foreign direct investment (FDI) in the past decade.[3] Whereas, the United States was the source of more than half of all investment abroad in 1975 (over forty per cent on average of all outward flows in the period 1975-80), its share had been cut in half by 1985. Japan on the other hand more than doubled its share during the same period; and the countries of Western Europe increased their presence from 44 to 56 per cent - thereby replacing the United States as the dominant supplier (see chart 1) of foreign direct investment.

This shift in outward flows has also had its impact on the inward flows of FDI into the countries and regions concerned. Over a ten-year period Western Europe's share decreased from over forty to thirty per cent, whereas the United States' share more than tripled from 12 to almost 40 per cent (see table 1).

Nevertheless, the above figures for the annual average flows for the past five years plus those for the stock of FDI show that roughly three-quarters of FDI still goes to industrialised countries (see table 1 and Annex chart B) and only about a quarter goes to the developing countries of the world. Of these, 18 countries and territories accounted for 86 per cent of the flows of FDI to developing countries as a whole. Despite various shifts (discussed below), Latin America nevertheless managed to hold its own, while Africa saw its share in the stock of FDI drop by half (down to 3.5 per cent) and Asia (especially the NICs) was able to increase its share by fifty per cent from 6 per cent to almost 9 per cent (see Annex table C).

Chart 1: Distribution of foreign direct investment outflows, by major region: Annual averages (percentages)



Latin America which traditionally absorbed half of the FDI flows going to developing countries dropped to 40 per cent in 1985 with three countries alone (Argentine, Brazil, Mexico) receiving 70 per cent of the FDI in the region. Although United States enterprises have traditionally been the dominant investors in Latin America, the 1980s saw significant increases in investment originating in the United Kingdom, the Federal Republic of Germany and Japan, as United States investments fell off sharply.

In South and East Asia, eight out of 20 countries and territories accounted for 92 per cent of the FDI flows to the region in the period 1981-85. The United States and Japan are the two most important sources of FDI in Asia and together account for over 50 per cent of inflows. Little is known about West Asia (Bahrain, Kuwait, Saudi Arabia and the United Arab Emirates), except to say that the region only received about 3 per cent of all inflows to developing countries while accounting for 25 per cent of the outflows from developing countries, thereby making some of these countries, home countries of multinationals. China, which has recently opened its doors to FDI, has rapidly become one of the largest recipients in the developing world, ranking fifth behind Brazil, Mexico, Singapore and Malaysia.

As in other developing regions, the flow of FDI to Africa is concentratedlonly in a few countries, practically all of which are oil exporters. During the period 1981-85, Algeria, Cameroon, Egypt, Nigeria and Tunisia accounted for over 90 per cent of the FDI flows to Africa.

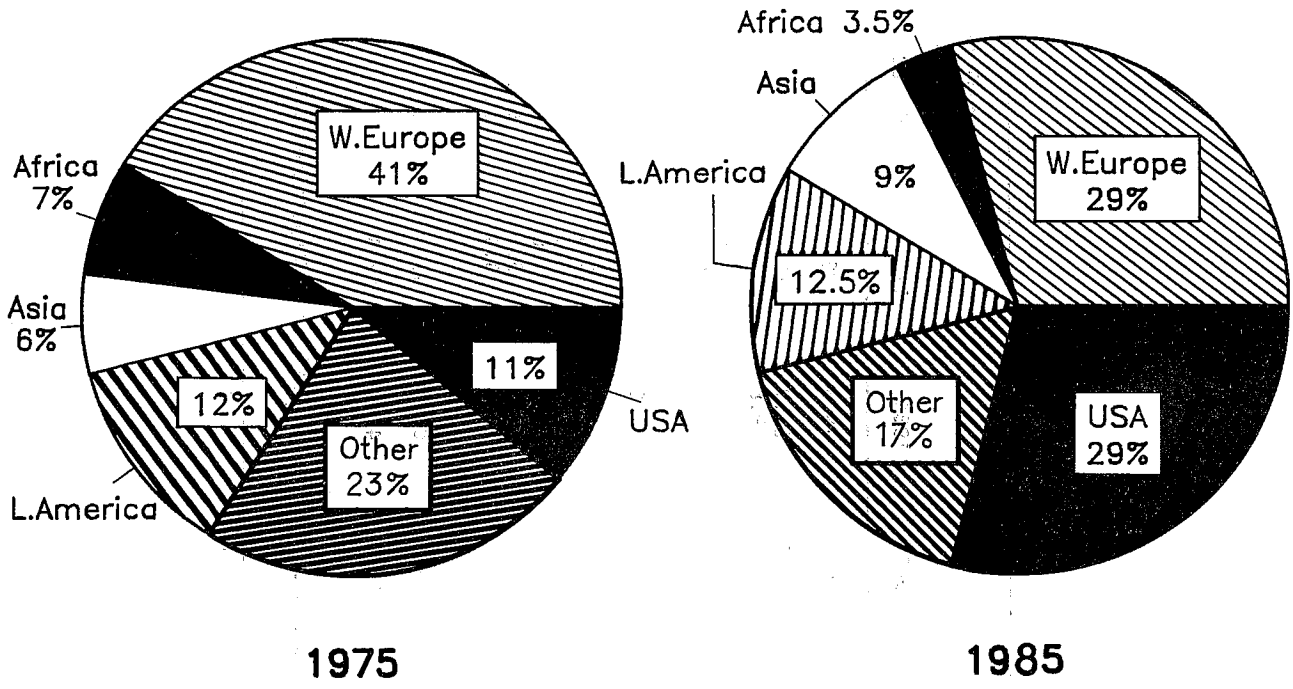
Considering the fact that roughly 25 per cent of FDI outflows go to developing countries, we also find that on average this is about true for individual source countries, with some exceptions. These include countries such as Italy and France at the upper end of the spectrum with close to 30 per cent of their outflows going to developing countries, whereas countries such as Canada, Federal Republic of Germany, Netherlands and Sweden are at the lower end with only 15 per cent of their FDI going to developing countries. The United States lies in the middle with 23 per cent going to developing countries, while Japan is a complete exception splitting its FDI equally amongst developing and industrialised recipients.

Table 1: Distribution of foreign direct investment inflows 1975-85
(percentage)

Country groups by region	1975	1980	1981	1982	1983	1984	1985	Annual average 1975-80	Annual average 1981-85
Developed market economies	70.6	80.5	73.6	69.8	76.8	78.5	76.7	76.6	75.2
United States	12.1	32.4	44.7	31.1	27.0	51.7	38.9	24.6	39.2
Western Europe	47.0	41.0	47.4	32.9	37.0	19.8	33.7	43.3	30.4
Japan	0.9	0.6	0.4	0.9	0.9	-	1.2	0.3	0.6
Other	10.2	6.7	1.2	4.5	11.6	6.7	2.8	8.4	4.5
Developing countries	29.3	19.3	26.4	30.2	23.2	21.3	23.3	23.4	24.8
Africa	2.3	0.4	3.2	3.8	3.6	3.1	3.4	2.5	3.3
Latin America and the Caribbean	15.3	11.9	13.6	14.4	7.7	7.0	9.1	12.5	10.5
Western Asia	3.3	0.6	-	0.7	0.7	1.2	1.0	1.9	0.8
Other Asia and Oceania	7.4	6.1	9.3	10.8	10.7	9.6	9.1	6.2	9.9
Southern Europe	0.9	0.2	0.4	0.2	0.2	0.4	0.4	0.3	0.4
World	100	100	100	100	100	100	100	100	100
billions of dollars	21.5	52.2	56.8	44.5	44.1	49.0	49.3	32.1	48.7

Source: Transnational Corporations in World Development: Trends and Prospects (United Nations Centre on Transnational Corporations, New York, 1988) p. 76.

Chart 2: Inward stocks of foreign direct investment, by major host region



As already noted above, in the 1980s many industrialised countries began to change the direction of their flows of investment to different developing countries. Thus, United Kingdom enterprises shifted their preferences to Latin America away from Africa. The United States, while still directing over 50 per cent of its total involvement in the developing world to Latin America, sharply increased its flows of investment towards Asia. Japanese enterprises, on the other hand, while continuing to invest heavily in Asia, began to show an increased interest in Latin America (which remains the preferred location of enterprises from the Federal Republic of Germany).

3. EMPLOYMENT IN MULTINATIONAL ENTERPRISES[4]

3.1 Global labour market trends

It is, therefore, not surprising to find that MNE employment shares parallel these figures and in fact, it has been argued that employment figures are often a better indicator of MNE presence in a country than FDI stock or inflows (Vickery, OECD, 1976, pp. 75-76).

Conservative estimates which are deliberately on the low side for the sake of only taking officially available or reasonably good estimates place global direct employment in MNEs at a minimum of some 65 million world-wide in the market economy countries. Of this, approximately 43 million are in the home countries of the MNEs (domestic employment in the countries of origin) and 22 million are employed abroad (of which almost one third or 7 million are in developing countries). Before explaining or evaluating these estimates further it is necessary to view them against the background of the world's economically active population.

According to the most recently available estimates, the world's economically active population grew to about 2,160 million in 1985 (ILO, 1986a). These projections envisage an economically active population of 2,750 million in the year 2000 which is projected to rise to 3,650 million by the year 2025. Due to different growth rates the increase of world's economically active population will predominantly (and in future decades even entirely) be accounted for by less developed regions. In addition, ILO projections point out that the increase of the world's economically active population would necessitate the creation of (on average) 47 million new jobs annually over the next forty years (9 million in industry alone each year), if full employment is to be achieved (ILO, 1986b).

Figures on MNE employment must be viewed against this background. Thus, the direct employment in MNEs of approximately 65 million accounts only 3 per cent of world's economically active population. In the less developed parts of the world, the 7 million directly employed in MNEs represent much less than 1 per cent of the economically active population in the region, while the corresponding share of 58 million in more developed regions accounts for about 10 per cent. Even if the respective percentage shares for MNE employment are (not surprisingly) substantially higher for industry alone (especially manufacturing), these few comparisons will serve to place in perspective both the actual contribution of MNEs to world employment and their future potential for job creation.

3.2 Consideration of the alternative hypothesis

Any such investigation is bedevilled by the existence of the "alternative hypothesis". This is the difficulty of estimating what would have happened if the foreign investment had not taken place. Two immediate issues which arise are the displacement of local projects and the competitive impact of inward investment.

The displacement controversy is centred on the probability that a local project would have emerged in the absence of the foreign direct investment. This is least likely in high technology areas where local firms do not have access to the knowledge required. It is more likely where standard technologies and skills, including management and marketing skills are employed. The argument here is that multinationals create fewer jobs in less developed host countries because they employ techniques which are capital-intensive rather than labour-intensive (Emmanuel, 1980). The implicit assumption is that a more labour-intensive "local" project is a feasible alternative. If the alternative were no project at all (nil displacement) then any employment created by the foreign investor would be net employment creation. Evidence from the United Kingdom shows that labour-intensity is on average one-third higher in domestically owned enterprises than in foreign multinationals and only in one industry, instrument engineering, are foreign multinationals as labour-intensive (Buckley and Enderwick, 1985).

The employment impact of inward direct investment is alleged to depend on the mode of entry chosen by the multinationals. A "greenfield" entry on a new site can be seen to increase employment immediately and to add to the number of competitiors in the industry. A takeover of an existing firm (or part of a firm) might actually reduce employment in its immediate effect and can reduce imports. It may be, however, that the difference in the employment impact of greenfield ventures versus takeovers is not as great as a priori thought (Buckley and Artisian, ILO, 1987, p. 2). The capital which the owners of the taken-over facility acquire may be used to invest in further employment-creating activities, but of course capital is scarce in developing

countries. Often this is difficult to trace and to estimate, but conceptually it should not be ignored (Buckley, Hartley and Sparkes, 1979).

In addition to direct or internal employment creation or displacement, inward foreign investment will have external employment-creating effects. Indirect positive effects arise from subcontracting, transport services, demand for other services, for marketing facilities, for (government) infrastructure, from construction expenditure and from reinvestment of funds (freed) received as a result of a takeover by a foreign entrant. Negative external effects can arise from replacement of host country suppliers by foreign suppliers after foreign entry.

Recent theoretical work in the theory of location suggests that factor substitution, i.e. switching between capital-intensive and labour-intensive techniques has a very limited role in the location of production (Casson, 1984). Consequently, comparative labour costs become very important. If capital is mobile, then the crucial allocation decision is that of labour between industries. As this differs at different locations, it will be a prime determinant of the pattern of international production. Second, increased specialisation as a result of technical progress in reducing transport costs, increasing the potential for economies of scale and extending the division of labour is more important than factor-saving advances in production. Thus the potential for international relocation and vertical integration is greatly increased. Third, new products are likely to be supplied on a monopolistic or oligopolistic basis. Because of restricted access to proprietory knowledge, barriers to entry strengthen the hold of vertically integrated multinationals (Casson, 1985).

3.3 New forms of investment and subcontracting

In addition to the above difficulties it should be noted that surveys and statistics of MNE employment do not include (not the least because of serious methodological and empirical problems) new forms of MNE investment and contract employment in establishments producing for MNEs but not controlled by a dominant MNE share in capital assets. The omission of non-equity forms of investment results in a substantial underestimate of the total number of persons whose employment is significantly affected by MNEs.[5] Therefore, in order to properly assess the full dimension of MNE employment, this contract employment would have to be taken into account in addition to employment in MNE-owned establishments and in establishments controlled by a substantial MNE share in capital assets.[6]

Of course, these new forms of MNE-related employment (franchising, licensing, management contracts, turnkey projects) are distinct from the more familiar backward linkage form of indirect employment connected with the input of raw materials, intermediate goods, capital goods, infrastructure and services used in the MNEs' own production - to the extent that these inputs are provided for not by the individual MNEs themselves but by (formally and economically) independent suppliers.

The process of increasing transnationalisation undoubtedly leads to a higher degree of concentration and centralisation (which, by the way, does not exclude temporary intensification of global competition). In the 1970s and, in particular, in the 1980s, transnational expansion of companies took place in four out of five instances through the acquisition of existing production facilities rather than by the creation of new ones through green field investment (OECD, 1987, p. 23).

To arrive at a realistic quantitative evaluation of the overall employment effects of MNE activities, the displacement effects would also have to be taken into account. Needless to say it is extremely difficult to establish reasonable quantitative estimates of all these different employment affects of MNE activity (with the exception of direct employment).

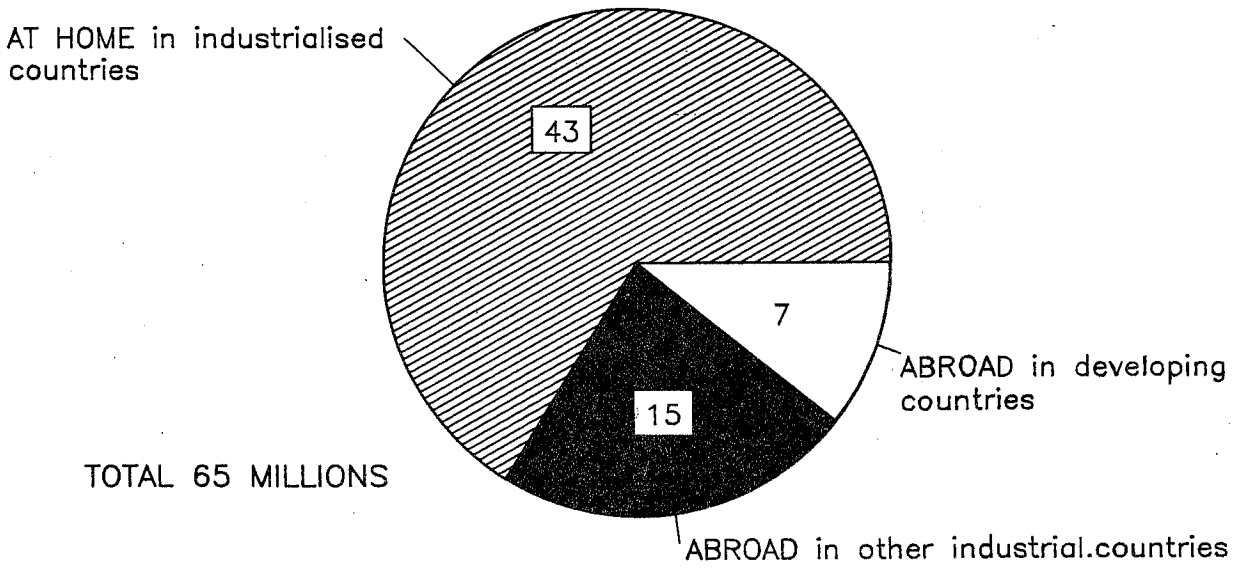
Evidently, this rather static and mechanical concept of direct MNE employment is primarily used because of its operational usefulness for statistical purposes. A full account of MNE employment would have to take other forms of MNE employment (and displacement) into consideration as explained above.

4. EXTENT OF DIRECT MNE EMPLOYMENT IN INDUSTRIALISED AND IN DEVELOPING COUNTRIES

4.1 Overall estimates

In the mid-1980s, measurable direct employment in MNEs amounted to approximately 65 million. Of this about 43 million were employed in the respective home countries of the MNEs ("domestic employment") and about 22 million abroad in host countries ("foreign employment"). Seven million of those abroad were employed in developing countries (see chart 3).

Chart 3: Employment in MNEs (in millions)



Notwithstanding the difficulties in arriving at reliable estimates, this figure of 65 million should be regarded as a lower limit. Table 2 shows direct MNE employment (at home and abroad) for a selection of twelve industrialised home countries of individual MNEs. These figures, amounting in total to 55 million, are taken either from official statistics or represent conservative estimates based on hard data derived from reliable company surveys and similar sources; in a number of cases smaller multinational enterprises, non-industrial activities and minority-owned affiliates are not fully taken into account. Not included in table 2 or only partially taken into account, but contributing to the overall direct MNE employment figure, are at least another 3 million persons employed in multinational banks.[7] For Third World MNEs, employment figures are almost completely missing; but it

is known that the largest 16 of them with sales of at least one million directly employed one million persons in 1980 and altogether probably not more than two million.[8] (These figures therefore, correspond well to the overall estimate of a total of 65 million.)

Quite a few industrialised countries do not show up in table 2 due to lack of information; nevertheless, they are also known to be countries of origin of some MNEs. Amongst them are Australia, New Zealand, Denmark, Norway and Finland.[9] Similarly, corresponding figures are also not available for centrally planned economies but these are undoubtedly small and their exclusion does not alter the global picture. In addition to these omissions, table 2 only indicates a lower limit for some countries including France, Italy, Japan and the United Kingdom. For France, a different but equally plausible estimate results in a figure of 5.7 million for total direct MNE employment, as compared to the 3.1 million given in table 2.[10]

On the other hand, a few figures in table 2 may be slightly affected by some double-counting in cases where a company originating in country A has a subsidiary in country B which, in turn, has a subsidiary in country C.[11] The employment figure of C would usually be contained in both A's and B's figures. The effect of double-counting seems, however, to be almost negligible in the total figures.

Regarding the distribution between domestic and foreign employment in MNEs, the figures for foreign employment, if not taken from official statistics, were in most cases derived from company surveys and usually provide for a lower limit only. Figures for domestic employment in MNEs were estimated in a number of cases on the assumption of a certain percentage share of foreign employment in total employment for the MNEs in their respective countries of origin. The order of magnitude of this percentage share appears to be reasonable for all cases but Japan. For this country, the share of foreign employment in total employment could be considerably lower than the assumed 20 per cent share. (If we alternatively were to assume that the 926,000 known to be employed abroad represent only 10 per cent of those employed at home, then we would have to add almost another 5 million to domestic employment in Japanese parent companies and to total MNE employment.)

As to the share of direct MNE employment in developing countries, it is safe to assume that one third of the 22 million foreign employment in table 2 is accounted for by developing countries.[12] In addition, domestic employment of Third World MNEs plus a developing countries' employment share in multinational banking have been taken into account to arrive at the estimate of 7 million.

All these figures only account for direct MNE employment (including employment in dependent units with a MNE share in capital assets of at least 10 to 25 per cent). Contract-related employment and indirect employment other than contract-related (cf. explanation in Section 3.3 above) would have to be added in order to cover totality of MNE employment effects (direct, contract-related, and indirect other than contract-related).

So far, only the extent of direct employment (both domestic and foreign) in MNEs from twelve developed market economies has been presented (cf. table 2). Annex table A looks at the subject the other way around. It shows the results of a complementary effort to compile for as many countries as reasonably possible[13] estimates (lower limits) of employment in the foreign affiliates of MNEs[14] in host countries. Its results are summarised in table 3.

Table 2: Estimates of direct employment in MNEs in home and host country operations by country of origin of parent (mid-1980s)
(in thousands)

Country of origin of enterprises	Year	Type of estimate	Direct employment of country-based MNEs		
			Total	At home	Abroad
Austria	1983	(c)	400	300	100
Belgium	1975	(b)	345	163	182
Canada	1984	(b) + (c)	1 764	1 058	706
France	1981	(b) + (c)	3 930	3 139	791
Germany (Fed. Rep.)	1983	(a) + (b)	9 632	7 224	2 408
Italy	1981	(b) + (c)	1 000	750	250
Japan	1985/86	(a) + (c)	(4 630)	(3 704)	926
Netherlands	1980	(a) + (b)	1 454	383	1 071
Sweden	1984	(b)	950	665	285
Switzerland	1986	(b)	744	165	579
United Kingdom	1981	(b) + (c)	5 250	3 165	2 085
United States	1984	(a)	24 560	18 171	6 389

Source: Estimates based on a variety of sources and compilations prepared by the Starnberg Institute on the basis of information provided in the country notes below.

Type of estimate:

(a) comprehensive official data and/or comprehensive company survey;

(b) incomplete official data and/or incomplete company survey (extrapolated where reasonably possible);

(c) rough estimate based on incomplete information and specific assumptions.

Country notes:

Austria: Estimate. Data: In terms of capital stock, Austrian direct investment abroad was equal to one quarter of foreign direct investment in Austria in 1983 (average of data for end of 1982 and end of 1983 from Oesterreichische Nationalbank, here taken from John Dunning and John Cantwell; IRM Directory of statistics of international investment and production, Basingstoke 1987 (hereafter: IRM Directory)); foreign-based MNEs had 370,000 to 420,000 employees in Austria in 1983 (Josef Peischer: "Auslandseinfluss in der österreichischen Wirtschaft", in: Informationen über Multinationale Konzerne, 4/1986, using data from Oesterreichische Nationalbank. Assumptions: Employment/direct investment ratio is the same for Austrian direct investment abroad as for foreign direct investment in Austria; percentage share of employment abroad in total employment of Austrian MNEs is 25 per cent.

Table 2: (cont.)

Country notes (cont.)

Belgium: Figures from 1975 survey by D. Van Den Bulcke of 96 Belgian MNEs with manufacturing subsidiaries abroad (D. Van Den Bulcke: "The role and structure of Belgian Multinationals", in: K. Macharzina and W. Staehle (eds): European Approaches to International Management, here quoted after Peter J. Buckley and Patrick F.R. Artisien: Multinationals and Employment).

Canada: Estimate. Data: United States affiliates of Canadian MNEs had 505,232 employees in 1984 (Survey of Current Business, 10/1986); in terms of capital stock, 72 per cent of Canadian direct investment abroad was in the United States in 1984 (cf. IRM Directory using data from Statistics Canada). Assumptions: Employment/direct investment ratio is the same for total Canadian direct investment abroad as for Canadian direct investment in the United States; percentage share of employment abroad in total employment of Canadian MNEs in 1984 is the same as in 1974 (i.e. 40 per cent; cf. International Labour Office: Employment effects of multinational enterprises in industrialised countries, Geneva 1981 (hereafter: ILO 1981)).

France: Estimate. Data: According to (incomplete) company survey by Julien Savary, French MNEs had 791,000 employees abroad in 1981; employment of country-based MNEs in foreign affiliates was 25.2 per cent of domestic employment in 1977 for a sample of 67 French MNEs (cf. IRM Directory). Assumption: Percentage share of employment abroad in total employment of French MNEs in 1981 is the same as in 1977.

Germany, Federal Republic of: Figure of survey by Starnberger Institute of industrial (ISIC 1-5) MNEs of the Federal Republic of Germany employment abroad supplemented by official data for remaining sectors. Industrial MNEs of the Federal Republic of Germany had 2,050,000 employees abroad in 1983 (Folker Fröbel, Jürgen Heinrichs, Otto Kreye, Umbruch in der Weltwirtschaft, Reinbek 1986 (hereafter: Fröbel/Heinrichs/Kreye, Umbruch)); remaining sectors (excl. banking) had 358,000 employees abroad in 1983 (Deutsche Bundesbank, Die Kapitalverflechtung der Unternehmen mit dem Ausland nach Ländern und Wirtschaftszweigen, Beilage zu "Statistische Beihefte zu den Monatsberichten der Deutschen Bundesbank", Reihe 3 "Zahlungsbilanzstatistik", March 1987 (hereafter: Deutsche Bundesbank)); the percentage share of employment abroad in total employment of MNEs of the Federal Republic of Germany is approximately 25 per cent (Fröbel/Heinrichs/Kreye, Umbruch, p. 267).

Italy: Estimate. Data: According to survey by Nicola Acocella, Italian MNEs had 250,000 employees abroad in 1981 (The Economist Intelligence Unit, Multinational Business, No. 3, 1986; cf. also IRM Directory). Assumption: Percentage share of employment abroad in total employment of Italian MNEs is 25 per cent.

Japan: Latest (1985/86) figure for employment abroad of Japanese MNEs is 925,754 (MITI: Overseas Activity of Japanese Enterprises). Assumption: Percentage share of employment abroad in total employment of Japanese MNEs is 20 per cent. (This particular assumption should be treated with circumspection in view of the Japanese corporate structure's specificities: "Shogo Shoshas".)

Netherlands: The figure supplied by the De Nederlandsche Bank for employment abroad of Dutch MNEs is 1,071,200 in 1981 (cf. IRM Directory). Assumption: Percentage share of employment abroad in total employment of Dutch MNEs in 1980 is the same as in 1975/77 (i.e., 74 per cent; cf. ILO 1981).

Table 2: (cont.)

Country notes (cont.)

Sweden: According to (official) figures quoted by Graham Vickery (International flows of technology - Recent trends and developments, in STI Review (OECD, Paris, 1986)), Swedish industrial firms "now" (i.e., c. 1984) have around 285,000 employees in foreign countries; this is said to be close to 30 per cent of combined domestic and foreign employment in Swedish firms.

Switzerland: Figures derived from SHZ survey of 60 top Swiss corporations (excl. banking) with 1986 sales of Swiss franc 1,000 million and more (cf. Kurt Bahnmüller, Dollarschwund brachte Rückgänge beim Umsatz und bei den Erträgen, in: Handelsblatt, 11 June 1987).

United Kingdom: Estimate. Data: In 1981, the combined employment of 67 leading UK-based MNEs at home and abroad was 3.5 million, 1.39 million of which was employment outside the UK (John H. Dunning, Chapter on United Kingdom, in: John H. Dunning (ed.), Multinational Enterprises, Economic Structure and International Competitiveness, Chichester 1985; IRM Directory). Assumption: 50 per cent mark-up to account for other and non-industrial (excl. banking) enterprises.

United States: Figures for non-bank foreign affiliates of non-bank US parents (1984) from Survey of Current Business, 9/1986.

Most of the methodological remarks with regard to table 2 apply, mutatis mutandis, equally to Annex table A, but a few additional explanations are appropriate. For quite a lot of countries, the only available reliable means of arriving at least at a lower limit for employment in affiliates of foreign MNEs consisted in either pulling together the corresponding data from official statistics in the United States and the Federal Republic of Germany for employment abroad by their respective MNEs, or in drawing on the results of a survey on export processing zones (in combination with some rather conservative assumptions). For a few countries, it appeared helpful to adduce partial evidence for several recent years. Finally, it should be mentioned that the reference base used in calculating percentage shares (namely, total domestic employment) has to be treated with caution for many of the developing countries.

4.2 Structural features

As Annex table A shows, there were at least six countries in the mid-1980s where domestically more than 1 million were employed in the subsidiaries of foreign MNEs, namely Brasil, Canada, France, the Federal Republic of Germany, the United Kingdom and the United States. In the relatively few cases where the data permit the necessary calculations, the percentage share of foreign MNEs affiliates in total domestic employment in all industries ranged from less than 1 per cent to as much as 14 per cent (Austria), 16 per cent (Singapore) and even 18 per cent (Fiji). For manufacturing alone, the corresponding percentage shares were substantially higher, ranging from clearly less than 10 per cent (e.g. Finland, Sweden, United States, Uruguay and, very probably, Japan) to almost 40 per cent (Canada, Ireland) and in extreme cases even to percentage shares as high as 60 and 70 per cent (Senegal, Singapore).[15] The average for OECD countries was 10 per cent.

Table 3: Estimates of employment in host country operations of foreign-based MNEs in developed market economies, developing market economies and all countries: All sectors, manufacturing (mid-1980s)

	Developed market economies	Developing market economies	All countries
All sectors	14 670 838	6 296 421	20 967 259
Of which: Manufacturing	6 703 960	2 662 671	9 366 631
All sectors	70 %	30 %	100 %
Manufacturing	71.6 %	28.4 %	100 %
All sectors	100 %	100 %	100 %
Manufacturing	45.7 %	42.3 %	44.7 %

Source: Calculated from Annex table A.

Two main conclusions, which by their nature should not be too much affected by problems of incomplete coverage, can be derived from the (incomplete) aggregate figures of table 3. First, in the mid-1980s, some 30 per cent of total employment in foreign affiliates of MNEs were accounted for by developing countries.[16] This share is impressive in view of the fact that only one quarter of the FDI flows go to developing countries. Second, manufacturing alone accounts for about 45 per cent of total employment in affiliates of foreign MNEs in both the industrialised and developing countries.[17]

Up until now, a rather static picture of employment in MNEs has been presented. The methodological problems encountered with making comparisons over time are even more complex and wrought with difficulties due the lack or non-availability (or changing definitions) of data. Nevertheless table 4 presents OECD data showing changing sectoral distributions for six industrial countries at five to 10 year intervals.

In the United States, where employment in foreign firms has been low, it more than doubled from 3.6 per cent of all manufacturing employment in 1977 to 7.5 per cent in 1983; by the end of 1983 over 2.5 million people were employed in foreign-owned firms (excluding banks) with over 50 per cent of employment in manufacturing. Employment in foreign firms is particularly high in electronics and data-processing, around 50-60 per cent of total employment in the manufacture of data-processing equipment in France and the Federal Republic of Germany, and in the chemical industry where it is at least one-quarter of total employment in chemicals in France, Federal Republic of Germany, Ireland, United Kingdom and the United States (Vickery, OECD, 1986, pp. 75-76).

Table 4: Employment by foreign-owned enterprises as a percentage of national employment in selected countries

France[1]	1974	1983
Chemicals	34.3	39.0
Electrical machinery	16.9	22.0
Precision machinery	22.3	28.8
Information processing equipment	68.4	50.3
All industry	16.4	16.5

Germany, Fed. Rep. of	1980	1983
Chemicals and related[2]	24.8	23.9
Mechanical engineering	14.2	13.0
Electrical engineering	18.6	20.3
Data processing	49.6	59.4
Motor vehicles	18.1	18.6
All manufacturing	16.6	16.1

Ireland	1973	1983
Food, drink, tobacco	19.5	18.6
Chemicals	52.0	65.1
Metals and engineering	46.5	57.9
All industry	26.7	36.3

Japan	FY	1984
Manufacturing excl. petrol		0.9

Sweden	1983
Food	13.0
Chemicals	13.7
Non-metallic minerals	12.5
Engineering	7.8
All manufacturing	7.5

United Kingdom	1981	1983
Chemicals	30.8	30.4
Mechanical engineering	19.8	22.5
Office and data processing	38.2	31.6
Electric and electronic	21.4	16.2
Motor vehicles	36.1	36.0
Food, drink, tobacco	11.1	11.8
All manufacturing	14.9	14.5

United States	1977	1983
Food and related	4.6	9.3
Chemicals[3]	16.9	44.3
Metals	2.9	6.4
Machinery	2.2	6.0
Electric and electronic	4.7	8.5
Transportation equipment	0.1	4.1
All manufacturing	3.6	7.5

[1] As at 31 December 1974, and 31 December 1983.

[2] Includes oil refining, plastics and rubber products.

[3] Excludes petroleum refineries, petroleum and coal products, rubber and plastic products. Data for 1977 incomplete.

Source: G. Vickery: "International flows of technology - Recent trends and developments" in STI Review (OECD, Paris), No. 1, Autumn 1986, p. 76. Calculated fron national sources.

Tables 5 to 7 contain some additional structural information about direct MNE employment abroad for the three countries for which sufficiently elaborate up-to-date official statistics are available and which between them account for more than 60 per cent of total direct MNE employment abroad: the Federal

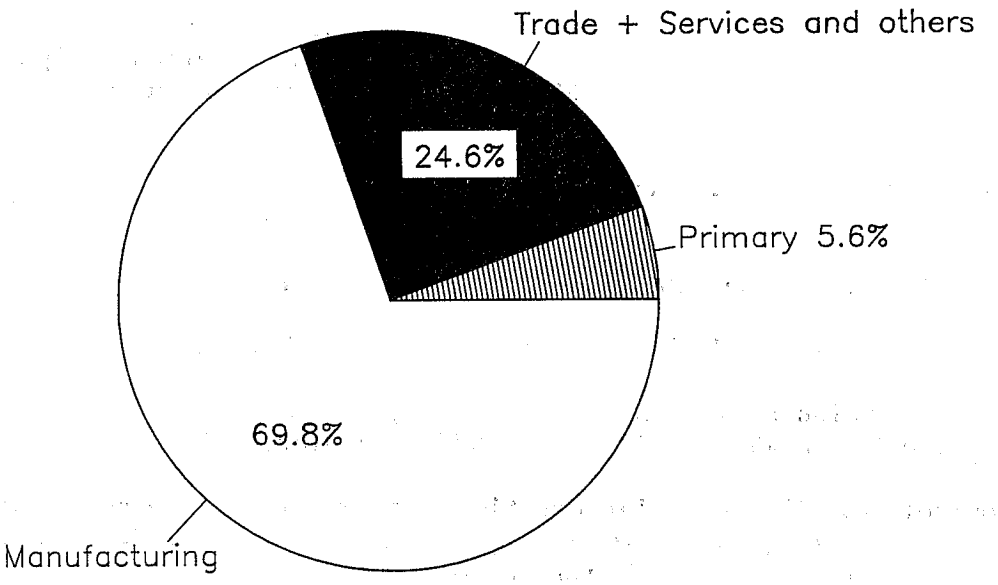
Republic of Germany, Japan and the United States of America. Thus, the structural conclusions drawn are likely to be representative of all direct MNE employment abroad.[18]

Table 5 gives the regional distribution of direct MNE employment abroad for two years (1980 and 1985 approximately). For the three countries combined, the corresponding share of developing countries is 35 per cent for both years (slightly less and slightly declining for the Federal Republic of Germany, much higher - about 75 per cent - and declining for Japan, slightly less and slightly increasing for the United States). The difference from the 30 per cent share recorded in table 3 indicates that direct foreign employment of all other countries of origin of MNE is, by comparison with the three selected countries, on average less accounted for by developing countries.

As to the evolution of absolute numbers over time, a slight 3 per cent decrease in the total of direct MNE employment abroad equally in industrial and in developing countries can be discerned for the three selected countries combined (mainly due to a stronger - about 8 per cent - decrease in the case of the United States balanced partly by an increase for the two other countries, especially Japan and especially concerning developed market economies).

Table 6 shows, for the mid-1980s, the broad sectoral distribution of direct MNE employment abroad for the three countries. For all of them, manufacturing provides by far the most important share (roughly 70 per cent see also chart 4). This difference, in comparison to the 45 per cent share reported in table 3 indicates that direct foreign employment of all other countries of origin of MNE is on average less concentrated in manufacturing.

Chart 4: Direct MNE employment abroad of MNEs originating in the Federal Republic of Germany, in Japan and in the United States by economic sector of foreign affiliate (excl. banking)



Finally, table 7 gives a further sectoral breakdown for manufacturing alone. Three sub-sectors alone, namely chemicals and allied products, electric and electronic equipment, and transportation equipment, account between them for nearly 60 per cent of total manufacturing with regard to direct MNE employment abroad of the three selected countries combined. On closer inspection, some remarkable differences between the three countries are

visible; e.g. Japanese affiliates' involvement in chemicals is almost negligible (in stark contrast to the Federal Republic of Germany), whereas it is exceedingly high in electric and electronic equipment and also in textile products.[19]

5. EXPORT-LED INDUSTRIALISATION AND EMPLOYMENT BY MNEs IN DEVELOPING COUNTRIES

The share of developing countries in world exports of manufactures increased from 5.2 per cent in 1970 to 12 per cent by 1985 and MNEs have certainly played a role in this with employment repercussions. Half of world's clothing exports and a quarter of world textile exports are now accounted for by developing countries. Even if their share of machinery exports in the corresponding world total is still slightly below 10 per cent, exports in this core area of manufactured goods have advanced remarkably over the last two decades. Developing countries' manufactured exports are heavily concentrated in a few countries, however. Three of them in Asia account between them for no less than 60 per cent. As for the product structure of developing countries' exports excluding fuels, manufactures now account for a higher percentage than primary products. Thus, the image of the Third World predominantly as a supplier of raw materials is no longer completely valid.

However, a high percentage of manufactured goods exported from developing countries consists of the products of offshore assembly, semi-manufactures, etc., with only very weak linkages within domestic or other Third World economies, except as suppliers of low-wage labour. The most exemplary case of this type of dependent export-oriented production is represented by export-processing zones (EPZs), which are, therefore, analysed more closely. Although in a number of countries domestic firms are also involved in EPZ production, MNEs are known to have the major part of it both through their own facilities and through contract arrangements.

In 1975 25 developing countries operated 79 zones. By 1986, this figure had risen to 47 countries with 176 zones. (The People's Republic of china is not included in these figures.) Employment expanded in an almost parallel way in the zones and other manufacturing facilities offering EPZ terms. In the mid-1970s, a total of 825,000 persons were employed worldwide while by the mid-1980s this figure had more than doubled to 1.9 million if all employment in EPZs (1.3 million) and similar sites (600,000) is counted (Kreye, et al, ILO, 1986). This 1.9 million would thus account for a significant proportion of total manufacturing employment in developing countries. Of these, about two thirds are directly employed in MNE subsidiaries. The significance of these figures can also be seen in comparison to the 7 million employed in MNEs in developing countries.

The distribution of employment in EPZs and offshore plants is, however, highly uneven. In Africa, the relatively meagre level of employment of this type is concentrated in five countries: Mauritius, Tunisia, Egypt, South Africa and Morocco. In Latin America and in the Caribbean, the bulk of such employment - with the exception of Brasil and Colombia in South America - is concentrated in Central America and the Caribbean, and in particular Mexico, Puerto Rico, Haiti, the Dominican Republic, Costa Rica and Barbados. In Asia, employment is spread over quite a large number of countries: Singapore, Republic of South Korea, Malaysia, the area of Hong Kong, the Philippines, India, Sri Lanka, Macau, Thailand, Pakistan, Indonesia, Bahrain, Bangladesh and a few others. Employment in EPZs and offshore plants also various considerably in its importance for overall employment in individual countries.

Table 5: Direct MNE employment abroad of MNEs originating in the Federal Republic of Germany, in Japan and in the United States, by regions: 1980 and 1985
(approx.) (thousands)

Country of origin of MNE	Developed market economies					Developing market economies					Other countries and international	TOTAL
	Total	Europe	Japan	North America	Oceania and Southern Africa	Total	Africa	Latin America and the Caribbean	Middle East	Other Asia		
Germany (Fed. Rep.)												
1980	1 180	711	21	393	55	562	56	371	20	115	1	1 743
1985	1 255	759	25	407	64	526	54	345	15	112	4	1 785
Japan												
1980	144	34	x	84	26	572	27	128	12	405	0	716
1985	269	73	x	157	39	657	24	131	14	488	0	926
United States												
1977/82	4 715	2 939	346	989	442	2 161	138	1 349	146	528	42	6 918
1984	4 343	2 694	315	897	437	2 014	107	1 216	138	552	33	6 389

Source: Deutsche Bundesbank, Die Kapitalverflechtung der Unternehmen mit dem Ausland nach Ländern und Wirtschaftszweigen 1979 bis 1985, Beilage zu "Statistische Beihefte zu den Monatsberichten der Deutschen Bundesbank", Reihe 3, Zahlungsbilanzstatistik, Nr. 3, März 1987; "The Overseas Projects of Japanese Corporations", here quoted from Tsuchiya Takeo, "The Japanese Sphere of Influence: Multinational Investment in Asia", in: AMPO, Vol. 16, Nos. 1-2 (1984); MITI, Overseas Activity of Japanese Enterprises, p. 49; International Investment Division, "1977 Benchmark Survey of US Direct Investment Abroad", in Survey of Current Business, April 1981; Obie G. Whichard and Michael A. Shea, "1982 Benchmark Survey of UD Direct Investment Abroad", in Survey of Current Business, Sep. 1985; US Department of Commerce, US Direct Investment Abroad: Preliminary 1984 Estimates (Oct. 1986); own calculations.

Table 6: Direct MNE employment abroad of MNEs originating in the Federal Republic of Germany, in Japan and in the United States, by economic sector of foreign affiliate (except banking) (mid-1980s)

Country of origin of MNE	Agriculture, forestry & fishing	Mining	Construction	Manufacturing	Trade (whole-sale & retail	Services	Others	Total
				Number of employees (thousands)				
Germany (Fed. Rep.) (1985)	8	8	39	1 314	304	100[1]	-	1 773
Japan (1985)	14	30	27	715	113	15	12	926
United States (1984)	97	353[2]	57	4 314	962	519[1]	89	6 389
The three countries combined	119	391	123	6 343	1 379	634	101	9 088
				Percentage shares				
Germany (Fed. Rep.)	0.5	0.5	2.2	74.1	17.1	5.6	-	100
Japan	1.5	3.2	2.9	77.2	12.2	1.6	1.3	100
United States	1.5	5.5	0.9	67.5	15.1	8.1	1.4	100
The three countries combined	1.3	4.3	1.4	69.8	15.2	7.0	1.1	100

[1] Also includes: Finance (except banking), insurance and real estate; transportation, communication and public utilities.

[2] Also includes: Oil and gas extraction; integrated refining and extracting.

Source: Cf. table 5; own calculations.

Table 7: Direct MNE employment abroad of MNEs originating in the Federal Republic of Germany, in Japan and in the United States: Manufacturing, by manufacturing sector of foreign affiliate (mid-1980s)

Country of origin of MNE	Chemicals and allied products	Primary and fabricated metals	Machinery except electrical	Electric and electronic equipment	Trans-portation equipment	Textile products and apparel	Others	Total manu-facturing
				Number of employees (thousands)				
Germany (Fed. Rep.) (1985)	394[1]	124	131	237	244	49	135	1 314
Japan (1985)	34	86	39	214	113	121	108	715
United States (1984)	800[1]	286	557	706	911	84	970	4 314
The three countries combined	1 228	496	727	1 157	1 268	254	1 213	6 343
				Percentage shares				
Germany (Fed. Rep.)	30.0	9.4	10.0	18.0	18.6	3.7	10.3	100
Japan	4.8	12.0	5.5	29.9	15.8	16.9	15.1	100
United States	18.5	6.6	12.9	16.4	21.1	1.9	22.5	100
The three countries combined	19.4	7.8	11.5	18.2	20.0	4.0	19.1	100

[1] Also includes: Refining without extraction; rubber products; miscellaneous plastics products.

Source: Cf. table 5; own calculations.

In a first, relatively small group of countries, employment in EPZs and offshore plants accounts for more than 50 per cent of total employment in the manufacturing industry. This includes both countries where the manufacturing industry accounts for a small proportion of total value-added (Mauritius and Barbados) and countries where manufacturing makes a substantial contribution (the area of Hong Kong, Singapore, Republic of South Korea).

In a second group of countries, employment in EPZs and offshore plants is less than 50 per cent of total industrial employment but still of considerable importance; the group includes Malaysia and the Dominican Republic.

A third group includes countries where, despite high absolute levels of employment in EPZs and offshore plants, their share of overall manufacturing employment is small: India, Brazil and Mexico.

And in a fourth group of countries, employment in EPZs and offshore plants is either relatively minor or insignificant. This group includes both countries with not inconsiderable employment in manufacturing outside EPZs as well as countries in which the share of value-added from manufacture in total GDP is both relatively and absolutely small.

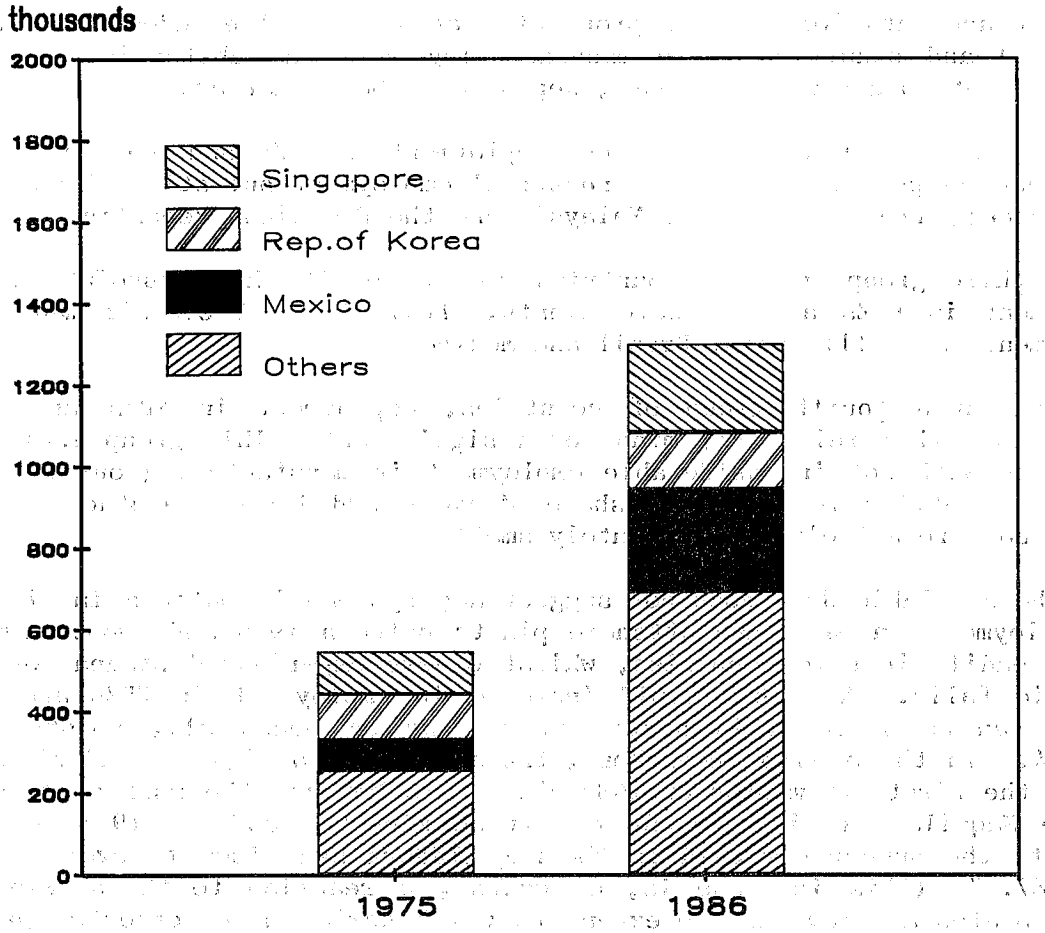
The available data does not suggest any systematic pattern in the changes in employment in EPZs and offshore plants between 1975 and 1986. Employment grew steadily in some countries, whilst others experienced stagnation or even periodic falls. A rather rapid increase in employment in EPZs and offshore plants can be observed in a number, but by no means all, countries since 1983-84. In the area of Hong Kong, the number of foreign subsidiaries grew by 120 in the first six months of 1984 alone. In Mexico, the number of employees in the Maquiladora plants doubled between mid-1982 and mid-1986 to 250,000. In fact, the number employed in the maquiladora had risen to over 313,000 by mid-1987.[20] (This increase is, of course, a reaction to the upswing in the United States and reveals the extent to which world market-oriented production in developing countries is dependent on developments in the markets of the industrialised countries.) EPZ employment in Mauritius rose by about 40,000 to 74,000 between 1984 and 1986 and is reported to have reached 80,000 in 1987 (topping even 100,000 in 1988). By contrast, Haiti reports a shrinkage of around 26,000 between 1985 and 1986. The Dominican Republic, however, reports an increase of nearly 16,000 between 1984 and 1986 (representing an increase of 100 per cent) (see chart 5).

In the EPZs a distinctive pattern of employment has emerged. The overwhelming majority of the employed are: women; aged between 16 and 25 years; unskilled or semi-skilled; employed as production workers.

The share of employment in EPZs accounted for by women, which can be as high as 90 per cent, contrasts sharply with the share of women employed in multinational enterprises in developing countries generally, which would be about 20 per cent (ILO, 1985).

EPZ factories continue to demand mainly un- and semi-skilled workers. Skills acquired on the job are often rather limited and mostly unusable outside the plant. Long probationary and training periods should not be interpreted as implying that corresponding skills are being acquired. For example, in the Philippines, the first six months of employment in plants in the Bataan export-processing zone constitute a probationary period, paid at only 75 per cent of the minimum wage; some plants terminated employment after this period has elapsed and replace workers by fresh "trainees".

Chart 5: Employment in export processing zones, by country, 1975 and 1986 (thousands of employees)



Although EPZs continue to be characterised by highly fragmented assembly operations, with only minor local linkages, there are some exceptions to this pattern. At some sites, the increasing automation of existing production is likely to bring about a gradual cange in skill requirements. Elsewhere, other sites are beginning to exhibit types of production which go far beyond mere assembly. Integrated production lines for the full manufacture of quite sophisticated products (such as motor-bikes, engines, cameras and TV sets) can be found in EPZs in Brazil, Mexico, Singapore and the Republic of Korea, for example. This more complex structure of production naturally requires a much greater depth and diversity of occupational skills.

6. INDIRECT (INCLUDING CONTRACT-RELATED) EMPLOYMENT EFFECTS

Indirect employment effects of MNE activities are of particular importance for developing countries, especially against the background of the relatively small number directly employed in MNEs. However, the same methodological problems apply to calculating indirect employment effects as to direct employment, namely: what would have occurred if MNE activities had not taken place?

Although many attempts have been made by the ILO at studying the problem conclusive evidence is not available. Suffice it to refer to the findings of a recent study on Technology choice and employment generation by multinational enterprises in developing countries (ILO, 1984), which also contains a rather

elaborated concept of direct and indirect employment-generating effects (reproduced here as box 1).[21] This study has confirmed the observation that indirect employment effects can be both positive and negative. For empirical evaluations see the study on the Republic of Korea (Jo, 1976) or the one on Argentina (Basualdo 1987, table 8).

While displacement effects are, at least, discussed, albeit rarely quantified, the question of alternatives to MNE employment is hardly ever raised in this context. What kind of employment structure could have been generated and further developed if public investment and incentives spent for attracting MNEs would have been used for non-MNE, domestic market-oriented activities? And what options exist for non-MNE employment generation, given the structure and dynamics of the integration into the world market?

When it comes to quantitative estimates, namely, to estimate what amount of indirect employment needs to be added to or subtracted from the direct and contract-related one in order to get the full (net) MNE employment, a further complication arises. Indirect employment effects of activities of firm A are direct employment in firm B: and if firm B belongs to a MNE (be it the same as firm A or be it a different one), its employment is already included in the overall direct MNE employment estimates and to add it would result in double-counting. This reservation is valid for both national and transnational linkages.

However, on the basis of the results of a number of case studies, the ILO study quoted above concludes: "The piecemeal evidence available to date suggests that the employment indirectly generated by MNE subsidiaries throughout the economy of their host countries can sometimes be of the same order of magnitude as their direct employment" (ILO, 1984, p. 34).

Such findings, however, are by no means representative and cannot be generalised. The high and possibly growing share of export processing zones and other sites - with their lack of linkages with the domestic economy - rather suggests a cautious stance towards possible indirect employment effects of MNE activities in developing countries.

7. TRENDS AND PERSPECTIVES

In contrast to the booming world economy of the fifties and sixties when expansion of production was the key for economic success of individual companies, the depression of the seventies and eighties turned cost reduction and increased flexibility into top priorities for economic survival, let alone success. The major instruments on which companies could rely in their efforts to come to grips with changed macro-economic conditions were (a) a temporary cut-back of productive investment in favour of increasing financial investment, (b) an increasing weight given to investment for rationalisation instead of investment for expansion, and (c) a worldwide reorganisation in the fields of marketing as well as of inputs and production proper ("worldwide sourcing" including relocation to new industrial sites in the Third World combined with growing recourse to subcontracting arrangements without capital participation).

Box 1

The direct and indirect employment-generating effects of MNE subsidiaries

	Definition or illustration
Direct employment effects	Total number of people employed within the MNE subsidiary
Indirect employment effects	All types of employment indirectly generated throughout the local economy by the MNE subsidiary
1. Macro-economic effects	Employment indirectly generated throughout the local economy as a result of spending by the MNE subsidiary's workers or shareholders
2. Horizontal effects	Employment indirectly generated among other local enterprises as a result of competition with the MNE subsidiary
(a) Narrow horizontal effects	Employment indirectly generated among local enterprises competing in the same industry as the MNE subsidiary
(b) Broad horizontal effects	Employment indirectly generated among local enterprises active in other industries than the MNE subsidiary
3. Vertical effects	Employment indirectly generated by the MNE subsidiary among its local suppliers and customers
(a) Backward effects (or linkages)	Employment indirectly generated by the MNE subsidiary among its local suppliers (of raw materials, parts, components, services, etc.)
(b) Forward effects (or linkages)	Employment indirectly generated by the MNE subsidiary among its local customers (e.g. distributors, service agents, etc.)

Note 1: The above employment effects, if they could be measured, should be calculated in net terms (i.e. gross employment directly or indirectly generated, minus total employment displacement).

Note 2: Item 3(a) comprises contract-related MNE employment for contracts within a local economy.

Source: International Labour Office, Technology choice and employment generation by multinational enterprises in developing countries (Geneva, 1984), p. 39.

Table 8: Employment coefficients by type of goods and degree of participation by MNEs (non-weighted averages)

Type of goods	Total employment coefficient		Employment multiplier		Direct employment coefficients	
	Foreign participation		Foreign participation		Foreign participation	
	Low	High	Low	High	Low	High
Non-durable consumer goods	24.8	16.9	3.6	5.3	9.1	6.1
Intermediate goods	21.7	9.9	4.6	2.5	8.9	4.0
Consumer durables	23.1	12.7	2.1	4.0	11.9	3.3
Capital goods	19.2	-	1.7	-	11.9	-
Average	22.7	12.6	3.6	3.7	9.6	4.4

Source: E.M. Basualdo et al.: Las empresas multinacionales en la ocupación industrial en la Argentina, 1973-1983, Multinational Enterprises Programme Working Paper No. 51 (Geneva, ILO, 1987).

Today, three basic trends can be identified which emerge from the continuing application of the three major instruments mentioned above and which carry on the world economy's reorganisation process, namely (a) an increase in corporate acquisition, mergers and business co-operation, (b) the introduction of new technologies in general (above all, micro-electronics) and of new process technologies in particular (automation, robotisation), and (c) the perfection of worldwide sourcing within globally integrated production and procurement networks.

Of course, these continuing and refined efforts are not to be seen as isolated alternatives, but rather as complementing each other. For example, the new forms of inter-company co-operation together with the new technological possibilities offer new - or enhance existing - options for the fuller exploitation of site advantages throughout the world, including many locations in the Third World and their associated labour force.

As regards specific examples, individual instances of "re-relocation" of production from developing back to industrial countries cannot, be taken as evidence for developing countries losing advantages in corporate strategies and investment decisions in comparison with sites in industrial countries. Up to the present (1987), the number of such re-relocations is minimal compared with new instances of relocation from the First to the Third World.[22] And there is also no reason to suppose that this trend will reverse in the next couple of years. (With regard to the related, but different, question of employment effects of present-day and future relocations, see below.)

Export promotion strategies of developing countries, further Third World involvement of MNEs and the debt problem are closely interlinked. The involvement of MNEs in export production is, in most cases, necessary for devleoping countries pursuing an export-oriented strategy.

In addition, quite a number of hitherto somewhat reluctant third World (and other) countries are now abolishing a good deal of the remaining restrictions and controls on foreign investment and are at the same time increasing other incentives to attract MNEs. Today, hourly wages in the well-known newly industrialising countries still do not exceed 10 to 20 per cent of those paid in Western Europe and North America; in most other developing countries, wages are even much lower. All this and related considerations combined should assure third World industrial sites continuing or renewed attrraction for MNEs.[23]

Nevertheless, it would be wrong to expect a vigorous growth of MNE employment figures in the Third World in these years and in the years to come. Two reasons are prominent here. First, the introduction of new labour saving technologies in the industrial countries equally affects the sites of MNE production (and therefore employment) in developing countries. Second, domestic and other Third World countries' demand, both public and private, is lackening in most developing countries due to the impact of world economic depression in general and of the debt crisis and the associated policies in particular, resulting in production stoppages and partial de-industrialisation. These two main reasons together with others (e.g. import restrictions of industrial countries) will probably lead to reductions of employment in both domestic and MNE plants.

While MNE employment in developing countries will stagnate at best, evidence suggests that the introduction of new labour saving technologies in industrial countries will result in job cuts in many branches, especially of manufacturing. At the level of individual companies, this is sometimes camouflaged by the effect of mergers and acquisition for employment figures; branch and country-wide statistics, however, and union sources reveal this

feature.[24] (Of course, an increasing percentage share of MNEs in total or manufacturing employment would be quite consistent with shrinking total or manufacturing employment.)

Turning from the industrial countries taken as a whole, to individual cases, it is well know that for a variety of reasons (among them the weakening of the US dollar, protectionist pressure in the United States, a favourable investment climate, an attractive wage/labour productivity ration, and access to high technology) Japanese, West European and Canadian companies are keen in recent years to establish theire claim (or widen it) in United States-based manufacturing.[25] At the same time and partly for analogous reasons, Japanese companies relocate production to Europe, in addition to strengthening their low-cost production platforms in (mainly) Asian Third World countries. Recently, also centrally planned economies like the Soviet Union, Poland and the CSSR established legal provisions for joint ventures with Western MNEs; Roumania, Hungary and Burgaria had done this already in the seventies. Thus, the prospects for further dynamic MNE expansion (not necesarily of employment) in industrialised countries are, in balance, rather positive.

It is hard to predict whether direct MNE employment will grow, stagnate or shrink in the next five to ten years. However, from all indications it seems pretty obvious that if direct MNE employment is growing at all it does so due to acquisitions and mergers rather than due to the creation of new employment opportunities. The exact growth potential of contract-related and other indirect employment by MNEs is unknown, and its net effect even more difficult to quantify.

Thus, there is no reason to assume that worldwide MNE employment will change very much in the years to come. By contrast, world economically active population is still growing rather rapidly at a pace of more than 2 per cent annually. According to ILO calculations referred to at the beginning of this chapter, at least 600 million new jobs have to be created by the year 2000 if anything approaching full employment is to be approached. That is, direct MNE employment in all its dimensions is not only, in numerical terms, almost marginal, but its percentage share in world economically active population may in fact even diminish.

Box 2

Highlights of MNEs employment effects

In each of the following countries:

Brazil, Canada, France, Federal Republic of Germany, United Kingdom and the United States,

- **foreign-owned MNEs employed at least 1 million people.**

In MNEs from smaller countries such as:

Belgium, Netherlands, Switzerland

- **home country MNEs employed substantially more workers abroad than at home.**

For MNEs from the following major home countries:

Federal Republic of Germany, France, United Kingdom and United States

- **the bulk of employment in their MNEs was still at home rather than abroad,**

and for those countries and others, including Sweden:

- **employment at home in their MNEs outweighed employment in foreign-owned MNEs,**

while for others such as:

Belgium, Canada, France and Italy

- **employment in foreign-controlled MNEs was dominant.**

FOOTNOTES

[1] The series began with the publication of Multinational Corporations in World Development (United Nations, New York, 1973). A sequel to the 1973 study was published in 1978 under the title Transnational Corporations in World Development: A Re-examination (United Nations, New York), followed by Transnational Corporations in World Development: The Third Survey (United Nations, New York, 1983). The fourth survey has just been published under the title Transnational Corporations in World Development: Trends and Prospects (United Nations, New York, 1988).

[2] E/C.10/1984/2.

[3] Many publications have recently appeared on the subject. These include: United Nations Centre on Transnational Corporations: Transnational Corporations and World Development: Trends and Prospects (United Nations, New York, 1988), 623 pp., op. cit.; John Dunning and John Cantwell: IRM Directory of Statistics of International Investment and Production (MacMillan, Basingstoke, 1987), 829 pp.; Henry Krägenau: Internationale Direktinvestitionen (Verlag Weltarchiv GmbH, for the HWWA Institute für Wirstschaftsforschung, 1987), 669 pp.; OECD: International Investment and Multinational Enterprises: Recent trends in international direct investment (Paris, 1987), 213 pp.; OECD: Geographical distribution of financial flows to developing countries: 1983/1986 (Paris, 1988), op. cit.

[4] This chapter was contributed to the fourth survey by the International Labour Office and appears as Chapter XIII "Transnational corporations and employment", pp. 209-218 in Transnational Corporations and World Development: Trends and Prospects (New York, UN, 1988).

[5] Almost no quantitative assessments are available. In the Federal Republic of Germany, a recent company survey revealed that in 1986 as much as 61 per cent of 445 co-operative agreements of German MNEs in developing countries did not involve any foreign direct investment. "Direct investment lost more and more in significance whereas co-operative agreements without a share in capital assets gained in importance." (Helmschrott, 1987, pp. 3-4, see also: Pollak, 1982 and Oman, 1984). See also footnote 16.

[6] In these cases, MNEs control production and employment by contract rather than by a share in capital assets. The scope of such contracts ranges from licensing through provision of know-how, transfer of technology and subcontracting arrangements to assistance in management and supervision of production and combinations of all these. Typically, the contract obliges the contractor to produce (or assemble) and deliver certain amounts of certain goods within a given period of time. The MNE exercises the right not only to specify all details of these goods, but also to determine and control process technology and work organisation as well as the use of raw materials and components; quite often the MNE itself is providing for the necessary components, machinery and other inputs. Arrangements of this type are not only confined to industry, but can be found in agriculture and services as well. Moreover, they are not limited to the boundaries of the MNEs' countries of origin and/or the countries of their foreign affiliates, but in fact very often cross these boundaries (including subcontracting arrangements with centrally planned economies).

[7] The figure of 3,000,000 for employment in multinational banks is a rather conservative estimate. The top 100 banks, which are all "unarguably multinational", accounted for 2,595,000 employees in 1984. Since a considerable number of smaller banks also have branches and subsidiaries in more than one country - the number of United States banks with overseas

branches alone is 136 in 1985, of which only 19 belong to the top 100 group - total employment in multinational banking could easily be as high as 4,000,000 or even more (cf. Rajan, ILO 1987).

[8] The CTC Reporter in its Spring 1986 issue (No. 21) quotes from the "Third Survey" which seems to be an indication that more comprehensive figures were not available at that time. "Data on Singapore's outward FDI are sparse to say the least. Singapore's government does not publish (or collect?) this data." (Lecraw, 1987), p. 399.) "It is however unfortunate that the Hong Kong government does not keep any record of the outflow of direct investment." Accordingly, the author is not able to give any employment figures in his case study "The rise of Third World multinationals: Hong Kong's foreign direct investment in manufacturing" (Chen, 1983).

[9] There are, e.g. five Finnish entries in the Fortune list for 1986 with together 87,055 persons employed; all of them appear to be MNEs.

[10] A list of 50 leading French MNEs provides the following employment figures for 1982: Total - 2,183,353; domestic - 1,476,439; foreign - 706,914 (Savary, 1984), Annexes 7 + 8). Assuming that foreign employment of all other French MNEs is as high as that of the leading 50 ones and the share of foreign in total employment is 25 per cent for all French MNEs (it is 32.4 per cent for the leading 50), the respective figures would be as follows: Total - 5,656,000; domestic - 4,242,000; foreign - 1,414,000.

[11] Examples would include the following: Hoechst AG of the Federal Republic of Germany owns the British Berger, Jenson & Nicholson Ltd. which, in turn, has an Australian subsidiary; the United States company General Motors Co. owns Adam Opel AG of the Federal Republic of Germany which, in turn, has a stake in a Spanish company.

[12] Using official data, the 1984-86 share of developing countries in foreign direct MNE employment is 29 per cent for the Federal Republic of Germany, 68 per cent for Japan and 32 per cent for the United States (35 per cent for the three countries of origin combined). Moreover, the MNEs of these three countries account for almost three quarters of total numbers in table 2.

[13] Countries with - as far as known - less than approximately 10,000 employees in affiliates of foreign MNEs do not individually enter Annex Table A.

[14] Ideally, the sum total of foreign direct employment by the MNEs of all countries of origin must, of course, be the same as the sum total of employment in affiliates of foreign MNEs in all countries. Obviously, this equality cannot be expected to show up completely from a comparison of Tables 2, 3 and Annex Table A, because the coverage of the respective tables is, for lack of data, both incomplete and different.

[15] Because a high percentage share of foreign affiliate employment in total domestic employment is only one amongst many factors which make national economic policy dependent on world economic trends and fluctuations, any all too rash generalisations from grossly similar individual percentage shares of arguably similar cases have to be treated with utmost circumspection.

[16] The slightly lower share in the case of manufacturing alone could easily be the result of particularly incomplete coverage only.

[17] Cf. Section 3 for an analysis of the recent steep increase of export-oriented manufacturing in developing countries.

[18] It should be pointed out that Tables 3 to 6 as well as Annex Table A only make use of official figures in the case of the Federal Republic of Germany, whereas in Table 2 official data is supplemented by the results of a comprehensive survey by the Starnberger Institut of foreign direct employment by industrial MNEs of the Federal Republic of Germany ("industrial" meaning roughly ISIC 1-5). Cf. Kreye, 1986, pp. 211-393.

[19] The low contributions of textile products and apparel to foreign direct employment in the cases of the Federal Republic of Germany and the United States may strike with surprise those readers who are somewhat acquainted with the relocation debate. This is an opportunity once more to underline that direct MNE employment abroad is only part of a broader phenomenon of (MNE) employment abroad including also contract-related and indirect (other than contract-related) employment. A particularly revealing example was analysed in another survey by the Starnberger Institut (op.cit., pp. 138-159) according to which total foreign employment of the textile and garment industry of the Federal Republic of Germany (excluding, import trade proper) in all its forms (that is, in own subsidiaries, via subcontracting, and via buying-in) amounted to at least 121,000 in 1983, whereas the "official" figure of the Bundesbank statistics (covering direct employment only) was 45,000.

[20] Instituto Nacional de Estadistica Geografia e Informatica: Boletín Mensual de Información Económica (Número 12, Vol. XI, 1987), p. 57.

[21] While Box 1 lists employment generating effects of MNE subsidiaries the same categories can be applied to MNE production units other than subsidiaries, too.

[22] It is known that the official statistics on foreign direct investment in leading industrialised countries do not present a complete picture of MNE activities abroad. Therefore, low or decreasing percentage shares of foreign direct investment accounted for by developing countries according to official statistics have to be supplemented and, where necessary, corrected, by additional information (e.g. on the workforce) in order to enable a more realistic evaluation of the developing countries' attractiveness for MNEs.

[23] To cite just two examples: export-related employment in the Dominican Republic doubled within two years (1984-86); the maquiladora employment in Mexico grew from 150,000 in 1982 to 250,000 in 1986 and may quadruple till the end of the century: "By the end of the century they could easily employ more than one million workers." (Fortune, 18 August 1986).

[24] One example: "Foreign-owned multinationals have cut their workforces in the United Kingdom faster than elsewhere, says a study published today by the Labour Research Department, a trade union and labour movement research body. It says the 30 largest multinationals with United Kingdom operations cut their employment in the United Kingdom from 419,000 people in 1979 to 303,000 last year, a fall of 27.8 per cent. The loss of jobs at the multinationals was about in line with falling employment in United Kingdom manufacturing: the top 40 British manufacturers cut their employment by 25.5 per cent over the same period." (Financial Times, 6 June 1987).

[25] According to a report in Süddeutsche Zeitung (Munich), 1 June 1987, United States firms taken over by foreigners in 1986 alone employ 320,000 persons.

Annex table A: Estimates of employment in host country operations of subsidiaries of foreign-based MNEs by host country: All sectors, manufacturing, remaining sectors (mid-1980s)

Host country of foreign affiliates	Year	Type of of estimate	Share of subsidiaries of foreign-based MNEs in host country employment					
			All sectors		Manufacturing		Other sectors	
			Number	%	Number	%	Number	%
Argentina	1981	((a))	(185 028)	x	185 028	19	...	...
	1983	(b)	(77 311)	...	77 311	36	...	...
Australia	1981/82	((a))	(298 571)	x	266 155	22	(32 416)	x
Austria	1981	((a))	(247 000)	x	(160 000)	x	(87 000)	x
	1983	(a)	392 900	14	...	...	...	...
Belgium	1975	(b)	331 144	8	...	...	...	...
	1984	(c)	348 900	8	(100 900)	x	...	...
Bolivia	1983	(a)	5 160	0	4 407	11	753	0
Brazil	1977	((a))	(908 700)	x	908 700	23	...	...
	1984	(c)	1 285 600	3	...	...	...	...
Cameroon	1984	(b)	35 000	1	34 400	...	600	...
Canada	1981	((a))	(737 513)	x	688 670	37	(48 843)	x
	1984	((a))	1 143 500	9	(479 500)	x	(417 200)	x
	1981/84	(c)	1 143 500	9	688 670	37	454 800	5
Chile	1979	((b))	(39 894)	x	...	...	...	...
	1984	((a))	...	...	(6 000)	x	...	...
Colombia	1981	((a))	(80 596)	x	80 596	16	...	...
Congo	1984	(b)	8 250	1	4 250	...	4 000	...
Costa Rica	1984	((a))	(23 300)	x	...	...	...	...
Côte d'Ivoire	1984	(b)	60 780	1	29 235	34	31 543	...
Denmark	1984	(b)	86 685	3	(8 200)	x	...	...
Dominican Republic	1986	((c))	(24 000)	x	(24 000)	x	...	...
Ecuador	1977	(a)	25 497	8	...	...	...	...
	1981	((b))	(17 180)	x	17 180	17	...	...
Egypt	1986	((c))	(16 700)	x	(16 700)	x	...	...
Fiji	1980	(a)	14 800	18	...	...	...	...
Finland	1980	(a)	42 018	2	...	...	...	...
	1983	((a))	(20 047)	x	20 047	4	...	...
France	1980	((b))	(1 010 000)	x	1 010 000	19	...	...
	1984	(c)	2 798 000	12	...	...	...	...
Gabon	1984	(b)	17 000	3	11 000	...	6 000	...
Germany (Fed. Rep.)	1985	(a)	1 478 000	6	1 039 000	13	439 000	3
Greece	1975	(b)	75 744	2	...	...	...	...
	1984	(c)	50 400	1	(5 800)	x	...	...
Guatemala	1984	((a))	(17 600)	x	...	...	...	...
Haiti	1986	((c))	(21 500)	x	(21 500)	x	...	...
Honduras	1984	((a))	(24 400)	x	...	...	...	...
Hong Kong	1984	((a))	(89 033)	x	89 033	10	...	...
India	1984	((a))	(129 400)	x	(72 000)	x	...	...
Indonesia	1977	(b)	380 000	x	...	...	...	...
	1984	(c)	811 900	x	(9 600)	...	...	...
Ireland	1984	((a))	(79 971)	x	(1 580)	x	...	...
Israel	1984	((a))	(17 600)	x	(11 900)	x	...	...
Italy	1980	(b)	793 282	4	...	...	...	...
	1984	((a))	(281 400)	x	(186 000)	x	...	...
Japan	1981	(a)	412 000	1	...	...	...	...
	1984	(c)	511 300	1	(217 200)	x	...	...
Kenya	1976	(a)	49 820	6	...	...	...	...
Korea, Rep. of	1982	(b)	315 000	2	...	...	...	...
	1986	((c))	(93 300)	x	(93 300)	x	...	...
Liberia	1981	(b)	124 000	...	...	...	...	...
Luxembourg	1984	((a))	(14 100)	x	(7 900)	x	...	...
Malaysia	1975	(b)	236 580	...	...	...	...	...
	1976	(a)	269 909	42	104 159	40	162 750	42
	1984	(a)	214 911	31	133 735	45	81 176	20
Mauritius	1986	((c))	(41 100)	x	(41 100)	x	...	...
	1987	(a)	51 000	...	...	...	...	...
Mexico	1984	((a))	(468 800)	x	(364 900)	x	...	...
	1984	(c)	629 200	2	...	...	...	...
Morocco	1986	((c))	(6 700)	x	(6 700)	x	...	...
Netherlands	1980	(a)	195 100	4	...	...	...	...
	1984	(c)	455 200	8	(92 400)	x	...	...
Netherlands Antilles	1985	((a))	(3 500)	x	(2 000)	x	...	...

Annex table A (cont.)

Host country of foreign affiliates	Year	Type of of estimate	Share of subsidiaries of foreign-based MNEs in host country employment					
			All sectors		Manufacturing		Other sectors	
			Number	%	Number	%	Number	%
New Zealand	1985	(b)	116 000	9	...	...	...	...
Nigeria	1977	(a)	166 000	...	...	...	...	...
	1984	(c)	98 500	...	(8 300)	x	...	...
Norway	1981	(a)	76 865	4	...	...	...	...
	1983	(a)	80 305	5	33 779	9	46 526	3
Pakistan	1984	((a))	(16 800)	x	...	...	...	...
Panama	1984	((a))	(19 000)	x	(1 900)	x	...	...
Paraguay	1984	(b)	59 000	6	...	...	...	...
Peru	1979	(b)	(33 710)	x	33 710	5	...	...
	1984	(c)	43 500	1	(6 300)	x	...	...
Philippines	1982	(a)	502 835	3	...	...	...	...
	1984	((a))	...	...	(84 400)	x	...	...
Portugal	1981	(a)	136 620	3	...	...	...	...
	1983	(b)	55 000	1	...	...	...	...
Puerto Rico	1986	((c))	(87 300)	x	(87 300)	x	...	...
Saudi Arabia	1984	((a))	(113 500)	x	(6 100)	x	...	...
Senegal	1981	((b))	(18 000)	x	18 000	68	...	...
	1984	(b)	41 000	1	25 700	...	15 300	...
Sierra Leone	1981	(b)	39 000	x	...	...	...	...
Singapore	1981	((b))	(165 900)	x	165 900	59	...	...
	1982	(b)	190 945	16	...	...	...	...
	1986	((c))	(144 700)	x	...	...	...	...
South Africa	1980/81	((b))	(400 000)	x	400 000	28	...	...
	1984	(b)	600 000	6	...	...	...	...
Spain	1977	((a))	(298 317)	x	...	...	...	...
	1977	(a)	1 244 724	9	...	...	...	...
	1984	(c)	649 600	5	(129 900)	x	...	...
Sri Lanka	1985	(a)	36 000	...	...	...	...	...
	1986	((c))	(41 300)	x	(41 300)	x	...	...
Sweden	1983	(a)	131 254	3	...	...	...	...
	1983	(a)+(b)	150 000	4	74 150	9	75 850	2
Switzerland	1984	((a))	(81 200)	x	(14 500)	x	...	...
Thailand	1976	((b))	(50 882)	x	(50 882)	x	...	...
	1984	(c)	103 200	0	(19 000)	...	...	...
	1985	(b)	182 655	1	182 655	9	...	...
Trinidad & Tobago	1977	((a))	(31 025)	x	...	...	...	...
	1984	(c)	16 500	...	...	...	...	...
Tunisia	1986	((c))	(26 700)	x	(26 700)	x	...	...
Turkey	1977	(a)	43 216	0	...	...	...	...
	1985	(b)	120 000	1	...	...	...	...
United Kingdom	1981	((a))	(858 100)	x	858 100	13	...	...
United States	1984	(a)	2 715 318	3	1 377 779	7	1 337 539	2
Uruguay	1978	(a)	(14 735)	x	14 735	5	...	...
Venezuela	1984	((a))	(80 438)	x	...	...	...	...
	1984	(c)	143 400	3	(54 800)	x	...	...
Zaire	1984	(b)	67 000	...	44 000	...	22 200	...
International	1984	((a))	(32 800)	x	...	...	...	...
Other countries	1984	((a))	(157 400)	x	...	...	...	...
Taiwan, China	1981	(a)	322 473	5	...	...	...	...
	1984	(c)	259 400	...	(60 800)	x	...	...
	1986	((c))	(53 000)	x	(53 000)	x	...	...

Source: See country notes below.

Type of estimate:

(a) Based on (semi-)official data (including Government replies to ILO with appended materials).

(b) Based on company survey, etc.

(c) Based on various data in combination with appropriate assumptions.

Additional brackets () are used to indicate incomplete coverage (e.g. "((a))"). Results of own calculations are rounded to nearest hundred.

Annex table A (cont.)

Annotations to Annex table A (cont.)

Explanation of symbols:

... Data not available.

x Not applicable because of incomplete coverage of available data.

In calculations of or from percentage shares, data for host country employment (i.e., total labour force or breakdown by sectors of civilian employment) are mostly taken from: United Nations, Statistical Yearbook; United Nations, Industrial Statistics Yearbook; United Nations, Monthly Bulletin of Statistics; Organisation for Economic Co-operation and Development, Main Economic Indicators; Organisation for Economic Co-operation and Development, Labour Force Statistics. In a few cases, national statistics were used. In less developed countries, a rather restricted concept of total labour force (economically active population etc.) is sometimes used.

Country and area notes:

Argentina: Naciones Unidas, Comisión económica para América Latina y el Caribe - CEPAL, Banco de datos sobre inversión extranjera directa en América Latina y el Caribe, Información de los paises receptores y de organismos regionales y subregionales, Tomo II (LC/L.386/Add.1, 25 de marzo de 1987, hereafter CEPAL). E. Basualdo et al.: Las empresas multinacionales en la ocupación industrial en la Argentina, 1973-83, Programa de Empresas Multinacionales, Documento de trabajo núm. 51 (Geneva, ILO, 1983).

Australia: Government reply to ILO contained in "Summary of Third Government Reports", doc. GB.234/MNE/1/1/D.1 (remaining sectors: Mining industry only).

Austria: Data from Oesterreichische Nationalbank, here quoted (for 1981) from Government reply and (for 1983) from Josef Peischer: "Auslandseinfluss in der österreichischen Wirtschaft", in: Informationen über multinationale Konzerne, 4/1986 (80 to 90 per cent of foreign direct investment in Austria accounting for 334,000 employees).

Belgium: For 1975, survey by Van Den Bulcke (cf. IRM Directory). For 1984, employment in affiliates of US and MNEs based in the Federal Republic of Germany extrapolated using the share of the United States and the Federal Republic of Germany in total foreign direct investment stock in Belgium in 1981 (cf. US Department of Commerce, US Direct Investment Abroad: Operations of US Parent Companies and Their Foreign Affiliates, Preliminary 1984 Estimates (hereafter US Dept. Comm.), Deutsche Bundesbank, IRM Directory).

Bolivia: CEPAL.

Brazil: For 1977, CEPAL. For 1984, extrapolated from US Department of Commerce, Deutsche Bundesbank and CEPAL data on the assumption that the employment/direct investment ratio is the same for total foreign direct investment in Brazil as for investment in Brazil from the United States and the Federal Republic of Germany combined.

Cameroon: Les entreprises multinationales et l'emploi en Afrique francophone: Données recentes sur les Cameroon, le Congo, la Côte d'Ivoire, le Gabon et le Zaïre, International Labour Office, unpublished manuscript, 1988.

Canada: For 1981, Government reply to ILO (remaining sectors: Mining and Logging only). For 1984, extrapolated using the share of the United States and the Federal Republic of Germany (cf. US Dept. Comm., Deutsche Bundesbank, IRM Directory). For 1981/84, combination of the former.

Chile: For 1979, cf. IRM Directory. For 1984, cf. US Dept. Comm.

Colombia: CEPAL.

Congo: See entry on Cameroon.

Costa Rica: US Dept. Comm., Deutsche Bundesbank.

Côte d'Ivoire: See entry on Cameroon.

Denmark: IRM Directory, US Dept. Comm.

Dominican Republic: Otto Kreye, Jürgen Heinrichs, Folker Fröbel, Export processing zones in developing countries: Results of a new survey (International Labour Office, Multinational Enterprises Programme Working Paper No. 43, Geneva 1987 (hereafter EPZ Survey)). Assumption: Two-thirds of Dominican EPZ employment is by foreign countries.

Ecuador: For 1977, CEPAL. For 1981, CEPAL.

Egypt: EPZ Survey. Assumption: Two-thirds of Egyptian EPZ employment is by foreign companies.

Fiji: IRM Directory.

Finland: For 1980, IRM Directory. For 1983, Government reply.

France: For 1980, Charles Albert Michalet, Thérèse Chevalier, chapter on France, in: John H. Dunning (ed.): Multinational Enterprises, Economic Structure and International Competitiveness. For 1984, extrapolated using the share of the United States and the Federal Republic of Germany (cf. US Dept. Comm., Deutsche Bundesbank, IRM Directory).

Gabon: See entry on Cameroon.

Germany (Fed. Rep.): Deutsche Bundesbank.

Greece: For 1975, IRM Directory. For 1984, extrapolated using the share of the United States and the Federal Republic of Germany (cf. US Dept. Comm., Deutsche Bundesbank, IRM Directory).

Guatemala: US Dept. Comm., Deutsche Bundesbank.

Annex table A (cont.)

Annotations to Annex table A (cont.)

Country and area notes (cont.):

Haiti: EPZ Survey. Assumption: One-half of Haitian EPZ employment is by foreign companies.
Honduras: US Dept. Comm., Deutsche Bundesbank.
Hong Kong: IRM Directory.
India: US Dept. Comm., Deutsche Bundesbank.
Indonesia: For 1977, IRM Directory. For 1984, extrapolated using the share of the United States and the Federal Republic of Germany (cf. US Dept. Comm., Deutsche Bundesbank, IRM Directory).
Ireland: Government reply to ILO.
Israel: US Dept. Comm., Deutsche Bundesbank.
Italy: For 1980, IRM Directory. For 1984, US Dept. Comm., Deutsche Bundesbank.
Japan: For 1981, IRM Directory. For 1984, extrapolated using the share of the United States and the Federal Republic of Germany (cf. US Dept. Comm., Deutsche Bundesbank, IRM Directory).
Kenya: IRM Directory.
Liberia: Olukunle Iyanda, Multinationals and employment in a West African subregion: Liberia and Sierra Leone (International Labour Office, Multinational Enterprises Programme Working Paper No. 29, Geneva 1984).
Luxembourg: US Dept. Comm., Deutsche Bundesbank.
Malaysia: For 1975, IRM Directory. For 1984, US Dept. Comm., Deutsche Bundesbank. For 1986, Yew Siew Yong: Employment effects of multinational enterprises in Malaysia, Multinational Enterprises Programme Working Paper No. 53 (Geneva, ILO, 1988).
Mauritius: EPZ Survey: Assumption: Seventy per cent of Mauritian EPZ employment is by foreign companies. C. Hein: Multinational enterprises and employment in the Mauritian export processing zone, Multinational Enterprises Programme Working Paper No. 52 (Geneva, ILO, 1988).
Mexico: US Dept. Comm., Deutsche Bundesbank. Second line: Extrapolated using the share of the United States and the Federal Republic of Germany (cf. US Dept. Comm., Deutsche Bundesbank, IRM Directory).
Morocco: EPZ Survey. Assumption: Two-thirds of Moroccan EPZ employment is by foreign companies.
Netherlands: For 1980, IRM Directory. For 1984, extrapolated using the share of the United States and the Federal Republic of Germany (cf. US Dept. Comm., Deutsche Bundesbank, IRM Directory).
Netherlands Antilles: Government reply.
New Zealand: Government reply to ILO.
Nigeria: For 1977, IRM Directory. For 1984, extrapolated using the share of the United States and the Federal Republic of Germany (cf. US Dept. Comm., Deutsche Bundesbank, IRM Directory).
Norway: For 1981, IRM Directory. For 1983, Government reply to ILO.
Pakistan: US Dept. Comm., Deutsche Bundesbank.
Panama: US Dept. Comm., Deutsche Bundesbank.
Paraguay: Reinerio Parquet, Las empresas transnacionales en la economía del Paraguay (CEPAL).
Peru: For 1979, IRM Directory. For 1984, extrapolated using US share (cf. US Dept. Comm., IRM Directory.
Philippines: For 1982, Government reply to ILO. For 1984, US Dept. Comm.
Portugal: For 1981, IRM Directory. For 1983, Government reply.
Puerto Rico: EPZ Survey. Assumption: Two-thirds of Puerto Rican EPZ employment is by foreign companies.
Saudi Arabia: US Dept. Comm., Deutsches Bundesbank.
Senegal: Dirk Vieser: Ausländische Privatinvestitionen im Senegal, Berlin 1982. See also entry on Cameroon.
Sierra Leone: See Iyanda (cf. country note for Liberia).
Singapore: For 1981, Donald Lecraw, chapter on Singapore, in: John H. Dunning (ed.): Multinational Enterprises, Economic Structure and International Competitiveness. For 1982, IRM Directory. For 1986, EPZ Survey. Assumption: Two-thirds of Singaporean EPZ employment is by foreign companies.
South Africa: For 1980/81, Anthony Black: Industrialisation, Economic Crisis and the Question of Redistribution in South Africa, Amsterdam 1986. For 1984, United Nations Centre on Transnational Corporations, Transnational Corporations in South Africa and Namibia: United Nations Public Hearings. Volume I: Reports of the Panel of Eminent Persons and of the Secretary-General, New York 1986.
Spain: For 1977, IRM Directory (first line: majority-owned foreign affiliates only; second line: including all foreign affiliates, mostly with less than 25 per cent foreign capital ownership). For 1984, extrapolated using the share of the United States and the Federal Republic of Germany (cf. US Dept. Comm., Deutsche Bundesbank, IRM Directory; extrapolation on the basis of percentage shares in foreign direct investment constituting more than 50 per cent of capital value only.
Sri Lanka: For 1985, Government reply. For 1986, EPZ Survey. Assumption: Two-thirds of Sri Lankan EPZ employment is by foreign companies.
Sweden: First line, IRM Directory. Second line, Government reply to ILO.
Switzerland: US Dept. Comm., Deutsche Bundesbank.

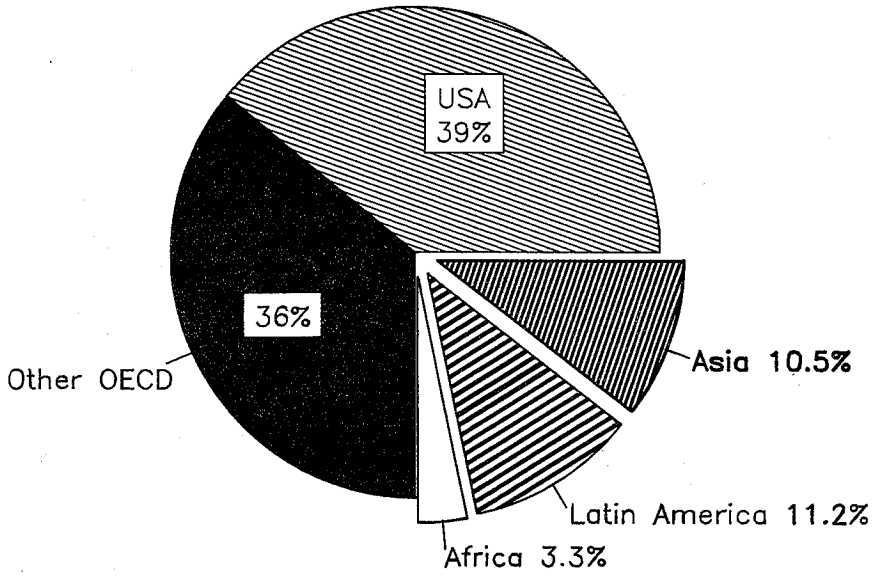
Annex table A (cont.)

Annotations to Annex table A (cont.)

Country and area notes (cont.):

Thailand: For 1976, IRM Directory (Thai-Japanese joint ventures in manufacturing only). For 1984, extrapolated using the share of the United States and the Federal Republic of Germany (cf. US Dept. Comm., Deutsche Bundesbank, IRM Directory). For 1986, A. Sibunruang and P. Brimble: The employment effects of manufacturing multinational enterprises in Thailand, Multinational Enterprises Programme Working Paper No. 54 (Geneva, ILO, 1988).
Trinidad and Tobago: For 1977, IRM Directory (excluding banking and tourism). For 1984, extrapolated using US share (cf. US Dept. Comm., IRM Directory).
Tunisia: EPZ Survey. Assumption: Two-thirds of Tunisian EPZ Employment is by foreign companies.
Turkey: For 1977, IRM Directory. For 1985, Government reply.
United Kingdom: IRM Directory.
United States: Michael A. Shea, "US affiliates of foreign companies: Operations in 1984", in Survey of Current Business, 10/1986.
Uruguay: CEPAL.
Venezuela: First line, IRM Directory (posts generated by foreign direct investment in the period 1975-84). Second line, extrapolated using US share (cf. US Dept. Comm., IRM Directory).
Zaire: See entry on Cameroon.
International: Residual category used by US statistics.
Other countries: Employment reported by US Dept. Comm. and Deutsche Bundesbank for countries not listed elsewhere in the table.
Taiwan, China: For 1981, IRM Directory. For 1984, extrapolated using US share (cf. US Dept. Comm., IRM Directory). For 1986, EPZ Survey. Assumption: Two-thirds of Taiwanese EPZ employment is by foreign companies.

Annex chart B: Distribution of foreign direct investment inflows by major region (annual averages 1981-85)



Annex table C: Inward stocks of foreign direct investment by major host region, 1975-85
(billions of US dollars)

Country groups by region	1975			1983			1985		
		percentage			percentage			percentage	
	Value	Total	GNP	Value	Total	GNP	Value	Total	GNP
Developed market economies	185.3	75.1	4.5	401.0	75.6	5.1	478.2	75.0	5.5
Western Europe	100.6	40.8	5.8	159.6	30.1	5.6	184.3	28.9	6.6
United States	27.7	11.2	1.8	137.1	25.9	4.2	184.6	29.0	4.7
Other	57.0	23.1	7.0	104.3	19.7	6.0	109.2	17.1	5.7
Japan	1.5	0.6	0.3	5.0	0.9	0.4	6.1	1.0	0.5
Developing countries	61.5	24.9	6.4	138.4	24.4	7.4	159.0	25.0	8.5
Africa	16.5	6.7	15.7	19.6	3.7	9.4	22.3	3.5	10.8
Asia	13.0	5.3	3.2	40.1	5.8	4.9	49.6	7.8	5.7
Latin America and the Caribbean	19.7	12.0	8.9	73.2	13.8	11.9	80.5	12.6	13.6
Other	2.3	0.9	2.1	5.4	1.0	2.4	6.6	1.0	3.4
Total	246.8	100.0	4.9	539.4	100.0	5.5	637.2	100.0	6.1

Source: Transnational Corporations in World Development: Trends and Prospects (United Nations Centre on Transnational Corporations, New York, 1988) p. 25.

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