



НАРОДНА УКРАЇНСЬКА АКАДЕМІЯ

**ПРАКТИКУМ ПО ПЕРЕВОДУ  
С АНГЛІЙСЬКОГО ЯЗЫКА  
(«ЭКОНОМИЧЕСКИЙ ПЕРЕВОД»)**

Издательство НУА

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## MULTINATIONAL COMPANIES

The terms 'multinational' and 'global corporation' are used for companies which have subsidiaries or sales facilities throughout the world. Many of these giant organizations are household names such as Coca Cola, Sony, IBM and General Motors. Companies like these control vast sums of money and operate in countries with widely differing political and economic systems.

Looking back into history, we can find two main reasons for the development of multinationals. Firstly, when companies found that their national markets had become saturated, they realized that they could only increase profits by setting up subsidiaries abroad. Secondly, if a country set up trade barriers – usually tariffs or quotas – against a company's products, then the only alternative for the company was to establish a factory or sales organization in the country concerned.

More recently, the economic boom led to a rapid growth of globe-trotting enterprises. In the highly industrialized countries rising incomes attracted the multinationals; in the developing countries, the availability of cheap labour lured many companies into building new factories and assembly plants.

In earlier times, most countries gave the multinationals a 'red carpet' welcome because they saw such foreign investment as creating much-needed employment, stimulating the business sector generally, and possibly earning foreign currency if the company's products were exported. More recently, however, the tide has turned against the multinationals and they are now viewed by many with suspicion.

Host countries are now restricting the activities of their guests, the multinationals. Many developing countries will only allow new investment if it is on a joint-venture basis. This means that local entrepreneurs, or state agencies, must participate in the ownership and even management of the foreign enterprise. Other countries, e.g. India and Nigeria, are forcing foreign companies already well-established to reduce their shareholdings to a certain percentage, say 60% or 40% of the total equity of the company.

Tension between a host country and a multinational is inevitable in many cases because multinationals do pose a threat to national sovereignty. At international level, various attempts have been made to regulate the activities of the multinational.

The multinational is big and rich. It often operates in industries which are difficult to enter and of vital national importance, e.g. the computer, chemical and automobile industries. Most important of all, the main objective of the multinational is to organize its activities around the world so as to maximize global profits and global market shares. Each subsidiary is part of an international network of affiliates. These all interact with each other. Each part serves the whole. The centre controlling the network – the multinationals' headquarters – is not under the control of the host government. It is frequently thousands of miles away from these subsidiaries.

Increasingly, in recent years, governments have had to ask themselves whether multinationals are harming their national interests. In highly industrialized countries, a major source of worry has been that these foreign giants will take over smaller companies and gradually dominate an important industry. If this happens, vital decisions affecting the economic interests of the country may be taken in boardrooms thousands of miles away from that country.

Undoubtedly, governments are uneasy when they feel that decisions affecting plants and employment in their countries are being made by remote control. Furthermore, unions often feel that their bargaining power is weakened when they have to deal with people operating from remote decision centres.

Developing countries, in particular, have become concerned about their dependence on foreign investment in key sectors of their economy. They have become aware that foreign subsidiaries often take most of their profits out of the country rather than reinvest them in the company. Sometimes, the flow of funds causes disastrous fluctuations in the exchange rates of their currencies. Certain countries have accused the multinationals of political interference. The classic case of this is, of course/ the intrusion of ITT (International Telegraph and Telephones) in the political affairs of Chile. This huge conglomerate, involved in every area of industrial and banking activity, was ready to finance attempts to overthrow the Marxist

government of the Communist leader, Salvador Allende. To gain greater control over their industry, some countries, as already mentioned, are beginning to insist on joint ventures. The disadvantage of this tactic is that the foreign subsidiary may then be treated less favourably, in terms of technical assistance and capital investment, by the parent company.

Another strategy used by governments is to limit the amount of profits that a foreign subsidiary may repatriate in a given period. Arguing against multinationals, critics cry in shrill tones that these organizations engage in anti-competitive activities, insensitively shut down plants, make huge bribes to gain contracts, interfere politically, destabilize currencies, underpay their workers and so on. Those speaking for the defence see these corporations almost as international agencies, promoting peace, providing better, cheaper products, and bringing much needed resources, expertise and employment to the host countries.

1. Find these expressions in the text and translate them into Russian. Be ready to give explanations:

A multinational company, a household name, sales facilities, a business enterprise, widely differing political and economic systems, national market is saturated, to set up a company, to set up trade barriers, the country concerned, economic boom, cheap labour, 'red carpet' welcome, to create employment, host country, joint venture, local entrepreneurs, parent company, state agency, to participate in the ownership, to reduce the shareholdings to a certain percentage, the total equity of the company, legally enforceable, to pose a threat to national sovereignty subsidiary, industries of vital national importance, to maximize global profits and global market shares, an international network of affiliates, transnational in scope, overcapacity, to take over a company, to overestimate demand for products, to feed with export orders, until the domestic market picked up, to dominate an important industry, bargaining power, flow of funds, to cause fluctuations in the exchange rate of the currencies, to repatriate profits, anti-competitive activities, make huge bribes to gain contracts, to bring resources, expertise and employment to the host countries.

## INDIA versus COCA COLA and IBM

Most multinational companies, and especially American-owned ones, would prefer to retain 100% control over their subsidiaries throughout the world. Full ownership enables them to plan and manage operations on an integrated basis, to maximize economies of scale, and to move components across national borders without having to be sensitive to the special needs of local shareholders.

Some countries, especially in the developing world, have taken measures to compel multinationals to enter into partnership with local investors. In Nigeria, for example, the government's 'Indigenization' decree has forced many foreign companies to accept increasing Nigerian participation in the ownership of their companies. In India, a similar policy towards foreign investment is being followed, and the 'Indianization' of their industry is being achieved by means of the Foreign Exchange Regulation Act (FERA).

The act requires foreign companies to dilute their foreign equity shareholdings to 40%, this process being carried out in stages. The foreign company, therefore, has to reorganize its Indian operations to allow majority local ownership.

In the case of Coca Cola, the dispute arose because of the company's refusal to fall into line with the FERA.

The main point of issue concerned the formula for making coca cola. For over 91 years, this has been a closely guarded secret. Also, the Coca Cola company had had a long-standing policy of supervising the manufacture of the concentrate from which the drink was made, and this had applied to plants in the US and overseas.

If the Coca Cola company had complied with the act, it would have had to divulge the secret formula of its concentrate. At that time, the Indian bottling plants imported the concentrate through a Delhi-based company which received supplies from the parent company.

During the protracted negotiations, Coca Cola offered to increase its exports of other commodities from India to make up for the foreign exchange that it spent on the concentrate. Nevertheless, the government insisted that Coca Cola

transferred to the proposed Indian company all its activities, including the technical know-how and blending operations of the concentrate.

The closure of the Coca Cola plant left 22 Indian-owned bottling factories idle and thousands of workers unemployed. To remedy this situation, the government planned to manufacture a Coca Cola substitute which was being developed by its food research laboratories. While the Indian government was optimistic about the potential of the new soft drink, most experts took the view that it was impossible to duplicate exactly the ingredients of coca cola, since minute quantities of these affect its taste.

IBM fell out with the Indian government for different reasons. This company has a global policy that all its subsidiaries in other countries must be fully US owned; also, it does not establish factories in countries where it is not allowed to market its products. To get round the provisions of the Foreign Exchange Regulation Act, IBM tried to bargain with the Indian government. IBM wanted to retain 100% ownership of a plant which would export all the computers which it manufactured in India. It also agreed to set up another Indian majority-owned company to service existing IBM machines. It continued, however, to demand the right to import modern IBM machines for its Indian customers. This turned out to be the major stumbling block to agreement with the Indian government.

IBM, like Coca Cola, found that it could not budge the Indian government which probably took a hard line because it feared that, once it started making concessions to powerful multinationals, its whole policy towards foreign investment would be undermined. For its part, by pulling out of India, IBM upheld its principle of operating independently.

The exit from India of these two companies was dramatic and caused a stir internationally, but they were not the only ones to pull out as a result of FERA. About 670 foreign companies were asked to dilute their holdings, and at least 52 companies wound up their operations rather than comply with the act.

Was IBM wise to stick to its principles? Should it perhaps have taken a pragmatic position like most other companies who had obviously been swayed by the

importance of India as a market? If IBM continues this policy, it might be squeezed out of large areas of the world, leaving markets free for more flexible competitors.

The Minister of Industry stated quite clearly after the showdown with IBM that India welcomed foreign investment in areas of sophisticated technology, production designed to boost exports, and in high priority sectors, but, he added, such foreign expertise and foreign investment must be 'on our terms'.

1. Find these expressions in the text and translate them into Russian. Be ready to give explanations:

to retain control, to maximize economies of scale, to compel multinationals to enter into partnership with local investors, indigenization, tough negotiations, the trial of strength, to pull out of the country, to dilute foreign equity shareholdings to, to fall into line with, a closely guarded secret, a long-standing policy, to comply with, to divulge the secret formula, bottling plants, to taken over operations, protracted negotiations, to make up for the foreign exchange that was spent on the concentrate, to leave factories idle and workers unemployed, to remedy the situation, a Coca Cola substitute, minute quantities, to feel out with, to market products, to get round the provisions of the FERA,

a stumbling block to agreement, to toe the line, to budge the government, to take a hard line, to uphold the principle, to cause a stir internationally, to wind up the operations, to diversify into the fields, sophisticated technology, to fall into line, to have a stake in the market, to stick to principles, to be swayed by smth, to be squeezed out of smth, to leave markets free for more flexible competitors, the showdown with smb, to boost exports.

### The Japanese Approach to Business

Japan's invasion of Western markets has received widespread publicity in recent years. The success of its trading companies has indeed been spectacular. Not only have they held their ground in traditional markets but they have also conquered new fields formerly dominated by powerful competitors. Their activities have been

viewed internationally with a mixture of admiration, envy and fear. Working on the principle that 'if you can't beat them, join them', the Western business community has begun to study closely how the Japanese system works. This examination has revealed four elements which seem to create special attitudes and relationships in Japanese companies.

In most large companies, a policy of lifetime employment is practised. What this means is that when people leave school or university to join an enterprise, they can expect to remain with that organization until they retire (usually at the age of 55 or 60). In effect, the employee gets job security for life, and can only be fired for serious misconduct. Even in times of business recession, he or she is free from the fear of being laid off or made redundant.

One result of this practice is that the Japanese worker identifies closely with his company and feels intense loyalty to it. By working hard for the company, he believes he is safeguarding his own future. It is not surprising that devotion to one's company is considered a great virtue in Japan. A man is often prepared to put his firm's interests before those of his immediate family.

This marriage between the employee and the company – the consequence of lifetime employment – may explain why Japanese workers seem positively to love the products their company is producing and why they are willing to stay on after work for little overtime pay.

Some people have criticized the principle of lifetime employment. They point out that it works well in periods of boom, but when a recession comes, it can lead to rigidity and overmanning in companies. When the going gets tough, Japanese companies use various expedients to maintain the work force intact. For example, they may get rid of part-time workers first or perhaps keep workers busy by transferring them to projects which will improve the future efficiency of the business. Nevertheless, if there is a prolonged slump, some of the methods can throw a strain on resources. Although common in large companies, lifetime employment is less prevalent in smaller companies. Also, while it applies to almost all white-collar

workers, fewer blue-collar ones get this kind of protection. Consequently, the blue-collar group shows greater job mobility.

Promotion by seniority is the next element of the system. This policy means, first of all, that the more important and responsible positions generally go to long-serving employees. For this reason, a young managing director is scarcely conceivable in Japan. It can take anything from 10 to 16 years for someone to reach even a middle-management post. Such a person is likely to be between 45 and 55 years old before reaching the level of department manager. Secondly, salary levels are geared to years of service rather than to the responsibility of the job. The longer a person has been in a company, the higher his salary and status will probably be.

A final point is worth making. It is certain that an increasing number of young Japanese would like to be able to change their jobs without losing seniority, pay and other benefits. However, there is no great pressure to change to a system in which salaries would be strictly linked to ability and job responsibility.

Lastly, we turn to the consensus method of arriving at decisions in Japanese enterprises. The essence of the technique is that many employees at different management levels participate in the process of making decisions. The decisions evolve first from lower level management, they are not handed down from the top as in Western companies. This method is sometimes called 'bottom-up decision making'.

Here is an example of how the system works. A junior executive in a trading company may draft a report recommending some course of action. This document is then passed to the deputy head of the department. He will annotate it, perhaps even revise it, then stamp it with his personal seal (the equivalent of initialling). Before the report goes up to higher management, all the relevant departments of middle management will examine it, and after discussions, make their own modifications. From this, it can be seen that acceptance of a course of action does not depend essentially on approval being given at a particular level in a company. The plan will be approved in a prescribed form, in sequence, at various executive levels.

This system may take as long as six months if a major proposal has been made, and because of this, it has been criticized as being a slow and cumbersome method. Also, some say the process makes it difficult to pin-point responsibility for mistakes. The Japanese argue, however, that a lot of seals give a sense of security to the parties concerned.

The company union structure is the final element in the system. Relations between unions and management tend to be rather cosy. Serious labour disputes are rare. An employee's union is based on the enterprise in which he works, not on a national basis or by skills. All employees below section head are eligible for membership, and it is quite common for union officials to 'cross the line' and become managers. Wage increases are generally linked to the results of negotiations between national employers and the union federations.

1. Find these expressions in the text and translate them into Russian. Be ready to give explanations:

invasion of markets, widespread publicity, to hold the ground in traditional markets, business community, a policy of lifetime employment, to get job security for life, to be fired for serious misconduct, times of business recession, to be laid off or made redundant, to feel loyalty to a company, to safeguard one's own future, devotion to one's company is considered a great virtue, to put one's firm's interests before those of one's immediate family, the job security, to be under pressure, to increase company earnings, overtime pay, rigidity and overmanning in companies, when the going gets tough, to maintain the work force intact, part-time workers, a slump, to throw a strain on resources, white-collar workers, blue-collar workers, job mobility, promotion by seniority, long-serving employees, a middle-management post, salary levels are geared to years of service, fringe benefits, consensus method, 'bottom-up decision making', the deputy head, to stamp with a personal seal, middle management, executive levels, a slow and cumbersome method, to pin-point responsibility for mistakes, to give a sense of security, decision-making

through consensus, the group orientation of managers, an employee's union is based on the enterprise in which he works, on a national basis or by skills, to be eligible for membership, to 'cross the line', industrial action.

### EVERYBODY LOVES A WINNER

He drives a Datsun, his son buzzes around on a Honda motorcycle. His wife listens to music on a Sony radio while she does the housework. He wears a Seiko watch and when he goes on holiday a Nikon camera is slung over his shoulder. His daughter wants to be a concert pianist; she practises daily on a Yamaha piano. Question: Who is he? Answer: A European.

The brand names mentioned above, all household words, bear witness to the invasion by Japanese exporters of European and North American markets. The Japanese have been efficient in their business methods. They have made things people want to buy and they have marketed their goods aggressively. Their prices have been keen, their delivery dates firm. They have never been afraid to make initial losses in order to get a foothold in a new market.

Because of Japan's spectacular success, European and US manufacturers have found their own market shares, both domestic and overseas, diminishing drastically. Japanese competition has been exceptionally intense in basic industries such as steel and shipbuilding, but also in the car, motorcycle, consumer electronics (especially TV sets and tubes) and ball-bearing industries.

As pressure on European and US markets increased, trade officials and businessmen in the countries concerned began to react. Trade ministers in these areas drew attention to the huge trade surplus that Japan had with the EEC and with the US. They stated that trade was clearly very one-sided and that Japan was not an open market for European exporters. On a trip to Japan, the British Trade Minister pointed out that Japan had an unnaturally low ratio of manufactures in its total imports: 20% instead of 50%.

The Japanese were also reproached for concentrating their export efforts in vulnerable European markets – the exporting companies concerned were said to receive powerful government support – and thus undermining European competitors in these sectors. The allegation was that they flooded these markets with cheap exports. In some cases, companies were accused of dumping, i.e. selling abroad at lower prices than in the domestic market.

A constant source of irritation, according to European and US manufacturers, were the non-tariff barriers erected by Japan against imports. Japanese bureaucracy and red tape were often mentioned. There were often long delays, from four months to two years, in getting documents of approval for a new product to enter Japan and delays in getting trade marks registered. The General Manager of the California Grape Commission recalled that 'Some inspectors took offence at the ink on the paper in which some grapes were wrapped. The ink had some fluorescence to it. We had to dump the whole load in the sea.' Other grievances focused on the tough emission tests applied to car imports for environmental reasons.

Exporters were also not impressed by the expensive and complex distribution system in Japan. Too many middle-men were involved before the goods reached retail outlets. These outlets were often located in narrow, inaccessible streets, which made distribution expensive. Such costs could add as much as 45% to a retail item. Coupled with higher production overheads, they could make foreign goods very expensive.

The Japanese reacted swiftly to these attacks although the steps they took sometimes created other problems. They agreed to exercise self-restraint by limiting steel exports to Europe, but then they increased their sales efforts in the US, with the result that US steel manufacturers started crying out for protection of their industry; no sooner had Japanese companies agreed to limit car sales in Britain – a vulnerable market – than they began intensifying their sales drive in other European countries, causing concern to car manufacturers in these areas.

Other conciliatory gestures included: sending buying missions to Europe to look for likely imports such as car components whose prices were competitive with

Japanese products; agreeing to send over inspectors to test cars and pharmaceuticals in the EEC countries themselves rather than turning such products away at the dockside once they had arrived in Japan; investigating the possibility of setting up plants in Europe which would create employment and earn foreign currency for the countries concerned. In short, the Japanese bent over backwards to show that they were sensitive to the problems caused in Europe and the US by their export successes.

What is certain is that Japan must pay a huge bill for imports of food and raw materials. To do this, it relies heavily on the production and export of manufactured goods, and these must be sold in countries with relatively high per capita incomes. It is doubtful, therefore, that Japan can change significantly the pattern of its trade in the short run.

1. Find these expressions in the text and translate them into Russian. Be ready to give explanations:

brand names, household words, to be efficient in one's business methods, to market goods aggressively, to make initial losses in order to get a foothold in a new market, spectacular success, trade officials and businessmen, trade surplus, ratio of manufactures in total imports, vulnerable markets, to undermine competitors, to flood markets with cheap exports, dumping, to put a tariff on smth, to erect non-tariff barriers, bureaucracy and red tape, to get documents of approval for a new product, to get trade marks registered, tough emission tests, distribution system, a middle-man, retail outlet, production overheads, to react swiftly to, to exercise self-restraint, to cry out for protection, conciliatory gesture, buying mission, competitive prices, to create employment, to bend over backwards, to be sensitive to problems, well-deserved achievements in overseas trade, to heed warnings, to make long-term forecasts of a country's economic prospects, to sell without provoking protectionist reactions, to concede to lower wage cost competitors, to shift to knowledge-intensive

industries, the value-added factor, countries with high per capita incomes, the pattern of trade.

## BRIBERY

Students taking business courses are sometimes surprised to find that lectures on business ethics have been included in their syllabuses of study. They often do not realize that, later in their careers, they may be tempted to bend their principles to get what they want; perhaps also they are not fully aware that bribery in various forms is on the increase in many countries, and, in some, this type of corruption has been a way of life for centuries.

Let's see how you would act in the following situation: suppose you were head of a large company and you want to break into a certain overseas market where the growth potential for your company is likely to be very great indeed. During negotiations with government officials of this country, the Minister of Trade makes it clear to you that if you offer him a substantial bribe, you will find it much easier to get an import licence for your goods, and you are also likely to avoid 'bureaucratic delays', as he puts it. Now, the question is: do you pay up or stand by your principles?

It is easy to talk about having high moral standards, but, in practice, what would one really do in such a situation? Some time ago the British car manufacturer, British Leyland, was accused of operating a 'slush fund', and of other questionable practices such as paying agents and purchasers with padded commissions, offering additional discounts and making payments to numbered bank accounts in Switzerland. The company rejected these allegations and they were later withdrawn. Nevertheless, at this time, there were people in the motor industry in Britain who were prepared to say in private: 'Look, we're in a wheeling-dealing business. Every year we're selling more than a £1,000 million worth of cars abroad. If we spend a few million greasing the palms of some of the buyers, who's hurt? If we didn't do it, someone else would'.

It is difficult to resist the impression that bribery and other questionable payments are on the increase. Indeed, they seem to have become a fact of commercial

life. More than 300 US companies admitted to the US Securities and Exchange Commission that they had made dubious payments of one kind or another – bribes, facilitating payments, extra discounts, etc. – in recent years. For discussion purposes, we can divide these payments into three broad categories.

The first category consists of substantial payments made for political purposes or to secure major contracts. For example, the US conglomerate ITT (International Telephone and Telegraph Corporation) offered a large sum of money in support of a US presidential candidate at a time when it was under investigation for possible violations of the US anti-trust law.

In this category, we may also include large payments made to ruling families or their close advisers in order to secure arms sales or major petrochemical and construction contracts. In a court case involving an arms deal with Iran, a witness claimed that £1 million had been paid by a British company to a 'go-between' who helped clinch a deal for the supply of tanks to that country. Other countries have also been known to put pressure on foreign companies to make donations to party funds.

The second category covers payments made to obtain quicker official approval of some project; to speed up the wheels of bureaucracy. An interesting example of this kind of payment is provided by the story of a sales manager who had been trying for some months to sell road machinery to the Minister of Works of a Caribbean country. Finally, he hit upon the answer. Discovering that the minister was a bibliophile, he bought a rare edition of a book, slipped \$20,000 within its pages, then presented it to the minister. This man examined its contents, then said: 'I understand there is a two-volume edition of this work.' The sales manager, who was quick-witted, replied: 'My company cannot afford a two-volume edition, sir, but we could offer you a copy with an appendix!' A short time later, the deal was approved.

The third category involves payments made in countries where it is traditional to pay people to facilitate the passage of a business deal. Some Middle East countries would be included on this list, as well as certain Far Eastern countries.

The payment may be made by a foreign company to ensure a tender is put on a selective contract list or the company may pay so that an import licence for

essential equipment is approved. Sometimes an expensive gift may be necessary to soften up a government official. A common type in this category is the 'facilitating payment' – usually a smaller sum of money – made to certain customs officials to clear cargoes.

In a well-known British newspaper, a writer argued recently that 'industry is caught in a web of bribery' and that everyone is 'on the take'. This is probably an exaggeration. However, today's businessman, selling in overseas markets, will frequently meet situations where it is difficult to square his business interests with his moral conscience.

1. Find these expressions in the text and translate them into Russian. Be ready to give explanations:

to bend principles, bribery is on the increase, to break into a market to stand by one's principles, to operate a 'slush fund', to pay smb with padded commissions, to make payments to numbered bank accounts in Switzerland, to be in a wheeling-dealing business, to grease the palms of the buyers, to make questionable payments, to make dubious payments: bribes, facilitating payments, extra discounts, to make substantial payments for political purposes or to secure major contracts, violations of the anti-trust law, a go-between, to clinch a deal, to put pressure on companies, to speed up the wheels of bureaucracy, to hit upon the answer, to facilitate the passage of a business deal, to ensure a tender is put on a selective contract list, to soften up a government official, to clear cargoes, no money changed hands, to outlaw bribery, to ban the giving and seeking of bribes, to administer the code, to enforce the code, to have legal teeth, to be caught in a web of bribery, to be on the take, to square business interests with moral conscience.

### SWISS BANKING SECRECY

Since the early 1930s, Swiss banks had prided themselves on their system of banking secrecy and numbered accounts. Over the years, they had

successfully withstood every challenge to this system by their own government who, in turn, had been frequently urged by foreign governments to reveal information about the financial affairs of certain account holders. The result of this policy of secrecy was that a kind of mystique had grown up around Swiss banking. There was a widely-held belief that Switzerland was irresistible to wealthy foreigners, mainly because of its numbered accounts and bankers' reluctance to ask awkward questions of depositors. Contributing to the mystique was the view, carefully propagated by the banks themselves, that if this secrecy was ever given up, foreigners would fall over themselves in the rush to withdraw money, and the Swiss banking system would virtually collapse overnight.

To many, therefore, it came like a bolt out of the blue, when the Swiss banks announced they had signed a pact with the Swiss National Bank (the Central Bank). The aim of this agreement was to prevent the improper use of the country's bank secrecy laws, and its effect was to curb severely the system of secrecy. A headline in a British newspaper at that time aptly summed up the general view: Numbered accounts' days are numbered.

The new code which the banks had agreed to observe made the opening of numbered accounts subject to much closer scrutiny than before. The banks would be required, if necessary, to identify the origin of foreign funds going into numbered and other accounts. The idea was to stop such accounts being used for dubious purposes. Also, the banks agreed not to facilitate in any way capital transfers from countries which had introduced laws to restrict the transfer of capital abroad. Finally, they agreed not knowingly to accept funds resulting from tax evasion or from crime.

The pact represented essentially a tightening up of banking rules. Although the banks agreed to end relations with clients whose identities were unclear or who were performing improper acts, they were still not obliged to inform on a client to anyone, including the Swiss government. To some extent, therefore, the principle of secrecy had been maintained.

What eventually persuaded the banks to allow restrictions to be placed on their cherished system of secrecy and numbered accounts? To answer this

question, we will take a historical perspective and look back at events leading up to this significant change in banking policy.

The solid foundation of the system was provided by the Swiss bank secrecy law of 1934. This made it a penal offence to provide information about a bank's clients without their explicit authorisation, unless a court ordered otherwise.

At that time, the law was designed to protect Jewish and other account holders in Germany against informers. The Nazi authorities had imposed stiff penalties, including capital punishment, for anyone transferring money abroad, and they were in the habit of sending agents into Switzerland to track down the assets of German Jews and others intending to flee the Nazi regime. The Swiss Parliament placed banking secrecy under the protection of the law after a Gestapo agent seduced a young woman employee and obtained the identities of some depositors.

Unfortunately, some banks began to abuse the protection afforded by this law. Critics both inside and outside the country, frequently accused them of irregular practices. Some said the banks were havens for smuggled currency and provided a shield for tax evasion. Hence, banking secrecy had helped Switzerland to become a nation of receivers of stolen goods. It was also believed that ransom money from a number of kidnappings in Italy was paid into Swiss banks in the southern Swiss canton of Ticino, located near the Swiss/Italian border.

Several years ago the National Bank started talks with the Swiss Bankers' Association (85% of the commercial banks belong to this) to persuade the banks to be less tight-lipped about their operations and more forthcoming with information. It had to give up the attempt because the Association carried out a vigorous publicity campaign, complaining that the mere rumour of less secrecy had already caused foreigners to withdraw funds.

What unquestionably pushed – some say stampeded – the Swiss banks into limiting secrecy was the huge financial scandal involving the *Crédit Suisse*: one of Switzerland's 'big three' banks. The notoriety of the affair badly tarnished the Swiss banks' image of stability and honesty.

The scandal came to light when the Credit Suisse bank revealed that the manager of one of its major branches, near the Italian border, had been involved in secret, unauthorized deals. These had resulted in gigantic losses to the bank. Some estimated the eventual figure might reach £300 million or more.

The manager of the bank and an assistant were said to have channelled about two billion dollars (£500 million) illegally into a Liechtenstein company, Texon. The manager had a stake in this company. The money used had come into the bank, over a fifteen-year period, from Italians who had hoarded lire, then wanted to convert their currency into stronger Swiss francs.

The manager had apparently offered these depositors Swiss credit guarantees for their investments without telling Head Office, and then he had got Texon to reinvest the money in Italian companies dealing in plastics, wine and other such products. Most of these enterprises had folded up.

When it became known in banking circles that Texon's investments were disastrous, the Swiss banking community put pressure on Crédit Suisse to make a clean breast of everything. Bankers feared that confidence in the entire banking system would be undermined. When the scandal was disclosed, it made headlines internationally.

An important result of the Crédit Suisse fiasco was that the Swiss banks were forced to tighten their rules and formalize their behaviour regarding banking secrecy. As we have already mentioned, pressure to reform the system had been building up for years. It needed this debacle to tip the banks towards reform. The Swiss Director General of the National Bank was undoubtedly right when he stated publicly that Switzerland's status as a banking centre was based not on numbered accounts, but on the social and economic stability of the country.

1. Find these expressions in the text and translate them into Russian. Be ready to give explanations:

to pride oneself on smth, the system of banking secrecy and numbered accounts, to withstand every challenge to this system, to reveal information about the

financial affairs of certain account holders, a widely-held belief, to fall over oneself in the rush to withdraw money, to come like a bolt out of the blue, to curb the system of secrecy, to be subject to scrutiny, to use for dubious purposes, to facilitate capital transfers, funds resulting from tax evasion or from crime, to tighten up banking rules, to maintain the principle of secrecy, cherished system of secrecy and numbered accounts, a penal offence, to provide information about a bank's clients without their explicit authorisation, to impose stiff penalties, to track down the assets, to abuse the protection afforded by this law, to accuse smb of irregular practices, a haven for smuggled currency, a shield for tax evasion, ransom money from kidnappings, to be less tight-lipped about operations and more forthcoming with information, a vigorous publicity campaign, to stampede the Swiss banks into limiting secrecy, to tarnish the image of stability and honesty, to channel money illegally into, to have a stake in the company, to hoard lire, to convert currency into stronger one, to reinvest the money in companies, to fold up, to make a clean breast of everything, to make headlines internationally, to cover losses, to turn down the offer, debacle, to tip the banks towards reform, the social and economic stability of the country.

## THE WORLD BANK

The World Bank is one of the major channels through which development aid is passed from the industrial West to the poor and developing nations of the world. Its scale of operations is vast, which is why its lending programme exceeds \$7 billion a year, and its workforce numbers about 4,500.

In the last decade, important changes have taken place in the size of the Bank's operations and in the emphasis of its lending policies. Few people would deny, furthermore, that the President of the Bank, Mr Robert McNamara, has played an important role in bringing about the changes.

What immediately strikes anyone looking at the lending figures over the last ten years is the tremendous expansion in the Bank's loan programme. This has increased from \$1 billion to nearly \$7 billion. The figure includes 'hard loans' which

are made at current rates of interest, and 'soft loans' which are allocated to poor countries at concessionary rates, and usually channelled through the Bank's affiliate, the International Development Association (IDA).

In deciding the emphasis of its lending policy, the Bank has had to take into account the 'population explosion' which is occurring in many poor countries of the world. It is a fact that the fertility rate of poor countries is often very high. This is one of the main reasons for these countries remaining poor. Unfortunately, wide-ranging contraception programmes do not usually reduce this rate because there is a strong and deeply-rooted tradition among people in these countries to have big families. The large family unit, it is believed, brings greater financial stability.

What the Bank discovered – this was a revolutionary idea – was that there was a link between economic and social development, on the one hand, and a reduction in fertility rate, on the other. Thus, by improving basic health services, by introducing better nutrition, by increasing literacy, and by promoting more even income distribution in a poor country, a lower and more acceptable fertility rate would be achieved.

This 'advance in thinking', to use Robert McNamara's words, persuaded the Bank to change its overall lending strategy. Where previously it had concentrated on the big infrastructure projects such as dams, roads and bridges, it began to switch to projects which directly improved the basic services of a country. There was a shift, if you like, from building dams to digging water holes to provide clean water.

A second reason for the change in approach was that the Bank had learned a bitter lesson from projects financed in the 1960s. Many of its major capital investments had scarcely touched the lives of the urban and rural poor, nor had they created much employment. The projects did not have the 'trickle down' effect they have in industrialized countries. Instead, the huge dams, steel mills and so on were left as monuments to themselves.

This redirection of its lending has meant that the Bank has tended to support labour-intensive activities rather than capital-intensive ones, both in rural and urban areas. There is a better chance, in the first case, that its funds will benefit the

bottom 40% of a country's population. The bank is also looking at ways of stimulating the growth of small businesses in many developing countries, since this would create employment opportunities for people with low incomes.

The major thrust of the Bank's efforts is directed towards improving conditions in poor countries. The Bank sees it as a moral duty of developed countries to help those living in conditions of absolute poverty. Mr McNamara has publicly stated that he trusts 'civilized people will never allow themselves to reach a stage where they will watch on their colour TV sets other less fortunate nations perish.'

While retaining the priority of helping poor countries clearly in mind, the Bank also assists middle-income countries. What these need, above all, is a constant flow of investment capital, and they are quite prepared to pay market rates for it. This 'investment flow' the Bank will provide. On such investments, the Bank earns an average return of 8% annually. It must be remembered that, although many of its loans are on concessionary terms, the Bank is also a hard-headed agency, not a welfare institution. It tries to increase the productivity of these middle-income countries so that the loans 'earn the amount required to service them'.

Being such a big and obvious target, the Bank has often come under fire. For example, the large growth in the organization's personnel has not pleased some US critics. A more substantial criticism has concerned the President's policy of setting annual targets for lending to specified countries. This could lead to a deterioration in the quality of loans, some say. One former Bank official has said: 'rather than encourage growth for its own sake, the Bank should begin to think of itself less as a foreign aid agency and more of a financial "deal maker" combining official with private resources for specific purposes.'

Finally, some people maintain that the impact of the projects funded by the Bank has been modest. When one looks around the world at countries that have successfully transformed to industrial status, for example Hong Kong, or have greatly improved the well-being of their peoples, for example China, it seems that one should beware of overestimating the Bank's impact. In the case of Hong Kong, change has come about as a result of a trade offensive, the purpose of which has been to flood

Western markets with cheap goods made by capitalist methods of production; in the case of China, change has come from radical social reorganization following an armed revolution.

1. Find these expressions in the text and translate them into Russian. Be ready to give explanations:

scale of operations is vast, lending programme, workforce, lending policy, to bring about changes, loan programme, 'hard loans', at current rates of interest, 'soft loans', at concessionary rates, 'population explosion', fertility rate, wide-ranging contraception programmes, a strong and deeply-rooted tradition, basic health services, even income distribution, infrastructure projects, to create employment, the 'trickle down' effect, labour-intensive and capital-intensive activities, rural and urban areas, to stimulate the growth of small businesses in developing countries, people with low incomes, middle-income countries, to pay market rates for, 'investment flow', a hard-headed agency, a welfare institution, to earn the amount required to service the loans, deterioration in the quality of loans, deal maker, to improve the well-being of the peoples, to beware of overestimating the Bank's impact trade offensive, to flood Western markets with cheap goods.

### WOMEN DIRECTORS IN THE USA

When Juanita Kreps was made the first woman Secretary of Commerce in the USA and Patricia Harris the second woman Secretary of Commerce and Urban Development, the accompanying publicity revealed that they held nine directorships, and what is more, these were of eminent corporations or organizations such as the New York Stock Exchange, Eastman Kodak, Chase Manhattan and International Business Machines. The high status and considerable power in the business world of these two women highlighted the fact that women directors are becoming more and more common in the US. In 1970 there was scarcely a handful, mostly female

relatives of corporate founders; now the number exceeds 400, and is steadily growing.

It is generally conceded that most of today's women directors are able women bringing expertise and business acumen to their jobs. This is not surprising. Most women now old enough to serve on boards had to fight their way up the corporate ladder. They had to be not only equal, but better than their male colleagues, in order to survive.

The advantage of women directors is that they can serve as women's representatives. This is important to US companies, which are increasingly sensitive to women's place in business, and are groping for ways to deal with it. Nevertheless, not all women directors see their role in this light. One well-known woman has confessed that she disliked the idea of 'special interest directors'. 'I don't feel I should represent the woman's point of view', she said. She believed she represented the stockholders and the public.

Yet, even this woman was forced to admit that she played a 'kind of consciousness-raising role' on her boards. She found herself pointing out to board members, for example, that as more women worked, the number of valuable people unwilling to uproot themselves would increase. Therefore, corporations would have to change the environment in which they hired, trained and promoted employees.

Women have commented on aspects of their roles as women directors. Juanita Kreps remarked that since she represented women she had to prepare extra carefully for board meetings so that 'I won't ruin other women's chances to enjoy the same opportunity'.

Jane Pfeiffer, who was IBM's first woman vice-president, considered that an important function of the woman director was to increase corporate awareness of women's status. For instance, in discussing executive resources, she would say, 'When are we going to have a woman at that level?' and start talking about possible candidates. Often, a male director brought up the subject, but if he did not, she certainly would!

Many women agreed that their presence on a board acted as a kind of pressure on other members and management as a whole. Because a woman is on the board, it automatically gets reports on women's issues and executives know that such reports will receive sharp scrutiny by at least one board member.

An important advantage of women directors, it is claimed, is that they can take a different perspective from male directors — an outside view. Male directors tend to eat at the same club and mingle with other corporate executives. Women are usually more involved with family relationships, buying for the home, the education of children, volunteer activities and so on; they can take a different view from men who tend to become exclusively involved with their work life.

Patricia Harris believes that women are willing to look beyond 'the normal sources of talent and respectable information' when they function as directors. They can take a fresh approach to problems. 'People who have always been in the power orbit . . . tend to get blinders', she says.

What about women directors' relations with their colleagues? We may quote Juanita Kreps regarding this. 'Once I was on the board, I have never had any difficulty being accepted. I feel I am on a completely equal footing with the other members, and my suggestions get whatever consideration they deserve on their merits'.

Some women directors are willing to acknowledge that they owe their directorships to their sex in the sense that there was the initial decision to include a woman on the board. To this extent they are symbols of corporate response to social change, as well as being working directors, of course.

Today, the 400 or so women directors represent only 2.7% of the 15,000 directorships of major corporations. It may be many years before women's presence will make a significant impact upon boardroom decisions, but that time will surely come.

1. Find these expressions in the text and translate them into Russian:

Secretary of Commerce and Urban Development, the accompanying publicity revealed, directorships, eminent corporations, the New York Stock Exchange, to highlight the fact, to be scarcely a handful, to bring expertise and business acumen to one's job, to serve on boards, to fight one's way up the corporate ladder, women's place in business, to play a 'kind of consciousness-raising role', to uproot oneself, to change the environment in which they hired, trained and promoted employees, to prepare extra carefully, to ruin women's chances, to enjoy the opportunity, to increase corporate awareness of women's status, to receive sharp scrutiny, an outside view, volunteer activities, to look beyond 'the normal sources of talent and respectable information', to take a fresh approach to problems, to be in the power orbit, to get blinders, to be on an equal footing with smb, corporate response to social change.

*Навчальне видання*

**ПЕРЕКЛАДАЦЬКИЙ ПРАКТИКУМ  
З АНГЛІЙСЬКОЇ МОВИ  
(«ЕКОНОМІЧНИЙ ПЕРЕКЛАД»)**

Навчальний посібник  
для слухачів факультету післядипломної освіти

У п о р я д н и к                      ЗМІЙОВА Ірина Володимірівна

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