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ON THE FUTURE OF TRANSNATIONAL
CORPORATIONS: TWO SCENARIOS

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The following remarks about transnational corporations in the 1980s need as an introduction some comments about how the author sees the major phenomenon in world economics of our times: the New International Economic Order (NIEO). It is a gigantic process of the type that generations to come perhaps will equate with such phenomena in the world history as the decline and fall of the Roman Empire and the decline and fall of the Middle Ages. Saying this one also indicates that there is a decline and fall of something and the emergence and rise of something else. In other words, who are the winners, who are the losers of this NIEO process? (The assumption here is that loser no. 1 is the West, or more precisely the United States and the European Community, with some other Western European countries). It is this group that has had a control monopoly over the world economy for the last 500 years, and particularly for the last 200 years, after the Industrial Revolution - it is almost a tautology that any change will have to imply a loss for that group. More particularly, NIEO has to do with international economic justice, justice among countries, that is.

However, the dismantling of the control position in the West creates a type of world economic chaos that not all countries will be able to turn to their advantage equally well. It is hardly Botswana and Malawi that will come out on top of this process. So the second assumption is that the major winner in the process, in geopolitical/geoeconomic terms, will be the world South-East, a triangle the corners of which are China, Japan and Southeast Asia (certainly not Japan alone as some people once seemed to believe). In this triangle one finds not only the economic resources needed, but also the drive, the stamina, the confucian-buddhist-liberal-marxist combination that seems to be particularly effective for running a world capitalist economy, and in addition to that a social organization, both nationally and transnationally, very well suited for the same purpose.

However, if there is this dislocation at the end of the 20th Century of the center of control, in point of gravity terms, not in absolute terms, from the world Northwest to the world Southeast, what then is going to happen to the South, to the Third world, and to the socialist countries? As to the latter they will probably remain spectators to the world economic process. And as to the former it is clear that at the country level NIEO spells something positive for them: international economic distributive justice channels more resources their way. However, if a premium is put on trade in a national economy then the economy also, by and large, becomes easier to control: the flow of goods and services (not to mention bads and disservices) as well as the opposite flow of money and other financial instruments will pass through increasingly narrow channels easily controlled by the elites: state banks, airports and maritime ports, and so on. Resources will increasingly be channelled in that direction, impoverishing the people at large who will be deprived of soil and possibly also of credit facilities, technology, capital, goods, spilled manpower, etc. Hence, the third assumption is that the second losers are the peoples in the Third world to the extent that the Third world country economy is structured in such a way that whatever surplus is produced drifts upwards and very little "trickles" down. And since this is the case in the overwhelming majority of Third world countries it is obvious who the second winner is: the fourth assumption is that this is the elite level in the Third world countries, and that the New International Economic Order is essentially a project of distributing control over the world capitalist economic system so that they also have a hand in running it.

As a consequence of this the world is likely to see major shifts in economic and hence political and military balances as well as increasing class cleavages in the Third world countries, with the population attempted kept at bay by conversion of NIEO dollars into military and police control techniques, but ultimately resulting in a number of popular revolts, possibly with a conservative, religious, endogenous connotation (the example of Iran is obvious). And our question then, is simply: what will happen to the TNCs?

In the 1960s and also in the 1970s it was customary to portray the TNCs as the major vehicles of international capitalism in general, and Western capitalism in particular. It was pointed out, rightly, that due to the control, exercised through the headquarters, over the whole economic cycle the TNC entered, these big corporations served as major vehicles of exploitation, channelling enormous profits and positive spin-offs to the Center in the world North-West (certainly not the world North-East, the state capitalist part), leaving the Periphery with some profits for its center, a lot of negative spin-offs (dependency, pollution, depletion) and in addition with quite a lot of products and services for which there may have been demand - however artificially induced - but certainly not much of a need, at least not for the vast majority of the people. The TNC was portrayed as an octopus smugly sucking wherever it could put down its tentacles.

I have no disagreement with this image except one: it fails to see that the TNCs are not quite as powerful as they have been portrayed to be. Thus, to use the octopus metaphore for a moment: if those tentacles get stuck all eight places where they suck, and are prevented from sucking, the octopus will sooner or later die or transform itself into another animal, national rather than transnational (but it may then be difficult to sustain the big body and the oversized head). To say as some do that the TNCs belong to a new stratum, truly transnational, is true in the sense that they have been given considerable flexibility in recent decades (as a substitute for colonialism, among other things), but it is untrue if this is to mean that the TNCs have a special life on some kind of space platform. They have to suck somewhere, and the proceeds have to materialize somewhere. The economic cycles, however transnational, belong to this world - otherwise they are of material use to noone. Hence they can be controlled in this world.

Another metaphore since this short paper is essentially an exercise in the theory of power: it is told that the shah, to control the population of in Tehran had thirty TV cameras set up at certain squares and key places in the city so that he could monitor popluar

moods and movements from a console mounted in his office. The people knew where the cameras were and at one point managed to burn pictures of the shah in front of 27 of them. Viewing this, it is told, had a depressing impact on the shah.

Conclusion: the power of the TNCs in the 1960s and the first part of the 1970s was, like all power, based on the powerlessness of the non-TNCs. Given that there is more non-TNCs than TNCs in the world the TNCs are in principle the powerless ones - it is all a question of how the present non-TNCs decide to make use of their power. The following are two scenarios: regionalization and globalization.

(1) The regionalization scenario

This scenario would focus on the glaring asymmetry in the economic cycles as set up by the TNCs and, in the spirit of the NIEO, demand a redistribution. It would not question, also in the spirit of the NIEO, the capitalist nature of these enterprises; only the way they distribute costs and benefits, "internalities" and externalities around the world.

Imagine the following letter sent to an important TNC, producing good/service X, signed by the ministers of finance/foreign affairs of the countries in a Third world region:

Dear Mr. President,

For the last decades you have been serving our countries and their peoples in their demand for X with your unique capacity to produce and market X. We are truly grateful to you for this contribution to making our countries parts of the world economy, to their modernization, to our economic growth.

However, not the least due to the excellent work done by your corporation, we are now in a slightly different situation from where we were some decades ago. As a matter of fact, we might now, in our admittedly not so efficient manner, be more or less able to manage both the production and distribution of X on our own, particularly as we have understood something about the advantages of transnational as opposed to national corporations. Of course, we would be loathe to lose the excellent working relation we have had with you for all these years. On the other hand, you certainly are aware that there are some forces pressing for a complete restructuring of the entire relationship, and we have, much against our will of course, had to give some consideration to their demands.

More concretely, while being greatly impressed with the efforts in various circles to establish a "code of conduct" for TNCs these efforts may be somewhat slow and when they materialize perhaps prove to be too little, too late. Hence we wonder whether you would consider right away the following proposals as a framework within which our cooperation could continue:

- equal treatment with national corporations
- national staffing from bottom to top, except for
 - a regional headquarter with at least 90% regional staffing
- regional operation in our language(s)
- regional decision-making as to utilization of profits, with at least 90% to be spent in the region
- complete sharing of technology,
- etc.

Under these conditions we would have nothing against seeing the corporation in our region as a part of that impressive creative enterprise you, Sir, direct, and, to establish good working relations with the global headquarters as well as (and often directly) with other regions, particularly those in the Third world. We are sure you will be kind enough to give these humble proposals your consideration, and we shall await your response within a delay of say, six months. We are also sure you will share with us the feeling that if within one year we have not arrived at an agreement and your operations in our region will have to discontinue it would be a great loss to all of us given all your services in the past - - -

Yours etc.

The point, of course, is that today governments in many parts of the Third world, if they cooperate on a regional basis, are in a power position to do what at earlier stages would have brought military intervention or at least severe economic sanctions. And the other point is how the strength of the TNCs in a period of highly asymmetric distribution of power with the phenomenal flexibility and rapidity of transfer of everything from raw materials to processed goods, from liquid to fixed capital, from unskilled to the most skilled professional labor, from skills to highly abstract research, from deficits to surplus so that they show up at the optimal point from taxation and other points of view, also is their weakness when the tables are turned. The more easily all these factors flow, the more easily can they be made to flow away from today's Center towards today's Periphery - meaning tomorrow's Center. Just one example : the top professionals, top administrators, capital handlers, researchers are also mobile as work, even life in a TNC has made them, to a large extent transnational. They will be where the center of the TNC is, regardless of what is printed on their passport, hence they may move with the new gradients and become parts of the deal indicated

in the fictitious letter above. All that is needed is actually cooperation among the Third world countries in a region, perhaps in some cases imitating aspects of what the European Community has done (but could do much better), and capacity to control those among their own bourgeoisie who would fear the process, and to play up to those in the bourgeoisie who would love this process because it might spell much more power a privilege for them.

(2) The globalization scenario

This scenario is entirely different and not on the NIEO agenda. Unlike the NIEO it is not a question of international economic justice by redistributing economic assets - eg. productive capacities, although that may be a part of it. Also, unlike the NIEO it is not a question of spreading capitalist capacity but of counteracting it by trying to take some products out of the commodity market, and putting them to the grand purpose of meeting human needs, particularly those of the most needy.

One such need is the need for medical inputs, eg. medicines, pharmaceutical products. And the scenario would simply look as follows: To do to certain TNCs, in casu in the field of pharmaceutical production what governments have sometimes done to the corresponding national corporations: to globalize them, as opposed to nationalize. If the WHO as an intergovernmental corporation can coordinate all health services in the world in the gigantic enterprise of controlling epidemic diseases, it could also coordinate the production and marketing of pharmaceuticals if it were able to combine control with flexibility. The goal would be, of course, to make available all over the world, generic products of the basic kinds now well listed by WHO, UNCTAD and UNIDO, at a price (or even almost for free) that everybody can afford. Another goal would be to set up for pharmaceuticals global research centers, thereby also depriving the TNCs in this field of the argument that they have to charge much for the products in order to underwrite the expenses of developing new products. If this can be done in the field of nuclear energy why not also in the field of medicine to benefit people more directly ?

Who would be against, who would be in favour of such an arrangement - in other words, who are to lose and who to gain? In the first run the TNCs in the field - today not very popular because of the many court cases justifiably and justiciably brought against them - but later on they may see their chances as local branches of a global corporation. Against would also be people who can well afford the products produced under the present system and who would be - sometimes rightly - suspicious of brands produced not only under governmental auspices but intergovernmental auspices at that. Governments closely linked to such circles would articulate their concerns and translate them into political opposition or non-action.

In favour would be more progressive governments, potentially a substantial part of the governmental machinery and that more complex entity, the people of all the world. But "peoples" here stand for something not yet crystallized into action groups, for if they were crystallized they would usually be rich enough to afford medicines produced in other ways. In "progressive" countries there are mobilization mechanisms for these people, through the party, the military, the church - but in these cases that government might like itself to undertake this enterprise among other things to stand as a benefactor for the peoples liberated from the present system with its perverse effects among the poor in poor countries.

This means that the power situation is more ambiguous than under the preceding scenario. It also means that the role of the intergovernmental system to start with has to be as advisor for progressive governments moving in this direction, and that is already taking place. But that role could be enlarged by simply starting production or by having a headquarters somewhere in Geneva, as opposed to Basel? that could coordinate such efforts and later develop into a more fully fledged global corporation. Governments could then adhere to the scheme as they want, and this would gradually reduce the scope for the activities of the present system - a system particularly deleterious as it concerns one of humankind's most basic needs.

This thinking could easily be extended to the field of production of certain foodstuffs, among other reasons to guarantee that they are truly healthy. Thus, a global corporation using one of the carbonated drinks corporations but turning the content into something not yet invented that is both well-tasting and healthy would be most useful - drawing on the talents of people in such corporations, but for more positive purposes. In the fields of clothing and housing, and material for schooling and simple transportation and communication, not to mention conversion of energy, there would also be some scope - to conclude the list of the most obvious material basic needs. At no point, however, should this stand in the way of people's efforts to give satisfaction to such needs through local and national self-reliance - the corporation would supplement such efforts, not compete with them.

Obviously, such corporations would operate like the (more or less) free schooling system of most countries: not on a market basis, but on a needs basis. The products would be subsidized. For instance, by the type of world tax on governments so many times suggested, recently even by the Brandt Commission. Or by having other global corporations that could not but give profit and use that for the subsidy, as is done by welfare state oriented national governments. One such possibility might be to globalize international telecommunication, or at least to put a modest tax on it as it is using international space, a patrimony of humankind. Another possibility would be linked to the various Ocean Regime proposals.

One important argument against would be the danger of an overwhelming world bureaucracy killing all initiative and in addition standardizing what should perhaps best be left unstandardized. The workings of the UN itself would sometimes serve to underpin that type of argument, raising the question of how the UN could learn from the TNCs how to run things more efficiently, flexibly and smoothly - TNC efficiency with UN goals.