

THE TRANSNATIONAL ENTERPRISE

A transnational enterprise¹ is an information and decision system that directs the common strategy of business establishments operating under several jurisdictions; its objective is precise and concrete: it is to realize a profit by producing and selling goods or services, computers perhaps or hamburgers, or leisure, under such names as I.B.M. or VW, McDonald or Club Méditerranée.

Three thousand years ago, Phoenician and Greek mariners already stood out as foreigners among the people of the City-States. Later, the Hanseatic League, Venice and medieval merchant-princes launched caravans across Asia and Sahara long before the national idea had taken roots in Europe. After the Renaissance, India Companies based in the Netherlands, France and Britain founded outposts in the territories of foreign sov-

¹ "Transnational" is the term officially used at the United Nations in order to distinguish the general case from the particular one of "multinational" enterprises established within the scope of the Andean Pact.

Let's mention here the U.N. interest in transnational enterprises. A U.N. Commission for Transnational Corporations has established a Working Group for drafting a Code of Conduct (Document E/C.10/AC.2/3-19; January 1978) and a Center for Transnational Corporations located in New York. The Center publishes a periodical magazine: *The CTC Reporter*.

An excellent overview of the T.C.'s legal problem is: "The Transnational Corporation", by Seymour J. Rubin, in *Bulletin of the Academy of Sciences*, Philadelphia, Vol. 32, November 4, 1977.

ereigns. When, afterwards, those territories lost their independence, agricultural, mining and trade concerns continued linking together metropole and colonies of empire that never became national units. Finally, in the 19th century, industrial firms—Singer for instance—set up mechanical production branches outside the borders of their country of origin. Trade in money and credit had always been international.

The modern transnational enterprise differs from its predecessors to the full extent of the activities and constitution imposed on it by unprecedented technological progress. It has triumphed in the most advanced production techniques and thanks to methods of information and decision making up the new science of management. While bringing forth those techniques and methods, progress in applied technology placed the economic order under the capitalist system. Victim of its success, the transnational enterprise has become the quintessence of the system, in the eyes of many, the symbol of man's exploitation by man, of subject peoples by imperialists.

At the same time, the number of sovereign states in the world has tripled: these states have left no territory out of their reach and they have trespassed over *mare librum* and over the stratosphere; their borders, by contrast, have become sacrosanct; and their governments have made economic control one of their major objectives. These are—one must consider—novel circumstances in the history of mankind. A transnational enterprise dealing globally with economic problems is, in a way, the counterpoint of this fundamental evolution. It offends our territorial atavism and, even more, our newfangled cult of the sovereign state. Former internationalists cannot forgive it for raising again their forsaken standard; and it could not but be anathema to nationalists.

Be that as it may, the charges against transnationals—bribery, money speculation and tax evasion—need not be proven; it suffices that they be picturesque to inflame the public's imagination. Flattering a well-established prejudice, these alleged crimes limit the scope of transnational activities which, for all their success, are far from being free to play the social role to which they are destined.

The following study is based on vast documentation published

by the Harvard University's Center for International Affairs,² by the Harvard Graduate School of Business Activities and by the United Nations' Center for Transnationals. This author is solely responsible for interpretations and conclusions. If the latter appear non-conformist, the reason is that institutions are more influenced by the circumstances among which they grow than by designs of promoters. Institutions different from each other to a fault may stem from a common purpose. Thus profit motive has brought forth between the two world wars a form of cartel³ destructive of competition and progress, while it is responsible today for the transnational enterprise whose full potential range of services is still in the future.

GENESIS OF CARTELS—TECHNICAL ASPECTS

The 1914-1918 world war, like any war, contributed heavily to technical development. Say that we owe to it progress in aircraft and aircraft engines, in wireless communication, in chemistry, surgery and sanitation, and innumerable improvements of the simple machines invented by Siemens, Bell, Edison and the Wright brothers. In the following period, war-time applications supply the tools for and stimulate fundamental research which heralds the nuclear age on the steps of Planck, of Einstein and of Prince Louis de Broglie. Separation of rare gases accomplished by George Claude blazes new trails for organic chemistry and metallurgy and establishes a new industry: refrigeration. Courtaulds and DuPont build the first plastic fiber; Brown and Boveri invent the gas turbine; Bayer and Hoechst revolutionize the manufacture of dyes and synthesize drugs; Procter and Gamble, Unilever introduce new detergents. The technical foundations of an unlimited economic development are present; the development will be compromised by crises and passionate

² *Storm Over the Multinationals*, by Raymond Vernon, Harvard University Press, Cambridge, Massachusetts, 1977. This work, one of the latest publications sponsored by the Harvard center, contains an extensive bibliography in the Notes.

³ *L'Etat et les Ententes Industrielles*, by Elizabeth Dussauze, Paris, 1939. Since 1945 the scope of private cartels has been reduced; the "cartels" of today, such as OPEC and AITA, are inter-governmental institutions.

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political interferences consequent to the inexorable hatreds bequeathed to humanity by war.

Political and Economic Aspects

At each stage of the war's aftermath, memory of the slaughter perpetrated in the name of lofty principles prevented the minimum of conciliation that would have made progress possible. Antagonism continues to rule relations with past foes and arises anew among former allies. Agricultural production of the new lands and of the neutral countries, boosted by the needs of the war, is exposed to the competition of liberated areas: both sides seek protection against each other. New borders created on the ruins of the Austro-Hungarian empire invite the successor states to seek economic growth through insularity. The issue of war damages and of inter-allied debts disturbs the mechanisms of trade and finance; it encourages the illusions of the creditors and provokes the debtors' resentment. Resentment is shared by colonial populations exploited by their masters and victimized by the latter's quarrels. "Have" and "Have Not" give free rein to their egotism or to their demands. The era of protectionism begins.

Autarchy is *à la mode*: heretofore an expedient, it becomes a policy. In the public mind and in the economic practice of the day, it is the only way of creating employment. Keynes is its prophet. Protection sometimes fosters economic progress: as lower quality materials are called upon to take over the functions of more elaborate substances, it stimulates the production of synthetics; and, by the same token, it furnishes new arguments to keep imports at bay. International trade crashes after the temporary boost of reconstruction. From 1929 to 1933, it falls from thirty-six to twelve billion dollars a year. Export returns become insufficient to repay loans and credits granted to Weimar Germany by over-optimistic bankers, as well as to what is left of Austria and to the Successor States. These credits become frozen, first as a gesture of the creditors' misplaced good will, later by authoritarian measures of exchange control, harbingers of Hitler's exactions and slave trade. Taken aback by these

developments, monetary authorities change the discount rate out of season and precipitate the crisis which was forecast and heightened by the Wall-Street crash. Unemployment reaches a third of the industrial nations' labor force. What is called capitalism looks doomed.

In this sequence of events, private enterprise's responsibility is obvious: it has sought the intervention of the government and thus contributed to the suppression or rather the disturbance of market forces. It has cried for customs duties, for embargoes and for quotas. It has been godmother to exchange controls and to competitive currency debasement; it realizes now that those innovations limit its perspectives. Activated nevertheless by technological progress, it seeks to save what it has left. It has recourse to all the means that law places at its disposal: the statute and the contract. It will fall back on the legal monopoly circumscribing new techniques—the patent—and on the producers' agreement or combine—the cartel.

Patents and Cartels

In a contracting economy, the negative, exclusive feature of the patent is stressed at the expense of its social purpose, which is to foster innovation. Industrial property, a compromise between competition and monopoly, a private monopoly limited with respect to time and object, can be easily manipulated so that it serve to protect the owner rather than to develop the invention. Legal provisions meant to define clearly the invention's purpose can be used to extend a patent's time limit. Since the period of validity begins with the date of grant of patent, delaying tactics can postpone this date long after the first application of the invention and thus extend the patent's legal protection. It is also possible—even if illegal—to preserve secrecy even longer by publishing incomplete specifications, thus inhibiting the development of inventions once the latter has fallen into the public domain.

Thus extended, the patent privilege can be exploited against competition by "canning" innovation. A patent owner will, for instance, research and patent without using peripheral develop-

ments of his invention: thus, he will “fence out” competition. Conversely, he may research peripheral developments of competitors’ technology and thereby “fence in” the latter. During the inter-war period these practices were rampant in the field of organic chemistry and petrochemistry.

To be sure, such practices could not last forever. Their success during the thirties has several causes. Hard times may have limited the freedom of researchers, obliging them to assign in advance their patents to protectionist employers. But, more importantly, technology, then, was concentrated around each basic innovation. It had few branches and, therefore, access to it could be forbidden by just a few fences. Increasing technological complexity, its expansion in many new directions were soon to prevent the easy enforcement of exclusivity.³ But that was for the future. Innovation in the inter-war period was still simple enough to be unduly appropriated.⁴

During that period, unduly extended appropriation of inventions, the abuse of patents, served effectively the purposes of industrial combines or cartels. Those *Kinder von der Not* (children of distress) were at the time the product of big business’ reaction to the shrinkage of trade and to the fall in purchasing power. Business enterprises—created by competition—turned against the market, bemoaned “the anarchy of competition” and joined their socialist opponents in denouncing “the law of the jungle”. They believed, however, that they could find in contracts the means of adjusting to a dwindling demand and that by agreeing to divide markets among themselves, to establish production quotas and fixed prices, free enterprise would be safeguarded. But there cannot be freedom of contract in industrial combinations: the latter can survive only under compulsion. And greed for technological advance presented itself as a first means of securing compulsion: foreign firms anxious to share this advance could be forced to join cartels by patent-license provisions comprising the desired restrictions as to territories, quantities produced and prices. Then, cartels could be enforced by infringement suits.

⁴ *Les Brevets et les Trusts*, an unpublished study by Charles H. Taquey, 1946.

Collusion between Governments and Producers

Patent licences were an effective means of enforcement in exclusive technologies only. They were both an example and a temptation: the patent monopoly prefigured the kind of safe haven that a more comprehensive intervention of the government could offer: enterprises were tempted some times to beg for, at least to welcome a legal obligation to merge. They all but forgot that such an exorbitant privilege could be acquired only at the price of their freedom. By securing shelter from the market's laws in government protection they were losing any right to keep government at arm's length. They were becoming the accomplices of official mistakes and misdeeds. The mainstay of social equilibrium broke: economic power was absorbed by political power at the behest of those who had expected that the latter would supinely serve the interests of the former.

Thurman Arnold⁵ considers that private enterprise's surrender to government was a main cause of the second World War. One may disagree about the precise role among so many influences—more or less related to protectionism—that made the conflict unavoidable; but the link between some states' war preparations and concessions made by the private sector to secure their support is clearly in evidence, particularly in Germany. As a price for making the mergers compulsory, the Nazi regime obtained not only participation of business enterprises in its own armaments but also their assistance in obstructing the free world's rearmament. Licensing agreements were used, for instance, to prevent England and France from buying optical military equipment in the United States as early as 1935; until Pearl Harbor, they prevented the delivery of American explosives to Great Britain; tungsten carbide, an alloy-hardening component, and synthetic rubber—a vital strategic material since the shut-down of Far-Eastern supplies by Japan—could not be produced in time of need on the American continent because of IG Farben and Krupp's patent interference. Notoriously, the war preparations of Germany and Japan were spurred as instruments of economic

⁵ "Role of Cartels in Modern Economy", by Grant S. McClellan, *Foreign Policy Reports*, New York, October 15, 1944.

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stabilization and job creation by the government-business combine, later called the industrial-military complex.

In the free countries, on the other hand, the collusion of business and government seems to have weakened the public spirit. Callous to the immediate threat, the Federation of British Industries inclined towards compulsory combinations and recommended international cartels of the exploitation of raw materials while British Labor favored them as intermediary steps toward socialism: these great designs invited neglect of urgent problems. In France, debates on *ententes obligatoires* confused the public and contributed to economic stagnation at a critical time. And the United States, in spite of its anti-trust predilection, was no immune to the contagion of cartellization and made mergers of manufacturers legal under the authoritarian National Recovery Act of 1933. The subsequent disorder and the Supreme Court's move against NRA contributed to the indecision of American policy on the eve of the conflict.

Lastly, the complicity of manufacturers' mergers appears among the immediate causes of this conflict. Private trade barriers erected by cartels hindered the United States' efforts to recover freedom in trade. Cordell Hull's trade agreement program, great as it was did not suffice to inspire a *détente* that might have stopped the brinksmanship. Affluent countries' raw material agreements gave despotic governments a claim of discrimination and a perfect pretext for inflaming popular passions. German-dominated cartels were ready to exploit scientifically conquered lands and to manage genocide: already before the war they had dominated barter agreements and completed the destruction of international trade. Anti-Semitism, sold to the German people as a means of protecting the German economy—i.e., the industrial-military complex—against international finance, graduated into the inexorable crime that sealed the doom of the regime. But in the democratic states themselves, illusions entertained of the effectiveness of producers' agreements and the lack of any critical judgment concerning them prompted such mistakes as the oil sanction which placed Italy at Germany's mercy and the steel scrap embargo that triggered Pearl Harbor.

Truly, the main justification for the opprobrium that attaches to the cartels of the past is the result of their collusion with govern

ments. How odd that this opprobrium was extended as well to their successors, transnational enterprises, whose main feature is their reputation of antagonism to the national state.

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TRANSNATIONAL ENTERPRISE IN THE POST-WAR PERIOD

Difficult as it is to be objective in judging one's own time, there is no excuse for overlooking the enormous change which followed the second World War. Some states may still violate the rights of men but no one, today, would dare to challenge openly their validity; and economic growth is sustained despite complaints that it is too slow or too swift. True, the new prosperity remains vulnerable: after thirty years of progress towards trade liberalization, without which the present level of welfare could not have been achieved, the world's economy is again threatened by false remedies for unemployment. Its best safeguard may be the transnational movement which reflects in the field of enterprise an evolution of technical, economic and political conditions in absolute contrast with that of the past.

New Technologies

Exclusive information, which we have found at the origin of past corruption, has lost its power in the new technology which rests, on the contrary, on the widest diffusion of information. Industrial property is not available any more as a fence forbidding all the entries to increasingly diversified production processes. In many instances the basic invention has fallen into the public domain; it may even have started there as in the case of data processing, at its origin an auxiliary for artillery. Besides, the new methods of management and production become too broad to be described in the precise formulation of a patent application; success in business depends now on subtle factors akin to handicraft: shop practice, the art of management, scientific but also intuitive knowledge of the market. One cannot any more "can" an invention. Patents recover their positive role and again encourage

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innovation. Vulnerable to industrial espionage or to simple imitation, an enterprise survives by entering a competitive race for applications of products.

At any rate, patent assignment to outsiders was only a makeshift: direct process exploitation is always more profitable and is preferred as soon as it becomes possible. Now precisely, progress in transportation and communications places process exploitation, wherever it occurs, under the direct control of the owner. The jet plane takes executives to any location where supervision is required while telephone and telex keep them in contact with their home base. At the same time, transportation costs, becoming relatively cheaper, warrant the dispersion of industrial operations, their organization in space by division into several stages, the location of plants near the source of materials or near the market, according to the prospect for returns. In the new style of business, expansion replaces assignment.

Role of Information

Among innovations that have brought forth this fundamental change, data processing is the most significant. Modern enterprise cannot stop at the repetitive application of a formula whose main value is its exclusivity; it must combine a considerable number of bits of information describing technical data, factors of production and market conditions. Geographic expansion multiplies and diversifies data in storage: it makes obsolete the slow mailing of reports colored by local idiosyncrasies. First the punched card, then transistors, magnetic tapes and printed circuits, and now the universal chip serve to register, store, retrieve and combine the number of data bits required. At the same time, electric processing with its two impulses—negative and positive—condenses elements of information into the clear-cut alternative, yes or no: the binary system saves enterprises from the risk of ambiguity.

Data processing enables enterprises, therefore, to meet problems arising from growing technical intricacy and from the necessity to combine in production and management the expe-

rience of several fields of knowledge. It enables them also to tackle those economic tasks which, previously, seemed insurmountable in the absence of geographic limitation, such as adapting production to a relative scarcity of capital, labor and materials in various parts of the world and to the tastes and means of various clienteles. More importantly, by combining the effects of new technology with those of spatial expansion, data processing places enterprises at the interfaces of several disciplines, which is precisely where innovation is the most likely to occur and to be profitable. A multi-disciplinary approach is the high road to appropriate technology, not just that which supplies economies of scale but also those economies that result from an informed combination of production factors. And what can be done will be done under pressure of competition, economic conditions permitting.

Post-war Political and Economic Climate

Transnational enterprises received their first push from post-war expansion before making their own contribution to progress. In contrast with the great contraction of the inter-war period, a steady growth averaging 3% per capita has been recorded in world production from 1948 to 1975, while world exports built up at an annual rate of 7%.⁶ War-time lend-lease agreements avoiding the agony of inter-allied debts, economic assistance extended to former foes, a General Agreement of Tariffs and Trade and aid for economic development built the foundations of post-war prosperity. The growing affluence of previously neglected markets invited the settlement of foreign enterprises.

This affluence owes a great deal to a generous policy which is in striking contrast with pre-war practice, but governments made also their involuntary contribution to the expansion of transnational enterprises. The Marshall Plan,⁷ of course, is an exceptional instance of generosity, but advantages subsequently granted to

⁶ "Trade Liberalization, Protectionism and Interdependence", Geneva, GATT, 1977.

⁷ "Report on International Investment", Paris, OECD, 1950.

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direct investment, in other words encouragement of capital export and of subsidiaries of American firms in foreign lands, were motivated by Congress' desire to relieve the federal budget from the burden of foreign aid. And the war in Vietnam contributed to the U.S. balance-of-payments deficit, funding thereby the Eurodollar market which became available for financing American direct investment abroad once President Johnson had decided to slow down capital export.

Lastly, transnational expansion was fostered by the very constraints to which enterprises were subject in their own country and by their concern for the future. In most cases, indeed, the expansion has been the result of a defensive strategy. Strict enforcement of anti-trust laws in the United States after the War and their duplication elsewhere prevented corporations from reaching their full development at home and induced them to seek it on foreign markets. They could not achieve their goal by exportations alone because a return to protectionism was always possible. Furthermore, governments who had become large customers were giving preference for their orders to users of national manpower; frequent government intervention created a need for permanent local representation; and the latter was also required for after-sale services without which high-technology products could not find a market. Finally, as soon as an enterprise became transnational, its competitors had to follow, not just in order to keep up with the Joneses, but as the only way of retaining their rank in domestic production.⁸

A Few Figures

Transnational expansion may be illustrated with figures but not precisely quantified. Measurement requires definition, and transnationals come in such a range of dimensions that they do not fit comparable categories. World-wide statistics, lacking a common base, are still incomplete. The best illustrations are the figures of corporations headquartered in the United States,⁹ but one must

⁸ "The Multinational Corporation", Washington, D.C., US Department of Commerce, 1972.

⁹ "Aspects of International Investment", *ibid.*, 1977.

beware that those figures represent only a fraction of the total.

American direct foreign investment, i.e., the value of those corporations' foreign establishments, was only 7.28 billion dollars in 1937, and 11.32 billion in 1948; the value reached 176 billion, a 1500% increase, in 1976. To be sure, inflation must be reckoned with, but the increase is still remarkable and it is calculated on book values only, while market values are already much higher in 1976. Another dimension of transnational enterprise in the economy is indicated by a comparison of its total sales with world export figures: in 1975, total world exports amounted to 875 billion;¹⁰ and then, for only the American transnational corporations' majority-owned subsidiaries—a fraction of American direct foreign investment—the total sales figure was 458 billion dollars. Of those 458 billion, 32 billion comprised exports to the United States (98 billion total importations); 125 billion went to third countries and 302 billion were local sales.

Universality of the Transnational Trend

These comparisons, or similar ones, were presented in J. J. Servan-Schreiber's *American Challenge*. They seem to confirm that transnational corporations are proof of American hegemony. This idea has acquired a permanent position in economic folklore; nevertheless, it is at variance with the facts. Already in 1968, a study of the Organization for Economic Cooperation and Development records for 1966 more than 35 billion dollars of non-American direct investment abroad in addition to the 55 billion dollars of American investment (176 in 1976). The 35 billion dollars includes figures of corporations based in England, France, Germany, Sweden, Canada and Japan only. The study does not take into account such transnational corporations as National Iranian Oil, Unilever, Philips, Nestle and Petrobras whose global incomes, according to Fortune magazine, were in the range of 5 to 17 billion each, nor a large number of minor transnationals with headquarters in Brazil, Mexico, Taiwan,

¹⁰ IBRD Report, 1977.

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Hong-Kong and in other developed and less-developed countries.¹¹ Since another study¹² informs us that the ratio of new American investment to disinvestment has gone down in recent years, it is quite possible that non-U.S. transnational corporations will, some day, lead the group.

HEGEMONY REVISITED

The universal quality of the phenomenon should suffice to dispel the notion that the transnational enterprise is an agent of hegemony. In fact, the most celebrated instances of United States hegemonic interference involving American-based transnationals were prosecution of some of their subsidiaries for infringement of anti-trust and trading-with-the-enemy laws. These interventions were irritating for the foreign government on whose territory they were conducted, but they inflicted real damage to the alleged instrument of U.S. power, a strange way, indeed, to make the instrument serviceable by wasting it. Contradictory as it seems, this conduct is not without precedents in pre-war days, such as the landing of the Marines in Central America, intended to protect United Fruit, a company the Department of Justice was trying at the same time to disband. Truly, the transnational corporation's interest intersects at too many points with the foreign policies of the state where it originates as well as with those of its host governments, and all those governments have too many divergent preoccupations for coordination of their policies into a steady stream of instructions to a profit-oriented partner to be credible. Clearly distinct from the pre-war cartel, transnationals can keep the government at arm's length because they are not its creature but a means of escaping it.

Whereas all this is quite obvious, the myth of imperialism will prevail. A transnational quest for profit started quite naturally in the United States where business enterprises were the largest, the most motivated to share in the prosperity of foreign

¹¹ "Multinationals from Small Countries", by C.F. Kindleberger and L.T. Wells, Jr. Cambridge, MIT Press, 1977.

¹² Professor Brent Wilson (University of Virginia), quoted by Sanford Ross in "Why the Multinational Trend is Ebbing", *Fortune*, August 1977.

markets which were developed by their own tax payments, and the most constrained at home by anti-trust laws. Nevertheless, there is nothing attractive in such a spontaneous development for the public mind, which prefers to see in it a conspiracy, the realization of Lenin's prophecy: imperialism, the last stage of capitalism.

A New Competition rather than Industrial Concentration

It is alluring, for instance, to see in the growth of the transnational corporation the evidence of a fatal trend towards industrial monopoly, another article of Marxist faith. But this growth establishes in reality new patterns of competition, different from the classical model but with identical results. These results appear clearly in the studies of the Harvard Center based on Raymond Vernon's theory of the production cycle: every step taken by a firm to defend its position by crossing new frontiers, or to recover earning capacity by designing new products, leads to the development of new competition. The theory is verified by an analysis of the world production of petroleum, automobiles and aluminum, in which a steadily increasing number of corporations participate.¹³ This deconcentration, for which neither the classical nor the Marxist model accounts, is best illustrated by the larger choice of automobile makes and by the proliferation of hardware and software auxiliaries begotten by each new generation of I.B.M. computers.

Increased competition has a bearing on employment. If a plant closes down somewhere, this is viewed as a token of the transnational's indifference to job stability, of its propensity to export jobs to low-wage countries and to move them carelessly from country to country. The enterprises answer this accusation by their very existence; this latter demonstrates the efficacy of a misrepresented mechanism that places individual selfishness at the service of the general good. Being exclusively concerned with profits, enterprises create a system which is truly "concerned" with employment and social progress, witness the number of

¹³ Raymond Vernon, *op. cit.*, p. 81, Fig. 1.

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jobs supplied by transnational enterprises in the fields where it has been permitted to develop freely—in data processing, petrochemistry and mechanical construction among others—and witness also an indirect impact on employment resulting from their influence on the trade of nations.

Protectionism at Bay

It can be said of the transnational enterprise what Bastiat said of free trade: should one be able to fathom its hidden benefits, one would pay scant attention to its superficial shortcomings. This is no mere coincidence, for the transnational is part and parcel of post-war trade liberalization. Distinct from the cartel of old and from purely domestic firms, this enterprise has learned to do without the government; it has discovered in diversifying its habitat and in developing new products ways of competing more effectively than by soliciting government intervention. Indeed, it avoids the latter, being well aware that too close an intimacy of one of its establishments with some sovereign state could only compromise the relations of other establishments with other states and destroy the cohesion of its structure. Transnational psychology is free of exaggerated fears of foreign competition since a transnational enterprise is part of the latter.¹⁴ By demonstrating the futility of trade barriers it probably eased the way for the European Economic Community and for other free-trade zones. Given the malfeasance of protectionism and its continuing threat, the transnational has a particular merit: it erects against protectionism a rampart of indifference.

Should one weigh against these benefits, currency speculations, punitive-tax avoidance through allocation of costs and profits, an excessive impact on national money and finances? Those accusations miss their target. Use of currency and fiscal shelters is a spontaneous reaction to measures taken by governments against the general interest. If transnationals have the power to signal

¹⁴ "The Defense of the Multinational Corporation", by J.K. Galbraith, *Harvard University Review*, March-April 1978.

that inflation should be prevented and that taxpayers should be spared, directly concerned citizens have hardly any grounds for complaint.

Influence for Peace

Whoever challenges protectionism works for peace. In opposition to their predecessors, aiders and abettors of armaments, the most powerful corporations are now obliged to serve political *détente* because they would be the first victims of a conflict. Armaments manufacturers, such as Lockheed, usually keep their production facilities in one country. They may be subject to the temptation of enlarging their gains by bribing officials through chance intermediaries. True transnationals, on the other hand, cannot risk the disgrace that like practices would inflict on their permanent establishments. Far from abetting war by any means, they contribute to a better understanding among nations by integrating a personnel of mixed origins. Cobden and Bright¹⁵ saw long ago the relation between free trade and peace; after their writings as well as before, the latter is always in danger if the former is restricted. By making protectionism ineffective and useless in any sector where they prosper, transnational enterprises contribute to political *détente* among civilized nations by helping to liberalize trade in industrial products. The "cloud of danger"¹⁶ subsists but not on the horizon of transnational expansion: rather in agriculture where protectionism does not encounter its challenge and in relations with Communist countries where it is still an exceptional occurrence.

Transnationals and Information

In brief, transnational enterprises, offsprings of information processing, are subject to the constraint of free information. Rejecting exclusivity in the political as well as in the economic field, they become subject to the control of informed public opinion

¹⁵ Richard Cobden, *un révolutionnaire pacifique*, by Charles H. Taquey, Paris, Gallimard, 1938.

¹⁶ *The Cloud of Danger*, by G. F. Kennan, New York, 1978.

and cannot help placing their information at the service of the community.

Public opinion of many countries, rather than the policy of a single government, becomes the restraining influence imposed on them by their visibility. The data which they use is in the public domain; the reports they submit to host governments and international agencies are available to research workers; any secret is quickly divulged by the press. They have exchanged confidential obedience to a single master for the obligation to adjust to as many morality codes as they have hosts and to the strict standards applying to one who is everywhere a foreigner. The care which they exercise generally to avoid scandal is abundant proof that the new obligations are not gratuitous. And when unsound motivations lead them to aberrant conduct, as in Chile, retribution is swift and destructive.

The forced openness of the transnational makes it, on the other hand, the technology-transfer agent *par excellence*, an important plus in any assessment of its social value. For technology transfer is the key to social progress whether the matter at hand is war against hunger, recycling of pollutants or job creation. As the Chinese proverb of the fisherman puts it, better to teach effectively than to give. No one is better situated and equipped for the task than corporations operating at the interface of disciplines and rich enough to bear the cost of endless trials necessary to produce technologies appropriate to needs and to conditions of production.¹⁷ There is no one more constrained to spread technology, first by the effect of the production cycle and then by educating a personnel that the transnationals cannot retain forever at their service and who will communicate techniques and methods to new associates as well as the motivations without which methods and techniques are unavailing.¹⁸

AND TOMORROW?

Granted, as it may be now, that transnationals can keep govern-

¹⁷ *Foreign Investment from the Third World*, by L. T. Wells, Jr., Boston, 1978.

¹⁸ "Multinationals as Agents of Social Development", by Richard L. Meier, in *Bulletin of the Atomic Scientists*, Chicago, Illinois, November 1977.

ments at arm's length, thus avoiding the excesses of cartels, that they are responsible without recourse to public opinion and therefore self-regulated, and that they procure the nearly automatic transfer of technology, the real issue is not the threat of their unbounded expansion but, on the contrary, the painfully narrow range of their activities. As said before, they have been excluded or rather they have excluded themselves from the domain most important for the satisfaction of humanity's basic needs: agriculture and, more generally, the production of essential renewable resources. Those productions are at the top of the requirements outlined by the United Nations and spelled out by Wassily Leontieff.¹⁹ An urgent task for the ruling states would be, then, to transfer to the poorest of the poor technology and capital necessary for those productions. Now, it is quite obvious after two generations of endeavor that states acting independently or as a group are defeated by the goal of "placing the blessings of civilization within the reach of the human race as a whole." The states will have either to admit defeat or to surmount the fear of hegemony that has inspired neglect of the transnational corporation as an agent of land reform. This conclusion is suggested as a fit subject of discussion for the Center for Transnationals of the United Nations.²⁰

And now, if transnational corporations can assist the government in some of its principal tasks, must one keep worrying about the challenge which they offer to national sovereignty? All depends on the type of sovereignty that is likely to rule in the future: absolute rule of many independent states is such a threat that, as Toynbee puts it, "it is to be hoped that humanity will clear it out before it has had a chance to destroy humanity"; a universal super-state would leave no refuge for individuals; but governments who would relinquish specific functions to self-regulating world institutions and who, by limiting their ambitions, would negate the entropy to which the overextended state is subject,²¹ governments who would constitute a "world of fatherlands," so to speak, are the credible pattern of the future. Don't

¹⁹ "1999", by Wassily Leontieff, New York, 1978.

²⁰ See Note 1.

²¹ "Socialisme et Démocratie", by Charles H. Taquey in *Perspectives*, Paris, June 24 and September 2, 1976, February 3 and October 2, 1977.

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we have with Amnesty International the universal advocate of human rights? And just as defense of the rights of man, this the highest purpose of democracy, is internationalized, so is religion—long the servant-mistress of kings—since Church and State have separated. Today, the very strength of nationalism compels scientific and cultural exchanges as well as sports competitions to become international.

It may be, therefore, that transnational corporations are only one aspect of a positive trend prefiguring a state of affairs transcendental of the narrow horizon of the national government. The old ecumenical spirit may be born again and with it the first glimmer of hope for a lasting peace.