THE SOCIETAL CONTEXT OF THE INFANT FORMULA CONTROVERSY

Globalization of Business–Society Conflict — Institutional and Structural Changes

The infant formula controversy, more so than any other event, has crystalized the growing internationalization of conflicts between corporations and host country governments, with the intervention of both international organizations and public interest groups representing different constituencies and viewpoints. Another case in point is the issue of the U.S. companies’ operations in South Africa. These have been the subject of intense pressure from a variety of religious and other activist groups because of that country’s apartheid policies. The U.S. government enacted legislation proscribing some types of activities on the part of the U.S. companies’ operations in South Africa. Another impact of these pressures has been the establishment of the Sullivan Principles under which the subscribing companies agreed to abide by various rules of nondiscrimination and corporate social performance. Equally important, these companies have subjected themselves to outside monitoring and public reporting of their performance under these principles. Furthermore, as a consequence of these pressures, a large number of companies withdrew from doing business in South Africa.

Social activism, which until recently was a major force primarily in the United States, has now emerged as a significant element in Western Europe and is fast spreading in other parts of the world. Social activists are building effective networks across national borders to confront multinational corporations in the international arena. In the process, they have escalated the
level of conflict both as to its diversity and magnitude; have built alliances with different governments; and above all, politicized many international organizations such as WHO, UNCTAD, UNICEF, UNESCO, and FAO that had previously been primarily technical or program-oriented agencies. A somewhat simplified version of the new external environment of multinational corporations (MNCs) is presented in Figures 2–1 and 2–2. The framework identifies four types of nonmarket intervenors. They are: home country and host country governments, international political organizations, and private voluntary organizations.

Nonmarket Intervenors — Home Country and Host Country Governments

Figure 2–1 shows that up until the 1960s, the primary elements of the MNCs’ external environment, with a measure of direct control over MNCs’ behavior, were the host country and home country governments. Of the four com-