TRANSNATIONAL CORPORATIONS IN THE NEW INTERNATIONAL ECONOMIC ORDER

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Abstract. This essay assesses the forces and factors which are currently structuring international industry, focusing specifically on the impacts of government policies, the market orientations of TNCs, the nature of different markets around the world, and the effects of different technologies. These forces being uncoordinated are seen as shaping an international industrial order that is not consonant with the objectives of the New International Economic Order (NIEO); consequently, what is expected for the near term is a nationally oriented disintegration of the international economy resulting from struggles over the location of specific industries around the world that will not be resolved cooperatively. The most likely moves toward international industrial integration will occur within key sectors among members of a regional association. At present, it appears unlikely that significant moves will be made toward a new international industrial order in line with the objectives of the NIEO; yet, the TNCs would be effective means of achieving this goal if greater cooperation could be achieved between them and governments.

INTRODUCTION

The ten years of JIBS span the years of growing concern on the part of developing countries for the erection of a new international economic order, following the rupture of the Bretton Woods order in 1971. The United Nations’ Charter of Economic Rights and Duties of States and its Resolution on the New International Economic Order (NIEO) were presented in the hope of forming a consensus as to the nature and functioning of the new world economy. The proposed NIEO would include reform of compensatory financing, the international monetary system, new trade preferences, commodity programs (already agreed upon), additional aid (especially in stretching out existing debt repayments), global resource management, preferential access to technology, assistance in creating indigenous capabilities in science and technology, industrial self-reliance, and strengthening trade and economic cooperation among LDCs themselves. The underlying principle is that an NIEO must be built on and lead to a redistribution of income and wealth from the advanced to the developing countries.

This essay is addressed to the likely roles of TNCs relative to some of the goals of the NIEO—namely, those related to the restructuring of industry or its relocation. If these objectives of the NIEO are to be achieved, closer cooperation between TNCs and governments is necessary, but it does not appear to be forthcoming. Consequently, some of the key goals of the NIEO are likely to be sacrificed by default.

Neither the LDCs nor the AICs have integrated into their policy formation the use of transnational corporations (TNCs) to achieve goals in the NIEO. Rather, the major concern with reference to TNCs has been to constrain them so as to reduce harm as is evidenced by the four U.N. code exercises: on foreign direct investment, on technology transfers, on restrictive business practices, and on illicit payments.

Yet, while governments have argued over the behavior of the TNCs and market imperfections surrounding TNC activities, the TNCs have proceeded (within governmental policies) to structure the emerging world economy, and the results are not necessarily what would be desired by either governments or TNCs.

This essay assesses the role of TNCs in developing a new international economic order—in the absence of an intergovernmental conference focusing on the

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NIEO. The thrust of the assessment is that the actions and factors involved and the criteria of acceptability of an NIEO are so complex that a new agreement (such as at Bretton Woods) is highly unlikely; therefore, any NIEO will occur without a single set of rules, and the world economy is likely to disintegrate further, rather than move strongly toward international economic integration. Consequently, certain forms of TNC organization and operation will be stimulated, and any integrating movement will come out of special circumstances rather than as a generalized policy orientation.

The objective of this essay is to provide a framework for understanding what is happening to industrial integration—and therefore to that one aspect of the NIEO that is related to industrial and trade cooperation—and why it will be necessary for policy-makers to alter their modes of analysis from partial to more holistic approaches if we are to learn to live with greater interdependence in the world. Holism is, however, quite complex. It will be necessary in the economic arena to achieve it step-by-step, or sector-by-sector in the industrial arena and under criteria more diverse than that of efficiency.

Reduced to its essence, the keystone of economic cooperation in any NIEO will be the ordering principle by which the location of economic activity is determined among the nations of the world. A second principle must be one determining the resulting distribution of economic benefits among the countries. Several parts of the NIEO proposed by the UNCTAD—national sovereignty over materials, flow of technology, opening of export opportunities, and downstream processing, for example—are means of deciding these questions but the underlying principles are unacceptable to the AICs. Further, the concerns of governments are more complex; the number of governments involved in negotiations is greater than previously, and the existence of a common body of thought or theory on which to base concerted policies is lacking. Nor are the several international codes on transnational corporations (foreign direct investment, technologies, restrictive business practices, and illicit payments) appropriate as the basis for ordering the decisions on location of economic activity nor those on an acceptable distribution of the gains. In addition, the problems which governments have to meet are sufficiently pressing, and the tools are already at hand, so that there is a decreasing interest in the codes themselves, which are seen increasingly by national governments as ineffective in producing the specific results which they are seeking.

The extent to which governments have taken unilateral positions which establish the locational framework of the NIEO is seen in the policies already adopted in agriculture, extraction, and key industry sectors. Governments are increasingly taking responsibility for developments in these sectors, forcing out foreign investors and often local private investors as well; and some are reserving the service sector for nationals. These moves are in the direction of disintegration of the world economy. Among these activities, the industrial sector remains the one in which there is less agreement on international rules or principles for determining the location of economic activity.

The question of where economic activity shall take place and the correlative extent of international industrial integration is being answered indirectly and nationally—thus, the “new protectionism.” Although questions are being raised about the extent of economic dependence, and the desirability of self-reliance is urged, little concerted attention is being directed to the nature and extent of interdependence and the type of “dependencies” resulting. At present the developing countries are inveighing against the form and the degree of their dependence on the advanced countries, and the industrialized countries are willing to give little (other than some generalized preferences to LDC manufactures) toward accepting a significant degree of interdependence with developing countries in manufactures.

Despite these reluctant positions, policies are being formulated and actions