

Why Transnationals Can't Be Transformed

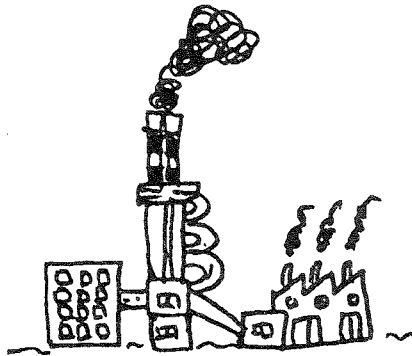
by Richard Evanoff

*A Response to HIRATSUKA Shuei's
"Promoting Better Practice by Japanese TNCs"*

Mr. Hiratsuka's article, "Promoting Better Practice by Japanese TNCs," accurately points out the double standard that transnational corporations employ with regard to environmental regulations. He also notes that this problem is not limited to Japanese TNCs, but is applicable to TNCs in other countries. The problem of TNCs is global in scope, meaning that a narrow "Japan-bashing" analysis that places the blame exclusively on Japanese corporations and leaves capitalistic enterprises in the rest of the world off the hook has absolutely no credibility. What needs to be emphasized, however, is that since TNCs belong to no particular country, they are, as their name implies, truly *trans-national*. This fact enables TNCs to pick up and move to another country whenever they find the laws of the country they are in to be detrimental to the maximization of profits. Not only will TNCs tend to move to countries where environmental laws are lax, they will also tend to move to countries where labor is cheap, and where there are minimum safety standards, no unions, and no need for corporate responsibility in their dealings with either local residents or their own workforces. Since TNCs are not "bound" to any one country's laws, there are ultimately no democratic checks on their activities. And since TNCs have such enormous economic power, they can pretty much call the shots in global affairs, determining which countries will prosper and which will fall to ruin — the former being those that comply with the TNCs' demands, the latter those that don't. As I have argued elsewhere ("The New Feudalism" in the January, 1993 issue of JEM), TNCs have the potential of becoming the new feudal lords in an economic system that reduces the rest of us to little more than peasants.

Because TNCs are closing down their operations in First World countries and relocating overseas, they are also largely responsible for recent plant closings, rising employment, and the shift from higher-paying to lower-paying jobs in many First World countries. This trend is particularly obvious in the United States, but there are indications that Japan is following much the same pattern. Economic decline, which — ironically — is directly related to corporate efforts to improve productivity by "restructuring," contributes to the problems of homelessness, poverty, and overall social deterioration increasingly found in supposedly "developed" capitalistic countries. Corporations

save money by replacing First World workers with new technology or cheap overseas labor, but then First World workers no longer have the income to buy the goods the corporations are producing. As a result, the companies are forced to lay off even more workers because of the "bad economy." It's a downward spiral. And despite the disastrous effect that TNCs have on local communities in foreign countries, the governments and business leaders of host countries often welcome TNCs with open arms, because it means hard-currency investment in their countries. Who really wins in this situation, however? Mainly business leaders who maximize profits by keeping costs low and exploiting both labor and the environment. Who loses? Mainly local residents who end up with oppressive jobs in an oppressive environment that citizens of First World countries would find intolerable. It's true that wages at TNCs often surpass



those offered in the local economies of many Third World countries. But whereas local economic activities are typically based on production for local consumption, TNCs are based on production for export, usually to First World countries. The economic and social grounding of local communities in the Third World is thus disrupted as local production for local consumption is replaced by "global capitalism." When an industry finds a cheaper labor force or more advantageous (i.e., laxer) laws, it will readily move to a new location, leaving behind an ecologically devastated and impoverished community whose original economic and social institutions have been thoroughly undermined.

I heartily agree with Mr. Hiratsuka's analysis of the problem — he amply shows that TNCs simply cannot be trusted to "voluntarily comply" with environmental and labor standards set by the government. He also shows, perhaps unwittingly, that voluntary

standards are typically little more than a convenient method to make it look as if the government has the people's interests at heart when in fact it's simply supporting business as usual. I'm a bit skeptical, however, when Mr. Hiratsuka writes, "It remains up to the United Nations and other world policy-making bodies to develop and advocate internationally recognized codes to help guide host countries in their dealing with TNCs, and to give credence and support to lesser codes such as those developed by Japan and other countries." If the TNCs are currently not abiding by the voluntary codes set by their own countries, what reason is there for believing that they would voluntarily abide by codes set by international organizations such as the UN? TNCs can be trusted to abide by international environmental treaties about as much as the U.S. Government could be trusted to abide by all the treaties it made with Native Americans.

My own view is that we should *not* rely on "world policy-making bodies" to develop or advocate anything, but should rather be building a stronger grass roots movement at the local level. International treaties, such as the General Agreement on Trade and Tariffs (GATT) for example, have the ostensible purpose of promoting "free trade" and "world economic growth." But this "free trade" can only be accomplished by pursuing a "least common denominator" approach to safety and environmental standards. In other words, if a country produces a product cheaply by exploiting both its workers and the environment, other countries will be ultimately forced to follow suit. Competition will result in a lowering of world standards as companies everywhere try to produce products more cheaply with little or no regard for labor or environmental standards. Moreover, consumers will lose control over the safety of the products they buy — regulations prohibiting the import of unsafe products would be regarded as "restricting free trade," for example.

Any international body, including the UN, which attempts to impose a set of guidelines on TNCs is bound to fail. The reason is because most international bodies are made up of representatives from either the government or business leaders of the respective countries. Governments, by and large, tend to support the interests of the business leaders in their countries, not ordinary citizens, as Mr. Hiratsuka's article implies. Thus there is no one to represent the interests of the *local people* both in First World countries (i.e., workers who lose their jobs because their companies shift production overseas) or Third World countries (i.e., workers who are exploited by TNCs trying to maximize profits). My contention is that ordinary citizens should refuse to give support to any international bodies claiming to "work on our

See Response, p. 19

Austrian Labeling Law Retracted

Campaign efforts to reform the tropical timber trade were dealt a blow by the revocation of an Austrian law requiring labeling of tropical timber. The law, which would have required all tropical timber products sold in Austria to carry a label stating so, was widely acclaimed by environmental groups worldwide as setting a precedent for government regulation of the tropical timber trade. It was revoked in March 1993 after the Malaysian and Indonesian governments threatened to call for a boycott of Austrian products. In response to a letter from SCC in support of the labeling law, the Vice-Chancellor of Austria wrote SCC to explain that despite its low tropical timber imports, Austria had aimed to set an example for other governments with this law, but that this objective could not be achieved since no other governments followed the Austrian example. The letter emphasized that Austria would nevertheless continue to strongly support the preservation of tropical rainforests, noting that the revoked law helped to intensify the discussion about the exploitation of tropical rainforests, and thus achieved its objective of sensitizing world opinion to a certain extent.

EC Parliament Members Call on Japan to Ban Sarawak Timber Imports

On 23 March 1993, EC Parliament members visited the Brussels office of the Japanese mission to the EC to demand that Japan immediately halt imports of timber from Sarawak, Malaysia, and implement other measures to protect the tropical forests and living environment of residents of this region. Ambassador Kobayashi of the Japanese mission to the EC explained to them that this issue touched upon the sovereignty and economic problems of developing countries, and that it would be difficult for Japan to take unilateral measures such as suggested. He declared that Japan would search for a solution through dialogue with the Malaysian government and residents. (Kyodo News Service, 23 March 1993)

For more information contact:
Sarawak Campaign Committee
408 United Bldg., 4-3 Sakuragaoka
Shibuya-ku, Tokyo 150 Japan
Tel: +81-3-3770-6709
Fax: +81-3-3461-6522

SCC publishes *Mori no Koe*, a quarterly English newsletter on Japan's impact on the world's forests. Annual subscriptions are ¥4,000 (US\$30 overseas). □

South confrontations that ultimately finished off the Code's chance for adoption. But this goal can only be achieved if Japanese people's organizations and especially consumer groups convince reluctant government officials and UN delegates of the strong need for such a global consensus to be reached in the near future.

Sending a Strong Signal

Following IOCU's last World Congress in Hong Kong, the Seikatsu Club Consumers' Cooperative in Tokyo published an information kit entitled *TNCs — Dinosaurs of the 20th Century?*, which stressed the potential value of global guidelines for business conduct. A national network was also set up together with other consumer groups such as the Consumers Union of Japan (CUJ), the Shufurengokai (Japan Housewives' Association) and Shodanren (National Liaison Committee of Consumer Organizations). The purpose of the network was to build public awareness, initiate dialogues on TNCs with government officials and other citizens' groups, and to monitor the practices of Japanese TNCs with assistance from groups like the People's Action Network and the Anti-Nuclear Pacific Center.

These first grassroots-based actions were intended as well to send a strong signal to government officials that Japan's contributions to the international community should extend well beyond its participation in UN peace-keeping forces. And now we have a new network that is campaigning to stop ARE's hazardous operations in Malaysia, in solidarity with the plaintiffs in that case.

More individual and collective efforts are essential if any global code or guidelines developed for TNCs are to be practical, or even possible. In the short term those efforts should include the monitoring of TNCs and supporting regulations to prevent negligent and irresponsible practices. In the long term they must contribute to the establishment of more just economic systems that do not exploit the world's poor, pursue the destructive objective of over-production, or lead to a further widening of the already huge gap between those who have too much and those without enough.

We still have much work to do, but working together we can achieve much. □

Reprinted from a publication of the International Organization of Consumers Unions (IOCU) for World Consumer Rights Day, 1993. Mr. Hiratsuka, formerly manager of the Tokyo branch of the Seikatsu Club Consumers' Cooperative, is presently Coordinator for Japan in the IOCU's Regional Office for Asia and the Pacific, located in Penang, Malaysia.

behalf," because these international bodies are all-too-easily coopted by the interests of corporations and politicians, as past experience shows. Such international bodies would ultimately, through negotiation and "compromise," design guidelines that favor TNCs and the existing status quo. In fact, some TNCs may even welcome the creation of a set of international guidelines, since the guidelines would simply serve to lay down the ground rules for the "new global market." Why should grass roots groups contribute any support whatsoever to such a project?

As a real alternative, ordinary citizens in both First World and Third World countries need to join together into networks — and eventually into a global movement — that will effectively be able to resist the efforts of TNCs to impose "global capitalism" on local communities. Decentralizing decision-making by taking it out of the hands of nation-states and international organizations and returning it to local communities is preferable to further centralizing power in inefficient and potentially domineering world policy-making bodies. Decentralized political power is not only more democratic, but it also fits in better with efforts to create decentralized economies that emphasize local production for local consumption to meet local needs, rather than production for the global market to generate more corporate profits.

Mr. Hiratsuka suggests that in the short term TNCs should be monitored and regulated to "prevent negligent and irresponsible practices." But I'm really more interested in his long-term proposal that we should be working towards "the establishment of more just economic systems that do not exploit the world's poor, pursue destructive objectives of over-production, or lead to a further widening of the already huge gap between those who have too much and those without enough." In my mind these latter goals are totally incompatible with the objectives of TNCs and the creation of a global capitalistic market. Instead of getting caught up in efforts to "control" these TNCs, we should be concentrating all our efforts on designing and implementing a viable alternative that will ultimately undermine them. The inefficient and undemocratic methods of TNCs, which Mr. Hiratsuka's article accurately describes as "Dinosaurs of the Twentieth Century," need to be replaced with more efficient and more democratic economic structures that emphasize local production for local consumption. I take the creation of alternative local economies to be the real goal of the cooperative movement, and hope that organizations such as the Seikatsu Club Consumers' Cooperative in Japan and the International Organization of Consumers Unions, which Mr. Hiratsuka now works for, will be able to make a significant contribution in this direction. □