

The Role of TNCs In Promoting Global Stability and Peace

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The author of this essay on the role of transnational corporations (TNCs) won first place in the Isaac Roet Essay Competition, receiving the full prize for the first time in the history of the contest that is organized by ECAAR-EVV in the Netherlands and Belgium. She is from Deakin University in Victoria, Australia.

In most countries, governments show a natural proclivity to favor negotiations over armed struggle in any conflict. The last decade has seen traditional enmities eroded somewhat through dialogue, the cease-fire in Ireland, and the Oslo Accord between the Israelis and Palestinians being two cases in point. While the soldier has not been totally replaced by the diplomat, these recent success stories in diplomacy have placed a spotlight on the quiet power of the conciliatory word over that of the gun.

The potential benefits that accompany non-military resolution of conflict are significant; so much so that peace is said to have an ensuing “dividend”. These benefits are not in the realm of the abstract, but are real and measurable, as depicted in a 1994 survey of the Israeli motor industry, which found that due to the indirect effects of the peace process, there was a welfare gain of \$89 million(1) during 1994.

At the macroeconomic level, another commentator estimates that the extension of the Middle East peace process beyond the Israeli-Egyptian dialogue has made Israel’s national income some \$12 billion larger than it would have been without the peace process(2). The peace dividend, the interruption to production and trade arising out of military confrontation, and the desire to preserve the status quo by incumbent multinationals, may all be seen as important reasons that multinationals stand to gain from promoting peaceful dialogue.

In the past, transnational enterprises have sought to influence the direction of policies of governments in countries in which they operated. An example was the application of the “Sullivan Principles” by many American firms in South Africa during the Apartheid Regime, as a means by which multinationals hoped to further the cause of the disadvantaged black community.

Another case is the Caux Round Table, an organization of businesses in Europe, North America and Japan formed primarily to resolve tensions arising from trade imbalances, through dialogue. The need for an economic underpinning to peace led the Canadian government in the mid 1990s to establish The Canadian networkhip, a private sector led group designed to encourage trade and investment between Canada and Ireland. Each of the three cases noted where businesses tried to further peace, involved cooperation between the enterprises themselves.

There are large costs involved in peace promotion, and the benefits can be significant also. However, unless a single multinational can secure most or all of these benefits, there is no incentive to undertake a peace-making role unilaterally due to the “free rider problem.” To avoid giving a free ride to competitors, a multinational firm can follow the most economically logical course by not working transnationally as a single entity, but rather in concert with other multinational enterprises.

The recognition that there exists an important nexus between economic development and peace/stability, brings with it a realization that the potential role of non-government organizations in this process needs to be identified and encouraged. As important players in the global arena, there are particular advantages in developing and using the mediation skills and expertise of transnational corporations to advance peace processes.

The most obvious advantage which the transnational brings to arbitration is expertise in negotiating towards desired outcomes. Their extensive research into the markets in which they conduct business is also an advantage. The sheer size of many multinationals means that they hold a significant amount of political clout, especially in markets where they are large employers of the local population. This means that normally, when transnational corporations speak, they have the attention of governments.

Because the *raison d'être* of business ventures is widely recognized as profit maximization, transnational firms are often not strongly identified with any nation, beyond what their business activities entail. The corollary of this is that the transnational has the advantage of being viewed as a largely apolitical player. On the governmental level, the obstacles which must be overcome when negotiating toward peace are of a political nature.

Under the democratic system where governments go to the polls every few years, issues of a particularly sensitive nature may not be handled in the same manner as in the case where such electoral accountability does not exist. An advantage that firms have over their governmental counterparts in this respect is their longevity. Because of this, transnational corporations are more likely to have a consistent approach to the process of advancing stability and peace as they are uninhibited by the electoral mechanisms that affect governments.

Despite the contributions that multinationals can potentially make within the ambit of peaceful dialogue, there are various factors that can hamper their effectiveness. The inception and generally ardent enforcement of the Arab boycott is an example of an imbroglio that was for all intents and purposes unable to be impacted upon through dialogue. This highlights some of the potential disadvantages that multinational firms have as mediators in conflict resolution.

The primary aim of the firm as a profit maximizing institution may not be best served by undertaking the role of peace promoter. Further, although the transnational has political clout, undoubtedly the sphere in which it exercises the most influence is the economic sphere. As important as economic considerations are, one cannot always apply economic solutions to a non-economic impasse. Despite any arguments one makes on the importance of the state versus that of the transnational, the fact that the latter does not have direct legislative power means that while it can affect the environment in which it operates, the legal context in which this occurs remains the state's judicial prerogative.

While physical borders between nations exist, the more abstract idea of national boundaries is becoming a little fuzzy in the minds of many, a phenomenon largely attributable to increasing economic interaction between states. This, and recent breakthroughs in relations between combatants through the successful use of dialogue has made it imperative that greater definition be given to the role that transnational firms may play in any future parley.

While transnational enterprises as peace promoters have advantages over their governmental counterparts, one must wonder whether the primary objective of the firm is best served by such a task. Due to the cost of facilitating discussions, and the free rider problem, the most common way for transnational companies to impact on negotiations, and indeed the most economically logical vehicle for this to occur, has been through co-operation among themselves. As we head towards the twenty-first century, there exist significant opportunities for transnational enterprises to participate and impact upon peace negotiations. Only time will tell whether they will choose to use these.

(1) Fershtman Chaim, and Neil Gandal (1995), "The Effect of the Arab Boycott on Israel: The Automobile

Industry,” Sackler Institute Working Paper (1995).

(2) Lapidot Reuven, “Middle East Ties,” Jerusalem Post , 15 Oct. 1998.

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