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TRANSNATIONAL CORPORATIONS:
A QUESTION OF POWER

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INTRODUCTION

The important social processes that occur in modern societies -- whether in industrial or in currently industrializing societies -- either originate in, or are strongly mediated by, formal organizations (Perrow, 1986:vii). Since World War II, a new and logically distinct organizational form -- the transnational corporation (TNC) -- has arisen. With the ability to shift operations anywhere within a corporate domain that includes several countries, TNC's represent an extremely powerful organizational form. But in discussions and presentations about TNC's, communication relevant to their power and influence is sometimes inadequate. The purpose of this paper is to present a graphic illustration of the economic size of TNC's in order to facilitate communication and discussion about such organizations.

TRANSNATIONAL CORPORATIONS

From their initial development in the mid-1800's, modern organizations have been characterized by an impressive growth in size (Kotz, 1978; Hymer, 1978). As they have grown in size, they have also attained immense power. Today, because of their influence on the mass media, on the products and services they offer, and on the legislative agendas of all levels of governments, these organizations have garnered the ability to dramatically influence the lives -- both personal and public -- of the citizens of the countries in which they operate. Indeed, Perrow (1986:6) warns of the threat caused by the concentrating of resources "...in the hands of a few who are prone to use them for ends we do not approve of, for ends we may not even be aware of, and, more frightening still, for ends we are led to accept because we are not in a position to conceive of alternative ones."

With the tremendous increase in the multi-national operations of large organizations, and in the recognition of the implications of those multinational operations, issues pertinent to transnational corporations began to surface and be debated. One such issue is the power of TNC's relative to that of the countries in which they operate. No longer can any one country easily enact laws controlling the activities of TNC's since they have developed tactics to thwart such efforts. For example, TNC's can simply leave the country it considers to be interfering with its operations. Illustrative of this tactic is the apparent decision of Union Carbide to sell its Indian assets in order to avoid the financial obligations resulting from the 1984 Bhopal Tragedy. In 1986, the

Indian government went to court trying to prevent Union Carbide from selling any more of its Indian corporate assets than it had already sold (Hazarika, 1988:6).

A second tactic is to try to exert national or international influence to change undesirable governmental policy. At present, several TNC's are attempting to prevent Third World nations from banning the import of chemicals known to be deleterious to the health of their citizens. The regional legislature of Rio Grande de Sul, a state in Southern Brazil, recently passed legislation aimed at controlling the use of pesticides (such as DDT) that had been found to be polluting water supplies in the region. The Brazilian agrochemicals association (which includes the subsidiaries of some of the largest TNC's in the world) immediately began fighting the enactment of the law; it launched a public relations campaign against the law and initiated three separate lawsuits aimed at having the law declared unconstitutional (Multinational Monitor, 1983:9).

A third tactic TNC's have been known to employ is the attempt on the part of the TNC's to change the interfering government itself. Perhaps the best known example of this tactic involves International Telephone and Telegraph Corporation (ITT) and Chile. In testimony before a U.S. Senate subcommittee investigating the involvement of ITT in the internal political affairs of Chile, Harold Geneen, then chairman and chief executive officer of ITT, admitted he had twice offered the Central Intelligence Agency one million dollars to stop the democratically elected socialist candidate Salvador Allende from becoming the President of Chile (Sampson, 1977, p. 353). Although Allende was not stopped from becoming the President of Chile in 1970, he was killed in the CIA-assisted coup of September, 1973. The coup placed into office a government more responsive to the needs of TNC's (Kerbo, 1983:446-451).

So great is the perceived threat of the power of TNCs that since the 1970's there have been numerous attempts to develop and institute codes of conduct for these corporations in order to protect host countries. Michaloski and Kramer, in their insightful discussion of international "injurious corporate behavior" (i.e., behavior that is legal in the host country but produces pain and suffering among the citizens of that country), state:

. . . through the political mechanisms of the United Nations, non-aligned and less developed nations are seeking to implement a set of rules governing the market relations between TNCs, and the citizens and governments of the nations in which they operate (1987:41).

ECONOMIC SIZE AS AN INDICATOR OF POTENTIAL POWER

A compelling way of illustrating the potential power of TNC's is to consider their economic size. In Bread and Justice: Toward a New International Economic Order, James McGinnis (1979) graphically illustrated the economic size of transnational corporations by comparing their economic characteristics with those of the largest countries in the world. Countries were listed according to their annual gross national products (GNP's) and corporations (all of which were transnational) were listed by their gross annual sales. While McGinnis's compilation is very useful in discussions of the economic size (and, thus, the potential economic power) of TNC's, that usefulness has become progressively more limited with the increasing age of the data upon which it was based. His GNP figures were for 1975 and the gross annual sales figures were for 1976. Clearly, continued use of his list is contingent upon access to more current data.

Presented in Table 1 is an update of McGinnis's list using 1985 data (the latest year for which estimates are available for both GNP and gross annual sales). Estimates for GNP come from the World Fact Book (1988), The Europa Year

Book, 1987: A World Survey, and The 1988 Information Please Almanac: Atlas and Yearbook, and for gross annual sales from the August 4, 1986 issue of Fortune magazine.

Table 1. GNP's of Countries and Gross Sales of Corporations¹

| | |
|--------------------------------------|---|
| 1. U.S.A. 3,662.8 (est. 1984) | 51. Egypt 39.7 |
| 2. U.S.S.R. 1,957.6 | 52. AT&T 34.9 A |
| 3. Japan 1,233 | 53. Phillipines 33.6 (est. 1985) |
| 4. Fed. Rep. of Germany 616.1 | 54. Greece 33.5 |
| 5. France 490 | 55. Hong Kong 33.3 (est. 1985) |
| 6. U.K. 426.3 | 56. Pakistan 31 (est. 1985) |
| 7. Italy 348.4 | 57. E.I. duPONT deNEMOURS 29.5 A |
| 8. Rep. of China 343 (est. 1985) | 58. Colombia 29 |
| 9. Canada 334.1 | 59. Malaysia 28.4 |
| 10. Brazil 321.4 (est. 1984) | 60. GENERAL ELECTRIC 28.3 A |
| 11. Poland 228.5 | 61. U. Arab Emir. 26.2 (est. 1984) |
| 12. India 193 (fy 1984/85) | 62. STANDARD OIL OF INDIANA 27.2 A |
| 13. Mexico 176 | 63. Iraq 27 (est. 1984) |
| 14. Australia 173.6 | 64. IRI 26.8 D |
| 15. German Dem. Rep. (East) 163.7 | 65. TOYOTA MOTOR 26.04 H |
| 16. Spain 160. | 66. Libya 26 (approx. 1985 est.) |
| 17. Yugoslavia 128.8 (est. 1984) | 67. Israel 25.9 (1985) |
| 18. Czechoslovakia 127.9 | 68. ENI 24.5 D |
| 19. Netherlands 123.8 | 69. North Korea 23 |
| 20. Romania 117.8 | 70. ATLANTIC RICHFIELD 22.4 A |
| 21. Saudi Arabia 108 (est. 1984) | 71. Kuwait 21.8 |
| 22. GENERAL MOTORS 96.37 A | 72. New Zealand 21.7 (3/1984-3/1985) |
| 23. Switzerland 86.1 | 73. UNILEVER 21.6 F,B |
| 24. Sweden 96 | 74. CHRYSLER 21.3 A |
| 25. Indonesia 90.3 (est. 1984) | 75. MATSUSHITA ELECTRIC 20.8 H |
| 26. South Korea 90.1 | 76. Syria 20.7 |
| 27. EXXON 86.7 A | 77. HITACHI 20.5 H |
| 28. ROYAL DUTCH/SHELL GROUP 81.7 B,F | 78. PEHEX 20.4 J |
| 29. Iran 80.4 | 79. SHELL OIL 20.3 A |
| 30. Hungary 77 | 80. ELF-AQUITAINE 20.1 C |
| 31. Belgium 76.3 | 81. FRANCAISE des PETROLES 19.3 C |
| 32. Argentina 74.4 | 82. Portugal 19.2 |
| 33. South Africa 73 | 83. Chili 19.2 |
| 34. Austria 64.2 | 84. U.S. STEEL 18.4 A |
| 35. Nigeria 63 | 85. NISSAN 18.2 H |
| 36. Taiwan 56.6 (est. 1984) | 86. Vietnam 18.1 |
| 37. Bulgaria 56.4 | 87. PHILIPS' 18.08 F |
| 38. MOBIL 56 A | 88. SIEMENS 17.83 I |
| 39. Norway 53.2 | 89. VOLKSWAGEN 17.83 I |
| 40. BRITISH PETROLEUM 53.1 B | 90. DAIMLER-BENZ 17.8 I |
| 41. FORD MOTOR 52.8 A | 91. Singapore 17.6 (est. 1984) |
| 42. Thailand 52.4 | 92. NESTLE' 17.2 G |
| 43. Denmark 52.4 | 93. Peru 17 |
| 44. Algeria 51.9 (est. 1984) | 94. PETROBRAS 16.1 E |
| 45. Finland 50.1 | 95. Ireland 16 |
| 46. IBM 50.6 A | 96. UNITED TECHNOLOGIES 15.75 A |
| 47. Turkey 50 | 97. PHILLIPS PETROLEUM 15.7 A |
| 48. Venezuela 47 (1985) | 98. BAYER 15.6 I |
| 49. TEXACO 46.3 A | 99. TENNECO 15.4 A |
| 50. CHEVRON 41.7 A | 100. BASF 15.1 I |

DISCUSSION

Given that the purpose of this paper is to facilitate discussion about the potential power that can be (is) wielded by TNC's, there are several comments that should be made about the material presented in Table 1. First, over one-third (N=35) of the world's largest economic units are transnational corporations, not countries. Second, the economic wealth of several major transnational corporations is comparable to, or exceeds, that of some of the most important countries in the world today. For example, the annual gross sales of General Motors in 1985 exceeded the GNP of 42 countries, including those of Switzerland, Sweden, Indonesia, South Korea, and Iran. Third, even among the largest transnational corporations, there is a great disparity in economic size. The top five -- General Motors, Exxon, Royal Dutch Shell, Mobil, and British Petroleum -- garnered one third of the total gross sales of the thirty-five transnational corporations appearing in Table 1.

CONCLUDING REMARKS

Since the transnational strategy has been so enormously profitable (Bluestone and Harrison, 1982:42), there is little reason to assume that the size and influence of TNC's will diminish in the near future. In fact, there is every reason to believe the opposite will occur. As was noted in an analysis of major corporations in Great Britain and the United States "Thus, the great bulk of the private economy in both countries is now overseen by managers and directors of fewer than a thousand large companies. And the trends suggest even fewer hands in the future." (Useem, 1984:36).²

Given the impressive economic size of TNC's, and the likelihood their size (and associated power) will continue to increase, it is possible TNC's will eventually attain the extent of power over the lives of individuals once exercised only by countries. We suggest that information such as that contained in the list presented above is a useful means of facilitating discussion about, and of dramatizing, the awesome potential of that power.

FOOTNOTES

1. Figures are given in billions of dollars. Both GNPs and Net Sales are for 1985 unless otherwise indicated. The code for the countries in which the transnational corporations are based is as follows: A = United States; B = United Kingdom; C = France; D = Italy; E = Brazil; F = Netherlands; G = Switzerland; H = Japan; I = West Germany; J = Mexico.
2. Michael Useem's *The Inner Circle* was the co-winner of the 1985 C. Wright Mills Award for the best book on social issues.

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