

THE ROLE OF TRANSNATIONAL BUSINESS IN MASS ECONOMIC DEVELOPMENT

A Pronouncement approved by General Synod X of the United Church of Christ (1975)

World Economic Health — A Christian Concern

The Tenth General Synod of the United Church of Christ, meeting in a period of widespread anxiety about world economic trends, seeks to help its constituency carry their due share of responsibility for the health of the global economy, in which the so-called “multinational corporation” is an important phenomenon. As citizens of the country of incorporation of many companies engaged in production abroad, American Christians are sensitive to the serious claims and counterclaims that surround transnational business on all continents. They are called to work for economic and social justice and full human development.

Church thought and action regarding the role of transnational business in mass economic development is inspired by two central realities of church life—ancient biblical faith and contemporary ecumenical experience. Biblical religion teaches that it is the human vocation to be co-creator, dedicating all labor to the building of a just society on a well-cared-for-planet in a universe given by God; the biblical ethic, expressed in thousands of stories and teachings, is “Thou shalt not harm . . . thou shalt serve,” striving to realize the full potential of life on this earth for all. The Christian Church, today the largest voluntary society in the world, has long been at work in every land where transnational business is now operating.¹ The church everywhere experiences the impact of this growing fact of economic life, weighing transnational business enterprise to see whether, on balance, it promises greater liberation or deeper exploitation. Social action agencies of both the world Council of Churches and The Vatican provide channels through which the worldwide Christian community pursues international economic justice.

Global Production but a Widening Gap

The dynamism of transnational business is striking: production of foreign subsidiaries of transnational corporations now surpasses trade as the main vehicle of international economic exchange.² Through technological advance, managerial ability, marketing skill and access to capital, such corporations grow faster than purely domestic firms. From 1966-1973 their direct investment in other developed countries nearly tripled, and it nearly doubled in the developing lands. Although they presently account for but seven percent of the Gross National Product of the less developed countries and five percent of that of the industrialized nations, transnational corporations are proving to be effective producers of goods and services, and most developing countries invite their investments. Even countries whose economic enterprises are state-owned, recognizing the innovative capacity of transnational corporations, negotiate special arrangements by which private enterprise know-how can assist their economic development.

The success of transnational corporations as international producers has, for the most part, been achieved by setting up plants abroad to do there what has already proven profitable in their homeland. They have invested primarily in other industrialized lands, or sought to encourage consumer society tastes in the less developed countries. Seventy-six percent of all transnational corporate investment is in the developed

¹ The religions of the world number more voluntary members than any other kind of association. The Encyclopedia Britannica Book of the Year, 1973, p. 600, indicates that 64.8% of the global population of 3,706 million belongs to the seven major religions of the world. Their respective figures, rounded to millions, are: Christianity 1,024; Islam 529; Hinduism 478; Buddhism 258; Shintoism 60; Judaism 14; and Sikhism 10. Christianity thus counts 27.6% of the world's people and 43% of the total number of major religions.

² Multinational Corporations in World Development, United Nations, New York, 1973, p. 14, “. . . international production reached approximately \$330 billion in 1971. This was somewhat larger than total exports of all market economies (\$810 billion).”

countries, and so are three-quarters of the jobs they have created abroad. A good part of the other quarter of investment and jobs is found in the most advanced of the less developed countries. Economically speaking, not much of the transnational firms has yet been seen by the bottom half of the world's people, and the gap between their income and that of the more fortunate nations and classes grows ever wider.

In order that they may make a more significant contribution to worldwide development, the transnational firms should be encouraged to accept the challenge issued by one board chairman to his peers: "We whose main markets are among the 20 percent of the world's affluent peoples must reach the decision that our own future lies in the enrichment of opportunities for the 80 percent who are poor. There is more profit and stability in enriching the poor than in concentrating on the rich. Poverty is a problem to be solved—not a standard to be endured."

The church should recognize that a reasonable profit is indispensable to the operation of any business, private or state-owned. Transnational corporations cannot work for mass economic development in the same way as philanthropic foundations or subsidized service agencies. Initial investment in high risk areas of chronic poverty and instability may require a higher rate of return than in more favorable situations. But if there was a continual net outflow of resources from a poorer host country to a richer home country of a transnational corporation, the overall effect of that company's operations in that land would be antidevelopmental. Through justly determined transfer prices and technology charges between parent companies and their subsidiaries in developing countries through fairly calculated tax payments, through substantial reinvestment of local earnings, and through repatriation of no more than a reasonable profit, transnational corporations can provide a very important contribution to the achievement of host country development goals.

Transnational business can raise the general standards of local employment and bring about increased productivity by providing proper working conditions and compensation. By recruiting workers without regard for discriminatory local customs, by training employees to realize their full potential skill, by paying wages that proportional to their contribution to production rather than wages that are as low as possible, by providing benefit plans that communicate genuine concern for the worker as a person, by recognizing the right of employees to participate in representative workers' organization, transnational corporations can inject hope in the midst of despair.

Transnational corporations alone cannot solve the vast problems of unemployment and underemployment among the swiftly growing population of the developing countries. They can make a strategic contribution to the host country's struggle with this issue, cooperating when they are requested to establish new manufacturing centers in remote regions lacking industries and job opportunities. They can also respond by locating new facilities near teeming cities with massive numbers of unemployed and underfed. In the agricultural and extractive industries, located where the crops and the mineral resources are to be found, they can upgrade the skills and the living standards of the populations whose labor they need, insuring that they receive a full share in the benefits of the economic modernization which transnational business begins.

Transnational Corporations and Human Rights

As a foreign guest, a transnational business enterprise must not intervene in the partisan political affairs of a host country, or in a host country's relationships with other countries, whatever their ideology. It has no right to contribute corporate funds to help any political person or party come to or retain power, or to buy favor for its own operations. This political neutrality must not however, lead the foreign corporation to participate in any kind of violation of human rights. While it has no legal basis for seeking to obtain political decisions favoring either the company interest or that of its home country, it has a moral responsibility, in all matters of production, employment and distribution, to seek to persuade a host country guilty of repressive practices, to respect the principles of the Universal Declaration of Human

Rights—accepted by member governments of the United Nations as “a common standard of achievement for all peoples and all nations.” The church commends and supports firms which try to improve the lot of those in any society who are subjected to systematic injustice and repression. If any company chooses to continue to operate in a country where there is little justice and less freedom, it is only by effective efforts of this kind that its presence there can possibly be justified. But no company should enter any country with investment if the government of that country has been declared illegal by the International Court of Justice.

Transnational business operations, even in countries that respect human rights and strive to improve the living standards of all their people, involve choices that raise issues of fairness. When a U.S. corporation closes down any part of its domestic production in order to relocate a facility abroad, it is morally obligated to assure that workers thus deprived of their present jobs have opportunity for other assignments or training for different kinds of employment. It should cooperate with government to secure for all such workers adequate income while they and their families are involved in this involuntary transition.

Church Action: To Maximize Developmental Impact

The church is called by its faith to ask those engaged in transnational business:

- a. to accept as an integral and primary part of their responsibility a concern to improve the welfare and to enlarge the dignity of the people of the countries where they operate; and
- b. to make their general decisions and to carry out their day-to-day operation with this responsibility constantly in mind.

The church can have an important impact in four areas:

1. Local churches and conferences, through study groups mobilizing their own members who carry broad responsibilities in business, labor, academic, welfare and political institutions, should strive to obtain a better understanding of the operations of the economic system and the existing and potential role of transnational business in the system. With this background it should be possible to make a critical examination of the actual performance of transnational business and the extent to which it can or cannot contribute to meeting contemporary human needs on a world scale.
2. Through international ecumenical church relations American church people should seek the informed judgment of people in the less developed countries on the impact of foreign investment upon the developmental goals and general culture of their countries. Such information should help the American churches to have a better understanding of the appropriate role of transnational business and to bring to the attention of the American management of transnational firms the perspective of candid fellow Christians in the less developed countries.
3. Members of the church and their leaders, after informing themselves thoroughly on the complex issues involved in the responsible conduct of transnational business, should take advantage of every opportunity available to them, wherever they may be situated, to make this responsibility known and to use whatever influence they may have to move the operation of transnational business toward fulfillment of this purpose. Such opportunities may include (i) rational and temperate public discussion of these issues, (ii) efforts of informed persons and organizations to develop, in consultation with the corporations and their home and host country governments, guidelines for the conduct of transnational business affairs, and (iii) the establishment of lines of effective accountability for U.S.-based transnational corporations to both their shareholders and the general public within a framework of U.S. Government policies favorable to socially constructive transnational business activities.
4. The churches of the United States, as substantial shareholders in many of the U.S. transnational corporations, need to face squarely the fact that how their money makes money is as truly an ethical

and theological matter as how they spend the money that it makes. Every church member, local church, conference, national instrumentality, and related educational or welfare institution that holds investments has a moral obligation to be a responsible shareholder. In view of the growing impact of transnational business on the lives of many millions of people everywhere, this responsibility is now far greater than most shareholders realize. Every United Church investing group should, at the very least, review the operations of the corporations in which it holds stock in the light of the declared social priorities of the United Church of Christ, determining whether such operations promote or impede the achievement of Christian social goals. This would include providing for a responsible review committee to study corporate reports and annual shareholder to vote on each public interest proposal presented. In full ecumenical cooperation, the various shareholding bodies in the United Church of Christ should continue to work with the business corporations in which they are investors to develop and promote sound policies that will maximize the contribution of all such business enterprises to the process of mass economic development at home and overseas.

The Tenth General Synod encourages all church members to study the Working Group Report entitled 'The Role of Transnational Business in Mass Economic Development.'³

³ "The Role of Transnational Business in Mass Economic Development," United Church Board for Homeland Ministries, New York, 1975. (Available from the Office of the Secretary, United Church of Christ, 297 Park Avenue South, New York, NY 10010)