Multinational Corporations Are Overlooked Players in Stability, Security, Transition and Reconstruction Operations

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MULTINATIONAL CORPORATIONS ARE OVERLOOKED PLAYERS IN STABILITY, SECURITY, TRANSITION & RECONSTRUCTION OPERATIONS

By

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Introduction. It has long been acknowledged that multinational corporations (MNCs) have acquired legal personality under international law. Unlike states, however, MNCs are not precluded by notions of sovereignty and territorial inviolability. In the narrative of rogue and failing states and the emerging international norm of humanitarian intervention, most observers characterize MNCs as villainous predators. In states that have a permissive regulatory environment, MNCs exploit cheap labor, enable authoritarian regimes, and pollute the environment. Some observers believe that MNCs are also positive forces that contribute to the economic and political stability of the state and its people. Either way, combatant commanders need to recognize that MNCs are significant players to be included in planning for Phase IV, military support to stability, security, transition and reconstruction operations (SSTRO).  

The military has a difficult time relating to the culture of civilian, “do-gooder,” not-for-profit organizations, and the difficulty is mutual. The military does have, however, an entrepreneurial mindset, having participated in the rough-and-tumble of lobbying and contracting since the 1950s to build a powerful military-industrial-congressional complex. Much has been written about the role of private security contractors such as Blackwater in SSTRO, but their role is minor compared to behemoths like companies in the extractive industries, for example. Of all agencies involved in SSTRO, the military is best equipped to coordinate with these major players to achieve political and economic stabilization in rogue and failing states. If left unchecked, however, MNCs can work against military objectives.

Military Doctrine Has Overlooked MNCs As International Players in SSTRO. Military doctrine about private players in SSTRO has focused on nongovernmental organizations (NGOs) and contractors and has virtually ignored private corporate actors, namely MNCs. Joint Publication 5-0, Joint Operation Planning, repeatedly discusses the need for joint force commanders and their staffs to “coordinate and synchronize joint force actions” with other states,
agencies, IGOs and NGOs, but mentions MNCs only once, in the context of possibly having them “restrict transactions” as a deterrent option.³ Joint Publication 3-57, Civil-Military Operations, mentions “multinational corporations” only once, acknowledging that they are among the many “institutions that influence and interact within the operational area.”⁴

The Army War College Guide makes only passing reference to MNCs as actors in the international system.⁵ The Army Doctrine Reference Publication on The Operational Process states that the operational commander must understand the behaviors of relevant actors in the operational environment, including “multinational corporations,”⁶ but MNCs are never mentioned again in the publication. The ambitious monograph The Guiding Principles for Stabilization and Reconstruction mentions corporations only once, in the context of discussing the need for “predictability, open markets, and fair competition through commercial laws.”⁷ But no effort is made in any of these and other military publications to describe the complex nature and role of MNCs and the impact of foreign direct investment (FDI) in SSTRO.

Scholars, on the other hand, recognize that MNCs, with their cross-border expansion of production,⁸ are powerful players in the development world,⁹ playing an increasingly greater role in the United Nations system.¹⁰ While states agonize over international law principles of sovereignty and non-intervention,¹¹ MNCs thrive as their capital moves across borders unhindered by such restrictive notions.¹² State control has declined due to privatization, globalization and the expansion of MNCs,¹³ and one writer goes so far as to say that MNCs “appear to be on the brink of superseding the state as the basis of international affairs.”¹⁴

*The Nature of Multinational Corporations.* There are an estimated 500,000 MNCs and foreign affiliates,¹⁵ and the extent of FDI is not entirely known. The U.N. Conference on Trade and Development reported in 2010 that FDI increasingly “has significant social, and often political, ramifications” and that “[t]here is a great need, therefore, for new statistical information
to measure these activities.” During the planning process, operational commanders need to consider the presence and activity of MNCs because, as one writer points out, “The areas of operations for US Command and the location of hydrocarbons and mineral resources often overlap.” What is the amount of FDI? Where is it directed? What impact is it having on host nation (HN) society? What is the MNC’s country of origin? What relationship does the MNC have with the HN government?

**The Activities of MNCs Can Be Inimical to Military Objectives.** MNCs are generally perceived as the enemies of human rights, because they allegedly exploit and abuse of labor, damage the environment, introduce unsafe products and technologies, displace local businesses, displace indigenous peoples, and support regimes that violate the human rights of their peoples. All of these are, of course, inconsistent with military objectives in SSTRO to achieve stability in a rogue or failing state.

In Bosnia-Herzegovina and East Timor, for example, both the international community and MNCs exerted pressure on local governments to permit massive amounts of FDI, “free of the kinds of investment constraints that were the product of the efforts of decolonised states to create a new international economic order during the 1970s.” Standard Oil has been accused of being complicit with the Sudanese government in the genocide of civilians to clear the way for oil production and transportation. When Aristide returned to the presidency in Haiti, President Clinton pressured Haiti to open its markets to MNCs which took over much of Haiti’s agricultural, construction, and banking sectors. In Iraq, under Paul Bremer, Iraq’s economy was transformed into a free-market economy open to MNCs which kept Iraqi corporations and Iraqi workers out of the process of rebuilding of Iraq.

**The Activities of MNCs Can Be Beneficial to Military Objectives.** While unchecked FDI can frustrate stabilization efforts, coordinated FDI can help to rescue failing states and reform
rogue states. The prevailing view is that MNCs prefer “repressive states capable of crushing
efforts by labor to secure better wages or working conditions.” But an International Labour
Organization study found a positive correlation between “core labour standards” and FDI. Some writers acknowledge the potential socio-economic benefits of FDI such as the inflow of
technology and capital equipment, improvements in infrastructure, the technical training of local
labor, and an increase in exports.

FDI in land can lead to improved living conditions and infrastructures by establishing
schools and health care organizations. And through productive agricultural use, it can help to
resolve hunger issues. A Food and Agriculture Organization survey of African agriculture
reported that MNCs in Uganda contributed to the construction of schools, HIV prevention, and
counseling services. Consider as well Wal-Mart and its 2011 announced plan to open 275 to
300 stores serving “food deserts” between now and 2016.

Several studies have also found a positive correlation between “the extent to which a
country honors civil liberties . . . and the amount of foreign investment that the country
receives.” As Meyer observes, “Foreign investment is positively associated with both civil
liberties and political freedoms,” because investors favor the free movement of goods and
people, and stable, transparent regimes. Statistics tend to show that FDI is an incentive for a
state to improve its human rights conditions, because states that uphold human rights tend to
receive more FDI than states that do not. Consistent with military objectives, investors want
stability, so they naturally prefer an environment in which a state government does not repress its
citizens.

In Rwanda, for example, American internet millionaire Greg Wyler’s company Terracom
has worked with the government to make Rwanda completely wireless. Rwanda President Paul
Kagame launched the Business Call to Action to “invite more firms (multinational) to invest in
Africa and in the developing world in general.” And despite its lack of a central government, Somalia has attracted FDI from MNCs such as Coca–Cola, Dole, DHL, and affiliates of General Motors and British Airways. Other opportunities are present in The Philippines, which has large undeveloped copper and gold reserves, and in Nigeria, where Shell Corporation provides support in healthcare, education and agricultural services. As Jason Thomas asks, “Could US AFRICOM military planners benefit from working more closely with corporations such as Shell?”

**Conclusion.** One bit of evidence that the military understands the beneficial effects of MNCs is the fact that, of 372 industrial sites bombed by NATO in Kosovo, no MNC sites were targeted. But the military needs to pay even closer attention to MNCs as a significant player when developing plans for SSTRO. Simply acknowledging their existence and leaving them alone is not enough. The military works closely with governmental, intergovernmental and non-profit organizations in SSTRO, but there is little evidence of any attempt to plan for and coordinate with MNCs, and there is no doctrine on how to go about doing that. While the military is focusing on the need for interagency cooperation and trying to work out its cultural differences with the development world, the for-profit, corporate world pursues its own interests, virtually unchecked, with no planning or coordination with military planners.

Such lack of coordination poses potential risks and lost opportunities. An Organisation for Economic Co-operation and Development (OECD) publication notes that “the economic benefits of [FDI] are real, but they do not accrue automatically.” “[W]in-win situations should be possible if the right business model is in place.” Military planners need to coordinate with MNCs to ensure that they promote “national enterprises, assisting them in the process of building technological capability, . . . especially in the strategic sectors.” This way, the negative impacts of MNCs will be minimized, and the positive impacts will be maximized.
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Endnotes


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3 Joint Chiefs of Staff, Joint Operation Planning, Joint Publication 5-0, p. E-3 (11 Aug 2011).


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14 Laura Cruz et al., Policy Point-Counterpoint: Is Westphalia History?, 80 INT’L SOC. SCI. REV. 151, 153 (2005). See also Duncan B. Hollis, Private Actors in Public International Law: Amicus Curiae and the Case for the Retention of State Sovereignty, 25 B. C. INT’L COMP. L. REV. 235, 236 (2002), available at lawdigitalcommons.bc.edu/cgi/viewcontent.cgi?article=1170&context=iclr (last visited Feb. 18, 2013) (“states no longer dominate the international landscape, as international organisations and private actors (e.g., multinational corporations, non-governmental organisations (NGOs), and even individuals) exercise increasing influence in the creation, implementation, and enforcement of international norms.”).
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must not neglect the possibility that international investment law and human rights effectively can complement each other.”).


35 Id.

36 Law, supra note 29, at 1318.

37 Id. at 1316.


42 See MNCs and Stability Operations, supra note 17.


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