

Abstract Doctoral Thesis

Ethical Reflections on Backward Linkages between Transnational Corporations and Domestic Small and Medium Enterprises in Developing Countries: An Exploratory Case Example from Brazil

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Backward linkages between transnational corporations (TNCs) and domestic small and medium enterprises (SMEs) feature prominently in the debate on the development impact of ‘big business’ in developing countries. In this debate, it is widely acknowledged that backward linkages hold a vast potential to be development-conducive by generating spillover effects. The degree to which this potential comes to fruition is, however, rather sobering. This study finds that, contrary to the research focus in this arena, it is not the character of the investment but the character of the investor that determines if backward linkages contribute to development efforts.

This study explores the normative foundations of good development and the role of TNCs therein. Traditionally, as well as in today’s mainstream, development thinking is highly utility focused. The capabilities approach advocated here provides an alternative framework for the analysis and evaluation of development based on the enhancement of peoples’ ability to freely choose to live a life they have reason to value rather than the mere generation of a certain income or growth figure. This study provides the foundations for determining TNCs’ shared responsibility for the creation of development-conducive linkages in their host economies. Only if they accept normative legitimacy as a precondition for profit-related aims can TNCs embrace their responsibilities and, thus, create the basis for linkages that nourish development.

The exploratory case example of a United Nations program supporting linkages formation in Brazil confirms the expectation that the positive development impact from spillover effects resulting from backward linkages do not materialize automatically. Left

to market forces, these spillover effects will only occur accidentally, as the 'business case logic' demands that the TNC should subsequently fully absorb the value of any investment in linkages partners. Spillovers are, however, the exact opposite: they occur when the investor does not fully absorb the value generated from investments.

Hence, one can only expect linkages in developing countries to provide more stimuli for development efforts if TNCs emancipate themselves from an overly rigid application of short-term-oriented business case thinking towards a deliberate will to act as development-conducive corporate citizens. In the absence of coercive policies, responsible TNCs align their efforts with third-party institutions that moderate the discourse on developmental aims and ways in which linkages contribute to them.