PART VI

IB models

15. Multinational corporations through the uneven development lens

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INTRODUCTION

Much popular rhetoric has bestowed this age as the triumph of capitalism over the command-and-control socialist economies (Friedman, 1999). This liberal brand of international capitalism, with open trade, private enterprise and global enterprise through multinationals and the like, has coincided with massive increases in trade and investment flows, national growth and national incomes (World Bank, 2000). Still, while the world's nations become richer, billions of people are left behind. Will this trend continue? Do MNCs add to, or decrease, the poverty and income inequality experienced by many citizens of rich and poor countries alike?

Our chapter looks at some recent trends in international business. In doing so, we revisit a fairly old – largely discredited – literature: that of uneven development. While many of the prescriptions of the uneven development school like import substitution policies have been debunked, it still provides accurate predictions of certain current events such as terrorism. Still, uneven development misses many recent phenomena like knowledge competition and the rise of NGOs. So we set out to view the contemporary MNC through the lens of uneven development in order to give some insights as to its role with inequality and poverty.

As we went through this exercise, we reflected upon the fundamental assumptions of the uneven development school regarding the economy and the state. The uneven development school places the state squarely in the realm of economic affairs – that of serving business interests. The rules created by the state ensure that capitalist interests continue to appropriate the lion's share of the profits from commercial activities, while non-capitalists, predominantly labor, receive little. Over time, the relative living standards for workers deteriorate and income inequality increases. Later in the chapter we provide some evidence, primarily from the works of liberal school economists, which largely challenges this assertion. The World Bank-affiliated studies (for example Dollar and Kraay, 2001a) have shown that as countries create mechanisms to foster international commerce, the poor become – contrary to the predictions of uneven development theory – better off, not worse. We show, in looking at knowledge competition, that certain workers in developing countries do quite well – even in comparison to their rich world counterparts – in some high-technology industries. However, generally unacknowledged by liberals, the condition of the world is not altogether rosy. We still have global terrorism – multifaceted in nature, but seemingly connected to the economic and political disenfranchisement of a huge swath of humanity. As predicted by the uneven development school, poverty and inequality remain. Surprising and sobering, the assumptions of the uneven development position hold more than most liberals wish to admit. For international commerce, public sector officials and private sector managers should reflect upon their actions to mitigate such negative consequences.

THE UNEVEN DEVELOPMENT POSITION

The basis of the uneven development position, also known as the underdevelopment position, is that international exchange is inherently unequal (Gilpin, 1987, p. 273; Roxborough, 1979, pp. 60–2). That is the international capitalist system, through both foreign trade and investment, systematically favors certain types of countries over others, as well as certain types of workers (for example highly skilled) over others (unskilled). Over time, the gap between the 'favored' developed countries (high-skilled workers) and the 'unfavored' underdeveloped countries (low-skilled workers) becomes greater. Historically, colonialism and now multinational corporations (MNCs) are the primary tools for implementing this systematic exploitation of the underdeveloped world.

The Marxist-Leninist ideology drives the uneven development view, although with different conclusions. The Marxist-Leninist doctrine is that international capitalism is imperialistic, expansionary, conflict provoking and inherently unstable. International capitalism, via MNCs and foreign trade, reaches from the core for the bountiful raw materials and labor of the periphery that in turn diffuses technology and industry from the developed to the developing nations. In the long term, this process is destructive to the developed countries as they are unable to compete with these low-wage and newly industrialized countries. MNCs, over time, may shift allegiance to developing countries from their developed-country roots.

Thus Marxist-Leninists see international capitalism as progressive because it ultimately leads to the defeat of the capitalist system.

The uneven development view departs from the Marxist-Leninist's optimistic conclusion. International capitalism is seen as harmful, exceedingly so over time, to developing nations and their peoples. Within uneven development there are two primary camps: (1) the structuralists and (2) the dependency theorists.

The Structuralist Position

Structuralists partition the world into two types of countries. The core consists of developed, industrialized, technologically proficient countries, with representative democracies, while the periphery, to which most countries belong, is underdeveloped, mostly agrarian, low tech, highly populated, disproportionately dependent upon natural resource commodity trade, with social and political forms favoring elites over the masses (Prebisch, 1959). International trade and FDI expand this gap, whereby the core countries import raw materials from the periphery and export back manufactured and technologically enhanced goods and services. Whereas trade liberals see mutual gains from such exchange, structuralists view that the terms of trade for developing countries' commodity-like natural resources and basic manufactured goods wither against the output of high-technology manufacturing and service firms operating in the rich countries under different supply and demand conditions. Pay-offs to developing-country elites consist of dominant control of political institutions, economic entities such as national franchises, and major landholding.

Furthermore the technology transferred from the core countries to the periphery is primarily limited to the production of commodities like textiles and raw materials that are exported to the core (Gilpin, 1987, p. 276). When this new technology increases the efficiency of commodity and natural resource production, it also reduces employment in such sectors. As technology increases the need for skilled labor, it further discards unskilled workers who are overwhelmingly poor. Combined with imperfect market structures (Caves, 1982; Hymer, 1979), immobile factors of production, and low domestic savings rates, the overall effects are high levels of unemployment and low wages in the periphery countries (Gilpin, 1987, p. 276). MNCs also attract local capital that further retards capital formation for some of the less advanced sectors of the domestic economy (Roxborough, 1979, p. 59).

To break this cycle, structuralists typically focus on host country public policies. Originally, the policy of 'import substitution' – whereby the periphery country protects its domestic industries against imports, subsidizes domestic industries, particularly in manufacturing (including seeking FDI for such purposes), and enters into preferential trade arrangements with other periphery nations (for example the formation of the Andean Pact in South America in 1969) – was preferred. Import substitution was seen as most desirable to small countries with mostly agrarian or natural resource sectors that faced declining terms of trade with larger and more industrialized countries (Prebisch, 1959; Singer, 1950). In Latin America particularly, many countries embraced import substitution beginning in the 1950s. By the 1970s however, most of these schemes – which increasingly involved government expanding its scope of control over the domestic economy – collapsed under deteriorating terms of trade, fiscal and debt crises, high inflation, slow growth and increasing income inequality (Edwards, 1995). During the 1980s therefore, most countries had abandoned import substitution as a way of controlling FDI and trade. Since then host countries have provided structural controls on MNCs through policies such as domestic content requirements, export-performance requirements and technology transfer requirements, among others (Moran, 1998).

The Dependency Position

The dependency position also argues that the relationship between the developed and underdeveloped nations is one of systematic exploitation of the latter by the former. Dependency is 'a situation in which a certain group of countries have their economies conditioned by the development and expansion of another economy to which their own is subjected' (Dos Santos, 1970, p. 45, cited in Roxborough, 1979, p. 66). The rich countries, first through colonialism and now through mechanisms such as multinational corporations, extract benefits from poor countries through economic exchange. The dependency position indicts the international capitalist system, and not the domestic policies of developing countries, as the reason that the periphery countries remain poor.

Three camps lie within the dependency position. One, exploitation theory, posits that rich countries have taken what they need from the poor countries to remain rich while offering nothing substantial in return. The overall effect is that international exchange makes developing countries less well off than if they had engaged in independent development (Gilpin, 1987, p. 285). Imperial neglect, a second view, paints the world economy as primarily a game for the developed nations. Witness for example the volumes of foreign capital flows by source and destination: in 1998, capital flows into the developed countries were \$2.8 trillion, while capital flows into the periphery were \$1.3 trillion, and much less if China is excluded (*OECD Observer*, 28 January 2003). Rich country MNCs also control technologies that are by and large inappropriate for poor country development (Roxborough, 1979, p. 60). In that developing countries participate in the international capitalist system, it is only a small fraction of people, the elite, often related to or chosen by the former First World colonists, who enjoy the fruits of this exchange. The vast majority of the people – those with low skills – do not participate or benefit from global capitalism. The final position, called dependent or associated development, acknowledges that international capitalism has allowed a few poor nations such as Brazil and South Korea to move up the rungs to become middle-income countries. However this view says that this growth does not lead to national independence because it is predicated upon limiting conditions like overdependence on agricultural and other commodity markets, reliance upon multinational corporations in many sectors which slows the development of local enterprises and technologies, introduction of inappropriate technology (for example highly capital intensive rather than labor intensive), labor market distortions (MNCs generally pay wages that exceed those of domestic firms), and an over-reliance upon foreign capital which encourages authoritarian governments to provide political credibility to these outside investors.

According to the dependent development view, the solution to the negative effects of dependency is not import substitution, but revolution and the creation of a new, self-reliant, socialist state. Revolution is necessary to break the linkage between the core country financiers and industrialists and the developing countries' elites, all of whom benefit substantially in terms of wealth, power and social status from the present system.

CONTEMPORARY DEVELOPMENTS AND THE MNC

We now turn to five elements around the modern MNC. We describe each briefly and analyze how the structuralists and dependency theorists view each phenomenon. We will consider: (1) knowledge competition; (2) strategic alliances and joint ventures; (3) NGOs and anti-sweatshop campaigns; (4) terrorism; and (5) poverty. The first three elements create a group that one might think of as being part of an evolution of the technological, governance and social environment in which the MNC operates. The last two elements – terrorism and poverty – reflect how MNCs affect aspects of human welfare via physical and economic security.

Knowledge Competition

A feature of the multinational corporation is a wide geographic scope of operations in order to maximize firm value. Certain operations are split from the core country headquarters to other parts of the world, developed and developing, in order to lower costs of production, gain access to certain local expertise and customers, and to minimize political risks, among other reasons. Both the uneven development and the liberal views posit that capital flows to countries that offer locational advantages whether the source is natural resource, human factors or institutionally created.

Multinationals have shifted many manufacturing processes from core to periphery countries. While design remains in the developed nations, industries such as textiles and apparel, footwear, toys and bicycles have largely located production in developing countries. While some of this production is in response to specialized conditions (Porter's diamond conditions), most of this shift has been in response to cheaper labor rates and improved productivity by workers in these developing countries. While MNCs have brought new jobs, many in low-skilled areas may not be significantly bettering the lifestyle of their occupants.

Interestingly, in industries requiring high-skilled labor, such as in some of the high-technology industries, MNCs have seemingly greatly improved the situation of not only the workers but of others too. In many high-tech industries, the line between knowledge needed for design and manufacturing has become increasingly blurred. This phenomenon, known as 'knowledge competition' or 'learning by doing', states that the knowledge gained in manufacturing becomes a crucial input for the design of not only the next manufacturing process but also the next product (Udayagiri, 1993). Murtha et al. (2001) found that in the flat panel display industry, one with a highly complex and capital-intensive manufacturing process, the engineers at locations with high volumes of production made valuable insights to create the next generation of product. Because of automation, there are very few 'hands' and a lot of 'heads'. In this way, 'the hands become the heads', meaning that the locus of manufacturing becomes important for the sustainability of the firm and the industry. Thus flat panel displays that were pioneered in the United States in the late 1960s migrated first to Japan (the first high-volume producers), and then to South Korea, next to Taiwan, and now to China and Singapore (the locations that currently have the highest levels of production).

Structuralists view learning by doing with both delight and trepidation. The delight comes from the fact that if multinationals use developing countries primarily for their cheap labor, the 'learning by doing' phenomenon indicates considerable technology transfer through this process. With high levels of production, the developing country gains enough expertise to compete with firms from the core countries. Structuralists support incoming FDI and the benefits it brings in these knowledge-based sectors. The trepidation comes with the rapid dissemination of technology across borders. For knowledge competition industries, self-sufficiency seems impossible. Small economies in particular must remain open to investment and trade since their size does not permit companies to reach sufficiently high output levels to go down the learning curve as quickly as those located in larger economies. Another fear is that once received, investment might migrate to another country, especially if the other country offers more attractive skilled persons and technical infrastructure.

Dependency theorists too are ambivalent about knowledge competition. To some extent, it seems to be a feature of capitalism that leads to its downfall, at least in the non-producing countries. For example the United States is not now a leader in flat panel displays. As international capitalism increasingly places production into less-developed and cheaper countries, there is knowledge transfer to these countries that eventually results in their triumph over the core countries. At the extreme, learning by doing shifts the competitive advantage to the periphery from the core. Yet at the same time, it operates under a corporate system of production that subjugates workers to their capitalist masters, who are likely rich-world ex-pats or poor-world elites. It also favors educated workers over the uneducated. In this vein, knowledge competition does not achieve the type of egalitarian structure sought by the dependency theorists.

Strategic Alliances and Joint Ventures

Uneven development theorists have long viewed the emergence of the MNC as a modern tool of internationalist capital expansion. Like the imperial colony system, subsidiaries of MNCs represent an outward stretch from the rich world into the developing world to gain resources and profits. Multinational expansion however has increasingly been in the form of cross-border strategic alliances and joint ventures. To some extent, the increasing number of joint ventures, especially those between companies from developed countries and those from developing countries – typically the 'host' location of the project, are seen as just a variation of the MNC's wholly-owned subsidiary. Under limited circumstances, some of these joint ventures may shift some power to the developing country.

Structuralists view cross-border strategic alliances with concern, especially those with an export platform goal. Strategic alliances become a variant of the MNC tool that keeps developing nations participating only on the fringe of overall global production. When the operations in the developing country remain at the margins, the skills and technologies necessary to become self-sufficient do not pass to the local workers. Additionally, cross-border alliances may bring operations that are inappropriate for the phase of development of the country, like a capital-intensive investment in a highly populated agrarian country.

Structural theorists might permit two exceptions. Firstly, when cross-border strategic alliances are used to perform an entire operation within the border, whether for export or internal consumption, they would be condoned. When strategic alliances involve other local firms, they further develop the local economy: the idea of the cluster (Krugman, 1991). Over time, with proper policies, joint ventures may allow a developing country to become self-sufficient in production, independent of the developed country. Secondly, structuralists may support strategic alliances between the firms of developing countries (regional blocs) as a form of unified strength against core-country competitors.

Dependency theorists would uniformly oppose such strategic alliances when companies from both the First and Third Worlds are involved. Firstly, these alliances further subordinate the companies and people of the periphery. Secondly, in the periphery, strategic alliances only benefit the educated and privileged elite who manage the venture. As joint ventures move into high-technology areas, they often exacerbate this focus on the educated few to the detriment of the many. Thirdly, international strategic alliances do not necessarily make domestic firms in the periphery countries self-sufficient. The linkages with developed country MNCs further subjugate developing peoples to core-country domination.

Corporate Citizenship: NGOs and Anti-Sweatshop Campaigns

One of the fears, to many, of an open trading system is the so-called ‘race to the bottom’ in terms of the costs and the conditions of production. MNCs competing against other multinational and domestic firms seek out locations for production that minimize their overall costs. These costs include labor (including not only wages but the expenses to support workers such as plant safety), environmental and taxation costs, among others. The story goes that intense competition forces MNCs to seek out the lowest wages, cheapest working conditions and most lax environmental standards. Developing countries, needing foreign investment, comply by permitting, sometimes promoting (for example Bangladesh touts their ‘production-oriented’ labor laws in their export processing zones; see Bangladesh Export Processing Zones Authority, www.epubd.com/BANEPZA.htm, minimal labor and environmental standards.

Others however have offered evidence that MNCs do not drive the downward spiral. For example Christmann and Taylor (2001) found that in China, MNCs and their suppliers actually performed better than domestic Chinese firms on environmental performance. Spar (1998) argued that

MNCs perform better than domestic firms on social dimensions. Thus evidence is mixed that MNCs perpetuate a downward spiral of the conditions of production as predicted by the uneven development position.

The biggest change beginning the early 1990s has been the heightened scrutiny by non-governmental organizations (NGOs), especially those based in developed countries. A Google search pulled up about 20 NGOs specifically dedicated to sweatshops, including Co-op America, United Students Against Sweatshops, National Mobilization Against Sweatshops, Sweatshop Watch, and Feminists Against Sweatshops. Additionally, labor unions like the Union of Needletrades, Industrial and Textile Employees and the AFL-CIO have working groups specifically devoted to labor conditions in manufacturing. NGOs derailed the OECD's Multilateral Agreement on Investment in the mid-1990s because of fears of the deterioration of quality of life for people in developing countries due to globalization. Pressure by NGOs, and developed-country trade unionists, also bore fruit with the inclusion of labor and environmental side agreements in the North American Free Trade Agreement, the US free trade agreements with Jordan, Chile and Central America (not yet approved), and the environmental working group (note: much less movement on labor) within the World Trade Organization. Spar (1998) has said that this focus on labor and environmental issues in international commerce by NGOs has resulted in a spotlight on multinational firms, especially the biggest ones that operate in consumer goods industries (such as Gap in retail and Nike in footwear). NGOs from the rich countries have dominated indigenous NGOs from developing countries in bringing this pressure against MNCs.

If NGOs have become the new third player in the developed – developing country international commerce game, what does this mean for the uneven development view? If this NGO scrutiny is deep, it might replace import substitution as the policy solution for the structuralists. That is structuralists see that the operation of the international capitalist system leaves developing countries and the people within them worse off after every transaction, and thus advocate a policy of domestic development. However if NGO pressure is sufficient to return more of the fruits of production to labor (in terms of higher wages, or by minimizing personal costs in terms of improved working conditions), to the natural environment (perhaps by reducing environmental damage), and to citizens (in terms of higher taxes paid by the MNC), it may be a viable policy alternative to import substitution or investment controls.

The dependency view scrutinizes more heavily whether NGOs are sufficiently powerful institutions to break the alliance between the rich-world capital and industrialist class and their Third World bourgeoisie allies. At present, the evidence seems overwhelming that NGOs are substantially weaker than international capitalists. Firstly, NGOs have only been able to achieve minimal success in influencing the social practices of production. Few companies have been targeted (and virtually all have been in consumer product industries) and fewer have complied meaningfully to improve their labor or environmental conditions. Secondly, the international organizations that support multinational commerce most fully such as the IMF and WTO have only treated labor and environmental conditions on the edges. NAFTA, supposedly one of the most progressive multilateral treatments to date, provided only minimal guarantees in these areas (Schuler, 1996). Thirdly, many of the 'mainstream' environmental groups, and to some extent labor organizations, rely upon the very corporations that they monitor for their own support. MNCs have often funded research and other initiatives at NGOs about certain 'social' phenomena. Fourthly, many developing-country NGOs are funded by developed-country aid institutions, which could have a bearing on their positions and activities regarding developed-country MNCs. In a certain sense, dependency theorists may see many of the NGOs, especially the mainstream organizations from the developed world, as additional instruments to further the imperial scope of multinational domination.

Terrorism

As clearly demonstrated in the United States on 11 September 2001, and in Spain on 11 March 2004, the scope of terrorism knows no boundaries. While the principal coordinators of both of the attacks remain at large, some of the speculation as to the factors behind the attacks in the United States point to the imperialist nature of capitalism, particularly its 'American' blend. That is in large portions of the world (most of sub-Saharan Africa for example), and within rich and poor countries, many people find themselves overrun by international capitalism and the political powers that push it. This economic plowing-over threatens ways of living and cultures – what Thomas Friedman (1999) has termed 'the olive tree.' Terrorism seems to grow the most among individuals who perceive that they have prospects for a bleak future, often those who have not had access to developed school systems, healthcare, markets and other institutions. The backlash against capitalism is strong and real, and most likely will continue as international commerce expands and continues to exacerbate economic differences between nations and among peoples.

Terrorist activities arising from international capitalism are not surprising, but anticipated by uneven development theorists. International capitalism is seen as expansionist and provoking conflict between nations. It is also seen as a system where each transaction drives further the wedge between the capitalists and labor, between core countries and the periphery. Over time, the pressure to change the capitalist system builds, ultimately resulting in violence before the socialist state emerges as the resolution.

Structuralists view terrorism as a failure of developing countries to effectively adopt import substitution or other investment control policies. If we assume that the locus of most international terrorism lies within developing nations (note: clearly developed nations have terrorist elements too – witness in the United States the 1995 Oklahoma City bombings), then terrorism is a violent response to the failings of domestic policies to rectify the inequities of this broader international system. More precisely, if government subsidies, import protection, technology transfer agreements and other such policies had been more effective at promoting domestic industry for developing countries, both wealth and its distribution would have markedly improved. Furthermore the dominance of core country influences would be curtailed by such public policies. So the failure of developing nations to achieve economic and political autonomy through import substitution and FDI policies resulted in the sustained pressure of the disenfranchised and discouraged to engage in terrorist activities internally and abroad.

Dependency theorists see terrorists not only as inevitable, but as desired in overturning international capitalism. Since international capitalism harms development in the Third World, mere tweaks of the system through investment control policies and the like are not enough. Because the distribution of power is unfair, direct violence against rich countries and elites in poor countries is desired. Furthermore the Anglo-American liberal economic version of capitalism, with a focus on individual choices and rights, may be seen as proselytizing in developing nations that emphasize the group. According to dependency theorists, these terrorists should be dedicated to replace capitalism with a self-reliant, socialist and just state (Gilpin, 1987, p. 287). That self-sufficiency seems impossible to achieve, even for the United States or China, is not a deterrent.

Poverty

A great fear for the followers of the uneven development school is that globalization through multinational investment and trade makes most people worse off. Both the structuralist and the dependency theorists conclude that the vast majority of citizens become impoverished through a system of open trade and unfettered FDI. MNCs with their sophisticated products and efficient production and distribution systems dominate domestic producers, putting thousands of local workers into the streets. Furthermore MNCs often bring inappropriate, capital-intensive technologies to developing countries and employ only a very small portion of the educated elite. MNCs use their advertising acumen to push 'global brands' (Nike, Coca-Cola) on people who neither need nor can afford them.

For the most part, studies in developmental economics do not confirm these dire predictions. The World Bank has claimed that labor-intensive growth, aided by trade and FDI, is a major way to alleviate poverty. Dollar and Kraay (2001a, 2001b) indicate that as countries expand trade, the poor receive proportionate increases in income. Based upon a cross-country economic analysis, they state, 'There is no systematic tendency for trade to be associated with rising inequality that might undermine its benefits for growth and poverty reduction' (2001a, p. 22). A globalizing group of developing countries experienced 2.2 per cent annual growth for the poor, while a less liberal set of globalizing countries achieved virtually no growth during a ten year period (Dollar and Kraay, 2001a). As FDI is related to growth, a similar statement can be made about multinational investment. Additionally, FDI has the potential to improve the 'quality of growth' by reducing the volatility of capital flows, improving asset and income distribution at the time of privatizations, improving social and environmental standards, and improving social safety nets and basic services for the poor (Klein et al., 2001, p. 7).

Still, anecdotal evidence seems to support predictions on both sides of the debate about FDI and poverty (Moran, 1998). Dollar and Kraay (2001a) report on the experiences of several countries. China, the largest developing-country recipient of FDI, has experienced a greater income inequality since 1980. Some globalizers, such as Costa Rica and the Philippines, have not experienced much change in income inequality since liberalizing. Malaysia and Thailand have had less inequality since the 1980s. Vietnam, which opened up its economy in the 1990s, saw incomes of the poor rise significantly such that about half of its 1988 poor (which made up 75 per cent of the population) had risen 'out of poverty' by 1998 (Dollar and Kraay, 2001a, p. 5).

A pressing matter for poverty reduction concerns the types of workers that MNCs employ. It is generally acknowledged that MNCs pay wages and offer working conditions that are superior to domestic firms. Lipsey and Sjoholm (2001) show that not only do MNCs pay higher wages than locally owned firms, but locally owned firms raise wages as MNCs increase their presence. Aitken shows that in Mexico and Venezuela, MNCs pay higher wages than local firms. Rama (2001) points out however that not all types of labor seem to benefit from MNCs. With the exceptions of agriculture, natural resource extraction and basic manufacturing like textiles and apparel, MNCs generally do not employ low-skilled workers. Since most low-skilled workers are also poor, thus most MNCs are not directly adding to their incomes. As MNCs employ high-skilled workers, such as in the high-technology industries, the spread between skilled and poor unskilled workers increases. One notable exception is export processing zones that tend to generate high levels of employment for relatively low-skilled and predominantly women workers (Rama, 2001, p. 16).

OBSERVATIONS AND CONCLUSIONS

We sought to examine five contemporary phenomena involving MNCs through the two views from the uneven development ideology: structuralist theory and dependency theory. Although parts of the uneven development school have been discredited, such as the failed import substitution policies in Latin America and elsewhere, it still provides a credible framework to discuss some of the issues surrounding MNCs in the developing world.

We considered five issues around MNCS: (1) knowledge competition; (2) strategic alliances and joint ventures; (3) NGOs and anti-sweatshop campaigns; (4) terrorism; and (5) poverty. For some of these, such as terrorism, the predictions of the dependency theory camp of the uneven development school seem to have been borne out. Others, such as knowledge competition and NGOs, seem to offer new solutions to the structuralist camp.

Knowledge competition is the phenomenon of technology transfer through the manufacturing process that occurs in many high-technology, capital-intensive industries. Through knowledge competition, companies in countries that originally just manufactured certain items – we highlighted flat panel displays – are now the leading architects of the next generation of such items. Structuralists see knowledge competition as an economic event that might achieve domestic sovereignty. In this way, it might be a credible substitute for domestic policies to achieve such self-sufficiency. However structuralists worry about the ability of a developing country to create skilled workers and infrastructure necessary to attract and sustain such investment. Dependency theorists too are ambivalent about knowledge competition. The support comes from the fact that knowledge competition's implication is that the trajectory of technology development goes from the core to the periphery. Thus there should be a shift in technological superiority by 'former' less developed nations. Yet knowledge competition favors a select portion of individuals – typically highly trained employees. So it may not go very deep in achieving income equality in a country.

Strategic alliances and joint ventures are increasingly used as means of entering foreign countries. In a sense, they are simply different governance forms for multinational operations. Structuralists' support for strategic alliances and JVs revolves around how deeply the operation is embedded within the country's economy. That is if a foreign MNC sets up a JV with a local company to perform a particular operation (let us say manufacturing televisions) that is not performed by any other company or supplier companies, the JV is not much more than an assembly operation. But if the JV fosters further investment by other companies in the television or supporting sectors (glass and tubes, plastic cases, cables, semiconductors), then the structuralists might view it positively as contributing towards a self-sufficient industry. This resembles the economic cluster notion (Krugman, 1991; Porter, 1990). Dependency theorists are more skeptical about alliances and JVs; essentially these represent new forms of domination by First World MNCs.

The rise of NGOs – particularly in the 1990s – that focus on such activities as workers' rights and pay, democracy and the natural environment, is another development that affects MNCs. Structuralists view this ascendancy of the NGO as a credible institutional check over the behavior of MNCs. When NGOs press MNCs – often under media scrutiny – to do such things as raise wages and improve working conditions, they often succeed. In this manner, NGOs offer a substitute to domestic policies towards such outcomes. Dependency theorists have mixed views on NGOs. They support the international solidarity with their members as well as the outcomes achieved towards social and environmental justice. However dependency theorists are skeptical of NGOs, especially rich-country based NGOs, as essentially another 'establishment' institution that supports the existing power structure. For them, perhaps NGOs are just a mechanism to allow MNCs to dominate poor countries while occasionally tinkering on the edges by raising wages (from a very starvation wage to a starvation wage) or making a minor social concession.

Terrorism is a global phenomenon that gained increased salience in the United States after the 11 September 2001 hijackings and attack on its East Coast. Unfortunately terrorism is not limited to this incident. In that terrorism arises from politically, economically or socially disenfranchised people, globalization and the role that MNCs play likely bear some responsibility. Structuralists lament that developing-country domestic policies such as industrial development and the like failed to improve the condition of so many people. That is if the domestic reforms that lead to self-sufficiency had succeeded, there would be less impetus for terrorism, or at least terrorism that arises from economic conditions. Dependency theorists, on the other hand, are not surprised by terrorism but see it as an inevitable stage in the global political-economic evolution. At some point, the disenfranchised will rise against their oppressors. As they emerge victorious, a new, socially just way of organizing society shall be established.

Despite global economic growth, poverty remains a reality for over 1 billion people, predominantly living in developing countries in Africa and South Asia. Critics point to several ways that MNCs make this situation worse. MNCs bring in production techniques, often capital intensive, that displace local unskilled workers. MNCs bring in inappropriate technologies and create a small labor elite. MNCs push 'global brands' upon consumers who cannot afford them. Notwithstanding these critiques, many of which are true in particular countries or sectors, the consensus from developmental economists (by the way, almost exclusively trained in the 'liberal' school) is that MNCs have improved the lot of the poor. In countries that permit MNCs relatively open access to their markets, the incomes of the lowest quintile of society have increased, while the split between the richest and poorest has remained constant. Certainly there are exceptions, but overall MNCs have provided benefits for poor people, especially when they operate in low-skilled sectors (such as agriculture or textiles) oriented towards export markets. Structuralists remain skeptical about the role of MNCs in fighting poverty, especially with movements towards the knowledge sectors that require highly skilled workers. MNCs might succeed in creating new middle classes – that indirectly help the poor through such contributions as paying taxes for social services – but low-skilled workers, most of whom are poor, are unlikely to gain much on the production side. They might however benefit as consumers, as increased domestic competition puts downward pressure on prices, including some that are common goods like food. Dependency theorists see nothing positive from MNCs. Again, MNCs are the modern tool of exploitation, taking what they need and giving nothing. Elites in developing nations who benefit from MNCs maintain the system politically.

Ours was a reflection on a relatively old literature about globalization and MNCs. The uneven development theory posits that the state's subservience to economic interests leads to income inequality and poverty for the vast majority of persons. This result is both unjust and unstable. The liberal position on trade and investment however shows that international capitalism has raised the standard of living of many, including many of the poor.

Certainly some features of the modern MNC seem to spread the wealth to developing countries, notably knowledge competition. It should be noted that knowledge competition has been largely limited to a set of Asian countries, particularly China, India, Singapore, South Korea and Taiwan. Additionally, some extramural interests like social justice NGOs have pressured some MNCs to improve their working conditions and to a lesser extent wages.

We still see widespread evidence however of the failure of liberal economic public policies. Perhaps these policies rely too much upon unrealistic assumptions about the ability of developing-country governments to create credible institutions to deliver such benefits as education, healthcare, access to courts and other governmental agencies, general infrastructure and the like. These assumptions are seldom probed and may be the reasons that we see MNCs in many developing countries have failed to make much of a dent in reducing the number of poor persons. Unfortunately the results from the bleak logic of the uneven development school may be truer than liberals care to admit.

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