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# The Multinational Corporation and the Future International System

By CHADWICK F. ALGER

**ABSTRACT:** It has been asserted that the multinational corporation is an instrument for peace and will spur an era of international government. These claims must be viewed in the light of other changes taking place in the international system, particularly tendencies toward regionalism and increasing conflict between rich and poor nations. Multinational corporations, with headquarters in a few rich countries and directed by nationals of these countries, will increasingly be perceived as neo-colonial activities. Response to the multinational corporation, and other tendencies in the international system, make it likely that the future international system will be composed of large regional states, with increasing bipolarization between rich and poor regions. The major countervailing force, global, functional, intergovernmental organizations, will probably not be able to prevent this trend because of the unwillingness of the rich superpowers to permit these organizations to be responsive to the demands of the less developed countries. The greatest contribution of the multinational corporations may be their demonstration of the potential of nongovernmental international activity as a challenge to the intergovernmental system. Might new nongovernmental international movements be formed that cut across the widening rich-poor gap? If this bipolarization is to be checked, these new nongovernmental movements, intergovernmental agencies, and multinational corporations must build more symmetric organizations that permit full participation by interests in the less developed nations and are responsive to their needs.

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SPECULATION about the effects of the multinational activities of business corporations on the international system has produced widely divergent views. On the one hand, Roy Blough asserts, "It is not unthinkable that the ultimate entry of the world into an era of international government may come by way of the intergovernmental agencies already developed or to be developed to deal with problems presented by the large international corporation."<sup>1</sup> On the other hand, Robert Gilpin concludes "that the role of the nation-state in economic as well as in political life is increasing and that the multinational corporation is actually a stimulant to the further extension of state power in the economic realm."<sup>2</sup> While this extreme difference of opinion may be surprising, it is understandable. Until very recently, research and speculation on international systems have given almost no consideration to nongovernmental international organizations, whether they be profit or nonprofit. Virtually all attention has been devoted to nation-state units. Furthermore, the extension of the multinational activities of business corporations is taking place in the context of other concurrent changes in the international system. Speculation on the future requires the calculation of interactive effects among these other changes and multinational business activity.

#### TRENDS IN THE INTERNATIONAL SYSTEM

What are other changes that have been taking place since World War II?

(1) The number of independent na-

1. Roy Blough, *International Business: Environment and Adaptation* (New York: McGraw-Hill, 1966). Quotation taken from excerpt printed in *International Associations*, no. 2 (1972), p. 84.

2. Robert Gilpin, "The Politics of Transnational Economic Relations," *International Organization* 25, no. 3 (Summer 1971), p. 419.

tions in the system has greatly increased, primarily through the acquisition of independence by former colonial territories of European nations in Africa and Asia. Most of these nations are still attempting to develop viable national polities and economies, and endeavoring to fully realize their independence in the international system. (2) Regional integration is spreading among the older nations, particularly among the developed nations of Europe. With the development of the Andean Common Market and the Central American Common Market, the nations of Latin America are tending to explore the path followed by Europe. While the nations of Africa and Asia have also developed regional cooperation, they lag behind the older nations of Europe and the Western hemisphere. (3) The richer and poorer nations are developing greater group identity and developing institutions in which they can pursue their common concerns. The poorer nations of Africa, Asia, and Latin America have come together primarily in the United Nations Conference on Trade and Development (UNCTAD) through forming the group of "seventy-seven" (now actually ninety-six). The richer nations use the Organization for Economic Cooperation and Development (OECD) for developing common strategy in their relations with the poorer nations. (4) Global functional organizations, such as the World Meteorological Organization, International Civil Aviation Organization, and World Health Organization have grown modestly in importance, and there is increasing interest in the development of new global functional activities for the sea, environment, and outer space. While all nations have some interest in these activities, the richer nations tend to give them much higher priority than do the poorer nations who are more concerned with na-

tional development. (5) Nongovernmental ties between citizens of different nations have grown tremendously. For example, the number of nongovernmental international organizations grew from 1,000 in 1956 to 2,300 in 1970. This activity is more highly concentrated in Europe and North America than in the rest of the world. (6) Particularly in the larger, older nations—but not exclusively—sub-national units (urban, regional, and ethnic) rather than the nation unit, seem more relevant than in the recent past to the solution of some major social problems. In most cases this produces demands for decentralization rather than independence.

But all is not change. The competition of major powers for military superiority, spheres of influence, and allies goes on as in the past. But technology and new conflict strategies have changed the meaning of national power. Major powers are restrained from using their most destructive weapons because of fear of retaliation. Their overseas activities are highly vulnerable to guerrilla warfare, kidnapping, and hijacking. Major powers are also increasingly restrained by new international norms. Global acceptance of the doctrine of self-determination has almost eliminated overseas colonies.

While not yet as widely accepted, new norms are being developed on obligations of rich nations to poor nations, such as the UN Declaration on the Second Development Decade, calling for the narrowing of the gap between the rich and the poor nations of the world. The more independent, less developed nations are trying to use the UN system as a means for closing the gap, through revision of terms of trade and increased multilateral assistance for development. The failure of the third UNCTAD Conference in Santiago, Chile, in May 1972 to respond to the demands of the less developed nations reflects the suc-

cess of the major powers in preventing really significant response of the UN system. While the less developed nations find it difficult to generate common policies because of their great diversity, the unresponsiveness of the major powers in the UN system seems to be increasing the group identity of the poorer nations. On the other hand, as their demands for economic redress through the UN system increase, the major powers seem to have decreasing interest in the UN. With the diminution of the Cold War, the United States and the Soviet Union are increasing their bilateral contacts. The Western big powers and Japan are increasingly using multilateral institutions outside the UN, such as the OECD.

Thus, in conjunction with growth in the multinational activity of business corporations, a number of changes are producing an international system of greater variety and complexity. These are reflected in tendencies toward fragmentation, regional integration, global integration, rich-poor polarization, and efforts by major powers to maintain the basic character of the status quo. The multinational activities of business corporations, and reactions to these activities, can have significant effect on which tendencies are strongest in the future.

#### MULTINATIONAL CORPORATIONS AND PEACE

Many believe that the very structure of the nation-state system has generated conflict that has led to violence. This is based on knowledge that the activities of most citizens tend to be contained within the boundaries of their nation. Because of this, the units of the nation-state system are not sewn together by the same variety of boundary-crossing activity that takes place across the territorial sub-units within nation-states. This makes it more difficult for citizens of different countries

to discern common interests and collaborate in common activities. It makes it more possible for citizens and their governments to hate, and to engage in violent response to the acts of their counterparts in other countries. (When territorial, and other subgroups, within nation-states are not sewn together by boundary-crossing activity, violence is believed to be more likely within nations as well.)

The UN can be seen as one effort to diminish the restraints that the nation-state system places on interaction across national boundaries. While a variety of specialists get involved in UN activity throughout the UN system, participants are primarily government officials. Limited success of the UN can be partially attributed to the fact that its participants are primarily national officials who have a vested interest in maintaining the nation-state system in its present form. Also, does not the UN function under impossible conditions? Could it not be more successful if there were a more integrated global community, that is, more highly developed nongovernmental organizations cutting across national boundaries? Might it not be possible for really strong international nongovernmental organizations to challenge the tendency of nation-states to prevent fundamental change in the international system?

Frustrated by the apparent inability of governments to facilitate needed reform in the organization of the nation-state system, some observers have reacted exceedingly positively to the success of business corporations in moving across nation-state boundaries. In this activity they have seen great potential for peace. For example:

The multinational corporation . . . is fundamentally an instrument for peace.<sup>3</sup>

3. Neil H. Jacoby, "The Multinational Corporation," *The Center Magazine* 3, no. 3 (May 1970), p. 54. Quoted by Jonathan F. Gallo-

It [the multinational corporation] can thus provide the adhesive which can do more to bind nations together than any other development yet found by man in his pursuit of peace.<sup>4</sup>

It is possible that the international firm can be part of an economic community on the world level, including East and West, North and South, a community in which the bombing of suppliers, customers and employees of the same firm will not be found desirable or permitted. Since the super-giant firms will be represented in all countries, war will not be possible.<sup>5</sup>

There is no doubt that the multinational activities of business corporations have been very successful in binding together citizens from around the globe in highly successful collaborative activity. While they have often had to bow to the restraints placed on them by national governments, they have sometimes successfully maneuvered around those restraints. Those who participate directly in the activities of multinational corporations, and those who invest in them, have a stake in the continued activities of these corporations. This gives them an added incentive to prefer peace over violence and other forms of international relations that would interrupt the multinational activities of business corporations. But evaluation of the potential impact of these corporations on peace and other international issues requires more searching examination of their activities, such as location of headquarters, nationality of leadership, and location of overseas activity.

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way in "Multinational Enterprises as Worldwide Interest Groups," *Politics and Society* 2, no. 1 (Fall 1971), p. 13.

4. Roger Blough, as quoted by Robert W. Cox in "Labor and Transnational Relations," *International Organization* 25, no. 3 (Summer 1971), p. 579.

5. Howard V. Perlmutter, "Super-Giant Firms in the Future," *Wharton Quarterly* (Winter 1968), p. 14.

According to Raymond Vernon, "perhaps three out of four" multinational corporations are headed by parent companies located in the United States.<sup>6</sup> Most of the remainder are located in Western Europe and a few are in Japan. None have headquarters in the Third World. Pierre Uri writes that "there are only three authentic examples of companies which, in respect of the head office, are not dependent on one single nationality; and even these extremely complex and particular constructions only straddle two countries."<sup>7</sup> Kenneth Simmonds reports that in 150 of the largest U.S. multinational firms, only 1 percent of the senior executives at headquarters are non-U.S., even though the income generated overseas is about 20 percent of total.<sup>8</sup> "Given the fact that key financial, personnel and product decisions are made at home headquarters," Howard Perlmuter concludes that "this statistic is important in accounting for the degree of ethnocentrism found in many U.S. corporations."<sup>9</sup>

Judd Polk has claimed that the role of the multinational corporation in the internationalization of production is "the most important structural event to have occurred in many years and very likely on a par with the Industrial

Revolution."<sup>10</sup> Yet, he is deeply concerned with the inability of the multinational corporation to help bridge the gap between the rich and poor countries:

Much less encouraging, in fact disturbing, is the very limited success of companies or other institutions to connect up the less developed world to the power grid of the more developed. There even appears to be the possibility that the most developed [the United States] will not just reduce the flow of resources to other areas but may actually absorb real resources.<sup>11</sup>

Considering the concentration of their headquarters, leadership, and activity, can multinational corporations "bind nations together" and thereby facilitate man's pursuit of peace?

#### PROJECTIONS OF FUTURE DEVELOPMENT

Were the answer Yes, the projections of some on the future development of multinational business corporations would be cause for great optimism about world peace:

In another twenty years 600 or 700 corporations will control most of the business in the non-Communist world.<sup>12</sup>

Present trends could produce a regime of 300 or 400 multinational corporations controlling 60% to 70% of the world industrial output.<sup>13</sup>

But when we consider the firms of the future—of 1985—it is clear we are talking

10. Judd Polk, "Economic Implications of the Multinational Corporation," in "The Multinational Corporation" (Washington, D.C.: Department of State, Office of External Research, February 1969), p. 18.

11. *Ibid.*, p. 29.

12. George A. Steiner and Warren M. Cannon, *Multinational Corporate Planning* (New York: Macmillan, 1966), p. 4. Cited by Peter B. Evans in "National Autonomy and Economic Development," *International Organization* 25, no. 3 (Summer 1971), p. 676.

13. Stephen Hymer, as quoted by Evans, "National Autonomy," p. 676.

6. Raymond Vernon, "International Business and National Economic Goals," *International Organization* 25, no. 3 (Summer 1971), p. 694. Vernon defines a multinational corporation as "a cluster of corporations of different nationalities that are joined together by a parent company through bonds of common ownership that respond to a common strategy, and that draw on a common pool of financial and human resources."

7. Pierre Uri, "Multinational Companies and European Integration," *Interplay* (November 1968). Quotation taken from excerpt in *International Associations*, no. 2 (1972), p. 87.

8. Reported by Howard V. Perlmuter in "Super-Giant Firms in the Future," *Wharton Quarterly* (Winter 1968), p. 11.

9. Perlmuter, "Super-Giant Firms," p. 11.



about giants, or perhaps super-giants . . . the firms doing \$600 million or more sales, now on *Fortune's* list, will be doing from \$5 billion to \$160 billion worth of sales, . . . the million-man firm should not be unusual. Clearly, the 300 of 1985 will be super-giants in size and power.<sup>14</sup>

In the absence of some regulatory scheme the culmination of present trends will be a world organization of individual industries. . . . Such a situation may leave individual nation-states relatively helpless in the face of a powerful closely interlocked and geographically mobile network of industrial enterprise.<sup>15</sup>

While this growth would not necessarily be accompanied by continued domination by headquarters in a few developed countries manned by officials from these countries, this could be the case. In reacting to these projections, many fear that this domination will continue, particularly those with Third World interests in view. For these people the projections stimulate efforts to prevent them from coming true.

Partly as a result of opposition generated by projections of the expected growth of multinational corporations, some believe that this growth will be dramatically checked. Addressing himself to the future of the multinational corporation in the Third World, W. N. Dunn concludes that "there seems to be more evidence that the MNC [multinational corporation] is on the decline than the contrary."<sup>16</sup> Robert Cox as-

serts, "As the historical thrust of the multinational corporation becomes more apparent and more publicized, the reaction against it may be expected to follow with growing force."<sup>17</sup> Stephen Hymer, despite his own projections cited in the last paragraph, concludes, "One could easily argue that the age of the Multinational Corporation is at its end rather than at its beginning."<sup>18</sup>

#### PROPOSALS FOR GLOBAL INSTITUTIONS

Since the future impact of the multinational activities of business corporations on the international system will no doubt be affected by reactions to their current growth, some additional insight might be obtained by examining proposals for controlling and shaping their growth. Proposals range from supranational institutions, to mechanisms for facilitating international negotiations, to proposals for national action and changed patterns of multinational corporation behavior.

George Ball has been an active spokesman for "an international companies law" to be administered by a supranational body. He sees that conflict will increase between the world corporation, which is a modern concept evolved to meet the requirements of the modern age, and the nation-state, which is still rooted in archaic concepts unsympathetic to the needs of our complex world. He would resolve this conflict by denationalizing multinational corporations which he refers to as the

14. Perlmutter, "Super-Giant Firms," p. 8.

15. Paul M. Goldberg and Charles P. Kindleberger, "Toward a GATT for Investment: A Proposal for Supervision of the International Corporation," *Law & Policy in International Business* 2, no. 2 (1970), pp. 295-96.

16. W. N. Dunn, "The Multinational Corporation and Third World Modernization: Toward a Strategy of Research and Action" (mimeographed), University of Pittsburgh, Graduate School of Public and International Affairs, February 1971, p. 21.

17. Robert W. Cox, "Labor and Transnational Relations," *International Organization* 25, no. 3 (Summer 1971), p. 584.

18. Stephen Hymer, "The Multinational Corporation and Uneven Development," in "A Foreign Economic Policy for the 1970's," Hearings of the Subcommittee on Foreign Economic Policy, 91st Congress, 2nd Session, Washington, D.C., 1970, p. 907.

"cosmocorp."<sup>19</sup> Among others, Ball is supported by Goldberg and Kindleberger,<sup>20</sup> and by Howard V. Perlmutter, who sees that the UN has a key role in developing rules and laws for governing the activities of multinational corporations, particularly because of his projected growth in their size. He believes that "it is the responsibility of the leaders of today, both business and political, to insure that the power the firms will possess will not be abused, and that the firms fulfill their potential as constructive institutions for world prosperity."<sup>21</sup>

But there seems to be little likelihood that supranational controls will be developed in the near future. Several, including some—like Goldberg and Kindleberger—who would prefer supranational controls, propose the creation of an international forum in which national policies affecting multinational corporations could be harmonized. Kindleberger uses General Agreement on Tariffs and Trade (GATT) as a model in proposing a permanent institution where governments can negotiate on a regular basis. He and Goldberg suggest the formation of a preparatory commission to draft a General Agreement for the International Corporation similar to GATT. This agreement would include a few principles and limited machinery. It is envisioned that either companies or countries could submit questions to agency experts who would render recommendations. It would be hoped that the reputation of the agency for thorough analysis and impartiality would encourage voluntary acceptance of decisions. "As its status

in the world community improved, the agency could act as an ombudsman for corporations and countries seeking relief from oppressive policies."<sup>22</sup> Considering Ball's proposal too utopian at this time, Goldberg and Kindleberger see their proposal as a feasible means for evolving a more highly developed system through trial and error and through the development of a set of widely accepted precedents on which a more supranational system could be built.

Heribert Maier of the International Confederation of Free Trade Unions has a more elaborate proposal that calls for a convention to be drafted providing an international code of behavior to govern multinational company operations in both industrialized and developing countries. This convention would include clauses making it compulsory for multinational corporations to abide by International Labor Organization (ILO) conventions, particularly those dealing with freedom of association and the right of workers to engage in collective bargaining. He urges the creation of an autonomous international center patterned after that established by an international convention on the settlement of investment disputes in 1966. This center would operate under the auspices of ILO, World Bank, GATT, IMF (International Monetary Fund), UNCTAD, and OECD. Complaints about infringement of the convention would be heard before a tripartite body, consisting of representatives of governments, multinational companies, and trade unions.<sup>23</sup>

22. Goldberg and Kindleberger, "Toward a GATT," p. 323.

23. Heribert Maier, "The International Free Trade Union Movement and International Corporations," in "A Foreign Economic Policy for the 1970's," Hearings of the Subcommittee on Foreign Economic Policy, 91st Cong., 2nd Sess., Washington, D.C., 1970, pp. 833-34.

19. George W. Ball, "Cosmocorp: The Importance of Being Stateless," *Atlantic Community Quarterly* 6, no. 2 (Summer 1968), p. 165.

20. Goldberg and Kindleberger, "Toward a GATT," p. 319.

21. Perlmutter, "Super-Giant Firms," p. 14.



## OTHER PROPOSALS FOR CHANGE

Raymond Vernon suggests that developed countries join in a course of action that later might be extended to the less developed countries. First, limits would be imposed on the jurisdictional reach of each country into the territory of another through exercising their sovereign power over parent firms. Second, developed countries would agree to engage in continuous coordination of national policies in areas in which they have limited their jurisdictional reach. Third, nationalities of corporation entities would be "sorted out." For example, foreign-owned subsidiaries would forgo appeals for the support of governments of parent companies, but would be granted guarantees of national treatment by countries that have given them corporate life. Fourth, tribunals would be established to receive and adjudicate disputes concerning the forgoing agreements.

Vernon recognizes that U.S. corporations will continue to generate tension in less developed countries despite his observation that U.S.-based enterprises are much less intimately related to government than those of other major advanced countries. While making proposals for U.S. government action that might reduce tension, he doubts it will have much effect. Nevertheless, he proposes that the U.S. government even further reduce its influence on foreign subsidiaries through congressional withdrawal of the Hickenlooper amendment, which ties foreign aid to equitable treatment of U.S. investors in recipient countries. He also urges U.S. acceptance of the Clavo Doctrine—prohibiting foreign-owned subsidiaries from appealing to parent governments—in countries willing to grant national treatment to U.S. subsidiaries. Also recommended is increased use of multilateral agencies

for aid programs and U.S. implementation of tariff preferences for less-developed countries advocated by UNCTAD.

In testifying before the U.S. Congress, Melville H. Watkins, Professor of Economics at the University of Toronto, urged a quite different and more nationalistic approach. Because of foreign ownership of major industries in Canada, Watkins believes that Canada has lost its capacity to control inflation, employment, and rate of economic growth. While he presently does not presume to speak for the majority of Canadians, he foresees rising nationalism, with "a strong anticapitalist and socialist content." Wishing "genuine democracy" in Canada, and believing that "no institution is more undemocratic and more vulnerable to the charge of authoritarianism than the giant corporation," he advocates "public ownership, a Canadian economy owned and controlled by Canadians for Canadians."<sup>24</sup>

Howard V. Perlmutter urges that multinational firms themselves develop "capacities for survival" through a number of actions that would tend to eliminate the ethnocentrism he has observed in most firms. This would include better capacity to work with host governments with a variety of perspectives, better ability to integrate organizations and individuals from many countries into a single firm, and increased ability to stay in direct contact with users of company products and services. Overall, he sees "no other route than beginning now to build international companies, not companies based on U.S. or European domination of key positions."<sup>25</sup>

24. Statement of Melville H. Watkins in "A Foreign Economic Policy in the 1970's," Hearings of the Subcommittee on Foreign Economic Policy, 91st Congr., 2nd Sess., Washington, D.C., 1970, pp. 913-14.

25. Perlmutter, "Super-Giant Firms," p. 13.

# MULTINATIONAL CORPORATIONS AND THE FUTURE INTERNATIONAL SYSTEM

These observations on trends in the international system, projections on the future development of multinational corporations, and proposals for changing and regulating their activities encourage further speculation on the contradictory quotations in the opening paragraph of this essay. Will the multinational corporation, in the end, reinforce the nation-state system or bring a new era of international government? In other words, will the forces outside multinational corporations who wish to control and influence the further development of the multinational corporation call on the nation-state for assistance or bring to bear some form of international institution or activity? There is reason to conclude that both will occur—each in a different part of the world. With the growing strength of European and Japanese corporations and their increasing investment in the United States, some sort of intergovernmental collaboration among developed countries to diminish conflict over the activities of multinational corporations seems quite likely. Vernon believes that his proposals would have a greater chance of being launched among the developed countries both because parent firms would “prefer to limit any innovation of this sort to the comparative safety and security of the advanced countries’ jurisdictions” and because the less developed countries would fear the domination of the developed countries in any intergovernmental tribunal.<sup>26</sup> This suggests that the multinational corporation may spur further integration of the developed nations.

On the other hand, response to multinational corporations may intensify the

power of the nation-state in the less developed countries as competing interests in these countries look to the nation-state as the only available countervailing force. As Peter B. Evans has written, those concerned with national development “cannot count on having their welfare maximized by relying on the unseen hand of economic interchange mediated through the organizational framework of the multinational corporation.”<sup>27</sup> Furthermore, because of the unresponsiveness of the rich nations to the poor in multilateral bodies such as UNCTAD, tension between the rich and the poor nations of the world is increasing. This will increase sensitivity in less developed countries to the activities of corporations that are located in and directed by officials from the rich countries. No matter how independent corporations are from governments, they will be perceived as part of a neo-colonial structure. Evans’ conclusion seems reasonable. “Far from being an anachronistic impediment, the state appears to be the only organization that citizens of a poor country might utilize to defend their interests.”<sup>28</sup>

It seems reasonable to conclude that expectation that multinational corporations will be a vital force for global peace is not well founded. They will likely intensify conflict across the increasingly polarized rich-poor axis, reinforcing this polarization rather than crosscutting it.

Through time it would seem plausible that the less developed countries will increase their capacity for collaboration in the development of policies on issues involving multinational corporations. These could be organized in response to the activities of a single industry, such as the Organization of the Petroleum Exporting Countries (OPEC); or, in re-

26. Raymond Vernon, “Future of the Multinational Enterprise,” in Charles Kindleberger, ed., *The International Corporation* (Cambridge, Mass.: MIT Press, 1970), pp. 398–99.

27. Evans, “National Autonomy,” p. 691.

28. Ibid.

sponse to a more general-purpose developed-nation organization for handling problems of multinational corporations, they could be regional. Regionalism could also be spurred by the development of new multinational enterprises in the less developed countries as competitors to those with headquarters in the developed nations. Arpad von Lazar argues that Latin American integration would

essentially benefit the already existing large, foreign, international corporations that have already monopolized substantial proportions of production and marketing in almost all of the Latin American countries . . . unless strong multinational Latin American enterprises are created.<sup>29</sup>

The most plausible future world seems to be one in which the ties within regions and between the developed nations on one hand, and between the less developed on the other, are stronger, and the ties between the developed and less developed regions of the world are relatively weaker. This will delay the development of a more highly integrated global community and could evolve into a world of even larger territorial states as other regions pattern their development after the Western European region. A world primarily composed of big nation-states, polarized on economic issues, with no significant nonaligned group of nations, would likely be much more dangerous for human life than the international system of the 1950s and 1960s.

### *Countervailing forces*

The major potential countervailing force would seem to be global functional agencies, such as present specialized agencies of the UN system and

possible new ones for the environment, sea, and outer space. But the fact that the present headquarters of all specialized agencies are in the same part of the world—North America and Europe—as the headquarters of most multinational corporations suggests that fundamental changes in these agencies will be needed if they are to be such a countervailing force. Under present conditions of unequal development, the developed nations are more interested in agencies with regulatory and standard-setting functions on matters such as global travel, communications, and the environment. But the less developed nations see the specialized agencies mainly as sources for development assistance. To their disappointment, the developed nations are stringently holding the line against requests for increased development assistance through the functional agencies. If these agencies are to become a vital countervailing force to regional and rich-poor fragmentation, and if they are to develop capacity to serve the global priorities of the developed countries, the developed nations will have to be willing to channel significantly more resources for development through these agencies. Otherwise, they too may come to be viewed as simply another branch of a neo-colonial global structure. If the present performance of major developed governments in the specialized agencies is indicative of future performance, the global functional agencies will not be a strong countervailing force. Growth does little more than keep up with inflation. Indicative are efforts by the U.S. to cut its share of budgets from 31 to 25 percent.

Are there alternative countervailing forces? How about labor? Robert W. Cox has given careful consideration to this possibility and doubts that labor would be able to bridge the interests of workers in either the developed or less

29. Arpad von Lazar, "Multi-National Enterprises and Latin American Integration: A Sociopolitical View," *Journal of Inter-American Studies* 11 (January 1969), p. 112.

developed countries.<sup>30</sup> It is not a good omen that labor representatives from countries with different economic systems and from countries with extreme differences in development have had difficulty working together in ILO. Labor unions in Western developed countries see themselves as "recognized partners in the industrial relations systems of the democratic countries only after long years of struggle for recognition."<sup>31</sup> They are reluctant to engage in global ventures where outcomes are more uncertain. This seems to hold true even for at least some officials of international labor federations. Heribert Maier of the International Confederation of Free Trade Unions has stated, "In short, the trade unions are bound to view with considerable concern the growing encroachment of multinational companies upon the sovereignty of the nation state."<sup>32</sup> While there has been some international collective bargaining, this seems to have involved only unions in developed countries. Cited by Maier are cooperation by U.S. and Canadian workers in negotiations with Chrysler (1967) and Continental Can (1953). On the other hand, Charles Levinson, secretary general of the International Federation of Chemical and General Workers' Union (ICF), has taken a strong global point of view. Noting that multinational corporations are "the first genuine world institutions with inherently global power and authority," and that nation-states do not control their operations, he concludes that unions must urgently create a counter-

vailing force.<sup>33</sup> But there seems to be more evidence to suggest that increased international collaboration by unions, if it occurs, will link unions in the same region or in countries at the same level of development than there is to suggest that unions will become a force for global integration.

#### CONCLUSION

While an effort has been made in the foregoing speculation to develop an image of the most likely future, it is certainly not inevitable. But avoidance of a world of big nation-states polarized on economic issues would require more self-conscious, global community-building than in the recent past. Enthusiastic expectations for the multinational corporation as an agent of peace are based on two fallacies: first, the assumption that *any* peaceful cooperation across national boundaries will facilitate the development of a peaceful global community. The foregoing analysis suggests that distribution in the international system of activity cutting across national boundaries is important. By contributing to the integration of some countries, the multinational corporation, along with other reinforcing factors, may intensify the conflict between these countries and others. Second, the structure of international activity is important. Dominance of this activity by one nation or region, and the acquisition of superior rewards from the activity by this nation or region, will not facilitate peace over the long run, particularly if the same nation and region dominate other forms of international activity.

Critical to peace in the future is the development of symmetric structures that bridge the rich and poor areas of the world and that guarantee that re-

30. Cox, "Labor and Transnational Relations," p. 584.

31. Maier, "International Free Trade," p. 831.

32. Heribert Maier, "Free Labour and Multi-national Corporations," *Free Labor World* (September 1970). Quotation taken from excerpt in *International Associations*, no. 2 (1972), p. 85.

33. Cited by Robert W. Cox, "Labor and Transnational Relations," p. 582.

wards of collaborative activity are, and are perceived to be, equitably distributed. The nation-states, that is, national governments, have had little success in creating this kind of structure. The nations with the greatest military might and the highest gross national product (GNP) tenaciously hold onto the advantages these forms of power give them. They are unwilling to build symmetric structures for collaborative activity that would permit those with lesser military might and GNP to fully participate in fundamental decisions affecting the international system. There is no better reflection of this state of affairs than comparison of the 1969 arms budgets of the two superpowers, \$138 billion dollars, with their contributions to the UN system, less than one-third of a billion dollars. Thus they spent over four hundred times more on arms than they contributed to the UN system.

Perhaps the greatest contribution of multinational corporations is their demonstration of the potential of nongovernmental international activity—in bridging nations with a high level of intergovernmental conflict, and in hav-

ing impact on the international system that often surpasses that of intergovernmental organizations. If it is feasible for citizens of many countries to challenge the intergovernmental system in the search of profits, why is it not also possible for them to challenge this system in the pursuit of other interests, such as cutting arms budgets, increasing multilateral aid to less developed countries, improving the terms of trade for less developed countries, and making multinational corporations more responsive to the less developed countries?

In conclusion, I would like to revise Roy Blough's words quoted in the introduction to read: It is not unthinkable that the ultimate development of a global community in which peaceful change has replaced violence may come by way of the intergovernmental agencies and nongovernmental international movements developed to deal with problems presented by the large international corporations. This would hold true *if* these intergovernmental agencies and international nongovernmental movements permitted full participation by interests in the less developed nations and were responsive to their needs.