CHAPTER IX

INTERNATIONAL ORGANISATIONS AND THE ROLE OF MULTINATIONAL CORPORATIONS

INTRODUCTION

The primary actors in the world politics are nation states, who make and enforce their own laws, declare war, provide for their own security, determine the scope and mode of formal international communications and diplomatic discouragement and determine the terms and conditions of trade, monetary policy and so on. However, given the development of increasing economic interdependence and the inability of nations, including superpowers to provide adequately for their own safety and security in an age of thermonuclear weapons, nations have had to cooperate, accommodate, adjust and diffuse conflict and to seek solutions to problems not limited by national boundaries. These concerns motivated the creation of a plethora of international organisations, particularly after the Second World War.

The proliferation of international organisations has not altered the fundamental role of states in world politics. States have the option to join or refuse membership in international organisations and may belong to different organisations that occasionally at cross purposes with one another. They may choose to participate in or abstain from any decision taken in an international organisation in which they are members or to cause that decision to represent their own view. Many nations accede to the charter of an international organisation while reserving the right to renounce on their obligations under the charter, should any action or decision prove a detriment to their national security, prestige or national honour. In short nations yield very little sovereignty when they join international organisations, and yet they are most important
actors even when acting in concert with fellow members of an international body.

Actors and institutions usually develop as a response to compelling societal needs within any given historical era. Hence the compulsion to satisfy unprecedented needs generated largely by the technological revolution, which has given rise to non-state actors and institutions in world politics whose functions has been to deal with systemwise or regionally defined issues. The experience of two world wars, the increasing vulnerability of national actors and the recognition that economic and social instability have combined to produce an accelerated growth in internationalism and transnationalism. The new institutions which manifest the international and transnational trends have at least minimally assumed the role of actors themselves. The bounds of action permitted these actors, however, are determined collectively by the nations comprising each institution in the case of international actors and nongovernmental organisations or the mother country in case of transnational actors, and these bounds are usually situationally determined. The interests of the members and the issues of the moment determine the extent to which the new institution can act in the global system.

The term international actors refers to institutions whose structure, composition and interests transcend national boundaries but whose membership is composed of states. There are three major types. Bloc actors are group of states that share certain controlling political and/or security interests, and usually a common orientation in their foreign policy objectives. The international organisations are actors which comprise within their respective structures almost all the existing members of the global structure. These take the form of general or specialised international organisations. Regional actors are those associations of states sharing common interests that are more inclusive than the mere political security interests of blocs, yet less comprehensive than the interests of an international organisation. Membership usually follows a geographic rationale. Like international organisations, regional organisations may be either general or specialised in terms of problems, issues and interests which are considered.
HISTORICAL DEVELOPMENT

Although large global international organisations are twentieth century phenomena, one can trace their ancestors back to the early years of recorded history. The earliest examples of international organisation though on a smaller scale could be found in the ancient Indian republics and the Greek city states. We realise that these people became involved in the intricacies of international bargaining such as alliances, negotiations, dependencies, threats and bribes, and cooling off periods.

Over time human genius has devised various forms of political institutions, both loose and tight, in order to prevent societies from descending into anarchy. Thus from ancient times to the present, humankind have experimented with diverse styles such as democracy and polity (participatory styles) and aristocracy and tyranny (Elitist styles). Governmental structure have varied in their range and mode of political authority. They have included the band, the tribe, the city state, the manor, the nation state, the empire, the confederacy and finally various forms of international and regional organisations. In each instance, the role of those in charge of political institutions has been balanced between service to their communities and attempts to stay in power. Political competition has hovered between desire to curb the incidence of war and the need to promote and defend one's sectional and individual interests. Through recorded history the forces of conflict and bloodshed have been matched by the fervent desire of well meaning people for peace, justice and harmony. Great thinkers like Dante, Rousseau, Kant etc. have advocated various approaches with which to attain global government and perpetual peace.

The most idealistic blueprints for the world organisation have had certain characteristics in common: they have called for peaceful settlement of disputes, the rule of law, adequate representation of the governed in the global government and the respect for the autonomy of member states domestic affairs. It is not surprising therefore, that these principles have been reflected, to varying degrees in the League of Nations and in the United Nations.

In addition to political and philosophical writings, an important precursor of international organisations has been the practise of multinational conferences which has paralleled the growth of the nation state system.
Purpose and Functions

Since the days of antiquity, sovereign political units have sought to regulate their relations by adopting rules and institutions designed to replace self-help and violence as prevalent methods for the settlement of disputes. There has been an acceleration during the twentieth century in the areas of international organisations and international law at both the global and regional level. These institutions and laws can be called rudimentary because these institutions and their outputs have not managed so far to attain a high degree of effectiveness. Both international law and major international institutions and organisations such as the United Nations have been founded on the assumptions of state sovereignty and independence. In fact international norms and rules are rarely considered binding on individual nation states unless these states grant their specific consent. It is only in experiments of regional integration, such as European Community that we observe patterns of international organisation and regulations that are consciously designed to bypass the obstacles of national sovereignty and independence, and unaccountability.

International organisations have generally been established in order to accomplish all or some of these purposes:

1. Regulation of international relations primarily through techniques of peaceful settlement of disputes among nations.
2. Minimisation of at least control of international conflict and war.
3. Promotion of cooperative, developmental activities among states for the social and economic benefits of certain regions or of humankind in general.
4. Collective defence of a group of nations against external threat.

There are two major categories of international institutions: intergovernmental organisations (IGOs) and nongovernmental organisations (NGOs). The IGOs are institutions whose members are official government delegations of nations. The best known IGO is United Nations. NGOs consist of private groups of religious, scientific, cultural, philanthropic, technical, or economic orientation. They do not involve direct government participation. Example of NGOs are the International Chamber of Commerce, The International Red Cross, The Amnesty International etc.

In the twentieth century there has been a steady growth in the number and scope of both IGOs and NGOs. The NGOs by and large are modest sized
Modestly funded organisations. The bulk of IGOs and NGOs are headquartered in major Western cities such as Paris, Vienna, Geneva, Brussels, Zurich, Washington, London, Stockholm etc.

The institutional structure of IGOs exhibits a characteristic pattern. All IGOs have permanent offices staffed by full time professionals. These permanent bureaucracies are called secretariats. There employees are supposed to be international civil servants and are expected to develop supranational or organisational rather than national loyalties. The long range objectives of IGOs are usually defined by bodies called general assemblies. These assemblies which are represented by all member states are represented, meet in plenary session at periodic intervals and set the limits of the general policies and range of action of each IGO. Most IGOs are governed by executive councils, made up of small elected or selected number of governmental delegations, some of which are permanent and some of which alternate. The councils have executive responsibilities while the secretariats carry out the administrative functions of implementing specific decisions of the councils.

IGOs can be classified into four major categories of the basis of membership and purpose:

1. General membership and General purpose organisations - Such organisations are global in scope and serve a variety of functions, such as security, socioeconomic cooperation, human rights protection and cultural growth and exchange. Example United Nations.

2. General membership and Limited purpose organisations - Also known as functional organisations as they are devoted to specific functions. Typical examples are The International Bank for Reconstruction and Development (World bank), The International Labour Organisation (ILO), World Health Organisation (WHO) etc.

3. Limited membership and General Purpose Organisations - These are regional organisations with a wide range of security, political and socioeconomic functions and responsibilities. Example Organisation of African Unity, the Arab League and the European Community.

4. Limited membership and Limited purpose organisations - These are subdivided into socioeconomic and defence organisations. Examples of socioeconomic organisations are the Latin American Free Trade Association (LAFTA) and Council for Mutual Economic Assistance (CMEA). Regional
defence organisations are the North Atlantic Treaty Organisation (NATO) and the Warsaw Treaty Organisation (Warsaw Pact).

The process of international organisation may be described as a rudimentary form of global regulation which is so fundamentally different from advanced forms of national governments that it merits special classification. The subject of international organisations are generally states represented by their governments. These organisations have only an indirect influence on their members, their functions include resolution of security and political questions dividing small states, information gathering and reporting, and technical assistance activities that are usually peripheral to the vital domestic interests of the great powers. They try to protect the integrity of their members by preventing them from engaging in wars and regulate their relations. Generally here too, powerful states probably service their needs better than the weaker nations do.

LEAGUE OF NATIONS

The historical development of international institutions like The Universal Postal Union (1874) and the Hague Conferences of 1899 and 1907 etc. along with the traumatic experiences of the First World War contributed substantially to the founding of the League of Nations. The League was basically a brain child of Woodrow Wilson which was designed to supply necessary institutional structures and legal and ideological norms that would prevent another world war. The League's institutions included a ten member council, four major powers were permanent members, that reflected the philosophy of the concept of Europe and the needs and capabilities of major powers. It mostly consisted of European powers. The League's first decade from 1920 to 1930 was quite successful but the second decade from 1930 to 1940 was the unsuccessful period, where the League was unable to modify the activities and expansionist behaviours of Japan in Manchuria; of Italy in Ethiopia; of Germany in Austria, Czechoslovakia and Poland; and of Soviet Union in Finland, and the reluctance of the League to get involved in the Spanish Civil War. 2

In sum the League failed in the 1930s because the international system itself of which the League was a dependent part, had broken down. 3 Depression, economic nationalism and exclusivism, xenophobia aggravated by
mass nationalism, and the rise of exclusivist and expansionist ideologies such as communism and fascism together with American isolationism, viewed by some as traditional indifference and by others as irresponsible opportunism—all contributed to the great catastrophe of Second World War. The league however, left us with the institutional legacy upon which the United Nations was built.

THE UNITED NATIONS

While the Second World War was still raging the Allied Powers agreed through the Atlantic Charter of August, 1941 and the Moscow Conference of October 1943, that a new world organisation should be established for the purpose of regulating the post war international system. Important preparatory conferences were held in Washington in August 1944 and in Yalta in February 1945. During these conferences the victorious powers established the foundations on which the future postwar world organisation was erected. Disagreements involving the scope and authority of the organisation and questions of membership, voting and the great power veto procedures were slowly evolved.

The great powers of that time, guaranteed their status of preeminence in the international setting by demanding the power of veto prior to conceding to the drafting of the charter of United Nations. Later however, during the United Nations Conference held in San Francisco the smaller states were given an opportunity in drafting the charter. Representatives of fifty nations deliberated for over two months in 1945. In the end the United Nations Charter and the final version of the Statute of the International Court of Justice was produced.

The drafters of the charter were basically the representatives of states that were victorious in the Second World War. They rushed the charter through the final phases while the bloody was still raging in Europe and the Pacific. Their experience was that the war time unity and cooperation bonds that fear and peril can bring about would disappear once peace and security were restored. The framers were also eager to disassociate the United Nations from its beleaguered predecessor the League of nations, whose unconvincing records and alienation from powers like United States and Soviet Union could at best inhibit the willingness of these states in participating in the new international institution.
There are six major organs of the United Nations. First, the General Assembly whose voting membership includes all governments which have ratified the charter. In addition, selected nonstate actors such as the Palestine Liberation Organisation (PLO) have a nonvoting observer status in the General Assembly. Following the principle of one government, one vote, the assembly passes resolutions dealing with self-determination of nations, the new economic order and a wide array of other vital issues of global concern. In its elective role the Assembly collaborates with the Security Council to select the Secretary General and the judges of the International Court of Justice. Finally, approval of United Nations budget is contingent upon favourable action by the assembly.

The fifteen members of the Security Council constituting the second major organ have the authority under the charter both to formulate and implement policy. To take action on important questions, the five permanent members - China, France, England, United States and Russia (in place of former Soviet Union) - must concur and be supported by at least four of the ten elected nonpermanent members, whom the General Assembly elects for two years terms. Should one of the permanent members cast a negative vote or veto, no decision is possible. The Security Council may set in motion the machinery of collective security, impose economic sanctions or authorise the deployment of peacekeeping forces in such troubled areas as Cambodia, Yugoslavia etc. The council recommends the name of a candidate for the post of secretary general to the General Assembly and with that body elects the members of the International Court of Justice. The third organ is the Economic and the Social Council (ECOSOC) whose fifty-four members are elected by the General Assembly for three year terms, one-third being replaced each year. Reaching decisions on the basis of a simple majority the council focuses on human rights, world trade, status of women and related social and economic questions. Functional commissions such as the one on human rights, implements its programs. The ECOSOC has among other functions the responsibility of coordinating and lightly supervising the activities of the following specialised agencies:

1. United Nations Conference on Trade and Development UNCTAD
2. " Children's Fund UNICEF
3. Office of the United Nations High Commissioner for Refugees UNHCR
Fourth among the major structures is the slowly disappearing Trustee-ship Council to which the charter assigns the responsibility of monitoring the process of political development in those territories which have not yet attained independence.

The International Court of Justice (ICJ) is the fifth organ. The General Assembly and the Security Council concurrently elect fifteen judges for nine year terms. No two judges may be of the same nationality and the composition of the court reflects the world's principal legal systems. Members of the United Nations of the Security Council itself may refer a case to the court and the tribunal renders advisory opinions at
the request of either the General Assembly or the Security Council. With a quorum of nine judges decisions reflect the consensus of the majority.

Lastly the Secretariat administers the world organisation under the direction of the secretary general whom the Security Council recommends and the General Assembly appoints for a term of five years. The Secretary General provides good offices designed to help resolve international disputes and sometimes acts as a mediator between contending parties. The staff of the Secretariat organises conferences, collects data on social and economic trends, maintains peace keeping operations and supplies the media with information on the activities of the U.N.

The U.N. was designed to be an organisation of global membership, whose functions were to spread well beyond the political and security areas having realistic scope and activities. The sovereignty of the participating nations was generally to be respected and the special rights and responsibilities of the great powers were to remain at the core of the world body.

It is quite difficult to assess the record of the United nations in different sphere. Recently the United Nations is trying to revitalise itself; taking on new responsibilities and power, and reducing defunct organs and trying to streamline the body keeping the perspective of the present day world. In assessing the United Nations system people arrive at different conclusions depending on their outlook, expectations, philosophical orientation and educational and political background. In the different functions it performs it has achieved differing levels of success or failure. In the last decade (1980s) it was generally considered a toothless monster but after the collapse of Soviet Union in 1991 it has acquired much greater control and power. As now Russia is seeking U.S. help to revitalise its economy it is not opposing the U.S. in the United Nations on various issues. The United Nations has been able to perform only in those areas which the remaining superpower America has wanted it to perform. Russia in spite of being a successor of Soviet Union in the Security Council, is hampered with its own problems and has no intentions currently of playing its rightful role. Great Britain is no longer a great power. France is also quite sidelined. Germany and Japan though great economic powers do not have veto powers. China again, is hampered by its own development keeping intact its communist values and system.
Perhaps the United Nations cannot be considered a success or a failure because effective standards for assessing its success or failure have not been devised. The U.N. has sought to peacefully mediate and reduce international conflict. How can we effectively measure the degree to which peacekeeping has succeeded? Other variables such as decisions of national leaders, changes in their perception of a given conflict situation and changes in the nature and structure of the international system do not make this task any easier. At best we can only assume that the United Nations is a positive factor in the maintenance of peace and in the development of international cooperation. It is an institution that reflects but does not shape the political realities of the international system. It evolves when political consensus and cooperation evolve, and it retrogresses when political disagreement and conflict arise. It is a especially good reflector of the extent to which the great powers in the international arena have preeminent place in this great global enterprise. In the recent years a political compromise is emerging among the most important centers of power in the world. With this compromise, the United Nations system of organisations will continue to grow in size, scope and importance.

Capabilities

Despite the numerous difficulties the U.N. does have certain capabilities in peace and security matters and its members have several times put them to use.

Fact Finder

The United Nations can be employed as a fact finder. Acting as a party external to the situation, its representatives can impartially investigate issues and report their findings. This capability can be utilised in three different kinds of situations. First, in cases where there is real doubt about what happened. Sometimes conflict arise from ignorance and/or from misperceptions, and a party may wish to preclude hostilities by discovering what the facts actually were. Second, a party may want a fact finder when it is convinced it knows what the situation really is, but believes that others do not. In such situations the party believes that its position will be validated and the state’s claim upheld and legitimised once all the facts are known. When used in this fashion the fact finder could as easily increase tension or decrease it depending
on what the facts actually are and how states react to the report. Third, sometimes a party may agree to fact-finding even if it is anticipated that the results may be harmful; the reason is that the investigations take time. Perhaps while it is occurring other maneuvers can be undertaken that will more than offset the harm arising from what the fact finder finds.

Mediation
Another capability of mediation. Parties to dispute may decide that it will be useful to have United Nations or its representative which presumably would be impartial, offer its suggestions for a reasonable solution and settlement. For example an U.N. commission for Indonesia acting as a representative of the Security Council was quite effective as a mediator in the conflict between the Netherlands and Indonesian nationalists for Indonesian independence. On many occasions the U.N. mediators have not been successful, like the case of Arab Israel dispute.

Interposition
This involves a physical interposing of some kinds of U.N. presence between disputants. Often this occurs after the cessation of hostilities, the major functions of the U.N. unit being to observe, supervise and report compliance with, or violation of the cease fire. The interposing of the U.N. presence often contributes to a decreasing in tension by a simple fact that it geographically separates the former belligerents. It also may act as a shield and deterrent to further action. Three of its characteristics are very important. First, it is primarily a non fighting force although often composed at least partially of military personnel, it is pacific in nature. Second, it will only be employed if the parties to the dispute so desire. Furthermore since interposition units must be dispatched to some particular piece of territory and since states vigorously maintain their right of internal control, the units can be located only where and under such restrictions as the state controlling that territory allows. Finally the units generally come from states with no major interest in the dispute in an effort to ensure impartiality.

Permanent Forum for Negotiations
In a sense the U.N. is a permanent institutionalised, multilateral diplomatic conference. During its regular sessions and its frequent special meetings, representatives of the world states are more or less continuously in contact as they work through the United Nations to achieve their
various policy objectives. This constant contact and interaction provides innumerable opportunities for bargaining. Of course there are certain issues policymakers feel should not be ventilated at this forum but the point is that the opportunities for negotiations - whether via open debate or private bilateral or multilateral meetings in the corridors, are ever present. This can be especially useful in exploratory talks of a private nature. Information can be gathered, general positions stated, procedural issues explored and an assessment of the prospects for substantive talks made away from the limelight and before one's prestige is committed to a formal negotiating session. Whether policymakers choose to use the United Nations as a forum for negotiations, is a matter for their determination.

To sum up the United Nations has played and continues to play a rather limited role in international peace and security matters. It was expected to operate only with respect to minor powers and often it has not even done that. On one side it has provided a number of useful capabilities and state policymakers have sometimes put them to good use. Regardless of how valuable one thinks it has or has not, the key point is that the United Nations was, and is what the states have made it. The United Nations is essentially state controlled and as such is more a reflector than a determiner of policies; it will or will not be useful to the extent and in the manner that the states desire. Because the U.N. is without the independent capacity to make or enforce rules or to settle disputes between its constituent units, policymakers usually do not consider it to be effective international party separate from its members.

**MULTINATIONAL CORPORATIONS**

Multinational Corporations (MNCs) are business firms with production facilities and activities beyond the border of any state, their primary objective is to make a profit. Generally MNCs send abroad a package of capital, technology, managerial talent and marketing skills to carry out production, in foreign countries, sell their products in several states and have a number of foreign subsidiaries. Economic operations are usually tightly integrated both in terms of production and marketing. Decision making tends to be highly centralised with controls being exercised by the parent company. Naturally policies are adopted that are perceived to enhance the firm's economic position.
Since Second World War the growth of MNCs especially American MNCs has been striking. Although in recent years Japanese and German MNCs have also acquired good progress. The economic strength and the organisational characteristics of these business entities are such as to bring them into potential conflict with states. MNCs effect on economic development, dominance of host country's economy, economic control by the host nation and the influence in the political process.

Economic Development

While considering the role of MNCs in economic development one should be chary of making many generalisations. First, the number and importance of MNCs varies enormously from state to state. Generalisations therefore, can only be useful as possible guides for further analysis of a specific case. Second, there generally is little hard literature and evidence on which to base a conclusion, most of what has been said or written has been a combination of hypothesis and political opinion based on limited and possibly distorted information. Therefore any judgement must be tentative, what appear there is appears to indicate that generally the economic impact of MNCs on developed states has been more positive than negative. Investment has been considerable leading to greater production and employment, highly sophisticated technology has been introduced and idle host nation resources have been put to work. In less developed countries though the record is more mixed. While there has been a high level of capital investment, in some instances much of the financing has come from local sources, which has the additional detrimental effect of harming the local competitors. While it is true that often has been a transfer of high level technology, in certain cases subsidiaries have paid unreasonably high fees for its use, thus raising the cost, and sometimes the technology has not been high grade. When the technology has not been top level, local firms often have been unable to meet the competition. Finally while money has been pumped into local economies and employment has increased many times the jobs have gone to foreigners and most of the profits have returned to the MNCs home base.

Dominance and Control

Policymakers in host nations fear that the MNCs will dominate their economies. In certain situations they have grounds for fear. In many of the developed economies, foreign based MNCs dominate high technology industries. While in less developed nations MNCs have generally controlled...
the raw materials and extractive industries, which are the primary economic assets of many of these states. More recently MNCs have taken a lead in the development of manufacturing capabilities. In these cases there is a real possibility that the host may become an economic dependency. State policymakers are only too aware that the particular industries in question often are critical in terms of economic development and sometimes are significantly related to national security.

In some of the less developed countries it is just not the dominance of key industries that is a concern, of course. In certain of these states MNCs have such overall economic strength in comparison to the host that their policies can easily distort and even defeat the state's economic plans. A major withdrawal of additional funds can defeat host nations monetary policy.16

But there is another side to the dominance problem. In the first place in quantitative terms very few host state economies are actually dominated. In other words in terms of numbers most state economies are not dominated by the MNCs. Second, in those developed nations where high technology industries are under significant foreign control, most other sectors of the economy are not. Third, in most states most of the time relations between MNCs are the host are highly cooperative, each hoping to benefit from the MNCs activities, they both have an interest in economic gain and believe that if the MNCs benefit the host state will also.

The foregoing points does not negate that there is a real issue, a real actual and/or potential source of conflict. Partly this is due to the existence of specific, documented instances of dominance. In part perhaps for the most part it is a result of the host state's policymakers apprehensions about what could happen, about what MNCs would do. Foreign based MNCs viewing particular states as just a portion of a larger production and marketing area, economically huge, organisationally centralised and integrated, not dependent on local financing, can make decisions and carry out policies in the interest of the firm; the impact of a particular action on the host's economy does not have to be a major consideration. Its not, that the host state may not be considered but only that if it is such it will occur only in the context of what is best for the firm. The real issue then is the degree to which the host can effectively exercise one of the basic attributes of states, the right of internal control.
Theoretically of course, there is no problem, host state could simply refuse to allow new MNCs to establish themselves and they could nationalise those already there. And sometimes such courses are pursued. Most times they are not. Generally however, the host policymakers believe that the MNCs despite their actual and potential problems they cause, have beneficial effects and should not be eliminated. What many states do, in their efforts to control the MNCs but not to destroy the goose that lays golden eggs, is to increase the regulation of such entities in an effort to establish more mutually beneficial relationships that contribute significantly to host economy's control and development.

**Political Influence**

While discussing the political influence of the MNCs the first point to note is that many of the major issues of international politics are outside of, or only peripherally related to, the MNCs usual concerns. Most issues directly related to peace and security matters, for example matters of vital interest to state policymakers are simply not dealt by the MNCs. Similarly issues concerning ideology, state prestige, international ethics and many other subjects are usually not within MNC's sphere of interest. Starting from this premise that most international political issues are not of major concern to MNCs, one moves on to note that even in the sphere of general economies MNCs generally are not very concerned. Primarily MNCs are interested in a few specific issues that will effect their profits.17

Generally it is found that in developed nations MNCs seldom have had much impact on political process, Although occasionally they make campaign contribution, both legal and illegal and undertake public relations campaigns to oppose or support certain factions or positions, these have been the exceptions rather then rule, and even in such activities where they have been interested in influencing, they have not been effective. In another sphere MNCs have occasionally have had a degree of indirect impact on the politics of certain nations via some influence on local culture and social structure.

In less developed nations the general answer still is that usually MNCs do not have a direct impact on domestic political process but in this case generalisation hides almost as much as it reveals. In a number
of instances MNCs have intervened extensively in the host state's domestic politics and sometimes they have done so effectively. In those less developed states where the MNCs are concentrated, because of their economic strength their mere presence affects the agendas of governments, the salience of issues and the options available. Often they have been an active participants in the area. Public relations campaigns, campaign contributions, economic pressures, even bribery on occasions have been employed to further various firm's economic interests. And once in a while MNCs have interfered in host state's domestic politics to the extent of illegally seeking to prevent candidates from being elected and/or seeking to bring about a regime change. Thus while as a general rule MNCs do not interfere in a major way in domestic politics but there have been many instances where they have and therefore each case should be judged individually.

There is considerable controversy over the degree to which MNCs act specifically as political agents of their home states. There have been instances in which MNCs have acted as an arm of the home government, doing things such as serving as a cover for intelligence work or as a conduit for foreign aid. On the other hand because the firm's interest are paramount in its policymaker's eyes, MNCs occasionally have followed policies directly contrary to the desires of the home state. For instance in October 1973 Arab-Israel war, American based oil companies refused to sell oil to U.S.armed forces for fear of harming MNC's goodwill and relations with the host Arab states. But there the situation was quite different as the Arabs were dealing unitedly in a cartel. The MNCs dare not anger such a big and situationally powerful group. American MNCs have also sought to sell products to particular foreign states that the Defence Department had restricted because of the good's strategic value. The usual situation is not either of these, however, most of the time policies of MNCs are not an extension of the home state's policy but neither do they act contrary to the parent state's interests. Instead the MNCs seek to balance home and host state concerns in a way that will create the context most conducive to the firm's economic gain.18

DEVELOPING INTERDEPENDENCE

The rise of MNCs represents the 'central economic event of the post world war two era because it has globalised technology,' investments
and marketing. Two things are striking about the new economic globalism.

Firstly, the same brand names are seen all through the globe. Secondly and less visibly and well known is the increasing multinational manufacturing of products. Sub-assemblies in any given product may be manufactured in various countries around the globe.

Increasingly unless a company is willing to go multinational and arrange intercorporate alliances and cooperation, it's future may in trouble, be it in manufacturing, marketing, finance or other services. Transnational joint ventures, mergers, licensing, production and marketing arrangements among manufacturers which result in market entry, technological exchange and therefore lower production costs in the competitive global economy, obviously place companies that do not establish such links at a potentially dangerous situation.

Increasingly companies are shifting much of their production into developing nations leading to decreasing numbers of blue collar employees in developed nations. This is to avoid the high cost of labour in developed countries, say 15 dollars an hour compared to 2 or 3 dollars an hour in the developing nations. Those multinational that do not resort to this and try to retain the blue collar jobs in their own developed nations would naturally lose the edge in competition. The cause of stagnation of the British economy is this. Any nation or industry or company that puts the preservation of blue collar manufacturing jobs ahead of international competitiveness will soon have neither production nor jobs. This attempt to preserve such blue collar jobs is actually a prescription for unemployment.

What has brought on the transnational organisations revolution in the world politics? Modern means of rapid transportation and communications are one factor. Another is the technical and organisational capabilities to operate long distance. Because of lower labour costs and transportation costs in an importing nation, corporations decided that they could remain competitive only if they establish manufacturing facilities there. They are thus better able to sell their goods in the host state's markets as well as in their home market when they transport their less expensively made overseas product back home. The MNCs operating in multiple markets shift their resources from one nation to another as needed; its aim is to maximise profits, and the various national markets function
as part of a single larger one, in which capital, technology and other resource can be shifted at will. One view about MNCs is that if there were no interference with the free international movement of Capital, Technology and Goods the MNCs would create a new world of plenty for all and conflict to none. Thus, corporate selfishness would lead to maximise global warfare. As MNCs operate in several states their primary loyalty is to the corporation rather then to the nation the MNC belongs. MNCs need the goodwill of various governments and peace, from their point of view national rivalries are too costly. It is felt that MNCs should act as a major restraint on foreign adventure as peace and profits are interdependent.

Do the MNCs threaten the viability of Nation States? All nations are to some extent fearful of MNCs. Even United States is afraid of foreign MNCs as they buy more and more American industries. Smaller states have more to worry because the MNCs represent enormous size and assets comparable to the GNPs of some host nations. However almost all nations have to live with them as they need them. In the 1980s as the commodity prices have fallen at the same time the amount of foreign aid available has also gone down thus leaving the developing nations with no other alternative than to attract the MNCs to operate in their area. However the states will probably survive the challenge of the MNCs because though there is conflict between the two their conflict is complementary. It is a conflict not between likes but between unlikes, each of which has its own primary set of sanctions to perform. It is consequently, conflict which like the labour management conflict, involves the structuring of relations and distribution of benefits to entities which need each other even as they conflict with each other. The balance of influence may shift back and forth from one to other but neither can displace the other.

As MNCs grow they collect more and more power and it is but natural that states fear their actions, they are apprehensive of their role. The home state of the MNC tries to maximise its control over the working of the MNCs not only within the boundaries of the home state but wherever the MNC is operating. United States has used its control over its MNCs to embargo high technology exports to the Soviet Union. The host nations are apprehensive over the growth of foreign MNCs and its territory as they are perceived to be under control of developed nations to which they
belong. The apprehension is not without ground as U.S. based MNCs had instigated and supported coups such as in the case of Allende in Chile. Historically it must not be forgotten that the East India Company was also an MNC or an organisation very much like modern MNCs. As such host nations try to control the operations of MNCs in various ways. Host nations try to set terms of access to their markets and establishing MNC–Host relations in which they benefit in the form of employment, taxes, balance of payments, transfer of technology and acquired managerial skills. Some hosts establish employment quotas for nationals, require MNCs to locate their units in backward areas, forbid layoffs and demand training of local workers. They also try to set export figures for the MNCs, which the MNCs may be reluctant to comply to avoid competing with their own brands in other nations.

In turn corporations essentially want to be left alone to do their business although the fear remains that the large MNCs will interfere in national politics. Their interests in politics stems from their desire to gain access to the nation's markets and a hospitable environment in which to make money. MNCs are politically very flexible, they will work with a democratic or a totalitarian or even a racist governments.

**Meaning of Interdependence**

Two characteristics of interdependence are sensitivity and more important vulnerability. If events in one nation's economy affect another nation's economy but the latter can take countermeasures to minimise the consequences, the latter's economy is sensitive but not vulnerable. But if such remedial measures are unavailable, it may be hurt because it is vulnerable to another nation's actions. Two or more countries are interdependent when none of them can withdraw from a relationship without each being hurt by doing so. If only one nation is hurt then it is a dependency of the stronger nation. No national economy is totally autonomous any longer, immune to events in other places. However the degree of dependence on each other may greatly vary. The degree of dependence is a function of the strength of the various economies of the various nations. In the 1950s and 1960s the economies of European nations and Japan were to a very large extent dependent upon the economy of United States, but in the 1960s it is no longer an unequal relationship. Now the economies of U.S. the E.E.C. and Japan can be said to be interdependent. In a broader
sense can the United States pressurise the Japanese to import more American products? Within limits yes, but these limits are quite narrow because the two states need one another and neither can pressurise the other without hurting itself. America needs Japanese capital to finance its industrial renovation and technological innovation; it needs Japanese cooperation in protecting its still significant global lead in creative R & D and in opening up new scientific frontiers for both peaceful and military uses. Japan's willingness to buy U.S. Treasury bonds helps cover the American deficit at a time they exceed the nation's economic capability. Japan on the other hand needs American security protection for its homeland; it needs open access to the American markets for its continued economic well being and through cooperation with America, secure access to a stable and expanding world market; it needs to maintain and even expand its collaborative academic research facilities that are so central to Japan's continued innovation.

By contrast, the relationship between the First World and most of the Third World countries, excluding newly industrialised and OPEC countries, remains one of inequality or dependence.