

The Multinational Corporation: A Controversial Force

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There appears to be a growing awareness on the part of many observers of the importance of the multinational corporation (MNC) as a force in world trade and commerce. In 1973, when the gross world product was estimated to be about \$3 trillion, approximately 15 per cent, or \$450 billion, was accounted for by MNC's. Of this amount, U. S. firms generated nearly one-half. An even more graphic means of illustrating the dimensions of the large multinational firms is to compare their gross annual sales with the gross national products of various countries. These data are presented in Table 1, and they serve to point out not only the heterogeneity of the multinational companies, but their massive size as well.¹ In addition, the table clearly demonstrates that while U. S. firms loomed large, the multinational phenomenon is not uniquely American—a factor which should be borne in mind in light of the many criticisms which have been directed at the multinationals.

In a recent, and generally critical book dealing with MNC's, the authors observed:

The global corporation is the most powerful human organization yet devised for colonizing the future. By scanning the entire planet for opportunities, by shifting its resources from industry to industry and country to country, and by keeping its overriding goal simple—worldwide profit maximization—it has become an institution of

unique power. . . . They (the managers) exploit the advantages of mobility while workers and governments are still tied to particular territories. . . . In making decisions today they are creating a politics for the next generation.²

At the same time, there are many who view the growing internationalization of production engendered by the MNC not only as a highly positive development, but perhaps on a par with the Industrial Revolution of the 18th century insofar as its ultimate impact is concerned. Thus, the investment and operations decisions of corporations come to be viewed in global dimensions with regard to resource allocation and maximization of welfare. And, in this scheme of things, the multinational company becomes the key vehicle for bringing about a world economic system in which the allocation of resources is rationalized to a far greater degree than had ever been the case in the past. Additionally, it is held that if the developing countries seize the opportunities for enhancing their economic growth that result from the activities of the multinational companies, there may be a significant rise in living standards for a vast, impoverished area of the world.

Yet, if this somewhat idealized view of the positive potential of the multinationals has considerable appeal to many, there also remains for many a far less flattering or beneficent view. For example, representatives of organized labor have charged that through the transfer of U.S. technol-

¹Since gross national product figures are calculated on a value-added basis—which counts only the value added at each successive stage of production—while gross annual sales of business are not so calculated, comparisons such as those offered in Table 1 should be interpreted with this qualification in mind. Nonetheless, even if one were to divide gross sales figures by two to compensate for double-counting, MNC's would still be massive compared with many nations.

²Richard J. Barnet and Ronald E. Muller, "Global Reach: The Power of the Multinational Corporations" (New York: Simon and Schuster, 1974). p. 373.

Table 1
NATIONS AND CORPORATIONS
Gross National Product or Gross Annual Sales
in Billions of U.S. Dollars

1. United States.....	\$974.10	51. Egypt.....	\$ 6.58
2. Soviet Union.....	504.70	52. Thailand	6.51
3. Japan.....	197.18	53. ITT	6.36
4. West Germany.....	186.35	54. TEXACO	6.35
5. France.....	147.53	55. Portugal.....	6.22
6. Britain.....	121.02	56. New Zealand	6.08
7. Italy	93.19	57. Peru	5.92
8. China.....	82.50	58. WESTERN ELECTRIC	5.86
9. Canada.....	80.38	59. Nigeria.....	5.80
10. India.....	52.92	60. Taiwan.....	5.46
11. Poland.....	42.32	61. GULF OIL	5.40
12. East Germany.....	37.61	62. U. S. STEEL	4.81
13. Australia.....	36.10	63. Cuba.....	4.80
14. Brazil.....	34.60	64. Israel.....	4.39
15. Mexico.....	33.18	65. VOLKSWAGENWERK	4.31
16. Sweden.....	32.58	66. WESTINGHOUSE ELEC.	4.31
17. Spain.....	32.26	67. STANDARD OIL (Calif.)	4.19
18. Netherlands.....	31.25	68. Algeria.....	4.18
19. Czechoslovakia	28.84	69. PHILIPS ELECTRIC	4.16
20. Romania.....	28.01	70. Ireland.....	4.10
21. Belgium.....	25.70	71. BRITISH PETROLEUM	4.06
22. Argentina.....	25.42	72. Malaysia.....	3.84
23. GENERAL MOTORS	24.30	73. LING-TEMCO-VOUGHT	3.77
24. Switzerland.....	20.48	74. STANDARD OIL (Ind.)	3.73
25. Pakistan.....	17.50	75. BOEING	3.68
26. South Africa.....	16.69	76. DUPONT	3.62
27. STANDARD OIL (N.J.)	16.55	77. Hong Kong.....	3.62
28. Denmark.....	15.57	78. SHELL OIL	3.59
29. FORD MOTOR	14.98	79. IMPERIAL CHEMICAL	3.51
30. Austria.....	14.31	80. BRITISH STEEL	3.50
31. Yugoslavia.....	14.02	81. North Korea	3.50
32. Indonesia.....	12.60	82. GENERAL TELEPHONE	3.44
33. Bulgaria.....	11.82	83. NIPPON STEEL	3.40
34. Norway.....	11.39	84. Morocco.....	3.34
35. Hungary.....	11.33	85. HITACHI	3.33
36. ROYAL DUTCH/SHELL	10.80	86. RCA	3.30
37. Philippines.....	10.23	87. GOODYEAR TIRE	3.20
38. Finland.....	10.20	88. SIEMENS	3.20
39. Iran.....	10.18	89. South Vietnam.....	3.20
40. Venezuela.....	9.58	90. Libya.....	3.14
41. Greece.....	9.54	91. Saudi Arabia.....	3.14
42. Turkey.....	9.04	92. SWIFT	3.08
43. GENERAL ELECTRIC	8.73	93. FARBWERKE HOECHST	3.03
44. South Korea.....	8.21	94. UNION CARBIDE	3.03
45. IBM	7.50	95. DAIMLER-BENZ	3.02
46. Chile.....	7.39	96. PROCTOR & GAMBLE	2.98
47. MOBIL OIL	7.26	97. AUGUST THYSSENHUTTE	2.96
48. CHRYSLER	7.00	98. BETHLEHEM STEEL	2.94
49. UNILEVER	6.88	99. BASF	2.87
50. Colombia.....	6.61		

NOTE This table uses 1970 figures for all except the centrally planned economies (excluding China) and General Motors Corp., for which 1969 figures are used.
 SOURCE: Lester Brown, "The Interdependence of Nations" (New York: Foreign Policy Association, 1972), pp. 14-15.

ogy and productive facilities to foreign countries, the MNC's have not only exported American jobs, but have, at the same time, eroded our tax base and worsened our balance of payments problems. If it appears that many observers here in the United States are increasingly concerned about the economic impact of multinationals, it would appear equally true that there is rising uneasiness abroad with regard to the activities of U. S. MNC's. Many foreign countries have come to view these corporations as simply an extension of American influence and dominance in the economic sphere, with interests that may not necessarily coincide with what they perceive to be their own national interests. In their shrillest form, allegations have been made that multinational firms simply constitute a subtle form of economic imperialism. Reduced to a less emotional theme, the question of national control over the means of production is becoming a major issue of political debate in country after country. One need look no further than our neighbor to the north, Canada, to be made aware of the increasingly strict controls that have been imposed on the inflow of equity capital from abroad.

The rising tide of U. S. concern over the activities of the multinationals appears to coincide with two developments which have taken place within roughly the last 2 decades. One is the massive flow of U. S. capital into Western Europe—increasingly in the form of direct investment in manufacturing industries. The second factor is the deterioration—until quite recently—in the overall U. S. balance-of-payments position. Without question, the influx of U. S. capital into Western Europe contributed to the rebirth of Europe's economic infrastructure and brought with it a dramatic upsurge in production, employment, and incomes. But along with this rise in living standards, these countries have emerged in a relatively few years as very formidable competitors of the United States both here at home and in our foreign markets. In this regard, the MNC's through their successful foreign operations are alleged to have created the very export competition which, critics say, has undermined our export position, and which allegedly threatens U.S. living standards and job security.

In the analysis which follows, this charge, as well as a number of major problems which have emerged with the growth of MNC's, will be examined. Before looking at some of the economic areas of impact of the MNC's, however, it is helpful to try to clearly define the MNC, as well as to shed some light on the motives for investing abroad.

DEFINITIONS AND MOTIVES

The term "corporation" can be defined precisely. However, there is no universal agreement on exactly what constitutes an MNC. In discussing firms which have international operations, the terms "multinational" and "international" are often used interchangeably. Initially, firms with a high percentage of foreign sales which represented principally exports from the home country were so designated. With the postwar growth in importance of foreign sales traceable to direct foreign investment rather than simply to home country exports, the terms became somewhat less precise. However, a look at some of the representative MNC's shown in Table 1 suggests that those firms have a number of readily identifiable characteristics. They operate in many countries; within those countries, in addition to production, they are quite likely to be engaged in research and development; their management is multinational in character; and stock ownership is typically multinational. The MNC's activities transcend national boundaries and their strategies are directed from a corporate center which may be far removed from where a particular activity takes place. Such corporations have large financial resources, and given their management capabilities, they are able to exploit profitable opportunities throughout the world. Although no precise quantitative frame of reference has been placed on MNC's, knowledgeable authorities suggest that the typical multinational company would have annual net sales of \$100 million to several billion dollars, with their foreign sales representing a significant share—some have suggested 25 per cent-of their total sales. Similarly, direct foreign investment in productive facilities in one or more foreign countries may approximate at least 15-20 per cent of the company's total investment outlays.

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In addition to defining and attaching some quantitative dimensions to the MNC, it is helpful to distinguish between two principal types, since their economic impact and their rationale for investment abroad are likely to vary according to type. MNC's may be either vertically or horizontally integrated. Vertical integration occurs when the various components used in some final product or products are produced by subsidiaries located in different countries. This might be the case where component part production requires a significant amount of either unskilled or semiskilled labor. Depending upon the number of stages in the fabrication process, the MNC might be highly vulnerable to interruptions in production at one or several steps along the way. Thus, the likelihood of **uninterrupted** production will be a primary factor in the choice of investment locations, as well as the relative costs of production.

The second type of MNC, the horizontally integrated company, typically is made up of a parent company and one or more foreign-based subsidiaries. These subsidiaries are independent units in their productive capacity, and are set up to produce and sell the company's products in the surrounding overseas region. Although the parent company may set up a branch firm abroad to produce for the American market, in the case of sales to foreign customers, the MNC will usually go the overseas subsidiary route in order to take advantage of the competitive edge afforded by a tariff structure which penalizes foreign imports. In addition, differences in national tastes and traditions frequently necessitate special designs for particular markets. In these instances, even in the absence of tariff or other cost considerations, MNC's will locate close to their potential customers and will therefore disperse their productive facilities.

Despite the allegations by some labor spokesmen that MNC's represent "runaway" firms which produce abroad in order to take advantage of lower foreign wage rates, more often than not, this simply is not true. For the process by which a firm becomes an MNC is an evolutionary one in response to a variety of motives and seldom involves an abrupt or dramatic reversal of previous corporate

policies or objectives. The development of an MNC will ordinarily proceed through a number of steps. Initially, the firm will export abroad, selling its products through overseas distributors. A second stage involves the establishment of overseas sales subsidiaries. This is followed by the building of plants abroad, and constitutes direct investment. These plants may be used either for local assembly or full production. Finally, the regional subsidiaries are given full operating authority, and at this point the role of the parent company becomes one of planning and coordination.

Except in the obvious case of the extractive industries which must, of necessity, place their direct investments in those countries where the raw materials are located, the reasons for the movement of direct investment capital abroad are more varied than those alleged by many critics of the MNC. The desire to get around tariff barriers has already been alluded to as a motive, and indeed this was a major consideration for U. S. companies wishing to do business in the **European** Economic Community. Similarly, where local taste and design differences exist, both production and transportation costs may be minimized by locating close to the markets to be served. Related to this, in part, is the desire to diversify product lines in order to guard against fluctuations in earnings either from cyclical movements in economic activity, labor strife, or interruptions to supply.

While all of the above, in varying degrees, serve to motivate direct foreign investment, perhaps the most important and the most fundamental motivation is simply to tap foreign markets. More than 90 per cent of the output of **U.S.-owned** firms abroad is absorbed by local rather than U. S. markets. Thus, corporate strategies are directed primarily at either preserving or preempting market shares from actual or potential competitors—U. S. and foreign based. Although a good deal of this direct investment activity may be basically defensive in nature, it can also take on a more aggressive tone when large firms seek to develop new markets outside their home base in order to sustain continued overall rapid growth rates. Where these markets have requirements which make it difficult to

service them efficiently via exports from domestic operations, investment capital will move abroad.

The above discussion stresses market motivation as a primary factor in explaining the flow of direct investment overseas. This is not to deny that cost considerations may be important as well. However, cost comparisons are seldom the predominant factor in reaching a basic decision as to whether to invest abroad or in the United States. There have been a number of highly controversial and well-documented cases in which U. S. firms have shifted their production abroad. Unlike most of our direct overseas investment, which is in relatively high-cost industrial countries, these went to the less-developed countries principally because of the large pool of low-wage labor, and involved mainly the consumer electronics, footwear, toy, and apparel industries. Not only do these examples constitute a relatively minor part of our total direct foreign investment, but even in these instances where cost factors are assumed to be of primary importance, there still remains a very strong element of market focus. But in contrast with the examples cited earlier, the market focus in these cases relates to the domestic rather than the foreign market. For all, or nearly all, of the output of the U.S.-owned plants abroad is returned for sale in the U. S. market. It should be noted that in these examples of "run-away" firms, the industries of which they are a part are generally labor-intensive with labor costs representing a high proportion both of the total cost and the value of the output. Within those industries affected, the negative impact on the U. S. work force has been significant and, as noted earlier, has generated heated discussion over the broader impact of multinational business on a number of facets of the American economy.

THE ECONOMIC IMPACT

Perhaps one of the most comprehensive investigations of some of the more important implications of multinational firms was undertaken by the U. S. Tariff Commission at the behest of the Senate Finance Committee. The report is entitled "Implications of Multinational Firms for World Trade and Investment and for U. S. Trade and Labor," and

was released in February 1973. Much of the data was obtained from the Bureau of Economic Analysis of the U. S. Department of Commerce and was the result of a special census which encompassed all known U.S.-based MNC's, covering 3,400 U. S. parent companies and approximately 23,000 foreign affiliates. That survey was supplemented by a sample survey of MNC operations for the calendar year 1970. Comparison data were based on the benchmark years 1966 and 1970. Although those responsible for the report candidly acknowledge a number of technical shortfalls and urge further substantive research into the area, the report does provide a wealth of data as well as a number of important insights into both the operations and some of the implications of the MNC's. The observations which follow are drawn largely from the Tariff Commission report.

The Impact of **U.S.-Based MNC's** on World Trade

During the period covered in the study, the U.S.-based MNC's bulked large in overall world trade, but they did not dominate it. A basic reason was that the major share of their foreign output, particularly in the manufacturing sector which was the most dynamic in terms of MNC expansion, was sold in the countries where it was produced. The MNC's, including parents and affiliates, generated about 25 per cent of world exports of all commodities, but accounted for about one-fifth of world exports of manufactured goods. At the same time, it was observed that MNC worldwide exports, and in particular exports of manufactured goods, were growing faster than those of the world as a whole in the 1966-70 period.

The Impact of Multinational Firms on U. S. Trade

One of the more frequent allegations regarding MNC's is that they displace domestic production—hence jobs—by increased imports from their affiliates. At the same time, some charge that by using affiliate output to serve foreign markets, they tend to reduce our exports to those markets. Regarding these allegations, the Tariff Commission found a close association between U. S. foreign investment and U. S. exports, but a weak association between

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the level of foreign investment and the degree of import penetration. Those industries which were the larger direct investors abroad were also the industries generating the largest amount of U. S. industrial exports. With regard to trade levels, then, the evidence suggested that the MNC's played a larger role as exporters than as importers. However, a partial indication of the extent to which the U. S. trade balance may have suffered adversely from MNC activities may be discerned by examining changes in the U. S. trade position.

Changes in U. S. exports and imports may be affected by MNC's in two ways. By their shipments from and to the United States—their exports and imports—they exert a direct effect. Additionally, they may exert an indirect effect by substituting the production of their foreign affiliates for U. S. exports in foreign markets. From 1966-70, the Tariff Commission study showed that overall, U. S. MNC's generated \$3.4 billion more in new exports than in new imports, while at the same time non-MNC's in manufacturing generated an import surplus of \$3.6 billion, suggesting that the direct trade effects of MNC's were highly favorable to the United States. An estimation of the indirect effects also proved favorable, with U. S. exports showing a net gain of \$400 million over the same period.

Yet, it would not be wholly correct to infer from the existence of export balances for some firms or industries versus import balances for others, that the former were automatically more beneficial to the U. S. economy than the latter. The amount of imports used by a firm is quite obviously related to the kind of product it produces, and it would be clearly wrong to conclude that a firm which may be a heavy importer is, because of that fact, somehow damaging the U. S. economy. For many U. S. firms—among them a number of vertically integrated MNC's, as noted earlier—import large amounts of raw materials or other intermediate inputs and export little, if any, of their final product. To the extent that these imports contribute to the firm's overall productive efficiency, its sales of final products in the U. S. market might well substitute for those of would-be foreign exporters. Such a benefit to the overall U. S. trade balance,

though perhaps less visible than increased exports, is nonetheless equally real.

The result overall, for manufacturing, shows that the impact of MNC's on changes in U. S. trade from 1966 through 1970 appeared to be highly favorable. As might be expected, however, on an industry-by-industry basis, there was a good deal of variance. Of the 24 industries in which comparisons could be made, 16 industries showed a net increase in U. S. exports of \$7.3 billion for the period, while 8 industries showed net new imports of \$3.4 billion. Despite the apparent favorable outcome overall, the wide variations in industry performance do lend some credence to the notion that for some groups of workers, the MNC development may have been costly.

The Impact of MNC's on U. S. Labor

If some groups of workers have been clearly harmed as a result of the growth of MNC's, is it true, as has been alleged by many within organized labor, that the spread of multinational business has reduced overall employment in the United States? In order to measure the impact of U. S. direct investment abroad on domestic employment, for the period 1966-70, the Tariff Commission study attempted to estimate what would have happened if the multinationals had not invested abroad. It did this by making estimates based on three different sets of assumptions. The first, and most pessimistic estimate, assumes that in the absence of U. S. plants overseas, the foreign countries would not resort to local production to replace that lost output, but would import the entire output from plants within the United States. Given this assumption, the presence of U. S. plants abroad represents a net loss of 1.3 million U. S. jobs. The second estimate was arrived at by assuming that foreign countries would replace half of the output of the U. S. overseas plants with local production and import the remainder from the United States. Using this assumption, there is a net loss of 400,000 U. S. jobs. Finally, in order to incorporate more realism, the Commission assumed the following: in the absence of U. S. MNC's, foreigners would not have substituted their own plants, and U. S. exports to those

countries could reasonably have been expected to have maintained only the share of world exports of manufactures that they held in 1960-61, rather than to have taken completely the markets abroad served by the MNC's affiliate plants. With these more realistic assumptions, there is a net gain in U. S. manufacturing employment of roughly 500,000 jobs.

Ultimately, the kind of job loss or gain that may result depends upon the time scale involved. In the short run, a domestic job loss is a near certainty where production is shifted abroad. Over the longer run, however, if one expects our international accounts to tend toward equilibrium, some positive offset is likely to occur in some other industry. Perhaps the principal difficulty the MNC's pose is that, because they are typically in the technological forefront, they serve as a much quicker transmission belt for technological change than otherwise. The more rapid the change or the dispersion of production to new locations, the more rapidly adjustment problems arise for the work force in the short run, even though this same process might, in the longer run, benefit the general welfare.

An important point brought out by the analysis was that there was significant variation on an industry-by-industry basis. For example, even under the most pessimistic assumption, there are still some industries which show gains in employment. In the case of industries that are experiencing difficulties from foreign competition, the appropriate public policy response should be couched in terms of the broad U. S. national interest. For labor is not only a producer, but a consumer as well. From the perspective of the consumer, it seems reasonably clear that there have been sizable benefits in terms of a wider range of high quality, lower-priced goods as a result of the overseas production opportunities made possible by U. S. foreign investment and by our liberal trade policies. At the same time, this may be of little solace to those U. S. workers whose incomes have been terminated as a consequence of job loss to foreign competition. Yet, basically, high levels of production, employment, and income in the United States depend upon a

vigorous economy which is competitive and profitable in the world economy. Thus, advocacy by labor of restrictions on U. S. trade and investment appear to be not only ill-founded, but short-sighted as well. For such a course would generate retaliation by other nations and would lead ultimately to reduced levels of trade and investment with consequent reductions in income and employment both here and abroad. Rather, in those instances where U. S. industries have been adversely affected by foreign competition, a more forward-looking approach would involve adjustment assistance to domestic firms and adequate compensation and retraining opportunities for labor, plus a vigorous pursuit of more equitable trade and investment rules from our trading partners.

Technology and the **MNC's**

The U. S. based multinationals play a key role in the development of new domestic technology. At the same time, they are the principal vehicles for both exporting and importing technology. The study found that exports of technology exceeded imports by a factor of more than 10 to 1, for the 1966-70 period. In addition, the high technology industries tended to place more direct investment abroad—as compared to investment at home—than did either the medium or low technology industries. Thus, it might seem a foregone conclusion that, inasmuch as the high technology MNC's are both the major developers and exporters of U. S. technology as well as major investors abroad, they contributed significantly to the relative decline in our trade of high technology products. However, the study found that this was not the case. Over the 1966-70 period, the MNC's in the high technology industries generated about \$6.1 billion in net new exports, while the non-MNC's in the same industries generated about \$2.1 billion in net new imports. On balance, then, it would appear that the MNC's have aided rather than impeded the growth of U. S. export trade in high technology goods. It should be pointed out, though, that this observation would likely be just as true for those high technology firms which were not MNC's. Thus, our favorable export experience in high tech-

nology goods may not solely be a function of the unique character of MNC's, but rather may reflect the experience of high technology firms, some of which happen to be MNC's.

The U. S. Balance-of-Payments Impact

In the second half of the 1960's, aggregate U. S. balance-of-payments performance was marked by considerable deterioration, traceable chiefly to transactions with Canada and Japan. The alleged negative payments role of the MNC's was alluded to earlier. In examining these allegations, the Commission found that in the period 1966-70, the position of the MNC's in terms of the "basic balance" (current account and long-term capital account combined) improved by \$2.8 billion, while non-MNC's in the private sector showed a decline of \$3.3 billion. The MNC's appeared to be a major factor in the adverse shift in the payments balance with Canada—primarily because of trade in automobiles. But this came about as a result of a treaty with Canada, rather than decisions by the MNC's involved. With respect to our payments balance with Japan, the MNC's were a positive force.

Despite the generally favorable payments impact of MNC's reported by the Tariff Commission, several qualifications should be borne in mind. Just as an examination of import versus export balances was not adequate to assess the impact of MNC's on U. S. trade, similarly, comparisons of MNC versus non-MNC basic balance positions provide only a very cursory and incomplete indication of the impact of MNC's on the overall U. S. payments balance. Moreover, to the extent that there is at work a long-run adjustment process toward equilibrium in our international accounts, generalizations based on fragmentary evidence for a short time period must be viewed with extreme caution as a guide to the future.

SOME FINAL OBSERVATIONS

The subject of MNC's is charged with a good deal of emotion. At home, they are the object of a wide range of allegations, most of which do not

appear to be borne out under investigation. Yet, the evidence is not absolutely conclusive. For public policy then, until long-run **benefit/cost** ratios for MNC's can be more clearly determined, the appropriate policy stance would seem to be one of neutrality in either promoting or discouraging MNC development. Certainly, to the extent that public policies focus on ways of maintaining a vigorous and healthy American economy, any adjustments necessitated by MNC activities in particular industries can proceed more smoothly.

In a larger sense, the promise of the MNC in a world characterized by increasing economic interdependencies and a growing awareness of the need to maximize the efficiency with which resources are utilized should be apparent. As a force for breaking down national barriers and integrating economic relationships throughout the world, the MNC may be uniquely able to help create a true world economy. Yet, this promise of the MNC coincides with a growing wave of economic nationalism, particularly in many of the smaller and less affluent nations. Fears and resentment of the MNC run deep in the impoverished countries of the Third World, where paradoxically MNC's account for most of the employment in the advanced sectors of the economy. For frequently, the immediate interests of the MNC and the host government may not coincide and in such instances the issue of who is the boss becomes of paramount importance.

The MNC may represent one part of the practical answer to the question of how a truly viable world economic system can be created. But the conflicts which have arisen between the MNC with its supranational point of view, and the host of newly emerging and already existing nations with their narrower national economic concerns, will have to be resolved before the MNC can play its positive role. Whether the MNC will, in the future, be a positive force contributing to the uplifting and economic betterment of much of the world, or whether it will become a divisive force leading to distrust and hostility, depends to a large degree upon how those conflicts are resolved.