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Are Multinational Corporations Really Evil?

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In this age of la globalization, the opposition is led by a movement that shouts its hatred for a free market economy in grandiose marches and protests in which they expose the supposed horrors caused by multinational corporations in their unscrupulous quest for profits. In order to do so, they use arguments founded in supposed conspiracies cooked up by the hated companies and governments, designed to exploit defenceless poor countries, stripping them of their resources while doing away once and for all with the rights of their populations.

Nobody in his own mind can deny that multinational companies have committed serious abuses and even human rights violations in the past. Financing by such companies of revolutionary movements and even an occasional cue in our country during the first half of the twentieth century confirms it. However, this power previously held by multinational corporations has ceased to exist long ago. The arguments used by globalophobic activists are easily refuted when observed under an impartial lens.

One of them is that 51 of the 100 hundred largest economies in the world are multinational corporations. The supposed "evidence" is a comparative analysis of the sales of several companies in relation with the gross domestic product of the world's countries. The problem is that GDP is a value added measure, not of sales. If a value added measurement is used on corporations, only 37 fit within the world's largest economies and out of these, only Wal-Mart and Exxon are within the fifty largest (44th and 48th place respectively). During the last 30 years, multinational companies instead of becoming more economically influent have lost influence and in the case of the 50 largest ones, they grew at a much more inferior pace than the world's economy.

Additionally, wealth does not necessarily equate power. Walmart's net worth in 2000 was larger than Peru's GDP, yet Walmart could not legislate. It could not declare war, finance an army nor charge taxes. In every country where it operated, it had to pay taxes and service charges when required, under penalty of having to close its operations.

Regarding the argument stating that these companies pay low wages, the question to be asked is weather they are low according to whose standards? By 1994 multinationals paid wages equivalent to one and a half local averages and, in general gave better labor benefits to their employees than those established by the domestic law of most of the countries where they operated. In Honduras, multinational investment generates an enormous amount of employment, indirectly helping to stop social deterioration and generating wealth at the macro and microeconomic levels. The maquila sector alone provides employment to about 130,000 people who, in general are paid salaries equivalent to twice the minimum wage legally established.

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1-De Grawe, Paul, Camerman, Philip: ¿How large are multinational companies?, cited by John Micklethwait and Adrian Wooldridge in *The Company, a Short History of a Great Invention*, 2003, Modern Library Chronicles, New York, New York, Page 176.

2-Clive Crook, *A Survey of Globalization*, *The Economist magazine*, September 27th de 2001



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It is evident that the main purpose of a multinational corporation is to generate a profit. However, not all of their actions are profit driven. Multinational companies in Honduras have built schools, nurseries, hospitals, created charity foundations and performed countless deeds to benefit their workers and the communities where they are based. In Latin America, multinational corporations built most of the basic infrastructure and discovered a great part of the natural resources. In Honduras, the main development center is located in the north coast, curiously the main zone of influence of the multinational fruit companies. United Fruit Company founded amongst other things, the Pan-American Agricultural School of El Zamorano, the Lancetilla Botanic Gardens and contributed greatly to the cultural and economic development of important cities like San Pedro Sula and La Ceiba.

It isn't true either that multinational companies destroy local enterprise. In order to produce, these companies require the services of numerous providers of services and goods. From transportation to the nearest port to the essential materials for their products, generally produced by local industry, generated small economies of scale and a substantial number of indirect employment opportunities. It is true that often these companies enjoy tax exemptions, but it isn't true that they don't generate any income to the state. On one hand, they pay public service fees, and on the other, they increase the number of employment opportunities above minimum wage, increasing the number of people who pay taxes, as well as the number of consumers of goods and services, thus generating greater revenue through consumption taxes.

During the second half of the 20th century, abuses committed by multinational companies (which take place in any case with the acquiescence of states) have become more sins of omission than the product of their direct action. Exxon is accused of negligently managing its tankers, but not of intentionally causing oil spills or failing to accomplish the international standards set by the states themselves.

Although this article does not intend to set aside the abuses and mistakes committed by multinationals, it does seek to question whether the fears raised by them are justifiable. Before forming an opinion, one must analyze both sides of the coin. If the main point of criticism of globalophobes is that globalization serves only to benefit multinational corporations, before marching into protest maybe they should ask themselves if these companies are really as evil as depicted.

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