

Export Processing Zone has made it the world's third-largest exporter of woolen goods); traditional extractive industries (e.g., mining), which are rarer than in the 1960s due to nationalizations and the waning importance of raw materials in the knowledge economy; the location of services in the South (e.g., American Airlines placed its clerical operations in Barbados); and even higher-skill professional services in research and development (e.g., Cummins Engine located drafting engineering functions in India).

These last two examples put the lie to the stereotype of MNC operations in the Third World consisting solely of cheap manual labour. That does exist, of course, but the opportunity globalization and the information revolution present for the Third World is that as countries develop medium-level and higher-level skills, MNCs will seek them out, creating more value-added employment. Twenty years ago, a large U.S. corporation would never have located its clerical work in Barbados (or anywhere but the headquarters city, for that matter); computer networking and today's competitive pressures to seek out globally the highest skills at the lowest cost make this increasingly common.

The motivations of multinational corporations in locating activities in the Third World, of course, are not philanthropic. Indeed, there have been cases of gross exploitation of labour, environmental damage, and total repatriation of profits and technology by MNCs. But there are several ways in which MNC subsidiaries can and do make valuable contributions to the national development of the host country: by employing and training nationals in all sorts of medium to advanced skills, thus upgrading the country's general skills level and management capacities; by purchasing goods and services, including the stimulation of local consultancies and other higher-skilled professions; and by exporting and earning foreign exchange.

The competitive success of MNC operations in developing countries depends on motivated host country employ-