



MULTINATIONAL CORPORATIONS

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Introduction:

- MNCs are very powerful transnational profit making economic organizations which has greatly influenced the arena of international relations.
- After the World War II, the operation of MNCs especially in the era of globalization has been a noteworthy development which delivers services in many countries.
- The impact of MNCs can be estimated by the fact that by the year 2010 about 60% of all industrial production in the world controlled by a relatively handful of MNCs.

Introduction

- The US, Britain & Germany have control over half of these corporations.
- Sometimes, these MNCs are regarded as the agencies of neo-colonial control of the developed countries over the Third world countries, as these indirectly strengthen the control of their home countries over the economic policies of the developing countries.

Meaning & definitions:

- Some of its definitions are –
- “MNCs are companies that control production facility in two or more countries.” – Mennis & Sanvant.
- MNCs are non- governmental & private profit making economic enterprises that operates in two or more countries. These are also called as Transnational corporations(TNCs).
- The MNCs to have substantial direct investment in foreign countries and not just an export business. Secondly, these companies shall be engaged in the active management of these offshore assets.

Nature of MNCs:

- The budget of the MNCs are so many times bigger than the national income of their host countries and hence, they are more powerful & it is not easy for the host governments to control them.
- Generally the government wants investments from these MNCs because they generate jobs and incomes.
- They are beneficial in training the local employees the necessary skills.
- These MNCs bring with them the latest technologies so as to reduce the cost of production.

Nature of MNCs

- Thus, the MNCs set up their plants where cheap labor & raw materials are available.
- Though they operate in many countries but managed from one home country.
- Any company that obtains a quarter of its revenue from operation outside its home country is considered as a MNC.
- There are **four** categories of MNCs –
 1. Multinational decentralized firms with strong home country presence,
 2. Global decentralized firm that acquires cost advantage,
 3. International firm that builds on technology &
 4. Transnational firm.

Role of the Multinationals:

- Its major roles are as follows –
 1. Its role in globalization,
 2. Influencing government policy,
 3. Regulation of international trade & business
 4. Negative as well as positive roles,
 5. Powerful influence in international relations,
 6. Sustainable development of the developing countries,
 7. High quality & low priced products,
 8. Creation of global economy,
 9. Creation of new jobs,
 10. Improvement in welfare, etc.

I. Its role in globalization.

- MNCs played a very important role in the process of globalization.
- Countries and regions compete each other for the establishment of these corporations which promotes more employment opportunities, greater income, tax revenue, etc.
- In the bargain these countries offer incentives to MNCs as tax breaks, governmental assistance, improved infrastructure, concession in environmental & labor standards enforcement, etc.
- Thus, an atmosphere is created to attract foreign investment, ultimately paving the way for globalization.

2. Influencing government policy:

- These MNCs due to their size can have a significant impact on government policy, primarily through the threat of market withdrawal.
- This threat of withdrawal often causes governments to change their policy.
- These corporations are immune from the control of UN and other international economic institutions.

3. Regulation of international trade & business:

- Under globalization process, it is these MNCs which virtually regulating the international business, trade and investment.
- Moreover, these MNCs have a large hold on global transactions & foreign trade.
- These MNCs make available marketing services, especially export related marketing research, transport, etc.

4. Negative as well as positive roles:

- MNCs can play both positive & negative role in the international sphere.
- They are the powerful agents of world modernization, especially among the less developed countries.
- These are the sources of flow of goods, technology, know-how & capital from the developed to the developing world.
- MNCs solely concentrate on their profit & have little regard for human needs & living conditions.
- These leads to cut-throat competitions resulting in the collapse of indigenous industries.

5. Powerful influences on International relations:

- These MNCs have a powerful influence on international relations.
- These have come to influence the foreign policy objectives of both the home and host countries.
- These are considered to be important agents of international interdependence, human welfare, modernization and development.
- MNCs are criticized as the agents of neo-colonial control of rich over the poor countries.
- Thus, no account of contemporary international relations can be complete without discussing the role of the MNCs.

6. Sustainable development of the developing countries:

- MNCs have unique capacity to increase production and distribution.
- Wherever they go they make radical changes in the existing production system of that country.
- Through their superior technology, professional, managerial competence & quality increases the level of production in these countries.
- Developing countries improve their infrastructure & reduce their poverty levels and promote human progress by means of capital investment on the part of the MNCs.

7. High quality and low priced products:

- MNCs have the ability to produce more & high quality products at lower prices.
- Under pressure of competition, the human beings will strive to give best of their effort.
- Global competition puts emphasis on consumer concern and delivering the consumer the very best quality at lower prices.

8. Creation of a global economy:

- MNCs play an important role in the creation of a global economy.
- MNCs are playing a big role in making the world interdependent.
- MNCs create global economic integration and bring advanced technologies to poorer countries.

9. Creation of New Jobs:

- MNCs create jobs and are instrumental in capital formation.
- In 1988, MNCs had 86 million employees – 19 million in developing countries.
- MNCs were responsible for more than 100 million jobs created indirectly.

10. Improvement in welfare:

- Evidence supplied by the UN and the World Bank strongly indicates that the MNCs are key factor in the large improvement in welfare that has occurred in developing countries over the last 40 years.
- And in those countries where the presence of MNCs are negligible, severe poverty rates persist and show little sign of improvement.
- Increase in food production, per capita income, literacy rates and life expectancy are visible in countries with the presence of MNCs.

Conclusion:

- Thus, MNCs have provided the developing countries with much needed capital, jobs, environment friendly technologies, etc.
- MNCs create wealth, which provides the necessary flow of income for welfare & improvements.
- These MNCs encourages competition and discourages corruption.
- In short, the MNCs are accepted in the contemporary world and also inevitable for the establishment of a new economic world order.