

BA (Hons) Political Sc.
Sem. IVth
Paper - Global Politics

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I MNCs / TNCs as an Anchor of Global Political Economy

Multinational companies are large companies / corporations based in one state with the affiliated branches operating in other states. They are also called transnational companies (TNCs).

MNCs / TNCs operate simultaneously in many countries with fixed facilities and employees in each of them. They are epitome of liberal idea of integrated and interdependent global economy which supports freedom of trade & investments across world. However these corporations operate within parameters of the rule of law in each country.

In recent years, MNCs have assumed greater significance in international politics due to their immense economic strength and exert profound political influence. Before analysing the role of these MNCs in international politics, it is necessary to know their different variants.



(2)

⇒ Types of MNCs -

MNCs can broadly be classified into 3 categories which are as follows -

(1) Industrial Corporations / MNCs :-

Industrial corporations manufacture goods in factories located across the world and sell these goods to various ^{other} industries and consumers locally & globally.

These MNCs are very large in terms of their revenue and areas of cooperation. Most of them are in the automobile, electronic, oil & gas sectors and belong to G-7, the highly industrialised nations of the world. Examples of such MNCs are General Motors, Toyota, Mitsubishi etc.

(2) Financial Corporations -

Almost all important financial corporations are engaged in the field of banking, portfolio management, ~~sto~~ and stock broking. They are subject to more stringent restrictions than industrial MNCs.

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3) MNCs which sell services -

to the people across the world. These service corporations exist in travel mainly airlines, fast food, hotel, media & and retail grocery sectors. Airlines like British Airways, Air Canada and Emirates sell their tickets in several countries. Fast food chains like McDonalds and Coca Cola, hoteliers like Hyatt, Marriott and Taj groups are providing their services to ^{the} people across world.

⇒ Role of MNCs

Role of MNCs in international political economy is very controversial. Many analysts view these transnational corporations as 'agents' of their countries of origin or home countries as they serve the interests of their ~~clients and stakeholders~~ states. According to socialists, MNCs are perpetrators of neo-colonialism because they help ~~these~~ ~~these~~ governments of their states to dominate other states especially poor ones.

A contrary view is ~~that firms are like~~ ^{like} ~~that firms are like~~ of libertarians who view MNCs as

(4)

'significant non-state actors of global

economy which cater to the needs of the people around the world. ^{They are not loyal to any state rather} they act globally in the

interests of their clients and stakeholders. They are motivated by profits and not by any political interest.

MNCs are major source of foreign direct investment (FDI). Foreign direct investment involves tangible goods such as factories and office building (including ownership of sizeable fraction of company's total stock). So MNCs not only operate in foreign countries but also own capital like building, ^{especially in manufacturing sectors,} factories etc. In such direct investments, it becomes very difficult for MNCs to move from one state to another when conditions change. Investments in service sector are less expensive and it is easier to walk away ~~from~~ ~~the~~ ~~sector~~ if conditions are not favourable; FDI often evokes concern in the global south

5

because of fear of loss of sovereignty as government of these nations are less powerful than the MNCs.

MNCs operations create varieties of problems as well as opportunities for the govt. of host and home countries. There is a possibility of govt. to break the agreements with the MNCs and change the terms of taxes, regulations or other conditions. Extreme case is nationalization. However, govt. hesitate to break their promises with MNCs because then other MNCs may not invest in the future.

There are some other issues which cause conflict b/w MNCs and host govt. like ~~trade~~ policies of state to protect its domestic industries. Issues of security ~~of~~ and domestic political instability ^{are} also of major concern for MNCs.

In MNCs try to resolve such

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conflicts through negotiations. MNCs may also use several means to influence host govts. like lobbying, use of advertisements to influence public opinion in their favour and ^{offering} incentives to host country's politicians (such as locating facilities in their districts).

MNCs can function properly only in the atmosphere of peace, security & stability. Occasionally MNCs can get their home governments to provide security if host govt. fails to ~~ensure their~~ do so.

Appraisal

In today's world, where 164 nations have become members of WTO and are opening their doors for MNCs, these corporations have emerged as very powerful actors in the international political economy. The annual income of many corporations

(7)

exceed the national per annum of several states. This growing power of MNCs has become a cause of concern as their aim is to maximize profit for themselves for which they pressurizes host governments which affect sovereignty of states.

These corporations exploit the resources of global south. They also pose a threat to the domestic industries of developing nations as these local small scale industries cannot compete with them.

Despite above criticisms, significance of these MNCs cannot be denied in global political economy. These MNCs create competitive environment in which people ^{not only} get access to the range of products of their choice but also get goods at cheaper rates. It is through these transnational corporations that advance technology is transferred to global south. Large corporations contribute

change to integration of states through free flow of capital and services which avert possibility of war between states and thus contributes to peace in & security of the world.

MNCs prosper in the international atmosphere of peace and stability. Therefore several nations create conducive ambience of peace to attract them. States also provide several incentives these corporations like building basic infrastructure like roads, airports or phonelines etc. On the other hand multinational corporations ^{may} also offer to build such infrastructure, if allowed to operate on favourable terms.

(9)

Despite the growing power of MNCs in the global political economy, ~~to see~~ one can not deny that the international political economy is still controlled by states which are contributing to the growth of global economy.

However there is a need to create such mechanism which can prevent or reduce the harmful impact of MNCs on individuals and states.

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20/3/20