



E-ISSN: 2664-603X
P-ISSN: 2664-6021
IJPSG 2023; 5(2): 42-44
www.journalofpoliticalscience.com
Received: 29-05-2023
Accepted: 13-07-2023

Suchithra T
Assistant Professor, Dr. G
Shankar Government Women's
First Grade College and PG
Study Centre, Ajjarakadu,
Udupi, Karnataka, India

Multinational corporations: An overview

Suchithra T

DOI: <https://doi.org/10.33545/26646021.2023.v5.i2a.256>

Abstract

The rise of several powerful transnational profit-making economic organizations popularly called multinational or transnational corporations has been a phenomenal development of the Post War international relations. An investment by individuals of one country in the economic system of another country is not new. However, since World War II the volume of direct investment abroad through multinational corporations had been staggeringly big. This development has given rise to a new process of internationalization of production and monopolization of wealth.

Keywords: MNCs, TNCs, third-world countries

Introduction

Transnational Corporations are those agencies that work beyond the nation. It contains both business organizations and non-business organizations. International non-business Organizations are of many categories Cultural Religious humanitarian which were not made for the purpose of profit making. International Business organizations were basically works for profit. These are of two types. Transnational Banks and Transnational corporations. Transnational corporations or multinational corporations belong to a particular nation. In that sense they are national companies. Their operations are transnational and owned by the National

Research objectives

To highlight the development FDI through the MNCs after the Second World War and in the eradication of Globalization.
To compare nature of work of MNCS in First World, Second World and Third World Countries.
To analyze the working of MNCs from the supporters and Critics.

Research Methodology

The prepared paper is a descriptive study in nature. The secondary data and information have been analyzed for preparing the paper extensively. The secondary information have been collected from articles published in journals, reports and websites pertaining.

Significance of the study

The study is important because there is a growth of MNCs especially in the era of globalization. And there is a need to highlight whether these MNCS help third-world countries or they are merely profit-making organizations. The study is also important to understand political, economical and cultural impact on Third World Countries.

What is a multinational corporation?

A multinational corporation (MNC) is a company that has business operations in at least one country other than its home country. By some definitions, it also generates at least 25% of its revenue outside of its home country. Multinational companies can also be known as international, stateless, or transnational corporate organizations or enterprises. Some may have budgets that exceed those of small countries.

Corresponding Author:
Suchithra T
Assistant Professor, Dr. G
Shankar Government Women's
First Grade College and PG
Study Centre, Ajjarakadu,
Udupi, Karnataka, India

Numbers of MNCs going up every day American companies dominated the world, closely followed by Japanese and Brazil. It is estimated that profits of MNCs outweighed the profits of domestic companies and they earn more than national companies. The areas in which MNCs operated their investment on manufacture going up on the same time on agriculture coming down. Today these companies are no longer interested in buying land and producing products and making profit, because agriculture is not profitable.

MNCs/TNCs become controversial in the third world. MNCs/TNCs invest in Western countries much more than TWCs, although there is not so much of a problem in Western countries. Less money invested in third world countries, although there is a problem in third world countries.

Functional schools had a positive attitude toward these MNCs. It said they are global.

Transformation agencies bringing the world together.

MNCs in the First World are not so controversial from an economic point of view but from a cultural point it has created problems. Why is there no controversy in Western Countries?

1. Overall investment by the MNCs in the First World is less than overall investment by the government of the First World. On the other hand, in the Third World, overall investment by MNCs is very often much more than GDP of Country. So MNCs in TWCs act as a dictator.
2. Rules enforcing institutions of Western countries are quite strong. But in TWCs rule enforcing institutions are not strong, the labor unions also not so strong enough to oppose MNCs
3. MNCs are not so problematic in the Second World. They are socialist countries. believes in command economy

Even in third-world countries, opinion differs. Some people said MNCs are agencies of imperialism. On the other side there are people who still argue MNCs work for the development of third world countries. Their arguments are as follows

1. Supporters argue that in TWCs there is no investor, so the investment is also less. MNCs invest in such regions badly in need of investment.
2. This Foreign Direct Investment stimulates reinvestment and these have produced the movement of capital and production from the first world to the third world and it has big gain for the later. and Macroeconomic development takes place.
3. MNCs would create job opportunities. They pay higher wages, pay more taxes and provide more managerial know-how and training than the local domestic industries.
4. MNCs constitute the main channels, through which developed technology flows from the developed to developing countries.

Critics says above statements are Superfluous and overstated

1. They argue that, the very word. FDI itself, is misknown because there is nothing in foreign direct investment. They take loans from foreign banks operated in that country and very often local companies are deprived of getting loans from foreign banks in their country.

2. Critics also said the multiply effect of investment is not correct, because firstly they raise money from local sources. The money is not spent locally. They bring technology and modern equipment to their own country. The most top officials of corporations are of their country" and they pay very high salaries.
3. Money reinvested is not true. They go to foreign countries to share with shareholders.
4. There is a competition between TWCs to invite MNCs to invest in their country. But MNCs, recapitalize TWCs instead of capital investment
5. Supporters argue MNCs pay more taxes to local governments. But actually, they do not pay taxes. They demand holidays and have tax holidays for 10 to 20 years. Very often local governments give lots of concession to the M.N.C. On the other hand, these concessions were not given to local companies.
6. Supporters who said MNCs create job opportunities. Critics argue. This is overstated because they do not create employment opportunities. MNCs firstly destroy local companies and establish their monopoly. The local producer and worker is unemployed. MNCs are capital-intensive. They don't employ so many people and use machines and technology so they use labor less. Top officials are brought from outside countries and not from local people. They don't create job opportunities and whatever jobs they create are unstable and insecure.
7. When the local government is strict to the rules and regulations they run away and go to other countries.
8. Technology - In real sense, they do not give technology to local people and local people never come to know technology. They maintain secrecy.

In addition to this there are many other Problems in Third World Countries. MNCs lead to adverse effects of income disparity between the Countries of the world. MNCs not only create a gap between rich and poor countries but also increase this gap by securing huge profits from the developing countries and transferring these to the developed countries. MNCs interfere in the political processes of Third World Countries and make the local governments corrupt. MNCs pay very little attention to the human social, ecological and psychological needs. They are least bothered regarding environmental pollution and psychological alienation. These concentrate solely on their profits and have little regard for the living conditions. In the agricultural sector all MNCs only want profit; they cannot bother about fertility of Soil and over-spray chemicals to agricultural land. MNCs force people to work in unhygienic and without proper safety measures and non-implementation of safety methods. MNCs make sex-related practices. They call for pretty-looking modern females for hiring. All banned goods in Western countries like medicines and chemical fertilizers are dumped in local Markets. The most dangerous thing is cultural imperialism practiced by MNCs. Coca Colonization creates an artificial culture and destroys all local values.

Conclusion

Defining the accurate position of MNCs whether it is helpful or not is not an easy task. Still our understanding vary from sector to sector and country to country So passing judgment only by understanding its working at the local level is not the correct way of understanding the MNCs. There is a need to understand its work at a global level but

this global research is so easy. Understanding TNCs with critics and supporters is also problematic. Supporters support it from a Macroeconomic point of view in terms of an increase in GDP and the creation of employment opportunities. Opponents oppose it from the Microeconomic point of view creating social problems political corruption income dis equalization cultural impact environmental effects.

Reference

1. Dixon, Chris J, *et al.* Multinational Corporations and the Third World (RLE International Business). Routledge; c2013.
2. Group, Taylor & Francis. Multinational Corporations and the Third World; c2019.
3. Multinational Corporations in the 21st Century Economy. Excerpted from chapter one of Global Goliaths: Multinational Corporations in the 21st Century Economy (Brookings Institution Press; c2021).