

Why is the operation  
of many tncs in less  
economically  
developed countries  
so con...



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Transnational Companies/Corporations (TNCs) are companies that operate globally. They usually are based in MEDCs but have branch companies all over the world.

TNCs dominate the economy of both their home countries and most of the economy in less economically developed countries (LEDCs), where they choose to invest. Due to this their economic and political power is immense. They are the most advanced system, which creates economic growth, wealth and poverty. The majority of TNCs are based in the United States, Japan, the United Kingdom, France and Germany.

These are all more economically developed countries (MEDCs). Transnational companies tend to locate their factories in LEDCs because give them many advantages. They include very favourable tax conditions, very cheap labour and minimal supervision in respect of human rights. Big industries ' use local sub-contractors from Asia or Northern Africa; they no longer need to resort to foreign direct investments to benefit from the advantages of relocation.'TNCs have many negative points in the way that they run their companies in LEDCs:\* Due to the fact that Transactional companies are owned by a parent company the profit made in other countries is never used towards that country.

\* Training is never provided for the workers.\* They don't do any research or development experiments in the host countries and therefore they country is never able to expand its knowledge or business skills.\* They do not contribute to host countries' exports.\* They worsen the income distribution of host countries,\* They do not take into consideration the host countries'

ideas for further national development.\* They dominate major industrial sectors.\* They interfere with political conditions of developing host societies.

\* They underestimate that impact of their actions on issues such as safety and environmental conditions, as well as social and cultural issues. Nike is a key example of a TNC that operates in LEDCs and while it may have an excellent image in the United States, it is a very different company in Vietnam and in other Asian countries. There have been a vast number of reports claiming that physical abuse, sexual abuse and salary payment below minimum wage are all practised in these companies. Furthermore, they have even been confirmed by major newspapers including the New York Times. Relocating a company to attempt to gain the best conditions is very common.

For example Nike had a factory in operation in Asia, but following an increase in wages in this area. The sub-contractors from these countries have relocated their production in countries with lower labour costs. Relocation has multiple negative effects on employment. They include labour exploitation in LEDCs, it is a threat for employees from industrial countries causing working and living conditions to become worse and it makes it increasingly harder for sub-contractors to hide TNCs involvement in human rights violations. Reports have been issued that Michael Jordan's Nike trainers are made by Indonesian children working for 14 cents an hour. When Nike was recently accused this their official simply pointed out the fact that the sneakers carry the label ' Made in Taiwan.

‘ The labels that are put on shoes indicating where they are made usually only refers to the final part of the production and does not mean that no portion of the trainer is made in Indonesia. It has been estimated that almost 200 million children under the age of 14 are working full-time for Transnational companies like Nike and Gap. These children are paid very little, they do not receive an education and therefore have no chance of escaping their poverty filled lives in an attempt to make something of themselves. The economic reality is that children are typically paid one-half to one-third what is paid to adults doing comparable work.

The children are often exposed to significant health hazards and subjected to extreme physical, verbal and even sexual abuse. While many children work to add to the family income, others are literally sold into bondage by their parents in return for money or credit. The International Labour Organization Convention stated that ‘ The minimum age...

should not be less than the age of compulsory schooling and, in any case, shall not be less than 15 years...countries whose economy and educational facilities are insufficiently developed (are allowed) to initially specify a minimum age of 14 years and reduce from 13 years to 12 years the minimum age for light work.

‘ This statement, however, has not been followed by major TNCs and therefore young children continue to work. Tiger Woods and Indonesian worker pic go her Reports from CBS indicated that the minimum wage of Indonesia is deliberately set below the poverty line in order to attract foreign investors. When some Nike workers attempted to organise free trade unions they were

physically and verbally harassed, their wages were illegally docked and some workers were even terminated. It has been proved that if Nike were to reduce their annual advertising budget by a mere one percent, it would raise the wages of 12, 000 young Indonesian women to over the poverty line and give them a better quality of life.

When Nike CEO Phil Knight was asked the reason he does not make shoes in America is replied, ' What it really comes down to is that the average American really doesn't want to be a shoemaker.' He did not mention anything about having to pay American workers more than the Indonesian ones. The working conditions that Nike provides in such countries as Indonesia are immensely poor. The 1300 workers, who work 78 hours a week on average do so in hot, crowded and poorly ventilated factories. They are forced to work between 10 and 19 hour shifts at least twice a week and are prohibited from speaking to each other while at work. They are threatened and shouted by supervisors if they work too slowly.

The water they drink from is usually unsafe and causes diarrhoea and vomiting. Workers are paid between 11 and 20 US cents an hour and child helpers are only paid around 8 US cents an hour. A typical house is a small room in dangerous areas that is shared by four or five workers. The workers say that if they could receive a wage of about 34 US cents then they would be able to meet their most basic needs. Factory workers pics go here This is a quote made by a Nike factory worker ' Factory managers abuse and harass us because they think it will increase our productivity.

They don't understand that people work better when they are treated in a way that respects their needs. You should do research into that. Maybe then they will stop treating us like machines. All you need to do is turn on a machine and it works automatically. Humans cannot work like that.

We are not machines.'By working in TNC operated factories such as Nike the workers are put under extreme danger. They are exposed to dangerous chemicals that are released from solvents in sport shoes. If inhaled the workers are prone to may respiratory illnesses.

They can be seriously injured by many things, including the heavy metal moulds used to press shoes with. If one it was to fall on an unprotected foot it can be easily crushed and may even have to be amputated. Strong steel-toed shoes should be provided to the workers as a means of protections.

They are not. The workers complain that they do not receive adequate medical care and that they are only permitted to see the factory doctor who doest treat them properly. The workers are exposed to dangerous levels of heat and noise that could possibly be a danger to their health.

The operation Transnational Companies in Less Economically Developed Countries is seen as controversial because they take advantage of the fact these countries are poor and need work. They believe that they are helping the countries by giving them jobs but in actual fact they are doing the exact opposite. People work for meagre wages and then the profit made by their hard worker is never used to benefit the country. LEDCs are treated as slaves to those countries who are wealthier.