

Report on globalization

[Business](#), [Marketing](#)



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Globalization

Over the years, neoliberalism has come to rival liberalism as a political ideology. This is in tandem with the suggestion that liberalism, as a political ideology, has gone through change to reemerge as a neoliberalism. To this end, there exists a suggestion as to the existence of a common experience for both concepts. A general definition of neoliberalism states that neoliberalism is a political ideology inclined towards favorable constitutional changes in bid at achieving democracy and freedom . On the other hand, the definition of neoliberalism is encapsulates it as a “ a modified form of traditional liberalism.” Liberalism took root as a political slogan in Spain and Sweden and then spread to Europe in the first decade of the 19th century. To this end, this paper aims at looking into multinational corporations and their impact on an country’s economy. In this case, a case of Volkswagen India will be examined.

In this perspective, neoliberals identify with the fact that power and resources are to a greater degree concentrated in multinational cooperation’s and in elite groups. Therefore, it is no contradiction to say that MNCs shape our economic, political and cultural society. Neoliberalism

ideology has emerged as the dominant ideology shaping our society.

Keynesian theory, which was the dominant theory in 1945 to the 1970s, was replaced by the monetarist approach advocated for by Milton Friedman. This theory advocated for less government regulation of the economy and puts more emphasis on, the stability of economic policies, as opposed to being a Keynesians which advocated for alleviation of poverty and full employment. On this front, neoliberal theories advocate for self-regulation in the market system. This means that market mechanisms are viewed as the most efficient way to allocation and distribution of resources in the economy.

Under this system government intervention is undesirable and unwarranted. In many quotes neoliberalism is seen as a something that lives independent of liberal values and policies. Neoliberalism is seen as a mix of economic and political ideologies rather than a pure political ideology that has become the dominant ideology.

In the case of Multinational corporations, they are companies that operate in more than one country. The rise of this organization is a fairly recent occurrence and has resulted in legal ambiguity due to their ability to operate in more than one jurisdiction. The MNCs target emerging economies such as India, Brazil and China as they offer cheap labor and raw materials than the host country. A good example is India which has attracted some of the largest cooperation's, including Volkswagen, to invest in the country. The investment by Volkswagen in the Indian market was heavily influenced by the availability of cheap labor. India offered a large pool of labor force which is evidenced by the large population that stands at about 1. 21 billion as per the country's 2011 census. Growth of MNCs can be shown by the rise of

foreign direct investment in emerging countries which has grown more than 10 folds. India, which is my country of focus, had FDIs of about 19.42 billion dollars as per the 2011-2012 financial years from 160 million dollars in the 1990s. For example, Volkswagen pledged (in 2012) to invest 100 million in India in the next two years.

Accordingly, investment in emerging markets is accompanied by a lot of risks, but the reward of success of such investments is too good to resist. In the early 1990s, the MNCs were attracted by the opportunity of low production but to date the emerging markets are turning to be a key growth sector. This is due to impressive growth rates and increasing middle income earners who have disposable income to spend. In India, the sales units for Volkswagen for the period January to June 2012 was 60850 up from the 55091 the previous year. Technologically Volkswagen inspired its marketing team to come up with innovative ways of raising brand awareness, the team came up with the world's first talking newspaper which used light sensitive chips to speak to a reader. Such innovations have inspired other young innovators to come with unique inventions to tackle many social issues in the country. Economically, such inventions have put India on the map as an upcoming technological powerhouse.

In reducing unemployment, Volkswagen has invested heavily in India by building production plants. These plants are used to produce car units both for domestic and export market. It is a state of the art production plant that employs 501956 as per the 2011 statistics. Increased prosperity is also experienced by host countries. For India, the jobs created by the car manufacturer will improve the living standards of the population. This

investment also spurs other sectors of the economy example infrastructure where the Indian government undertakes infrastructure projects to boost investment. Generally, MNCs lead to the introduction of new skills and technology that are used to improve production in the host country. In India Volkswagen, innovative marketing strategies have led to the world's first speaking newspaper. Training of the workforce also leads to new skills in the Indian automobile sector, in the manufacturing industry the use of green technology leads to less pollution and encouragement of eco-business strategies. Apart from the benefits MNCs also have negative effects. Most of these cooperation's are influenced by profits in their consideration of investment activities as such they look at the countries with the least bottlenecks.

However, most of the profits that MNCs make are repatriated back to the mother countries, in some way this can be regarded as exploitation. MNCs use cheap and abundant factors of production located in the host country to make massive profits that are used to develop their mother country. This type of exploitation is also manifested in the MNCs blackmail the host countries with closing of production plants if a policy is enacted that affects their bottom line. As such, the MNCs use their wealth and power to impose their will keeping wages and costs down as they take the profits back to the mother country.

Particularly, Multinational corporations have been known to effect transfer pricing. Ttransfer pricing is a policy where MNCs come together and manipulate the market and set the prices in the market at deceptive levels to ensure maximum profits. Currency manipulation is also a practice by

accumulation of funds in places with a strong currency then asks their subsidiaries to go for larger debts. Therefore, their assets are in a strong currency while their debt into weak currency creating a currency crisis. In this case, Volkswagen can take up enormous loans because India's currency is weaker than Germany's. Unscrupulous business ethics are a common practice of MNCs. They engage in bribing of government officials to influence people and get their will done. In the political arena, they lobby for policies that are geared towards a lowering of costs while working conditions and wages are exploitative. On social responsibility; some of the MNCs in the mother country are remarkably perceptive to the society need. Therefore, the MNCs engage in activities that benefit the community. However in the host country most MNCs are not perceptive to such needs, this is because their main focus is profit maximization.

As such, the car maker in India can engage in bribing activities that are immoral business ethics to maintain the status quo. MNCs may lead to exhaustion of natural resources that are not renewable example oil iron ore and others. For instance, the steel used in the vehicle assembly plants of the car maker are not renewable. This is because the MNCs over exploit these resources for profit up to levels that are not economic level. The mining fields are abandoned if not rehabilitated they become health and environmental hazards. Additionally, MNCs immense influence that they possess if used well can lead to strengthening of ties between the host and mother countries. This is because of the shared interests that exist in both countries. The mother country has an interest because of the substantial investments that are made by the MNCs. In or case Germany is the mother

country while India is the host country. The host country in this case India has an interest because of the employment benefits created by the MNCs. Additionally, MNCs may lead to business practices such as dumping. In the case of technology for instance, MNCs may export absolute technology to the host countries because they want to reduce costs that they incur in disposing of off these technologies. Dumping of substandard goods that do not meet the qualities specified in the developed countries. These goods may be exported to the host country where the laws on quality standard are lower. MNCs take advantage of low purchasing power coupled with lower standards to sell substandard goods. Also, MNCs may also engage in unfair business practices such as undercutting the local producers. This arises when the cooperation's which enjoy economies of scale in production set price that are uncompetitive so as to gain market dominance at the expense of local producer. In India a case in point the competition between Tata and Volkswagen where the latter is subdued by the global dominance of the Volkswagen.

Conclusion

In a nutshell, from the evaluation above the MNCs impact and interaction with the host country can be described as a relationship that is necessitated by circumstances, as per any relationship there is bound to be both merits and demerits. The emerging economies in this instance India benefits from the investment and as well have problems arising from the relationship. For instance, India benefits from employment but will not benefit from exploitation of workers in terms of the wages paid out. The MNC may engage in political interference in the domestic's issues of the country, Transfer

pricing and immoral business ethics. Accordingly, MNCs benefit may be termed as only beneficial when the country is still developing. This is because as happened in the mother country where they relocated their production facilities once the factors of production become expensive this may lead to job loss and a reversal of the gains made in the earlier stages of production.

Additionally, MNCs can also be recognized for the role they play to make the world a global village. This is derived from the fact that their operations bring the world together through such products as e-commerce, Internet and transport and communication products. Globalization makes trade between countries easier. Thus, the easing in trade tends to turn it to be more efficient. Therefore, it is safe to say that MNCs operations should be scrutinized through legislation that strikes a balance between their interests and the country's interest. This is to ensure balance trade and benefits to all.

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