

# Multinational enterprises and developing countries

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Recent survey reveals that Multinationals Enterprises commonly abbreviated as MNEs exert an immense influence in the contemporary economy due to the growing concept of globalization. Many opponents of globalization concept argue that MNCs are using their full potential to exploit other business organizations particularly small and medium sized firms in developing countries in order to benefit; for instance by practising unfair competition. There is widespread discussion as to whether globalization is of great benefit to the modern economy or it brings impoverishment.

Some analysts consider the globalization concept to be of prime importance as well as revolutionary. Others including Kenneth Waltz argue that, in comparison to the era prior to the first world war, the current global set up has underachieved in terms of the level of intensification when globalization phenomenon is utilized (O'Rourke and Williamson, 2000). Research indicates that there is growing debate about the reality of globalization with two arguments arising; that globalization brings prosperity and that globalization brings impoverishment.

Those who argue that it brings prosperity are the proponents while the later are opponents of this concept. Those who oppose globalization cite some issues associated with the growth of this concept and include; nations which are poor are always disadvantage for example countries who rely on agricultural products and their domestic markets having experiencing competition from Multi-National Enterprises in same industry which force the local firms to offer there commodities at cheaper prices thus leading to making of loss by such firms.

In essence, globalization explains the growing economical, political, cultural, technological and social interaction and interreliance of the whole world in this 21st century (Friedman, and Ramonet, 1999). The global environment and expansion of globalization has incited a range of reactions and opinions all over the world.

In the recent past anti-globalization objections have always emerged to be among the most controversial issue all over the world and particularly in the developing countries. However, the followers of globalization are subjected to anti-immigration arrangements in Europe and the United States for example resistance to the elimination of trade obstacles and hostile response directed against western cultural sway in several countries.

MNCs have been criticised immensely on how they go about their normal business operations; for instance a scholar known as Noam Chomsky asserts that globalization precipitated by MNEs does not lead to prosperity and he emphasizes that; “ it is a term of propaganda used conventionally to refer to a certain particular form of international integration that is (not startlingly) beneficial to its designers, Multinational corporations and the powerful states to which they are closely linked” (Hill, 2005).

Such statement is actually true to some extent in that most MNCs that have invested in third world and developing countries have used their financial strengths and well founded financial bases to ensure that policies and guidelines are made or amended to fit their selfish gains. Globalization is understood as a complex concept that has brought much controversies world wide. Research indicates that globalization has actually brought little harmony in regard to what it is and whether it is of great importance or not.

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Therefore MNEs have utilized globalization as a process of aggravation of political, economic, and cultural interdependence amid the different actors within the global system. We also find that globalization is more systematic in the economic field where it signifies a process of intensification of national economies with the purpose of developing the capacity of the global economy to work as a unit; but in the real sense the MNEs who are greatly linked to globalization have failed to bring such capacity (Chossudovsky, 2003).

MNEs integration comes with certain socioeconomic conditions as well as policy mechanisms. Therefore, understanding MNEs activities necessitates the description of the underlying context that makes it viable, as well as the institutional set up and policy frameworks that promote it. Over the last two decades, some significant changes in the global system have precipitated globalization. One is the changes in power distribution on a global level where any nation could have emerged as the sole superpower.

This development has therefore eliminated the competition among nations for global leadership and dominance; it has become difficult to have a common economic space while there are few competing superpowers. More so, in this regard, globalization is perceived as a United States dominated set up. In addition, it implies that if another superpower emerged, then the process would be reversed (Joseph, 2002). The other factor that is found to be affecting this globalization concept is the predomination of capitalism and the free market economic system.

Research indicates that conflicting economic frameworks and visions would not be compatible with the processes of making a common economic space.

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Under this we find that lack of competition between various economic visions has been described one of the leading factor for globalization. Several policy instruments have been created to act as mechanisms of globalization; this is after the establishment of the acknowledged underlying conditions.

There has also been creation of fresh multilateral institutions with the restructuring of the older ones so as to manage and promote the mechanisms of globalization; a few key examples include the International Monetary Fund (IMF), The World Trade Organization (WTO), and the World Bank. The policy mechanisms developed in harmony with a neoliberal ideology that is also stated to be fostering globalization; disengagement of a nation in economic activities regarding to the regulation and institutional changes like trade barriers restriction, privatization, and capital mobility liberalization are some examples of these mechanisms.

Under this we find that many developing nations, the World Bank and IMF through their sponsored programs have been the vehicle behind the adoption of these globalization mechanisms (Gill, 2002). The other issue is that of exploitation of employees of foreign origin by utilizing them as labour and paying them fewer wages and salaries on the work done. Also MNCs may subject such workers to working for long hours with less pay. Such a situation particularly in poor countries like in Africa has led to escalation of poverty levels since such workers may not be able cater for their basic needs.

Globalization has also led to sudden shift to service work from manufacturing processes; this is because of the service provision being considered cost effective particularly when viewed from the aspects of offshore employees

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and such workers shifting to service industries. Such scenario particularly in Africa and some Asian Countries has led to increase in economic gap between the unskilled and the skilled employees (Bello, 2002).

There is also an argument that globalization has resulted to growth of contingent jobs in that many MNCs like the BAT and Coca Cola Companies are now favouring the recruitment of local part-time or contract based workers thus saving costs that they have could incur on the recruitment of full-time employees. Such scenario have led to job insecurity since the workers will not receive benefits like pension benefits when they will retire thus making life difficult particularly for the old in the society.

Globalization has also led to weakening of labour trade unions in that many firms are set up in different parts of the world and there have also been an increase of unemployment rates meaning that there exist surplus of workers in many modern economies. A good example is in the U. S where firms can replace the employees at will since the existing unions have limited powers to protect their workers. Research also reveals that among the MNCs controversy also mars the factors that promote globalization.

Obliviously, technological development has contributed to the intensification of interdependence. However, it is not substantial to claim that technology, by itself, would precipitate globalization. For instance, it is unclear whether capital mobility would be achieved due to technological advances alone; development in communication coupled with capital flows deregulation have improved capital mobility. Some critics agree that globalization is modelled by the forces of the market system. In argument, to realize an economic system a political system must come in handy.

Therefore, globalization is dictated by the assent of governments and in this regard, the United States predominant power as well as other developed nations (Rugman and Collinson, 2000). Although the strict followers of the market system argue that the reception of globalization by developing governments is inevitable such that they cannot prevent globalization in which case they would incur immense costs. Interest of powerful capital has indeed punished developing national governments which implement monetary and fiscal policies that impact greatly on their visions.

In these circumstances, developing countries have sided with capital due to amounting pressure from the advanced nations and the multilateral globalization agents (Pitelis and Sugden, 2000). Capital has caught the attention of most countries governments. It is unforeseen that the world economic order perceived in globalization will be viable in a situation where labour arrangement is sufficient to counterbalance the effects of capital governments.

Powerful nations like the United States cannot be deemed helpless against globalization. They can determine its fate at their own will or where there are changes in the balance of power amid social classes of the powerful nations. The death of globalization in the nineteenth-century, due to mostly political pressure, adds to the point that globalization is not a passing wind that is controlled by merely the technological advancement and market forces.

The bad financial situations experienced in various nations have left the proponents of globalization with shaken confidence. For instance, The World Bank, in contrast to the 1980s minimal state dictum it supported, now appreciates the significance of the role of each country in correcting and

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protecting the aspects of market system. Furthermore, there has been an increasing understanding that uncontrolled financial flows, more so from developed nations to emerging economies, can cause immense instability.

Some advocates of globalization have acknowledged the relevance of Keynes's scepticisms on financial mobility in current global set up. The notable terrorist action in the United States of 11th September, 2001 raised the issue of the wisdom in embracing globalization. However, in spite of the draw backs and the shaken confidence, the proposition for globalization is still strong (Gill, 2002). Reference Bello, W. (2002): *Deglobalization: - Ideas for a New World Economy*, Zed Books: New York

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