

Interpretations of Multinational's Policies in Developed and Less Developed Countries

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ABSTRACT

This article explains the economic and international business between developed and developing countries while keeping in view of chartered of Multinational Companies in order to explain the particular role of Multinational Companies in the Developed and Developing countries, the base of this article to describe the process of realism in between of Multinational Companies which are operation in developing world in manufacturing and services sectors industrial enterprises are dominant the multinational business in Developed countries due to joint venture, in the cross borders as well as marketing, trading, manufacturing, consulting, contracting banking, hotel and insurance field, so multinational group operating across the national. this study also given attention to some aims and objectives for the success of the business of the Multinational Companies in business as well as covered some important issue of the Islamic culture in this study in Muslim countries as well as less developed countries.

Keywords: Investment, Trade, Production, Manufacturing, Services,

INTRODUCTION:

The main objective of this article is to discuss the business practices of multinational companies and their processes of direct investment in both developed and underdeveloped countries. This tries to describe the different aspects of multinational companies, particularly in the field of transfer of technology. Before the 17th century, English and Dutch monopolies in trade were existing in the form of chartered companies. However, in the nineteenth century that multinational companies began to find an ever increasing role, as the European investment abroad swelled in the sectors of textile and mining.

PERFORMANCE OF MNCs IN DEVELOPED COUNTRIES

Worldwide businesses of Multinational Companies are very much vital and contribute to 1/5th of the global Gross Domestic Production GDP. Both the global and the local role of the MNCs (Multinational Companies) is increasing. The MNCs often control the world class resources through which new products and services are generated. Multinational Companies have made industrial activity and its procedures possible on international scale. At present, 60,000 companies are qualified as multinational, whereas 500,000 companies are working with their collaboration,¹ 25%; i.e. the value of Multinational Companies on the international basis is one trillion U.S Dollars on account of sales of foreign

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affiliated companies in local and international places. ² The Multinational Companies owns large firms and their economic standings are comparable with even the whole economies of some countries. Another important aspect is that there are other necessary activities of the Multinational Companies operations as created on account of export and imports, 50% imports and exports of United States on the basis of transactions.³

(a) Multinational and Foreign Direct Investment Flow

Increasing in economic continuously on the basis of Foreign Direct Investment (FDI) and the growth in trading related to the production as well as rising of FDI. During last 24 years, 60% increase has been found in the industrial production, while the rate of international trading has been leveled up from 2% per annum to 4.8% per annum, an increase of 210 %. In the rate of FDI an increase of 780% has been found during the tenure of 1973-1997. ⁴

The discussion on the increase of FDI on the basis of worldwide supporting data ⁵ illustrate that the result of FDI found in China and South East Asia were very high in 1990 and in the year 1996. In the year 1970 to 1980, the share increased from 18% to 40% in U.S.; similar was the situation in the year 1960 and in the beginning of the year 1970.⁶

The outflows and inflows of FDI found in the developed countries, from 1972 to 1978 flow were private flows of FDI. ⁷ It is in home and host nations having different sectors and industries as related to the Multinational Companies, the ⁸services of FDI are growing in the total outward stock in the developed countries. The Global Company provides product and services and fulfills the universal requirements. The electronic products, such as capacitors and resistors, fall under the universal products. Some products require specific markings, which are often known as the local pressures such as differences in the need of customers, in distribution channels etc. They then force to adopt market structure as well as host government demands.⁹

(b) Transfer of Technology and Knowledge

The Multinational Companies play great part as developers. For the comparison of imperfect world markets, it is necessary to be aware about two features regarding indivisible and public good.

The amount of license fees and royalties for the transfer of knowledge and technology at the increased rate of FDI flows, raised from 12 billion US \$ in 1983 to 65 billion U.S \$ in 1999. ¹⁰ The developed countries dominated the amount of license fees and royalties in comparison are concealed FDI regional stock; in fact the developed countries are sources of share on use of the technology. In the year 1990, 50% of license fee and royalties have been received by the U.S where as Japan has received 10%, United Kingdom 9%, Germany 6%

and France 10%. ¹¹ The foreign markets are very fast with respect to exports and way of production in the foreign countries. ¹²

As most of the large companies undertake the Research and Development (R&D) work at home country, the R & D expenditure of Multinational Companies has increased at 10%. The international flows of knowledge and technology have also increased. In the year 1999, US parent companies received the amount of 23.3 billion US Dollars in recognition of license fees and royalties while the foreign Multinational Companies have received 7.7 billion US Dollars. ¹³Since 1980, trade process has been mostly found in developed countries. Despite including countries of Asia, no change occurred in the developed countries. The owners of technology of the Multinational Companies contribute to the host country's economy by providing employment, capital and productivity either directly or indirectly. Multinational firms also provide efficiency gains to the host country by providing efficient technical, managerial, marketing or the productivity skills to the local firms. The host nation acquires the direct benefits from the foreign direct investment. The study also shows the positive role of the Multinational Companies in developing manpower skills in scientific, technical and managerial fields. It is also pointed out that in the host countries the existence of MNCs have favorable effect on the competitive process of the host country.

(c) World Trade with Multinationals

In fact, the share of developed countries is going on with the same industry as given in the world market by imperfect competition of inter industry trade, the shares in the production of goods obtained in the same field of the industries, the leader of the company of technology field in the foreign country on account of another reason regarding the import.

The share of the import goods used by companies has increased from 14.2% to 19.9% during the years 1970 to 1990 that means 5.7% increase in period of 20 years. ¹⁴ Greater import of goods maintain the link between the foreign production and international trading, and as a result the affiliated companies in foreign countries continuously grow up.

The Multinational Companies provide great trading relationship between parent and affiliated companies. More than 50% of all the American Multinational Companies deal in exports of intermediate goods. ¹⁵It is correct that the foreign production can be changed and there are great new trading opportunities available internationally.

As per documentary evidence, the intra-firm trading share of the total share has been estimated as one third. The share of U.S Multinational Companies has increased during the last twenty years, so in the trading field, the role of Multinational Companies is more than 35% and the total exports of Multinational

Companies of US are estimated at 65%. In U.S imports market, that share of Multinational Companies is very vital. In worldwide trade, the position of Multinational Companies is very much important because one third of international trade goes on through the Multinational Companies.

RESERVATION OF DEVELOPING COUNTRIES FOR MULTINATIONAL COMPANIES

Multinational Companies have questionable relationship with the developing countries. Former communists criticized the Multinational Companies and declared them a tool of neo-colonialism. In the year 1980, the competitive environment was totally changed by the creation of technology to the interest of Multinational Companies. Political and economic pressures, and the information technologies took over the control through privatization.

(a) Away from Charter

The collision of Multinational Companies with the economies of host companies is increasing. The character of Multinational Companies has changed over 300 years.

1. The Multinational Companies act as the barriers of the entrance. In the past, Multinational Companies act support the character, whereas the present Multinational Companies act support branded products.
2. On the basis of exclusive rights, Multinational Companies always control the main industries of the host country, previously only the mining and agriculture fields were controlled by the Multinational Companies but today the Multinational Companies control the chemical and electronic industries as well.
3. The Multinational Companies control the trading field as a group of chartered companies, but Multinational Companies imposed the ban on the imported raw materials and products to control the export of finished products.
4. The Multinational Companies failed to provide experience to the under developed countries. They usually hired managers and skilled workers from abroad. However, today Multinational Companies do not depend mainly upon the emigrant population but only partly in managing activities at the Head Office.
5. The Multinational Companies directed foreign investment in such areas where the military or the political power in the country, in the North Atlantic Treaty Organization (NATO) countries have seen positive effects in cross investment where the negative effects found in the developing countries on direct foreign investment.

The Multinational Companies mostly perform their processes using high technology through the skilled labor, when the use of unskilled labor required in resource based process, it is a usual practice for the investment of Multinational Companies to hire unskilled workers as supply in the poor host countries, Hence the interest of host country against the Multinational Companies found weak. No accountability from the host country is normally possible if any of the firms give up the investment and go somewhere else.

(b) Focus of Profit Earning

The best strategy base done is the set of conditions, worldwide strategy relates with condition, as the FDI was the main source regarding transfer the manufacturing process to the developing countries as all the planet proceeding to the industrial process, but it is fact that Multinational Companies do not apply the process as they have different strategies on the basis of the main profit.

In fact the multinational companies are interested in investing in the developing countries of small division; these countries not more than 15 or 20, there is some competition against the FDI, ¹⁶ as the investment is not competing the core countries in respect of FDI,

Most of the multinational companies give preference to their own interest rather than to the national interest of the host country. It is therefore impossible to expect the encouragement of local development from such foreign companies. There are some risks on property out of the country, on restoration of capital, currency practice or the devaluation in political matters, so it needs to get high profit on account of compensation regarding the risks, but the high rate creates doubt for the host countries, ¹⁷ as the compensation on account of high profits to clear such doubt and also get relief from the pressure of payment of balance, so it is necessary for the compensation for risks give favor to the demand. ¹⁸

Future strategy of multinational companies is based on tradition and operation, to obtain the land on Greenfield in the developing countries for planting new employment and machinery, from early of 1990 by applying new strategy large number of multinational companies are going to include in the economies of the developing countries and purchasing the companies, there is no confusion for the merger. ¹⁹

(c) Issues of Conflicts

It has been found that the areas of conflict vary from company to company and from country to country, the policy and direction of the research of the corporation is not according to the interests and requirements of the developing country. The Less Developed Countries (LDC) show the doubt regarding Multinational Companies as the economic relationship between the two has been converted to the economic relationship of the consultant and the client. Given the influence of the investors of the foreign countries and the Multinational

Companies, the political parties do not like proliferation of the Multinational Companies.²⁰

The bone of contention between the host and Multinational Companies is investment in the raw materials. The developing countries are not satisfied with the role of Multinational Companies and they are using their bargaining position in the raw material export.²¹

The direct foreign investment based on the technology industries, research and development, the multinational corporation can cooperate in the development of economy of the host country. The capital inflows enclosed by outflows at the high grade, and it has complaint from various officials regarding the training of local personnel and it is necessary to give encouragement to the private enterprises.²² This feeling of many governments across the globe is not correct that the Multinational Companies cause disturbances in the economic planning and also create tensions for local Governments.

The advantage of technology is another serious issue. According to this statement, that establishment of joint venture in foreign countries is the great loss by competitive position in the world, some countries give their views on the interference economically and politically, by way of local government of the multinational corporation. There are other regions in the field of economies of the development facing controversy and not stable on the issue of benefits and private foreign investment cost. It has been pointed out that there is no influence on economic, investment saving as well as manufacturing from Multinational Companies, and basically not agreeing with the style and character of the development. It has been a positive contribution of global scanning ability of the Multinational companies have improved the transportation services, computer network, they are in position to provide these services directly or indirectly, through these services it helps to identify the opportunities, threats and other information for the Multinational Companies.

CONCLUSION:

According to our views the business of the Multinational Companies in the developed countries reflect the combination of global integration as well as local response, however it is based on the nature of demand in each market, it is fact that all markets have their own requirements, and therefore need different response. Multinational Companies have made global contributions that have benefited every society in onway or other. They have been the agents of change in the fields of transfer of Technology, advance research and development. The activities of Multinational R&D have resulted in improved consumer welfare across the world. Multinational Companies are responsible for improving all aspects of business life including electronic banking, satellite communication facilities, best electronic infrastructure, and state of Art communication network services such as internet, transport and logic services.

The critics of the Multinational Companies raise doubts about the industrial and commercial development under MNCs, therefore they support the strikes, boycott and violence against the Multinational Companies. The Multinational Companies through the transfer of technology have contributed to the development of the host nation. In developing countries the foreign capital investment Law encourages the foreign investors and Joint Ventures in technology. Various private entrepreneurs as well as the companies interested for the joint ventures with the foreign countries, according to the principle the transfer of technology occurs in such market that the owner or the supplier transfers the technology to the buyer or licensee with all the necessary information for the transfer. The culture is important factor in the activities of global scanning of Multinational Companies, as they are able to identify the difference of cross culture. They also have to be aware about culture and cultural differences in nations and organizations. There is no doubt in their contribution to human welfare across the globe, but from the multinational companies' production processes, many problems such as pollution of air and sea, lakes, steam have arised. These problems have been strongly highlighted in the protests against the Multinational Companies.

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