The Role of Multinational Corporations in Third World

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ABSTRACT

Transnational Corporations (TNCs) or Multinational Corporations (MNCs) have been the subject of numerous articles, books, and conferences that have sought to develop a conceptual framework within which this rapidly evolving phenomenon might be better analyzed and understood. While it may be argued that the availability of manpower, natural resources, technology, and tools are of importance in driving societal development and productive effort, the level of economic development, the social structure, the educational system, the degree of scientific and technological absorption and research have been major factors in the zenith of the revolutionary process.

Keywords: Transnational, Multinational, Corporations, Technology, Society, Natural, Resources, Exploitation, Economic, Growth.

INTRODUCTION

Transnational Corporations (TNCs) or Multinational Corporations (MNCs) have been the subject of numerous articles, books, and conferences that have sought to develop a conceptual framework within which this rapidly evolving phenomenon might be better analyzed and understood. It is believed that the basic productive apparatus and the factors of production, namely manpower, natural resources, technology, and tools, are necessary to direct the society's productive efforts. However, the level of economic development, the social structure, the educational system, the degree of scientific and technological absorption, and research have been major factors in the consummation of the revolutionary process of any society's productive sector. Fritz et al (2021) argue that Multinational corporations are the global goliaths of modern times, accounting for huge portions of world production, employment, investment, trade, and Research and Development.

Kumar (1991) argues that the productive enterprises, which grew because ofthe Industrial Revolution, consolidated their position by acquiring new markets and sources of raw materials under the auspices of the Western imperial system by the beginning of the 20th century. With the introduction and application of new technology, referred to as the third industrial revolution in the Western capitalist nations, the need for bigger finances, large markets, and wider sources of raw materials became imperative for both the maintenance and growth of the industrial complex.

The development of science and technology in the 20th century in the West was contemporaneous with national liberation movements in many colonies of Asia, Africa, and Latin America. Manyof them secured liberation from their colonial master and became independent sovereign political entities, full-fledged independent members of the world community.

It also generated an expectation of a new era of development in social and economic fields. Kumar (1991) argues that there has taken place a "revolution of expectations" in the third world. Although, structurally,most of these countries exported raw materials since they lacked the required industrialization and technology needed to process these raw materials into finished goods.

Owing to the lack of technology, a lot of these countries are dumping ground for manufactured goods from the developed industrialized nations. At the time of their liberation,a substantial portion of domestic resources was foreign-owned. The ownership pattern of resources in these societies was class-based. A small section, consisting of an aristocracy of landholders, wealthy indigenous traders, and a minor group of industrialists controlled vast riches.

Most of the population was poor. The revolutionary leaders who led liberation movements got engaged in the task of development after successfully leading independent struggles to modernize their societies and to provide the necessities of life to their people. Thus, with freedom, suddenly the new states were confronted with responsibilities and challenges for which they were ill-equipped. Life-long agitators were called upon to become nation-builders, administrators, and statesmen. In this uphill task of development, both indigenous and foreign resources were sought. The erstwhile colonial masters, while granting them political freedom assisted them in the gigantic task of economic development (Kumar, 1991).

It is pertinent to note that this offer of help was not without motives. The survival of their industrial complex depended (both for raw materials and markets) on new contracts with their old colonies. Independent trade relations replaced the old links between the colonizers and the colonized. The euphemism of aid, from developed countries to developing ones, in the name of trade, was coined. As expected, almost all the Third World Countries (except communist nations) were eager to get finances and technology from abroad to consolidate their political independence and to get out of the abyss of economic misery. Aid, coming from any source, was accepted unhesitatingly but it was tied to aid (Kumar, 1991).

Most third-world countries were denied the opportunity to embark on the development pathbased on their needs. The development process took the direction from which aid or technology and finances were forthcoming. This certainly created a new link (which was missing in the colonial era) between the developed and developing countries.

Among the many links between the erstwhile colonialists and the former colonies, Multinational Corporations (MNCs) became overwhelmingly important in due course of time and posed a serious challenge to the sovereignty and independent development of the latter group of countries. Manyunpalatable and dichotomous interpretations have emerged regarding the role and impact of MNCs in developing countries. On the one hand, a group of social scientistscomments, in laudatory terms, on the positive contributions of MNCs in the developmental process. This group relates assertions to analysis in the fields of transfer of technology, finances, and new techniques through the institutions of MNCs.

On the other hand, the other group emphasizes with equally powerful accusatory tone the harmful role of MNCs in the Third World Countries. It argues that MNCs are new forms of old exploitative international business firms with profit-making as their basic motive. Wherever they go, their concern is not the development of the region (area of operation) into a self-sufficient independent entity but to earn enormous profits and to introduce certain processes that guarantee a continued flow of profits; a process known as neo-colonialism (Kumar, 1991).

Today, Multinational Corporations (MNCs), the main proponent of, and the major force behind globalization, have grown to become the most powerful institution in the world. It influences world politics and economics in ways that are far-reachingin this age of globalization. The rising power and influence of the MNCs in the internationalsystem, particularly since the end of the Cold War in 1991, hadbrought about a precarious situation for governments of third-world countries. Micklethwait and Woodridge (2000), argue that while we cannot dispute the fact that there is a need to attract capital, technology, and accessibility to the global market which MNCs can provide, there is equally the inherent danger oftransferring important domestic assets into the hands of foreign control.

MULTINATIONAL CORPORATIONS AND THE DEVELOPMENT OF UNDERDEVELOPMENT

It is pertinent to assert that two schools of thought are divided over the issue of MNCs. While neo-liberals believe that MNCs have brought about access to prosperity forunderdeveloped countries, the other school of thought thinks that MNCs only serve the needs of their parent countries at the expense of the developing countries. Therefore, to fully grasp the contrasting relationships between developed and developing countries, the dependency theory will be deployed in highlighting the yawning lacuna between the two worlds. This is because it is opined that the socio-economic and political structures of the developing countries are subjected, via multinational corporations, to foster the economic interests of their home countries.

THEORETICAL FRAMEWORK: DEPENDENCY THEORY

To fully understand Multinational Corporations, Dependency theory will be used as a theoretical framework. Dependency theory evolved in Latin America duringthe 1960s and later it found favour in some writings about Africa and Asia.

Dependency views the international system as comprised of two sets of States, variously described as dominant/dependent, center/periphery, or metropolitan / satellite. The dominant states are the advanced industrial nations while the dependent states are those of Latin America, Asia, and Africa. According to a Brazilian social scientist, Santos (1970), argues that dependency is “a historical condition which shapes a certain structure of the world economy such that it favorssome countries to the detriment of others and limits the development possibilities of the subordinate economies; a situation in which the economy of a certain group of countries is conditioned by the development and expansion of another economy, to which the former is subjected(Santos, 1970)

In other words, because of the unequal political, military, and economic relationships between a dependent economy and the dominant external economy, the structure of the former is shaped as much or more by its own domestic needs. The domestic political economy is not only shaped by the interaction with a more powerful external economy but is also shaped by the process. Indeed, the economies of the dependent would be impossible to maintain without the existence and support of external factors.

Sunkel (1972) argues that “foreign factors are seen not as external but as intrinsic to the system, with manifold and sometimes hidden or subtle political, financial, economic, technical and cultural effects inside the underdeveloped country. Thus, the concept of dependence links the postwar evolution of capitalism internationally to the discriminatory nature of the local process of development. Access to the means and benefits of development is selective rather than spreading them.

Another endemic concern of the dependency theory is the entrenched notion that underdeveloped countries are often referred to as developing countries thereby depicting their development as being in a state of evolution. They assert that developed countries have never had the same historical experience compared to impoverished countries of the world. Whereas, undeveloped countries have experienced the phenomena of slavery and colonialism, which is not the case with developed countries. The argument is that the historical situations of dependency have conditioned the contemporary underdevelopment of Africa, Asia, and Latin America (Offiong, 1980).

It is pertinent to note that during the colonial era, Africa, Latin America, and Asia as well as other colonized territories became accustomed to the exportation of primary products that fell within the sphere of agriculture that was firmly controlled by the colonial masters, who later imported same as finished goods for the developing countries. Foreign resources were deployed in the construction and provision of facilities for developing countries so that they would have access to their natural resources.

Rodney (1972) copiously pointed out this fact when he posited that the military and the economic might of the developed countries further empowered their pursuit and quest for the control of the developing countries for their benefit. Powerful and rich nations manipulate poorer countries to have access to their natural resources for their industries.

It is pertinent to note that when the agitation for independence became sustained by the colonial territories, the colonial powers had to grant independence because of the persistent agitation for self-rule.To have continuous indirect access to the natural resources of the colonized territories, the colonial powers relinquished political power to those whom they considered as their allies who they felt would protect their interest and give them unfettered access to the natural wealth of the colonized territories.

They created and funded political parties while using their collaborators as fronts with the hope of entrenching themselves back to power through their cronies. The colonial powers connived with their friends who were their internal collaborators to rig elections and facilitated the means whereby they handed power to their collaborators whose duty would be to sustain the tempo of the colonial policies in the newly independent state (Offiong, 1980)

It must be noted that in the post-independence era, these national collaborators strengthened their relationship with their international allies. Katznelson et al (1974) argue that they engaged in the exportation of raw materials needed by their international allies whom they represent. They worked hand in hand with their foreign collaborators to short-change theircountries of the earnings that ought to accrue to their countries and engaged in activities that are detrimental to the growth and development of their countries.

It could, therefore, be argued that while developing countries have played a definite role inthe international economy, their national development has been hampered by the overbearing control of the developed economies within the global capitalist system.It is pertinent to observe that while attempting to define dependency, Katznelson (1974) asserted that "dependency means, then, that the development alternatives open to the dependent nations are defined and limited by its integration into and function within the world market. This limitation of alternatives differs from limitations in the dominant nations in so far as the functioning of the basic decisions in the world market is determined by the dominant nations. Thus, the dependent nations must make choices in a situation in which they do not set terms or parameters of choice".

Irogbe (2005), argues that the global market in which the developing countries are depicted rests on a structure that is characterized by institutions, classes, and power arrangements. The dynamic process within the structure makes room for domination by one group thereby creating a relationship that fosters unequal development. It must be noted that within the international economic system,multinational corporations, are widely regarded as agents of developed economies that are enhancing the economic exploitation of the developing countries.

MULTINATIONAL CORPORATIONS (MNCS)

The institution that has posed a challenge to the sovereignty of nation-statessince the latter half of the 20th centuryis multinational corporations (MNCs). It should be noted that defenders of the MNCs argue that Multinational Corporations are engines of development. They argue that MNCs create jobs,enhance technology transfer, and bring about the development of the host countries where they operate, however, pieces of evidence suggest otherwise. MNCs' sole aim is the maximization of profit and are not charitable organizations.

They are therefore in business to make profits as much as possible. These MNCs conduct their businesses back home in a respectable manner adhering strictly to the laws governing their existence as spelt out by their home countries but act in a contrary manner in underdeveloped countries where they go uninhibited and flouting rules of host countries for their advancement in business.

The multinational corporation is the chief instrument of Western imperialism, which now manifests itself in the form of neo-colonialism through super-exploitation, price transfer, under-invoicing of exports, and over-invoicing of imports; through a mechanism of unequal exchange which fosters the export of low-priced raw materials from the third world and the imports of high pricedmanufactured goods from the dominant countries; through these and ahost of other practices, MNCs enable Western imperialism to perpetuate Western domination and the underdevelopment of the third world countries.

Wilmot (1979) argues that with their headquarters domiciled in Europe, North America, and Japan, and their tentacles in the devastated slums and villages of Africa, Asia, and Latin America. MNCs enable the wealth of the developing countries to be made accessible and available for the developed nations. This action while bringing about the pauperization of the countries of the third world, in contradistinction, it enhances the condition for the super-affluence of the West.

ARGUMENTS IN SUPPORT OF MNCs

There have been arguments in support of the activities of multinational corporations in Third World countries. When MNCs go to the Third World countries, they claim the following advantages from their operations:

Vehicle for Transfer of Technology

Ever since the Industrial Revolution, technological development has been going apace at an ever-increasing rate. The role of science and technology became a well-recognized dictum after World War One, and only those countries have been able to provide a higher standard of living for their citizens where science and technology have been developed to an intensive degree. No doubt, some of the nations in the developed world – the USA, Japan, and European nations – are much ahead in technological know-how in comparison to others. However, the situation is glaringly different in the Third World countries, and for them to develop, they need "technology" and "technical know-how", which are vital to economic development.

Kumar (1991) argues that of the two possibilities open to third-world countries to acquire the needed technology, they should develop technology indigenously. If a developing countrycan marshal technology suited to its needs indigenously, it is, of course, the best solution. However, the lack of research tools, an institutional base, trained personnel, and an infrastructure for basic research has made the choice inevitable.The LDCs now must import and adopt whatever is available technology to meet local needs. And since the basic motivation of Multinational Corporations is profit-making, they are prepared to go in for direct investment thereby transferring technology to any part of the world.

Increase Employment: Creating New Jobs

Watanabe (1972)argues that MNCs create jobs in underdeveloped countries and thereby help the host countries reduce unemployment. In some of the Southeast Asian countries, unemployment fell substantially during the 1960s due to the emergence of MNCs on the scene. The benefits from the operations of MNCs must go to the workers on the ground that a constant growth in productivity will make it possible to raise the standard of living of people.

Establishment of Social Welfare Institutions.

Advocates of MNCs have also argued that, among others, the major contributions of MNCs are in creating social welfare institutions and improving health facilities. Many a time MNCs unhesitatingly take the lead in improving these sectors of the host country by transferring the knowledge and experience acquired at home. These measures include health care, installation of safety precaution devices in factories, social welfare schemes for workers, better employer-employee relations, and higher wages to the workers than Indigenous companies.

Provision of Education and Training

Development is a process of education and training. The advocates of MNCs argue that they are the best available mechanism for educating people and providing necessary training for doing their jobs efficiently. An industrial plant cannot be operating without a trained workforce anywhere in the world. Most of the third-world countries' local labour markets do not offer many industrially trained workers. MNCs train workers whenever they start a new enterprise

In a developing country. Training of the workers does not stop after learning the technique to operate modern machines. It is a continuous process. No doubt, local skilled employees are trained through formal apprenticeship programs. Sometimes special courses for training are designed for managerial and professional staff for advanced training. Instances are not also lacking where MNCs have been successful in persuading local professional schools to add some special courses to their curricula or establish an entire college.

Vehicle for Peace

MNCs have increased international interdependence and thereby contributed considerably to "achieving" world peace. The Diebold Institute, in a study of multinational corporations, concluded, "The MNC is the most promising instrument for transfer of capital and its role will be crucial in overcoming the income gap which endangers world peace" (Kumar,1991).

He further argues that Lester R. Brown, inanalyzing the impact of MNCs on the world economic structure, which is gradually integrating, concludes: "Where integration has proceeded fastest, the prospects of war have diminished most. The MNCs can be an instrument in the creation of a more equitable world order, which will reduce the prospects of conflicts in the world" (Kumar, 1991)

Agents of Modernization

The composition of societies in the Third World in terms of cultural and developmental patterns is not uniform; while some are primitive, some are traditional, and others are transitional. Whatever the case, MNCs claim that they are the agents of modernization and change. Wherever they go, they introduce new ways of producing products, machinery, and equipment necessary to produce them, the synthetic raw materials, and the publicity needed to create and activate the market. Emphasizing this aspect, a study concludes, "The MNC is an eye of change which is altering value systems, social attitude, and behavior patterns in ways which will ultimately reduce barriers to communication between peoples to establish the basis for a stable world order" (Kumar, 1991)

MAJOR CRITICISMS OF MULTINATIONAL CORPORATIONS

Multinational Corporations have come under vehement attack the world over. Their power over technology, finance, capital, labour markets, and marketplace ideology affects the host countries in several ways (Fritz Foley et at 2021). Once MNCs are invited by the host countries, the latter may have to face their wider ramifications. Certain characteristics are therefore inherent likeMNCs, and these cast their impact on the various facts of life in the host country.

Challenge to the National Sovereignty of the Host Country

Sovereignty is an essential ingredient of nation-states. Vernon (1971) argues thatSovereignty has legitimate goals towards which it tries to direct the resources under itscommand. Any unit of a multinational enterprise operating in a sovereign state's territory is also responsive to a flow of command from outside, including the command of the parent company and other sovereigns. Moreover, the multinational enterprise as a unit, though capable of wielding substantial economic power, is not accountable to any public authority that matches it in geographical reach, and that represents the aggregate interests of all the countries and enterprises it affects.

This has put MBCs and nation-states in conflict with each other. The home government of MNCs can interfere in the affairs of the host government by screwing the nuts and bolts of the parent company. It is a challenge to the sovereignty of the host government through the MNCs. Doz and Prahalad (1980) argue that as a result of this, Since the early 1970s, host governments have intervened more and more in the affairs of multinational corporations. Today they regularly establish rather demanding conditions for MNCs wanting to do business in their countries.

It is pertinent to note that an instance of this nature is many. For example, the United States has attempted through extraterritorial control of the trading relations of affiliates of U.S.-based corporations to extend its foreign policy embargoes into the jurisdiction of other states (Behrman, 1970).It can therefore be argued that the finances at the disposal of MNCs are an immense source of strength. The MNCs can shift their capital from one part of the globe to another and pressure the host government for concessions.

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Most MNCs have also developed a strong infrastructure, which is used to conduct diplomatic relations and collect information in the host countries. The tendency of MNCs to recruit personnel with experience in intelligence services or US foreign policy is on the increase. The US government has often used the MNCs as cover agencies for CIA activities in the host countries for the fulfilment of its foreign policy objectives. A study of abuses of the Intelligence agencies mentions that “labour unions and business firms abroad are also used as conduits for CIA money to political parties in host countries (Berman, 1995).

Bastardization of Local Indigenous Culture

One important fact to be noted is that culture is not simply the arts, architecture, films, books, sculptures, and paintings of a nation. Culture is the historically developed values and patterns of behaviours covering the whole range of human activity. Quite simply, the culture of a people is its entire way of life. It is reflected in the role of private property, the political and legal systems, patterns of family life, sports, aspiration to growth and higher standards of living, the social distribution of wealth, the role of the marketplace, the role of the government, business and other interests groups and the relationship between them.

Thus, MNCs are often accompanied by certain cultural values and the attitudes of the country from which they come. They can also influence, for good or ill, the mode of life, the socio-cultural fiber, and political development within a country as well as relations among countries. These values may have a good or bad impact on the culture of the host country.

CRITICAL REVIEW OF THE ROLE OF MNCs IN THIRD WORLD COUNTRIES

The multinational corporation is a “two-edged sword” whose role, particularly in the development of Third World countries, has been one of the mostcontroversial debates among scholars. On the one hand, dependency theorists are generally pessimistic about the contributions of MNCs to the development of their third-world host countries. This school believes that since their primary motive for operating in their host countries is to maximize profit and repatriate it to their home countries, MNCs will stop at nothing to achieve these aims. On the other hand, neo-liberal economists contend that MNCs are perhaps the most significant catalysts for sustainable growth and economic development of their host developing countries because they typically possess newer and cleaner technology and have better management practices that can be transferred to their subsidiaries in developing countries.

It must be noted that in the years before the last decade, MNCs came under severe attacks. The developing countries of Africa, Asia, and Latin America viewed them as following all practices of chicanery to make their position and interests secure. Once allowed to enter the economy, they operate like octopuses in the social, economic, political, and cultural spheres of developing countries.

Although the defenders of the MNCs are not without claims; they argue that MNCs are an important vehicle for the transfer of technology which today has become an inseparable instrument of economic growth and progress. It is also argued that the capital brought by the MNCs into the developing is very vital in improving the balance of payment positions of the host countries, while also helping to reduce unemployment by creating jobs for thousands of indigenous workers in LDCs.

They also claim to create social welfare institutions and improved health facilities, while investing heavily in the education and training of indigenous citizens of their host countries, since development is a function of education and training made available to the people. MNCs have equally been said to promote peace following the idealist principle that nationalism endangers world peace while internationalism promotes peaceful relations between states.

It should be noted that MNCs are one of the main instruments of internationalism.While it may be accepted that MNCs are a vehicle of technology transfer, a lot of critiques have posited that it is only obsolete technologies that are transferred into developing countries. It is posited that they transfer that part of technology that increases the dependence of the underdeveloped countries on the developed ones. Again, rather than bring all the required capital, MNCs are said to go to host countries to tap and milk the local resources.

Without denying the fact of job creation, critics have posited that MNCs in host countries engage in the exploitation of local labour, taking advantage of the cheap labour available in many developing countries. They get involved by interfering in domestic politics, corrupting top government officials by offering bribes to circumvent local law, and through overt or covert means, using their home governments to intervene in the sovereignty of host states. Nevertheless, these various arguments notwithstanding, MNCs can be a partner in the sustainable development of third-world countries if their roles are regulated.

CONCLUSION

In this paper, we have attempted to discuss the Role of Multinational Corporations (MNCs) in Third World Countries. We began this discourse by looking at multinational corporations and the development of underdevelopment while using the Dependency Theory as the theoretical framework for analysis. We also looked at the arguments in support of MNCs and criticism of MNCs while also taking a critical review of the role of MNCs in the Third World Countries.

From a broader perspective, it must be understood that the need to bring about a balance between the costs and benefits of MNCs' operations, in the general interest of the citizens, is the real policy challenge for most host countries. The outright rejection of MNCs by many third-world countries in the 1960s is not feasible in this current dispensation. Healthcare, environment, and information technology (IT) must be related to human opportunities. Since IT is intended to increase the capacity of people and society, it should be used to eliminate poverty.

In the search for economic growth and development, possible areas of partnership between MNCs and host countries in the Third World should be confined to three sectors: ecology, economic development, and human development. To integrate the long-term interests of MNCs with the policy initiative of third-world governments,serious and deliberate efforts could be made in the above areas to use the unique strength and management strength of the MNCs and turn them into development partners.

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