

# MULTINATIONAL CORPORATION IN GLOBAL ECONOMY (SELECTED PROBLEMS)

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## Summary

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Multinational corporations have pervasive and profound impacts on our planet and throughout every sphere of human life.’ Most of the food we eat, clothes we wear, news we watch, places we work at and the political systems we live under, are connected to multinational corporations – directly or indirectly. This chapter lines out some of the positive as well as the negative ways in which multinational corporations have affected the world. Focus is put on the impacts multinational corporations have on the developing countries. What has to be kept in mind is that ‘positive’ or ‘negative’ lies in the eyes of the observer.

**Key words:** multinational corporations, common market, global economy, international management, development and culture, responsibility

## Introduction

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Multinational corporations have pervasive and profound impact on our planet and throughout every sphere of human life<sup>3</sup>. Most of the food we eat, clothes we wear, news we watch, places we work at and the political systems we live under, are connected to multinational corporations – directly or indirectly. This chapter lines out some of the positive as well as the negative ways in which multinational corporations have affected the world. Focus is put on the impacts multinational corporations have on

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<sup>3</sup> BRUNER, H. AND GABEL, M., (2003). *Global Inc.: An Atlas of the Multinational Corporation*. New York: New Press., p. 120 and next.

the developing countries. What has to be kept in mind is that ‘positive’ or ‘negative’ lies in the eyes of the observer.

## Environment

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With regard to the environment, international big business is both the creator of pollution and the only resource available for its cleanup<sup>4</sup>. Multinational corporations in fact have an enormous effect on the world's environment. How could that be different, given that many of them are involved in the most environmentally sensitive industries, such as electricity generation, mining, refining, forestry, etc. They are responsible for a huge share of the gases contributing to global warming, for water pollution, deforestation and the destruction of beautiful landscapes. Some examples from the past will make the impact of MNCs on the natural environment more clear. Union Carbide's pesticide factory in Bhopal, India leaked gases which resulted in the death of approximately 16,000 people and further 500,000 injured people. According to a report of 1997 MNCs including Shell, Chevron, and ExxonMobil were responsible for more than 300 oil spills yearly in Nigeria. These corporations have made the once richest area of biodiversity found in Nigeria, the Niger Delta, become the world's largest contributor to global warming. These were just two of many accidents that were caused by MNCs in the past<sup>5</sup>.

But on the opposite side multinational corporations are also the masters of environmental engineering, i.e. the inventors of new technologies which reduce pollution and contamination of our natural environment. And there is evidence that various MNCs follow higher safety and environmental standards than local companies, especially in the developing world. Thus by integrating new technologies in the developing world, local competitors will too get the chance or be forced to raise their environmental standards. What is more, today's MNCs, acting as very influential entities, have the power to set global corporate environmental standards – which means these giants can make big changes happen. This is why some non-governmental organisations (NGOs), like for example Conservation International, try to work

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<sup>4</sup> See more: DUNNING, J.H. AND LUNDAN, S.M., (2008). *Multinational Enterprises and the Global Economy*. 2<sup>nd</sup> ed. London: Edward Elgar; BRUNER & GABEL, op. cit., p. 132.

<sup>5</sup> See more: RUGMAN, A.M. AND HODGETTS, R.M., (2006). *International Business*. 3<sup>rd</sup> ed. In: P.V. STADEN AND A. NAYAK. *International Business Analysis*. 2<sup>nd</sup> ed. UK: Pearson Education ; RUGMAN, A.M., (2009). *The Oxford Handbook of International Business* (Oxford Handbooks in Business & Management). New York: Oxford University Press and SKLAIR, L., (2000). *The transnational capitalist class*. Malden: Wiley-Blackwell.

together with big corporations to make these changes happen. Conservation International believes, that convincing a major global player to act good, can have an immense effect on its partners and competitors and thus on the whole environment. This particular NGO has worked with McDonald's on creating more values about the environment, which included preservation of energy, water and waste. Starbucks and Office Depot have been two other MNCs working together with Conservation International. IBM, HP and Dell joined in 2004 to establish an Electronics Industry Code of Conduct, with the goal to ban child labour, bribery, intellectual property violations, pollution, etc. HP went even further by requiring all its suppliers to follow this code, otherwise termination would follow<sup>6</sup>. So the theory about the race to the bottom in environmental standards is not accurate, but there might be some exceptions. Multinational corporations tend to 'shop around' for the best deals, in terms of incentives provided by various countries. For example corporations involved in the FMCG industry tend to go with nations offering the best arrangement on labour costs and corporations operating in environmentally sensitive industries are known for choosing locations with lower environmental standards. Still Bhagwati<sup>7</sup> pointed out that 'multinationals are, generally speaking, not playing the game of actively looking for locations without environmental regulation or seeking out technologies that are environmentally unfriendly. The question is, how do multinational corporations benefit if they work not only in their own interest? And the answer is that good global citizens get rewarded, in this case corporations have the chance to improve their global image, which is important if they want their sales and profits to be rising. 'Sometimes the best way to change the world is by getting the big players to do the right things for the wrong reasons, because waiting for them to do the right things for the right reasons can mean waiting forever<sup>8</sup>.

## Culture and consumer

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A lot of thought has been put into the theory, that globalization, will lead or even create a global culture. The culture in which we live today has

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<sup>6</sup> See: FRIEDMAN, T.L., (2005). *The World Is Flat: A brief history of the twenty-first century*. New York: Farrar, Straus and Giroux.

<sup>7</sup> BHAGWATI, J.N., (2004). *In Defense of Globalization*. New York: Oxford University Press, p. 215.

<sup>8</sup> See more in: DICKEN, P. (1998). *Global Shift. Transforming the World Economy*. 3<sup>rd</sup> ed. London: Paul Chapman and DUNNING, J.H. AND LUNDAN, S.M., (2008). *Multinational Enterprises and the Global Economy*. 2<sup>nd</sup> ed. London: Edward Elgar.

surely been to some part shaped by globalization and its major driver, the multinational corporation. McDonald's, Levi's Jeans, Walt Disney, Coca Cola, brands present all over the globe and people from various regions in the world purchase and use these same products and services, and thus some believe that a common culture is emerging. What has to be kept in mind though, is that 'the essence of culture is not what is visible on the surface. It is the shared ways groups of people understand and interpret the world.' (Trompenaars & Hampden-Turner 1997, p. 3) Eating at McDonald's in some countries is a sign of status, whereas in other countries it is seen as cheap fast-food. Jeans are another good example – in some nations it is only appropriate to wear jeans in your leisure time, while in other nations jeans are part of an elegant apparel suitable for the workplace.

The food we eat, the clothes we wear, the movies we watch and the majority of merchandise we purchase are mostly made by MNCs. New technology, standardized products, fashion, music and international media are things able to change the way people all around the world act and think. Multinational corporations are acting as powerful agents in the delivery of new cultural values and beliefs, which are by some perceived as positive and by others as negative changes. In some cases multinational corporation can bring cultural revitalization, if foreign cultures allow for it to happen, but in other cases they might bring disintegration and destruction, by riding roughshod over local traditions or the introduction of new problems such as drugs or other social problems<sup>9</sup>. News, movies, magazines, etc. are the major carriers of foreign information and are nowadays able to reach the smallest towns. This is not always positive, since media may carry messages to cultures which are not ready to welcome the outside world, or put in another way, to fairly treat humans, to equal women to men, to allow for good education, etc. These cultures are afraid to accept new cultural values which according to Landes will have a major impact on their future evolution. Landes (cited in Friedman 2005) argues that a nation's cultural traditions play a decisive role in being able to move up from a developing to an industrialized nation. How ready a culture is to accept influence and change coming from the outside, i.e. how change is perceived (in form of new technologies), shows to what degree a country and its culture are pre-

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<sup>9</sup> See more in: BALL, D., FRANTZ, P.L., GERINGER, M., MCCULLOCH, W.H. AND MINOR, M.S., (2001). *International Business: The Challenge of Global Competition*. 8<sup>th</sup> ed. New York: McGraw-Hill/Irwin; BERG, H.V.D. AND LEWER, J.J., (2006). *International Trade and Economic Growth*. Armonk, NY. M.E. Sharpe and BERNSTEIN, W.J., (2008). *A Splendid Exchange: How Trade Shaped the World*. New York: Atlantic Monthly Press.

pared to be integrated in the world market. Friedman<sup>10</sup> believes that a culture which easily accepts and adapts foreign ideas to its own, will have a much more fruitful future in the 21<sup>st</sup> century. Cultures that did open up to new foreign influences and succeeded very well included Indian, American, Japanese and Chinese. Since we, citizens at the same time consumers, are the carriers of a certain culture it is important to look at the impact activities of multinational corporations have had on peoples behaviour and how the society, in developed and emerging countries, has been transformed to a so called consumption driven culture.

Gearau<sup>11</sup>, referred to corporations as ‘The Tutors of Consumerism, appearing again as educational institutions, conditioning not merely its employees but also the public at large.’ The culture of consumerism was born in the United States and spread to the rest of the world through multinational corporations. Consumerism works through advertising – this way corporations increase or even generate consumer’s wants and wishes beyond any normal needs. Advertising agencies play with the customer’s mind by demonstrating what incredible effect the use of a certain product or service will have on the customer’s life. We have entered a time where many people believe that personal identity equals the amount of material possessions and happiness and fulfilment can be bought in stores. Should we blame corporations and their advertising techniques for turning us into a consumption driven culture? Well, multinational corporations alone, could not thrive in this world. Sklair<sup>12</sup> stated, that ‘Global capitalism survives and capitalists prosper because people are persuaded to consume beyond their basic needs. Multinational corporations will continue to grow and develop as long as we, consumers, keep on consuming. As long as we believe and let ourselves persuade that the meaning of our life, lies in our material possessions and that consumption is the key element of a good life, MNCs are on the ‘safe side’<sup>13</sup>.

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<sup>10</sup> FRIEDMAN, T.L., (2005). *The World Is Flat: A brief history of the twenty-first century*. New York: Farrar, Straus and Giroux.

<sup>11</sup> GEARAU, F.H., (2001). *The United Nations and Other International Institutions, A Critical Analysis*. Lanham: Rowman & Littlefield, p. 73.

<sup>12</sup> SKLAIR, L., (2000). *The transnational capitalist class*. Malden: Wiley-Blackwell.

<sup>13</sup> See more: SKLAIR, L., (2002). *Globalization: Capitalism and Its Alternatives*. New York: Oxford University Press.

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## Taxes

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Our state's revenue is composed of various types of taxes, such as income tax, property tax, consumptive tax, corporate tax etc. The funds which are collected from the taxpayers are then reinvested to assure a nation's social, economic and political functioning. Since multinational corporations are one of the major drivers of economic growth, they count among the most important direct as well as indirect sources of government income. In recent decades taxation of MNCs has been of great concern for many governments. Since it is very hard to control multinationals which have subsidiaries in many different nations, with different tax policies, MNCs have developed creative ways of lowering their tax burden by moving income and profits within the company across borders. This is among other things one reason why many countries lower their taxes for multinational corporations. (UNCTAD 1999).

Research has shown that in the last decade of the 20<sup>th</sup> century corporate profits have been on a continuous rise, whereas tax rates have been falling. Bruner and Gabel<sup>14</sup> pointed out some corporations, including Goodyear and PepsiCo, that even accomplished to pay negative income taxes for a period between 1996 and 1998. Total tax reduction in this period, only for U.S. corporations, amounted to almost \$100 billion. A critic even stated that the tax burden of Siemens has been lower than the tax burden of the receptionist working at the headquarters<sup>15</sup>. That this kind of financial fraud is not sustainable for a corporation in the long run was shown in the year 2002 when the energy trading corporation Enron crashed. Enron had 40 percent of its subsidiaries located in tax havens, made profits amounting to almost \$2 billion within four years, and cashed in a tax rebate totalling approximately \$400 million. According to Krugman<sup>16</sup>, in the years ahead Enron, not September 11, will come to be seen as the greater turning point in U.S. history. The biggest corporations in the world, with huge profits, have the means to manipulate, cheat and at the end, even get away with it – of course not all of them as was the case with Enron. This incident increased public awareness about taxation issues and changed the way people nowadays think about multinational corporations.

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<sup>14</sup> See more: BRUNER, H. AND GABEL, M., (2003). *Global Inc.: An Atlas of the Multinational Corporation*. New York: New Press.

<sup>15</sup> See: WILKINS, M., (2009). The History of the multinational enterprise. In: A.M. RUGMAN. *The Oxford Handbook of International Business* (Oxford Handbooks in Business & Management). New York: Oxford University Press.

<sup>16</sup> Cited in BRUNER and GABEL, op. cit., p. 124.

## Employment

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Multinational corporations and their subsidiaries have created approximately 77 million jobs in the past decades. (UNCTAD 2009) Over the past 35 years employment by MNCs has doubled and here too the emerging and developing nations have played a big role. When indirect employment is taken into account the number of jobs totals an estimated 200 million<sup>17</sup>. Besides the creation of new employment, multinationals also pass on managerial skills, know how and provide employee training to the countries they operate in. In general the impact on worldwide employment seems pretty advantageous. Unfortunately MNCs also have a negative effect on employment creation, since they are also the indirect and in some cases direct creators of child labour. A good example here is the worldwide cocoa cultivation industry, which employs over hundreds of thousands of children, 200.000 of children alone are working at the ivory coast, which is only the source of 40 percent of worldwide traded cocoa beans. The political environment in the areas of the ivory coast is a factor worsening the conditions on the plantations. The founder of Ritter Sport said that in comparison to Asia and Latin America, in West Africa it is very hard for foreign companies to assess the working conditions on the cocoa plantations – they simply have no access. The cocoa industry is a very competitive one and depends very much on weather conditions and is hugely affected by natural epidemics. There are millions of small cocoa farmers in West Africa whose survival depends on a few mega corporations, namely Mars, Nestlé and Kraft Foods<sup>18</sup>. Other examples which picture that employment created by multinationals isn't the most advantageous are the working conditions in factories located in nations such as China or the Philippines. Multinational corporations, including the Gap and Guess, locate their production facilities where labour is the cheapest. Thus the governments of developing nations keep lowering minimum wages in order to be able to compete and be chosen by the MNC. There is a theory that more jobs within the nation and the earned income by the workers will lead to economic growth. Well, the

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<sup>17</sup> Own calculation.

<sup>18</sup> See more: CHOI, E.K. AND HARRIGAN, J., 2004. *Handbook of International Trade*. Malden: Wiley-Blackwell; COHEN, S.D. (2007). *Multinational Corporations and Foreign Direct Investment: Avoiding Simplicity, Embracing Complexity*. USA: Oxford University Press; DICKEN, P. (1998). *Global Shift. Transforming the World Economy*. 3<sup>rd</sup> ed. London: Paul Chapman; DUNNING, J.H. AND LUNDAN, S.M., (2008). *Multinational Enterprises and the Global Economy*. 2<sup>nd</sup> ed. London: Edward Elgar; EHNTS, D., (2008). *Foreign Direct Investment, Linkages and Spillovers in a New Economic Geography Framework*. Norderstedt: Books on Demand.

only thing that has been left out of sight is the fact that these wages are so low, that the worker can barely fulfil his or her basic needs, which includes food and shelter<sup>19</sup>.

In general multinational corporations negative impacts on employment are outweighing the positive impacts. MNCs employ only a fraction of the world's total workforce – small and middle sized companies account for the most part, but are responsible for directly or indirectly creating an increasing 'illegal' workforce.

## **Emerging and Developing countries**

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Multinational corporations have helped many nations in becoming more integrated in the global market. Although in some developing nations MNCs have created additional employment, increased technological advancement, risen environmental and labour standards, in other developing nations they are still exploiters of natural resources, abusers of human rights, creators of child labour and polluters of the ecological system. Countries which are resource and unskilled labour abundant, are the ones referring to MNCs as exploiters. Whereas nations which have to offer skilled labour, are able to participate in the invention and advancement of new technologies, are sharing a more benevolent opinion about MNCs, yet. What is more MNCs tend to invest more money and efforts in emerging nations that with time would have had the ability to develop by themselves (e.g. India). Developing countries, which are perceived for multinationals as 'not to be developed soon' are being exploited in every aspect, only for short term profits (e.g. African countries). The following paragraphs will show how terrible the effects of multinationals may be on the developing world. In financial terms various multinational corporations are worth more than the GDP of the country they are working in. This is creating a huge conflict for nations, since it is a matter of common knowledge, that with more money comes increased power. Thus many governments, especially in the developing world, bend the rules and regulations (e.g. labour and environmental standards) for multinationals. First of all because these nations have no other choice and second of all to attract more MNCs and thus benefit from more profits for themselves. Unfortunately this all happens at the cost of the populace and

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<sup>19</sup> See also: KRAIN, M., (2000). *Globalization and the Challenges of the New Century: A Reader*. Indiana University Press and RIEMER, N. AND SIMON, D.W., (1997). *The New World of Politics. An Introduction to Political Science*. 4<sup>th</sup> ed. Maryland: Rowman & Littlefield.



the profiteers are only a few, mostly the members of the corrupt governments, working only in their self interest.

## **Nigeria and the MNC**

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Nigeria is the most densely inhabited country in Africa, with its population amounting to approximately 150 million people. It is located in the West of Africa, in a region known for its abundant oil reserves. For multinational corporations, Nigeria has always been the primary destination, in West Africa, to invest in, because it is very rich in oil reserves as well as other natural resources, such as lead, zinc, natural gas, petroleum, iron ore and coal. Unfortunately this resource abundance has not enriched this nation in positive ways, such as increased standard of living, healthcare or educational systems – it has led to a complete exploitation of the country's environment and its population. Multinational corporations have penetrated into Nigeria by bribing corrupt governments and keep on exploiting and destroying the natural wealth of this nation, while generating huge profits for themselves. Royal Dutch Shell, one of the largest multinational corporations, has had a huge impact on the people and the natural environment in Nigeria. For years now, Nigeria has been suffering from environmental damage through oil spills and natural resource exploitation, and thus its people are in misery because farmland as well as clean rivers are being polluted and destroyed. Even worse was the case concerning the Ogoni people of the Niger Delta, which was settled June 2009. Saro-Wiwa, a writer and environmentalist, successfully forced Shell to withdraw its operations from Ogoniland in 1993. Two years later Saro-Wiwa was executed. The plaintiffs charging Shell also held the company responsible for the death of Saro-Wiwa. Royal Dutch Shell decided that to fix all that a payout of \$15,5 million to the Ogoni people would be appropriate – which the company of course referred to as a 'humanitarian gesture'<sup>20</sup>.

Another 'humanitarian gesture' of \$75 million is being arranged by a multinational drug company, Pfizer, for testing a meningitis vaccine on citizens of Kano, Nigeria, which led to mental damage and even death of

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<sup>20</sup> See more: RUGMAN, A.M., (2005). *The Regional Multinationals: MNEs and 'Global' Strategic Management*. New York: Cambridge University Press.; RUGMAN, A.M. AND HODGETTS, R.M., (2006). *International Business*. 3<sup>rd</sup> ed. In: P.V. STADEN AND A. NAYAK. *International Business Analysis*. 2<sup>nd</sup> ed. UK: Pearson Education; RUGMAN, A.M., (2009). *The Oxford Handbook of International Business* (Oxford Handbooks in Business & Management). New York: Oxford University Press.

some children. Both corporations refute any misconduct. But wouldn't there have been any misbehaviour, the size of the settlements would have looked different. Multinational corporations always try to cover up their wrongdoing with relatively huge sums of money which they give to these developing nations for the purpose of building new schools, better healthcare centres, etc. Thus many people believe that multinational corporations are behaving in a fair way – they destroy something and then they pay a lot of money to fix it. If these people only all knew that the damage caused by MNCs is ten times higher than the payouts they give, their opinion would surely change. For example, the damage which was caused by oil corporations in Nigeria totals to an amount of approximately \$60 billion. This fact is being dragged under the table. But what is being lauded in the media is how socially responsible oil corporations are for donating \$60 million yearly to promote social projects in Nigeria.

## **Challenges and Solutions of the Future**

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Based on my research this chapter gives a short insight in the major challenges multinational corporations will have to face in the future as well as some possible solutions to overcome these challenges. The following quotes were chosen in order to make the seriousness of the problems multinationals have caused, and will have to deal with, more clear. 'In my village we were very poor. I came here to find a better life. Today, I have more money. My job here means that I can give my children an education, and we are not hungry. But work at the factory is hard. We are not well treated. And if we become sick, we have no protection. Do people in your country think about our condition when they buy the shirts we make?'<sup>21</sup> There is no hiding place anymore for bad corporate behaviour in a world of globally interconnected activism. 'Our reputation is our only asset. Without it we are worthless'<sup>22</sup>.

A socially responsible corporation will unilaterally implement policies to reduce emissions and environmental impact, raise wages as productivity

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<sup>21</sup> EHNTS, D., (2008). *Foreign Direct Investment, Linkages and Spillovers in a New Economic Geography Framework*. Norderstedt: Books on Demand and FOWLER, P., WATKINS, K., 2004. *Rigged Rules and Double Standards: Trade, Globalisation, and the Fight Against Poverty*. London: Oxfam, p. 1.

<sup>22</sup> (Buffet cited in Greenberg: GREENBERG, P., (2004). *CRM at the Speed of Light: Essential Customer Strategies for the 21<sup>st</sup> Century*. 3<sup>rd</sup> ed. New York: Mcgraw-Hill/Osborne., p. 646.

increases, and go beyond governmental safety standards<sup>23</sup>. In the 21<sup>st</sup> century multinational corporations have become the favourite devils of many people. The image of MNCs as the spreader of technology, know-how and foreign capital has been lost somewhere and multinationals will have to work hard in order to restore that reputation.

Challenges multinational corporations will have to face, are originating from the government, non-governmental organizations, other activist groups and the public citizens. One of the biggest challenges will be to convince NGOs and civil society that MNCs are doing good and are acting in everybody's interests. Because if these two groups don't believe that a corporation is doing everything in the best interests of everybody, they will make sure to let everybody know. Like Bhagwati<sup>24</sup> said, 'you can count on some non-governmental organization or investigative journalist stumbling onto it, and there go your reputation, sales and profits!' Since non-governmental organizations are increasing in number MNCs will have to make future decisions more careful. Most NGOs have made it clear that their primary goal is to hurt or at least take advantage of mighty multinational corporations. Non-governmental organizations often use big companies to enforce changes that could otherwise have not been achieved. There are different variations of NGOs, such as religious, women's, environmental and labour unions and each of them has had an effect on how multinational corporations behave. Because NGOs have been very successful in the past in affecting public opinion, MNCs don't want to risk any bad publicity from NGOs since this could harm the brand name, stock price and the company's general performance. It is also very important to make international integration work for the poorer countries. Focus needs to be put on reducing poverty in these nations by effectively using the inflowing capital for purposes such as infrastructure development, healthcare, education, etc. Corruption needs to be handled in these nations, since it have always been the corrupt governments that allowed for improper distribution of revenue. A new world trade order has to be put in place, where responsibilities are taken serious and the developing world gets a fair chance to participate in the globalisation process. International code of conduct. As businesses from a variety of regions became more globally oriented, the question of who was to regulate whom and how became an important political issue.

Corporate codes of conduct are ethical values, which corporations voluntarily define for themselves. Whereas codes of conduct for multinational

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<sup>23</sup> BRUNER and GABEL, op. cit., p.142.

<sup>24</sup> BHAGWATI, J.N., (2004). *In Defense of Globalization*. New York: Oxford University Press, p. 150.

corporations are somehow imposed on corporations through an external entity. Multinational corporations themselves have the power to set guidelines for the future, concerning environmental standards, labour safety, sexual harassment, women rights etc., in countries where these expressions don't even exist in the local language. Dunn<sup>25</sup> said, 'When you have the procurement dollars that HP and McDonald's have, people really want to do business with you, so you have leverage and are in a position to set standards and you have a responsibility to set standards.' Multinational corporations need to take this responsibility serious, not only for the sake of the emerging nations, but for their own good, i.e. a good reputation. There are international codes of conduct governing the behaviour of multinational corporations – but there is NO international code of conduct governing the behaviour of multinational corporations that satisfies every stakeholder. It is impossible for MNCs to operate in a way, which benefits shareholders, employees, suppliers, governments and customers at the same time. It was stated in a report on 'The OECD Guidelines for Multinational Enterprises – An Evolving Legal Status' that there are tools that govern the behaviour of multinational corporations, such as OECD Guidelines, ILO Tripartite declaration of principles and the UN Global Compact, but they are perceived by MNCs as optional because of the lack of legal enforcement. Opponents of multinational corporations are concerned that these huge companies have too much influence on the society, business, governments and weak, developing nations. As Boothe (1990, cited in Manfra, p. 1) stated, 'it is not America, China, India or Japan, but the giant multinational corporations who will own the twenty first century, and that the key for governments is to successfully learn how to work with these companies in ways that will help their people.'

## **Proposals for the future**

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The last chapters have brought to light how immense the impacts of multinational corporations are on the world and how strong the need is for governments and corporations to cooperate in order to bring benefits to the people all over the world. Policies need to be put in place which encourage positive behaviour as well as penalise any wrong doings of multinational corporations. Because every country works under a different set of rules and regulations it is hard to define the same policies for the whole international market. Actions that would help in creating a balanced relationship

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<sup>25</sup> Cited in FRIEDMAN, *op. cit.*, p. 300.

between multinational corporations, the government and nongovernmental organisations, as well as force MNCs to act in responsible ways towards the global populace and the environment include the following:

**Global labour and healthcare standards.** Focus here needs to be put on developing countries. Multinational corporations as well as all their subsidiaries need to follow a law that requires them to compensate their employees so they can live over poverty levels. If one single person is supporting his or her family it is necessary to pay a living wage, in order to enable their children to have a quite normal childhood. This leads to the next issue of child labour – child labour should be banned completely and MNCs taking advantage of it should be held liable. Furthermore MNCs should follow global standards on safety in the workplace and healthcare standards which oblige multinationals to pay healthcare for its employees.

**Global environmental standards.** A lot of attempts have been made to facilitate MNCs and governments to become environmental friendly, including the Kyoto Protocol, ISO certifications, etc. Multinational corporations which follow high standards should be rewarded and lauded in front of the public and in the media. Incentives and motivational factors need to be visible for MNCs in order to become better global citizens. On the other hand, multinationals who are responsible for destroying land and thus the livelihood of many people, through oil spills for example, should not get away with a relatively small payout – but should be forced to fix what they have destroyed. As far as environmental and labour standards are concerned – once a few large multinationals start following strict standards, competitors will have no other choice than to follow or to loose market share.

**Global taxation standards.** Since every country has different taxation it is not possible to equalize all the taxes in the world. But what is possible is to overlook and share information concerning how corporate taxes develop all over the world. In order for this information flows to be veritable, offshore accounts in tax havens would have to be dismissed.

**Government and MNC relations standards.** In order to foster a fruitful relationship between these two entities it is indispensable for multinational corporations to respect the country, its citizens and the environment, with which they want to do business with. This includes preserving a host governments economic, cultural and social values, while casting off misbehaviour such as corruption, bribery, transfer pricing, etc. The host government does have some responsibility as well. For MNCs to work correctly in a host nation, it is relevant for all active players to follow certain standards, which for example include labour and environmental standards, international accounting standards, and corporate codes of conduct.

**Transparency.** So as to control and evaluate the previous standards, transparency is crucial. First of all governments as well as multinational corporations which do not follow global standards should not only be punished but their names should be widely publicized in the media. As was already mentioned earlier, blackening someone's reputation may have devastating effects. External institutions should evaluate the impacts that multinational corporations have on a nation's citizens, environment, wage levels, government revenues and these results should be available to the public. One reason why people have lost trust in the largest engine of economic growth is the lack of transparency and information.

All the standards and codes mentioned above have not to be 'voluntary' but 'obligatory'. Only then we might be able to observe some improvement in the different areas of concern. The question should be, 'when will multinationals start following all the rules, not if', unfortunately in reality the fear is, 'if they will follow at all, and not when'.

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