Reading: Gurcharan Das (1993), Local Memoirs of a Global Manager

Lessons learned

- Think globally—act locally AND think locally—apply knowledge globally
- Acting locally is often universal in nature. Insights from microcosm are ultimately universal. Combine the particular with the universal
- Have a global vision & strategy but also cultivate roots and individual identities
- Key to success is local passion for a brand and feeling of local pride & ownership
- Focus on one thing: create, retain, satisfy customers
- Never forget that it is not the company but the customer who makes money
- Build on your strength rather than try and correct a weakness
- Never mix up functions in an organization
- Never become complacent—instead grow the market, and tap pluralism/diversity of local roots
- Do not reinvent the wheel but rely on existing distribution/sales system
- Local passions are important
- Avoid managerial isolation/rootlessness
- Nourish each blade of grass without neglecting the garden as a whole
- Make consumers responsible, innovative, self-reliant
- Act for the sake of action, not the reward
- Use the optimism of developing countries

The Role of Transnational Corporations in the Global Economy

Intro: Classification of Organizations (Bennett,p. 271)
Organizations can be defined by their territorial outreach. For this reason one can distinguish
- national from
- transnational orgs.
The latter can be divided into
- state based (intergovernmental) and
- non-state based transnational orgs, namely
  - a) non-profit, and
  - b) profit-based transnational organizations

What Are Transnational For-Profit NGO's?
They are a special type of transnational non-state NGO engaged in for-profit business
transactions and operations across national borders involved in transfer of goods, money, credit information, and persons, maximizing comparative advantages in 2 or more countries, and having significant global economic and social effects

Labels: Transnational or Multinational Corporations (TNC--MNC)
Examples: Ford, CocaCola, McDonalds....
- Bennett counts about 1500 TNC's depending on the definition, of how widespread activities
  - are and what one counts, such as number of countries represented, global earnings/sales,
  - # of global manufacturing facilities, overseas assets
- GM sales in 1986 => than GNP of Argentina, Austria, DK, Norway & South Africa together
  (Bennett, p.279)

Origins of TNC's
- For-profit TNCs are older than modern capitalism. Result of trade & overseas expansion
- Examples: British East India Company, Spanish and English New World Colonization Agencies, Unilever, Chinese trade networks (Teochiu), Indian merchants
- TNC's are increasingly recognized as significant international actors controlling sources that
  are greater than many "sovereign" nation states or local/regional governments. Ignoring TNC
  power can have immense detrimental effects
TNC Characteristics
- Many TNC’s are involved in oil business
- 10 of 30 biggest TNC’s are auto manufacturers, next are IT companies
- International transport (computerized shipping, cheap air cargo) and new communication technologies facilitate global reach & decentralization
- TNC’s are often conglomerates with their own financial, legal & information services, insurance, transport, wholesale, commerce…
- TNC’ avoid dependency through multiple sourcing

Power of TNC’s
TNC's have a great flexibility moving goods, money, investment, personnel and technology across borders
Because of centralized management, they can put pressure on national governments to make favorable concessions for investment, such as:
Reduction of tax payments, auditing, credit policies, employment, job skills, labor, safety & health standards, economic planning, protectionism, environmental policies & laws, changes in a country’s balance of payments & currency value
Only a few countries have the power to resist TNC pressure. Trade off b/w wealth and sovereignty

Global Corporate Power
TNC growth from 7,000 (1970) to 37,000 (1992) controlling 200,000 subsidiaries w. $5.5 trillion sales revenue =1/3 global economic output
In 1990, 60 countries (excluding Eastern Europe and those with less than 1 million people) had GNPs < $1 Billion BUT 135 TNC’s had revenues > $1 Billion
Of the 100 largest economies in the world, 51 are corporations and 49 are countries
Wal-Mart, the world’s 12th biggest corporation, has annual revenues that exceed the GNP of each of Israel, Greece, and Poland
The top 200 corporations’ combined sales are bigger than the combined GNPs of 182 countries.
In 1992 top 5 TNC’s had more sales than the GDP of the Middle East/North Africa region and about equal to South Asia combined with Sub-Sahara Africa
The poorest 80% of the world’s population account for US $3.9 trillion of economic activity per year, compared to US $7.1 trillion for the world’s 200 top corporations

Example: Global Assembly Line (Video: Global Village or Global Pillage?)
- Multinational Corporations move to “Off-Shore” Production in export processing zones (EPZ)
- Examples: garment, shoes, soft furnishings, toys, semiconductors, electrical goods in Mexico (maquiladoras=labor intensive), China, Caribbean, Mauritius
- They produce where labor is cheap and the business environment is “flexible” (limited controls, incentives)
- They sell where prices are high
- Characteristics of MNC’s/TNC’s: Mobility in production, investment, management (located in developed nation-state but with a multi-national work force, often young women)

Involvement of TNC’s in Regime Change
- Helms Burton Act to boycott Cuba
- Boycott of Iran & Iraq
- Involvement of Iran Anglo-Iranian Oil Co vs. democratically elected Iranian Mossadegh gvts oil nationalization policy in 1950’s
- ITT/CIA’s involvement in Pinochet military coup in Chile 1974 to assassinate democratically elected socialist president Salvador Allende
- Central United Fruit Corp. (bananas) to meddle into Central American politics

Research on TNC’s Global Effects
- Optimistic, focus on globalizing capacities. More than 50% of global trade of J & U.S. is
conducted within TNC’s. Globalization of exchange of knowledge-based factors, finance & other services (Dicken 1992)

- Skeptical about global effects. Stress political limitations of capital mobility (Management, physical plants, equipment, infrastructure, skilled employees). HQ still in developed countries/Global cities. Internationalization not equal globalization. G7 and OECD can still reign in and regulate TNC’s power (Hirst/Thompson 1999)

TNC Control Issues
- How can one democratically control or regulate TNC activities for the public good?
- How can one harness their power for economic development in collaboration with UN agencies and NGO’s?
- How to make sure TNC’s do not interfere in domestic affairs of LDC’s and challenge national sovereignty or relegate them to permanent dependency?
- How to make TNC’s comply with environmental regulations (Kyoto) and labor standards? (sweat shops = Nike, Firestone, Levy Strauss, GAP)

TNC’s and Their Social Consequences

**Reading:** Cohen/Kennedy (2000), TNCs: Their Economic & Social Roles

Negative Effects of TNC’s on Host Societies
- Local capital is displaced b/c of competition
- TNC’s have disproportional market and political power. Are allowed to send out profits and do not improve development
- Local officials compete for investment and bribes
- Many TNC’s shirk social & environmental responsibilities (Exxon Valdez, Bhopal) or violate human rights, labor standards etc
- Have lasting and often bad effect on consumption patterns (milk powder vs. breast-feedings, advertising, monopolizing prices

Positive Effects of TNC’s on Host Societies
- Foreign investment brings jobs and skills
- Importation of new technologies

United Nations Efforts to Control TNCs
- UN ECOSOC Commission and OECD tried to come up with codes of conduct to prevent TNC’s blackmailing and corrupting governments
- Attempt to establish uniform national standards of accounting and reporting on TNC’s or to establish public-private joint ventures

Global Anti-corporate Protest
- Anti-corporate transnational social movement organizations (TSMO’s) are increasingly active since the WTO 1999 Seattle meeting
- TNC’s and governments react against grassroot protest:
  - repression of protesters at global conferences
  - closing of opportunities for citizen participation and global institutions (e.g. denial of UN observer or NGO status)
  - relocation of international financial meetings to sites where public protests is more difficult

Questions and Tasks
- Why would you like/not like to work for a TNC?
- What are the positive & negative effects of TNC’s in developed countries vs. less developed countries?
- Split in pro & con groups & an audience (=judging) group and present arguments