(Draft Background Paper)

MULTINATIONALS

(Meeting organised by "World Federation of Trade Unions", WFTU,

Geneva, 14th June 2013)

- **MNC's – The Beneficiaries**

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Under imperialist globalization obviously the exclusive beneficiaries are the multinational companies, particularly the USA based ones and the developing economies are the actual losers. Globalization, it has been very rightly observed, "has become an ideological mask disguising the emerging power of MN corporations to exploit and enrich themselves and their chief executive officers to an unprecedented degree. Globalization can be seen as a code word for the ascendancy of U.S. imperialism." According to a study report, as a consequence of the neo-liberal policies of globalization the multinational companies have experienced explosive growth. Whereas only 7,000 multinational companies existed in 1970, the total reached to 37,000 by 1990. These MNCs together control 70% of world trade and 75% of world investment. More than 40% of world trade takes place between multination companies' own subsidiaries. The 15 largest MNCs have revenues greater than the GNP of 120 poorest countries. More than half of the 37,000 MNCs are headquartered in any of these four countries only: USA, Japan, Germany and Switzerland. The top ten multinational companies operating in the coal trade have so far controlling the world power generation machinery industry. These are Westinghouse of USA, Simens from Germany, Framatome of France, Mitsubishi from Japan and Asea Brown Boveri of Sweden. This is just an example.

A earlier survey of the Financial Times showed that among the 500 biggest companies in the world, 244 are from USA, 46 from Japan and 23 are from Germany. The report further pointed out, "If we look at the largest twenty-five firms, those whose capitalization exceeds $86 billion, the concentration of U.S economic power is even clearer: over 70 percent are U.S., 26% are European and 4% are Japanese.

The transnational's' stabilized their presence in the imperialist state of capitalism.

- **Ideological Background**

According to Com. Lenin, imperialism has the following characteristics:

1. Accumulation of capital and production in such high level of growth that monopolies are created which play decisive role in the economic life.

2. The merging of the bank capital with the industrial capital and creation of a financial oligarchy based on the "financial capital".
3. The export of capital has great significance in comparison to the export of goods.

4. International imperialist mechanisms are being founded that divide the world.

5. Monopoly capital, with the aid of its imperialist governments completes the division of the earth's territories amongst themselves.

The monopolies.

One of the basic characteristics of capital is the huge industrial growth and the extremely fast process of accumulation of production in larger enterprises. This means the concentration of capital, i.e. increasingly fewer producers remain in the market as monopolies grow, accompanied increasing rate of productivity and decreasing number of workers.
We use the term "monopoly" because a few dozens of dominant enterprises world-wide can directly come to agreements when it is necessary in order to dominate the market. This gives them power to impose prices and therefore create the monopoly tendencies.

The role of the banks is highly important in this procedure. The banks don't have the role of the mediator anymore as they have themselves now become monopolists. The banks possess the whole financial capital of the capitalists and the households as well as most of the means of production and the resources of raw materials in a country. According to the 2012 data the top 50 banks hold assets of about 60 trillion dollars. The banks hold also the absolute knowledge of the actual situation in the world-wide capitalist system and can control, enhance or intervene in any market or sector.

- **MNCs – Unaccountable**

Multinational or transnational corporations (MNCs or TNCs) have been around for many decades, but the current international economic order of trade liberalization and economic globalization, in which workers' rights and environmental considerations are increasingly seen as barriers to free trade, places MNCs in positions of extraordinary power and equally extraordinary lack of accountability to anyone or anything except their shareholders. Whereas in the 1960s and 1970s there was concern about excessive interference by MNCs in the affairs of developing countries, today they are failing even to control bad practice by their overseas affiliates or subsidiaries. Although many of them are more powerful and wealthier than governments, they recognize no moral obligation to use their power and wealth to contribute to improving life for people in the countries where they operate, even those they touch directly such as their employees and consumers. Meanwhile, governments' space for regulating MNCs is shrinking. The division of accountability between states and MNCs is often unclear, resulting in an accountability vacuum in which neither takes responsibility.

Some key legal rulings on behalf of claimants have been won in recent years (e.g. against Thor Chemical Holdings in South Africa), but they are very few in comparison with the number of cases where companies have escaped scot-free and the even greater number of violations reported to human rights organizations, trade unions and environmental organizations. At the same time, many of the existing international instruments devised to regulate the activities of transnational companies are unenforceable and therefore largely ineffectual in practice. There is a considerable array of these instruments but few if any of them are binding, and corporations have no qualms about flouting them, particularly in Southern countries where national accountability mechanisms are rare, access to justice for ordinary citizens is difficult, and national governments are prepared to collude with corporations for the sake of the perceived benefits to their own economies. In this situation, lawyers, trade unions and human rights organizations working on behalf of workers and others whose rights have been violated find themselves at an impasse.

MNCs collution with Govts – some examples

In **Australia**, a case has been brought against the mining company BHP for destroying the livelihood of 25,000 people in Papua New Guinea (PNG). But PNG is so poor and economically dependent on BHP that its government would not agree to sue BHP, until it was discovered that BHP had been lobbying the PNG parliament. Australian court argued that the case would be an infringement of the sovereignty of PNG and that the PNG government had colluded in BHP's behaviour. A secret settlement was drawn up after much public outcry, according to which BHP agreed to clear up some of the environmental damage and compensate some of the people.

In **Canada**, another 25,000 people are mentioned as victims of HRVs in a mine in Guiana, where the company was using methods that had been illegal in Canada for 25 years, with terrible results. The court in Canada said it could hear such a case, theoretically, but that in this case the facts were not clear and the local government was too closely involved.

- **MNC's Role and Socio-economic Impact**

The Top 200 MNCs and World Capital Ownership: Who owns the capital of the world? According to Anderson and Cavanagh, among the largest 100 economies in the world, 51 are multinational corporations (MNCs), whereas only 49 are countries. The analysis is based on a comparison of the corporate sales of MNCs and the GDPs of the countries. The study further shows that, out of the 200 largest economies of the world, 144 are MNCs. The combined sales of the top 200 corporations are bigger than the combined economies of all the countries of the world, minus the largest 10. The income of MNCs is 18 times higher than the combined annual income of the 1.2 billion people of poor countries (24 percent of the total world population). The study has found that the growth of sales of top 200 corporations is faster than overall global economic activity. Between 1983 and 1999, their profits grew by 362 percent whereas their combined sales grew from 25 percent to 27.5 percent of the world GDP. (See Annexure II)

According to the UN Committee on Trade and Development (UNCTAD), MNCs account for 70 percent of the total world foreign trade, which is US $7 trillion. Most of these MNCs belong to the rich countries; therefore, it is natural that MNCs and their respective countries should safeguard their mutual economic, political, and cultural interests under the cloak of globalization. Economies are the catalysts of the globalization process, and they are represented by MNCs and transnational corporations (TNCs), which maintain the highest stakes and stand to gain the maximum benefits.

MNCs and TNCs: Emergence, Stakes and Strategy

Emergence: Trade between nations has existed since ancient times but its scope used to be limited. With the Industrial Revolution and the introduction of fast means of communication and transportation, transnational trade has expanded at great speed. Subsequently, the MNCs have emerged.

Collaboration with Media: In recent times, the emergence of media giants with increasing power and influence over human minds, and their collaboration with other MNCs, driven by mutual interest of the two, has profoundly intensified MNCs' influence. The process has evolved and developed with modern ways and means that have added to its significance as well as its speed, scope and quantum.

Lobbying: Given their huge capital resources and production capacities, MNCs are able to dictate their own terms in economic dealings. For the sale of their enormous production, MNCs require access to large markets; tariff issues, access restrictions and similar "barriers to trade" are hurdles in this access. What MNCs need is a global system for the free flow of their goods. They therefore use their sheer economic weight to influence international trade rules. With their huge resources, they employ lobbyists with the highest expertise and influence at international trade organizations. In all, there are approximately 15,000 lobbyists based in Brussels, or roughly one for each staff member of the European Commission, the executive body that negotiates on the European Union's behalf in the WTO. Some 70 percent of these lobbyists represent business interests. Their expenditures in Brussels alone are estimated to be between € 750 million and € 1 billion. Moreover, an estimated 17,000 lobbyists representing different MNCs are working in Washington, DC. The pharmaceutical industry alone spent US$ 1 billion on lobbying in the US in 2004. The rich North, influenced by such lobbying, makes decisions in favor of the MNCs, irrespective of the economic, social or cultural consequences for the poor of the world.

Entry in Host Countries: Having poor economic infrastructure and little capital, developing countries very easily agree to host MNCs. At times, their weak regulatory positions are subsequently exploited by MNCs.

Pushing Local Producers Out: MNCs either buy out the local companies of the host countries or push them out of the markets by offering cheaper and better quality goods for some time. Where aggressive marketing is needed, MNCs can, in the initial phase, even provide their products free of cost to coax the public into developing appropriate consumption habits.

Inducing Buyers and Capturing the Market: MNCs capture the market using a variety of strategies and tools, including social and market research, opinion building, developing interest groups, lobbying, sponsorship, etc. The media plays an important role in this campaign.

The challenges posed by MNCs

MNCs can also pose problems for host societies in the spheres of social and economic development and cultural diversity. How this happens is outlined below.

Conflicts of Interest: MNCs are commercial organizations and their only interest is to gain maximum return on their invested capital, occupy market shares and ensure their long-term competitiveness. This leads to conflict of interests between the MNCs and host societies on issues like repatriation of profits, patents, and major operational decisions. Host countries would want MNCs to work in a manner that is harmonious with the social and political needs of their societies and communities, whereas the MNCs make their choices based purely on economic criteria. This conflict of interests leads to conflict within societies.

Increasing Materialism and Consumerism: MNCs promote a culture of conspicuous consumption, in which presentation and cosmetic changes matter the most. The product models change very fast and the older ones lose relevance in a short span of time. Consumerism has an overwhelming impact on societies. For example, departmental stores and shopping malls/plazas are mushrooming everywhere both as an outcome of and an impetus to further consumerism. Eating habits are also changing, with increasing consumption of processed, instant, fast and junk food, especially products of international brands. The emphasis is on instant access and quick relief. Many products also glamorize life in the fast lane, leading to increased consumption of faster communication products, cars, as well as stimulants such as cigarettes, and alcohol. As outward looks become central in the vision of success, a vibrant fashion industry is changing the dress and outlook of ordinary people. Spending priorities have changed.

Contrary to the conventional view, taking loans is now considered a status symbol. The availability of easy credit, consumer financing, credit cards and personal loans by the banks to the middle class is promoting a culture of people living beyond their means.

Simplicity is losing currency and people strive to live in luxury. This trend makes the disparity of resources among people, groups and even regions look wider. Previously, education was aimed at developing a balanced personality and ethical and social values and character building were emphasized. Now, however, materialism has taken over.

Corruption and Crime: In the race for maximum profit, the MNCs deem their ends to sometimes justify the means: they use their considerable buying power to corrupt people to capture markets.

Healthcare Attitudes: Healthcare attitudes are changing and people expect better health services. The job is made easier by the new norm of "third party cashless payments," where payment is made via credit cards or health insurance. The focus has now increased on preventive healthcare. Although it is good for those who can afford these facilities - and they are the targets of MNCs- yet it is extremely frustrating for those who cannot afford them. Hectic routines, targets and deadlines are resulting in stresses and pressures. A destructive lifestyle has led to a host of medical crises: sexual problems from over-performance at work, stress, mid-life crisis, ulcers, nervous disorders, hypertension, obesity, cardiac disease, diabetes, etc., are all lifestyle-related ailments that are on the rise.

Brain Drain: The term "brain drain" is commonly used for the situation when talent goes out to other countries. The MNCs are involved in another kind of brain drain. Their lucrative salaries attract talent that might have contributed to the host society to work for their 'multinational' interests without leaving the country.

Cultural Changes: MNCs use, develop and continually refine their marketing tactics to create consumers' need for their products. They use social marketing and stars from the worlds of sports and show business to project their products, especially affecting the youth, women and children as they are generally attracted to glamour. Special events, festivals and campaigns are organized to create hype. In this atmosphere, ethical and moral considerations have no place, and corporate interests start determining what is to be celebrated and how. With the spread of MNCs' operations in a society, the importance of foreign languages increases because these firms mostly operate among the classes equipped with foreign language skills and hire and promote the people from the same groups.

Promotion of Non-Issues: Importantly, poor people are not the target of MNCs. They target the middle classes, who have the buying powers, and trying to change their priorities in everyday life, spending and consumption. MNCs establish close linkages with intellectuals, legislators, media and some non-government organizations (NGOs) to highlight specific issues that suit their business interests.

Negative marketing: When introducing their products, MNCs exaggerate the qualities to the level of cheating and lying. Aggressive campaigns with false claims are launched. Local products are ridiculed. Children and youth are special targets, while women are treated as commodities to project the products, affecting the existing value framework of the societies.

Business Promotion through Charity: Some MNCs are involved in charitable and welfare work in the host societies as well. However, the amount given by them in charity is not comparable to their profits. Moreover, the charitable work revolves around activities that directly or indirectly result in various kinds of gains for the corporations. Charity is given where the economies best suit their corporate interests.

Violation of Human Rights: Exploitation of workers by large business corporations is a common phenomenon. Most workers are exposed to hazardous and inhuman conditions, overexertion and financial abuse. This happens despite the fact that many of the world's largest business associations, including the International Chamber of Commerce, have endorsed the UN Secretary General's "Global Compact," a mechanism for self-regulation by business companies.

Stresses on the Family: MNCs affect the host society's family fabric in many ways. The new cultures and lifestyles introduced by MNCs are proving harmful to the family fabric in host societies. Overspending and living beyond means eventually creates economic pressures and develops tensions and stresses within families. Various indicators also prove that women working with MNCs and other big corporations undergo extra stress when entering into marriages and bearing children. Parents have little time for their families, particularly children. One out of six women in the world opts out of natural birth, according to the World Health Organization (WHO). Earlier, this trend was specific to the developed countries but it now prevails in the least developed world too.

Wages :

Companies such as Reebok, Nike, and Levi Strauss have exploited and are exploiting the human labor in developing countries massively (UN Committee on Trade and Development, 2002, p. 4). Therefore these companies are called sweatshops. For example, workers in Indonesia live under inhumane circumstances and barely earn $39 a month for producing thousands of products worth a few hundred dollars. Developing countries like Indonesia are booming because of massive direct foreign investment while workers are suffering from degrading living conditions and really low wages. Drusilla Brown, Alan Deardorff, and Robert Stern consider in their study that these wage premiums are most likely linked to labor productivity gains resulting from foreign ownership. Most of the time the given premiums to white-collar workers as well as foreign investment raise wages on average but produce a greater income inequality between skilled and unskilled workers in the host nation, the developing country.

The appearance of MNCs in developing countries rise much controversy and many social concerns. MNCs have a substantial amount of power that allows them to easily find large quantities of relatively cheap labor as well as influence governments. Due to the great mobility of MNCs, they have quick access to cheap labor and are relatively free to leave a country at any time they want. Many times, the country's economy depends on the jobs given to its laborer by the MNC. If the MNC leaves, that country now has a great unemployment problem where many are suddenly left stranded. Because of this fear governments of developing countries fail to enforce human and labor rights effectively, however MNCs have been accused of infringe workers either human or labor rights. To stop this helplessness of the host countries many OECD countries appealed to MNCs to respect international labor standards anywhere in the world, even if a country has no such norm.

The OECD report shows, that MNCs often adopt management style and labor conditions of their host countries, therefore exploiting developing countries, which have not high labor standards, due to the bargaining power of the MNC, 2008). MNCs tend not to have a certain loyalty and social responsibility towards the developing country in which they are operating in. Therefore plants will be shut down rather in developing countries than in their home country, because of bad publicity and pressure from the home government. Additionally there is a trend in the recent years that MNCs move from one developing country to another in search for cheap labor. If the labor conditions are getting too expensive to manufacture certain products, MNCs could move on to another developing country, where unskilled labor is cheaper(UN Committee on Trade and Development, 2002).

Controlling to MNC.

Although MNCs help distribute Foreign Direct Investment and therefore set to catalyse economic growth in developing countries, they are particularly notorious for exploiting countries causing problems regarding aspects of human rights, environment and working conditions (UN Committee on

Trade and Development, 2002,). As a result, workers are exposed to risky conditions, exhaustion and overall exploitation by MNCs. To oppose this issue the United Nations Conference on Trade and Development should create a council which regulates working conditions especially in developing countries.

Local governments in developing countries must be encouraged by the United Nations to apply international labour standards to MNCs and domestic competitors to raise working conditions and overall wages . In addition international TUOL organizations must monitor and create public awareness for the exploitation of human labour, to create an environment for MNCs and governments to act upon international labour standards. As a result real improvement on labour conditions and wages can only happen, if MNCs are closely monitored and the bargaining power towards local governments in developing countries is reduced to enforce higher labour standards . The OECD created codes of conducts for various industries and also NGOs were created to monitor MNCs, a problem is of course that certain business data is confidential. For example the locations of plants or pay grades are normally not offered to the general public.

Another problem is the monitoring and auditing of MNCs taken out by business and auditing firms, which could find a conflict of interest towards their customers, because they profist from future company growth of their customers . On the one hand there has been movement towards a voluntary monitoring and certifying system by many MNCs, because they see the impacts of bad publicity directly on their sales and profits. A good example is Nike which was accused of using sweatshops in Asia by the general public and as a reaction enforced a monitoring system through a Corporate Social Responsibility campaign . On the other hand the monitoring system is far from perfect and it is not binding for the MNCs. Furthermore many suppliers of MNCs in developing countries are not monitored at all . With the Nike incident there was a big discussion in the public if Nike is also responsible for working conditions at their suppliers in developing countries.

So far the international community has failed to take up the challenge to monitor and control the impact of MNCs' activities efficiently. In addition many governments especially in developing countries claim that human rights' law does not apply to 'non-state' actors like MNCs .

- **Workers involvement?**

When the head office of a multinational makes a decision regarding employment or investment, it has a direct impact on several sites of both the company and of its sub-contractors in several different countries. What recourse can the workers have for dealing with the probable consequences of such a situation other than by looking beyond their borders to trying and make common cause?

The globalisation of companies is shaping a world that is becoming increasingly uniform. Their pressure is making workers' rights, wage levels and conditions of work converge to their lowest level. This negative spiral toward the social minimum is increasing, often dragged down by the leaders of countries with low wage levels and restricted social rights, who see this as a way of developing and industrialising their country while in fact they are mainly accommodating the strategies of the multinationals and their political intermediaries.

They are seeking:

- ***to free themselves, as much as possible, from labour legislation and collective bargaining in the name of free enterprise and competitiveness;***
- ***to increase labour flexibility in all various forms;***
- ***to make use of short term employees, (contract workers, temps, and increasingly precarious forms of employment).***

To sum up, to reduce the price of labour, what they call "labour costs", by every possible means. The consequences are well known. The rich of all countries get richer – the others (the 99% as the "indignations" say) live less and less well. We are indeed dealing with a class conflict and not a conflict between peoples or nations.

- **<u>Some observations and proposals</u>**

MNC accountability can be demanded either **directly** from the corporations involved, or **indirectly** from the states where they operate and especially from those where they are domiciled. Such accountability can be demanded via legal action at the **domestic**, **regional** or **international** level. However, there are a number of **constraints** on winning either redress for past or ongoing abuses by MNCs or greater accountability in the future. These include:

- *Collusion between MNCs and states which are not willing to enforce existing laws or which actively exempt MNCs from their national legal systems, often under pressure from their own economic needs;*
- *Laws, and models of legal system, emanating from the North, where the companies have their HQs, thus weighting the system towards the already powerful;*
- *'Reverse forum-shopping', where the accused corporation fights to have a case refused in a country favourable to the complainants (usually the home country) and to get it returned to a location favourable to itself (usually the host country);*
- *The 'corporate veil' or smokescreen - ambiguities in the nationality of MNCs and the separation of identities of the parent company and the*

subsidiaries, created by MNCs to enable them to escape legal responsibility in any country where they operate;
- *WTO rules, which have little help to offer claimants and are not really interested in labour issues;*
- *Limited access of civil society to WTO and other international institutions;*
- *Internal codes of conduct, which allow corporations to feel good while not imposing any legal obligations on them, and which also do not address the claims of victims;*
- *Poor implementation mechanisms in most international regulatory instruments;*
- *Counteroffensives by MNCs, e.g. libel cases against campaigners;*
- *The expense of legal actions, which can sometimes be crippling even in the case of a victory, particularly where an NGO is defending itself against a corporate counteroffensive.*

- ***<u>CSR (Corporate Social Responsibility or Cruel Social Reality)</u>***

Corporate Social Responsibility (CSR) is a widely 'persued' terminology these days, not merely by the employers & their organizations as a proof of their alleged social commitment, but even by certain International & National trade unions as well. Under CSR, the Corporations including the Multinational Corporations are said to have suddenly become 'baptised' souls, possessing all virtues of "ideal" employers, presumably ready to open up their hearts and souls to the workers. Some academicians and specialists in the 'IR trade' hail the CSR as a new chapter for collaborative existence of capital & labour. There seems to be some "mutually endorsed" documents at some sectoral levels on Corporate Social Responsibilities.

The differences in the definition of CSR also reflect the diversity of people's views of it. Some researchers try to distinguish the social responsibility of the corporation from its economic responsibility, believing that <u>their economic responsibility is to pursue the greatest interests of the shareholders, while their social responsibility is to satisfy the generally acceptable demand of the public in social sustainability and social justice.</u>

*Yet this kind of demarcation ignores reality. Now those business consultants and researchers who actively 'sell' the idea of CSR hold the view that the promotion of CSR can bring huge profits to the corporation. <u>A great deal of evidence shows that the implementation of CSR can: 1) boost the sales of their products, and increase their market share; 2) help the brand attain a good reputation; 3) improve the image of the corporation; 4) attract and retain talent, and promote employee productivity; 5) reduce production costs; and 6) attract more investment and achieve more positive credit ratings.</u> In short, CSR is a **<u>way to increase profits, and of great significance in terms of economics. Thus, the corporation does not see CSR as its obligation,</u>***

but as a business strategy to achieve greater profits by fulfilling its social responsibility.

***The other view: 'Business for Social Responsibility,' an American pro-business organization, thinks that "CSR means to attain business achievements by respecting ethical values and protecting the communities and the environment." CSR is thus transformed into a new way of reaching the corporation's final goal of profit-making. This profit-oriented CSR is of course subjected to much criticism. Yet we have to admit that of late CSR enters into every sector of the corporation in order to achieve greater productivity and profits. CSR brings changes to the relationships between the corporation and other social organizations. CSR also alters labour relations in the factories that p*roduce for the corporations. So the economic activities of the corporation can bring positive or negative impacts to society.**

- **CSR and Globalization**

As globalization and free trade accelerate the flow of capital, the capital flow becomes boundless. Many corporations close their factories in their own countries. They dramatically reduce production costs by subcontracting, i.e., by having their subsidiaries open manufacturing factories in the developing countries, thus bringing mass unemployment to their own countries. Workers in the developed countries then complain that workers of the developing countries are taking away their jobs, and this causes conflict between workers in developed and developing countries. At the same time, workers in the developing countries complain that they have to work in very harsh conditions, as there is no compliance of labour standard in their countries. Although under the current situation of international subcontracting, multinational corporations do not take part in production directly, they can still keep production under their control by many means. In international sub-contracting, buyers and manufacturers are in an unequal relationship. As buyers, multinational corporations can control working conditions and prices through their merchandising policies. This is a new kind of 'neo-mercantilism': it results in a more or less monopolistic position, which allows the multinational corporations to get all the benefits. There are several ways to control the price of a product.

Multinational corporations exercise tremendous control over prices and incessantly maximize profits in international subcontracting. Yet international subcontracting is also a double-edged sword. The corporations can of course earn exorbitant profits by controlling prices, but as they cannot supervise the whole production process directly, this brings new risks in management, especially in the quality of the product, labour issues and pollution in the manufacturing processes. All these give rise to serious lapses of the corporations.

In fact, in international subcontracting, as buyers, the corporations control prices in order to make greater profits, and they do so by forcing the supplying companies to be more and more competitive in terms of pricing and lead time. Many manufacturers do not have any bargaining power; they have no choice but to accept harsher contracts. Contract prices are driven down so low that at last workers become the victims. **Thus comes about the existence of 'sweatshops.'**

- **The MNCs and their role: (A Case study of India)**

Many Indian employers and also Indian trade unions at times share somewhat similar perceptions and concerns about MNCs which are along the following lines:

"1. *MNCs are interested in capturing the Indian market but not in building a manufacturing base in India. Continued import of components is cited as proof. Very few Indian companies are being developed to source parts from India for overseas operations of MNCs.*

2. *MNCs focus on the short-term rather than the long-term, MNCs are keen to generate and repatriate profits quickly.*

3. *MNCs are using India as a dumping ground to bring in technology and products which are being phased out in their home countries.*

4. *MNCs use Indian partners to establish a foothold in India on a 50/50 or 40/60 basis and to get speedy sanctions and approval. Once established, however, they seek to edge out.*

5. *MNCs set up ,joint ventures with Indian partners and simultaneously, also set up 100 per cent subsidiaries in competitive areas without Indian partnership. They thus use the insights obtained through partnership with Indian companies in joint ventures to secure an unfair advantage, allowing the 100 per cent subsidiary to compate with the joint venture firm.*

6. *A significant proportion of MNC investment is geared towards either increasing their stake in existing businesses or, mainly, supplying machinery to relocate unusable plants in their home / a third country to India. Such MNC investment does not generate many new jobs, and even if it does, these plants become the breeding grounds for sickness and, therefore, job losses.*

7. *MNCs come to India like `cowboys'. They choose a partner hastily, make mistakes and then want to break off the relationship. Alternatively, they get into alliances with different Indian companies for different product lines.*

8. ***MNCs cause deindustrialization. The ghost of the East India Company still haunts the average Indian psyche. The East India Company came on business and colonized the country for over two centuries, contributing to the deindustrialization of the country. Now even established Indian brand names in several industries are not able to face or withhold foreign competition due to the financial muscle and brand image of foreign competitors in the auto (two, three and four wheeler), electronics (television sets), white goods (refrigerators, for instance) and soft drinks industries.***

9. *An impression is gaining ground, in the wake of the renegotiation of certain power projects, that MNCs have a tendency to pitch their investment costs and prices to a level which is higher than necessary, pushing up the prices that consumers have to pay. Confessions about huge development costs breed suspicion about corruption.*

10. *Since the mid-1990s, revelations about foreign exchange irregularities involving ITC-BAT and the controversy concerning the control of ITC by its UK partner, BAT has not augured well for the image of MNCs in India there have been several such cases subsequently.*

11. ***MNCs are capitalizing on the weaknesses of traditional and small-scale Indian businesses in rural areas by quickly patenting herbal products and indigenous snacks (Bikaner bhujia, for instance). The entry of some multinationals into businesses like salt (the salt satyagraha launched by Mahatma Gandhi was an emotive movement during the freedom struggle) in the border areas of Gujarat, agriculture (Cargill) in Karnataka, ecologically unfriendly chemicals projects in Goa (Dupont's pact with the Thapars), and the use of India as a dumping ground for the disposal of dangerous chemical wastes have rendered MNCs rather unwelcome.***

ANNEXURE I

TEN WORST MNC

***Big MNCs, adjudged as Worst Corporations AFEW YEAR AGO (2004)SR would be?**

1. Bayer: In 2004, the company pushed for import of genetically modified rice into the European Union, polluted water in a South African town with the carcinogen hexavalent chromium, and was hit with evidence that its pain medication Aleve (naproxen) increases the risk of heart attack, among other egregious acts.

2. Boeing: Evidence that the tanker plane scandal costing U.S. taxpayers tens of billions of dollars was even worse than it appeared.

3. <u>Clear Channel:</u> The radio behemoth in 2004 stooped to new lows with a "Breast Christmas Ever" contest that promised to pay for breast implants for a dozen contest "winners".

4. <u>Halliburton</u>: Embroiled in a whole new set of contracting fraud and bribery charges in 2004.

There is a Corporations pool of price gougers, polluters, union-busters, dictator-coddlers, fraudsters, poisoners, deceivers and general miscreants, chosen as the Worst Corporations in the past.

<u>In the above background the new additions were: (Extracts from a Publication in USA a few years ago)</u>

<u>1. Abbott Laboratories:</u> Abbott makes the list for raising the price of Norvir, an important AIDS drug, developed with a major infusion of U.S. government funds, by 400 percent. The price increase doesn't apply if Norvir is purchased conjunction with another Abbott drug, giving Abbott an unfair advantage over competitors and tilting consumers to use the Abbott products on the basis of price.

<u>2. AIG:</u> The world's largest insurer, American International Group Inc. (AIG) was charged in October, '04 with aiding and abetting PNC Financial services in a fraudulent transaction to transfer $750 million in mostly troubled loans and venture capital investment from subsidiaries off of its books. AIG agreed to pay $126 million to resolve the charges, but it got off light, entering into a "deferred prosecution agreement" – meaning the charges against the company will be dropped in 12 months time if it abides by the terms of the agreement. **<u>What happened to AIG an year ago and what were their consequences are known to everyone now.</u>**

<u>3. Coca-Cola:</u> Workers at the Coke bottling plant in Colombia have been terrorized for years by right-wing paramilitary forces. A fact-finding mission headed by a New York City Council member found, among other abuses, "there have been a total of 179 major human rights violations of Coca-Cola's workers, including nine murders. Family members of union activists have been abducted and tortured." Coke said that it hasn't had control of the bottling plant (though it did after purchasing the Colombian bottling company). Coke's former general counsel, and the former assistant U.S. attorney general, Deval Patrick, resigned in 2004, reportedly in part because Coke refused to support an independent investigation into the Colombian allegations.

<u>4. Dow Chemical:</u> The world's largest plastic maker, Dow purchased Union Carbide in 1999. At midnight on December 2, 1984, 27 tons of lethal gases leaked from Union Carbide's pesticide factory in Bhopal, India, immediately killing an estimated 8,000 people and poisoning thousands of others. In Bhopal, at least 150,000 people, including children born to parents who survived the disaster, are suffering from exposure-related health effects such as cancer, neurological damage, chaotic menstrual cycles and mental illness. Dow refuses to take any responsibility, despite decisions by the judicial authorities in India.

5. GlaxoSmithKline: Following revelations and regulatory action in the UK in 2003 and 2004, the story of the severe side effects from Glaxo's Paxil (as well as other drugs in the same family) – notably that they are addictive and lead to increase suicidality in youth – finally broke in the United states in 2004. In June, New York Attorney General Eliot Spitzer filed suit against Glaxo, charging the giant drug maker with suppressing evidence of Paxil's harm to children, and misleading physicians. Glaxo agreed to a new system whereby it would make public results all of its clinical trials. In October, the U.S. Food and Drug Administration ordered Glaxo and makers of drugs in Paxil's class to include a "black box" warning – the agency's strongest –with their pills.

6. Hardee's: The fast-food maker is bragging about how unhealthy is its culinary invention, the Monster Thickburger: "First there were burgers. Then there were Thickburgers. Now Hardee's is introducing the mother of all burgers the Monster Thickburger. Weighing in at two-thirds of a pound, this 100 percent Angus beef burger is a monument to decadence. "The Monster Thickburger is a 1,420-calories sandwich. Eating one Thickburger is like eating two Big Macs or five McDonald's ham-burgers. Add 600 calories worth of Hardee's fries and you get more than the 2,000 calories that many people should eat in a whole day, according to Michael Jacobson of the Center for Science in the Public Interest, which calls the Thickburger "food pron."

7. Merck: Dr. David Graham, a Food and Drug Administration (FDA) drug safety official, calls it 'may be the single greatest drug-safety catastrophe in the history of this country. "Testifying before a Senate committee in November, Dr. David Graham put the number in the United States who had suffered heart attacks or stroke as result of taking the arthritis drug Vioxx in the range of 88,000 to 139,000. As many as 40 percent of these people , or about 35,000-55,000, died as a result, Graham said. The unacceptable cardiovascular risks of Vioxx were evident as early as 2000 – a full four years before the drug was finally withdrawn from the market by its manufacturer, Merck.

8. McWane: McWane Inc. is a large, privately held Alabama-based sewer and water pipe manufacturer. In a devastating series, the New York Times revealed the company's egregious safety record, and the utter failure of regulatory agencies to control the company's workplace violence. Nine McWane employees have lost their lives in workplace accidents since 1995–and three of the deaths were the result of deliberate company violations of safety standards. More than 4, 600 injuries were recorded among the company's 5,000 employees. According to the Times, McWane pulled the wool over the eyes of investigators by stalling them at the factory gates, and then hiding defective equipment.

Accident sites were altered before investigators could inspect them, in violation of federal rules. When government enforcement officials did find serious violations, the Times reported, “the punishment meted out by the federal government was so minimal that McWane could treat it as simply a cost of doing business.”

9. Riggs Bank: An explosive report from the U.S. Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, issued in July, revealed that the Washington, D.C. – based Riggs Bank illegally operated bank accounts for former Chilean dictator Augusto Pinochet, and routinely ignored evidence of corrupt practices in managing more than 60 accounts for the government of Equatorial Guinea. Although these and other activities violate U.S. banking rules, the Office of the Comptroller of the Currency (OCC) did not take enforcement action against the bank after it learned of these matters in 2002. That presumably was not unrelated to the fact that the OCC examiner at Riggs soon thereafter went to work for Riggs. In May 2004, the bank paid $25 million in fines in connection with money-laundering violations related to the Equatorial Guinea and Saudi Arabian governments, and it was the subject of ongoing federal criminal investigations. Now we know this is one of those banks contributed to the crisis.

10. Wal-Mart: Wal-Mart the company is the colossus of U.S. – and increasingly global-retailing. It registers more than a quarter trillion dollars in sales. Its revenues account for 2 percent of U.S. Gross Domestic Product. For two years running, Fortune has named Wal-Mart the most admired company in America. A key component – of the company’s business model is under compensating employees and externalizing costs on to society. A February 2004 report issued by Representative George Miller, D-California, tabulated some of those costs. The report estimated that one 200-person Wal-Mart store may result in a cost to federal taxpayers of $420,750 per year – about $2,103 per employee.

The list is not ending, but continuing. Have all these Corporations exhibited their social irresponsibility, towards the public, tax payers, the workers, on the health and safety norms, human right violation etc.

ANNEXURE II

AMERICAN CORPORATE WORLD

If Wal-Mart were a country, its revenues would make it on par with the GDP of the 25th largest economy in the world by surpassing 157 smaller countries. We've found 25 major American corporations whose 2010 revenues surpass the 2010 Gross Domestic Product of entire countries, often with a few billion to spare. Even some major countries like Norway, Thailand, and New Zealand can be bested by certain U.S. firms.

YAHOO IS BIGGER THAN MONGOLIA
Mongolia's GDP: $6.13 billion
Yahoo's Revenue: $6.32 billion
Yahoo would rank as the world's 138th biggest country.

VISA IS BIGGER THAN ZIMBABWE
Zimbabwe's GDP: $7.47 billion
Visa's Revenue: $8.07 billion
Zimbabwe would rank as the world's 133rd biggest country.

eBAY IS BIGGER THAN MADAGASCAR
Madagascar's GDP: $8.35 billion
eBay's Revenue: $9.16 billion
Ebay would rank as the world's 129th biggest country.

NIKE IS BIGGER THAN PARAGUAY
Paraguay's GDP: $18.48 billion
Nike's Revenue: $19.16 billion
Nike would rank as the world's 102nd biggest country.

CONSOLIDATED EDISON IS BIGGER THAN THE DEMOCRATIC REPUBLIC OF THE CONGO
Democratic Republic of the Congo's GDP: $13.13 billion
ConEdison's Revenue: $13.33 billion
ConEdison would rank as the world's 112th biggest country.

McDONALD'S IS BIGGER THAN LATVIA
Latvia's GDP: $24.05 billion
McDonald's Revenue: $24.07 billion
McDonald's would rank as the world's 92nd biggest country.

AMAZON.COM IS BIGGER THAN KENYA
Kenya's GDP: $32.16 billion
Amazon.com's Revenue: $34.2 billion
Amazon would rank as the world's 86th biggest country.

MORGAN STANLEY IS BIGGER THAN UZBEKISTAN
Uzbekistan's GDP: $38.99 billion
Morgan Stanley's Revenue: $39.32 billion
Morgan Stanley would rank as the world's 82nd biggest country.

CISCO IS BIGGER THAN LEBANON
Lebanon's GDP: $39.25 billion
Cisco's Revenue: $40.04 billion
Cisco would rank as the world's 81st biggest country.

PEPSI IS BIGGER THAN OMAN
Oman's GDP: $55.62
Pepsi's Revenue: $57.83 billion
Pepsi would rank as the world's 69th biggest country.

APPLE IS BIGGER THAN ECUADOR
Ecuador's GDP: $58.91 billion
Apple's Revenue: *$65.23* billion
Apple would rank as the world's 68th biggest country. .

MICROSOFT IS BIGGER THAN CROATIA
Croatia's GDP: $60.59 billion
Microsoft's Revenue: $62.48 billion
Microsoft would rank as the world's 66th biggest economy.

COSTCO IS BIGGER THAN SUDAN
Sudan's GDP: $68.44 billion
Costco's Revenue: $77.94 billion
Costco would rank as the world's 65th biggest country.

PROCTOR AND GAMBLE IS BIGGER THAN LIBYA
Libya's GDP: $74.23 billion
Proctor and Gamble's Revenue: $79.69 billion
Proctor and Gamble would rank as the world's 64th biggest country.

WELLS FARGO IS BIGGER THAN ANGOLA
Angola's GDP: $86.26 billion
Wells Fargo's Revenue: $93.249 billion
Wells Fargo would rank as the world's 62nd biggest economy.

FORD IS BIGGER THAN MOROCCO
Morocco's GDP: $103.48 billion
Ford's Revenue: $128.95 billion
Ford would rank as the world's 60th biggest country.

BANK OF AMERICA IS BIGGER THAN VIETNAM
Vietnam's GDP: $103.57 billion
Bank of America's Revenue: $134.19 billion
Bank of America would rank as the world's 59th biggest country.

GENERAL MOTORS IS BIGGER THAN BANGLADESH

Bangladesh's GDP: $104.92 billion
GM's Revenue: $135.59 billion
GM would rank as the world's 58th biggest country.

BERKSHIRE HATHAWAY IS BIGGER THAN HUNGARY
Hungary's GDP: $128.96 billion
Berkshire Hathaway's Revenue: $136.19 billion
Berkshire Hathaway would rank as the world's 57th biggest economy

GENERAL ELECTRIC IS BIGGER THAN NEW ZEALAND
New Zealand's GDP: $140.43 billion
GE's Revenue: $151.63 billion
GE would rank as the world's 52nd biggest country.

FANNIE MAE IS BIGGER THAN PERU
Peru's GDP: $152.83 billion
Fannie mae's Revenue: $153.83 billion
Fannie Mae would rank as the world's 51st biggest country.

CONOCO PHILLIPS IS BIGGER THAN PAKISTAN
Pakistan's GDP: $174.87 billion
Conoco Phillip's Revenue: $184.97 billion
Conoco Phillips would rank as the world's 48th biggest country.

CHEVRON IS BIGGER THAN THE CZECH REPUBLIC
Czech Republic's GDP: $192.15 billion
Chevron's Revenue: $196.34 billion
Chevron would rank as the world's 46th biggest country.

EXXON MOBIL IS BIGGER THAN THAILAND
Thailand's GDP: $318.85 billion
Exxon Mobil's Revenue: *$*354.67 billion
Exxon Mobil would rank as the world's 30th biggest country.

WALMART IS BIGGER THAN NORWAY
Norway's GDP: $ *414.46* billion
Walmart's Revenue: $421.89 billion
Norway would rank as the world's 25th biggest country.

(Source: Fortune/CNN Money, IMF)