

CHAPTER 37 : Controlling MNCs

1. The power of MNCs

Advantages	Disadvantages
<ul style="list-style-type: none">• Contribute job and wealth over the world• Build investment• Build foreigner country reserve• More research and development• More effective used of resources	<ul style="list-style-type: none">• Ruin non-renewable resources• Pollute the environment• Profit repetitive

2. Political Influence

: Large MNCs are owned by the state. Eg. Manufacturing / Bank / Telecommunications / Transportation / Agriculture and etc. => numerous commercial and ethical issues.

However, state ownership or control is not very efficient, and so the drawbacks often outweigh the benefits.

2.1 Corruption

2.2 Shareholder's and other investors' rights may be reduced or ignored because they are not the true beneficiaries of the business.

2.3 Investment expenditure, especially on research and development, may be ignored. This is likely to be less competitive pressure from other firms with state-ownership.

Privately owned business can be controlled using a number of political initiatives.

- Tariffs, Quotas, Regulations and local content requirements can be used to protect domestic businesses from international competitors.
- Many countries even place direct and indirect ownership restriction on businesses that they consider to be critical.
- Countries can also support domestic industries through subsidies or tax break. Subsidy can be designed to help create factory produce and distribute goods and services

Benefits	Drawbacks
- Can create, manage and end of business	- Helps to facilitate corruption
- Helps elected officials to challenges the power of private business and to address issues of concern (eg. Ethics and the environment)	- Can add to inefficiencies, such as the misallocation of capital and lack of research and development.

3. Legal Control

One of the best ways of controlling large international businesses is through regulation, competition laws and taxation policies.

3.1 Competition Policy :

: promote competition and ensure that markets operate as efficiently as possible.

3.2 Taxation Policy

: Governments use taxation policies to raise the revenue to run their countries.:

However, there are concerns that many big companies can use countries differing systems to avoid tax.

Tax avoidance : using legal method to reduce the amount of tax

Tax evasion : illegal avoidance tax

3.3 Legislation

: Government provides a legal framework in which businesses can operate. This includes a system of incentives and penalties to ensure that at risk grouped are protected.

Benefits	Drawbacks
Can be used to improve competition in the domestic market	It is difficult to achieve consistent legal practice between countries, so businesses have an incentive to find the friendliest legal environment, where the laws and tax policies are the best for them.
Helps to check corporate power	It is easy for big international firms to move to friendly environments and avoid treatment that they consider to be unfavourable to their business
Facilitates consumer protection	Even where there is agreement over laws, policies and standards, they are often not easy to enforce.

3.4 Consumer Pressure

: Consumer can apply pressure by campaigning against an MNC or by avoiding the products.

3.5 Pressure Group

: Pressure Group act as another control on MNCs. They can publicise bad behaviour and threaten to damage the image of company. Pressure groups are often voluntary organizations that operate at all levels of society.

3.5.1 Boycotting

: This involves withdrawing from commercial or social relations as a form of protest.

3.5.2 Media Criticism

3.5.3 Direct Action

: is the use of demonstration / protest / strikes /sabotage to achieve a political or social goal.

3.5.4 Lobbying

: This is the taking of issues directly to government in an effort to influence change.

4. Social Media

: Social media can be defined as an interaction between electronic and mobile devices, application, and people that allows users to create contents. Eg. Online magazine / weblogs / Social blogs etc.

: As well as being a tool for the promotion of a business's objectives, social media can act as a means of controlling behaviour by

- ⇒ Making collection of information from a variety of sources easier
- ⇒ Increase social awareness through communication
- ⇒ Ensuring greater transparency
- ⇒ Bringing together people in order to create kind of social authority to challenges the power of large companies.

5. Self-Regulation

: This means that a group of firms in the same industry (perhaps the entire industry) agree to follow a set of rules and guidelines to ensure “proper conduct”. To ensure company can maintain common standard in their operation.

: Self- regulation is also self-policy. This means that businesses who are signed up to an agreement monitor their own activities. They might do this by measuring emission, recording , consumer complaint and listening to employee’s issues.

