UNIT 4 MNCs, TNCs AND DEVELOPING COUNTRIES

Structure

4.1 INTRODUCTION

In the previous unit, we have discussed about man-made disasters that cause serious damage to life and property and ecological imbalances. In the present unit, we shall discuss the role of multinational companies and trans-national corporations in the global scenario and its impact on the quality of environment. As you know, globalisation is leading to structural transformation of companies, creating new dependencies. This has resulted in a situation where events, decisions and actions in one part of the world would have significant influences on the other parts of the world. Technological advances, revolution in Information and Communication Technologies (ICTs), easy access to finance and labour across geographical and national boundaries have trans-nationalised economic life. It is estimated that about 35,000 large Multinational companies (MNCs) with over 170,000 affiliates and about 300 industrial houses account for 70% of the total FDI (Foreign Direct Investment).

Today these giant MNCs and Transnational Corporations (TNCs) together with international financial support are in a position to control the global markets through acquisitions and mergers. In this way, the MNCs and TNCs spearhead the new liberal economic globalisation. In this unit we shall deal with the increasing disparities in the current world order with macro divisions of the world as the Global North and Global South. We also probe into the role of TNCs in the on-going globalisation process and the favourable mediation of International Financial Institutions on behalf of TNCs. We examine the switch to flexible production and its impact on social and environmental compositions as also technology concerns and environmental standards.

Objectives

After studying this unit, you should be able to:

- explain the role of MNCs and TNCs in Economic Globalisation;
- discuss the role of IFIs in Economic Globalisation; and
- analyse the impact of Civil Regulation on the operations of MNCs and TNCs.

4.2 THE NORTH-SOUTH DIVIDE

In the discussions on development, generalisations like the ‘developed’ and the ‘developing’ countries are common and lately, a geographical division like ‘north’ and ‘south’ is being used. Sometimes this broad division becomes useful to analyse the disparities in the global economy. This section explains the increasing gap in the North-South divide in a world that is getting integrated very fast. The hallmark of the process of neo-liberal economic globalisation is the increased trade between various countries. The trend in international trade thus indirectly becomes an indicator to illustrate the North-South divide and nuance the disparities further.

Globalisation is supposed to remove barriers in the international trade and is projected as a win-win situation where everybody can benefit from the free flow of goods and services across the globe. For the industrialists and exporters from the South, this would mean greater access to foreign markets and the removal of tariffs and other barriers against the goods and services where they have a competitive advantage. This argument is usually followed by a development agenda for the South in terms of investment, employment and growth. Strengthening the development of lesser economies automatically strengthens trade and trade liberalisation. This logic leads to conclude that developed countries also benefit from the strengthening of developing economies and that freer trade leads to greater growth prosperity and better quality of life for all (Mahindra, 2003).

A recent study has brought out the salient features of the current globalisation process and argued that increased trade is not an automatic guarantee for the development and amelioration of poverty. On the contrary, the developing countries' experiences expose the gap between the potential benefits of trade and the disappointing outcomes of such global integration. Exports now account for more than one-quarter of the combined GDP of developing countries, a proportion which is higher than for rich countries. Although the exports from the South largely remain dependent on primary commodities, the share of manufactured goods has also been growing. With high-technology exports, some of the Southern countries are emerging as major suppliers of cutting-edge technologies and labour-intensive goods. According to Novib (2002), a one percent increase in the world-export share for each developing region could reduce world poverty by 12 percent. The decline would be greatest in the sub-Saharan Africa and South Asia, the two regions with the highest concentrations of poverty.

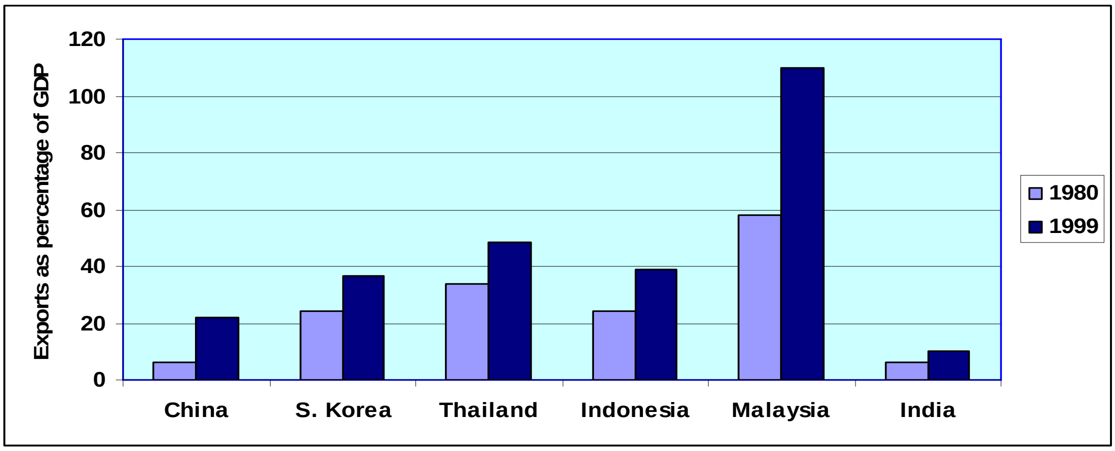

Fig.4.1: Share of exports in GDP of some Asian countries. Between 1980 and 1999, the "export as a percentage of GDP measure" of China, Thailand, and Malaysia has increased significantly. While India's share of exports to GDP has nearly doubled in this period, exports still contribute only 10% of GDP, significantly lower than its competitors. (**Source for data**: http://commin.nic.in/)

Improved market access is only one of the requirements for strengthening the links between trade and poverty reduction. To understand this point, let us consider the example of the South Asian countries. Many of these poorest countries lack the infrastructure to take advantage of the potential market openings. Within these countries, large sections of the population lack access to productive assets such as land and to health care and education. The South Asian countries and the developing countries in general still remain heavily dependent on primary commodities. Fifty developing countries depend on three or fewer such commodities for more than half of their export earnings. The national economies of these countries and the household economies of millions of poor people have been affected by a decline in the prices of these commodities. Although in the recent past, India has increased its share of manufactured goods in exports quite significantly.

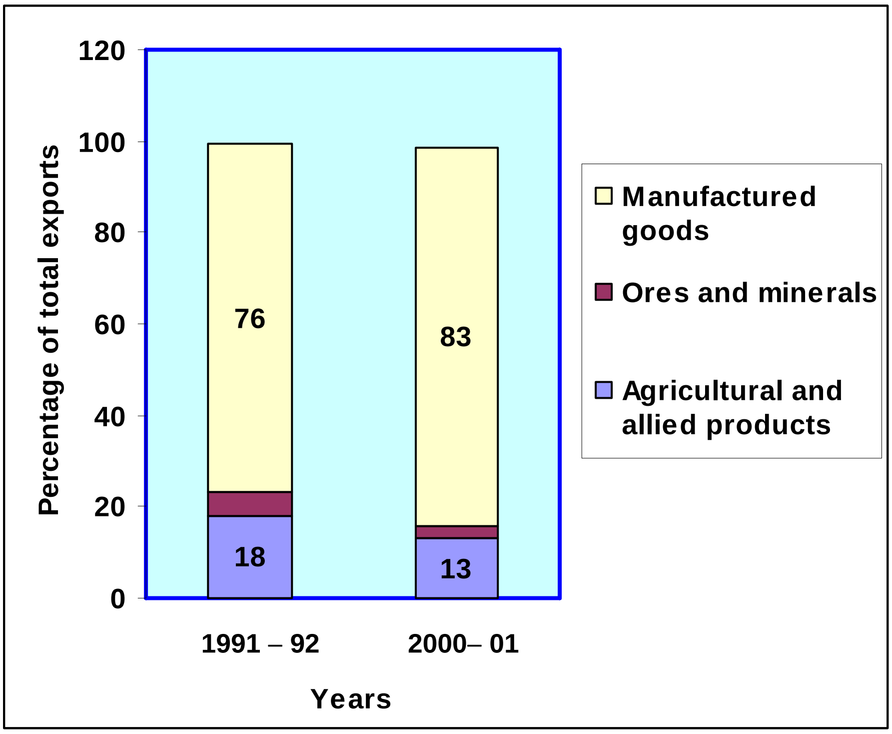

Fig.4.2: Share of exports – Commodity-wise grouping of exports. The chart indicates that the share of manufactured goods has risen from a level of 76% in 1991-92 to 83% in 2000-01. On the contrary, the share of agricultural and allied products has declined from 18% in 1991-92 to 13% in 2000-01. Similarly, the share of exports of Ores and Minerals has declined from 5.2% in 1991-92 to 2.60% in 2000-01. This is an evidence of India's exports moving away from resource based products to technology based products in the post-liberalisation period. (**Source for data**: http://commin.nic.in/)

The increasing gap between North and South has a parallel process of widening of the gap between the rich and the poor within these countries. Robinson (2001) suggests that the process of globalisation thus unfolds with a social and not a national logic. There is an increasing social polarisation with the fragmentation of national economies. Such selective integration of social groups into trans-national networks forces us to rethink development not as a national process in which what "develops' is a nation, but in terms of developed, underdeveloped and intermediate population groups occupying contradictory or unstable locations in a trans-national environment.

This also means that globalisation has increasingly eroded the national boundaries with the emergence of a trans-national or global society. The major actors in triggering this process are the powerful TNCs and MNCs. TNCs thus have become the major beneficiaries of the current process of globalisation.

The discussion clarifies that in spite of the limited opportunities offered by globalisation with increased international trade, Southern countries may not benefit from the process since there are structural constraints posed by the internal and external environment in these countries.

The trans-nationalisation of production in the era of neo-liberal economic globalisation with the mediation of international financial institutions makes it more difficult for Southern countries, particularly the poorer sections in these countries to benefit from the process.

4.3 TNCs IN THE ERA OF NEO-LIBERAL ECONOMIC GLOBALISATION

We have already explained how nations are linked together into a larger world system via trade and financial flows. The salient feature of globalisation is that the process of production itself is becoming trans-nationalised. Changes in technology, particularly strides in the information technology, transportation and various functional areas of management facilitate in organising world production in accordance with a whole gamut of factor cost considerations. Trans-national corporations organise production in lieu with local advantages regarding different factors like raw material availability, cheap labour etc.

TNCs have been active at the international level from the days of mercantilism for the last five centuries. These companies were the major link between producers in the developing world and consumers in the most industrialised countries. The companies have brought to Northern countries consumables and raw materials produced across a range of developing countries. Small numbers of TNCs still dominate global commodity markets and steadily the role and importance of the TNCs in the international trading system has been increasing.

Collectively, these corporations operating in more than one country now account for about one-quarter of global output. International production carried out under the auspices of these companies is growing far more rapidly than other economic indicators. Global economic integration, to a large extent, is the product of integrated corporate production systems. The annual foreign sales of the largest 100 TNCs amount to $2.1 trillion. This is equivalent to about seven percent of the global GDP and more than 25 percent of the world trade. It is also larger than the combined GDPs of South Asia and sub-Saharan Africa, home to one-third of the world's population. Comparing the company turnover with GDP, half of the world's largest 100 economic entities are not countries, but corporations. Wal-Mart, General Motors and Ford have a bigger turnover than Africa's entire combined GDP. Mitsubishi and Toyota have a turnover comparable to the GDP of countries such as Greece and Portugal. The combined sales of Wal-Mart, IBM, and Nestle are equivalent to the GDP of Mexico or India.

MNCs are a powerful influence in the current global context as economic agents and they do penetrate into every aspect of our daily life. These companies manufacture an impressive array of products and play a vital role in the development of industry and trade and are influential players in the larger economy of most of the developing and developed countries. Multinational enterprises have slowly gained their dominance by harnessing the advantages of scientific research, incorporating timely technological improvements and expanding the scale of operations by mobilising internal profits. By harnessing external sources of finance, professionalising the management and working through a well integrated organisational system, they assert their hegemony over the production and distribution of commodities in the entire world. With their financial might, they can influence the political systems and even government policies wherever they operate. MNCs are most effective in those areas that demand sophisticated technologies, up-to-date skills and large scale operations with complex industrial structures.

TNCs have facilitated the development of global production systems and trade within the companies has been one of the most powerful forces behind the expansion of the world trade. The foreign sales of the largest 100 TNCs form 25% of world trade and almost two-thirds of the total trade takes place within the companies. TNCs are linking producers in developing countries more closely with consumers in rich countries and globalisation is generating forces which create major opportunities, along with huge threats (Novib, 2002).

Non-traditional agricultural exports such as fruits, flowers, vegetables and spices from developing countries coordinated by TNCs are on the increase. Such extension of trans-national agribusiness and the conversion of local production from food and traditional export crops to new crops are made possible by the infrastructural developments in transportation, refrigeration and other technological innovations. The expanding consumer base in developed countries increases the demand for such commodities in the global market.

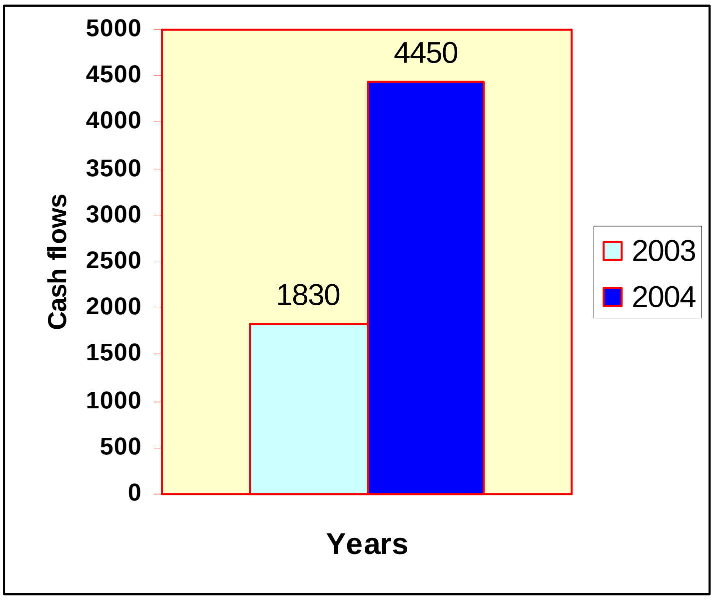

Fig.4.3: The free cash flows of the Indian arms of 70 multinationals have more than doubled in the just-concluded financial year, from Rs 1,830 crore to Rs 4,450 crore through restructuring measures such as reduced workforce. MICO, GlaxoSmithkline Pharma, Nestle India, Cadbury India and GSK Pharma are among the major contributors to the surge in cash flows this year, due mainly to their restructuring measures. These companies have downsized their workforce through a VRS and rationalised their sales force.

By the enormous efficiency in their organisation of production, trans-national corporations are busy carving out a new global economic space where national priorities such as generating employment and the welfare of all may lose validity. This process of neo-liberal economic globalisation by TNCs is facilitated by the international financial institutions (IFIs) and in the next section, we take up this issue.

SAQ 1

Make a list of the major MNCs active in your region. What products do they sell? Tabulate data showing their sales, profits and R & D investment. How do their activities impact the national economy and the environment? Make your own assessment.

4.4 ROLE OF THE IFIs

The debt crisis of the 1970s and the subsequent neo-liberal project emphasised forced participation of developing countries in the world market for national development. This has given rise to a notion of the need for the transition from managed national economic growth to managed global economic growth. The International Financial Institutions (IFIs) coordinate and sometimes impose the process in each country and region of adjustment into globalisation.

Robinson (2001) has argued that the neo-liberal structural adjustment is a mechanism for adjusting each national economy to the global economy. The study suggested that these programmes seek to maintain accumulation by MNCs by restoring internal conditions of profitability compatible at the local and global levels. The logic that is always projected is the economic reactivation in each adjusted country by the expansion of activities linked to the global economy. This usually works in favour of the big players in the national economy. Thus, globalisation has profound transformative effects on every country and region. National and regional production systems may be fragmented and restructured to get integrated into the global production systems.

Africa targeted by TNCs for *Gene*-Products

Africa is being targeted by TNCs that are desperate for a market to sell genetically engineered products which have been rejected elsewhere, according to some of the environmental groups. Due to resistance in Europe and parts of Asia, large corporations involved in genetic engineering are now viewing Africa as a potential market for their products which include food and seeds. The Africans were unaware of the dangers posed by the new breed of seed developed by the American and Japanese governments. This would make the African governments dependent on the corporations for seeds. According to the UK-based environmental watchdog, the terminator technology has been designed to prevent farmers from saving their own seeds and buy from the corporations each time they want to plant. Trade in genetically engineered products is supported by the Trade Related Aspects of the Intellectual Property rights agreement of the Geneva based World Trade Organisation. The environmental groups have already expressed concern over the seed distribution and supply systems. The African countries are now resisting the moves and are taking initiatives to draft a framework on community rights access to biological resources, based on the earlier Convention on Biological Diversity.

Source: http://www.sunsonline.org/trade/process/followup/1998/12980398.htm

As suggested earlier, world trade has the potential to reduce poverty in developing countries by triggering economic growth. This proposition becomes questionable in the current economic globalisation mediated by the IFIs. Novib (2002) has detailed how international trade is inherently opposed to the needs and interests of the poor and how the rules that govern it are rigged in favour of the rich. The study suggested that the World Trade Organisation (WTO) is part of the problem with many of its rules on intellectual property, investment, and services protect the interests of rich countries and powerful TNCs, while imposing huge costs on developing countries.

However, the optimists of globalisation argue for harnessing opportunities offered by the World Trade Organisation (WTO). They emphasise the need for developing countries to master the art of negotiation in the WTO, which means identifying markets where they see the greatest potential and providing specific details on the removal of the tariff and non-tariff barriers. They also argue that the industrialists must strengthen the governments' hand by leveraging their areas of strength to protect areas of weakness in the WTO negotiations. Optimists of globalisation suggest that resolving the inherent conflict between trade liberalisation and development is the only way to achieve progress and for this a pro-active presence in the WTO is a must.

In the case of the IMF and the World Bank, advocacy has been backed by loan conditions which require countries to reduce their trade barriers. Partly as a result of these loan conditions, poor countries have been opening up their economies much more rapidly than rich countries. The average import tariffs have been halved in Sub-Saharan Africa and South Asia, and cut by two-thirds in Latin America and East Asia. The discussion makes it clear that there is no level-playing ground in international trade for developing countries or small national players to participate on an equal footing. Another problem is the modus-operandi of the TNCs with flexible production methods that tilt the balance in the structure of the production of developing countries. Two important issues are those related to environment and labour, which we discuss in the next section.

SAQ 2

Analyse the role of IFIs in the context of your national economy.

4.5 FLEXIBLE PRODUCTION AND IMPACT ON LABOUR AND ENVIRONMENT

So far we have discussed how the trans-national companies have become significant players in the process of development throughout the world. The mobility of capital and the internationalisation of production that make international investment possible, give companies an unprecedented freedom to locate their businesses wherever it is most profitable to do so, often at the expense of local communities and their environment. Of particular concern is the fact that developing countries often experience greater economic and political volatility. The foreign investors tend to engage in ventures that will yield a high rate of return over a short period, often resulting in environmental devastation and social marginalisation.

'Civil Regulation' is a term used to describe a broad range of strategies increasingly adopted by the civil society organisations aimed at holding companies accountable for their environmental responsibilities, and secondly, trans-national litigation against companies accused of negligence in one of their overseas operations. Regulation is born of concerns about the continued lack of effective regulation of TNCs at the international level. Critics point to the fact that there is a lack of recognition in international environmental agreements of the role of TNCs in causing environmental problems. The issue of TNC regulation was dropped from the UNCED agenda and while Agenda 21 includes recommendations that affect TNCs, it does not take the form of a code of conduct. Although there are national and regional attempts to advance the legal debate about the obligations of TNCs when they invest overseas, there has not been much progress.

A recent news report of the *Guardian* states that "hundreds of unarmed Nigerian villagers, including women and children, seized three oil platforms operated by Shell and Chevron Texaco, shutting 90,000 barrels a day of production over a jobs dispute for the Kula community, located near the state border with Bayelsa. Millions of impoverished inhabitants of the Niger Delta, largely abandoned by their government, feel that they should be benefited from the huge wealth being pumped from their tribal lands". (**Source:** http://www.corpwatch.org/article.php?id=11742). This incident depicts the insensitivity of the TNCs towards the people in whose countries they (TNCs) are allowed to extract enormous wealth. Their investments have not, in any way, contributed to the well-being of local population.

There are two major problems in exercising legal proceedings against the MNCs. The major problem in bringing legal suits for negligence on health and environmental grounds, is identifying the cause-effect relationships between manifested effects and particular pollutants, as well as deciphering the direct from indirect effects. Legal proceedings demand the requirement of scientific evidence. The technical nature of the industrial processes and the fact that the burden of proof rests on the plaintiff to establish that an environmental standard has been violated, by taking recourse to independent and reliable technical and scientific data, excludes all but the most wealthy or technically competent. TNCs are legally accountable only to the laws of the country in which they are operating and this demands demonstrating a clear chain of command between the headquarters of a company and its subsidiaries. The parent companies often claim they are merely stock or shareholders and that they are only connected with book-keeping purposes.

It is against the background of weak instruments and failed initiatives at the international level that the NGOs have begun to target TNCs with increasing frequency and vigour in recent years. Rather than providing a coherent alternative approach to social regulation, the forms of civil regulation amount to a patchwork of activities and campaigns aimed at challenging the environmental impact of TNCs. One such campaign to instil corporate responsibility for achieving limited success was the campaign of the Centre for Science and Environment, New Delhi against the major soft drink manufactures in India. Although contested by the companies, the campaign could bring the issue of pesticide contamination in soft drinks to the public. The problem was debated at various levels right up to the Indian Parliament and discussed widely in the media too.

On the other hand, the stringent environmental requirements for import in developed country markets restrict access for developing country producers since they lack the capacity and flexibility to accommodate such requirements in their production processes. This problem has been exacerbated by the fact that their exports depend on a very limited number of items. In other instances, trade-related environmental issues pose a special challenge to the developing countries. Environmental degradation can reduce their capacity to generate export earnings in the future. The costs of any environmental degradation they may suffer tend to be compounded by their lack of economic diversification.

The restructuring of work and labour in the context of the transition to flexible production methods of TNCs is another important issue related to globalisation. The labour market reform is an essential component of neo-liberal restructuring, centred around making labour 'flexible'. The usual logic of companies is the argument that labour costs must be lowered in order to attract investment and increase the competitiveness of firms producing export-oriented goods. Deregulation facilitates firms to utilise labour more flexibly so as to minimise the cost and maximise the control of labour. This kind of flexibility of labour is also associated with its de-unionisation. The neo-liberal transformation of the labour market results not in a uniform process of downward mobility but in new patterns of social stratification that include new opportunities for upward mobility. The best example is the enormous opportunities that have opened-up for Indian professionals in the IT sector. This clarifies our earlier argument of a selective integration of certain social groups into the current process of economic globalisation.

The people's fight against Coca-Cola's water-guzzling plant at Plachimada village in Palakkad district, Kerala state, has turned more direct with the mercury soaring high and all drinking water sources drying up fast in this harsh summer. This, despite Hindustan Coca-Cola Beverages Ltd (HCBL) **suspending operations** at the plant following a government order issued on February 21, 2004 to stop drawing ground water from the plant premises till June 15 when the monsoon rains are due. In the wee hours of April 3, 2004, irate villagers blocked a tanker lorry bringing water to the plant. There was an acute drinking water crisis in the entire district and the company, instead of searching for alternative sources of water, has been stealing precious drinking water from deep down the earth and the wells have all gone dry. The people's struggle against Coke has crossed 750 days, and on April 22, 2004, Earth Day, was marked as the second anniversary of the beginning of the vigil by the struggling community in front of the Coca-Cola plant. In the drought-hit Chittur region where Plachimada village is located, three farmers have committed suicide within a span of one month, unable to bear the pangs of acute drought, crop failure and accumulated debts.

In this region where rains have been below normal for the third year in succession, Coca-Cola has been drawing at least 3, 50,000 litres of ground water every day. At full capacity, the plant needed 1.5 million litres of water per day, according to Kerala State Pollution Control Board (KSPCB). But Coca-Cola declined to comply with the instruction saying that these charges were unfounded.

The High Court had ruled that ground **water was a common property** and that the state and local governments should not grant companies rights for excessive extraction. While the recent **report of the Joint Parliamentary Committee** had confirmed the presence of pesticides in the products of HCBL, the state pollution control board had earlier found **toxic heavy metals in the solid wastes** of the Coca-Cola plant at Plachimada.

Source: http://www.indiaresource.org/campaigns/coke/2004/heatison.html

Accessibility to huge amounts of capital and thereby the use of relatively pollution free technologies by the MNCs and TNCs result in not providing a level field to the industries in the developing countries; with less environmental standards in developing countries and pressures generated by unemployment, the MNCs and TNCs exploit the conditions in unfair trade practices setting up their production facilities away from the developed countries imposing stricter environmental standards.

4.6 TECHNOLOGY CONCERNS

Technology is defined as a certain ratio of the two main factors of production – Capital and Labour. The relative prices determine the choice of technology resulting in its choice as either capital intensive or labour intensive. An alternative perspective is that technology represents the means of production, and whoever is in control of technology controls the economic activity. It is therefore argued that since the capitalists control the means of production and labour is dependent on the capital in order to engage production, capital exercises control over labour. Thus technology is not a constituent of the inanimate world alone, but a relationship between the owners of the means of production and those that are dispossessed – the proletariat. The conventional argument is based on the cost-benefit analysis behaviour in the removal of restrictions to allow free mobility of technology in global markets. This in turn implies that a regulated market generates more costs than benefits. In this debate, the ecological concern of technology has not been given the importance it deserves.

Though there has been much talk about eco-friendly technologies, it is impossible to have a hundred percent pollution free technologies. It is pointed out that it would cost the United States around $200 billion to have pollution free technologies in production. When issues related to technologies are discussed, one has to note that there are ‘Technology Alternatives and Alternative Technologies’. The conventional technologies are based on energy intensive methods of production, usually driven by non-renewable resources like fossil fuels.

Alternative technologies are those that utilise non-conventional energy sources like solar energy which are termed as renewable energy sources. In the domain of conventional technologies there tends to be wastage of resources in the sense when new technologies enter the market, the existing ones are rendered redundant. Though the argument that modernisation of technologies reduces pollution is valid, it is faced with the challenge posed by high level unemployment in the developing countries.

Assuming that a trade-off could be achieved by accommodating surplus labour in other sectors, access to these modern pollution-free technologies is constrained by other factors like lack of resources to invest and lack of access to the new technologies. The situation is further complicated by Intellectual Property Rights (IPR) that generates artificial monopolies in the name of incentives for innovative technologies. The developing countries face disadvantages due to both historical reasons and incapacitated entrepreneurship and lack of competitive production techniques.

In case of commodity groups like Metals, Chemicals and Pharmaceuticals, identified as “dirty industries” the cost of treatment technologies are expensive. No wonder that the developed countries shift the “dirty industries” to developing countries where environmental standards are lax and save on treatment technology costs. In a competitive market, it is a common sense that consumers prefer commodities that are priced low if they are of the same quality. Take the example of a solar street light priced at Rs. 15,000. It is with a view to encourage these technologies that governments in developing countries are helping the producers of the new technologies to sell their products at subsidised prices. For instance, a group of activists in Tamil Nadu in India are buying agricultural commodities from farmers who are applying bio-friendly technologies, at higher prices.

Though such actions are a result of collective political action, they are often dubbed as irrational by the standards of conventional economic theories. Since non-conventional, pollution free technologies are usually permanent technologies, there is no recurrent demand unlike in case of conventional technologies. As a result there are no incentives to business houses to invest in research and development of such technologies. The market is not an ideal institution where the innovation of non conventional technologies can take place unless it is subjected to informed public pressure. Study the following figure and reflect upon what you can do.

Question: In the past one year, have you avoided the products of, publicly criticized, or otherwise punished a corporation you do not consider socially and environmentally responsible?

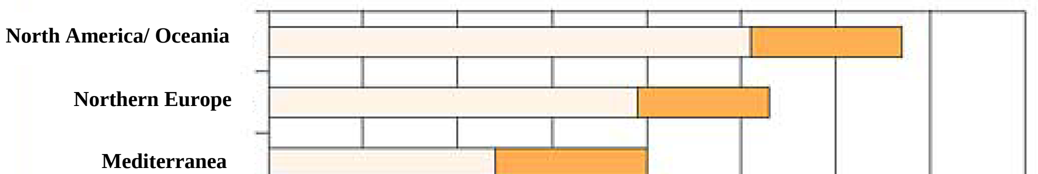

Fig.4.4: Informed consumers can be a powerful force for better environmental governance as reflected in this survey (**Source:** images.wri.org/)

4.7 ENVIRONMENTAL STANDARDS

A related issue with industrialisation of mass production technologies in terms of rapid environmental degradation is the lack of universal environmental standards. In the backdrop of failing markets, the function of protecting the quality of environment fell on the state. Since it has become evident that modernisation resulted in several abnormalities like global warming, green house effect and ozone depletion, it is proposed that a certain 'cess' be imposed by governments on the resources (or on polluters) leading to reduction of pollution levels. But public policies are often changed, people often lack proper information and even if they are well informed, people are irresponsive. There have been criticisms on the methods of arriving at the amount of cess and that it lacked economic rationality. It is argued that the damage to environment is more because of the "tragedy of the commons".

There are two different kinds of environmental standards – Ambient standards and Emission standards. Ambient standards deal with maximum allowable levels of a pollutant that may be given off by a production facility. Ambient standards offer a simple method of establishing priorities and require no further intervention. But these can be set at different levels for different locations and it is possible to use them to protect valuable ecosystems in a way that it would not be possible using emission standards.

In fact, the environmental standards fixed by different countries are varying. The standards may, quite legitimately, differ from one country to another and have been endorsed by the United Nations 1992 Rio Declaration on Environment. Standards applied by some countries may be inappropriate in terms of economic and social costs to other countries, in particular to the developing countries. On the other hand, Emission standards may be established in terms of what can be achieved with available technology, or in terms of the impact of emissions on the ambient environment (World Bank 1998).

It has been contended by the industrial lobbies in the developing countries that they cannot be competitive if they are forced to abide by international standards. They argue that they do not have the kind of resources necessary to treat the pollutants they generate. As a result administrations in the Third World countries have been soft on polluting industries, fearing that strict regulation might impede the growth of industrialisation. It is to be understood that varying standards are the result of varying reasons such as local legislation, socio-economic priorities, cultural differences, carrying capacity of environment, availability of new technologies and the size and complexity of industrial facilities.

The TNCs are the most important players involved in environmentally damaging activities. Here are a few examples:

- The TNCs generate more than half of the greenhouse gases emitted by industrial sectors with the greatest impact on global warming.
- They have virtually exclusive control of the production and use of ozone-destroying CFCs and related compounds.
- In mining, they still dominate key industries and are intensifying their activities. In aluminium, for example, six companies control 63% of the mining capacity.
- In agriculture, they control 80% of land worldwide cultivated for export crops; and 20 firms account for 90% of pesticide sales.
- They manufacture most of the world's chlorine, the basis for some of the most toxic chemicals including PCBs, DDT and dioxins.
- The TNCs are the main transmitters of environmentally unsound production systems, hazardous materials and products to the Third World. For example, 25% of pesticide exports from the US in the late 1980s were chemicals banned or withdrawn in the US itself.
- They dominate the trade in (and in many cases the extraction or exploitation of) natural resources and commodities that contribute to depletion or degradation of forests, water and marine resources, and toxic wastes and unsafe products.
- Through advertising and product promotion, they also promote a culture of unsustainable consumption.

Despite these problems, we may note that in the context of grave social inequalities in the developing countries, environmental resources are a site of social conflict between contesting claims. Setting environmental standards through legislations help sections of the society that are vulnerable to get their legitimate share in the resources and in protecting their rights. It would not be an exaggeration to claim that the vulnerable, more often than not, happen to be those that inflict less injury to the environment.

Let us now summarise the contents of this unit.

4.8 SUMMARY

- The North-South divide in the contemporary world order that is fast getting integrated, is sharpening. The hall-mark of the process of neo-liberal economic globalisation is the increased international trade between countries. For the optimists, especially the industrialists and the exporters from the South, this would mean greater access to foreign markets and the removal of tariffs and other barriers against the goods and services where they have a competitive advantage. The basic premise is that freer trade leads to greater growth prosperity and better quality of life for all. But pessimists, especially the civil society organisations, warn that increased trade is not an automatic guarantee for development or poverty amelioration. The improved market access is only one of the requirements for strengthening the links between trade and poverty reduction. Beyond the north-south divide, it is also observed that there was an increasing gap between the rich and poor within the countries over a period of time.
- Multinational enterprises have slowly gained their dominance by harnessing the advantages of scientific research, incorporating timely technological improvements and expanding the scale of operations by mobilising internal profits. The TNCs and MNCs were found to be the major benefactors and thus, the dominant actors that spearhead the process of neo-liberal economic globalisation. There was also the suggestion that trans-nationalisation of production with the mediation of international financial institutions makes it

more difficult for Southern countries, particularly the poorer sections in these countries to benefit from the process.

- Environmental and social costs are observed to be the down-side of the workings of TNCs in developing countries. There is a lack of recognition in international environmental agreements regarding the role of TNCs in causing environmental problem. Although there are attempts for instilling corporate social responsibility in the form of civil society response, the legal instruments are found to be weak in facilitating this. On the other hand, the stringent environmental requirements for import in developed country markets restrict access for developing country producers since they lack the capacity and flexibility to accommodate such requirements in their production processes. Although the TNC-led economic globalisation offers avenues to highly paid Third World professionals, it also affects a large majority by the neo-liberal restructuring of the labour markets by various flexible norms for hiring and firing labour at will.

- In general, the economic globalisation spearheaded by the TNCs with the facilitation of international financial institutions offer opportunities as well as enormous threats to the developing countries and to certain sections of the society.

4.9 TERMINAL QUESTIONS

1. Explain how globalisation has contributed to the increasing disparities in the developed and developing countries.
2. Describe the role of MNCs and TNCs in the era of neo-liberal economic globalisation.
3. “World trade has the potential to reduce poverty in developing countries.” Analyse this statement with reasons.
4. Explain as to how the Technology concerns are related to the Environmental Standards.

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