Chapter I

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Globalisation: Meaning and Perspective:

Today, the term 'globalisation' has become a household word. It would not be wrong to say that now we have reached the age of globalisation and open-sky market. A globalised free flowing capital has opened new opportunities for humanity as a whole. But simultaneously it has affected the world economic structures as well as political, social and cultural life.

Now, when the world economy is changing rapidly, the activities of multinational companies have come to occupy the centre stage, specifically in the third world countries which is the 'world of poor' who are desperately struggling for survival. Most of the third world countries do not have enough food to provide all their population with the minimum daily requirement of calories. In this period of economic crisis, multinational companies play an important role in the economic development of the third world countries.

After the World Trade Organisation came into existence in the year 1995, and the participation of the third world countries in the WTO treaty, the existence and activities of multinational companies have become an order of the day. Under this global changing scenario, the socio-economic reaction of the third world countries has become the talk of the day and subject of debate.

It can not be denied that the overall benefits of multinational investment in the third world countries have become the subject of considerable controversy. The reality is that, till now, these countries are poor, weak and economically backward burdened with so many socio-economic problems. They have fallen into a debt trap in respect of billions of rupees to the Western nations.
Being a crisis-ridden world, the third world countries are now facing socio-economic stress and strain on account of the impact of globalisation world over. They have already signed WTO treaty and have become obedient to the terms and conditions of WTO. Today free movement of multinational companies in the third world countries is a regular and routine event and it is also well known that these multinationals want to utilise the third world resources. Under this situation, the poor third world has become confused to face these giants. In this context socio-economic perspective of the under developed third world countries has become too much relevant.

Today multinational companies have a tremendous interest in the third world. The cheaper price of labour coupled with widespread unemployment, insufficient investment capital, lucrative access to vital raw materials have become the main reasons for the investment of multinational companies in the third world countries.

Simultaneously, on the international front, after WTO, trade was given a boost by liberalizing trade throughout the world. The political and economic conditions in Western countries have become more stable and when the developed countries of the world are becoming richer through multinational investment, the poor third world faces critical socio-economic crisis.

In addition to this, the position has become critical as there is no comprehensive system of international law for resolving legal conflicts in the fields of international business. In fact, it is the immediate task of the third world countries to promote employment, specially in this demographically explosive situation. When the developed countries have succeeded in converting a labour surplus into labour shortage, it is very difficult to implement this model for the third world countries at this moment of economic crisis.

Finally our participation in the WTO has made the existence and activities of the Multinational Corporations an order of the day. Under these
circumstances, the socio-economic reaction of the third world countries should be clearly echoed to the stronger world.

Though the concept of multinational company is not a new one, its rapid growth throughout the world is a new event. In fact no serious field study appears to have been conducted on the socio-economic perspective of the third world countries due to worldwide operations of the multinational corporations.

Although there are many research works regarding the structure and activities of multinational companies, none of them attempt to make a comprehensive and in-depth study regarding the socio-economic perspective of the third world countries due to worldwide multinational investment on an analytical and empirical basis. Moreover no systematic and scholarly research work has ever been made regarding the positions of multinational enterprises under WTO regime.

Most of the informations in this study have been collected from books, journals, articles and by making spot enquires, interviewing people, issuing questionnaire to the persons having sound knowledge in economics, international law as well as corporate laws. Moreover, various important informations have been collected from different websites.

It is hoped that this study would go some way in unearthing the actual position of multinational companies in respect of socio-economic scenario of the third world countries and in ascertaining whether these countries have been benefited as a whole or exploited more seriously.

Research Methodology:

Research means to search or to find out and examine again. It is the act of searching into a matter closely and carefully for the discovery of truth in a particular trained scientific investigation.
Methodology is defined as an analytical study of a problem. It includes nature and scope of objectivity, experiment, prediction, laws or explanations. In other words, it refers to the techniques or tools employed for the collection and processing of data. Sometimes it is used to designate the concept and procedure employed in the analysis of data, however collected, to arrive at conclusion. More correctly to say, it is a logical and systematic planning and hierarchy of a piece of research.

In fact methodology of the research work depends upon the type of the research problem undertaken because each problem has its own tools and techniques. It is therefore necessary to develop a research design which is planned, adjusted and adapted to the available time, energy and money, to the availability of data and accessibility of the respondents who might supply the data.

In this study, the legal position of the multinational companies under WTO regime has been pointed out and the socio-economic scenario of the third world countries has been analysed. Moreover, the upliftment of the standard of life style of the third world's people has been properly investigated to arrive at the conclusion. That is why analytical method of research has been undertaken and datas have been collected both from primary as well as secondary sources.

Importance has been given to analytical approach of study because it is basically a socio-economic study, more correctly a study in social sciences. In fact, it is true that all research is the gathering of evidences or informations for ascertainment of an assumption or verifying the hypothesis. Research is therefore an enquiry for the verification of a fresh theory or for supplementing prevailing theories by new knowledge. A researcher is thus unavoidably burdened with the heritage of information already collected in the area of work. Legal research is not essentially different from other types of research. It is also the search to verify some hypothesis and it is a continuum. The Encyclopedia Britannica (1911) defines the term research as the act of
searching into a matter closely and carefully, inquiry directed to the discovery of truth and in particular the trained scientific investigation of the principles and facts of the subject based on original and first hand study of authorities or experiment.

Though a research problem is not the same thing as a social problem, but it does not imply that a social problem can not turn into a research problem. A research problem is defined by intellectual curiosity and a social problem is defined by the values of a group. Thus a research problem is a cognitive phenomenon while a social problem an evaluative one. A social problem may turn into a research problem when it is formulated by a researcher. This research work is based on the activities of multinational companies in the developing and the least developed countries under WTO regime. This research problem is obviously an intellectual curiosity as well as a social problem in different developing countries. In fact the economy of the Third World has rapidly changed after the WTO came into force. The concept of economy, trade, living standard, laws, values – all these are changing rapidly under WTO regime. The great difficulty have found in this research work is to make survey in different multinational corporations and to take interview of different corporate executives. Because, the corporate executives are least interested to express their views regarding the negative impact of multinational investment in developing countries like India. Moreover, It was difficult to collect exact data and information from different MNCs regarding exploitation of the third world resources or violation of human rights. That is why, after survey, it is realised that it is not possible to undertake empirical methodology of research and that is why, analytical method has been undertaken. Though there are so many articles, journals, books on different aspects of this research problem, the major part of information and data have been collected from internet through different websites.

Simultaneously in this research work, data and information have been collected by studying relevant journals, articles, books, and by visiting and
interviewing some people having sound knowledge on economics, international law and corporate laws. However difficult, in this research, efforts have been made to express truth like the honest witness for truth's own sake rather than from fear of the opprobrium resulting from being found out in a deliberate lie or expression of bias.

The Concept of Third World: An Overview:

The concept of "Third World" is problematic. Because definition of this term has always been controversial. In fact the fall of several totalitarian regimes and the end of colonialism produced a temporary proliferation and uniformity of states and it promoted the formation of a vast "Third World". The French demographer Alfred Sauvy coined the expression "Tiers moude" in French in the year 1952 by analogy with the "Third Estate". It is true that the term "Third World" is not universally accepted, because there are so many terms used by the political ideologists like; "Developing Countries", "Underdeveloped countries", "Non-industrialised Countries", "Global South", "The South" etc. Perhaps, the term "Third World" is the one most widely used in the media today and no other term can describe all less-developed countries accurately. Some authors have interpreted that the concept of Third World has lost its relevance as a category useful in the examination of political and economic processes. Simultaneously other authors think that this concept itself disembowels those states and societies to which it is applied.

In fact-feat term "Third World" has a geographical meaning. It includes those areas outside Europe and North America, that is, Asia, Africa, and Latin America. But the principal deficiency of the geographical definition is that it has no apparent substantive content, such as, according to the geographical meaning, Japan is included in the Third World. But in reality, Japan is to be counted as a part of the 'West'. Moreover, this term can be defined on the basis of the process of colonization and decolonization. But there is a problem in

2 Mark Berger, "The End of the Third World", Third World Quaterly, 15/2 (1994), P-257
such interpretation. The problem is that such process of colonization and decolonization never ends. The countries like Thailand, Ethiopia, Liberia are the examples of such continuous process. Simultaneously, some Western states like Australia, New Zealand, Canada and the United States were themselves colonies at one stage in their history. But obviously they are not the part of the Third World. Moreover as the history of Latin America since the beginning of the nineteenth century demonstrates formal denial of sovereignty was not a necessary condition for the exploitation that many associate with the concept of the Third World. There is another basis of the definition of the term "Third World" and that is peripherality or subordinate status in the world capitalist economies. But there are some problems. Some Third World societies appear to be exiting the periphery and joining the core. It creates a boundary problem. In addition to this, there exist reasonably well-defined peripheries within many western states. It exacerbates the boundary problem by rendering it difficult to define core and periphery in terms of collections of states or regions.

In fact the principal defining quality of Third Worldness' has to do with the strength of the state and the nature and content of the relationship between state and society. Third World states are characterized by their weakness: their lack of control over their territory and activities occurring within it, their illegitimacy in the eyes of their citizens, the fragility of the rule of law, and the weakness of a shared idea of national community in ethnically heterogeneous and fractions societies. Thus the Third World is an identity based on a perception of peripheralization and victimization. It has to do with a sense of being outside the main stream. Thus the weaknesses and non-viability of many Third World states is probably closest to the truth.

5 James Blight and Thomas Weiss, "Must the grass Still Suffer? Some Thoughts on Third World Conflict after the Cold War," Third Quarterly, 13/2 (1992), P-249
The economically underdeveloped countries of Asia, Africa, and Latin America are considered as an entity with common characteristics, such as poverty, high birthrates, and economic dependence on the advanced countries. The term "Third World" implies that it is nothing and it wants to be something. The expression "Third World" was used at the 1955 conference of Afro-Asian countries held in Bandung, Indonesia. The Bandung conference in 1955 was the beginning of the political emergence of the Third World.

The United Nations Conference on Trade and Development (UNCTAD) held in New Delhi in 1971 suggested that one percent of the national income of industrialized countries should be devoted to aiding the Third World. In the year 1972, the Santiago (Chile) UNCTAD set a goal of a 6 percent economic growth rate for the underdeveloped countries. But till now, it has not become in reality. Moreover, whatever economic development has occurred in the Third World, has not been distributed fairly between the different nations of this world. Most of the Third World countries that have managed to achieve substantial economic growth are those that produce oil, such as, Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Oman, Saudi Arabia, the United Arab Emirates, Venezuela etc. These countries have the money to do so because after 1973, the organization of oil producing countries (OPEC), a cartel succeeded in raising the price of oil drastically. Similarly other important raw materials like bauxite, copper etc are also produced by underdeveloped countries and they have joined in cartels similar form to OPEC. These countries are Australia, Guinea, Guyava, Jamaica, Yogoslavia, Chile, Peru, Zambia etc. But these countries are not so strong like the oil producing countries because bauxite, copper, coco, coffee are not so essential to the industrialized countries as oil. Indeed, among the countries that do not receive oil revenues only Brazil, Singapore, South Korea, Taiwan have enjoyed significant economic growth. During the cold war there were a number of countries which did not fit comfortably into the definition of First, Second and Third World and these included Sweden, Switzerland, the Republic of Ireland.
etc. With the collapse of the Soviet Union in 1991, the term Second World largely fell out of use and the meaning of the First World has extended to include all developed countries while the term Third World has become a neologism for the least developed countries.6

The basic problem underlying all of these approaches to the 'Third World' is increasing differentiation both in the subject matter itself and in the perception of it. The Third World, like any category in social sciences, was an historic simplification. The ending of the cold war strengthens the tendency towards differentiation in these areas. Today in the days of globalisation, in order to achieve an equilibrium of wealth and resources between the West and the Third World, the Third World needs to be repositioned, because the term may be inaccurate, but it remains legible.

From a different perspective, the importance of the Third World in world politics lies in that, when the First and Second Worlds settled down to the longest area of peace since the nineteenth century, the Third World became a zone of war. Since 1950 the Third World formed a world-wide zone of revolution—whether just achieved, impending or possible. The First World was, by and large, politically and socially stable when the global Cold War began. On the other hand, very few Third World states passed through the period without revolution; military coups to suppress, prevent or advance revolution, or some other form of internal conflict.

The role played by the Third World countries in international relations assumed greater significance. As an integral part of international life, the Third World takes an active part in solving major issues of world politics. This has particularly been in the United Nations where the developing countries account for more than two-thirds of the total member States.

The weakness of the Third World nations is their insignificant military power but their strength lies in their weakness. Since their interest lies not to assist either side in the power conflict to win but to resolve it, they play the role

of mediator. They took part in 1962 Geneva Conference on Disarmament under the auspices of the United Nations. Their function seemed to be to impress upon the big powers the need for negotiating in good faith, and to suggest compromise proposals. In several disarmament conferences since thereafter they have been seen to perform this role of mediator.

The Third World nations have a major contribution to discussion at the U.N., and their combined strength of more than two-thirds of the U.N. members has markedly altered the nature of the world organisation. They have helped to transform the U.N. from an organisation to maintain peace amongst small nations to an organisation in which smaller nations exercise some restraints on big powers who directly or indirectly are responsible for many wars or war-like situation.

The Third World of young independent states comprising more than two-thirds of all countries in the world have been experiencing colossal problems some of which are political, some economic, and others social. During the years of independence, many of the young states (e.g., India, Brazil, Egypt, Mexico) have made some achievements in building and developing their national industries although the process of industrialisation varies greatly depending on the country and is plagued by acute economic and social contradictions.

Most of the Third World countries are still dependent economically, and sometimes also politically, on former colonial powers and remain within the framework of the declining world capitalist economy. Their ruling classes have to rely on foreign financial aid in the form of capital, capital goods and technicians. Since domestic rate capital is too weak, they have adopted state planning, partial nationalisation and launching of new state-owned enterprises as well as the imposition of heavy taxation, and deficit financing as principles of their economic policy. Due to their historical backwardness the national private and state capabilities of these countries have been developing
disharmoniously. The increasingly declining living standard of the people, many of whom are under-nourished and illiterate has resulted in the shrinkage of indigenous market.

The "population explosion" is the central fact of life in the Third World. This was one reason for their endemic poverty. Several countries with a giant population were so troubled about feeding tens of million of additional mouths every year that sometimes their governments adopted ruthless coercive measures to impose birth control or some other kind of family limitation on their citizens.

After the collapse of the Soviet socialist system and the chaos or instability of the emerging new international order, the problem of economic development and modernisation of third World countries have become more acute. With the death of Soviet socialism, "Economic liberalism" which had dominated the Western world in the 1980s have become articles of faith among many economists and politicians of the Third World countries.

The problem of the Third World is highly acute because of emergence of global economy dominated by faceless multinational capital or global corporations which have no other interest except profit-making, regardless of the consequences of local environment or local cultures. The sovereignty of the Third World countries is threatened by the increasing demand for greater operational autonomy of multinational corporations in host countries.

None of these countries has been able to completely wipe out the feudal relations in the economy and social life. As a result these countries become theatres of acute class struggles. These struggles have been further reinforced by various types of regional, caste, communal and other sectional struggles - the product of a feudal and colonial past.

Another serious problem confronting most Third World countries is a state of permanent political disequilibrium in varying degrees in those
countries. The factors responsible for it are a backward economy, phenomenal poverty of the population and resultant chronic social and class conflicts, very poor economic management on the part of the government and, most important of all, corruption. Corruption seems to be the biggest problem because it is poisoning the entire moral climate and corroding the very basis of society. When these conditions produce a political disequilibrium, then it gives rise to a revolutionary movement for the overthrow of the existing system. The economically and militarily weak Third World states must have to build up organised political resistance and dependable capital based on the new creed of "liberalisation" and "globalisation".

In 1971, the poorest countries of the world were designated by the United Nations as the least developed countries ("LDCs").\(^7\) Based on the criteria established at that time 25 countries fell into this category. However, over the period of last three decades, the number of countries falling into this category continued to grow. To graduate to the developing country status, at present, there are 49 LCDs in the world.\(^8\) In its latest review of the list of Least Developed Countries in 2000, the Economic and Social Council of the United Nations ("ECOSOC") used the following three criteria for determining the new list, as proposed by the Committee for Development Policy: low income, human resources weakness and economic vulnerability.\(^9\) In the 2000 review of the list a country qualified to be added to the list if it met the above three

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\(^8\) These include 34 countries in Africa (Angola, Benin, Burkina Faso, Burundi, Cape Verde, Central African Rep. Chad., Comoros, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tome & Principe, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Uganda, Zaire, Zambia); none in Asian (Afghanistan, Bangladesh, Bhutan, Burma, Cambodia, Laos, Maldives, Nepal, Yemen), five in the Pacific (Kiribati, Samoa, Solomon Islands, Tuvalu, Vanuatu) and one in the Caribbean (Haiti).

\(^9\) The low-income criterion is based on a three-year average estimate of the gross domestic product per capita (under $900 for inclusion, above $1,035 for graduation). The human resource weakness criterion involves a composite Augmented Physical Quality of life Index (APQL) based on indicators of: (a) nutrition; (b) health; (c) education; and (d) adult literacy. Finally the economic vulnerability criterion involves a composite Economic Vulnerability Index (EVL) based on indicators of: (a) the instability of agricultural production; (b) the instability of exports of goods and services\(^c\) the economic importance of non-traditional activities (share of manufacturing and modern services in GDP); (d) merchandise export concentration, and (e) the handicap of economic smallness (as measured through the population in logarithm), See LTNCRAD.
criteria and did not have a population greater than 75 million. Application of this rule resulted in the inclusion of Senegal.  

According to the UNCTAD, the Least Developed Countries Report for 2000 ("UNCTAD LDC Report 2000"), if the present trend of economic growth continues, only one country (Lesotho) will be able to graduate to developing country status by 2015. At their current growth rates only four countries (Bhutan, Laos, Lesotho and Sudan) are likely to reach the threshold for graduation by 2025. At least seventeen LDCs, all from Africa, are either facing negative growth rates or are stagnant, such that they are not likely to be graduated to developing country status even after a hundred years. Real GDP per capital in LDCs grew by only 0.9 percent per annum during 1990-98, and excluding Bangladesh by only 0.4 percent per annum. An important feature of the performance of most LDC economies is the significant degree of income instability, with periods of slow growth followed by sharp declines in per capita incomes. Most of the LDCs are characterized by a low level of human development indicators. LDCs account for 32 of the 35 countries in the lowest category of the UNDP's Human Development index.

LDCs have, for decades, been striving to find the right development advanced economies. Over the past two decades in increasing number LDCs have placed their hopes on improving the preferential trade liberalization to the multilateral trade negotiations conducted under the auspices of the GATT. The perceived limited interest in the GATT trade liberalization process could partially be explained by the inability of the LDCs to supply foreign markets on a competitive basis. Thus their limited capacity to take advantage of global trade liberalization on a most-favoured-nation ("MFN") basis.

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10 There were 48 LDCs in the world for a long time. Inclusion of Senegal increased the number to 49.
12 Ibid.
During the post-war period it was the view of a number of prominent development economists that the quickest way for developing countries to achieve industrial status was through the adoption of import substitution policies.\textsuperscript{14} This prescription led a number of developing countries to adopt import substitution industrialization strategy. While developing countries in East Asia were quick to abandon such a strategy in favour of an open trade and investment regime, the LCDs took a long time to come out of the vicious circle of protectionism, low income, low saving, low investment and limited investment in the creation of social and physical capital.

The 1960s witnessed the entry of a number of LDCs into the GATT system. Myanmar (formerly Burma), was the only LDC to be a founding member (Contracting Party) of the GATT, while Haiti was the first non-founding LDC to join the club, in 1950. This was followed by the entry of Tanzania and Sierra Leone in 1961. A large number of African LDCs entered the GATT between 1963 and 1965. Only two Asian LDCs entered the club, but much later than their African counterparts. While Bangladesh joined GATT in 1972, the Maldives did not join until 1983. No other LDCs from the Asia-Pacific region are Members of the GATT/WTO. They have been unable to secure accession to the GATT/WTO, for various reasons.\textsuperscript{15}

\textbf{Multinational Corporations : Magnitudes of Problems :}

Today multinational corporations have become more important in third world under WTO regime. Since 1960, there has been a proliferation of multinational corporations. Multinational corporations grew from 3500 in 1960 to 60,000 in 1999. The aggregate stock of Foreign Direct Investment (FDI) worldwide increased in random from $66 billion in 1960 to $4000 billion in 1999 as compared with only $14 billion in 1914.\textsuperscript{16} Multinational corporations


\textsuperscript{15} The list of GATT Members which had joined the GATT by 1994 and their date of accession can be found at http://wwwwto.org/ englishwto/e/battwmml.htm. accessed on June 3, 2002.

\textsuperscript{16} United Nations Conference on Trade And Development (UNCTAD) 1996: i x 4; UNCTAD 1999.
have been the driving force for economic growth in the west but in developing countries, their activities have raised more eyebrows. As the MNCs continued to dominate the economics of Third World countries, the strident consequences of globalisation and the phenomenon of trade liberalization overwhelmed and devastated their societies.

The sharp rise in Foreign Direct Investment (FDI) underscores the enormous and increasing role of MNCs in international trade and specially in global production. FDI occurs when a firm invests directly in new facilities to produce or to market a product in a foreign country. The flow of FDI refers to the amount of FDI undertaken over a given period and the stock of FDI refers to the total accumulated value owned assets at a given time. Thus under WTO regime FDI can make a positive contribution to a host economy by supplying capital, technology, management resources that would otherwise not be available. But it can not be denied that the activities of multinational corporations in the third world countries have become the subject of constructive criticisms.

Firstly, the host governments sometimes worry that the subsidiaries of MNCs operating in their country may have greater economic power than indigenous competitors because they may be part of a larger international organisation. This is sometimes the case in Least Developed Countries (LDC) where MNCs have monopolised the market and raised prices above those that would prevail in competitive markets with harmful effects on economic welfare of the host nations.

Secondly, activities of MNCs in the developing and least developed countries, have destroyed the growth of infant industries of these nations. Import control is discouraged by most MNCs in order to invest in the host native economy. As usual, a beggar has no choice than to accept all conditionalities for FDI flows. These practices have destroyed most of the local infant industries that could not complete with large foreign corporations.
Moreover, MNCs have also practised capital intensive production in the developing and the least developed nations. As a result, unemployment figures have reached its highest rate in decades. With the demise of labour intensive industries and peasant agricultural systems unemployment problem remains in explosive form in these poor third world countries.

Thirdly, the possible adverse effect of FDI on a host country's balance-of-payments position is two fold. The subsequent outflow of income as a foreign subsidiary repatriates its profit to its parent company. Such outflows show up as a debit on the current account of the balance of payments. Moreover, when a foreign subsidiary imports a substantial number of its inputs from abroad, it results in a debit on the current account of the host country's balance of payments. Statistic pointing to the lack of finance capital in LDCs reveals that 20 percent of world's population in developed countries receive 82.7 percent of total world income and 20 percent of the world's population in the poorest countries receive only 1.4 percent of total world income. The top fifth of the world's richest countries enjoy 82 percent of the expanding 68 percent of foreign direct investment. It has been pointed out that as of 1991, 81% of the world stock of FDI was located in high wage Northern Countries like the United Kingdom, Germany etc. Thus the concentration of investment in these countries has increased by 12% since 1967.¹⁷

Fourthly, the operations of MNCs in developing countries results in the loss of economic independence for the host country. It is true that these foreign multinational corporations have no real commitment to the host country and unfortunately the government of a host country has no real control over the activities of these corporations.

Fifthly, the MNCs have encouraged the developing and the least developed countries to concentrate their production on raw materials which is detrimental to the interests of the host countries. Thus MNCs are viewed as a

"Vast suction-pump" for obtaining resources from the developing and the least developed countries. This was accomplished successfully without any rules, regulations or code of conduct and as a result these poor Third World Countries have not been able to reap the benefits of globalisation.

Simultaneously one of the main drivers of globalisation is technology. For the past two decades, globalisation has been growing by leaps and bounds with the aid of technology. Global Production of technology and international trade has had an extraordinary growth between 1975 and 1985. Technological development has proven to benefit the big multinational corporations and well-endowed individuals much more than the small companies and poor individuals. Moreover, the issue of technology transfer has not received any significant attention from the developed nations. Unfortunately most countries in the developing world have now resorted to piracy as their last resort.

In agricultural sector, the situation is even worse. Most developing countries today still lag behind their counterpart in the north as far as mechanised fanning is concerned. To a large degree, the agrarian stage of economic development characterised by traditional fanning techniques still looms large in the most least developed countries (LDCs) and they now import food from industrialized countries at exorbitant prices. Moreover the multinational corporations have been reluctant to invest in developing economies. In some cases, the multinational corporations have employed capital intensive production techniques which are often antithetical to job creation and creativity of local artisans.

In the field of telecommunications, technology has brought about revolution. The "Information super-highway", the internet, e-commerce, cable TV and modern transportation also involve the dissemination of new

18 "Issues in science and Technology", Summer 1991, P.92
technologies that have tremendous impact on the polity, culture and everyday lives of citizens living in the developing countries. Time space compression produced by new media and communications technologies are overcoming previous boundaries of space and time. It is creating a global cultural village and dramatic penetration of global forces into every realm of life in every region of the world. From Boston to Beijing, ordinary people are watching MTV, they are wearing Levi's jeans and they are listening to Sony Walkman. This global culture includes the proliferation of media technologies which allow transnational media to traverse the globe. This process has led some to celebrate a new global information super-highway. Moreover it has created the cultural imperialism in the lives of the people of the least developed countries and the developing countries. As a result, the "Wretched of the Earth" want to go to Disney world and not to the barricades.

According to the Human Development Report of United Nations Development Programme 1999, 1.3 billion people live on less than one dollar a day. Going to Disney world would probably not displease them but a decent home and decent clothes with better education are the basic and primary requirements of these millions of people around the Third World. It is obvious that they are ready to erect barricades and resort to violence. Today the tendency is to create a mono-culture, that is, the economic and technological culture developed in the West. Culture is a continuous process of change and it gives a community a sense of identity, dignity, continuity, security and binds society together. But this mono-culture which is the product of globalisation, destroys the indigenous culture of the Third World nations and as a result, the people of the developing countries have become confused.

Another challenge of globalization is the perception that trade liberalization has exacerbated the gap between the rich and the poor countries. In fact, trade liberalization is the opening up of borders. So goods and services

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20 Ibid.
can move freely across border without any restrictions from tariffs and non-tariffs barriers. It encompasses "Laissez faire" that opposes governmental regulation or interference in commerce. It is the most important part of globalisation that privatization and deregulation and open capital markets promote economic development and under this situation, government should balance budgets and fight inflation and do almost nothing else. Critics have pointed out that weak economies are overwhelmed by easy money which has been distributed upward to local elite and multinational corporations. Thus globalisation has been promoted and carried forward at the behest of MNCs and their political supporters with an overriding interest in maximizing profits.

Since 1950, global trade has grown faster than output. After stagnating in the 1970s and 1980s, trade has boomed in the 1990s, led by the rapid growth of East Asian exports. Merchandise trade grew exponentially, but trade in services grew more sharply. The string of growth of international trade is due to the liberalization of markets worldwide and achievement of the Uruguay Round and other multilateral agreements over the course of the past several decades. Tariffs have been falling and non-tariff barriers are being dismantled. But the reality is that advanced economies have not always been helpful and advanced- economy trade barriers remain stubbornly high against clothing, textiles, agricultural goods and the very products in which the developing and the least developed countries (LDCs) have a natural comparative advantage. The statistic shows that the average tariff that rich countries impose on manufactured goods from poor countries is four times higher than the average tariff rich countries impose on each other's goods.

The irony of globalisation is that it is premised on expanded trade but trade liberalization which is the gospel of IMF and the World Bank's standard
policies in developing countries, is not practised in advanced capitalist countries where protectionism still looms large. The entry of the product of developing and the least developed countries is analogous. The reality is that trade liberalization has not fully benefited the developing economies. A nation's terms of trade is referred to as the relationship between the prices of its imports and those of its exports. Nations face declining terms of trade when the import prices rise faster than the export prices. The diminishing purchasing power of the Southern commodities in international trade is a prime example of the South's declining terms of trade. Statistics point out that in 1992, the overall real price of commodities with 1985 as the base of 100, were only 71. Thus different regions have been affected to differing degrees. In the year 1991 with 1987 as the base year of 100, Sub-Saharan Africa's terms of trade was 85 and South Asia's terms of trade was 94. These movements can translate into billions of dollars: the 3.5% decline in Africa's terms of trade from 1992-93 and the purchasing power of the continent's exports fell by some $3 billion and from 1991-92, its terms of trade had fallen by 3.4% and from 1990-91, by 7.9%. In case of export of non-oil primary products, the terms of trade records remain dismal. From 1974-80, the terms of trade deteriorated by 5.7% a year, from 1981-86, terms of trade deteriorated by 3% a year, from 1987-93, the decrease was 1.8% a year.

The fact is that the developing and the least developed countries (LDCs) have not been able to reap the benefits of globalization. It is stemmed from the fact that the primary commodities of the Third World countries continued to face unfair trade practices. Developing countries mostly import manufactured goods and export raw materials, mainly agricultural and mineral products. The prices of the South exports have continued to fall while the value of imports

has continued to rise. Furthermore, the markets for African goods continue to shrink as the developed countries use all types of barriers, tariff and non-tariff. With low prices for their products and fewer markets, developing countries were forced to borrow in order to pay for the imports. Moreover the problem was further exacerbated by the already huge devastating debts owed to the Western countries. In most cases these developing countries are left to borrow more to pay existing debts with little capital for development.

For a developed country, globalization means and includes the industrialisation dream, social services sensibility etc. but for a developing country it means the withdrawal of the state from the economy and the removal of all barriers including exchange controls, protective tariffs and massive social service cutbacks. The Third World countries felt compelled to comply under the age of structural adjustment.  

Until the middle of the 20th century, when most countries in Africa, Asia and Latin America won their independence, the local economics were a direct appendage of the colonial centre and it directed the pattern of development in the colonies. This pattern of development was based on the logic of the capitalist mode of production that dominated the economies of the centre states. In fact, most of the colonies came to specialise in one or a few raw materials for export purposes. They were dependant on the importation of finished manufactured goods from the imperial states. This colonial relationship prevailed in a number of developing countries after independence and led to the restructuring of social and economic relations on a neocolonial basis. It was the continuation of colonial relations through the intermediary of a local ruling class dependant on and nourished by imperialism. Thus developing countries acting on the advice of the World Bank shifted emphasis away from the production of food crops to export crops which resulted in food deficit in those developing countries. Thus globalisation has exacerbated the adverse

effects on Third World nations by creating the illusion that free trade will prompt the developed nations to import goods made by low-wage, low-skilled labour and export those made by the highly skilled.

Another aspect is internationalisation of production and it has been possible due to the technological innovation. Different components of the products of multinational companies are manufactured and brought together from different parts of the world to be assembled in one location. But the adverse effect of this development is that the positions of the employees in different multinational corporations have become poor. Because if the company thinks it profitable, it can close or move its operations in the host countries.\(^{32}\)

It is true that technological breakthrough has made internationalisation of production a success story for the developed countries, but it has been a misery and pain for the developing countries. Now the entire Third World countries have become sweatshops and entertainment parks for the First World and become passive consumers of global economy. These poor Third World countries have become the providers of cheap labour and material resources.\(^{33}\) Thus the new international division of labour breeds underdevelopment. Moreover in the long run, it supports the premise of neocolonialism along with economic crisis, environmental degradation and poverty in the developing and the least developed countries. Though globalization provides an opportunity to raise incomes through increased specialization and trade, it depends on the size of the markets in question, which in turn depends on geography, transportation costs, communication networks and the institutions that underpin markets.

The globalisation has brought about significant changes in the structure of traded goods. But the developed countries have more stake for their own interests rather than having more stake in the capitalist development of Third


World countries. After WTO came into force, a multilateral mechanism of rules and regulations has been put in place to provide a framework for globalisation. It has been introduced with the objective to provide great trading opportunities to the Third World countries. But in reality the facts are different. Under Uruguay Round, in major developed countries the trade-weighted average tariffs on industrial products from all sources were to be reduced by 40% whereas the reduction of tariff on imports from the developing countries will be only 30%. Moreover, on 22% of dutiable imports of developed countries like leather, rubber, footwear, travel goods, etc., which mostly originate from Third World countries, there is no reduction in tariff. Though the developing countries have managed to increase their manufacture exports from 2.1% of the world trade in 1960 to 13.5% in 1990, but a large percentage of the exports of low income economies consist of textile and clothing. Simultaneously the middle-income and faster developing economies have a much larger share of technologically sophisticated products in their manufacture-exports. It has been possible because the multinational corporations have shifted their production bases in few Third World countries. Thus though these few Third World countries have been benefited for a large share of MNC exports, it is doubtful whether the Third World has been able to maintain its share in world exports.34

Most of the Third World countries have attained their political freedom in the course of decolonisation process and they have been enjoying relative independence in the post-war decades. But in the days of globalisation, it would not be wrong to say that they are going to lose their political and economic sovereignty because they have already surrendered to imperialist dictates on every issue of economic and political import.

Framework of the Study:

The Second Chapter deals with origin and development of multinational companies in the World. This chapter contains the classification and legal structure of multinational corporations as well as the host country attitudes regarding the activities of multinational corporations. Simultaneously this chapter describes the regulations on multinational companies.

The Third Chapter examines the multilateral agreements under WTO. This chapter starts with a historical review from GATT to WTO regime. This chapter contains the different agreements on Agriculture, Textiles and Clothing, Trade related Investment Measures, Perishment, Import Licensing Procedures, Safeguards etc.

The Forth Chapter deals with the multilateral trading system and the least developed countries. This chapter contains the historical background of the least developed countries and the socio-economic problems faced by the least developed countries.

The Fifth Chapter examines three important agreements under WTO. These are TRIPS Agreement, Textile Agreement and Anti-Dumping Measures and this chapter analyses the negative impacts of these agreements on the developing countries.

The Sixth Chapter examines human rights perspectives of the Third World Countries regarding the activities of multinational companies. This chapter contains different issues on violation of human rights by the activities of multinational companies under WTO regime.

The Seventh Chapter deals with some selected cases where exploitations of the Third World resources by the multinational companies have been evidenced.

Lastly, Chapter Eight contains recommendations and suggestions with conclusion.