

Research Note

**WHAT CAN NATIONAL TRADE
UNIONS DO TO RESIST THE
PRESSURE OF MULTINATIONAL
COMPANIES IN SHAPING ITS
INDEPENDENT ROLE ?**

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Introduction

Multinational companies (MNCs) now a days are found almost everywhere in the world. The companies do business in the developed, developing and underdeveloped economies. In different countries, the companies take different strategies. Because of the operations of the MNCs national trade unions have to deal with these MNCs. There are controversies regarding the operations of some of the MNCs.

Developing countries are, sometimes, the favourite place of business for MNCs. The host governments allow the MNCs with certain conditions to be obeyed by the MNCs and at the same time, get some facilities that make the business of MNCs profitable. The

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MNCs try to influence the host governments to pass rules and regulations regarding labour relations in their favour and thus create serious debate in the Third World Countries.

Trade unions (TUs) have specific responsibilities of safeguarding the interests of its members. National trade unions face the local employers and the MNCs in different ways. But it is very difficult on the part of the national trade unions to influence the MNCs to its advantage. This is a common feature in all the developing countries. Because, the national governments for some reasons, have to accommodate some of the very powerful and big MNCs. Sometimes, the host governments are more interested in the MNCs than the welfare of the labour. This is felt by the trade unions but it can do hardly anything to take immediate remedial measures. Still the trade unions try to make its way through collective bargaining and making liaison with other trade unions in different countries. The trade unions dealing with MNCs in different countries have common problems and prospects. This fact sometimes helps the trade unions to take unified measures against the MNCs. In this article an attempt will be made to see how the MNCs shape the role of trade unions in the developing countries and what the national trade unions should do to resist it.

The role of TUs before the emergence of MNCs

The MNCs expanded considerably after the Second World War. The US, British and Japanese firms expanded their activities dramatically to other countries. The trade unions in the developing countries emerged during the colonial rules. Before the Second World War many countries in Asia and Africa were subject to colonial rule. So their roles were very limited though these trade unions especially in India played a very remarkable role to achieve independence for the country. But after independence the trade unions were seen as a threat to the stability of the new state and the activities of the trade unions were curtailed to some extent. In many

developing countries, the military rulers ban the trade unions from functioning. When they can buy the union leaders, they withdraw the restrictions imposed earlier on the trade unions.

In most of the developing countries, the trade unions are normally subservient to the party in power. So these trade unions are weak in organisational and collective bargaining capacity. The trade unions in developing countries are dependent on certain personalities and different political parties. When these trade unions deal with the MNCs, they have to take new initiatives and tactics.

Growth of MNCs and their impact on TUs

The MNCs locate subsidiaries in foreign countries in order to get advantage in case of tariff and trade quota.

They go where the trade unions are weaker and cheap labour and raw materials are available. The MNCs have world wide market for profit. They exploit in a number of possible forms such as product differentiation, managerial expertise, technological knowledge and marketing skills.

Technology is a thing that dominates the MNCs. In the host country, the MNCs have reasons to use it in the Third World. A. Emmuel says, "That the most capital-based technology, that is, the most recent, maximizes the quantity of goods available to the population, therefore, maximizing social welfare."

The transfer of the most advanced technology helps to close the technology gap between the most highly industrialized countries and the Third World.

Since advanced technology is in the hands of multinationals, they become the privileged vehicle of the technological shortest for the Third World. (Ghertman, M. 1984, p. 85).

Because of this technology MNCs are growing rapidly throughout the world.

Relations of MNCs with the Host Government

There are many reasons for which the multinationals are invited to function in a foreign country. The MNCs bring much needed capital to a country that cannot generate sufficient of its own. They provide jobs, and especially much-sought-after jobs in new technologies. They show greater willingness than local firms to consider sites in development areas, and introduce new technologies and new products. They raise standards of management in general, as well as managerial education, aid the balance of payments by local manufacture of goods that would otherwise have to be imported and raise health and living standards by the introduction of new food technologies, new cleaning agents and new environmental safe guards (Brooke, M.Z. & Remmers, H, Lee, 1978, pp. 186-187). These are the expectations of the host governments from the MNCs. The transfer of technology can bring advantages for the host country, help increase the local knowledge and expensive imports are avoided. The research is transferred to the host country.

MNCs try to keep relationship with the host government. But as their enterprise is profit oriented conflict arises between them. Conflict between the multinational enterprise and the host government may derive from four sources: from the fact that it is private and hence may clash with the social and national goals; that it is large and oligopolistic and hence possesses market and bargaining power which may be used against the interest of the host country, that it is foreign, particularly if it is American, and hence may be serving the national interests of a foreign nation and that it is 'western' and hence may transfer inappropriate know-how, technology or management practices, or products, designed with characteristics not needed in less developed countries. (Streeten, P, 1974 p.252).

Sometimes, the MNCs try to have good relationship with the government by giving job and extra facilities to the dependants of top government officials and the politicians of the country. In this way they develop an informal relationship with the high officials of the host government. With this informal relationship they get many undue advantages from the government. In Bangladesh a big plot of land adjacent to Post Graduate Hospital at the capital city was given to a multinational company though the land was much needed by the hospital for its extension. This incident created a controversy against the concerned MNC and the top officials in the Ministry of Land.

Sometimes, some MNCs involve themselves into the national politics. Some MNCs even are associated with the change of government through violent means as it happened in Chile. Some MNCs even keep close liaison and finance the opposition political parties in order to keep the government under pressure.

Government regulations regarding the ownership of the MNCs create tension among the MNCs. In India the MNCs were asked to dilute their foreign holdings to 40 per cent. IBM and Coca-Cola which had branch operations, withdrew their businesses from India (Das, R, 1981, p. 89).

The MNCs are larger and more profitable than their local competitors and they are concentrated in the Third World's growth industry. In this way they will perpetually dominate, the economy of these countries. Because of cheap labour, raw material and tariff facilities MNCs are abusing their dominant positions by devices that benefit the company first, their parent company second (i.e. the United States and Europe) and then their host economy in the Third World. (Turner, Louis, 1974, p.45).

In Africa, while the indigenous entrepreneurs try to amass significant amount of capital and know-how, the multinationals swam themselves in the continent in all the complex industries. If

the relevant governments fail to adopt nationalistic policies, the multinational domination of key sectors of the economics will not be stopped.

In India between 1957 and 1961 foreign-controlled firms were earning some 20 per cent more than the Indian firms. There were even cases, as in the aluminum industry, where local firms clamoured for higher protection, while the foreign subsidiaries asked for lower (ibid p. 48).

The local entrepreneurs find it very difficult to develop a product and compete with the MNCs who come into a country with internationally known products, trademarks, and full patent protection. So ultimately the local entrepreneurs join the foreigners.

In Chile, strong MNCs uprooted and destroyed the budding entrepreneurs. Whenever, an infant industry has slump, it is taken over by the MNCs. The rich MNCs buy off the local firms when they go bankrupt because of poor financial backing. The North American MNCs, increased their power by buying out their bankrupt Peruvian competitors in 1967. In 1966, the Brazilian entrepreneurs manufacturing drugs, textiles, plastics and electronics collapsed due to credit tightening to the benefit of their foreign competitors (ibid, p.49).

But among the MNCs they try to maintain solidarity. Anglo-Iranian was able to prevent Mossadegh's Iran from selling any of the expropriated Anglo-Iranian oil in the 1950s. When Zambia tried to control its copper firms, it almost reached agreement with some Scandinavian firms, which ultimately withdrew because of pressure from companies. But in Guyana, the bauxite expropriation could be done with the help from Yugoslavia. This is one of the strongest cards that the Third World can use to cause breakdown of the solidarity of the multinationals.

Relations with Trade Unions

The MNCs in the developing countries are influencing and affecting the labour relations in their favour. The MNCs are taking advantage of cheap labour, raw materials and tariff facilities in the host countries. In spite of all these facilities and enormous profit, these companies are exploiting the labour at their sweet will.

MNCs are private and profit-oriented enterprises., These companies are loyal to the country of origin and parent companies. They keep the national trade unions at a safer distance by taking various methods. It may be mentioned that MNCs go to the places where the union organisations are weaker.

In the developing countries, the trade unions are not encouraged to grow powerful within the MNCs. They (MNCs) take various ways to achieve its goal. First they try to bribe the union leaders and influence the local government to enact rules and regulations not favourable to the trade unions. They never allow the trade unions to be involved in the decision making regarding the policy matters of the company. They normally do not consult in case of redundancy, rewards and punishments. But in China this question does not arise. As a result of the small numbers usually involved workers in these foreign organisations do not form unions with them. Otherwise, the Chinese Unions play a social role in the domestic enterprises and supervise certain areas of employee relations. (Zamit, and E.M. Bovanick, M. 1986, p.17).

The MNCs do not normally train the local workers but try to bring the experts from the country of origin of the MNCs. This creates a dissatisfaction among the local employees of the corporation.

The MNCs, sometimes, do not take care to show respect to the culture and religious tradition of the host country. Sometimes, they even try to influence the norms and conditions of the local society. Sometimes some MNCs have very long working hours. A Korean

MNC doing civil constructions in a power plant in Bangladesh had a seven day week working schedule and working hours were from 6 in the morning to 6 in the evening. Wages according to Bangladesh standard were better but there were frequent labour problems because of the hardship imposed on the workers.

Sometimes, the foreign experts working in the multinationals keep the local poor women as mistresses. This creates an adverse effect on the employee relations working in the multinationals. Because, in many developing countries sex without legal marriage is seen as a social crime.

Sometimes, parent MNCs takes harsh decisions, regarding redundancy, and shifting the place operation through its subsidiaries. In that respect, subsidiary level labour relations are strained.

The MNCs can undermine and weaken the union's bargaining power in relation to the management. In case of a strike, the MNCs may maintain its commitment by producing the products at the other subsidiaries. They can maintain cashflows minimizing the costs of strike. Sometimes, they may even threat to close their enterprises and shift it to a different country where the trade unions are comparatively weaker.

They do not allow the unions to bargain with the local management for making any important decision when there is a problem. They refer it to the headquarters and take time. They even try to bribe the union leaders and divide the leadership.

The MNCs never give correct data to the unions on financial matters. The management gives the report on a corporate basis and makes the union wholly dependent on it. Moreover, the MNCs shift income across the boundary mainly to reduce the overall tax liability and diminish trade union's demands upon corporate revenue.

Response of Trade Unions

The Trade Unions have taken time to understand that MNCs are the increasing power of the global monopolies and the powerlessness of governments to control their anti-social activities are forcing the trade unions increasingly into action. (Edwards, B, 1977. p.57).

The MNCs are so big and powerful that the national trade unions especially in the developing countries can hardly do anything alone. MNCs do not care for strike and in most of the developing countries they maintain good relationship with the government not always in ethical ways. As the multinationals work internationally the national trade unions have come to realise that they should also act internationally. The national trade unions should work unitedly in the development of global and transnational bargaining power. Because, the national trade unions cannot bargain with the local management of MNCs for lack of poor data, and knowledge with whom to bargain. National trade unions when in problems with MNCs can communicate and coordinate with similar trade unions in other countries. Fiat company trade unions in Italy helped the trade unions in Fiat subsidiary in Chile to get recognised and hence collective bargaining powers.

The national trade unions may go for global and transactional bargaining power by exchanging information concerning the practices of certain multinational corporations. The trade unions may deal with multinationals by utilising the services of International Trade Secretariat (ITS). The collection and circulation of information regarding wares, service conditions, strikes etc in multinational companies may be exchanged among the unions.

Every country in the world where the MNCs are working, has strong public opinion that government should enact legislation and regulations to restrict and control the power and actions of these

MNCs. And they should never be allowed to act to the detriment of the interest of the country. With the public opinion, trade unions can strengthen their stand.

Conclusion

Multinationals throughout the world have built an empire through which they control the global economy and their influence is increasing day by day. The multinationals are identified with the U.S.A. With the collapse of Soviet Union, the multinationals have extended their jurisdiction throughout the Eastern Europe. In most of the developing countries, weak and corrupt governments are functioning. They invite and encourage the multinationals to grow their business, which proves harmful to the national interests. Popular democratic governments and trade unions with strong organisational power, transactional bargaining power can make the multinationals obey some norms which may create a congenial environment both for the national economy and the MNC interests. Otherwise, the national economies of the developing countries will remain subservient to the interests of MNCs.

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