Power Games of Supra-National Corporations

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Abstract: During the Post Cold-War era, the New World Order had been restructured as parallel of political events. Paradigma change had caused different forms of war. While wars sourced from ethnical and religional conflicts had been increased, it had been witnessed international corporations had been placed at the conflict areas by means of economics. The transformation of international corporations had been improving phase by phase at the every corner of great wars and/or crisis. During the Post Cold-War era, free capital movements as foreign direct investments or portfolio movements had been increased at a high level since the threat of communism had finished in 1989. This was the most important drive of change of firm theory at the same time. The firm’s aim had been transformed from maximizing its commercial profit to becoming a supra-national power. The giant corporations had been arised from mergers and acquisitions. As a result of this transformation period, oligarchic power had got strong.

Keywords: Multinational Corporations, Political Economy, Oligopoly, Globalization

Introduction

The purpose of this paper is to investigate the importance of multinational corporations growing all over the world through globalization. The name of title as ‘Power Games’ is used to describe powers of multinational corporations changing to supra-national corporations over the governments in terms of decision mechanism due to its assets extending some country’s GDP.

Our work tries to analyse economical change as parallel as changing political factors by ending Cold-War.

Literature Review

Factors contributing to the competitive advantage of supra-national corporations had become interesting and analyzing by researchers and entrepreneurs. While there are many researchers to analyze globalization, power literature has been placed into political economy with a long list of research.

On the political side, the concept of ‘nation building’ by Fukuyama has a significant importance. Changing paradigms can be found easily by reading some international institutions as NATO, IMF and IBRD. The most important factor leading the New World Order is Washington Consensus between IMF, IBRD and FED. (Stiglitz, Williamson)

On the economical side, another important factor is network connecting local firms to central firm and the result is creating an ultra power. (Freeman)
The Concept of Power in the Millennium Age

By ending Cold War, the world had been faced with a transformation period. Ending Cold War had the same meaning of ending the big enemy ‘communism.’ This end had resulted by opening borders in terms of trade and capital. Free movement of capital had been required fiscal reforms besides structural reforms which had been applied almost in all countries. But the most important development had been seen in the area of employment by easing movibility. By liberalisation of movibility, many big firms had decided to carry their factories to the countries with cheap labor force. As the most important factor of production function, labor force had become the most important reason to carry the factories to other far countries, particularly ex-Iron Curtain countries as Poland.

According to the World Investment Report by UNCTAD, some developing countries increased their market share in the high technology production. Between the years of 1985 and 2000, China and Taiwan became the prior producters of high technology by the share as of 5 % of the world while Singapur, Malaysia, Mexica and the Republic of Koreas had shared between % 2.5 and % 4.9 in the high technology market of the world. The report mentions that the most dynamic developing countries had been Taiwan Provence of China, Costa Rica, Singapore, Ireland.

This changing structure of the bases of production was face of the new world’s changing trade structure. While production had been shifted to these countries, their export had been boomed in this period. But the important point not to forget is that the earned revenue, capital had not accumulated in the local countries, transferred to the origin. The network system had been established in the post-cold war era, but the decision mechanism was at the center while network diversified in many countries by the way of local partnership or affiliate.

The mechanism works as a telephone central mechanism. Networks are interconnected. But the interdependence is going to only one central as the main brain. This is central, let’s say capital, which decides every connection, production and related subjects. Local partner may be an important capital of its country besides its membership of an important civil society corporation of its country. That means local partner can affect its government by its member corporation besides its importance in business area. Since local partner connects to the central capital and cannot act against the central’s main principles and benefits, overlapping micro and macro for the local country cannot be realized.

If micro and macro cannot overlaped, that means local country will loss. In another way of saying this, if local partner wins by acting in behalf of the central capital, local country has to be faced with some disadvantages. Since local partner thinks itself as if the main capital, it can sometimes act against advantages of local government and national interests. So it can be said that the local partner’s real government becomes the main capital except its own government.

In this framework of this network mechanism, the main capital gains a power over governments through interdependence system of local partners. Question is that gained power by that way is enough for the main capital? In the millennium age, the answer is easily ‘no.’

The concept of power contains much more meanings than yesterday’s Cold War days. Since Cold War ended, the liberalisation had been widening all over the world, particularly fast privatization politics had realized in post-communist countries. The power balance had changed in behalf of ‘free market’ mechanism. Required structural reforms for free market mechanism had been established. Mobility brings together freedom in all areas of life.
Social Transformation

Capital transformation had been required to accompany with social transformation in order to be able successful. Because of that, efforts to realize social transformation had been made in several ways. Media was the prior actor in this transformation play. Lifes shown in colorfull screen, people characterized with brands were so successful to be attractive to public. Thereby, moral values started to transform from traditions to future.

Consumption society had been ready to buy illusional lifes by buying houses, brands and was keen to join to some clubs or be a part of another life to gain a ‘status’.

On the supra-national firms’ side, consumption was not enough to maximize commercial profits besides market dominance.

11 September 2001 was the turning point for social transformation since consumption society had gained another qualification as ‘fear society’. It is seen that decreasing world’s GDP had started to increase since 11/9 due to defence sector.

This event caused change in paradigm of the New Century. ‘Bellum Justum’ or ‘Just War’ became active as Negri said to explain reborn of empire. A nation has of course jus ad bellum right when it faced with threats to its sovereignty or territorial integrity.

Nation Building

During the post Cold War era, warfare had been changed its form from classical war to internal war due to ethnical and religional conflicts.

Today, the world has been witnessed two different type of war concept. Firstly, internal conflicts sourced by ethnical and religional reasons had become widespread all over the world. Yugoslavia was the most important pioneer for this kind of internal war. A country, one important force of the non-alignment movement, had been crashed, fell into seven different pieces. Rwanda was another important example of internal war due to ethnical difference and very dramatic, bloody massacres had been lived in 1994. Somalia, Haiti, East Timor are other examples.

The following table shows the countries with conflicts due to ethnical/religional or governmental during the post-Cold War era. In 1991; Croatia, Macedonia, Moldova, Georgia, Azerbaijan, Tajikistan, Uzbekistan; in 1992, Bosnia & Herzegovina; in 1993, Eritrea can be given as examples.

Following table shows how internal wars had increased by ending Cold War.
As a result of internal conflicts, new nation-states were established while their sovereignty is open to argue. Fukuyama described ‘State-Building’ for micro-states borned from ashes of crashed territory in his book in 2004vi.

I described first new form of war as internal wars increased by ending Cold War. Second type of war had been created by 11/9. It was ‘War on Terrorism.’ Terror attacks upon USA caused global shock in 2001. Aftermath of 11/9, the New World Order had restructured.

As a response to terror attacks, NATO’s paradigm changed and ‘Operation Active Endeavour’ started. The war on terrorism had brang new security concepts to American budget as ‘Homeland Security.’ Iraq and Afghanistan operations reminded concept of ‘State-Building’ by Fukuyama. State building has a meaning more than establishing and/or restructuring institutions.

Beyond all these facts of 21th century, the concept of ‘power’ gains different meanings from which we have learned until today. Power for supra-national corporations is hegemonic power over the governments, countries and of course human brains. Economics litarature tought us the main aim of firms to maximize its commercial profits. But, it is more than maximizing commercial profits since the Post-Cold War era.

Hegemonic power contains several meanings inside. One side is being over governments, managing governments behind closed doors through local partners or directly.
If we look at the data, it is seen some firms’ revenues are higher than some countries’ GDP. For the year of 2009, the biggest firm in term of revenue is Royal Dutch from Netherlands with revenue as of USD 378.8 bio., profit as of USD 12.7 bio. The GDP of USA as the biggest economy in the world had realized as of USD 14.204,3 bio. in 2008 while the GDP of Japan as the second biggest economy had realized as of USD 4.909 bio. The GDP of world had realized as of USD 54.347 bio. in 2008.

The following table shows us how some firms’ revenues are more than some countries’ GDPs. For example, according to Fortune Global 500, Wal-Mart Stores’ revenues realized as of USD 378.8 bio. while the GDP of Thailand as 35th economy in the world realized as of USD 260,7 bio. in 2008. It is seen that biggest firms’ revenues has been realizing more than many countries’ GDP. This is a reflection of ‘Power.’

Table 1: Comparing Biggest Firms and Biggest Economies, 2008

<table>
<thead>
<tr>
<th>REVENUES OF BIGGEST FIRMS (Billions, USD, 2008)</th>
<th>GDP OF BIGGEST ECONOMIES (Billions, Current US Dollars, 2008)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 WAL-MART STORES 378,8</td>
<td>1 USA 14,204,3</td>
</tr>
<tr>
<td>2 EXXON MOBIL 372,8</td>
<td>2 JAPAN 4,909,3</td>
</tr>
<tr>
<td>3 ROYAL DUTCH SHELL 355,8</td>
<td>3 CHINA 4,326,2</td>
</tr>
<tr>
<td>4 BP 291,4</td>
<td>7 ITALY 2,293,0</td>
</tr>
<tr>
<td>5 TOYOTA MOTOR 230,2</td>
<td>17 TURKEY 794,2</td>
</tr>
<tr>
<td>6 CHEVRON 210,8</td>
<td>25 AUSTRIA 416,4</td>
</tr>
<tr>
<td>7 ING GROUP 201,5</td>
<td>34 THAILAND 260,7</td>
</tr>
<tr>
<td>8 TOTAL 187,3</td>
<td>35 PORTUGAL 242,7</td>
</tr>
<tr>
<td>9 GENERAL MOTORS 182,4</td>
<td>41 ISRAEL 199,5</td>
</tr>
<tr>
<td>10 CONOCO PHILLIPS 178,6</td>
<td>44 UKRAINE 180,4</td>
</tr>
<tr>
<td>11 DAIMLER BENZ 177,2</td>
<td>50 EGYPT 162,8</td>
</tr>
</tbody>
</table>


Second side is creating consumer society to create new markets and also winning dynamics to old ones through media, wars and by building nations.

Third side is regulating, controlling and managing market prices, market dynamics, the market in term of public, controlling energy sources and ways and at last controlling wars. As a whole, a borderless new world had been created for supra-national corporations.

**The Constitution of the New World Order: The Washington Consensus**

During Cold War, a constitution called as ‘Washington Consensus’ had been agreed between FED, World Bank and IMF. This was a start point to widening neo-liberalism all over the world. Reagan and Thatcher were leading players in the developed countries.

The main principles were based on decreasing role of government through privatizations, financial discipline; more liberal world with freedom; deregulations and laws for free movements of capital. Decreasing role of government was supported by non-governmental organizations (NGO) by completing the absent place of government in theory.
Neo-liberalism had been widening all over the world particularly through IMF and World Bank. During Post-Cold War era, privatisations had been realized very fastly especially in the ex-Iron Curtain Countries.

For capital, a new period had begun. Factories had been moved to the far countries as China, Thailand, Bangladesh and others. The labor factor had played a major role to move to the fars. The most important factor of production provided high advantages in term of labor cost, to the firms.

The World Investment Report 2000 by UNCTAD emphasized that:

[…] the record amounts of investments abroad in 1999 caused mostly by mergers and acquisitions. The global FDI (Foreign Direct Investment) outflows reached $800 billion in 1999, an increase of 16 per cent over the previous year ix.

In the WIR 2000, it is also mentioned that:

[…] “FDI flows to East and South-East Asia increased by 11 per cent, to reach $93 billion in 1999. The increase was mainly in newly industrializing economies (Hong Kong, China; Republic of Korea; Singapore; and Taiwan Province of China), whose inflows increased by almost 70 per cent. In the Republic of Korea, FDI inflows reached an unprecedented $10 billion. Inflows to Singapore and Taiwan Province of China experienced a significant recovery after a sharp decline in 1998. FDI in Hong Kong (China), now the second largest recipient in the region, increased significantly — by more than 50 per cent — to reach $23 billion in 1999 x”.

It is seen very clearly that the accumulated capital gains ‘supra-national’ character by ending Cold-War through widening all over the world without border only for the empire of supra-national corporations.

**Conclusion: Rising Empire of Supra-National Corporations**

According to Compact Oxford English Dictionary, empire means:

> 1. an extensive group of states ruled over by a single monarch or ruling authority.  
> 2. supreme political power.  
> 3. a large commercial organization under the control of one person or group xi.

In the Encyclopedia Britannica, imperialism is described as

> “state policy, practice, or advocacy of extending power and dominion, especially by direct territorial acquisition or by gaining political and economic control of other areas. Because it always involves the use of power, whether military force or some subtler form, imperialism has often been considered morally reprehensible and the term is frequently employed in international propaganda to denounce and discredit an opponent’s foreign policy.”  
> Encyclopedia Britannica, 2010. xii

Let’s turn to growing powers of supra-national corporations. This gained power resembles the definition of empire. Because, they have supreme political power due to local partners and affiliates; they are managing and controlling over the world through network connections; they can affect the world’s market and it can be said they manage the world in
several ways. Their power and dominion has been extending days by days. Particularly, the Global Crisis 2008 caused to force this oligarchic order.

As a result, it can be said that the empire of supra-national powers compass the world in terms of political, economical and cultural.

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End Notes

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iv Negri, p.36.
v Stina Högbladh, Uppsala Conflict Database, June 2008
x WIR 2000, p.17.