

T. C.

ISTANBUL KÜLTÜR UNIVERSITY

INSTITUTE OF GRADUATE STUDIES

**THE IMPACTS OF MULTINATIONAL COMPANIES ON INTERNATIONAL
ECONOMY AND THEIR POLITICAL ROLE IN GUIDING COUNTRIES POLICIES**

MA Thesis by

FATIMA ZERDAOUI

180005591

Department: International Relations

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Supervisor: Asst. Prof. Dr. Ahmet Cemal ERTÜRK

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Members of Examining Committee: Prof. Dr. İbrahim Mensur AKGÜN

Asst. Prof. Dr. Ahmet Cemal ERTÜRK

Asst. Prof. Dr. Selda GÖRKEY

(Işık University)

JULY 2021

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Üniversite : **İstanbul Kültür Üniversitesi**
Enstitü : **Lisansüstü Eğitim Enstitüsü**
Dalı : **Uluslararası İlişkiler**
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ÖZET

Bu araştırma tezi, hem araştırmacıların hem de politikacıların artan ilgi odağı haline gelen çok uluslu şirketleri araştırmayı amaçlamaktadır. Bu araştırma aynı zamanda bu şirketlerin ülke siyasetine rehberlik etmedeki rolünü araştırmayı ve uluslararası kuruluşlar üzerinde sahip oldukları farklı etki çeşitleri hakkında ek bir anlayış sunmaya amaçlanmaktadır.

Bununla birlikte, çok uluslu şirketler, küresel bir ekonomi yaratma sürecinde önemli bir rol oynamaktadır. Aynı zamanda, üretim faaliyetlerinin hammadde, düşük maliyetli işgücü ve geniş bir Pazar arayışı içinde bir dizi ülkeye göç etmesine de katkıda bulunmaktadır. Bu araştırmanın önemi, çok uluslu şirketler tarafından yönetilen doğrudan yabancı yatırımları çekmek için siyasi ve ekonomik yasaları ele alırken veya geliştirirken karar vericilerin kapsamlı bir bakış açısı oluşturulmasına yaptığı katkıda yatmaktadır.

Ayrıca taz, araştırma sorularını değerlendirerek, ikincil kaynaklardan yararlanarak sonuçlara ulaşmıştır. Bununla birlikte, bu çalışma, çok uluslu şirketlere, ekonomi üzerindeki olumlu etkilerine ve ülke politikalarına rehberlik etmedeki siyasi rolüne bol miktarda bilgi ve görüş kazandırmak için araştırmacılara ve akademisyenlere fayda sağlayacaktır.

Anahtar Kelimeler: Çok uluslu şirketler, yatırım, politika koyucuları.

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ABSTRACT

This research thesis aims to investigate the multinational companies that have become the focus of growing concern from both researchers and policymakers. The study also intends to investigate the role of these corporations in guiding countries politics and offer additional understanding on the different varieties of influence they have over international organizations. However, multinational companies play a significant part in the process of creating a global economy. It also contributes in the migration of manufacturing activities to a number of nations in quest of raw supplies, low-cost labor, and a large market. The significance of this research lies in its contribution with establishing a comprehensive outlook of decision-makers when addressing or developing political and economic laws to attract FDI led by multinational corporations, allowing them to depend on it as one of the sources rather than having to start the research from start to finish in order to make the best decision.

In addition, the thesis evaluated the research questions, and reached the findings and conclusions by using secondary sources. However, this study will benefit researchers and scholars to get abundant of knowledge and understanding to multinational companies, its positive impacts on economy and its political role in guiding countries policies.

Keywords: Multinational companies, investment, policymakers.

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LIST OF ABBREVIATIONS

FDI: Foreign direct Investment

US: United States

UNCTAD: United Nations Conference of Trade and Development

OECD: Organization for Economic Cooperation and Development

WTO: World Trade Organization

IMF: International Monetary Fund

UK: United Kingdom

GDP: Gross Domestic Product

ITT: International Telephone and Telegraph corporation

IBM: International Business Machines corporation

CIA: Central Intelligence Agency

EU: European Union

1.INTRODUCTION

The development of the capitalist system at the beginning of the twentieth century witnessed a new period characterized by internationalization of product, as the production process become not only at the national level as it was in the past but also at the international level. For this reason and more, FDI and multinational companies have emerged.

The main instrument of this process has been the multinational companies that have been the subject of growing attention, both to researchers and to governments. The source of this interest lies in the economic, financial and technological power that these companies have on the one hand, and the great influence they have exercised on the level of the international political and economic relations on the other hand.

Multinational companies played a big role in the process of internationalizing production at the global level. Where it contributed to the transfer of production operations to several countries in search of raw materials, cheap labor, and wide markets. In addition, globalization have given great importance to these companies so that the most important pillars of international trade investment and technology are all under the control of these huge companies.

These companies are an international economic phenomenon represented by transnational forces in the form of companies that transcend their activities within the borders of the country of origin and its laws, it exerts a very effective and complex impact not only on the level of international economic relations but also on the level of political relations, knowing that international law does not recognize it as a legal personality.

It is noticed that it is often believed that multinational companies have multiple nationalities, but they are in fact companies that don't have the nationality of several countries but rather are active in several countries (Patrizio, 1993, P 29). It is also noticed that there is more than one name given to these companies, some called them Multinational Companies, there are also some who called it Transnational Companies and there are those who called it Supranational Companies (Belkasem, 1984). In addition to a set of common definitions as international companies and giant companies. However, most professionals and researchers in the field made sure to use multinational companies as they are more expressive (Zerouali, 2001). From a legal point of view, these companies remain the citizenship of one country and in the eyes of the host country they are a foreign investment or rather foreign company.

Economically, these companies and their multiple branches aim to achieve global market unity on the level of production and distribution, it seeks also to achieve maximum profit by finding a pattern for exploitation and distribution of good things. It is thus able to change the structure of international economic, social as well as political relations.

Multinational companies contribute to reshaping the economic aspect of our contemporary world, benefiting from the magnitude of its position in the international economic system and the increasing importance of its role in the global economy. These companies also seek to take advantage of the existing differences in the degrees of growth of multiple national economies on a global scale, despite the questions raised about the extent of their contribution to the economic development of host countries and their economic, social and environmental impacts in light of globalization (Sayid, 2004). Also, its impact includes the relations between countries among them as well as international organizations, especially financial institutions using a range of methods and dependent on a group of channels in order to achieve its global strategy based on increasing profits and capital of the parent company.

The multinational companies are among the most important features of the phenomenon of globalization and the world economic system. This is due to its material and human capabilities, the huge volume, the diversity of activity, geographical spread, the ability to transform production and investment, the establishment of strategic alliances in addition to monopolistic advantages, the mobilization of global saving, planning and other qualifications. That pushes to know the position of multinational companies in the international economy, its impact on it and its great role in achieving the economic development of the host countries. However, achieving profit is not the only goal of these companies. Rather, they are carrying out threatening political functions and impose their views on weak and sometimes strong states through the mechanisms it owns, taking advantage of its economic importance to bring the world under its control.

The importance of this research lies in its contribution to forming a comprehensive view of decision-makers when amending or developing political and economic laws to attract FDI's led by multinational companies, which will enable them to rely on it as one of the sources without starting the research from scratch in making the right decision.

This thesis is an attempt to study the position of multinational companies in the new economic system, and their impacts on decision-making at the level of international politics. The multinational companies have an important place in the international economy due to the large volume of their transactions in the field of international trade, especially in the recent period and its emergence as an economic force with parallel to the power of countries. Moreover, the volume of its transactions exceeds the capabilities of a group of developing countries and sometimes even developed countries as well as their activities went beyond the economic sphere to the political sphere (Wasila, 1999). Following this topic, the primary research question of this study is: what is the position and the impacts of multinational

companies in the economic system and how they play a political role in guiding countries policies? Based on this question, the secondary research questions of this study follow as: (a) ‘What are the impacts of multinational companies on international economy and the economy of the host countries?’ (b) ‘What are the methods and image used by MNCs to impact countries policies?’ (c) ‘What is the role of MNCs inside international organizations?’

The main objective reasons for choosing this topic lie in two main reasons. The first reason is that the research on this subject is one of the new papers that need to be written in it, especially in the recent times. The second reason is the importance of the multinational company’s system and its effects on the global economy and on the economy of the host countries. In addition to the extent of its impacts on politics in its various fields based on its economic strength. Therefore, it is necessary to focus on these companies in terms of academic level.

This study aims to follow up the growth of multinational companies, determine their role in the global economy and search for the extent of their contribution to the economic development of the home and host countries. Moreover, it aims to study the role of these companies in guiding countries policies and shed light on the types of their influence on international organizations.

Since this study is an international study, this means that it is not limited geographically. In other words, this study will not focus on a specific region or areas it is going to be general. As for the temporal aspect, this study will focus on studying the subject of multinational companies and their impacts on economy and politics after the Second World War to the present day; which means that this study is limited in time.

The two major research hypotheses of this thesis could be explained as follow: the first one is the position of multinational companies have a positive impact on international economy and the economy of the home and host countries, To know the extent of the economic strength of a particular country, it is important to take a look at the volume of investments in that country and the extent to which the country looks forward to foreign investments. Since multinational companies are a form of foreign investments, it can be said that strength of the economy also depends on the strength of these companies.

The second hypothesis is: the political role of multinational companies in guiding countries, the economy and politics affect each other directly and considering these companies are huge and have enormous economic power, this indicates their important role in the economy and politics. Since they have a great power at economic level this means that they have the ability to play a political role in guiding countries, including home and host country. moreover, the political role of multinational companies inside international organizations. International organizations play a big role in influencing international law and politics, which influences also the relations of countries. as the multinational companies have a political role in guiding countries, their role inside international organization will help them reach their economic and political goals. So, it can be said that there is a political role of multinational companies on international organizations.

Based on the above, the research will be divided into six chapters in order to answer the questions and check the correctness of hypotheses. After giving an overview of the research, the background of the study, research questions, objective reasons for choosing the topic, hypothesis and the theoretical framework of the study, the emergence and the origin of multinational companies as a FDI and how it became so valuable and important in the world in this first chapter. In the second chapter, the research would summarize and critically reviews

the literature related to multinational companies, their economic position and impacts and their relation and influence on global politics.

In the third Chapter, the research focuses on the growing position of multinational companies in the global economic system and their impact on the international economy, starting from understanding their characteristics that give them the ability to influence the economy. Furthermore, it shed light on the impact of these huge companies on the economy of the host countries.

The fourth chapter is about the role of multinational companies in guiding countries policies through focusing on way of influence and methods followed by these companies to achieve their political goals. Moreover, it discusses the role of multinational companies inside international organizations by highlighting the methods used by these companies to impact decisions of these organizations.

Fifth chapter deals with listing the results obtained and summarizing them in an understandable manner. In this chapter the hypotheses will be also validated.

Sixth chapter would conclude the study by summarizing the thesis and reviewing the study objectives that become achieved. and several recommendations proposed.

1.1 RESEARCH METHODOLOGY

In order to answer and analyze the research questions academically and knowing the validity of the hypotheses, I used literature survey method by working on secondary sources in order to get a descriptive study.

In this research paper, the data will be gathered basically as secondary data from statistics taken from reports (Un reports and institutes of research) and opinions, ideas and results that were reached through academic researches (academic books, dissertations, thesis, articles and reviews).

1.2 THE HISTORY OF MULTINATIONAL COMPANIES

These companies did not appear suddenly, they have historical roots dating back several centuries. There are different opinions regarding the emergence of multinational companies. But, it can be said that the emergence of multinational companies passed through stages. In other words, despite the difference in naming the multinational companies in different sources, their development was agreed upon, as it generally passed three major periods.

From 1500-1850: this stage is called the trade period; this period marked the rise of western Europe due to the growth on countries that contributed in major trade (This period was known with trade of goods such as silk, precious metals, spices, etc. moreover, the prosperity of companies in France, England, Spain, Italy and Portugal through the trade of silk and spices.) and have access to different geographical areas (Johnson et al., 2002).

In this period, East India Company, Dutch, Danish, Portuguese, French, Swedish East India Company, Hudson's Bay company, The Ostend company, The Muscovy Company were founded (NU 2155 – Seventeenth-Century Imperialism, n.d.). These companies were taking goods from other countries and buying them in their home countries. Furthermore, in this period Hudson's Bay Company was established in North America which is Canada today, it the oldest trading company in the world. Banking started to gain importance since focusing on foreign investments has made this sector obligatory.

From 1850-1914: this stage is called Colonial Period, the distinctive feature of this period is the end of geographical discoveries, the expansion of commercial relations and the establishment of the large enterprises as a result of the industrial revolution (Ronen, 1986).

Foreign investments have been made to undeveloped countries from Western Europe to Asia, Africa and America. In other words, companies become multinational in order to maximize profits by finding new investment areas (Emiroglu et al., 2006).

The first German company BAYER appeared in 1865 and set up a factory in New York and the Swiss company NESTLE, in 1967 Singer established a factory in Glaxo, and it was followed by several factories in Austria and Canada bearing the same name, trademark and the trade symbol. From here, the specialists considered it without different multinational companies because they manufactured the same product in the same form under one brand name in different parts of the world (Issa, 2009). In this period multinational companies have been the most important factor that started the process of globalization through communication technology (Emiroglu et al., 2006).

From 1914-1945: this stage started from the world war 1 to the world war 2, the most defining feature of this period (privileges period) was the effect of the war on businesses because policies preventing trade disappeared and multinational companies increased. In this period Unilever Company recognized as the first international business. After that, other European businesses started operating abroad such as: Nestle, ICI, Philips, etc.

Issa (2009), mentioned that the development of multinational companies has passed through three stages:

- Stage of formation: from the late nineteenth century until the outbreak of the First World War

- The contraction stage: extended from the beginning of the First World War to the end of the Second World War
- Growth and development stage: it started from the end of the Second World War to the present day, it already represents a stage of increasing growth for these companies due to the stability in the international system.

This table summarizes the development of multinational companies in the historical process in three different periods and the differences between them

periods	Features of periods	Relationship between business and politics	Names of companies
Trade 1500-1850	<p>The spread of silk, cotton, tea, porcelain, spices and fabric trade</p> <p>Mercantilism: it appeared in the 16th century and expanded in the 17th century, it means that the power of a country depends on the excess of gold and silver, according to the development can be with low imports and high exports because the amount of precious metals can be</p>	<p>The absolute sovereignty of businesses</p>	<p>East India Company,</p> <p>Danish Portuguese,</p> <p>Hudson's Bay company,</p> <p>French,</p> <p>Swedish East India Company</p>

		increased by exporting more than the goods entering the country (Mutlu, 1999).		
Colonialism 1850- 1914		Colonial empires (English, Portuguese, Spanish and French) Trade of medicines, chemicals, and Beverage	Colonial theories	Bayer, Singer, Coca Cola, Ciba-Geigy, BASF
Privilege 1914- 1945		Trade of medicines, petroleum and electronic goods	Political privileges	Philips, Royal Dutch Shell, Nestle

Source: Esin Can Mutlu, international business, Beta Publications, Istanbul. 1999.

After the Second World War, a new wave emerged in which industrial capitalism exhausted its forces that had attempted to restore its vitality and activity (Bakkar, 2002). Its first concern from the end of the war till the early 1970 was the continuous work to remove all obstacles and restrictions in order to restore the processes of globalization again. Moreover, technical progress has helped to achieve this as information and money quickly moved and thus revealed to the investors the advantages they can obtain through the globalization of production and distribution centers which led to the second launch of major companies that were working to extend their activities beyond the borders of their countries of origin.

Some studies and statistics indicate that those companies amounted to about 40 thousand companies operating through about 200 thousand branches (Charbini, 2017). The balance of their investments amounted to 7.2 trillion dollars in 1995 compared to an investment

balance of 370 billion dollars in 1978 meaning that the balance of their investments became more than 7 times during 18 years, 50 percent of that balance accounts for the largest 100 companies of multinational companies, and 5 major countries are: the US, Japan, France, Germany and Britain (Charbini, 2017). Among them alone are 172 of the largest 200 companies in the world and these companies are responsible for a third of the scientific output of goods and services and 75 percent of the global energy for research and development employing more than 75 million workers (Bakkar, 2002).

First World War and the Second World War prevented the development and the expansion of multinational companies, but after the two wars, there were factors that contributed to the rapid development and the spread of these companies (Abdeljalil, 2010):

1. Economically strong states, after Second World War, they reached a consensus to abandon the situations that caused the war and economic crisis at that time and focus on free investment and trade.
2. World Bank & International Monetary Fund (IMF) have made the global market more reliable in settling international debt, payment and trade balance sheets.
3. The collapse of the colonial power of European empires, this caused the reach for economic development in the newly independent African nations and the underdeveloped countries in Latin America which helped to increase the strong supply of energy and production materials.

2.LITERATURE REVIEW

Multinational companies are a stage of capital enterprise due to their growing role in the international economy, they lead to capitalist expansion, realize the benefits of economic integration and has an effective role in the development of the global economy, and they also help to increase the employment of the labor force in the host countries. Furthermore, multinational companies are a stimulus for international trade and a means of transferring capital, they also have the ability to develop technology and promote projects in the host countries.

The existence of the work of multinational companies was not only for an economic purpose, which is to achieve the largest rate of profit for them and the home country while providing some benefits such as technological development, good management and contributing to achieving global economic development. The work of these companies went beyond to influence political decisions and activate their role in the political field as an international actor that cannot be underestimated. Moreover, they have an impact on the relations of states and governments, including the home country and the host countries as well as international organizations.

The issue of multinational companies and their impacts on economy and politics have attracted the attention of many economic and political science and international relations researchers at universities and research centers as well as local, regional and international institutions, bodies and organizations. For this reason, it is beyond any doubt that there are many reports and articles, thesis and dissertations that are related to that issue. These researches provide many information about the research topic and answer a large number of questions that revolve around the topic, they also help to avoid mistakes made by previous researchers.

Moreover, it is possible to identify the points they covered in the researches and thus the ability to avoid the points that have been frequently studied in order to search for new points that could contribute to the development and the progress of political science field. Hence, these researches will also help in providing a wide range of sources and references related to the topic of this thesis which will guide to a complete research achievement.

Otmani (2011), explained in his research the theoretical framework to determine what multinational companies are and their stages of development, he also dealt with the phenomenon of globalization by presenting the initial concepts as well as the mechanisms of globalization and its development, its institutions and networks. Moreover, he indicated the most important strategies followed by multinational companies and the motives behind them. Otmani found that the stage of development of multinational companies are linked to the development of foreign trade on the one hand; the life cycle of products and the discovery of market opportunities on the other hand.

Besides they are considered to be the most effective and main tools in embodying the phenomenon of globalization. Furthermore, the major role played by multinational companies in the globalization of financial markets and thus controlling the economy. He recommended that the lessons learned from the Asian crisis and the contemporary global financial crisis necessitate movement in the global economy, especially when dealing with multinational companies (Otmani, 2011).

While Zaarour (1998), focused on the economic and social impacts of multinational companies by understanding the power that these companies have to reach the level of influence either negatively or positively. He stated that there is a significant impact of multinational companies on the international and national economy. Despite their positive impact; their negative impact on host countries is greater. These negative effects are: neglecting

the problems faced by developing countries such as human resources, in addition to neglecting the distribution of wealth and income to all social strata, considering that the development process in the philosophy of these companies is purely economic.

Moreover, the huge profits transferred to the home country which leads to the depletion of national resources and to the loss of the opportunity for the local economy to exploit its resources for self-investment in national industries. As for social level; Zaarour summed up the negative impacts as follow: the increase in social differences between the group whose interests are linked to the projects of multinational companies and the majority of the population whose standard of living is deteriorating under the dual influence of stagnant development and rising prices as a result of those association with global markets. Furthermore, consecration of corruption, bribery and low moral values. Besides contribution to social and political instability. At the end of the article; Zaarour asked the extent of the influence of these companies on the global political trend due to their economic power.

Susilo (2018), examined in his article the impact of FDI on the economic growth in USA by using multiple linear regression model and its estimation. Susilo used data from 2000-2017 and classified all sectors to be 10 sectors following the classification from US chamber of commerce. These sectors are: information sector, retail trade sector, real estate rental and leasing sector, professional, scientific and technical service sector, other industry sectors, banking sector, wholesales trade sector, manufacturing sector and finance sector. Susilo indicated that not all types of FDI are beneficial to the host country's economy because this is related to the sector in which FDI takes place. In general, this latter is important for the growth of some sectors such as banking, finance, insurance and scientific technical services. However, these investments have a negative impact on the growth of other sectors such as wholesales trade, rental, real estate and leasing sector. Susilo mentioned at the end of his article that FDI

have a positive and significant effects on the economic growth of USA, while it is not the main factor for the economic growth because this latter is leading by personal consumption more than anything (Susilo, 2018).

Patrick & Egan (2010), focused in his article on the impact of multinational companies on economic reform in Latin America, he considered multinational companies to be independent in the reform process in Latin America likening them to an independent agency. He arrived at this analogy through a number of pooled cross-sectional time series analyses, he found that the multinational companies in the territory were pushing back and forth for liberal and illiberal reform measures. Moreover, he mentioned that the indicators of economic reforms are measured against FDI led by multinational companies' stocks and a number of economic and political variables.

Ferdausy & Rahman (2009), mentioned that the percentage of multinational companies' operations is big in foreign countries, which made them confident that there are effects of these activities on host developing countries, they tried to examine the impact of these countries to see if they were helping or detrimental to development of developing countries. In order to reach results based on facts, they examined the positive and negative effects of the work of multinational companies in developing host countries to find out which one is more influential.

They found that, there are both positive and negative impacts of FDI on the developing host countries. The positive impacts are represented as follow: economic growth, capital formation, technology transfer, poverty alleviation, employment generation and building competence and skill. While the negative impacts are: prevent autonomous development, the outflow of capital, exploit worker, environment pollution, and tax evader and health and safety risks. To reach these results they work on three case studies of multinational companies which

are: Phillips Petroleum Company, The Abidjan Tragedy and Trafigura and Mixed Record. They mentioned at the end of the research that the impacts of FDI on developing countries may be positive or negative depending on a variety of variable, mostly related to the developing host country policies.

While Aghion et al., (2012), focus on the multinational companies and the growth in developing countries, they investigated the reasons behind the lack of reallocation in developing countries. They conducted a comparative study between companies in the USA and local companies in developing countries, and they noted that companies in America are growing rapidly, while the ones found in developing countries face little growth. They looked at the causes and found that the main factor behind weak growth of companies in developing countries is social capital, this is due to the fact that employers do not employ members outside the family for several cultural reasons. They also mentioned that all these results are verified by data from huge multinational companies.

Hunya (2012), searched on the changing role of multinational companies which are active in 27 European Union countries in the global economy and she compared this changing role to roles in major regions of the world. In her report she presented conclusions regarding the framework conditions for global development scenarios identified in the framework of the international research project of the European Union's seventh Framework Program. She also summarized the findings of recent research on corporate internationalization and international sourcing strategies and analyzed the statistics of the balance of FDI payments. Moreover, she distinguished between two main forms (investment value and business activity) of investor entry into foreign markets for seed Greenfield investment projects based on available data. Also, she summarized the findings in the framework of a project which included 10 years of

expectations regarding possible future changes in terms of FDI's led by multinational companies.

In the doctoral thesis Ascani (2015), focused on the aspects of multinational companies in the global economy. She analyzed her thesis by dividing it into three parts: The first part of her thesis was about analyzing the multinational companies' greenfield investment location strategies (is a form of strategies followed by multinational companies which involve building everything the multinational companies needs while investing abroad, these strategies may include all the steps of business, from plant construction to marketing and distribution channels.) in the period from 2003 to 2006. She concluded this part with the result that the motives for foreign investment cannot be limited only to increasing profit and access to global markets. Moreover, differences at the industrial level may affect the location strategies adopted by these companies. The second part of her thesis was about the selection decisions of multinational companies engaging in cross-border acquisitions from 1997 to 2013, she concluded that establishing successful commercial links by multinational companies inside and outside the national markets could be a valuable goal for cross-border acquisition decisions that these companies are aiming for. The third part was about the impact of multinational companies on host countries which was between 2001 and 2006. She found multinational companies contribute to enhancing the innovative performance of the local economy of the host country.

On the other hand, Mghili (2014), aimed to understand the impact of multinational companies on state sovereignty, she started from highlighting the emergence of multinational companies and the stages of their development reaching the appropriate definition and the real impact of these companies on state sovereignty. She reached that multinational companies are interfering in steering countries policy in a direction of weakening a decision that doesn't serve

their interests and they help with their influence and money to achieve their interests regardless of the interests of the host countries.

Moreover, multinational companies have become today the driving force in the global economic system as a result of their control over large natural resources and their control over the most important economic activities in the world which give them the power to impact the state sovereignty. Mghili also found that multinational companies control more than three-quarters of technology and FDI flowing globally which make states cannot put laws can restrain these companies. Besides, it is impossible to coincide with the strategy of multinational companies, which is by its nature global strategy with the strategy of development in any developing country.

Mghili recommended reviewing the relations between developing countries and multinational companies. She also recommended countries to adopt a supervisory system on the work of multinational companies with the aim of preserving the wealth and sovereignty of nations.

In his article, Morgan (2001), examined why multinational companies are a unique political player in the political area. He focused on the political power exercised by these companies to influence the decision-making process and political power because they do not only affect as economic players, but rather they have become entities that influence the direction and the use of power in the society. Morgan found that multinational companies play an important role in influencing the authority through the financing process, because financing election campaigns makes them a major player in influencing the decision-making process.

Interestingly, Evren (2006), analyzed the development, the change of position of multinational companies and the extent of their influence on international relations beside the

historical development of multinational companies that have important historical milestones in their development, definition, concepts and their changing power capabilities and their effects on the nation-states and international relations. He also focused on studying some case studies of some largest American multinational companies that provide answers to questions such as to what extent can American multinational company's effect inter-state relations or how do they become equivalent actors as nation states. He found that multinational companies have always been important actors in the international economy and gradually began to acquire another role in world politics because states willingly or unintentionally begin to share their rights with multinational companies.

Moreover, even found that the influence and increasing importance of these companies on global politics will be more on nation-states, which will make these countries add these new actors to their power calculations. In addition to government policies on taxation, economic relations and environmental issues will be developed in line with the influence of multinational companies. Even also found that the impact of these companies will not stop at the economic and political levels, but it will continue to gradually encompass all areas of life.

Furthermore, these companies will continue to grow and influence international relations with new and possibly unexpected outcomes in the future. He also pointed out that American multinational companies will remain one of the most important actors in American politics in the coming years in new issues.

Ecevit (2008), explained the concept of globalization and multinational companies, risks and political risk beside the effects of globalization on the world and the history of multinational companies. He also examined the concepts of risk and political risk as a result of this period. He emphasized that the management of the political risk factor in the success

achieved in the investments of multinational companies in globalized world should not be forgotten.

Filazi (2020), studied the role and the position of multinational companies in the era of globalization, their effects on state policies and their role in coups (this case was studied through three coups that took place in Latin America). She found that those companies which increased their roles with the globalization era are not always limited with economic activities because they can sometimes have a negative impact on state policies in underdeveloped countries because their direct investment created interdependence between states and governments, which made these companies able to use these investments as a tool to manipulate to achieve their political goals. All of these reasons make governments in underdeveloped countries take into account their relationship with various companies while developing political laws.

Nonetheless, it has been noticed in the analyses upon Chile, Bolivia and Guatemala that multinational companies had a role in the coups that happened. This role was to use the opportunity to control the local political life of these countries and to intervene in the overthrow of the president that did not suit their interests by offering bribes to workers and authorities, providing benefits and services, and controlling the media (Filazi, 2020).

Kim & Milner (2019), research was from 1991 to 2019, they started by introducing a novel dataset of lobbying in the US encompassing lobbying activities of all public firms. Then they used the difference-in-difference strategy to estimate the influence of multinational companies. They found a strong evidence of increased lobbying expenditures when companies become multinational. Also, the multinational companies tend to lobby more on foreign policy issues.

According to Aidi (2016), focused on the impact and the position of multinational companies in Moroccan political decision-making process. He confirmed that any political decision is made after putting in consideration the economic benefits while all the Moroccan politicians have business. He summarized that there is an important impact of multinational companies in Moroccan political decision. Through interfering in directing the state's policy by weakening the decision that does not support their interests, using their money and their economic power regardless of consequences of it (Aidi, 2016).

Leonard (1980), mentioned that the focus on the influence of multinational companies on the policies of developing countries has been increasing in the recent period. Moreover, he states that the needs and the wants of local political actors are fundamentally important in determining the course of influence of multinational companies on the politics of the developing country in which they are located. Besides, it is necessary to focus on the local political conditions of the developing countries while studying the impact of these companies on the politics in order to obtain more accurate results.

Pulignano et al., (2014), emphasized the need to study the processes and means that multinational companies undertake to increase their power in society. In order to undertake this type of study, they noted that the power and politics of multinational companies must be understood to be able to address their transnational character, and linking the study to headquarters and subsidiary headquarters of these companies and involving the actors to obtain certified results. Furthermore, they mentioned in their article the most frequently asked questions by articles in this field. They found that these companies increase their influence in society by focusing on the decision-making process because they are actors who use their power to shape the conditions that help increase their productive activities. They also interact

with local and national authorities, political and interest groups constantly to maintain what they have reached (Pulignano et al., 2014).

While Levy & Prakash (2003), focus on the subject of multinational corporations in global governance. They developed a classification of system types based on the goal of the regime and the location of the authority taking into account some general and special elements, they also pointed out that the companies' efforts to establish market empowerment systems at the international level and their work to keep social organization under national authority are only generalizations because the preferences multinational companies develop are based on costs of political participation and competitive considerations. Moreover, they argue that the global governance institutions are the result of a series of negotiations between companies, states and non-governmental actors. They mentioned that the approach taken by them in the article is different from its predecessors since it recognizes the multi-party nature of negotiations of multiple sources of power.

Detomasi (2015), argued that the study of the role played by multinational companies can be strengthened through a more comprehensive study of the types of capitalism that exist in the global economy today, he also argued that the ability of multinational companies to participate in the governance activity depends in part on the national systems of relationships between governance and the existing business in local markets, and the decisions made by these companies regarding their participation in governance and how they will participate are partly based on the local system of relationships.

Moreover, he mentioned that the current concepts of political corporate social responsibility are limited. He also gave some suggestions on how to explore a question (he claimed the reality was being asked) by those interested in the future.

In the research Geppert et al., (2016), they trace some conceptual developments in order to be able to highlight the opportunities for integrative advances. They also used a classification that distinguished four aspects of authority in administration and organization. They then discuss how focusing on these dimensions might help them to understand and see the different aspects of power relations and politics in multinational companies. To reach the results, they used a four-faceted framework to define how the two approaches could integrate with each other to develop and understand politics and power in these companies. Finally, they gave suggestions to assist future research.

Upon taking a first look, the reader thinks that there is a great similarity between these studies and what this thesis focuses on, while in fact there are big differences.

If we focus on the economic level, we find that the studies dealt with in this chapter above were limited in this area without focusing on the influence of other fields or the influence of the power of multinational companies in other areas on this field. Moreover, most of these studies were geographically limited in the sense that they focused on a specific region or some regions. After all these observations, it can be said that these specific studies are completely different from this study, because what these studies were aiming for was to reach answers in the economic field, whereas this study is aiming to start from the economic field with the aim of reaching the answers in the political field.

In other words, this study aims to discuss the impact of multinational companies on the international economy and how this power gives them the ability to influence the political field. Which leads us to our next category, the one that focuses on both the economic and political level. We find that they focus on different points that are different from the point that this thesis is focusing on.

If we focus on the political level, on the one hand we find that some previous studies related to this field were geographically limited, this is the biggest difference between these studies and this study without the need to search for other differences or similarities, knowing that these studies are different from this study as they focus on other political aspects such as coups and others. But this does by no means express that there are no studies in this same area that covered a higher / wider range from a geographical point of view; for that there are many, however they were not discussed in this chapter of this thesis.

On the other hand, when we focus on the other studies discussed in this paragraph, which are also classified in the political field, we note that these studies aimed to analyze the impact of state sovereignty or the change of position of multinational companies on international relations, multinational companies risks and political risks, the role and the position of multinational companies in the era of globalization, their effects on states policies, etc. whereas, none of the studies above have addressed how multinational companies influence global politics, the relations of states and governments reaching international organizations by using their economic power. While the aim of this study is to reach the answer to this question.

3.THE IMPACT OF MULTINATIONAL COMPANIES ON INTERNATIONAL ECONOMY AND THE ECONOMY OF THE HOST COUNTRY

The international economy in general is defined as an international system including the countries of the world and its various parts as members dealing with each other through a specific mechanism which is the market and this interaction takes the form of international exchange (Lazrak, 2005).

Multinational companies are the dominant force in the global economy, it operates through a complex network of organizational structures, it also engages in international production operations according to an integrated global system as well as it is the primary driver of globalization which represents the main determinant of the path of growth and development in various countries of the world (Baadach, 2002). Therefore, it can be said that these companies are globally active which are considered from all sides as a basic in the global economy. Moreover, they strongly influence the international economy and the economy of the host countries through their different activities. Suffice it to point out in this area that the giant companies with huge financial capabilities play the role of the leader in the scientific and technological revolution and therefore they deepen the trend towards globalization and the globalization of the economy (Niima, 2015).

3.1 THE GROWING POSITION OF MULTINATIONAL COMPANIES IN THE GLOBAL ECONOMY

The position of multinational companies in the global economy has increased over the years as they have acquired a significant position in this field. There are many indicators that indicate the growing position of these companies which have a great global activity. The most important indicators include the following:

- The assets of the multinational companies amounted to 32.2 trillion dollars only in USA, these companies control most of the FDI in the world (Mansour, 2012).
- The development of the capabilities of the multinational companies is taking place very quickly, as the rate of growth of their activities in recent years has reached more than 10%, while the rate of growth of capitalist countries has not exceeded 4% which indicate an increase in the role of these companies in the future (Nousad, 2007).
- Multinational companies control more than 70% of international trade and about 25% to 33% of global production (Center for Research in Applied Economics for Development, 2015).
- Only five companies control more than half of the globalized market in the main sectors of the air industries and electrical appliances, electronic components and information programs and two companies control fast food activities (Said, 2017).
- The multinational companies employ large number of workers, as they are considered a huge manpower that the number of users of some of them exceeds the population of many countries, the number of employees in the American company Walmart reaches 2.100.000 workers, and this number reaches more than 2.600.000 workers at National Petroleum Corporation, the number of employees in the French company Carrefour is approximately 500000 workers and these companies are spread all over the world. For example: the German company Daimler Benz has branches in 170 countries (Sadiki, 2018).
- About 80% of the world's sales are through multinational companies, this indicates the enormity of their marketing and production capacity that enables them to influence an important part of the international trade movement (Samarai, 2016).
- The market value of some companies exceeds the total foreign exchange reserves of some countries. For example: the market value of "Apple" exceeds the total reserves of

20 Arab countries in foreign exchange, including the Gulf countries with the exception of Saudi Arabia, which has the largest reserves of 533 billion dollars at the end of February 2017 (Ajazeera center for research, 2018).

- It is possible to point out the vital role of these companies play in accelerating the technological revolution, through them the proportion of modern technological discoveries that were the result of the research and development efforts made by these companies has increased (Najm, 2006, p 24).
- The gold prevailing assets and the reserves available in the multinational companies have exceeded twice the reserves, this indicator has a hand on the amount of these companies controlling international monetary policy and global monetary stability (Niima, 2015).

All these statistical data reveal the magnitude of these companies, the diversity of their activities, their wide geographical spread and their financial technological and scientific strength leads to the belief that these companies have become at the present time the first actor on the level of international economic relations (Mansour, 2016).

All of the above mentioned was an indication of the position of multinational companies in the global economy, but it must be known the factors that formed this strength, status and significant growth of these companies, which we summarize as follows:

First: the new international division of work (the new division is based on distinguishing between the stages of the production process, as some of these stages are implemented in countries and others in other countries within the framework of full control of multinational companies (Chandler, 1993) between the countries of the center and the countries of periphery remains, it is the pattern imposed on the group of recent countries to specialize in the production and exportation of raw materials and in return they import their consumable and productive

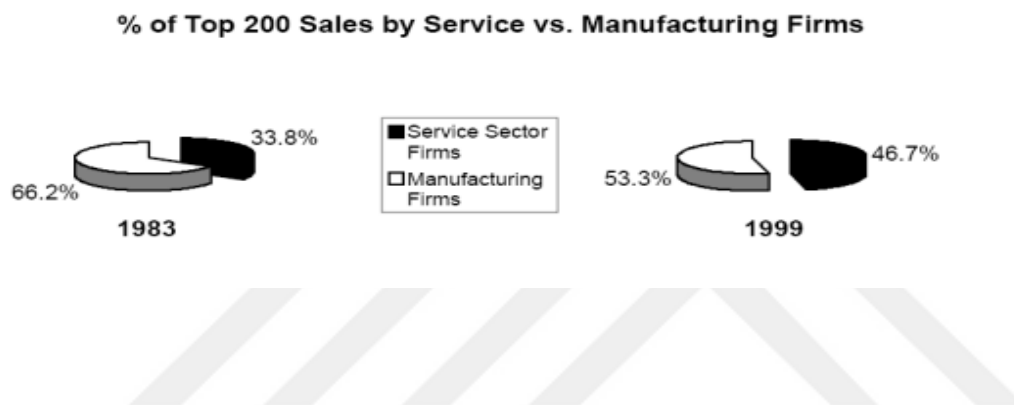
goods and foodstuffs, thus, the center countries were able to control the periphery countries and obtain their dependence technically, commercially and financially. Due to the new division, the added value of the multinational companies remained steadily above 80% until 1973, and the percentage of imports from the world's least developed countries increased by a large and ever-increasing rate. However, these countries benefited no more than 25% in 2005 because the multinational companies have started to open branches in these countries to make the most of the profits (Houben, 2010). For example: the first offshore assembly line in the semiconductor industry was established by Fairchild company in Hong Kong in 1962. In 1964 General Instruments transferred part of the microelectronic assembly to Taiwan, in 1966 Fairchild opened a factory in South Korea. Around the same time, several American companies set up semiconductor assembly lines in the Mexican border area (Dicken, 1992).

Second: the phenomenon of unequal exchange between the countries of center and the periphery countries, this phenomenon is due to the disparity in the levels of wages between these two groups of countries (Abdullah, 2015). Moreover, this phenomenon expresses itself in the deterioration witnessed by the relative relationship between the export prices of goods and raw materials produced by the countries of center in exchange for the prices of manufactured goods produced by the countries of the center, where the latter was able to absorb and plunder a large part of the economic surplus achieved in the countries of the center (Naji, 2009). This phenomenon contributed to the movement of capital accumulation in the industrial capitalist countries.

Third: the international monetary system, whose foundations were laid down in the Bretton Woods Agreement in 1945, the system through which the US managed to make the US dollar the international currency and the source of global liquidity, this system charted a stable

framework for the growth of international trade and foreign investment (Ghadban, 1994, p 597).

Moreover, IMF has promoted reforms to lift restrictions on investment in banks, telecommunications and other sectors, this helps to open new markets for multinational companies in many sectors and territories (The National Center for Legal Public. 2014). The total sales of the top 200 multinational companies which was made by service departments increased from 33.8% to 46.7% (Cavanagh & Anderson, 2000).



Fourth: the phenomenon of internationalization has increased within the global capitalist economy system, a phenomenon that has been led and deepened by a group of multinational companies (Lazrek, 2005).

3.2 THE CHARACTERISTICS AND IMPACT OF MULTINATIONAL COMPANIES ON THE GLOBAL ECONOMIC SYSTEM

3.2.1 THE CHARACTERISTICS OF MULTINATIONAL COMPANIES

It is very natural for anyone to ask how multinational companies can influence the global economic system and what are the things that make them affect it? Which indicates that these companies have characteristics that distinguish and make them strong to the degree of impact, these are the characteristics of multinational companies:

3.2.1.1 The magnitude

The magnitude of multinational companies are distinguished by their enormous size compared to the size of other economic projects of the home countries, They represent gigantic economic entities, and among the indicators that indicate this characteristics is the huge size of capital, the size of their investments, the diversity of their production, the sales figures and the revenues they achieve (Mohamed, 2009).

This table is showing the World's top 10 largest multinational companies' revenue in 2015 in order to understand the magnitude of these companies:

Company	Revenues (Million dollar)
Walmart	482,1
State Grid	329,6
China National Petroleum	299
Sinopec Group	294,2
Royal Dutch shell	272,1
Exxon Mobil	246,204
Volkswagen	236,600
Toyota Motor	236,592
Apple	233,715
BP	225,982

Source: Omran Center for research. The largest 10 companies in the world. Turkey, Istanbul. 2016

3.2.1.2 Variety of activities

The multinational companies are not limited to the production of one main commodity but are sometimes accompanied by-products, the real motive for this diversification is the desire of the higher management to reduce the possibilities of loss, because if they lose in an activity they can profit in other activities. This is what some economists (Sayf & Alfaneq), described as these companies replaced the economics of scope with the economics of sale (Zwina, 2012).

For example, Bosh companies produces automotive parts, power tools, security systems, home appliances, engineering, electronics and cloud computing (Products and Services, n.d.).

This diversity indicates the fact that multinational companies don't produce by themselves only the limited commodities in which components from the production of other companies enter. Therefore, they are closer to the holding company but they are distinguished from it by their interest in research and development, financing and marketing issues.

The most important thing to note in this regard is that multinational companies have dismantled industrial production and imposed specialization in the production of commodity components, then create assembly units and produce these components either as subsidiaries of multinational companies or either smaller companies that subcontract them to turn from the production of a full commodity to the production of some components in exchange for ensuring the disposal of products (Said, 1990).

3.2.1.3 Geographic spread

The market area covered by these companies is very large in addition to their geographical extension outside the borders of the home country due to their possession of the

enormous material and human capabilities, Moreover, these companies have subsidiaries scattered all over the world (Algerian Encyclopedia of Political and Strategic Studies, 2014).

For example: Toyota operates 67 manufacturing companies around the world and markets their products in more than 170 countries (Toyota in the World, n.d.).

This table shows the most important European and Central Asian companies according to their assets and activities in the world in 2015 in order to understand the geographic expansion of multinational companies in the world.

Rank	Name of the company	Home country
1	Royal Dutch Shell plc	UK
4	Total SA	France
5	BP plc	UK
8	Volkswagen Group	Germany
9	Vodafone Group plc	UK
11	Anheuser-Bush InBev NV	Belgium
14	Enel Spa	Italy
15	Daimler AG	Germany
16	Eni Spa	Italy
18	Glencore Xstrata PLC	Switzerland
19	Siemens AG	Germany

20	Telefonica Sa	Spain
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Source: UNCTAD. 2016. World investment report. Geneva.

3.2.1.4 Dependence on global savings

It is common to say that multinational companies are the primary source of foreign investments and many of third world citizens are under the illusion that they have land treasures but the reality is radically different from that because these companies are in need of obtaining increased financing, the starting point in the analysis is that each of these companies looks at the world as a single market and as any company the multinational companies seek to mobilize savings from that market in their entirety (Said, 1990).

3.2.1.5 Mobilization of competencies

Multinational companies do not adhere to the preference of citizens of a particular country when selecting employees (Lotfi, 2005), even at the highest levels of implementation, in the broad sense, the efficiency of performance linked to the efficiency of workers (Rawi, 1995).

The current pattern is to take advantage of the local framework of each affiliate company to produce promising elements and then escalate them to the international framework of the parent company after passing a series of tests and participating in a large number of training courses.

3.2.1.6 Creating alliances and strategic coalitions

These companies seek to establish strategic alliances among themselves in order to achieve their common economic interests and enhance their competitive and marketing capabilities in the world. This type of alliances is evident in some areas, especially in the field

of research and development due to the huge funding needed by this field (Arab planning Institute, 2012).

an example of this type of cooperation is the strategic cooperation between French company Atos and German company Siemens which has started in 2019 and will finish after 5 years (Global Strategic Alliance – Siemens, n.d.).

3.2.1.7 Their products are exported to different countries

Since the productivity of these companies is large and diversified, their products are exported to various countries of the world (Mahmoud & Salim, 2018). These companies' exports of goods and services amounted to 23409 billion dollars in 2014 (UNCTAD, 2015). For example: Apple, Volkswagen. etc. Products can be found easily in various markets of the world.

3.3 THE IMPACT OF MULTINATIONAL COMPANIES ON THE ECONOMY OF THE HOME AND THE HOST COUNTRIES

The home countries are always changing their economic laws in order to make multinational companies satisfied. Moreover, the host countries are changing their economic policy programs towards liberalization with the aim of attracting the largest possible amount of FDI's led by multinational companies hoping to obtain capital, technology and reduce the unemployment. Multinational companies always torn out to the most attractive host countries with the aim of obtaining large profits as a result of the lower costs of labor as well as the exploitation of raw materials at very low prices.

As a result of the work of these companies, they have positive effects on the economy of the home and the host countries, which we will briefly address as follows:

3.3.1 RESOURCE-TRANSFER EFFECTS

Multinational companies can make a positive impact on the economy of a country by providing capital, technology and management resources that could not be available before these companies. Resource transfer can stimulate economic growth of the host economy (Hill, 2000). FDI led by multinational companies can contribute to economic growth by providing foreign capital as well as by mobilizing additional domestic investments (Jenkins & Thomas, 2002). The role played by technology in the economic growth of the host countries is widely accepted. Because it helps positively to the productivity and the development of the countries (home and host countries) (OECD, 1991).

There are some managerial benefits of multinational companies: the first one is providing better training with higher standards to increase administrative efficiency, the second one is searching for new investment opportunities through entrepreneurial ability (Lall & Streeten, 1977). Externalities arising from training received by employees (Dunning, 1993).

3.3.2 EFFECTS ON EMPLOYMENT

There are impacts of multinational companies on home and host countries employment, they could affect the unemployment rate and reduce it since they create job opportunities. For example: Toyota's investment in France. Based on published data (Hill, 2000). Toyota created 2000 direct jobs and another 2000 jobs in supporting industries. These created jobs will affect the economic growth of the France positively. While the most important impacts may be the benefit of the local sector of France by entering into the supply of trade relations inputs for new entrants to the market or by processing a foreign investor's products. By promoting these connections with domestic industries and other sectors, new job opportunities will be created and the economic activity will be encouraged.

3.3.3 INTERNATIONAL TRADE

Multinational companies may have a good contribution to the economic growth of home and the host countries through supporting export growth of these countries. The output of FDI is often export-oriented and therefore the effects of these investments are likely to be an increase in exports from the home and the host country (Kurtishi, 2013). FDI led by multinational companies can create a niche for local firms to export through providing the needed information and the export distribution networks to enter foreign markets (Markusen & Venables, 1999).

3.3.4 EFFECT ON COMPETITION

the presence of multinational companies in a country greatly help in economic development by stimulating local competition which lead to lower prices, more efficient allocation of resources, and higher productivity (OECD, 2002). Increasing competition between companies stimulates capital investments by these companies in factories, equipment, research and development without forgetting the most important which services is in order to distinguish themselves from competitors, this led to the economic growth of the home and host country. Countries should encourage the flows of investments led by multinational companies because of the global and national benefits that they bear and because they stimulate growth through more efficient production and lower prices through increased competition (Julius, 1990).

3.3.5 IMPACT ON TECHNOLOGY TRANSFER

multinational companies Transfer technology to the country in the form of machinery, equipment, production methods of managing production and marketing. Moreover, they also bring scientists and researchers to the home and host countries.

Based on the foregoing, there are many benefits of multinational companies on the economy of the home and the host country.

3.4 THE IMPACT OF MULTINATIONAL COMPANIES ON THE GLOBAL ECONOMIC SYSTEM

The multinational company's availability of all these characteristics and position. Besides, the positive great influence on the economy of the home and host country gives them the opportunity to influence the global economy. This effect is significant and profound on the mechanisms and components of the new global economic system. This effect is limited to the following points:

3.4.1 SPREADING THE GLOBAL CHARACTER

Naturally, multinational companies have played a major role in deepening the concept of global character, which is mainly represented in developing a transnational organized business framework that leads to globalization of the economy including the drive towards unifying an competing markets for goods and services, capital markets, technology and modern services markets, they also support a massive infrastructure for communications, information, media, arts and culture (Nawi, 2013). These companies account for about 80% of sales volume globally (UNCTAD, 2013). The multinational companies operating in the auto industry in the field of sales dominated the center stage as General Motor Company took the lead with the volume of sales estimated at 6176 billion dollars, and Ford Motor Company with 162 billion

dollars, then the oil industry company, the electronic and electronic equipment and devices ranked third at the global level (Journal of Baghdad College of Economic Sciences University, 2012, p 57).

This table shows the countries of Europe and Central Asia which are considered in the first place as a source of FDI and that dominated the global market in Europe and Central Asia in the first months of 2015:

rank	Country	Profits (milliard dollars)
1	UK	300
2	Japan	129
3	China	128
4	Netherlands	113
5	Ireland	102
6	Germany	94
7	Switzerland	70
8	Luxembourg	39
9	Belgium	39
10	France	35

Source: UNCTAD, 2016. World investment report. Geneva.

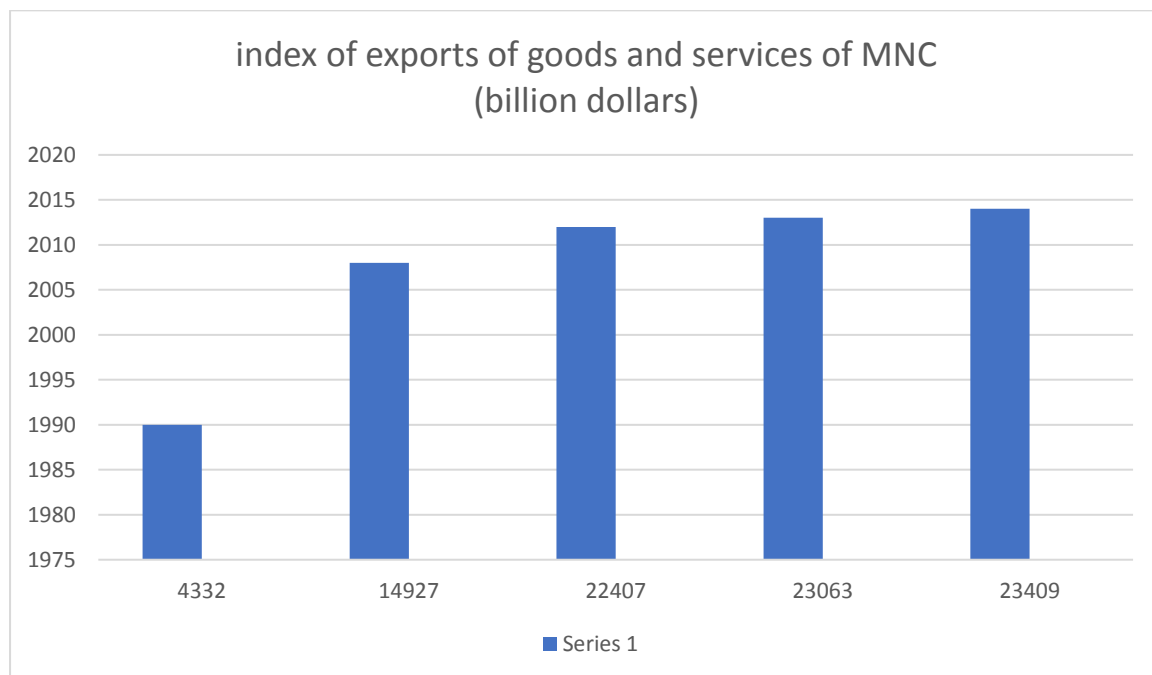
3.4.2 IMPACT ON THE INTERNATIONAL MONETARY SYSTEM

The multinational company's possession of liquid assets and large international reserves have managed to influence monetary policy and global monetary stability by controlling global financial markets and international institutions (Bikhaf, 2010).

3.4.3 IMPACT ON INTERNATIONAL TRADE

As previously mentioned, multinational companies control a very important share of international trade, as a result of these companies owning a large percentage of trade volume and international sales traffic. These companies account for 40% of the volume of international trade (Clausing, 2000).

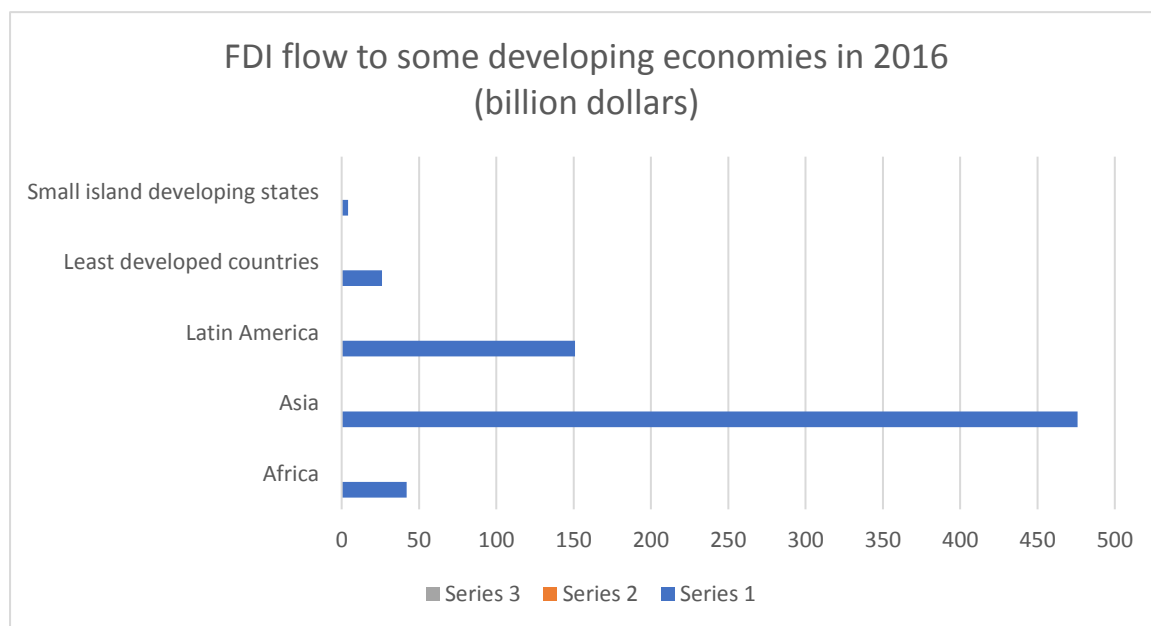
Also, the exports of these companies are constantly increasing, as they were 4332 billion dollars in 1990 and reached 22407 billion dollars in 2012, and in 2014 they reached 23409 billion dollars (UNCTAD, 2015).



Source: UNCTAD. World Invest Report. 2015.

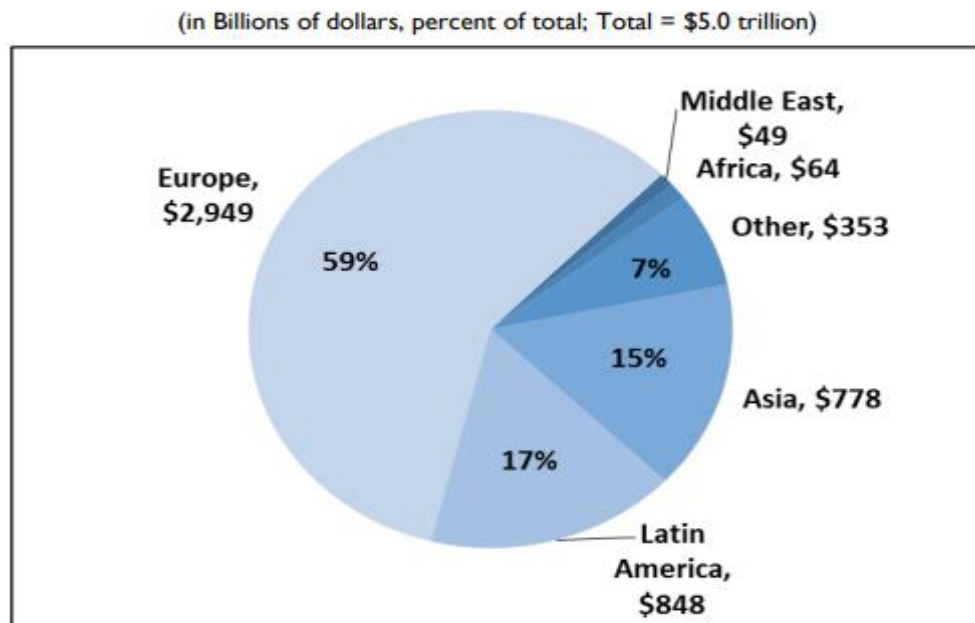
3.4.4 IMPACT ON THE INTERNATIONAL INVESTMENT TRENDS

estimates of the international report issued by the United Nations in 2017 indicate that the volume of international investment flowing into the developing countries amounted 671 billion dollars in the year of 2016 (UNCTAD, 2017).



UNCTAD. World Invest Report. 2018

Multinational companies implement the largest part of international investments annually and it is noted in this field that the investment map is affected by the direction of the investment activity of multinational companies. This figure shows the US direct investment abroad by major area in 2015



Source: congressional research service. US direct investment abroad.2017

3.4.5 CREATING NEW STYLES OF SPECIALIZATION AND INTERNATIONAL BUSINESS DIVISION

The interaction of the impact of multinational companies on global trade and the trends of international investment has led to the formation of new patterns of specialization and the division of international work, production and investments decisions have been taken from a global perspective in accordance with economic considerations with regard to cost and return (Alkhatib, 2009).

The growth of the investment, production, marketing and commercial activity of the multinational companies and the technological revolution created by providing new possibilities for specialization all led to the existence of new patterns of specialization and division of labor (Egyptian Society for Political Economy Statistics and Legislation, 1995).

3.4.6 IMPACT ON TECHNOLOGY TRANSFER

Multinational companies have come to dominate the production and distribution of technology which is the main factor in new technologies across the world through:

1. Transferring technology to the country whether in the form of machinery and equipment or in the form of production methods of managing production and marketing.
2. Exchange between scientists and researchers (research center)
3. Sale of manufacturing trade or patent certificates.

For example, the spending on research and development in EU is 4% of its GDP in 2020 (Albu- 2011 – Research and Development Spending in EU 2020. Pdf, n.d.) which means that all the results obtained will be transferred to the branches of companies, whether inside or outside Europe, which will lead to the transfer of development and technology globally.

Hence, there are effects on the countries receiving the technology and this is in terms of the true cost of the technology and the degree of adaptation of this technology to external environmental conditions.

To demonstrate the power of the influence of multinational companies on the global economy, we recall that the US airlines Boeing was subjected to a violent crisis after the crashes of two 737 MAX aircraft (the world bestselling aircraft) during the months of October 29, 2018 and March 10, 2019 which led to a global ban on take-off of this model. In a study by the economist Michael Pearce from the Economic foundation for economic analyzes, he stated that the decisions to ban the take-off of Boeing 737 aircraft were reflected in the second quarter on companies investments in the armaments industry and on exports, and caused a reduction in the average rate of growth expected for US economy over a year to 0.25 percentage points (Zhang, 2019).

Based on the foregoing, it can be understood that multinational companies play a vital role in the economy of the home and host countries. In addition to their positive effects on the global economy. According to the World Investment Report 1992, since the 1990s, multinational companies have become the central and main regulator of economic activities in an increasingly connected global economy (UNCTAD, 1992).



4. THE POLITICAL ROLE OF MULTINATIONAL COMPANIES

The issue of the role of multinational companies in international relations and their role in the politics have received interest in academic researches (such as books, dissertation and thesis) and the field of political science and international relations.

The growing economic prominence of the multinational companies was accompanied by their political prominence. The role of multinational companies in politics was discussed in a group of international institutions such as the International Labor Organization, the Organization for Economic Cooperation and Development, the European Group, the US Senate and the United Nations General Assembly (Nye, 1974).

Multinational companies have become a major tool in the production of effective strategic projects, they have also become an integral part of the developmental political scene. Algeria and Sudan, for example, are both impoverished countries (Pereira, 1978). Furthermore, they have risen to become one of the most important players in politics and international relations (Holland, 2010).

Multinational corporations are important in decision-making and directing policy in general and in directing political decisions that are related to their economic interests in particular because it is one of the recent phenomena that have emerged in the state arena due to their economic influence that automatically gives them political power to influence the direction of internal or external policy of countries (Peterson, 1995).

4.1 WAY OF INFLUENCE AND METHODS USED BY MULTINATIONAL COMPANIES

There are several methods used by multinational companies in order to influence the countries' policy, including direct way of influence, which means the intervention of companies in other countries policy without the need for the government of their home country, and indirect way of influence, which happens through influencing the government that can influence the way that is in the interest of these companies. The methods used by these types of companies are:

4.1.1 MILITARY INTERVENTION AND OVERTHROW OF REGIMES

Multinational companies have been directly playing a vital role against state policies for years, after the first world war, the multinational companies that emerged behind the scenes while sharing Middle Eastern Oil ensured the creation of states that would work for them in Central America and Middle East in the postwar years, for this reason they caused many coups (Vogel, 1998).

In 1950, when Arbenz government decided to nationalize United Fruit Guatemala's land in its own country, the company participated in the overthrow of Arbenz government by means of a coup that declared a relationship between the Soviet Union and the Guatemalan leadership (Charles, 1974). However, Guatemala had no connection with the Soviet Union during this period (Cerid, 1965).

In 1953, the ouster of Mosaddeq in Iran is one of the famous examples of the direct role of multinational companies in state policies. Iran was considered a pioneer in oil production in

the Middle East in 1951 with Anglo Iranian Petroleum Company, where the producing countries wanted to divide the company (Al amine, 2010).

However, Mosaddeq was opposed to the division and he first offered to reconsider the agreement, but as a result of the company's rejection of this proposal, Iranian oil was nationalized by Mosaddeq. During the 1952 oil crisis, oil corporations based in the United Kingdom and the US were prohibited from acquiring oil from Iran (Holsti, 1995).

Two years after the nationalization decision, Italian and Japanese companies not affiliated with the international cartel loaded oil from Iran despite all the obstacles (Gasirowski, 1987). However, the reaction was remarkable, and the Anglo-Iranian company, which had partnered with the CIA company secured Mosaddeq ouster in 1953 (Ari, 1978).

In 1971, Allende's predecessor came to power in Chile through the ballot box, the latter was a socialist who led a broad alliance after defeating the representatives of the Chilean bourgeoisie and their allies. But the giant communication company ITT planned a military coup in coordination with CIA and segments of the large Chilean bourgeoisie represented by the army under the command of General Pinochet and from that time this general ruled the country until 1990 (Sigmund, 1974).

Since the role of ITT in the overthrow of the Chilean government was revealed after the leaking company papers revealing the cooperation between ITT and the CIA to backtrack on the election of socialist leader Salvador Allende (The Pinochet File, n.d.) there was a growing concern about the issue of political role played by these huge companies in the internal affairs of the host countries, then there was no hesitation in submitting a report to Secretary-General of the United Nations in 1974 (UN, 1974).

Military pressure takes many forms such as supplying military advisors and arming as happened in Congo and Angola. We also find chaotic interference by moving military aggression from one of the allied countries on the other, there are many examples but the most important ones are the numerous Israeli wars against Palestinians people (Badir, 2015).

Military intervention is also carried out through movements of religious and political extremism that support their interests, the American Arco company and its Saudi partner Delta Oil in cooperation with the US intelligence service CIA financed the Taliban with weapons to control Afghanistan with the intention of building an oil pipeline linking Central Asia with Pakistan (Chafii, 2015).

Multinational companies in the host countries can participate in the ongoing political struggle within the host country, the method of intervention is simple here as it is based on supporting movements that support their interests or by using social media to affect government of host countries.

4.1.2 TECHNOLOGICAL IMPROVEMENT

The great development witnessed by the multinational companies in the field of technological development and the development that defines the era in various areas of life helped to achieve vital results for these companies. However, this aspect is often used as a weapon to pressure the host countries (especially developing countries) to interfere in their internal affairs because technology here is a tool of economic dependence, the control of some multinational companies in the technological field has reached a level that has made them have great economic, political and social dominance. For example: IBM company for the manufacture of computers has a monopoly on a global program for training technicians to use these computers (Aidi, 2015). Another example that can be given in the acquisition by some

multinational companies of legal monopoly power in one service or certain services, such as Google's monopoly on search (search engine, e-mail server, map generator, and word processor) (Bauer, 2010, p 733). Google has used its monopoly power in recent events in Palestine, as Google Earth continues to show the Palestinian lands with low accuracy despite the presence of high-quality images captured by satellites to the extent that it has reached the point that the cars are not clearly seen in Palestine while the latter can be clearly seen in other countries in order to diminish the extent of the devastation inflicted on the regions in the last war (Aljazeera, n.d.). Apart from that, Apple's acquisition of the mobile platform market by 71% (Kotapati et al, 2020, p 1). The monopoly has reached such an extent that the alternative to not participating in this program is the lack of research in the field of electronic computers.

Moreover, the monopoly of Google and Facebook on digital advertising since the emergence of this kind of marketing (Report from Faculty of Media, Beni Suef University, 2019).

4.1.3 PROVIDING LOANS TO HOST COUNTRIES

The operations of bank loans to host countries (developing countries) began in 1974 and increased more and more as a result of these countries dependence on import policy. For example, a USA bank obtained 20% of its profits as interest from loans directed to Latin American countries of which multinational companies had a share (Abasi, 2009).

In the context of improving the productivity of small and medium-sized companies and boosting exports, Chile sought loans to develop technology, promote exports and train workers through internal and external sources, one of which was multinational companies (Rosales et al., 2015).

The process of giving loans reflects the policy and orientations of banks that grant loans towards some countries and towards investing in monopolistic relations to direct policy in partnership with multinational companies. In 2020 loans channeled through US banks went to central America was 533.2 million dollars, and 451.7 Million dollars to Colombia, 172.5 million dollars to Haiti, 157.9 million dollars to Mexico and 35 Million dollars to Venezuela (Congressional Research service, 2021, p 10).

4.1.4 MEDIA AND PUBLIC OPINION

The media development plays the primary role in affecting public opinion that multinational communication companies try to influence. Moreover, they play in the field of media globalization the role of guidance, adaptation and influence (Botaleb, 2004).

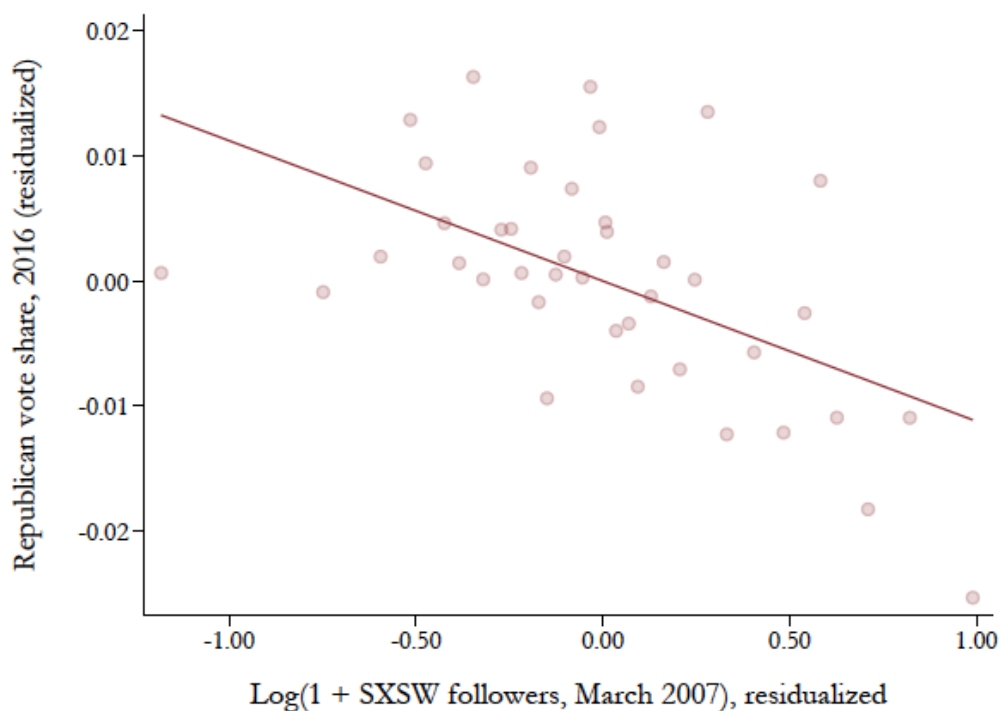
Multinational companies use media to impact the citizen's opinions in order to achieve their political or economic goals or at least affect their direction. The best example for this is when some US companies in Mexico organized an advertisement in order to boycott an anti-American newspaper named Excelsior (Nye, 1975).

The influence of multinational companies on governments goes beyond the mere possession of effective media and the ability to direct government policies to influence the conditions for forming and holding positions in governments, even in a country like USA (Sayid, 1990, p 68). It is well known that public opinion plays the decisive role in choosing governments for a country like the US (Burstein, 2003).

However, public opinion itself is largely subject to ideological and social institutions in shaping its trends the large business community plays a fundamental role in financing and managing them. By influencing public opinion, large business firms can influence voting

behavior and thus choose government (Mizruchi, 1989). During the 2016 presidential election in the US, it was discovered that for every 10% rise in the number of Twitter users in the country, the vote quota for Republican presidential candidate Donald Trump was lowered by 0.2% according to Fujiwara et al. (2020).

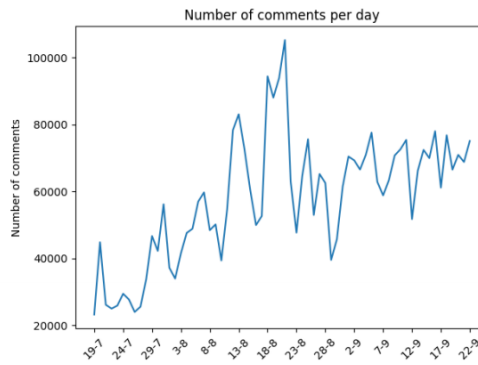
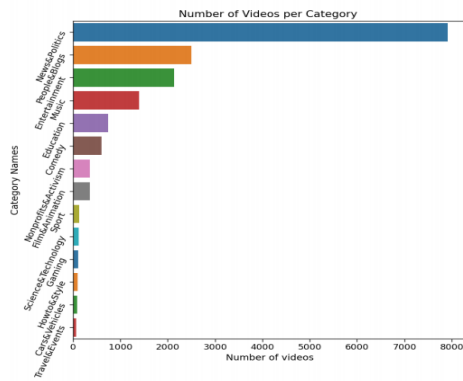
This figure is showing that.



Source: Allcott & Gentzkow (2017) Social media and fake news in 2016 election.

From the election tweets, all video links were extracted on YouTube and 16642 videos related to the 2020 presidential elections in USA were found (Shevtsov et al., 2020), which explain how it can affect public opinions which will automatically affect elections.

These figures are showing the number of videos and comments published on YouTube per category during the election of 2020:



Source: Antonakaki, Fragopoulou & Ioannidis. 2020. A survey of twitter and Youtube research: Data model, graph structure, sentiment analysis and attacks.

In 2020 US presidential elections, especially between March 1 and Election Day, Facebook removed more than 265000 pieces of content since they were violating voter interference policies (US-2020-Elections-Report.Pdf, n.d.).

In a study, in order to determine the effects of social media use on voter choices, a questionnaire were applied to a total of 100 people, 52 men and 48 women in Kocaeli in Turkey taking into account the percentage of social media use, the duration of use, the level of education, and occupational groups, the research found the following: it has been determined that politicians and political parties can collect more votes when they communicate their mission and visions to the electorate using social media (Kara & Isman, 2019).

The policies of social media companies contribute to impending political activity in some countries or in supporting it in others (Youmans & York, 2012). On the other hand, social media corporations' rules priorities politics (Wolfsfeld et al., 2013). For example: social media companies such as Facebook, YouTube and Twitter played an important role in the Arab Spring, as they were means of communications messages between local participants and stimulating the international response, especially at a time when revolutions were taking place (The-Role-of-Social-Media-in-the-Arab-Spring-18e8vyw.pdf, n.d.). As also mentioned, social

media companies could be a drag on politics and delaying the international response. Twitter activity is more than just general use by individuals, its campaigns are considered one of the biggest influences in the trends of the European elections of 2019 through influencing public opinion (Daniel & Obholzer, 2020, p 5). Moreover, the tweets volume on EU election hashtags over the weekend of the elections reached 2.1 million and the top used tweeted issues were Brexit, Climate and the Future of the EU (twitter, 2019). Furthermore, the most mentioned European party was European People's Party, the thing that helped in its success in the elections (twitter international company report, 2019).

Twitter, after carefully reviewing the tweets of the former US President Donald Trump in the presidential elections on his account decided to suspend his account due to how these tweets are received and interpreted on Twitter and outside it in order to avoid the risk of further incitement to violence (Permanent Suspension of @realDonaldTrump, n.d.). Due to the persecution and detention that they have been exposed to for days, the administration of the Twitter social networking platform had blocked dozens of accounts that have publicized or sympathized with events happening in Jerusalem's Sheikh Jarrah's neighborhood (France24, n.d.).

4.1.5 ELECTION FINANCING AND DIRECTING

Multinational companies are active in covering the costs of elections in many countries, including the home and host countries, they are playing an influential role in supporting these elections and are trying to seize the opportunity to obtain good gains and preserve their old gains, they also spends millions of dollars to check on enacting laws that serve their interests spread across the world. For example: the pharmaceutical companies spent 110 million dollars to approve the health insurance law which is expected to yield 5 million dollars in gains

(Aloma, 2015) with 58% of the budget was spent on the media during Donald Trump’s 2016 presidential campaign (Williams & Gulati, 2018).

From 1987 to 2000, a study of 408 multinational companies' investments in 18 developing nations and 35 presidential elections indicated that multinational firms have a political role in the electoral process as they announce a small number of investment projects because they saw that the risks are higher in the event that certain parties succeed, so it was always likely that the incumbents would be replaced by competitors who fulfill the demands of these companies by showing that these parties are the best and appropriate for the country’s progress (Vaaler, 2008).

The interference of multinational companies in the electoral processes of various countries extends beyond the announcement of the electoral results in the event of the rise of the parties and systems that do not serve their interests, these companies mobilize the masses, create social unrest and support movements hostile to these parties financially and logistically.

This table shows the amounts given by multinational companies to the Republican and Democratic Parties in 2000

Name of the Party	Name of the company	The amount in dollar
Democratic Party	AT&T	1.476.138
Democratic party	MCI world com	1.459.029
Democratic party	Philip Morris	1.237.582
Republican party	Enron	1.463.200
Republican party	Chevron	1.460.906

Republican party	Citigroup	1.391.000
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Source: Charles Lewis, the buying of the president, 2000

This figure shows the total spending of all parties in UK election from 2001 to 2017 through the provider of companies.

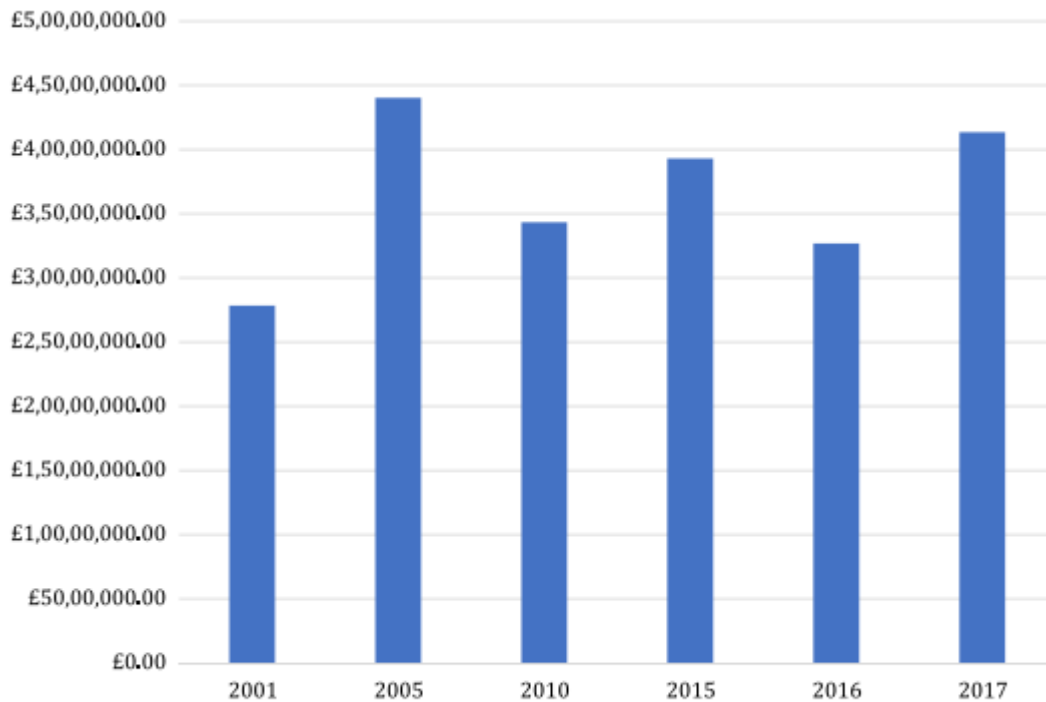


Figure 1: Declared UK election spending totals for all parties, 2001–2017

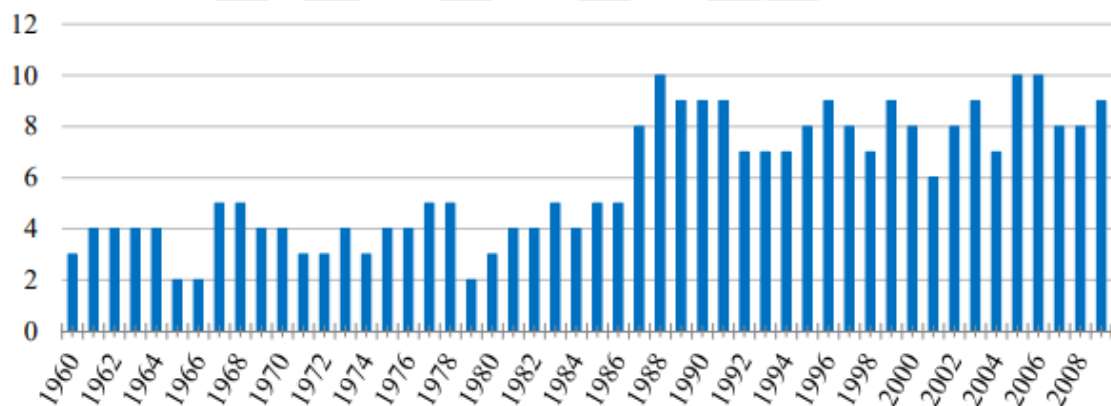
Source: Dommett, & Power, 2019. The political economy of Facebook advertising: election spending, regulation and targeting online.

4.1.6 THE LINK BETWEEN THE GOVERNMENT AND THE BUSINESS SECTOR

These links are represented in the presence of personalities who come directly from the business community or express their interests at the top of the political authority of the state (Mills, 1956, p 5-18). The main source for recruiting these political officials is the business

sector represented by multinational companies, and the percentage of businessmen is a direct source for assuming lofty political positions that is constantly increasing (Ryal, 1993, p 99). In a study by Richard Barnett, it was found that 60% of the top jobs in the departments of state, defense, treasury, commerce and the White House in the US were occupied by personalities with a strong background in the business community, especially finance, industry and law companies (Barnett, 1972). In 2021 there are still congressmen in USA who have their own business as foreign direct investors like Jared Polis who has invested in handful companies including Uber, and Rojer Williams who owns a percentage in the Italian holding company Chrysler Automobiles.

This figure shows the distribution of CEO as governors in USA from 1960 and 2009



Source: Neumeir. 2016. Do businessmen make good governors? Ifo working paper.

Furthermore, there are individuals who have held positions in huge corporations and have moved between these occupations, controlling 32 percent of them (Benarour, 2019). The main source of recruitment for political officials is business, finance, trade and law, and the proportion of businessmen as a direct source of recruitment is constantly increasing. In his study, Barnett confirmed the previous findings regarding what he called “national security directors”. Where he found that the elements with extensions in the large business community

dominate the higher and most influential and important jobs by a large proportion (Barnett, 1972).

The results of a research of 495 of the 500 listed companies in Fortune in 1999 and 2000 showed that 72% of the companies participated in political business, 54% had representatives in Washington, and 38% of the companies supported parties (H. Lansen, 2000).

A survey was conducted in Business Week 2010 about what the public think about the participation of multinational companies in politics of the home country (Sami, 2013), the results were like this:

- 74% believe that companies have a great political power.
- 72% believe that major companies have influence in various field.
- Two thirds believe that these companies can do anything to make profit.

In 2011, More than 50 of 257 businessmen are government bureaucrats, most of them are city managers with other high-ranking bureaucrats (Schneider et al., 2011).

This way of influence is embodied in the channels open for multinational companies to use the global political power of their home countries to influence the political direction of other countries because multinational companies have a regular access to influencing government policies and decisions effectively (Malik & stones, 2018).

4.1.7 PRESSURE METHOD

The ability to influence includes the elements of strategic alignment between goals as well as the ability to pressure and coerce, from this perspective, multinational companies have a political indirect role inside governments, in his study Lansen found that 56.3 percent of firms

continued to lobby, and 54.6 percent were members of political action committees, according to the study (Lansen, 2000). One of the most famous example of lobbying activities is the recognition of most favored country registration status by China America in 1996 where the lobbying activities played the main role, multinational companies placed significant pressure on the Clinton administration, with frequent visits to congressional members to renew the recognition of China's most favored nation registration status, big companies such as Boeing, Caterpillar, the American International group and Motorola have influenced the convention for many years to open up the Chinese market (Dreyfuss, 1997).

These companies have engaged the necessary lobby groups, lawyers and companies to carry out lobbying activities, at the end of that effort, the status was accepted (Korten, 1997). Moreover, in 2012, Chevron began an intense campaign pressure on the government after it imposed a moratorium on shale gas operations (Shahir, 2015).

Multinational companies can influence the content of government policies at home country and abroad even if they don't intend to explicitly intervene directly that takes the form of pressure on the government through the economic power they possess, because governments care about political stability through economic success, as a result multinational companies have become a primary force in influencing the government's chances of economic success (Amine, 2010). This is evident through the influence of these companies over some conditions of the balance of payments, foreign trade, domestic investment rates and employment opportunities (Amine, 2010). The income of FDI for USA in 2018 is 553227 Million dollars (Foreign Direct Investment (FDI) – FDI Income Receipts by Industry – OECD Data, n.d.). The effect on the balance of payments is determined by four factors, which are the exit and entry of direct investment, the exit of payments for foreign investment inside the country and the income proceeds of its investments abroad.

There is another political role of multinational companies which is the government's use of these companies as an instrument of influencing foreign policy.

4.1.8 MULTINATIONAL COMPANIES AS A POLITICAL INSTRUMENT OF COUNTRY POLITICS

Governments are using the power of the participation of multinational companies to guide policy in their relationships with each other because these companies have come to play a role in directing the policy. In other words, governments use multinational companies as a tool to guide policy (Mrakbi, 2005). The USA has undertaken a capital transfer by the multinational companies to strengthen its monetary position in 1960 (Bulmer, 2018).

In 1965 Automobile agreement, the Canadian government achieved its goal by obtaining letters of intent from American auto companies and on the issue of Arctic supremacy it obtained de facto acceptance of her jurisdiction from Humble Oil (Nye, 1974).

In 1971, Nixon imposed economic sanctions against Belgium as a result of which a billion dollars were expelled from this country causing destabilization of its financial position. Kissinger threatened during the Italian elections in June 1976 to cut aid to Italy and reduce the activities of American companies there if a communist government was elected at a time when Italy was suffering from severe economic and financial crisis (Sobhi, 1977).

The oil embargo of 1973, the companies exercised some independence in diverting non-Arab oil to Netherlands and the United States, the Arab countries were able to obtain near full compliance with the company with regard to Arab oil. Even like the Philippines was able to use the threat to nationalize American companies to urge the US government to extend trade in 1960 (Behrman, 1972, p 420).

At the beginning of 2012, rumors began of the Argentine government intervention in Respol Branches in Argentina in order to deliver messages to the government of Spain (Johnson & Webber, 2012). Then, the King of Spain threatened consequence for Argentina's actions regarding the company's activities, and Spain government warned that it would view any action against Spanish companies located abroad as an act of aggression (Romero & Schmall, 2012).

In a study of Ramasamy et al., (2012), found that Chinese multinational companies run by the state are a march to invest in countries of a nature filled with natural sources and raw material and politically stable in order to build strong political relations with countries (Ramasamy et al., 2012).

4.2 THEORIES AND MULTINATIONAL COMPANIES

There are five prevailing theories about the importance of multinational companies that reflect different concepts of the nature of the political economy of these companies which are: Liberalism, Marxism, Mercantilism, realism and neo-realism.

This table is showing the three conceptions of political economy (liberalism, Marxism and mercantilism)

	Liberalism	Marxism	Mercantilism
Nature of economic relations	Harmonious	Conflictual	Conflictual
Nature of the actors	Households and firms	Economic classes	Nation-states

Goal of economic activity	Maximization of global welfare	Maximization of class interests	Maximization of national interest
Relationship of economics and politics	Economics should determine politics	Economics does determine politics	Politics determines economics

Source: Moran. 1994. Multinational companies: the political economy of foreign direct investment.

4.2.1 THE LIBERAL CONCEPTION OF MULTINATIONAL COMPANIES

Liberals like Vernon and Johnson, who promote multinational corporations, believe that there is little correlation between economics and politics, corporations and governments, they expressed their opinion “hold each other at arm’s length” (Vernon, 1971). This view sees multinational companies as an increasing independent actor on the international scene. As this thesis found that these companies started to gain importance in the international scene after the World War 2. Furthermore, the policies of these international independent actors limit the sovereignty of nation-states in an expanding economic and technological interdependence. Which is completely explained in the political part of this research when these companies use different ways in order to influence politics and guide it. Besides, liberals see that these companies represent the supremacy of politics in the interest of peace and global development, world efficiency and welfare (Shahir, 2015) which means that for liberals, the existence of multinational companies is good for world politics even though they have the ability to impact negatively the sovereignty of nation-states (Fahd, 2014).

4.2.2 THE MARXIST CONCEPTION OF MULTINATIONAL COMPANIES

Marxists believe that multinational companies are the latest expression of imperialism and capitalist exploitation just like the nation-state (Mingst, 1999). The thing that completely consistent with the result of this research, as multinational companies are considered one of the most recent expressions of capitalist exploitation because they have many characteristics such as (the magnitude, variety of activities, geographic spread, dependence on global savings mobilization of competencies and the ability to create to create alliances) that entitle them to control the global market by 80%, and 40% of the volume of international trade. Moreover, they may influence the international economic and direct it through impacting the international monetary system, international trade, and international investment trends, creating new styles of specialization and international business division and the technology transfer. Hence, Marxists also see that multinational companies are considered as an instrument for the international class struggle supplanting the bourgeois nation-state for being the most efficient means through which countries with strong capitalist economies can dominate the less advanced economies (Brown, 1995). Based on the idea that any company aims to achieve the largest possible profit and control the market, multinational companies apply the same idea, by virtue of their economic strength, they create competition between them in order to control the market, to the extent that they have reached an influence on the policies of countries in the event that the laws of the latter oppose the interest of these companies by contributing to military interventions and overthrow of regimes, financing and directing elections, using pressure methods, making links between governments and business and using social media for influencing public opinion. Besides, playing a vital role inside international organizations.

4.2.3 THE MERCANTILISM CONCEPTION OF MULTINATIONAL COMPANIES

Mercantilists see multinational companies as similar to the trading companies of the mercantilist period such as the British East India Company as the finance capitalists and free traders that characterized British companies in the nineteenth centuries (Levitt, 1970). Briefly, multinational companies in the world are descendants of the mercantile companies and East India Company that dominated the economy in 18th century. Apart from that, multinational companies are considered as a form of state nation economic expansion (Levitt, 1970).

4.2.4 THE REALISM CONCEPTION OF MULTINATIONAL COMPANIES

Classical realism focuses on maximizing the capabilities of states leaders and their pursuit of power, which makes multinational companies not taken seriously into account (Elman, 1996). Moreover, they see that there could be sufficient analytical space for the influence of these non-state actors on international institutions by expanding classical realism and taking these institutions more seriously (Elman, 1996).

4.2.5 THE NEO-REALISM CONCEPTION OF MULTINATIONAL COMPANIES

Neoclassical realist thought explains multinational companies as domestic pressure mechanisms or interest groups in forming local alliances that in turn determine the behavior of the state's foreign policy (Ripsman, 2009). Furthermore, multinational companies can be placed in a more central role in neo-classical realism by showing how the state is appropriated by businessmen and multinational companies (there is a lot in the literature of comparative

politics) and how this effects policy decisions foreign policy in relation to international trade and global financial policies (Williams, P., 2008).

4.3 THE ROLE OF MULTINATIONAL COMPANIES IN GUIDING INTERNATIONAL ORGANIZATIONS

Multinational companies are the ones that play an important role in determining the political paths in capitalist systems, they also play the same role in determining the parties and people who manage the affairs of those countries and their institutions. Therefore, these companies have the ability to influence the consequence of political paths in any capitalist system that is formed according to the conceptual vision defined by these companies in light of the globalization of production and markets. In light of the increasing importance of investing in these companies, and not limiting the paths to countries only but also including international organizations in return for achieving the largest profit rates (Lmhayf, 2010).

How do multinational companies play a role in guiding international organizations?

International organizations are concerned with the collective interests of the world's bourgeoisies, as demonstrated by their links to the world's bourgeoisies, who run the world's largest corporations among them but first and foremost the international financial and economic institutions, exploit for their own profit.

For this reason, Multinational companies try to play a vital role continuously in guiding these organizations (especially WTO) in order to achieve their interests. However, the major expenditures and loans, for example, are not granted to granting countries until the IMF has approved them. The IMF structures the economies of the countries of the South and provides them with loans on terms that require them to achieve macroeconomic balances, such as keeping inflation below 3% according to the report of Gas and mining project of 2004.

This is reflected negatively on the social policies of the borrowing countries which have resorted based on recommendations of the IMF, to reducing the number of employees and reducing the budgets allocated to education health and equipment within the framework of what is known as policy of austerity and rationalization of expenditures (Moaf, 2009)

Thus, the indebted countries submit their debts to the global banks that are monitored by multinational companies in order to prevent them from concentrating the surplus in their national borders rather that surplus goes back to the developed countries, note that the benefits of debt extracted from poor countries were used throughout the 1980s to keep inflation at low levels ranging between 3% and 4%, as well as to increase the value of investment in global capital sponsored by multinational companies (Cray, 2000).

Multinational corporations used to have a variety of channels by which they might engage international organizations. They were playing their role in guiding through their representatives within the decision-making bodies within these organizations, according to a study conducted by the two American researchers Robert cox and Harold Jacob son on the decision-making process within eight international organizations which are the International Telecommunications Union (I.T.U.), the International Labor Organization (I.L.O.), the United Nations Educational, Scientific and Cultural Organization (U.N.E.S.C.O.), the World Health Organization (W.H.O.), the International Atomic Energy Agency (I.A.E.A.), the International Monetary Fund (I.M.F), the United Nations Conference on Trade and Development (U.N.C.T.A.D). They concluded that representatives of multinational companies were among the most important bodies that contributed to making decisions within international organizations. If this indicates anything, it indicates the representative power of the giant companies within the organs of international organizations (Ewing, 1976, p 345-349). In the EU for example, there are about 15000 specialists in pressure operations within the European

Union bodies, meaning almost every person who specializes in pressure operations for every employee in the European commission, and 70% of pressure specialists from within the European Union headquarters in Belgium represent the interests of multinational companies (Omrani, 2004) these companies also use the method of financing to put pressure on all international organizations and threaten to cut off this funding in the event that decisions are taken opposing their strategies, the company “ Nestle” has threatened the WHO with a halt to supplies it receives if it continues its campaign to promote breastfeeding (Sakhr, 2009).

Multinational companies also rely on the negotiation method from within international organizations and given the availability of these companies to technicians, administrators with high efficiency and skill, they can often win these negotiations in their favor (Walters, 1972, p 127). This is in addition to the fact that multinational companies depend on international financial institutions in terms of forecasting the value of the currency and getting acquainted with the investment conditions (Cvetkovski & Primorac, 2016).

Multinational companies play a profound role in guiding the WTO which sets international trade laws, in the US companies lobbyists dominate the advisory committees of us trade policy makers (Kobrin, 2001).

Therefore, they exercise their influence on the American delegation that negotiates in the WTO in order to protect their interests, according to a study report that there are 742 consultants employed by the us department of commerce who have access to the documents of the secret negotiations of the WTO and it is frightening that 93% of these consultants represent the interests of pressure groups that work for the benefit of large companies, this heavy and effective presence leads to the transformation of the WTO into an organization that protects the interests of multinational companies (Tahf, 2009). The US included in its delegation at the WTO center in Geneva specialists in lobbying operations in favor of multinational companies

so that they negotiate directly with officials in developing countries at the WTO meeting in Hong Kong in 2005 knowing that these meetings are only for governments (World Trade Organization, 2005), it is well known that the WTO imposes the lifting of all restrictions or protectionist duties on all domestic products. Consequently, this puts local products under strong competition from multinational companies a thing that often caused those factories to close because they could not compete with products that come from major countries (Bensaleh, 2005).

Even on health level, multinational companies exert pressure in the pharmaceutical industry in order to maintain a high profit rate even if these policies lead to the death of people, for example Pfizer, the largest pharmaceutical company in the world negotiated directly in 2003 with the director-general of the WTO and officials from member states of this organization in order to prevent the passage of the proposal submitted by developing countries allowing these countries to import copies of medicines protected by patent laws at cheap prices in the event of a public health emergency, including anti-AIDS medicines. However, the pressure operations exercised by the giant pharmaceutical companies succeeded in making this right difficult and complicated. Indeed, the lobbying groups working for the giant pharmaceutical companies were able to make the global trade agreement on intellectual property rights to prevent countries that could make copies of the medicines registered at cheap prices such as Brazil India to manufacturing these medicines except by compulsory license, although large numbers of the poor people in developing countries cannot buy medicines at high prices such as those in industrialized countries and multinational companies specialized in the field of medicine (Salman, 2010). One of the largest pharmaceutical industrial groups has also succeeded in exerting pressure on the Indian prime minister to issue legislation that is in the line with the WTO policies in order to protect the patent, under this new legislation there

is a real fear that approximately 350000 poor Indian citizens suffering from AIDS will be deprived of treatment (Alghadab, 2013).

It is not logical to mention the international organizations without mentioning the influence of social media on its decisions. The prepared reports and laws imposed by international organizations are prepared in anticipation of a media shock, as always take into account reactions on social media websites, which affects their decisions, whether good or bad, as not to be subjected to pressure practices by governments and big companies (Couttenier, & Hatte, 2016).

Based on the forgoing, multinational companies play an important role in guiding the policy of countries, whether the home or the host country, using many effective methods to influence the direction of policy in a way that serves their interests. Moreover, they have also the ability to guide international organizations.

5. RESULTS

Multinational companies are an international economic phenomenon represented by transnational forces in the form of companies whose activities go beyond the borders of the home country, through their qualifications they exert a very effective influence not only at the level of international economic relations but also at the level of political relations.

Multinational companies have a vital position in the global economy which has increased over years. These companies control most of the FDI in the world. Moreover, their assets amounted to 32.2 trillion dollars only in USA. Furthermore, the rate of growth of their activities in recent years has reached more than 10%, while the rate of growth of capitalist countries has not exceeded 4%. Besides, they control about 25% to 33% of global production and 80% of the world's sales are through them. Also, they employ large number of workers, as they are considered a huge manpower that the number of users of some of them exceeds the population of many countries. Hence, the market value of some companies exceeds the total foreign exchange reserves of some countries. Apart from this, the gold prevailing assets and the reserves available in the multinational companies have exceeded twice the reserves, this indicator has a hand on the amount of these companies controlling international monetary policy and global monetary stability.

Multinational companies have characteristics that distinguish them from others, which are: the magnitude, variety of activities, geographic spread, dependence on global savings, mobilization of competencies and the good ability to create alliances and strategic coalitions.

Based on their characteristics and their position they impact the global economy through affecting the international monetary system because of their influence on monetary policy and global monetary stability by controlling global financial markets and international

institutions. Hence, they affect the international trade since their exports are continuously increasing and they control 40% of the international sales traffic. Moreover, they are one of responsible of directing the investment activities in the world. Also, multinational companies shape new patterns of specialization, production, investments, international division and decision making with a global perspective. Furthermore, these companies are the dominate of the production and distribution of technology.

Multinational companies have impacts on the economy of the countries where they operate. These effects are manifested in: first: resource transfer effects by providing capital, technology and management resources which lead to the economic growth of the host countries economy. Second: effects on employment because these companies create different job opportunities which cause low unemployment. Third: positive impacts of multinational companies on international trade of the host country through supporting exporting growth. Fourth: multinational companies have effects on competition in host countries by stimulating local competition which lead to lower prices, higher productivity and more efficient allocation of resource. Furthermore, the competition between companies stimulates capital investments in factories, research and development and services.

The growing economic prominence of the multinational companies was accompanied by their political prominence. In other words, Multinational companies use their economic power in order to play a role in directing countries policies. these political roles exist through using different methods and ways of influence which are: first method is Military intervention and the overthrow of regimes; here multinational companies play a direct role against state policies which caused many coups such as Guatemala coup in 1950, the ouster of Mosaddeq in Iran in 1953, the ouster of Allende's in Chile in 1971. Moreover, multinational companies supplied military advisors and arming such as happened in Congo and Angola. Furthermore,

they support movements of religious and political extremism that support their interests such as the finance of Taliban with weapons in order to control Afghanistan. Second method is technological improvement, this method is represented in the monopoly of some companies of technology and its use in order to play an effective political role. Third method is used through providing loans to host countries by multinational companies, this method reflects the policy and orientations of banks that grant loans towards some countries and towards investing in monopolistic relations to direct policy in partnership with multinational companies. The fourth method is represented in the use of multinational companies' social media in order to affect public opinion, this method is using effectively during elections period, this way of influence can influence voting behavior and thus choose government. Hence, Multinational companies of social media play a vital role in politics not just during the elections but also in directing revolutions since they are a mean of communications messages between groups. Also, they have their direct impact without the need of public opinion when they close the accounts of politicians or supporters of special party. The fifth method is election financing and directing, this method is characterized by the covering the costs of elections in many countries (home and host country), this means that multinational companies play an influential role in supporting elections by spending millions of dollars for the success of specific party. The sixth method is the link between the government and the business sector which happens through the presence of personalities (owner of CEO of multinational companies) who come directly from the business community. The seventh method is the pressure done by multinational companies on governments in order to achieve their goals since they have a good economic power that gives them the ability to use this way of influence inside the government, multinational companies use lobbying activities or they are members of political action committees or they impact some conditions of the balance of payments, foreign trade, domestic investment rates and employment opportunities.

Multinational companies play a different political role which the use of the governments to these companies as an instrument for influencing foreign policy including home and host countries foreign policy such as USA when it has undertaken a capital transfer by these companies to strengthen its monetary position, in 1960 automobile agreement, in 1970 when Nixon imposed economic sanctions against Belgium, Kissinger threatening during the Italian elections in 1976, the oil embargo of 1973, the issue of Respol company in 2012.

Multinational companies have also an important role inside international organizations through different methods which are: the first method is when they play a role through their representatives within decision-making bodies with these organizations. Hence, there are about 15000 specialists in pressure operations within the European bodies which means almost every lobbyist for every employee of the European Commission and 70% of lobbyists from within the EU headquarters in Belgium represent the interests of multinational companies in 2004. The second method used by these companies is financing international organizations, these companies use this method to threaten to cut off the funding if the decisions taken are opposite to their strategies. The third method is the negotiation method which is represented in the ability of these companies to negotiate with international companies about different issues.

Briefly, multinational companies have a positive impact on international economy and they play a vital role in guiding countries policy and international organizations.

6. CONCLUSIONS

The aim of this thesis is to investigate the role of multinational corporations in the modern economic system, as well as their effects on international political decision-making. For decades, the multinational business has been a popular issue in political and ideological discussions. However, this research thesis has described multinational firms as an organization, as well as the obstacles they have faced and the strategies they have used to overcome those problems while becoming global organizations. Moreover, the study addressed the stages and how they've evolved so far, as well as the impact they've had on the institutions of the countries where they operate.

Backtracking history, multinational corporations began in the 17th and 18th centuries in the shape of trading companies. East India Company, Hudson's Bay Company, The Ostend Company, and The Muscovy Company were all created during this time period. During this time period, the Hudson's Bay Corporation was created in North America, which is nowadays Canada, and it is the world's oldest trade company. As a result of the increased focus on overseas investments, banking has expanded in prominence.

As explained earlier, multinational companies have both positive and negative impact on countries, according to studies conducted over several years. However, it is true that multinational corporations play a significant role in emerging countries because they can provide more job opportunities to the massive workforce, as well as train and stimulate the development of high-level skills. Various multinational corporations have a direct role in opposing government policies that have resulted in numerous coups, including the coup in Guatemala in 1950, the overthrow of Mosaddeq in Iran in 1953, and the removal of Allende in Chile in 1971. Multinational corporations also provided military advisors and arms, as was the

case in Congo and Angola. Furthermore, they promote religious and political extremist movements that undermine the rule of law. Multinational corporations also provided military advisors and weapons, as was the case in Congo and Angola. Furthermore, they promote religious and political extremism that serves their goals, like as providing arms to the Taliban in order to gain authority of Afghanistan.

On the other hand, the multinational corporation's origins can be traced back to its ability to organize labor on a worldwide scale based on principles other than ethnic and cultural identities. This organization has always had a market value and a liability attached to it. The emergence of a global digital economy creates new opportunities for global workforce cooperation and integration because these multinational firms occupy a significant role in the global economy due to the huge magnitude of their engagements in the area of international trade, particularly in recent years, and their rise as a significant stakeholder in the global economy. Multinational firms are distinguished from their competitors by their scale, scope of activity, geographical distribution, and reliance on global savings, as well as the mobilization of competencies and the capacity to build alliances and strategic coalitions.

Multinational corporations have an economic impact on the countries in which they operate. These effects are exhibited in the following ways: the first resource is to transfer effects, in which capital, technology, and management resources are provided, resulting in economic growth in the host country. Secondly, these businesses have an impact on employment since they generate a variety of job options, resulting in low unemployment. Thirdly, multinational corporations have a favorable impact on the host country's international trade by promoting export growth. Fourth, the multinational corporations have an impact on local competitiveness in host nations, resulting in reduced pricing, improved productivity, and

more efficient resource allocation. Furthermore, competition among businesses drives capital formation.

However, the study inferred important steps to tackle the obstacles that companies face and try to progressively strengthen their dedication to international trading, adopting increasingly complex and sophisticated strategies. Exporting, establishing an international sales subsidiary, gaining licensing agreements, and finally establishing international production are usually the steps in the process.

This research has been successful in focusing multinational corporations as well as the stages of capital enterprise because of their growing role in the international economy; they contribute to capitalist expansion, realize the benefits of economic integration, and play an important role in the global economy; and they also help to increase labor force employment in host countries. It has been discovered that multinational corporations have always been key players in the worldwide economy, and that they have gradually begun to play a different role in world politics when states willingly or unintentionally transfer their rights with corporations.

It is vital to note that, once the transformation era was over, multinational corporations and multinational service organizations, such as those in consulting, finance, and advertising, had permanently and historically altered the economic growth. The tremendous progress made by multinational corporations in the domain of technological advancement, as well as the development that defines the period in other sectors of life, has aided these corporations in achieving essential consequences.

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