

# Y376 International Political Economy

September 24, 2009

# Positive Contributions of MNCs to Host Countries

- Capital
- Technology
- Marketing Expertise
- Management Expertise
- Enhancing Domestic Competition
- Higher Pay for Skilled Workers

# Example: Corning Glass in Korea

- 1972 opening of liaison office in Seoul
- 1987 opening of branch office
- Glass production jointly with Samsung in 1995
- 1996 foundation of wholly owned subsidiary: Corning Korea



Samsung-  
Corning  
Precision  
Glass

# Criticisms of MNCS

- MNC industries are oligopolistic
- MNCS engage in anticompetitive behaviors
- FDI displaces domestic investment (instead of adding to it)
- FDI undermines domestic/local cultures
- MNCs exploit local workers
- FDI leads to technological dependence

# What is an Oligopoly?

- A *monopoly* is when only one company exerts control over most of a market. An *oligopoly* is similar except that there are at least two firms.

Source: Investopedia.com

Few multinationals aspire to be monopolies.

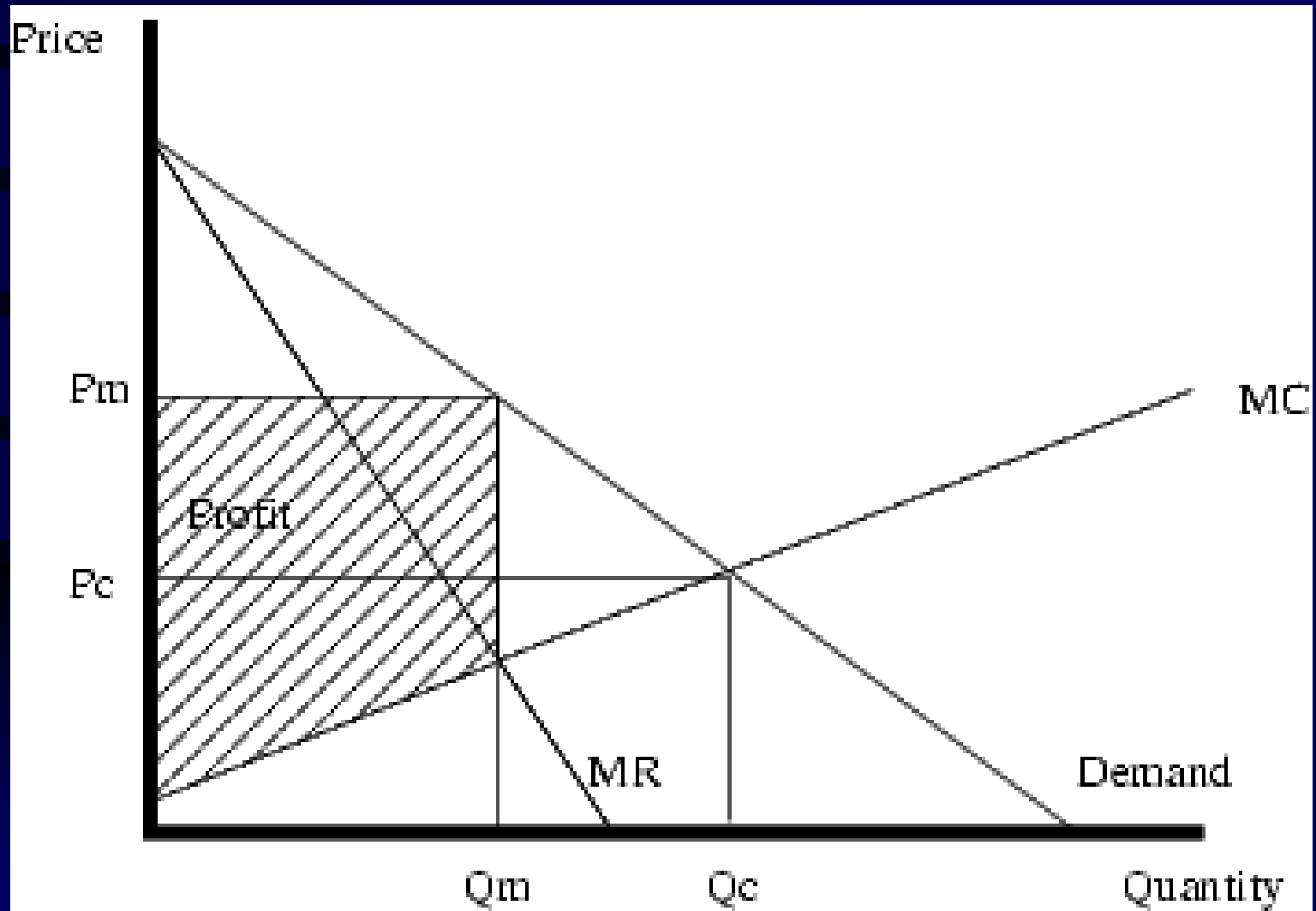
Monopolies attract government regulation and consumer anger (just ask Microsoft). Small oligopolies (such as Coke, Pepsi, and Cadbury-Schweppes) make plenty of money and avoid the constant attention of the regulators.

Source: Oligopolywatch.com

# Why are Monopolies and Oligopolies Bad?

- Potential for monopoly pricing
  - When unregulated monopoly exists
  - When oligopolistic firms **collude on prices**
- Unfair tendency of monopolies and oligopolies to defend their privileges against challengers by engaging in **predatory pricing**.

# Monopoly Pricing



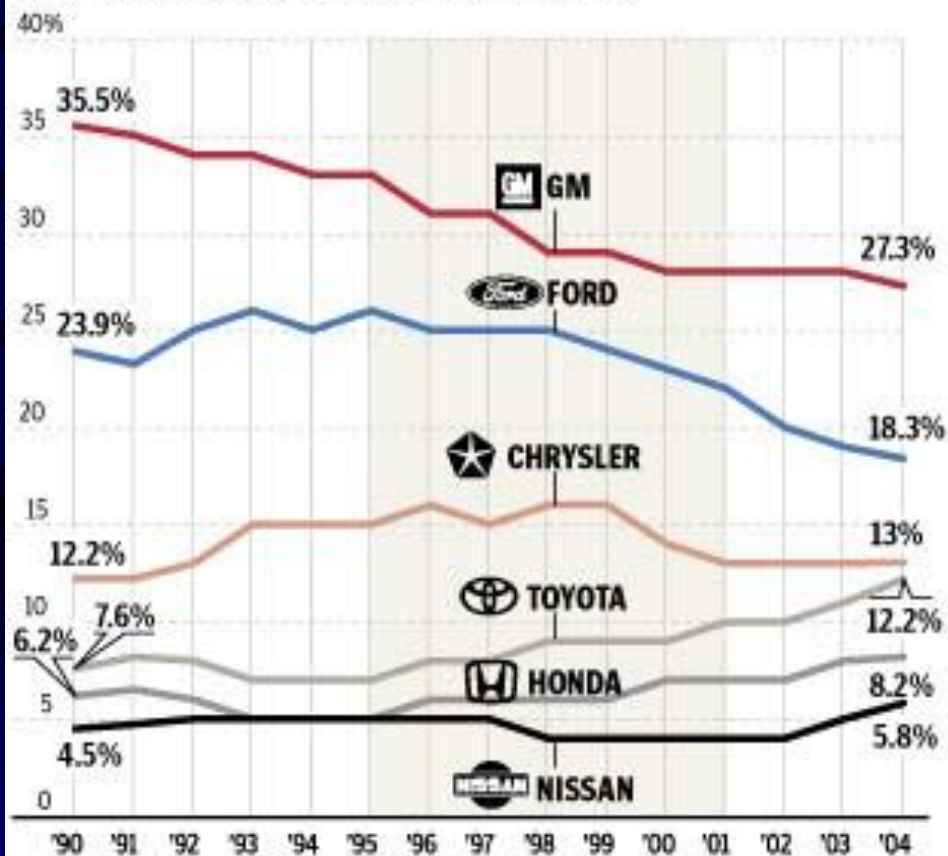
# Examples of Oligopolies

- Motor vehicles (automobiles)
- Soft drinks
- Movie studios
- Music industry
- Pharmaceuticals
- Fast food industry
- Personal computers

# Automobiles

## Detroit drops; Asians gain

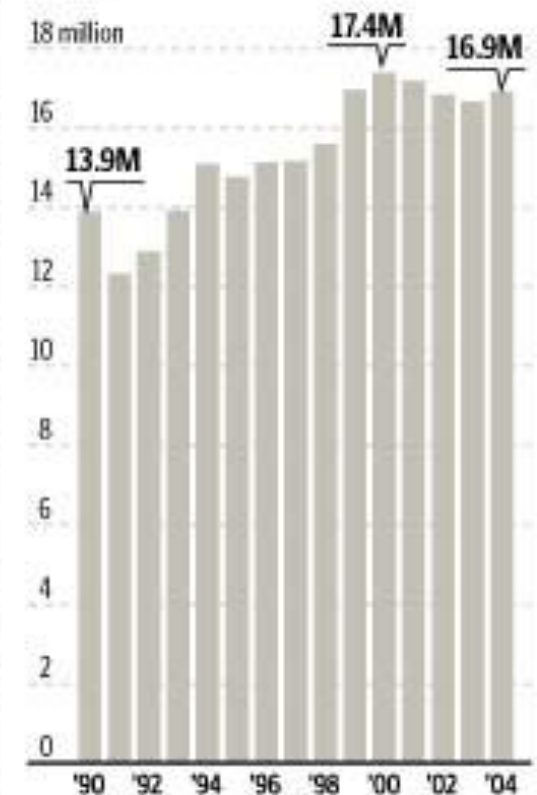
U.S. market share of major automakers:



Source: Autodata

## Tracking U.S. sales

A look at annual demand for cars and light trucks:

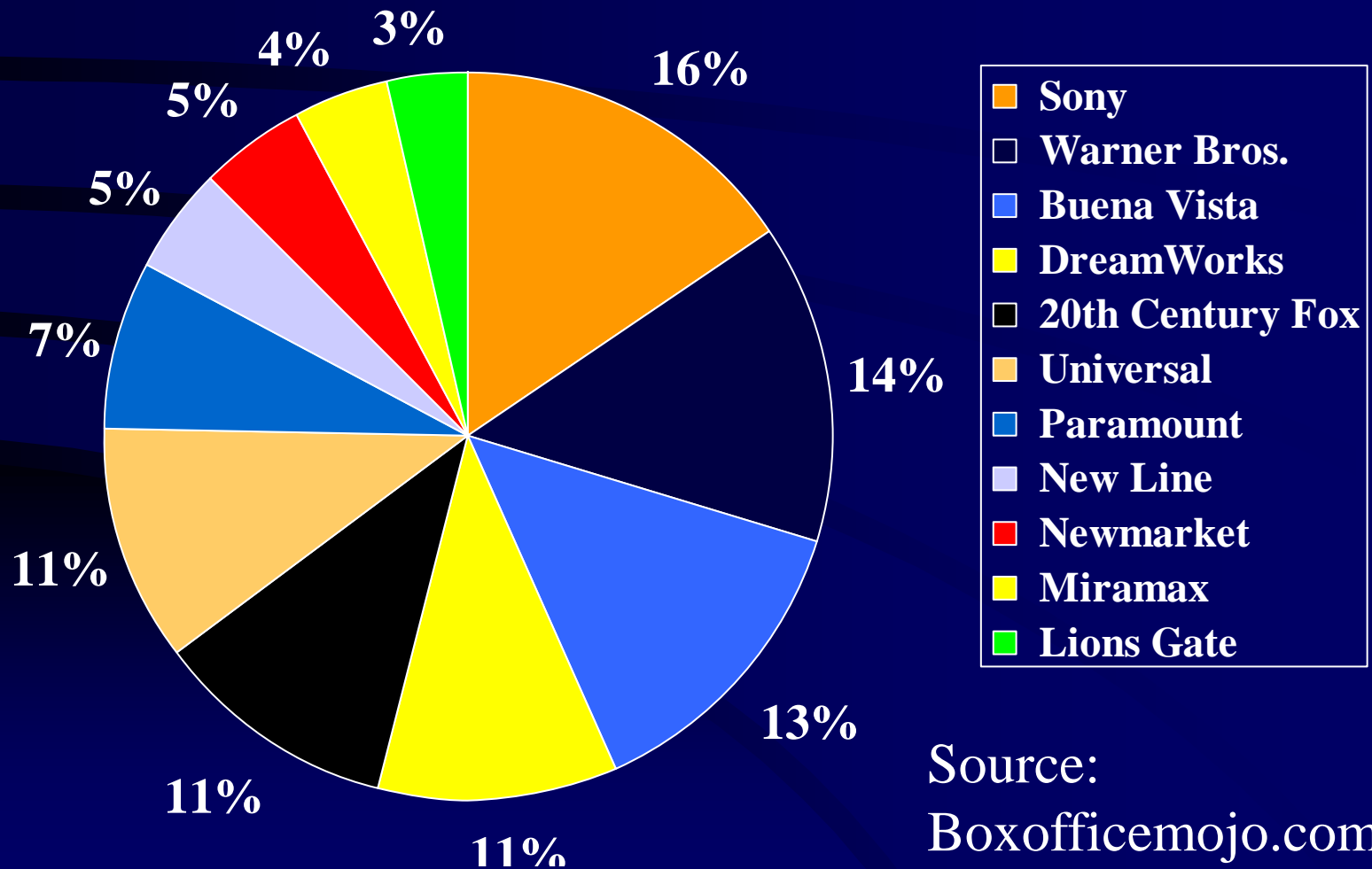


The Detroit News

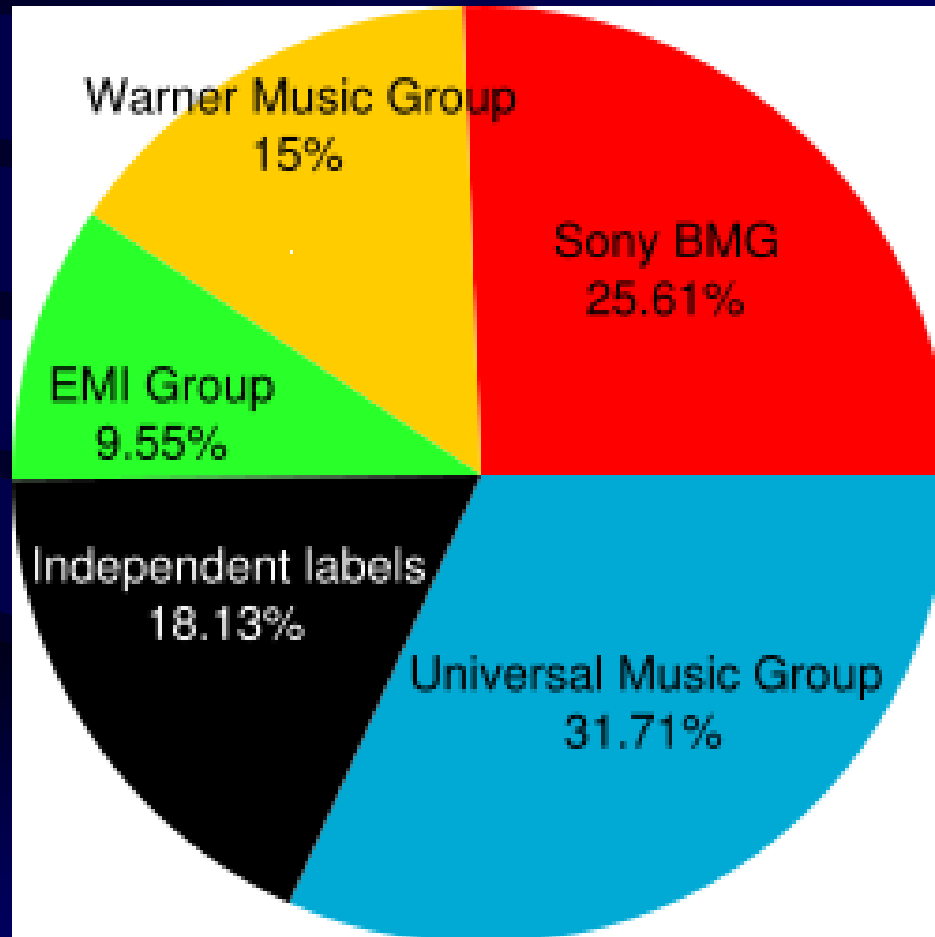
# US Soft Drink Market Shares, 2000

<b>Company</b>	<b>Percentage</b>	<b>Brands</b>
<b>Coca Cola</b>	44.1%	Coke, Sprite, Barq, Fanta, Mello Yello, etc.
<b>Pepsico</b>	31.4%	Pepsi, Mountain Dew, Mug, Slice, etc.
<b>Cadbury/Schweppes</b>	14.7%	Seven-Up, Dr. Pepper, Schweppes, A & W, Canada Dry, Sunkist, Squirt, etc.

# Market Shares of Film Studios in 2004



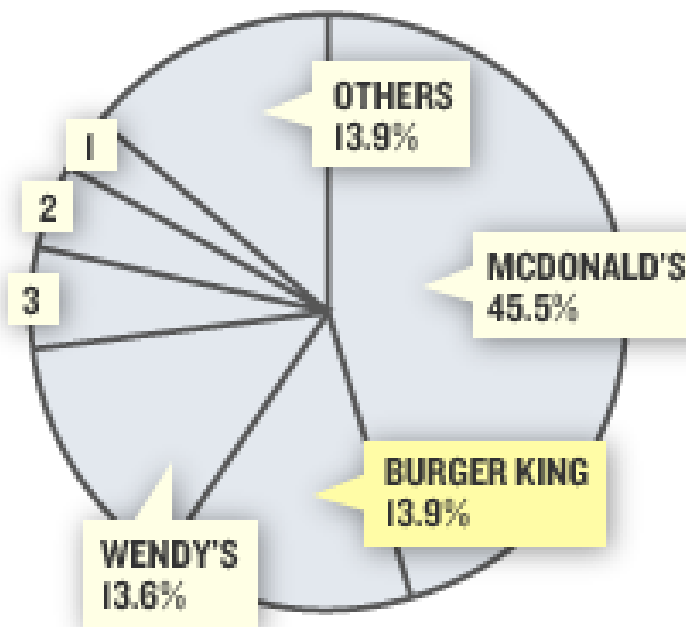
# Music Recording, 2005



# Fast Food Market Shares

## MONSTER CHAINS RULE!

The Big 3 chains dominate the U.S. hamburger chain market.

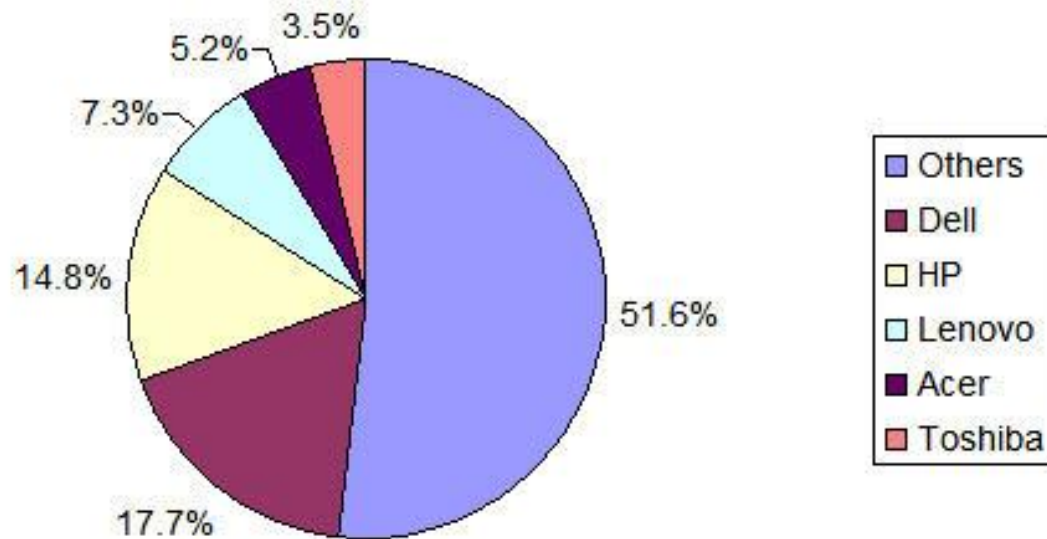


All shares based on 2005 total U.S. sales

SOURCE: TECHNOMIC INFORMATION SERVICES

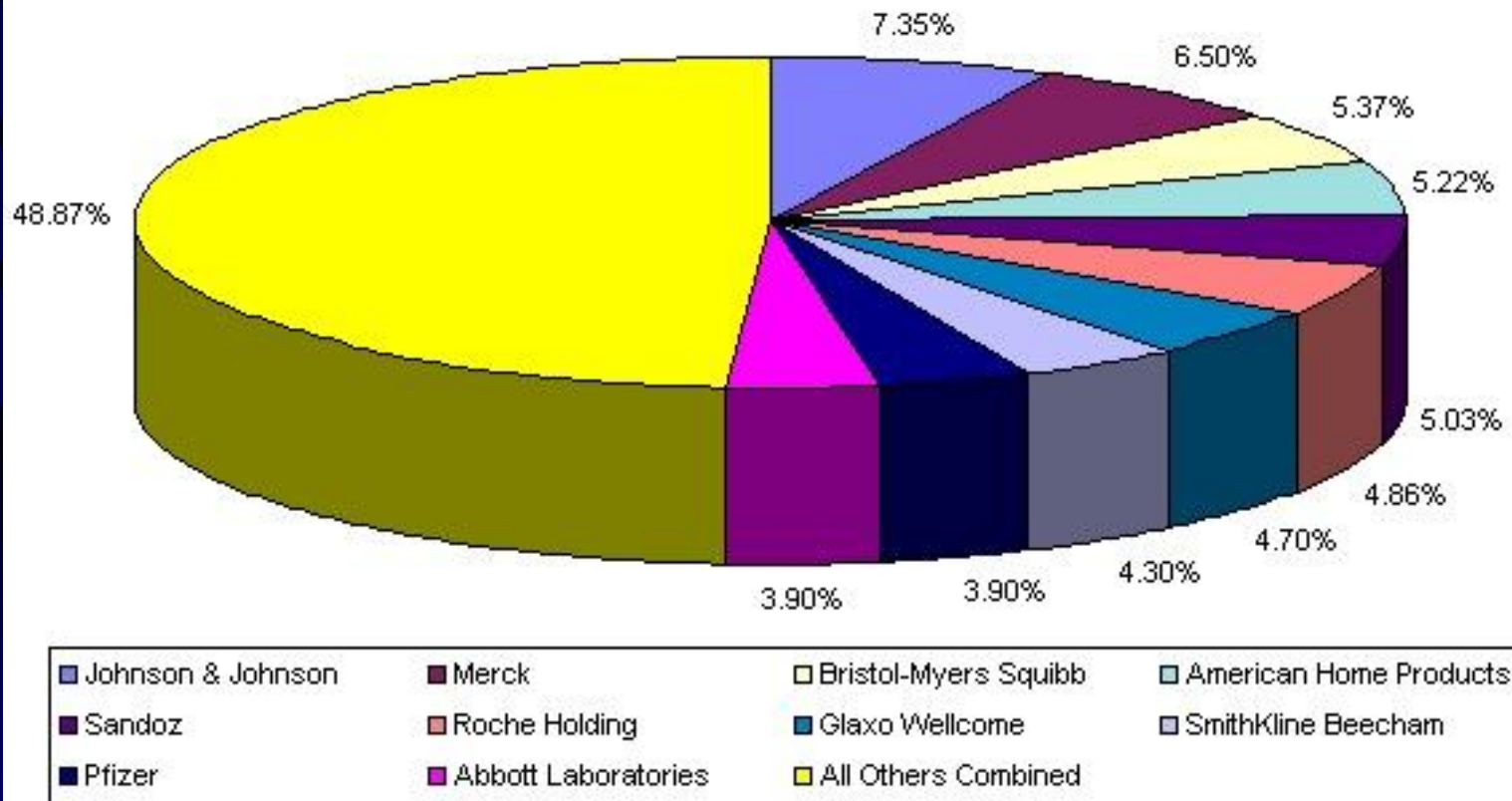
# World PC Market, Second Quarter of 2006

Worldwide PC Market Share  
2Q06  
54,911,000 Units



# Pharmaceutical Market Shares, 1999

Market Share Analysis of Pharmaceutical Industry



# What Public Policies Can Reduce the Ill Effects of Monopoly/Oligopoly Competition?

- Antitrust and competition policies
- Fair trade laws
- Deregulation (where barriers to entry are created by regulation)
- Encouraging the establishment of competition through the introduction of new technologies (cell phones vs. wire-line phones)

# How to do this internationally?

- Modify existing regimes to incorporate competition and anti-trust concerns
- Create a separate regime regarding competition/deregulation
- Use national/regional measures with regard to operations of firms within a particular territory