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Globalization Theory of Foreign Companies Regarding Afghanistan Law

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Abstract

A foreign company without a host country (Afghanistan) is meaningless. Scientists consider the theoretical basic of foreign companies with no regard to its origin from investor perspective which is the momentum for obtaining interest. However, foreign company' activity requires providing certain conditions. Foreign companies' activity is not merely a technical issue but it is a law process that requires suitable conditions for foreign investment and supporting them. Without providing suitable condition by Afghanistan government, foreign companies won't be able to obtain interest. The suitable situation is formed according to Afghanistan's interdependence to absorb capital, advanced technology, joining international markets, reducing consumer's costs, increasing employment and competing with other countries. Conversely, the foreign companies compete with one another to get the raw materials, control the market and obtain a certain interest if the suitable condition is formed by Afghanistan. Globalization provides the condition for foreign companies to offer goods and services regarding consumer's taste and interest by exceeding geographical boundaries and linking the world parts. The present article aims at analyzing and criticizing the theoretical basics for foreign companies from the investor perspective. Also the globalization theory for foreign companies from two perspectives i.e. the country that invests (investor) and the country which is invested on has been presented.

Keywords: *Globalization Theory; Foreign Companies; Afghanistan; Interdependence; Competition*

1.Introduction

The methodology obstacles have prevented the economist from presenting a theory for explaining foreign direct investment and multinational companies which is accepted by everyone. Multinational companies are oligopolistic companies that are active in global market. Thus, there is no satisfactory formal model which considers all the different exclusive aspects. Lack of a general model has lead to the economists' ambiguous and contradictory approaches towards multinational companies. One of the major reasons for the economist's inability to offer a general theoretical explanation of multinational companies and foreign direct investments is that these multinational companies are formed based on the company's unique experiences and imperfections of markets. Sometimes the government's attempt to create imperfections and flaws in their own markets in order to encourage and absorb multinational companies' investment. If such imperfections do not exist, a company might conclude that exporting its products or issuing a pass to use its technology for a foreign company would be more efficient and economical.

Business economists have been for long interested in understanding the company's primary behavior. These interests have largely been the result of Alfred Chandler's efforts. The scientific and educational efforts in this field have been largely empirical and other economical or social theories rarely follow the same process.

The theoretical basics of foreign companies' activities are related to the hypotheses that explain the relation of investment including different and effective variables with a scientific approach.

These hypotheses are often put forward from the investor perspective and different factors that affect gaining interest out of investment are considered as the main goal of every investment is gaining safe and constant interest. So, the investing attractions from the investor's perspective are the elements that bring suitable interest. For this reason, in order to provide the conditions in another country it is so important to know the factors that are taken into account by the companies which are candidates for working. The majority of multinational companies' activities are done in accordance with foreign direct investment which is also known as the family investment.

One of the problems of proposed theories regarding foreign companies is that the basics have always been mentioned from the investor's perspective and the role of the country in which the investment is made, where the capital will be developed, is ignored. The mentioned problem highlights the defect of the aforementioned theories. In order to solve the problem the author suggests globalization that involves the investor country and the country in which the investment is made. In this theory, interdependence and competition which involve the two sides, are the major selected indicators based on which the activity is performed, as the foreign companies require the host country and vice versa. If the appropriate condition for the foreign company does not exist in Afghanistan, the aforementioned company will not be able to work and the appropriate condition is provided whenever the requirement exists. So, the requirement is a mutual issue that forms interdependence and it is based on this requirement that competition makes sense. Therefore, dependence is the requirement that we should compete to attract it, but competition is successful only if the appropriate condition is provided. Although Interdependence applies to all countries, some might only apply this theory to industrialized countries. Since, if the history of industrialized countries is reviewed, we would realize that they have not been developed and industrialized from the beginning and required development like 3rd world countries. The globalization theory does not attempt to absolutely reject other perspectives, but attempts to bridge the gaps of other theories and does not neglect the origin of companies' activities.

Complete review of the theoretical literature in terms of theoretical basics of foreign companies' activities is so difficult, firstly because of the contradictions and inconsistency of competitors' theories and secondly because of significant differences in financial, political and cultural status of studied countries that required different research methods and created different analysis levels. Thirdly, because of the variety of researchers' interests, i.e. performing these researches for different reasons and based on different motivations.

In addition to asses other perspectives, the author attempts to respond the question that why companies prefer investing in Afghanistan to exporting goods and services and selling their created assets that are in form of technological assets and management and marketing skills? The present article attempts to analyze and asses the foreign companies theories from the perspective of the investor country and finally reach theoretical basics of foreign countries that complete the mentioned theories by globalization theory which is the result of these theories. Since the present article cannot deem on the loads of documents in which different stages of growth and changes of foreign companies have been compared, it only focuses on a few important issues related to the essence and evolution style (considering the fact that globalization forms foreign companies that interdependence and competition are its key indicators).

2. Theoretical Basics of Foreign Companies from Investor's Perspective

Beyond the country's boundaries, the economists and theory makers of this field, have proposed different theories regarding the foreign country's activities. Most of these theories are from the investor country and foreign investors' perspective, some of which are briefly mentioned here.

One the outstanding theories about foreign companies, is "The Different Rate of return hypothesis". Based on the beliefs of the followers of this theory, the main variable of foreign investment is more benefit. From company's perspective, the higher the rate of return is, the more attractive the market will be. Because the company that gains more interest plays a key role in making economical and financial policies in order to form international economical regulations. On the other hand, the company which predicts higher rate of profit gaining, will base its policy on gaining more profit which depends on economical rationality and puts the company in better conditions. (Glipin, 2001:138). So according to this theory, capital flows in the countries that their rate of return is more than the host country. (Deaking, 2000:92).

There is another theory called, "the portfolio diversification hypothesis". This theory is the modified form of the above-mentioned theory. Markowitz was the first person who formally announced the concept of portfolio diversification in 1950 by means of the following statement: "In order to diversify the investment, it is preferred, not to put all the eggs in one basket so that the investing risk will be decreased".

There is another theory called, "Market Size Theory". According to this theory which is based on Neo-classic thoughts, the foreign company's sell volume (production) inside the host country can be the main factor of foreign direct investment or the market size with regard to the Gross National Production (GDP) can be considered as the sell indicator for foreign investors.

Kojima Hypothesis is one of the other theories in which companies transfer their product life cycle process to abroad, because of unpleasant changes in some production factors such as high payment rate, high cost of land and other variables. The key point in Kojima analysis is that there is a relation between trade and investment. It means that a comparison is made between Trade Oriented foreign direct investment and Anti-Trade Oriented foreign direct investment which is in consistent with American multi polar power structure (Safrian, 1990:258). According to this theory, once the foreign direct investment demands excessive import and creates excessive supply for export, it will have trade tendency and if it behaves the other way it will have anti trade tendency (Noorani, 1995:174, research and consultation for Iran's national industries investment corporation, 1992:66). Kojima demonstrates that foreign direct investment with trade tendency, increases welfare of both the host and Investor country, while the other tendency decreases the global welfare (Zixiang, 2002:20). Kojima's main assumption is as follows: "The foreign direct investment is made by the industry that enjoys partial privilege in the host country but not in its own country " (Kojima, 1982:2).

Another theory in this regard is "The Theory of Oligopolistic Competition" which was first proposed by Knicker Bocker. According to this theory, the foreign companies transfer their activities into abroad to find less competitive markets "Product Life Cycle Theory" is another model proposed in 1966 by Vernon. According to this theory, inventions and innovations appear as the exports of an advanced country and enter foreign markets to improve its present condition and after standardization and being mature, will be exported from developing countries. (Glanco, 2004:18). The main idea of this theory is technology development and change in the effect of production factors. As a result of technology development, the role of manpower in a specific good production will be decreased. On the other hand, it focuses on demand. Internal demand triggers innovation and international demand triggers export. The first level is innovation that often occurs in developed countries where these innovations were first created. In this stage, the product design is made to enter the market which creates value. The second stage occurs when the mentioned technology is standardized and some of the rival companies succeed in making a similar technology and similar goods and products are made. As a result, although the exclusive power of producer is decreased and the prices become more competitive with the presence of other producers in the market, the exclusive producer still has superiority over others.

The third stage or maturity happens once the same technology of more rival companies has entered the market. Thus, productions made of that specific technology are sold cheaper and also lowering prices follows a trend that the producer can no longer cover the production costs. So, in this stage, the product life cycle theory predicts that in order to avoid irreparable cost and expenses and to use cheap labor, the producers should establish other branches or relevant companies in one of the developing countries so that after establishment and production, the good can be sold in its own country, neighbors and same level countries. (Ameri, 2001:54).

Internalization theory is one of the other theories. Caves's company (1937) is the origin and basis of this theory that assessed the role of transaction cost in organization formation. He examined the transaction cost by analyzing the cost of market determination, negotiation cost, cost of signature and contract carrying out. Later, Buckley and Casson (1979) represented internalization with a paradigm that focuses on the company instead of market and multinational companies are considered multi-pant companies (Buckley and Casson, 1976:41). Based on their perspective, the big companies' activities are not confined to goods and services production but also activities such as marketing, education, management techniques, research and development and finally intervention in financial markets. Buckley and Casson named different markets that are capable of internalization: perishable agricultural products, intermediate products in production processes that require intensive capital and the market of raw materials that its resources are located in a specific geographical place (Buckley and Casson, 1976: 36).

There is another idea within the internalization theory stating that the company can internalize the foreign affairs even if there is no market in advance: the companies' activities can replace the market or improve it (Buckley, 1981:9). It means that internalization can include a theory about creating knowledge and awareness and this is what Hymer - KindleBerger theory lacks (Clegg, 1987:20).In this way internalization involve a theory about creating new knowledge and this makes a big difference between this theory and Hymer - Kindle Berger's attitude.

"Dunning Theory" is another theory that doesn't approve of the above three theories of Hymer-KindleBerger, product life cycle and internalization completely and attempts to integrate the optimized aspects of them and comes up with an eclectic Paradigm model in which international production is going to be determined (Dunning, 1990:124). Dunning attempts to find an answer for "Why, How, Where" of international production by combining competitors' theories in a paradigm.

In the proposed paradigm, a company will have foreign direct investment in case of the existence of the following conditions: ownership advantages, locational advantages and internationalization advantage. In his view, the advantages of specific ownership of a company can include the fields of technology, management, marketing skills, trademarks and patent law. Regarding the second advantage (Locational advantage), each company should have an exclusive production advantage in a foreign country so that investment by means of exporting the production is more advantageous for the company. In terms of the third advantage (internalization), the company makes internalization inside itself instead of signing contract and issuing license. It means that a company will increase its ownership advantages and overcome the market's Imperfections such as internalization reasons, avoiding transaction costs, supporting good, tariff, the capability of creating production scale in production, marketing and financial affairs (Dunning 1989:29).

In 1993, Dunning added another fourth condition to the main three conditions of foreign investment fulfillment. Assuming that ownership, internalization and localization advantages of a certain company are stable, foreign investment fulfillment depends on the fact that how much joining foreign production field is in consistent with long term management strategies in the company managers' attitude (Dunning, 1993: 79).

3. Criticism and Analysis of Foreign Companies' Theories

For some reasons, the mentioned theories cannot be perfect models and suitable theories for Afghanistan and foreign companies. So, there are criticisms about them that should be considered. The rate of return theory, concentrates only on making profit, however there might be other motivations. As a result the criticisms are as follows: First, this theory was mentioned when American companies gained more interest in Europe (1950s) (Mundel, 1960:227-257), but gained less in the following decade (1960s) and foreign companies obtained more profit in America in the mentioned decade. Secondly, assuming the fixed rate of interest and outcome of foreign direct investment, no same events will ever occur in the same industries of the two countries (Kehal,2004:15).Thirdly, the Agrawal impact which was carried out empirical, can never offer confirming evidence in this field (Agrawal,1980:741-2 and Caves,1996:26),because he believes that multinational companies are not always necessarily seeking more profit and even if they do so, there is no reason to seek foreign investment based on their internal investment for more profit. Carrying out some researches, Hymer (Hymer, 1960:70) reviewed that the theory's shortcomings include merging of leaving foreign direct investment with entering portfolio, widespread trend of foreign investment and also completion of related companies' capital by taking domestic loans. The reason is that in that time, these manufacturer companies were more important than financial companies in terms of foreign direct investment (Caves, 1982:25).

The followers of this theory, who believe the advantages of investing abroad surpass its disadvantages, consider "the lack of return of investment due to the risks" as the preventive factor for companies. Now, with regard to risk indicators, can Afghanistan be a suitable host for this indicator? It seems that "Risk indicator" which has crucial importance for foreign companies, cannot be a suitable theory too. The reason is that the international organizations that publish major indicators of foreign companies entering flow of FDI and each country's risk, yearly or every some years, disapprove of Afghanistan. In 2012, UNCTAD published the indicator of entering flow in two periods, stating that, before 2002, foreign investment attraction is highly bad but after that, particularly in 2007, meets the expectations. (UNCTAD, 2012:32). This increases foreign companies' investment risk and investment costs such as rate of insurances of risk. Globalization is not an imagination or dream but a reality, however, this view (increasing profit), will get rid of the host country.

Some people like Caves (Caves, 1996:26) and Buckley (Buckley, 1998:83) criticize the diversification hypothesis and believe that: the empirical evidence indicates that the investors are aware of diversification investment and this diversification has usually other motivations. The geographical capital distribution depending to transnational companies differs from what has been predicted as portfolio geographical diversity and empirical evidence disapproves this theory. Dunning believes that the portfolio diversifications hypothesis cannot determine foreign direct investment completely. The reason is that the mentioned theory ignores the fact that foreign direct investment does not necessarily guarantee change of ownership but guarantees other factors for investment including: cash capital, **know how**, technology, knowledge, professional management which cash capital cannot involve all of them (Dunning, 1973:299). Another criticism is that, in a perfect market, there is no reason for companies to diversify their activities to reduce their shareholders' risk. If solitary country's investors seek reduction of the risk, they can directly achieve that by various shares collection. This criticism indicates that if the perfect capital market assumption is not ignored, the diversification cannot determine foreign direct investment.

Another reason to reject the investment diversity is the lack of suitable condition. This condition didn't exist in Afghanistan till 2002 but after that according to 10th principle of Afghanistan constitution[1], activities diversity or property diversity came into existence. Therefore, without suitable condition, activities diversity or property diversity is not possible. As a result, this approach is not a suitable theory for foreign companies in terms of foreign investment.

The criticism of "Market Size Theory" is that, it does not differentiate between foreign direct investment to produce goods for internal use of the host country and direct investment for export. The size of the host country's market affects the first investment type, but it cannot justify the second investment (Agrawal, 1980: 359-382).

The other criticism is that the foreign direct investment on a country depends on whether this investment is for the first time or not, however, the size of sales in the market in the host country is not the activity criteria.

The most significant criticism against Kujima theory is that this theory depends on assumptions of perfect neo classic market and these assumptions ignore scale saving, difference in production and other types of market flaws (Dunning, 1993). The other problem is excessive insist on the separation of the affirmative influence of Japanese direct foreign trade-oriented investment from anti American foreign direct investment. Kujima believed that **the constant** American capital is too early and harmful for advanced industries. The reason is that, on the one hand, this capital does not adjust to the host country production factors and comparative advantages of those production factors. On the other hand, this early investment will eliminate the comparative advantages of U.S investment. **Cannot well** (1991), states that the investment by foreign investor for export with the purpose of replacing the import is not necessarily better, because the import substitution influence of this investment can be very useful. In addition to that, if the export capital is limited, its effect on technology and job creation will not be significant (Buckley, 1985, 1993, 1991: 7-22 and Buckley Cason: 197-200). Clegg (Clegg, 1987:20) indicates that Kujima theory cannot be applied to most Japanese foreign investment. The reason is that, considering the features of Kujima's description, Japanese foreign investment in Japan is not made more in developed countries (Buckley, 1983:34-50). The distinction between American and Japanese foreign direct investment disappeared by gradual mature of Transnational Japanese companies. Nowadays, the importance of Japanese capital focused on import substitution in Europe and America is not less than the importance of Japanese capital for export in Asian countries. (Cantwell, 1991 & Mark Casson: 104-132 & Clegg, 1987:20)

Thus, foreign investment theories can be classified in two categories:

1. Market oriented or offensive theory
2. Production factors oriented or defensive theory

According to these theories, what approach is chosen by the current companies in Afghanistan and is their economic policies offensive or defensive?

Foreign companies approach was offensive at first (before 1990) in order to exclusively take control of raw material and not allow other companies to compete with them. However, the government

[1]. The State encourages and protects private capital investments and enterprises based on the market economy and guarantees their protection in accordance with the provisions of law.

used to play a role in exporting produced goods that was made by foreign Companies in order to establish joint venture companies with foreigners. Therefore, the export was made through two ways (both Afghanistan and foreign companies). Because of that, the Afghan government took “Free market approach” at the beginning and it chose Strategic Trade Theory approach later. In this case, Afghanistan adopted advantage of [Strategic Trade Theory] in which it used relative competition acceptance, economies of scale, learning with practice, the importance of research and development, accumulation processes and technology expansion. It seems, the Afghan economists believed that this theory provides a reasonable supportive measurement for the country such as subside assignment to specific industries and also other industrial policies in order to gain advantages for internal and external markets. They believed that the government should help national companies to have positive effects and gain profits instead of foreign firms. In this way, the government will prevent foreign companies from entering into a certain industrial section by allocating direct subside to a company or by significantly supporting an industry.

In the second stage (1990-2002) due to the lack of stability in Afghanistan (war against Union of Soviet Socialist Republics (USSR), civil war against Taliban), offensive approach was chosen for foreign investment activities and no investment was made in this period. After 2002, the government no longer supported strategic trade theory and inconformity with constitution 10th principle and the 3rd Afghanistan national strategy[2] (2008-2012) chose Free trade and embraced attraction of foreign companies. The tendency for achieving foreign markets, advanced technology and benefiting from international services helped Afghanistan to get rid of Nationalistic interpretations and develop a cosmopolitan view (Kindleberger, 1970). Regarding the features of free market, Afghanistan's attempt to limit and stop the government's intervention in market affairs due to supporting a company is interpreted as intervention and ignoring the market. According to the 10th constitution principle, the free market regime is based on private sector and competition and believes that companies’ competition leads to reduction of costs for consumers. Despite this fact, when the government supports companies by assigning subside, the competition mechanism is questioned and the free market will face a discrimination posed by the government. On the other hand, Afghanistan is joining the world trade organization and this step requires certain conditions including: elimination of all trade discriminations, reduction of custom tariff, clarification of trade regulations, economic reform and development, signing basic agreements such as tariff and services, procedures governing the settlement of disputes, trade related individual property rights, trade related investment policies, subsides and anti-dumping agreement. As a result of providing the appropriate conditions from 2002 to 2013, its membership is about to happen.

Natural resources exploitation till the 2nd world war was the most important evidence for companies' especially European companies to invest beyond their own boundaries. Some of the active companies in Afghanistan, which still have the same intention, make more profit and transform raw underground materials by using defensive approach and in disguise,. Although it is clear that Afghanistan is on the verge of crisis and welcomes having foreign currency and financing by any means. There is also two other reasons for the fact that so many of contracts signings with foreign companies are not for Afghanistan's benefit. The first one is widespread corruption and payment bribe. The second one is lack of enough law experts in ministries, specially in mine and industry ministry, which do not realize the new contracts or cannot bargain with foreign sides in contract's negotiation. It seems that the authorities cede the project and sign contract without precise expert control and examination in terms of big investment contracts or international trade agreements. As a result, there might have harmful and unpleasant consequences for the country. Keeping secret, secretive contract to cover clarification and lack of access of impartial experts to contracts amendments exist. However, if technical, financial and law experts of the country attempt to take the mask off of these contracts, the mistakes and shortcomings will never be made again. According to martyr Mazari: "A nation who does not know its past history is not more than the dead"

[2] The third millennium development goal in 15 years of Afghanistan is: Reduction of poverty, providing constant growth in market economy by private sector leadership, improving indicators of humanity and noticeable progress to achieve.

Now the question is that, considering this approach, have Afghanistan been successful in attracting foreign investment? If so, what was its reason? Although some worthwhile steps have been taken in terms of special fields like education, media, hygiene and telecommunication, the free market and privatization still face remarkable problems. Lack of preparedness by the society to go through transitional economy was one of the main reasons of not succeeding in economical growth and privatization. It means that before taking strategic trade approach, Afghanistan had a free market regime and even sometimes was communistic in its history. As a result, without the government and society preparedness, going through this transitional economy is not possible. The reason is that going through this period requires an appropriate comprehension of transitional economy, but Afghan's traders and economy activist didn’t have an adequate understanding of it. Therefore, compatibility and consistency with this approach is difficult and requires time and government's support. However, the government's support signifies return to the beginning point. The other reason is the excessive precipitance in privatization of state companies and also intense rejection of taking free market theory instead of strategic trade approach. Every transitional economy requires new public organization establishment, reform or removal of the old organizations at first. Secondly, it requires the existence of appropriate rules and principles in conformity with its need for market oriented economy which our country lack both in the beginning of transitional period. Also, the privatization of state economical sections and changing ownership of production tools from state to private sector should be considered in a way that precipitance is avoided. This means that at first, the inefficient economical state structures should be dissolved and then appropriate private Companies in consistent with market economy should replace them, but such a thing didn’t happen in Afghanistan. The other reason was the fear of Taliban's return and also the state officials’ corrupted and greedy behavior which lead to personalization by means of privatization. In other words, public interest was sacrificed for personal short term interest so that they could take the most possible profit through privatization which was made by the government.

Official corruption, lack of efficient management, inefficiency of parliament members to observe the government which has led to ignorance of the government for designing integrated and fair policies, are the reasons for lack of success and going through economic transition with this strategy is just a dream.

Apart from the security challenges and infrastructure and limited number of manpower that threaten foreign companies, as Dunning said (Dunning, 1981:44), the countries that are rich in natural resources, have a higher level of FDI in comparison to the countries that are in the same development level but are poorer in natural resources. Owen (Owen, 1982 & Lim, 1983:207-212) and Lim who conducted a research on 27 countries in terms of export, confirm this Theory.

Despite the affirmative aspects of the product life cycle, there are some problems too. Therefore, in Clegg view, it is not a perfect foreign direct investment theory. The reason is that it does not determine production ownership issue (Clegg, 1987:24). The other problem with the theory is that, the relative advantage of companies is linked to relative advantage of the countries. Clegg states: “[The Product Life Cycle Theory] is only related to new foreign investment and does not include any messages regarding developing present investment made by investors countries which are considered mature in this term” (Clegg, 1987:26).

The most significant problem about “Eclectic Paradigm” is that it includes so many variables that take its practical value away. Dunning accepts this problem (Dunning, 1991:125), but believes that this escapement is inevitable unless the theory is such comprehensive that can cover all motivations foreign direct investment. Considering the mentioned problems, each company’s position is still preserved. However, with regards to globalization, widespread presence of foreign companies, exclusive competition and rapid technological innovations, theory of location, relative advantage theory, internalization approach and product life cycle, these theories cannot explain whatever happens in global economy.

The activity of foreign companies in other countries is an important part of this determination that the above theories cannot respond to them. The significant reason for the globalization theory of not being stated in 60-80 decade is that globalization of market, technology, electronic communication, electronic trade and foreign companies became popular after 90 decade. Also, the authorities of other countries and Afghanistan pass the UN Millennium Development Goals in 2000 and 2002 respectively. Therefore, the author endeavors to analyze the activity of foreign companies with globalization approach, from two perspectives of foreign investor (investor country) and the country that is invested on (investee country).

4.Globalization Theory of Foreign Company

The increasing importance of foreign companies in global economy has led to the internationalization of capital, electronic trade, international production and services and technology revolution which has linked parts of the world via internet development, E-mail, inexpensive international telephone services and electronic conferences. The increase in global financial market's integration on one hand has led to the end of Geographical era (O'Brien, 1992) and on the other hand, foreign direct investment growth among different nations makes the countries link closer to one another. Some has substituted the concept of Globalization for Liberalization (Robertson, 1992:8), Universalization, Westernization and Deterritorialization terms. However, the term "globalization" is often used to imply internationalization or offshore transaction development and countries' mutual dependence. It is worthwhile to mention that the author of the present article has used the same meaning of the mentioned term, i.e. globalization is making global network that joins the former isolated and separated nations of the planet and creates mutual dependence between them and forms one world (Baylis & Smith, 2001:49). Trade is the primary origin and basis of foreign companies' globalization. Trade can connect the consumers and manufacturers from long distance and often creates common emotion and mutual dependence between them.

Globalization has led to international trade, international markets, international capital, international organizations such as the WTO, IMF, World Bank, regional associations, international and foreign companies and international bilateral and multilateral agreements to be born out of it. In general, foreign companies are the companies that are centralized within a company but interact and have dependencies with other governments and societies. These dependencies might be the branches of the main company or the affiliate companies that are owned by many trivial shareholders. The purpose of foreign investments through international competitiveness is achieving profits, controlling over the marketing, production and presentation of facilities to consumers in other countries. These investments can be in the form of services, industrial products and consumer goods and ensure buying the active factories or building new services (Greenfield investment). Outside the country, development is often accompanied with merger, takeover or a union contract between a company and companies of other nations (Benjamin, 1996: 6-7). Companies make the major part of the world trade body. Some believe that globalization in Europe and America is based on trade and merge, so election had been the controversial issue for many times and almost in all cases, trade and merge have been the winners. It has been affirmative, even in the struggle of the people's vote for NAFTA (Hamilton, 2002: 24-25 May Seminar). Foreign companies are the major source of employment and income. Their values, practices and behavior can have a major impact on the achievement of social goals. Foreign companies can bring up the spillovers (Gorg & Strobl, 2002: 4-6). Spillovers point to the fact that internal companies can learn the strategies for higher efficiency and better management from foreign companies. Also, host countries take advantage of foreign companies by transferring technical knowledge and better management methods, asking for tax and employment of unemployed.

Adherents of environment criticize that the foreign companies and the globalization of the economy is a threat to the environment, so they recommend monitoring and taxing on "contamination" to control it. It seems that this criticism is not true. The reason is that unlike boldly cynical statements of adherents of environment, the report submitted by the Secretariat of GATT about trade liberalization and environment, implies an increase on prosperity and improvement of the environment (GATT, 1991). Despite the approval of the author with GATT report, it seems that other countries that keep the strategic trade theory and provide the condition for foreign companies' competition and consequently utilize the lower quality domestic goods, pollute the environment more.

One of the typical models is the spread of electrical and gas equipment that has replaced the wooden and smoky equipment. The researches done by two economists named Grossman and Krueger around the world regarding peoples' income and its effect on pollution, confirmed that people and foreign companies with higher income produce less pollution (Grossman & Krueger, 1995:353 - 77).

The other reason for this criticism is that foreign companies use new and environmentally friendly technologies, because they are always seeking competition with other companies and intend to leave them behind. The biggest advantage to compete with other countries is using the new and advanced technology. Therefore, they produce less pollution. While in countries in which the competition is limited or does not exist, pollution is more. Since such countries lack access to advanced technology and enough currency and income, they might utilize the technology or 2nd hand equipment of industrialized countries.

No doubt, technologically antiquated second-hand machinery cannot have performance of new technology and machinery. Afghanistan is one of those countries that its traders import old and second hand machinery. Considering the depreciation of these machines, they also produce more pollution than new machines. The presence of foreign firms in the host country is like a marriage of convenience, which is formed on the basis of mutual need and dependency which leads to globalization. That is why Kenichi (Kenichi, 1990 :), in the book "World without Borders" introduced foreign companies, without government, without borders and in harmony with the tastes and preferences of consumers.

1.1. Interdependence of Countries and Foreign Companies

One the most important globalization tools is the Interdependence of countries with foreign companies and vice versa. The mentioned dependence is based on mutual need and leads to international interaction; increase of income, economical development and welfare, preserving peace and international security are both sides' demands. Therefore, because of mutual interests, the economists consider economical and business trade as means of improving cooperative and peaceful relations that will influence the economical growth, technological improvement, economical and financial critics, environment damage, drugs and insecurity of everyone. The policy features to divide people in national borders but economy features to integrate them. Exchange occurs for mutual achievements otherwise no exchange will take place. Considering the fact that all are affected by any change, the question is that how Afghanistan depends on foreign companies and vice versa?

One of the significant dependencies of foreign companies on Afghanistan is providing suitable conditions for activity. Therefore, they gain more benefit and accumulate capital by doing activity. Other theorist, base foreign companies' theoretical basis on one of these theories: the return rate of return, product life cycle, market size, oligopolistic competition, comparative advantage, ownership advantage, location advantage and internalization. However, they do not pay attention to this **piece de resistance** that if such conditions do not exist in Afghanistan, so will they be able to perform?

Each company efforts to invest in a country that has the highest possible profit making. National governments and their policies are the major agents of determining such organizations that manage such conditions. The activity of foreign companies is not only a technical issue but a law process which requires government's intervention to make foreign investment organization, support pleasant economic policies and follow appropriate economic development policies (Hanusch,1988:339 & Rodrik,1995:55-107). Nevertheless, the increase of interest and capital will be accumulated if its condition is provided by the host country. In other words, Afghanistan can embrace investor and foreign companies. For instance, China did not accept any investor or foreign traders before the 12th century. However, after that in The

Emperor of Hongwu era, China accepted investor and foreign traders in Ningbo in Zhejiang province, Guangzhou in Fujian province and Canton in Guangdong province due to its necessity for developing and improving foreign relations and also selling Chinese goods. Therefore, China could trade with other countries (Latham & Kawakatsu, 2006:5). Foreign investor and companies won't be able to work in Afghanistan until its necessity is realized. Therefore, globalization leads to international exchange and countries will provide appropriate conditions for interacting with one another. China opened its economic doors to foreign companies and investors and provided appropriate conditions to attract foreign investment (Vai Io Lo and Xiawen Tian, 2009: 364). However, making use of domestic resources was not easy for foreign companies. That is why professor Little states that foreign direct investment depends on good or bad government's policy and states some countries' policy regarding foreign investment attraction as follows: "we will never let you sell radio here again. If you want to sell your products here, you should bring your production facilities here" (Bhagawati, 2004: 251). The purpose of providing suitable conditions for a foreign company is: providing and creating clarification of rules and regulations of investment, goodwill treatment with investors, interactions with neighboring country and improving infrastructure.

The company's dependence on raw materials and raw material is the need which is not provided from the parent country and should be entered from the distant country (Afghanistan). The foreign company prefers to establish one of its own subsidiaries in another country and use its raw materials and convert them to goods and then export them rather than entering raw material from the distance country, converting and exporting it to the neighboring countries. The costs of goods transportation, time consumed for transportation and also shipping custom tariff costs on the one hand and the logic of internalization on the other hand conclude that a stop should be put to the raw materials import.

In addition to the access to raw materials, customs duties and shipping costs are another issues that make foreign companies depend on the host country. For example, American companies import raw materials from Afghanistan, convert them to goods and then distribute them in the markets of Afghanistan and the neighboring countries. In this way for exporting raw material out of Afghanistan and importing the products into the country and also importing raw materials to America and exporting the products out of it, the mentioned company should pay double tax to each government. Considering a global approach, customs and shipping costs will reduce and by providing appropriate conditions for foreign companies, American companies will produce the products and release them to the market in Afghanistan.

The attainment of development, technology, employment, foreign currency, international markets and the approaching or reaching the UN Millennium Development Goals by 2015 based on the commitment of Heads of State in 2000 (www.who.int) and the attainment of interest from economic activities are the main goals of Afghanistan and foreign companies. Economic development without financing and foreign technology is so difficult or even impossible. Therefore, Arthur Lewis encourages developing countries to attract capital and improve their currency consuming infrastructure (required for economic development) (Arthur, 1987)

Foreign companies require appropriate conditions made by Afghanistan. Conversely, Afghanistan requires economic development, advanced technology, lower costs for consumers, job creation, access to international markets and currencies. Globalization helps the foreign companies, so Afghanistan will provide an attractive environment to eliminate these dependencies to attract foreign companies. In other words, the identification of the strengths and weaknesses of the existing pavement is the necessary preconditions in Afghanistan.

Financing Afghanistan is one of the dependencies that is formed between this country and a foreign corporation. It seems to cover it, there is no more than two ways (using foreign loans and foreign investment). Apart from other problems of the loan, one of its problems is that it does not meet the major needs of society which include having advanced technology and entering international markets and reducing consumers spending. While, by attracting foreign investment, Afghanistan will achieve all the above privileges.

Globalization transfer corporate assets to countries which can nurture talent. Now the question is whether the country has such a talent or not? One way to achieve this is providing legal conditions, which according to the constitution 10th principle of choosing the free market economy, private investment law, Law of Commercial Arbitration (International Arbitration), the mediation (conciliation) trade, Intellectual property law and competition law, significant improvements on joining the WTO and other rules that supply legal security are formed and provide legal security for investors (Radmand, 2012: 16-19).

The other Afghanistan's dependency, is its access to advanced technology. Absorbing advanced technologies meets the needs of consumers in the long run and contributes to increased income (Stiglitz, 1990: 50-68). Providing such technology through purchase is not a possibility for Afghanistan's government as it will cost them a lot. From the other aspect, using it with high efficiency without sufficient experts is not simple. Access to technology is not easy for countries as it is used exclusively by some corporations. Attracting foreign companies is one of the appropriate options to achieve this. That is why the new classic theory followers claim that technical advancements are the result of investment by investors and foreign companies (Nelson, 1997:29-58). Every time that a company decides to compete in global markets, it utilizes the latest and most advanced technology. Science and technology are the foundations of the company which have the common global language. According to Bell, the emergence of technology based on theoretical knowledge for services production leads to the integration of societies. Former Citibank's chairman, Walter Wriston, believes that globalization is a necessity not because of business or management theories, but because of advances in technology. He adds that competition between banks will no longer be based on banking services, but on high-tech takeover. In fact, the company that decides quicker, often within a fraction of a millisecond, is the winner. He believes that banking should have been based on a without boundary world since the decisions made in a fraction of a second by machines are beyond human capabilities. Based on this description of globalization, technological dependencies of countries will be obviated by foreign firms. Otherwise, its purchase by the states such as Afghanistan or other entities would be costly or impossible.

Employment Increase, costs reduction and increase of wages are of other Afghanistan's dependency to foreign companies. In addition to that, due to the competitive system of foreign companies, costs will be reduced. In less developed countries such as Afghanistan, the economy and workers and consumers will all benefit from foreign direct investment. To prove this claim, consider two neighboring countries. In Iran, due to "strategic trade approach" in 2002, the cost of calls from Tehran to Kabul was estimated between 30-50 cent $ per minute, while in 2014 the cost per minute for calls increased by 90 to 150 cents $. Conversely, in Afghanistan, due to "free and private market approach" after 2002, and firms' competitions, the cost of calls has been downward. In 2002 the cost to call from Kabul to Tehran was calculated 1.5 $ (150 cents) per minute, but in 2014 the cost has dropped between 15-20 cents per call.

Garret believes that there is evidence that globalization reduces the cost. He focused on the changes in trade and public costs instead of free trade and public costs levels and concluded that in countries that the highest trade growth has been experienced, the costs have increased less. (Garrett, 2000: 27). It seems that foreign companies can have affirmative impact on economic and development growth in Afghanistan as they create interdependencies and common interests which leads to reduction of costs for consumers. Although the mutual dependencies might be one of the interdependencies features but, in some cases, the dependencies are not asymmetrical and balanced (Hirschman, 1969:16) which will be different according to each country. Multinational corporations have been recognized as cost reduction tools: organizing vertically by FDI is much cheaper than organizing by the market transactions. The Caves research had a strong emphasis on the importance of "Appropriability", i.e. the ability of a company to maintain control over valuable assets such as a trademark or technology (Caves, 1982).

Globalization leads to the spread of foreign companies and foreign companies as well lead to power relations between governments and reduction of consumer spending. Trade, market and operations of foreign companies will lead to the development of dependence. Foreign companies' convergence will lead to the formation of power relation between governments and according to Hirschman, economic power comes out of a government's ability to disrupt economic relations of companies' activities (Hirschman, 1969: 16).

Many industries and manufacturing plants have been destroyed in Afghanistan and the government has failed to create jobs due to inefficiency. Therefore, the bulk of increase in immigration in recent years is due to unemployment. Foreign and multinational companies are one of the most important instruments of job creation that use cheap labor and gain benefit a lot. Since foreign firms pay higher salaries in comparison to domestic firms, more jobs will be created (World Commission on social Dimension of globalization, 2005: 54) and both the people and Afghanistan's government will benefit. To prove this assertion, researches also point to an increase in wages. In Afghanistan, foreign companies pay 30 percent higher than domestic companies and international organizations pay 40 percent more than the government. Another research in Turkey indicates that the average salary paid by multinational companies is 24% more than that paid by the government (Economist, 29 Jan 2001: 21). Also different empirical evidence indicated that foreign companies pay 10% more than usual salaries in most cases (Graham, 2000, & Glewwe, 1999, Aiken & Harrison, 1993 & Haddad & Harrison, 1993, & Deardorff). Michigan university professor, Lim examined findings of surveys in different countries including Bangladesh, Mexico, Shanghai, Indonesia and Vietnam and concluded that they confirm "Wage premium" (Lim, 2001, & Fenestra, Hanson, & Harrison: 2002). Regarding this description, globalization involves foreign companies and leads to costs reductions and salaries increase.

1.2. Competition

Competition is one of the most important instruments of globalization. This issue exists not only among companies but also among national economies to achieve technical advantages, attract foreign investment and low rate of wages in determining investment (Brown, Deardorff, & Ster, 2002: 24-27) not to attract the investment from inside, but from beyond the borders and the outside world (Kenichi, 2005: 40).

Competition occurs in markets, where competition does not exist you must set policies such as anti-trust. As noted in the discussion of interdependence, foreign companies compete to achieve raw materials, inexpensive labor and control the market. There are many examples in the field signifying that foreign companies are competing with each other to get over it. One of the typical models is assignment of the Hajigak Bamyan province mine in Afghanistan via competition that its extraction will last for 180 years. Among more than 20 different companies, two Indian and Canadian companies were the winners (Noorani, 2011:6-31). Also in 2013, more than 20 different companies competed for North Oil field (Afghan-Tajik) and three joint companies (Emirate, Turkey and Kuwait) were the winner of the project by 25 billion $ cost for performing it (Afghanistan Ministry of Foreign Affairs, 2013: 8).

Porter, in his book "Countries Competitive Advantage (1990)" and his other writings, argues that multinational companies have entered a period of strategic management (Porter, 1990). He believes that companies are required to decide where and in which part of the world their activities should be focused. These decisions depend on the companies general competitive strategies. It means that every foreign company has this advantage to function in the most efficient part of the world. For these companies strategies and activities are not limited to borders and they coordinate their activities beyond borders.

On the other side, Afghanistan tries to attract foreign companies. Competition among countries for attracting foreign direct investment has resulted in reduction of regulations, taxes, environment support and standardization in an excessive way (World Commission on social Dimension of globalization, 2005: 112). For example, among the neighboring countries like China, Tajikistan, Uzbekistan, Turkmenistan, Iran and Pakistan, China has been more successful in attracting foreign investment due to providing appropriate conditions. In the competition to attract funding, some countries are losers due to the lack of political stability, economic advantages such as cheap labor or natural resources (Bhagawati, 2004: 227). The presence of international society in Afghanistan has given the chance of providing necessary conditions and improving political stability despite the economical advantages such as natural resources and cheap and skilled labor. Therefore, in this way it will surpass the neighboring countries in the competition of attracting capital. The competition sometimes goes beyond boundaries and Afghanistan may give up some advantages that are not necessary and as a result the total benefits will be reduced. That’s why the adherents of market-oriented economy believe that competition is the most important consumer supporter unless when the market fails. That's because the main purpose of the company is benefiting consumers and concomitantly increasing global wealth (Glipin, 2001: 186-8).These people believe that the first step is that we should make the trade free and encourage competition in domestic market. Therefore, anti-competition approaches will be removed and prices will be reduced, the customer will have the right to choose and national efficiency will be improved.

5. Suggestions

- The simplest approach to the problem of national differences of foreign companies is mutual understanding. According to this approach, all countries should accept and respect laws of other countries based on which their economy is run. For instance a foreign company that is establishing another branch in another country should have the same economic freedom as it has in its own country. This approach has been employed by the European Union, as a good example for other countries.
- Another approach is the worldwide deregulation of markets and services. Undoubtedly, deregulation and integration of financial markets will facilitate foreign direct investment. In other words, international rules will be established to govern the activities of foreign companies. Although multilateral and bilateral agreements have been signed between countries and also there have been discussions and debates on the development of a single rule in several meetings, they have still not reached any conclusion. Furthermore, laws and institutions dealing with the monetary markets of poor countries are still unfair. In fact, the rules of the game in terms of style of editing and the effects are not identical. Editing rules that can be enforced equally for all members of the community is essential. Thus, concerns about the lack of appropriate legislation in areas such as global competitiveness, foreign investment and immigration will lead to injustice.
- Another approach is that opening the economic doors to foreign investors should be reasonable to avoid its negative consequences. If Afghanistan wants to achieve sufficient growth and necessary technology, it will need to have the following conditions: qualified and honest government, huge investment in all levels of education, respect for international ownership, job creation encouragement, supporting different national plans for research and development and following logical policies in economy. A nation that has no serious intention of carrying out these responsibilities can be successful in the global economy in no way.

Conclusion

Most economic theorists have examined theoretical basis of foreign companies from investors’ perspectives which are not comprehensive reviews. Therefore, they can’t meet the needs of host countries that are the origin of foreign investments.

Economists have never referred to the needs and requirements of either parties (investors and invested) and have always considered "interest" achieving from the investor perspective. While achieving profit may not be a company goal, but it may pursue that beside its other goals.

Most theories of foreign companies were put forward when world companies had not been globalized like today and these companies didn’t consider themselves dominant on market, technology, services, electronic communication, electronic trade and international capital which is the result of globalization. From the other aspect, they didn’t find themselves responsible for public and individual's future and these responsibilities were put on governments in 2000 by signing the agreement of UN millennium development goals (MDG). Prior to the establishment of the WTO, most countries' approaches were “Strategic Trade Theory". However, after the decade 90 most governments changed their approach to globalization and trade liberalization which is one of the main globalization's characters was selected.

Companies and countries dependencies to one another and their competition in the world economy lead to international investment, electronic trade, services, international production and technology revolution and connect all parts of the world with different nations and lead to the end of geographical era and increase integration of world financial markets via internet distribution, E-mail, inexpensive international telephone services and electronic conferences.

Globalization is an important factor for competition and dependence. Strong competition and interdependence are the driving factors which will force foreign companies and host countries cooperate according to their needs to achieve convergence. Convergence which is one of the main characteristics of globalization will make the parties closer together and make a unified strategy.

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