

CHAPTER 35 : The impact of MNCs

1. Impact on MNCs on the local economy

1.1. Local labour and job creation

: Local economies → creation of job and training

1.2. Wages and working conditions

: Wages in the locality may rise if a large business opens. This is because demand for the workers in the local economy → drive up rate

1.3. The local community and environment

: The people living in local communities are likely to welcome the location of MNCs in their area, But this is only benefits outweigh the drawbacks. In addition, to employment opportunities and boost to the local economy, MNCs might also provide the following benefits

- Improvement Infrastructure : MNCs might use own money to develop roads, electricity, water . This might develop / build trust to community .
- Contribute to local government taxes: Businesses have to pay local taxes to local authorities.
- Help in local communities : Some MNCs make an effort to build strong links with the local community. They might participate in local cultural or sporting events.

However, MNCs may exploit natural resources and create negative externalities

2. Impact of MNCs on the national economy

- **Economic Growth** : It can create job and more spending in the economy
- **FDI Flow** : When an overseas business locates a new facility in a foreign country, the amount of money spent on establishing that facilities is classified as FDI. Examples of specific benefits to the economy include the following

- **Increase in income** : flows of FDI should result in higher levels of GDP for the host nations. → raise in standard of living for people in the host country
- **Increase in tax revenue**
- **Increase employment**
- **Reduce national debt** : Some of the money received by the government from FDI might used to reduce nation debt. → financial more stability → easier to borrow in the future

However, Repatriated profits represents a flows of money away from the host country.

- **Technology and skills transfer**: MNC investment in foreign countries often means that new technologies and modern working practices are introduced into the host nation. Transfer of technology and skills from an MNCs to businesses into host nation will improve efficiency and productivity. This will help to make domestic producers more competitive.
- **Consumers** : are likely to benefits from arrival of MNCs in their countries. This is because they will be free to buy some of the goods that they produce. Specific benefits to consumers include the following
 - ⇒ **More choice**
 - ⇒ **Lower price**
 - ⇒ **Improved quality**

⇒ **Better standard of living** : They may benefits from employment

opportunities and enjoy access to cheaper and better quality products

