

## Advantages and Disadvantages of TNCs

Sort the following statements into the following sets

- Advantages of the presence of TNCs in a global market-place
- Disadvantages of the presence of TNCs in a global market-place
- Effects on country of origin
- Effects on host country
- Social factors
- Environmental factors
- Economic factors

Use the statements to help you construct an answer to the following essay questions;

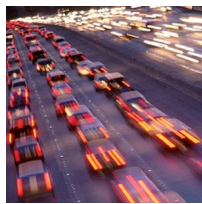
*“TNCs have had a positive impact on the level of development in both developed and developing countries. Discuss.”*

*“TNCs have proved socially, economically and environmentally destructive in both developed and developing countries. Discuss.”*

Advantages of TNCs	Disadvantages of TNCs	Effects on country of origin
Effects on host country	Social factors	Environmental factors
Economic factors		



TNCs help develop mineral wealth in countries that might not otherwise be able to capitalise on local resources



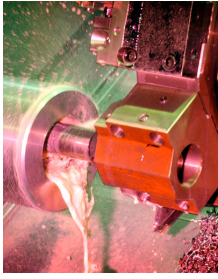
Positive multiplier effect usually means that the presence of TNCs in a country improves roads, airports and services



Outsourcing means that TNCs exploit cheap labour. As a result local workers are paid badly



Profits don't generally remain within the country in which goods are manufactured



TNCs are footloose and may move their operations out of a country at any point – in search of lower wages and cheaper production elsewhere. This creates economic uncertainty within the host country



Because they are transnational TNCs can avoid paying full taxes in the countries where they operate. This affects the services governments are able to provide for local people – in this way TNCs do little to help LEDCs develop



TNCs are responsible for a growing global wealth divide by choosing to invest in certain regions (eg south-east Asia) whilst largely bypassing others (particularly Sub-Saharan Africa).



TNCs are responsible for massive environmental degradation – the brunt of which is often borne by the global poor. In 1984 Union Carbide, an American TNC accidentally leaked the poisonous methyl gas into the air in Bhopal, India causing thousands of deaths.

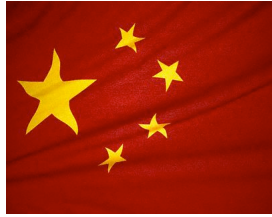


Dangerous or environmentally damaging procedures are moved to LEDCs which become the back-yard dumping grounds of the west.



TNCs invest in the economies of developing countries and can help to raise living standards .





TNCs seem to be central to economic growth in today's world. Foreign Direct investment has helped China overtake the UK and France to become the world's fourth biggest economy.



TNCs can be responsible for the transfer of technology and managerial know-how from developed to developing nations.



TNCs can be seen as the architects of globalisation. They help build important bridges between nations.



The products of TNCs are consumed in almost every country on earth. This erodes local diversity and homogenises our tastes and cultures.



TNCs have brought political stability to countries in Eastern Europe and to China.



TNCs are becoming increasingly environmentally aware. Because they have a global corporate image to uphold they can't get away with the same type of environmental abuse of the past. Most TNCs are now trying to flat up their green credentials.



TNCs offer consumers a large degree of consumer choice and can in this way improve standards of living.



The footloose nature of TNCs means that they can move their branch-plants to areas of the world where labour is less regulated. For workers this means that unions are banned, health and safety is poor and wages low.



Over 90% of TNCs have their headquarters in the developed world. The profits simply go into the pockets of their shareholders – rich, privileged westerners.



Although it is clear that MNCs pay less to workers in host countries than they would to workers in their country of origin, they generally pay between 10% and 100% more than local labour rates.



What happens to the UK worker competing against cheaper wages overseas? Large swathes of industry have been lost to overseas markets. There are now large pockets of poverty throughout the US and the UK.



TNCs encourage capital to move in and out of countries – often very quickly. The Asian Tiger economy is a good example of this. A lot of money/investment was moved into the Asian economy and then just as quickly money left that economy. If we allow capital to move around the world without regulation it becomes rootless - it moves in to create a boom and moves out to create a recession.



Goods produced by TNCs are cheap. But we must think about climate change and the cost of production to the environment? Are goods really that cheap? Does the price actually reflect the real 'cost' of a product?



TNCs have changed our working patterns towards more shift workers and more short-term contracts. As a result of this employees no longer form relationships with one another or with their company. Employees have jobs not careers.



TNCs simply offer consumers the best deal. Consumers want the best value and big business is the vehicle that gives it to them. TNCs have allowed consumers in developing countries to buy consumer goods that they would never have been able to buy in the past.