

FACULTY OF JURIDICAL SCIENCES

Lecture-34



Transnational corporations

Globalization impacts on trade, with many companies operating across borders.

Transnational corporations (TNCs) or multinational corporations (MNCs) are companies that operate in more than one country. Unilever, McDonalds and Apple are all examples of TNCs.

TNCs tend to have offices and headquarters located in the developed world. They often have factories in countries that are not as economically developed to take advantage of cheaper labour.

A transnational corporation is an enterprise that is involved with the international production of goods or services, foreign investments, or income and asset management in more than one country. It sets up factories in developing countries as land and labor are cheaper there.

When a TNC locates within a country, there are advantages and disadvantages.

Advantages of TNCs locating in a country include:

- creation of jobs
- stable income and more reliable than farming
- improved education and skills
- investment in infrastructure, eg new roads – helps locals as well as the TNC
- help to exploit natural resources
- a better developed economic base for the country

Disadvantages of TNCs locating in a country include:

- fewer workers employed, considering the scale of investment
- poorer working conditions in some cases
- damage to the environment by ignoring local laws
- profits going to companies overseas rather than locals
- little reinvestment in the local area

- Factories are often footloose and jobs insecure. If labour costs increase, the company may move elsewhere
- natural resources being over-exploited