

Impact of MNC's

Impact of MNC's on the local economy	Impact of MNC's on the national economy
Labour – wages, working conditions and job creation	Economic growth – FDI by MNC;s contributes to AD shifting AD to right and boosting economy
Local firms – greater competition as well as opportunities in supply chain	FDI flows – inflows of investment will boost the Balance of Payments account
The local community – job opportunities, job losses, opportunities for learning new skills	Technology and skills transfer – MNC's may bring them new practices and technologies which can benefit the economy, businesses and the workforce
Local environment – environmental degradation, pollution and exploitation of natural resources	Consumers – they benefit from greater competition, and choice, possibly more innovative products at better prices
	Business culture – MNC's will raise the standards for local businesses who may feel threatened and adopt quality, safety and service standards brought in by the MNC
	Tax revenues – governments may receive increased tax revenues from the profits of the MNC as well as income tax from employees employed by the MNC.

Ethical issues raised by MNC's

The presence of MNC's in developed economies raises ethical issues because the latter often lack strong legal systems, are riddled with corruption, have weak labour market and environmental protections.

Stakeholder conflicts	Conflicting interests between stakeholders may mean that the MNC ignores the plight of some stakeholders in favour of others
Pay and conditions	Due to a lack of protections in some countries staff may not receive fair wages or may be expected to work in poor/dangerous conditions
Emissions	Lack of regulations may mean that the MNC may be a source of major emissions
Waste disposal	Lack of regulations/corruption may allow the MNC to dispose of waste without treatment

Supply chain considerations

Exploitation of labour	Suppliers may abuse/exploit their staff
Child labour	Use of child labour by suppliers may be ignored by the MNC

Marketing considerations

Misleading labelling	Poor legal systems/regulations may allow the MNC to get away with misleading labelling
Inappropriate promotional activities	

Controlling MNC's

MNC's can have negative impacts on their host countries (as well as positive), as a result to what extent can governments control their activities? What tools do they have at their disposal?

Political influence	Governments can use their power to tame the activities of MNC's
Legal control	Laws can be passed ensuring MNC's comply
Pressure groups	Pressure group activity can force MNC's to change their behaviour
Social media	The advent of social media has empowered the consumer. Stories, videos and images can be shared at an instant. IF negative publicity goes viral then this can have a serious impact on the reputation of the MNC and may force it to change its behaviour
Self-regulation	MNC's can be encouraged to regulate themselves. Perhaps the weakest form of control because the MNC is motivated to maximise its profits/market share and may not necessarily act against its own interests.

KEY VOCABULARY

MNC's	Businesses that operate in more than one country
Pressure groups	a group that tries to influence MNC behaviour in the interest of a particular cause
Supply chain	A supply chain is a network between a company and its suppliers to produce and distribute a specific product
Ethics	Doing what is morally right. Everyone has a different opinion on what is right and wrong.
Stakeholders	Someone that has an interest in or is affected by a business
STAKEHOLDER CONFLICT	When two or more stakeholders have opposing interests in the business