

# Multinationals are more of a boon than a ban to developing countries?

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## Outline

### 1 Introduction

Thesis statement: Multinationals play a major role in shaping developing countries. While they offer economic benefits such as job creation and investments, they also pose a challenges such as exploitation and market dominance. However, stringent regulation and local entrepreneurship mitigate negatives and maximize positives outcomes of multinationals.

### 2 Role of Multinationals in developing countries.

### 3 Multinationals: Catalyst for development in developing countries:

- a) Stimulation of economic growth in developing countries by investment and job creation
- b) Multinationals bring advanced technology fostering innovation and productivity.
- c) MNCs provide access to global markets, by boosting exports.
- d) MNCs facilitate, cultural exchange through diversity initiative.
- e) MNCs engagement in Corporate Social Responsibility (CSR) promote social

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welfare in developing countries.

#### 4 Detrimental effects of Multinationals on developing countries.

- a) MNCs ~~export~~ exploit cheap labour and resources leading to income inequality
- b) Excess reliance on foreign technology hinder domestic innovations
- c) MNCs promotion of western culture erode local traditions.
- d) MNCs operation result in pollution and natural resources depletion.

#### 5 Remedial measures for empowering Multinational for developing countries.

- a) Taking regulatory measures to ensure fair labor practice
- b) Leveraging MNCs partnership to acquire technology while investing in domestic developments.
- c) Educating and training workers facilitates higher paying roles in MNCs.

#### 6 Conclusion.

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In today's global world, ~~comp~~ multinationals from different countries have a big impact on how ~~post~~ developing countries develop. It is like a puzzle, these companies are <sup>like</sup> a big piece, but we are not sure if they are making the picture better or worse. Multinational companies are two sided coin, can be both a boon or a ban for developing countries. For example, In India, the entry of multinational corporation has led to the introduction of advanced technology and management practice and positively impacting country's economic growth. Not only this, MNCs also provide access to global market for developing countries. foster innovations and productivity. They bring benefits and challenges to developing countries, depending on how they are used. However, If we look at the other side of

coin, Multinationals can also lead to the exploitation and economic dependency. It also undermines the local culture of developing countries.

The developing countries need to regulatory measures to ensure fair labor practice. Undoubtedly, Multinationals play a major role in shaping developing countries.

While they offer economic benefits such as job creation and investment,

they also pose challenges such as exploitation and market domination.

However, stringent regulation and local entrepreneurship mitigate negatives and maximize positive outcomes of multinationals.

As Multinationals corporations (MNCs) are companies that operate in multiple countries playing a pivotal role in global economy. In developing countries, MNCs bring both positive and negative impacts.

They contribute to economic growth by providing an inflow of capital, improving infrastructure and creating employment opportunities.

A report from JSTOR highlights the ongoing debate about the role of MNCs in developing countries, emphasizing the need to carefully manage their involvement to ensure positive and sustainable economic development. The MNCs can bring valuable contribution to developing countries. So it is essential to address and mitigate the potential drawbacks associated with their operations.

First of all, Multinationals play a pivotal role in stimulating economic growth in developing countries. It is by establishing operations and in these regions, MNCs infuse capital into local economies, and encouraging their innovations.

The inflow of foreign investment brings with opportunities for employment and skill development. For example, NIKE, a well known athletic footwear, has invested heavily in manufacturing facilities in countries like Vietnam and Indonesia, creating thousands of jobs and contributing to the GDP of these developing nations. This opportunity improve the condition of developing nation and increase the economic growth. Thus, the presence of MNCs foster the innovation and drive productivity.

Secondly, MNCs are contributing in driving economic growth by introducing advanced technologies which increase the productivity level. Through <sup>their</sup> global networks and expertise MNCs transfer cutting edge technology to local industries to empower them to modernize their operations.

For example, Huawei's involvement in building 5G infrastructure in Africa has revolutionized communication networks enabling business to operate more efficiently and access new market.

The adoption of such technology boost the productivity of developing nations. In this way, MNCs serve as a catalyst for developing countries's economic progress by providing advance technological innovations.

Thirdly, MNCs actively facilitates cultural exchange through diversity initiatives in developing countries. It is by recognizing the importance of embracing diverse perspective and backgrounds, MNCs implement programs aimed at promoting inclusion cross culture understanding within their local communities. According to McKinsey & Company, companies with diverse workforce are 35% more likely to outperform their competitors.

by fostering cultural exchanges, MNCs not only enrich their organizational culture but also contribute to social cohesion and understanding in developing countries.

Furthermore, MNCs are contributing in infrastructure development improve connectivity in developing countries. MNCs allocates substantial resources towards building and upgrading infrastructure such as roads, ports and telecommunication networks. For example, CPEC is a flagship infrastructure project involving MNCs that are aim to improve connectivity between china and Pakistan through roads, rails, ports, and energy infrastructure development. Hence, through such projects MNCs plays crucial role in bridging infrastructure gap and enhancing economic growth of such developing nations.



In Addition to this, MNCs also provide access to global market, by boosting export of developing countries. MNCs help local business to reach international market by expanding their customer base and increasing export opportunities. For example, In Bangladesh, garment industry has experienced significant economic growth by due to partnership with multinational economic growth clothing brands such as ZARA and H&M, which source their product from local ~~represent~~ manufactures. These collaboration led to increase export volume for such countries. Hence, MNCs playing significant role in enhancing export of developing countries.

Similarly, MNCs engagement in Corporate social Responsibility (CSR) promote social welfare in developing countries. CSR activities

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encompasses a range of initiatives aimed at addressing social and environmental issues, such as education, healthcare and environmental sustainability. By investing in these areas, MNCs contribute to the improvement of living standards and quality of life for communities in need. Through CSR, MNCs demonstrate their commitment to social responsibility and contribute to positive change in developing countries.

However, MNCs often require cheap labor and resources in developing countries and sustaining inequality within these regions. The exploitative labor practices, such as low wages and poor working conditions, result in economic disparity between MNC employees and local workers. This exploitation exacerbates income

inequality by concentrating wealth in the hands of multinationals corporation and their shareholders, while the local communities struggle to make ends meet.

Hence the widening income equality is because of the exploitative nature of MNCs.

Along with this, Excessive reliance on foreign technology hinder domestic innovation by stifling the developments of local capabilities and knowledge. When countries rely heavily on technology imported from MNCs their own potential for technological advancement get affected. The countries then miss out on opportunities to develop groundbreaking treatment and technologies. As a result, domestic industries struggle to compete globally, obstructing overall economic growth and development.

Subsequently, MNCs have

been accused of promoting western culture and that is eroding local tradition in developing countries. This is done by advertising and marketing techniques that emphasize western culture lifestyle. ~~For ex~~ For example, the spread of fast food chains like McDonald's in countries has led to decline in traditional dietary habits. The erosion of local tradition not only diminishes cultural diversity but also pose challenges to preserve cultural heritage. Therefore, MNCs promotion of their culture has influenced the local traditions.

Apart from this, MNCs have been responsible for causing pollution and depletion of natural resources in developing countries.

It exploit weaker environmental regulations in developing country,

that lead to increase pollution, resources depletion and habitat destruction. Studies shows that MNCs account for nearly 20% of global CO<sub>2</sub> emissions. MNCs also generate pollution, emissions or waste that harms the environment. such as GHGs, toxic chemicals or plastic. Hence, MNCs have significant role in polluting environment in developing countries.

Considering this, some regulatory measures should be taken to ensure fair labor practice of MNCs. It include Transnational labor regulation (TLR), which involves unilateral regulation introduced by government to influence labor practice foreign jurisdiction. This can help to address deregulation of labor relation in areas influenced by MNCs. Additionally, transparency and accountability mechanism

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should be established to monitor and address labor violations effectively.

Hence these measures can help hold MNCs for their contribution to improve working condition.

Including this, leveraging partnership with MNCs to acquire technology in domestic development can be strategic approach for developing countries, to accelerate their economy. By collaborating with MNCs, developing countries can gain access to advanced technologies and expertise that may not have domestically. These partnership could lead to technological transfers, knowledge sharing and capacity building. Hence MNCs partnership for technological acquisition with domestic investment, presents a promising avenue for growth of economies.

Last but not the least, Educating and training workers in developing countries

facilitate access to higher pay roles in multinationals. It is by addressing skill gaps and increasing workforce productivity, workers acquire technical, managerial and soft skills which are needed to excel in MNCs. For instance, Vocational Training programs by MNCs equip local workers with industry-specific competencies. Hence, investing in educating and training workers uplift the economic perspective of developing countries.

In Nutshell, the complicated relation between MNCs and developing countries is a nuanced tapestry of opportunities and challenges. While MNCs bring economic growth, facilitate cultural exchange through diverse initiatives and also improve connectivity infrastructure in developing

countries. However, MNCs also hinder domestic innovations and pollute the environment of developing countries. But these challenges can be mitigated by leveraging MNCs partnership with local business, balancing market access and by educating workers of developing countries to facilitates higher paying roles in MNCs.

“Open market offer the only realistic hope of pulling billions of people in developing countries out of abject poverty, while sustaining prosperity in the industrialized world”

- Kofi Annan -