CROSS BORDER TRADE – MAIN DRIVER OF GLOBAL ECONOMY

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ABSTRACT

Globalisation is an integrated process of making countries come closer in order to share new information and new methods of advancing in the field of technology, research and development, economic and political aspects and many more. Multinational Corporations make it possible to effectively share new information and ideas worldwide. "Multinational Corporation (MNC) is an international corporation that derives at least a quarter of its revenues outside its home country" (Chen, 2020). In other words, MNCs are enterprises that conduct business in two or more countries with the aim of development and generating more revenue.

Keywords: Multinational, Globalization, FDI, Trade.

INTRODUCTION

Highlighting the beneficial impact of globalisation in the host countries, MNCs contribute greatly in offering groundwork for advancement of R&D. MNCs help the less developed countries or developing countries to benefit from them by sharing new progressive ways of conducting business. MNCs overall contribute and spread around 10 to 40 percent of the research and development of the country where the company has its base (Heidenreich, 2012). For example, In 2008 the spenders of R&D of top 80 United States Corporate spent around US$ 80 billion R&D outside their home country (Jaruzelski & Dehoff, 2008). R&D furthermore benefits the host country as it grabs the attention of foreign based companies to invest in the host country. MNCs are the only primary source for Foreign Direct Investment (FDI). It has promoted innovation in fields of biotechnology, electronic tools, automobile and information technology (Wolfmayr, et al., 2013). Due to availability of funds, the host country evolves in terms of innovation and grows out of the home country. Foreign investment in the country has manifold effect on the host country. The investment leads to massive employment generation and creation of opportunities. New products come into the market, increasing the diversity. Furthermore foreign inflow of investment, can lead to a drastic increase in revenue of a country in form of taxes paid by these companies. Lastly a foreign injection leads to speculative gains in the stock market making investors. This has also boosted the foreign competition and globalisation. Some MNCs like Infosys, Mahindra, Tata motors, Ranbaxy have emerged in India as a result of innovation. Another benefit is economies of scale. Multinational corporations lay a lot of emphasis on minimising costs and increasing profits. They try to utilise their fixed factors to the optimum level, decreasing cost per unit, as production goes up (Pettinger, 2019).

Moreover, considering the negative impacts, the organisations expand into different countries for their own good and benefit on the consumers cost. Most of the companies widen up in order to generate more and more revenue. Having the power to rule the market, they are very influential and successful in building a monopoly. For example, by producing oil, Shell generated about £14 billion (Pettinger, 2019). This allows them to generate abnormal profit giving a cut throat competition to the local companies. Walmart generates revenue around $ 500 billion per annum. It accounts for 10% of the total Chinese exports to the US (Vittana, 2019). The income generated goes back to the home country i.e outflow of income through debt services, loyalty and many more. Another impact is the exploitation of workers. For example, Google's share is about 63% of search engine traffic as compare of Bing which owns 23% share (Vittana, 2019). The set up of MNCs in the host country allows them to use natural resources and cheap labourers. As MNCs pay higher to the employees and the labourers, the employee are willing to work in a MNC over local companies. Around 88% of the employees chose to work in MNC when asked about working in MNC or a local home based organisation (EconomicTimes, 2016). Therefore, MNCs create a shortage of labourers and employees in the home companies. Also, it leads to a very high increase in environmental degradation. Establishing plants with fully equipped machinery for production of goods and services on a huge scale leads to pollution. It has led to the outflow of noxious substances into rivers, hazardous wastes and disposal waste enormously causing air and water pollution (Ferdausy & Rahman, 2018).

MNCs with their boons and banes, are still one important component of the modern world. They are strong advocates for innovation which in turn is in line with natural evolution and adaption of people. As the world grows, life has become easier for a larger chunk of people by the day. We can say that the number of poor before the industrial revolution has drastically decreased today. Excellent R&D brings in more scope for FDI which boosts the economy of the country. MNCs contributes in widening the knowledge, enhances the technological skills, bringing in more innovative ideas and techniques for conducting businesses. On the other hand, MNCs degrade the environment causing more health issues because of pollution. The government loses the control as MNCs form monopoly. It gives a cut throat competition to the local companies which in turn withdraw from doing business. Events like globalisation follow that progressive chain of events like dominos, toppling each other, growing and evolving the way we know life.

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