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Economical, financial and social impact in and by the transnational business arena

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Abstract: - **Today the world has become a global village. A place where at the click of a button we can connect to the other side of the globe at ease. It's majorly due to transnational entities or the multinational companies. Today business is not limited to a region. A business if it wishes can happen cross country. This multinational companies are very large. There turnover can even go beyond a countries GDP. Their work culture, country wise variation, exports, imports ;etc is very impactful and vast. One important and prominent example is Walmart. They operate in chains in almost all part of the world – a multiproduct departmental retail store. The presence of this multinational/transnational companies have not only impacted in different economies have created a cross cultural amalgamation. Millions of employees from different parts of the world earns their daily living from this corporates. Not only that, they also comingle with people of different nationalities. Thus a cross cultural exchange happens in the form of lifestyle, work culture;etc.Though their impacts are positive they possess demerits too. Many countries fear that they may impact politically in one country's administration. Specially in India since it happened once i.e the East India Company scenario. For which until 1991 India emphasized on aclosed economy after independence. But due to entrapped by a debt trap on the the suggestion from IMF India opened out the economy to the globe in the year 1991.**

INTRODUCTION

MNCs and their impact on the globe:

A multinational corporation have their presence in more then one country. They enter a particular country with certain goals like; to extract the highest competitive advantage in the host country. Buy and sell anywhere in the world to take advantage of the most favorable price to the company. Take advantage, throughout the world, of changes in labour cost, productivity, trade agreements and currency fluctuations. Expand or contract, based on worldwide competitive advantage. Obtain a high and rising return on invested capital. Achieve greater sales.

On the other hand the host country also have certain goals. Like; achieve economic growth. Achieve full employment of resouces and optimum use of people. Improve managerial and worker skills. Maintain price stability. Develop a favourable balance of trade. Equitable distribution of income. Advance quality of life of people. Improve technological development;etc.

Though a MNC is advantageous to both itself and the host country but it is criticized on various grounds. Commencing from the East India company, anti corporate mood has never been dissipitated. Modern MNCs are portrayed as over mighty, using their wealth to subvert politicians through their campaign contributions, and lobbying the power and to evade their social responsibility. MNCs justify bribery as it adds to their bottomline. Thousands of small firms in developing countries have closed their shutter because of the competition from lage MNCs. The other criticism against MnCs include – interference with economic objectives, social disruptions, environmental degradation, imperialism and technology.

Multilateral trade agreement and their impact:

Not only MNCs are making their presence impactful; today even thpse multilateral trade agreements are also making their presence very important with their advantageous foot forward.

Advantages

Multilateral agreements make all signatories treat each other equally. No country can give better trade deals to one country than it does to another. That levels the playing field. It's especially critical for emerging market countries. Many of them are smaller in size, making them less competitive. The Most Favored Nation Status confers the best trading terms a nation can get from a trading partner. Developing countries benefit the most from this trading status.

The second benefit is that it increases trade for every participant. Their companies enjoy low tariffs. That makes their exports cheaper.

The third benefit is it standardizes commerce regulations for all the trade partners. Companies save legal costs since they follow the same rules for each country.

The fourth benefit is that countries can negotiate trade deals with more than one country at a time. Trade agreements undergo a detailed approval process. Most countries would prefer to get one agreement ratified covering many countries at once.

The fifth benefit applies to emerging markets. Bilateral trade agreements tend to favor the country with the best economy. That puts the weaker nation at a disadvantage. But making emerging markets stronger helps the developed economy over time.

As those emerging markets become developed, their middle class population increases. That creates new affluent customers for everyone.

Disadvantages

The biggest disadvantage of multilateral agreements is that they are complex. That makes them difficult and time consuming to negotiate. Sometimes the length of negotiation means it won't take place at all.

Second, the details of the negotiations are particular to trade and business practices. The public often misunderstands them. As a result, they receive lots of press, controversy, and protests.

The third disadvantage is common to any trade agreement. Some companies and regions of the country suffer when trade borders disappear.

The fourth disadvantage falls on a country's small businesses. A multilateral agreement gives a competitive advantage to giant multi-nationals. They are already familiar with operating in a global environment. As a result, the small firms can't compete. They lay off workers to cut costs. Others move their factories to countries with a lower standard of living. If a region depended on that industry, it would experience high unemployment rates. That makes multilateral agreements unpopular.

Examples

Some regional trade agreements are multilateral. The largest had been the North American Free Trade Agreement (NAFTA), which was ratified on January 1, 1994. NAFTA quadrupled trade between the United States, Canada, and Mexico from its 1993 level to 2018.[1] [2] On July 1, 2020, the U.S.-Mexico-Canada Agreement (USMCA) went into effect. The USMCA was a new trade agreement between the three countries that was negotiated under President Donald Trump.

The Central American-Dominican Republic Free Trade Agreement was signed on August 5, 2004. CAFTA-DR eliminated tariffs on more than 80% of U.S. exports to six countries: Costa Rica, the Dominican Republic, Guatemala, Honduras, Nicaragua, and El Salvador.[3] As of November 2019, it had increased trade by 104%, from $2.44 billion in January 2005 to $4.97 billion.[4]

The Trans-Pacific Partnership would have been bigger than NAFTA. Negotiations concluded on October 4, 2015. After becoming president, Donald Trump withdrew from the agreement. He promised to replace it with bilateral agreements. The TPP was between the United States and 11 other countries bordering the Pacific Ocean. It would have removed tariffs and standardized business practices.

All global trade agreements are multilateral. The most successful one is the General Agreement on Trade and Tariffs. Twenty-three countries signed GATT in 1947.[5] Its goal was to reduce tariffs and other trade barriers.

In September 1986, the Uruguay Round began in Punta del Este, Uruguay.[6] It centered on extending trade agreements to several new areas. These included services and intellectual property. It also improved trade in agriculture and textiles. The Uruguay Round led to the creation of the World Trade Organization. On April 15, 1994, the 123 participating governments signed the agreement creating the WTO in Marrakesh, Morocco. The WTO assumed management of future global multilateral negotiations.

The WTO's first project was the Doha round of trade agreements in 2001.[7] That was a multilateral trade agreement among all WTO members. Developing countries would allow imports of financial services, particularly banking. In so doing, they would have to modernize their markets. In return, the developed countries would reduce farm subsidies. That would boost the growth of developing countries that were good at producing food.

Farm lobbies in the United States and the European Union doomed Doha negotiations.[8] They refused to agree to lower subsidies or accept increased foreign competition. The WTO abandoned the Doha round in July 2008.

On December 7, 2013, WTO representatives agreed to the so-called Bali package.[9] All countries agreed to streamline customs standards and reduce red tape to expedite trade flows. Food security is an issue. India wants to subsidize food so it could stockpile it to distribute in case of famine. Other countries worry that India may dump the cheap food in the global market to gain market share.

Globalisation of Cultures:

In the context of globalization there happens cultural exchange: in other words globalization of culture happens. People from different contries work on one platform. They exchange their views, ideas and opinions. In the process a cross cultural exxhange happens.

A cross cultural exchange means that a person from one country is much different from a person from another country with respect to lifestyle, attitude; etc. thus when such people come together a confluence happens which at times can be positively attributed and at times negatively.

Positive attribution:

- Adaptability to different environmental situations.

- To know and learn new living languages.
- To know and learn new technologies and skills.
- To make a favourable international bond.
- To balance the positivities and negativities and create abeautiful blend.

While there are positivities attached there are negativities too – which is conflict and misunderstandings. Moreover some people might find it difficult to adapt to a new environment. Again opinions might also clash: etc.

Conclusions

Thus to conclude globalization has created a major impact. It has eliminated the borders. People from different countries come and comingle under one roof. Today multinational companies have dominated the world business. And multilateral ties have build a friendship amongst countries. So though globalization have its negativities its positivities have outnumbered.

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