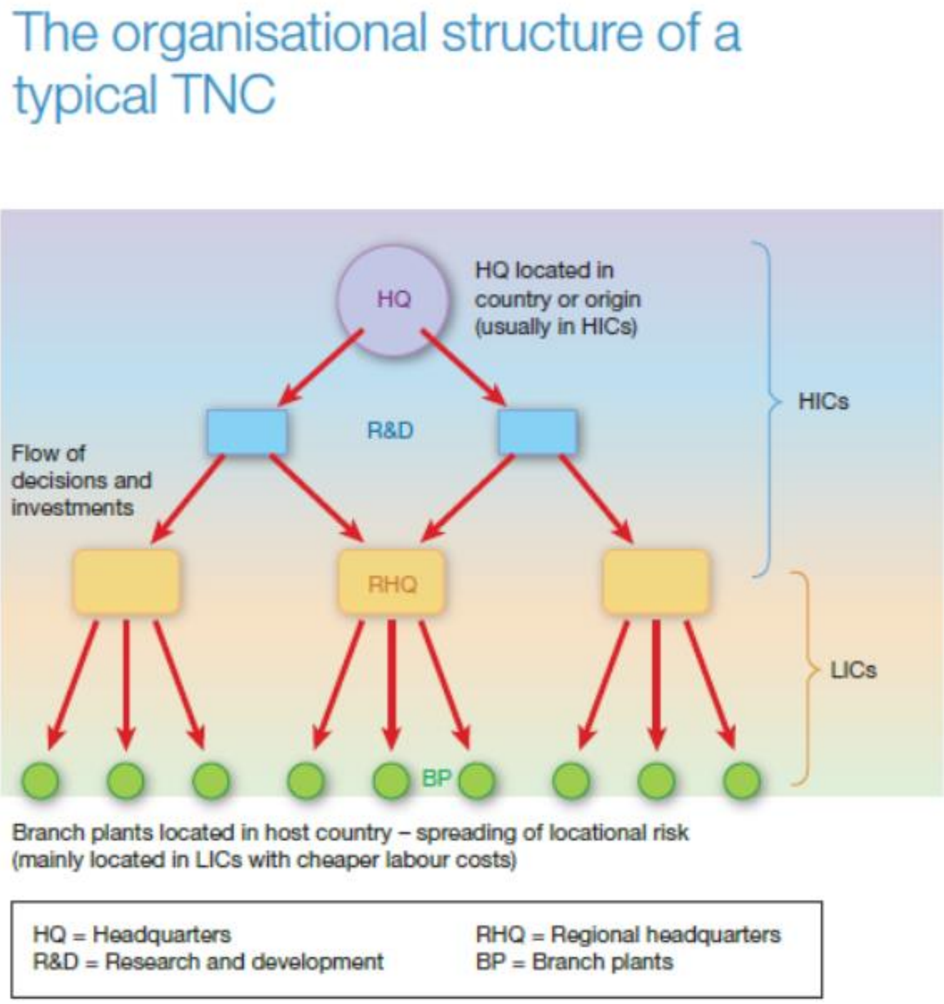
A-Level Geography Resource Package

[Human >> Contemporary Urban Environments / Global Systems & Governance / Changing Places]

What really is a **"TNC?"**

- A TNC, or Transnational Corporation, is a large (usually private sector) enterprise operating out of multiple countries, usually with a global headquarters and regional outposts serving one or multiple aspects of the company's business.

Here's how they are usually organised:



Why are they **increasing?**

Simultaneously with increasing globalisation, processes of rapid development have fueled advancements in transport, commerce, logistics and manufacturing. This has led to the growth of the worldwide TNC, often producing global consumer goods with high levels of brand awareness.

Reasons for the growth of TNCs

Given that the operations of TNCs are spread around the world, they are able to take advantage of locational factors and spread locational risk. Their flexibility of production means that should the economic climate change or a natural hazard occur in one location, global operations need not be seriously affected (Resource 3). Further reasons encouraging growth include:

- Cheap labour, e.g. lower wage demands from LICs but also from the unemployed in HICs.
- A flexible workforce, e.g. a willingness to travel to jobs overseas or to be retrained in situ.
- Fewer environmental restrictions in LICs, e.g. oil.
- A globalised transport network, e.g. containerisation.
- Technological developments, e.g. refrigeration or freeze-drying that allows perishable fruit and vegetables from LICs to be transported to markets in HICs.
- Governmental encouragement, e.g. financial incentives such as tax breaks.
- Cheap land, e.g. areas suffering from the effects of deindustrialisation.

Evidence of TNCs in country of origin/host country

- Rising GNP.
- Increased export earnings.
- New (domestic) markets – increased consumerism.
- Increased (formal) employment.
- Higher wages.
- Development of managerial and research skills.
- Favourable government policy towards inward investment.

What are their **pros and cons?**

Advantages and disadvantages of TNCs

Benefits to country of origin	Drawbacks to country of origin
• Return of profits from overseas improves the balance of payments and raises living standards and quality of life. • Reduced environmental damage at home. • Stimulus to further industrialisation. • Infrastructural development. • Increased capital and willingness to support investment and new ideas/entrepreneurship, particularly overseas. • Development of managerial and research skills, with increased opportunities for promotion (overseas). • Wider share ownership – individuals and groupings more willing to become involved in foreign investments. • Desire to develop new markets overseas.	• Job losses, e.g. assembly work. • Increased imports to replace those once manufactured at home. • Closure of factories. • Some loss of revenue from not selling goods abroad. • Possible 'brain drain' as higher skilled workers follow research and development jobs.

Benefits to host country	Drawbacks to host country
• Increased employment. • Import of new skills, transfer of new technologies and working practices. • Valuable foreign currency brought into a country, with development of existing as well as new trade links. • Positive economic multiplier effect – local industries and services working to meet the needs of the TNCs. • Government generates income from taxes and royalties enforced on TNCs. • Inward investment provides capital for significant/ subsequent economic development, particularly in economic zones or anchor regions. • Wider share ownership – individuals and groupings more willing to become involved in foreign investments. • Desire to develop new markets overseas.	• Low skill jobs (so-called 'screwdriver' jobs). • Managerial jobs tend to be filled by those from country of origin rather than developing the skills of the local workforce. National culture may be diluted as westernised attitudes are adopted. • Most of the profits leave the country as money returns to the country of origin. • Vulnerable to the 'globalisation of decision making'. Decisions are taken based on profit maximisation – this may result in short-term investment followed by closure. A strong negative economic multiplier effect may be the result in the longer term. • The bargaining position of some countries, particularly LICs, may result in very favourable economic working conditions for TNCs, creating unequal or unfair competition. • Zonal development may exacerbate an economic core–periphery model. For example, large urban centres may grow at the expense of the rural periphery.

Here's a great additional case study example, [Royal Dutch] Shell Plc.:

http://www.coolgeography.co.uk/A-level/AQA/Year%2013/Development%20&%20Globalisation/TNCs/TNCs_Shell.htm

Fortune 500 | World's Largest Corporations List:

https://fortune.com/fortune500/

Our Global Systems & Governance Main Case Study:

https://www.apple.com/

Suggestions? File Errors? Please Contact:

21pearle@reeds.surrey.sch.uk | L. Pearson

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