Globalisation occurs when corporations expand their businesses outside of their home countries.

- Such businesses are called *multinational corporations (MNCs)*
- In economics globalisation is credited for the expansion of a greater free trade market across borders resulting in international trade
- Examples of globalized corporations include McDonalds, Google, and Adidas
- Such corporations sell their goods in various countries without major differences in the products they sell.
- Globalisation also allows firms not only to sell their goods in other countries but also to have their goods produced in different countries. This is present when you look at major companies like Apple or Samsung *outsourcing* and having their devices produced in developing countries.

Outsourcing occurs when employers pay another company to perform tasks that could have been done by people within their own firm.

<u>Positive results of Globalisation</u>

- Economic growth in developing countries
  When organisations set up subsidiaries in other countries or outsource to other countries, they create jobs for people in these developing economies. This in turn helps economic growth as it creates jobs and additional tax revenues for Governments. These revenues can be used to invest in the countries services and infrastructure leading to further economic growth.

- Increased Employment
  Large Multinational Corporations create jobs not only abroad but also in their home countries. The skills taught to their employees are transferable to many different jobs therefore helping increase employment wherever the MNCs are situated.

- Lower Production costs
  By outsourcing and creating subsidiaries in developing countries many MNCs take advantage of the lower wages and living costs to reduce their own production costs. The minimum wage in western countries like America or Ireland differ greatly from the minimum wage in the Philippines or China. This results in lower costs for the consumer.

- Rise in Competition
  Globalisation increases the number of businesses on the market because a local market is no longer subjected to just local businesses but includes MNCs due to the existence of international trade. A rise in competition results in more competitive prices and more choice for consumers when shopping.

- Positive international relations
  Globalisation has been shown to increase integration and cultural acceptance across countries because people are becoming more exposed to different cultures and traditions. On a governmental level, globalisation has helped international relations due to the various agreements on trade between governments e.g. Mercosur has led to increased interconnectivity and positive intercountry relations in South America.

Negative results of Globalisation

- Exploitation of developing countries
  Whilst lower production costs were a positive effect of globalisation, they can also be a negative effect for those workers in the developing countries. MNCs can exert a large degree of power over local governments especially those in developing countries. These MNCs can exploit the lack of trade unions or labour laws for their own advantage which would negatively impact the workers in their factories and firms. This is present when looking at sweatshops in the production of many fast fashion items in South-East Asian countries such as Cambodia and Vietnam.

- Effects on the Climate
  Globalisation has increased the scope of production for many firms, naturally the market has increased from 1 country to perhaps more than 20 countries this involves more intensive production processes which can have detrimental effects on the environment. Deforestation, increased carbon emissions due to planes and trucks delivering and transporting goods and the wasteful use of scarce resources are all negative externalities of Globalisation.

- Outsourcing increasing unemployment
  By outsourcing jobs into other countries MNCs take away job opportunities from people within their domestic economies and firms. Although outsourcing may be cheaper for the firm itself it also neglects the people looking for employment within their own home countries.

- Neglecting local economy
  Not only does outsourcing reduce the jobs available in local economies but MNCs existing in other countries may not always positively help the country because profits are usually sent back to their home countries. This is known as repatriation of profits. This is part of the distinction between Gross Domestic Product and Gross National Product because MNCs don't always use their profits and revenue within the country they are situated but will often repatriate their profits.

MNCs- Multinational Corporations

Multinational Corporations are corporations that are present in several countries as the name suggests.

The input of revenue or funds into a foreign country is known as *Foreign Direct Investment (FDI)*

- MNCs are large and therefore have many employees and exert a large amount of influence over the economy and sometimes even the government of the countries they are situated in
- Due to them being multinational they may operate with various currencies
- MNCs have a *centralised ownership* which means that the ownership of the corporation is usually situated in the home country.

Reasons for MNCs

MNCs large size allows them to take advantage of the *economies of scale* created through their large production processes and size.
Economies of scale occur when a firm increases their output by increasing their input. For example, it may be cheaper for a business to buy in bulk rather than to buy smaller units thereby reducing their production costs through these economies of scale.

- MNCs can benefit from lower costs of production abroad due to cheaper labour costs in developing countries.
- MNCs can benefit from reduced transportation costs when transporting goods from within various countries instead of transporting goods from home-country to other countries abroad.
- MNCs have a bigger market than smaller businesses only operating in one country. The increased market allows them to produce and sell more goods and services, gain advantages of scale and increase profits.

History of inflows/outflows of foreign direct investments in Ireland

The Industrial Development Agency (IDA) attracts MNCs and foreign direct investments into Ireland.

Irelands low corporation tax (tax on profits) has acted as an incentive for MNCs to set up subsidiaries in Ireland. Irelands historically low Corporation tax of 12.5% was a comparative advantage for Ireland. In 2020, OECD countries including Ireland have agreed a minimum Corporation tax of 15%. Time will tell if this negatively impacts the inward flow of FDI into Ireland.

Effect of MNCs on Irish Economy

- MNCs are vital in the Irish Economy.
- In 2020 1 in every 5 Euro 0 Ireland's total tax take came from corporation tax. Just 10 companies are responsible for half of total Corporation tax intake. Including Google, Apple, Microsoft, and Intel.
- MNCs not only create jobs in Ireland but also have many other positive run-off effects through improved investment into local economies e.g. Intel, Kildare.
- According to IDA statistics over 463,000 jobs were supported by Foreign Direct Investments at the end of 2020.
- MNCs bring their technological advancements with them to Ireland helping develop our infrastructures and facilities here.
- MNCs like Intel and Google often need better infrastructure and communication lines to facilitate their factories and firms therefore the Irish government is more inclined to develop road and rail links with inevitable benefits not only for the multinational corporation but also local communities.
- Large multiplier effect of jobs and investments by these corporations. Irish suppliers of goods and services benefit greatly from a large MNC sector.

Possible negative effects of MNC's

Stunt the development of indigenous firms. Unable to compete with the scale of these large corporations.

Inequality increases. Salaries of MNC's much higher than pay in domestic sectors.

Overreliance on such a small few companies for corporation tax income. Potential weakness if any were to relocate e.g. Dell.