ECONOMICENVIRONMENT

Economic environment refers to all those economic factors which have a bearing on thefunctioning of a business unit. Business depends on the economic environment for all theneeded inputs. It also depends on the economic environment to sell the finished goods.Naturally, the dependence of business on the economic environment is total and it is notsurprising because, as it is rightly said, business is one unit of the total economy.

FEATURESOFTHEINDIANECONOMY

1. Low Per Capita Income: As we have said in the above discussion that it is one of theindicators of underdevelopment. India’s per capita income is recorded at $460 in the year2001, which is one of the lowest in the world.

2. LowStandardofLivingandHighPoverty: Duetothelowpercapitaincomethereexistshigh poverty in India. The extent of poverty can be gauged from the poor basic facilities(Food, clothing and shelter), education and medical facilities. All these indicates lowstandard of living.

3. UnequalIncomeDistribution:Existenceofinequalitiesinincomedistributionisanothermajor characteristic feature of Indian economy. According to World Bank in its WorldDevelopment Report’, 2002. A large portion of income (33.51lpercent) receivedby 10 percent richest population and low portion of income (3.5 per cent) received by l0 per cent ofpoorestpopulation.

4. DominanceofAgriculture: Agriculturalsectorprovidesemploymenttoabout2/3ofthetotal employment. Growth of employment in agricultural sector from 71.7 per cent(beginning of century) to 76 per cent in the year 1921, indicating that deterioration ofeconomic conditions and ruralisation of the Indian economy. But, since 1921 there is adeclining trend, although the percentage of population employed in agriculture sector in1971 was higherthanthe populationengagedin 1901. 1981 population census,recordedasignificantdownwardtrendintheproportionofemploymentinagriculturesector,whichisanindicationofeconomicprogress.Atpresentthere is about60percentoflabourdependson agriculture sector for their survival.

5. **ExistenceofRichResources**:Indiahasrichresources,comprisingofrenewableandnon-renewable.Renewableresources arewaterandforests.Indiaisgiftedwithlargenumberofperennial rivers (includes wells, lakes, canals etc.), which provide for a total irrigationpotential ofabout113million hectares. These water resourcehelps not only foragriculturebut also for generation of hydro-electric power. Non-renewable resources are thoseresourcesthatarenotrestorable.Mineralsarethemostimportantnon-renewableresource,which are available inIndia ina differentvarieties and quantity.India is inleading positionin some of the minerals like iron ore, manganese, coal, mica etc., but India has shortage ofcopper, sulphur, oil, tur, mercury and so on.

6. Inadequate Capital Formation: Just having rich resources does not help to thedevelopmentofeconomy.Developmentofacountry’seconomydependsontheeffectiveandfull utilisationofresources,whichneeds capital andtechnical know-how.Due tothe lackofcapital, Indianeconomy isreflectedin the lowrate of production and consumption ofsteel,cement and electricity etc. At the same time lack of capital also leads to use of outdatedtechnology.

7. Unemployment andUnderemployment: As wehavediscussed in theabove underandunemployment is one of features of underdeveloped economy unemployment andunderemployment exists due to the surplus labour

Orhighpopulation.One interestingthingisthatonly10to11percentoftheincrease inthelabour force finds employment in organised sector while the rest finds part-timeemployment in the rural areas or the informal sector in the urban industry or trade orbecomes chronically unemployed. This unemployment and underemployment leads towaste of productive resources.

8. Technological Backwardness: India is in behind in technology development andutilisation, when compared to developed economies. But over a decade there are somechangestakenplaceintechnologyinsomeoftheselectedsegmentationoftheeconomy.Therate of technological growth and the per capita R&D expenditure in India has been alwayslow when compared to developed economies.

FACTORSAFFECTINGECONOMICENVIRINMENT

(A) EconomicFactors
(B) Non-economicFactors

(A). EconomicFactors

1. NaturalResources: Natural Resources,along with others,formthe baseand helps as aninstrument for economic development. Natural resources may be grouped into (a)Bioclimatic (landand water), (b) Fossil-fuel and Non-fuel mineral, (c) others, which do notfall into the first two categories. Ex. Solar energy. Contribution of natural resources to thecountry's economic growth depends on the level of development. A country which has lackof resources may be compensated by other factors of production. For example, Japan andEastAsianEconomies havelack of resources that issubstitutedby skilledlabour orcapital.But underdeveloped countries generally lack skilled labour and capital, so they depend onnatural resources for economic growth.

2. CapitalFormation: Capitalistheoneofthefactorsofproduction.Herecapitalrefersnotonly money, but also the man-made objects (plant, machinery, equipment, buildings etc.)that are used in production. Efficient utilisation of available resources depends on capitalformation.Capital formationrefers the process bywhichthestockofcapital inan economyis raised. According to neo-Keynesian development Model, embodied in the Harrod-Domarformula, emphasised capital formation as the source of economic growth.

3. Technological Progress: Technologyrefers to some sort ofadvanced machinery, whichis used to manufacture products. Technology is embedded in the machineries andequipment. Technological advances indicate use of modern methods. Ex. Techniques, andmachines in manufacturing production.

The progress of technology can take place in three different forms: capital savingtechnology,Laboursavingtechnologyandneutraltechnologicalprogress.Alltheseformsoftech nology progress helpto achieve higher output levels. But technological progress needsto fulfil certain conditions like,involves large capital investment,innovative entrepreneursand market for product should be expanded. All these conditions are easily fulfilled bydeveloped country, there by developed economy becomes much more developed.Underdeveloped countries would not be able to fulfil the three conditions for technologyprogress, but transfer of technology helps to UDC to overcome this obstacle. Technologytransferrefers"transferofsystematicknowledgefromtechnologydeveloperto technology user. It can be transferred by joint ventures; licensing; franchising management contracts;turnkey contracts; multinational investment technical service contracts and foreign directinvestment(FDI),

4. Infrastructure: Existence of right infrastructure is very important for economicdevelopment. Infrastructure includes transport facility; communication network; energy;science and technology; information system; finance and banking; human resourcedevelopment; existence of intermediate goods (components) manufacturing companies.Supplyofwaterandgasthroughpipelines;sanitationandsewage,solidwastecollectionanddisposal. All these helps or creates the environment in whicheconomic development takesplace.

5. Size of Market and Investment: Development of economy depends on the industrialgrowth.Justincreaseinindustrygrowthmaynothelpwithoutincreasingpurchasingpowertherebycreatingdemandforconsumergoods.Lowdemandforconsumergoodsleadstolessdemand for capital goods, since their demand is derived.

(B) Non-EconomicFactors

Non-economic factors are those factors that are not related production and cost ofproduction.The following are the non-economic factors that affecting the rate of economicdevelopment.

(i) Abilitytodevelopandapplyscienceintheactivitiesthatwillaffecteconomicdevelopment.
(ii) Thepropensitytoacceptinnovationsthathelpeconomicdevelopment
(iii) Inclinationtoconsume less income andhave more for investmentthatintermhelps toeconomicdevelopment.
(iv) Inclinationtoworkbeyondtheexpectedtargetincomewhichhelpstosociety.
(v) Thepropensitytohavelesschildren.

Other:

(a) Political System: The main prerequisite of economic development is the prevalenceofpoliticalstabilityoverafairlylongperiodoftime.Instabilityinpoliticsadverselyaffectsinvestment decisions due to frequent changes in government policies. In other words,stability in politics or government, policiesand their lawful implementation attractsor encouragesmorelong-terminvestment.ThesamewassupportedinUNCTADreport,thateconomic development needs peace, security and competent governance.

(b) SocialSystem: Socialsystemisnotoutofthefactorsthataffecteconomicdevelopment.Social and religious institutions co-operation is very much needed in the process of rapideconomic development,because that they mayact asobstacles to development.For example,adoption of family planning helps to reduce population growth rate.Proper working of NGOSalso helps to develop economy.

(C) Luck: Accordingto Lawrence's., William, E., Michael, K.and Laut,P Luck matters alot intheprocessofeconomicgrowth.Thisissupportedintheirpapertitled"GoodPolicyorGoodLuck" that is presented at a World Bank Sponsored Conference "How do National Policiesaffect Long-run Growth, in February 1993. It doesn't mean that good policies are notnecessary for economic development. Economic development is conditioned by a multipleof institutions that can be collectively described as "Investment environment".

GLOBALISATIONINTRODUCT

ION

Globalisationisatermwhichhasrecentlycomeintousealongwithliberalisationandprivatisation . This is not only an economic term as it covers all facts of life-political social,culturalandeconomic.This topichasassumedimportanceinthelightoftherecentchangesin the international business environment and the establishment of a framework forglobalisation of India's foreign trade. Global national economic policy changes. The EXIMpolicy 1992-97, laidstress on the dimension is emergingand hasemerged toa large extentasarealitytoday.Thus,globalisationofeconomymaybedefinedastheglobaldimensionofthe evolving world economy.

Insimpleeconomicterms,globalisationreferstotheprocessofintegrationoftheworldintoonehuge market.Suchunificationwillbepossibleifallthetradebarriersamongthecountriesare removed. Even political and geographical have become irrelevant in this aspect.

In popular sense, globalisation refers mainly to multiple operations. The globalcompanyviewstheworldasonemarket,minimisestheimportanceofnationalboundaries,sources , raises capital and markets wherever it can do the job best.

A company which has gone global is called a multinational corporation (MNC). Thewords globalisation and internationalisation are often used interchangeable. Butglobalisationisawiderterminternationalisationimplieshavingbusinessrelationswithoneor more countries, whereas globalisation means adopting a globaloutlook for the businessand business strategies aimed at enhancing global competitiveness.

The important MNC's whose names can be mentioned here are Nestle international,Sony, Philips, IBM, GE, Mc Donald's, Ford etc.

DIMENTIONSLFGLOBALISATION

1. **Globalization of Market Presence:** The first dimension- globalization of marketpresence refers to the extent to which company targets customers in all major marketswithin its industry throughout the world. On this count the presences of companiesvary.From low to high. For example, in 1993, NTT of Japan had no presence at all either inAmerica or in Europe. In comparison, IBM, Sun Microsystems andCannon were the mostglobalizedfirms.

2. **Globalisation of Supply Chain:** Internationalisation of supply chain (seconddimension) refers to the extent to which the company is accessing the most optimallocations for the performance of various activities in its supply chain. It may be possibleforafirmtohaveafairlylocalorregionalmarketpresenceandyethaveahighlyglobalisedsuppl y chain, or vice-versa.

   Forexample,*Toyotahasagoodsupplychain.In1995,Toyotaproducedabouttwo-thirds of all its cars in Japan; the remaining one-third were produced in its affiliatesspread over 25 countries in Americas, Europe and Asia. Furthermore, the companyexported 38 per cent of itsdomestic production to foreign markets.A sidefrom thisflowof capital, goods and know-how between Japan and overseas affiliates, Toyota alsoengaged in considerable intra-firm flows among the affiliates. For example, within itsSoutheast Asian regional network, it exported diesel engines from Thailand,transmissions from the Philippines, steering gears from Malaysia and engines fromIndonesiaetc.*

3. **Globalization of Capital:** The third dimension-globalization of these refers to theextenttowhichthecompanyisaccessingoptimalsourcesofcapitalona worldwidebasis.The Hong Kong based Internet Service Provider China com represents a goodexample ofhow a company can be local'in terms of marketpresence as wellas supply chain, andyethave a highly globalized capital base. In 1999, China Com's market base and operations

werecenteredprimarilyaroundHongKongandChina.Yet,inthesameyear,thecompanygot itself listed on the US based NASDAQ.

4. **Globalization of Corporate Mindset:** Last but most important dimension is theglobalizationofcorporate mindset.This dimensionrefers tothe abilityofthe companytounderstandandintegratediversityacrossculturesandmarkets.GeneralElectricServicesis a good example of a firm with an increasingly global mindset. The human capital of GEishighlyglobalized,ithasstrongworldwidecorporateculture;andthecompositionoftheleadership is increasingly diverse in terms of nationalities.

A true global company is the one which scores high on all the four dimensionsdiscussedabove.Butastheexamplescitedtillnowshow,aglobalfirmcanbelowononedimension and high on others.

Stagesof Internationalization/Globalization

STAGE-1:DOMESTICCOMPANY: Companylimitsitsoperations,missionandvisiontothenational political boundaries. This company focuses its view on the domestic marketopportunities, domestic suppliers, domestic financial companies, domestic customers, etc.

Thedomesticcompanies'unstatedmottoisthat,"ifitisnothappeninginthehomecountry,it is not happening".

The domestic company never thinks of growing globally. If it grows, beyond itspresent capacity, the company selects the diversification strategy of entering into newdomesticmarkets,newproducts,technology,etc.Thedomesticcompanydoesnotselectthestrategy of expansion/penetrating into the international markets.

STAGE – 2: INTERNATIONAL COMPANY: Some of the domestic companies, which growbeyond their production and/or domestic marketing capacities, think of internationalizingtheir operations. Those companies who decide to exploit the opportunities outside thedomestic country are the stage two companies. These companies remain ethnocentric ordomestic country oriented.

The focus of these companies is domestic but extends the wings to the foreigncountries. Most of the companies follow this strategy due to limited resources and also tofrom the foreign markets gradually before becoming a global company without much risk.

STAGE – 3: MULTINATIONAL COMPANY: This stage of multinational company is alsoreferredtoasmultidomestic.Multidomesticcompanyformulatesdifferentstrategiesfor different markets; thus, the orientation shifts from ethnocentric to polycentric. Underpolycentricorientationtheoffices/branches/subsidiariesofamultinationalcompanyworklike domestic company in each country where they operate with distinct policies andstrategiessuitabletothecountryconcerned.Thus,theyoperatelikeadomesticcompanyofthe country concerned in each of their markets.

Example: *Toyota exported Toyopet cars produced for Japan in Japan to the USA in 1957.ToyopetwasnotsuccessfulintheUSA.ToyotacouldnotsellthesecarsintheUSAastheywereoverpriced, underpowered and built like tanks. Thus, these cars were not suitable for the USmarkets. The unsold cars were shipped back to Japan.*

Toyota took this failure as a rich learning experience and as a source of invaluableintelligence but not as failure. Toyota based on this experience designed new models of carssuitable for the US market. The international companies turn into multinational companieswhen they start responding to the specific needs of the different country markets regardingproduct, price and promotion.

STAGE-4: GLOBAL COMPANY STRATEGY: A global company is the one, which has eitherglobal marketing strategy or a global strategy. Global company either produces in homecountryorinasinglecountryandfocusesonmarketingtheseproductsglobally,orproducesthe products globally and focuses on marketing these products domestically.

Example: *Harley designs and produces super heavy weight motorcycles in the USA andmarkets in the global market. Similarly, Dr. Reddy's Lab designs and produces drugs in Indiaandmarketsglobally.Thus,HarleyandDr.Reddy'sLabareexamplesofglobalmarketingfocus.G approcures*

Products in the global countries and markets the products through its retail organization inthe USA. Thus, Gap is an example for global sourcing company.

HarleyDavidsondesignsandproducesintheUSAandgainscompetitiveadvantageMercedesin Germany. The Gap understands the US consumer and gets competitive advantage.

STAGE- 5: TRANSNATIONAL COMPANY: Transnational Company produces, markets,invests and operates across the world. It is an integratedglobal enterprise that links globalresources with global markets at profit. There is no pure transnational corporation.However,mostofthetransnationalcompaniessatisfymanyofthecharacteristics ofaglobalcorporation. *For example, Coca-Cola, Pepsi-Cola, etc.*

Essentialconditionsforglobalization:

Inordertosmoothentheprocessofglobalization,thefollowingare necessary:

1. Removalofquotasandtariffs.
2. LiberalizationofGovernmentrulesandregulations.
3. Freedomtobusinessandindustry.
4. Removalofbureaucraticformalitiesandprocedures.
5. Adequateinfrastructure.
6. Competitiononthebasisofquality,price,delivery,andcustomerservice.
7. Autonomytopublicsectorundertakings.
8. Incentivesforresearchanddevelopment.
9. AdministrativeandGovernmentsupporttoindustry

FOREIGNMARKETENTRYSTRATEGIES
OR
STRATEGIESFORGLOBALISATION

The next important question is how the companies go global. Globalisationdoes not take place overnight. It proceeds through several stages. There are severalstrategies for globalisation. Different strategies can be adopted by the companies fordifferent markets. Some of these strategies are discussed in brief as follows:

1. Exports: The most traditional· way of doing business internationally is exporting. Thismethod is very common even today. Exporting can be resorted to when underutilizedcapacity exists in the country and the cost of production in the domestic market issubstantially lower than producing the goods in the foreign markets. Exports can be director indirect. Indirect exporting. The producer himself performs the international sellingactivity.InindirectexportingtheproducertransferstheresponsibilityofsellingJobtosomeother independent international marketing. Middlemen or cooperative organizations.

2. Licensing and Franchising: Thesetwoareeasy waysofenteringforeign markets withminimum commitment of resources and efforts on the part of the global marketer. Inlicensinga firm in one country (licensor) allows a firm inanothercountry (licensee) to useits intellectual property (patents, copyrights, trademarks etc. The licensee pays royalty orfees to the licensor.

Franchising is a form of licensing in which the parent company (franchisor) grantsanotherindependentidentity(franchisee)therighttodobusinessinaprescribed manner.Thisright cantaketheformofsellingtheproducts,usingthefranchisor’sname, productionandmarketingtechniquesorgeneralbusiness

3. **Contract manufacturing:** In this strategy, a company doing global marketingcontractswithfirmsinforeigncountriestomanufactureorassembletheproductwhileretaining the responsibility of marketing the product. This is a common practice ininternational business.
4. **Tourism and Transportation:** Tourism and transportation are the routes ofglobalization for such industries as shipping, airlines, hotel and travel agency. Somecountries, Greece and Norway for example, depend on international tourism andtransportationforemployment,profits,andforeignexchangeearnings.Earningsfromforeign tourismaremoreimportantfortheeconomythanareearnings fromexportofmerchandise. Similarly, in recent years the US has earned more from foreign tourismthan from its exports of agricultural goods.

5. **PerformanceofServices:**Internationalbusinessesearnmoneyintheformoffeesforservicesrendered.Thisisparticularlytrueinbanking,insurance,rentals,engineering,management service and the like. Turnkey operations are typical modes for earningsuch fees. Here, the company contracts with a foreign entity to design and build anentire operation. On completion, the operation is turned over to the owner who canusethefacilitiesstraightaway.Companiesalsoearnfeesthroughmanagementcontactsarrangementsinwhichonefromcontractswithaforeigncorporationorgovernmenttomanageandentireprojectforundertakingforaspecificperiodoftime.
Example:TheItaliancompany,Fiat,constructedacompleteautomobileplantintheerstwhile Soviet Union under this type of arrangement.

Merits/AdvantagesofGlobalisation

1. Free Flow of Capital: Globalisation helps free flow of capital from one country to theother.Ithelpstheinvestorstogetafairinterestrateordividendandtheglobalcompaniesto acquire finance at lower cost of capital. Further, globalisation increases capital flowsfrom surplus countries to the needy countries, which in turn increase the globalinvestment.

2. Free Flow of Technology: As stated earlier, globalisation helps in the flow oftechnology from advanced countries to the developing countries.It helps the developingcountries to implement new technology.

3. IncreaseinIndustrialisation: Free flow ofcapitalalong with the technologyenable thedeveloping countries to boost industrialisation in their countries.This ultimately increasesglobal industrialisation.

4. Spread up of Production Facilities throughout the Globe: As stated earlier,globalisation of production, leads to spread up of manufacturing facilities in all the globalcountries depending upon the locational and various favourable production factors.

5. Balanced Development ofWorldEconomies: With theflow of capital, technology, andlocating manufacturing facilities in developing countries, the developing countriesindustrialise their economies. This in turn leads to the balanced development of ali thecountries.

6. IncreaseinProductionandConsumption: Increasedindustrialisationintheglobeleadsto increase in production and thus results in balanced industrial development along withincrease in income which enhances the levels of consumption.

7. Lower Prices with High Quality: Indian consumers have already been getting theproductsofhighqualityatlowerprices.Increasedindustrialisation,spreadupoftechnology,increased production and consumption level enable the companies to produce and sell theproducts of high quality at lower prices.

8. Cultural Exchange and Demand for a Variety of Products: Globalisation reduces thephysical distance among the countries and enable people of different countries to acquirethe culture of other countries. The cultural exchange, in turn, makes the people demand avariety of products whichare being consumedin other countries.For example, demandforAmerican Pizza' in India and demand for 'Masala dosa'and Hyderabadi biryani' and Indianstyled garments in the USA and Europe.

9. Increase in Employment and Income: Globalisation results in shift of manufacturingfacilities to the low wage developing countries. As such, it reduces job opportunities inadvanced countries and alternatively creates job opportunities in developing countries.

10. Higher Standards of Living: Further, globalisation reduces prices and therebyenhances consumption and living standards of people in all the countries of the world.

11. Balanced Human Development: Increase in industrialisation on balancedlines in theglobe,improvestheskillsofthepeopleofdevelopingcountries.Further,theincreased economic development of the country enables the government to provide welfare facilitieslike hospitals, educational institutes, etc., which, in turn, contributes towards the balancedhuman development across the globe.

12. Balanced Human Development: Increase in industrialisation on balancedlines in theglobe. Improves the skills of the people of developing countries. Further, the increasedeconomic development of the country enables the government to provide welfare facilitieslike hospitals, educational institutes, etc., which, in turn, contributes towards the balancedhuman development across the globe.

13. Increase in Welfare and Prosperity: The balanced industrial, social and economicdevelopmentoftheworldnationsconsequentupontheglobalisationalongwiththewelfaremeasures provided by the governments lead to increase in the welfare of the people andprosperity of the world countries.

Demerits/DisadvantagesofGlobalisation

1. **GlobalizationKillsDomesticBusiness:**TheMNC'sfromadvancedcountriesutilizetheopportunities created by globalization, establish manufacturing and marketing facilities indeveloping countries. The domestic business of the developing countries fails to competewith the MNCS on the technology and quality front. This leads to closing down of thedomestic companies, which is already evident in India.
2. **Exploits Human Resources**: The process of globalization helps the MNCS to move tothe developing countries which lack adequate laws and regulations to protect humanresources and the environment. The foreign industries abuse the labor and naturalresources.
3. **LeadstoUnemploymentandUnderemployment:**MNCSproducetheproductsintheirhomecountriesorinsomeotherforeigncountriesandmarketthemindevelopingcountries.Therefore, the domestic industry's operations are to be reduced. This in turn leads toreduction in employment opportunities particularly in less developed countries. In fact,Indian economy has already started experiencing the problem of unemployment andunderemployment consequent upon globalization.
4. **Declinein DemandforDomesticProducts:** SellingofhighqualityforeignproductsatlowpricesbyMNCSreducesthedemandforthedomesticproducts.Indianbusinessmenandfarmers have already experienced this problem.

5. DeclineinIncome:Unemploymentanddeclineindemandfordomesticproductsofbothindustrial and agricultural goods (including services) leads to reduction in income of thepeople.

6. WideningGapbetweentheRichandthePoor:Globalisationnotonlyresultsindeclinein income but widens the gap between the rich and the poor. This is because, competentpeople, people with innovative skills, efficiency, etc., get abnormal income, while otheraverage people have to strive for even a minimum wage. This results in widening the gapbetween haves and the have-nots.

7. Transfer of Natural Resources: MNC's establish their manufacturing facilities in thedeveloping countries, exploit their natural resources and sell the products in othercountries. Through these means, the natural resources of developing countries aretransferred to other countries.

Positiveimpactof globalisation

1. **Giveaccesstoalargemarket:**Trueglobalizationcountriesandcompanieshaveaccessto a bigger consumer base instead of only selling products in their country a business canexpand to other region boosting sales and in the process making more money.
2. **Providecheapergoodsforconsumers:**Becauseofglobalizationalotofcompaniesaremoving to areas where their cost of production is low they in turn off a cheaper productsbecause they are not expensive to make hence lower price for consumers.
3. **Globalizationwhichcountriesdowhattheydobest:** ForexampleacountrycanbuycheapSteelfromonecountryinsteadofmakingitsownSteeltheycantheno ffertheireffortsonmakingotherthingstheyaregoodatlikecomputersandexport them to the countries the import cheap Steel from.
4. **Leads to better economics:** With many multinational heading to Africa to tap theconsumersbaseinthispartoftheworldmorejobsarebeingcreatedhelpingpeopleinthesecountries get better wages and improve their standard of living.

   Theseinvestmentbythesemultinationalsareforeigncountriesalsohelpstrengthenthe economics of these country with the foreign exchange they bring in. with an increasednumber of investors looking for investment opportunities around the globe countryeconomist will benefit wherever they invest .through globalization economics of differentcountriesarebecomingmoreconnectedtooneanothersincetheydependoneachotherfortrade.
5. **Promotes world peace and unity:** Globalization brings government together so thattheycantacklecommongoalstogetherforexampledueto globalizationworldleadershaveseentheimpactofpollutionandIhaveresolvedtotackleclimatechange. Alsosoitisunlikelythatacountrytradingalotofproductsandserviceswithanotherwillattackitorwanttog oto war with it.

6.Innovation: The desire to make a profit as always been as per to expanded tradeinnovation and the communication of ideas. The great ideas from leaders spread moreeasily.

7.Better quality and variety: Competition from different countries drives form toimprove their product consumers have better quality products and more variety as aresult.

Negativeimpactofglobalization:

1. **Causes environmental damage:** Globalization has led to increase production forbusiness in order to meet global demand. Increased production means more naturalresourcesareusedandthiscanbeusedupbeforetheyareregeneratedleadingtoanegativeimpact on the environment. Also in developing countries rules and regulations onenvironmental protection or not as strict as in developed countries. This has seen somemultinationalleavetheircountriestosetupindevelopingcountriestotakeadvantageofthistaxregul ationintheprocessthemanufactureproductsthatareharmfultotheenvironment.
2. **Causes fluctuation of price:** Increased competition means that business with the bestprices win. due to competition prices always fluctuating for example a country like the UShasto reduce its pricesoften to competewith theprices forthesame productcoming fromChina.China’sproductioncostorlowerthantheUSandtheycanhaveridiculouslylowpriceforusco mpaniesreducingpriceswillhaveanegativeeffectontheirprofitwhichinturnwilllead to action like playing of workers.
3. **Jobinsecurity:**Globalizationprovidethedoubleedgedswordwhenitcomestojobs.ITcreatejobsfo rpeopleindevelopingcountrieswhoprovidecheapermanufacturingjobs.forexample many companies are setting up in India and China because wages andmanufacturing jobs are cheaper there which means fewer opportunities in developedworlds.Inshortglobalizationtakesjobs fromonecountryandprovide themtoanotherthiscan be negative or positive depending on what part of the world you are in.

BENEFITSFROMMNC’s

BenefitsfromMNC’scanbestudiedundertwobroadheads:

(I) Benefitstothehostcountriesand
(II) Benefitstothehomecountries.

I. Benefits to theHostCountries: Tothe hostcountries,MNCS arelikelytobring thefollowing benefits:

- Transferoftechnology,capitalandentrepreneurshiptothehostcountry.
- Improvementofthehostcountry’sbalanceofpayments.
- Creationoflocaljobandcareer opportunities.
- Improvedcompetitioninthelocaleconomyandbetterutilizationofavailableresources.

- Greateravailabilityofproductsforlocalconsumers.
- Greateraccesstohighqualitymanagerialtalentthattendstobescarce
- Encouragement to world economic unity and through that, political and economicintegration-all resulting in world harmony.

Itmaybenotedthatineachofthe abovebenefits,theoppositemayoccur.

For example: An MNC may use local financing, absorbing capital that might havefinanced indigenous companies. Or a few well-advertised, standardized consumer productsmay drive many locally produced products from the market, thereby reducing consumerchoice.

II. Benefits to Home Countries: The following benefits are likely toaccrue to the homecountries:

- Acquisitionofrawmaterialsfromabroad,oftenfromasteadiersupplyandatlower pricesthancanbefounddomestically.
- Technologyandmanagementexpertiseacquiredfromcompetinginglobalmarkets. Exportofcomponentsandfinishedgoodsforassemblyordistributioninforeignmarkets.
- Inflowofincomefromoverseasprofits,royalties,licensingfeesandmanagement contracts.
- Jobandcareeropportunities athome andabroadinconnectionwithoverseas operations.

PROBLEMSBROUGHTBYMNC's

As is the case with many activities, there are potentially disadvantageous by-products that may accompany the benefits brought to both the host and homecountries by MNC's.

1. Loss of (Host) Economic Sovereignty: A major fall-out of the MNCS is that the hostcountry is likely to lose its economic sovereignty, since it is not able to control all thatanMNCdoes.Itissaidthatalargemultinationalcompanynegotiateswithahostgovernmentmore like another sovereign state than of a resident business in the state.

2. Exploitationof LaborbytheMNCs:Thehostcountrymayalsohaveafeelingthatitslabor is being exploited by the MNCS, higher wages paid by them.sssss Companies in thehost nation have a grouse that they are forced to pay higher wages to the workers. Theyalso resent the competition thrown in by the MNCS.

3. Loss of(Host)CulturalMoorings: The mostserious threatfacedbythe hostcountrycitizens is the loss oftheirculturalmoorings.Inthe name of globalization,MNC's usherintheir own dress and food habits which are simply grabbed by the youth of the hostcountries.Theyouthoftodayaremorefamiliarthecornflakes,pizzaandfriedchickenthanidlis, dosas and chutney.

4. Inability to Cope with Domestic Public Opinion: Unable to cope with the hostiledomestic public opinion, several companies quit Myanmar in the recent months. Theyinclude Pepsi,Apple,WaltDisney,Motorola,Hewlett,Packard,EastmanKodak,Heineken,Carlsberg, Levi Strauss, Peregrine and others.s

MAINDIFFERENCEBETWEENMNCANDTNC

1. TNC operates its production in more than one country. Whereas MNC operates itsactivity in its home country as well as in many countries.
2. TNC operates its management structure is decentralized, whereas MNC runs in acentralizedmanagement.
3. TNC was found in the 16th century at the same time MNC was introduced. But TNCthrivedafterthe19thand20thcenturies.Ontheotherhand,MNCemergedin1601asthe East India Company.
4. TNC doesn't have any specific headquarters and runs operations in variousdeveloping countries. Whereas MNC has its headquarters in its home country andguides its operations in more than one country.
5. According to marketing, TNC sets its subsidiary companies in developing countriesfor the low cost of production. Whereas MNC sets its auxiliary company at least oncountry which has a consumer price index high.