

Global Development

Outline and explain two ways Transnational Corporations may benefit from international aid (10)

One way in which Transnational Corporations (TNCs) may benefit from international aid is through the process of structural adjustment policies (SAPs). Multi-lateral aid is one form of aid that is administered from wealthy nations to the developing world. Western nations often pay into a fund that is administered by an international governmental organisation (IGO) such as the World Bank or the IMF. These IGOs then award aid to countries that need development, with the World Bank focusing on infrastructure projects and the IMF giving short term loans to solve financial crises. In exchange for this aid, IGOs enforce SAPs onto the developing nations which often limits the way they can run their economy. As these IGOs operate on a neo-liberal ideology, this typically means cutting public spending, opening markets to overseas businesses and operating free trade policies, where nations do not charge import or export tariffs. The ideology behind this is that with additional investment from TNCs, the economic growth in the nation will provide employment, increased taxation and allow the nation to grow financially. TNCs profit from these policies as it open new markets to sell their goods as well as giving them access to cheaper labour and production locations with lower costs. However, some critics suggest that much of the profit gained from these SAPs does not stay in the nation receiving aid, but rather is gathered by wealthy Western TNCs.

A second way in which TNCs benefit from international aid is through tied aid. Tied aid refers to the process whereby one nation offers aid to another but stipulates that the aid received must be spent on goods in the donor country. For example, in the 1980s, India received aid from the UK, but it was stipulated that this aid must be spent on British helicopters. This helps TNCs as they are awarded contracts to provide services to the developing world and therefore boost their annual turnover. Further evidence of this can be provided by examining the role of the World Bank in awarding infrastructure contracts to

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Western firms. For example, following the invasion of Iraq in 2003, an American company, Halliburton, chaired by the US Vice President Dick Cheney was awarded \$20 billion dollars of contracts to help redevelop the infrastructure of Iraq. This shows the benefits to TNCs of nations receiving aid, whilst highlighting that most aid does not benefit the recipients.