

# Impact of contractual relations on the macroeconomic stability of the host countries

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In recent years, contractual relations have been widely used in both developed and developing countries. However, its implementation in practice indicates that for the most part developed countries are the customers, and developing countries – the performers. Such one-sided mechanism of interaction, of course, involves a number of positive and negative effects, affecting the macroeconomic stability of the host countries.

The main focus of the article is the influences on the macroeconomic stability of the host countries, both positive and negative, that are caused by contractual relations. In particular, the article describes the main negative effects including: the violation of workers' rights, retention of hosting companies at the lowest stages of added value chain, violation of environmental norms and principles, as well as non-compliance with corporate social responsibility. The article also suggests ways to overcome possible negative effects. Concerns on manpower abuse and damage of the environment related to contractual relations force governments to implement measures to ensure compliance with the internationally recognized workers' rights and protection of the environment at a

high level. Moreover, it is noted that in order to implement the best environmental and social practices and to be compliant with the labour and environmental standards, there is the need to develop policies on the development of capacities of host companies.

The positive impacts include: employment of the working population, creation of added value, introduction of the countries into global production networks, technology transfer and implementation of the best environmental and social practices. Perhaps, the most important role from the above list is played by the technology transfer. Within the contractual relationship it enables a host country to receive intellectual property under the contract protection; receive technologies associated with the model of business organization and / or the acquisition of skills, often supported by local personnel training and administrative management; improve its performance; stimulate local entrepreneurship.

To sum up it is concluded that without relevant mechanism for contractual relations management in the host countries the implementation of the positive effects will have low utility coefficient.