1.6 Multinational companies (MNCs)

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The impact of MNCs on host countries

- Multinational companies - an organization that operates in two or more countries

(MNCs have grown considerably over time due to the benefits of being such super-sized businesses.)

EMNCs emerging multinationals companies

- Highly/rapidly growing MNCs

Reasons why businesses become MNCs

- Increased customer base
- Cheaper production costs (especially inexpensive labour) (labour is the biggest expanses)
- Economies of scale
- Brand development and brand value
- Avoid protectionist policies
- Spread risks

Foreign direct investment (FDI) is an ownership stake in a foreign company or project made by an investor, company, or government from another country.

Host country

Is any nation that allows a multinational company to set up in its country

- Positive impact of MNCs on host countries
  - Job creation
  - Higher national income
  - Knowledge and technology transfer
  - Increased competition to incentivize local firms to be more efficient
- Negative impact of MNCs on host countries
  - Job losses
  - Repatriation of profits
  - Vulnerability
    - Government losing control from country (always refer to small country)
  - Social responsibilities
    - The company doesn't apply social responsibility (refer to the absence of ethical behaviour)
  - Competitive pressures
    - Competitive pressure to the new industry in China. (for competitor)

Repatriation of profit : when profit are sent back to the home country of the MNCs

Technical recession = 6 months (2 quarters) of negative economy's growth.