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Multinational Corporations Development

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ABSTRACT
In this article, the issues that have captured the attention of researchers in multinational corporations (MNC) are discussed and the emerging research agenda is laid out. The first part focuses on understanding the history, and contemporary scale and significance of multinationals as economic actors. Two opposing perspectives are distinguished, the economic and the political. In the past, there was a rigid divide between these but, increasingly, researchers are using elements of both perspectives to understand the dynamics of multinationals. The crucial additional feature here is the importation of insights from institutional literature on the relationship between firms and national contexts. Multinational corporations (MNCs) are playing a large and growing role in shaping our world, both economically and politically. Public and academic opinion has long been mired in an inconclusive debate as to whether these phenomena are beneficial things that should be encouraged or harmful things that need intensive governmental regulation. The integrating thesis of this book is that the question as to whether they are good or bad is the wrong question and is based on the fundamentally faulty premise that all foreign subsidiaries are essentially similar, i.e., MNCs are homogeneous entities The inevitability of heterogeneity results in the imperatives of disaggregation and the fallacy of generalization if these complex, differentiated phenomena are to be properly understood.
Keywords: multinational corporations, research agenda, economic actors, world economy, globalization, foreign investment

I. INTRODUCTION

Economic life and its continually development in developed countries has created and it creates diverse forms of legal entities as of their territory inside and outside in transnational aspects. The creation of multinational companies most often considered in relation to the development of political and economic relations after World War II. However, creating and their appearance originate from the early period of development of countries, respectivelyduring the period of concentration and centralization of their capital.

East India Company has been one of the oldest cases of concentration of capital with the aim of doing trade abroad national borders, which on that time economically covered the Indian subcontinent with more than 250 million people, which pay then the greater army for ensuring its economic interests.

The expansion of multinational corporations in the second half of the twentieth century can be considered one of the most important economic phenomenal in the world framework. They do overcome the boundaries of national states and increasingly are being transformed into the dominant force that acts in the interest of global interrelatedness. The development of the productive forces in the second half of the twentieth century, economic expansion filed necessity of big monopolistic companies in the world. Existing territories of developed countries became very narrow for national corporations, and forced them to go into the international arena by joining worldwide.

It considered that the most important factors of the creation of multinational companies are: concentration and centralization of capital and increasingly participation of technical and technological factors; scientific and technical development; technical advancement in communication, communication and information technology; the laws of the market efficiency and unequal level of economic development and manufacturing power in the world.

Multinational corporations, as a higher form of centralization of capital on an international level, through which ran the process of internationalization of capital in global proportions, encouraged the formation of communities international economic and robust processes of integration between the countries of the world as and the globalization of the world economy, which also represents the inauguration of the new world order.

Given that the multinational corporations represent an important and interesting economic phenomenon, it has encouraged me to explicate on to my research this scientific perspective. In this summary of important factors that characterize

multinational companies, I think that will be transferred to the positive knowledge, as this phenomenon is not very well known and popular in my country.

In the first chapter we define the concept of multinational corporations as an organization and making related the barriers they have faced up to their creation up to the point multinational. We also mentioned the stages and how they have evolved up to this period also their impact on the institutions of the respective countries of their operation. The organizational structure was also a key element in optimizing their activities and organizing the factors within the corporation to achieve maximum profit. The word itself means the corporation that group of people and gives us the reference peak that they are formed by two or more persons and its financing becomes pooled capital and transform them into bonds or shares.

In the second chapter we are focused on presenting some statistics on foreign direct investment, on the largest corporations in the world and developing them through time frames and comparability statistics. Also we tried to explain the size of multinational corporations in proportion to developed countries and developing countries, comparing by GDP. As multinational corporations operating in six or more countries we have summarized statistics focus of investment areas of giant corporations and direct investment flows to them.

Defining Multinational Corporations as a concept

The multinational corporation is a business organization whose activities are located in more than two countries and is the organizational form that defines foreign direct investment. This form consists of a country location where the firm is incorporated and of the establishment of branches or subsidiaries in foreign countries. Multinational companies can, obviously, vary in the extent of their multinational activities in terms of the number of countries in which they operate. A large multinational corporation can operate in 100 countries, with hundreds of thousands of employees located outside its home country. The economic definition emphasizes the ability of owners and their managerial agents in one country to control the operations in foreign countries. There is a frequent confusion that equates the ability to control with the flow of capital across national borders. Since Hymer's thesis (1976), it is recognized widely that capital flow is not the distinguishing characteristic of a multinational corporation (see International Business). Capital can flow from one country to another in expectation of higher rates of return. However, this flow may be invested in the form of bonds, or in equity amounts too insignificant to grant control to foreign owners. In this case, this type of investment is treated as a 'portfolio' investment. The central aspect of 'direct investment' is the ownership claim by a party located in one country on the operations of a foreign firm or subsidiary in another. The multinational corporation is, thus, the product of foreign direct investment that is defined as the effective control of operations in a country by foreign owners.

Concerning the term itself, the enterprise operating in more than one country is referred to as a multinational (or sometimes transnational) corporation. The terms are sometimes in the literature used interchangeably, sometimes they are strictly differentiated. Especially the earlier analysts9 tended to make substantial differences between those two terms: According to these studies, if the company pursues its strategy and integrates its activities across national borders, it should be referred to as "transnational" whilewhen its control and ownership are shared fairly and equally between a number of different countries (and thus, the corporation "takes on" many national identities), it should be called "multinational". The author of this thesis realizes the original thought on this division; however, similar conclusions could be too misleading in today's complex reality of MNCs. The outlined differences remain therefore not in the structure of the corporation but in its strategy towards its operations.10 That is why, using a different term based on enterprise's strategy would be in regard to the topic of this thesis extremely confusing.

Therefore, this paper works exclusively with the term of a multinational corporation. Another reason for this choice is also its position in the developmental stages of a corporation expanding its operations beyond national borders. As Meier and Schier (2001) clearly state the enterprises generally expand through several stages: Starting from an international corporation (mainly exporting its products/services) to a multinational corporation (organizing production across borders) and moving to the final stage of a world/global corporation (with functions integrated on a global level). Similarly to the earlier argument, the general division between "multinational" and "global" enterprise cannot be drawn universally for all corporations. Since the main purpose of this thesis is to present the concept of a corporation operating in more countries and not to pay attention to individual differences, the term "multinational" corporation will be used universally for all enterprises with operations overseas without any further reference to the stage

of their international/multinational/global engagement.

The phenomenon of MNCs has been ascribed to a combination of two main factors: the uneven geographical distribution of factor endowments and market failure (Dunning, 1988). That is, because of their national origins, some firms have assets that are superior to those in many other countries. Moreover, a substantial proportion of these firms have concluded that they can only successfully exploit these assets by transferring them across national boundaries within their own organizations rather than by selling their right of use to foreign-based enterprises. More recently, nationally endowed assets have been supplemented by MNCs acquiring, developing and integrating strategically important assets located in other countries, thereby making their national origins somewhat less significant.

II. HISTORY

Despite the increase in globalization most MNCs have home bases that give them resolutely national identities. General Electric and Microsoft are clearly American just as Honda and Toyota are Japanese. Only one in five of the boards of ostensibly global US companies include a non-US national. Sixty per cent of Honda's sales are outside Japan, but only 10 per cent of its shares are held by non-Japanese. Toyota has 41 manufacturing subsidiaries in 24 countries but no foreign managers among its vice-presidents in Tokyo. Mergers and acquisitions have little impact. Daimler-Chrysler, hailed in 1998 as a merger of equals, soon became a German company with German executives taking control of the US operation while many of Chrysler's most senior executives either left or were forced out. Even within Europe with its single market and single currency, panEuropean companies, free of national demarcations, remain elusive.

The United States offers an unusual case. A rapidly growing country, it imported more capital than it exported up to World War I. However, whereas it imported largely portfolio investments, its outward flows were dominated by foreign direct investments. In other words, American companies showed an early penchant for expanding overseas (Wilkins 1970). The Singer Company built within two decades of its founding a large factory employing thousands of workers in Scotland. Oil companies, Kodak, Westinghouse, Ford, and mining and agricultural companies all invested overseas. Companies in oil, mining, and agriculture often invested in poorer markets where there were resources to be found. These early investors were often involved inextricably in the politics of the foreign governments, and the American military itself intervened aggressively numerous times in the Caribbean, Mexico and Central America, and South America. As in the British case, the history of American direct investment occurred in the context of an expanding military presence of the home government. Moreover, since many of these countries were poor, the multinational corporations responded to the demands of the host nation, especially in the form of concessionary contracts, to provide public services, e.g., hospitals, roads, and power (Robinson 1964). This complicated legacy of the early history of the multinational corporation created hostility on the part of the local population that persisted throughout most of the twentieth century.

It is important to underscore that the multinational corporation usually evolved in the context of specific national institutions. As many others have pointed out, the multinational corporation is a growing firm whose organizational borders have spilled across borders. Moreover, since this large firm is usually tied to a larger domestic network of suppliers and customers, its expansion overseas is accompanied by the co-investments of these other members. This is a pattern seen in American investments in the United Kingdom in the 1950s and repeated by Japanese multinational corporations investing in the United Kingdom in the 1980s and 1990s (Dunning 1993). Chandler (1990) noted that these multinational corporations reflected the national characteristics of management. In comparing the cases of the largest firms in the United Kingdom, Germany, and the United States, Chandler found that differences in managerial capabilities, reflecting national institutions, explain their success and failure patterns. He particularly criticized the managerial capabilities of British firms, a point not shared by some British historians (Hannah 1999). But more importantly, Chandler's thesis assumed that size itself constituted the realization of scale and scope economies instead of the outcome of success and growth. This observation is especially important for understanding the lack of large multinational corporations in Italy or in Taiwan, both of which have very successful small firm economies but do not have multinational corporations comparable to other countries of similar levels of economic wealth. Yet, both countries are relatively wealthy and successful, and their many small companies have achieved high rates of exporting. Even in the case of the United States, the evidence implies that American firms, large and small, came to Europe, riding on the back of the national organizing principles of standardization in work methods (Kogut 1992). Chandler's larger point of the effect of national systems on firm capabilities is largely

accepted; his belief that large firms reflect better management because they achieve scale is disputed far more.

Growth in MNC activity

There are a number of theories about the factors that have contributed to the enormous expansion of the MNC activity in the past three decades. Changes in technology and organizational sophistication created the possibility of expansion. The development of new communications technologies, cheaper and more reliable transportation networks, and innovative techniques of management and organization have made possible the kind of centralization, integration, and flexibility that are the hallmark of the successful MNC. But these were merely enabling factors. The question remains as to why we have seen such a great expansion of MNC activity since the end of World War II. One answer would be to stress the importance of government policies.40 some governments—particularly powerful governments like that of the United States—actively encouraged multinational expansion. The progressive elimination of restraints on capital flows made expansion of direct investment possible. The reduction of tariffs made direct investment more attractive. Governments directly subsidized FDI outflows by providing various forms of insurance for international investments. The United States, for example, created the Overseas Private Investment Corporation (OPIC) in 1961 to insure U.S. firms against some of the risks involved in direct investment. Canadians and Europeans created incentives to attract inflows of foreign investment. Although the U.S. federal government has not officially courted foreign investment, in recent years states and local communities have taken the lead, even competing with one another for foreign manufacturing plants. But, again, government policy changes alone would not have resulted in the expansion of MNC activity described above. Foreign investment, after all, is the result primarily of decisions made by private firms. Theories about FDI that do not take into account the firm-level incentives to invest overseas are not likely to be very helpful in explaining the trends described above. We turn, therefore, to a set of theories that deal with this issue.

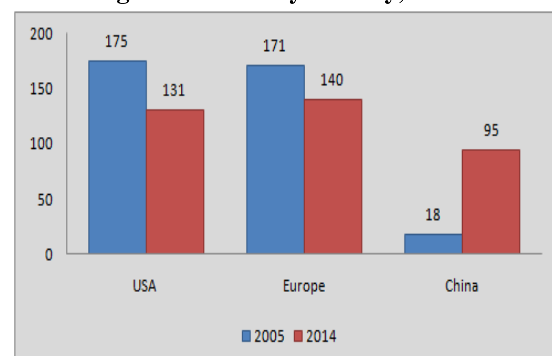
Global Spread

In its evolution the multinational corporation is not without serious contradictions. Evolving from its national context, the multinational corporation employs large numbers of employees of diverse nationalities and ethnicities. Westley (1993) notes that a subsidiary is, thus, caught between the institutional pressures to conform to the company norms and values, as well as to the cultural and social influences of its local national environment. At the heart of the evolution of the multination corporation, thus, lies the tension between national institutions and the fragile emergence of a global culture. The international evolution of the organizational structures of American multinationals mirrored, as we noted above, the broader diffusion of organizational technologies in the home market. The initial investments by a firm took place, often, on the basis of opportunity and the extension to familiar countries. Much like the ethnic trading communities dating back to the earliest times, the inexperienced multinational corporation preferred countries that are culturally similar to what their managers know at home (Johansson and Vahlne 1978). In these countries, they often established foreign enclaves where their expatriate managers could live in the simulated familiarity of their home environments.

We have included data from year 2005 to 2014 and lots of changes has happened. On 2005 North America total number of companies were 189 and in 2014 changed to 141. In same way, Asian company were 123 on year 2005 and 197 in 2014. Other interesting figure that we notice is on 2005, total USA companies were 175 which got decreased to 131 in year 2014. But China saw huge growth from 18 company in year 2005 to 95 in year 2014. So much change has happened within a decade and this listing keep on changing its location.

The world's 500 largest companies generated $31.2 trillion in revenues and $1.7 trillion in profits in 2014. Together, this year's Fortune Global 500 employ 65 million people worldwide and are represented by 36 countries.

Figure 1. Distribution of top 500 companies with the largest revenues by country, 2005-2014



Source: Fortune Magazine, 2015

Most of the largest companies, by revenue, are Asian or European. In this year, 140 of the 500 largest companies globally were from the

Europe, and 198 from Asia. After limping through a worldwide financial crisis and economic slowdown, the 500 largest companies ranked by revenues shattered all sorts of performance records in 2014. They racked up combined revenues of $31.2 trillion, up 1.5% from 2013, and profits declined3.4%with $1.7 trillion from $2 trillion in the previous year. China's 95 companies (up from 89 last year) posted $5.8 trillion in revenues. The U.S. companies on the list has same number as the last year but remains (for now) the country leader, with 131 corporations on the list—including No. 1 Wal-Mart Stores—reporting $8.6 trillion in revenues.

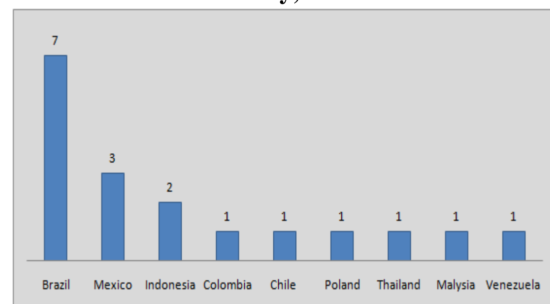
Table 1. Distribution of Fortune Global 500 companies between 2005 and 2015

Fortune Global 500	2005	2007	2009	2010	2012	2015
Australia	11	10	10	9	10	9
China	18	25	38	47	74	98
India	5	6	7	8	8	8
Japan	81	67	68	71	68	57
Malaysia	1	1	1	1	1	1
Singapore	1	1	2	2	2	2
South Korea	11	14	15	11	14	17
Taiwan	1	5	5	7	5	4
Thailand	1	1	1	1	1	1
Asia Pacific	133	135	155	163	191	196
US	175	162	140	141	134	128
Canada	14	17	14	11	11	11
Europe	171	175	179	175	150	148
Others	7	11	12	10	14	17
	500	500	500	500	500	500

Source: Fortune Magazine, 2015

If we analyze the table above, we will be able to draw some conclude about concentration of multinational corporate activities. At the beginning of the decade it can be observed in the table a balance of the top 500 of the largest corporations in the world between Europe and the United States, Asia with Pacific is the third, regard to the areas of concentration of multinational corporations, among this decade we have observed an increase of the European corporatearea and Asia with Pacific and a marked decrease in the participation of American corporations after an fast blast economies of Asia who will continue to take primacy participation corporate in "The world's 500 largest companies". According to the latest list published by Fortune magazine we have an increase by a high pace of Asian corporate participation with emphasis China is the largest contributor regard to do this list, leaving U.S and Europe and started a new revolution in the global economy.

Figure 1. Distribution of top 500 companies with the largest revenues in developing countries by country, 2014

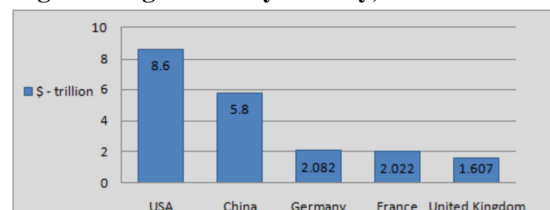


Source: Fortune Magazine, 2015

Only a few of the largest companies are from developing countries. Exceptions are Brazil and Mexico. There are sevenBrazilian business giants on the list in 2015 - in industries ranging from banking to energy –equal with the previous year.Only three of the Mexico companies made the Global 500 list in 2015.

In 2014, the list of the top 100 transnational corporations (TNCs), measured by foreign assets, included five companies from developing countries. These were Petro bras, Pemex, PTT, PDVSA andPetronas (all of them PetroleumRefining and Mining, Crude-Oil Production Companies).

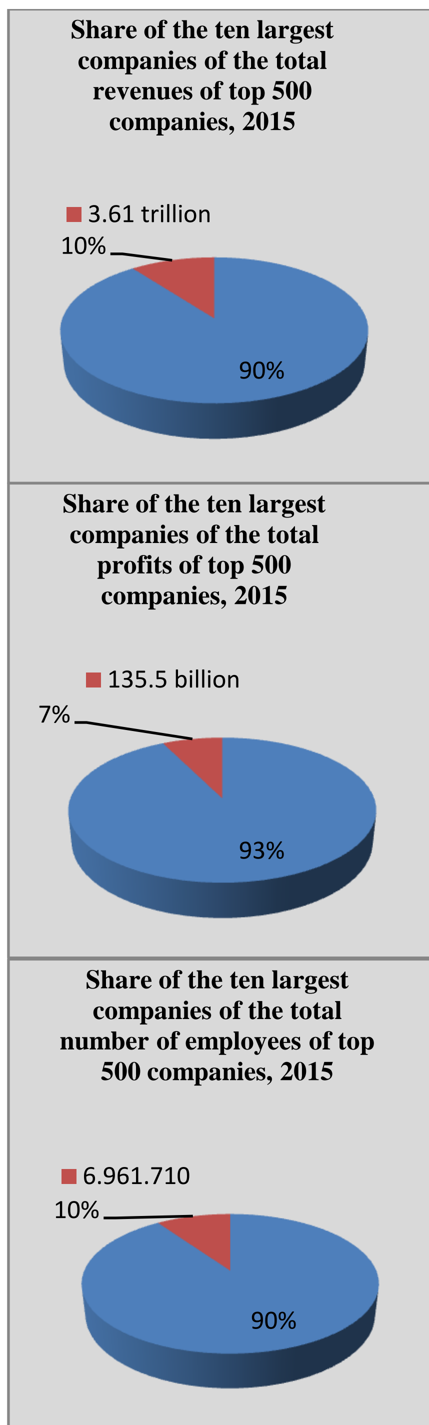
Figure 2. Distribution of top 500 companies with largest foreign assets by country, 2014



Source: Fortune Magazine, Global 500, 2015

Measured by foreign assets, the distribution of the largest companies looks very much the same. Most of the top 100 companies with largest foreign assets are from the United States, China, Germany, France and the United Kingdom.

Figure 3. The top ten companies by revenues accounted for 10% of the total revenues of the top 500, 7% of profits, and 10% of employment, according to Fortune Magazine.



Source: Fortune Magazine, 2015

The largest employers among Global 500 companies are producers in energy, financial and technology sector. Companies representing these sectors employed 28,531,415 people in 2014. Banks employed 5,778,966 people, producers of motor vehicles and parts 5,185,211 people and food and drug stores 3,639,249 people. (Fortune Magazine)The largest single employers are Wal-Mart Stores (2,200,000 people), China National Petroleum (1,636,532) and Hon Hai Precision Industry (1,060,000 people).

Table 2. Share of the 25 largest companies by number of employees, 2015

Rank	Company	500 Revenues Rank	2015 Number of Employees
1	Wal-Mart Stores	1	2.200.000
2	China National Petroleum	4	1.636.532
3	Hon Hai Precision Industry	31	1.060.000
4	State Grid	7	921.964
5	China Post Group	143	903.357
6	Sinopec Group	2	897.488
7	Volkswagen	8	592.586
8	U.S. Postal Service	137	553.089
9	Aviation Industry Corp. of China	159	535.942
10	Compass Group	418	514.718
11	Agricultural Bank of China	36	505.627
12	Industrial & Commer. Bank of China	18	462.282
13	Gazprom	26	459.600
14	China Telecommunications	160	454.292
15	China Resources National	115	451.503
16	Deutsche Post	111	443.784
17	Jardine Matheson	282	430.000
18	McDonald’s	434	420.000
19	Sodexo	485	419.317
20	IBM	82	412.775
21	Kroger	54	400.000
22	Tesco	62	386.086
23	Carrefour	64	381.227
24	China Construction Bank	29	372.321
25	Home Depot	101	371.000

Source: Fortune Magazine, 2015

The discount retailer is at a crossroads: how to transition from the big-box era that propelled it to the world's largest company, to one in which customers are fussier about what they eat and can easily comparison shop thanks to the internet. In 2014, under new CEO Doug McMillon, Wal-Mart's U.S. finally broke a nearly two-year streak of growth-free quarters on the comparable sales front. But that recovery is tenuous: it is still struggling to get people into its stores, and it has suffered from out-of-stocks and customer service that many find wanting.

Last year saw a lot of turmoil: it replaced the CEO of its $288 billion U.S. division and lost its chief merchant. But the company has made strides in improving the quality of fresh food in its stores — about 55% of revenue comes from grocery. Its e-commerce investments are paying off too. Still, Wal-Mart is grappling with ever more aggressive rivals like Target and Amazon, the

proliferation of dollar stores and a desire for healthier grocery offerings, meaning 2015 is a key year for McMillon to prove he can modernize Wal-Mart.

The index of trans nationality compiled by Fortune for the largest companies illustrates some aspects of the depth of a TNC's involvement abroad by comparing a firm's foreign assets/total assets, foreign sales/total sales and foreign employment/total employment.

Table 3. Global 500 Companies sectors and their Revenues, Profits, Assets, Employees

Sectors	Revenues($ Millions)	Profits ($ Millions)	Assets($ Millions)	Employees
Aerospace & Defense	500,067	27,239	705,737	1,865,669
Apparel	115,587	5,776	125,718	287,029
Chemicals	419,670	29,545	484,800	569,006
Energy	8,317,365	237,031	10,398,976	10,962,251
Engineering & Construction	758,933	16,924	874,812	2,307,845
Financials	6,708,697	612,930	86,717,594	10,288,034
Food & Drug Stores	1,212,865	12,711	710,669	3,926,056
Food, Beverages & Tobacco	819,422	65,028	878,509	1,959,824
Health Care	1,419,571	105,399	1,443,594	1,831,347
Hotels, Restaurants & Leisure	132,115	7,843	96,581	1,462,920
Household Products	114,426	18,156	183,059	196,611
Industrials	313,897	8,667	428,522	827,609
Materials	837,194	4,505	1,053,840	2,278,490
Media	138,377	22,135	245,478	266,158
Motor Vehicles & Parts	2,649,556	118,888	3,134,117	5,185,211
Retailing	1,219,315	42,638	854,760	5,497,249
Technology	2,370,258	207,736	2,647,643	7,281,130
Telecommunications	1,220,220	85,769	2,394,203	2,891,955
Transportation	845,296	28,421	2,320,731	4,468,942
Wholesalers	1,013,804	14,454	766,089	1,022,832
Total	**31,209,635**	**1,671,795**	**116,465,432**	**65,293,268**

Source: Main data's in Fortune: Global 500, statistics compiled in sectors by authors.

In 2014, the total revenues of the 500 largest companies globally were $31.2 trillion, total profits were $1.7trillion, total assets were $31.2 trillion, and the total number of employees was 65,293,268. (Fortune Magazine)

If we analyze the table above, according to statistics we can notice which sectors are leading the international business. With the progress of technology, it observed a huge growth in company revenues in different sectors and a slight decrease in other sectors making this prediction unstable.In this year, we do not see a significant change, the finance sector leads at the top with commercial banks and insurance companies, and after is comes energy with mining crude-oil industry its products, in third place takes place vehicles motor and its parts sector, and a steady increase is stimulating by technology sector, especially electronic products industry, such as Samsung electronics, Apple, Hon Hai Precision, HP, IBM etc.

Economic And Politic Power

Since the multinational corporation is definitional equivalent to foreign direct investment, theories of foreign direct investment must account for why one country invests in another and why this investment is carried out within organizational boundaries of a firm (see Buckley and Casson 1976, see Foreign Investment: Direct). In distinguishing between portfolio and direct investment, Hymer noted that firms operate at a disadvantage in foreign markets and hence they must have an offsetting competitive advantage to compete overseas. These advantages for overseas investments are the same ones that allow a firm to compete and grow in the home market. These observations have important implications. The first is that direct investment is the growth of the firm across borders and hence the firm expands internationally on what it has learned at home. This observation is the basis for the evolutionary theory of the firm. The second observation that Hymer made is that firms that expand overseas, because they have competitive resources, are also likely to be large and to belong to oligopolistic industries. In these observations, we can understand the ambivalence expressed in popular and policy debates regarding the multinational corporation. Competition among multinational corporations often is the extension of their home domestic and oligopolistic rivalry that spills across national borders. In many global industries, the same company names dominate each country's list of the largest firms inside their national frontiers. No matter if it is Poland or France, Singapore or Mexico, the same multinational corporations will be found in the local oligopolistic industries (e.g., consumer goods or automobiles). 10201 Multinational Corporations because they are large even in their home markets, investments by multinational corporations can have a large impact on a host country (Caves 1974). As a consequence, the multinational corporation has often been the

subject of debates concerning national sovereignty and welfare. In recent decades, acquisitions have generally been the primary way by which multinationals invest in wealthy foreign countries, where the vast proportion of direct investment is concentrated. Given the size of a multinational corporation and occasional national importance of the targeted acquisition, even wealthy countries frequently evidence discomfort, if not outright public hostility, to multinational investments. Moreover, multinational corporations are sometimes the vehicles for foreign policies of their home or host country. The decision, for example, of the US to embargo technology and investment flows to Cuba, the former Soviet Union, Iran, and other countries periodically has caused conflict with other countries. Multinational corporations are especially problematic in developing countries. By definition, developing countries are relatively poor, thus both in need of capital and yet concerned over their loss of independence. As discussed above, the history of multinational corporations in developing countries is marked by its origins in policies of imperialism and colonialism. Especially in Latin America, where a school of thought labeled Dependency has been in- fluently, the concern over dependence on the United States resulted in efforts to curb the power of the multinational corporations by restricting the amount of equity ownership a foreign firm could hold in a domestic company or by prohibiting investment in certain sectors. Mexico's constitution forbids foreign investment in the oil industry; Brazil pursued for a long time a policy to restrict foreign participation in the electronics industry. The other side of the coin is that multinational corporations bring investment and technology to the foreign country. Vernon (1966) hypothesized that innovations start in wealthy countries. As the market is saturated and as oligopolistic rivalry increases, multinational corporations are pushed out from their home markets to expand abroad in new markets and to locate less expensive places. Thus, Vernon seized both sides of the debate, recognizing the value of the transfer of technology but also emphasizing the oligopolistic nature of multinational investment. It is, in fact, difficult to draw simple conclusions regarding the relationship of foreign investment and national growth. Countries such as Singapore, Malaysia, and Thailand have encouraged foreign direct investment actively. The growth in China's coastal sector is indisputably linked to the massive investments by multinational corporations. However, historically Japan and Korea have pursued more cautious policies regarding investments by multinational corporations. In these countries, the state has often negotiated the terms for entry by multinational corporations, sometimes requiring licensing to domestic competitors as a price. The efficacy of such policies for these countries is much disputed. However, for many other countries, the intervention of the government in demanding licenses unquestionably leads tointernal corruption and toinsufficient domestic competition. There are many channels by which a country can absorb foreign technology and managerial techniques. Most of the evidence shows, however, that prohibitions on the in-flows of direct investment can be very costly for many countries. With their domestic industries still to be developed, a developing country requires substantial investment. Some countries, primarily in Asia, have been able to achieve very high savings rates to finance their industries without direct investment. Moreover, high savings rates, plus political stability, create growth, and growth attracts foreign portfolio capital. A poor country that prohibits foreign direct investment but does not have high rates of saving is entirely dependent upon portfolio capital. The history of debt and currency crises in the 1990s convinced many poor countries that foreign direct investment was a preferable means of attracting capital, because it could not be easily pulled out of a country on short-notice in response to a financial crisis. However, multinational corporations also respond to the volatility in the global market. This volatility derives from changes in exchange rates, politics, and productivity. Once having achieved sufficient experience and having established subsidiaries around the world, the multinational corporation might choose to close a plant in one location and open plants in new locations. Of course, such actions might provoke a response by labor, but historically, labor has been organized by national, not by international, organizations (Martinelli 1975). Yet, there is also the possibility that locations lose some kinds of plants but gain more sophisticated investments. Cantwell (1999) proposed that some regions and countries pull multinational investments. Yet, it has long been noticed that foreign direct investment among developed countries flows to high cost locations. Regions such as Silicon Valley, Baden-Wuertemberg, and Singapore attract multinational investments not because wages are low, but because productivity levels are high and workers are well trained. In many cases, developing countries have given rise to their own multinational corporations acting in the region and sometimes globally (Lall 1983). In this sense, the multinational corporation acts as a training center in the developmental strategies of emerging economies.

III. CONCLUSION

Multinational corporations are increasingly seen as excessively big and powerful, and as having dramatically increased in size and power. The current position of MNCs is a result of development over several centuries; however, the corporations have attained most of their current power during the last several decades in the process of economic liberalization and growing globalization. Global corporations possess key features that nation-states lack by their definition: They are mobile, driven by purely private, economic interests and in their expansion not limited by territorial boundaries. Their internal structures allow them to define business strategies, organize their production and corporate structure as well as to engage in business cooperation without any external supervision, need of approval or revelations. The latest development of information, communication and transport technologies have enabled the MNC's business operations to operate on a truly global level, pursuing global strategies and economy of scale. The world has become one single global marketplace where only global corporations are competitive.

But how do these MNCs affect the key characteristics of the nation states? Regarding the territory, the process of MNCs' expansion is characterized by the need of space. The more and more liberalized environment of the international economic system has made the decision on the market entry a matter of internal strategy of MNCs while the importance is given to competitive advantage of the recipient state as well as to the overall strategy of the corporation. Once established, the new operation becomes a part of the internal corporate structure where national boundaries play a very limited role.

Similar "acquiring" procedure occurs with the state's population: From the MNC's point of view, the populations of the recipient countries are regarded simply as consumers with corporately defined target groups regardless of the borders. The part of population that is employed by MNCs enters into legal relations with the multinational. Thus, corporate strategic decisions affect the workforce and also related labor and social issues, especially in situations when the local conditions change considerably (e.g. labor becomes more costly) and the MNC can move its operations to locations with more favorable factors. On top of that, managers (as a part of population) become mobile within the corporate structures so the link to their home country is weakened substantially. Regarding the government as the third key attribute of the nation state, the influence of MNCs on governmental activities is apparent both in the relative (in bargaining process) and absolute (MNC as a citizen) way. Once the MNC gains access to a new country, it becomes an active actor not only in the domestic economic sector but also in the political, social and cultural sphere. Either through direct channels of influence (e.g. lobby) or through indirect ways (CSR) it obtains influence on major state policies.

All these arguments about the territory, population and government support the verdict that governments "have left room" while MNCs stayed at the table alone (Schwartz 1999). Through their organizational and policy concerns which are, in contrast to nation states, truly global, global corporations put serious pressure on territory, population and government as the key components of nation-states. In the process of approving vs. disapproving the primary hypothesis these arguments have been weighed against the current position of nation-states, particularly the government.

This perception has led to the view that the big corporations are threatening democratic institutions of the nation-states and that they pervert the cultural and social fabric of countries In this paper we analyses the size of large corporations and the recent trends in this size. We found that multinationals are surprisingly small compared to many nation-states. In addition, if anything the size of multinationals relative to the size of nations has tended to decline somewhat during the last 20 years. Finally, we argued that there is little evidence that the economic and political power of multinationals has increased in the last few decades. Multinationals have not grown in size relative to the nation-states nor have they become more powerful in the last twenty years. And yet the perception is very different. This leads to the conclusion that what has changed is not the economic reality. The big transformation has been in the perception of that reality. Many people now perceive the multinationals as having grown in size and power, while they did not (or not to the same extent) 20 years ago. Why is it that perceptions can change so drastically while the underlying economic reality has changed so little? A satisfactory answer is difficult to give. The popularity of ideas seems to evolve in a cyclical manner very much like fashion does. During the 1960s and 1970s anti-capitalist ideas were fashionable. They went out of fashion in the 1980s, but came back in full force during the second half of the 1990s. Maybe all this is inevitable in a world where the human mind tries to understand how "the system" functions. Faced with great uncertainty about the functioning of the economy, people try one theory, then discard it to search for one that fits the data better, until the new theory is found wanting. The result of this groping for

understanding is that ideas and perceptions are subject to large cyclical movements, even if the underlying reality does not exhibit such movements.

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