The Multinational Corporations (MNC)

Also known as **transnational corporations** are fundamental to globalization. MNC are large businesses that can now set up production in any number of countries, communicate orders and production plans by computer and satellite links, and then sell their products and services wherever they can find buyers.

Think about the example of Toyota, the Japanese car manufacturer. The various parts for their vehicles are manufactured in many different countries: Thailand, the United States, Canada and China. The cars are manufactured in many different countries from Argentina to Turkey. The finished product is then shipped throughout the world and can be found on six of the continents. Computer and satellite links enable companies like Toyota to send their plans for parts and new designs from their main offices to their factories world-wide quickly so that manufacturing can be adjusted quickly.

The business practice of hiring outside contractors to manufacture the parts or the finished products is called **outsourcing.** By using this strategy, multinationals can compare prices or “shop around” in many countries for subcontractors to get the cheapest price possible. The business practice of setting up a **subsidiary,** or branch plant, in another country, is another way of conducting an international operation. Toyota has sent up subsidiaries in countries like the United States, Australia (although they have now closed this), Canada and most recently China. If Toyota opens a branch plant, it builds, buys or leases a plant for its operations in the host country. It then hires and trains local people, introducing them to advanced technology, pays wages to the employees, and pays taxes to the host government. All of these actions benefit the host country and their economy. The host country could also negotiate with Toyota to use their local suppliers and see and even bigger growth in their GDP.

However there is a potential problem with a multi-national company like Toyota moving into a country. One such problem may be the company would shift their production away from that country and take the jobs and the monetary benefit with them. What could be other problems that multinational companies could cause?