

**SYNOPSIS: THE IMPACT OF MULTINATIONAL CORPORATIONS ON
FOREIGN DIRECT INVESTMENTS**

**UNIVERSITY OF CRAIOVA
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THE SYNOPSIS OF THE DOCTORAL THESIS

**„THE IMPACT OF MULTINATIONAL CORPORATIONS ON
FOREIGN DIRECT INVESTMENTS”**

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The PhD thesis entitled „*The Impact of Multinational Corporations on Foreign Direct Investments*” elaborates on a strictly contemporaneous theme in the present global economical aspect – namely – multinational corporations, their activity in the field of foreign direct investments and the impact of the latter both at the level of multinational companies but also at the macroeconomical level.

The importance of the theme is rendered especially by the sensitivity of the subject as such determined also by the double implication or double determination – multinational company - foreign direct investments and foreign direct investments – multinational company.

The phenomena within the new global economical system represented by integrated economical areas framed in regionalization phenomena of commercial relationships have lead to the appearance of operational structures, of capital

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management, multinationals with a powerful impact on implantation countries, in the sense that these have come to know a major development, marking thus *the acceleration of globalization process of contemporaneous global economy*.

From the perspective of global network of *affiliate companies* of multinational corporations, more than 58% are imbedded in developing economies surpassing in an accelerated rhythm the investment flows promoted externally, a fact that highlights actually, the increased capital percentage triggered by corporations from industrialized countries in the whole of financial resources dealt with between issuing and receiving countries. These data show that the *corporative system itself, by nature is the one organizing the production and distribution of goods and services on a global level, having as fundament the ownership relation on production assets or other control means*. At the same time, multinational corporations adopt management strategies and methods of sharing economical-financial results both on short term, but also on long term, directed mainly on: profit evolution of companies affiliated and consolidated one; expansion of distribution area externally and increase of market value of titles issued for development; all these being approached in the context of the economical and political background pictured by potential host states.

The network of multinational corporations and their own affiliates, stretched worldwide is materialized in the form of *an integrated system*, with join economical, social and ethical values, that have a more privileged position, in contouring the evolution of global economy as a whole and that of every country, as self-existing entity, influencing at the same time, social and political behaviours able to sustain transformations necessary for economical development and growth worldwide.

The thesis is structured **in four chapters**: the **first** of these called „***The Increase in Importance of Multinational Corporations within the New Global Economical System***” presents the new global economical system and expansion of multinational corporations, a definition of the concept „multinational company” is formulated, while explaining expansion strategies of multinational corporations.

Given the role that multinational corporations have within the European economy but also due to the fact that investments held a major importance within developed economies, we considered only pertinent and contemporaneous the approach of this

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PhD thesis – the impact issue of foreign direct investments on the European business environment, but also on business environment in Romania.

Specialists consider that multinational corporations represent a key component of the world economy, having an extremely important and complex role in economic growth, in the development of international trade, in the acceleration of technical progress, in globalization of markets, production and technology. They represent one of the most significant factors of contemporary economic progress. At the same time, multinational corporations “represent the most visible side of globalization”.

Through their nature MNC integrate production at an international level and, in this way, they play a central role in economic growth. These firms are the main factor in the development and spreading of technology, which is considered to have a great importance as a determinant of international competitiveness and progress of the nations. MNC contribute to the forming of capital, provide professional training and have an important role in trade, playing a central role in organizing international economic activities and sustain, in a considerable and positive way, the social and economic welfare of both the origin and host countries.

The host countries receive MNC as an additional source of investments, technology, innovation, employment, management modernization, workforce training, increase of the power of national competitiveness, a greater integration into the world economy and the opportunity of new export markets, and also incomes from fees and charges.

The central factor, on which the paper is focused, is the importance of the general principle stating that multinational companies are the main generators of foreign direct investments, and that, in turn, these categories of external operations exercise a great influence on the expansion and activities of such companies. MNC are one of the important factors of the current development of world economy, becoming a power capable of causing, according to their own interests, great changes both in the international relations and in most areas of political and social life.

Chapter two entitled ***"The impact of multinational corporations on foreign direct investments"*** represents the central theme of this paper and includes work related statistics, data processing and case studies addressed in an original manner that demonstrates the importance of foreign direct investments. There are also presented

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theories relating to foreign direct investments, presenting the main causes of their growth, the perspectives of countries receiving or donating foreign direct investments, MNC transactions in the field of technological transfer and also the current trends in the development of FDI in the world under the impact of multinational corporate activity. In this paper an important place is occupied by the aspects referring to the impact of multinational corporations on foreign direct investments in the context of the global and European business environment, considering these flows as a factor stimulating the improvement of the global and European business environment.

The increase of interdependency of economies in the world is definitely related to the evolution of the phenomenon of liberalization of economic, trade, monetary and financial flows having as an "engine" the reception and incorporation of technical progress, especially supplied by information systems, promoted at multinational corporations.

Investments are spreading new concepts, always bringing change of the existing situation, the emergence of other elements than those known previously. Investments undertake future, which results in the association of an own risk factor to any investment process.

The final part of this chapter is dedicated to the development prospects of the flow of foreign direct investments in Romania and the evolution of foreign direct investments worldwide under the impact of multinational corporate activity.

Chapter three, entitled ***"Foreign direct investments of multinational corporations in Romania and their impact on national economy"*** is a continuation of the central theme of the work being assigned to the analysis of MNC foreign direct investments in Romania and their impact on national economy. Here FDI are considered through the prism of the business environment in Romania in the global and European context. The accomplishments of our country demonstrate the interest of Romania to attract foreign investments of the MNC, which is obvious at least from the point of view of the need for resources and competent management. In this context are presented ways of MNC penetration in Romania, case studies, evolutions in FDI of multinational corporations in the period 1990-2007 and the role of the Romanian Agency for FDI and how to promote them. We analyzed the foreign direct investment with significant impact

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on the Romanian economy, while conducting a case study, on the Renault Company in Romania.

In chapter four, entitled "*The future of multinational corporations*" we have addressed issues relating to the future of multinational corporations stating that they constitute one of the important factors of the current development of global economy, becoming a force able to promote the great changes both in the international economic relations and in most areas of political and social life. Also we have observed the increase of the role of MNC, with respect to global economy, in the fields of information and technology and also the increasing role of cooperation between them as a source of innovational process. At the same time we have analyzed a series of questions regarding the role and importance of the nation-state in the context of the global economy, in which MNC, the new global gladiators, gain more ground by upsetting the existing order and by modifying the existing rules of the game while the national states try to resist the transformations. Finally, the paper ends with conclusions that are highlighting MNC impacts on foreign direct investments, both the donor countries and those of receiving FDI, showing clearly the idea that strategies to exploit the competitive advantages in the transnational space have known adaptations and changes occurred in the operating framework of the companies, against the background of technological progress and competitiveness relationships reordering in the world, the trend of economic integrations and liberalization of policies in terms of FDI.

The bibliography used in the paper reflects the fact that the addressed theme covers multiple interest areas. There have been consulted reference works both in the literature but also in those published by international bodies in the fields of FDI, European integration, statistics, investments, macro economy, information society, environment, protection and guarantee of investments, economic policies.

One of the main problems in drafting this work has been represented by bibliographic sources, sources that offer different data in the case of foreign direct investments. UNCTAD, EU, World Bank, EBRD, EIB and other international bodies and investment banks have their own department for analysis and data collection periodically publishing various statistics, which in terms of FDI suffer from a noticeable relativism, appearing significant differences between reports of international and national publications.

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