GLOBALISATION, MULTINATIONAL COMPANIES AND EMERGING MARKETS

Alina-Petronela HALLER
Romanian Academy Iași, 700481, Romania
hallalina@yahoo.com

Abstract
Globalisation, far from meeting esoteric meaning requirements – everybody's welfare –, created the conditions for a stronger and stronger presence of multinational companies, economic giants who did not avoid emerging markets, quite the contrary. The attraction of profit oriented the multinational companies' attention towards the developing markets for the simple reason that here they could find with ease cheap factors of production and they could easily impose themselves by means of illusory promises. In the present paper we are going to analyse multinational companies and their effects on the emerging markets.

Key words: economic development, economic growth, emerging markets, globalisation, multinational markets

JEL Classification: *F43, F63, O10, O11, O40, O43*

I. INTRODUCTION

Globalisation is a process that cannot be stopped any more unless everything stops (Khanna Parag, 2008, 19). Over time, globalisation has brought forth three major changes on the world stage: the rise of the western world and the birth of modernity (fifteenth – eighteenth centuries), the rise of the USA (nineteenth – twentieth centuries) and presently the "rise of the rest" (Zakaria Fareed, 2009, 25), with ebbs and flows (Khanna Parag, 2008, 19). Today, in the context of globalisation, the complexity of the determining factors change in real time – from energy to climate, from technology to commerce, from security to economy – changes that are about to be included in the agenda of globalisation (Canton James, 2010, 19). The rest is composed of the emergent states and different non-state actors.

In the global economy, the actors are the companies together with the non-standard factors of growth, and not the nationally marked economies (Marin Dinu, 2004, 89).

Multinational corporations are part of the current economic scene, a presence that one cannot ignore and which cannot be avoided in the world circuit of goods, services, capital, technology and human resources. Contact with multinational societies is impossible to avoid, especially that the development of all countries is tightly related to the necessity to implement new production and communication techniques and technologies.

This type of societies represents the implication, at the highest level, in international affairs. The activity of the multinationals makes the interstate borders be limited to maps, while the organisation depends on the legislation of the country of origin to which is added the obligation to observe that of the host countries. Even if it is originated in a country, a multinational belongs in fact to all the countries where it carries out its activity (Pride, W., Hughes, R., Kapoor, J., 1991, 727).

The multinational corporations play a role in the processes of liberalisation, regionalisation and globalisation. The position in the world economy is a result of their size, area and fields of activity.

II. GLOBALIZATION AND MULTINATIONAL COMPANIES

Globalisation is the most often used and abused word, but also the less defined and probably the less understood, and the most nebulous and spectacular one from a political point of view in the last years, as well as in the years to come (Marin Dinu, 2004, 17).

Globalisation is synonymous with the delocalisation of national oligopolies and their extension everywhere in the world. The process of globalisation or of McDonalidisation (according to George Ritzer McDonaldisation is the main component of globalisation induced by the development of the multinational companies and of their activity) proves to be an inexorable one; it affects institutions (religion, for instance) and areas of the world that had once seemed to be intangible (Ritzer George, 2011, 17). The status of a transnational company is provided by its capacity to be present in the Triad regions (US, EU, Japan). The origin is in global cities, urban centres from where the operations of the big multinational corporations start, characterized by over-abundance of technological and consultancy services (Giddens Anthony, 2010, 871).

The multinational companies are differentiated by certain peculiarities, such as the advantages provided by their origin country, and more precisely by their belonging to a certain domestic area, with its relations between the financial system and industry in the context of an intensified competition and of the need to rise the degree of competitiveness, and the delocalisation of the activity of scientific research, but not of the technological one. The technological field represents the particular case of non-globalisation because of the strategic character of technology. A segment of research will probably never be delocalized as long as it represents the competitive advantage of some companies and economies, and implicitly a source of power on the market.

III. WHAT DO MULTINATIONAL COMPANIES HAVE IN VIEW?

Under the pressure of the multinational companies, the world states needed to open, to liberalise. The economies of the developing countries especially became attractive for the multinational companies searching for resources, cheap workforce, new market niches, etc., with a view to reducing costs, to find strategic positions on the market and to raise the competitiveness degree.

The position of the multinational corporations in the world economy inspired David C. Korten to state that these *lead the world* (Korten David, 1999, 43).

According to Robert Reich, multinational companies go to those countries providing the most attractive advantages, in both the production and the marketing area, without considering the nationality of the country in question or, more explicitly of the national factor (Reich R., 1983, 76).

The markets grow very attractive for the foreign investors once they are liberalized. The multinational companies, besides their main objective – the maximisation of profit – aim at reducing costs, at more permissive laws, at the possibility to extend the lifecycle of products they could sell for accessible prices, so that they could rise their turnover. In order to meet all the desiderata, the best opportunities are provided by the markets of the developing countries.

The increasingly important part of the multinational companies within the global economy has become an extremely controversial topic.

On the one hand, the multinational companies are considered to have a positive role for the economies of the developed countries, as well as for those of the developing countries because they contribute to the efficient and productive utilization of the world resources, which increases wealth and economic prosperity. The transnational companies bring along in the hosting countries capital, technology, high-level management, they create workplaces, participate in the increase of work productivity, of exportation competitiveness, of production, of sales, of budget incomes, and they improve the balance of payments.

In a list, the main benefits that the multinational companies bring in the hosting countries' markets are:

- Hiring opportunities, especially for highly qualified persons;
- Creation of workplaces in the productive segment, and the respective unemployment reduction among the apt, average-qualified individuals;
- Retraining opportunities for the individuals affected by the system changes or the economic crises;
- Protecting the environment as a result of the economic activities, in accordance with the principles of durable development and of environmental conservation;
- Protecting persons and areas affected as a result of their activities (an aspect usually provided by the legislation of the hosting country);
- Carrying out activities without violating national and international agreements in force;
- Developing and applying principles of ethics and best practices;
- Developing communications;
- Stimulating economic growth by exports and direct foreign investments;
- Increasing macro-indicators (for instance, GDP, NI);
- Imposing high standards of production, productivity and quality;
- Rising the product supply for which the price/quality ratio is fit to the population's average incomes;
- Reducing poverty and improving life quality among population;
- Carrying out economic activities in a transparent framework.

On the other hand, the multinational companies' role is a negative one as well, given that they undermine democracy, affect national societies and outline a new form of capitalism. This type of corporations merge societies in an amorphous mass inside which individuals lose control over their own lives, becoming slaves of these exploiting companies whose only preoccupation is profit. The rise of work productivity by technology, information, innovation transfer replace, over time, the workforce, generating a higher unemployment rate, especially among the low-qualified or unqualified individuals.

The biggest disadvantages stem from two major minuses of the multinational companies: the canalisation of profits, after a period of time when their activities become profitable and the investment potential decreases considerably, towards the parent market or other more attractive destinations; the old market is left and production is externalized towards other markets where the company finds opportunities to continue its activity, a process which is associated with the increase of the unemployment rate in the host country.

In order to avoid the negative effects of having their market deserted, the host countries often take measures intended to stimulate the activity of the multinationals, such as the subventions, or measures in the form of tax exemptions. The transnational companies hold political power. If the governments decide to apply against them taxes or regulations with which they do not agree, they often threaten with moving their activity elsewhere.

The main priority of the transnational companies is making money (a profit) by diminishing the costs, avoiding taxes as often as possible, eluding salary rights such as health insurance, minimizing expenses by externalizing.

From the standpoint of the origin country, delocalisation could be equivalent to unemployment and reduction of exportation, although statistically it was demonstrated that the companies with the highest number of branches are the ones which record the highest exports.

Both positions express exaggerated opinion on the role played by the multinational companies. These companies actually bring profit to all states, as they represent main sources of capital, technology and market access for almost each country. The activities of the multinationals have a strong impact on the distribution of wealth and of economic activities between the national economies. Furthermore, the multinational companies hold a substantial exportation quota in a big number of developing countries, and their role cover all sectors. Trading services on a large scale provide the exporters with new opportunities, but the multinationals are also involved in a large range of product exports.

IV.CHANGES RESULTED FROM THE ACTIVITY OF THE MULTINATIONAL COMPANIES

Globalisation is also called MdDonaldisation. The association of globalisation with the name of one of the most famous companies in the world is not accidental. The McDonald’s company has a restaurant in almost all the cities of the world, it occupies the central position of the business world and of the American culture (Ritzer George, 2011, 24).

The multinational companies contribute to the rise of a country’s competitiveness, either by investments with higher added value in branches in which there was no previous investment, or by passing, within one branch, from low-productiveness activities, with low technology and intensive labour levels, to high-productivity activities, with an intensive capital level and knowledge-based. Usually, the activity of the multinational companies allow for a reduction of the development gap between the developed and the developing countries, especially by technological transfer; they contribute to the increase of competitiveness of the local companies on the internal and external markets. The technological transfer is defined by Paul Krugman as the process by which new products turn into old products (Krugman Paul, 1981, 959-973) to the advantage of the developing economies, as the technological flow follows the direction from the strongly industrialized economies to the emergent ones.

The organisational management changes under the influence of the multinationals. Peter Drucker (Drucker Peter, 2001, 3-22) stated that in the knowledge-oriented phase hierarchies are less important within the organisations, and the personnel is characterized by professionalism (the employees are rather professionals than mere executants), independence (the employees have decision-making rights, flexibility in the actions they carry out and preoccupations involving a high degree of knowledge), availability to continual training and education, identification with the company’s values and the knowledge they hold and not with the organization itself, and high mobility.

Once the multinational companies entered the market and their activities started to develop, the interaction between employees change, not necessarily from the point of view of the (horizontal or vertical) manifestation, but of the necessity to collaborate with external persons, from other regions and countries, a fact that supposes development of flexible work methods, by which the national, departmental and hierarchic barriers can be broken through, including the cultural and linguistic ones. The changes in the field of organizational management imposed by the multinational corporations were borrowed by the national ones as well, and inserted in their internal policies, not always with positive effects on the human factor, but always materialized by a plus of efficiency and profitability.

George Ritzer explains the success of McDonaldisation (globalisation) by three main factors (Ritzer George, 2011, 69-73):

- material (economic) interests – big profit and turnover vs. low costs due to the use of technology, a surrogate for a large part of the labour force;
- USA exploit the McDonalds culture as a goal in itself – McDonaldisation (globalisation) for the sake of McDonaldisation (globalisation). Globalisation has grown so desirable that it is pursued as a goal in itself, for its efficiency, regardless of the resulted economic advantages;
- adaptation to the changes taking care in society. Globalisation fits social changes that, on the other hand, it brings forth: people growing increasingly busy, women and young people growing increasingly active on the labour market, less and less time for domestic activities and shopping, single-parent families. Everything takes place quickly and needs fast services, because the world passed from the production of assets to the provision of services (post-industrial period).

The dangers associated with the McDonald's-like globalisation are well-known (Ritzer George, 2011, 217-230): homogenisation – standardisation of products, dilution of diversity and installation of a quasi-familiar scene everywhere in the world; dehumanisation – people started using only partially their abilities and knowledge and, even worse, stopped making the minimal effort to acquire or develop them, thus diminishing over time their inventiveness, ambition, perseverance; the loss of family and tradition values, less time spent together as a family; disequilibrium in the education system, which gets robotized – education by the internet, television, distance learning – by eliminating the teacher in front of the class and therefore the teacher-student interaction; wherever we can still meet teachers they are simple service providers, with contracts for a limited period of time; disequilibrium in the health system – the direction relation physician-patient is lost, health insurance will not cover the patients' needs, the main point of interest will be the cost reduction.

Multinational companies on the emergent markets, if we take into consideration the advantages resulting from their activity, stimulate the local firms to focus on progress, on the local market, to react promptly to the changes of the market, to take and administrate risks (***, 2013).

V.FOREIGN DIRECT INVESTMENT ON THE EMERGENT MARKETS (ROMANIA)

The main instrument with which the multinational companies operate are the foreign direct investments, a lasting investment relation between a resident and a non-resident entity, involving a significant marginal influence of the investors in the enterprise in which they invested (***, 2014, 5).

The multinationals channel their capital towards emergent markets by different types of foreign direct investment, such as: greenfield investments, the most important ones, as they are started from zero, such as creating new companies and endowing them with technology; fusions and acquisitions, involving foreign investors' taking over integrally and partially, by concentration, companies from residents; company development involves foreign investors' equity capital in companies on third markets; company restructuring involves foreign investors' funding, by means of equity, companies with losses, with a view to rendering them profitable.

The emergent markets represent a centrepiece for the foreign investors. First of all, the low price of labour is the main attraction for the multinationals. To this one should add the high demand, large market, cheap raw materials, facilities for the host state and many other opportunities.

Foreign direct investments have gone through fluctuations on the Romanian market, as we can see in the tables below.

Table 1: Evolution of Foreign Direct Investments flows in 2003-2010

	2003	2004	2005	2006	2007	2008	2009	2010
FDI flows (total – million Euro)	1946	5183	5213	9059	7250	9496	3488	2220

Source: www.bnr.ro/Investitiile-straine-directe-(ISD)-in-Romania-3174.aspx

The Romanian market attracted rising flows of foreign direct investments until 2006. The most significant rise was recorded in 2004. The flow of foreign direct investments almost doubled in 2004 compared to the previous year, in the context of the foreign investors' higher rate of trust in the Romanian economy, due to an economic rise of 8.3% supported by the activities in the agricultural (22%) and constructions (9%) sectors, while not being a sustainable one (***, 2005). In spite of some positive rate of economic growth, the flow of foreign direct investments decreased with -5.7% in 2007 compared to 2006. In the first year of financial crisis, the flow of foreign direct investments on the Romanian market registered an 18.9% rise compared to the previous year, in the context of a positive, but moderate economic growth. The world economic crisis has strongly influenced the activity of the multinational companies and of the foreign investors in general on the Romanian market. In 2009, the flows of foreign direct investments decreased with 59.6% compared to the previous year; their descending trend persisted in 2010 as well, values decreasing with 1,268 million Euro compared to 2009. The modest economic growth and the significant crisis risks were reflected in the flows of foreign direct investments in Romania and in the activities of the multinationals.

Table 2: Foreign Direct Investments by development regions

Region	2010 (52585 million Euro) (%)	2013 (59958 million Euro) (%)
Bucharest Ilfov	62.2	61.4
Centre	7.4	8.6
South-Muntenia	7.3	7.7
West	6.5	7.6
South-East	6.5	4.2
North-West	4.2	4.5
South-West Oltenia	3.7	3.2
North-East	2.4	2.8

Source: www.bnr.ro/Investitiile-straine-directe-(ISD)-in-Romania-3174.aspx
Romania's National Bank, 2014, *Foreign Direct Investments in Romania in 2013*, Bucharest: National Statistics Institute, p. 11

As regards the distribution by development regions, in the interval 2010-2013 there were no major modifications. The capital still attracts the highest percentage of FDI, over 60%, followed by the centre and the west of the country. East Romania remains little attractive for the investors, even though the North-East Regions provides well-trained labour force (two academic centres: Iaşi and Suceava). The smaller distance to the western border of the country and the proximity of the raw materials supply sources attract the investors towards the capital city, the centre, the west and the south of the country.

Table no. 3: Foreign Direct Investments by country of origin (%)

Country of origin	2010 (total of 52585 million Euro)	2013 (total of 59958 million Euro)
The Netherlands	20.7	24.4
Austria	17.8	19.1
Germany	12.2	11.2
France	8.3	7.6
Greece	5.7	3.2
Italy	5.3	4.7
Cyprus	4.9	4.5
Switzerland	3.8	3.2
USA	2.6	1.8
Spain	2.0	1.9
Luxembourg	1.9	2.8
Czech Republic	1.8	1.8
Belgium	1.6	2.5
Hungary	1.4	1.2
Great Britain	1.2	2.5
Turkey	1.2	7.6
Other countries	1,1*	

Source: www.bnr.ro/Investitiile-straine-directe-(ISD)-in-Romania-3174.aspx
Romania's National Bank, 2014, *Foreign Direct Investments in Romania in 2013*, Bucharest: National Statistics Institute, p. 12
* investments under 500 million Euro

The main foreign investors on the Romanian market are the Netherlands, Austria and Germany. Generally, the investors maintained their activity on the market, with some more or less significant oscillations. We can notice a major reduction of foreign direct investments of Greek and American origin, and an increase of those of Dutch, Austrian and British origin.

Table 3: Foreign Direct Investments in greenfield companies (%)

Country of origin	2013 (total of 28801 million Euro)
The Netherlands	23,7
Austria	14,7
Germany	18,2
France	6,3
Italy	7,6
Cyprus	0,6
Switzerland	1,8
Greece	1,8
Luxembourg	3,7
Belgium	2,5
Great Britain	3,0
Spain	2,7
USA	1,9
Czech Republic	0,1
Hungary	1,0
Other countries	10,4

Source: Romania's National Bank, 2014, *Foreign Direct Investments in Romania in 2013,* Bucharest: National Statistics Institute, p. 12

As regards the greenfield investments, the hierarchies are relatively the same: the Netherlands, Austria, Germany and France are still in the top of the main investors from the ground up on the Romanian market.

VI. CONCLUSIONS

Globalisation is most of times seen as the result of the multinationals' activities by means of foreign direct investment on markets rich in cheap resources. The more or less beneficial contribution of these corporations on the emergent and weakly developed markets has been, of course, much discussed. We do not deny any of the two possible standpoints, the pros and the cons. When correctly argued, they can find adepts. We admit the quasi-reversibility of the process and for this very reason it is necessary that the emergent markets should be adapted as well as possible to the conditions that globalisation imposes. Being adepts of an explosion type of development, it is difficult for us to accept the wide opening of the emergent markets to the multinational corporations. The domestic economic agents meet thus with a fierce competition, that they can hardly cope with. Even if competition is a stimulating factor, the one coming from the multinationals tend to become destructive. The more the market and the power are dominated by giant foreign companies, the more the domestic economic agents are exposed to elimination, one after the other, while the economy is dominated by external economic forces.

We have dealt with some statistical indicators that are quite representative for Romania. On a generally ascendant trend, the FDI have increased over time. The main investors are European ones, the FDI flows have been and remain concentrated around the capital city, and less of half of them are greenfield ones.

VII. REFERENCES

1. Canton, James (2010) *Provocările viitorului. Principalele tendinţe care vor reconfigura lumea în următorii 5, 10, 20 de ani* [original title The Extreme Future: The Top Trends That Will Shape the World for the Next 5, 10, and 20 Years], Iaşi: Polirom
2. Drucker, Peter (2001), *The Next Society: A Survey of the Future*, The Economist, November 3
3. Giddens, Anthony (2010), *Sociologie* [original title Sociology], Bucharest: All
4. Khanna, Parag (2008) *Lumea a doua. Imperii şi influenţă în noua ordine globală* [original title The Second World. Empires and Influence in the New Global Order], Iaşi: Polirom
5. Korten, David C. (1999) *Corporţtiile conduc lumea* [original title When Corporations Rule the World], Bucharest: Editura SAMIZDAT
6. Krugman, Paul (1981) *Intra-industry specialization and gains from trade*, Journal of Political Economy, vol. 89, no. 5, pp. 959-973; http://econ.iastate.edu
7. Marin, Dinu (2004) *Globalizarea şi aproximările ei* [Globalization and its approximations], Bucharest: Economica
8. Pride, W., Hughes, R., Kapoor, J. (1991) *Business*, Boston: Houghton Mifflin Company
9. Reich, R. (1983) *The World of Nations*, Oxford University Press
10. Ritzer, George (2011) *Mcdonaldizarea societății* [original title McDOnaldization of Society], Bucharest: SNSPA&Pine Forge Press (Imprint of SAGE)
11. Zakaria, Fareed (2009) *Lumea postamericană* [original title The Post-American World], Iaşi: Polirom
12. www.bnr.ro/Investitiile-straine-directe-(ISD)-in-Romania-3174.aspx
13. *** (2014) *Foreign Direct Investments in Romania in 2013*, Bucharest: Institutul Naţional de Statistică; Romania's National Bank www.bnr.ro
14. *** (2013) *Multinationals in emerging markets. Must try harder*, The Economist, 14 September; http://www.economist.com/news/business/21586320-ambitions-western-firms-emerging-markets-far-exceed-their-efforts-must-try-harder
15. *** (2005), *Creşterea economică din 2004 - pe seama consumului şi agriculturii* [2004 Economic Growth – Ascribed to Consumption and Agriculture], Adevărul, 15 March; http://www.wall-street.ro/articol/Economie/1441/Cresterea-economica-din-2004-pe-seama-consumului-si-a-agriculturii.html (accessed on 16 April 2015, 04:34 p.m.)