Why do firms become MNEs

- to diversify themselves against the risks and uncertainties of the domestic business cycle;
- to tap the growing world market for goods and services;
- in response to foreign competition;
- to reduce costs;
- to overcome barriers to entry into foreign markets;
- to take advantage of technological expertise by manufacturing goods directly.

<u>Critique of MNCs</u>

Negative Effects:

- Enforce national laws
- Tax competition
- Market withdrawal
- Patent
- Lobbying
- Government control

Benefits:

- Generate job and income
- Training of local workers in new & transferable skills
- Technology transfer
- Development opportunity
- Educational opportunities