

# Chapter 1

## THE EVOLUTION CONCEPT OF MULTINATIONAL CORPORATIONS AND FOREIGN DIRECT INVESTMENT

Sertif DEMİR<sup>1</sup>  
R. Dilek KOÇAK<sup>2</sup>

### INTRODUCTION

Multinational corporations (MNCs) or multinational enterprises (MNEs) are major economic organizations that can run economic activities in more than one country. MNCs expand economic activities beyond their home country through foreign direct investment (FDI), licenses or export to other countries. In this perspective, MNCs have a leading role in internationalization of production through FDI. Although their aim is economic oriented, the influence of MNCs can be seen at the trade, business, management, commerce, security, ideas, choices etc. Besides, MNCs have played a significant role in expanding globalization. However, globalization have also paved the way for the rise of MNCs

Although internationalization of business and trade existed in the world with the establishment states' structure based on borders, the internationalization of trade and the birth of MNEs in today's meaning came into existence with the colonization period starting in the late 16<sup>th</sup> century. Later, the industrial revolution experienced in Europe and North America in 19<sup>th</sup> century paved the way for the establishment of MNCs and the burst of internationalization of trade. Therefore, the origin of the MNEs goes back to the beginning of 20<sup>th</sup> Century, but the concrete development took place during the Second World War. The US' economic progress during the Second World War led to firms emerging with a capacity that extended beyond the US. This overproduction capacity of the American firms tailored them to look for new places to invest.

Of course, there are many reasons that account for the motives behind the firms' decisions to invest in other countries. Scholars have tried to conceptualize

<sup>1</sup> Prof. Dr., University Turkish Aeronautical Association, Faculty of Business, Logistics Department, [sertifd@thk.edu.tr](mailto:sertifd@thk.edu.tr)

<sup>2</sup> Assoc. Prof. Dr., University Turkish Aeronautical Association, Faculty of Management, Management Information Systems Department, [dkocak@thk.edu.tr](mailto:dkocak@thk.edu.tr)

Considering all advantages and disadvantages of MNCs, it is quite clear that MNCs' production capacity, capital stock, accumulation of knowledge and technology is very critical for the countries who need to overcome their economic problems and challenges.

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