ECONOMIC AND ENVIRONMENTAL BUSINESS EFFECTS OF MULTINATIONAL COMPANIES IN THE FIELD OF NATURAL RESOURCES

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Abstract

Multinational copmanies play a key role in the globalization process. These copmanies has a great influence on opening the borders, flowing of goods, capital and services. Also, these copmanies are carriers of foreign direct investment. In some cases, these companies can foster economic development, but they can also be large "exporters of profits". In addition to the many positive economic effects, these companies have their negative impacts, both economic and environmental. The paper will analyze the economic and environmental effects of the operations of multinational companies in the field of natural resources through the impact on the economy, society and environment.

Keywords: Multinational companies, natural resources, ecology, economics

INTRODUCTION

Multinational companies (MNCs) have large assets, use state-of-the-art technology in production and achieve high production efficiency. These companies generate huge annual revenues and also have enormous financial power. Both multinational and transnational (TNC) are more or less similar in meaning, however, there is a small difference between multinational and transnational. The main difference between multinational and transnational enterprises is that multinational enterprises have a centralized management system which cannot be seen in transnational enterprise. TNCs locate their activity centers around the world, wherever they can provide the most efficient combination of labor, capital, knowledge and technology, all with the aim of achieving profitable production and improving economic performance. Research has shown that multinational companies can provide developing countries with a critical financial infrastructure for economic and social development. However, there are data that indicate the negative consequences of these companies' business, both economic and environmental (Narula and Pineli, 2019; Narula, 2018; Diemel and Hilhorst, 2019; Wang and Zhao, 2019).

Natural resources (especially non-renewable resources and energy) are a material assumption of industrialization and economic development. This is confirmed by the fact that the largest numbers of transnational companies in the world base their business on natural resources which is discussed in this paper.

METHODOLOGY

Economic and environmental business effects of multinational companies in the field of natural resources will be presented in the paper. In preparing the paper, the authors depend on desk research. The desk research method has been followed to review the existing literature of the subject. The study is based on secondary data. Secondary data has been collected from several sources including relevant books, journals and websites. The survey will use secondary business and revenue data of multinational companies available on the Fortune global 500 site. The analysis of the income and profit data of these companies will draw conclusions about the economic effects of MNCs business.

Given that the business of these companies goes beyond the borders of their home countries and is spread over a large number of countries, many of which are often developing countries, it is necessary to determine what effects these companies have on the developing countries in which these companies have their organizational parts. In addition to the economic effects, the effects of these companies' operations on the environment and society as a whole are significant. Thus, to obtain the necessary data, an index will be used that integrates social and economic development into one unit, the HDI Human Development Index, as well as the EPI Index covering environmental performance.

The Human Development Index (HDI) is a statistic composite index of life expectancy, education, and gross national income per capita. The Environmental Performance Index (EPI) is a method of quantifying and numerically marking the environmental performance of a state's policies (Geenen and Claessens, 2013; Uduji and Okolo-Obasi, 2017; Brancu and Bibu, 2014; Giuliani and Macchi, 2013; Adams et al. 2019)

RESULTS

By looking at the literature sources (Wang and Zhao, 2019; Giuliani and Macchi, 2013; Adams et al. 2019; Diemel and Hilhorst, 2019), it is possible to single out the advantages and disadvantages of multinational companies in the host country, which are given in the following table.

Access to natural resources and their unplanned depletion have been cited as a negative consequence of the MNC's operations. Research has shown that the availability of natural resources, their quality and diversity affect the development of a large number of industries, the volume and structure of industrial production, as well as the investment policy of a country [9].

Table 1 Advantages and disadvantages of multinational companies

Adventages	Disadventages
Balance of payments improvement	Environmental impact and environmental safety
Provision of employment - employment of domestic labor (local population)	Access to natural resources and their unplanned depletion
Source of tax revenue for the host country	Uncertainty about changing the manufacturing plant headquarters in the very short term
Technology Transfer	Low-skilled employment (leveraging cheap labor)
Increased choice of goods and services	Impact on the health and safety of the local population
Improving the national reputation of the host country	"Export profits" into home country

This is confirmed by the fact that the largest number of transnational companies in the world base their business on natural resources, which is given in Table 2.

Table 2 The ten largest industrial MNCs and TNCs in 2013 and 2018 (billion dollar revenues) https://fortune.com/global500/

Rang 2013	Copmany	Industry	Revenues	Rang 2018	Copmany	Revenues
1	Royal Dutch Shell (Nethrlands,UK)	Oil industry	481.7	1	State Grid – China energetics	348.9
2	Exxon Mobil (USA)	Oil industry	444.9	2	Sinopec Group	326.9
3	Sinopec Group (China)	Oil industry	428.2	3	China National Petroleum	326.0
4	China National Petroleum (China)	Oil industry	408.2	4	Royal Dutch Shell	311.9
5	British Petroleum (UK)	Oil industry	388.3	5	Toyota	265.2
6	Toyota (Japan)	Car industry	256.7	6	Volkswagen Group	260.0
7	Volkswagen Group (Germany)	Car industry	247.6	7	British Petroleum	244.6
8	Total Fina SA (France)	Oil industry	234.3	8	Exxon Mobil	244.4
9	Chevron (USA)	Oil industry	233.9	9	Apple – USA– IT	229.2
10	Glencore Xstrata (Switzerland)	Mining industry	214.4	10	Samsung Electronics-South Korea - IT	211.9

The following table shows the HDI Index and EPI Index values for the home countries of the most profitable MNCs and for DR Congo, which is taken as an example of an undeveloped country, and rich in natural resources.

The results in Table 3 show that more than half of the multinational companies that generate the highest revenues in 2013 and 2018 operate in the field of natural resources. The home countries of the most profitable MNCs are the richest countries in the world. This leads to the conclusion that natural resources are important and need to be properly managed. However, the small and undeveloped countries that own them in considerable quantities, unfortunately, lack the necessary political and economic power, and are therefore dependent on those larger and more powerful who, using their resources, increase their wealth. A good example is the Democratic Republic of the Congo, such as one of the richest countries in the world, owns gold, oil, diamonds, but colonialism made slavery and corruption one of the poorest countries.

Table 3 Values of HDI index and EPI index (http://hdr.undp.org/en/content/table-2-human-development-index-trends-1990%E2%80%932018

and https://epi.envirocenter.yale.edu/epi-topline)

	Year/2013	Year /2018	Year /2014	Year /2018
Country	HDI index	HDI index	EPI index	EPI index
Netherlands	0.924	0.933	77.75	75.46
Germany	0.927	0.939	80.47	78.37
Switzerland	0.938	0.946	87.67	87.42
United Kingdom	0.914	0.920	77.35	79.89
Japan	0.900	0.915	72.35	74.69
France	0.882	0.891	71.05	83.95
United States	0.914	0.920	67.52	71.19
China	0.727	0.758	43.00	50.74
South Korea	0.893	0.906	63.79	62.30
Congo (Democratic Republic)	0.429	0.459	25.01	30.41

When comparing the HDI values of the human development index for the home countries of the most profitable MNCs, it can be concluded that they are the countries with the highest HDI index. Only China had a low HDI index in the 1990s. However, it has grown significantly since 2010. On the other hand, the Democratic Republic of the Congo is a country rich in natural resources, but unfortunately, these resources are exploited by the richest countries and multinational companies that exploit the country's natural resources. This country's HDI index has never exceeded 0.5.

CONCLUSIONS

Based on the results obtained, it can be concluded that the economic effects of the operations of multinational companies for the home countries are indeed of great importance and have a huge share in increasing the GDP of the countries of origin. It can also be concluded that, as one of the biggest negative effects of the operations of these companies, it is justified that they represent "exporters of profits" to their home country.

An EPI index was used to analyze the environmental performance of these countries. The data obtained show that all the countries from which the multinational companies with the highest revenues are derived also have a very high EPI index. Countries with lower EPI index values (below 70) are the US and South Korea. The country with the lowest value of the EPI index is China. It is known that the USA and China are among the largest polluters in the world, while EU member states attach the highest importance to environmental protection. In 2014, the EPI index of the Democratic Republic of the Congo, it was only 25. This data can confirm that multinational companies have a very negative impact on the environment and the environmental security of the host countries in which they operate, and the fact is that natural resources are inadequately accessed and unplanned in these countries implemented.

The results of the research indicate that the economic effects of multinational parent companies are very large, but when it comes to underdeveloped countries as their hosts, it is imperative that these countries have very strong legal regulations that would affect the business of these companies, especially in areas of environmental safety and environmental protection.

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