

# Multinational Companies | sample answer

**Q: 'Examine the mobility of modern economic activities referring to one Multinational Company (MNC) that you have studied.' (2009 Q8 B.)**

Multinational companies (MNCs) operate in different locations around the world in order to lower their production costs and maximise their profits. When an MNCs invests in a foreign country it is called foreign direct investment (FDI).

Wage costs influence the location of MNCs. As a result, an international division of labour has emerged in the global economy. MNCs producing things like sports shoes and clothing locate in regions with low-wage costs such as Taiwan.

The product life cycle also affects the location of MNCs industry. The product life cycle describes why MNCs factories move from developed to less developed countries.

The companies move from the place the product is 'well known' to places where they can re-introduce the products.

Dell computer corporation is an example of an MNC. Its headquarters is in Austin, Texas and its main products is computer systems. Its global employed is 90,400 in 34 countries.

To manufacture and sell their products efficiently they divided the world into 3 regions. The Americas, European, Middle East and Africa (EMEA), Asia Pacific and Japan.

Dell first came to Ireland in 1990. It had 2 plants in Limerick and 1 in Bray (1992- it closed) and 1 one in Cherrywood. The Cherrywood location acts as sales and admin centres for Dell Ireland and employs 1200 people.

In 1991 Dell employed only 120 people. Limerick was the manufacturing production centre. It had 2 plants and during the height of its existence, it employed 3,000 people.

Dell chose Ireland because;

As a member of the EU, exporters from Ireland enjoy tariff free exports into the rich European market. The proximity of Shannon airport also allows Dell a gateway to their American headquarters and markets.

Dell was also attracted by the Irish government's low corporation tax rate of 12.5%. This rate compares favourably with 30% in Germany and 39.5% in US. Grants from the government encouraged Dell as well. They received €55 million in grants.

In 2009, following the latest global recession, Dell announced major cut-backs in Ireland and moved all manufacturing to Lodz, Poland because labour costs are one third of the price of Ireland's.

The mobility of MNCs causes economic and social problems to the economies in which they move from. 1,900 people lost their jobs in Limerick, 74% of Limerick depended on Dell in some shape or form. There was also extensive outward migration.

Dell did keep their research- development here though. This is because of the strong, previous bonds they made with the University of Limerick. These bonds made Ireland the more efficient location.

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Over the last few years, as levels of education rise in traditionally low-wage regions such as INdia and Brazil, knowledge- based industry may be attracted away from places such as Ireland to these countries.