

### **Spotlight: Within-MNC Trade and its Role for Sustainability Policy**

Trade within multinational companies (MNCs) is a significant component of global trade. Such intra-firm trade occurs when different branches or subsidiaries of the same multinational corporation exchange goods, services, or resources across international borders. This form of trade is estimated to account for a substantial portion of global trade flows, underscoring the pivotal role MNCs play in the global economy.

MNCs manage complex and extensive supply chains that span multiple countries, allowing them to optimize production and distribution processes to reduce costs and increase efficiency. These companies often control various stages of production, from raw materials to finished goods, leveraging their global networks to source inputs from the most cost-effective locations. This intricate management of global supply chains enables MNCs to maintain competitive advantages and exert considerable influence over international trade patterns.

The power that MNCs wield over supply chains can serve as a crucial lever for enforcing global sustainability policies. Given their scale and reach, MNCs have the capacity to implement and propagate sustainable practices across their entire supply chain. By adopting sustainability standards, MNCs can ensure that their suppliers comply with environmental, social, and governance (ESG) criteria. This can include reducing carbon emissions, minimizing waste, ensuring fair labour practices, and promoting resource efficiency.

MNCs can also drive sustainability through their procurement policies. By prioritizing suppliers that adhere to sustainable practices, they can create market incentives for other businesses to adopt similar standards. Additionally, MNCs can invest in sustainable technologies and innovations, further driving the adoption of green practices across industries.

Furthermore, MNCs' influence extends beyond their immediate supply chains. They can collaborate with governments, NGOs, and international organizations to promote global sustainability initiatives. Through partnerships and advocacy, MNCs can help shape regulatory frameworks and industry standards that support sustainable development goals.

*Sources:* US Bureau of Economic Analysis ([www.bea.gov/system/files/papers/P2003-6.pdf](http://www.bea.gov/system/files/papers/P2003-6.pdf)) and Trade Finance Global ([www.tradefinanceglobal.com/posts/influential-factors-on-global-trade/](http://www.tradefinanceglobal.com/posts/influential-factors-on-global-trade/)).

## **6.8 CURRENT DEVELOPMENTS IN COUNTRY-LEVEL THEORIES OF ECONOMIC EXCHANGE**

Finally, let us look at some more recent developments in the foundational theories of International Business. A study, titled 'Absolute Advantages and Capital Mobility in International Trade Theory' by Bellino and Fratini (2019), explores the role of absolute