

## **Анализ развития транснациональных корпораций**

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### **Аннотация**

Современный мир характеризует стремительно развивающийся процесс транснационализации. В этом процессе основной движущей силой являются транснациональные корпорации. На рубеже XX-XXI веков, произошел беспрецедентный размах внешнеэкономической деятельности, в которой ТНК являются торговцами, инвесторами, распространителями современных технологий и стимуляторами международной трудовой миграции. Они во многом определяют динамику и структуру, уровень конкурентоспособности на мировом рынке товаров и услуг, а также международное движение капитала и передачи технологий. В статье анализируются перспективы развития транснациональных корпораций в ближайшем будущем.

**Ключевые слова:** транснациональные корпорации, развитие, транснационализация.

## **Analysis of transnational corporations development**

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### **Annotation**

A rapidly moving process of transnationalization characterizes the modern world economy. In this process, the main driving force is transnational corporations. At the turn of XX-XXI centuries, there was an unprecedented scope of foreign economic activity, in which TNCs were traders, investors, distributors of modern technologies and stimulators of international labor migration. They largely determine the dynamics and structure, the level of competitiveness in the world market of goods and services, as well as the international movement of capital and the transfer of technologies. This article analyzes the prospective of TNCs' development in the near future.

**Keywords:** transnational corporations, development, transnationalization.

The modern economic world is gradually acquiring the properties of global self-regulation. Global processes have evolutionarily created planetary feedback loops, allowing to restore planetary equilibrium with relatively small external disturbances occurring anywhere in the world [2]. This evidences the emergence of a new situation in the world economy, which, starting from the last quarter of the 20<sup>th</sup> century represents a unified global economic system that is self-regulating and

based on feedback mechanisms. Transnationalization is an important component and, at the same time, the main mechanism of the general process of globalization. It is the most essential element that ensures unity of the world economy. Financial and commodity flows go through transnational corporations and related transnational banks, determining the development of the world economy. They are a leading factor in globalization of the economy, placing separate parts and stages of reproductive processes across the territories of different countries. Economically, the processes of transnationalization happen due to possibility and need for a capital from countries with its relative surplus to countries with its deficit, where, however, there are abundant other factors of production (labor, land, minerals) that cannot be rationally used in reproductive processes because of lack of capital. In addition, these processes are stimulated by the need to reduce risks by placing capital in different countries, as well as desire to bring production closer to prospective markets and to rationalize taxation and customs payments for the corporation as a whole. Objectively, transnationalization leads to an equalization of economic conditions in different countries. Transnational corporations today are about 60,000 parent companies and more than 500,000 of their foreign affiliates and affiliated firms around the world [2]. They control up to half of the world's industrial production, more than 60% of foreign trade, about 4/5 patents and licenses for new technology, technology and knowledge. Thus, transnational corporations occupying the central place in modern economic system, they have an increasing influence on international relations and the world economy as a whole, the course of which is largely determined by the specifics of their development. The process of transnationalization is regarded as a process of expanding the international activities of industrial firms, banks, service companies, their exit beyond national borders of individual countries, which leads to redevelopment of national companies into transnational ones. It is characterized by the intertwining of capitals through the absorption of firms from other countries, creation of joint companies, attraction of financial resources of foreign banks, establishment of strong long-term ties abroad of industrial companies and banks of the same country. According to UN Code of Conduct for TNCs, a transnational corporation is an enterprise that [3]:

- Has subsidiaries in two or more countries, regardless of the legal form or scope of these companies
- Has a decision-making system that allows for a coherent policy and overall strategy from one or more centers
- Subsidiaries are connected through property relations or other means that each of them is able to exert a significant influence on the activities of other companies and in particular to have access to knowledge, resources and share responsibility with other companies.

Transnational corporations account for about half of world industrial production, 63% of foreign trade. They control up to 80% of patents and licenses for new technology and knowledge. 90% of the world market for wheat, coffee, corn, timber, tobacco, jute and iron ore is under control of transnational corporations, as well as 85% for the copper and bauxite market, 80% for the tea and tin market, 75% for the crude oil, natural rubber and bananas. Half of US export operations are conducted by US and foreign TNCs, in the UK this figure is 80%, in Singapore - 90% [3]. United Nations experts consider a transnational corporation any company that has manufacturing facilities abroad. The distinctive features of transnational corporations are an enormous scale of ownership and economic activity; a high degree of transnationalization of production and capital because of increased foreign production activity; the specific nature of socio-economic relations within TNCs; and transformation of the overwhelming majority of TNCs into multisectoral concerns. International corporations with international capital and transnational corporations with nationally owned capital, on one hand, are the product of rapidly developing international economic relations, and on the other hand, they themselves represent a powerful mechanism for influencing them. Actively influencing international economic relations, international or transnational corporations form new relations, and modify their existing forms. Actively participating in the processes of international production based on traditional international division of labor, transnational corporations created their own internal international production based on a modernized international division of labor, with the connection of a number of emerging markets with new specialization for them [4]. This internal variant of international production has become the main one for modern international corporations. The organization of in-house international production gives transnational corporations a number of advantages:

- 1) To take advantage of the international specialization of the production of individual countries;
- 2) To make maximum use of tax, investment and other benefits provided by countries for foreign investors;
- 3) To maneuver the loading of production capacities, adapting their production programs in accordance with the conjuncture of the world market;
- 4) To use its subsidiaries as a platform for conquering emerging markets. Thus, for example, by selling the products through its foreign subsidiaries, TNCs significantly exceeds world exports. At the same time, sales of transnational corporations outside the main basing country are growing by 20-30% faster than exports. By investing in many developing countries, TNCs do not build factories to sell their products in the home country;

5) The organization of its own international production enables TNCs to extend the life cycle of the product, setting up the production of product as it morally aging at foreign branches, and then selling licenses for its production to other companies.

Transnational corporations promote the development of industrial, scientific and technological links between enterprises in different countries and regions, and play a decisive role in the process of international competition, cooperating and rivaling small and medium-sized businesses [3]. Positive aspects of the activities of TNCs for the host country:

1) Expansion of the economic base of the state, transfer of the newest technologies, growth in overall business activity;

2) The inflow of foreign capital into the country, therefore improvement of the balance of payments;

3) Employment growth, increase of living standards of workers and employees in TNC affiliates, probable training of local staff;

4) Stimulating the implementation of political reforms, by introducing TNCs into the economy of the country;

5) Improvement of the country's GDP in connection with the output of manufactured products on the world market.

At the same time, the role of TNCs cannot be assessed only positively. It should also be said about their negative impact on the economy of the countries in which they operate:

- opposition to the implementation of economic policies of states where TNCs operate;
- violation of state laws, thus, manipulating the transfer pricing policy, TNC subsidiaries operating in different countries skilfully circumvent national laws in order to conceal income from taxation by pumping them from one country to another;

- establishment of monopoly prices, dictate of conditions that prejudice the interests of the host countries;

- mainly ecologically “dirty” industries develop, minerals are often exported without processing, industrial products are not intended for the local market

- only low-skilled labor is on demand, in connection with the mechanization and automation of labor processes, the need for labor is insignificant.

The interests of TNCs often come into conflict with national interests of the state, as well as small and medium-sized businesses. Corporations begin to function like the states [2]. The economic power of many TNCs is comparable to medium-sized states. For example, sales of the American corporation "General Motors" exceed the GDP of countries such as Switzerland, Austria and Sweden

combined. The total sales of foreign TNC affiliates in 1999 amounted to \$1.1 trillion, which is more than 1.5 times the volume of world exports [3].

Thus, TNCs today are economically and intellectually powerful multisectoral companies with a branch system of the organization that have a high level of centralization. They are characterized by international territorial and sectoral mobility of capital. On one hand, these companies are the result of international economic relations development, on the other, they themselves have a determining effect on such relations. The functioning of TNCs affect the economic, political and social spheres, both positively and negatively.

Therefore, transnational corporations of the 21<sup>st</sup> century are complex socio-economic systems that unite financial, industrial, scientific and technological, trade-service and management structures, whose activity as the leading subjects of the world economy in the spheres is characterized by a global scale. TNCs in the XX century created the prerequisites for the formation of a single geo-economic space of the planet. The total number of TNCs, according to the UN, in the past few years was more than 50 thousand, and the number of foreign branches was 450 thousand. TNCs invest about \$3.5 trillion in the world economy. The export of direct investment exceeds the growth of world GDP and world exports. Today, TNCs control 1/3 of the world's industrial production and account for one-third of world exports [2]. The majority of TNCs and investments belong to the United States, the countries of the European Union and Japan. Leaders in the world capital market are the United States, the United Kingdom, Japan, Germany, France and other EU countries, Canada, Hong Kong, Australia, and Taiwan. Transnational corporations are the core of a new sphere of the world postindustrial economy, which includes numerous small and medium-sized businesses, commodity distribution and information networks, which are the outskirts of the world's corporate cores, with more than 150 million employees. Global TNCs form a financial center of the economy, which globally affects the functioning and development of global production of goods, services, knowledge, information, intellectual capital, the global labor market. The new economy of the late XX and early XXI centuries enacts a competitive struggle between global TNCs and all new methods of struggle to create new competitive advantages. The competitive advantages of global TNCs, their ability to withstand financial and economic shocks and lead in the global economy caused by unique corporate strategies, dynamic organizational structures dominated by self-learning and training systems of strategic management, innovation structures, major research centers, and staff training. Currently, TNCs identify and direct the world production of natural raw materials, construction materials, fuel and electricity, modern technology, technological knowledge, information and global information networks, means of planetary transport and armaments [2]. TNCs are leading in the training of modern specialists and managers. They are pushing forward the leaders of a new type, which in turn add flexibility, dynamism and anti-crisis stability to TNCs themselves. National states and TNCs

support and strengthen each other in the main areas of world scientific and technological progress. When large industrial corporations and international financial-industrial groups arise and expand in the country, this means building up the country's economic power and strengthening its geopolitical positions. Russia was not lucky at the initial stage of market reforms [4]. On picture 1, there are shown largest TNCs in Russia. To cater the idea of creating, at any cost, a competitive environment in the post-socialist economy, the mining and metallurgical, machine-building, fuel-energy, nuclear, military-industrial and other branch and inter-industry complexes of national importance were disaggregated and dismantled, the mineral resource base was suspended Russian industry in Siberia, the Urals, the Russian North [4].

Rank ↕	Name ↕	Industry ↕	Revenue ↕	Headquarters ↕
1	Gazprom	Oil and gas	₽5,966 billion	Moscow
2	Lukoil	Oil and gas	₽4,744 billion	Moscow
3	Rosneft	Oil and gas	₽4,134 billion	Moscow
4	Sberbank of Russia	Finance	₽3,059 billion	Moscow
5	Russian Railways	Transport	₽2,133 billion	Moscow
6	VTB	Finance	₽1,320 billion	Moscow
—	Rostec	Investments	₽1,266 billion	Moscow
7	Magnit	Retail	₽1,075 billion	Krasnodar
8	X5 Retail Group	Retail	₽1,034 billion	Moscow
9	Surgutneftegas	Oil and gas	₽1,006 billion	Surgut
10	Rosseti	Power engineering	₽904 billion	Moscow

**Fig. 1. Largest TNCs in Russia, as of 2017**

Recently, there has been a shift to support for large-scale forms of the development of innovation and reproduction links in Russia by the state and the proactive growth of large Russian financial and industrial groups and corporations. However, we must speak directly about the initial period of the large-scale movement in Russia, the relative and absolute weakness of domestic corporations in comparison with the world's giants, which by their economic nature capture Russian markets, suppress the domestic producer. The development of Russian-based multinational corporations, primarily mining and engineering companies, is a real way out of the crisis for the Russian economy, which, in a situation of global competition for fuel and energy resources in the XXI century, cannot build a competitive strategy for the export of oil, gas, coal, black and non-ferrous metal [4]. Some Russian experts think that Russia will not be able to get out of the systemic crisis by focusing on small and medium-sized businesses. It will not be able to use production, scientific, technical and human resources accumulated by the economy before 1991. It cannot become a competitive player of the global economy without rapid growth of its corporate sector. Hence follows the relevance of research in strategic management and Russian TNCs development, both in part of the state and spontaneously emerged corporate management centers, which need sound recommendations for adapting the experience of global TNCs, and developing their own

organizational structures and management systems, taking into account the specifics of the transitional economy of Russia. The conquest of foreign markets by Russian metallurgical corporations, which arose after the destruction of the state management system, by the enterprises of ferrous and non-ferrous metallurgy based on share capital, did not result from normal competition. Russian corporations dump the world metal market prices. On one hand, this supports the Russian budget, since the export of metal products is the third largest source of foreign exchange earnings after oil and gas. On the other hand, it causes resistance of such states as the USA, mobilizing their legislation and political mechanisms to form anti-dumping policy and quoting export deliveries of metal from Russia [4]. This situation dictates the need for the transition of metallurgical enterprises and trade and sales companies serving the Russian metal products markets to a new strategy.

Concluding this article, I distinguished the following trends in development of transnational corporations:

- TNCs increase the degree of concentration and centralization of capital;
- Transnational corporations are the core of the world postindustrial economy;
- The processes of mergers and acquisitions are becoming more intensive;
- Strengthening the influence of TNCs in globalization processes;
- Increased share of their participation in GDP production;
- Strengthening of the position in the international economic relations system;
- Increased participation of TNCs in integration processes;
- Transnational corporations will have more innovative investment character.

As global practice shows, globalization covers the entire social sphere of the world community and, in particular, social and labor relations. I have to state the fact that today, in the processes of globalization, the interests of, first of all, strong economies, whose representatives are transnational corporations (TNCs), are decisive, successfully and firmly competing in world markets. Currently, transnational corporations control over 50% of the world's industrial production, more than 60% of international trade, more than 80% of patents and licenses for new technology, technology and know-how, almost 90% of foreign direct investment. Using their financial power, the largest corporations crowd out national investors from the most attractive sectors of the economy, create severe pressure on national producers, often using methods of unfair competition. TNCs expanding their presence set standards not only in the sphere of governance, but also affect the social identification of the host population. Currently, assessments of the activities of TNCs and their impact on the economic development of national economies and the security of states are rather ambiguous and have both positive and negative content. So, on the one hand, it is believed that TNCs are the main structural element of the economy of most countries, the leading force in their development and

increasing the efficiency of production, on the other – it is obvious that TNCs can be a source of a number of negative socio-economic processes associated with the motives of their activities. The analysis shows that in recent years there has been a significant increase in the number of foreign affiliates of TNCs compared to the increase in the number of parent companies. At the same time, it should be noted that most of the parent transnational corporations, in particular over 80%, and about 33% of affiliated corporations are concentrated in the territory of developed countries such as the USA, EU countries and Japan. Currently, the leading role in global processes is played by American TNCs, in terms of the nature and scale of trade and investment expansion outstripping the industrial and financial companies of other countries. But this gap is gradually being reduced by strengthening the positions of TNCs in Western Europe and Japan, as well as the emergence of transnational corporations of developing countries.

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