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DOI <https://doi.org/10.26661/2414-0287-2022-4-56-10>**PROBLEMS OF TNC ACTIVITIES IN THE CONDITIONS OF DEEPENING GLOBALIZATION PROCESSES****Vengerska N.S., Ionycheva V.A.***Zaporizhia National University**Ukraine, 69600, Zaporizhia, Soborny ave. 74*

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The article examines the problems of the economic activity of TNCs in the conditions of deepening globalization processes in the world. Globalization exerts a dominant influence on the development of any national economy. However, the globalization of the economy is not only a benefit from the country's increased participation in global economic processes, but also a high probability of losses and increased risks. It predicts that countries become not only interdependent due to the formation of a system of international integrated production, the growth of world trade and foreign investment flows, the intensification of the movement of technological innovations, etc., but also more vulnerable to the negative impact of global economic relations. Therefore, there is now a need to rethink globalization processes and the participation of TNCs in them. The article examines globalization processes: essence, main features and factors of competitiveness of corporations in different countries of the world. The author researched the international activities of TNCs in the conditions of globalization, highlighted the problems of their further development and the impact of globalization processes on the global economy. The comprehensive characteristics of the dominant trends in the international activity of TNCs are analyzed. The problems of globalization of the world economy, which cause ineffective functioning of transnational corporations, are considered. Evaluating the global change in the contours of the international activity of TNCs, it has been proven that TNCs, by their nature, driving forces, vector orientation and development mechanism at all stages of world economic progress, vividly crystallize systemic financial imbalances.

ПРОБЛЕМИ ДІЯЛЬНОСТІ ТНК В УМОВАХ ПОГЛИБЛЕННЯ ГЛОБАЛІЗАЦІЙНИХ ПРОЦЕСІВ**Венгерська Н.С., Іоничева В.А.***Запорізький національний університет**Україна, 69600, м. Запоріжжя, пр. Соборний, 74***Ключові слова:**зовнішньоекономічна
діяльність,
міжнародні економічні
відносини,
глобалізаційні процеси,
транснаціональні корпорації,
світогосподарські зв'язки,
національна економіка

В статті розглянуто проблеми економічної діяльності ТНК в умовах поглиблення глобалізаційних процесів у світі. Глобалізація справляє домінуючий вплив на розвиток будь-якої національної економіки. Проте глобалізація економіки це не тільки вигоди від зростання участі країни в світових економічних процесах, але й висока ймовірність втрат, зростання ризиків. Вона передбачає, що країни стають не просто взаємозалежними з причини формування системи міжнародного інтегрованого виробництва, зростання обсягів світової торгівлі та потоків іноземних інвестицій, інтенсифікації руху технологічних нововведень тощо, але й більш вразливим щодо негативного впливу світогосподарських зв'язків. Тому нині існує необхідність переосмислення глобалізаційних процесів та участь ТНК у них. В статті досліджені глобалізаційні процеси: сутність, основні риси та фактори конкурентоспроможності корпорацій у різних країнах світу. Автором досліджено міжнародну діяльність ТНК в умовах глобалізації, виокремлено проблеми їх подальшого розвитку та вплив глобалізаційних процесів на глобальну економіку. Проаналізована комплексна характеристика домінуючих трендів міжнародної діяльності ТНК. Розглянуті проблеми глобалізації світової економіки, що спричиняють неефективне функціонування транснаціональних корпорацій. Оцінюючи глобальну зміну

контурів міжнародної діяльності ТНК доведено, що ТНК за своєю природою, рушійними силами, векторною спрямованістю і механізмом розвитку на усіх етапах світогосподарського поступу яскраво викристалізовує системні фінансові дисбаланси.

Statement of the problem

Today, a powerful, often accelerated process, built on new principles and dominated by new forms, has gained momentum. This successive change of phenomena acquires importance in the context of the development of post-industrial society. Globalization is the process of strengthening the influence of various international factors on the social problems of individual countries, as evidenced by the presence of transnational corporations operating in different parts of the world and using new historical conditions in their interests. On the one hand, globalization, which spreads against the background of intensive development of technology, information and science, strengthens integration and the process of unification, which gradually leads to an understanding of the interdependence of humanity. On the other hand, the concentration of technological, economic, financial, informational, military, educational resources, etc. in countries such as the United States and Western Europe creates conditions for the concentration of some «centers» and «peripheries». This division is reinforced by important differences in the possibilities of living standards of the countries' population and socio-economic development. Against the background of these processes, the international activities of TNCs take place, accompanied by ever-increasing competition created by large TNCs and potential opportunities to freely maneuver throughout the world economy.

Analysis of recent studies and publications

The problems of TNC activity in the context of deepening globalization processes are revealed in the works of such Ukrainian scientists as A. Maksymenko [1], E.M. Terekhov [2], B.M. Ovahaylo [3], V.V. Wenger [4], E.M. Limonova, K.S. Arkhipova [5].

Objectives of the article

The purpose of the article is to identify the problems of TNC activity under the conditions of deepening globalization processes, justifying their effective functioning and rethinking globalization as an unstable bipolar process that contributes to increasing the efficiency of the functioning of national economies and, at the same time, increases the unevenness and disproportionality of the development of the national economies of the world.

The main material of the research

At the beginning of the 21st century, the main trend in the development of the world economy was the acceleration of the pace of globalization, caused by the international migration of capital, the deepening of the division of labor and the specialization of the country. The modern functioning of economic systems is characterized by the growing role and influence of transnational corporations on their functioning.

Global economic opportunities are concentrated in the «hands» of the 100 largest TNCs, such as Microsoft, General Electric, Exxon Mobil, Wai Mart Stores, Citigroup, Johnson&Johnson, Royal Dutch/Shell, BP, IBM, Ford, Nestle, Phillip Morris. The market capitalization of some TNCs has exceeded 500 billion dollars, and their annual sales are between 150 and 200 billion dollars. The net profit of one of the largest TNCs is enough for the annual budget of Ukraine, and the volume of its goods and money turnover often exceeds the GDP of several countries combined.

The decisive characteristic of transnational corporations is not only the quantitative growth of transnational monopoly capital, but also the gradual increase of corporate interests in global operations, in the creation of their own global networks of scientific and technical activity, and in the field of production and sales around the world.

The most convenient way to analyze the activities of TNCs is the use of various indices created by international organizations, such as: the transnationalization index (TNI), the internationalization index (II), the geographical distribution index (GSI) and others. According to the analysis of the geographical structure of the world economy, according to the Forbes 2019 rating, companies from such countries as the USA, China, Japan, Great Britain, France and Germany prevail among TNCs (Fig. 1).

Globalization is a requirement of the modern stage of world economic development – even the most highly developed countries solve the task of ensuring production efficiency with the help of international cooperation as a result of the international division of labor. It can be argued that since the driving force of globalization is the growth of competition, industrially developed countries receive the greatest benefits from globalization [2].

The most powerful TNCs are located in the USA, the European Union and Japan. However, the TNCs of such newly industrialized countries as South Korea, Brazil, Mexico, Hong Kong and China are becoming more and more developed, which is due to the implementation by these countries of the strategy of applying competitive advantages.

As a result of the formation of global markets, which replaced isolated domestic state markets, prices in these markets show a tendency to decrease, as companies compete with each other on a global scale in order to recognize the results of their activities both by consumers of specific countries and by other transnational corporations.

Global shifts are manifested in the following forms: international investment, TNCs, transnational strategic alliances, international financial centers, mass media, global communication systems, international regional associations, etc. [3].

Oil TNCs are gaining more and more development, there is a tendency to decrease the role of leading oil TNCs from developed countries in global oil production and oil refining, and to strengthen the position of oil TNCs from

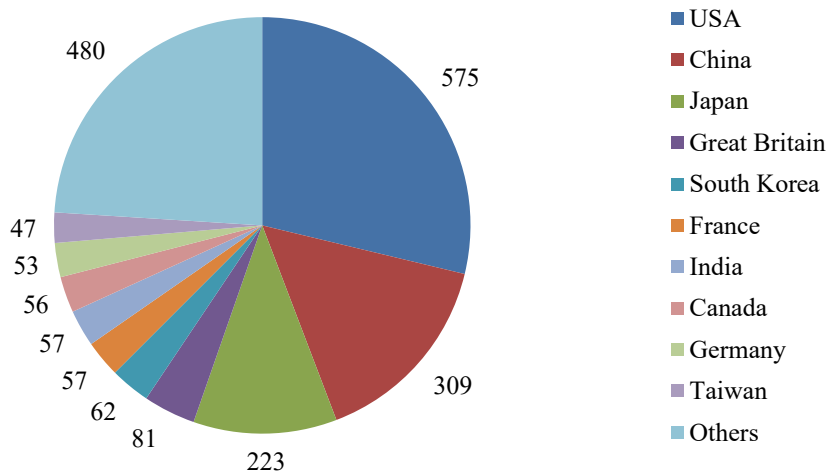


Fig. 1 – Geographical structure of the most powerful consumer TNCs in the world

Source: compiled by the author based on [1]

developing countries. A significant change affecting the position of oil TNCs is a sharp increase in the balance of production and consumption of energy resources of the oil component. This is related to the globalization of the gas market, which in turn is closely related to another technological discovery – the expansion of gas liquefaction technologies and the possibility of its transportation using a specialized tanker fleet to any point in the world.

Among transnational companies, TNCs from developed countries dominate, but at the same time, there is an increase in the number of non-financial TNCs from developing countries. This is due to the rapid internationalization of operations in emerging market countries. Among the largest TNCs of developing countries, Asia dominates, followed by Africa and Latin America. TNCs of the specified regional affiliation in their activities cover a wider list of industries than the largest TNCs from developed countries.

The basis of the TNC’s development strategy is an integration approach, which involves optimizing the activities of not each individual participant, but the association as a whole. When choosing a country, multinational companies offer investment conditions based on the following main criteria: assessment of the local market in terms of the availability of resources, the market situation, etc., political stability, legal conditions for foreign investments, the nature of trade policy, tax systems, the degree of infrastructure development, intellectual property protection, state regulation of the economy, stability of the national currency [1].

To form the strategy of the TNC, it is necessary to ensure the opportunities of the internal environment of the company and the threats that develop in the external environment. The main task that is solved during the development of the strategy is ensuring the consistency of the company’s goals with the available resources.

Among the main competitive advantages, which are the basis of the effective activity of TNCs, the following are distinguished:

- unhindered ownership and access to natural resources, capital and results of research and development works around the world;

- horizontal diversification into different industries or vertical integration based on the technological principle within a single industry, which in both cases ensure economic stability and financial stability of TNCs;

- the possibility of free choice when locating the company’s enterprises in different countries, taking into account the size of their national markets, rates of economic growth, prices, availability of economic resources, as well as political stability;

- low cost of financial resources due to wider possibilities of their attraction;

- savings on the scale of the enterprise;
- the possibility of using state foreign economic policy in different countries in the interests of TNCs;

- an opportunity to overcome various barriers on the way to increasing the volume of exports of one’s goods to the market of one or another country through direct investment;

- continuous awareness of the state of commodity, currency and financial markets in different countries, which allows to quickly direct capital flows to those countries where there are favorable conditions for obtaining maximum profit;

- access to qualified personnel and virtually unlimited opportunities for their selection.

It is these competitive advantages that enable TNCs to rapidly develop and be competitive compared to other companies. By supporting the turnover of capital, people and technologies, leading TNCs contribute to the economic growth and development of the host national economies [4].

In addition, there is a possible negative influence of transnational corporations on the development of the economies of host countries. In particular, transnational corporations in the domestic market of host countries create strong competition for local companies, preventing them from developing. Also, the free movement of financial capital can undermine the stability of national currencies and create a threat to the national security of developing countries. Having an interest in the host country, transnational corporations are able to instill in it an ideology that contradicts the interests of national

business development and suppress the development of national-state interests.

The economic power of TNCs can become a source of hidden conflicts with those states on whose territory their activities are carried out. TNCs lobby the interests of individual high-ranking government officials or entire political parties, support the formation of economic integrations at various levels, and may engage in bribery [5].

Due to the rapid development of integration processes and a significant socio-economic effect, national economies cannot avoid the influence of TNCs, but state governments can regulate the level of their presence. Such regulation takes place at least at four levels: supranational; interstate; domestic; public. At the same time, each of these levels has its own purpose and specific regulatory tools [6].

In addition, it is worth noting that the suspension of commercial activities in the conditions of the Corona virus (Covid-19) pandemic had a significant impact on the world economy. The physical closure of enterprises, production plants and construction sites caused immediate delays in the implementation of investment projects. This affects capital expenditure, green investment and expansion. The COVID-19 pandemic had an immediate negative impact on foreign direct investment in 2020. The exceptional global circumstances as a result of the pandemic have led to delays in the implementation of current investment projects and postponement of new projects, as well as drying up of foreign income, which, as a rule, a significant share is reinvested in the host countries.

Conclusions

Transnational corporations play a key role in the process of globalization. Their strategies largely determine the volume and nature of trade routes, foreign direct investment and financial flows. The determinants of these strategies are quite complex in themselves. They take into account not only the cost factors and specific assets of countries, but also the complex nexus of external networks and national

procedures, as well as their own know-how, which, contrary to some beliefs, is still largely influenced by the country of origin. The peculiarities of TNCs are manifested in the composition of their boards, in the form of their internal organization, as well as in the nature and geography of transactions in which they are more competitive.

The development of transnational business allows us to assume that the evolution of the organizational structures that operate in it leads to the deepening of the social nature of modern production and its internationalization, and the inconsistency of its changing conditions not only reduces the effectiveness of a specific subject, but can also restrain economic growth in the national and the world economy, since this process is organically connected with shifts in the very structure of the global trade system, the emergence of new forms and models. The growth of the number of transnational companies and their activities is also reflected in changes in the industry structure and related changes in the geographical structure of TNC activities.

The suspension of commercial activity in the conditions of the Corona virus pandemic had a negative impact on the world economy. The physical closure of enterprises, production plants and construction sites caused immediate delays in the implementation of investment projects. Mergers and acquisitions, which in the first half of 2020 overall fell by 50–70%, were similarly affected. However, not all companies are negatively affected by the pandemic. The biggest players in e-commerce have experienced growth thanks to the growing number of online purchases.

An assessment of the geographical structure of the world's most powerful TNCs proves the leadership of the USA among most countries, but every year their role decreases and the influence of China increases. Evaluating the global change in the contours of the international activity of TNCs, it is possible to trace that TNCs by their nature, driving forces, vector direction and development mechanism at all stages of world economic progress vividly crystallize systemic financial imbalances.

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