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THE IMPACT OF MULTINATIONAL ENERGY CORPORATIONS ON INTERNATIONAL RELATIONS

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Abstract

This thesis analyzes the development of Multinational Corporations and their modifying position and impacts on International Relations. The historical evolution of multinationals with important historical milestones in their advancement, the definition, the notions and their altering power capabilities and influence on nation states, multinational organizations and international relations will be debated in this study.

This thesis will also carry out some important case studies from the largest multinationals responding to issues such as to what certain can multinationals impact inter-state relations or do huge multinationals became equivalent participants as nation states, what type of interdependence do international organizations bring about among other actors. Consequently , information about international relations and their effect on global economic increase are improved. The result consist a variety of data on future forecast, which describes energy improvement.

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1. Introduction

These days international corporations are not only producers that provide essential and commercial products to us. They have improved to a certain degree that they begin to perform as an economic, political , as well as, an affective actor. Numerous multinationals are very powerful institutions and own resources far in surplus of majority of the nation states all over the world . Significance of these companies are getting increase . They have combined the world economy more broadly than in the past, even they have received global economic interdependence behind the realms of trading and money into the field of industrial manufacture. Their integrating economic strength evolves to an effect that can even influence political and economic relations among nation states. The extent of their commercial operations requires not only economic strength but also political one to conduct and manage nation state's affairs and relations. These vast corporations begin to be power centers which can impact on international organizations, states and relations amid them and private affairs of their own home countries.

The purpose of the diploma work is to explain the importance of MNCs for economic sustainability and comparable analysis of impacts of MNCs on state policies. Analysis of long-term energy scenarios is in question.

The subject of research is international business enterprises or energy MNCs.

The objects of research are international relations, foreign policy and global economic increase, which are affected by energy MNCs.

Problem statement – this writing assignment analyzes several types of implementation – power of energy MNCs, negative and positive impacts on improvement process and foreign policy, energy for future.

The research questions are the followings:

- Emergency and historical evolution of the energy MNCs
- Effects of MNCs on international relations
- Global energy MNCs and Azerbaijan national energy strategy and policy
- Impacts of MNCs on developing countries and their sustainable improvement
- Home and host country relations and states' national policies
- Future vision and forecast on global and national energy fields

1.1 Research methodology

The research will be conducted on the basis of two research types- exploratory and inductive, which are considered equally important for the goals of this study. According to exploratory research, the qualitative methodology will assist to look at the inside of petroleum IB.

One of the common qualitative methodology, which designs case study, will be used to make a layout for the research. The first part of the research will be based on the structure and patterns and using of additive manufacturing. For collecting data, various scholar articles will be applied.

In the second phase, data will be collected through interviews, documents and observations of the chosen companies by employing multiple case study approach. IB experience of leading state owned petroleum companies of the developing countries, which is located at the Caspian Sea shore, would be the most noticeable point of this research.

In the predictive part of the research, future forecasts on energy improvement and their impact on global economic increase will be provided by generalizing from the analysis of case studies and the predictions of scholars.

2.Definition and theoretical context

2.1Historical evolution of multinational corporations

2.1.1 Emergence and evolution of the energy MNCs

Today's worldwide energy "crisis," or time of transition, signs the pinnacle of certain trends that insisted from the end of World War II till the early 1970's. The following model emphasizes only the most appropriate features of an extremely complicated and dynamic picture.

Two adverse trends of essential importance within the three postwar decades were the increase of economic inter-dependence and the improvement of nationalism. Increasing mutual relations among nations led to, and resulted from, quick recovery from the war's destruction and a long time of much-desired economic increase. Still economic inter-dependence created political insecurity as nations neglected more and more surveillance of their own economies and social fortune.

One of the most vital and questionable sides of growing economic interdependence was the advancement of multinational business enterprise. i International corporations, of which the oil companies were main patterns, achieved in integrating entire period of economic action from resource extraction to retail division of manufactured goods. Private business improved the bulk to manage on a worldwide scale.

As soon as the Soviet-American Cold War came up stalemate in the 1960's, nationalism in Europe softened military alliances, as well as the people lived in non-industrial regions of the world, such as Asia, Africa, and Latin America pretended more liberty of action and start to apply their political strength more effectively. For a new nation descended from a colonial empire, or for a former nation riddled with foreign compromise, nationalism indicated, firstly, recapturing unrestricted sovereignty over natural resources.[1]

[1] "Multinational Corporations: Emergence and Evolution" , by Paz Estrella E. Tolentino , 2003 , p. 23

Economic interdependence has advanced yet that majority of countries presently experienced unable to release themselves, simultaneously, nationalism, stimulated mostly by economic insecurity, have obstructed at least temporarily the farther development of an interdependent world economy. Held within these pervasive, although conflicting, trends, definite forces meantime were taking the world energy condition toward the present impasse.

In terms of supply side, the essential force in the old energy situation was the improvement of immeasurable reservoirs of low-cost oil focused in the Middle East. The uncovering of these prolific reservoirs transposed the geo-political centre of gravity of the oil industry from the Western into the Eastern Hemisphere. Plentiful reserves of low-cost oil also took into account that the accessibility of energy would not be a parameter confining the postwar economic restoration of Western Europe and Japan.

On the demand side, the primary power was the consumer reply to inexpensive oil. For about three decades later World War II, with few intervals, the retail prices of petroleum products diminished relevant to other energy sources and to prices commonly. The vast reply was rapid and maintained rise in consumer demand for petroleum products, involving a widespread replacement from coal to cheaper and cleaner oil in numerous industries. Cheap oil fueled the creation of consumer-oriented wealthy societies in Western Europe and Japan, and increased preliminary industrialization in a great deal of the less developed countries. Eventually, cheap foreign oil demonstrated an inevitable temptation to the United States, which scrapped import controls and rapidly was the world's biggest oil importer in 1970's.

A third major force in the traditional energy situation was rise in rivalry inside the world oil industry itself. At once latter World War II, the seven biggest multinational oil companies—the named "majors," five American-based (Exxon, Gulf, Mobil, Socal, and Texaco), one British (BP) and one British-Dutch (Shell)—were fortune in creating significant observation over the world oil market. Surveillance was implemented through a diversity of complex adjacent ventures

involving development of the companies' concessions in the Middle East and elsewhere.

By adjusting world manufacturing, the seven majors were capable for the most part to neglect an oil glut. They were also capable to establish and keep an essential discrepancy between their crude oil costs and the prices which they charged for sales to their refining branches, to third companies, or to each other. Briefly, crude oil was the benefit center for the vertically combined oil companies. The majors held most of their profit, which each applied to finance its extension in a worldwide competition with the others for market shares, whilst decreasing price rivalry.

Nonetheless, the discrepancy between crude oil costs and prices drew into the world oil market two types of latest entrants: private free companies, many of which were not firstly combined perpendicularly, and national oil companies, possessed or controlled by different West European governments. The structure of the world oil market was more competitive as the market share carried out by the seven majors declined from over 95 per cent in 1950 to just under 80 per cent in the early 1970's. Competition set downhill pressure on crude oil prices. The private sector of the world oil industry was getting more Americanized as well. During and instantly later World War II, the U. S. government had an aggressive diplomatic role in contributing the American majors create themselves in the world market, mostly at the cost of BP and Shell. Subsequently, majority of the new-arrivals in the world oil market, for example Continental, Getty, Occidental, and Phillips, were American-based, too.[2]

The massive growth ratio in requirement for oil worldwide, the increasing dependence of numerous countries on a comparatively few foreign oil sources, the descending pressure of competition on prices also created an economic condition

[2] "Multinationals and Global Capitalism: From the Nineteenth to the Twenty-First Century", by Geoffrey Jones, Oxford University Press , 2005 , p. 35

where collaboration among the governments of the huge oil exporting countries would be extremely desirable from their aspect. Thereby OPEC, which was created in 1960, appeared in the early 1970's as an efficient inter-governmental cartel.

2.1.2 Global political economy and the power of energy MNCs

At the present, there is no uncertainty that international corporations, as well as , named transnational corporations, which are companies that accompanied by their parent headquarters situated in one country and auxiliary activities in a number of other countries (host countries), are the main players in global political economy. The MNCs look at the world as a common entity. Their influence goes beyond all national borders. They make decisions not as regards to what is best for the home or host country of activities, however rather what is best for the companies as an entire on an international base. The primary principle on which these companies manage is that they think the whole world as their market. They arrange manufacturing and marketing of products with little consideration for national interest due to maximize benefits. The dispute is that the destitution, of the peripheral world is not an incomprehensible natural phenomenon; rather, it is mostly, nevertheless, not exclusively, the outcome of exploitative globalization of their economies into the capitalist system in which the multinational corporations stay the main actors. [3]

From the end of the Cold War, the world economy has been heavily perverted by political interference. Although politically aligned trade frictions are being improved at the government level between Japan and the United States, industrial heads of the two countries are aggressively creating strategic alliances and encouraging friendly partnership. This stream of corporate level competitive interdependence and global alliance operations is slowly getting a considerable component in the world economy. In fact, it is paradoxical, however depending on corporate alliances and interdependence is possible a better strategy for increasing industrial power than economic nationalism.

[3] "Oil Politics: A Modern History of Petroleum" , December 22, 2009, by Francisco Parra , p. 18

Looking into the 21st century, we see a fairly challenging age that will demand inventing many up-to-day technologies and using them efficiently in order to tackle the numerous serious issues we face if we are to attain sustainable development. The cost of improving present-day technologies is rising very rapidly. Global environmental science and technology are yet hard to advance based on an industrial economy.

Semiconductor technology is yet a taking force for improving the extremely information-oriented society. Nevertheless, the evolutionary innovation of present technology may attain maximum sooner or later in the first decade of the 21st century. We have to get over major technological obstacles for considerable technological innovations. A number of scientists have been aiming toward this objective; nonetheless, from an industrial viewpoint, there is no obvious mark of a major achievement.

Global environmental challenges and the lack of food and energy coming from the world population boom are essential issues both for the human race and for nature. We have a severe problem in establishing and advancing cutting-edge technologies due to deal with such challenges. Industry can improve evolutionary contemporary technologies for economizing energy and resources and declining wastes and pollutants.

In order to combat the global environmental issue, we have to improve a major present-day industry, which recycles wastage into suitable resources. It has been mentioned that the recycling industry is economically unwarranted and has been overlooked on as a low-technology industry. No significant national R&D investment has been ensured. A great number of countries have invested or even nationalized labelled high-technology industry due to improve the national economy and on account of national safety. The modern industry will supply significant employment potential for people around the world. We have to improve modern industries for developing the world economy and the global environment for considerable development. For that goal, we have to farther encourage science and technology. Whether a company or even a nation lonely cannot fund adequate

resources into such activities, we must cooperate globally due to establish and improve precompetitive generic technologies, as well as, later contend with each other to use these generic technologies for the well-being of society and for the progress of the company. Multinational corporations can play and should play significant roles in such international cooperation. Since Japanese are looking forward to chasing thorough national safety. The increasing present trend of strategic alliances being formed by multinational corporations are too stimulating.[4]

Within the 1990s and into the coming century, market economy improvement, economic freedom and Western-style corporatization management reforms have defined the oil and gas industries of most energy producing countries, for instance Canada, Norway, Russia and Malaysia, and the energy industries of most consuming countries in the advancing world, for example China, Brazil, Japan and India. These appearing hybrid firms, together with remaining conventional oil and gas national monopolies, supervision the overwhelming abundance of proven reserves remaining for exploitation and development. The Western global oil corporations current supervision under 10% of the world's oil and gas reserve basis. Ranked on the base of oil and gas source holdings, 14 of the top 20 upstream oil and gas corporations in the world are state oil companies or recently privatized state oil companies, owing to the current review of Petroleum Intelligence Weekly (PIW). National monopolies demonstrate the top 10 reserve holders globally. In contrast, ExxonMobil and the Royal Dutch Shell Group are held a place of 12th and 13th whereas BP and ChevronTexaco are ranked 16th and 19th respectively.

As regards to world oil production, nonetheless, only six of the top firms are national oil companies, whereas BP, ExxonMobil, Royal Dutch Shell, and ChevronTexaco demonstrate among the biggest oil and gas producers all over the world. These Western corporations have also attained a severely higher return on

[4] "Governments as owners: state-owned multinational companies" , introduction to special issue of Journal of International Business Studies on State-Owned Multinational Companies, July 9, 2014 , p. 67

capital than state oil corporations of the same size and activities. Of the top 20 oil and gas producers in the world , 14 are state oil companies or recently privatized state oil companies, in accordance with PIW. PIW's ranking demonstrates that Gazprom ,Saudi Aramco, , NIOC, Sonatrach ,Pemex, INOC (Iraq), PetroChina, KPC, Yukos, Petrobras, Petronas, Lukoil, PDV (Venezuela) and NNPC are among the most essential oil and gas corporations worldwide. PIW's ranking on whole of measures ranks Saudi Aramco, NIOC, PDV, Pemex and PetroChina in the top 10 oil corporations all over the world.

The impact of national oil corporations on the industry structure and pace of resource development has not been thoroughly learned and, as a result, is not well comprehend either by industry leaders or by the energy policy of society. These state oil companies are in the process of re-estimating and altering business strategies, with important results for global oil and gas markets. It is a time of great alteration inside the leadership of these state oil companies, and objectives and priorities will be distinct from those of the Western global majors, with possibly severe outcomes for market stability and oil geopolitics. The Western global corporations are interested in reinforcement of links with emerging state oil companies to diversify their activities and enhance ensure safety, nevertheless, strategic alliances have been hard to form.

The discrepancy between the high ranking of state oil corporations' resource holdings and the ranking of the world's biggest oil and gas production operating corporations put emphasis on a potential reserve of supply instability in global energy markets. The destiny of emerging state oil corporations, their strategies and policies, will have a significant, long-time influence on the pace of resource development in the next years.

Asian and Russia state oil corporations have growingly commenced to contend for strategic reserves in the Middle East and Eurasia, in some situations knocking the Western major companies out of substantial resource development plays. Firms, for example India's ONGC and IOC; China's Sinopec, CNPC, and Malaysia's Petronas have been lucky in Iran and Africa, with eyes presently on

investments in Saudi Arabia, Iraq and Kuwait. Russia's Lukoil is getting a vital global player in main regions as well, for instance the Middle East and Caspian Basin. Wood Mackenzie Consultants considers that manufacturing countries are becoming more preferential financial arrangements from these companies who do not apply ratio of return criteria to lead their activities (see Energy Compass March 12, 2004 "Corporate Majors Under Threat"). Numerous emerging state oil corporations are bankrolled or have activities invested by their state governments, with geopolitical and strategic objectives factored into investments rather than purely commercial discretions.

Strategic investment and trade alliances for appearing state oil corporations are being searched on the base of geopolitics rather than economic considerations as well. CNPC, for instance, is conducting forming investment alliances with Petronas and follows to wish a strategic investment in a Russian oil corporation. Russia, but then, has demonstrated unwillingness for its oil corporations to link with Western or Chinese companies, however, has announced curiosity in forming alliances with Saudi corporations.

The interplay between emerging state oil corporations, most oil producing countries and Western consumer countries will have a great influence on the issue of energy security and stability of oil and gas markets, increasing a great number of problems.

2.1.3 National energy strategy of Azerbaijan

Oil and gas as the main state hydrocarbons will go on to be the topic of debate associated with the global economy and global politics. For instance, the rest of the world notices countries with overwhelming oil and gas re- serves as having a strategic benefit. It is not a shock that energy expert Daniel Yergin defines oil in his book The Prize, the Epic Quest for Oil, Money & Power, as a goods in association with state strategies and global policy. Azerbaijan is in a beneficial post as it has adequate oil and gas reserves. Because of that, Azerbaijan is known as "the land of fire" as well. Azerbaijan is merely one of the five Caspian Basin countries and three Caucasian countries, while it has a relevant and strategic

position, connecting Europa and Asia, which significantly increases its geostrategic importance. Taking into account the significance of diversification for the EU's energy supply and emphasizing Azerbaijan's transit function in the short-time, it is not difficult to foresee the priority.

The rich natural re- sources of Azerbaijan increase the global importance of the country and are counted vital in building internal and global economic relations. All in all , this tributes to global energy security[5].

As a resource-rich country, Azerbaijan should make increasingly differed and international resolutions. Firstly, nontheless, the country's domestic economic and political interests should be taken into account. Besides, natural resources should be behaved as a guarantor and important factor of state security. If we wish to investigate this viewpoint we should consider the following sides of Azerbaijan's energy policy: In 1994, bypassing Russia, Azerbaijan made an important agreement by approving its oil transportation to world markets via the Baku-Tbilisi-Ceyhan (BTC) oil pipeline. Nevertheless, there were intense and true hazards from neighbors Iran and Russia itself. The pipeline creates the political and logistical basis for the transportation of the natural resources of the Caspian Sea, particularly for Kazakhstan and Turkmenistan, to Europe through Azerbaijan. In December 2013, as in 1994, although the threats, a second strategic resolution was made for gas created from the Shah Deniz II project to provide the European market via the Trans-Adriatic Pipeline (TAP). With regard to initial guesses, TAP will cost $2.2 billion. Azerbaijan is a sovereign country that has a liberal energy policy.

The most essential tasks for the government are to provide the effective consumption of natural resources, form a diversified production environment making oil and gas profits favorable and moving forwards with a huge part of this. Azerbaijan will also be a great role in keeping and developing Europe's energy security in the next decades.

[5] "Energy and Azerbaijan: history, strategy and cooperation" , Center for Strategic Studies under the President of Azerbaijan Republic , Baku 2013 , p. 98

Surely, Azerbaijan's rich energy resources are getting a crucial element for the creation of profound economic associations with neighboring countries and providing the energy security of these countries. Taking into account the fact that Georgia and Turkey are the primary transit countries for oil and gas to global markets, it should be considered that the two countries are straight accomplices in the strategic projects. Additionally, these governments that both countries make direct and indirect profit, and, moreover, it also has an affirmative effect on the comprehensive development of the region. In other words, grew funding potentials of the State Oil Company of Azerbaijan Republic (SOCAR) over numerous years has permitted the company to make vast investments in a lot of parts of the world, besides, in neighboring countries, for example Georgia and Turkey. SOCAR is a well-known brand in Georgia and manages petrol stations. It has an auxiliary, SOCAR Energy Georgia.

Consequently, tight relations in the energy industry, Azerbaijan was the second-largest trade companion of Georgia. Strategic relations were created during the war in 2008 between Georgia and Russia. The hardships of energy security for Georgia later the war were abolished with Azerbaijan's help. However, it can be considered that Georgia depends on Azerbaijan's support in its energy provision.[6]

Turkey is a significant accomplice of Azerbaijan as well. The shared Turkic origins and geostrategic position have permitted Azerbaijan and Turkey to make tight political and economic relations. Either the BTC and South Caucasus Pipeline oil and gas pipelines, or the Trans-Anatolian Pipeline that will be made in the coming future will pass via Turkey. This, in turn, contributes to cause international energy security. It is worthwhile to consider that the TAP will permit for the conveyance of Azerbaijani hydrocarbons output to Turkey, also EU markets.

Turkey is mentioned one of the advocates of Azerbaijan's energy projects from both a political and economic view. The country has been given an opportunity diversify its own gas supply to encounter its own demand with the

6 "Energy security and energy union perspectives in Azerbaijan", September/14/2016csf, Brussels, p.115

assistance of Azerbaijan's natural resources. As well as, Turkey's transit location notices its budgetary will get benefit from these projects. The Turkish Petroleum Corporation gained $12 billion as a consequence of a $1.8-billion gas conveyance via the BTC pipeline, where TPAO takes a 6.5-percent share. Over 950 corporations are managing in Turkey on the base of Azerbaijan investment, while SOCAR is yet the vital investor in the country's energy industry.[7]

SOCAR's investment in the energy industry of Turkey is equal to 82 per cent of whole Azerbaijani investments. In 2008, later receiving 51 per cent of shares in Turkish petrochemicals venture Petkim, SOCAR understood its biggest company in Turkey. It is a 40-percent stakeholder in the $4-billion Star Refinery, presently under establishment in Izmir region, and the primary stakeholder in the Trans-Anatolian pipeline plan. Till 2018, investments made by SOCAR all over the world is predicted to reach $20 billion. By subsidies in Russia, Kazakhstan and Turkmenistan, Azerbaijan's natural resources have contributed to strategic cooperation, energy safety and political stability in the territory.

China has historically had significant attention in the South Caucasus. Distance, together with the region's unexpected political and economic situations, prevented China's involvement in the territory. In contrast, Central Asia, South Caucasus markets were unsubstantial, population were lower and investment chances hard. Beijing was included in merely a few oil projects in Azerbaijan, mainly for representation rather than economic advantages. Chinese participation was only for describing the existence of Chinese interests without vast involvement. Connections between the two countries were affirmative, whereas neither side mentioned the other to be an important strategic accomplice. Geographical distance and the lack of large-measured Chinese investments took into account that there was little to carry the bonds forward. Nonetheless, beginning from the second half of the aughts, China steadily commenced to look at the region from a various point.

7 Annual report on development concept "Azerbaijan - 2020: outlook for the future " , p. 12

Unexpectedly enough, it was the European Union's TRACECA project (Transport Corridor Europe-Caucasus-Asia) that converted China's attention to the district by showing its perspective as a logistical hub for East-West trade. From 1998, the EU has subsidized about $800 million into capital projects and the restoration of ports, railroads, and roads along the TRACECA corridor, which involves the countries of Central Asia and the Caucasus. Member of governments have also continued unification of their infrastructure, tariffs, and logistical chains. Baku realized the significance of fulfillment of diversification strategies before the exhaustion of its hydrocarbon reserves. Simultaneously, China started to look at modern transportation routes to convey its commodities to Europe, realizing sea routes to be too costly, time-consuming and fragile to disruption. However, tapping into existing infrastructure and hardening the missing bonds along the road adapt well into China's strategic targets.

Azerbaijan's geographical location has made it a main district for regional unification projects. At the present, three vital integration stimulates goal Azerbaijan: the European Union's TRACECA project, the Eurasian Economic Union (EEU), and China's presently created One Belt, One Road (OBOR) attempt. Nevertheless, Azerbaijan formally maintains an equal distance from all of them, expecting to earn more from a neutral status than from confirming one at the expenditures of the others. Baku is frightened that binding itself to one project would threaten its economic and political stability and liberalism.[8]

The political foundation enthusiastically welcomed the Chinese OBOR attempt, despite the public is mostly unaware of a lot of these Chinese projects. Chinese investment assists to fill the funding deficiency in Azerbaijan's strategic project, permitting numerous plans to go ahead that would, in other respects, have struggled to find investment. In August 2015, the first container to begin to move the OBOR route, or New Silk Road, passed above 4,000km from China in a record six days, reaching at the recently built Baku International Sea Trade Port. This

[8] "Azerbaijan 2020 turning strength into sustainability , published in foreign affairs ", January-February 2015, p. 89

gave a sign of a modern era in regional transport connections. It described to Chinese companies that cargo could arrive Europe much rapidly through the Silk Road than by sea or by transiting via Russia. Both Kazakhstan and Azerbaijan applied the project to promote Chinese firms to fund more in their regions.

Azerbaijan observes Chinese funding in an affirmative light. Both the public and the political institution consider that China does not have a political agenda in the territory because of its geographical distance. Chinese plans are, however, mentioned in absolutely economic terms. China has tremendous funds for the fulfillment of projects as well, reducing the burden on Azerbaijan. By declining oil prices and fewer currency reserves in the country, Chinese financing could be significant. Meantime, China is mentioned as a country that carries and performs plans with a fast turnaround. In comparison with the US and the EU, which are limited by bureaucratic obstacles, and Russia, which places politics ahead of economics, China is mentioned to be a trustworthy accomplice.

Due to encourage its economic interests and let countries mainly in the Eurasian territory (along OBOR) to approach the funds for different infrastructure plans, China created the Asian Infrastructure Investment Bank (AIIB) in January of 2016. The bank is mentioned to contribute to China bolster its OBOR initiative and establish the Silk Road Economic Belt. AIIB has yet committed $1.7 billion in loans. One associated project is a $600 million debt to hold up the building of the Trans-Anatolian gas pipeline (TANAP), which is going to link Caspian Gas fields with European markets. Despite the loan merely demonstrates 10% of the total predicted cost ($11.7 bn), the fact that AIIB is supported the pipeline together with the World Bank and other private firms describe China’s interest in expanding its impact in the Caucasus. It is predicted that the loan is merely the beginning of China’s low economic increase into the territory. Due to give an extra boost to the OBOR initiative, China intends to host the Belt and Road Forum for International Cooperation in May in Beijing. About 20 heads of states and government and above 50 leaders of global corporation will participate in the event.

Compared to China's attempt with other transportation plans began by Russia or the European Union, it notices obvious that OBOR has pretty perspective for Azerbaijan. Nevertheless, this does not demonstrate that Baku has refused on other initiatives. OBOR compliments the EU's TRACECA plan to connect Europe with Asia through Caucasus and Central Asia. Whilst China subsidizes in OBOR, the EU could fund in and enliven the TRACECA project. According to this point, OBOR and TRACECA could work in companion with each other, increasing trade between China and South-East Asia and Europe. Meantime, countries along the road would get enormous spillover profits, since financing generates present-day economies based on logistics, services, and hubs. For Azerbaijan, the OBOR project could not be timelier.

2.2 The impact of energy MNCs on International relations

2.2.1 Home and host country relations of MNCs

Developing counties, emerging economies and countries in transition, in order to benefits associated with FDI have liberalized their FDI regime and pursued best policies to draw finance. It has been known that the increasing advantages of FDI for the host country can be important, involving technology spillovers, human capital formation contribution, improvement of competitive business environment, collaboration to global trade integration and development of enterprise advancement. Furthermore, farther than economic advantages FDI can assist the development of environment and social situation in the host country by re-situating 'cleaner' technology and leading to more socially accountable corporate policies. All of these advantages tribute to higher economic growth, which is the essential instrument for declining destitution in those economies. Nonetheless, the economic influence of FDI is hard to evaluate with accuracy. Advantages of FDI do not rise automatically and equally across counties, sectors and domestic communities.[9]

[9] "Foreign direct investment for development" , OECD 2002, p.56

Foreign direct investment can make a favorable help to a host economy by providing capital, technology and management resources that would or not be accessible. Such resource conveyance can encourage the economic growth of the host economy.

The main discussion in favor of MNCs is that they empower investment into less developed countries, which is significant for their rise. In accordance with this issue, there happens a vast discrepancy between the optimal investment levels and the levels of savings in a country. This deficit can be kept at a minimum through foreign direct investments, i.e. carrying of resources from a foreign source in the form of economic treatment.

Another crucial element is the problem of technological transfer. Any multinational corporations managing in a certain country requires to have an agreement with the host country about its conducting instructions. This can be either favorable or detrimental, relying on the negotiations. If done right, the international corporations would admit to a transfer of technology, which would be very advantageous for the host country, but technological improvement need profound investigation and development funds that the advancing countries just do not have. Therefore it makes sense for them to open up their markets in exchange for a technology that could make them self reliant and self sustaining.

In terms of move of technology, multinationals convey with them a wealth of knowledge and experience as well. Their staff is amongst the top in the world and employees from the developing countries study abundance of skills from them, allowing them to train others and have a trickledown influence. Foreign companies pay for, give perfect training to its employees, encourages intellectual and capital rise.

Multinational corporations, through their huge investments give an opportunity linkages backward, forward and horizontally. Both MNC ensures a FDI, and favorable firms that it cooperates with, for instance industries that manufacture complementary commodities. The service industry profits through the

growth in investment as well. It establishes extra demand and develops infrastructure abilities.

A rise in tax profits is also an added advantage, as the host country gets to tax them and involves it in their public profit. This can be applied in order to fund projects that cause to development of infrastructure, leading economic advancement.

Developing countries are extremely labor sensible as well. Since in the correlation of capital to labor is very poor. MNCs employee overwhelming numbers of the indigenous population decreasing this discrepancy, creating jobs, employment and profit means for the population. There are two impacts, direct and indirect. Job creation is direct, whereas grew incentive in demand and supply is the indirect employment influence.

Multinational companies have the liberty to displace their locations at will; providing them, the benefit to accumulate pressure over countries in which they govern when encountered cases that impact their interests. In less developed countries where international corporations have been the vital employers and wealth creators, they might confront initiatives by the host country to develop worker's salaries, strengthen environmental regulations, demand a higher share of the benefits through taxation or liberalize the right of labors to arrange if those moves are noticed as against their interests[10].

Multinational corporations encourage effectiveness and productivity in the host country. This occurs when they import up-to-day technology into the countries they perform in. As a consequence, this will grow competition, since the local companies will as well attempt to mimic their technologies or hire labors firstly learned by multinational corporations. Competition between the local companies and the international corporations will provoke them to develop their goods or even adopt cutting-edge technology.

Their huge investment portfolios make international corporations a powerhouse when it comes to the negotiating table and majority of developing

[10] "Foreign investment and domestic development: multinationals and the state", Jenny Rebecca Kehl ,2009 , p.34

countries cannot fit to their level, giving a chance to the MNCs to get the upper hand. This causes forcing the state to complying policies that favor their requirements at the cost of the local industry and market.[11]

Multinational corporations includes into international bodies, which function behind the state authorities, with regard to decision-making power and the strength they take over monetary assets. Despite this legitimate issue has been out there for thirty years now, yet merely slight developments have been seemed regards to accountability. The outdated regulatory body and the MNCs' vital economic and political strength have resulted in a conflict, which makes the arrangements of states turn into a considerable challenge. The MNC has transcended the national legal structures and neglected the vulnerable global bodies, increasing the already existing burden of implementing the primary norms of human rights.

Their beneficial and devastating assistance will influence on the economies, correspondingly. Therefore, a positive view on their part is an essential if economic, cultural and social rights are to be stimulated in this increasing world of evils.

Despite FDI is assumed to foster growth, with the involvement of MNCs it might cause to a loss of jobs since more businesses are put out of work. Through host countries demand foreign investors to have a stable per cent of local labors, this demand is on the decrease, because of WTO's agreement on Trade Related measures on investment.

An offshoot of their impact on the state, the international corporations also have a great advertising budgetary, which give them an opportunity to draw a much better picture in the eyes of the local populace. With budgets that run in the millions, MNCs generally achieved in holding mass-market shares of their goods as the local firms cannot manufacture/hire production firms to do the same. This

[11] "Economic Impact of MNCs on Development of Developing Nations" , International Journal of Scientific and Research Publications, Volume 4, Issue 9, September 2014, p.28

once more alienates the local companies and makes it more difficult for the most of the population.[12]

Economic integration has had absolutely a detrimental influence on state adjustment. People have been influenced negatively and steadily the effect is increasing and getting more vivid. The more competitive a nation, the lesser the adjustments. Despite this tactic is nearly excellent in drawing multinational corporations, it is totally devastating in nature. Due to contend with such nations, other states are also induced to decline their regulatory steps if they want to get foreigners to fund in their country. No nation asks to decline its competitiveness or strength. Foreign investors are currently using the money that should have been legally subsidized in keeps the rights of the public socially, economically and culturally. As a consequent, multinational corporations are free from any legal commitments, which may bind them and cease the operations, which are incline to destroy the communities that are subjected to the international corporations treatment.[13]

With the increasing economic strength of corporations, a rising number of local and global systems have begun giving up observation over their business over to their locally main multinational corporation. This guides to economic strength having a say over political impact, which can be hazardous if left uncontrolled.

2.2.2 Multinational companies impact on improvement process and foreign policy

As long as capital is concern, international enterprises subsidize in long-time plans, taking risks and repatriating benefits only when the projects bring returns. The free stream of capital across nations is possibly to be favored by a lot of economists since it permits capital to search for the highest percentage of return. Numerous MNEs, by virtue of their big size and financial power, have approach to financial resources not accessible to host- country firms. These funds may be

[12] "Multinational firms: the global-local dilemma" by J. H. Dunning; Jean-Louis Mucchielli, Routledge,2001, p. 142

[13] "Corporate power and the globalization process" ,Richard L. Brinkman and June E. Brinkman , Portland State University, Portland, Oregon, USA , International Journal of Social Economics, p. 216

reachable from internal company sources, or, due to their reputation, giant MNEs may understand it easier to take money from capital markets than host-county companies would.

FDI can help to economic rise not only by ensuring foreign capital but also by crowding in extra domestic investment; so it rises the total growth influence of FDI. [14]

The essential role played by the technological advancement in the economic growth is currently widely accepted. Technology can encourage economic development and industrialization. It can take two forms, both of which are worthwhile. Technology can be joined in a production operation (e.g., the technology for discovering, extracting and purifying oil) or it can be merged in a product. Nevertheless, a lot of countries lack the research and development resources and skills needed to improve their own native product and operational technology. This is especially reality of the worlds less developed nations. Evidence ensures that a considerable number of economic studies debate over the relationship among FDI and efficiency and/or economic growth on the other hand, have found that technology transfer through FDI has tributed positively to efficiency and economic growth in host countries.

Technologies that are moved to developing countries in bond with foreign direct investment incline to be more up-to-day, and environmentally 'cleaner', than what is locally accessible. Furthermore, positive externalities have been noticed where indigenous imitation, employment turnover and supply-chain requests result in more common environmental developments in the host economy.

By conveying knowledge, FDI will rise the existing stock of information in the host country via labor training, taking of skills, and the conveying of modern managerial and organizational practice. Foreign management skills obtained via FDI may also produce important advantages for the host countries. Favorable spin-off impact appear when local personnel who are trained to hold managerial,

14 "Innovation and Multinational Companies from Emerging Economies: The Search for New Explanations", Third Copenhagen Conference on "'Emerging Multinationals : Outward Investment from Emerging Economies", Copenhagen, Denmark, 25-26 October 2012 , p. 132

financial and technical positions in the auxiliary of a foreign MNE leave the firm and contribute to create local firms. Similar advantages may give a rise if the perfect management skills of a foreign MNE encourage residential suppliers, distributors and competitors to develop their own management skills.[15]

The influence of FDI on host country global trade will distinguish, depending on its motive – whether it is productivity searching, market investigation, resource research or strategic asset- seeking. FDI can have a large contribution to economic growth in developing countries by bearing export rise of the countries. Output steming from efficiency-seeking FDI is usually taken into account for export, and therefore the influence of such FDI is likely to be a rise in exports from the host country. If regional firms ensure inputs to combines producing goods for exports, the regional content of value attached exports would be much bigger. Circumstances in which intermediate goods are imported from outskirt the host economy, efficiency-seeking FDI will grow export and imports.

Nevertheless, if there is a positive link between trade liberalization or export growth in specific and economic rise; and also if there is an affirmative relation between FDI and export growth. In order the respond the first issue, economic theory suggests a lot of reasons to suppose that trade liberalization or export rise promote economic growth, as country's openness suggests numerous advantages involving entry to global market, technology and to suitable intermediate and capital goods and raw materials; the advantages related with economies of scale and market competition.[16]

The existence of foreign enterprises may largely contribute to economic development by spurring domestic competition and ,thus leading finally to higher efficiency, lower prices and more effective resource allocation. Increased competition inclines to promote capital investments through firms in plant, equipment and R&D since they struggle to obtain an edge over their rivals. FDI's

15 "Multinational corporations and local firms in emerging economies", Eric Rugraff & Michael Hansen / Amsterdam University Press, Amsterdam 2011, p. 94

16 Roy Smith , Imad El-Anis, Christopher Farrands "International Political Economy in the 21st Century: Contemporary issues and analysis" , 2013, p. 18

influence on competition in domestic markets may be particular vital in the case of services, for example telecommunication, retailing and numerous financial services, where exporting is often not an option because the service has to be created where it is delivered.[17]

Another significant concern with respect to FDI is its environmental effect. Territorial enforcement of environmental protection legislation that is careless or weak in association with foreign firms has resulted in catastrophic outcomes in many parts of the world. Nevertheless, in the international competition among developing country governments to draw FDI, there is often a competition to the bottom, which conducts countries to suggest more relaxed regulations in order to draw foreign investment. The working conditions of labors in firms associated by FDI have been an issue too.

Foreign dependency, international power structure in which poor countries are economically reliant on powerful countries, permitting the powerful countries to carry out considerable surveillance over the feeble countries' economic and political behavior. Foreign dependency commonly encourage under-advancement in the dependent country; a country's acceptance of policies made appropriate to the interests of a powerful country may limit the weaker country's domestic growth, speed environmental devastation, or establish temporary growth that precludes sustainable development and economic liberalization.

Some experts attitude foreign dependency as a rising of colonial trade models. Developing countries are often previous colonies whose economies were concentrated on the manufacturing of raw materials intended for the production industries of their colonial masters. Upon attaining freedom, few previous colonies had contemporary industrial economies or trained labors that could compete in the international marketplace, therefore they continued to export inexpensive raw materials to previous colonial powers. The industrial countries afterwards sold produced goods back to their previous colonies at a profit.

[17] COHEN, Stephen D. "multinational corporations and foreign direct investment: Avoiding simplicity, embracing complexity". Oxford University Press, 2007 , p.146

Dependency on foreign aid also has a considerable role in forming the economy and politics of the receiver country. Despite foreign aid can have affirmative economic and political effects, for example rising political participation and indigenous public expenses on social programs in developing countries, donor countries frequently apply promises of contribution (or threats of stopping aid) to pressure receivers into accepting the political or economic policies brought by the donor.

The latter challenge is especially vital in respect of loan acceptance. A country that gains loans from the World Bank, for instance, must admit to regulate its economic structure, make liberal its economy, and rise its global financial accountability. Furthermore, paying off the debt from loans frequently causes to balance-of-payments obstacles for the recipient, farther sustaining and extending its economic dependency.

Developing countries' dependence on foreign capital can also eternalize dependency. A lot of financial capital approachable in a developing country comes from out of its borders. That capital may adopt the form of foreign contribution or foreign direct investment (FDI), which involves activities, for example hosting foreign firms that ensure jobs, grow domestic capital flows, and create tax dollars. Nevertheless, FDI also may give a rise to challenges. Foreign firms from developed nations usually command the indigenous market, hindering or discouraging the development of local industries. Furthermore, the government of the host country may be inquired to ensure tax incentives to maintain the foreign company in the country. The host country may impair workplace , as well as, environmental adjustments to compel foreign companies to create or keep businesses there.[18]

FDI, paticularly, established in the less-developed countries can cause them to have a double economy, which has one improved sector majorly possessed by foreign firms and non-developed sector had by domestic firms. As the country's economy gets excessively reliant on the developed field, its economic structure

[18] Research on Foreign Direct Investment and Multinational Enterprises , p. 27

alters. This frequently improved sector is the capital-intensive, whereas another one is labour-intensive. As a result , dual economy impact slows down the economic development of countries since most of their citizens are situated in the non-developed labour-intensive sector. This impact is apparent in major oil-rich countries, where foreign investments established in the oil and gas sector led to the resource boom and abandoned the agriculture and producing sectors non-developed. That detrimental impact of FDI can result in Dutch Disease effect in natural resource wealth countries.[19]

Dutch Disease pattern put forward that a cause of increase, mostly after the vast investments in the field, differs country's resources stay away from operations that are more conducting to rise in long-term. Initial feature of this phenomenon is an appreciation of the country's exchange ratio came from resource growth, which in turn arouses a shrinking in the manufacturing exports. The increasing resource field pulls capital and labors away from production, guiding its costs to increase. The outcome is that the competitiveness of country's non-tradable goods increase, whereas that of tradable – producing goods drops in the world markets, declining the possibility for export-led rise of manufactures in the long-term. As manufacturing sector is considered as the essential "engine of growth", its decrease evokes consequently a rise decrease in country's economy in the long-term. One feasible solution to the issue is a diversification of the economy by subsidizing in various sectors.

Azerbaijan had had a mildly improving economy with a consistent current GDP growth just over 10% untill 2005. Nevertheless, later a huge quantity of FDI's in energy sector, the economic condition controversially altered and rose considerably from 2005 to 2009. Its oil and gas revenues powered the economy and encouraged a swift growth in living standards. Nonetheless, although this progress, some devastating effects of immense foreign investments, particularly, Dutch Disease effects get obvious over time. Huge capital inflows and revenues

[19] "Between Home And Host Country : Multinationals And Employment Relations In Europe", Industrial Relations Journal 32:5 ISNN 0019-8692 ,p. 8

resently indicated its influence on high inflation level and the national currency of Azerbaijan – AZN.

The competitiveness of non-tradable goods has increased during this time in Azerbaijan. Particularly, oil boom causes to increase in real estate, construction and banking sector. Nevertheless, the growth ratio of tradable sectors of Azerbaijan was little. Vital non-oil exports of the state, agriculture and metals sector have not experienced a considerable growth, significance of country's competitiveness is not increasing. Indeed, the country became reliant on oil sector, since it constitutes 90% of exports as well as 60% of GDP contribution.

In 2015, the United States took over two fifths (41 %) of total EU-28 FDI inward stocks from the remnant of the world. The United States ,therefore ,hold its post as the important holder of FDI stocks in the EU-28, having put investment in , as of the end of 2014, mainly in the financial services field, followed by production; one third of the last was in the production of petroleum, chemical, pharmaceutical, rubber and plastic products, as well as ,approximately one third in the production of food products, beverages and tobacco products.

Alike to the ranking for FDI outer positions, Switzerland was the second biggest FDI stock holder in the EU-28 in 2015, with stocks evaluated at EUR 619 billion, over a half (56 %) of that were in the financial services sector (end of 2014).

As well as in line with the ranking for FDI foreign posts was the third place of Bermuda, by 8.6 % of EU-28 FDI inner stocks in 2015. In the ranking of countries by FDI domestic stocks these three accomplices were later followed by some countries that were not in the top 10 ranking as regards to outward stocks and Canada: Jersey took 3.9 % of EU-28 FDI domestic stocks, Gibraltar 2.8 % ,the Cayman Islands 3.3 %, Japan 2.9 % and Canada 3.8 %; some of these countries are offshore financial centers.[20]

[20] Foreign investor perspectives and policy implications, global investment competitiveness Report 2017-2018, p. 36

Registering 1,310 FDI projects, US companies were Europe's largest investors, making up 22% of entire European FDI plans in 2016. FDI projects from the US in 2016 increased by 10% above the last year.

The mass of FDI into Europe, nevertheless, descend from intra-European FDI flows, which increased by 18% in 2016 to 3,272 present-day FDI projects, making up 56% of whole European FDI projects and 138,431 recently created jobs. Germany combined its post since the leading homegrown cross-border investor, commencing 651 projects previous year – up by 25% over the last year. Subsequent to Germany, the top five intra-European investors by FDI projects were France (346), UK (335), Switzerland (289) and Italy (187).[21]

In addition, Chinese companies were far more agile in Europe in 2016, noting 297 FDI projects (over 25% than the past year) and setting up 7,919 jobs. Two-thirds of projects established by Chinese companies were created except sales and marketing, pursued by manufacturing and R&D investments projects , 52 and 22 respectively. This trend of outward investment was likely witnessed in Africa, which experienced a substantial rise of 106% in Chinese FDI projects guiding China to be the third biggest investor in the continent.[22]

China - a net energy consumer, besides manages during an uncertain and violent geopolitical context. Since China's economy gets to increase, its energy requirements have also increased severely. In order to provide its energy safety, China has to create oil diplomacy with Africa, as its domestic energy reserves are not enough to provision to its rapid economic extension.

China's investment into Africa's oil and gas field grows export income for African host countries as well. Additionally, oil-rich African host nations have mainly welcomed Chinese oil investment, clearly since China's national oil and gas companies have displayed willingness to assist these oil-rich states built new refineries, which will decline their dependence on importing goods from overseas suppliers.

[21] FDI in Figures , April 2017, OECD Report, p. 75
[22] World Investment Report 2015 : Reforming International Investment Governance , United Nations Conference On Trade And Development , p. 158

For example, Chinese national oil and gas companies have yet built or devoted themselves to the building of oil refineries in a number of oil-rich African countries that before had no refining abilities, involving Nigeria, Sudan, Niger and Chad.

All in all, Africa currently provides approximately 30 percent of China's total crude oil imports, as well as it is China's second biggest source of energy offer after the Middle East.

3. Long term International relations analysis

3.1 Future scenarios of International relations

3.1.1 International relations effects on global economic increase in energy sector

Energy is a crucial factor to the production of food and the supply of water; it can remove the need for hours used up accumulating fuel wood to make extra time available for education , as well as , business activity; it provides mobility that makes trade feasible. Energy fuels the motion of produced goods, people, services and concepts. There is no globalization without energy . It signs the emerging 21st century world where information and communication technologies are reforming the economic, political, social and educational horizons of the world. About 10% of under five years aged children die per year from water-borne diseases; energy has a key role in weakening of these diseases via water pumping, purification and ultraviolet treatment. Contemporary energy services are a main parameter to developing health outcomes too - from powering maternity facilities and medical equipment to the safe storage of vaccines. Electricity in country schools has considerable positive effects, ensuring access to up-to-date learning technologies, for example computers and electronic educational media[23].

However, mobilizing all this energy brings many costs. Some 1.4 million people die untimely annually, mostly in developing countries, because of the

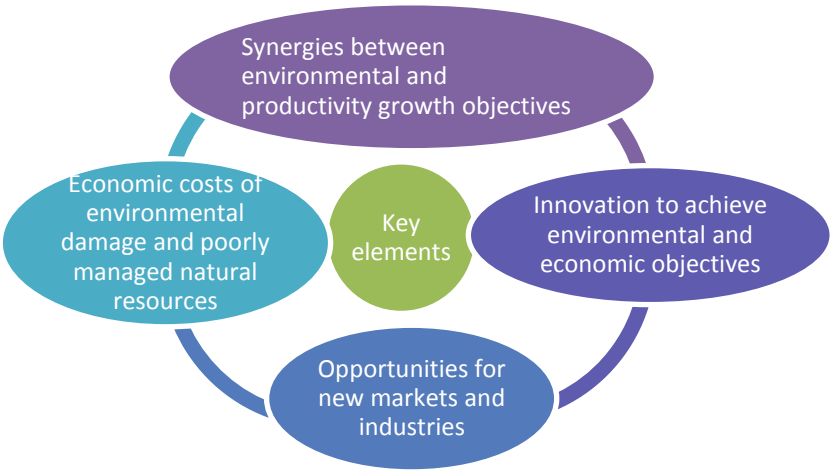
[23] "Multinationals as global institution: Power, authority and relative autonomy",J. G. Ruggie , 8 June 2017, p. 85

influence of breathing smoke from poorly-combusted biomass fuels in households. Aviation and marine transport is costly for importing countries, because of the dependence on liquid hydrocarbons for vehicle. It is not only a source of strain in geopolitical relations , but also a major source of air pollution. The dirtiest of all fossil fuels is coal when it is burned. Poor combustion of coal can strictly contaminate indigenous air quality. Simultaneously, coal is mainly affordable and resources are amply divided across many regions.

The economic crisis carried profound recession in 2008 and all-time high fossil fuel prices. These days geopolitical occasions are pressing prices higher. They yield near-term risks to economic operation and opposite medium and long-time risks to the world's natural capital. A clean energy engine to fuel green growth will extend global energy safety, enable responsible environmental management and support economic growth.[24] Uncertainty over the economic costs of conventional energy resources, doubled with the need to neglect regional pollution and climate change influences has created considerable pressure to diversify energy systems and to fundamentally increase the efficiency of energy production, storage, distribution and consumption. As a result , energy efficiency is obviously one of the essential keys to prolonged environmental sustainability. All in all, four key factors supply the economic rationale for putting the energy sector on a green rise path (Figure 1).

Figure 1. Economic rationale for green energy

[24] D'Aspremont, Jean. "Participants in the International Legal System: Multiple Perspectives on Non-State Actors in International Law". New York: Taylor & Francis, 2011, p. 127



Source: Prepared by the author based on OECD green increase studies: energy report 2016

Economic costs of environmental harm and modestly conducted natural resources: Failing to appeal environmental concerns and not controlling natural resources poses considerable risks to long-term economic rise, through increasing prices resulted in resource shortage , the rising burden of environmental harm caused by the traditional consumption of fossil fuels and to well-being through the detrimental effects of climate change and the damage to human health caused by pollution.

Innovation to attain environmental and economic targets: Innovation is radical to the goals of green growth in that it can contribute to decouple environmental harm from economic rise, and is also at the main of economic targets ,for example productivity rise and job creation. It suggests the prospects to encounter environmental problems at a reasonable cost. Innovation is especially vital in the energy industry, since we seek forms of energy that impose fewer environmental costs and tools of developing efficiency in consumption as prices increase.[25]

Interaction between environmental and efficiency rise goals: Advanced resource productivity and energy efficiency, by innovation and arrangement of

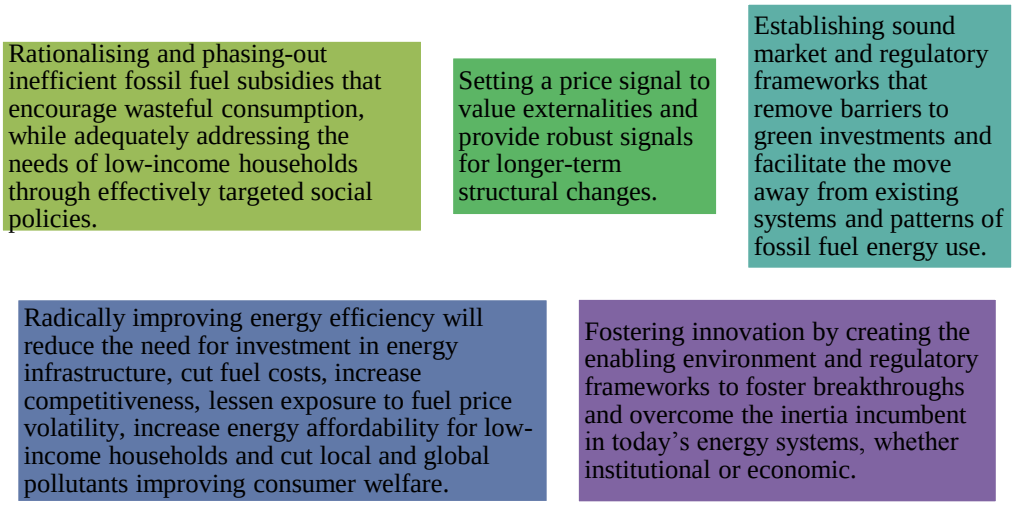
[25] "Multinational Corporations In The Architecture Of Global Economy", The USV Annals of Economics and Public Administration , Volume 12, Issue 2(16), 2012 , p.114

energy technology or processes, holds up decoupling among economic rise, environmental harm and resource degradation.

Possibilities for modern markets and industries: Shifting toward green growth in the energy sector will demand new technologies, fuel sources, processes and services. There are also increasing demands from buyers and investors for environmentally friendly products, services and production operations in the energy sector. Companies that are nimble in the face of these alterations will be well positioned to both aid to and profit from them.

Arranging the energy sector with a green growth framework needs an obvious realizing of national priorities. Whereas fostering greener growth will need global co-operation, it is mostly a national matter and the policy combine will consequently, stand out across countries, according to indigenous environmental and economic situations, institutional settings and phases of development. Policies will require to take into consideration the inter-relationships among economic sectors, transports, land-use patterns, social welfare and environmental unification. A range of mutually amplifying measures is demanded to apply market failures and obstacles, and establish the enabling policy conditions for large private-sector investment (Figure 2).

Figure 2. Policy leverages for private-sector investment reinforcement



Source: Prepared by the author based on OECD green increase studies: energy report 2017

Investment in adequate research and temporary support for the advancement and commercialization of green technologies will be required in certain cases. Intellectual property protection is vital to the industry since expressed in the increasing numbers of environmentally friendly technology patent applications. Additionally, governments need to carry out effective policies for green energy innovation that aim at the cost competitiveness gap whilst also fairly inflecting the completeness and competitiveness of individual technologies and markets.

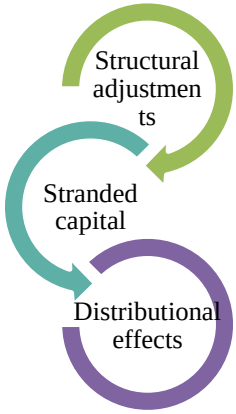
To accomplish a green energy revolution and large-scale CO2 emission diminution, entire technology choices will be needed. Energy productivity, a lot of types of alternative energy, carbon capture and storage, nuclear power, smart grids and contemporary transport technologies can all tribute to curtailing greenhouse gas emissions, whereas stimulating energy safety and conveying broad environmental and social advantages. Restraining the kinds of technology that can be used in the energy sector alteration will substantially rise costs. [26]

Policy obligations to green energy rise are important to providing policy certainty, vivid direction for infrastructure investments and applying structural transformation. Adoption of detailed strategies for energy productivity, for instance the International Energy Agency (IEA) 25 energy rationality policy recommendations, ensure durable policy platforms for green energy growth.

Tailor-made energy policies for economies at various development period can make up the driver for a favorable change to green rise in the energy sector and the broad economy. The issues to project and fulfill such a policy package with a consecutive framework are significant. Numerous energy systems are “locked-in” to superior carbon production and consumption models that can be tough to break for reasons that stand behind simple economics (Figure3).

[26] Report on Energy, OECD Green Growth Studies ,2011, p. 106

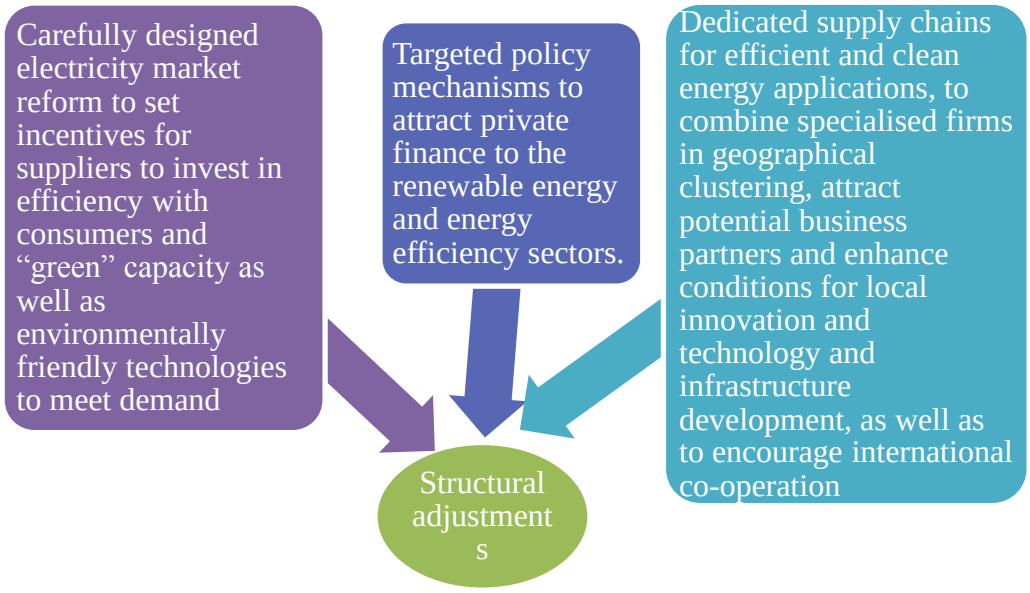
Figure 3. Common political economy challenges



Source: Prepared by the author based on International Energy Agency annual report 2017

Structural regulations: structural alteration includes not only a breakthrough of up-to-date technologies, but also proper shifts in the broader supporting system of infrastructure, supply chains, markets and adjustments. Policies should aim to apply hindrance to alter across the whole energy system and speed up the "creative destruction" process (Figure 4).

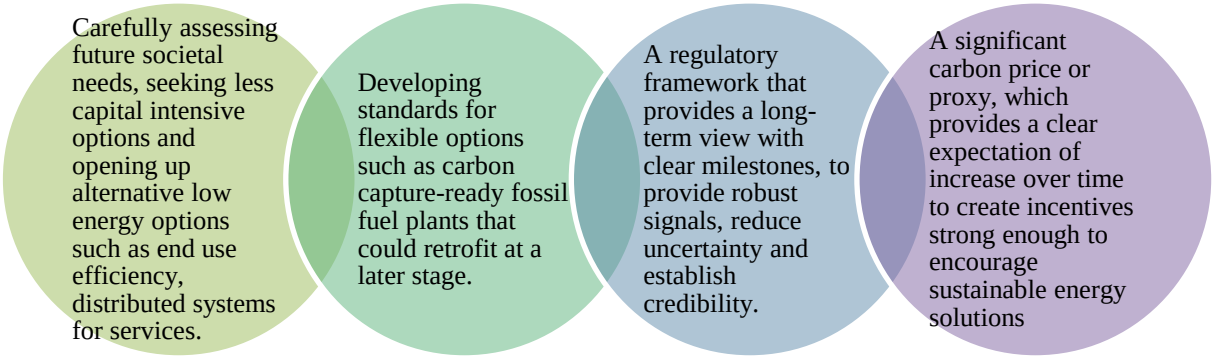
Figure 4. Specific actions for energy system amendment



Source: Prepared by the author based on International Energy Agency annual report 2017

Stranded capital: Sunk capital that is at hazard of being stranded can act as a barrier on the ratio of alteration towards cleaner energy systems (Figure 5).

Figure 5. Capital requirements for the political economy



Source: Prepared by the author based on International Energy Agency annual report 2017

Distributional impacts: reconstruction of the energy sector is predicted to have (relatively small) immediate employment changes and extensive equilibrium impacts across the economy as well as among countries. Policies should aid to provide that whereas there will be winners and losers, the regulations can be attained in a way that is consistent with adequate social policies (Figure 6).

Figure 6. Specific policies for distribution

Source: Prepared by the author based on International Energy Agency annual report 2017

Government progress on carrying policies that encourage green growth in the energy sector can be estimated using well-designed operational sets of indicators, which the IEA and OECD are presently improving in consultation with a broad group of stakeholders.

The OECD has improved a conceptual framework for controlling progress towards green growth, adding a set of indicators. Whilst the set of indicators is yet being refined, main indicators suitable to the energy sector are those that gauge the carbon efficiency or intensity of energy generation and consumption (on different levels, involving national and sectorial), energy intensity and productivity, "clean" energy-related research and development and patents, additionally ,measures of energy associated with taxes and subsidies.

This wants to be complemented with energy end-use indicators that assist policy makers realize how users will reply to alterations in energy prices, income, technology, energy efficiency, production patterns, and lifestyle beside energy-environment indicators, and with indicators defining the level of approaching to energy.

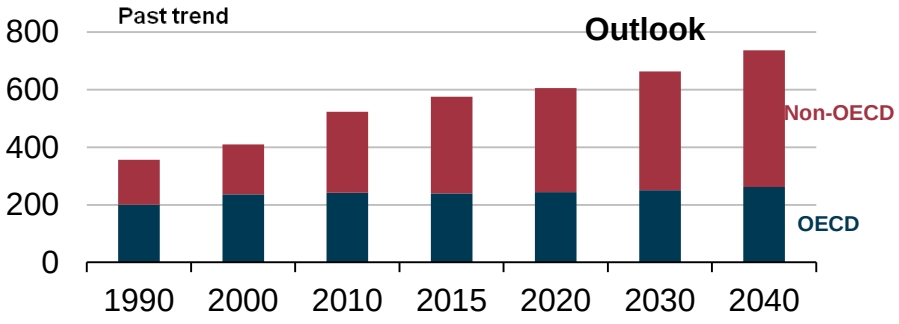
Whereas energy statistics and balances are usually well created in countries and at international level, assessing energy efficiency and innovation is hard, and coherent industry level data is insufficient. More needs to be done develop information quality, methodologies and definitions, and to connect the information to economic data.

3.1.2 Future forecasts on energy improvement

Total world energy consumption increases from 575 quadrillion British thermal units (Btu) to 736 quadrillion Btu between 2015 and 2040, a rise of 28%. Most of the world's energy growth will happen in countries which are the outside of the Organization for Economic Cooperation and Improvement (OECD), where intense , long-time economic rise drives increasing demand for energy. Non-OECD Asia (including China and India) only makes up over a half of the world's total growth in the consumption of energy over the 2015 to 2040 projection time.[27] By 2040, usage of energy in non-OECD Asia suppresses that of the whole OECD by 41 quadrillion Btu (Figure 7).

[27] Report on World Energy Resources 2016 , p. 47

Figure 7. World energy consumption for 1990-2040

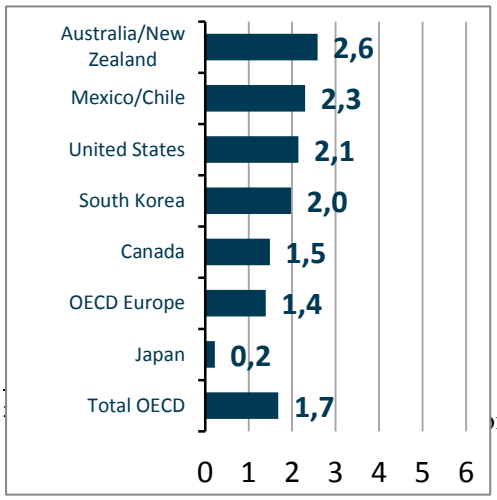


Source: EIA, International Energy Outlook 2017

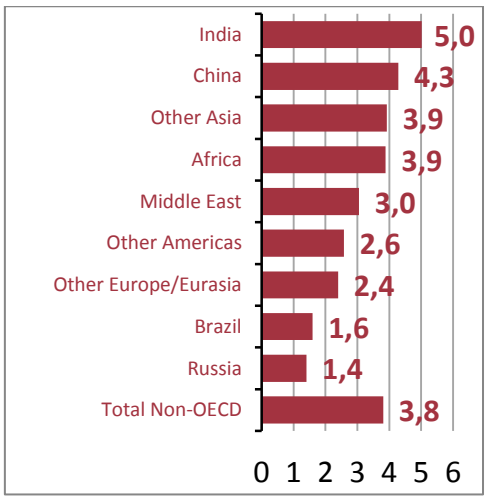
Economic growth —as evaluated by gross domestic product (GDP)—is an important factor in the rise of energy demand. The world's GDP (indicated in purchasing power parity terms) increases by 3.0%/year between 2015 and 2040. The fastest ratio of increase are planned for the emerging, non-OECD districts , where combined GDP grows by 3.8%/year, followed by the fast-paced rise in future energy consumption among those nations. In the OECD areas, GDP increases at a much slower percentage of 1.7%/year from 2015 to 2040, at least in part, because of slow or decreasing population rise in those regions. Economic increase—as estimated in gross domestic product (GDP)—is an essential element in the rise of energy demand. The world's GDP (indicated in purchasing power parity terms) increases by 3.3%/year between 2012 and 2040. [28]

Figure 8. Average annual percent change in real GDP by region, 2015-40

OECD Non-OECD



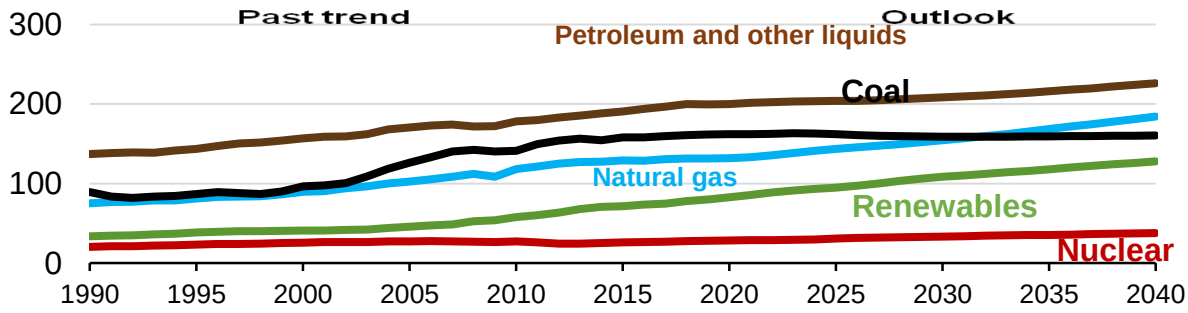
om poverty to prosperity", OECD/IEA 2017, p.154



Source: EIA and Oxford Economic Model (March 2017)

In the long period , projects rose world consumption of energy from all fuel sources—besides coal, where demand is considerably stable —through 2040 (Figure 9). Alternative energy is the world's increasing energy source, with consumption increasing by an average 2.3%/year from 2015 to 2040. Nuclear power is the world's second increasing source of energy, with consumption rising by 1.5%/year over given time.

Figure 9. World energy consumption by energy source for 1990-2040



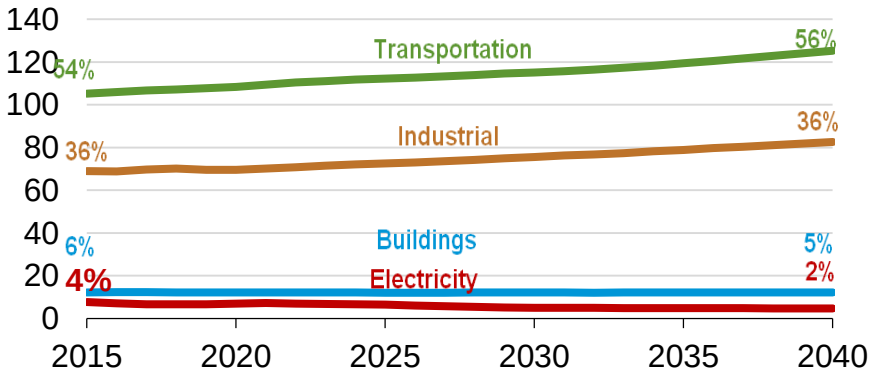
Source: EIA, International Energy Outlook 2017

Compared to the intense rise in coal use in the 2000s, the usage of coal remains stable all over the world . Coal is rapidly replaced by natural gas, alternative energy sources, and nuclear power (in the case of China) for electric power generation, and demand for coal mitigates for industrial processes as well. China is the world's biggest consumer of coal, while coal use is planned to reduce in China by 0.6%/year between 2015 and 2040. With coal consumption in India

and other nations in non-OECD Asia increasing during the projection time, total coal consumption is not as low as it would otherwise be in 2040. The coal share of total world energy consumption decreases considerably within the projection time, from 27% to 22% between 2015 and 2040.[29]

World consumption of petroleum and other liquid fuels increases from 95 million barrels per day (b/d) to 104 million b/d between 2015 and 2030 and to 113 million b/d in 2040. Majority of the rise in the use of liquid fuels is in the transportation and industrial sectors. In the transportation sector, liquid fuels follow to supply majority of the energy consumed. Despite improvements in no liquids-based transportation technologies are predicted, they do not completely offset the increasing demand for transportation services all over the world . Liquid fuels used for transportation rises by an average of 0.7%/year between 2015 and 2040. The transportation sector make up 60% of the total growth in delivered liquid fuels consumption. Most of the remaining rise in the use of liquid fuels is attributed to the industrial sector, where the chemicals industry follows to use large quantities of petroleum during the projection. The consumption of liquids reduces for electric power generation. (Figure 10).

Figure 10. Refined petroleum and other liquids consumption by end-use sector for 2015-2040



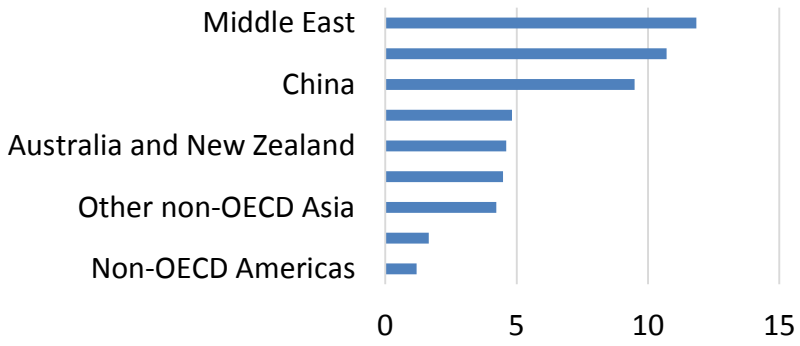
Source: EIA, International Energy Outlook 2017

[29] Report on Correlation and causation between energy development and economic growth, Economic Consulting Associates January, 2014 , p.33

By energy source, natural gas constitutes the largest growth in world essential energy consumption, second merely to alternative energy sources. Abundant natural gas resources and increasing production help to the powerful competitive location of natural gas among other resources. Natural gas stays an important fuel both in the electric power sector and the industrial sector. In the power sector, natural gas is an attractive opt for new producing plants due to its relative fuel efficiency. Natural gas also turns on more cleanly than coal or petroleum products, and that is why more governments starts fulfillment of national or regional plans to decline carbon dioxide (CO2) emissions, they may stimulate the consumption of natural gas to mix more carbon-intensive coal and liquid fuels.

To meet the growth in planned natural gas consumption, the world's natural gas producers rise provision by 42% between 2015 and 2040. The largest growths in natural gas production between 2015 and 2040 happen in the Middle East (11.8 Tcf), China (9.5 Tcf), the United States (10.7 Tcf), and Russia (4.8 Tcf) (Figure 11). In Russia, production rise is supported originally by increasing development of resources in the country's Arctic and eastern areas. U.S. production growth descend basically from shale resources. In China, majority of rise in the long-term stems from the country's advancement of its shale resources, which are planned to make up over a half of its total natural gas production in 2040.

Figure 11. Increase in natural gas production, 2015-40

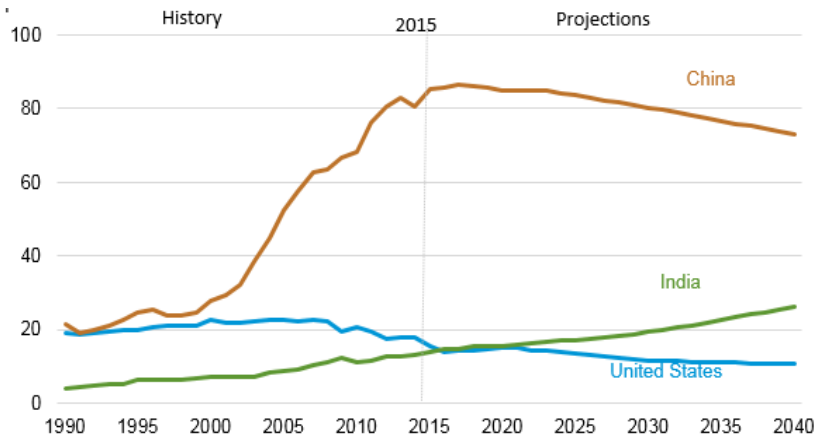


Source: EIA, International Energy Outlook 2017

World natural gas trade, either by pipeline or by shipment in the shape of liquefied natural gas (LNG), is caused to rise in the future. World LNG trade approximetaly triples, from around 12 Tcf to around 31 Tcf between 2015 and 2040. Majority of the near-term growth in liquefaction happens in Australia and North America, where a number of new liquefaction plans are projected or under construction, many of that will be operational during the next decade. U.S. LNG exports are planned to rise considerably over the planned time and to constitute over 60% of total U.S. natural gas exports in 2040.[30]

Worldwide usage of coal remains stable, increasing by 0.2%/year between 2015 and 2025, and then reducing by 0.1%/year, approaching 161 quadrillion Btu in 2040. The top three coal-consuming countries : China, the United States, and India, which together hold about 70% of world coal consumption within the projection. At the present ,only China makes up slightly over a half of the world's total coal consumption, however a slowing economy and plans to fulfill policies to apply air pollution and climate change indicate that coal use in China will reduce over the projection time (Figure 12).The projections of coal use comprise the influence of the Clean Power Plan (CPP) regulations in the United States.

Figure 12. Coal consumption in China, India and the United States



[30] Report on Energy Efficiency , 2017, International Energy Agency, p. 24

Source: EIA, International Energy Outlook 2017

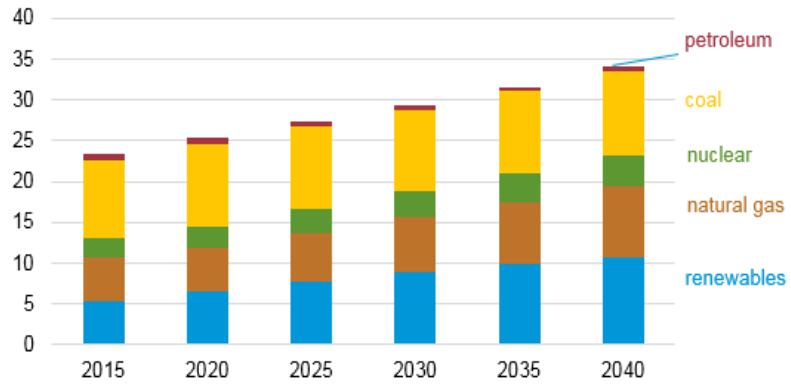
Global coal production is planned to maintain at approximetaly 9 billion short tons between 2015 and 2040. Despite the total world production capacity do not alter over the projection, the producer profiles will probably change. China, the United States, and India are annually the world's biggest coal producers, however India is the sole one of the three countries in which coal production rises. Coal production either in China or the United States reduce through 2040. In the projection, India's coal production passes U.S. energy generation by 2025, and by 2040, India is planned to generate twice as much coal as the United States. Except India, coal production is predicted to grow primarily in Australia, in nations of Asia , besides China and India, and in Africa. China—at the present the world's first coal producer—will experience a decrease in its market share of world coal production, which drops from 50% to 42% between 2015 and 2040, since India's share increases from 8% to 14% between 2015 and 2040.

World net electricity production rises by 45%, increasing from 23.4 trillion kilowatt-hours (kWh) to 34.0 trillion kWh between 2015 and 2040. Electricity is the world's rapidly increasing form of end-use energy consumption, since it has been for many decades. Power systems chase to develop from isolated, noncompetitive grids to combined national and international markets.

Long-time international prospects follow to advance for generation from renewable energy sources and natural gas (Figure 13). Renewables are fastly increasing source of energy for electricity production, with average rises of 2.8%/year between 2015 and 2040. Non-hydropower energy resources are the rapidly increasing power sources for new generation capacity either in the OECD or non-OECD regions. Non-hydropower renewables made up 7% of total world production in 2015; their part in 2040 is 15%, with more than half of the growth coming from wind power. Afterwards alternative energy sources, natural gas and

nuclear power are the next rapidly increasing sources of energy used to produce electricity.[31]

Figure 13. World net electricity generation by energy source

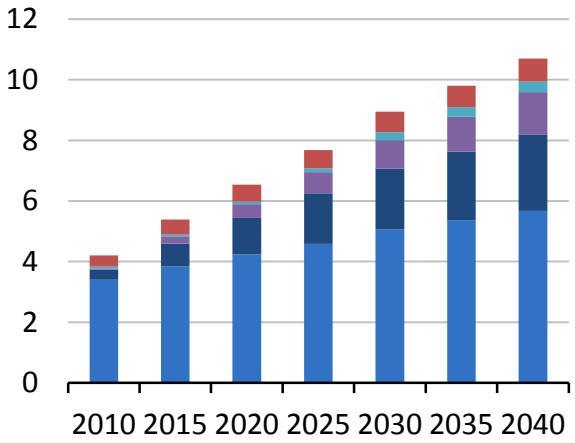


Source: EIA, International Energy Outlook 2017

Numerous countries have accepted environmental policies and regulations intended to rise the pressure on electric power generators to decline greenhouse gas emissions from electric power plants by reducing the consumption of fossil fuels. As a consequences, the compatible role of coal as cheaper fuel for electric power plants will alter . Coal-fired net generation rises by 0.4%/year, compared with the 2.8%/year growth in planned renewable generation. By 2040, generation from alternative energy sources exceeds generation from coal all over the world .

Figure 14. World net electricity generation from renewable power for 2010-2040

[31] World Energy Scenarios 2016 , World Energy Council , p. 83



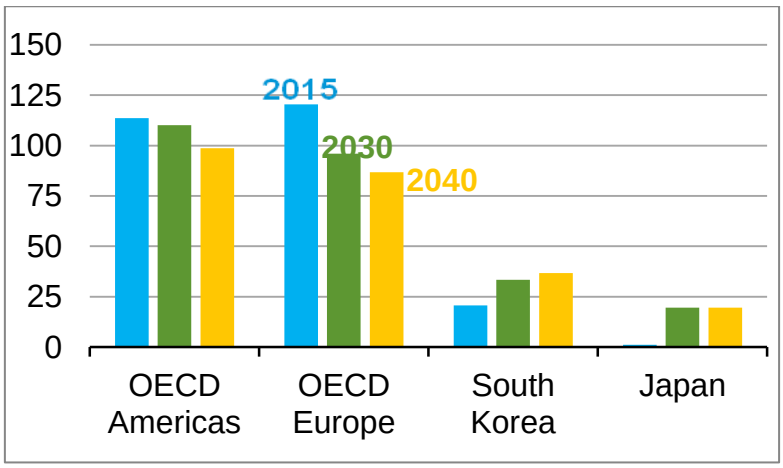
Source: EIA, International Energy Outlook 2017

Electricity production from nuclear power worldwide rises from 2.5 trillion kWh to 3.2 trillion kWh I between 2015 and 2030 , as well as, to 3.7 trillion kWh in 2040. Concerns about energy security and greenhouse gas emissions support the development of new nuclear producing capacity, nevertheless, reactor retirements and opposition from local populations preserve nuclear from extending in many regions of the world. [32]

The consolidated capacity of all OECD nuclear power plants declines by a net 14 GW between 2015 and 2040. Among the OECD districts , barely South Korea has a sizable (16 GW) growth in nuclear capacity. Capacity decreases in the United States, Canada, OECD Europe, and Japan (where nuclear capacity in 2040 maintains lower than the total before the March 2011 Fukushima Daiichi nuclear disaster) more than offset the rise in South Korea's nuclear capacity (Figure 15).

Figure 15. Nuclear electricity generating capacity for 2015-2030-2040

[32] Annual Energy Outlook 2017 with projections to 2050 , January 5, 2017, p. 65



Source: EIA, International Energy Outlook 2017

From a long-lasting point of view, we would yet need to project for our energy future. Fossil fuels, which constitute the most of worldwide power today, are a plentiful , but radically limited resource. Alternative energy sources such as wind, solar, and hydroelectric power have various barriers : they are puzzling . There is a prolonged solution to the issue , although, that overcomes all of these challenges : nuclear fusion.

Lastly , any consideration of the world's energy future must touch on nuclear power issue . It encounters 13-14% of the planet's energy demand , and will likely stayed in the picture although tragedies such as the Fukushima meltdown. As it's also a politically prominent energy source (if not a publicly well-known one) it is still maintained to play a considerable role in producing carbon-free energy as the world moves to appeal the climate crisis. It is expected that far more nuclear power plants will be applied , while not many -- they are likely to be replaced by safer, truly alternative sources , for instance wind, solar, and geothermal.

Conclusion

The giant MNCs represent today-true economic, political, even cultural power, impossible to neglect in the modern business environment. The global companies

have turned out an vital presence in the global business area, and their position becomes to unify in the future as well. These organizations have created new mechanisms and have defined transformations in the present-day competitive milieu. Simultaneously, they have strictly brought into consideration the role of the nation state and even opened the path to the erosion of its location in the field of world business.

Another vital point is that both international companies and their investment steps have a major influence on locating the economic operations in the world, upon the global trade pattern and the national rising rates of both economy and efficiency. Independence of the improvement degree of every country, MNCs represent vital technological sources, capital, knowledge; their motion has a major affect towards the global dispension of wealth.

These days the MNCs comes out as a real international economic system, a complex mechanism that has dispersed elements all over the world, yet which are interconnected, improving and changing themselves permanently. This evolution and alteration is an active answer to the transformations of the global business environment, focused on the crucial objective that is of evaluating the competitive benefits and maximizing the profits.

The changes from the global business side have significantly grown the opportunities for the international organizations; the expansion of multinational corporations was stimulated by the following sides: refraining from totalitarian regimes, the centralized managing in numerous countries, the inclination to pursue the economic liberalism. Another incentive can be considered the growth of the private sector in nearly all developing economies; other incentives are the rapid technological changes that modify the organizations and the global area of production, the market integration, the extension of the arrangements regarding regional unification.

Now I want to highlight some issues which are associated with MNCs. Above all, a few vital observations can be made. With trade and investment obstacles on the edge of being immoral globally, the penetration of MNCs across the globe, especially in developing markets is bound to increase. This would be resulted in further clawing their path into the interior workings of powerless governments and rise their socio-politico-cultural impacts. By merging numerous MNCs, they are increasing their powers and would be harder to withstand.

Foreign direct investments have own pros and cons. However, they should not be neglected for fear of their contrary effects. In turn , policies should be established to better use them as the host country observes fit. Foreign investment is one of the main factor of encouraging development, but it should never been considered as an alternate to domestic investments, but rather a helping addition.

Developing countries need to improve more local industries that are able of competing on a global business, in a market full of international corporations. This cannot be done if indigenous industries are taken into consideration as an infant industries and provided subsidies so they could play without hazard, rather they should be induced to contend with the best of them, which would enable them to rise their productivity.

Less developed countries should concentrated internally and advance basic areas, so as to better contest against giant organizations and hinder them from dominating the market. This can only be done if they are made to come to economies of scale and plan on managing on a global scale, rather within the barriers of a few indigenous markets.

Multinational corporations are a reality and they are there to stay for the predictable future. MNCs with their political and economic strength will be efficient in all spheres of our lives , and they will pursue to grow and affect on international relations with various outcomes in the future.

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