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THE IMPACT OF TNCs TO WORLD ECONOMY

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Content

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Abstract

Transnational Corporations are one of the most important actors in world economy. They occupying more powerful position and large proportion of world trade and shaping global “game rules". The modern era is characterized by a historic stage of development, where the problem of sustainability of socioeconomic development at the level of both global and separated countries is sharply actualized. In this sense, it is logical to achieve the functional commitment of the capital flows, which is the main driving force of the economic process, to the real sector. Taking into account that international migration of capital from the second half of last century has reflected new features, the global level of redistribution of economic power has risen to a new level of transnationality that shapes inevitability, and we have to admit the inaccuracy of the national development trajectory beyond this background. The major economic subjects created by the transnationalization process have made cardinal changes in the architecture of the world economy, as becoming the main actor of globalization. The active involvement of the transnationalization process involves the effective use of transnational capital in the domestic economy on the one hand, while on the other hand, national capital is included in the geo-economic recycling process, that is, the transnationalization of national capital.

Thus, the process of capital transformation has a special pre-requisite for the developing and third world countries. In such cases, the examination and application of advanced foreign experience as well as foreign capital investment is highly contemporary.

Introduction

Globalization has become an important feature of the modern world system, under which economic development within the national framework and external economic ties are inextricably linked. A characteristic feature of globalization is international flows. Basically, these are flows of capital and information, circulate between transnational corporations (TNCs).

Transnational economy was formed and formed in the second half of the 20th century and now its significance for the economy, political and social situation in the world is only increasing. The consequences of TNC actions are increasingly felt by all countries, which is moving towards integration with the world system.

The world economy today is represented primarily by a transnational economy. The problems of the formation of transnational corporations and the impact on the national and global economy are among the most significant in the context of the intensification of world economic relations. The leading role of TNCs as subjects of international economic relations is recognized by both Western science.

International corporations, on the one hand, are a product of rapidly developing international economic relations, and on the other hand, they themselves represent a powerful mechanism for influencing them. Actively influencing international economic relations, transnational corporations form new relations, modify their existing forms.

The purpose of the course work is to study the role of TNCs in the global economy.

To achieve this goal, it is necessary to solve the following tasks:

- study the theoretical aspects of TNCs;

- consider the prerequisites for the formation of TNCs;

- analyze the activities of TNCs in modern conditions;

The object of research is transnational corporations as the driving force of the transnationalization process. The subject of the study is the dynamics of the development of TNCs.

Documentary and other foundations were inspired on textbooks on the course of the world economy.

1. Theoretical concepts of TNCs

1.1. TNC: concept, structure

As a rule, the term corporation is used to firms, concerns, which function with the participation of share capital. Corporation - established in English-speaking countries the name of the joint-stock company.

TNK is a form of international pooling of capital when the parent company has branches in many countries, coordinating and integrating their activities.

The country in which the head company is located is called the home country. Usually this is the country where the corporation originally originated.

A characteristic feature of TNCs is the combination of centralized management with a certain degree of autonomy of its legal entities and structural units (branches, representative offices) located in different countries.

In practice, the following controls are used by the parent company over its subsidiaries:

1. The prevailing share in the authorized capital. In foreign branches of TNCs, the parent company accounts for more than 10% of shares or their equivalent;

2. Possession of necessary resources (technological, raw materials, etc.);

3. Appointment of personnel to key posts;

4. Information (marketing, scientific and technical, etc.);

5. Special arrangements, for example, on securing sales markets;

6. Informal mechanisms.

TNK uses a comprehensive global business philosophy, which provides for the functioning of the company both domestically and abroad. Usually companies of this kind resort in their economic activities to virtually all available operations of international business.

Transnational corporations are international companies. They are international in the nature of their activities: they own or control the production of products (or services) outside the home country, around the world, having their branches operating in accordance with the global strategy developed by the parent company. Thus, the "international approach" of TNCs is determined by the role that foreign operations play in all aspects of the economic life of these companies. If in the early stages of this process, foreign production was only episodic, then later it became a significant and even determining factor.

"Multinationality" of the company can manifest itself in the sphere of property. Although the criterion of this "internationality", as a rule, is not property, but capital. In addition to several multi-national capital companies, in all the rest the core of property is based on the capital of one, not of different countries.

It should be noted that at present the criteria for assigning corporations to transnational corporations are used and proposed for use:

1. The number of countries in which the company operates (according to various proposed approaches, a minimum of 2 to 6 countries);

2. A certain minimum number of countries in which the company's production facilities are located;

3. A certain size that the company has achieved;

4. Minimum share of foreign operations in the company's income or sales (usually 25%);

5. Ownership of not less than 25% of "voting" shares in three or more countries is the minimum equity participation in foreign share capital that would provide the firm with control over the economic activities of a foreign enterprise and would represent direct foreign investment;

6. Multinational composition of the personnel of the companies, the composition of its top management.

Thus, it is clear that the signs of TNCs belong to the sphere of circulation, production and property.

The United Nations, which studies the activities of international corporations, for a long time attributed to them such firms that had an annual turnover exceeding $ 100 million and branches in no less than 6 countries.

One of the criteria for classifying a company as transnational is the composition of its senior management, which, as a rule, must be formed from subjects of different states, in order to exclude the unilateral orientation of the company's activities on the interests of any one country. To ensure the multinationality of the top management layer, it is necessary to practice recruitment in the countries where TNK subsidiaries are located and provide them with the opportunity to advance to the top management.

Given that the wording of the concept of "transnational corporation" affects the interests of many states, a compromise version of the definition of "TNCs" in the UN Commission on Transnational Corporations states that TNCs are a company:

1. Including units in two or more countries, regardless of the legal form and field of activity;

2. Operates within a decision-making system that allows for a coherent policy and implementation of a common strategy through one or more governance centers;

3. In which individual units are linked through ownership or in some other way so that one or more of them can have a significant impact on the activities of others and, in particular, share knowledge, resources and responsibilities with others.

Organizational management structures of TNCs are directly related to their essential characteristics. Despite the extensive network of foreign branches, representative offices and subsidiaries, TNCs have a certain home country or a country of official legal registration of the head office. The top management of the head office is vested with the authority to monitor the entire "pyramid" of the company, including its foreign divisions. This gives the management system a rigidly centralized character.

Recently, significant changes have taken place in the structure of TNCs, the main of which are related to the implementation of the so-called integrated strategy.

The strategy of TNCs is based on a global approach that provides for the optimization of the result not for each individual link, but for unification as a whole.

A comprehensive strategy is to decentralize the management of an international concern and significantly increase the role of regional management structures. Such a policy became possible thanks to advances in communication and information technology, the development of national and international data banks, and ubiquitous computerization. It allows TNCs to coordinate the production and financial activity of foreign affiliates and subsidiaries. Integrated integration within TNCs requires an integrated organizational structure, which is expressed in the creation of regional management systems and organization of production.

Regional management systems are divided into three main types:

1. The main regional offices responsible for all activities of the concern in the relevant region. They have all the rights to coordinate and control the activities of

all branches in the relevant region (for example, the main regional office of the American concern "General Motors" to coordinate the activities of branches in Asia and Oceania is located in Singapore);

2. Regional production departments that coordinate the activities of enterprises along the line of product movement, i.e. corresponding to the production chain. Such departments are responsible for ensuring the effective operation of the relevant enterprises, the smooth functioning of the entire technological chain, are subordinated directly to the main regional management of the concern. They are aimed at developing effective types of productions, new models and goods;

3. Functional regional administrations provide specific activities of the concern: sales, supply, customer service after the sale of goods, research and development, etc. These administrations are responsible for the performance of all relevant structures at the regional or global level.

Decentralization of management has led to a reduction in financial and economic control by the head office and greater maneuverability of foreign units in decision-making. Despite this, the centralization of management, which existed for many years, has led to the fact that many TNCs still have a clearly expressed vertical management structure with rigid hierarchy and delegation of authority from the top management to the lowest. Vertical integration allows TNCs to manage both the company's core business and related activities primarily in technologically consistent stages of production. The need to diversify production, introduce into new areas of activity has caused changes in the management structure of a number of TNCs. In companies, the matrix management structure was successfully introduced. At the same time, a number of TNCs considered this form of management excessively cumbersome, which prompted a return to simpler forms of vertical and horizontal connections.

Currently, it is customary to distinguish the following types of TNCs:

1. Horizontally integrated corporations with enterprises that produce most of the products. For example, the production of cars in the US or a network of enterprises "Fast Food";

2. Vertically integrated corporations that unite under one owner and under common control the most important spheres in the production of the final product. In particular, in the oil industry, crude extraction oil is often carried out in one country, refining - in another, and the sale of final oil products - in third countries;

3. Diversified transnational corporations, which include national enterprises with vertical and horizontal integration. A typical example of a corporation of this type is the Swiss corporation "Nestle", which has more than 90% of its production abroad and is engaged in restaurant business, food production, cosmetics, wines, etc.

Thus, it can be concluded that the organization of intra-company management within TNCs is a constantly evolving process, corresponding to the changes occurring in the production of TNCs.

1.2. Sources of effective TNC activities

The reasons for the accelerated growth of TNCs, above all, are that they concentrated research and development in their hands and secured a monopoly on advanced technology in their chosen fields of activity. As a rule, TNCs produce the most perfect products or whole families of goods that are in high demand all over the world, under their own brand. Using the most advanced technology and organization of production ensures high efficiency and profitability of production. It is no accident, therefore, such firms strive to fully realize their advantages through expansion in foreign markets.

Export of capital and organization of production abroad further increase the competitiveness and power of corporations, whose activities are based on the use of scientific, technical and organizational progress. The export of capital has as its goal the intensive development of new capacious markets. In this respect, the markets of major developed countries are especially attractive. At one time, the most attractive market for new products was the US market. With the formation and expansion of the common market in Western Europe and the growth of per capita income, this region is becoming an increasingly attractive target for the expansion of TNCs.

The export of capital may also have the objective of obtaining an exclusive or preferential right to exploit the sources of cheap raw materials and cheap labor. In this case, developing countries may be interested in investing capital.

In recent years, increasing importance is attached not to the natural resources of a particular country, but to the so-called "acquired abilities for production" educated and skilled workforce, advanced technology and best practices in organization and management. In view of this, developed countries are doubly attractive for direct investments, as the problem of sales markets and the use of valuable resources are simultaneously being resolved to increase efficiency and expand production.

TNCs are developing a network of their overseas offices, seeking to embrace it, if not the whole world, then at least strategically the most important countries and regions. At the same time, the number of agreements between TNCs on scientific and technical cooperation is rapidly growing, which should further strengthen their competitive positions. In this regard, we can talk about a new trend of "transnationalization of research and development" and the formation of "international strategic alliances" in the field of entrepreneurial activity.

The next basis for the competitiveness of TNCs, along with advanced technology and the use of the world's best resources, is the integration of the entire technological chain from raw materials to finished products and related industries in one hand. This allows the most effective development of the international division of labor and create highly effective combinations of production, providing end-to-end quality control from raw materials to final products.

An important element of the competitiveness of TNCs is the opportunity for them to develop a strategy based on the broadest possible consideration of the various perspectives of scientific, technological and organizational progress and the changing conditions of world economic development. TNCs successfully solve the problems of reducing the costs of raw materials and materials, as well as labor per unit of finished products.

However, an increasing problem for them is the tendency of a rapid increase in costs associated with the development of a development strategy. This refers primarily to the full range of costs associated with the implementation of innovations. Especially significant are the costs of research and development. Even firms with an annual budget for these purposes estimated at billions of dollars are forced to enter into agreements with other TNCs in order to be able to solve scientific and technical problems of ever increasing complexity in a short time and maintain their leading positions in the field of applying the most advanced technology.

A very important condition for increasing the efficiency of TNCs, especially European and American, was their transformation from hierarchical structures managed from one center according to the system of relations between parent subsidiaries, into polycentric structures. These structures, while preserving the advantages of a global organization, better use the advantages of individual countries and regions.

Their activities are more in line with the interests of the countries in which their enterprises are located. Such an evolution of the organizational principles of building TNCs has become a powerful incentive to change the attitude of their national governments.

1.3. Prerequisites for TNCs formation

Some firms that have signs of transnational corporations have appeared a long time ago. So, East India Company was formed in 1600, some other large firms have existed for more than one century. However, mainly the formation of transnational corporations dates back to the 60s of the 20th century.

Since the second half of the 1980s, the newest stage of the globalization of world production has begun. The first stage lasted 30 years, before the outbreak of the First World War. The second one is 25 years after the Second World War. Between the second and third stages, there is a pause in the intensive growth of international direct investment, occurring in the 70s and the first half of the 80s. Each stage of intensive formation and development of transnational enterprises was accompanied by an accelerated growth of the world economy.

In the middle of the 19th century, before the international entrepreneurship was developed in a powerful way, local production prevailed throughout the world. Approximately 90% of all goods and services were produced then on the basis of raw materials and materials that firms purchased within a radius of 150 km, and the vast majority of the products were sold in the same range. Today, in industrialized countries, on average, half of the output is produced by overseas subsidiaries and subsidiaries of TNCs. Approximately the same share of raw materials is imported or produced by foreign branches.

Characteristic is the export of capital from industrialized countries. In the period 1903-1913, the export of capital from England averaged 7% of the national income. In general, the share of England before 1914 accounted for more than 50% of all exported international capital. Foreign investments were distributed as follows: 40% were invested in the railway, 30% - government and municipal loans.

In the period between the first and second world war, the direction of investment begins to change: the countries of Western Europe, and especially England, lose their position as creditors and exporters of capital, and American capital increasingly penetrates into Western Europe. A characteristic feature is that 25% of the total amount was direct investment. Massive movement of American capital abroad and the establishment of subsidiaries there began soon after the Second World War.

The reasons for the emergence of TNCs include their desire to withstand tough competition, the need to withstand competition on an international scale.

The formation of TNCs is also connected with the fact that it gives great advantages in the sphere of international trade, allowing more successfully to overcome numerous trade and political barriers. Instead of traditional exports, which face numerous customs tariff barriers, TNCs use subsidized foreign companies as their external bridgehead within the customs territory of other countries from which they seamlessly penetrate their domestic markets. However, in modern conditions, this driving force for the creation of transnational corporations has its own characteristics. Often, TNCs operating within integration groups created as free trade zones, customs or economic unions characterized by the complete abolition of customs barriers, export of goods more profitable than the establishment of a subsidiary abroad.

The factor that influenced the emergence of TNCs, of course, is their desire to receive super profits.

In the course of TNC development, a fundamentally new phenomenon emerged - international production, which gives corporations the advantages that result from differences in the economic conditions of the home country of the parent company and the host countries, i.e. countries where its subsidiaries and controlled companies are located. The additional profit of TNCs can be obtained due to the differences:

1. In the security and cost of natural resources;

• In the qualification of the workforce and in the level of wages;

• In the current depreciation policy and, in particular, in depreciation rates;

• Antimonopoly and labor legislation;

• In the level of taxation;

• Environmental standards;

• Stability of currencies, etc.

The differences in the economic situation of individual countries are taken into account, which enable TNCs to maneuver by loading productive capacities and adapting their production programs to the changing conditions of the current market, to the demand for a particular product in each particular market. The real advantages of forming the largest multinational corporations, which make it possible to achieve significant centralization of capital, include:

1. The possibility of diversifying activities to reduce risk and mitigate crisis strikes - initially the parent company may directly or indirectly subsidize subsidiaries entering the new market;

2. Flexible organizational structure of management. Some functions are decentralized;

3.Consolidation of financial statements throughout the system for the purpose of developing a strategy of least taxes - the possibility of redistributing profits between companies in the corporation so that the greatest income is received by those that enjoy tax benefits, etc ;

4. Joint formation of the market, a monopoly in this market;

5. Growth for growth (the opportunity to be the first number).

Reflecting the positive features of the functioning of TNCs, it should be noted that they make a great contribution to the economy of the host country and to the global economy on the following aspects:

1. TNCs promote the optimal distribution of all types of resources;

2. TNCs promote the optimal allocation of production;

3. Thanks to TNCs, new products and technologies are more actively spreading;

4. TNCs contribute to increased competition;

5. Thanks to TNCs, international cooperation is expanding.

Transnational corporations, as a rule, invest in the manufacturing industries of the "newly industrialized countries" and relatively developed and developing countries.

For weaker countries, another policy - TNCs consider the most expedient there investments in the extractive industry and tend to mainly increase commodity exports. In relation to Russia, TNCs in the 90s of the XX century carried out a similar strategy. In the foreground, they had a commodity expansion into Russia, investment activity should unfold, apparently in the near future.

Stressing the positive aspects of the functioning of TNCs in the system of world economy and international economic relations, one can not but say about their negative impact on the economy of those countries where they operate. And sometimes the benefits of the operation of transnational corporations can result in large losses for the host country. Among the main factors of negative influence are the following:

1. TNCs invade spheres that have traditionally been considered an area of state interests. Given the scope of their activities and the mismatch of the interests of the home country of TNCs with the interests of the host country, they are able to counteract the implementation of the economic policies of the countries in which they operate, disorganize the foreign economic sphere of the partner country;

2. TNCs are able to circumvent national taxation laws, as a result of which funds are not fully received in the state and local budgets of the host country. Using transfer prices, TNC subsidiaries operating in different countries skillfully cover income from taxation by pumping them from one country to another;

3. TNCs are able to set monopolistically high prices, dictate conditions that infringe on the interests of the host countries;

4. Often the activities of TNCs are characterized by predatory exploitation of the natural and labor resources of the country concerned;

5. TNCs tend to concentrate research and development in the home country, as a result of which host countries remain less developed in science, technology and technology than the countries where the parent company of the corporation is located.

There was a change in the application of spheres, geography and volume of investments, and their essence. The exported capital from the sphere of trade, services, portfolio investment began to move into the production area.

In Appendix 1, the most typical pluses and minuses for the host country and for the country exporting capital are reflected.

Thus, TNCs are a form of international pooling of capital when the parent company has branches in many countries, coordinating and integrating their activities. The main reasons for effective operations are: the use of the advantages of owning or accessing natural resources, capital and R & D results; the possibility of an optimal location of their enterprises in different countries, taking into account the volume of their domestic market, the rates of economic growth, prices and skills of labor, the cost and accessibility of other economic resources, etc.

2. Analysis of the activities of TNCs in modern conditions

2.1. The modern stage of the transnationalization of the world economy

Today in the world more than 80% of world commodity turnover, over 50% of world industrial production are controlled by corporations with world names. They own more than 60% of patents, licenses for new equipment, technology, about 90% of foreign direct investment. In foreign branches of TNCs in 2008, 62 million people worked, 33% of world trade was produced, they produced more than 10% of world GDP (in 1990 only 6%). Since TNCs operate on a global scale, the modern world economy can be called transnational.

Foreign capital, deeply embedded in the economy of many countries in the world, has become an integral part of their reproduction process. The share of enterprises controlled by foreign capital in the total production of manufacturing in Australia, Belgium, Ireland, Canada, exceeds 33%, in leading Western European countries is 21-28%, in the United States, enterprises controlled by foreign capital produce more than 10% of industrial output . Even greater role foreign capital in the form of direct investment plays in the economy of developing countries. In them, companies with foreign participation account for about 40% of industrial production, and in a number of countries it prevails. In the past 15 years, the share of developing countries and countries with economies in transition in the world export market has increased significantly. And the export volumes of these countries increased from only 25% of their GDP in 1990 to almost 50% today.

The index of transnationalization of 100 leading companies in the world in 2007 was on average 57%. For some companies, especially from small and medium-sized countries, this indicator was significantly higher. For example, the Swiss

"Nestle" accounted for 93.5%, as foreign assets accounted for the bulk of its assets, almost all of its products were sold abroad, and most of the staff worked there.

The most transnationalized countries are Hong Kong (86%), Ireland (64%), Belgium and Luxembourg (59%), Singapore (59%), Estonia (47%). In other countries, the trans-nationalization index is significantly smaller: in Brazil 15%, in Russia 14, in Germany 11, in China 10, in Japan 2%.

Priority countries for the distribution of productive forces in a transnational economy are developing countries, third world countries. First of all, this is China, Thailand, and India. More than 62% of large multinational corporations consider China as the "first choice place" when creating foreign affiliates in 2005-2009. The enterprises operating in China with the participation of foreign capital very successfully establish productive and economic activities and make a huge contribution to the socio-economic development of the PRC.

Currently, China gives priority to attracting foreign investment in the high and new technologies sector, infrastructure construction, environmental protection and development of the central and western regions of the country.

As of the beginning of 2007, 64 thousand TNCs controlled 830 thousand foreign branches. For comparison: in 1939 there were only about 30 TNCs, in 1970 - 7 thousand, in 1976 - 11 thousand (from 86 thousand branches). TNCs invest about 3.5 trillion dollars in the world economy. The export of direct investment exceeds the growth of world GDP and world exports.

The bulk of TNCs and investments belong to the United States, the countries of the European Union and Japan. Leaders in the world capital market are the United States, Britain, Japan, Germany, France and other EU countries, Canada, Hong Kong, Australia, Taiwan.

The parent companies of the world's TNCs are distributed as follows: of the 100 largest companies, more than half are in the US (55), more than a third of enterprises are in Western Europe (35), and only 6 out of 100 in Japan. (see Annex 4) is particularly important in the oil, automotive, chemical and pharmaceutical industries. 60% of international corporations are engaged in material production, 37% in services, 3% in extractive industries and agriculture.

Transnationalization has affected not only industrial companies, but also companies operating in the service sector. In the international credit, 50 transnational banks dominate, in insurance operations - 30 leading companies, in advertising business - 20 leading world agencies, in air transportation - 25 international air transport companies. Transnational banks (TNB), which in the main were formed on the basis of the largest commercial banks of industrially developed countries, dominate national and international financial markets. The aggregate foreign exchange reserves of the TNB are not several times greater than the reserves of all central banks of the world combined. Moving 1-2% of the mass of money in the private sector is quite capable of changing the mutual parity of any two national currencies. The largest TNBs of the world in terms of assets by nationality are distributed similarly to the largest world TNCs - the USA, Western Europe and Japan.

Investment banks, which today can be called transnational, are mostly American. Thus, the modern world economy is transnational. It increasingly depends on foreign direct investment, the level of openness of the economies of states. The parent companies of the largest TNCs of the world belong mainly to developed countries, namely the USA, Japan and Western countries. Among the host countries, China is leading, not least Thailand and India. Countries with large corporations manage not only the economic situation within enterprises, but also the domestic and foreign economy of the country, and also, having a global nature of its activity, the economy of the world.

2.2. The impact of TNCs on the world economy

Monopolization of the modern economy has led to the redistribution of financial and industrial capital. As a rule, the international monopoly, that is, the TNC acts as the nucleus of a financial and industrial group, which is the expression of the highest form of monopolization of the modern economy? The ultimate goal of redistribution is to strengthen the technical and production capabilities of large capital and its financial base, improve the trade and marketing mechanism, increase the competitiveness of industry in world markets, and join Eastern Europe and Eurasia. The process of redistribution of capital was accompanied by the following processes:

1. Strengthening the positions of American, Japanese and Western European large capital in many countries;

2. Increasingly intertwining economic ties and interests of Western countries, deepening cooperation and specialization of production, strengthening elements of interdependence;

3. The strengthening of the average size of national enterprises, some pulling up to the level of American, Japanese, German and other large corporations;

4. Strengthening the merging of industry and banking capital;

5. The emergence of new "centers of power" (NIS) with rapidly growing new TNCs and, accordingly, increased competition, including for dominance in Eurasia.

The huge volume of goods and services produced by TNCs in various countries has created the basis for the development of the international division of labor. The division of labor between countries and independent firms is complemented by an international division of labor within firms. This division of labor is regulated from one center. A private product produced in a particular country has no consumer value outside the internationally organized production process. The use of international socialized labor expands the possibilities for production and the appropriation of superprofits by large corporations in industrial centers, primarily the United States, Western Europe and Japan. The TNC as the organizational form of functioning of a large private enterprise proved to be the most adequate to the modern character of the international division of labor, which allows it, on the one hand, to provide high economic efficiency, on the other - to constantly display great potential for adaptability to new conditions and susceptibility to innovation. At the same time, an increasing volume of bilateral trade is accounted for by enterprises of the same TNCs located in different countries.

TNCs are regarded as an integral objective element of international economic relations, which has a great positive beginning, as a result of the development of integration processes, the intertwining of economic ties. The objective requirements of economic globalization lead to the fact that virtually any truly large national firm is forced to join the world economy, thus becoming a transnational one.

With the transnationalization of the world economy, the economic situation in industrial countries, and the laggards, is improving, slowly bringing countries closer to the world level of well-being, the differentiation in the way of life of developed and developing countries is largely smoothed by redistributing not only the technical, economic and financial base, but also cultural.

The activities of TNCs have strengthened the interdependence of individual states through the intertwining of their economic ties.

Transnational economy leads to a sharp contrast between the well-being of the largest companies and the serious difficulties of the country's economy as a wholeunsustainable production development, inflation, insufficient investment, and massive unemployment.

The tendency of internationalization of the economy is characterized by such a negative factor as the loss of state control by the state authorities. The new economic system generates corresponding supranational political institutions and international organizations such as the World Bank for Reconstruction and Development, the International Monetary Fund, and so on. As a result, a kind of dual power situation arose. Sovereign states first have to share power with the above-mentioned organizations in the economic and then in the political sphere. At the same time, the influence of states is diminishing and the power increasingly passes into the hands of transnational corporations and international institutions controlled by them.

3.1. TNCs and global innovation production

The modern world economic system is characterized by the necessity of constant growth of productivity in conditions of limited resources. Therefore, in this system, the components that make up its components and the connections between them are constantly being reorganized in order to increase the efficiency of resource use. This is achieved through continued innovation in various sectors and at different structural levels of the economies of countries, regions and the world economy as a whole. Innovations provide a much higher rate of return than simply attracting additional resources.

Americans believed that the rate of return on the 17 most successful innovations of 1970-80 amounted to an average of about 56%, while the average rate of return on all investments in American business in the last 30 years is only 16% 20. Therefore, today it is the country's innovative activity that becomes the most important factor of its competitiveness in the world economy.

In the world economy system, there are three main entities that are involved in the financing of R & D. These are states, venture companies and transnational corporations. TNCs are one of the most important components of the world hierarchy of R & D, since, on the one hand, access to financial resources is much simpler than for state structures, and on the other hand R & D is certainly very important, but not the only and not the main area of their activities; that is, the risks of financial losses for TNCs are significantly less than for venture investors. As a consequence, in the early 1990s, the share of funds spent on R & D by 400 of the largest TNCs in the world was about 23% in the world's R & D allocations, and by 2001, it has reached 28-30%. The share of TNCs in the world innovation production far exceeds their share in the financing of R & D and is approaching

40-50% of the world's total by different estimates. There are several reasons for this. 21

Firstly, it is the TNCs that often become executors of the state order for the production of some innovative products (mainly in the military-industrial complex), and states allocate significant sums of money to them for the development of new technologies. The latest example is a tender for the production of a 5th generation fighter, which was conducted by the US Department of Defense (Pentagon). As part of this project, two US corporations Boeing and Lockheed Martin in November 1996 were allocated $ 660 million to build prototypes. In the end, after numerous tests conducted during 2001, the winner was announced the Lockheed Martin corporation, which will receive about $ 200 billion from the Pentagon for the development of a new fighter. In turn, Boeing, according to most analysts, will receive a contract for the production of a new American a missile defense system whose estimated value also amounts to billions of dollars. 22

Secondly, the practice of absorbing by larger TNCs of smaller companies preparing to enter the market with an innovative product or technology, at the time of creation, that working prototype. That is, all the expenses for R & D are borne by the absorbed company, and the TNC uses its resources only for the final stage of the commercialization of the innovation - the organization of mass production. In this case, the TNC formally does not invest directly in research activities, since the amount spent on acquiring a third-party company is taken into account in the statistics of mergers and acquisitions and is not reflected in the cost statistics of TNCs on R & D. Such a way of acquiring new technologies and products is the most common at present in the field of software production, electronic communications and information processing. An example is the recent acquisition by Microsoft, the largest software manufacturer in the world, for $ 2 million by a small American company Cryptodream, specializing in the production of cryptographic software, which developed a new way of encrypting electronic documents.

Thirdly, large TNCs increasingly form strategic alliances for more effective R & D. Of course, different types of agreements between them existed in the past. So, international cartels are still present on the world market, numerous informal agreements are concluded. But if they concern basically regulation of those or other moments of market relations (scope, price, market share), then a new type of strategic alliances is mainly related to R & D. The latter are aimed at minimizing high research costs, especially at the stage preceding commercialization, by making better use of the knowledge available to all participants in the union.

Finally, fourthly, TNCs often resort to the organization of research centers and venture units that are formally independent of the parent corporation. This method is used to make the most efficient use of all new developments, even those that are not needed by the parent TNC at the moment or are not profile ones for it.

At the current stage of the development of the world economic system, TNCs have a significant impact on the geography of R & D in the world by controlling the movement of key components necessary for the implementation of innovative projects: venture capital, highly qualified personnel, new ideas and developments. Thus, innovative activities carried out by TNCs have a significant impact on the competitiveness of countries in the world economy system, determining the leading position of some and the lag of others.

3.2 Foreign direct investment

Since the mid-1980s, foreign direct investment has grown at an unprecedented rate, reaching in 1990 225 billion dollars. Their annual growth of 34% far exceeded the growth rates of commodity exports (13%) and world GNP (12%) 23. In 2000, FDI increased by 18%, outstripping the growth rates of other economic aggregates, for example, global production, capital formation and trade, and reached a record level of $ 1.3 trillion. The driving force behind the global expansion of investment flows is more than 60,000 transnational corporations (TNCs) that have more than 800,000 affiliates abroad and account for about 99% of the world's FDI flows.

According to UNCTAD, the global volume of foreign direct investment in 2003 was 580 billion US dollars. And the volume of foreign direct investment in the Russian economy in 2003 was $ 5.2 billion.24 The world's volume of foreign direct investment in 2004 grew by 6 percent to $ 612 billion. Foreign direct investment in Russia amounted to $ 6.6 billion in 2004.25

The main recipients of FDI are developed countries, which account for more than three quarters of the global inflow of investment. The main driving force behind FDI is cross-border mergers and acquisitions (SIPs), and these operations are still concentrated mainly in developed countries.

In the theory of economic development, there are few problems that would generate as many contradictory opinions and interpretations as the issue of benefits and damage from FDI. Disagreements over the role and impact of FDI are based not so much on traditional economic indicators, such as the growth rates of GDP, investment, savings and production, but rather on the definition of the fundamental concept of socio-economic development. Therefore, the issue of determining the place and role of FDI in economic development and the formation of competitiveness of the countries of the world should be approached, taking into account both quantitative and qualitative aspects.

Capital is extremely important for economic development: investment in production and human potential are the basis for the successful development of society. FDI provides an opportunity not only to attract financial resources that are lacking to national economies, but also to introduce them to modern technology, the organization of production and the experience of creating market institutions. Thus, FDI is for the development of countries much more than just financial flows. They concentrate other factors of economic development: together with direct investments in the country, new technologies, qualified personnel, educational programs for the local population are moving.

FDI investments have a different impact on the economies of developed and developing countries. Developed countries certainly benefit from the intensification of FDI flows. Most TNCs, being global agents of FDI, belong to developed countries and are an important source of material resources for them. Developed countries with the help of FDI largely determine the development of more than a third of the world's countries, acting primarily in their own interests. The inflow of FDI into developed countries is an additional stimulus for the further development of already highly efficient economy. The qualitative legal and regulatory framework, the high level of development of banking institutions, the high attractiveness of the economy for reinvesting the profits received by TNCs, allow developed countries to get the maximum benefit from attracted FDI.

As for developing countries and countries with economies in transition, the opinions on how much foreign direct investment is useful for the economic development of these countries are different. Two alternative concepts lead to an understanding of the potential contribution of FDI to the economic development of the host country.

The first emphasizes that foreign investors increase capital investment in production, which, subject to competition from local firms, leads to an increase in labor productivity. The second focuses on the potentially devastating impact that some foreign investors may have on local economies if there is no competition from local producers. Both of these representations have a right to exist. But at the same time they predict absolutely opposite results. The question is, which of the two models better reflects the impact of FDI on the economic development of developing countries, and how can the likelihood of a negative impact of FDI be reduced.

Perhaps the main advantage of the first concept is that it describes how FDI can break a vicious cycle of poverty that does not allow many developing countries to get ahead. Low labor productivity, characteristic for developing countries, determines the low level of competitiveness of national goods in the world market, and this leads to a lack of profit by national producers. And since there are no additional profits, there is nothing to invest in modernization of production and renewal of fixed assets, which is necessary to increase labor productivity. FDI is almost the only way to break this vicious circle. Foreign direct investment coming to the country allows us to modernize the production process, organize an effective management and marketing system. As a result, in the presence of a normal competitive environment, FDI should increase labor productivity, increase output and lead to economic growth of the recipient country, which will lead to an increase in the country's competitiveness in the world economy.

The second concept focuses on the negative impact of FDI on the prospects for economic development of underdeveloped countries. According to this view, FDI, supplied by foreign companies in the industry with imperfect competition and high entry price in the industry (automotive, electronic, etc.), has a detrimental effect on the weakly competitive economies of the recipient countries. In the absence of legislative restrictions and worthy competitors, foreign companies manage to occupy a virtually monopolistic position in such industries. At the same time, national producers have virtually no chance to restore their positions in the industry, since TNCs are much more powerful economically. Such a situation is clearly unfavorable for the host country, since for a foreign company there are wide opportunities to abuse its position: from setting inflated prices for goods to trivial pumping out money from the host country. In this case, profits received by TNCs are not reinvested in the development of the industry, but are withdrawn from the country, which adversely affects both the competitiveness of the industry and the competitiveness of the country as a whole.

So which of these models most correctly describes the impact of FDI on the economic development of developing countries and countries with economies in transition. Studies of the impact of FDI on the economies of recipient countries, conducted by leading scientists of UNCTAD and OECD, led to three main conclusions:

FDI has a positive impact on the economy of the host country only if there is a clear government program of interaction with foreign investors and a sound policy for attracting and using foreign investments;

In the absence of a clear program and a well-thought-out policy of interaction with global companies that carry out financial injections into the country, the inflow of FDI can have a very negative impact on both the international competitiveness of the country and the prospects for its further economic growth;

A necessary condition for the positive impact of FDI coming to country, is a high degree of competition in those industries in which foreign investments are coming.

Thus, the actions of the host party to stimulate or inhibit competition are the most important factor determining whether the effect of the presence of global firms in the economy of the country is positive or negative.

Another important condition for the positive impact of FDI on the host economy is, according to UNCTAD experts, the establishment of global companies' links with local producers, since these are the most powerful channels for the transfer of skills, knowledge and technology from foreign affiliates to the local economy. These kinds of connections are beneficial for foreign branches and for domestic suppliers, as well as for the economy of the country in which they are formed. For foreign affiliates, communication with local suppliers ensures a reduction in production costs in the host countries, allows for a higher level of specialization and flexibility, with better adaptation of technology and products to local conditions. The availability of technologically advanced suppliers can open foreign branches access to external technological and human resources and thereby ensure the replenishment of their own innovative efforts. The direct result of the impact of such links on domestic suppliers is, as a rule, growth in production and employment. These links can also serve as a channel for the exchange of knowledge and skills between cooperating firms. A dense network of links can contribute to improving production efficiency, increasing production, building technological and managerial capabilities, and diversifying markets. Finally, for the host country as a whole, such links serve as a stimulant of economic activity, and where local resources replace imports, improve the balance of payments. Strengthening the position of local suppliers can lead to the flow of tangible and intangible assets to the rest of the host economy and to contribute to the dynamic development of the business sector.

In developed countries, where buyers and suppliers are technologically strong and wealthy, knowledge flows have a dual orientation and are mainly related to new technologies, products and methods of organization of work. In most developing countries, suppliers are relatively weak, so the flows will likely be more one-sided: from foreign affiliates to domestic firms.

Of course, not all relations of this kind are equally beneficial for the host countries. For example, in the conditions of hard security, foreign affiliates can establish significant connections, but do not have any special incentives to invest in modernizing the technological potential of suppliers. Instead, such links can help create a supplier base that will not be able to survive in an international competitive environment. Links established in a competitive environment and supported by efforts to build the capacity of suppliers are likely to be technologically more profitable and dynamic. The goal is not to encourage networking for their own sake, but to do so where they are beneficial to the economy of the host country.

Foreign direct investment has a significant impact on the structure of the host market. In developed countries that are FDI donors, there is a strong correlation between concentration of production and outflow of FDI. For the leading countries in the outflow of FDI (for example, the United States, Britain, France, Germany, Sweden, Japan), there is a high degree of concentration of production, especially in industries with a large scale effect and a high intensity of advertising and innovation. In the recipient countries of FDI, there is also a correlation between the inflow of foreign investment and the increase in concentration of production in areas of imperfect competition. In countries that receive large amounts of FDI, foreign ownership and industrial concentration indicators are highly correlated. Similar conclusions were made by experts of the World Bank on the basis of an analysis of macroeconomic indicators of Brazil, Mexico, Malaysia and some other emerging economies in Latin America and South-West Asia. On the basis of these data, it can be concluded that FDI as a whole positively influences the structure of the host market, since a high degree of concentration of production contributes to the intensification of interfirm interaction, the establishment of new business ties, the acceleration of the innovation process, and the increase in the efficiency of the use of natural resources.

Assessing the impact of FDI inflow on the competitiveness of host countries in the world economy, the following conclusions can be drawn:

The most important factor determining the positive impact of FDI inflow on the country's competitiveness is the actions of the host state aimed at stimulating competition, increasing the transparency of the economy, liberalizing financial institutions, de-bureaucratizing the economy;

The existence of a well-designed program at the state level to attract and use FDI, which stimulates closer cooperation between national producers and foreign investors, can multiply the benefits from FDI inflows into the country;

Positive impact on the country's competitiveness and economic development is provided only by long-term foreign capital, short-term speculative capital, on the contrary, generates financial instability and often has a very negative impact on the economy of the host country. It is the influx of large volumes of short-term speculative capital that has become one, implemented by hedge funds for profit at the expense of the game at the difference in exchange rates, has become, in the opinion of many experts, one of the most important causes of the majority of economic crises of recent decades.

Conclusion

Transnational corporations at the end of the 20th century largely determine the structure of the world market and the level of competitiveness of goods and services on it, as well as international capital flows and technology transfer.

In most, TNCs are large firms of oligopolistic or monopolistic type with a diversified integration of the production and marketing of goods and services on the world market. All elements of their multinational structure function as a single coordinated mechanism in accordance with the strategy of the parent company. They view the world as a single market and decide to enter it with new products or services, regardless of state borders.

Modern theoretical concepts of TNCs are based on the theory of the firm as an enterprise for organizing the production and marketing of goods and services. Particular attention in the concepts of TNCs is given to models of entrepreneurial investments, which primarily include models of monopolistic advantages, product life cycle, internalization.

The main reasons for effective operations are: the use of the advantages of owning or accessing natural resources, capital and R & D results; the possibility of an optimal location of their enterprises in different countries, taking into account the volume of their domestic market, the rates of economic growth, prices and qualifications of the labor force, the cost and accessibility of other economic resources, the development of infrastructure, and political and legal factors, among which the most important is political stability; the possibility of accumulating capital within the entire network of TNCs; use for their own purposes of financial resources of the whole world; constant awareness of the conjuncture of commodity, currency and financial markets in different countries; rational organizational structure of TNCs; experience of international management.

The management of the TNC decides the problem of the optimal management structure depending on the range of goods and services with which the corporation enters the world market. TNCs that specialize in homogeneous products usually build a management structure by geographic principle. The management of international production and marketing in multidisciplinary corporations is carried out on a commodity basis.

Thus, today TNCs are really a powerful force and locomotive of the world economy, play a huge role in international trade and the dissemination of advanced technologies. Without them, today it is practically impossible to consolidate in the most important world markets, especially products with high added value. Experience shows that TNCs are often an essential, and sometimes the only, conductor of national companies to world markets. Many governments implement programs to support the cooperation of TNCs and local firms.

The importance of TNCs in international trade, production, finance and in all other spheres is continuously increasing. The core of the world economic system is about 100 leading multinational corporations, which concentrated almost unlimited economic power in their hands and secured about a third of all foreign capital investments. A specific feature of monopolistic relations under current conditions is that TNCs have the ability to take into account the needs of the market and, to some extent, form demand for products before they start production. This shows that the dominance of TNCs on world markets is shaping up as their dominance in world production. Transnational corporations, forming multinational production complexes, are able to make wider use of the advantages of the international division of labor, international cooperation in production and have a profound impact on the whole character of international economic relations, including the state of world trade. International production allows TNCs to overcome the limited domestic markets of individual countries, to seek to increase the size of enterprises and the serial production. Transnational corporations, forming international production complexes, get the opportunity to make wider use of the advantages of the international division of labor and international cooperation in production and to exert a profound influence on the whole character of international economic relations, including the state of world trade.

At the heart of the same trade between different TNCs and between themselves and with other companies, more and more often they are not single commercial transactions, but long-term production ties based on the relevant unions. TNCs are indispensable when it comes to the implementation of large projects, the spread of large-scale innovations. This is only for them. They bring innovation to the commercial product, aiming to get ahead of competitors, create and consolidate new markets and take advantage of, at least, the temporary advantages of pioneers of new technologies around the world.

In general, TNCs are quite complex and constantly evolving phenomenon in the system of world economic relations, which requires close attention, study and international control. Transnational corporations are increasingly becoming the determining factor for solving the fate of a country in the international system of economic relations. The active production, investment, trading activities of TNCs enable them to fulfill the function of an international regulator of production and distribution of products.

As a whole, the activities of the world's TNC, as well as their branch offices, are one of the important manifestations of the modern globalization process. The most characteristic feature of transnationalization is the movement of capital between countries in different forms. Transition of transnational capital is accompanied by the introduction of newest manufacturing technologies, as well as innovations in management and marketing. World experience also proves that foreign investments tend to liberalize them in the field of national regimes. The participation of companies like today's leading foreign investors is one of the most important tasks of both developed and developing economies. It should be noted that the role of foreign transnational business in the Azerbaijani economy is unequivocal. Because there is a risk that the negative macroeconomic impacts of the transnational companies will increase in the country without effective national policies. It should not be forgotten that transnational business has a positive impact on the economy. Most countries interested in foreign investment encourage their involvement with the help of transnational companies. Thus, one of the tools for the development of the Azerbaijani economy in the selected field, the formation and expansion of its production base is the involvement of international companies and transnational capital. This will increase the number of jobs in the field of processing and service, and then increase tax revenues to the revenue side of the budget. And one of the most important points is that new technologies and innovations are coming to the country with transnational companies.

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