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| UDC 332.025.27:330.322**Lyubov M. Tytarenko** PhD in Economics, Associate ProfessorPoltava National Technical Yuri Kondratyuk University,  Department of InternationalEconomics and Marketing, Poltavatitarenkolm@gmail.com ORCID ID: 0000-0002-2112-7380 |  |

**TRANSNATIONALIZATION IN THE ENTERNATIONAL ECONOMIC RELATIONS SYSTEM: TENDENCIES OF THE DEVELOPMENT**

The article investigates the role and scale of transnational corporations and the process of transnationalization. The main characteristics of their activities are systematized. The list of the largest TNCs of the world is presented. The dynamics of direct foreign investment of TNCs in the world regions is analyzed. The value of TNCs in the system of modern international economic relations is revealed.

**Key words:** international economic relations, transnational corporations, transnationalization, international activity, direct foreign investments, mergers and acquisitions, R & D, world economy.

**JEL Classification: F 02, F15**.

**Problem formulation.** The major international economic relations (IER) forms due to which the world economic system functions include the following spheres: international trade in commodities and services, international workforce migration, international capital migration, international monetary relations, international credit relations, international scientific and technical relations,

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 international integration processes etc. National economies, countries regional integration associations, transnational corporations (TNC) and international organizations are IER principal participants. In addition TNC activities penetrate into all the mentioned IER spheres. TNC are currently the main structural element of the majority of countries economies, the leading base for their development and increasing of their effectiveness (Dunning, 2017). In terms of global tendencies toproduction and capital internationalization, privatization, mergers and acquisitions (M&A), strategic alliances and foreign trade liberalization TNC have a leading role in international relations development.All the mentioned above makes the studies issue actual.

**Analysis of resent research and publications.** A lot of leading domestic and foreign scientists and practitioners have devoted their works to the issues of the world economy transnationalization and different aspects of TNC activity. Thus a considerable contribution to the development of theoretical and applied research on the given issue belongs to such Ukrainian analysts as O.V. Gryn`, V.K. Zagarij, V.M. Levkivskyj, Yu.V. Makogon, T.M. Melnyk, L.I. Myxajlyshyn, Yu.M. Popova and others, and to such foreign scientists as J. Bhagwati, J. Galbraith, J. Dunning, Ch. Kindleberger, B.Ohlin, A. Porter, S. Hymer, E. Heckscher, E.Chamberlin and others.

**Defining parts of a general problem which were not yet investigated.** Moreover issues requiring additional research are connected with substantiation TNC role and transnational processes in international economic relations development.

**Formulation of aims.** The purpose of the article isto investigate the transnationalization peculiarities and the role of transnational corporations at the present stage of international economic relations development.

**The main material presentation.** Transnationalization is a principal economic development growth engine as far as financial resources flow-in contributes to countries economic situation improvement as well as it enables them playing active role both at the local and foreign markets. At the beginning of XXI century transnationalization processes have intensified greatly (Popova, 2014). At present in the world there are over 85 000 TNC and 850 000 their subsidiaries employing more than 76 mln staff. Meanwhile, more than 80% of holding companies and around 33% of affiliated companiesare located at the territory of industrially developed countries; correspondingly 19,8% and almost 50,3% of companies are located in the developing countries; around 0,7% and 17,1% of companies are placed at the territory of former soviet states (Kryvoviaziuk, 2016).. Approximately more than a half of the world industrial manufacturing and foreign trade are in TNC. Though the leading role in the world economy belongs to only 500 powerful TNC selling 80% of the world electronics and chemical products, 95% of pharmaceuticals, and 76% of engineering products.85 powerful companies control 70% of all the foreign investments. It means than some of the TNC economic potential exceeds not only those of separate countries but also the world regions. Transnational capital owns a third of all the production funds and produces almost a half of global goods. TNC play a considerable role in global production potential allocating due to their decisions in the sphere of capital investments and global production places choices

(Zaharii, 2017).

In 2017 500 largest global companies obtained profits equivalent to $27,7 trillion, and $1,5 trillion in 2016 (The Global 500, 2017).(Fig.1)

Fig.1. Top 10 largest global TNC according to their profits, mln dollars USA (as on 01.01.2017)

Source: research conducted by the author (The Global 500, 2017)

According to their nature and forms of actions in international economic relations, TNC are in a great many similar to the states activity allowing experts to make a statement about TNC and states identity of actions and aspects in global economy and politics. Taking active part in all the present-day globalization processes occurring in the world enabled TNC change from subjects to objects of international politics. Transnational corporations as well as industrially developed countries extensively appear in politics and economics, in financial and investment, informational, scientific and technical, military, technologic and ecological fields. In the international policy TNC realize their own corporate diplomacy, and they created their own corporate vision for effective providing their in-house corporate policy(Hryn, 216).

A leading role in international economic relations belongs to USA TNC, which outrun manufacturing and financial companies of other countries by nature and scales of trade and investment expansion. But this gapis gradually reducing due to the Western Europe and Japan TNCs positions strengthening as well as appearing of developing countries TNCs.

Market capitalization of some TNC exceeds $543 billion while annual amount of trade is equal to $160-210 billion. Each of the biggest corporations’ annual net profit is practically equal to Ukraine’s annual budget. At present TNC control over 57% of global industrial production, 69% of international trade, more than 81% of patents and licenses for new equipment, technologies and now-how, around 90% of direct foreign investments.TNC control almost all the resources trade on the world markets including 90% of the following world’s market: wheat, coffee, corn, timber, tobacco and iron ore; 85% of copper and bauxites markets; 80% of tin and tea markets; 75% of plant rubber and raw oil markets(Hryn, 2016).

As a rule TNC are conglomerate corporations as far as their activity is widely diversified. For example each of 500 the largest US TNC has subsidiaries in 11 fields on average, and the most powerful of them comprise 30-50 fields. In the group of 100 British leading industrial companies there are 96 conglomerates, 90 are in Italy, 84 are in France, and 78 are in Germany (Levkivskyi, 2017)

TNC foreign reserves gross total several times exceed the world central banks aggregate reserves. That is why moving just 1-2% of money stock they own is completely enough to change par values of national currencies, which in turn will substantially influence the development of foreign economic relations.

Foreign economic relations facilities are made of direct foreign investment (DFI). Moreover TNC total direct foreign investment are currently playing more important role than the trade does. Among the forms of capital outflow there are direct and portfolio investments as well as loans and credits. The most substantial among them are direct investments that in the middle of 90th exceeded $3 trillion. The reason of foreign investment is often caused by interest to receiving country recourses, i.e. the investors willing to warrant their enterprises raw materials supply. For example by means of foreign investment the USA obtains all the imported phosphates, copper, tin, 75% of manganese and iron ores; Japan gets 40% of bauxites, 50% of nickel and 60% of copper ore.

Substantial DFI increase during the resent decade is caused by TNC huge scale operations. 90% of all direct foreign investments belong to them (Levkivskyi, 2017).

Fig. 2. DFI flow according to regions, 2014-2016 рр., million dollars.

Source: research conducted by the author (World Investment

 Report 2017)

Investment into foreign economy is an active way of domestic goods demand stimulating. It is achieved firstly by developing new markets; secondly by a part of TNC export being constantly addressed to their overseas subsidiaries, this warranted part is equal to more than 30% of export of Canada, Germany, France, and Sweden, and around 50% of the USA export. Thirdly, investments enable companies to circumvent tariff and non-tariff barriers (Monika Wyrzykowska, 2016).

An important characteristic of transnationalization process as well as a factor of TNC economic power increase is numerous mergers and acquisitions, which have lately reached a high point. Mergers demonstrate centralization and capital concentration in a global scale aimed at further dominating on the global markets (Fig. 3).

Fig. 3. World mergers and acquisitions dynamics, million US dollars

Source: conducted by the author based on the research materials

 (World Investment Report 2017)

Operating in the recipient countries TNC are actively involved into the local political process. Their representatives join national manufacturers association within which they get an opportunity to interact with the local authorities executives (Monika Wyrzykowska, 2016). Corporations also indirectly influence political line of the country they operate in by means of making a “donation” to the elective and other local political quarters aiming to obtain definite commercial benefit (Markusen J. R. Anthony J. Venables, 2016).

One of the most characteristic features of present day’s transnationalization is huge TNC expenses on scientific-research and research and engineering development (SRRED). Thus “General Motors”, “Ford” and “IBM” annual expenses are equal to $2-3 billion, that exceeds many countries scientific and research budgets.

Thus in the USA almost all the amount of private businesses SRRED expenses goes towards 700 the largest companies, moreover approximately 40% of these funds belongs to 15 the largest corporations (The Global 500, 2017).

Nowadays TNC laboratories and scientific centers conduct the principal amount of research and innovations. Recipient countries play increasingly big role in TNC scientific and research strategy. For instance at the beginning of the 90th“IBM” company employed more than 25000 scientists and more than 30 laboratories beyond the USA boundaries implementing SRRED programs under unified corporation plan taking, still into account markets peculiarities of “IBM” subsidiaries specialization.

In table 1 there is a list of 10 largest corporations investing into SRRED.

Table1

Investments into SRRED made by the world largest TNC

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| --- | --- | --- | --- |
| Company name (according to the rating) | Country  | SRRED expenses, million US dollars | SRRED profits, million US dollars |
| 2016 р. | 2017 р. | 2016 р. | 2017 р. |
| 1. Amazon.com, Inc. | The USA | 12,5 | 16,1 | 107 | 136 |
| 2. AlphabetInc. | The USA | 12,3 | 13,9 | 75 | 90,3 |
| 3. IntelCprporation | The USA | 12,1 | 12,7 | 55,4 | 59,4 |
| 4. SamsungElectronicsCo., Ltd | South Korea | 12 | 12,7 | 166,7 | 167,7 |
| 5. Volkswagen | Germany | 12,5 | 12,1 | 225,2 | 229,4 |
| 6. Microsoft Corporation | The USA | 12 | 12 | 93,6 | 85,3 |
| 7. Roche Holding AG | Switzerland | 9,4 | 11,4 | 49,6 | 51,8 |
| 8. Merck & Co., Inc. | The USA | 6,7 | 10,1 | 39,5 | 39,8 |
| 9. Apple Inc. | The USA | 8,1 | 10 | 233,7 | 215,6 |
| 10. NovartisAG | Switzerland | 9,5 | 9,6 | 50,4 | 49,4 |

Source: made by the author according to the data (The 2017 Global Innovation).

Taking into consideration all mentioned above let’s acknowledge that the biggest investment intensity into scientific and research activity can be observed in the US TNC. Meanwhile profits obtained by corporations from investment into SRRED highly exceed fund investment into scientific development.

Considerable contribution into TNC advanced technology development makes collaboration with universities and scientific centers. As a rule, such centers are founded affiliated with universities, and they are actively financed by leading industrial corporations.

**Conclusions.** In terms of globalization transnationalization processes are increasingly intensifying, due to which TNC become equal participants of international economic relations. Country’s welfare, its participation in international division of labour, integration level into global economy and finally its international competitiveness are more and more dependent on TNC operating in its economy activity effectiveness. Besides TNC investment into global economy is an active way of stimulating domestic product demand. It is achieved by means of developing new overseas markets and exporting a part of products made by corporations to overseas subsidiaries. Thus the home country obtains excess to new receptive markets.

TNC leading role in international relations is explained by the fact that they are the most dynamic element of global economy. TNC became a dominant factor of international specialization and foreign trade, that’s why external and internal markets of some countries operate as separate segments of global market. It is now possible due to the absence of national or regional boundaries for TNC: specialization and cooperation relations are being developed between the enterprises located in different countries still belonging to the same corporation.

By creating international manufacturing complexes TNC get possibility of wider usage the advantages of international division of labour and international manufacturing cooperation, and influence the overall nature of international economic relations. The future research perspective consists in studying the TNC mergers and acquisitions tendencies.

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 **ТРАНСНАЦИОНАЛИЗАЦИЯ В СИСТЕМЕ МЕЖДУНАРОДНЫХ**

 **ЭКОНОМИЧЕСКИХ ОТНОШЕНИЙ: ТЕНДЕНЦИИ РАЗВИТИЯ**

 Исследована роль и масштабность транснациональных корпораций и процесса транснационализации. Систематизированы основные характеристики их деятельности. Приведен перечень крупнейших ТНК мира. Проанализирована динамика прямого иностранного инвестирования ТНК по регионам мира. Раскрыто значение ТНК в системе современных международных экономических отношений.

**Ключевые слова:** международные экономические отношения, транснациональные корпорации транснационализация, международная деятельность, прямые иностранные инвестиции, слияния и поглощения, НИОКР, мировое хозяйство.

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 **ТРАНСНАЦИОНАЛІЗАЦІЯ В СИСТЕМІ МІЖНАРОДНИХ**

 **ЕКОНОМІЧНИХ ВІДНОСИН: ТЕНДЕНЦІЇ РОЗВИТКУ**

кандидат економічних наук, доцент кафедри міжнародної економіки та маркетингу Полтавського національного технічного університету імені Юрія Кондратюка, Полтава, Україна.

 Досліджено роль і масштабність транснаціональних корпорацій та процесу транснаціоналізації. Систематизовано основні характеристики їх діяльності. Наведено перелік найбільших ТНК світу. Проаналізовано динаміку прямого іноземного інвестування ТНК за регіонами світу. Розкрито значення транснаціоналізації у системі сучасних міжнародних економічних відносин.

**Ключові слова:** міжнародні економічні відносини, транснаціональні корпорації, транснаціоналізація, міжнародна діяльність, прямі іноземні інвестиції, злиття та поглинання, НДДКР, світове господарство.