DISTRIBUTION FEATURES AND IMPACT OF TNCS ON ECONOMY OF UKRAINE

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Summary. The authors analyze the nature of TNCs, history of their development and their current status. Rating of the largest TNCs, the flow of investment resources and the main trends of the world market of investment resources are defined. The influence of TNCs on the economy of Ukraine and the volume of investment resources and ratings of leading international MNCs Ukraine are studied. Positive and negative trends of such effects are determined and directions for their removal are offered.

Keywords: transnationalization, transnational corporations (TNCs), international flow of foreign direct investment.

In today’s global economic environment transnational corporations play an important role, they determine the direction of global economy. Leading positions of developed countries are based primarily on huge impact of transnational corporations on the economies of other countries.

For modern Ukraine transnationalization of businesses may perform the role of economic mechanism that will identify new priorities of social reproduction and development of foreign policy objectives, characteristics and conditions of the country’s participation in the international division of labor.

The aim of the article is to study the impact of TNCs on the economy of Ukraine and to determine the prospects of their development. The rapid spread of TNCs became a characteristic feature of the late
window twenty-first century – beginning of the twenty first century. The first company having the signs of TNCs appeared in the seventeenth century. In modern world the spread of TNCs can be divided into the following periods: 1860–1914 years – establishment of distribution and marketing departments of companies, 1915–1949 – first military-industrial multinationals, 1950–1960 years – international global corporations with the transfer of “dirty” and labor-intensive industries in the developing countries, 1970–1989 years – capital investment in peripheral countries. Since 1990 and the beginning of the twenty-first century it was formed the network of intra-regional relations and global scale, the formation of TNCs in countries which are industrialized.

Now there are 82,000 TNCs and 82,000 branches in global economy. TNCs accounts for 50 % of the world trade and 67 % of external trade and 80 % of inventions and licenses.

Domains of the largest TNCs are mostly states with strong and stable economies such as the U.S., UK, Germany, China, Japan, France and others. In the industrially developed countries there are more than 80 % of parent companies and about 33 % of branches of foreign domains in developing countries, respectively 19,5 % and almost 50 % in the post-socialist ones-about 0,5 % and 17 %.

In the annual rating of the 500 largest corporations in the world Fortune Global 500 for 2013 it was awarded the leading positions of oil giant Royal Dutch Shell (UK), the annual revenue which amounted to 481,7 billion , and net profit – 26,6 billion. On the second place – a network of centers Wal-Mart (USA), which has earned more than 469,2 billion. The third place was taken by another oil company Exxon Mobil (USA) with annual revenues of 449,9 billion dollars and net profit of 44,9 billion dollars.

Ukrainian companies are not included in this rating. Among Russian companies – Gazprom takes 21 position with annual revenue of 153,5 billion dollars and profit 38.1 billion and Lukoil (46 position) with annual revenues of 116,3 billion dollars and profit of 11 billion dollars.

According to the annual World Investment Report 2013 UNCTAD in 2012 it was observed the increase of the world production of TNCs and steadily increasing flow of foreign direct investment (FDI). The cumulative FDI increased in 2012 by 9 % and reached 23 trillion USD. Foreign branches of TNCs sold products worth of 26 trillion USD, 7,5 trillion of which is a share of exports. The growth of the world production is primarily for TNC 100 biggest companies of the developed countries. At the same time these companies have increased their assets in emerging economies by 22 % continuing its distribution to other countries.

Ten most promising host countries of FDI are China, USA, India, Indonesia, Brazil, Australia, England, Germany, Russia and Thailand.

Ukraine is not included in this list, however after obtaining independence of Ukraine multinationals began to examine the national economy as a large market for goods and services, as well as a source of cheap labor and natural resources.

In Ukraine, the largest TNCs which have invested significant financial resources are Pepsi Co with the volume of investments – $ 250 million, «Kyivstar GSM» – USD 240 million, Coca-Cola – 230 million etc. In 2012 the largest investment in Ukraine came from McDonalds Corporation, Nestlй SA, British American Tobacco, etc.

For TNCs from the European Union countries and the United States the most attractive areas of Ukraine are Ukrainian food industry, trade, finance, pharmaceuticals. For Russian transnational corporations and companies registered in offshore zones the most attractive areas are fuel and energy complex, chemical industry and metallurgy.

In 2012 companies such as WOG, Kyivstar, TNK-BP Commerce are included to the 20 most profitable corporations of Ukraine and have million profits.

At the same time, as a result of unfavorable investment climate, significant number of foreign investors comes from the Ukrainian market.

Thus, summarizing the impact of TNCs on Ukraine’s economy we can specify their positive and negative effects. The positive impact of TNCs on Ukraine’s economy include: significant capital inflow, creation of additional working positions, increase of tax revenues, recovery of domestic trade, innovation and upgrading of enterprises, the spread of international standards. However, there is a negative effect: the state becomes financially dependent on the strategies of TNCs; corporations affect the governments of the countries defending their own interests, suppress and destroy domestic producers; use dangerous and harmful production.

To overcome the negative impacts of TNCs Ukrainian government needs to adopt the relevant legislation which would clearly define the boundaries and controlling activities of TNCs, to modernize domestic companies increasing the competitiveness of the domestic products; invest financial resources in their own production and not to depend on the ac-
tivities of foreign multinationals; to create favorable investment and business climate.

Therefore, formation of the Ukrainian international corporations may become one of the strategic priorities of the Ukrainian state policy. The priority task is to produce the relevant internal and external environment to attract investment, promote competitiveness of Ukrainian producers in the foreign markets using investment resources of TNCs to ensure the development of domestic producers.

References


