Methodological Approaches to Assessing the Socio-Economic Development of Transnational Corporations Based on Russian Policy Priorities

Evgeniy Alexandrovich Zhabin1,*, Alla Alekseevna Lysochenko1, Tatyana Valerievna Gaponenko2, Alla Vasilevna Temirkanova1, Aleksandr Eduardovich Ovchinnikov3, and Olga Mukhammadzheva Dudina3

1 Southern Federal University, Rostov-on-Don, Russian Federation
2 Don State Technical University Rostov-on-Don, Russian Federation
3 Financial University under the Government of the Russian Federation, Moscow, Russian Federation

Abstract. Transnational corporations (TNCs) are one of the most important actors in both the international and national economies, particularly in the Russian Federation. This paper examines how socio-economic internationalization is realized by increasing the development of transnational corporations, the significance of the role played by transnational corporations in the current economic turmoil in the face of sanctions to ensure sustainable economic growth in the economy and boost global economic competitiveness. The challenge lies in figuring out the proper involvement of TNCs in the national environment, along with the possible risks and benefits for specific economies and other stakeholders. These initiatives should contribute to sustainable socio-economic development and a better quality of life in the current state of the Russian economy. Transnational corporations (TNCs) are one of the driving forces behind the internationalization of international production, the liberalization of international trade, and, ultimately, the development of the national economy. As the scientific and technological revolution progresses, TNCs are becoming one of the most important and dominant phenomena, respectively, and the subjects of the current fundamental economic processes.

Keywords: transnational corporations, national economy, process, socio-economic development, scientific and technological revolution, sanctions.

1 Introduction

The problem of the development of the national economy of Russia under the conditions of sanctions is apparently one of the most discussed topics today. This is unfolding in the context of the domestic economy's degrading globalization process. This topic is being discussed from a variety of perspectives. Domestic economists distinguish between the economic, political, and social decline of globalization, as well as its tools, manifestations, and consequences. Kenichi Omae [7] identifies three global political and economic trends as three of the most influential proponents of globalization. The first is the loss of the growing influence of transnational corporations; the second is the rising power of the nation-state; and the third is the emergence of

* Corresponding author: nemezid17@live.ru
regions as the new economic centers. During the second decade of the 21st century, the nature of these relationships has changed significantly. Currently, they include politically unified state units (or business entities operating within these countries) [1]. However, their level of economic development still varies considerably. This is evident when comparing industrialized countries, on the one hand, and developing countries, on the other, as well as when comparing individual economic entities belonging to a particular group of countries.

According to RosBiznesConsulting (RBC), the ongoing revolution in information and communication technologies has considerably accelerated the development of globalization processes in recent decades (or in the last decade). In addition, increased efforts to promote free trade around the world, political changes in many countries accompanied by efforts to expand free enterprise, the need to join forces to safeguard the environment, etc. have accelerated globalization. One of the most striking manifestations of globalization is the phenomenon of international business, in which transnational or multinational corporations (TNCs) play a significant role in supporting and deepening the processes of internationalization in the global environment [2]. Transnational corporations, because of the development of the scientific and technological revolution, are one of the most important and most dominant phenomena of the modern global economy. Neubert is credited with developing the concepts of a foreign neoclassical economist and is considered the father of the theory of transnational corporations.

Two important aspects of multinational corporations must be highlighted: the first emphasizes a TNC as a modern industrial company that dominates the economy and represents a vast administrative network, a place where decisions are made. At the international level, multinational corporations face the same issues as large national corporations in a particular nation. The second thing is that these companies are national by nature, even though they do business all over the world.

Shichev K.V. [6] states that transnational or multinational companies are enterprises that produce and sell their products in more than one country and create added value. They usually consist of a parent company located in the company's country of origin (home country) and at least five branches located in the so-called host country, such as foreign branches. A multinational company is a company that conducts research, production, sales, and other activities in different countries, not just where it has its headquarters. At the same time, TNCs are aggressively developing reasonably solid, globally operating corporate networks with their suppliers, customers, and cooperation partners. They provide a large return on investment in R&D and, through the establishment of business networks, have a significant influence on the selection of technology, which then spreads on a global scale [3].

Essentially, they operate as a stock corporation within a holding structure. Multinational corporations currently control more than fifty percent of international trade. Today, there are approximately 70,000 parent TNCs, and approximately 700,000 subsidiaries spread across the globe. The annual revenue of many multinational corporations has surpassed the gross domestic product of most nations [4]. Typically, 25% or more of the total sales of a typical multinational corporation are generated abroad. Domestic multinational corporations, including Gazprom, Sberbank, and NLMK, were compelled to close their operations as sanctions closed their access to European and American markets. The importance of reorienting to Asian markets has increased.

2 Materials and Methods

This article's research objective is to analyze how internationalization and localization are implemented to increase the competitiveness of transnational corporations in the Russian Federation, as well as the importance of transnational corporations in the current global economic turmoil to ensure sustainable economic growth of the national economy and increase
competitiveness in foreign markets, that are not under sanctions. The challenge is also to ascertain the appropriate participation of TNCs in the international and national environment, along with possible risks and benefits for specific economies and other stakeholders [7]. The main objective of this article is to determine how and in what ways the process of introducing transnational corporations into the business environment can affect the economic system in terms of social and economic development. This will be done with the help of comparative analysis and logical deduction. To accomplish this goal, methods such as analysis, comparison, synthesis, and logical deduction must be employed; facts from scientific and professional publications, periodicals, and no periodicals, as well as the Internet, will be used and studied first. Subsequently, the analysis will lead to synthesis and forecasting through the abstraction method, eradicating less significant factors to formulate general statements and opinions.

3 Results

The importance and status of transnational corporations in the world economy is already due to the fact that up to three-quarters of trade takes place on their territory. They are considered a vital driver of globalization and a source of growth and efficiency. The most significant effects of the activities of multinational corporations on the global environment are transnationalization processes, social and economic responsibility, and global risks and restrictions [9].

Internationalization, compared to transnationalization, results in qualitatively distinct and significant changes to the economic space. This resulted in the emergence of new and essential economic subjects: multinational corporations. This has led to qualitatively new effects and dependence between states, their economies at the state level, and multinational corporations (MNCs), as well as between companies [8].

It is essential, from the perspective of economic relations, to analyze the effects of corporate actions on the global economy and state policies. It can be noted that these consequences are quite contradictory. There are benefits for the states in which they operate, such as reduced unemployment, economic recovery, increased tax revenue, the emergence of new technologies, and the advancement of science and technology. Production becomes cheaper because of the utilization of comparative advantages and the development of private enterprise. Concentrating resources permits the implementation of complex investment initiatives that would otherwise be impossible. In conclusion, we can assert that MNCs increase national wealth [12].

The surge in foreign direct investment (FDI) flows, as well as the growing power of corporations, as reflected in their market power or global strategies, raise legitimate fears that many countries will be exploited by TNCs. It is a fact that over the last two decades of the 21st century, there has been a significant reduction in corporate power in the Russian market. The maintenance of a robust regulatory framework and the departure of multinational corporations from the local market are potential responses to the potential risks of corporate power [15]. Despite these and other assurances, the concept of a global economy dominated by a large number of powerful TNCs poses a greater threat to the businesses and governments of small and poor nations than it does to those of large and wealthy nations.

Certainly, the primary objective of corporations is to maximize profits while minimizing costs; they invest where labor is cheap and there is no need to adhere to strict environmental standards. Regarding the global impact of multinational corporations on the international environment, they can have the following negative effects on the global economy [13]:

a) Market decline: Due to their size, multinational corporations can exert substantial influence over public policy, particularly in the face of a potential market decline. When companies face the possibility of losing their competitive and technological edge, it is up to them to decide whether to remain in the host market or to leave. The "threat of withdrawal" frequently compels governments to change their policies. Large
countries with the potential to develop in the face of competition from emerging markets, such as India and Brazil, are typically the most successful in this type of dispute with multinational corporations.

b) Lobbying: The scope of multinational corporations' lobbying efforts ranges from tariff structures to environmental regulations. There is no standardized multinational point of view on any of these contentious issues [9]. Companies that invest heavily in pollution control mechanisms may impose very strict environmental standards to impose non-identical competition and thus put themselves in a weaker position [5].

c) Government control: Just as TNCs seek to exert significant influence over the government, the government seeks to exert maximum control over TNCs. Changes in local business rules and regulations, as well as the prospect of nationalization (forcing a corporation to transfer its local assets to the government or other local stakeholders in the country), can limit multinational forces [10].

d) Trends. Very intense competition is currently forcing companies to look for new ways to succeed in the competitive struggle. We can see different ways of acting and the reactions of market participants. Market instability leads to mutual cooperation between companies in order to share the opportunities offered.

4 Discussion

Finally, we can conclude that the formation of multinational corporations was an indication of the need for efficient capital allocation in terms of the conditions for the internationalization of economies. Although transnational corporations existed in the past, their growth began during the globalization era in the Russian Federation, and their demise is tied to the events of 2022. This category includes a variety of organizations of all sizes, although the main representation are TNCs with operations in multiple countries. In addition to TNCs, there are the previously stated strategic alliances, which can sometimes be formed within TNCs but are more typically formed in the national economy among smaller enterprises [11].

In general, transnational corporations are one of the driving forces behind the internationalization of international production, the liberalization of international trade, and ultimately the globalization of the world economy, and thanks to the development of the scientific and technological revolution, TNCs are becoming one of the most significant and dominant phenomena, i.e., the subjects of the current turbulent processes in the international economy. Global enterprise management has historically entered a new era with the emergence of multinational corporations.

5 Conclusion

This article concludes that many of the problems attributed to globalization are associated with the deterioration of the position of nation states and the rise of transnational corporations. Although these strategies of TNCs are determined by the institutional set-up that exists in their home country or in the country where they have a key presence, the claims about the weakening of the position of nation-states are apparently not sufficiently substantiated. Thus, we can conclude that the withdrawal of corporations from the Russian market and the closure of foreign markets for Russian corporations is not reflections of the universality of values or other aspects of social life, even if this can be proven in certain segments. The fact that universality does not exist even with homogenization is confirmed when we begin to analyze this area in more detail. Models of capital market regulation, types of corporate organization, economic ideologies
within the framework of political economy, views on the implementation of economic reforms, and strategies of TNCs in different parts of the world only confirm this fact [14].

Global processes are also complemented by the initiatives of regional cooperation and integration and the increasing role of the subregional unit.

References