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TRANSNATIONALIZATION PROCESSES AND THE PLACE OF EUROPEAN OIL AND GAS COMPANIES IN THE MODERN GLOBAL ECONOMY

The article is devoted to the study of the peculiarities of modern transnationalization processes in the world economy, the establishment of certain peculiarities of the development and the level of transnationalization of European oil and gas TNCs as one of the largest multinational corporations in the world. The essence and main features of transnational corporations are determined, the role of TNCs in strengthening of economic globalization, promotion of further interdependence of national economies and increasing opportunities for the international movement of factors of production are established. The impact of TNCs on the economies of the countries is identified. The main indicators of direct foreign investment and expansion of the activities of TNCs in the world for 2015-2017 are defined. It was determined that the average level of transnationalization of the activities of the largest hundred corporations of the world is gradually increasing in terms of the size of foreign assets, which was 66,08% in 2017. It was found that the European multinational corporations occupy the largest number among the 100 leading corporations of the world in the size of foreign assets in 2017. The analysis of European oil and gas TNCs as leading corporations according to the level of concentration of capital has been carried out. The levels of transnationalization of the largest oil and gas corporations in Europe are investigated.

Keywords: transnational corporations; transnationalization; European transnational corporations; oil and gas transnational corporations; transnationalization index; foreign direct investment.

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ПРОЦЕСИ ТРАНСНАЦІОНАЛІЗАЦІЇ ТА МІСЦЕ ЄВРОПЕЙСЬКИХ НАФТОГАЗОВИХ КОМПАНІЙ В СУЧАСНІЙ ГЛОБАЛЬНІЙ ЕКОНОМІЦІ

У статті досліджено особливості сучасних процесів транснаціоналізації світової економіки, встановленню окремих особливостей розвитку та рівня транснаціоналізації нафтогазових ТНК Європи як одних з найкрупніших ТНК світу. Визначено сутність та головні ознаки ТНК, встановлено роль ТНК у посиленні економічної глобалізації, сприянні подальшій взаємозалежності національних економік та збільшенні можливості для міжнародного руху факторів виробництва. Ідентифіковано наслідки впливу діяльності ТНК на економіки країн. Визначено основні показники прямого іноземного інвестування та розширення діяльності ТНК у світі за 2015-2017 рр. Встановлено, що поступово збільшується середній рівень транснаціоналізації діяльності найкрупніших ста ТНК світу за розміром закордонних активів, якій становив в 2017 р. 66,08%. Виявлено, що європейські ТНК займають найбільшу кількість серед ста провідних корпорацій світу за розміром закордонних активів в 2017 р. Проаналізовано європейські нафтогазові ТНК як провідні корпорації за рівнем концентрації капіталу. Досліджено рівні транснаціоналізації діяльності найбільших нафтогазових корпорацій Європи.

Ключові слова: транснаціональні корпорації; транснаціоналізація; європейські транснаціональні корпорації; нафтогазові транснаціональні корпорації; індекс транснаціоналізації; прямі іноземні інвестиції.

Рис. 2. Табл. 3. Літ. 10.

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**ПРОЦЕССЫ ТРАНСНАЦИОНАЛИЗАЦИИ И МЕСТО
ЕВРОПЕЙСКИХ НЕФТЕГАЗОВЫХ КОМПАНИЙ
В СОВРЕМЕННОЙ ГЛОБАЛЬНОЙ ЭКОНОМИКЕ**

В статье исследованы особенности современных процессов транснационализации мировой экономики, установлению отдельных особенностей развития и уровня транснационализации нефтегазовых ТНК Европы как одних из крупнейших ТНК мира. Определена сущность и главные признаки ТНК, установлена роль ТНК в усилении экономической глобализации, содействию дальнейшей взаимозависимости национальных экономик и увеличению возможности для международного движения факторов производства. Идентифицировано последствия влияния деятельности ТНК на экономики стран. Определены основные показатели прямого иностранного инвестирования и расширения деятельности ТНК в мире по 2015-2017 гг. Установлено, что постепенно увеличивается средний уровень транснационализации деятельности крупных ста ТНК мира по размеру зарубежных активов, которой составлял в 2017 г.. 66,08%. Выявлено, что европейские ТНК занимают наибольшее количество среди ста ведущих корпораций мира по размеру зарубежных активов в 2017 г.. Проанализированы европейские нефтегазовые ТНК как ведущие корпорации по уровню концентрации капитала. Исследована уровне транснационализации деятельности крупнейших нефтегазовых корпораций Европы.

Ключевые слова: транснациональные корпорации; транснационализация; европейские транснациональные корпорации; нефтегазовые транснациональные корпорации; индекс транснационализации; прямые иностранные инвестиции.

Formulation of the problem. Transnational corporations play an important role in enhancing economic globalization, contributing to further interdependence of national economies and increasing opportunities for the international movement of goods and services, capital, labor and modern technologies. TNCs contribute to the globalization of international manufacturing processes through international production and scientific and technical cooperation, which unites the efforts of manufacturers from different countries on a regular basis to release certain goods and technology transfer opportunities on the world market.

The processes of transnationalization, the strengthening of the role of TNCs in the global economy, the expansion of the activities of TNCs, the increase in the number of corporations and their overseas subsidiaries and affiliates, the deepening of international cooperation within the framework of TNCs and the influence of these powerful market players on the development of both individual countries and the world economy as a whole, — are in progress.

Formulation of the aim of the article. The aim of this article is to study the process of transnationalization as one of the signs of economic globalization, to identify the impact of TNCs on the economies of the world, as well as to identify some peculiarities of development and the level of transnationalization of the oil and gas TNCs of Europe as one of the largest TNCs in the world.

Analysis of recent research and publications. The activities of TNCs in the global economy were studied by domestic and foreign economists such as A. Hryshchenko, F. Zinoviev, O. Pidchosa, S. Karpova, Huilan Jin and others. The analysis of changes in the behavior and activities of TNCs is undertaken annually by UNCTAD.

The results of the investigation. UN experts refer to TNC's internationally operating firms, that is, those who carry out any production and/or sales activity, and it is mandatory that this activity must be carried out outside the national state [1].

UNCTAD identifies the following key criteria for belonging to TNCs, such as: the presence of parental and controlled foreign (affiliated) enterprises; the presence of at least 10% of voting shares of parent companies (or equivalent shares in the authorized capital for non-corporative forms of ownership) in affiliated companies with affiliated companies in the multinational corporations; agreed policy through a single decision-making center.

Experts-researchers define a wider range of both quantitative and qualitative criteria for belonging to TNCs, for example, associated with a certain amount of sales of the company (more than 1 billion dollars), the share of foreign operations in income or sales (25%), the number of countries, in which the production facilities are located, the leading positions of the corporation in the market, etc.

It is TNCs that have become an important driving force behind the processes of economic globalization. Thanks to the global business strategy of TNCs, modern economic competition between states takes place on a global scale with unprecedented magnitude and intensity [2].

The development of international trade was an impetus for the processes of economic globalization. TNCs became the main subject of international trade and investment. The activities carried out by TNCs not only increase the flow of goods, resources and capital across national borders, but make markets and production of different countries increasingly interdependent.

In accordance with the country's industrial policy, foreign trade rules and business lines, TNCs develop foreign trade and promote international economic and technical cooperation [3].

Mergers and acquisitions, as well as strategic alliances between TNCs, are an important feature of economic globalization since the late 20th century. Cross-border mergers and acquisitions are the fastest and most efficient way to obtain tangible and intangible assets as well as strategic competitive advantages for multinational companies [2].

With the growing degree of interdependence of the world economy and the development of modern science and technology, the role of TNCs becomes more and more important. On the one hand, the process of economic globalization allows TNCs to influence global development. On the other hand, a large number of powerful multinational companies are already competing in the international market. In the wake of economic globalization, they became the most important subjects of business in international trade, international scientific and technical cooperation and international capital movements.

TNCs in their activities have both positive and negative consequences for the country and the world economy as a whole. When the development of production reaches a certain scale, corporations create subsidiaries and branches in foreign countries and actively participate in international competition for access to resources and markets necessary for their own development. Today the number of TNCs is over 100 thousand, their production networks are distributed among countries and regions. By developing and applying new technologies, TNCs contribute to international economic and technical cooperation.

But despite a number of positive effects, there are negative consequences. In order to achieve high monopolization of production, some TNCs use inappropriate means that hinder the normal development of international trade and investment. At present, with the support of the state, some TNCs are abusing managerial measures to establish, for example, technical trade barriers.

Some large TNCs rely on their economic strength and advanced technology to manage the productive sector in their home country. This could lead to the loss of the ability of these countries to develop their own economies and solve key strategic challenges.

In favor of the parent country, some TNCs transfer projects to other regions and countries that will exhaust resources and pollute the environment. Other TNCs create a lot of difficult investment, technology transfer and lending opportunities in emerging markets. This leads to a significant debt of these states, which further widens the gap between the rich and the poor countries [4].

It is estimated that TNCs account for 80-90% of FDI (foreign direct investment). Data on the inflow of FDI to different regions of the world for 2016-2017 (Figure 1) shows that the Asian region today is ahead of European and North American in terms of direct foreign investment inflows, and their inflow to all developing countries is catching up with the volume of revenues in developed countries.

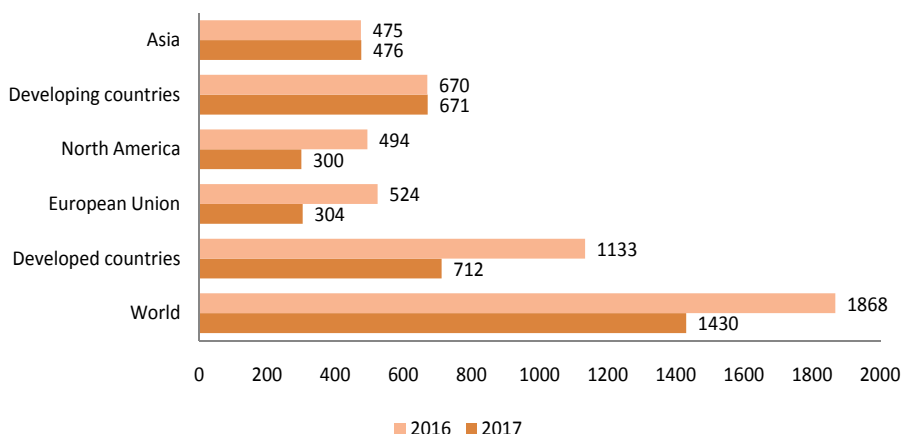


Fig. 1. The inflow of FDI in the regions of the world, billion dollars (2016-2017),
compiled by the authors on the basis of [5]

According to UNCTAD's annual statistics, the significant feature of the operation of international production networks is the gradual growth of sales and added value of foreign affiliates of TNCs (Table 1).

Accumulated capital in affiliated companies abroad generates profits that are reinvested in foreign markets. According to statistics, on average, approximately 50% of revenues of foreign affiliates are reinvested.

Assets and employment in overseas affiliates are increasing every year, but much slower than sales. At the same time, the average annual growth rate of sales of foreign affiliates over the last five years (1,5%), added value (1,5%) and employment (2,5%) were lower than in the same period before 2010 (9, 7; 10,7 and 7,6% respectively) [5].

This is consistent with the fact that the long-term trend of FDI inflows is losing momentum.

*Table 1. Indicators of FDI and TNCs activity in the world,
compiled by the authors on the basis of [5]*

Indicator	Volume in current prices (billion dollars)		
	2015	2016	2017
FDI inflow	1921	1868	1 430
FDI outflow	1622	1473	1 430
Volume of imported FDI	25 665	27 663	31 524
The volume exported FDI	25 514	26 826	30 838
Cross-border mergers and acquisitions	735	887	694
Sales of foreign affiliates	27 559	29 057	30 823
Added value of foreign affiliates	6 457	6 950	7 317
Total assets of foreign affiliates	94 781	98 758	103 429
Employment in foreign affiliates (thousand people)	69 683	71 157	73 209

The volume of transfrontier mergers and acquisitions (MA), which is one of the main forms of the investment strategy of TNCs, grew until 2016, but decreased significantly in 2017 (by 21,8% to the previous year). Characteristically, the overwhelming part of the transboundary MA is acquisition [6].

Today in the world there are more than 100 thousand TNCs and about 890 thousand of their foreign affiliates [7]. Based on UNCTAD data [5], foreign affiliates of TNCs produced 9,2% of world GDP in 2017, while the assets of foreign affiliates of TNCs increased by 17,6 times from 1990 to 2017 and amounted to 103,4 trillion dollars. Every year the average index of transnationalization of the 100 leading TNCs in terms of the size of foreign assets increases, in 2017 it was 66,08% (in 2013 – 64,5%).

International corporations of the leading countries of Western Europe have significant features. These companies have come a long way in development. In any European multinational corporation, one way or another, the leading position is occupied by representatives of the elite, genetically associated with the aristocracy of the XVI-XVII centuries. [8].

The contemporary international corporations in Europe are explored by the EuroGroups Register (EGR) – the statistical register of EU countries and EFTA in multinational groups of enterprises. A multinational group of companies is defined by the EuroGroups Register as a group of companies consisting of at least two enterprises or legal units (divisions) in different countries [9]. Thanks to the EGR, the Member States of the Union can have a harmonized picture of the multinational groups of companies operating in the European market, which improves the quality and comparability of some statistics in terms of economic globalization.

Multinational groups in the EU, researched by the EuroGroups Register, are usually present in their affiliates, affiliated companies in only a few European countries. 72% of multinational groups had a low European presence (with branches in one or two EU countries), 20% had an average European presence (in three to five EU countries), and only 7% had a high European presence (six or more EU coun-

tries). In general, small and medium-sized enterprises today represent a significant part of the world's TNCs (especially their number is growing rapidly in Asian developing countries).

According to the EGR data, in 2016, 47 621 multinational groups of companies were registered in the EU, which is 24% more than in 2015. Of these, 40 081 multinational groups were registered in the EU member states (their decision-making centers are in the EU member states), while the rest – from other countries, mainly from Switzerland (2 843), the United States (2 200), Norway (441), Japan (350) and Canada (200) (Fig. 2).

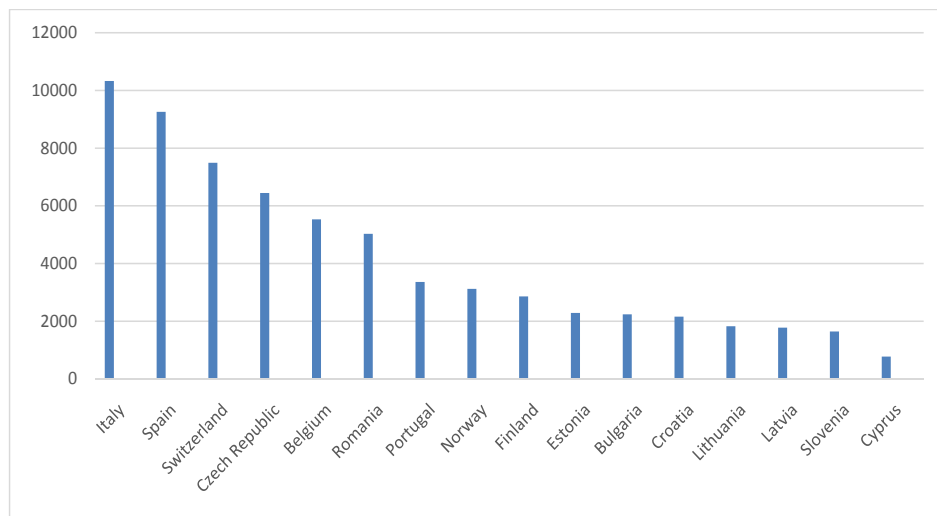


Fig. 2. Distribution of multinational groups of companies by individual EU countries and EFTA, 2016, compiled by the authors on the basis of [9]

The country of origin of TNC is its global decision-making center, a division where strategic decisions are made for the entire group of enterprises. Table 2 shows the number of TNCs operating in the country and TNCs with the decision-making center (parent company) in that state.

There is the same trend: there are many TNCs in a given country, but the parent company is often located in another country. For example, in Italy there are 10 327 active TNCs, but only one third of them are Italian.

In the list of 100 largest TNCs in the world in terms of foreign assets in 2017, there are 57 European TNCs, including 51 TNCs from the EU-28 [10].

A significant share of both the world and European market of TNCs is occupied by oil and gas corporations. The role of the oil and gas industry in the energy sector of the world economy is constantly growing, the processes of transnationalization in this area continue, the industry's share in global direct foreign investments is significant.

Among the 100 leading global TNCs in 2017 there are 13 oil and gas companies (in 2012-19). Most extraction companies are out of rating after the sale of assets in

2017, and BG Group (UK) was acquired by Royal Dutch Shell (UK-Netherlands) in 2015.

Table 2. Number of TNCs and parent companies in individual EU countries, compiled by the authors on the basis of [9]

Country	TNCs operating in the country	Of these: TNCs with a parent company in this country
EU-28	47 621	40 081
Belgium	5 532	2 829
Bulgaria	2 239	108
Cyprus	775	611
Czech Republic	6 447	–
Estonia	2 288	466
Spain	9 261	1 706
Croatia	2 160	218
Italy	10 327	3 832
Lithuania	1 778	208
Latvia	1 828	364
Portugal	3 360	747
Romania	5 032	144
Slovenia	1 645	345
Finland	2 860	900

In [3], the main reasons for foreign investment in oil and gas TNCs are identified: search for markets, strategic assets, etc. [3]. Relevant TNCs divide their own operations to: upstream, which include exploration, extraction and transportation of hydrocarbons; downstream, which includes the processing of raw materials and delivery of products to consumers.

The oil and gas industry in Europe is characterized by the highest level of centralization of capital, and in the list of 100 leading TNCs in the world, by the size of foreign assets in 2017, we see 9 European corporations, including 7 corporations from the EU countries (Table 3).

The largest European oil corporation – Royal Dutch Shell plc (Great Britain / the Netherlands) is a global leader in terms of volume of foreign assets in total assets and in terms of foreign and global sales. It significantly exceeds these indicators both compared to its European competitors and the American corporations Exxon Mobil and Chevron Corporation. The next ones in the ranking of the leading European oil and gas TNCs French Total (3rd place in the world) and British Petroleum (BP) (4th place in the world). All European oil and gas TNCs (except the Norwegian Statoil ASA) have high levels of transnationalization, indicating the importance of expanding foreign operations, assets and sales for the corporation. This is especially true for companies such as Rio Tinto PLC (UK) with a 99,4% transnationalization index in 2017 and for Anglo American plc with a transnational index of 96,1%.

The basic tendency to invest in oil and gas TNCs will be the development of a technology base for value creation in the relevant industry [3].

Table 3. The largest European TNCs in the oil and gas industry according to foreign assets, 2017, compiled by the authors on the basis of [10]

Ranked in the top 100 largest corporations in the world	Company	Foreign assets (millions of dollars)	Transnationalization index (%)
1	Royal Dutch Shell plc (United Kingdom)	334 210	74,6
3	Total SA (France)	234 993	80,9
4	BP plc (United Kingdom)	220 380	68,3
7	Glencore PLC (Switzerland)	116708	75,2
25	Eni SpA (Italy)	111 723	58,8
32	Rio Tinto PLC (United Kingdom)	95 673	99,4
60	Statoil ASA (Norway)	59 732	29,6
70	Anglo American plc (United Kingdom)	52 709	96,1
99	Repsol YPF SA (Spain)	41 159	56,4

Conclusions. International corporations are the most active, direct and important driving force of the processes of economic globalization. The rivalry of powerful transnational corporations for the markets of raw materials, production and marketing of their products has become an important aspect of modern global competition. TNCs have a great positive effect on the international economy, such as promoting international economic and technological cooperation, increasing the global flow of factors of production, promoting the strengthening and improvement of trade rules. Practice shows that, with the development of the world economy and the advances in science and technology, multinational companies are becoming an increasingly important foundation and source of global economic development.

The tendencies of the transnationalization of the world economy, the expansion of the scope of TNCs as the leading actors of economic globalization, the increase in the importance of foreign activity and, consequently, the level of transnationalization of corporations, continue. The average transnationalization index of the 100 leading multinational corporations (in terms of foreign assets) amounted to 66,08% in 2017, which is almost 2 percentage points more than in 2013. Although, the average annual growth rate of sales of foreign affiliates, added value and employment in the last five years was lower than in the same period before 2010. Oil and gas corporations occupy a significant part both in the world and in the European market of TNCs, the role of the oil and gas industry in the energy sector of the world economy is constantly growing, and the processes of transnationalization in this area continue. Among the 100 largest multinational corporations in terms of the size of foreign assets in 2017, there are 13 oil and gas companies, 9 of which are European TNCs. European oil and gas TNCs (except Norwegian Statoil with a 29,6% index) have high levels of transnationalization of their activities (from 56,4% to 99,4%), which indicates the high importance of these corporations in the host markets for their effective functioning.

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