Chapter 2

MNCs as a Factor for Governance Modernizing in the Twentieth Century

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ABSTRACT

Deepening integration of countries within the world economy demands from the states to develop internal and external policies which would be at the same time adequate to challenges of the global economy, to corporate interests and also to national development priorities. Thus, the new concept of state regulation of transnational entrepreneurship must take into account the network structure of organization and significant IT involvement in all transborder operations. In the research presented further we have analyzed the approaches to theoretical definition of transnational entrepreneurship along with the conditions for its formation and spread. We also attempt to determine the economic efficiency of network organization of transnational business under the conditions of global economic instability and the need for permanent development. The major problems related to the interactions of corporations and states are outlined, and the potential development scenarios for these relations are suggested. The role of today’s transnational corporations in international capital flow and international labour distribution is explained; the meaning and value of such corporations for the world economy is assessed. The authors also offer for consideration the stages in Russian transnational entrepreneurship development along with recommendations concerning the development and implementation of national economic strategy taking into account the weight of transnationalization factor and the priorities of economic security.

DOI: 10.4018/978-1-5225-3856-1.ch002
INTRODUCTION: TRANSNATIONALIZATION AS A GLOBALLY COMPETITIVE FORM OF BUSINESS ORGANIZATION

Contemporary activity of transnational business (separate representatives of which today are economically more powerful than some national economies) is changing the regularities and rules of global markets’ functioning and is introducing changes in the world economic relations.

Activities of transnational entrepreneurship, separate representatives of which are economically much more powerful than some national states, are transforming the regularities of the world market functioning, thus impacting significantly the traditional world economic relations and ties. Corporations today are establishing transnational networks for their production and distribution, thus stimulating the establishment and development of new forms of international economic relations, and these changes in international economic relations demand from the states to change also, namely, in part of regulatory instruments, in order to form radically new efficient infrastructure of updated regulatory competences.

Current trends in the world economy’s development, on the one hand, prove the vital importance of transnational corporations’ functioning for economic stability. This finds manifestation, for example, in a range of crisis measures taken to rescue national corporations during 2008-2014 in many countries. And on the other hand, since early 2000s it gradually became obvious that even developing countries can become quite successful provided their transnational corporations are actively fighting traditional leaders at global markets. Such examples became excellent motivation for national governments in their support for national large business’ foreign expansion and intervention.

Transnational entrepreneurship is an important and integral part of contemporary world economy within the system of which capital, labor force and technologies are constantly circulating internationally, thus forming efficient and globally competitive transborder chains of supply and production. All economic connections and interactions related to transnational business already proved to be much more efficient than traditional market relations and mechanisms. In order to study the economic efficiency of transnational corporations’ performance along with their role in the system of global economy, and also corporations’ interaction with national states, we need to start with theoretical grounding of the reasons behind business transnationalization as such, using both already historic approaches and also contemporary ones in evaluation of transnationalization factors’ dynamics.

LITERATURE REVIEW

One of the first economists to dedicate attention to international migration of capital and formation of transborder production & distribution system was the famous English economist John Stuart Mill (1863). He came to the conclusion about the profitability of granting credits to foreign countries for their future sales and also about the profitability of producing some goods abroad instead of domestically. Mill also proved that crediting foreign buyers and creating enterprises in other countries in order to get cheaper raw materials and semifinished goods needed for own production inside a country which is exporting capital, is actually promoting the expansion of foreign trade.

Later on, the most prominent representatives of the Stockholm School (neoclassical economics), Eli Heckscher and Bertil Ohlin (2007) took up Mill’s ideas and developed them further in their theory of production factors. More specifically, Heckscher grounded the theorem that in the process of international exchange of goods and production factors there arises a tendency for prices equilibrium in vari-