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MECHANISM OF RECONCILIATION OF MULTINATIONAL ENTERPRISES' INTERESTS IN THE CONTEXT OF GLOBALIZATION

The concept of internationalization of countries with emerging economy in the conditions of globalization has been formed. It is substantiated that MNEs gain unmatched competitive advantages outside their parent companies' countries of origin as a result of large-scale investments. The formation of the investment climate in countries with emerging markets is influenced by a number of factors. Ten main factors influencing the intensification of FDI involvement have been identified. At the same time, the political climate, inflation, tax regulation and corruption are crucial. In the second stage, a regression model was developed. The methodology used to assess the impact of the national investment climate on the volume and intensity of foreign direct investment inflows. The results of the implementation of this model are adequate and can be recommended to solve the problems of forecasting the process of foreign direct investment in the national economy of countries with emerging markets.

Key words: emerging markets, multinational enterprises, internationalization, globalization.

Introduction. When distinguishing groups of countries with emerging markets, it should be emphasized that they are characterized by the acceleration of economic development after the crisis period of the planned system, the creation and development of new forms of economic entities, raising the standard of living, wages, elimination of commodity deficits, etc.

The economy becomes more open both internally and externally; this means that resident entrepreneurs are given a greater degree of freedom in creating and developing their own businesses, foreign entities have the opportunity to invest their available funds in facilities and enterprises that are in the country. As a rule, emergent economies

attract increased attention from foreign entities that want foreign direct investment in the economies of these countries. The reason for such increased interest is the possibility of a higher level of return on investment, which is conditioned by the laws of supply and demand.

The limited investment opportunities of business entities in Central and Eastern Europe (CEE) remain an urgent challenge to the socio-economic development of the region. Lack of investment potential for the implementation of large-scale production modernization projects is observed even in groups formed around leading international banks.

However, the dependence on foreign investment on the “investment triad” of the political regime, economic envi-

ronment and national security should be distinguished. Instead of increasing production rates in the home country of the parent company in order to further export products to the host countries, a network of subsidiaries of different specialization (manufacturing, marketing, service, etc.) is created. In this case, this form of expansion is more promising compared to the increase in exports, which must be confirmed by the effectiveness of various forms of expansion.

Purpose of article. The purpose of the research is to develop mechanism of the internationalization process countries with emergent economies and forming predictive indicators of the effectiveness of their interaction in the context of globalization.

The following **methods** were used to achieve the goal and to solve the research objectives: dialectical method; systemic structural analysis of economic processes and phenomena; analysis and synthesis; method of quantitative and qualitative comparisons.

Theoretical basis. The institutional foundations of globalization integrate the international aspects of regulating MNE activity, the imperatives of realizing the potential of FDI, the transformation of international economic relations and the need to optimize the interests of donor and recipient countries. The integration aspects of globalization have been explored by leading scholars and practitioners.

Paula Esteban-Jardim and Ana Urraca-Ruiz (2018) have explored the process of internationalization of the Brazilian economy in the context of innovation. The authors argue that the level of internationalization intensity is directly dependent on the level of technical, organizational and marketing innovation implemented by large corporations.

Ozawa T. (2018) has built the theoretical foundations of a new paradigm of an interactive world managed by MNCs. The leading positions of globalization belong to the close interaction of developed countries and countries with emerging economy. In its own right, this is a try to enter the global MNC market in a liberal global order. The author has pointed out that the national Emergencies Ministry plays a key role in the process of increasing competitiveness in the world market of the national economy, so the state plays a leading role in their global integration.

Bartley T. (2018) has compiled research into the diverse ways, in which transnational and multinational corporations shape global governance, paying attention to the contours and boundaries of corporate power. It focuses on the multifunctional impact of MNCs on the economy of the recipient industry in the context of globalization. The author has noted that corporations can be seen as an investor, as an inhibitor, or as a generator of the basic rules of global management. In this context, attention is drawn to the need for a comprehensive approach in analyzing the role of MNCs for the recipient country.

Results. The choice of the host country in the process of international economic activity by multinational enterprises (MNE) is made on the principle of criterion selection or on the basis of rating of potential candidates. The process of internationalization begins from transforming of

national financial and industrial groups (FIGs) into MNE. Exactly MNEs' activities have a pronounced international character with all the characteristics: international production, international marketing, service, marketing, etc. As a result of the global nature of MNE activities, specific competitive advantages will be gained if they use certain techniques and technologies in their process functioning.

By integrating into the economies of countries with emerging economics, MNEs, originating from a rather aggressive competitive environment, have continued to act as market leaders, i.e. gaining leading positions in the main sectors of the economy. Thus, MNEs control 40% of all industrial production in these countries and 50% of their foreign trade. MNEs have involved many local businesses, including small and medium-sized businesses, in their field of activity. In this regard, the dependence of small business enterprises on MNEs is increasing, which is increasingly based on direct functional links, i.e. on the basis of the development of production technology, specialization, cooperation, sales organization, transfer of know-how etc. (Figure 1).

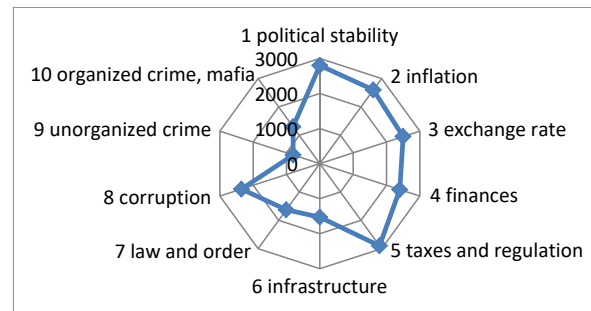


Figure 1. Ten-dimensional simplex assessment of the investment climate of Central and Eastern Europe and the Commonwealth of Independent States (CIS), 2017

Source: developed by the authors using (Hirst, P. & Thompson, G., 2009)

In cases where the interests of MNEs objectively overlap with those of certain nation-states, this can provide significant and even decisive advantages in competition between countries. But in the modern world, the role of MNEs is increasing and the role of nation-states is weakening, leading to the subordination of the interests of the state to the more powerful interests of transnational corporations. Therefore, finding compromise solutions in the process of identifying market and economic problems and challenges will be relevant.

As a result of the analysis of the current state, the available data characterizing the investment potential of emergent economies gave been selected to develop a model of the FDI process: $t_{9,10}$ – level of political stability; $t_{3,4}$ – foreign investment policy; $t_{5,8}$ – probability of re-privatization; $\hat{\sigma}_{9,10}$ – the probability of devaluation of the national currency; $\hat{\sigma}_{3,4}$ – balance of payments of the country; $\hat{\sigma}_{5,8}$ – the degree of state intervention in the economy; $\hat{\sigma}_{11-2}$ – economic growth; mind – convertibility of the national currency; y_0 – complexities related to national peculiarities of the country (linguistic, cultural).

This is achieved by introducing into the model factors that take into account: $\partial_{3,4}y_0$ – cost of labor (taking into account labor productivity); $\partial_{9,10}y_0$ – availability of highly qualified labor resources in the country; $\partial_{5-8}y_0$ – state of the infrastructure (transport, communication, etc.); $\partial_{9,10}y_m$ – estimation of the number of national companies – potential partners; $\partial_{3,4}y_m$ – the possibility of short-term lending; $\partial_{5-8}y_m$ – the possibility of long-term lending.

The developed model provides a set of interdependent, scientifically substantiated indicators of the country’s investment climate, which allow for the intensification of the process of foreign direct investment. The main software tool has been the Statgraphics software package. The linear model describing the level of intensity of the FDI process, constructed according to the data (Table 2), has the form (formula 1):

$$y = 57,473 + 0,663t_{9,10} + 0,605t_{3,4} - 2,66t_{5-8} + 0,361\partial_{9,10} - 1,128\partial_{3,4} + 0,153\partial_{5-8} - 0,036\partial_{11-2} - 3,542y_0 + 59,557y_m + 0,056\partial_{3,4}y_0 - 0,531\partial_{9,10}y_0 - 0,101\partial_{5-8}y_0 + 0,029\partial_{9,10}y_m + 0,007\partial_{3,4}y_m + 0,002\partial_{5-8}y_m. \quad (1)$$

A stepwise regression method has been used to solve this problem. The results of the calculations show good quality and a high degree of adequacy of this model, which includes a small number of independent variables (Table 1; formula 1). For the given model, the coefficient of multiple correlation is obtained at the level of 0.97 at the value of the F-criterion ≈ 59 (Table 1).

It should be noted that these equations characterize only the very possibility of constructing a mathematical model of the foreign direct investment process. In the processes of modernization of the economies of the countries with emergent markets, the mechanisms of exogenous transnationalization still prevail, while at the same time the low level of internationalization of financial and economic operations of national industrial-financial groups.

Conclusion. The mainstream of internationalization is global conditions of functioning of multinational corporations. The analytical and forecasting toolkit for evaluating the effectiveness of this process involves three

steps. Firstly, the main stages of the internationalization process are formed, which are based on the transformation of national financial and industrial groups into MNE. The key factors that influence the optimization of the interests of MNE and the national economy of the recipient country in the framework of international business are highlighted. The main tool of internationalization is the level of activity of the foreign direct investment (FDI) movement. The formation of the investment climate in countries with emerging economies is influenced by a number of factors. 10 main factors influencing the intensification of FDI involvement have been identified. At the same time, the political climate, inflation, tax regulation and corruption are crucial.

The regression model has been used to assess the impact of the national investment climate on the volume and intensity of foreign direct investment inflows. Indicators (level of political stability; foreign investment policy; probability of re-privatization; the probability of devaluation of the national currency; availability of highly qualified labor resources in the country; state of the infrastructure; estimation of the number of national companies – potential partners etc.) are factors that shape the intensity of the process of attracting FDI and determine the internationalization of the national economy in the context of globalization.

A correlation matrix has been formed, which has confirmed the primary dependence of foreign investment on the “investment triad”: political regime, economic environment and national security. The highest efficiency of foreign investments into the Baltic economies and the predominant orientation of FDI MNCs in Central and Eastern Europe and the CIS on low-tech industries and sectors of the third and fourth technological structures. The process of internationalization of countries with emerging markets is due to the influence of factors that shape a healthy investment climate of the national economy. At the same time, according to the results of the study, the internationalization of the studied countries has a supporting character for MNCs and is aimed at extending the life cycle of corporate investment strategies.

Table 1

Outcome regression for dependent variable FDI in region (s)						
R2=0,9881 RI=0,9725 F(9,15)=58,839 p=0,00000 statistical error of estimation = 6,5042						
Indicators	statistical regression	statistical error	regression coefficient	statistical error	F- criterion	level of significance
$t_{9,10}$	0.1331	0.2390	0.3759	0.6753	0.5587	0.5859
$\partial_{3,4}y_0$	1.8549	0.5782	0.1101	0.0385	2.8618	0.0119
$t_{23,4}$	0.1516	0.0591	0.0709	0.0277	2.5645	0.0216
$\partial_{23,4}$	-0.5389	0.1913	-0.0029	0.0010	-2.8071	0.0133
∂_{5-8}	1.5631	0.6354	0.1872	0.0761	2.4601	0.0265
$t_{5-8}\partial_{5-8}$	-1.4051	0.6649	-0.0096	0.0046	-2.1133	0.0517
∂_{11-2}	-0.2338	0.0919	-0.00063	0.0001	-2.5423	0.0225
$\partial_{9,10}$	0.2430	0.1158	0.0959	0.0459	2.0989	0.0532
$\partial_{3,4}y_m$	-5682	0.4304	-0.0022	0.0017	-1.3201	0.2086

Source: developed by the authors

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МЕХАНІЗМ ВРЕГУЛЮВАННЯ ІНТЕРЕСІВ БАГАТОНАЦІОНАЛЬНИХ ПІДПРИЄМСТВ В УМОВАХ ГЛОБАЛІЗАЦІЇ

Сформовано концепцію інтернаціоналізації країн з емерджентною економікою в умовах глобалізації. Обґрунтовано, що МНП здобувають неперевершені конкурентні переваги за межами країн базування материнських компаній в результаті здійснення великомасштабних інвестицій. Сформовано аналітико-прогностичний інструментарій оцінки ефективності даного процесу для країн-реципієнтів, який передбачає три етапи. По-перше, сформовано основні етапи процесу інтернаціоналізації, в основу якого покладено трансформацію національних фінансово-промислових груп у БНП. Обґрунтовано, що інтернаціоналізація національної економіки в умовах глобалізації здатна виступити головною рушійною силою, що дозволяє країні зайняти провідні позиції в сучасних міжнародних економічних відносинах. Пріоритетність економічних інтересів БНП можна розглядати як вищу стадію інтеграції національної економічної системи в глобальну систему. Виділено ключові фактори, що впливають на оптимізацію інтересів БНП і національної економіки країни-реципієнта в рамках міжнародного бізнесу. Основним інструментом інтернаціоналізації є рівень активності руху прямих іноземних інвестицій. Формування інвестиційного клімату в країнах з емерджентними ринками відбувається під впливом низки факторів. Виокремлено 10 основних факторів, що впливають на інтенсифікацію залучення ПІІ. При цьому політичний клімат, рівень інфляції, податкове регулювання та рівень корупції мають вирішальне значення. На другому етапі була розроблена регресійна модель. При цьому була використана методика оцінки впливу національного інвестиційного клімату на обсяги та інтенсивність притоку прямих іноземних інвестицій. На третьому етапі була сформована кореляційна матриця, яка підтвердила першочергову залежність іноземного інвестування від «інвестиційної тріади» – політичного режиму, економічної кон'юнктури та національної безпеки. Доведено, інтернаціоналізація досліджуваних країн має допоміжний характер для МНК та спрямований на подовження життєвого циклу корпоративних інвестиційних стратегій.

Ключові слова: *ринки, що розвиваються, багатонаціональні підприємства, інтернаціоналізація, глобалізація.*

МЕХАНИЗМ УРЕГУЛИРОВАНИЯ ИНТЕРЕСОВ МНОГОНАЦИОНАЛЬНЫХ ПРЕДПРИЯТИЙ В УСЛОВИЯХ ГЛОБАЛИЗАЦИИ

Сформирована концепция интернационализации стран с развивающейся экономикой в условиях глобализации. Обосновано, что многонациональные предприятия получают дополнительные конкурентные преимущества за пределами стран происхождения своих материнских компаний в результате масштабных инвестиций. На формирование инвестиционного климата в странах с развивающимися рынками влияет ряд факторов. Выявлено 10 основных факторов, обосновывающих динамику привлечения ПИИ. В то же время решающее значение имеют политический климат, инфляция, налоговое регулирование и коррупция. На втором этапе была разработана регрессионная модель. Методология, используемая для оценки воздействия национального инвестиционного климата на объем и интенсивность привлечения прямых иностранных инвестиций. Результаты реализации данной модели адекватны и могут быть рекомендованы для решения задач прогнозирования процесса прямых иностранных инвестиций в национальную экономику стран с развивающимися рынками.

Ключевые слова: *развивающиеся рынки, многонациональные предприятия, интернационализация, глобализация.*