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Strategic vectors of transnational influence on the environmentalization of international trade

Annotation

The article is concerned with the investigation of transnational impact on environmentalization of international trade. The strategic vectors of transnational influence on the environmental performance of trade cooperation and guidelines for their implementation are defined. The necessity of taking into account regional, sectoral and national environmental requirements by transnational corporations is proved. The positive and negative aspects of the interaction processes of transnationalization and international trade cooperation in the context of their consideration of environmental parameters are justified.

Keywords

transnationalization, vectors of transnational influence, environmentalization, international trade cooperation, the principles of environmental management

1 Problem statement

The influence of transnationalization processes on the global environmental space is a natural phenomenon caused by their significant participation in manufacturing and trade, financial, economic, social and cultural, international infrastructure relations. In many cases, the activities of transnational corporations are associated with the transfer of harmful production from developed countries to countries with lower levels of economic development, complicity of pressure on the natural and resource environment, expansion of production facilities, development of all transport modes, which have a bad influence on the ecological situation. Along with this, the transformation of world economic complex towards functioning on the principles of sustainable development makes transnational corporations take account of these requirements in their projects in foreign markets. Given the substantial value of international trade in transnational plane, this direction of cooperation requires special attention in terms of its environmental component analysis, finding directions of leveling negative factors of transnational influence on the environmentalization of international trade.

2 Analysis of recent researches and publications

The specifics of the TNCs' functioning and their impact on the ecologisation of economic life are reflected in the works of famous scientists, such

as V. Vernadsky, H. Vinter, J. Dunning, H. Deli, R. Caves, D. Medous, K. Rennings, Yu. Tunytsia, I. Walter, S. Hymer and others. At the same time, the issues of the influence of transnationalization processes on the environmental parameters of the development of international trade cooperation, the definition of positive and negative aspects of the interaction of transnationalization and trade and environmental cooperation remain insufficiently clarified.

The aim of the article is to study the strategic vectors of transnational influence on the ecologization of international trade and to justify the transformational changes in the environmental parameters of transnational activity on this basis.

3 Research results

The current stage of development of the world economy is characterized, in particular, by the intensification of the processes of transnationalization and increasing their influence on environmentalization of international trade interaction. The reasons for this should be seen primarily in the growth of the share of export operations of transnational corporations (TNCs) in total world export, their expanded participation in the process of allocation of international production and others. This stipulates a necessity to take into account the sustainable development priorities in TNCs activity set out in the UN document "Criteria for management of sustainable development". They guide the TNCs to develop policies on environmental protection and

sustainable development and bring their trade, economic and industrial activities in compliance with this policy [5]. Therefore, among the main

factors of transnationalization's influence on environmentalization in international trade should be noted the following (Figure 1):

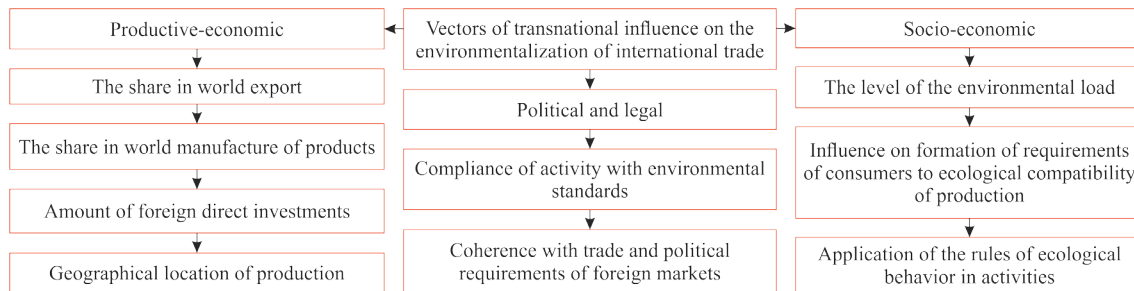


Figure 1 Vectors of transnational influence on the environmentalization of international trade
Compiled by the author based on the materials [1, 2, 4]

Among the vectors of transnational influence on the environmentalization of international trade it is reasonable to emphasize three of them: productive-economic, associated with a significant share of TNCs in international production processes, international trade cooperation, investment flows; political and legal characterized by the need for TNCs to develop their activities in concert with environmental standards, trade and political demands of markets where their affiliates operate; social and environmental, the dominant influence of which is in shaping consumer demands for ecological compatibility of production, need to

apply the rules of ecological behavior in activities in international markets, significant level of load on the environment due to branching productive capacity [6]. Despite the fact that only one of the defined strategic vectors is purely related to the environmental direction, but indirectly all these components form the guidelines for the influence of transnationalization on the environmental development of international trade. It should be noted that TNCs account for a significant part of the investment, financial, export, production resources of the world (Figure 2).

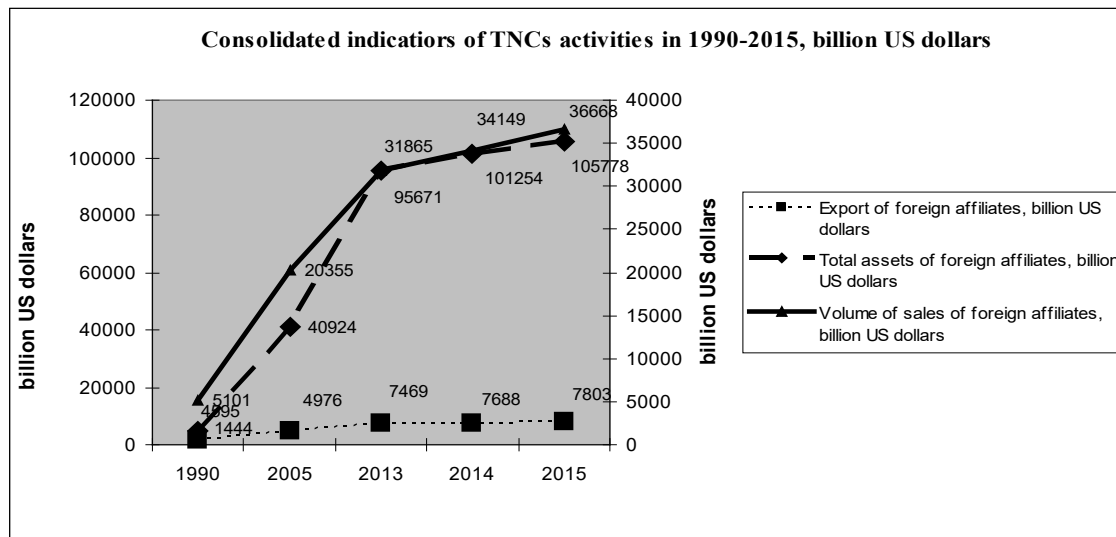


Figure 2 Consolidated indicators of TNCs activities in 1990-2015. Source [4, 9, 10]

These data characterize the dynamic growth of the economic performance of TNCs, that increases their influence on the functioning of world markets. In addition, transnational corporations create a significant number of job positions in the world economy. For the period 1990-2015 their total volume increased 3.7 times (Figure 3).

Along with the socio-economic importance for the economies of the world, this situation requires TNCs to implement the principles of environmental management, in particular in the context of providing environmentally friendly working

conditions for their employees in accordance with the requirements of foreign markets and their regulatory and legal features and international legislation governing the relationship between employers and employees [1]. At the same time, the activities of TNCs are also aimed at developing national markets of home countries. Comparative characteristics of assets, sales volumes and number of job positions in national and foreign markets of one hundred of the largest non-financial TNCs in the world are as follows (Figure 4).

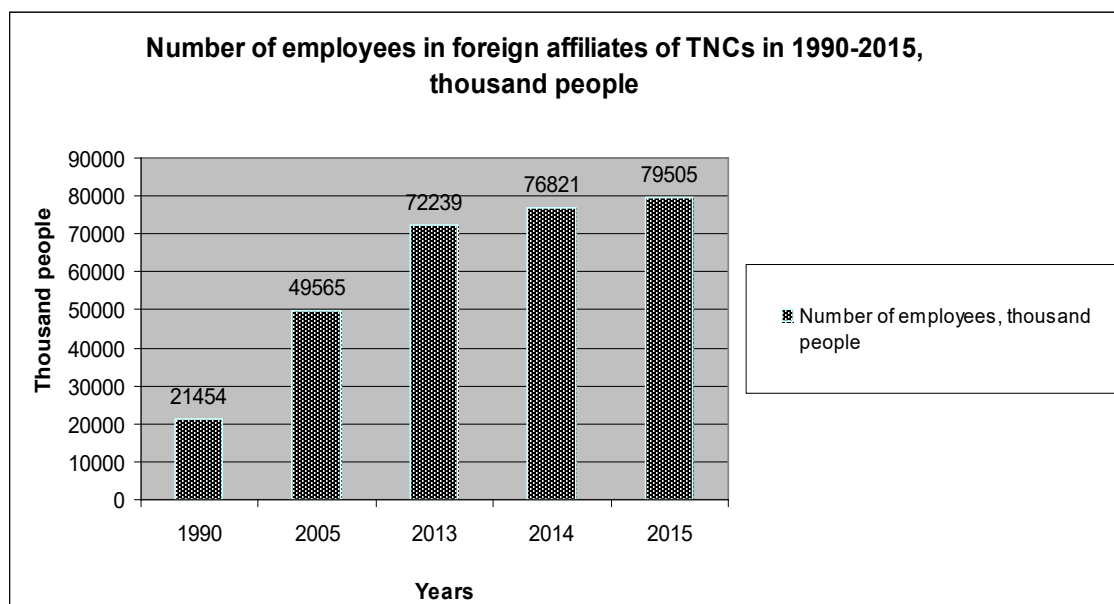


Figure 3 Dynamics of quantity of employees in foreign affiliates of TNCs in 1990-2015. Source [9]

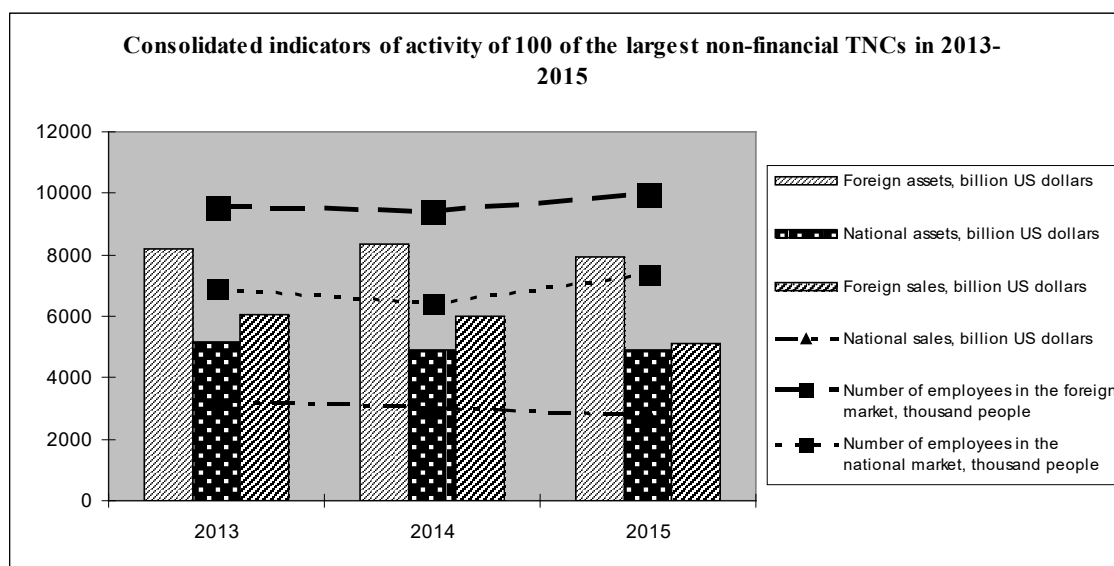


Figure 4 Consolidated indicators of activity of 100 of the largest non-financial TNCs in 2013-2015. Source [4]

The complexity of the development of economic activities of TNCs is conditioned by the need to take into account a large number of specific conditions of the national and foreign markets. On the one hand, this increases the burden, in particular, financial, innovative, investment, environmental one, on the functioning of corporations, on the other hand it gives the opportunity to accumulate experience in the effective organization of economic, industrial, ecological processes. The presence of TNCs in the regions of the world reflects the general trends in the development of trade, economic and production characteristics of the development of the world economy, with the predominance of TNC affiliates in the markets of developing countries. A

significant number of TNCs are located in the regions that are leading from the point of view of participating in foreign trade relations, namely: the USA, the EU, Japan, and China. It should be noted that for the period 2009-2015 the number of corporations has significantly increased in China, which is stipulated by the formation of a favorable investment environment in the country (Figure 5).

This geographical structure of placement of parent TNCs has a significant influence on the ecologization basics of regional development. This means that it is advisable to consider them as systematically organizing regarding the forming guidelines for the implementation of environmental conditions for the development of international trade.

Given the above, the activities of transnational corporations contribute to maximizing profits from international trade activities, since the expansion of activities to the territory of many

countries provides significant advantages. At the same time, transnational corporations act as the leading form of globalization of production and investment cooperation, which are characterized

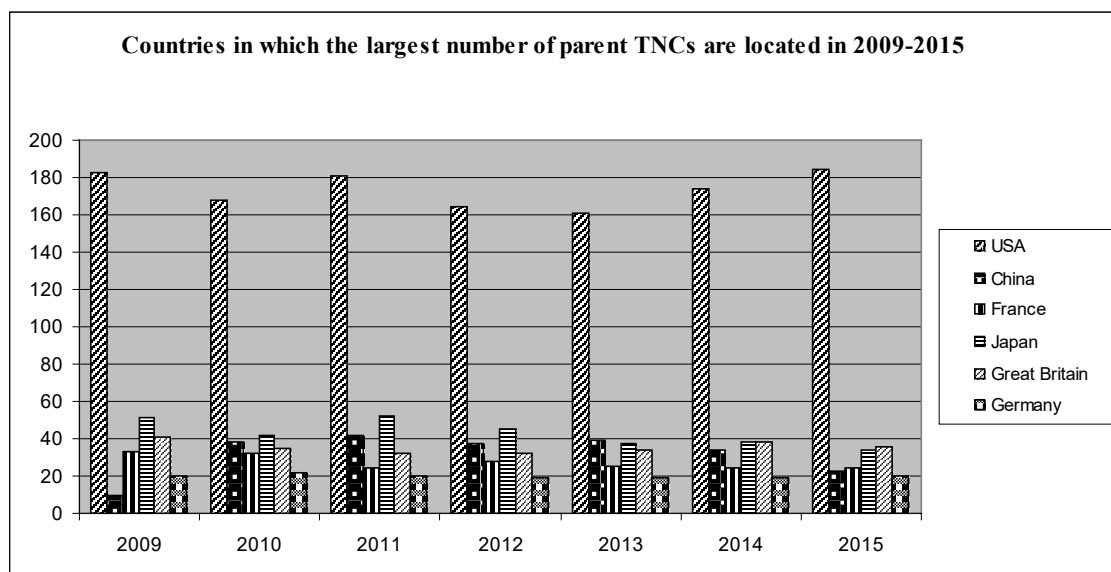


Figure 5 Countries in which the largest number of parent TNCs are located in 2009-2015. Source [9, 10]

by simplicity in moving their capitals and production capacities to regions with more favorable conditions for them, which contributes to increasing socio-economic and environmental disparities between particular countries [6].

A significant part of TNCs in export and import of products and technologies that are banned in particular countries, as a result of the potential danger to human health, is characterized by negative ecological influence. Since in developed countries a fines system is provided for violating environmental norms, TNCs often transfer polluting and potentially hazardous industries to developing countries where more favorable environmental and investment regulations operate, and form certain environmental risks for them.

On the one hand, TNCs have a strong negative influence on the environment. On the other hand, they have at their disposal financial, technological and other resources to solve environmental problems. In view of this, there is an increasing demand from government and market institutions, especially in developed countries, regarding the environmental performance of TNCs.

It should be noted that the most negative load on the environment is exercised by the raw materials industries, as well as by transport. Most of the branches of the economy that have a significant influence on the environmental component of the development of international trade, is characterized by a generally high degree of transnationalization. The top ten of the world's 100 largest TNCs are the companies that work in industries such as mining, quarry and oil products development, oil refining

and related industries, automobile manufacturing, industrial and commercial equipment production, and others (Table 1).

These industries make the most polluting influence on the environment, not only within the country of location of parent companies, but also beyond their borders, where the affiliates of corporations are located. Among the countries where the parent TNCs belonging to the top 100 of largest corporations are located are the USA, Great Britain, Japan, France, Germany, Sweden, etc. The last ten TNCs from the list of the hundred most powerful assets operate in the sectors of production of industrial and commercial equipment, computer equipment, pharmaceuticals, etc.

When facing the strengthening of environmental legislation in a particular country, TNCs can implement various approaches to the incorporation of environmental requirements: bringing the environmental component of activities into compliance with national principles of environmentalization; the slow transition to new environmental standards, especially in developing countries, which are generally more interested in obtaining financial resources, even taking into account the low level of environmental characteristics of the proposed projects.

The norms of international organizations, whose activities are related, in particular, to environmental regulation (primarily the UN and the WTO) [8] are applied to prevent the use by transnational corporations of differences in the environmental requirements of different countries and to help solve environmental problems. In this

Table 1 The World's Top 100 Non-Financial TNCs Ranked by Foreign Assets 2015

	Company	Country	Industry	Foreign assets (in millions of dollars)	Total assets (in millions of dollars)
1	Royal Dutch Shell plc	United Kingdom	Mining, quarrying and petroleum	288 283	340 157
2	Toyota Motor Corporation	Japan	Motor Vehicles	273 280	422 176
3	General Electric Co	United States	Industrial and Commercial Machinery	257 742	492 692
4	Total SA	France	Petroleum Refining and Related Industries	236 719	244 856
5	BP plc	United Kingdom	Petroleum Refining and Related Industries	216 698	261 832
6	Exxon Mobil Corporation	United States	Petroleum Refining and Related Industries	193 493	336 758
7	Chevron Corporation	United States	Petroleum Refining and Related Industries	191 933	266 103
8	Volkswagen Group	Germany	Motor Vehicles	181 826	416 596
9	Vodafone Group Plc	United Kingdom	Telecommunications	166 967	192 310
10	Apple Computer Inc	United States	Computer Equipment	143 652	290 479

Source [7]

regard, an important role is played by state regulation, changes in consumer requirements for the environmental properties of goods and the conditions for their production; priorities of environmental policy of competing companies.

In general, all of the above makes TNCs take into account the environmental aspects of development in their activities in foreign markets. This has its manifestation, in particular, in the following. Firstly, access to the foreign markets with environmentally friendly products in order to comply with the market conditions for access to markets and increase of competitive advantages. On the one hand, the implementation of environmentally friendly and energy-saving products provides a high level of comparative advantages in relation to the companies represented on the market. On the other hand, access to the market in many cases is related to the compliance of products with the national and international requirements for their environmental friendliness.

Secondly, the TNCs' regulation of the level of environmentalization of their activities in order to gain access to the market and the expanded financing of environmental activities aimed at reducing environmental damage. Fourthly, the compliance with environmental standards. The standards of environmental management systems do not prescribe and do not define requirements for the environmental activities of companies, but contain recommendations for improving the environmental performance of their activities [3]. The use of such standards reflects the compliance of the environmental management system with modern requirements and confirms the release of environmentally friendly products, makes it easier for companies not only to enter the market, but also provides competitive advantages and ensures loyalty towards potential buyers.

Fifthly, the consideration of recommendations of the document "Business Charter for Sustainable Development", developed in 1991 by the

International Chamber of Commerce to help entrepreneurs as business entities, which should pay much attention to the environmental aspects of their activities. This document highlights the importance of environmental management in the activities of TNCs, notes that companies intend to continuously improve environmental performance, taking into account the achievements of science and technology, consumer needs and the interests of society, based on the existing legal framework, to apply the same environmental criteria in their activities abroad, to encourage wider application of these principles by their suppliers.

In this regard, the creation of the Business Council for Sustainable Development in 1992, which had a significant influence on the drafting and adoption of the main resolutions of the conference, including the conventions on biological diversity and climate and the Agenda for the 21st Century (UN programs on Environment and Natural Resources). The importance of such areas of work as the economic use of natural resources, the revision of environmental aspects of their activities, the organization of scientific research on the prevention of negative environmental processes, the implementation of measures for the use and transfer of environmental technologies to the host country, the promotion of their development and dissemination, the development of strategies for the prevention of environmental risks activities, constant monitoring of the TNCs' management regarding the implementation of environmental requirements by all affiliates, increasing awareness among the public and the official authorities of the country of their environmental policy.

It should be noted that attempts to satisfy own economic interests cause TNCs to ignore the possible negative consequences of their activities for the environment. Considering the influence of TNCs on the environmental aspects of international trade cooperation at the international level, the

process of developing rules for the environmental behavior of corporations has intensified in recent years. After all, the environmental factor in their activities is of special interest both in finding ways out of the global environmental crisis, and in terms of changing the environmental practices of the most TNCs, so the importance of the ecofactor in their activities will constantly grow.

Among the influence factors of TNCs in respect of provision of the environmental foundations of their activities, including in the conduct of international trade operations, the following should be highlighted: the features of state regulation in the environmental sphere in particular markets and at the interstate level; consumer requirements for the environmental friendliness of the products they are offered, and the environmental aspects of their production; the extent to which competitors take into account the requirements for the environmental friendliness of their activities and production; system of interaction with suppliers of raw materials and materials in terms of their compliance with

environmental requirements. The latter acquires special importance in interaction with suppliers from developing countries and countries with economies in transition, in which, in some cases, state regulation is less stringent than the environmental standards of particular TNCs, in contrast to developed countries that have strict state regulation in this area.

4 Conclusions

In general, the optimization of the influence of transnationalization on the environmentalization of international trade implies the entry of TNCs into foreign markets with environmentally friendly products in order to comply with the market conditions for access to markets and increase competitive advantages; regulation of the level of environmentalization of their activities with a view to gaining access to the market; increasing the volume of funding for environmental activities aimed at reducing harm to the environment; compliance with the environmental standards.

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