# **CONTENTS**

Introduction

Chapter I. Theoretical aspects of the multinational corporation functioning

1.1 Maintenance, structure and the basic types of activity of the multinational corporation

1.2 Advantages and disadvantages of politics of the multinational corporation

Chapter II. The role of the multinational corporation of the USA in the world economy

1. The operation of multinational corporations of the USA in Russian

Conclusion

Bibliography

Appendix

**Introduction**

The modern economy is moving towards the creation of uniform economic space where the basic subjects of economic relations are no longer countries, but multinational companies and their alliances. Thus, the obvious trend to their integration, to what the wave of the international mergers and absorption testifies is observed.

The basis of all multinational firms is made up of American companies. The number of workers and employees who are engaged in overseas branches is enough to tell that, is equal to half of American employees engaged in the manufacturing industry.

The international giants have deeply taken root into economic structure of developing states and it is, certainly, reflected in the strategy of multinational corporations. Owing to similar changes American multinational corporations bring certain corrective amendments to the strategy, but, nevertheless, constantly and purposefully export the working capital. So, this practice deserves the closest attention with the purpose to work out effective recommendations to form domestic multinational corporations for further functioning in the world economy.

**Chapter I. THEORETICAL ASPECTS OF FUNCTIONING AND DEVELOPMENT OF THE MULTIONATIOL CORPORATION**

1.1 Maintenance, structure and the basic of activity of the multinational corporation

The process transnationalisation is characteristic for modern economy. In it the main characters are multinational corporations.

The organizational structure of multinational corporations, as a rule, is represented by the head company and its foreign branches.

The head parent company is an administrative center of the system of enterprises of the multinational corporation. Its functions usually include decision-making on merging with other companies, purchasing new firms; forming long-term industrial, investment and financial politics of branches and corporations as a whole; controlling the finance and research and development of foreign branches, at the same time the head company should enable managers of foreign branches to make decisions independently to satisfactory the demands of consumers of the local market and according to the legislation of the host country.

 The basic organizational forms of foreign branches are:

- affiliated company (subsidiary) –a company which is controlled by another one. The controlling company owns over 50% - and sometimes 100% - of the ordinary shares of the subsidiary;

- associated company (associate) – a company of which at least 20% and not more than 50% the ordinary shares is held by another company;

- the branch (branch) - a part of a large organization that deals with one particular type of work.

The management of the multinational corporation solves problems of perfection of structure of management depending on assortment of goods and services, which they offer on the world market.

The example of an ideal structure of the multinational corporation is “General Electric”, whose market capitalization in 2000 exceeded 300 billion dollars (the highest figure in the history of USA companies). It is one of the most versatile companies in the world; it offers a wide assortment of goods, including aviation engines, industrial plastic, lighting devices, power installations and many other things in different regions.

Another example of American multinational corporations is “Ford” which began its enterprise activity in Europe in the 60s on the basis of its branch in Great Britain. In the 90s this corporation carried out the development of new models, manufacture of components and assembly of machines in five European countries, having united technological chains of factories of each of these countries in.

When trying to expend, the multinational corporation uses various forms of the world market. These forms are based on contract relations and are not connected with participation in the share capital of other firms.

Thus, the modern multinational corporations are based on the theory of a firm in the organization of manufacture and selling of goods and services and they have become the largest characters in the modern world economy.

**1.2 Advantages and disadvantages of politics of the multinational corporation**

Actively participating in the processes of international manufacture on the basis of the traditional international division of labor, the multinational corporation has created its own intrafirm international manufacture on the basis of modernized international division of labor, taking into account developing markets. This intrafirm variant of the international manufacture has become the core of modern international corporations.

The organization of the intrafirm international manufacture gives the multinational corporation a number of advantages:

1. to use benefits of the international specialization of manufacture in different countries separately;
2. to use tax, investment and other the privileges, given by countries to foreign investors as much as possible;

3) to maneuver loading of capacities, adapting the production programs according to the world market;

4) to use affiliated companies as a jumping-off place for further expansion on developing markets.

Marking the advantages of functioning of the multinational corporation in the system of the world economy, it is necessary to tell about their negative influence on the economies of those countries in which they function. Experts specify:

- counteraction to economic policy of those countries, where the multinational corporation carries out its activity;

- infringement of the state laws.

- multinational corporations really remain a source of some the negative social consequences connected with egoistic motives of their activity.

Political and economic value of transnational corporations is so great, that in historically foreseeable time they will remain one of the important factors of influence strengthening of industrially developed countries in many regions of the world.

Chapter II. The role of the multinational corporation of the USA in the world economy

**2.1 The operation of multinational corporations of the USA in Russian**

Russia is gradually transforming into the country for which the economy is characterized by greater liberalization, an open access for foreign companies to the majority of spheres of economic activities. In particular, large transnational corporations come to Russia, which economic activities have a global character.

The following companies - «General Electric», «Westinghouse Electric», «GEC-Alston», etc. - while showing care, take steps to gain profit on newly created markets.

American automobile companies are also entering the markets of the countries with transitive economy, by means of investments very cautiously. The company "Ford" has been producing cars at a new assembly factory in Poland since autumn 1995, but the volumes of the assembly were small. The company «General Motors» has created in Gilwice an assembly factory of family cars «Opel Astra» from imported accessories. In Russia «General Motors» has set up organized a small manufacture (assembly) on the basis of the factory Elabuga capacities..

In Belarus market " Ford " has adjusted coproduction of the car "Ford-Transit" which is greatly exported to the CIS countries. It invested 30 million dollars in it, this is very small capital for investments abroad. In Russia «Ford» has recently started a small manufacture of elite cars in Leningrad region. Investments are also not so greater (150 million dollars), but the project is remarkable because the enterprise in Russia was constructed from zero while projects of other foreign companies use operating capacities of their Russian partners. Though the part of the Russian accessories in the cost of the car is also insignificant (6 %), but in the long term this part will increase.

Thus analyzing the activity of large transnational corporations, it is possible to note successful factors which success for the introduction and promotion of the multinational corporation in the Russian market:

1) the success in Russia is often promoted by “a non-standard behavior”: many western businessmen note the specificity of conditions in the countries with transitive economy, especially in Russia where the methods used in other countries, do not always work;

2) because of high risk in the Russian economy;

3) the market of foodstuffs and consumer goods in Russia is undergoing if not boom, but obvious revival and growth. Therefore many western manufacturers of the foodstuffs consider Russia a perspective commodity market.

**The conclusion**

Observing obvious trends on the world market, we can draw the conclusion that transnational corporations are one of the most powerful elements of internationalization of the society. "Global" transnational corporations, first of all American ones, have transferred into the dominating factor of development of the world economy and international economic relations today. Direct investments of the multinational corporations play a key role in the functioning of national economies and expansion of international industrial system - a material core of modern globalized economy.

The analysis of activity of the multinational corporation allows to allocate the following basic sources of effective activity of the multinational corporation (in comparison with only national companies):

* Use of advantages of possession by natural resources: the capital and knowledge, especially the results of research and development;
* Opportunity of an optimum arrangement of enterprises in different
 countries in view of sizes of their home market, rates of economic growth, the price and qualification of a labor, prices and availability of other economic resources, development of an infrastructure;
* Use in the purposes of financial resources of all world;
* Constant knowledge of a conjuncture of the commodity, currency and financial markets in different countries;
* Experience of the international management, including the optimum organization of manufacture and selling, maintenance of high reputation of a firm.

Sources of effective activity of this type are dynamical: they usually increase in process of growth of actives of the company and in diversification of its activity. Thus, with necessary conditions of realization of these sources, reliable and inexpensive communication of the head company with foreign branches, a wide network of business contacts of foreign branches with local firms of the host country , skilful use of the opportunities given by the legislation of this country can be used.

The multinational corporation can continue function effectively by reducing the bureaucratic device, improving the control system and advertising activity mastering old market more deeply and getting on new foreign markets.

Thus, the carried out research s allows to draw the conclusion that now it is possible to speak about a division of labor not so much between the countries, but between transnational corporations.

There is a complex and continuously developing phenomenon of the international corporation in the system of intereconomic communications, which demands constant attention, studying and international control.

**Appendix.**

Figure 1.

The largest multinational corporations of the USA which have enclosed greater volumes of investments in the Russian economy

|  |  |  |  |
| --- | --- | --- | --- |
| The company | Volume of investments | The form of investment cooperation | Specialization |
| «Coca-Cola» | 750 million dollars | 20 factories on pouring drinks are constructed, 350 distributive centers in 11 cities of Russia | Nonalcoholic – drinks |
| «Pepsi-Cola» | 200 million dollars  | 13 Factories on pouring drinks, 50 warehouses in 5 cities of Russia | Nonalcoholic – drinks |
| «General Motors» |  | The Designed capacity-150 thousand pieces a year | Cars |
| «Ford» | 150 million dollars | The Designed capacity, 50 thousand pieces a year | Cars |
| «McDonald» | 215 million dollars | The company has opened 71 restaurant in 22 cities of Russia, Including 39 outlets in Moscow, 14 - in Moscow area, 8 - in St.-Petersburg |  fast food restaurants  |
| «RJRInternational» | 400 million dollars | Owns the enterprises in St.-Petersburg.20 % of the Russian market | Tobacco products |
| «Philip Morris » | 250 million dollars | 3 tobacco factories - Kuban, , Neva | Tobacco products |
| «Conaco» | 550 million dollars | Joint venture « Polar light » in the Republic Komi | Oil |
| «Exxon» | 300 million dollars | Participation in projects on development oil deposits of the shelf Sakhalin-1 and Sakhalin-3 | Oil |