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**TRANSNATIONAL CORPORATIONS  
AT THE AGRICULTURAL MACHINERY MARKET  
IN INTEGRATION PROCESS CONTEXT**

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***Abstract:** In the article the essence of the world economy transnationalization phenomenon at the present stage, as well as the impact of this process on the development of the Russian economy, particularly the agricultural sector and agricultural machinery market is viewed.*

***Keywords:** transnationalization, agricultural machinery market, MNC, integration.*

**1. Introduction**

The main characteristics of the world economy development at the present stage are the processes of globalization and transnationalization, which determine the formation and functioning of global multinational corporations, banks, foundations and integration unions. The consequence of these processes is the increase in the degree and extent of interdependence of national economies. Transnationalization carried out by means of MNC direct investment in the economies of other countries helps to disseminate new methods of management, marketing, transfers new technologies and thus contributes to the globalization of the world economy.

As a result of the processes of transnationalization the interstate mechanism of regulation of the economy has undergone significant changes. At the current stage the economic relations between the two countries go beyond the bilateral interaction and the center of gravity shifts toward multilateral economic cooperation. Also the range of the world economy actors and world economic relations expands. Important actors in the global economy become international economic and financial organizations that regulate different areas of world economic activity. Huge changes occur in the functions of these organizations. They are caused by adaptation to the conditions of the growing

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interdependence of the modern world and intertwining of various spheres of national and world economies.

Transnationalization makes economic borders more transparent. The division of internal and external economic environment in many cases becomes conditional. In such circumstances increasingly occurs a "blurring" of the national government systems boundaries (Krasavina L.N., 2008).

## **2. Main text**

International activities of the MNCs can be described as the process of logical permanent expansion, resulting in a maximum increase of profit and capital accumulation through expanded reproduction.

Currently despite the sum of many views on the processes of transnationalization, it can be divided into two main trends (Movsesian A.G., 2001). Supporters of the first of them consider the processes of transnationalization in terms of subjective orientation, understanding them as a practical embodiment in the life the era of economic globalization and the ideology of domination on a global scale of separate corporations owned by a small group of countries.

Proponents of the second trend trying to express the essence of the transnationalization through the description and follow-up study of objective processes taking place at the present stage, and radically changing the whole image of the everyday life of modern mankind in many areas. The reason for this can be the fact that the phenomenon of transnationalization is the most vividly and intensely manifested in the economic sphere. In this area the processes of transnationalization has become an important aspect of modern world economic relations. In particular a strong symbol of transnationalization of the world economy is the rapid formation of a united global economic and political space (Movsesian A.G., 2001).

A significant increase in the rate and extent of the global competitiveness initiates MNC to a constant expansion and modernization of their technological capabilities and to the necessity to struggle for innovative leadership in its industry for building strategic alliances and integration capacity.

The source of the effective functioning of the MNC as a modern phenomenon can be the use of innovation and investment way of economic development. It is also important that the management of the MNC main company is flexible to global economic processes and has an economic power and financial resources to use the know-how and best practices for industrial process control. As the major goals of development the leading European MNCs choose the increase of the company's profitability, sales growth and increase market share, growth in market capitalization value and customer satisfaction (Klimovets O.V., 2009).

We should also mention the three most objective characteristics of modern multinational corporations. First is the ability to coordinate and manage effectively numerous of organizational processes within the production chain regardless of the geographical location of its elements. Second is the potential use of opportunistic imbalances in economic and political conditions in the markets of different countries. And

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third is the internal flexibility in the location and the redistribution of assets and factors of production across the global economic space (Movsesian A.G., 2001)

Along with the trend of increasing role of MNCs in global economic processes it is possible to note a number of persistent structural trends, the development of which will define the dynamics of the activities of transnational corporations in the coming decades: increasing role of MNCs based in developing countries; development of the process of strengthening the economic position of MNCs about national states; transnationalization of small and medium-sized companies.

According to the World Investment Report "Transnational Corporations, Agricultural Production and Development" (2009), prepared by the United Nations Conference on Trade and Development (UNCTAD), which has traditionally been studying the activity of multinationals, there are 82 000 transnational corporations with 810 000 foreign affiliates in the world. At the present time countries with the highest level of transnationalization are Hong Kong (86%), Ireland (64%), Belgium and Luxembourg (59%), Singapore (59%), Estonia (47%). In other countries transnationalization index is significantly smaller: in Brazil –15%, in Russia – 14%, in Germany – 11%, in China –10%, in Japan – 2% (United Nations Conference on Trade and Development).

The largest MNCs now mainly moved their activities to the global strategies and put their businesses in those countries where they can get the relevant competitive advantages. Priority countries for the distribution of productive forces in a transnational economy are developing countries and the countries of the Third World. First of all they are China, Thailand and India. But MNCs are also increasingly penetrating the Russian market. The national capital in Russian also aims to structure a powerful financial and industrial formation according to international peers. The fact that 80 of the world's top 100 MNCs are now presented in Russia is a testament of turning our country into a worldwide process of globalization. Therefore, issues of companies' transnationalization and their roles are highly relevant for Russia.

Most MNCs have started developing the Russian market with the creation of conditions for the marketing of their products through investments in distribution networks, systems of after-sales service and advertising campaigns. However, some MNCs, having passed this way in an accelerated version, began to establish joint ventures in cooperation with Russian partners for the development of project documentation, production designs, including goods mass production (Electronic portal "Macroeconomics").

The main prerequisite of the economic transnationalization and internationalization of the Russian economy is the concentration and centralization of the capital. Branches of foreign MNCs are placed very unevenly in Russia. The main MNCs mostly are focused in regions with high infrastructure like Moscow and Saint -Petersburg. The relatively small numbers of companies with foreign capital are located in the industrial areas – Moscow region, Leningrad region, Novgorod region and in regions dominated by export-oriented mining industry - Tyumen and Magadan regions and Primorye Territory (Semenenko K, Snimshchikiva I., 2013).

Multinationals advantageously carried out their direct investments in the Russian economy industries such as automobile, oil and gas, chemical, food and tobacco industries and public catering system. This form of attracting foreign capital is the most important for

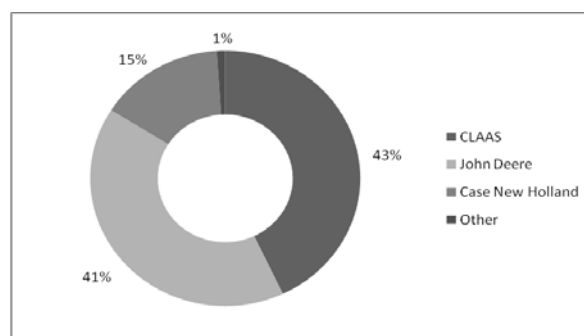
the economy of the country. Activities of Western MNCs in Russia are connected with the liberalization of industrial, financial and trade relations, as well as contribute to the formation of the economic complex with the structure and proportions converted to the needs of the country as a whole. Transnationalization processes also have an impact on the agricultural machinery market in Russia.

According to experts, the Russian agricultural market is one of the fastest growing and most attractive in the world. A considerable proportion of this market concerns to foreign-owned suppliers. Leading production growth rate of imports in comparison with Russian, a steady increase in the proportion of foreign agricultural products in total sales over the past 5 years show an obvious trend of ousting Russian companies from the domestic market by foreign suppliers.

Today the world's largest turnovers of agricultural machinery concerns significantly exceed the production of Russian companies. On the Russian market such global foreign manufacturers of agricultural equipment like John Deere, Case New Holland (CNH), AGCO, Claas, Same Deutz Fahr and others are presented.

During the last 15 years foreign manufacturers conducted systematic work for entering the market, promotion of brands and dealer networks formation. According to research, in January 2013 Claas and John Deere were leading on harvesting machines deliveries to the Russian market (Fig. 1). As for the tractors, bulk deliveries fell on John Deere, the Kharkov Tractor Plant and Case New Holland (RBC market research).

**Figure 1 – Structure of harvesting machines import by the enterprises, January 2013**



Source: Federal State Statistic Service

When Russia had entered the World Trade Organization in 2012 agricultural equipment market of the country has become more accessible and open to foreign producers that have received significant benefits. For example, the import duty on new farm machinery was reduced from 15% to 5% that led to import increase of machinery by 10% in 2012 (Federal State Statistic Service).

At the present time Russia exports equipment mainly to Lithuania, Ukraine, Kyrgyzstan, Turkey, China and Korea. In the beginning of 2013 on export was sent 4 tractors and 27 harvesting machines. According to Federal Russian Statistic Service data, 73.1% of total export of harvesting machines in value terms had Rostselmash Company.

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With the accession of Russia to the WTO the main struggle between national and foreign manufacturers in the Russian market of agricultural machinery occurs in production and shipment (Table 1), which is positively indicates that Russia has all the prerequisites for upgrading machinery and development of agriculture in general (News. Analytics. Comments).

**Table 1. Production and shipment of harvesting machines in Russia, units  
(January 2012/2013).**

Producer	Shipment		2013/2012	Production		2013/2012
	2012	2013		2012	2013	
Rostselmash	151	61	40,4	240	200	83,3
Bryanskselemash	69	27	39,1	217	22	10,1
Claas	1	16	1600	46	51	110,9
John Deere	—	—	—	—	28	—
Case New Holland	4	10	250	—	26	—
Total	125	114	—	503	327	—

*Source:* RBC market research

It should be noted that Western companies organized production on screwdriver and large hub assembly and have lower maintenance costs of infrastructure in Russia, but they have high cost of marketing promotion of new models, logistics and personnel training (Semenenko K, Snimschikiva I., 2013).

However Russian market of agricultural machinery has the benefits of increasing the competitiveness of its products, which have a positive impact on the country's economic development and expansion of world economic relations. According to experts, foreign participation in Russian agricultural production can stimulate the growth of productivity and provide support for economic development and modernization.

MNCs from developed countries dominate the lower (suppliers) and upper (manufacturing, retail and wholesale trade) links of the agro-industrial value chain. MNC participation in the agricultural sector of the economy in the form of FDI can promote the transfer of technology, implementation of standards and the development of skills, and improve access to credit and markets (United Nations Conference on Trade and Development).

Describing the impact of major Western European multinational companies on the Russian economy it should be noted that they belong to a group of strategic enterprises and their work matches with the Russian long-term and short-term objectives and interests. Due to MNC the Western model of management is transmitted, the quality standards of goods and services, environmental standards and standards of living are promoted, a significant inflow of investment, support for the development of production are provided, more jobs are created, and licenses and innovative technologies are transferred.

On the other hand, MNCs may be followed by exclusion of domestic producers from the market by means of unfair business practices, which increasing dependence of the domestic industry from the strategies of MNCs, particularly from the inflow of investments. Estimating positive and negative aspects of the influence of transnational corporations on

the development of the Russian economy, we can be note that the MNCs activities introduce more positive and progressive moments (Klimovets O.V., 2009).

In our opinion, the government should develop a comprehensive policy and strategic frameworks regulating the activities of MNCs in the agricultural sector, in particular, the agricultural industry, as well as a set of basic principles in order to ensure the transparency of large-scale land acquisitions.

Thus, the Russian market of agricultural equipment has advantages for increasing competitiveness of its products that have a positive impact on the country's economic development, expansion of world economic relations and the transition from a local development model to a more advanced model by increasing exports to CIS countries.

### **3. Conclusion**

In conclusion we should note that the most important feature of economic globalization is the transnationalization of business and active moving of companies beyond national borders to expand product markets and investments. This phenomenon, of course, is also affected the market of agricultural machinery of Russia.

The phenomenon of transnationalization acts as an essential prerequisite for accelerating internationalization and globalization processes, the nature of which may be perceived from the point of view of subjective orientation as a practical realization of economic globalization and the ideology of domination, and with the objective side as a natural stage of socio-economic development, which is realized in the formation of a single global information and economic space, accompanied by an unprecedented increase in the power of transnational structures and their ambivalence effect on the ability of interaction between the actors of the world economy.

The most important issue of transnationalization remains definition of specific forms and prediction of structural transformation of the transnational scale of business, represented in the form of international commercial systems operating at optimum organization and the most effective combination of international factors of production

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**TRANSNACIONALNE KORPORACIJE  
NA TRŽIŠTU POLJOPRIVREDNE OPREME  
U KONTEKSTU EVROPSKIH INTEGRACIJA**

*Rezime:* U radu se govori o suštini fenomena svetske ekonomske transnacionalizacije, kao i o uticaju ovih procesa na razvoj ruske privrede, posebno u oblasti poljoprivrede i tržišta poljoprivredne mehanizacije.

*Gljučne reči:* transnacionalizacija, tržište poljoprivredne mehanizacije, integracije.