

UDC 339.16.012.34

**Lytvyn R.I.**, research assistant ©*Lviv National University of Veterinary Medicine and Biotechnologies  
named after S.Z.Gzhytskyj, Lviv, Ukraine***THE ROLE OF TRANSNATIONAL CORPORATIONS IN  
AGRICULTURAL INVESTMENT**

*Transnational corporations (TNCs) play very important role and are vital indicators for economic growth and prosperity of the country and its agricultural industry, making the significant contribution to GDP and another national accounts growth, improvement of the global competitiveness of the economy in general. TNCs provide recipient countries with some new innovative R&D technologies, social responsible investments, improvement the quality of rural infrastructure together with public services and sustainable development of agriculture, meanwhile securing the food security and making huge contribution to meet the first Millennium Development Goal of the United Nations, eradicating poverty and hunger throughout the world. The role of transnational corporations and their impact on investments in agri-industry of the economy has been analysed in this research paper. The key elements of foreign investment' attraction strategic plan in agriculture were elaborated. This strategic plan comprises four different stages: a) Determination of FDI attraction strategy; b) determination of FDI attraction objectives; c) Organisation of FDI attraction process; d) Implementation of FDI attraction strategy. Also internal factors of motivation of the foreign investors' investment activity were outlined during this research.*

**Key words:** *transnational corporations (TNCs), foreign direct investment (FDI), FDI attraction, social responsible investment, investment activity, R&D, innovation, strategic plan, economic growth, globalization.*

УДК 339.16.012.34

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та біотехнологій імені С.З. Гжицького, Львів, Україна***РОЛЬ ТРАНСНАЦІОНАЛЬНИХ КОРПОРАЦІЙ У АГРАРНИХ  
ІНВЕСТИЦІЯХ**

*Транснаціональні корпорації (ТНК) відіграють дуже важливу роль і є життєво важливими показниками економічного зростання і процвітання країни та зокрема її галузі сільського господарства, роблячи значний внесок у зростання ВВП та інших показників системи національних рахунків, поліпшення глобальної конкурентоспроможності економіки в цілому. ТНК забезпечують країни-реципієнти деякими новими інноваційними технологіями R & D, соціально відповідальних інвестицій, поліпшення якості сільської інфраструктури, а також суспільних послуг та сталого розвитку сільського господарства, в той же час, забезпечують продовольчу безпеку і роблять величезний внесок для досягнення першої Цілі Розвитку Тисячоліття Організації Об'єднаних Націй, викорінення бідності і голоду в усьому світі. Роль транснаціональних корпорацій та їх вплив на інвестиції в галузі сільського*

господарства економіки було проаналізовано в цій науково-дослідній роботі. Були розроблені ключові елементи стратегічного плану залучення іноземних інвестицій в сільське господарство. Цей стратегічний план включає в себе чотири різних етапи: а) визначення стратегії залучення ПІІ; б) визначення цілей залучення ПІІ; в) Організація процесу залучення ПІІ; г) здійснення стратегії залучення ПІІ. Також були викладені внутрішні чинники мотивації інвестиційної діяльності іноземних інвесторів в процесі цього дослідження.

**Ключові слова:** транснаціональні корпорації (ТНК), прямі іноземні інвестиції (ПІІ), залучення прямих іноземних інвестицій, соціально відповідальні інвестиції, інвестиційна діяльність, дослідження та розвиток, інновації, стратегічний план, економічне зростання, глобалізація

УДК 339.16.012.34

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### **РОЛЬ ТРАНСНАЦИОНАЛЬНЫХ КОРПОРАЦИЙ В АГРАРНЫХ ИНВЕСТИЦИЯХ**

Транснациональные корпорации (ТНК) играют очень важную роль и являются жизненно важными показателями экономического роста и процветания страны и в частности ее отрасли сельского хозяйства, делая значительный вклад в рост ВВП и других показателей системы национальных счетов, улучшение глобальной конкурентоспособности экономики в целом. ТНК обеспечивают страны-реципиенты некоторыми новыми инновационными технологиями R & D, социально ответственными инвестициями, улучшения качества сельской инфраструктуры, а также общественных услуг и устойчивого развития сельского хозяйства, в то же время, обеспечивают продовольственную безопасность и вносят огромный вклад для достижения первой Цели Развития Тысячелетия Организации Объединенных Наций, искоренение бедности и голода во всем мире. Роль транснациональных корпораций и их влияние на инвестиции в области сельского хозяйства в экономике были проанализированы в этой научно-исследовательской работе. Были разработаны ключевые элементы стратегического плана привлечения иностранных инвестиций в сельское хозяйство. Этот стратегический план включает в себя четыре различных этапа: а) определение стратегии привлечения ПИИ; б) определение целей привлечения ПИИ; в) Организация процесса привлечения ПИИ; г) осуществление стратегии привлечения ПИИ. Также были изложены внутренние факторы мотивации инвестиционной деятельности иностранных инвесторов в процессе этого исследования.

**Ключевые слова:** транснациональные корпорации (ТНК), прямые иностранные инвестиции (ПИИ), привлечения прямих иностранных инвестиций, социально ответственные инвестиции, инвестиционная деятельность, исследования и развитие, инновации, стратегический план, экономический рост, глобализация

**Introduction.** Transnational corporations (TNCs) have very significant role and potential to be a serious indicator for economic growth of the country and its agricultural industry, making an important contribution to GDP growth and

improvement of the global competitiveness of the economy in general. TNCs provide recipient countries with some new innovative R&D technologies, sustainable development of agriculture, meanwhile securing the food security [1, p. 64] and eradicating hunger for the whole nation. These corporations have a notable importance and stronger influences upon economic development of emerging economies that have a shortage quantity of own resources for funding the economic growth [2, p. 45]. Ukraine significantly underutilizes the potential positive effects from TNCs agricultural investment increase.

**Material and methods.** To issues of researching of transnational corporations (TNCs) and its impact on agricultural investment have devoted one's research papers many prominent Ukrainian and foreign scientists such as: D.Prikhodko, A.Yarmak, V.Hovhera, G.Conway, R.Narula, Z.Atalay, P.Chechelski, S.Syed, M.Miyazako and many others. From the other hand the research of TNCs role in rural investment requires more elaborations in the light of globalisation processes in the industry and its efficiency. The purpose of our paper is to research the role that TNCs play in agricultural investment.

**Results and discussion.** Accordingly to the state of food and agriculture 2012 (SOFA) report provided by Food and Agriculture Organization of the United Nations (FAO) agricultural producers in low- and middle-income developing countries invest more than \$ 170 billion a year in their production, and conclude about \$ 150 per farmer. This is three times as much as all other sources of investment combined, four times more than contributions by the public sector, and more than 50 times more than official development assistance to these countries.

Investing in agriculture is clearly paying off, according to the FAO analysis. Over the last 20 years, for example, the countries with the highest rates of on-farm investment have made the most progress in halving hunger, to meet the first Millennium Development Goal of the United Nations. In many low- and middle-income developing countries, agricultural producers are often confronted with weak incentives to invest. A number of factors can drastically reduce the incentive to invest, including poor governance; absence of rule of law; high levels of corruption; insecure property rights; arbitrary trade practices; high "taxation" of agriculture relative to other sectors; and inadequate levels and quality of rural infrastructure and public services. Smallholders face specific, severe constraints, often including extreme poverty, weak property rights, and poor access to markets and financial services.

Overcoming these barriers will be essential to unlock the full investment potential of foreign partners and agricultural producers in many rural areas.

This way it is important to focus on a number of research questions in order to foster smallholder investment, including the following:

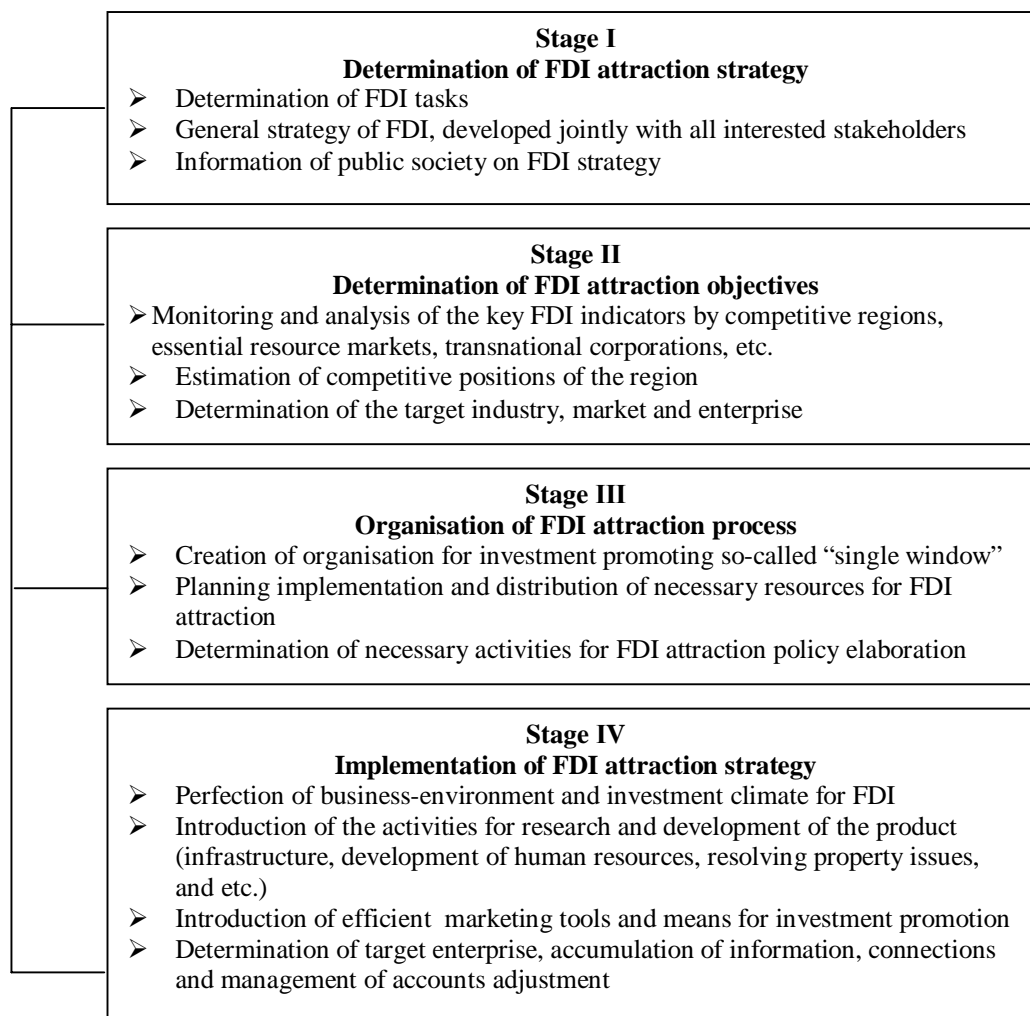
- Governments and their development partners need to help smallholders mobilize their own savings and gain improved access to credit.
- Stronger producer organizations, such as cooperatives, can help smallholders deal with risks and provide better market access.
- Social protection can contribute to the expansion of the asset base by the poorest smallholders.
- Responsible investment policies in agriculture of the different developing and developed countries and possibility of its application to Ukraine's agriculture sector [3].

At the same time while taking into one's consideration the data provided by State Statistical Service of Ukraine in 2012 there were attracted FDI \$ 736,3 billion in agricultural sphere of the economy, that amounted 1,6% of total FDI attracted at the end of the researched year [4]. This way multinational activity can be part of the development of the productive forces and have the potential for vast contribution to agricultural sector through securing food security and sustainable development of the strategic industry. From the other hand, there is a need to look again at the TNCs, their activities and power relationship with other actors and to develop a policy framework that increases the actual contribution to agriculture in line with potential contribution. TNCs play key role in development and enacting of innovative R&D technologies [5, p. 71] within and across borders. This puts them in a position of considerable power actor with other stakeholders and in particular labour, national governments, consumers and uninational companies.

Transnational companies have a positive role to play in current phase of concluding European Union Association Agreement with Ukraine. Many such companies are involved in much-needed development and diffusion of innovation; many produce products of high quality standards with environment friendly technologies that people genuinely want and need; many generate employment and develop skills. However, their activities must be regulated by a system of coherent governance within and between borders. The current pattern of social exclusion from the benefit of globalisation and of technological advances [6, p. 56], must be replaced by a more inclusive and participatory framework. Globalisation is a new phase in a world development characterized by a tremendous increase in potential and, to a lesser extent, the actual development of the productive forces. Both the organisational and technological types of innovations have been exploited mainly by the transnational corporation. The scope for further development and exploitation of innovation by the TNCs themselves and by other actors in agriculture is significant [7, p. 130]. The driving forces in agricultural investment processes are all those elements that contribute to the process and shape its pattern. In particular: the activities of TNCs and financial institutions; the diffusion of the ICTs; the policies of governments, particularly those related to liberalisation and de-regulation of agriculture; the policies of international institutions such as the International Monetary Fund (IMF) and the World Trade Organization (WTO), European Union (EU), European Bank for Reconstruction and Development (EBRD), Food and Agriculture Organization of the United Nations (FAO), World Food Programme (WFP), International Fund for Agricultural Development (IFAD) and the others [8, p. 153; 9, p. 152]. On the basis of these conditions the two dominant causes of globalisation and sustainable development can be identified in the following two areas of innovation, both of which contribute to the development of the productive forces in agricultural sphere [10, p. 40].

At figure 1 elaborated on the basis of own researches strategic plan of foreign investments attraction in agriculture is shown. This strategic plan includes four different stages: 1) Determination of FDI attraction strategy; 2) determination of FDI attraction objectives; 3) Organisation of FDI attraction process; 4) Implementation of FDI attraction strategy.

At table 1 key internal factors of motivation of the foreign investors' investment activity in agriculture are outlined based on UNCTAD World Investment Report Trends and Determinants 1998 [11, p. 91].



**Figure 1. Strategic plan of foreign investments attraction in agriculture**

*\*Notice: own research*

**Conclusions.** The main feature of the TNCs in agricultural investment is their ability to plan, organise and control business activities across countries. It is currently characteristic and specific to them and one that, therefore, differentiates them from other actors and stakeholders in economy who cannot or not yet organise themselves internationally. Such actors include labour, the consumers, uninational companies and local, regional and national governments. The TNCs play a very important role in providing responsible rural investment, securing food security, innovative R&D, sustainable development process in agricultural industry because: they are key to organisational and technological innovations and therefore to the development of the productive forces; they contribute to most flows of international transactions; they are the only actor that can truly plan, organise and control activities across borders; they are in a position to take full advantage of the ICTs and contribute to their diffusion and development; they participate in globalisation process and agricultural investment as an active rather than passive participants, unlike many other actors and stakeholders.

Table 1

**Internal factors of motivation of the foreign investors' investment activity\***

Factors	Types of investments, classified by incentives	The most essential economic features of the recipient country, that forms investor's investment activity incentives
Social, economic and political stability Country policy regarding FDI attraction Standards applied to companies, that are owned by foreigners Regulatory and legislative base, that implements investment and economic activity regulation Functioning and market development policy (especially regarding competition, merger and company acquisitions) Agreements on investing at international level Policy in sphere of privatization Taxation policy Trade policy	New market searches	Paces of market increase Access to world and regional markets Market capacity and income per capita Market structure Local consumers preferences
Investment promotion (investment attraction and its servicing, creation of positive image) Investment incentives Expenditures on constraints overcoming (corruption, economic instability) Social conditions (general living standards) After investing services		Cheap and unskilled work force Resource base Qualified work force Innovative, technological and other created assets (trade marks, brands) in firms' and citizens' possession Regional infrastructure (roads, communications)
	Economic efficiency search	Resources cost ratio, another assets, that were created and work productivity Another expenditures, including expenditures on transport and communication, expenditures on other intermediate products Participation in integration agreements at regional level

\*Notice: Compilation based on World investment report trends and determinants UNCTAD 1998 [11, p. 91].

**Perspectives of further researches.** Future researches will be dedicated to further theory development of the transnational corporations influence (TNCs) upon rural investment.

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