

THE ROLE OF TRANSNATIONAL COMPANIES IN URBAN DEVELOPMENT

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The paper is about the impact of globalization and transnational companies, their importance and the influence on the urban economic development. Globalization has significant implications for all types of cities, determining actions and the policy of governments and corporations in international relationships. In the international competitive environment, the ability to develop a transnational organizational capability is the key factor that can help the firm adapt to the changes in the dynamic environment, at the same time, to become valuable for a new internationalized world, cities have to develop themselves constantly.

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With the development of globalization, national and territorial boundaries are blurring. There is no anymore a clear strong line between “foreign” and “national”. With the rapid and successful development of the international economy and the internationalization, the modern cities need to adapt to changed conditions, to be able to survive among many other similar cities, wishing as well receive the benefits of globalization. To become valuable for a new internationalized world, cities have to develop themselves constantly.

Globalization has significant implications for all types of cities, determining the actions of governments and corporations in international relationships. Consequently, the city are getting actively involved in the sphere of international competition.

Without a doubt, the role of transnational companies in urban development is enormous. Cities are growing with the help of international companies. Placing own subsidiaries, companies give a chance to many cities become a player in international arena. At the same time, transnational companies are building a wide network of cities with expansion all around the world. On the other side, there are some adverse effects – the problem of inequality of some cities and their regions remains open. [1]

Global financial transactions, carried out by transnational corporations, are a tool used to successful development of a territory or its total economic destruction. Competition between cities for the attention of international companies create market, in which victory (become the leading city) is determined by the level of development of services and the speed of reaction of the abrupt change, possibility to change specialization very fast, readiness to act in interests of a company.

The network of international production has opened possibilities for accommodation facilities in different areas of the world for the production of standardized products. On the one hand, there is possibility of investing in various facilities, different projects, a chance to open new places, on the other hand there is threat to make a mistake of success criteria for particular territory. What is successful in one place could be harmful for the other area. [2]

There are positive and negative examples of the impact of globalization and multinational companies on the city's development. In Russia Kazan and Novokuznetsk are the best example of influence of globalisation on development or destruction the city with the help of transnational companies.

Despite the fact that Kazan is a city with a millennial history and Novokuznetsk is about 500 years old, the economic development of these cities began at the same time - the period of Soviet Union industrialization in the 1930s. During this period, in both cities were built a lot of new enterprises and factories with a strategic meaning for the whole country. For example, thermal power plant in Kazan, metallurgical plant in Novokuznetsk, as a result cities became industrial and coal-mining centres.

During the World War II, were noted a similar development of this two cities as well. Powerful factories were evacuated in Kazan and Novokuznetsk. After the War, there was rapid economic development in both cities.

As a result today Kazan the largest financial, industrial, commercial and cultural centre of Russia. Kazan is the "Third Capital" of Russia, officially since April 2009; one of the largest Russians IT-park. Since 2009 Kazan is "Sports capital of Russia", hosting such event like 2013 Summer Universiade, 2014 World Fencing Championships, 2015 World Aquatics Championships. In 2017 in the city will be held World Rhythmic Gymnastics Championships and in 2018 FIFA World Cup. [3]

In Novokuznetsk is different situation. Now, Novokuznetsk characterized by the export of capital and the impending environmental disaster, pollution of air and rivers are above the permissible limits. Attempts to construct technology and IT parks in Novokuznetsk suffered a setback, funding was insufficient and all projects failed.

The cause of the success of the one city and defeat the other is exactly multinational corporations. Public Joint Stock Company "Gazprom" in Kazan and "Evraz Group" and "RUSAL" in Novokuznetsk lead these regions to different results in their development.

In Kazan, previously constructed plants successfully continuing their performance and production until now, bringing to the city significant profits and constantly developing engineering. In Novokuznetsk at the same time occur merger and acquisition, because of the liquidation of the largest industries.

Nowadays, Kazan is the one of the major city in Russia that completely recycles own waste. Novokuznetsk takes the second place in the list of most polluted Russian cities. This fact clearly describes the current economic course of transnational companies, where the extraction of raw materials pushed real subsistence production and subsistence economy to the background. [4]

Thus, globalization reveals some characteristics of the city, which is valuable for the future success. In the period of globalization the cities, which do not bring immediate abnormal profits that are important for long-term needs of the company, break down. Only their own interests to maximize profits guide multinational corporations. As a result, big international companies do not care about the development of region and territory. The local authorities have to take special government measures with respect to such companies, stimulate them to contribute to the city development.

Behaviour of multinational companies in respect of a particular city may depend on the national aspect of the company - if the corporation is domestic, it is more interested in the successful functioning of the area. Company interested especially in such economic and social prosperity of the city and its region when the major shareholder holding (controlling parcel of shares) belongs to the country's government. If corporation has headquarters in another country, multinational corporation is not interested too much in economic and social prosperity of the region. In this case local municipality and government have to protect own area from destructive influence of international companies. [5]

In the case of Novokuznetsk, it was simply not profitable and beneficial for the company to develop this territory, having projects that are more profitable in adjacent, neighbouring regions, where transportation costs are very slow.

Multinationals put the city and its territory in dependence on themselves. By favourable global market conditions, transnational corporations can ensure the development of infrastructure, creation of additional production and services, to promote the development of new technologies, IT parks and infrastructure, providing with impetus to economic urban development. Only when companies are interested in such prosperity, when they become successful in the boundaries of one region, worrying about own welfare, they contribute to the development of the city. [2]

The city to a certain extent depends on all the activities of transnational corporations. Cities depend on the taken decisions at multinational headquarters, cities are influenced through difficulties faced by other subsidiaries and branches in the world market, influenced by the political situation in another country, where there is another subsidiary, and other wide range of factors.

If any territory turned out to be unprofitable for one reason or another, it drop out of the whole production process, it becomes like a “waste material”, because the need of company in the conditions of international competition constantly maximize profit and avoid being distracted by "minor" problems.

At the periods of world crises, transnational corporations become conductors of foreign outside problems in their country. Even if the State has already undergone a certain adverse changes in a certain crisis period, international companies only exacerbate further the situation.

In the pursuit of prestige trends of the modern economy and globalization, cities are trying to attract attention of multinational companies. Cities compete with each other to be a candidate for a possible future location of multinational headquarters. [5]

Nevertheless, cities and regions sometimes forget about their own specific identity and put themselves under the emerging threats, to deal with such problems they may not be fully prepared. The local authorities, claiming to access the global economy, have to set priorities for themselves. Should they simply follow the idea of globalization, or try to receive possible benefits of globalization, using existed lessons and examples of the global economic experience.

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