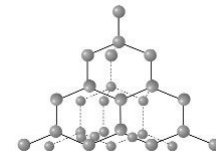




# The structure of the world economy



**The national states**

**Transnational corporations**

**Regional integration associations**

**International organizations**

# National economies



The main subject of the world economy

*Economic sovereignty: key decisions remain with the government of the reviewed country*

*Goods, services, capital, labour and knowledge are of national origin*



And yet the value of national economies in the world economy is declining

*National economic sovereignty in some integrations has already combined with the supranational decision-making mechanism (especially the EU).*



*International economic relations are also increasingly taking integration color: "is made in the EU"*



# Internationalization



## Indicators of internationalization

### Participation in the world trade:

Export quota

Import quota

Foreign trade turnover quota

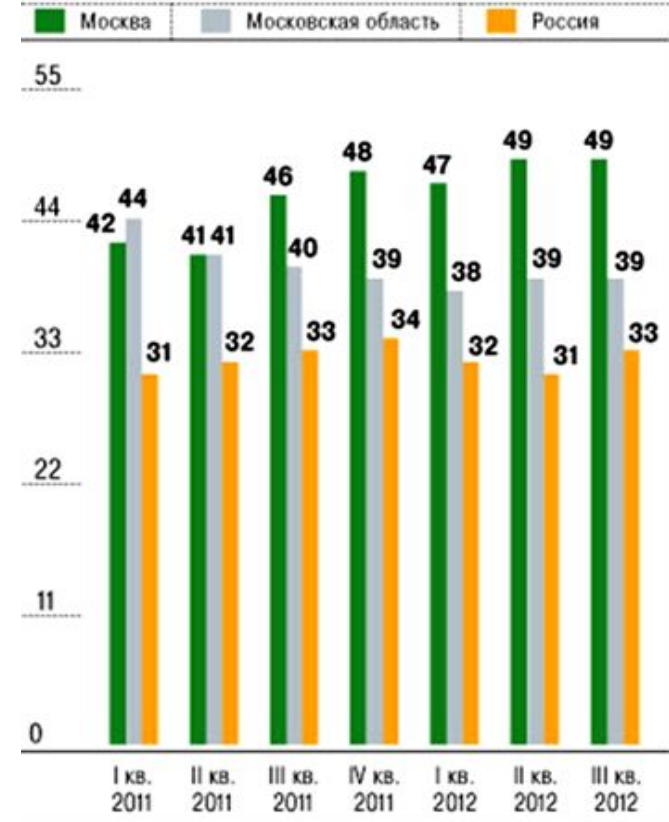
The share of imports in retail turnover

The mapping of the country share in world exports, with its share in world GDP (Russia 0,7 (1,8% : 2,6%); United States 0,6 (12% : 20%); Japan 0,7 (5% : 7%))

The value of exports per capita (Russia – \$ 1800, United States – \$ 3,500, China – \$ 500)

### ДОЛЯ ИМПОРТНЫХ ТОВАРОВ В РИТЕЙЛЕ (% ОТ ОБОРОТА)

ИСТОЧНИК: ВШЭ.



**OPEN ECONOMY**  
**CLOSED ECONOMY**

## Export quota

<b>COUNTRY</b>	<b>GDP (PURCHASING POWER PARITY)</b>	<b>COUNTRY</b>	<b>EXPORTS</b>
<a href="#"><u>CHINA</u></a>	\$17,630,000,000,000	<a href="#"><u>CHINA</u></a>	\$2,252,000,000,000
<a href="#"><u>EUROPEAN UNION</u></a>	\$17,610,000,000,000	<a href="#"><u>EUROPEAN UNION</u></a>	\$2,173,000,000,000
<a href="#"><u>UNITED STATES</u></a>	\$17,460,000,000,000	<a href="#"><u>UNITED STATES</u></a>	\$1,610,000,000,000
<a href="#"><u>INDIA</u></a>	\$7,277,000,000,000	<a href="#"><u>GERMANY</u></a>	\$1,547,000,000,000
<a href="#"><u>JAPAN</u></a>	\$4,807,000,000,000	<a href="#"><u>JAPAN</u></a>	\$710,500,000,000
<a href="#"><u>GERMANY</u></a>	\$3,621,000,000,000	<a href="#"><u>KOREA, SOUTH</u></a>	\$628,000,000,000
<a href="#"><u>RUSSIA</u></a>	\$3,568,000,000,000	<a href="#"><u>FRANCE</u></a>	\$578,300,000,000
<a href="#"><u>BRAZIL</u></a>	\$3,073,000,000,000	<a href="#"><u>NETHERLANDS</u></a>	\$552,800,000,000
<a href="#"><u>FRANCE</u></a>	\$2,587,000,000,000	<a href="#"><u>HONG KONG</u></a>	\$528,200,000,000
<a href="#"><u>INDONESIA</u></a>	\$2,554,000,000,000	<a href="#"><u>RUSSIA</u></a>	\$520,300,000,000
<a href="#"><u>UNITED KINGDOM</u></a>	\$2,435,000,000,000	<a href="#"><u>UNITED KINGDOM</u></a>	\$503,400,000,000
<a href="#"><u>MEXICO</u></a>	\$2,143,000,000,000	<a href="#"><u>ITALY</u></a>	\$500,300,000,000
<a href="#"><u>ITALY</u></a>	\$2,066,000,000,000	<a href="#"><u>CANADA</u></a>	\$465,100,000,000
<a href="#"><u>KOREA, SOUTH</u></a>	\$1,786,000,000,000	<a href="#"><u>SINGAPORE</u></a>	\$449,100,000,000

## Participation in the international movement of factors of production (capital)

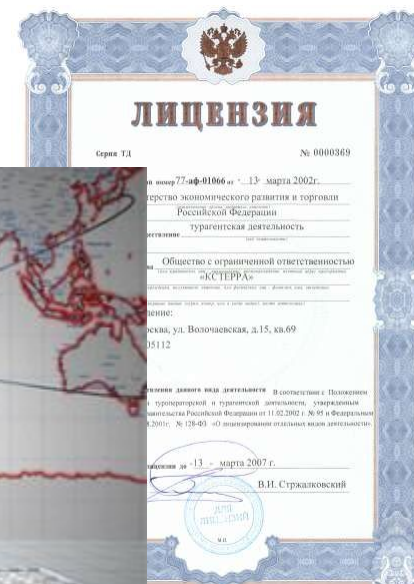
- ✓ The volume of accumulated foreign investment in the country relative to its GDP
- ✓ The amount of external debt relative to GDP
- ✓ The volume of payments on service of external debt relative to revenues from exports of goods and services





## Participation in the international movement of factors of production (labour, information)

- ✓ The share of foreign workers in total employment
- ✓ The number of occupied overseas domestic labor
- ✓ The share of foreign patents and licences in the total number of resident patents and licenses
- ✓ The size of the export and import of technologies





# Transnational corporations

**Represent a system of enterprises (firms), including head (parent) company (it generally defines the nationality of TNCs) and their foreign branches**

**YOU WON'T BELIEVE YOUR EYE**

*the parent company provides control over the foreign companies through the ownership of 10% or more of ordinary shares or equivalent share capital*

## The forms of branches

The Department - is firm in the host country, which is owned by parent company wholly or jointly with another company, the Department is not a legal entity

A subsidiary company is a company in which the parent company owns more than 50% of shares and which is registered in the host country as a legal entity, i.e. as an independent company.

An associated company is a company in which the parent company owns at least 10%, but not more than 50% of shares and which is a legal entity.

# Transnational corporation (indexes)

*the company, with the foreign assets about 25-30 % of their total volume and with branches in two or more countries*

$$I T = 1/3 (A I / A + R I / R + S I / S) \times 100 \% ,$$

**where I T is the index of transnationalization, %; A I — foreign assets;**

**A — total assets;**

**R I — sales of goods and services by foreign affiliates;**

**R — total sales of goods and services;**

**S I — a foreign employees;**

**S — the total number of employees of the company.**

<b>TNC</b>	<b>Area of activity</b>	<b>Assets</b>	<b>Sales</b>	<b>Employment</b>	<b>Integral index of transnationality</b>
<b>«ЛУКОЙЛ» (РФ)</b>	Нефтяная промышленность	<b>26,2</b>	<b>78,0</b>	<b>9,2</b>	<b>37,8</b>
<b>«Норильский никель» (РФ)</b>	Цветная металлургия	<b>10,4</b>	<b>84,9</b>	<b>1,8</b>	<b>32,3</b>
<b>«Новошип» (РФ)</b>	Морские перевозки	<b>91,7</b>	<b>85,0</b>	<b>1,4</b>	<b>58,9</b>
<b>«Русал» (РФ)</b>	Цветная металлургия	<b>11,4</b>	<b>81,2</b>	<b>8,6</b>	<b>62,9</b>
Приморское морское пароходство (РФ)**	Морские перевозки	<b>86,4</b>	<b>77,6</b>	<b>50,0</b>	<b>71,3</b>
<b>«Мечел» (РФ)</b>	Черная металлургия	<b>3,3</b>	<b>60,6</b>	<b>13,0</b>	<b>25,6</b>
Дальневосточное пароходство (РФ)**	Морские перевозки	<b>32,5</b>	<b>31,2</b>	<b>4,2</b>	<b>22,8</b>
<b>«Алроса» (РФ)**</b>	Горнодобывающая промышленность	<b>1,0</b>	<b>45,3</b>	<b>0,0</b>	<b>15,4</b>
<b>«Газпром» (РФ)</b>	Добыча газа и нефти	Нет данных	<b>67,3</b>	Нет данных	Нет данных
<b>ОМЗ (РФ)</b>	Тяжелое машиностроение	<b>38,5</b>	<b>51,7</b>	<b>38,5</b>	<b>42,9</b>
<b>«Северсталь» (РФ)</b>	Черная металлургия	<b>2,6</b>	<b>59,3</b>	<b>13,0</b>	<b>25,0</b>
<b>General Electric (США)</b>	Производство электрического и электронного оборудования	<b>59,8</b>	<b>37,2</b>	<b>46,3</b>	<b>47,8</b>
<b>Vodafone Group (Великобритания)</b>	Телекоммуникации	<b>95,8</b>	<b>85,3</b>	<b>80,1</b>	<b>87,1</b>
<b>Ford Motor (США)</b>	Автомобильная промышленность	<b>58,9</b>	<b>41,6</b>	<b>45,5</b>	<b>48,7</b>
<b>British Petroleum (Великобритания)</b>	Нефтяная промышленность	<b>80,0</b>	<b>81,5</b>	<b>83,1</b>	<b>81,5</b>
<b>Hatchison Wampoa (Гонконг)</b>	Различные отрасли	<b>80,4</b>	<b>49,5</b>	<b>82,8</b>	<b>70,9</b>
<b>Petronas (Малайзия)</b>	Нефтяная промышленность	<b>36,0</b>	<b>29,3</b>	<b>11,8</b>	<b>25,7</b>
<b>Singtel (Сингапур)</b>	Телекоммуникации	<b>75,9</b>	<b>69,9</b>	<b>45,3</b>	<b>67,1</b>
<b>Samsung Electronics (Ю. Корея)</b>	Производство электрического и электронного оборудования	<b>21,9</b>	<b>77,7</b>	<b>34,3</b>	<b>44,7</b>
<b>CITIC Group (Китай)</b>	Различные отрасли	<b>17,0</b>	<b>27,2</b>	<b>17,1</b>	<b>20,4</b>





## *Diversity and competition is an illusion*

Тимофеева А.А. 2017 ©



# Nestlé



L'ORÉAL



30%



WONKA





Unilever

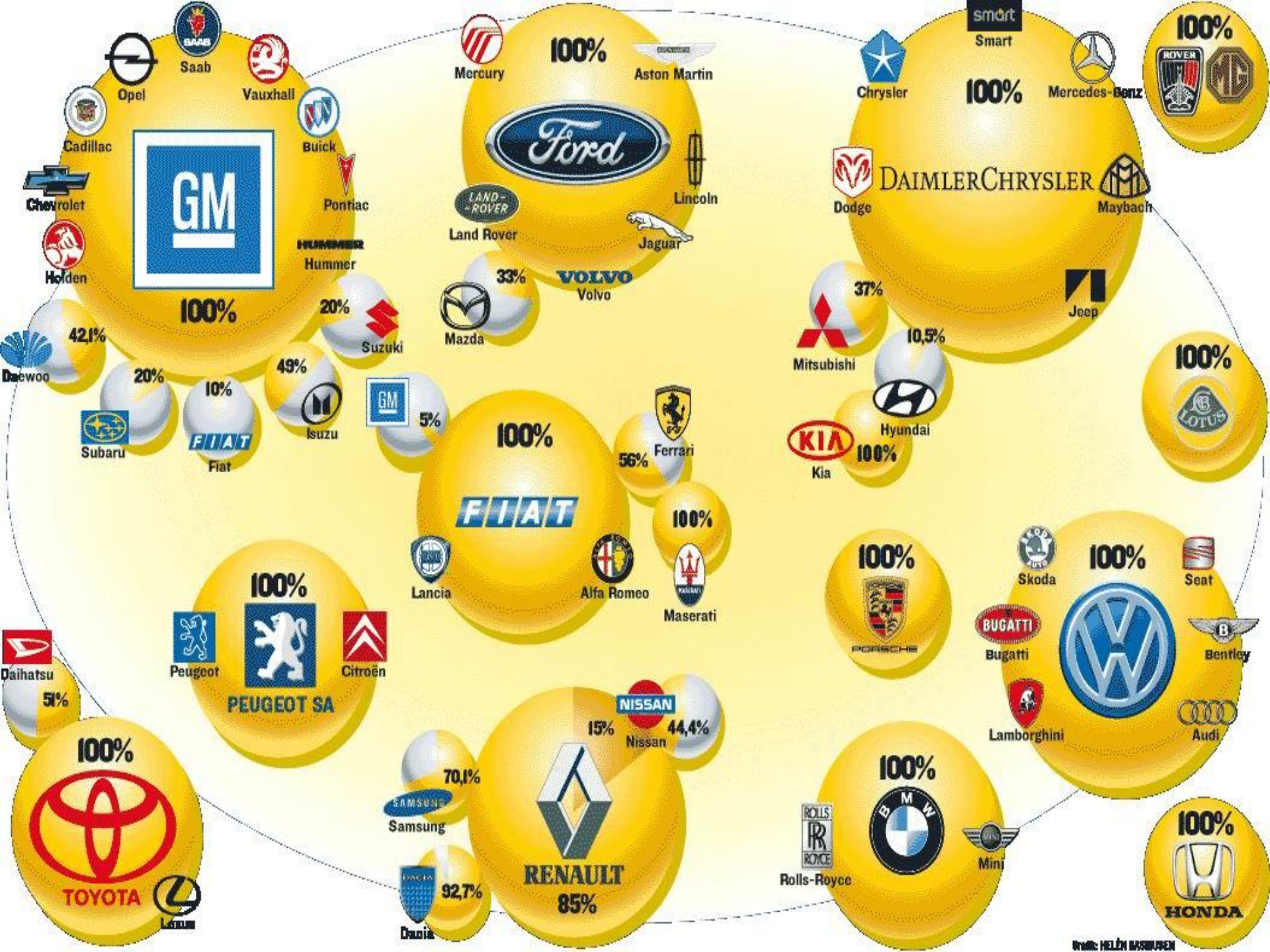




# P&G









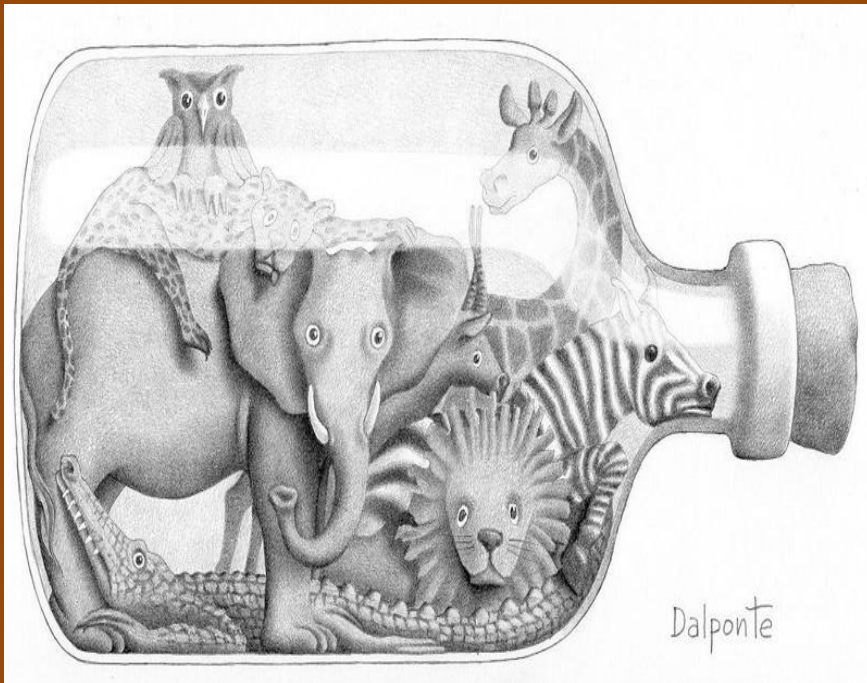
20%





# Regional integration associations

Economic integration - the interaction of national economies, leading to their gradual economic merger

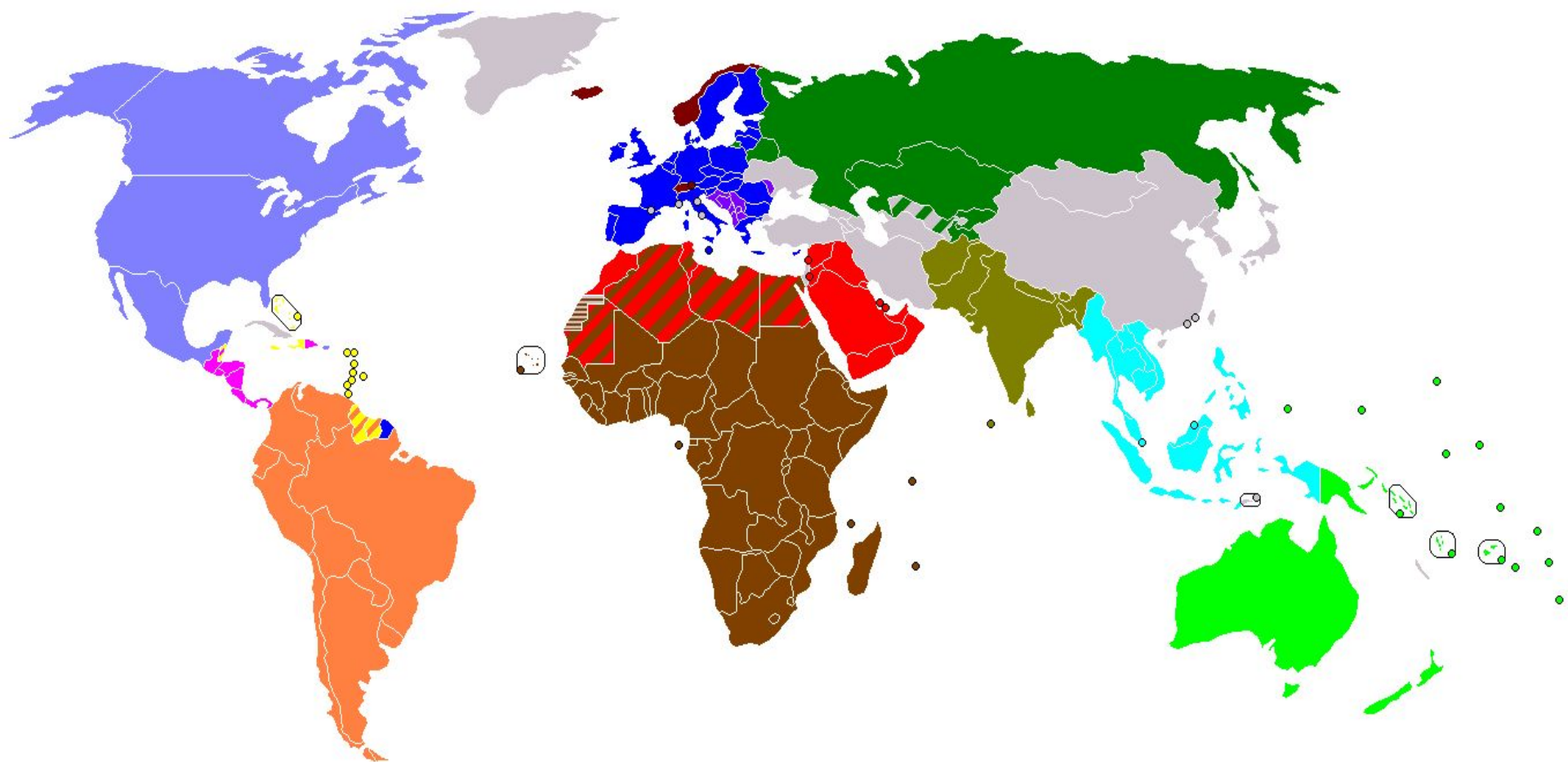


## The reasons for economic integration:

The main reason for this process is the desire to improve the economic efficiency of production, and the integration is primarily economic in nature;

Strengthening political influence;

The means of avoiding military politic conflicts.



- Regional trade blocs:
- European Union (EU)
  - African Union (AU)
  - Union of South American Nations (USAN)
  - Caribbean Community (CARICOM)
  - Central American Integration System (SICA)
  - Arab League (AL)
  - European Free Trade Association (EFTA)
  - Eurasian Economic Community (EAEC)
  - Association of Southeast Asian Nations (ASEAN)
  - Central European Free Trade Agreement (CEFTA)
  - North American Free Trade Agreement (NAFTA)
  - South Asian Association for Regional Cooperation (SAARC)
  - Pacific Islands Forum (PIF)

# International organizations

Organizations created on the basis of an international Treaty or by a decision of existing international organizations to analyze, discuss and resolve various issues of international economic life.





# Classification of International Organizations

**International Governmental Organizations (IGO):** are formal institutions that have states (and only states) as members. They include at least two sovereign states and regulate issue areas that cross state boundaries.

## NGO

- A transnational organization is a non-governmental, hierarchically organized entity that has headquarters in one country and operates in other countries.

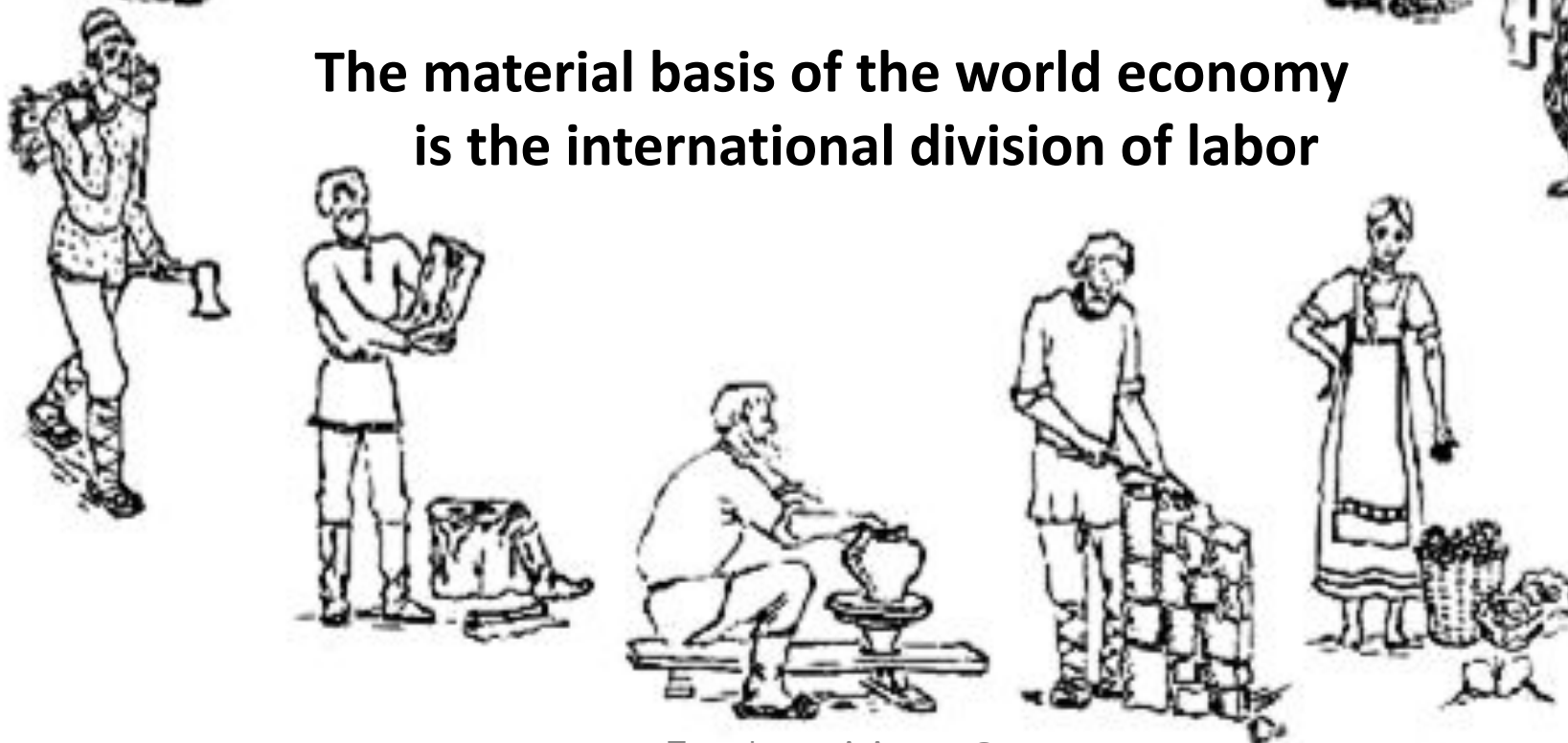
IMPORTANT INTERNATIONAL ORGANIZATIONS			
Name	Type	Date Founded	Members as of 2006
Amnesty International	NGO	1961	1.8 million members in 150 countries
International Olympic Committee (IOC)	NGO	1894	115 individuals, who represent the IOC in their home countries
Organization of Petroleum Exporting Countries (OPEC)	IGO	1960	11 states, including Venezuela, Qatar, and Indonesia
Salvation Army	NGO	1878	Runs programs in more than 100 countries; has 3.5 million volunteers
Save the Children	NGO	1932	Helps children in poverty around the world, including the United States and Nepal
United Nations (UN)	IGO	1946	191 states, including Burkina Faso, Denmark, the United States, and Jamaica
World Bank	IGO	1945	Offers loans to more than 100 states, including Cameroon and Senegal

**Specialized purpose**  
**General purpose**

# **international division of labor**



**The material basis of the world economy  
is the international division of labor**



# The division of labor

is differentiation, specialization of labor activities, leading to the identification and coexistence of its different species,  
the separation of labor in society

Functional

Territorial

Public

Technical  
(isolated)

Regional

international

Differentiation in society of various social functions

The division of labor on the number of partial functions within the enterprise

**General**

**Particular**

**The selection of branches**

**The selection of sub-branches**



## *The classifier of types of economic activity*



**Consists of 17 sections:**

**1. Agriculture, hunting and forestry**

**2. Fishing and fish farming**

**3. Mining**

**4. Manufacturing**

**5. Production and distribution of electricity, gas and water**

**6. Construction**

**7. Wholesale and retail trade; repair of motor vehicles, motorcycles, household goods and personal items**

**8. Hotels and restaurants**

**9. Transport and communications**

**10. Financial activities**

**11. Operations with real estate, rent and granting of services**

**12. Public administration and military security; obligatory social security**

**13. Education**

**14. Health and social services**

**15. Other community, social and personal services**

**16. Provision of services for the household**

**17. Activities of extraterritorial organizations**

The social division of labour expressed in the form of specialization of production

### Specialization of production

reflects a process of concentration of production of certain products or parts in independent industries and specialized enterprises

#### The forms of specialization

Subject

the production of finished end products



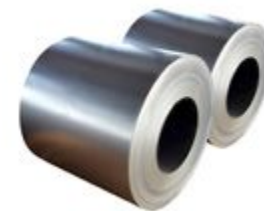
Detailed–

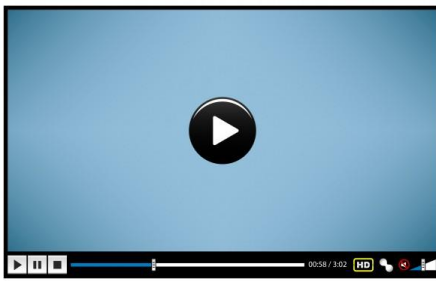
the production of parts and components



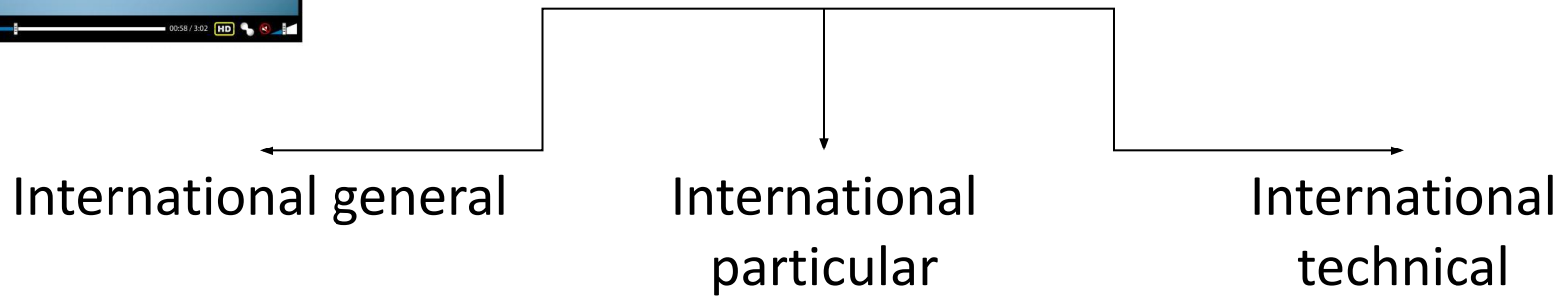
Technological –

the production of semi-finished products

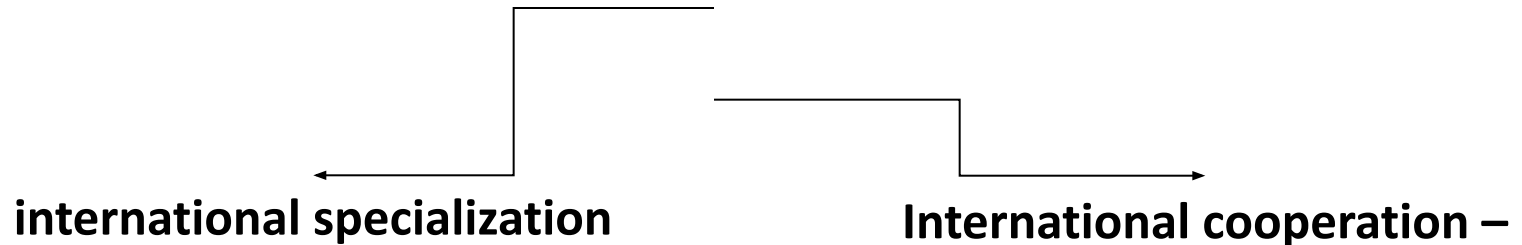




## the international division of labor forms



## the international division of labor forms



– concentration of resources of the country in those industries, where it has natural or acquired advantages

the process of establishment and development of production linkages between firms in different countries



## Questions:

- 1.The structure of the world economy
- 2.Definition of the term “Internationalization”
- 3.Reasons for Internationalization
- 4.Absolute and relative Indicators of internationalization for a) trade b) capital flows c) labour migration d) information flows (To be able to create these indicators)
- 5.Export quota, import quota, foreign trade quota (how to calculate)
- 6.Definition of Transnational corporation
- 7.How TNC control its branches?
- 8.Types of TNC branches
- 9.Index if transnationalization (how to calculate)
- 10.Explain why Diversity and competition is an illusion
- 11.Economic integration (definition)
- 12.Reasons for Economic integration
- 13.Examples of Regional integration associations
14. International organizations (definition)
- 15.Types of International organizations with 1 example
- 16.General division of labor (definition, examples)
- 17.Particular division of labor (definition, examples)
- 18.Technical division of labor (definition, examples)
- 19.International division of labor (definition, examples)
- 20.The forms of specialization. Reasons for specialization
- 21.International cooperation (definition)