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Economic (De-)Globalization: Who Does Determine It?

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ABSTRACT

The subject of the study is the dynamics of world economic relations in the context of a conflict between national industrial policies and the interests of multinational enterprises (MNEs). **The purpose** of the paper is to establish whether the country's industrial policy determines the international activities of national corporations, or, on the contrary, this policy only reflects the actual competitiveness of such companies. **The methodological basis** of the study was the theoretical concepts of economic globalization. Methods of qualitative and quantitative analysis of the theory and practice of world economic relations were used. **As a result** of a study of the consequences of economic globalization for developed and developing countries in the context of national industrial policies, it was established that the interests of MNEs originated from matured economies in maximizing profits and, on this basis, sustainable growth of their value in many cases diverges from the preferences of their countries of origin's authorities in the field of world economic relations. It is **concluded** that the specified motivation of MNEs will most likely prevail over the desire of the authorities to limit the geography of their presence.

Keywords: economic globalization; national industrial policy; multinational enterprises (MNEs); international competition; open markets; profit maximization; protection of values; irrational economic behavior

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INTRODUCTION

Analyzing issues related to the globalization of economic ties, researchers primarily focus on interstate relations and differences in national industrial policies. This paper examines the impact of the dynamics of global economic ties on their main actors — companies that engage in export-import operations and foreign direct investments. The purpose of the study is to determine to what extent changes in the specified activities are driven by the motivation and capabilities of these companies to maximize profits through the use of global value chains, and to find out whether country-specific industrial policy determines the international activities of national corporations, or whether this policy merely reflects the actual competitiveness of such companies.

CONCEPT OF GLOBALIZATION

Trade relations between countries existed even in the pre-Christian world, and they received significant development as a result of the strengthening of market relations, technological progress, and improved logistics, when the foundations for intensive exchange of goods were created and the need for cooperation between companies from different countries increased to enhance the financial efficiency of their activities.

The modern stage of globalization began after World War II, when American corporations, which had grown on military supplies, were granted access to Western European countries whose economies were recovering, and local companies were unable to meet the demand for capital equipment and consumer goods. Later, in many mature markets, large corporations emerged, whose further development required scaling their activities beyond national borders, i.e., international expansion. At this time, the colonial political-economic system, which allowed developed economies to exploit the natural resources and labor of the colonies rather than engage in equitable trade, began to collapse and made the use of previous practices impossible. Such a situation required a new approach to organizing interaction between developed countries and the rest of the world to ensure access for Western corporations to cheap labor and natural resources, as well as entry into new markets.

The recovery of the economies of Western European countries was seen by experts as a positive example for newly formed states in that the benefits of barrier-free trade would be received not only by exporting countries and multinational corporations, but also by the states on whose territory they would operate. It was expected that the latter would benefit both from the opportunity for local companies and consumers to acquire previously unavailable goods and services, and from establishing by these corporations their production facilities there, which would improve the economies of the recipient countries by increasing industrial potential, enhancing the qualifications of local employees working at such enterprises, improving their financial support, and developing industrial infrastructure, all of which would have a multiplying effect on the economy of the country receiving foreign direct investments. And many countries adopted this approach, opening their markets to highly competitive, financially powerful Western multinational enterprises (MNEs).

As noted by F. Erixon [1] [1, p. 2], the implementation of the idea of intensifying world economic ties on a global scale has brought enormous benefits to the Western economy. In particular, economic globalization has allowed:

- deepen Western corporations' production specialization, increase the intensity of innovations and capital's utilization;
- scale their operations, reduce production costs, and maximize profits on this basis;
- increase household incomes;
- reduce the high inflation rates in Western economies;
- increase the real wages of workers in developed countries by reducing the cost of consumption;
- make many goods accessible that only a few could afford before;
- stimulate the spread of new technologies, helping to make the economy more environmentally friendly and productive;
- improve the quality of management in companies and the working conditions of people.

Some of the mentioned benefits of economic globalization have also been realized in developing countries, where, for example in India, the influx of foreign direct investments, according to N. Mehta et al. [2, p. 122], contributed to significant growth in the country's manufacturing sector. Data from the World Bank on GDP per capita dynamics, presented in *Table 1*, indicate that the growth rates of developing countries' economies over 50 years have been impressive and often outpaced the growth dynamics of developed national economies. But the difference in absolute figures shows that the greatest benefits from this process were received by mature economies, whose gap with similar indicators of developing countries increased tenfold during this period: it was in the range of 3–5 thousand USD, and now it is 63–73 thousand USD with the United States, and 1.6–1.7 thousand USD and 25–35 thousand USD, respectively, with the European Union.

The figures in *Table 1* show that the impact of the globalization process on the growth of individual countries' economies has been far from uniform, and it is hardly possible to speak of a leveling of wealth in the world. Therefore, the rhetoric of globalization has shifted towards poverty reduction, which more accurately reflects the reality of economic processes in many developing countries.

The fact is that for the overwhelming majority of developing countries, the road from poverty to economic prosperity lay through the mandatory adherence to neoliberal recommendations from Western countries regarding the opening of their markets, the urgent and comprehensive privatization of the public sector, and the introduction of strict fiscal and monetary policies. The aforementioned recipes, known as the Washington Consensus (among Western economists and led by the International

[1] Founder and Director of the European Centre for International Political Economy, an independent non-profit research center focused on international economic policy issues of significant importance to Europe.

Table 1

Dynamics of GDP Per Capita in Selected Countries/Regions

Country/Region	USD 1970	USD 2022	Growth (in times)	Difference with USA in USD	
				in 1970	in 2022
Bangladesh	133	2688	20.2	–5101	–73641
China	113	12720	112.4	–5121	–63609
Egypt	231	4295	18.6	–5003	–72034
EU	1880	37433	19.9	–3354	–38896
USA	5234	76330	14.6	0	0
World	816	12688	15.6	–4419	–63642

Source: Compiled by the author based on data: World bank. URL: https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=US-1W-CN-BD-EG-EU (accessed on 14.03.2024).

Monetary Fund (IMF) and a group of World Bank organizations), emerged in the 1980s after many developing countries, having opened their borders to Western capital, were unable to conduct a balanced economic policy in the context of the expansion of transnational corporations, which, demanding economic benefits for their presence, actively employed the practice of reducing the tax base[2] [3, p. 132], while simultaneously diminishing the ability of local companies to compete in the relevant business sectors.

Western economies, moving the extraction of minerals, environmentally harmful and labor-intensive industries that mainly require unskilled labor beyond their national borders, have focused on developing their intellectual capabilities and high-tech industries, which has led to developing countries exchanging their low value-added goods for Western high value-added goods and services. Such an exchange left little chance, except for some developing countries with rich natural resources (a number of OPEC countries) and a balanced industrial policy (China, South Korea), for a balanced trade turnover, and consequently led to a constant deficit in foreign trade, a shortage of foreign currency to pay for high-tech Western products necessary for economic development, and high inflation. Loans and assistance from international financial organizations to cover emerging balance of payments and government budget deficits were provided only with the consent of developing countries to implement the aforementioned recommendations, the implementation of which implied the effective influence of the invisible hand of the market, which would correct all imbalances in the economies of developing countries.

But in most developing countries, this did not happen. As J. Stiglitz [4, p. 53–54, 59–61, 65] points out, the problem was that many of these measures became an end in themselves rather than a means to achieve more equitable and sustainable growth in the economies of developing countries. The IMF demanded vigorous privatization and liberalization at such paces and in such ways that often entailed very real costs for countries poorly prepared to implement them. Excessively stringent austerity measures caused a recession, and high interest rates hindered the development of young enterprises. The IMF assumed that new, more productive jobs would be created as old, inefficient jobs, which had emerged during the protectionist period, were eliminated. However, the creation of new firms and jobs requires capital and an entrepreneurial class, which were lacking in developing countries. Western countries insisted on liberalizing trade

[2] In 2012, for example, the amount of losses to the budgets of developing countries from the reduction of the taxable base of MNEs and the use of transfer pricing was estimated at 100 billion USD, which is comparable to the 115 billion USD in official development assistance to these countries in that year.

in the products they exported, but at the same time continued to protect those industries where competition from imports from developing countries could threaten their economies. In contrast to their recommendations for developing countries to immediately liberalize capital markets, the industrialized countries themselves did not attempt to liberalize their markets until a later stage of their development (European countries, for example, waited until the 1970s to remove controls over such markets).Overall, J. Stiglitz concludes that the conditions of international trade agreed upon in the 1980s and 1990s protected the interests of developed industrial countries — or, more precisely, specific interests within these countries — without accompanying benefits for less developed states.

The aforementioned revelations largely explain the reason for the increasing gap in the ability of most new economies to efficiently and abundantly produce goods and services compared to developed countries, which, under the pretext of potential benefits from the implementation of neoliberal reforms in the economies of developing countries, actually created conditions for the international expansion of their transnational corporations.

The effectiveness of reforms in any economy is manifested through the creation of competitive products that it can supply to the global market and, consequently, take its place in international trade. The international exchange of goods and services is constantly growing (from 1950 to 2022, it increased 45 times and reached $ 24.7 trillion,[3] not least due to direct foreign investments (from 2012 to 2022 alone, they averaged $ 1.5 trillion per year worldwide[4]), aimed at increasing the financial efficiency of multinational corporations by utilizing more optimal production and sales conditions. The production of goods by Western multinational corporations beyond the national borders of their home countries has accounted for a significant portion of the aforementioned growth in world trade, as shown in *Table 2* using the example of US MNEs.

In 2014, 58% of exports to its subsidiaries consisted of semi-finished products, 30% of equipment, and only 12% of finished products, while imports from its foreign branches accounted for 48%, 36%, and 16% of these categories, respectively [5, p. 6]. Thus, using the example of US MNEs, it can be assumed that a significant portion of global trade has come to represent supplies between the subsidiaries of transnational corporations, primarily components from their enterprises specializing in their production within the framework of international division of labor, a significant part of which is located in developing countries. P. Conconi et al. [6, p. 32] state that new subsidiaries increase trade with the countries where their parent company is present. This network effect of MNEs is stronger for more distant countries.

Foreign trade statistics, which are traditionally compiled by country, create the impression of growth in the exports of developing countries, an increase in their participation in world trade, claiming that they supply competitive goods produced by local businesses in these countries. In fact, for the most part, these figures reflect the development of multinational corporations, some of the benefits from their activities in a developing country go to the local budget, local workers and specialists, and local businesses servicing the enterprise created by the MNE through foreign direct investments. Accordingly, this does not mean that in most cases it relates to the products of the national business of a developing country, which emerged and developed as a result of following the liberal recommendations of developed countries, but rather significantly reflects the activities of foreign subsidiaries of foreign MNEs.

Therefore, it can be concluded that the main beneficiaries of economic globalization are multinational enterprises (MNEs), which are not interested in reducing international trade, as it provides them with the best financial results by leveraging the advantages of international

[3] Evolution of trade under the WTO: handy statistics. World Trade Organization. URL:: https://www.wto.org/english/res_e/statis_e/trade_evolution_e/evolution_trade_wto_e.htm (accessed on 17.03.2024).

[4] Value of foreign direct investment inflows worldwide from 2012 to 2022. Statista. URL: https://www.statista.com/statistics/326496/inflows-foreign-direct-investment-worldwide/ (accessed on 17.03.2024).

Table 2

Share of US MNEs in US Foreign Trade

The role of US MNEs in world trade	2002	2014	2022
Share of US MNEs in US exports to their foreign affiliates	42%	30%	34%
Share of US MNEs in US imports from their foreign subsidiaries	48%	50%	47%
Share of developing countries in US MNE exports	46%	25%	no data
Share of developing countries in US MNE imports	42%	40%	no data

Sources: U.S goods trade: Imports & Exports by related parties 2022. U.S. Census Bureau. September 06, 2023 URL: https://www.census.gov/foreign-trade/Press-Release/related_party/rp22.pdf (accessed on 17.03.2024).

division of labor and entering new markets for their products.

NATIONAL INDUSTRIAL POLICY

Developed market relations imply the presence of funds accumulated by hired managers as a result of their successful activities, or family savings over several generations, as well as an entrepreneurial spirit to have the courage to invest them in a risky venture for which no one guarantees success. Free cash is also necessary for the emergence of a capital market as an alternative to bank deposits. Developed market relations, which imply constant innovations to win in competitive battles, also require a large number of people with a high level of education, which is necessary for managing technological systems, processes, and businesses to create products with high added value. The transition to developed market relations in countries that previously did not have such experience and do not possess the specified characteristics is a complex process.

The assumptions of Western economists that the second and third worlds (former socialist countries and developing states, respectively) would successfully integrate into the global market economy with great benefits for themselves as a result of following neoliberal recommendations (e.g., J. Sachs et al. [7]), which were correct for societies where all the specified conditions for the functioning of a market economy were met, turned out to be untenable in terms of the scale of the required transformations and the speed of their implementation in countries that were not ready for such relations.

The practice of globalization has shown that there are three possible responses to the demand for opening markets to foreign companies. The first is to comply with this call, which means that if a country does not have competitive goods for the global market, it is forced to service the businesses that foreign companies establish there and do what it can to meet the urgent needs of its population. If a country is capable of producing goods in demand on the global market, it focuses on the corresponding industries, believing that it can purchase all other goods with the revenue from exports. The problem in this case may be that other industries, in which the developing country has competencies, do not develop, and the products of foreign companies from developed countries, due to their technological and financial power, turn out to be more attractive to buyers. The remaining demand that goes to local companies does not allow them to improve, as they operate on the brink of breakeven. Accordingly, the country has weak prospects for comprehensive economic development. As noted by F. Rodriguez and D. Rodrik [8, p. 316], empirical data do not support the view that reducing trade barriers significantly impacts the country's growth rates. Moreover, there is a risk of introducing non-economic restrictions on the export of goods produced by the developing country and the acquisition of necessary products from abroad. Thus, overly narrow sectoral specialization poses threats to the economy of such a country.

The second option involves introducing some restrictions on the expansion of foreign companies in the domestic market, which do not prohibit their activities but give local businesses and specialists time to prepare for more equal competition. Interestingly, as early as the mid-19th century, J. S. Mill, one of the founders of liberalism and a proponent of free trade, noted that producers of goods that were previously only imported need time to reach the level of those for whom the processes are traditional [9, p. 502]. Accordingly, for such companies during the period when domestic costs in the industry exceed the import price of the product, a foreign trade tariff is a socially desirable method of financing investments in human resources that are necessary for successful competition with foreign producers.

In the third scenario, the country closes itself off or is closed off from international economic cooperation, forcing it to produce everything it needs on its own. This does not always succeed, and if local companies do manage it, the price/quality ratio for consumers often significantly lags behind the best global standards.

The mentioned approaches to participation in the development of global economic ties determine the industrial policy of a developing country and the prospects for its prosperity. It is evident that the second option is the most promising in this regard, and there are examples of its successful application in the People's Republic of China (PRC) and the Republic of Korea. An important aspect of the industrial policy of both these countries is the focus on creating internal potential to transition from the production of simple goods using low-skilled labor to the creation of high-tech sectors of the economy, which require high professional competencies and generate greater added value.

In other words, these countries have targeted those segments of the economy where developed countries have built competencies over decades and have become undisputed leaders in the respective industries. As a result, it turned out that, for example, Chinese companies are winning in the global competitive struggle in the markets of energy-saving technologies, electronics, software solutions, machine engineering, and shipbuilding, while the MNEs of the Republic of Korea are gaining leading positions in the production of land and sea transport, electronics, and complex machine engineering equipment. The PRC constantly registers more patents than any other country in the world and is becoming one of the world leaders in the field of artificial intelligence [10], the competencies in which are expected to determine future leadership in the global economy.

An important aspect of the development of these countries was the focus not on import substitution, i.e., the production of foreign analogs, and not on trying to win competition through cheaper labor (although this was practiced at the initial stage) to increase foreign supplies, but on technological innovations, which in the modern world provide a sustainable advantage over competitors. B. D. Matrizaev's research confirms [11, p. 101] that economic growth in China is explained by technological innovations, as well as the improvement in the quality of labor resources. R. Baldwin [9, p. 518] notes in this regard that the increase in exports is a consequence of economic growth, which arises as a result of a balanced industrial policy, rather than its cause.

One of the elements of national industrial policy is the material support of priority industries by the state and the actual suggestion to other industries to increase their competitiveness independently. It cannot be said that subsidizing national industry is a rare tool, as there are many examples of its use in both developed and developing countries. The assessment of the role of such support is determined by the goal it pursues.

Developing countries do this to create more equal competitive conditions for local enterprises with foreign ones, when initially they are not equal. For example, if the largest MNEs enter the local market, where companies cannot compete with foreign ones in terms of technological and financial power, local enterprises become unviable in an open, competitive market [12, p. 101]. After leveling the playing field, subsidies are abolished. As a result, countries that prudently approached economic reforms, taking into account their specific circumstances, managed to build a successfully functioning market economy.

Developed countries also often subsidize their industries or apply anti-subsidization (bans and extremely high import duties), but under different circumstances: when, on the contrary, in conditions of open competition with equal competitors from other countries, national companies are unable to win the competition. Thus, the USA banned the import of advanced telecommunications equipment from Huawei in 2019 under the pretext of technology espionage, although before and after that, the company demonstrated its capabilities in independently developing high-tech components, such as the launch of the new 5.5G communication standard in 2024.[5]

In 2022, The Inflation Reduction Act was passed in the USA, under which $ 369 billion in subsidies and tax incentives will be provided to companies that increase capacity or establish/create new production facilities in the country.[6] In the same year, a law was passed to subsidize the electronics industry, under which Intel Corporation received $ 19.5 billion from the U.S. government to build a $ 28 billion chip manufacturing plant, Taiwanese company TSMC and South Korean Samsung Electronics received $ 12 billion and $ 6 billion, respectively, to create similar facilities in the U.S.,[7] so that they, as it was explicitly stated, would not do this in China.[8]

At the same time, the production of goods and equipment in the PRC and their export to Europe and the USA is referred to as a consequence of the deliberate creation of excess industrial capacity for dumping on international markets. Last year, the EU initiated an investigation into subsidies in the Chinese electric vehicle industry, which they call an unfair trade practice by China.[9] That is, when the export of goods and services occurs from developed countries to developing ones, it is not a result of the creation of excess capacity, but when the situation develops in the opposite direction, it is, of course, unacceptable.

The presence of financial incentives in national industrial policy for the development of one's own competencies primarily means better utilization of one's comparative national advantages in the context of international division of labor and freedom of international trade. However, if financial incentives or direct import bans are a means of competitive struggle against equally economically powerful companies from other countries that supply the most economically efficient goods and services for consumers, then such an approach contradicts the very idea of economic globalization.

Increasing the efficiency of the production of goods and services through the use of the advantages of international division of labor, which is expressed in the deep specialization of companies and the geographical distribution of their activities, was recently considered a great achievement of the global economy, which reduced costs and ensured the availability of goods for consumers. Moreover, global industrial specialization enhances the dependence of

[5] Huawei claims it's ready to ship entire 5.5G networks — whatever they are — in 2024. The Register, June 30, 2023. URL: https://www.theregister.com/2023/06/30/huawei_5point5_g_2024_boast/ (accessed on 21.03.2024).

[6] As Congress funds high-tech climate solutions, it also bets on a low-tech one: Nature. The Washington Post. August 14, 2022. URL: https://www.washingtonpost.com/climate-solutions/2022/08/14/nature-climate-solutions-inflation-reduction-act/ (accessed on 21.03.2024).

[7] Intel inside Ohio. Bloomberg. May 01, 2024. URL: https://www.bloomberg.com/features/2024-intel-comeback-chipmaking/?srnd=businessweek-v2 (accessed on11.05.2024).

[8] Fact sheet: CHIPS and Science Act Will Lower Costs, Create Jobs, Strengthen Supply Chains, and Counter China. The White House. Statements and releases. August 09, 2022. URL: https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/09/fact-sheet-chips-and-science-act-will-lower-costs-create-jobs-strengthen-supply-chains-and-counter-china/ (accessed on 11.05.2024).

[9] US warns China against dumping goods on global markets. Financial Times. February 18, 2024. URL: https://www.ft.com/content/96dc71be-b795–47dc-a1cc-cccc7aa6a481 (accessed on 28.02.2024).

buyers on sellers, as well as sellers on buyers. Such interdependence significantly reduces the incentives for hostile relations between countries and increases their security, as there is no point in undiplomatic solutions if countries are so dependent on each other.

For the authorities of economically developed countries, such mutual dependence was acceptable as long as its balance tilted in their favor, and they could dictate their terms to the rest of the world. As soon as other countries had the desire and ability to become economically independent and their share in the production of globally important goods significantly increased, i.e., companies from new economies began to win international competition, the positive connotation of the concept of economic interdependence took on a negative hue of dependence on certain countries, which threatens the economies of developed states. At the same time, no practical actions to disrupt the integrity of the global economic space were taken by other countries, and companies around the world continued to benefit from the global economy. As a result of artificially created obstacles for free trade by the authorities of some countries, aimed at limiting/eliminating such dependency, companies in these countries are forced to switch to less efficient economic solutions, leading to increased production costs and reduced purchasing power of households.

Other consequences of economic disintegration include the introduction of restrictions for companies from other countries to benefit from the advantages of international division of labor and aggressive non-economic actions.

According to IMF experts [13, p. 38], the fragmented world that this policy leads to will be more unstable. Commodity price volatility may increase due to smaller market sizes and reduced incentives for producers to expand the geography of their activities for a more stable supply base of raw materials and components, as well as the sale of finished products. This could also lead to higher inflation, complicating monetary stability.

The shift in the balance of global economic relations occurs not only between developing and developed countries, but also among the latter. In this process, the USA quite aggressively and consistently attempts to make the economies of other developed countries uncompetitive.

M. V. Margelov, head of the UNESCO Department at the Institute of Asian and African Studies of Lomonosov Moscow State University, notes that in the last century, thanks to the efforts of the USA to dismantle the English and French colonial system, they replaced these metropolitan countries with their economic interests.[10] At the end of the last century, prohibitive tariffs on car imports forced European and Japanese corporations to relocate their production for the local market, then the largest in the world, to the USA. Recently, the aforementioned laws have economically incentivized companies from industrially developed countries to move their production to the USA.

Thus, it can be concluded that the development of international trade and foreign direct investment is largely determined by national industrial policies, which are generally aimed at creating advantages for the national economy. At the same time, the growth rates of the national economy depend on the successful activities of national corporations both in the local market and in other countries.

HOW MUCH DO THE INTERESTS OF MNES AND AUTHORITIES COINCIDE?

National industrial policy is aimed at addressing issues relevant to the given economy as perceived by the authorities. However, since such policy affects other states, it is reasonable to assume that it should take into account common principles of economic interaction, such as free trade and open markets, for which the World Trade Organization (WTO) was established by the international community to promote and regulate, including resolving trade disputes between countries. By the way, precisely because in some cases the principles of free trade do not align with the current interests of the United States, they have made the

[10] The Renaissance of political Islam is coming to an end. Monocle; 2024(7):63–70. URL: https://monocle.ru/monocle/2024/07/renessans-politicheskogo-islama-zakanchivayetsya/ (accessed on 22.07.2024).

functioning of the WTO appellate body impossible by failing to agree on arbitrators. As a result, it has become impossible to resolve trade disputes using the universally recognized WTO mechanisms, and other mechanisms are practically non-functional. Perhaps one can agree with P.J. Buckley [14, p. 1589], who believes that in recent years the United States has not been a supporter of international law, rules, conventions, or institutions. Perhaps, he believes, 'the aggressive replacement of international law with sovereign national laws is a defining feature of technonationalism.[11] If this is the case, then … the most significant structural change in globalization is the retreat from international commitments by the leading world power'.

Disagreements between states are one area of confrontation, but there is another plane of differences in interests: between transnational corporations and the governments of their home countries. In this context, understanding the reasons why companies go beyond their national borders is important. It was previously believed (for example, J. Dunning [16]) that such feasibility is determined by the possibilities of using more efficient production conditions, the availability of certain resources, access to new markets to maximize profits through technologies, financial capabilities, and managerial skills possessed by MNEs and absent in the country where they intend to operate. And the authorities of developed countries encouraged such an approach by corporations, as it involved developing countries into the sphere of Western influence.

However, in modern conditions, according to D. Teece [17, p. 508], the framework for analyzing the relationships between MNEs and governments should be expanded to encompass a broader range of geopolitical contexts. Once this happens, the relevance of existing theories and models can, in his opinion, be reassessed and new ones developed. This broader approach, D. Teece further points out, calls into question the adequacy of many efficiency-based theories of international business and strategic corporate governance. 'Cost minimization, although still relevant, will lose its predictive power and normative appeal. Theories of the internationalization of economic relations [18] and theories of transaction costs of MNEs [19] are losing their relevance. Resource-based theory (overview of theories in [20]) also proves ineffective when the focus is on innovations and geopolitical upheavals. Similarly, the structure of advantages specific to a particular firm and country [21] needs modification to encompass the merging of firm and country'.

The basis of this approach lies in D. Teece's confidence [17, p. 494] that 'decades of large-scale investments by MNEs in cheap resources have deepened the transfer of technology and the development of offshore potential to such an extent that they have begun to have a negative impact on the home countries of MNEs'. Supporting this position, G. Pisano and W. Shih [22] argue that as a result of the focus on high-tech sectors of the economy, the production of other industries was largely moved abroad, causing the USA to lose the ability to integrate the processes of innovation creation and their implementation in product manufacturing within the country. In Japan, according to K. Cowling and P. Tomlinson [23], there was an empting of the industry due to the relocation of many productions outside the country.

As a result, economic efficiency or profit maximization as such should no longer, according to O. Petricevic and D. Teece [24, p. 1499], be priorities for MNEs, since the main thing is the protection of their intellectual property, which, in their opinion, is impossible in developing countries. They believe this is a manifestation of the changing global economic order and should motivate MNEs to reduce their presence in such markets. At the World Economic Forum in Davos, a non-economic component was added to this argument, stating that 'the protection of values [implying protection from the influence of the Russian Federation (RF) and the PRC] is more important than free trade and… profit'.[12]

[11] Technonationalism was first described by S. Ostry and R.R. Nelson [15] and refers to the state's desire to have on its territory the enterprises that are leaders in high-tech industries.

[12] NATO Secretary-General Tells World Leaders "Freedom Must Come Before Trade". The World Economic Forum. May 24, 2022. URL: https://www.weforum.org/press/2022/05/nato-

The opinions expressed above significantly diverge from the fundamental tenets of economic globalization and the objectives of corporate governance aimed at maximizing profit and creating sustainable growth in company value, which are generally closely linked to innovations. The financially effective implementation of these innovations often becomes impossible without organizing production on a global scale. In other words, excluding economically viable locations for their production and sales for non-economic reasons can render innovative products commercially unviable. As a result, the companies themselves will suffer first and foremost, as it makes no sense for them to spend their money on innovations that are financially unpromising.

It seems that the mentioned experts in their analysis rely on general assessments of the level of globalization, which indicate its slowdown, or they exaggerate the significance of one of its aspects. For example, the composite index of global cooperation developed by the World Economic Forum in Davos and the consulting company McKinsey has been stagnating since 2020 after a period of growth starting in 2012. Meanwhile, its decomposition shows that during the period 2012–2022, the only declining component since 2016 is cooperation in the field of peace and security, i.e., the political factor, while the largest other components (the dynamics of international trade and capital movement, international cooperation in climate and nature conservation, foreign investment in innovation and technology) are steadily growing.[13] A study by scientists from the Republic of Korea [25, p. 100] also shows that among the three factors of the KOF globalization index, which considers the economic, social, and political aspects of this process, political efforts at the national level have the greatest impact on deglobalization. At the same time, the negative influence of the global political factor originates from developed countries. Therefore, it can be concluded that international business is interested in the development of global economic ties and ensures their positive dynamics, while the authorities of some countries, for the sake of their political preferences, hinder this movement.

The objective picture of the state of economic globalization is unlikely to be complete without considering consumer behavior, for whom companies are willing to develop their international presence to ensure the best price/quality ratio of their product. However, consumers can be influenced not only by price and quality. Their purchasing preferences can be irrational and are associated, as A. Greenspan [26] points out, with emotional factors such as fear, sympathy, herd behavior, the desire to deal with things familiar to the target audience in terms of culture and interests, and alignment with their accepted value system. These circumstances may change the preferences of some consumers, who instead of the best price/quality product will purchase an alternative with less favorable characteristics and may pay a higher price for it in order to align their consumer behavior with the mentioned tendencies, as well as the suggested non-economic narratives. And such consumer attitudes can, in turn, change the behavior of corporations regarding their international presence. However, consumer adherence to these narratives is possible if, as noted by O.D. Hart, D. Tesmar, and L. Zingales [27, p. 3], the price they pay for it is relatively small. When a certain threshold is exceeded, he becomes indifferent to irrational impulses and is more guided by the capabilities of his wallet. This sensitivity to costs is quite significant and suggests that consumers exchange their moral obligations for saving their funds. And international division of labor precisely ensures the preservation and increase of consumer purchasing power.

To assess the fairness of the aforementioned expert considerations regarding the feasibility of economic deglobalization, the opinions of the multinational corporations themselves regarding their activities, for example, in the world's second-largest GDP country, are representative. The data presented in *Table 3* are the results of surveys

secretary-general-tells-world-leaders-freedom-must-come-before-trade/ (accessed on 24.03.2024).

[13] The Global Cooperation Barometer 2024. World Economic Forum In collaboration with McKinsey & Company. January 2024. 26 p. URL: https://www3.weforum.org/docs/WEF_The_Global_Cooperation_Barometer_2024.pdf (accessed on 24.03.2024).

Table 3

Responses from US and EU Companies about their Business in China

Question	Response	US companies	EU companies
Is your business unprofitable in China?	yes	17%	15%
Is China an unimportant destination for your investments in the coming years?	yes	18%	13%
Are you planning to reduce your investments in China?	no	91%	78%
Is the government's attitude towards a foreign company worse than towards a Chinese one?	no	70%	69%
Is intellectual property protection in China adequate or improved?	yes	68%	80%
Has your company begun the process of withdrawing production facilities from China?	yes	11%	27%
If you plan to withdraw your production facilities, then move them to the USA and the EU?	yes	21%	37%
When reviewing your supply chain, do you want to eliminate suppliers from China?	no	no data	78%
Is China's share of your global revenues more than 10%?	yes	37%	no data
In your business model, do you manufacture a product or buy components in China to sell locally?	yes	53%	no data
In your business model, do you manufacture a product or buy components in China to sell in the US?	yes	6%	no data
Did your business revenue in China decrease in 2023 compared to 2022?	yes	28%	30%
Is your business profitable in China?	no	18%	15%
Has your company's EBIT decreased in 2023 compared to 2022?	no	29%	15%
Is your company's EBIT worse for its China operations than for all of your global operations?	no	67%	36%
Are business prospects in China getting worse?	yes	16%	9%
Is your company's goal in China to increase its key business in 2024?	yes	63%	no data
Is your company's goal in China to cease business in 2024?	yes	4%	18%
Is the investment climate in China getting worse?	yes	35%	no data
Are you disclosing your technologies to China for your own interests voluntarily?	yes	82%	58%

Source: (accessed on 20.03.2024); European Business in China. Business confidence survey 2023. European Union Chamber of Commerce in China. June 2023. 54 p. URL: https://europeanchamber.oss-cn-beijing.aliyuncs.com/upload/documents/documents/European_Business_in_China_Business_Confidence_Survey_2023[1124].pdf (accessed on 25.03.2024).

Note: Percentage data represents the proportion of respondents with the appropriate response.

of US and EU companies about their business in China, conducted by the American Chamber of Commerce in China in 2024 and the European Chamber of Commerce in China in 2023.

From the responses of Western corporations one gets the impression that they feel quite confident in the PRC due to the following circumstances:

- China's share in the total revenues of companies is quite high;
- business in China often generates an operating margin higher than all global operations of such companies;
- Western companies in China mainly operate in the local market;
- few people complain about the unequal treatment of foreign companies' businesses by the Chinese authorities compared to local ones;
- the majority do not believe that the business climate in China is deteriorating;

- the overwhelming majority do not believe that intellectual property protection is bad;
- few foreign companies want to exit the business in China;
- most Western companies voluntarily disclose their technologies in China for their own interests;
- the overwhelming majority of Western companies plan further investments in China.

It is hardly possible to assert that foreign companies were forced to make direct investments in China, and not yesterday, but when this country was not yet the second-largest economic power in the world, and they did not know what they were doing. Most of them now want to increase their investments. It is obvious that they came to this country hoping to take advantage of the potential of its vast market and the prospects for its growth, which are still the best in the world. It is equally clear that precisely for the sake of future profits, which are already higher there for many companies than the global average, they are willing to share technologies with Chinese partners. Moreover, they do this voluntarily, and the protection of intellectual property suits them just fine. Importantly, a significant portion of the products produced by MNEs in China is directed to developed countries, which thus benefit from the fruits of international division of labor.

Japanese business has also firmly established itself in China: according to the Ministry of Trade of Japan, China ranks first in the number of overseas branches of Japanese companies and is Japan's largest trading partner.[14] At the meeting in November 2023, the leaders of both countries stated the need to develop 'mutually beneficial relations based on common strategic interests',[15] since 'Japan is largely dependent on China, where Japanese companies have invested for many years in building supply chains and establishing relationships with local partners'.[16]

As can be seen, the responses of practicing businessmen contradict the opinions of some experts and officials. It is doubtful that Western businesses will massively abandon the chicken that lays golden eggs for them, which in the form of dividends and increased stock prices go to the shareholders of these companies located in the USA and Western Europe. It is equally doubtful that the majority of consumers will give up products with the best price/quality ratio.

Supporters of deglobalization also intensively use the thesis that the relocation of businesses to developing countries has contributed to a decrease in employment in developed countries. Meanwhile, the corresponding statistics show that unemployment in mature markets has steadily decreased over the past 30 years in almost all of

[14] China's Economy Overview. Ministry of Foreign Affairs of Japan. January 2024. URL: https://www.mofa.go.jp/files/100540401.pdf (accessed on 24.03.2024).

[15] The Diplomat, February 29, 2024. URL: https://thediplomat.com/2024/02/china-and-japan-whats-in-a-term/ (accessed on 24.03.2024).

[16] Japanese business leaders return to China seeking to boost cooperation. Reuters, January 25, 2024. URL: https://www.reuters.com/markets/asia/japan-business-leaders-return-china-seeking-bolster-cooperation-2024–01–25/ (accessed on 24.03.2024).

Table 4

Unemployment Rate in a Number of Countries (Share of Working People in the Working-Age Population, in %)

Years	China	EU	Japan	USA
1991	2.4	8.6	2.1	6.8
2022	5	6.1	2.6	3.7

Source: Всемирный банк / World bank. URL: https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=US-CN-EU-JP (accessed on 24.03.2024).

them, while in China it has doubled (*Table 4*). Rather, China should complain about such consequences of globalization.

The above facts show that transnational companies from industrially developed countries are unlikely to agree to a reduction in their revenues and profits in order to adhere to values according to which they have made massive investments in developing countries for decades, and now they must devalue them, creating problems for their shareholders. At the same time, some companies may leave China, but the reason could be their insufficient competitiveness compared to local producers of similar products.

It is unlikely that the authorities of developed countries will take radical steps to worsen the situation of their companies operating worldwide, and consequently reduce the purchasing power of their citizens, who are consumers of their products, investors in these companies, and people who choose the government, as the economic consequences of such decisions are quite significant. Thus, according to Oxford Economics, as a result of the tariff war between the USA and China from 2017 to 2019, the U.S. GDP lost $ 108 billion (0.5%), households lost $ 68 billion (both estimates in 2020 prices), and the labor market lost 245 000 jobs. The losses from potential future trade wars are expected to be an order of magnitude higher.[17]

CONCLUSION

The conducted research allows us to draw the following conclusions:

- state intervention in the actions of MNEs within the framework of protectionist policies does not contribute to maximizing corporate profits, as it restricts competition and access to certain markets where they operate as part of their international expansion strategy to ensure this maximization;
- companies in countries subjected to restrictions are increasingly motivated to create competitive products with limited access, which, if successful, worsens the competitive position of multinational corporations from developed countries;
- the purchasing power of consumers is decreasing in countries that impose restrictions and in countries that are subject to restrictions, which worsens the ability of corporations to sell their products.

The reduction of global economic ties due to the introduction of elements of protectionism in the policies of developed countries seems unlikely. Rather, the geography of such ties for certain product groups may change somewhat, because the objective need for multinational corporations, which are the main drivers of globalization, to maximize profits and create sustainable growth in the value of their companies compels them to optimize their value chains and expand markets, which will not be limited to the countries designated by the authorities.

Answering the main question of the study, it can be concluded that despite the authorities' desire to politically encourage their companies to avoid countries with which they are not friendly, the motivation of companies to maximize their profits may prevail, especially in those locations where the volume of generated profits significantly impacts the company's overall financial result. It's a different matter if the authorities create conditions in which logistics and payments are maximally complicated, making it impossible to continue business as usual. No one will work at a loss. However, when international activities are restricted, companies can avoid a negative financial result by raising prices while reducing sales volume, but such an option is unlikely to be of interest to consumers in these countries.

[17] The impact of China PNTR repeal and increased tariffs on the US economy and American jobs. Oxford Economics. November 2023. 39 p. (10). URL: https://www.uschina.org/sites/default/files/the_economic_impact_of_china_pntr_repeal.pdf (accessed on 24.04.2024).

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