

*Nataliia Reznikova*<sup>1</sup>

*Oksana Ivaschenko*<sup>2</sup>

## **TRANSNATIONALIZATION AS AN AGGRAVATOR OF THE NATURE USE PROBLEM: CHALLENGES ON THE WAY TO SUSTAINABLE DEVELOPMENT**

***Анотація.** В статті розглянуто вплив транснаціоналізації на загострення проблеми ресурсокористування. Виокремлено виклики на шляху забезпечення сталого розвитку через призму суспільно-соціального, еколого-економічного і економіко-екологічного концептуальних підходів. Досліджено поняття «екологічного імперативу» та діалектичну природу взаємодії в трикутнику держава—ТНК—оточуюче середовище. Виділено дві групи чинників впливу на розвиток екологічного менеджменту ТНК. Змодельовано різні варіанти виникнення трансграничного ризику та можливі напрямки розвитку подій. Обґрунтовано необхідність впровадження концепції „інвайронментального паритету“, яка пов'язана з пошуками компромісних рішень щодо зниження загрози для населення і природи тієї або іншої країни від джерел небезпеки, обумовлених господарською діяльністю в інших країнах.*

***Ключові слова.** Транснаціоналізація, ТНК, екологічний менеджмент ТНК, трансграничний ризик, сталий розвиток, оточуюче середовище, екологічні імперативи.*

***Аннотация.** В статье рассмотрено влияние транснационализации на обострение проблемы ресурсопользования. Выделены вызовы на пути обеспечения устойчивого развития через призму общественно-социального, эколого-экономического и экономико-экологического концептуальных подходов. Исследовано понятие «экологического императива» и*

---

<sup>1</sup> Doctor of Economics, associate professor, professor of department of world economy and international economic relations at Taras Shevchenko National University of Kyiv.

<sup>2</sup> PhD (Econ.), Associate Professor of the Department of management of foreign trade activities of National Academy of statistics, accounting and audit

диалектическую природу взаимодействия в треугольнике государство—ТНК—окружающая среда. Выделены две группы факторов влияния на развитие экологического менеджмента ТНК. Смоделированы различные варианты возникновения трансграничного риска и возможные направления развития событий. Обоснована необходимость внедрения концепции «инвайронментального паритета», которая связана с поисками компромиссных решений по снижению угрозы для населения и природы той или иной страны от источников опасности, обусловленных хозяйственной деятельностью в других странах.

**Ключевые слова.** Транснационализация, ТНК, экологический менеджмент ТНК, трансграничный риск, устойчивое развитие, окружающая среда, экологические императивы.

**Annotation.** The aggravating effect of transnationalization for nature use is analyzed. Challenges on the way to sustainable development are discussed through the prism of social, ecological-economic and economic-ecological conceptual approaches. The concept of “ecological imperative” and the dialectic character of interactions in the triangle “state – TNC – environment” are studied. Two groups of factors pushing TNC to develop ecological management are defined. Various options of cross-border risk occurrence and potential developments of events are modeled. The practical utility of “environmental parity” concept is substantiated, which is about finding compromise solutions to reduce the threat for population and environment in a given country, coming from business operation in other countries.

**Key words.** Transnationalization, multinational corporations, MNC's environmental management, cross-border risk, sustainable development, environment, environmental imperatives.

**The problem.** The looming global ecological catastrophe, the aggravating contradictions between rich and poor countries, the mismatch between organizations and mechanisms of the global financial system and the existing realities, the expanding confessional conflicts, the widening gaps between the targets of consumption growth and the limited resource capacities to sustain it is only a small part of global coexistence problems.

**The purpose of the present article** is to investigate the phenomenon of “ecological imperative” that refers to *the set of limitations and prohibitions which observance is a must for further progress of the humanity* has special importance in the sustainable development context.

**Review of publications.** Scientific ideas on sustainable development, stability, globalization are elaborated by classics of economic theory and methodology; by authors of theories of cycles and crises; by representatives of the conceptual approach to economic studies, based on physics and biology; by theoretical studies on globalization, stable and economically secure development. Yet, given the significant knowledge base, a number of problems have not been addressed, including methods or mechanisms for implementing ecologically and economically secure development in unstable socio-economic systems.

**Problem setting.** The abovementioned determines the need for studies of the dialectics of interactions in the triangle “political state – TNC – environment”.

**The main results of the research.** The concept of sustainable development results from the synthesis of three research areas: ecological, economic and social ones. The sustainable development can, therefore, be interpreted and defined depending on what area is prioritized. In the first area, the importance of preservation of physical properties of the environment is emphasized; ecological functions of nature are assumed to have absolute value, and the preservation is described in terms and measures of scientific knowledge about its ecological properties. In the second area, stability of economic benefits from use of nature resources is emphasized. It is based on the argument that economic benefits from use of nature need to be kept and increased, because they are assets of present and future generations [7]. Followers of this idea say that nature assets can be substituted by ones created by humans, and net profit from sales of nature resources is available for consumption. In the third area, emphasis is made on importance of sustaining the utility of nature, which refers to quality of life in the broadest sense, and to assets created by humans in the narrowest sense. This is supposed to involve higher costs than economic benefits and physically stable

environment. Addressed in this way, the concept of sustainable development emphasizes values of human life, and aspects like justice, reduced poverty, human capital or cultural heritage are included in its definition.

Social, ecological-economic and economic-ecological theoretical approach to justification of the sustainable development concept should be distinguished. The first approach, with its global perspective, is concerned with fostering the integrated personality capable to take control over the nature and the economy. The contemporary society has no attributes of development demonstrating its capacity to implement this approach [9]. Poverty, inequality, backwardness, underdevelopment are only part of the barriers on the way to the sustainable socially oriented development. Deeper analysis should, therefore, be focused on the other approaches: ecological-economic and economic-ecological ones. Although their names may seem tautological, this does not matter much. The ecological-economic approach puts emphasis on the primacy of ecological component that is the principal objective and the principal source for sustainable development. As regards economic-ecological approach, its objective is sustainable ecological development, and the source for it is economic component.

The cosmopolite model of resource use has been strongly opposed by the global community, especially its advanced stratum, who argues that the TNC dominance has risen to the scales threatening the contemporary civilization. Profit-making interests of large capitalists have prevailed over the national interests, with national or traditional practices of nature use ignored and the gap between developed countries and developing countries widened. There are some who argues that the ideological platform for monopolization of the global economic area by countries with developed capitalism and TNC is laid by the milestone “theory of zero growth” [4]. Their central thesis – to suspend growth in industry and promote it agriculture and services – is acceptable for highly developed countries with rapid transition to the information society, the increasing share of service sector in domestic GDP, and the established infrastructure of key markets.

The developing countries are in the opposite situation, when information resource has not become a productivity factor and market institutes and infrastructures are at the embryonic phase. The only factor of their social and economic growth is natural resources utilized in extensive ways (mining and extraction industry is the key one in the transformative economies). The theory of zero growth cannot, therefore, be embedded in economic strategies of developing countries unless their productive forces are enhanced, nature use is intensified, living standards of local populations are increased and antagonistic contradictions are gradually eliminated. Now their key priority should be stimuli to industrial sector, more rational use of nature resources, cost-effectiveness environmentally safe use of resources [1].

Two groups of factors pushing TNC to create ecological management units are referred to: external and internal ones. The external factors are determined by the overall dependence of TNC operation on regular actions of various local administration bodies and public administration procedures in mother countries or accepting countries, participants of the international ecological management networks, competitive environments and various public movements. It follows that the external impact is embodied in the international ecological standards or other requirements on rational nature use and ecologically safe conditions for the vital activity of populations, which are imposed on TNC practices and performance. The internal factors are related with initiatives launched by ecologically conscious business communities within TNC. TNC (especially Japanese and European ones) have high rates of spending on ecological policies [2].

**Ecological management in TNC** has four phases of evolution:

- 1) management focused on observation of ecological laws (the reactive corporation);
- 2) precautionary ecological management (the lean and precautionary corporation);
- 3) strategic ecological management (the opportunity seeking corporation);

4) management focused on sustainable development (the responsive corporation).

It follows that countries need to sign mutually beneficial cooperation agreements. Their effort on this way needs to be intensified due to the two situations [4]:

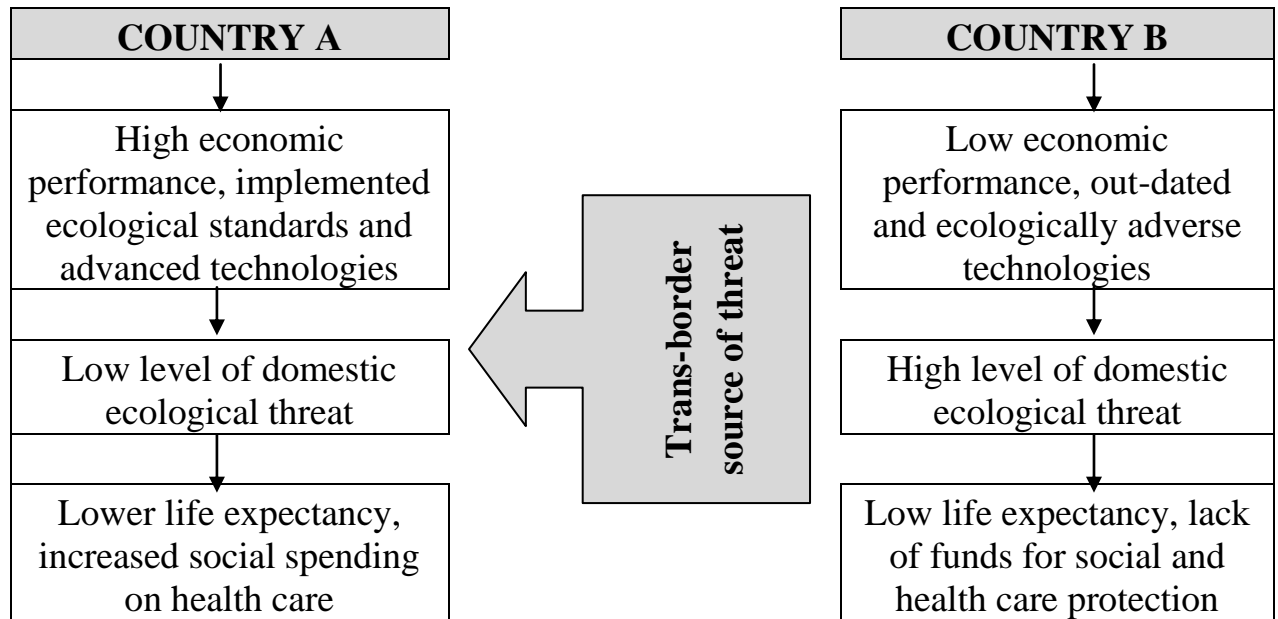
1 – a source of technogenous threat, located on the territory of a country, threatens populations in other countries because of cross-border transfer of polluting substances from this source in course of its normal exploitation or in potential emergency situations;

2 – a technological process or an industrial enterprise, which is an essential source of potential threat, may be transferred from one country to country by a trade agreement.

Therefore, as ecological consequences of the life activity in a country do not have borders, they have international significance. The above problems can be solved by elaborating new guidelines for assessment of ecological risks and strategies for their minimization and elimination at international level. Science has established two central principles for cross-country relations: any business operation in any country is subject to similar or equivalent requirements, in conformity with its safety for the population and the environment (“equivalency of safety level” principle); responsibility for a potential loss in a country, incurred by a business operation in another country, shall be taken by the country where this business is located (“polluter pays” principle).

However, these interdependent strategic principles can be implemented only in relations of countries with quite similar level of economic development and equivalent per capital economic resources. Once the above principles are implemented in relations of countries with varying level of economic and social development, it can trigger serious international conflicts [6].

A potential occurrence of trans-border risk and potential developments triggered by it in the context of this study are illustrated in Figure 1.



**Figure1. An occurrence of trans-border risk**

As shown in Figure 1, although country A has higher economic performance with higher ecological standards, its population is exposed to “external source of threat”, located on the territory of country B, where the economic performance is such that its domestic costs to reduce the risk from this source won’t be optimal to achieve the maximal level of security; when allocated, the costs will decrease the national security in this country. Each of these countries will pursue own “egoistic” objectives: each will attempt to maximally reduce the risk for its population by investing its funds to improve the security of objects located on its territory. For the population of country A the source of insecurity is “external” and “uncontrolled”, which raises the question on whether or not this country needs to allocate part of its budgetary funds in measures to combat this “foreign” source of insecurity, in order to have the domestic environmental performance stabilized [3].

A similar situation occurs when a technological process or an industrial enterprise constituting a source of potential threat is transferred from one country to another. Due to higher economic performance, country A has stricter security norms in business than country B. Yet, due to low economic performance country B is incapable to introduce similar norms of ecological security on its territory. As

a consequence, trade problems occur in relations of these countries. Their solutions are confined to control of trans-border risks, when a source of threat (a business product with the risk acceptable for country B) crosses the political border of country A for which the risk from this source of threat is unacceptable according its security norms.

The significance of the problem of trans-border risks control is equal to global problems like reduction of military threat, where more effective solutions could recently be found by formulating “military parity” concept based on specific methods for compromise approach to decision making. It should be noted that compromise decisions are cooperative by definition, as they fix cooperative actions of partners (countries), focused on objectives that are common for them (reduction of military threat in our case). At the current phase of our history, another more difficult problem occurs: conceptualization of “environmental parity”, which implies making compromise decisions on reduction of environmental and human risks in a country, caused by sources of threat generated by economic activities in other countries.

The above said raises the importance of the appropriate institutional setting for collaboration of international environmental organizations and governments in coordinating global and regional priorities in environmental protection, with emphasis on ecologically secure social and economic development.

Ecological problems have much broader perspective in the contemporary global economy characterized by integration and globalization. No longer being the ones confined to the nature use, they have overlapped economic problems which, if not solved, won't allow for ecologically and economically secure development at country and global level; for rehabilitating the effective system of global production and trade, based on global ecological standards and capable to eliminate negative environmental effects of industrial productions; for synchronizing “ecology – economy” relations to offer humans a chance for future life [11].



It follows from the above that a foremost objective at country level is in elaborating effective mechanisms to address vital ecological problems. Bearing in mind their global scales, implementation of ecological policies per se would not be sufficient to achieve ecological security, because solutions for these problems touch upon all the aspects of the societal life. Considering multiplicity of aspects involved in rational use of nature, we propose to elaborate environmental policy focused on the environment rather than the nature, with the environment referred to the whole natural world, from ecosystem to biosphere, encompassing humans and their economic activities [2]. This means that the environmental theory is based on combination of concepts “protection” referred to as maintaining the nature in the form in which it exists without human interference, and “preservation” referred to as human control of the nature, aimed to preserve nature resources for future generations.

**Conclusions.** Global transformations are an objective-subjective process generating serious problems and risks for development, especially for countries with the transformational economy. While the priorities of economic globalization are obvious (redistribution of resources in favor of developed countries), effective solutions for sustainable development problems are yet to be found. Comparative analysis of global development and sustainable development shows essential contradictions in the two processes.

On the one hand, globalization seeks to establish a single economic area allowing for free access to national markets and maximization of profits, with the predominating economic component; sustainable development seeks to optimize the correlation of “economy” and “ecology” and create conditions for the survival of humans, with the predominant social and civilization component.

On the other hand, neither social sphere can be stabilized nor measures of quality of life of all the social strata can be increased without stabilization of the economy and stimulation of economic growth. Sustainable development is an objective process by origin, because its ultimate goal is to prevent global economic catastrophes originating in ecological-economic catastrophes. Whatever the

economic performance, absence of a human as the beneficiary of economic result makes it absurd. Global development that has objective-subjective origin is always dependent on vested interests of individual countries or transnational corporations.

#### References

1. Marshall R.S. Introducing A New Business Course: Global Business and Sustainability [Electronic resource] / R.S.Marshall, S.P. Harry // International Business of Sustainability in Higher Education. – 2005. – Vol. 6 (2). – Mode of access: <http://www.emeraldinsight.com/doi/abs/10.1108/14676370510589882>
2. Mazurkiewicz P. Corporate Environmental Responsibility: Is a common CSR framework possible? [Electronic resource] / P.Mazurkiewicz. – 2004. – Mode of access: <http://siteresources.worldbank.org/EXTDEVCOMMENG/Resources/csrframework.pdf>
3. Moffat A. The 21st Century Corporation: The Ceres Roadmap For Sustainability [Electronic resource] / A. Moffat. – 2010. – Mode of access: <http://www.ceres.org/resources/reports/ceres-roadmap-to-sustainability-2010/view>
4. Porritt J. The Role of Business in Society: Delivering Sustainable Development [Electronic resource] / J. Porritt. – 2006. – Mode of access: <https://www.pwc.com/id/en/energy-utilities-mining/assets/delivering-sustainable-development.pdf>
5. Selvanathan P.J. Identifying The Key Determinants of Effective Corporate Sustainability [Electronic resource] / J.P.Selvanathan. 2011. – Mode of access: <http://epubs.scu.edu.au/cgi/viewcontent.cgi?article=1251&context=theses>
6. Katsaulakos T. Integrating Corporate Responsibility Principles and Stakeholders Approaches into Mainstream Strategies: A stakeholder oriented and integrative strategic management framework [Electronic resource] / T. Katsaulakos, Y. [Katsoulacos](#) // Corporate Governance: The international journal of business in society. – 2011. – Mode of access: <http://www.emeraldinsight.com/doi/abs/10.1108/14720700710820443>
7. Krehmeyer D. Sustainability Strategy As Corporate Strategy [Electronic resource] / D. Krehmeyer, M. Lenox, B. Moriarty. – Mode of access: <http://ethicsphere.com/sustainabilitystrategy-as-a-corporate-strategy>
8. Quinlivan G. Sustainable Development And Multinational Business [Electronic resource] / G. Quinlivan. – Mode of access: <http://iosrjournals.org/iosr-jbm/papers/vol11-issue3/H0135056.pdf>

9. Cavalcanti H.B. Being a good citizen and an active participant in society [Electronic resource] / H.B. Cavalcanti. – Mode of access: [http://www.henkel-adhesives.com/com/content\\_data/Detailed\\_Statement\\_Brazil\\_Cavalcanti.pdf](http://www.henkel-adhesives.com/com/content_data/Detailed_Statement_Brazil_Cavalcanti.pdf)
10. Mirvis P.H. Environmentalism in progressive businesses [Electronic resource] / P.H. Mirvis // Journal of Organizational Change Management. – 1994. – Vol. 7 (4). – Mode of access: <http://www.emeraldinsight.com/doi/abs/10.1108/09534819410061397>
11. Rugman A.M. Corporate strategy and international environmental policy [Electronic resource] / A.M. Rugman, A. Verbeke // Journal of International Studies. – 1998. – Vol. 29 (4). – Mode of access: <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.476.4925&rep=rep1&type=pdf>
12. Sharma S. Proactive corporate environmental strategy and the development of competitively valuable organizational capabilities [Electronic resource] / S. Sharma, H. Vredenburg // Strategic Management Journal. – 1998. – Vol. 19. – Mode of access: <http://www.icesi.edu.co/blogs/estrategiamb19/files/2013/05/PROACTIVE-CORPORATE-ENVIRONMENTAL.pdf>