

Секция 7. Международная экономика.

MINCICOVA VALERIJA SERGEEVNA

Ph.D. in economics, associated professor

Financial University under the Government of the Russian Federation,

Moscow, the Russian Federation

TRANSNATIONAL BANKS IN EUROPE: STRATEGIES OF WESTERN AND EASTERN EUROPEAN BANKS¹

The article is written with the support of the Russian Humanitarian Foundation. Project № 14-37-01203 «Theory and Practice of banks' transnationalization: the role of TNB from developing countries and countries with economies in transition" (Статья написана при поддержке Российского гуманитарного научного фонда. Проект № 14-37-01203 «Теория и практика транснационализации банков: роль ТНБ из развивающихся стран и стран с переходной экономикой»)

Transnational processes in today's world are objective as the consequence of globalization and international labour division. That is why they are so interesting to study and getting involved for business community, governments, international organizations, analytic and rating agencies.

Transnational companies (TNCs) (nowadays they are called by international organizations, e.g. UNCTAD, multinational enterprises, MNEs) play a key role in today's global economy. In just 25-30 years of active development of TNC of fourth and fifth generations in the international division of labor, the creation of the world's GDP significantly increased both in absolute and in relative terms. For instance, if in the 1980s TNC provides 30% of the

¹ The article is written with the support of the Russian Humanitarian Foundation. Project № 14-37-01203 «Theory and Practice of banks' transnationalization: the role of TNB from developing countries and countries with economies in transition" (Статья написана при поддержке Российского гуманитарного научного фонда. Проект №14-37-01203 "Теория и практика транснационализации банков: роль ТНБ из развивающихся стран и стран с переходной экономикой").

GDP of countries with market economies, in the 2010s the increased number of branches of multinationals provide more than a half of world production.

All those facts totally explain and illustrate why transnationalisation is so important to study both in theoretic and practical aspects. Some of the motivations for people to use the services of TNBs instead of regional and national banks are expounded in the author's previous works [1, 3]. New tendencies in capital movement between Eastern European countries and especially Russia and the EU are stated in other works [2]. While studying different questions about bank transnationalisation (especially in Eastern European countries [4]) the author made certain conclusions concerning the exact characteristics of the process in different European countries. These conclusions are presented below.

Starting from the banks from major EU economies – France and Germany – let's say that they do possess major world and regional TNBs that execute their activities in different regions from which one of the most promising still stays Eastern Europe including Russia and the newly created Customs Union of Russia, Belarus, Kazakhstan, Kyrgyzstan and Armenia even taking into account the sanctions of 2014-2016 against Russian economy.

French transnational banks are as many as 3 major (BNP Paribas (24th place of the Forbes 2000 biggest MNEs all over the world ratings), Société Générale (115th place), Natixis (305th place) and 2 regional (Credit Agricole (110th place), CIC Group (499th place)). We studied the transnationalisation experience of 3 of them that allowed us to understand that in France traditionally banks became to be transnational long before Second and even First World War using governmental help and financing as the parts of financial-industrial groups. They executed investments in special sectors of economy in the form of cofinancing of the projects. For example railway in China (Paribas, 1897), oil extracting and steel-casting in Romania (Paribas, 1930s), short-term obligations of trade firms from the Russian Empire and Great Britain (Société Générale,

1870-90s), agriculture in Europe (Credit Agricole, from 1884). Even after the significant help of the French government all these banks eventually became private with shares quoted on many stock exchanges in all continents.

German TNBs are represented by 1 major (Deutsche bank (448th place of Frobos 2000 rating)) and 3 regional (Commerzbank (333th place), Deutsche Pfandbriefbank (1614th place), DVB Bank (1968th place)) banks. We studied the activity of 2 of them that was the foundation for basic conclusions: German banks also were created as transnational from the very beginning, they were created by private individuals and firms and usually to resist the influence of French and British banks already operating in Germany. Deutsche Bank AG, Germany's largest TNB, in 19th - early 20th century after its inception, has been focused on large-scale international investment projects such as North Atlantic Railway in the US, Anatolian railway connecting Istanbul and Ankara, railways Iraq, China. At the same time the path of development of the German multinational banks was significantly different from the previously considered French. Thus, the financial-industrial group created the founders of the bank, but he did not become a part of FIG. Deutsche Bank bought the shares of domestic banks, expanding the sphere of influence in Europe, as well as shares of industrial companies engaged in foreign trade. In the course of military operations of World War II and the occupation of a number of Eastern European countries, the bank has been the main financial agent of the German Government. Successfully ordering of such advantages, he retained a presence in these countries, gradually restoring its credibility and image of the company. Also, after the war, the emphasis was placed on the expansion of its presence in developed countries, where there were the world's financial centers, Great Britain, USA and Japan. Commerzbank AG, established almost together with Deutsche Bank, was initially created to support German exporters abroad, not only in Western Europe but also on other continents, especially in Latin America. It should be noted that this bank was created in opposition to the

British and French credit and financial institutions that have already made a serious expansion in the German financial sector.

So to summarise we must say that TNBs from Western Europe executed their expansion to other regions of the world usually by investing in the major spheres of heavy industry and infrastructure, also agriculture as one of the most subsidised sphere of economy in Europe. They merged with the national or depending on their national economy banks and acquired financial institutions in the countries of their region but with weaker economy, especially the banks from Eastern Europe as the promising market with much money and uncertain rules. They do not neglect the opportunity of governmental help and financing. They opened branches in major financial centers all over the world starting from European cities and step by step expanding to firstly Northern and Latin Americas and then to Asia.

Continuing with the TNBs from Eastern Europe we must state, that the only examples of successful expansion story is referred to Hungarian OTP Group (1425th place) and Czech Home Credit bank. There are other examples of banks and banking groups in the CEE region with assets in banks abroad: J & T Group (Czech Republic) owns J & T Bank in Russia; Euroaxis bank (Serbia and Montenegro) with representation in Serbia and Russia; NOA Holdings (Albania) with offices in Russia (through Forus bank specializing in microfinance), Poland and Albania and a small number of others. The majority of such transnational structures are closely related to the economy of Russia and are often formed on the basis of Russian financial institutions as banks with foreign participation.

While studying the experience of Eastern European TNBs expansion we drew to a conclusion that they are much younger than the financial institutions from “the Old Europe”. And this factor makes it even harder to expand further and not be acquired by financial giants from Austria, Germany, UK and France. But they managed to do it using the help from government and especially the carefully elaborated politics of IPOs. Another priority direction for their

expansion was creating branches in the less developed countries of the region and especially in Russian regions, where big banks were afraid to perform concerning the uncertainty of legislation. Also if they performed in a certain region they tried to form a FIG in it and were not very fast in acquiring new banks in other regions.

So finally we must conclude that the lessons from both Western and Eastern European TNBs transnationalisation history should be considered by both business makers and financial institutions owners.

Bibliography:

1. Mincicova V.S. Transnational banks in central and Eastern Europe: where do Russians want to invest their money? // *Paradigmata poznání*. - Praha: Vědecko vydavatelské centrum ecko vydavatelské centrum «Sociosféra-CZ», s.r.o., 2015. - №2. Pp 19-24.
2. Mincicova V.S. Baryshnikov P.Y. Investment relations between Russia and the European Union in light of the political and economic sanctions imposed in 2014 // *Problems and prospects of development of economy and management : materials of the II international scientific conference on December 3–4, 2014*. – Prague : Vědecko vydavatelské centrum «Sociosféra-CZ». PP.58-66.
3. Mincicova V.S. What interrupts the transnationalisation of the Russian banks? // *Bankovskoe delo*, №4, 2014. Pp. 48-52. (Минчичова В.С. Что мешает транснационализации российских банков. // *Банковское дело*. - М.: ООО "Агентство Информбанк", 2014. - №4. С. 48-53.)
4. Минчичова В.С. Зарубежная экспансия банков в странах ЦВЕ. // *Евроинтеграция: влияние на экономическое развитие Центральной и Восточной Европы = Eurointegration: impact on economic development of Central and Eastern Europe* / [под ред. А.И.Бажана (отв.ред.) и др.] . – М. : Ин-т Европы РАН , 2014.
5. *World Investment Report 2015* // UNCTAD: United Nations, - Geneva, 2015.