

THE IMPACT OF TRANSNATIONAL CORPORATIONS ON THE ECONOMY OF UKRAINE DURING THE WAR

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INTRODUCTION

Transnational corporations play a key role in the global economy, creating new opportunities for developing countries, in particular through foreign direct investment, job creation and technological development. However, along with the potential benefits, a number of challenges arise related to dependence on external capital, resource exploitation, increased social inequality and environmental consequences. Despite a significant amount of research devoted to the positive aspects of the activities of transnational corporations, insufficient attention is paid to a comprehensive analysis of their impact on the economies of developing countries, given the diversity of socio-economic and political contexts of these countries. In particular, the problem of assessing the extent to which the activities of transnational corporations contribute to sustainable economic growth and whether the transfer of technology and innovation that they provoke is really capable of increasing the competitiveness of local economies is relevant. The question of how transnational corporations affect employment and income levels in developing countries requires additional analysis, as these indicators do not always correlate with improved working conditions and social security. Therefore, the study of the activities of transnational corporations requires a broader contextual consideration with an emphasis on long-term consequences for economic, social and environmental sustainability. Thus, there is a need for a deeper study of the multidimensional impact of transnational corporations on the economies of developing countries in order to develop political and economic strategies that would help minimize risks and maximize potential profits from their activities. Many works of domestic scientists are devoted to the issues of the activities of transnational corporations, among which the works of the following should be noted: O. Bulkot, T. Busareva, O. Gavrish, O. Gogulya, Yu. Dubey, G. Duginets, A. Yevtushenko, I. Karpenko, T. Klymenko, I. Klymnik, N. Korovina, K. Koshelyuk, E. Limonova, A. Peretyatko, O. Poradenko, S. Rudenko, A. Stavvytska, V. Tkachenko, T. Chumak, O. Shvydanenko, Yu. Shevchenko, D. Shulga, I. Yatskevich.

Given the great importance of the contribution of these scientists and the fact that the issue has been developed at a certain level, it requires further research given its acuteness and relevance.

1. Multinational companies and their impact on the economy of developing countries

There are three criteria by which companies are classified as transnational:

1. structural criterion;
2. performance criterion;
3. behavioural criterion¹.

Let us consider each of these criteria in more detail. The structural criterion determines the transnationality of a company by the number of countries that are part of the transnational.

The performance criterion is characterized by the percentage of assets, number of employees, revenue and sales abroad.

The behavioral criterion believes that the top management of companies should think internationally. What does this mean? Transnational companies are companies that operate in more than one country, and thus managers must define the entire world as the sphere of their potential business interests and benefits².

Today, the total value of goods and services sold by companies through their foreign subsidiaries is \$11 trillion, while world trade is \$7 trillion. Over the past decade, global financial markets have become increasingly integrated. Many governments have reduced their involvement in their own economies. The ability to borrow money in stock and bond markets has increased. Competition in international markets for goods and services has increased, and the role of multinational corporations that carry out operating, investment, and financial activities in several countries has increased. The globalization of financial markets has made it necessary for financial directors of large corporations to monitor changes in global stock markets, to be aware of changes in exchange rates, funding rates, and the position of political elites.

In the world economy, the share of transnational corporations in international trade is growing rapidly, exceeding 50% of the total volume of international trade. The increase in the number of transactions of transnational corporations is associated with the implementation of the desire to ensure the internationalization of international economic relations. This desire is manifested in the use of international market relations as intra-firm, which means the integration of enterprises located in different countries on the basis of one enterprise. International trade accounts for about 30% of

¹ Яцкевич І. В. Роль толерантності у системі управління транснаціональними компаніями. *Економічний вісник університету*. 2020. Вип. 44. С. 124-129.

² Булкот О. В. Міжнародна інвестиційна діяльність ТНК в умовах викликів цифрової економіки. *Економічний простір*. 2020. № 156. С. 32-36.

intra-firm flows in transnational corporations. These flows are the basis for creating specific forms used for capital transfers.

With different stages of development of international relations and globalization of the economy, there is a need to merge companies into larger, more powerful ones, which makes it possible to compete more in the world. Due to the large production base, companies use highly efficient production planning, which operates within the parent company and extends to its subsidiaries³.

Transfer prices are overstated by transnational corporations. Transfer prices are intentionally inflated. Transfer pricing is used when goods are supplied or services are provided to subsidiaries or affiliates, which means intra-company trade.

Multinational enterprises form global supply chains, which technologically or organizationally, as well as economically, consist of a continuous chain of suppliers and consumers of goods and services in different countries. It is characterized by the presence of brand-owning companies, suppliers and consumers not only in different countries, but also in different tariff regions. Goods of international companies pass through the global supply chain all stages of the full order fulfillment cycle – production and distribution – in order to meet the requirements of the buyer. Fig. 1 shows a typical structure of the global supply chain of an international company.

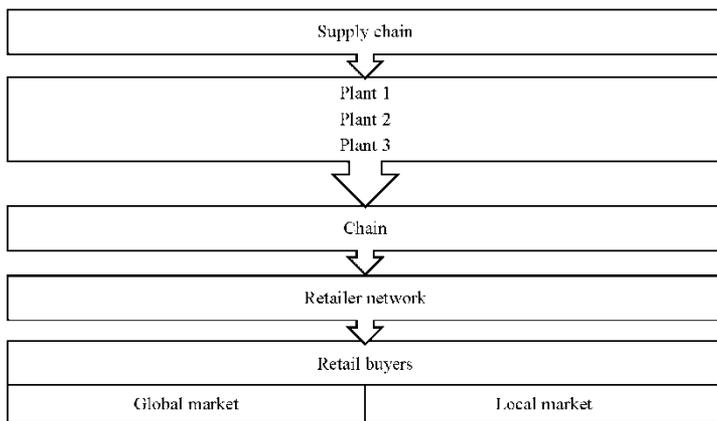


Fig. 1. Global supply chain network

³ Воскобоева О. В., Ромащенко О. С. Транснаціональні корпорації в умовах глобалізації економіки України. *Бізнес Інформ*. 2021. №1. С. 21-27

For example, raw material companies supply raw materials to product companies, and product companies provide distribution and logistics systems so that products produced in decentralized global networks can meet demand in distribution channels and stores. In Figure 1, the thick lines intersect with regional distribution networks, conceptually illustrating the boundary between operations in local and global markets. Thus, transnational owners that use global outsourcing or supply retailing exercise control over the supply chain. Most material flows pass through manufacturing plants and distribution and logistics systems. In addition to raw material factories, finished goods factories, and retailers, a global supply chain may also include merchandisers, logistics operators, and warehouses, among other elements.

The main tasks of supply chain management in a multinational company are to decide which of these elements to include in the network, determine their geographical location, the nature of the relationships within the network, the controlling organization, the way the network is managed, the coordination and control are exercised, and the way information is transmitted. The decision lies in determining how to organize the flow of information. An important factor influencing decisions on supply chain strategy in international companies is the total order fulfillment time, that is, the time between the start and completion of the goods' journey through the supply chain.

Companies are characterized by a three-level structure:

- 1) the parent company;
- 2) controlled subsidiaries;
- 3) specific companies⁴.

As a rule, the parent company consists of a holding company and an operating company. A holding company is a company that owns controlling stakes in the subsidiaries of a multinational company. The operating company is responsible for overall strategic management, financial and accounting planning, research, development, and statistical accounting.

Today, the trend of mergers of large companies operating in similar areas is characteristic. In addition, transnational corporations buy foreign enterprises that actually operate and establish full or partial power over them. The world economy is currently characterized by a number of important processes of globalization and transnationalization.

At the same time, globalization processes are acquiring new characteristics. For example, there is a close connection and intertwining between individual components of these economies. Processes related to the international movement of factors of production and goods and the division of labor at the international level are also intensifying. The author emphasizes

⁴ Дубей Ю. В. Суб'єкти техніко-технологічного розвитку: еволюція від окремої фірми до глобальних ТНК. *Економічний вісник Дніпровської політехніки*. 2020. № 3. С. 215-222

the existence of a number of approaches by which it is possible to determine which category the global economy belongs to.

Determine which categories of globalization and transnationalization are being implemented. Globalization in this context can be understood as the process of increasing economic interdependence between countries due to an increase in the number and variety of goods subject to cross-border movement. This is also facilitated by the speed and spread of technological diffusion. The subjects that stimulate the process of ensuring the development of globalization are trade and financial and economic organizations operating at the international level, transnational corporations and multinational banks, a number of regional integration groups, as well as world states that occupy leading positions.

The external environment of company is more complex than the internal one, since it is determined by the severity of the operating environment and the mobility of the environment. The operating environment is a factor that is the territorial affiliation of a certain production and takes into account the economic and legislative formation of the country of base. The mobility of the environment is the speed of change in the company's environment and its adaptation to changing economic or other factors.

The components of the external environment are:

- legal (features of legislative formation and relationships);
- political (features of the political situation in the country and the form of government, which directly affects the country's economy and public sentiment);
- economic (features of the country's economic development now and development prospects, participation in certain international organizations, alliances);
- social (features of medical care for the population, level of education – these are future employees)
- cultural (features of cultural values, customs and principles, as well as religion and attitude to it, its role and place in everyday life)⁵.

The most important features inherent in modern globalization are

- 1) Integral transformation of the production process, which as a result acquires an international form;
- 2) economic orientation, characteristic of most countries, which involves the application of uniform standards
- 3) the emergence of supranational management structures.

Globalization means the transition of states into a world economic system, characterized by a high degree of integration

⁵ Шевченко Ю. І. Маркетингова стратегія ТНК – баланс глобального та локального. *Бізнес Інформ*. 2020. № 10. С. 434-442.

Today, transnational corporations control over 50% of global industrial production and almost 90% of foreign direct investment.

In the United States, half of exports are carried out by American and foreign transnational corporations, compared with 80% in the United Kingdom and 90% in Singapore. There are currently 63,000 transnational corporations in the world (the largest of which are headquartered in the United States), which control two-thirds of world trade and 80% of foreign investment. The number of branches of transnational corporations outside the country where their headquarters are located exceeds 680,000. This indicates that the economic potential of the largest transnational corporations is comparable to the gross domestic product of the country as a whole.

Table 1 provides statistical data on the activities of the 100 largest non-financial transnational corporations in 2021-2023.

Table 1

International statistics on the performance of the 100 largest non-financial transnational corporations

| Indicator | TOP 100 transnational corporations in the world | | | | | TOP-100 transnational corporations from transition and developing economies | | | | |
|--|---|-------|-------|----------------|-----------|---|-------|-------|----------------|-----------|
| | 2021 | 2022 | 2023 | Growth rate, % | | 2021 | 2022 | 2023 | Growth rate, % | |
| | | | | 2022/2021 | 2023/2022 | | | | 2022/2021 | 2023/2022 |
| Assets billions of dollars total, incl. | 14534 | 15492 | 16595 | 7,2 | 7,1 | 7732 | 8560 | 9504 | 10,7 | 11,0 |
| External | 8996 | 9231 | 9491 | 2,8 | 2,8 | 2119 | 2374 | 2668 | 12,0 | 12,4 |
| Internal | 5538 | 6262 | 7146 | 14,8 | 14,1 | 5613 | 6191 | 6848 | 10,3 | 10,6 |
| % of external (foreign) assets in total assets | 62 | 60 | 61 | -2,3 | 1,7 | 27 | 25 | 30 | -7,4 | 20,0 |
| Sales billion dollars total, incl. | 8017 | 9377 | 11095 | 18,1 | 18,3 | 4433 | 5478 | 6807 | 23,6 | 24,3 |
| External | 5200 | 5587 | 6036 | 8,1 | 8,0 | 1897 | 2354 | 2937 | 24,1 | 24,8 |
| Internal | 2817 | 3790 | 5204 | 35,5 | 37,3 | 2537 | 3127 | 3876 | 23,3 | 24,0 |
| % of external (foreign) sales in total sales | 65 | 60 | 67 | -5,3 | 11,7 | 43 | 41 | 45 | -4,7 | 9,8 |
| Personnel thousand units total, incl. | 16699 | 17488 | 18380 | 6,3 | 5,1 | 13174 | 13107 | 13038 | 0,8 | 2,3 |
| Abroad | 9662 | 9611 | 9675 | -0,5 | 0,7 | 4521 | 4424 | 4327 | -2,1 | -2,2 |
| Within the country | 7037 | 7876 | 8890 | 13,8 | 12,9 | 8652 | 8687 | 8724 | 0,6 | 1,7 |
| % of staff abroad in total staff | 58 | 55 | 60 | -2,9 | 9,1 | 34 | 32 | 36 | -5,9 | 12,5 |

According to international statistics, the assets of the 100 largest transnational corporations in 2022 will grow by 7.2% compared to 2021, and in 2023 this growth is 7.1%. In addition, the growth of the assets of the 100 largest transnational corporations by 10.7% in 2022 compared to 2021 and by 11.0% in 2023 indicates that transnational corporations are actively doing business not only in developed countries, but also in countries with economies in transition and developing countries. This is due to the fact that these countries usually have a large number of labor and natural resources that attract transnational corporations. In these countries, turnover increased significantly – by 23.6%, while the number of employees decreased slightly in 2022, in contrast, turnover increased by 24.3% in 2023, and the number of employees increased.

Measures to counter the negative aspects of foreign investment include the adoption of international codes of conduct, strengthening and improving national investment legislation, and the development of mutual agreements between states that regulate investment activities and protect foreign investments⁶.

These statistics indicate that transnational corporations cover all countries of the world. This is facilitated by the activities of agents and distributors, as well as the processes of globalization, internationalization and digitalization.

Agents that stimulate processes aimed at ensuring the development of globalization are trade, financial and economic organizations operating at the international level, transnational corporations and transnational banks, a number of regional integration groups, as well as world states occupying leading positions.

Transnational corporations can perform tasks related to obtaining certain types of competitive advantages that can increase the intensity of globalization as a process; achieving the goals that transnational corporations have invested in their own expansion is an objective basis for the integration process, which is becoming even more active. At the same time, the very emergence, development and existence of transnational corporations is considered as a consequence of globalization, which is justified by the movement of production facilities and capital between countries.

The emergence of transnational corporations is associated with the globalization of the world economy. They intensify the globalization process in certain areas of activity that occurs when corporate goals are achieved. The above is the basis for the formation of the hypothesis that transnational corporations interact with the globalization of the world economy and vice versa.

⁶ Євтушенко А. В. Транснаціональні корпорації (ТНК) та їх вплив на функціонування міжнародної економіки. 2018. URL: <https://naurok.com.ua/konspekt-uroku-geografi-v-9-klasi-na-temu-transnacionalni-korporaci-42525.html>

Therefore, it can be assumed that transnational corporations are widespread in the economies of countries that are most exposed to globalization. Therefore, let us consider the distribution of transnational corporations in the modern world economy, the forms of foreign expansion of their activities and the directions of influence of transnational corporations on the economies of host countries.

Throughout the entire period of the existence of transnational corporations, their number has tended to increase. According to international statistics, in 2023 their number was 75,395 transnational corporations and 1,022,385 foreign branches. Modern enterprises are characterized by international production, the service sector and the financial sector, which leads to the emergence of global economic relations, taking into account regional ones.

The global economy is characterized by international production. Therefore, transnational corporations are able to solve problems related to achieving the necessary scientific and technological progress in certain industries, thereby improving the quality of manufactured goods, services provided, etc.

The work performed by transnational corporations is carried out through the activities of their subsidiaries and branches located in the territory of each country. This creates a huge research, production and market potential, which inevitably leads to development. This factor indicates a constant and continuous strengthening of the role of transnational corporations in the world economy.

In conclusion, it should be noted that many of the problems associated with globalization are also associated with the weakening of the status of nation states and the growth of the status of transnational corporations. If the strategies of transnational corporations are determined by the institutional mechanisms that exist in their countries and in countries where they have a significant presence, then the argument about the weakening of nation states is perhaps less well-founded.

It should be assumed that globalization is not universal in values and other aspects of social life, even if it can be demonstrated in certain segments. Models of capital market regulation, types of business organization, economic ideologies in political economy, views on economic reforms and strategies of transnational corporations in different parts of the world only confirm this fact. Global processes are also complemented by processes of regional cooperation and integration and the growth of the role of subregional entities.

Transnational corporations play a leading role in the internationalization of production in the world.

The group of developed countries mainly includes members of the Organization for Economic Cooperation and Development (OECD) (except for Mexico, Chile, the Republic of Korea, Turkey and Turkey), new members of the European Union (Bulgaria, Latvia, Lithuania, Malta and Romania), Andorra, Bermuda, Liechtenstein and Monaco, San Marino.

According to UNCTAD experts, the global volume of foreign direct investment in 2023 amounted to 3.8 trillion US dollars, with the largest recipient being the United States (547 billion US dollars), developed countries accounted for 1745 billion US dollars, and developing countries – 1493 billion US dollars.

This indicates that stable countries with strong market economies and guaranteed profitability are attractive to transnational corporations; It is worth noting that the growth rate of foreign direct investment in developed countries accelerated in the period 2021-2023. However, the recovery of the growth trajectory that began in 2021 allowed to restore 32% of the volume lost during the COVID-19 pandemic. Since 1970, the total assets of foreign affiliates have increased more than 25 times, reaching 135,572 billion US dollars in 2023. The added value created by affiliates is more than 10.9 billion US dollars.

This corresponds to 2.1% growth in world GDP; in 2023, about 120.4 million people worked in the network of affiliates of transnational corporations, which is 4 times more than in 1990; international production continued to expand in 2023: turnover increased by 11.4%, assets by 14.1%, value added by 8.3%, employment by 7.5%, and exports by 3.8%.

The increase in investment in developed countries is associated with an increase in the number of mergers and acquisitions in the global economy: cross-border mergers and acquisitions increased by 57% to 845 billion US dollars in 2023, and the number of mega-deals (over 4 billion US dollars) increased from 75 in 2021 to 94 in 2023.

The increase in the number of such deals reflects the growth in the value of assets on the stock market and the growing financial capabilities of buyers to carry out such transactions.

At the current stage of development of international economic relations, cross-border mergers and acquisitions are becoming the main means of access to the markets of developed countries. In 2021, it accounted for a third of all mergers and acquisitions. In 2023, foreign direct investment from developed countries increased by 27% to \$2.07 trillion.

This growth was driven by increased investment from three major investment blocs: the European Union, North America, and Japan (Table 2). The growth in investment from outside these blocs was driven by a number of factors.

In 2023, direct investment from the United States amounted to \$527 billion. This exceeded the previous year's figures and the peak of 2021 (\$488 billion).

Japanese foreign direct investment increased in 2023 to \$205 billion. Developments in Europe and their investment fund in 2023 were mixed. FDI from the United Kingdom increased to almost \$250 billion. Investment from Germany decreased to \$113.7 billion and from the Netherlands to \$58.4 billion.

Table 2

Distribution of foreign direct investment inflows and outflows in developed countries

| Volume of foreign direct investment | Foreign direct investment inflows | Foreign direct investment outflow |
|--|--|--|
| More than 100 billion US dollars | USA | USA, Japan, Great Britain |
| 50-99 billion US dollars | Belgium, United Kingdom | France, Belgium, Switzerland, Germany, Canada |
| 10-49 billion US dollars | Australia, France, Canada, Germany, Spain, Italy, Luxembourg, Netherlands, Poland, Denmark, Austria, Ireland, Sweden, Israel, Portugal | Italy, Spain, Netherlands, Austria, Sweden, Denmark, Norway, Australia, Portugal, Luxembourg |
| 1-9 billion US dollars | Czech Republic, Hungary, Norway, New Zealand, Romania, Slovakia, Bulgaria, Greece, Latvia, Lithuania, Iceland, Slovenia | Poland, Finland, Hungary, Israel, New Zealand, Cyprus, Greece, Czech Republic |
| Less than 1 billion USD | Malta, Bermuda, Cyprus, Estonia, Gibraltar, Finland, Switzerland, Japan | Slovakia, Bulgaria, Lithuania, Latvia, Romania, Malta, Iceland, Estonia, Ireland |

FDI from France, Denmark and Belgium continued to grow in 2023, while investment outflows from Portugal reached a record level at the end of 2023. Japan was the second largest investor in 2023. Along with a more efficient manufacturing base, important factors for Japanese multinational corporations were the strong yen, which increased the purchasing power of Japanese multinational corporations, and the weak growth prospects of the domestic economy, especially in the face of a full-scale invasion.

One of the most notable examples of multinational corporations in the world in the last 10 years was the acquisition of Nycomed (Switzerland) by the Japanese company Takeda Pharmaceuticals for 13.7 billion US dollars. This acquisition gave the company access to the US market. The acquisition also gave Takeda access not only to the US and European markets, but also to markets in developing countries.

The company also acquired CaridianBCT (USA) for 2.6 billion US dollars. Terumo Corporation, the largest Japanese manufacturer of medical equipment, gained access to North American customers in the market for blood transfusion equipment. In search of new markets, Japanese beverage manufacturer Kirin Brewery acquired a 50.45% stake in Syncarriol (Brazil) for \$2.5 billion.

The company also acquired a 14.7% stake in Fraser & Neave (Singapore) for \$970 million. With access to primary raw material markets and the introduction of its own technologies, MC acquired a 24.5% stake in Anglo American Sur (Chile) and later announced plans to double its copper production. In developed countries rich in natural resources (Australia, Canada and the United States), FDI has flowed into the oil and gas sector, in particular into the production of unconventional fuels, as well as into the extraction of coal, copper and iron ore.

For example, BHP Billiton (Australia), one of the largest mining companies in the world, acquired gas field developer Petrohawk Energy (USA) for \$12.1 billion. This deal is the largest in the mining sector. The largest deals in the sector were: the acquisition of the Australian Equinox Minerals by the world's leading gold producer Barrick Gold (Canada) for 7.35 billion US dollars; the acquisition of the Canadian Consolidated Thompson Iron Mines by the American Cliffs Natural Resources (the value of the deal is 4.35 billion US dollars 1.3 billion US dollars), as well as the acquisition of the Canadian company Western Coal by the American Walter Energy for 2.91 billion US dollars.

Having optimistic forecasts for the development of the mining industry, developing countries also continue to actively place assets abroad, including in developed countries: in 2011, the largest petrochemical company in China Sinopec acquired the Canadian oil and gas company Daylight Energy for 2.07 billion US dollars, and the largest Indian GVK Power acquired the Australian coal mining company Hancock Coal for 1.26 billion US dollars. USD. Brazilian oil company Participacoes HRT acquired Canadian UNX Energy for USD 711 million.

Thus, an assessment of the impact of transnational corporations on the economies of developed countries shows that the priority for all investors in any situation is to maximize profits. That is why developed countries with a stable and strong market economy and a perfect legal framework remain the most attractive for foreign direct investment.

The border between developed and developing countries is rather conditional. The usual equivalent is GDP per capita, which is also classified by purchasing power parity. In addition, the historical and political conditions of each country are taken into account.

The group of developing countries includes countries in Africa, East Asia, Southeast Asia, South Asia, West Asia, Latin America and the Caribbean. An important challenge facing most of these countries is fuller participation in international capital flows.

The development of these countries is a complex process of interaction of national and international elements, which is achieved by solving a number of economic, political and social problems.

A typical one is the problem of choosing a path of development, especially the path of economic development. transnational corporations take an active part in solving this problem: to develop state or private entrepreneurship, to build a market economy or a centrally managed economy transnational corporations are potential agents of economic growth and market relations transnational corporations by their economic nature are focused on profitability and stability of the economic environment.

However, today the problem of international regulation of companies' activities is declarative and unresolved, since universal rules have not been adopted, and existing regulatory acts do not establish mechanisms for their implementation⁷.

The economic importance of transnational corporations is so great that in the not-too-distant future they will remain one of the most important factors in strengthening the influence of developed countries in many parts of the world. This leads to an obvious conclusion that the transformation of leading domestic corporations into transnational corporations has become a conscious goal of foreign policy of states aimed at strengthening their international influence.

The annual report of the United Nations Conference on Trade and Development (UNCTAD), based in Geneva, has published new information on global investment. According to the report, the global trend towards a decrease in foreign direct investment (FDI) stopped in 2021. The total volume of investment reached 3.8 trillion US dollars in 2023, which is 28% more than in the previous year. At the same time, more than 50% of investments fall on developed countries.

The report notes that the global trend towards a sharp recovery in FDI was due to an increase in the number of cross-border mergers and acquisitions. Excluding such transactions, FDI increased by about 15% last year.

It is also worth noting that for the first time in a fairly long period, the volume of foreign investment in developed countries exceeded the volume of investment in developing countries. According to the data, last year, foreign investment in developed countries reached 1745 billion US dollars, which is

⁷ Пораденко О. С. Особливості взаємодії держави і транснаціональних компаній. *Проблеми інноваційно-інвестиційного розвитку*. 2020. № 22. С. 56-63.

45.9% of the total volume of foreign FDI, while developing countries attracted 1493 billion US dollars.

At the same time, the trend towards a decrease in FDI from developed countries has stopped. Investments increased by a third, but still remain below the level of pre-COVID 2019, when the global pandemic and quarantine restrictions broke out. Investment from developing countries has declined due to falling consumer prices, currency devaluations and heightened geopolitical risks, especially with the development of a full-scale invasion in Ukraine.

However, foreign investment from mainland China, another developing country, has increased to US\$307 billion. It ranks third in the world after the US and Japan.

Asia attracted more than US\$750 billion in FDI last year, setting a new record and becoming the largest recipient of FDI. Europe was the next largest region for foreign investment.

It is worth noting that global economic crises and negative trends are making adjustments in the relationship between governments of developing countries and potential investors.

In the face of economic uncertainty, financial market turmoil and low growth rates, countries around the world have renewed their efforts to liberalize and encourage foreign investment as a means of ensuring economic growth and development.

The general trend in investment policy is that liberalization and investment promotion are increasingly targeted at specific sectors (e.g. energy, gas, water, transport and telecommunications).

Privatization measures have been implemented in some countries. Other important measures relate to the simplification of procedures for accepting foreign investors. Attracting investment helps to solve the problem of economic growth in these countries.

Thus, developing countries and countries with economies in transition are likely to see a very positive impact of transnational corporations on their economies. This includes reducing unemployment, increasing tax revenues, stimulating further industrial development, spreading scientific and technological achievements and reducing inter-national differences in the level of organization and efficiency of social production. In the era of globalization, transnational corporations occupy an important place in the world economy.

As the driving force of the globalization process, transnational corporations affect labor productivity and the standard of living of people around the world, including the competitiveness of national economies and sustainable and safe development. In this regard, a comprehensive analysis of the fundamental principles of the activities of such enterprises will allow

more effectively creating a new sustainable socio-economic system at the Ukrainian and regional levels.

Given the fact that the driving force of all changes is the latest technologies and that the technological world itself became globalized back in the 19th century, the Government of Ukraine should support the need for international cooperation, which can be considered both at the level of individual regional enterprises and as a basis for technological cooperation between regions throughout the country.

The explosion of innovative technologies has both a positive and negative impact on the structure and level of economic development of countries. It is already obvious that large raw material transnational corporations are steadily losing digital competition to young innovative companies. At the same time, large, medium-sized

2. The role of transnational corporations in the Ukrainian economy

The role of transnational corporations in the Ukrainian economy is growing every day, and companies are becoming more independent from the control of parent companies, regulation and the economy of the host country. The strong positions of transnational corporations in the economy are based on the functions they perform:

- 1) mobilization of resources, production and trade potential;
- 2) stimulation of growth and economic efficiency;
- 3) promotion of restructuring;
- 4) increased competition in the market;
- 5) integration of enterprises and economies.

The motivation for making a decision to do business in a particular country depends on the country's strategic plan.

Foreign direct investment is a long-term investment of material resources in the country's economy by non-resident companies (for example, for the purpose of organizing and building enterprises).

Foreign direct investment is the most desirable form of investment for developing countries, as it allows for the implementation of large-scale projects and brings new technologies, new corporate governance practices, etc. to the country. As can be seen from Table 3, there is no clear trend in the dynamics of foreign investment.

Table 3

**Foreign direct investment in the economy of Ukraine in 2015-2023
(million USD)**

| Indicator | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Foreign direct investment in Ukraine | -458 | 3810 | 3692 | 4455 | 5860 | -868 | 6687 | 1152 | 4247 |
| Deviation, chain method | -868 | 4268 | -118 | 763 | 1405 | -6728 | 7555 | -5535 | 3095 |

As shown in Figure 3, the highest peaks of foreign investor activity were observed in 2019 (5.86 billion USD) and 2021 (6.687 billion USD).

In recent years, there has been a record decline in foreign investment activity. According to a UN report, the volume of foreign direct investment has halved due to high political risks and the war in Ukraine. One of the reasons for this is that investors have withdrawn many assets, especially from the banking sector; the volume of foreign investment in 2020 will be the lowest.

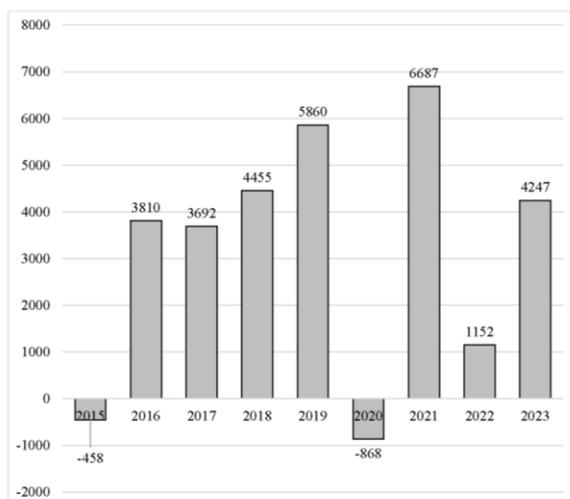


Fig. 2. Foreign direct investment in the economy of Ukraine in 2015-2023, million USD

Thus, the priority areas for investment by transnational corporations in the Ukrainian economy remain industry, financial and insurance activities, wholesale and retail trade. Unfortunately, agriculture, construction, professional, scientific and technical activities and knowledge-intensive

industries, which account for less than 7% of foreign direct investment, are not of interest to foreign investors.

An important aspect of the development of the Ukrainian economy is the strengthening of the participation of the Ukrainian economy in the process of growing transnationalization of the world economy, which mainly functions as a host country for transnational companies, experiencing to some extent the advantages and disadvantages of their activities. Today, transnational corporations are one of the main investors in Ukraine, and direct investments of transnational corporations are the main form of their expansion abroad.

The structure and dynamics of investments in Ukraine indicate that the majority of foreign investors are focused on obtaining quick profits and may use their funds for purposes other than their intended purpose. Transnational companies operating in Ukraine have increased their influence on the Ukrainian economy and politics.

They influence the production, sale and distribution of products, which inevitably leads to contradictions between the economic interests of these countries and the interests of transnational corporations. These contradictions become especially acute during periods of political tension, national and international economic crises.

During such periods, the government moves away from supporting transnational corporations and focuses its efforts on protecting the interests of state-owned enterprises. Thus, we can speak of a cyclical negative impact of transnational corporations on the domestic economy, while the positive impact is permanent. The positive impacts of transnational corporations on the Ukrainian economy include:

- 1) determining the nature of the host country's foreign economic relations
- 2) ensuring employment for its citizens; and
- 3) creating a competitive environment for local business and contributing to the acceleration of economic progress.

Small and medium-sized enterprises established in Ukraine aim to enter the global market. This is a significant change compared to the recent past, when international business was considered the exclusive domain of large enterprises. The growing internationalization of Ukrainian business poses new challenges to state regulation of investments.

Globalization affects the economy and ordinary citizens of many countries and has a significant impact on sustainable development, including in Ukraine. Driven by rapid technological change and the increasing mobility of goods, services, capital, and labor, globalization has transformed the economic, social, and natural environments in recent decades, making the world more interconnected than ever before.

While globalization poses serious challenges, such as the uneven distribution of benefits and costs, it also offers enormous opportunities for

business. The increased exchange of products between countries contributes to the rapid growth of production and sales.

Analysis of world practice shows that the development of innovation in transnational companies is possible where there is a concentration of material, intellectual, and financial resources for research and development.

The process of globalization of R&D is taking place only in a few developed countries, such as the United States, Japan, and Western Europe. India and China are also rapidly developing their research and development sectors, and if development continues at this pace, these countries may join the global “innovation core”⁸.

Global transnational companies are present in the Ukrainian market through their subsidiaries and branches. The share of products manufactured by transnational companies in Ukraine's GDP is also growing. Currently, more than 30 transnational corporations are present in Ukraine or have joint ventures in the domestic market: Coca-Cola Beverages Ukraine, Procter & Gamble Ukraine, McDonald's Ukraine, Toyota Ukraine, Metro Cash & Carry Ukraine, Philips, Philips, Philippines. Carry Ukraine, Philip Morris Ukraine, Raiffeisen Bank Avar, Nestle Ukraine, Bayer, Porsche Ukraine and Samsung Electronics Ukraine.

According to the data presented in Table 4, the leader in terms of profits among transnational companies is the Indian company ArcelorMittal Kryvyi Rih with a profit of UAH 9,509 million. In second place is the Swiss company Philip Morris Ukraine with a profit of UAH 2,147 million.

Table 4

Largest transnational corporations operating in Ukraine before the full-scale invasion

| Name | Branch | Profit (mln UAH) | Country |
|----------------------------------|---|------------------|----------------|
| PrJSC "ArcelorMittal Kryvyi Rih" | MMC: steel smelting, rolled steel production | 10 935 | India |
| PJSC "Philip Morris Ukraine" | Agribusiness: production and sale of cigarettes | 2 469 | Switzerland |
| PrJSC "MTS Ukraine" | IT: provision of mobile communication and Internet services | 2 131 | China |
| PJSC "Motor Sich" | Mechanical engineering: production of aircraft engines | 1 274 | China |
| Tedis Ukraine LLC | Distribution: sale of tobacco products | 906 | United Kingdom |

1. ⁸ Денисенко М. П., Шапошнікова О. М., Будякова О. Ю. Економічні заходи державного управління щодо залучення інвестицій. *Науковий вісник: Державне управління*. 2020. № 1 (3). С. 53-65.

| | | | |
|--|---|-----|---------------|
| PZII "Toyota-Ukraine" | Distribution: sale of passenger cars | 768 | Japan |
| PzII "McDonald's Ukraine | Ltd" Retail: organization of a fast food chain | 756 | United States |
| Bayer LLC agricultural products | Distribution: sale of pharmaceuticals and | 585 | United States |
| LLC "Metro Cash & Carry Ukraine" | Retail: sale of products through its own supermarkets | 537 | Germany |
| Porsche Ukraine LLC | Distribution: sale of passenger cars | 335 | Austria |
| LLC "BNK-Ukraine" | Energy: import of petroleum products | 321 | Belarus |
| Samsung Electronics Ukraine Company LLC | Distribution: sales of electronics | 294 | South Korea |
| LLC "Nestle Ukraine" | Agribusiness: production of confectionery products and sauces | 278 | Switzerland |
| Procter & Gamble Trading Ukraine LLC | Distribution: sale of household chemicals | 252 | United States |
| Philip Morris Sales and Distribution LLC | Agribusiness: production and sale of cigarettes | 245 | Switzerland |
| IP "Coca-Cola Beverages Ukraine Limited" | Agribusiness : production of soft drinks and juices | 139 | United States |

Today, the leader in the banking services market is the French Raiffeisen Bank International. It has 449 branches throughout Ukraine. "The insurance market is dominated by European transnational corporations, such as AXA Group (France), ViennaInsurance Group (Austria), UNIQA Group (Austria) and PZU SA (Poland). Each of these companies has over 100 branches and a large client base.

Objective problems that hinder the expansion of transnational corporations in Ukraine include

- 1) underdevelopment of market infrastructure;
- 2) instability of the financial and credit system and exchange rate
- 3) small size of business groups and limited external business orientation
- 4) catching-up nature of scientific and technical activity and the innovative component of the economy
- 5) crisis in the high-tech sector of the economy and others⁹.

Researchers of the activities of transnational corporations in Ukraine point to both positive and negative consequences, among which the following can be attributed to the positive effects of transnational corporations on the Ukrainian economy:

- 1) significant capital injections into the Ukrainian economy, creation of additional jobs and improvement of employee qualifications, increase in tax revenues to the state budget (11 of the 20 largest taxpayers are transnational

⁹ Руденко С. Ю. ТНК як суб'єкт міжнародного бізнесу. *Сучасні питання економіки і права*. 2020. Вип. 1. С. 178-186.

companies), revival of domestic trade, saturation of the market with high-quality goods and services, spread of international standards of production and doing business;

2) improvement of the production base of Ukraine. Production of goods and services in Ukraine by foreign companies leads to innovations, know-how, introduction of the latest technologies and construction of new enterprises, modernization and expansion of existing enterprises;

3) internal implementation of the results of scientific and technological progress. Import of technologies into the country contributes to improving the quality of products, increasing its competitiveness in the world market and, as a result, the development of exports. The emergence of goods and services with expanded capabilities encourages domestic producers to adapt to the market environment. Under certain circumstances, innovative technologies can improve the working conditions of workers and the environmental situation in the country;

4) promoting economic restructuring. The activities of transnational enterprises are closely linked to the global economic environment, which determines the demand and supply of goods and services. The activities of international companies in Ukraine have led to changes in the structure of economic activity. First of all, significant development has been achieved in the sectors of the economy related to the food and tobacco industries, trade, finance, energy and telecommunications – industries with rapid capital turnover and protected sales markets;

5) internationalization and globalization. The activities of transnational corporations in Ukraine lead to greater involvement of the domestic economy in global processes and access to new markets for goods and services.

However, the activities of transnational corporations in Ukraine also have negative consequences, which have already been partially discussed:

1) Transnational corporations influence national governments, defend their own interests, dictate the rules of the game on the market, deplete natural and labor resources and make the state financially dependent on the strategies of transnational corporations;

2) in many cases, transnational corporations use the Ukrainian economy as a raw material base, transferring technologies that do not correspond to their own level of development to their Ukrainian partners, with strict restrictions on sales;

3) conducting business in those types of economic activity that are beneficial to international companies, not the Ukrainian economy. While transnational corporations are actively working in industries with rapid capital turnover and a reliable market, investments in other types of economic activity that are very important for the Ukrainian economy are insufficient;

4) transnational companies fulfil their social obligations in Ukraine, but in practice they often violate the rights of Ukrainian workers and exploit the shortcomings of Ukrainian legislation in the field of environmental protection;

5) international companies avoid paying taxes by internally transferring capital to countries with lower taxation levels. The National Tax Service of Ukraine systematically raises the issue of combating tax evasion by domestic and international companies through transfer pricing mechanisms¹⁰;

6) the ability of transnational corporations to influence domestic pricing leads to the takeover and bankruptcy of domestic producers, that is, the suppression and destruction of domestic producers whose products are less competitive on the world market, which makes the Ukrainian economy dependent on the activities of international companies.

Currently, the presence of transnational corporations in Ukraine already has significant socio-economic effects, although the potential is far from being fully utilized. Taking into account both positive and negative aspects, the government needs to develop flexible mechanisms for regulating their activities, adapted to

CONCLUSIONS

The number of transnational corporations has been growing throughout their existence. According to international statistics, in 2023 there will be 75,395 transnational corporations and 1,022,385 foreign branches. Modern enterprises are characterized by international production, services and the financial sector, which leads to the emergence of global economic relations taking into account regional ones. The global economy is characterized by international production.

Therefore, transnational corporations are able to solve problems related to achieving the necessary scientific and technological progress in specific industries, thereby improving the quality of manufactured goods, services provided, etc. The work performed by transnational corporations is carried out through the activities of their subsidiaries and branches in different countries. This creates a huge research, production and market potential, which inevitably leads to development. This indicates that the role of transnational corporations in the world economy is constantly and relentlessly growing.

It is worth noting that the global economic crisis and negative trends are making adjustments to the relations between governments and potential investors in developing countries. In the face of economic uncertainty, financial market turmoil and low growth rates, countries around the world are renewing their efforts to liberalize and encourage foreign investment as a means of ensuring economic growth and development. As a general trend in investment policy, liberalization and encouragement of investment are increasingly targeted at specific sectors (e.g. energy, gas, water supply, transport, telecommunications).

¹⁰ Климник І.І. Міжнародне приватне право : навч. посібник / І. І. Климник, А. М. Бровдій ; Харків. нац. ун-т міськ. госп-ва ім. О. М. Бекетова; Харків : ХНУМГ ім. О. М. Бекетова. 2018. 111 с.

Privatization measures have been implemented in some countries. Other important measures relate to simplifying procedures for accepting foreign investors. Attracting investment helps to solve the problem of economic growth in these countries. Thus, developing countries and countries with economies in transition can expect that transnational corporations will have a very significant impact on their economies. This concerns reducing unemployment, increasing tax revenues, promoting further industrial development, spreading scientific and technical achievements and reducing inter-ethnic disparities in the level of organization and efficiency of social production.

Today, the presence of transnational corporations in Ukraine already has significant social and economic consequences, although their potential is far from being fully utilized. Taking into account both positive and negative aspects, the government needs to develop flexible mechanisms for regulating the activities of transnational corporations, adapted to the current situation, in order to protect national interests and increase the volume of foreign investments, which are necessary for the development of the Ukrainian economy. It is also necessary to ensure the development of domestic producers at the expense of investment resources of transnational corporations.

SUMMARY

The article examines the impact of transnational corporations on the economy of Ukraine in the context of military aggression, focusing on three main aspects: economic development, impact on employment and income, and transfer of technology and innovation. The study examines the role of transnational corporations in stimulating economic growth through foreign direct investment, job creation, and infrastructure development. It is found that transnational corporations contribute to the integration of countries into the global economy, although their activities can also increase dependence on foreign markets and lead to an uneven distribution of profits. The emphasis is on analyzing the impact of transnational corporations on employment and income levels. The study showed that although transnational corporations create new jobs, their activities are often accompanied by unstable working conditions, low wages, and limited social guarantees.

Therefore, increased employment in developing countries does not always lead to an improvement in the quality of life of the local population. The role of transnational corporations in technology transfer and innovation has also been studied. It has been shown that transnational corporations can be a catalyst for technological development, but this effect depends on the level of development of the host country and the ability of local businesses to adapt and integrate new technologies. The study indicates the need to implement strategies that will contribute to a more effective use of the resources of transnational corporations for the development of developing countries and to reduce the negative consequences of their activities.

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