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QUALIFICATION BACHELOR PAPER

on the topic "TRANSNATIONAL CORPORATIONS AND THEIR ROLE IN
INTERNATIONAL ECONOMIC RELATIONS"
Specialty 6.056 "International Economic Relations"

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Sumy, 2019

ABSTRACT

on bachelor's degree qualification paper on the topic
« TRANSNATIONAL CORPORATIONS AND THEIR ROLE IN
INTERNATIONAL ECONOMIC RELATIONS»
student Alina Olexandrivna Korol

The main content of the bachelor's degree qualification paper is presented on 40 pages, including references consisted of 39 used sources, which is placed on 4 pages. The paper contains 3 tables, 6 figures.

Keywords: TRANSNATIONAL CORPORATIONS, TNC ACTIVITY, GLOBAL CAPITAL MOVEMENTS, FOREIGN INVESTMENT, INTERNATIONAL ECONOMIC RELATIONS, TRANSNATIONALIZATION

The purpose of this work is to consider the features of transnational corporations and identify their impact on international economic relations.

The object of research is multinational corporations

The subject of research is relations arising in the process of TNC activity in modern international economic relations.

In the process of research depending on the goals and objectives, we used relevant methods of studying economic processes, including the method of political analysis, normative method, comparison, analysis and synthesis, method of scientific abstraction.

The information base for writing the work were the basic educational literature, the fundamental theoretical works of the greatest thinkers, the results of practical studies of famous domestic and foreign authors, articles and reviews in specialized and periodicals devoted to the topics studied, reference literature and other relevant sources of information.

According to the results of the study the following conclusions are formulated:

1. TNCs are structures that combine not only financial capital, but also the innovative production-technical base, resources, a wide sales network; complexes

that use an international approach in their activities and involve the formation of transnational production, trade and financial complex with a single decision-making center in the country of origin and with affiliates in other countries.

2. Both developed and developing countries seek to take full advantage of the positive effects of TNCs penetration into the national market.

3. The negative effects of transnationalization can be manifested in both developed and developing countries. These include: monopolization; institutional barriers; partial destruction of the economy of the weak powers containment of R & D; concentration of innovations and new developments in economically strong and developed countries; sectoral differentiation, etc.

4. The following trends should be highlighted at the present stage of the development of TNCs as subjects of the world economy: 1) there is a further strengthening of the economic position of transnational corporations with regard to the states; 2) there is an increased impact of multinational companies based in emerging economies; 3) it is anticipated that transnationalization of small and medium-sized businesses will take place in the coming decades.

5. The directions and prospects of Ukraine's development and the transnationalization of its economy require the activation of domestic economic entities by attracting foreign direct investment of TNCs and the formation of transnational nature of the company's business.

The theoretical significance of the research results is that the theoretical and methodological provisions can be used to develop conceptual provisions in the study of the processes of formation and development of transnational corporations.

Results of approbation of the basic provisions of the qualification bachelor work was considered at annual International scientific-practical conference "Economical Problems of Sustainable Development" devoted to memory of Prof. Oleg F. Balatsky (Sumy, on April 23- 27th, 2018)

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«__» _____ 20__ .

TASKS FOR BACHELOR'S DEGREE QUALIFICATION PAPER

(specialty 6.056 " International Economic Relations ")
student IV course, group ME-51аН/2у-6
Alina Korol

1. The theme of the paper is “Transnational corporations and their role in international economic relations» approved by the order of the university from « 25 » April 2019 № 0738-III
2. The term of completed paper submission by the student is «10» June 2019
3. The purpose of the qualification paper is to consider the features of transnational corporations and identify their impact on international economic relations
4. The object of the research is multinational corporations
5. The subject of research is relations arising in the process of TNC activity in modern international economic relations
6. The qualification paper is carried out on materials of statistics, articles and books of domestic and international scholars, such as: P. Kutsik, O. Kovtun, E. Molchanov, I. Soroka, O. Rogach, N. Ryabets, I. Kormakova, I. Penn, P. Mekshun, etc.
7. Approximate qualifying bachelor's paper plan, terms for submitting chapters to the research advisor and the content of tasks for the accomplished purpose is as follows:
Chapter 1 «Theoretical basis of the study of the scale and role of TNCs in international relations» – on May 6th
Chapter 1 deals with the essence, concept, history of the development of TNCs ; the activities of transnational corporations in the world.

Chapter 2 «Transnational corporations and their role in the modern development of international economic relations» – on May 20th

Chapter 2 deals with the role of TNCs in the processes of global capital movements, in modern investment processes.

Chapter 3 «The role of transnational corporations in modern investment processes in Ukraine» – on May 27th

Chapter 3 deals with activities of TNCs in the Ukrainian market; problems of attracting foreign investments of transnational corporations to Ukraine; economic mechanism of attracting investments of the world's TNCs to the Ukrainian economy.

8. Supervision on work:

Chapter	Full name and position of the advisor	Date, signature	
		task issued by	task accepted by
1	Shkola V.Y., Associate Professor of International Economic Relations Department		
2			
3			

9. Date of issue of the task: «___» _____ 2019

Research advisor:

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Shkola V.Y.

The tasks has been received

Korol A.O.

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INTRODUCTION

Today, under the conditions of a market economy, all the growing processes of globalization that are manifested in all spheres, in the interdependence of countries on a global scale are becoming reality. The world economy is undergoing serious changes now, both in technological and economic, social plans. All this contributes to the growth of the international movement of capital, as well as the acceleration of globalization processes in general. On the world stage, there are completely new players - transnational corporations (TNCs). It is transnational corporations that are becoming the main drivers of the process of globalization. Today, TNCs are considered equal participants in international economic relations. With an increasing increase in the processes of globalization, TNCs have an increasing impact on the life and activities of the global economy as a whole, as well as specific business entities. The continued engagement of developing countries with transnational corporations plays an important role in creating favorable conditions for increasing the potential for cooperation, as well as addressing the problems of the unevenness of the presence of transnational corporations, and reducing the negative impact on economic development and the security of countries.

International transnational corporations (TNCs) are an important element in the development of the world economy and international economic relations. Their intensive activity reflects the aggravation of international competition, the deepening of the international division of labor. The growth of TNC operations is due to their desire to ensure the internationalization of international economic relations, that is, to turn international market relations into internal firms by combining within one company companies located in different countries.

It is important to note that the use and study of world experience in the development of TNCs, as well as their work with host countries, promotes a constant search for various mechanisms and tools for the development of national economies in many countries of the world. TNCs are now actively using their financial strength

and pushing national investors out of more attractive sectors of the country's economy, and they are putting serious pressure on national producers who can not withstand the methods of unfair competition of TNCs. In our country in the early 2000's there were quite favorable conditions for the exit of some enterprises into global markets. So, we can say that for our country, which lost its scientific and technical superiority over other countries due to various structural changes, the question of integration into the world system is of paramount importance today. Right now Ukraine has the most favorable conditions for the formation of world-class multinational corporations in many sectors.

In domestic legal science, the activities of transnational corporations and their role in international economic relations are poorly understood. The issue of transnational corporations is devoted to a number of works of domestic scientists, among which should be noted works P.O. Kutsika, O.I. Kovtuna, E.V. Molchanova, I.B. Soroki, O.I. Rogach, N.M. Ryabets, I.O. Kormakova, I.O. Penna, P.V. Mekshun et al. Due to the importance of the contribution of these scholars and a certain level of problem development, its urgency and urgency require further elaboration.

In this regard, taking into account existing experience and current trends in the development of transnational corporations, the purpose of this work is to consider the features of transnational corporations and identify their impact on international economic relations.

To solve this goal, the following tasks were set:

- to consider the essence, concept, history of the development of TNCs;
- characterize the activities of transnational corporations in the world;
- to define the role of TNCs in the processes of global capital movements, as well as in modern investment processes;
- to analyze the role of transnational corporations in modern investment processes in Ukraine;
- to identify the problems of attracting foreign investments of transnational corporations to Ukraine;

- characterize the economic mechanism of attracting investments of the world's TNCs into the Ukrainian economy.

Object of research: multinational corporations.

Subject of research: relations arising in the process of TNC activity in modern international economic relations.

To achieve this goal and to solve the tasks, the following methods were used: the method of political analysis, normative method, comparison, analysis and synthesis, method of scientific abstraction.

The sources of information for writing the work were the basic educational literature, the fundamental theoretical works of the greatest thinkers, the results of practical studies of famous domestic and foreign authors, articles and reviews in specialized and periodicals devoted to the topics studied, reference literature and other relevant sources of information.

The theoretical significance of the research results is that the theoretical and methodological provisions can be used to develop conceptual provisions in the study of the processes of formation and development of transnational corporations.

The practical significance of the study lies in the possibility of applying the findings and recommendations in the creation of new transnational corporations in the national economy and in assessing the feasibility of attracting foreign multinational corporations into the national economy. The results of the research can be used in the teaching of the disciplines "Economic Theory", "Institutional Economics", "World Economy", "International Economic Relations", "International Monetary and Financial and Financial Relations", "Foreign Economic Activity", etc.

Structure of work. The work consists of an introduction, three chapters, a conclusion and a list of sources used.

1. THEORETICAL BASIS OF THE STUDY OF THE SCALE AND ROLE OF TNCs IN INTERNATIONAL RELATIONS

1.1 The essence, concept, history of the development of TNCs

In the XXI century, key players in international economic relations are TNCs - such structures that combine not only financial capital but also the innovative production and technical base, resources, and a wide sales network; complexes that use an international approach in their activities and involve the formation of transnational production, trade and financial complex with a single decision-making center in the country of origin and with affiliates in other countries [30, p. 66]. United Nations defines TNC as a company operating in two or more countries, manages units from a single center and has a significant stake in international business [30, p. 66; 18, p. 24].

Transnational banks (TNBs) or financial TNCs - a special type of corporation. They represent large banks that have reached a high level of concentration and centralization of capital and become real participants in the world market of debt capital and credit and financial services [35, p. 276].

It is important to note that the causes of the emergence and development of transnational corporations are diverse. On the one hand, they are connected with the imperfection of the market, restrictions on the development of international trade, monopoly power of producers, currency control and tax legislation, high transport costs [8, p. 210], and on the other - the expansion of the geographical framework of cooperative ties, the improvement of the mechanism of accumulation of resources and capital.

Scientists point out that the flourishing of transnational companies' activities dates back to the XX - the beginning of the XXI century, but the first global companies arose in the XVII century. In its development, transnational companies have gone through five stages:

1) The first generation of companies includes the British East Indies and Dutch East Indies companies [33] and other multinational firms established until 1918. The first TNCs were mainly engaged in the development and extraction of raw materials in colonial countries, their processing in the countries-owners of the colonies. The main forms were cartels and syndicates.

2) The second generation of TNCs (1918-1939) was focused on the production of armaments and military equipment to meet the needs of Western Europe, the United States and Japan. The main forms were trusts.

3) The third generation (1945-1960) relied on scientific and technological achievements in the latest and advanced areas of science and industry (nuclear energy, space, electronics, instrumentation, etc.). The main forms were concerns and conglomerates.

4) The fourth generation (1970-1990) marked the accelerated increase in the number of mergers and acquisitions that contributed to the concentration of capital in TNCs that most successfully develop a large international business.

5) The fifth generation is developing and improving today in conditions of regional economic integration (EU, NAFTA, MERCOSUR, APEC, etc.). Transnational companies of the XXI century rely on science and innovation, which makes them the main generators and distributors of ideas and high technologies [8, p. 210]. This is the era of huge corporations such as Unilever, Mars, British Petroleum, Tata Motors and others. Its beginning is a large and influential transnational corporation taking on the domestic market with a narrow specialization; with the growth of its assets, experience, capital, the company complicates its production and sales mechanisms and becomes an active participant in foreign trade. At the next stage of its development, the company is already engaged in the production of various goods and services abroad, and then included in a variety of foreign activities and investments. After all stages, the firm becomes a full-fledged TNC.

The main objective, the essence of transnational companies is to spread its influence on a large number of national markets, capture existing niches, creating a

wide range of goods to maximize profits. All this is achieved thanks to the active participation in the world market and participation in international economic relations.

All modern foreign-economic activity of transnational corporations performs a number of functions aimed at stimulating global processes [15, p. 129]:

- 1) Generation of scientific and technological progress through R & D and transfer of technology to recipient countries;
- 2) Deepening the processes of globalization through the development of specialization within the framework of the international division of labor;
- 3) Accelerating the world's reproductive processes through the creation of new types of products, capacity building and investment potential, and the provision of workplaces in host countries;
- 4) Activation of the competitive struggle.

Throughout its history, financial and nonfinancial TNCs have formed the largest concentration centers for their parent companies in developed countries, but the data from UNCTAD, Forbes and other think tanks' annual reports indicate an increase in the number of headquarters and affiliates, subsidiaries not only in historical centers of existence, but and in emerging regions. It is worth noting that no more than 2000 corporations are significant in the international arena, and a significant increase in the number of corporations is due to the active withdrawal of large national firms to the markets of the near abroad. The rapid development of the number of multinational corporations raises disputes about the impact of their activities on the economy of countries.

Both developed and developing countries strive to take full advantage of the positive effects of TNC penetration into the national market: the development of communications between countries; cultural exchange and equalization of cultural values; development of transport infrastructure; inter-state competition for resources; development of the world financial and stock market; increase of tax revenues at the expense of enterprises; employment growth; receipt of foreign capital; filling the market with fundamentally new products or services [8, p. 211].

The negative effects of transnationalization can be manifested in both developed and developing countries. These include: monopolization; institutional barriers; partial destruction of the economy of the weak powers [9, p. 69]; containment of R & D, concentration of innovations and new developments in economically strong and developed countries; sectoral differentiation; threat to the sovereignty of small states; lobbying for their own interests; income shelter; threat of ecology, etc. [15, p. 130; 8, p. 212].

Table 1.1 shows the most typical outcomes of TNCs for the receiving and exporting countries [17].

Table 1.1 - Consequences of activity TNCs

	Host country	Home country
Positive Consequences	Obtaining additional resources (capital, technology, managerial experience, skilled work); growth in production and employment; stimulating competition.	Unification of "rules of the game"; increased impact on other countries; income growth.
Negative consequences	External control over the choice of country's specialty in the global economy; crowding out the national business of the most attractive spheres; growth of the instability of the national economy.	Reduction of state control; avoid big business from taxes; "Export jobs", which increases unemployment; conducting research and development in the host country.

Practice shows that host countries often ignore the negative effects of the entry of TNCs into the national economy, or significantly reduce the possible risks in the hope of obtaining all possible benefits: transnational capital, technologies, new goods and services. The level of economic development, the effectiveness of the policy, the presence of qualified specialists determine the future development of the country. Despite all the risks that arise on the world market, TNCs operate in almost all sectors of the economy. In the last decade, the share of services (business, transport, telecommunication, health care, education, etc.) has considerably increased.

1.2. The activities of transnational corporations in the world

A typical trend inherent in transnational companies operating in the modern world is the reliance on innovation and the achievement of scientific and technological progress. According to UNCTAD, the share of multinational corporations now accounts for 80% of all patents and licenses. Multinational corporations make large financial investments in the field of research and development (R & D).

The sectoral structure of TNCs is quite wide. 60% of international companies are engaged in manufacturing (primarily they specialize in electronics, automotive, chemical and pharmaceutical industries), 37% in the service sector and 3% in the mining and agricultural sectors (Figure 1.1).

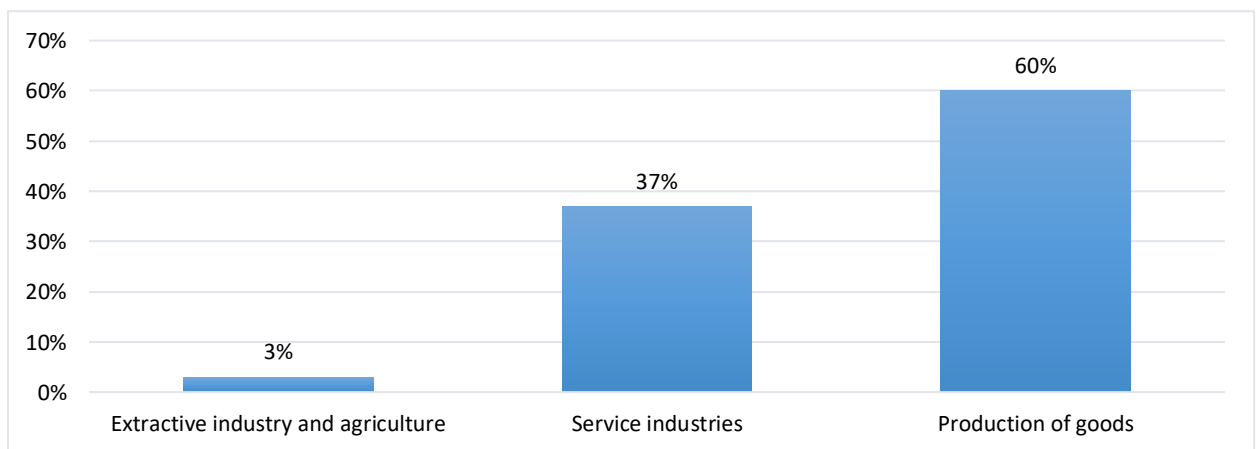


Figure 1.1 - Areas of activity of TNCs*

*Source: Developed by the author on the basis of [17]

Another trend for today is the leading position of the American TNCs on the world market. According to the Global Fortune 500, which annually represents the list of the world's five hundred largest corporations, 132 companies included in this ranking are American. Top rankings ranked by the world's largest retailer Wal-Mart Stores with a turnover of \$ 469.217 billion, the world's largest oil and gas company Exxon Mobile with a turnover of \$ 449,944 billion, respectively, ranked 2 and 3 in

the ranking of Global Fortune 500. However, the first place in the ranking takes not an American company, but an oil and gas corporation with mixed British-Dutch capital Royal Dutch Shell. Its turnover of more than \$ 12 billion exceeds the turnover of the American company Wal-Mart Stores [34, p. 284-286].

The above shows that the United States today is indeed the undisputed leader in the number of large companies. And this leadership has been going on for decades. As far back as the 1960s, 66.3% of the world's total foreign direct investment was made by firms based in the United States. The second place with marked lag was occupied by British companies with an index of 10% of the world's total foreign direct investment, followed by Japanese firms that provided 2% of world foreign direct investment. Such a significant impact exercised by American TNCs [39] has raised concerns among governments in a number of European countries that negatively addressed such a large-scale international expansion of US firms and therefore viewed the possibility of limiting foreign investment coming from the United States.

With the liberalization of international trade, the reduction of trade barriers between countries, other countries were able to enter the world market by making direct investments, in particular, by placing their branches abroad. American firms were still leaders, however, their leadership was no longer uncontested, considering the course on international expansion in other countries. This tendency was due to the desire of firms to make the production process more effective by minimizing costs. For this reason, in the early 1970s, European and Japanese firms sought to relocate labor-intensive production abroad to countries with relatively cheap labor force.

In addition to the United States, which is an absolute leader in the number of largest transnational corporations, the Global Fortune 500 also features 89 Chinese, 62 Japanese, 31 French, 29 German, 25 British (wholly British corporations, excluding mixed corporations, such as Royal Dutch Shell and Unilever), 14 Swiss, 11 South Korean, 9 Canadian, 8 Italian, 8 Australian, 8 Indian and 7 Russian. It is important to note that in recent years, the role of affiliates and representative offices

of transnational corporations has increased. According to UNCTAD's report, 33% of international trade flows come from TNCs. In addition, the contribution of TNC's branches to the production of global gross domestic product is 10%.

As the analysis shows, at the present stage of the development of TNCs as subjects of the world economy, the following trends should also be highlighted:

1) there is a further strengthening of the economic position of transnational corporations with regard to the states;

2) There is an increased impact of multinational companies based in emerging economies;

3) It is anticipated that transnationalization of small and medium-sized businesses will take place in the coming decades. In connection with the process of globalization, in which a large part is the increasing intensity of competition, companies increasingly need international expansion. Expansion of the enterprise beyond the national market can create new competitive advantages of enterprises or strengthen already existing advantages, which are based on the resource, economic, technological potential of different countries and regions of the world.

Consequently, to date, transnational corporations are gaining increasing economic power. Very often, the results of the economic activity of TNCs can be compared to the GDP of individual countries. According to international ratings, the recognized leader in the number of TNCs in the world is the United States of America. Also, companies based in other developed countries, especially in Western Europe, Japan and China, take on high positions. However, in recent years, there has also been a tendency for an increasing number of transnational companies based in developing countries. Access to the world market ceases to be the prerogative of only large companies: an increasing number of small and medium-sized businesses prefers internationalization when choosing a strategy for their further development.

2. TRANSNATIONAL CORPORATIONS AND THEIR ROLE IN THE MODERN DEVELOPMENT OF INTERNATIONAL ECONOMIC RELATIONS

2.1. TNCs in the processes of global capital movements

The development of the processes of globalization leads to a transformation of the system of world economic relations, affects the nature of modern reproduction, changes the parameters and significance of the relations based on it. The presented tendency is realized in the processes of formation and development of transnational capital, one of the important components of which is the capital of transnational corporations.

These circumstances compel us to turn to the analysis of the essence of transnational capital and the study of the capital of transnational corporations. In our opinion, the starting point of this analysis should be the understanding of transnational capital as a special kind of capital, which appeared at the turn of the 1950's and 60's of XX century as a result of the development of world economic relations.

At the same time, we take as a basis the treatment of capital within the Marxist economic school: capital - a set of economic relations. Without going into a detailed analysis of the merits and shortcomings of the definition given, we note that the Marxist interpretation of capital allows us to consider it in dynamics. The presented position, in our opinion, reflects the essence of economic relations, which are formed within the system of transnational capital. Thus, in the most general terms, transnational capital can be represented as a set of modern economic relations, which is formed on a global scale as a result of complex interactions of various forms and types of capital that take place within the framework of the world reproduction system and are accompanied by a change in the jurisdiction of their functioning.

From the above definition shows that the formation and functioning of transnational capital is associated with the interaction of many forms of capital. At

the same time, capital forms can be classified by a number of features: the institutional affiliation of capital (on this basis, capital of transnational corporations, bank capital, state capital, capital of International financial organizations), sources of formation (equity of corporations, attracted funds, borrowed capital and -in.), the form of ownership of capital (private capital, state and mixed) and the form of functioning (entrepreneurial and lending).

These forms interact in the process of functioning on the scale of the world economy. Thus, the movement of capital of transnational corporations in the form of foreign direct investment is indirectly or directly related to the movement of capital of international financial institutions that promote the placement of private capital through stimulating the improvement of the investment climate of recipient countries, as well as direct lending to specific TNC projects in host countries . Intensified are the relationships established between the capital of TNCs and the resources of the global banking network.

Thus, the capital of transnational corporations acts as one of the subsystems of transnational capital, which functions in close connection with other subsystems of transnational capital and due to its specificity, is one of the active and important for the global economic system of forms of capital.

As the analysis shows, export of capital becomes the most important factor in the formation and development of TNCs.

The movement of capital of TNCs occurs, as a rule, regardless of the processes taking place in the country of the corporation's base. TNCs establish a system of international production, based on the location of branches, subsidiaries, offices in many countries of the world; penetrate high-tech, high-tech industries that require huge investments and highly skilled workers (staff), with a tendency to monopolize these industries.

With tremendous capital, TNCs are active in international financial markets; their aggregate foreign exchange reserves are several times higher than the reserves of all the central banks of the world taken together. Moving 1-2% of the mass of money in the private sector is quite capable of changing the parity of national

currencies. TNCs often consider exchange-rate transactions as the most profitable source of their profits.

Thus, TNCs are increasingly becoming a decisive factor in resolving the fate of a country in the international economic relations system. Active production, investment and trading activities allow them to act as an international regulator of production and distribution of products, and even, as UN experts believe, to promote economic integration in the world.

2.2. The role of transnational corporations in modern investment processes

Multinational corporations are the driving force behind the acceleration of the innovation process in a globalized world. As practice shows, the strength of TNCs increases every year - the production of some of them can be compared to the value of GNP of individual states. Over the past 30 years, their number has increased by roughly nine times.

Under the influence of TNCs, the reproduction of scientific and technological potentials of different states in the desired direction is slowing down. As Y.V. Yakovets, said "the globalization of the technosphere generates a phenomenon such as technological and informational neo-colonialism, which is realized with the help of TNCs, which use their monopoly position in a certain sphere to contain the technological development of the lagging countries and to pump out huge revenues on the basis of an inequivalent exchange" [37, p . 9]. That is, in the lagging countries, the development of competitive world-class technologies is suppressed and secondary directions of scientific and technological development are imposed. In addition, TNCs generate and monopolize the consumer market of their science-intensive products, buying new competing technologies and not allowing their industrial application to strengthen only the actual monopoly position.

The impact of TNCs is due to the fact that at the disposal of transnational corporations there are significant financial resources. The economic and political significance of transnational corporations gives them the ability to generate innovation, create new technologies and, in fact, manage scientific and technological progress. At the beginning of this century over 63,000 TNCs controlled nearly half of the world's industrial production, about 80% of the world's bank patents and licenses for new technology, technology and know-how. At the same time, within them, the channels of intra-firm manufacturing cooperation intensified, which now accounts for about 40% of the international cooperative exchange, which also contributes to the expansion of opportunities for their independent activity in the domestic and world markets.

Transnational corporations can now be called the institutional basis of globalization. About 80% of international trade is attributed to goods produced in TNCs, as most international markets have an oligopolistic structure in which the dominant position is occupied by large TNCs competing with each other for the domestic markets of the countries. In addition, a significant part of transnational capital, which operates on international financial markets and freely moves within the global economy, belongs to transnational corporations and transnational banks. TNCs also contributed to the expansion of the geographical scope of production processes, and, allowing the development of the most laborious parts of technological chains beyond the developed countries, contributed to lower costs. In general, the formation and development of TNCs contributed to the formation of a global innovation space. However, with the development of globalization processes in the 1990's, changes also occurred in the nature of the innovation activities of TNCs. It has become important to quickly and adequately react to changes in the environment, to design, develop, produce, test, exploit, and support existing and future high-tech systems, cheaper, faster and better. Earlier, innovative products were born in the parent company, and then transferred to overseas affiliates. Nowadays, new products are not necessarily created in the country of origin of TNCs; research centers of transnational corporations are increasingly organized

around the world both on the basis of direct investments and through the creation of technological alliances.

Many small and medium-sized firms create various innovations, but their industrial development requires large financial costs for equipment upgrades, development of the production process, and sales organization that is not feasible for small firms. Therefore, TNCs not only create technical novelties, but also buy inventions from small firms and master their industrial production. Thus, TNCs are the main sellers of innovations in the global economy. Moreover, innovations can be realized both in the form of selling goods or services, and through the sale of licenses.

The qualitative change in the activities of TNCs also led to the further fragmentation of technological chains at smaller stages performed by their individual producers in different countries, and at the same time, the strengthening of good neighborly tendencies within the framework of TNCs.

The modern form of TNC reorganization becomes "outsourcing", in which the parent company retains the functions of developing new products and controlling financial flows, and the rest of production, marketing, sales and customer service - is passed on to affiliated companies or sold to other firms. Such a policy of TNCs allows them to quickly adopt competitive markets, as well as create new ones.

Taking into account all of the above, let us note that the total foreign investments of all TNCs now play a more significant role than trade. TNCs control one-third of the productive capital of the private sector around the world, up to 90% of direct investment abroad. Direct investments of TNCs abroad in the mid 90's exceeded 3 trillion. dollars At the same time, direct investments grew three times faster than investments in general, although they (direct investment) still account for about 6% of annual capital investment in industrialized countries (Figure 2.1).

With tremendous capital, TNCs are active in international financial markets. TNK's aggregate foreign exchange reserves are several times larger than the reserves of all the central banks of the world taken together. Moving 1-2% of the mass of

money in the private sector is quite capable of changing the parity of national currencies.

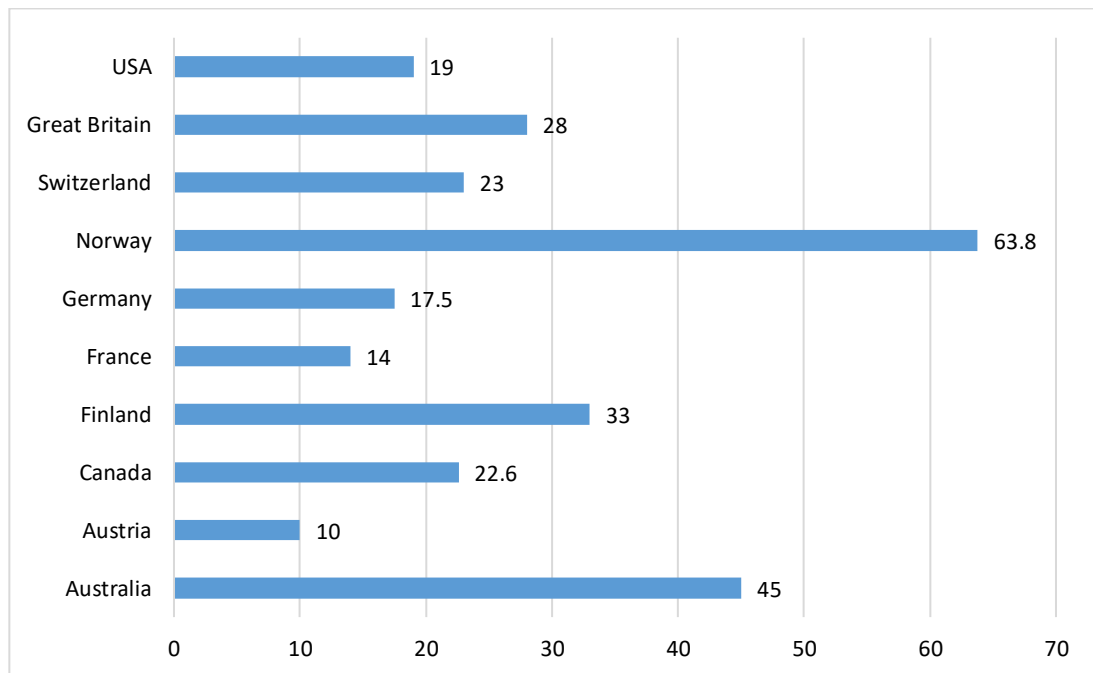


Figure 2.1 - The share of the largest TNCs in the total export of foreign direct investment in 2018 (%)*

*Source: Developed by the author on the basis of [17].

Thus, the innovation exchange becomes the basis of world economic relations, which gradually cover the entire world economy and exert a profound influence on the national economy of most countries. An important role in this process played by TNCs with their significant financial capital.

3. THE ROLE OF TRANSNATIONAL CORPORATIONS IN MODERN INVESTMENT PROCESSES IN UKRAINE

3.1. Activities of TNCs in the Ukrainian market

As shown by the analysis of scientific literature, in the context of growing globalization, TNCs occupy one of the first positions in the world economy. The presence of TNCs in Ukraine is especially important as the domestic economy is on a new, transitional stage of its development.

To date, three dozen multinational companies are already operating in Ukraine. By the end of next year, they can become much more. According to the international rating of "Financial times" magazine, the largest TNCs operating in Ukraine are Nestle (based in Switzerland), Shell (United Kingdom) and Roshe (Switzerland). Table 3.1 shows the financial status of multinational companies in 2018 [22].

Table 3.1 - Comparative characteristics of the leading TNCs in Europe

Name	Amount of trade turnover, billion dollars	Profit, billion dollars	Amount of assets, billion dollars	Number of employees, people	Amounts of trade turnover, in % to 2017	Profit in % to 2017	Amount of assets in % to 2017
Nestle (Switzerland)	100,6	11,6	134,6	339000	+12,78	+14,85	+13,11
Shell (United Kingdom)	476,9	27,1	356,3	87000	+5,11	-9,67	+4,64
Roshe (Switzerland)	49,7	10,4	65,4	82089	+9,71	+4,00	+4,31
Novartis (Switzerland)	57,7	9,7	116,8	127724	+4,91	+14,12	+4,66
Anheuser-Busch InBev (Belgium)	40,6	7,4	121,8	117632	+12,15	+37,04	+8,94
Vodafone Group (United Kingdom)	74,4	11,1	220,5	86373	+1,22	-13,28	-7,78

In most of the above mentioned TNCs there is a steady growth in the studied indicators, which may indicate an expansion of their activities and increase in significance in world trade. Taking into account the UN criteria that determine the characteristics of TNCs, the company's consideration can not be classified as transnational. The main inconsistency with the UN is a significant excess of the share of foreign assets in their total volume (more than 25%), as well as the share of sales in total production outside the country of base (more than 20%).

We will analyze the peculiarities of development and general tendencies of the aforementioned companies in Ukraine.

Nestle is one of the first players to appear on the market of an already independent Ukraine. The company's place in the top ten global TNCs shows its high position in the food industry of different countries. Today, Nestlé has provided around 4,500 jobs in Ukraine. The company is one of the largest investors in the food industry of Ukraine, as well as one of the largest taxpayers. Nestlé bought such Ukrainian manufacturing companies as: Svitoch (1998), Volynholding (2003), Technocom LLC (2010); was founded a branch of Nestle Ukraine LLC (2003). At its current stage of development, Nestlé in Ukraine is an unconditional leader in food production. Today, the company promotes products of the brands NESCAFÉ, Nesquik, Coffee-mate, Nuts, KitKat, Lion, Purina, Gerber, Bistrof, «Svitoch», «Torchin» and «Mivina», which are very popular among consumers [23].

The network of petrol stations Shell operates in Ukraine for about 9 years. However, the company's cooperation with Ukrainian partners began much earlier. Shell works in Ukraine since 1992. The company operates in such areas as exploration and extraction of hydrocarbons, marketing of gas and fuel and lubricants, as well as in the construction and operation of the gas station network. Today, in the Ukrainian companies, Shell employs around 2,400 employees. Fuel manufacturers, sold in the network of gas stations Shell, act as foreign and domestic refineries. From abroad it is the Lithuanian refinery Mozhikeyaj, the Belarusian refinery Mozyr, the Romanian refinery RomPetrol. Among the domestic ones is Kremenchuk refinery. In 2007, Shell became the first company to offer Ukrainian

motorists bonus fuel Shell V-Power, which was specially developed as part of the Shell & Ferrari technical partnership to clean the engine, increase its power and efficiency. Ukraine has become one of the first countries in the world to present this innovation [24].

As early as 1898 Roshe began its activities in the Russian Empire, which, on the eve of the First World War, turned into a company in the largest and most significant market. Representative offices of Roshe began work in St. Petersburg, Moscow, Rostov, Kazan and, most notably, in Odessa. From the time of Ukraine's independence, representatives of Roshe worked in its territory, but the company was not registered. Officially, Roshe has been operating since January 8, 1998. During its activities, the company has created a large number of innovative pharmaceuticals and pharmaceuticals, implemented in the domestic market. At the same time, well-formed marketing policy, based on various promotional offers and systems of loyalty to consumers [25] is carried out.

Anheuser-Busch Company InBev, a leader in global beer brewing, emerged after signing an agreement between InBev and Anheuser-Busch. "SUN InBev Ukraine" is an ambassador of beer culture on the Ukrainian market, a young company operating in Ukraine since 2000. In Ukraine, the company unites three breweries: Chernigiv, Kharkiv and Nikolaev Branches of «SUN InBev Ukraine». The brand portfolio of the company includes global brands – Bud, Stella Artois, Beck's, international brands - Hoegaarden, Lowenbrau, Leffe, Spaten, Franziskaner, Staropramen (under license), Taller, local brands – «Chernigivske», «Rogan», «Zhigulevske», DAO, «Yantar» [26].

The British company Vodafone, a new player on the domestic mobile communications market, is quite interesting. In the rating of the largest TNCs in terms of assets, this company is in the first place. It is likely that Vodafone will look for opportunities to expand its operations, including in Ukraine. According to press services, the company is called to make a coup in the field of mobile communication, to transfer its experience to Ukrainian partners. Vodafone is an example of an inflow

of foreign direct investment to Ukraine under the auspices of the EU-Ukraine Association Agreement.

Based on the Ukrainian market, TNCs are subject to the laws of Ukraine such as the Law on Foreign Economic Activity, the Law on Entrepreneurship, the Law on Investment Activity, the State Program on the Promotion of Foreign Investments, the Law on the Taxation of Profits of Enterprises, On general principles of creation and functioning of special (free) economic zones ", " On the regime of foreign investment "[20]. However, this list does not contain a law regulating the activities of TNCs in Ukraine. Moreover, the enumerated laws do not themselves include the concept of "TNK", "subsidiary of TNC", "TNK subsidiary", "FDI of TNK", which, in its turn, makes it impossible to carry out qualitative statistical analysis of the consequences of activity on the territory of Ukraine [36] .

Thus, the presence of transnational corporations in Ukraine causes the emergence of both advantages and disadvantages for the domestic economy.

Advantages include the following:

- to receive additional resources due to inflow of foreign capital;
- increase in production volumes and revenues from sales;
- export development through the world of TNCs;
- acceleration of Ukraine's economic growth;
- raising the level of employment by creating new jobs;
- tax revenues from TNKs are a significant source of revenue for the state budget.

Among the disadvantages are the following:

- TNCs are great competitors for domestic producers, which can lead to the displacement of their own production from the market and the capture of the most promising sectors of the domestic market;
- pollution of the environment;
- various manipulations in order to evade taxes and establish monopolistic prices for products;

In my opinion, the European vector of Ukraine's development will open up broad opportunities for its economic growth and increase the level and quality of life. The presence of European multinational corporations in Ukraine will create an attractive investment attractiveness for it and facilitate the inflow of foreign investment. However, the issue of the absence of a direct law regulating the activities of TNCs needs an immediate solution. The creation and adoption of such a bill is strategically necessary for the full, and not mediocre, regulation of TNCs in Ukraine.

3.2. Problems of attracting foreign investments of transnational corporations to Ukraine

Today, the activity of TNCs and the inflow of foreign direct investment in Ukraine is considerably inferior to other countries of Western Europe and the CIS, but despite this, Ukraine has a significant potential for foreign investors and is a promising market [3, p. 68-71].

When making investment decisions and choosing a country to implement an investment project, TNCs are guided by many factors. In the scientific literature, there is still no generally accepted explanation of the reasons for choosing corporations of one or another locality to deploy an investment project. At the same time, there are several groups of criteria for assessing the effectiveness of the investment project:

- the attractiveness of the country in terms of costs (this takes into account the cost of labor, the characteristics of the tax system and subsidies, the quality of the infrastructure, human resources and the development of financial markets);
- attractiveness of the country in terms of sales: the characteristics of the local market, its development, the potential for growth and the openness of the country for international trade;

- attractiveness of the country in terms of cultural characteristics and political risk.

According to these criteria, Ukraine is quite attractive for the activities of TNCs, but some factors still offset this attractiveness, while reducing the competitive advantages of our country.

By the number of consumers, Ukraine is a potentially large market in Europe. The relative unsaturation of the Ukrainian market makes it quite promising for foreign investors, although low incomes of a large number of Ukrainian population impede the formation of dynamic solvent demand [38, p. 701].

For TNCs from the EU and USA, the most attractive spheres of Ukraine can be called the following:

- Ukrainian food industry. The Swiss food company "Nestle", the Belgian "AB InBev", the American "Kraft-Heinz" and "Coca-Cola Company", the English-Dutch "Unilever" lead the food industry in the world;

- trade enterprises. On the Ukrainian market there are such companies as: «Wall-MartStores», «Carrefour SA», «McDonald's Corporation»;

- financial sector. The largest representative of TNCs is Raiffeisen International Bank-Holding AG;

- pharmaceuticals. The German brands «BASF SE» and «Bayer AG» are well-known in Ukraine.

It should be noted that it was in these sectors that until recently there was a rapid turnover of capital. After stabilizing the political and economic situation in Ukraine, growth in these sectors will undoubtedly resume, with the commercial risks being low.

Attractive for TNCs from industrialized countries is also investment in the infrastructure of business services for the servicing, first of all, enterprises with foreign investments [21, p. 65].

Ukraine has significant potential for foreign investors, which is conditioned by a relatively large and growing market, the presence of factors of production, infrastructure, and favorable geographical location. But despite this, the instability

and legal uncertainty of tax legislation, insufficient transparency of the financial market and privatization processes, insufficient protection of property rights, bureaucratization of the control apparatus and unreasonably high level of state participation in economic life are only a partial list of factors inhibiting the inflow of foreign capital in Ukraine and complicate its integration into the global financial system. In addition, this list has recently been replenished with macroeconomic instability, driven by volatility in fuel and raw material prices, and high levels of political risks.

After analyzing the dynamics of indicators of the investment attractiveness index of Ukraine for the period 2014-2018, presented by the European Business Association (Figure 3.1), it can be argued that overall this indicator is low.

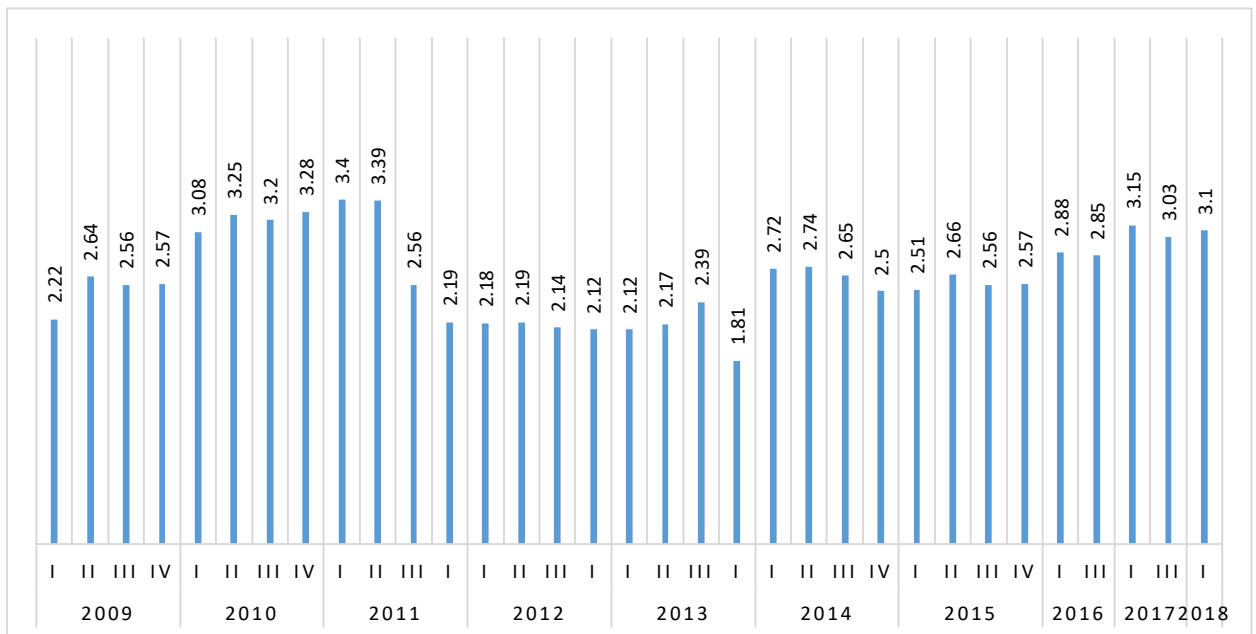


Figure 3.1. Dynamics of the Investment Attractiveness Index of Ukraine for 2009-2018 (on a 5-point scale)*

*Source: Developed by the author on the basis of [17].

Thus, it can be stated that the national economy does not fully utilize existing opportunities for increasing the volume of foreign direct investment, therefore, the problem of their attraction remains highly relevant for Ukraine [12].

3.3. Economic mechanism of attracting investments of the world's TNCs to the Ukrainian economy

Consider the economic mechanism of attracting foreign direct investment of transnational corporations into the Ukrainian economy.

Volumes of attraction of foreign direct investment are illustrated in Figure 3.2.

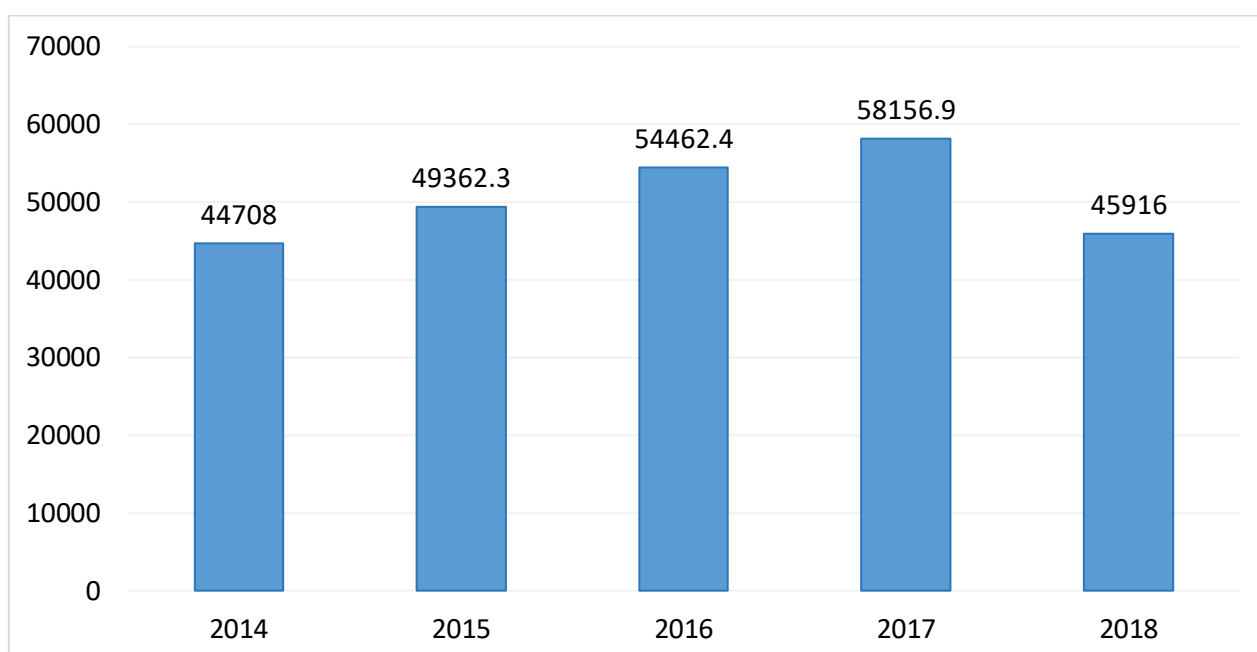


Figure 3.2. Volumes of attraction of foreign direct investment in Ukraine, 2014-2018

*Source: Developed by the author on the basis of [17].

According to Figures 3.2 and 3.3, for foreign investors, the industry in Ukraine is now less attractive than in other countries. Given recent events (annexation of the Crimea and the occupation of a large part of the East, where the main productive capacities of our country are concentrated), most investors prefer more stable conditions and areas of investment [16, p. 33-34].

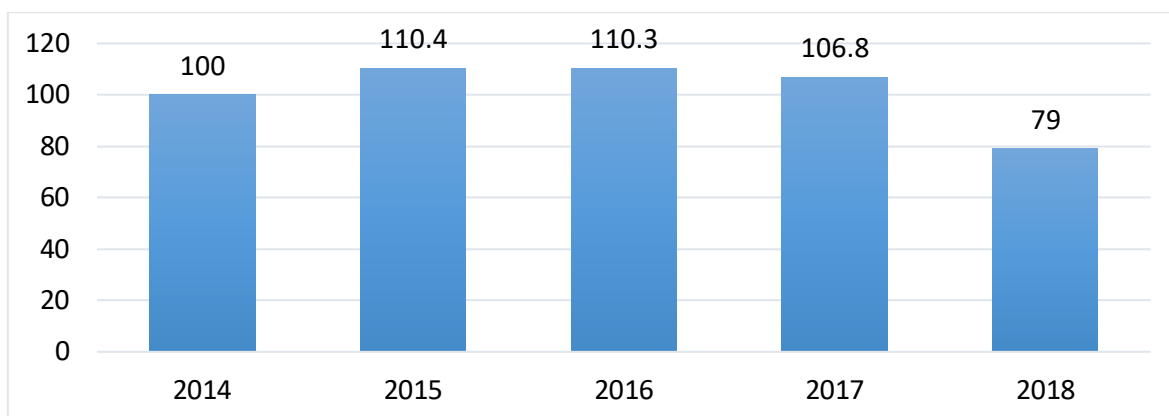


Figure 3.3. The growth rate of foreign direct investment in comparison with the previous year, in%

*Source: Developed by the author on the basis of [17].

Figure 3.3 illustrates the growth rates of foreign direct investment in comparison with the previous year.

In the regional aspect, foreign direct investment is available in all regions of Ukraine. The largest number of enterprises with foreign capital is in Kyiv. In 2018, TNCs invested 24153.4 million dollars in Kiev, which is almost 50% of the total direct investment. Subsequently, with a significant margin, the Dnipropetrovsk region is followed by 7972.6 million dollars (16.4%), Kharkiv oblast - 1828.8 million dollars (3.8%), Kyiv region - 1736.5 million dollars (3.6%), Odessa oblast - 1478.3 million dollars (3.0%) and others (Figure 3.4) [17].

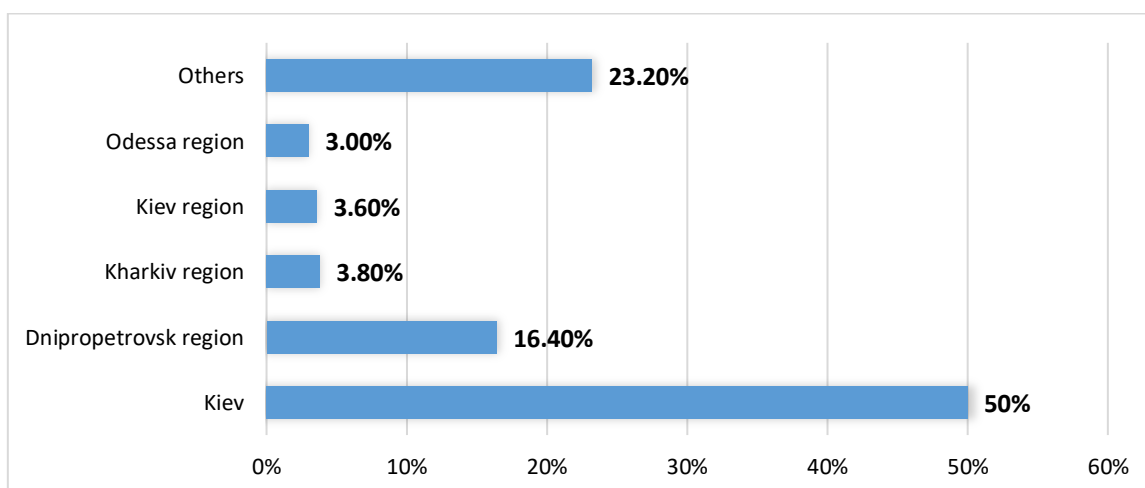


Figure 3.4. Regional distribution of foreign investments in 2018.

The bulk of the capital of foreign MNCs has concentrated on the food and tobacco industry, trade, finance, real estate operations, that is, in sectors with high capital turnover and well-off markets (Table 3.2) [17].

Table 3.2 - Distribution of foreign direct investment by main types of economic activity

Types of economic activity	Foreign direct investment in million dollars USA (2018)
Agriculture and forestry	800,7
Activities of hotels and restaurants	810,3
construction	974,1
Transport and communication activities	3015,7
Trade	6003
Real estate operations	9058,5
Financial activities	16105,6
Industry	17166,7

Consequently, there is a negative tendency to reduce the inflow of foreign capital into the real sector of the economy. Part of foreign direct investment by transnational corporations in agriculture, mechanical engineering and metallurgy remains unreasonably small. Strategic industries are not attracted to the required capital to rebuild morally and physically outdated core production assets [12].

For today, Ukraine's main task for attracting TNCs to its economy is to provide appropriate measures to improve the investment climate, as with a rational approach, our country will be able to obtain a number of competitive advantages related to the presence of foreign corporations on its territory. It should be understood that the inflow of foreign direct investment to Ukraine should contribute to the development of its economy, the intensification of export and import operations, the introduction of new technologies, the growth of scientific potential, social and economic development, and not only to reflect the real volume of import of capital.

The government's program of activities and relevant legislative acts should develop and consolidate regulatory mechanisms that simultaneously include a

system of incentives for attracting foreign TNCs and a system of shock absorbers for possible negative consequences of transnationalization. In order to prevent monopolization, control over the lawfulness and influence of other regulatory measures, the country should adopt appropriate legislation that would restrict the activities of TNCs and direct their activities to the areas identified by the state as priority.

The growth of the number of investor countries is a positive economic phenomenon, therefore, it is necessary to improve the investment climate for attracting investments [28]

CONCLUSION

The purpose of this work was to examine the peculiarities of the activities of transnational corporations and to identify their impact on international economic relations. The theoretical basis of the study of the scale and role of TNCs in international relations is discussed in the first section. Characteristics of transnational corporations and their role in the current development of international economic relations is given in the second section. The role of transnational corporations in modern investment processes in Ukraine is analyzed in the third section.

During the study, the following conclusions were drawn:

1. TNCs - structures that combine not only financial capital, but also the innovative production-technical base, resources, a wide sales network; complexes that use an international approach in their activities and involve the formation of transnational production, trade and financial complex with a single decision-making center in the country of origin and with affiliates in other countries [30, p. 66].

2. Both developed and developing countries seek to take full advantage of the positive effects of TNCs penetration into the national market: the development of communications between countries; cultural exchange and equalization of cultural values; development of transport infrastructure; inter-state competition for resources; development of the world financial and stock market; increase of tax revenues at the expense of enterprises; employment growth; receipt of foreign capital; filling the market with fundamentally new products or services [8, p. 211].

3. The negative effects of transnationalization can be manifested in both developed and developing countries. These include: monopolization; institutional barriers; partial destruction of the economy of the weak powers [9, p. 69]; containment of R & D, concentration of innovations and new developments in economically strong and developed countries; sectoral differentiation; threat to the

sovereignty of small states; lobbying for their own interests; income shelter; threat of ecology, etc. [15, p. 130; 8, p. 212].

4. The following trends should be highlighted at the present stage of the development of TNCs as subjects of the world economy:

1) there is a further strengthening of the economic position of transnational corporations with regard to the states;

2) There is an increased impact of multinational companies based in emerging economies;

3) It is anticipated that transnationalization of small and medium-sized businesses will take place in the coming decades.

5. The directions and prospects of Ukraine's development and the transnationalization of its economy require the activation of domestic economic entities by attracting foreign direct investment of TNCs and the formation of the transnational nature of the business of companies.

The volume of direct foreign investment inflow to Ukraine from the EU is aimed primarily at those sectors of the economy where it is possible to get profit in the shortest possible time, while investing in priority sectors of the Ukrainian economy aimed at long-term growth is insufficient.

Despite the fact that Ukraine is in dire need of foreign investment, there are serious obstacles to attracting them, among which particular attention should be paid to the underdevelopment of market infrastructure, the instability of legislation and the financial and credit system, the lack of transparency in the return of taxes and the low level of protection of proprietors' rights [6].

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Appendix

SUMMARY

Korol A.O. Transnational corporations and their role in international economic relations. - Bachelor's qualification. Sumy State University, Sumy, 2019.

The qualification bachelor paper is devoted to the study of transnational corporations, their role in the modern development of international economic relations. The analysis of the current state of the transnational corporations' development is carried out. Problems and prospects of attraction of foreign investments of TNCs in Ukraine are revealed. The main directions to improve the mechanism of resources and capital accumulation are determined.

Key words: TRANSNATIONAL CORPORATIONS, INTERNATIONAL ECONOMIC RELATIONS, ACTIVITIES OF TNCs, GLOBAL CAPITAL MOVEMENTS, FOREIGN INVESTMENT, TRANSNATIONALIZATION.

АНОТАЦІЯ

Король А.О. Транснаціональні корпорації та їх роль у міжнародних економічних відносинах. – Кваліфікаційна бакалаврська робота. Сумський державний університет, Суми, 2019.

Кваліфікаційна бакалаврська робота присвячена дослідженню транснаціональних корпорацій, їх ролі в сучасному розвитку міжнародних економічних відносин. Проведено аналіз сучасного стану розвитку транснаціональних корпорацій та виявлено проблеми і перспективи залучення іноземних інвестицій ТНК в Україну. Визначено основні напрямки удосконалення механізму накопичення ресурсів і капіталу.

Ключові слова: ТРАНСНАЦІОНАЛЬНІ КОРПОРАЦІЇ, МІЖНАРОДНІ ЕКОНОМІЧНІ ВІДНОСИНИ, ДІЯЛЬНІСТЬ ТНК, ГЛОБАЛЬНИЙ РУХ КАПІТАЛУ, ІНОЗЕМНІ ІНВЕСТИЦІЇ, ТРАНСНАЦІОНАЛІЗАЦІЯ.

