

MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE

SUMY STATE UNIVERSITY

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MASTER'S LEVEL QUALIFICATION PAPER

on the topic: «Efficiency and problems of foreign companies`

performance at the Ukrainian market»

Specialty 292 «International Economic Relations»

Student II course, group ME.m-11a.an

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It is submitted for the Master's level degree requirements fulfillment.

Master's level degree qualification paper contains the results of own research. The use of the ideas, results and texts of other authors has a link to the corresponding source.

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SUMMARY

of Master's level degree qualification paper on the theme
«EFFICIENCY AND PROBLEMS OF FOREIGN COMPANIES`
PERFORMANCE AT THE UKRAINIAN MARKET»

student Suhovitruk Ihor

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The main content of the master's level degree qualification paper is set out on 40 pages, including a list of used sources of 24 titles, which is placed on 3 pages. The work contains 4 tables, 1 figure, 1 annex.

KEYWORDS: FOREIGN COMPANY, TNC, GLOBALIZATION, INTERNATIONAL BUSINESS, ECONOMIC GROWTH, INVESTMENT, FOREIGN INVESTORS, ASSESSMENT OF THE DEVELOPMENT OF TNCs.

The purpose of the diploma work is studying the effectiveness of foreign companies on the Ukrainian market, their problems and methods of solving them.

The object of the research is foreign companies on the Ukrainian market and their effectiveness and problems of activity.

The subject of research is theoretical basis and practical recommendations for increasing the efficiency and reducing the problems of the activities of foreign companies in Ukraine.

To achieve this goal and tasks when writing the qualification work, the following methods of scientific research were used: comparative, materialistic; special: method of statistical analysis, summary and grouping; processing of literary sources, as well as the method of displaying the results of scientific research in graphic and tabular forms.

The information base and the issue of studying the role of TNCs and their influence on the economy of the countries of the world are given the attention of

such foreign scientists as S. Kindleberger, F. Kotler, J. Dunningtain. The problems of the direct influence of multinational companies on the economy of Ukraine are also investigated by domestic scientists: Z. Varnaliy, D. Luk'yanenko, I. Filipenko, I. Gaydukytain.

The main scientific results are as follows:

- 1) the author of the qualification work explores the concepts of "investment", "TNC" in the conditions of the globalization policy of foreign companies;
- 2) systematization of approaches to the formation of common goals for the development of TNCs in Ukraine;
- 3) profound analysis of the effectiveness and problems of foreign investors in the Ukrainian market.

The obtained results can be used in the process of developing a strategy for Ukraine's foreign economic development and evaluating the effectiveness and issues of investment policy in the field of foreign companies' activities at the Ukrainian market.

Year of Master's level qualification paper fulfillment is 2022.

Year of Master's level paper defense is 2022.

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TASKS FOR MASTER'S LEVEL DEGREE QUALIFICATION PAPER

(specialty 292 “International Economic Relations “)

student II course, group ME.m-11a.an

Suhovitruk Ihor

1. The theme of the paper is «Efficiency and problems of foreign companies' performance at the Ukrainian market» approved by the order of the university from «27» October 2022 №0969-VI

2. The term of completed paper submission by the student is 12.12.2022

3. The purpose of the qualification paper is developing recommendations for increasing the efficiency of foreign investments and finding a certain method for solving the main problems of investors.

4. The object of the research is foreign companies' performance at the Ukrainian market and their effectiveness.

5. The subject of research are theoretical bases and practical recommendations for increasing the efficiency and reducing the problems of the activities of foreign companies in Ukraine.

6. The qualification paper is carried out on materials and articles of domestic and foreign economists, research articles and reviews in specialized and periodical publications. Directories and other relevant sources of information.

7. Approximate master's level degree qualification 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 bases of TNCs' development in Ukraine», deadline – 19.11.2022

Chapter 1 deals with considering TNCs as a development vector, analyzing the legal conditions for the development of foreign companies in Ukraine, and review the conceptual advantages and disadvantages of TNC activities.

Chapter 2. «Analysis and evaluation of performance of foreign companies in Ukraine», deadline – 01.12.2022.

Chapter 2 deals with analyzing the effectiveness and problems of TNCs' activity in Ukraine, determining the factors of influence of foreign companies on the Ukrainian economy and developing the leading TNCs on the Ukrainian market.

Chapter 3 «Methods of development of activities of foreign companies at the Ukrainian market», deadline – 10.12.2022.

Chapter 3 deals with consider the formation of general goals for TNCs and invent methods for solving the current problems of foreign investors.

8. Supervision on work:

Chapter	Full name and position of the advisor	Date, signature	
		task issued	task accepted
1	Professor, Doctor of Economics Fedir Zhuravka	01.11.2022	01.11.2022
2	Professor, Doctor of Economics Fedir Zhuravka	19.11.2022	19.11.2022
3	Professor, Doctor of Economics Fedir Zhuravka	01.12.2022	01.12.2022

9. Date of issue of the task: «01» November 2022

Research Advisor:

(signature)

Fedir Zhuravka
(full name)

The tasks have been received:

(signature)

Ihor Suhovitrak
(full name)

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INTRODUCTION

In the conditions of globalization of the world economy, TNCs are the driving force of corporate business, they operate on the international market and play an important role in strengthening and strengthening global economic ties. TNCs conduct their transactions based on developed strategies, connecting national and regional markets and ensuring the integrity of the global economy. For further research, namely to identify the effectiveness and problems of TNC activity on the Ukrainian market.

It should also be noted that transnational corporations are currently the leading subjects of international economic activity. They transformed the world economy into international production, ensured the development of scientific and technological progress in all its directions: technical level and product quality; production efficiency; improvement of forms of management, management of enterprises. They operate through their subsidiaries and branches in many countries of the world according to a single research, production and financial strategy. Transnationalization processes are the basis of modern world economic relations and a constant trend of economic development. Under the conditions of the intensification of international investment activity, the main indicators of TNC activity are also increasing.

The relevance of the topic lies in the fact that global trends of internationalization of production and capital, expansion of foreign trade encourage TNCs to expand their activities on the world stage. In recent years, transnational corporations are the main element of the economy in most countries of the world. TNCs are currently the largest investors and carriers and distributors of the latest technologies not only in the field of production, but also in the field of management. A large amount of capital and technology allows TNCs to conquer new territories and obtain a monopoly right of production and management in all sectors of the economy. For Ukraine, the main issue is the attraction of foreign investments,

therefore the issue of the activity of TNCs on the territory of our country is relevant, because in current realities, this is one of the few ways to attract a foreign investor to the domestic economy after the end of the Russian-Ukrainian war or even during it.

The purpose of the diploma work is studying the effectiveness of foreign companies on the Ukrainian market, their problems and methods of solving them.

When writing the diploma work, the following tasks were set:

- to form the general goals of the development of TNCs in Ukraine;
- to characterize the effectiveness of the activities of foreign companies;
- to evaluate the legislative framework as a condition for the development of foreign companies on the Ukrainian market;
- to identify the main problems and shortcomings of TNC activity in Ukraine;
- to analyze the impact of foreign investors on the country's economy;
- to invent methods of solving current problems of foreign investors.

The object of the research is foreign companies on the Ukrainian market and their effectiveness and problems of activity.

The subject of research is theoretical basis and practical recommendations for increasing the efficiency and reducing the problems of the activities of foreign companies in Ukraine. When writing the diploma work, the following methods of scientific research were used as general ones: comparative, materialistic; special: method of statistical analysis, compilation and grouping; processing of literary sources, as well as the method of displaying the results of scientific research in graphic and tabular forms.

The information base and the issue of studying the role of TNCs and their influence on the economy of the countries of the world are given the attention of such foreign scientists as S. Kindleberger, F. Kotler, J. Dunningtain. The problems of the direct influence of multinational companies on the economy of Ukraine are also touched upon in their works by domestic scientists, namely: Z. Varnaliy, D. Luk`yanenko, I. Filipenko, I. Gaydukytain.

However, the question of the development of the activities of TNCs on the territory of Ukraine in the conditions of war, globalization and a difficult economic situation remains underresearched.

The scientific novelty of the diploma work lies in a new approach to improving the improvement of the investment market in Ukraine during the war, the economic downturn by updating the legislative framework, raising the economic level of the country's development, and ensuring technical production. The concept provides for the creation and formation of an increase in foreign direct investment, an increase in tax revenues to the country's budget, which in turn will affect economic growth. As well as the introduction of innovations that will ensure the modernization of production.

1 THEORETICAL BASES OF TNCs' DEVELOPMENT IN UKRAINE

1.1 TNCs' activity as a development vector

Transnational corporations (TNCs) are economic entities international in nature and composition of activity, which function thanks to the principles of corporate ownership with a joint-stock form of management and distribution of profits in the international arena. They have a direct impact on socio-economic and political processes throughout the world.

According to the definition of the United Nations Conference on Trade and Development (UNCTAD), transnational corporations are “enterprises consisting of a parent enterprise and its foreign branches” [14], while they may or may not acquire the status of a corporation.

At the current stage, there is a sharp increase in the foreign economic activity of countries and their close cooperation, where transnational corporations act as traders, investors, stimulators of international labor migration and distributors of modern technologies. They play one of the main roles in such a process as the internationalization of production. And they are no less important in the process of deepening production ties between enterprises of different countries.

Since TNCs are not located entirely on the territory of one country, they are still subject to the laws of the state where the main company of a certain corporation operates.

According to the existing UNCTAD methodology, TNCs include those international firms whose performance indicators meet the following criteria:

1. The presence of a parent company and divisions abroad in at least 2 countries of the world. Foreign divisions can be established by the company on the basis of direct foreign investment through the creation of production facilities or through mergers and acquisitions of other enterprises;

2. Control of the assets of foreign divisions - assumes that the share of equity capital in a subsidiary owned by the parent company in another country is 10% or more (depending on the country).

The macrostructure of the TNC determines the nature of the relationship between its structural elements: the main company and its subordinate enterprises. As a rule, at the center of the TNC is the parent company, which carries out centralized planning, management and control over the activities of other divisions of the TNC.

According to the UNCTAD methodology, there are 3 types of foreign branches of transnational corporations:

1. A subsidiary is a joint-stock company in the host country, more than half of whose shares are "owned by another company that has the right to appoint or remove a majority of the members of the administrative, management or supervisory bodies." Thus, the subsidiary is fully controlled by the parent company TNC.

2. An associated company is a joint stock company in the host country in which "10 to 50% of the shares are owned by a foreign investor." At the same time, the parent company receives only partial control over the activities of the associated firm within the limits of the share of capital it owns.

3. A branch is a non-joint-stock enterprise that is "fully or partially owned by an investor.

TNCs carry out their activities based on the following principles:

1. Implementation of foreign direct investments in order to create production facilities abroad.

2. The use of various forms of international division of labor (subject, detailed, technological specialization), which allows placing different links of the production process in different countries of the world.

3. Development, transfer and use of advanced technology within the framework of a closed corporate structure, which allows for the most efficient use of research and development costs.

4. Intra-corporate trade, which is carried out between separate divisions of the TNC using transfer prices. Transfer prices are set by TNCs at a level that is significantly different from market prices, that is, it is significantly higher or lower than prices for the same goods on the world market.

5. A global approach to management is the optimization of the corporation as a whole, rather than its individual components. This principle means the need to subsidize the development of individual divisions in order to achieve maximum profit in the long term.

It is customary to divide TNCs into three large groups:

1. Horizontally integrated TNCs manage units located in different countries that produce the same or similar goods.

2. Vertically integrated TNCs — operate units in one country that produce goods that are supplied to their units in other countries.

3. Separate TNCs — manage divisions located in different countries that are not vertically or horizontally integrated.

In general, TNCs provide about 50% of world industrial production. TNCs account for more than 70% of world trade, and 40% of this trade takes place within TNCs, that is, they do not take place at market prices, but at so-called transfer prices, which are formed not under market pressure, but under the long-term policy of the parent corporation. Very large TNCs have budgets that exceed the budgets of some countries. Of the 100 largest economies in the world, 52 are multinational corporations, the rest are states. TNCs exert great influence in the regions, as they have significant funds, influence on the public, and political lobby.

It should also be noted that TNC enterprises do not formally depend on each other, within corporations they trade at transfer prices that do not always reflect world market prices.

1.2 Legislative conditions for the development of foreign companies in Ukraine

When considering the legislative framework of Ukraine, one should pay close attention to the document “On the regime of foreign investment”. This law was promulgated on March 18, 1996 (No. 93/96-VR). And entered into force with replacements and additions on July 16, 1999 (N 997-XIV). This Law defines the peculiarities of the regime of foreign investment in the territory of Ukraine, based on the goals, principles and provisions of the legislation of Ukraine. It includes:

1. Chapter: GENERAL PROVISIONS. It contains 6 articles;
2. Chapter: STATE GUARANTEES FOR THE PROTECTION OF FOREIGN INVESTMENTS. It contains 6 articles;
3. Chapter: STATE REGISTRATION AND CONTROL OF FOREIGN INVESTMENTS. It contains 3 articles;
4. Chapter: ENTERPRISES WITH FOREIGN INVESTMENTS. It contains 5 articles;
5. Chapter: FOREIGN INVESTMENTS BASED ON CONCESSION AGREEMENTS, AGREEMENTS (CONTRACTS) ON PRODUCTION COOPERATION, JOINT PRODUCTION AND OTHER TYPES OF JOINT INVESTMENT ACTIVITIES. It contains 3 articles;
6. Chapter: FOREIGN INVESTMENTS IN SPECIAL (FREE) ECONOMIC ZONES. It contains 2 articles;

After considering this law, attention should be paid to the following aspects:

1. foreign investors - entities that conduct investment activities on the territory of Ukraine, namely:
 - a. legal entities created in accordance with legislation other than the legislation of Ukraine;
 - b. natural persons - foreigners who do not have a permanent place of residence on the territory of Ukraine and are not limited in legal capacity;

c. foreign states, international governmental and non-governmental organizations;

d. other foreign subjects of investment activity, which are recognized as such in accordance with the legislation of Ukraine; (Section 1, Article 1).

2. Foreign investments can be made in the form of:

a. foreign currency recognized as convertible by the National Bank of Ukraine;

b. Ukrainian currency - when reinvesting in the primary investment object or in any other investment objects in accordance with the legislation of Ukraine, subject to payment of income tax (income);

c. any movable and immovable property and related property rights;

d. shares, bonds, other securities, as well as corporate rights (ownership rights to a share (share) in the statutory fund of a legal entity created in accordance with the legislation of Ukraine or the legislation of other countries), expressed in convertible currency;

e. monetary claims and the right to claims for the fulfillment of contractual obligations, which are guaranteed by first-class banks and have a value in convertible currency, confirmed in accordance with the laws (procedures) of the investor's country or international trade customs;

f. other values in accordance with the legislation of Ukraine. (Section 1, Article 2).

3. Foreign investments can be made in the following forms:

a. partial participation in enterprises created jointly with Ukrainian legal entities and individuals, or acquisition of a share of existing enterprises;

b. creation of enterprises wholly owned by foreign investors, branches and other separate subdivisions of foreign legal entities or acquisition of existing enterprises in full;

c. acquisition of immovable or movable property not prohibited by the laws of Ukraine, including houses, apartments, premises, equipment, vehicles and other

d. objects of property, by direct acquisition of property and property complexes or in the form of shares, bonds and other securities;

e. acquisition of other property rights;

f. in other forms that are not prohibited by the laws of Ukraine, including without creating a legal entity on the basis of contracts with economic entities of Ukraine. (Section 1, Article 3).

4. If in the future the special legislation of Ukraine on foreign investments will change the guarantees of protection of foreign investments, then within ten years from the date of entry into force of such legislation, at the request of a foreign investor, the state guarantees of protection of foreign investments specified in this Law shall be applied. (Section 2, Article 8).

5. In case of termination of investment activity, the foreign investor has the right to return no later than six months from the date of termination of this activity, his investments in kind or in the currency of investment in the amount of the actual contribution (taking into account the possible reduction of the authorized fund) without payment of duty, as well as income from these investments in monetary or commodity form at the real market value at the time of termination of investment activity, unless otherwise established by the legislation or international treaties of Ukraine. (Section 2, Article 11).

6. State registration of foreign investments is carried out by the Government of the Autonomous Republic of Crimea, regional, Kyiv and Sevastopol city state administrations within three working days after their actual introduction in accordance with the procedure determined by the Cabinet of Ministers of Ukraine. Unregistered foreign investments don't give the right to receive benefits and guarantees provided by this Law. (Section 3, Article 13).

7. On the territory of Ukraine, enterprises with foreign investments are created and operate in the forms provided for by the legislation of Ukraine. (Section 4, Article 16).

8. Property imported into Ukraine as a contribution of a foreign investor to the statutory fund of enterprises with foreign investments (except goods for sale or own consumption) is exempt from customs duties.

At the same time, the customs authorities carry out the passage of such property into the territory of Ukraine on the basis of a promissory note issued by the company for the amount of the duty with a delay of payment for no more than 30 calendar days from the date of registration of the import cargo customs declaration.

The promissory note is repaid and the import duty is not paid if, during the period for which payment is deferred, the specified property is credited to the balance sheet of the enterprise and the tax inspectorate at the location of the enterprise makes a note of this on the copy of the promissory note.

The procedure for issuing, recording and repaying promissory notes is established by the Cabinet of Ministers of Ukraine. (Section 4, Article 18).

9. Disputes between foreign investors and the state on issues of state regulation of foreign investments and activities of enterprises with foreign investments are subject to consideration in the courts of Ukraine, unless otherwise determined by international treaties of Ukraine.

10. All other disputes are subject to consideration in courts and/or arbitration courts of Ukraine or by agreement of the parties - in arbitration courts, including abroad [17]. (Section 7, Article 26).

Taking into account contemporary difficult financial and political conditions, which have exacerbated many problems, in particular, large debts, an unfavorable investment climate, the Russian-Ukrainian war, the activity of TNCs can significantly improve the economic situation of Ukraine.

However, in any case, the main problem in the context of the activity of TNCs on the territory of Ukraine remains the absence of an appropriate legislative act that would clearly define the rules of conduct of TNCs on the territory of Ukraine. For the implementation of the measures of such an act, a proper organizational mechanism for its implementation is necessary, which would include the main goal, tasks and executors.

1.3 Advantages and disadvantages of TNCs' activity

It is important to find out the consequences of the expansion of TNC activities on the national market and to highlight the main directions of development of own TNCs. Particular attention should be paid to issues of economic security, which is understood as the state of the national economy, which makes it possible to meet the vital needs of the country in material goods, regardless of the occurrence of force majeure circumstances of a socio-political, economic or ecological nature in the world economic system or within the country. At the same time, in our opinion, there may be more negative economic consequences than advantages, and not only for the host country, but also for the base country. To the above, it can be added that foreign investors often "capture" the most promising and most developed sectors of the host countries and can impose their corporate culture, dangerous technologies, environmentally hazardous materials, etc. on national enterprises. In many countries, industries such as metallurgy, transport, shipbuilding, energy and telecommunications are closed to foreign investors because they are the basis of national economic security.

The main advantages of corporations related to the transnational nature of their activities and contributing to their further development are: increased efficiency and competitiveness; access to the resources of foreign countries; the use in one's own interests of the features of the state tax policy in different countries; extending the life cycle of its technologies and products; avoiding trade barriers through direct foreign investment; the use of transfer prices.

Today, TNCs have become integral subjects of international economic relations, as they bring huge fortunes, create thousands of jobs, and implement various benefits for underdeveloped countries. At the same time, they increasingly become objects of criticism by the mass media, state authorities, leading economic organizations, and public associations.

In general, threats and disadvantages from the activities of TNCs can be conditionally divided into four groups: environmental, economic, legal and social.

Environmental issues include the actually uncontrolled process of release of toxic substances from production into the atmosphere, pollution of water bodies, the issue of cleaning soil and water bodies from oil and its processing products. All these issues are touched by the TNC in the course of its activities. Often, due to lobbying by the government, TNCs allow themselves to commit environmental crimes and not bear any responsibility for it.

Economic threats are a set of economic and production factors that have led to or are a consequence of the activities of TNCs. So, for example, multinational corporations violate the rules of conducting fair trade, becoming monopolists in the industry, disregarding the rules of fair competition, making it impossible for small and medium-sized businesses to develop in a certain industry.

Among the legal crimes of TNCs are pressure on the political authorities in the receiving country to lobby for their interests, taking advantage of the shortcomings of the legislation of developing countries and thus avoiding tax burdens, exercising power over the population of underdeveloped countries and, as a result, easily avoiding responsibility for numerous offenses.

Among all business entities, the conduct of socially responsible business is the least characteristic of TNCs. Often, when setting up production in underdeveloped countries, multinational corporations do not take into account the social interests of workers, violating labor laws - there is excessive human labor, child labor. Crimes against human rights are often committed at such enterprises.

The activities of TNCs must be analyzed from the standpoint of both positive and negative consequences; when developing regulatory documents regarding the activities of TNCs, it is necessary to proceed primarily from the position of the country's national interests and national economic security; one should carefully approach the directions of investment activity of TNCs in the country, encouraging the inflow of foreign investments in priority development areas and limiting them to areas strategically important for the economic security of the country.

2 ANALYSIS AND EVALUATION OF PERFORMANCE OF FOREIGN COMPANIES IN UKRAINE

2.1 Analysis of the effectiveness and problems of TNCs' activity in Ukraine

To date, there are already 81,000 TNCs in the world, which have about 810,000 branches abroad, as well as a powerful network of local firms and companies that act as their TNC partners in various markets.

The aggregate foreign exchange reserves of TNCs are several times more than the reserves of all national banks. TNCs are large bureaucratic corporations that overcome risks within the corporate structure, keep huge cash flows under control, act as contractors at the state level, and attract world-class technologies.

An analysis of the sectoral development of TNCs showed a predominant connection with the banking, medical, fuel and engineering fields.

In Ukraine, foreign TNCs have the opportunity to operate in the main market segments, due to the non-competitiveness of domestic producers. The list includes - food, tobacco industry, consumer goods, advertising market, telecommunications. TNCs were able to take such a position during the redistribution of capital.

Among the most famous TNCs that have opened subsidiaries, branches and joint ventures in Ukraine, the Swedish-Swiss concern ASEA – Brown Boveri (ABB) in the electrical engineering industry, SKF – in mechanical engineering, Tetra-pak – packaging, Procter & Gambel, Unilever, Dow Chemical Company - in the chemical industry, "Lukoil" - in the oil refinery, Damen Shipyards - in shipbuilding. The tobacco industry is dominated by the investments of well-known American and British TNCs Reynolds, Philip Morris Inc., British American Tobacco, in brewing - investments by the consortium of Scandinavian companies Balticbeverage Holding, the Belgian TNC Interbrue. Subsidiaries of TNCs KraftJacobs, Nestle, Coca-Cola, Cargill operate in the food industry. And such world-famous multinational corporations as BP (British Petroleum) and Royal Dutch Shell made attempts to enter the oil market of Ukraine, but abandoned their

intentions to work in our country due to the instability of the regulatory legal framework and the high cost of work [23].

Today, the largest number of TNCs in Ukraine is represented in the processing industry. According to the results of 2020, most of them were profitable (Table 2.1). The best financial results were obtained by TNCs specializing in the tobacco and food industries, namely: JT International, PepsiCo and Philip Morris.

Table 2.1 - Financial results of TNCs in Ukraine for 2020*

№	Corporation	Branch	Revenue for 2020 (million USD).
1	JT International	tobacco	8203,7
2	Philip Morris	tobacco	6775.1
3	Imperial Tobacco	tobacco	5399.4
4	Bunge	agricultural	6723.7
5	ViOil	food	4459.8
6	Nestle	food	6728.5
7	Shell	oil and gas	5255.8
8	Toyota	industrial	5477.6
9	Procter&Gamble	chemical	6833.1
10	PepsiCo	food	7168,5

*Source: created by the author based on data [16]

Ukraine is of particular interest to TNCs in those industries in which competitive advantages over national companies are pronounced. For example, in 2020, the following sectors of the Ukrainian economy were the most attractive for TNCs and investors from EU and US countries: food industry and processing of agricultural products (16.3% of the total volume of direct foreign investments); trade (15.0%); financial sphere (9.1%); mechanical engineering (8.6%); transport (7.6%); real estate transactions (5.2%); pharmaceuticals and petrochemical industry (4.1%).

Analyzing the activities of foreign enterprises in Ukraine by economic sector, it should be noted that most of these enterprises are concentrated in trade, processing

industry, real estate operations, and construction. However, foreign companies do not seek to invest in high-tech industries, and most of the investments are directed to trade - an industry that allows you to quickly earn high profits.

It should be noted that TNCs are present in all segments of the national market, which, of course, improves the parameters of the national competitive environment, has a positive effect on micro- and macroeconomic dynamics. However, the problem of improving Ukraine's investment climate has not been solved today and remains extremely relevant, as the combination of inflation and GDP reduction causes investors to worry about business opportunities in Ukraine. In addition, there are significant problems in the field of lending to the real sector of the economy, corruption, complex customs procedures and the unknown results and consequences of the Ukrainian-Russian war are gaining dangerous proportions.

Also, it is worth emphasizing the fact that TNCs exert pressure on the policies of host states, interfere in their internal affairs, and bribe local officials in the interests of obtaining favorable orders and tax benefits. This leads to a number of problems, such as political scandals, corruption, tax abuse, attempts to apply the laws and other norms of the countries of origin of TNCs in their activities, refusal to recognize the exclusive jurisdiction of local courts, etc. Often TNCs, having their branches abroad at their disposal, try to displace national producers of a similar product from the market in order to gain monopoly positions and, as it turned out later, monopoly prices. One of the main tools of TNC tax avoidance is transfer pricing, which is used to transfer profits and reduce taxes. Having at their disposal their branches and subsidiaries abroad, TNCs, which are engaged in harmful production, often choose countries where there are no strict requirements for environmental protection, which leads to its pollution in the host countries.

2.2 The influence of foreign companies on the economy of Ukraine

Nowadays, one of the most important trends in the global economy is the strengthening of integration processes and the deepening of interaction between the reproductive structures of different countries, the intensity of which is largely related to the activities of transnational corporations. TNCs directly or indirectly influence socio-economic and political processes in the world. International companies significantly deepened the level of interdependence between countries, intensifying the process of international division of labor, specialization and cooperation of national economies. In the total volume of world trade, the majority share is occupied by the sale of goods and services of branches of foreign companies. TNCs account for the bulk of capital outflow in the form of direct foreign investments, as well as the largest expenditure of financial resources for the development of the latest technologies.

Since the sphere of activity of TNCs extends to almost all states of the world and types of economic activity, the stable development of an individual country in modern conditions of globalization is impossible without interaction with these companies.

For Ukraine, the attraction of direct foreign investment through transnationalization is very important, as it allows solving the issue of the competitiveness of the domestic economy, the development of the labor market, and raising the standard of living of the population. However, the achievement of the set tasks is possible only in case of simultaneous creation of favorable conditions for TNCs and protection of the national interests of Ukraine.

The contribution of transnational corporations to world business is significant and has several levels. First, they are the most active participants in the modern form of global division of labor and competition at the international level. Within certain states, they compete with local companies or other international companies for raw material and sales markets, as well as for local subsidies and other benefits.

TNCs have an impact on both home and host countries. Most of the countries that host branches of TNCs on their territory approve their activities and even compete with each other, as this ensures influx, creation of additional jobs, strengthening of internal trade, introduction of innovations, release of new types of products. The distribution of the main investors in Ukraine is given in the table 2.2.

Table 2.2 - The main investors in Ukraine 2020

Rating	Country	Projects	Share %	Jobs were created, units
1	Cyprus	27	12	217
2	Netherlands	26	12	733
3	United Kingdom	19	8	363
4	Germany	16	6	1755
5	Switzerland	16	6	1905
6	Austria	12	4	42
7	Virgin Islands	12	4	22
8	France	12	4	555
	Others	162	34	1407
	Total	292	90	6999

Source: created by the author based on data [17]

Analyzing of the activities of TNCs in Ukraine makes it possible to identify a number of positive and negative factors affecting the country's economy. Positive factors include:

1. Improvement of the production base of Ukraine. Production of goods and services by foreign companies on the territory of the country leads to the construction of new enterprises, modernization or expansion of existing ones;

2. Implementation of achievements of scientific and technical progress in the country. The import of technologies into the country makes it possible to improve the quality of products, increase its level of competitiveness on world markets and, as a result, contributes to the growth of exports. The appearance of goods and services with progressive characteristics encourages domestic manufacturers to

adapt to market conditions. Under certain circumstances, innovative technologies make it possible to improve the working conditions of workers and the ecological situation in the country;

3. Facilitating the restructuring of the economy. The activities of TNCs are closely related to the global economic situation, which determines the supply and demand for goods and services. The functioning of international companies on the territory of Ukraine has led to a change in the structure of types of economic activity. First of all, sectors of the economy related to the food and tobacco industry, trade, finance, energy and telecommunications, i.e., industries with fast turnover of capital and secured sales markets, gained significant development;

4. Strengthening the processes of internationalization and globalization. The functioning of transnational corporations in Ukraine leads to the activation of the involvement of the domestic economy in global processes and access to new markets for goods and services.

The disadvantages of the activities of transnational corporations in Ukraine are closely related to the existing advantages for the country. The main disadvantages include:

1. In many cases, transnational corporations use the Ukrainian economy as a raw material base, transferring technologies that don't correspond to their level of development to Ukrainian partners with strict sales restrictions;

2. Conducting business in types of economic activity that are beneficial to international companies and not to the economy of Ukraine. Along with the active activity of TNCs in industries with fast turnover of capital and secured sales markets, there is an insufficient level of investment in other types of economic activity, which are very important for the Ukrainian economy;

3. TNCs demonstrate their social responsibility in Ukraine, but in practice, certain rights of the national workforce are very often violated, shortcomings of Ukrainian legislation in the field of environmental protection, etc. are used;

4. International companies avoid paying taxes by transferring capital internally to countries with a lower level of taxation. The State Tax Service of

Ukraine raised the issue of solving problems with tax evasion by national and international companies through transfer pricing mechanisms.

The attraction of transnational corporations to Ukraine, as well as the optimal distribution of foreign direct investments by types of economic activity, is possible only if the investment climate in the country improves. The set of measures to solve the presented task should include:

1. Overcoming bureaucratic barriers and corruption, which will ensure a clear legal field of investment activity. Compliance of Ukrainian legislation with modern norms of the world economy in the field of investments, clarity of legislation and compliance with its norms will contribute to the improvement of the investment climate and, as a result, the growth of foreign direct investments;

2. Implementation of tax and customs benefits, grants, subsidies, subventions, budget loans. These measures will allow not only to attract additional foreign investments, but also stimulate foreign companies to develop priority types of economic activity for the Ukrainian economy. Along with this, there is a need to create such conditions that would not limit the opportunities of domestic manufacturers as a result of receiving certain preferences by foreign companies;

3. Macroeconomic and political stability, which will positively affect the image of Ukraine as an investment-attractive country;

4. Increasing the standard of living of the population in Ukraine, which will lead to an increase in the demand for goods and services of international companies and will encourage them to develop industrial enterprises on the territory of the country.

In the modern world, along with the involvement of foreign companies in the economy of Ukraine, there is a need to create their own transnational structures. Because if Ukraine can create prerequisites for building powerful financial and industrial groups similar to their international competitors, then they will be able to conduct an active foreign economic policy.

2.3 Assessment of the development of leading TNCs at the Ukrainian market

The influence of corporations on national economies is extremely significant. TNCs account for a large part of foreign investments, and according to UN data, they amount to more than 2 trillion dollars [18]. Restraining the process of globalization of the world economy at the moment is practically impossible, because the main feature of this process is an increasingly free flow of capital between countries. According to Fortune magazine, the considered 500 largest multinational corporations in the world represent 36 countries, and the employees of these corporations are 65 million people. The largest 100 TNCs have annual sales from \$6.5 billion to \$410 billion [15].

Table 2.3 - Top 10 largest TNCs in the world 2022

№	Company	Country	Category	Market capitalization (USD)
1	Apple	USA	computer equipment	2.21 tril
2	Saudi Aramco	Saudi Arabia	oil refining	2.18 tril
3	Amazon	USA	Internet marketing	1.12 tril
4	Berkshire Hathaway	USA	investment services	586.8 bil
5	JPMorgan Chase	USA	banking	328.7 bil
6	Toyota Motor	Japan	engineering	257.2 bil
7	ICBC	China	banking	253.5 bil
8	Bank of America	China	banking	252.9 bil
9	China Construction Bank	USA	banking	179.1 bil
10	Agricultural Bank of China	China	banking	155.2 bil

Source: created by the author based on data [15]

Mergers, sales and acquisitions of companies in different countries are no less important today. An international market for these transactions is emerging. For

modern deals on these processes, it is not necessary that the stronger company destroys the weaker one. Increasingly, these agreements are made by profitable firms and equal market participants. Their main goal is to do everything possible to have advantages compared to competitors, to meet modern standards and scales, technical level and new production technologies, to minimize losses during independent existence.

Since gaining independence, Ukraine has embarked on the path of market transformations, one of the directions of which is the active attraction of foreign investments. However, the pace of economic reforms and the results of attracting foreign capital to Ukraine are quite slow. The effectiveness of engagement is influenced by certain factors, namely:

1. Limiting the share of foreign ownership in the authorized capital of certain enterprises;
2. Foreign investors are forced to go through the procedure of obtaining a permit at the Antimonopoly Committee;
3. The general high level of taxation and the complexity of the tax and fee procedure.

Despite the difficult situation, at the moment, 35 corporations operate in Ukraine, and they manage approximately 8,000 branches and subsidiaries. TNCs concentrate their activities mainly in such industries as food, tobacco, chemical, and oil and gas. In Table 2.4 lists the largest companies investing their resources in Ukraine. The largest investor among the above is McDonalds, the most famous company in the food industry, which invested UAH 225 million in 2020. Companies such as Nestle, British American Tobacco, and British Petroleum occupy a leading position.

Table 2.4 - The largest companies that invested in subsidiaries of Ukraine in 2020

№	Corporation	Country	Field of production	Investment volumes (million UAH)
1	McDonalds	USA	Food Industry	225

Continuation of Table 2.4

№	Corporation	Country	Field of production	Investment volumes (million UAH)
2	Nestle	Switzerland	Food Industry	198.2
3	British American Tobacco	United Kingdom	Tobacco industry	185.6
4	British Petroleum	United Kingdom	Oil and gas industry	164.5
5	Procter&Gamble	USA	Chemical Industry	156.8
6	Shell	Netherlands	Oil and gas industry	147.9

Source: created by the author based on data [19]

The activity of TNCs is accompanied by a large number of positive aspects for Ukraine. TNCs contribute to the development of the country, this is accompanied by an increase in efficiency and renewal of the production process, the introduction of innovative technologies, and the facilitation of communication between countries. The number of jobs is also increasing through the opening of branches and subsidiary companies in the country.

Thus, the involvement of TNCs in the country opens up both advantages and threats for the development of national production. Ukraine has great potential in interaction with transnational corporations. However, it is necessary to carry out a number of changes and reforms in the economic and legislative sphere in such a way as to increase the investment attractiveness of our country and to interest foreign TNCs and not to cause obstacles to the development of our own production.

3 METHODS OF DEVELOPMENT OF ACTIVITIES OF FOREIGN COMPANIES AT THE UKRAINIAN MARKET

3.1 Formation of general goals for TNCs

The entry of foreign investors into the world market begins with activity alternatives: where to direct their activities, what form of foreign operations to choose, how to build the organizational structure of the corporation to ensure the creation of certain goods or services within the framework of specific (market) limitations in costs (productivity) and retained earnings (profitability).

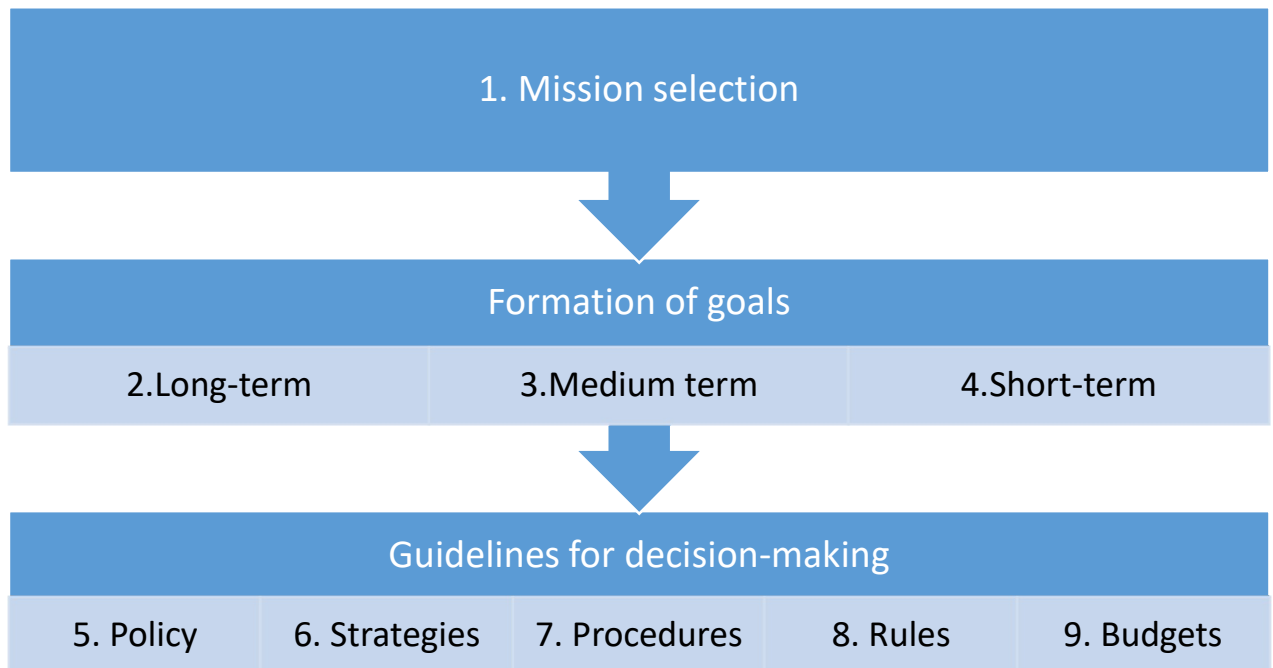


Figure 3.1 - Formation of mission and goals of the TNC

After the choice is made, the company's mission is determined, as well as adequate to the specific conditions of functioning, the ranking and interconnection of goals within the framework of the so-called "tree of goals" so that each of them does not contradict, but ensures the implementation of other goals and the mission announced by the company. Then a strategy is developed, that is, a detailed comprehensive plan designed to ensure that the company's mission and goals are

achieved. The formation of a strategic plan is, in fact, a systematic preparation for the future.

The main goal of every TNC as a form of entrepreneurial business is to make a profit. It is also indisputable that profit is important for the survival of the company in the conditions of the world market. But in order to make a profit, the company must determine and implement the status, strategic direction and strategic orientations of activity and formulate:

1. General goals in such areas as market share, development of new products, quality of services, training and selection of managers, social responsibility, etc.;
2. Specific goals from the main types of activities, directions, functions of management;
3. Purposes of branches and subsidiaries.

The goals of TNC divisions must be coordinated and make a specific contribution to the goals of the organization as a whole, and also not contradict the goals of other divisions. In this system of goals, on the one hand, profit is a means of achieving all the goals that ensure the company's prosperity, its competitiveness, on the other hand, achieving specific goals is a condition, a way to make a profit. Therefore, in the activity of TNCs, as a rule, profit is considered, especially in the long term.

For TNCs, long-term goals are especially important, for example, market penetration and winning a certain share of it; adaptation of products to the specifics of a particular market; determination of future world opportunities and dangers (taking into account global trends in world development).

When forming goals, a transnational company should cover a wide range of directions and indicators of its activity.

According to the above, it is possible to form the basis of indicators for the formation of TNC goals:

1. Profitability. The level of profits. Profit on fixed assets, invested capital, from shares, from sale. Annual profit growth. Annual growth in earnings per share;

2. Marketing. Total sales volume. Market share - at the global, regional, and national levels. Increase in sales volume. Market share growth. Integrating national markets to improve marketing efficiency and productivity;

3. Production. The ratio of the volume of foreign production to the volume of domestic production. The effect of scale due to the international integration of production. Quality and cost control. Implementation of effective production methods;

4. Finances. Financing of foreign branches - at the expense of profits retained by the branches or local loans. Taxation — minimizing the tax burden at the global level. Optimal capital structure. Regulation of currency circulation — minimization of losses due to exchange rate fluctuations;

5. Technology. The type of technology intended for transfer abroad and which belongs to the new or old generation. Adaptation of technology to local needs and circumstances;

6. Personnel. Educating leaders with a global orientation. Education of leaders from the local population;

7. Research works. Introduction of patentable goods. Implementation of patentable production technology. Geographical distribution of research laboratories;

8. Environment. Harmony with the environment. Compliance with local legislation on environmental protection.

Due to the rapid development of integration processes and a significant socio-economic effect, national economies cannot avoid the influence of TNCs, but state governments can regulate the level of their presence. Such regulation takes place at least at four levels: supranational; interstate; domestic; public

3.2 Methods of solving current problems of foreign investors

Scientists and practitioners of the modern age confirm the objective expediency of the freedom of activity of TNCs in the territory of Ukraine, because it opens up opportunities for attracting foreign investments. Moreover, the creation of a favorable investment attractiveness is a priority task of the country today, the solution of which will depend on the socio-economic development and the nature of modernization.

Regarding the confirmation of these words, Ukraine attracts investors with the availability of raw materials, as well as significant reserves of many types of raw materials (coal, iron, manganese ore, sulfur, mercury, uranium, etc.) and the availability of equipment for their extraction, as well as relatively cheap labor, which is an unstoppable factor for the activity of TNCs in the territory of Ukraine.

However, these factors are not enough for a full-fledged inflow of foreign investors. Currently, Ukraine holds less than 1 percent of global investments, this is a very low indicator, and all because of a number of initial circumstances:

1. Outdated legislative framework that does not allow TNCs to enter the national market in a meaningful way and doesn't have full control;
2. An unadopted taxation system, due to which international companies resort to tax evasion through the mechanism of transfer pricing or the transfer of capital to countries with a lower level of taxation;
3. The country's low economic level, due to which foreign investors consider the population insolvent;
4. High level of corruption, it also affects the security guarantees of TNCs;
5. Lack of a high level of technical support in the country, because of this, mostly TNCs in the trade sphere and processing industry operate in Ukraine;
6. Military actions on the basis of the Russian-Ukrainian war, which in no way can guarantee the security of the business of international investors.

The attraction of TNCs to Ukraine, as well as the optimal distribution of foreign direct investments by types of economic activity, is possible only if the investment climate in the country improves, getting rid of the above-mentioned problems. It is necessary to start with overcoming bureaucratic barriers and corruption, which will ensure a clear legal field for investment activities. Compliance of Ukrainian legislation with modern norms of the world economy in the field of investments, clarity of legislation and compliance with its norms will contribute to the improvement of the investment climate and, as a result, the growth of foreign direct investments, tax and customs benefits, subsidies, budget loans should also be introduced, and the technical base of the country should be improved. All these measures will allow not only to attract additional foreign investments, but also stimulate foreign companies to develop priority types of economic activity for the Ukrainian economy. However, during the Russian-Ukrainian war, fulfilling these needs is almost impossible.

In case of Ukraine's victory in the war and moving forward, it is most likely that foreign investments will go to the country with a new force, and precisely because of this, one should not forget the following aspects, namely, the fact that the opening of its representatives leads to the dominance of TNCs over national producers, and leads to the elimination of the national producer of goods, in addition, transnational corporations appreciate the opportunity to seize the most promising sectors of the economy. The main drawback is that TNCs can use outdated technologies for production and place harmful production without observing ecological standards on the territory of our country. Based on the above-mentioned policy of the Government of Ukraine, it should be aimed at using all the positive opportunities of TNC activities, and at neutralizing all the negative consequences of their activities, it should be based on the determination of national development priorities, and should not be aimed at providing tax benefits or imposing restrictions on operations.

CONCLUSION

The qualification paper provides a definition of a transnational corporation and analyzes the main reasons for the active development of TNCs. Transnational corporations (TNCs) are economic entities international in nature and composition of activity, which function thanks to the principles of corporate ownership with a joint-stock form of management and distribution of profits in the international arena. They have a direct impact on socio-economic and political processes throughout the world.

Based on the UNCTAD methodology, it was found out what criteria a firm must meet in order to be called a TNC. It is considered what types of transnational corporations exist, according to which basic principles TNCs carry out their activities, into which groups transnational corporations are divided. It was found that TNCs provide about 50% of the world's industrial production. TNCs account for more than 70% of world trade, and 40% of this trade takes place within TNCs.

Based on the analysis of the legislative framework of Ukraine, the features of the foreign investment regime were identified. And its problems were determined, because there is still a lack of a corresponding legislative act that would clearly define the rules of conduct of TNCs on the territory of Ukraine.

The main advantages and disadvantages of TNC activity were determined. The main disadvantages include the following groups: environmental, social, economic and legal. Among the advantages: economic security, which means the state of the national economy, which makes it possible to meet the country's vital needs in material goods, new jobs. The activities of TNCs must be analyzed from the standpoint of both positive and negative consequences; when developing regulatory documents regarding the activities of TNCs, it is necessary to proceed primarily from the position of the country's national interests and national economic security

It was found that the most popular sectors of investment in Ukraine include: food industry and processing of agricultural products, trade, finance, engineering, transport; real estate transactions, pharmaceutical and petrochemical industries. Analyzing the activities of foreign enterprises in Ukraine by sectors of the economy, it should be noted that most of these enterprises are concentrated in trade, processing industry, real estate transactions, and construction.

According to the latest research data, the TOP of the largest TNCs in the world was determined, which included: Apple, Saudi Aramco, Amazon, Berkshire Hathaway, JPMorgan Chase, Toyota Motor, ICBC, Bank of America, China Construction Bank, Agricultural Bank of China. The main investors by country for Ukraine were: Cyprus, Netherlands, United Kingdom, Germany, Switzerland, Austria, Virgin Islands, France.

It was found that the following factors influence the effectiveness of interaction between the investor and the country:

1. Limiting the share of foreign ownership in the authorized capital of certain enterprises;
2. Foreign investors are forced to go through the procedure of obtaining a permit at the Antimonopoly Committee;
3. The general high level of taxation and the complexity of the tax and fee procedure.

Based on the analysis, it was found that the main goal of every TNC as a form of entrepreneurial business is to make a profit. It is also indisputable that profit is important for the survival of the company in the conditions of the world market. But in order to make a profit, the company must determine and implement the status, strategic direction and strategic orientations of activity and formulate:

1. General goals in such areas as market share, development of new products, quality of services, training and selection of managers, social responsibility, etc.;
2. Specific goals from the main types of activities, directions, functions of management;
3. Purposes of branches and subsidiaries.

It was determined that, it is possible to form the basis of indicators for the formation of TNC goals: profitability, marketing, production, finances, technology, personnel, research works, environment.

It should also be mentioned that Ukraine attracts investors with a significant supply of raw materials and relatively cheap labor. But this is not an exclusively positive factor, therefore, in order to more successfully attract investment to the Ukrainian market, the following solutions were thought out:

1. Carrying out adaptation of the new legislative framework;
2. Reform of the taxation system;
3. Arrangement of a new level of technical support;
4. Reform of anti-corruption departments;
5. Don't allow TNCs to occupy the key industries of the state.

These are the actions that will need to be adapted to have an impact on successful investment policy. (all of these points must be considered in non-war time, otherwise, this will not lead to any changes).

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ANNEX A

SUMMARY

Suhovitruk I. V. Efficiency and problems of foreign companies' performance at the Ukrainian market. – Masters-level Qualification Thesis. Sumy State University, Sumy, 2022.

The master's qualification work focused on effectiveness and problems of the activity of foreign companies on the Ukrainian market. An analysis of the main factors affecting investment activity was carried out. The main aim of this research is to develop a recommendation for increasing the efficiency of foreign investments and finding a certain method for solving the main problems of investors.

Keywords: foreign company, TNC, globalization, international business, economic growth, investment, foreign investors.

АНОТАЦІЯ

Суховітрук І. В. Ефективність і проблеми діяльності іноземних компаній на українському ринку. – Кваліфікаційна магістерська робота. Сумський державний університет, Суми, 2022 р.

У роботі досліджено сутність ефективності і проблематики діяльності іноземних компаній на українському ринку. Проведений аналіз основних факторів, які впливають на інвестиційну діяльність. Основною метою цього дослідження є розробка рекомендації щодо підвищення ефективності іноземних інвестицій та знаходження певної методики вирішення основних проблем інвесторів.

Ключові слова: іноземна компанія, ТНК, глобалізація, міжнародний бізнес, економічне зростання, інвестиції, іноземні інвестори.