FACULTY OF ECONOMICS TUL

Master Thesis

Development Trends of Transnational Corporations

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Master Thesis Assignment Form

Development Trends of Transnational Corporations

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- IETTO-GILLIES, Grazia, 2019. *Transnational Corporations and International Production*. Concepts, Theories and Effects, Third Edition. Cheltenham, UK: Edward Elgar Publishing. ISBN 978-1-78811-715-9.
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Vývojové Trendy Nadnárodních Korporací

Anotace

Diplomová práce zkoumá současné a budoucí trendy v oblasti nadnárodních korporací po celém světě. Zaměřuje se na zdanění nadnárodních korporací a zkoumá obtíže, kterým čelí. Dále zkoumá partnerství těchto firem s jednotlivými zeměmi a jejich schopnost ovlivňovat země prostřednictvím přímých zahraničních investic (FDI). Nadnárodní korporace také mají významný vliv na svět skrze spolupráci s mezinárodními organizacemi. Práce diskutuje potenciální dopady těchto trendů na provoz a strategii nadnárodních korporací pomocí konkrétních příkladů.

Klíčová Slova

Nadnárodní korporace, Přímé Zahraniční Investice, Vyhýbání se Daňovým Povinnostem, Globální Ekonomika

Development Trends of Transnational Corporations

Annotation

The diploma thesis looks on current and future trends in the field of transnational corporations around the world. The focus of thesis is taxing of transnational corporations and examine the difficulties they face. It also explores these businesses' partnerships with countires and their ability to influence countries through foreign direct investment (FDI). Transnational corporations also wield significant influence on the world through their collaboration with international organizations. The thesis discusses the potential effects of these trends on the operations and strategy of transnational corproations using specific examples.

Key Words

Transnational Corporation, Foreign Direct Investment, Tax Avoidance, Global Taxation, Global Economy

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List of Abbreviations

ADI	Apple Distribution International
AI	Artificial intelligence
ALP	Arm's length principle
AOE	Apple Operations Europe
AOI	Apple Operations International
ATAD	Anti-Tax Avoidance Directive
ASI	Apple Sales International
BEA	Bureau of Economic Analysis
BEPS	Base Erosion and Profit Shifting
BVI	British Virgin Islands
CEBA	Clean Energy Buyers Association
CFC	Controlled Foreign Company
CVL	Corporate Venture Launchpad
CSR	Corporate Social Responsibility
EU	European Union
ETDZ	Economic and Technological Development
FAI	Fixed Asset Investment
FDI	Foreign Direct Investments
FTZ	Free Trade Zones
FSC	Forest Stewardship Council
GDP	Gross Domestic Product
GFTN	Global Forest & Trade Network
HQ	Head Quaters
HTDZ	High-Tech Industrial Development Zones
ICT	Information and Communication Technologies

IMCO	Internal Market and Consumer Protection Committees
IT	Information Technology
ITEP	Institue on Taxation and Economic Policy
JURI	European Parliament's legal affairs
MEPs	Members of the European Parliament
MNC	Multinational Corporatio
NGO	Non-Governmental Organizations
OECD	Organization for Economic Cooperation and Development
P&G	Procter and Gamble
R&D	Research and Development
RTC	Renewable Thermal Collaborative
SEZ	Special Economic Zones
SDGs	Sustainable Development Goals
TBE	Total Business Expenditure
UN	United Nations
US	United States
USD	United States Dollar
WEF	Wold Economic Forum
WWF	World Wildlife Fund

Introduction

Transnational corporations (TNCs) have become important players in world economy as a result of globalization. These corporations, which have significant influence over international trade and investment, are characterized by the United Nations Conference on Trade and Development (UNCTAD) as parent firms and their overseas affiliates. Originating with economists like Coase and Hymer, transnational corporations (TNCs) operate across national borders and ownership systems, wielding significant economic influence.

Major foreign direct investments (FDIs) are how transnational corporations (TNCs), make their profits and establish their dominance in the global market. They function as separate entities, vertically integrated organizations, and horizontally integrated organizations. Though TNCs unquestionably aid in technological transfer, job creation, and economic growth, they are also criticized for their role in political influence, tax evasion, and labor abuse, especially in developing nations.

TNCs have an impact on social environments, trade dynamics, and global politics in addition to economic domains. Although transnational corporations (TNCs) have the potential to fuel economic growth and technological innovation, their activities frequently raise moral and legal questions, underscoring the complexity of their roles as globalization's catalysts. Understanding the diverse consequences of transnational corporations (TNCs) is crucial for maneuvering through the complex relationship between economic advancement and social welfare, particularly when the world economy keeps changing.

The methodology of this study first involves clearly defining objectives, to guide the investigation into the development trends of Transnational Corporations (TNCs). Subsequently, a thorough literature review will be conducted to establish a theoretical foundation in areas such as TNC behavior, organizational structure, strategic decision-making, technological advancement, market competition, and corporate social responsibility. Data collection will encompass financial data and market share information, as well as case studies of TNCs across various industries and regions. The results will be evaluated to address the impact questions of TNCs' development trends.

The aim of this thesis is to conduct an analysis of current and future trends in the development of transnational corporations and to comprehend their position within the global economy. The study focuses on a detailed examination of the factors influencing the behavior and strategies of these corporations in today's environment, as well as forecasting potential trends of their future development.

The theoretical part of this study will provide an in-depth exploration of the background and intricacies of transnational corporations (TNCs), emphasizing their close relationship with Foreign Direct Investment (FDI). It will delve into the theoretical underpinnings of how TNCs operate across borders, utilizing FDI as a key mechanism for their expansion and growth strategies. Additionally, the theoretical framework will address the concept of tax avoidance within the context of TNCs, examining the various theoretical perspectives and models that shed light on the motivations and mechanisms behind such practices.

In the practical part, the focus will shift towards identifying potential future developments that could significantly impact TNCs and their operations. One such development is the evolving landscape of global taxation, including efforts to establish more uniform tax regulations and curb tax avoidance practices by transnational corporations. Moreover, the section will discuss the anticipated trends in global economic development, particularly regarding FDI flows and their implications for TNCs' strategies and investments. Additionally, the role of TNCs in partnerships and collaborations with international organizations will be explored, highlighting the potential for synergies and mutually beneficial outcomes. Lastly, the practical analysis will consider the significance of TNCs' market capitalization as a measure of their influence and resilience in the face of evolving economic and geopolitical dynamics.

1 Transnational Corporations

One of the most notable effects of globalization has been the rise of transnational or multinational corporations (TNCs) in international business. These organizations play an important role in pushing and extending internationalization processes in the global arena. Transnational firms have emerged as a strong and dominant force in today's global economy, owing to scientific and technological breakthroughs. (Kordos and Vojtovic, 2016)

Transnational corporations play a critical role in international economics, directly influencing growing global business trends, the competitive landscape of international marketplaces, and the economy of many states and nations. In today's volatile global economic climate, these firms play an important role in supporting long-term economic growth and increasing global competitiveness. TNCs' theoretical foundations may be traced back to the English neoclassical economist Coase, which was expanded upon by S. Hymer. (Kordos and Vojtovic, 2016)

According to (Wei, 2017) There isn't an accepted, single definition of a transnational corporations since transnationality has multiple facets and may be seen from a variety of angles, including political, legal, and economic. For example the United Nations Conference on Trade and Development (UNCTAD) defines transnational corporations as entities made up of parent companies and their foreign affiliates. These corporations function as legal entities with a variety of ownership forms, including private, public, and mixed ownership. (Kordos and Vojtovic, 2016) These corporations may be owned by entities from both the host and home countries, and they frequently operate as joint-stock companies in a hierarchical holding structure. According to the UNCTAD's World Investment Report, about 40,000 TNCs and their foreign affiliates jointly exercise significant power over global trade. (Kordos and Vojtovic, 2016) While the United Nations uses the term "TNC" to refer to all transnational firms, the term "transnational" is typically reserved in the international business literature for a specific kind of integrated transnational firm that seeks to be globally coherent in its operations while also being locally responsive. (Lundan, 2015) The dominant control over global trade and investment, however, rests in the hands of a few hundred megacorporations, each with economic clout greater than that of the majority of countries. (Cavangh and Leaver, 1996)

The great majority of transnational corporations, including both multinational and transnational entities, conduct their international activities primarily through foreign direct investments (FDIs) in various countries around the world. By investing abroad, these TNCs have significantly boosted their earnings in recent years, transforming into unmatched and dominant multinational economic behemoths. Today, a large amount of what is popularly referred to as "foreign trade" is the movement of goods and capital within these globally interconnected firms. Their primary purpose is to increase profitability across the entire network, which includes various divisions of the global organization. (Kordos and Vojtovic, 2016) Transnational corporations using significant earnings for research and development. They have enormous influence over technology adoption by establishing business networks, ultimately expanding their global reach. (Zadražilová, 2007)

The phrase "transnational corporation" refers to both qualitative and quantitative qualities. Qualitatively, these corporations engage in structured activities across many countries, have goals that transcend national borders, and largely operate in the economic domain, with a significant amount of their activities remaining non-political. (Smolík, 2014)

Transnational corporations, are primarily concerned with maximizing profits, which are facilitated by their great geographic flexibility and adaptable organizational structures. They rose to prominence, particularly in the later half of the twentieth century, as critical components of the global economy. Currently numbering in the tens of thousands, they exercise tremendous influence over global output, with the largest exceeding the GDP of the poor nations in which they operate. (Smolík, 2014)

Transnational corporations provide benefits such as establishing peaceful relations between nations through profit-seeking behavior, driving globalization in the international economy, and influencing the regulatory landscape. They also contribute to increasing global trade volumes, raising investment money, promoting R&D projects, advocating for free trade principles, and assisting in the reduction of trade barriers such as tariffs. Furthermore, by paying taxes in host countries, they help to boost state budget revenues, increase employment rates, improve workforce skills, provide markets for locally manufactured goods, offer market insights, and engage in widespread advertising, all of which lead to increased profits and wealth. (Smolík, 2014)

Disadvantage of transnational corporations is that they have the ability to undermine national sovereignty and autonomy, particularly in developing countries. They may support authoritarian governments in the name of stability and order, resulting in a reliance on technologies, capital, and knowledge from more industrialized countries. Furthermore, they can influence a country's economic direction and developmental trajectory, degrade local cultures and national identities, promote Western consumerist values around the world, and introduce "cultural pollution" through advertising. They may also reduce workers' pay, damage local firms, increase poverty, and contribute to the creation of an oligopolistic global economy that limits competition and free enterprise. They may also control manufacturing and distribution, impose financial loads, export dangerous technologies, and secretly form cartels, all of which can lead to inflation. (Smolík, 2014)

Multinational corporations (MNCs) are large businesses that operate in multiple states. They often have a centralized organization, with a parent corporation in charge of operations and research and subsidiaries spread across multiple nations. MNCs may or may not feel a strong feeling of loyalty or obligation to the citizens of the countries in which their subsidiaries reside. On the other hand Transnational corporations (TNCs) are companies that make direct investments in more than one country and possess or control income-generating assets in numerous nations. (Sprague and Ietto-Gillies, 2014) TNCs account for the majority of direct foreign investment and frequently participate in international production. They are distinguished by their size, breadth of operations, structure, organization, and perception of the global economy. (Nicula and Nicula, 2015)

The fundamental difference between TNCs and MNCs is that TNCs retain their financial headquarters abroad to avoid taxes, which can result in a lack of financial accountability to the states in which they perform their principal operations. This can be cause for international concern because TNCs may lack a sense of loyalty or duty to the citizens of the nations in which their subsidiaries operate. This can result in branch plants being shutdown during economic downturns rather than in their home country. (Nicula and Nicula, 2015)

TNCs are frequently more important economic actors in global politics than many states, and their mobility enables them to create subsidiaries in countries with the most favorable commercial conditions. This can provide them enormous bargaining power with host governments, which may be reliant on the jobs provided by TNCs. This raises worries about exploitation, especially in poor countries with weak economies. (Nicula and Nicula, 2015)

1.1 Typology of Transnational Corporations

The size of transnational corporations varies according to the magnitude of their operations, with yearly turnover frequently serving as the benchmark. Large transnational firms sometimes have a large number of divisions, sometimes in the tens or even hundreds, whereas small transnational corporations typically have 3-4 international branches. This contrast highlights the considerable disparity in breadth and impact between these corporations. (Kostruba, 2022)

Furthermore, large and small multinational firms might be classified as transnational corporations under certain conditions. This classification emphasizes their cross-border activity and their influence on global markets and economies. (Kostruba, 2022)

Also, transnational corporations employ a wide range of organizational systems. Joint-stock firms, for example, are typically categorized into three major categories (Kostruba, 2022):

- Horizontally integrated TNCs: These corporations manage branches across different countries that produce similar products. They often leverage economies of scale and scope to streamline operations and enhance efficiency.
- Vertically integrated TNCs: Characterized by having a single owner, these corporations consolidate operations under unified management and control. They typically oversee branches within a single country, producing goods that are then exported to other countries. This vertical integration allows for greater control over the production process and supply chain.

- Separate TNCs: Branches of these corporations are dispersed across different countries, yet they lack both vertical and horizontal associations. This decentralized structure may arise from strategic considerations or regulatory requirements in various jurisdictions.

1.2 Transnational Corporations in World Economy

Transnational businesses (TNCs) shape and advance the world economy by affecting the distribution of labor and capital. These firms operate beyond the borders of particular countries, putting profit maximization over local economic dynamics. TNCs play an important role in promoting economic advancement in developing countries by attracting significant foreign direct investment, creating jobs, and stimulating local economies through the procurement of products and services. However, the connection between TNCs and developing countries is frequently marked by exploitation, which stems from TNCs' enormous financial and technological advantages, compounded by concerns like as poverty, labor challenges, and governance shortcomings in many developing regions. Investment agreements between TNCs and developing countries usually favor companies, resulting in unequal terms. In addition, TNCs have been linked to unethical actions such as tax evasion, damaging their business ethics. (Kostruba, 2022)

While companies play an important role in promoting economic development by providing jobs and contributing through tax payments, they also have social duties to the countries in which they operate. These obligations extend to the business community and the local public, requiring adherence to core principles like as upholding the law, combatting corruption, supporting human and workers' rights, and safeguarding the environment in their working areas. (Shaqiri et al., 2019)

The impact of transnational corporations (TNCs) on countries, particularly those in less industrialized regions, extends beyond economic prowess and pricing manipulation. TNCs wield power by directly engaging with government officials, participating in national economic policy decisions, supporting political parties, and resorting to bribes. TNCs also seek cooperation from rich governments to further their interests in less industrialized countries, occasionally resorting to military action. (Shaqiri et al., 2019)

Transnational corporations (TNCs) have tremendous impact in the global economy, as evidenced by the fact that around three-quarters of global trade takes place inside their sphere of activity. TNCs are regarded as key drivers of globalization, with a focus on increasing efficiency and promoting growth. Their impact on the global landscape includes transnationalization processes, the flow of foreign direct investment (FDI), social and economic accountability, and dealing with global risks and limits. TNCs play an important role in shaping the interconnected world economy, influencing trade dynamics, and contributing to global opportunities and problems. (Kordos and Vojtovic, 2016)

The changing face of the global economy, fueled by technological breakthroughs, trade liberalization, and increasing capital mobility, has enabled the expansion of Transnational Corporations (TNCs) and prepared the way for the emergence of wholly new corporate structures. Unlike in the past, when large-scale operations and significant resources were required for international expansion, today's environment allows small and medium-sized businesses to transform into TNCs, with international new ventures developing as a key trend. The defining feature of these TNCs is not only the size of their activities, but also their organizational capabilities, which enable efficient resource allocation and worldwide process coordination. TNCs are now defined as businesses made up of a parent corporation and its foreign affiliates that engage in operations that cross national borders, though not necessarily across multiple nations. These firms are structured, integrated, and directed by headquarters in their native nation, demonstrating a high level of organizational sophistication and global operational efficiency. (Jaworek and Kuzel, 2015)

Transnational firms are among the most significant economic entities in the world. According to estimates, the top 300 TNCs own or manage at least a quarter of the world's total productive assets, which are worth roughly $5 trillion. These firms exert considerable power in today's globalized world economy. Many TNCs have financial resources and influence that outweigh those of the nations attempting to control them. Corporations have grown at an exponential rate as a result of mergers and acquisitions, with some of the largest TNCs now producing annual profits that exceed the GDPs of many low and middle-income nations. This platform focuses into the manner in which TNCs dominate the global economic landscape and exercise significant power over global policymaking. The combined annual sales of TNCs rival or exceed the yearly GDP of most countries. (Shaqiri et al., 2019)

1.2.1 Major Problems and Possitives of Transnational Corporations in World Economy (by Sector)

Problems can be identify as labor exploitation, tax avoidance and political influence. Positives of TNCs in world economy can be economic growth, technology transfer and employment opportunities.

Labor Exploitation: Transnational corporations commonly seek to cut costs by shifting production to locations with fewer labor regulations and pay. This technique can lead to worker exploitation, which includes inadequate working conditions, low pay, and restricted labor rights. Corporations prioritize profit development by seeking cost-effective solutions, which frequently include investing in places with low labor costs and less severe environmental regulations. For economically challenged countries, foreign direct investment (FDI) frequently represents a critical outlet for job development. (Kordos and Vojtovic, 2016)

Tax avoidance: Transnational businesses (TNCs) routinely use sophisticated tax methods to reduce their tax liabilities, such as shifting profits to jurisdictions with lower tax rates. This approach reduces the tax money available to host countries, affecting the delivery of public services and infrastructure. In terms of international taxation, TNCs use a variety of techniques to distribute earnings among group businesses in order to decrease their total corporation tax burden. These tactics, while theoretically lawful and classified as tax avoidance rather than tax evasion, might require complex procedures designed to take advantage of the complexities of national tax systems and treaty agreements. Transnational corporations use strategies such as tax havens, transfer pricing, strategic management of intellectual property in low-tax regions, profit shifting through internal loans, treaty shopping, risk transfer, avoidance of permanent establishment status, strategic asset sales in low-tax jurisdictions, the Dutch Sandwich, and the Double Irish to optimize their tax positions and minimize tax liabilities. (Beer et al., 2018)

Political influence: Governments in developing countries frequently aim to attract TNCs because of their capacity to supply finance for investment in critical industries such as manufacturing and mineral exploration, where the government may lack adequate resources. However, attracting TNCs necessitates major investment, draining funds from other sectors such as agriculture, education, and healthcare. To encourage TNCs, governments may build export processing zones targeted at creating jobs and increasing export income. These zones frequently provide tax-free incentives for five to ten years, as well as access to cheap, non-unionized labor. Despite the employment creation, the majority of these firms' roles are low-skilled and low-paid, with an emphasis on specialized duties within mass manufacturing lines. This specialization might limit workers' skill development by making them adept at only a narrow range of duties within a certain company's operations, rather than providing them with transferable skills suitable in other contexts, such as domestic firms. (Nicula and Nicula, 2015)

Economic growth: Export growth, GDP, and foreign direct investment (FDI) in a given country are all key indicators of economic progress. Transnational corporations (TNCs) wield tremendous power and influence on a global scale. TNCs have amassed tremendous power and influence in global society while claiming to follow free-market ideals. However, their support for a free-market system is frequently superficial, serving to advance their profit-seeking objectives while shielding them from legal responsibility for the societal consequences of their actions. This concentration of market power enables TNCs to influence political and economic policies at both the national and international levels, often in order to advance their corporate interests. TNCs frequently use their political power to advance their goals. As a result, TNC expansion and profit generation have become linked to economic growth, perpetuating the belief that economic growth is the most effective way to alleviate poverty and meet basic human needs. TNCs officially embrace free-market ideas including limited government regulation of market activities, free trade, and democracy. TNCs, despite their profit-driven goals, have the potential to benefit the public good. They have vast resources and cutting-edge technology at their disposal, allowing them to enhance the lives of billions. TNCs may also be better equipped than bureaucracies to deal with issues such as oil spills, natural disasters, and humanitarian delivery to the needy. (Nicula and Nicula, 2015)

Technology transfer: Given the strategic potential of Transnational Corporations (TNCs) operating in international markets, technology transfer, aided by international Direct Investment (FDI), has become a vital part of this framework. This transmission takes several forms, including TNCs investing in their branches/subsidiaries by introducing imported machinery and equipment (embodied technology) and offering manpower training (tacit knowledge transfer). As a result, the effects of FDI-facilitated technology transfer on recipient countries varied depending on the scenario. These effects span a wide range of outcomes, including increased production and performance of local businesses. The introduction of new technologies through FDI reduces recipient companies' research and development expenditures, increasing their competitiveness and resulting in cost savings in production processes. Furthermore, it reduces the technical gap between countries, promoting higher exports and job prospects. Importantly, acquiring technology through FDI frequently incurs marginal costs, avoiding the fixed costs associated with local development initiatives. Furthermore, the spread of innovations throughout the economy creates positive externalities, which boosts private domestic activity. (da Silva and Mourao, 2019)

Job creations: In recent years, the number of jobs created by transnational business subsidiaries has steadily increased, both in developed and developing countries. Surprisingly, growth has been even faster in the latter category. However, there are major inequalities among receiving countries. In developing countries, the contribution of multinational corporations to overall employment varies by region. TNCs have varying effects on local employment depending on how they entered the market, whether through greenfield investment or acquisition. They also influence employment levels through technology transfers and diffusion, which boost productivity and wage levels while potentially reducing less skilled jobs. When FDI takes the form of fresh investment, it has a generally beneficial influence on employment, as the affiliated firm creates jobs. However, the quantifiable impact varies based on the subsidiary's size and sector characteristics such as labor intensity, technological level, and competition intensity. TNCs are frequently larger than national firms, therefore they are naturally significant employers. Nonetheless, if

TNCs have a high technological intensity and are more productive than local enterprises, the number of jobs they produce may be fewer than that of similar local firms. (Brancu and Bibu, 2014)

1.2.2 Negatives and possitives of Transnational Corporations in World Economy (by Country)

Negatives and positives for host country:

The negative impacts of transnational corporations (TNCs) on host countries can manifest in various detrimental ways, including undercutting local businesses through competition, causing their displacement from the market, contributing to environmental pollution, establishing monopoly prices that limit market competition, prioritizing TNC interests over national concerns, potentially neglecting the host country's welfare, and weakening state authority while increasing power of corporations. Transnational corporations (TNCs) have a positive impact on host countries by stimulating production growth, increasing tax revenues, creating job opportunities, attracting foreign investment, promoting infrastructure development, attracting highly skilled professionals, modernizing management and marketing practices, and facilitating the rapid adoption of new technologies. (Korohodova et al., 2020)

Negatives and positives for country of residence:

Transnational corporations (TNCs) can have a negative impact on the country of residence, including job losses due to production relocation overseas, reduced tax revenues because some taxes are paid in the host country, increased international conflicts, and the migration of highly skilled professionals to other countries. manufacturing expansion can result in higher income, whilst transferring manufacturing to nations with cheaper resources helps to reduce expenses. Furthermore, shifting production overseas can reduce environmental contamination. (Korohodova et al., 2020)

1.3 Foreign Direct Investment

Foreign direct investment (FDI) refers to the progressive migration of a company's business operations outside of its home nation. TNCs primarily benefit from FDI, as choices to relocate manufacturing abroad are often motivated by the potential of increased profits, which contribute to the company's overall profitability. (Korohodova et al., 2020) TNCs use various strategies for international production besides FDI, including joint ventures, licensing, outsourcing, and offshoring. These methods allow TNCs to collaborate, access markets, reduce costs, and leverage global resources efficiently. (Ietto-Gillies, 2019)

FDI and transnational corporations play critical roles in the global economy for a variety of reasons. FDI is frequently viewed as a combination of capital, knowledge, and technology, with the impact on growth varying greatly between technologically sophisticated and developing countries (Mello). FDI's impact on growth might occur through either direct or indirect methods. FDI can boost capital accumulation by increasing domestic investment in host countries, as well as bring about innovations that go beyond pure physical capital creation. Finally, FDI can be viewed as a full bundle containing cash, technology, management, and entrepreneurial abilities that contribute to long-term growth. (Baiashvili and Gattini, 2020)

The key driver of FDI is TNC leadership's ambition to optimize the company's objectives. This entails reaching certain production and economic objectives that can only be accomplished on an international scale. Functionally, FDI establishes control and ownership structures for foreign industrial facilities. Another motive for FDI is to traverse regulatory systems in countries, notably those pertaining to taxation. Companies frequently try to minimize taxation by shifting production to nations with lower tax rates. (Korohodova et al., 2020)

TNCs run their operations as globally integrated complexes that include research and development, manufacturing, distribution, and sales and marketing. They acquire supplies from the most cost-effective suppliers, use low-wage labor for manufacture or assembly, and maximize managerial and technological resources for efficiency. This allows them to compete effectively in particular country markets, frequently outperforming native enterprises and potentially weakening or eliminating smaller domestic businesses. The dominance of a single large corporation in a market can lead to monopoly and abuse, resulting in economic and political dependence on foreign companies, as well as difficulties sustaining overall sovereignty and independence. This phenomena does not necessarily suggest globalization, but rather a sort of bipolarization in which affluent, powerful countries are divided from impoverished, dependent states. Rich countries act as headquarters for multinational firms, while investments migrate outside. These countries use FDIs to exert influence over others, increasing their economic and political dominance. In contrast, poor countries profit from foreign investment but become increasingly dependant on other nations. (Kordos and Vojtovic, 2016)

1.3.1 Foreign Direct Investmen Impact

Foreign direct investment (FDI) has an impact not only on the sector or industry in which it is invested, but also on adjacent sectors and industries. In the sector where FDI is implemented, it increases investment, employment, output, and has a spillover effect. Meanwhile, spillovers from FDI might boost productivity in adjacent sectors or industries. However, FDI has both good and negative effects on the productivity of sectors or other industries. (Yuliani et al., 2019)

Advantages of foreign direct investment:

Foreign Direct Investment (FDI) plays a crucial role in fostering economic growth, human capital development, technological advancement, and various other aspects of a country's development. Firstly, FDI promotes economic growth by creating jobs, particularly in emerging countries. It boosts both the industrial and services sectors, leading to job creation and lower unemployment rates. The increased employment levels result in higher incomes, empowering the population with greater purchasing power and contributing to overall economic expansion. Moreover, FDI facilitates human capital development by providing access to global knowledge and skills. This enhances workforce education and competencies, benefiting not only the specific industry but also adjacent sectors and enterprises through a ripple effect. FDI brings access to modern technologies and operational processes, thereby increasing industrial efficiency and effectiveness. The introduction of advanced technologies fosters innovation and enhances market competitiveness for both targeted countries and firms. Additionally, FDI often leads to the establishment of export-oriented units, which significantly boosts the host country's exports and extends its global market reach. The inflow of FDI ensures a consistent flow of foreign exchange, contributing to stable exchange rates and bolstering the country's reserves. FDI provides essential capital, especially beneficial for countries with limited local resources or restricted access to global capital markets. Moreover, by encouraging foreign enterprises to enter domestic markets, FDI fosters competition, which stimulates innovation, enhances product offerings, and promotes competitive pricing, ultimately benefiting consumers. Lastly, FDI can also contribute to addressing climate change concerns, as advocated by the United Nations, by promoting sustainable and environmentally friendly investment practices. (Calimanu, 2021)

Disadvantages of foreign direct investment:

While Foreign Direct Investment (FDI) provides various benefits, it also raises a number of problems and issues that must be addressed in order for it to be implemented and managed successfully. Firstly, FDI may stifle domestic investment by discouraging local companies from investing in their own products in the face of international competition. This might potentially undermine domestic industries and stifle growth. Furthermore, political instability in host nations jeopardizes FDI investments, lowering investor trust and interrupting operations. Changes in government policies and regulations can have a considerable impact on the business and investment climate. FDI can influence currency rates, thereby helping one economy while disadvantageously affecting another. This can lead to currency swings and trade imbalances between countries. Investing in foreign countries can be more expensive, with considerable expenses going into machinery and intellectual property rather than local labor pay. This can raise the overall expense of conducting business overseas. FDI projects may be economically unviable or risky due to their capital-intensive nature. Certain projects may be economically impossible due to high initial costs and unclear returns. Additionally, political developments in host nations may result in expropriation, in which governments take control of investors' assets. This poses a serious danger to foreign direct investment and affects investor trust. Finally, there are concerns regarding modern-day economic colonialism, in which FDI may result in economic exploitation and vulnerability, particularly in colonial-era territories. This presents ethical and societal concerns that must be thoroughly explored and handled. (Calimanu, 2021)

2 Taxations of Transnational Corporations

The issue of taxing businesses and business activity is challenging for states, as it is not always clear what should or shouldn't be taxed, including the costs that can be deducted from the taxable profit. This issue is further complicated by the fact that wealth is now more closely associated with intangibles like intellectual property rights than physical assets like factories. (Henn, 2013)

In international taxation, the taxation of transnational corporations (TNCs) is a crucial and intricate matter. TNCs have significantly impacted the evolution of the global tax system through their tax consultants, who have taken advantage of variations in company tax laws as a form of regulatory arbitrage. The arm's length principle (ALP) is a fundamental component of international tax laws, which views the numerous affiliates of TNCs as independent businesses conducting business with one another at arm's length. However, this principle can make it easier to evade taxes, contributing to the expansion and oligopolistic domination of big transnational corporations. (Picciotto, 2016)

The implementation of the ALP has been complicated by the knowledge gap that exists between taxpayers and administrations. The ALP's expansion beyond the transfer of tangible assets has also normalized the idea that distinct legal entities are actually in charge of centralized tasks inside TNC corporate groups. (Picciotto, 2019)

The tax laws for TNCs originated from the League of Nations in the 1920s, which set the foundation for a system that expanded quickly in the second half of the 20th century. The framework of the system is a network of bilateral treaties that divide up state rights to capital and income taxes based on a model convention. However, the guardians of international tax have only recently started to take seriously the ways in which regulations might ensure that businesses pay taxes in the countries in which they conduct actual economic activity. (Picciotto, 2019)

The challenges of taxing transnational corporate activity are further complicated by the difficulty of determining which country has the authority to tax income when a corporation operates in two distinct countries. This raises questions about whether it is the nation in which the main business is based or the nation in which the affiliate conducts business as a whole. The issue is even more complex with contemporary company models where operations are conducted virtually on the internet or from any location in the world with global reach, rather than being linked to easily verifiable factories. The legal foundation for nations to tax earnings from these kinds of international, or even virtual, endeavors is uncertain. (Henn, 2013)

2.1 Tax Avoidance

The shifting of profits, tax havens, transfer pricing, Dutch sandwich, and Double Irish are all related to tax strategies used by transnational firms to minimize taxes. Profit shifting involves moving profits to low-tax jurisdictions, while tax havens are countries with favorable tax laws where companies can establish subsidiaries to reduce their tax burden. Transfer pricing refers to the pricing of goods and services between related entities within a company to shift profits. The Dutch sandwich is a tax avoidance strategy involving routing profits through the Netherlands, and the Double Irish is a similar tactic that utilizes Irish and Dutch entities to lower tax liabilities. These strategies highlight the complex and controversial methods employed by transnational corporations to optimize their tax obligations.

2.1.1 Tax Havens

The fundamental issue with taxes brought forth by globalization is further exacerbated by tax havens, which are places where people and businesses can avoid paying taxes. Despite the challenges in defining a tax haven, there are generally three requirements: minimal or no taxes on certain assets, little regulation of legal institutions, and robust confidentiality. Tax havens are not limited to small nations or isolated islands, as big, industrialized nations also permit these activities. (Henn, 2013)

Tax havens pose a threat to a just economy and a socially and democratically democratic state, as they force other states to compete and cut taxes, leading to a race to the bottom that eventually benefits transnational firms and their rich shareholders. The majority of tax haven operations only involve a change in documentation that permits tax evasion, rather than an actual economic activity transfer to these jurisdictions. Small and medium-sized businesses and solely domestic firms typically cannot use tax havens, putting them at a competitive disadvantage. (Henn, 2013)

The use of tax havens also provides unfavorable incentives for businesses, as investments are influenced by tax benefits in addition to optimal capital allocation. This means that businesses search for the best locations to avoid paying taxes, rather than the finest places to conduct business. (Henn, 2013)

The international community has recognized the need to address tax evasion and avoidance strategies, and the Base Erosion and Profit Shifting (BEPS) project, launched by the Organization for Economic Cooperation and Development (OECD), aims to address BEPS issues by developing a BEPS Action Plan in accordance with international standards. Under pressure from the OECD and other countries, Ireland has already changed its tax laws and policies to comply with key BEPS proposals, indicating a shift towards more transparent and ethical tax practices. (Raposo, 2013)

However, the future of tax havens remains uncertain, as the regulatory landscape continues to evolve. The use of tax havens by transnational corporations has come under scrutiny, and there is increasing pressure on countries to comply with international standards and ensure fair taxation practices. (Henn, 2013)

Types

The different types of tax havens can be divided into four basic categories: sovereign states, countries governed by cartels, traditionally Western holdings, and rising states. Countries may be designated as tax havens for a variety of primary reasons. These nations frequently experience "mercantilist nostalgia"—their governments initiate a competitive tax race that can result in "negative" tax rates, which, in effect, translate into a willingness to pay for investments—because they think it is preferable to have sizable cash deposits in local banks. The first two types of tax shelters—historically Western holdings and sovereign nations—are where this strategy is most frequently exhibited, but pro-mercantilist tendencies can also be found in the other types. (Raposo, 2013)

Apart from mercantilist nostalgia, choices in sovereign states to reduce capital taxes in order to draw in funds from foreign agents also seem to be influenced by the necessity of funding banking institutions or the need for financial resources. Third-class tax havens are countries under cartel control, but their purpose is distinct. These nations are frequently used to launder money. (Raposo, 2013)

The mechanisms by which this takes place are extremely intricate and challenging to organize. In their most basic form, however, these tax havens take printed money from illicit markets or parallel economies (drugs, weapons, prostitution, etc.) and use local deposits to transfer it into the global financial system. Lastly, developing economies, which make up the fourth group, receive various benefits from their status as tax havens. There are positive externalities for the broader public, but incumbents often redirect the funds they get in the form of political rents. (Raposo, 2013)

Tax havens contries

Virgin Islands in the British Virgin Islands

This British Colony, which is often regarded as the top tax haven globally, has more than 5,000 times its GDP invested in international markets. Officials from the region argue that the BVI is not a tax haven, however this assertion is refuted by the fact that the island is home to just 36,000 people, more than 400,000 enterprises, and assets valued at around $1.5 trillion (USD). (World Population Review, 2024)

Luxembourg

In addition to being one of the richest nations on earth, Luxembourg is a top tax shelter. A research from U.S. PIRG Education Fund and Citizens for Tax Justice estimates that 30 % of Fortune 500 U.S. corporations have subsidiaries in Luxembourg. For instance, online merchant Amazon.com routes 100 % of its transactions through Europe. (World Population Review, 2024)

Islands of Cayman

One-fifth of the $30 trillion global banking assets were possessed by the Cayman Islands as of late. The Cayman Islands do not levy any direct taxes on their citizens, such as payroll, income, or property taxes, in addition to not having a corporation tax. Hedge fund managers have a particular fondness for the Cayman Islands due to its zero percent corporation and income tax rates, which extend to interest and dividends received from investments. Wells Fargo, Marriott, Pepsi, and other Fortune 500 firms have subsidiaries located in the Cayman Islands. (World Population Review, 2024)

Netherlands

According to quotes, the financial systems of the Netherlands are significantly less vulnerable to manipulation than those of Switzerland or the Cayman Islands. This statement comes from Jan Kees de Jager, the former minister of finance. But Google, Fiat Chrysler, IBM, and a host of other Fortune-500 firms who have lowered their taxes by channeling their revenues through Dutch subsidiaries probably feel otherwise. (World Population Review, 2024)

Switzerland

Switzerland's banking industry is well-known around the world for maintaining tight confidentiality regarding the financial account and transaction details of its clients. Because of this reliability, it is simple and very successful for both individuals and organizations to conceal riches. Furthermore, even though Switzerland has repealed several of its regulations pertaining to confidentiality, the nation's tax rates are still quite advantageous. (World Population Review, 2024)

2.1.2 Transfer Pricing

To move earnings from nations with high tax rates to those with low tax rates, TNC has the ability to modify the cost of transfers among its members. We call this transfer pricing. (Picciotto, 2019)

The prices at which various subsidiaries of the same company trade are known as transfer pricing. To get a competitive edge in their sector, corporations frequently buy out other businesses or develop organically. Gaining a competitive edge in the market can be accomplished by cutting the price of raw materials, developing and acquiring intellectual property, and creating other intangible assets that will increase the viability of the company. For instance, Starbucks may sell coffee to Starbucks USA through a Costa Rican company called Starbucks Farms Costa Rica Inc. in order to reduce its input costs. Corporations in high-tax nations can use transfer pricing to avoid or minimize taxes, they "transfer the prices" of their income and costs and move their revenue to a low-tax country. By offering affiliates in low-tax jurisdictions cheaper goods and/or services, this transfer is accomplished, resulting in low revenues for the high-tax jurisdiction corporation and big revenues and profits in the low-tax jurisdiction. As a result, the high-tax jurisdiction corporation incurs large expenses as a result of paying a premium for goods and/or services from affiliates in low-tax jurisdictions. All of these transactions lead to the avoiding of income taxes. (Barker et al., 2016) Example of transfer pricing by (Contractor, 2016) consider two affiliates, A and B, both owned by the same transnational corporation. Affiliate A has been exporting 1,000 items per year to Affiliate B, invoiced at US$1.30 each. Initially, pre-tax profits are $1,000 in A and $2,000 in B. However, if these items are invoiced at US$1.80 each, B would then pay A US$500 more annually. Firm A's profit would increase, and B's would decrease--but the MNC as a whole would increase its after-tax income from US$2,250 to US$2,325.

2.1.3 Profit Shifting

Tax-motivated profit shifting affects the effective tax rates paid by transnational corporations. For example, in the extreme scenario of costless profit shifting, transnational businesses might completely escape corporate income tax by moving all profits to a country with no (or minor) corporate income tax. The effective corporate income tax rate for investment becomes zero, even in a high-tax country. Its cost of capital or, as termed, "income shifting adjusted cost of capital" is reduced to the standard rate of return. This decrease in the cost of capital would encourage investment compared to the situation of no profit shifting. More realistically, profit shifting is not limitless. A variety of laws and regulations impose restrictions on legal profit transfer. As these Laws are not very precise, for example, estimating the transfer pricing of intangibles is not an exact science, but changing modest quantities of earnings is quite cheap. Shifting greater quantities, on the other hand, will necessitate the establishment of complex structures (for example, businesses that hold intellectual property assets) or the relocation of some real activity. Any profit shifting through tax evasion also includes the danger of identification and penalties, which are likely to increase with the amount of tax avoided. (Klemm and Liu, 2019)

2.1.4 Dutch Sandwich and Double Irish

The Double Irish with a Dutch Sandwich is a tax evasion strategy used by some transnational corporations that involves combining Irish and Dutch subsidiary companies to move income to low-or no-tax jurisdictions. This strategy has been used by high-tech TNCs such as Apple and Microsoft to shift large profits through the layer of intellectual property licenses to low-or no-tax jurisdictions via Ireland, which has been viewed as extremely aggressive tax planning and has come under international scrutiny. (Murphy, 2020)

The Double Irish and Dutch Sandwich strategies have been used to take advantage of Ireland's favorable tax regime and the Netherlands' beneficial tax laws regarding intellectual property holdings. The technique involves six steps, including setting up a Dutch subsidiary and an Irish subsidiary, lending money from the Dutch subsidiary to the Irish subsidiary, investing the money in a high-tax country, paying interest on the loan to the Dutch subsidiary, deducting the interest payments from the Dutch subsidiary's taxable income, and paying little or no tax on the interest income in Ireland due to its low corporate tax rate. Under pressure from the OECD and other countries, Ireland has already changed its tax laws and policies to comply with key BEPS proposals, indicating a shift towards more transparent and ethical tax practices. The Base Erosion and Profit Shifting (BEPS) project, launched by the Organization for Economic Cooperation and Development (OECD), aims to address BEPS issues by developing a BEPS Action Plan in accordance with international standards. (Prueksarungrueang, 2019)

2.2 EU and OECD Regulations

The financial crisis that began in 2008 and the subsequent events have led to extensive media coverage of tax evasion and other actions by taxpayers aimed at avoiding taxation, which governments have not been able to effectively respond to and prevent the decline in public budget revenues. These events have significantly influenced the direction of international taxation, with the Base Erosion and Profit Shifting (BEPS) Project being a crucial turning point. The BEPS Project, initiated by the OECD and G20 countries in 2013, aims to tax profits in the location where economic activity is conducted and value is created, leading to their acquisition. This project is considered the most significant change in international taxation and tax planning since the 1920s. (Šmirausová, 2021)

The BEPS Project consists of 15 actions, each addressing a specific area to propose measures for increasing public budget revenues. However, some experts have criticized this approach, stating that it does not ensure adequate coordination of Controlled Foreign Company (CFC) rules across countries implementing Action 3. This led the EU to expedite the preparation of the Anti-Tax Avoidance Directive (ATAD) and its adoption in July 2016. (Šmirausová, 2021)

The ATAD aims to prevent market fragmentation that could result from unilateral measures taken by EU member states against tax evasion for BEPS implementation and ensure consistency with EU law. Member states were required to implement or amend five anti-tax evasion measures by January 1, 2019 (and in some cases, 2020) (Šmirausová, 2021):

- rules limiting the deductibility of excessive interest expenses
- exit taxation rules
- general anti-abuse rules
- rules addressing hybrid mismatches
- CFC rules

The ATAD represents minimum harmonization for anti-tax evasion measures, focusing only on the corporate income tax of legal entities. However, it differs significantly from previous EU directives regulating tax law, as it addresses measures that are restrictive for taxpayers, allowing member states to adopt stricter measures than those specified in the ATAD, provided they do not conflict with EU law. (Šmirausová, 2021)

Critics have pointed out that the CFC rules set out in the ATAD have shortcomings, allowing taxpayers to circumvent their application and not fully achieve the purpose of the CFC rules or the ATAD as a whole. Similar criticism has been raised against the CFC rules established by the ATAD itself. Despite the recommendations of Action 3 in the BEPS Project, there has not been the expected effect in eliminating the transfer of profits to controlled foreign companies in low or minimal tax jurisdictions. (Šmirausová, 2021)

The OECD and G20 countries are currently focusing on unresolved BEPS issues in Action 1 of the BEPS Project: Tax Challenges Arising from Digitalization. The primary goal of this Action is to identify problematic aspects of digital economies from an international taxation perspective and find comprehensive solutions that cover both direct and indirect taxes. The proposed measures are divided into two parts, Pilier I and Pilier II, which were published on October 12, 2020, and are intended to form the basis for further coordinated cooperation among states in the fight against BEPS. (Šmirausová, 2021)

Pilier I addresses problems arising from outdated rules for determining the source of income, which do not take into account the fact that the performance of activities no longer requires the physical presence of the taxpayer in the place where the activities are performed. The proposed solution in Pilier I is new rules for determining the source of income, which enable the taxation of profits in the state where the customers or users of digital economy products and services are located, even if the provider is not physically present in that state (e.g., through a permanent establishment in the traditional sense). Pilier II outlines a global minimum tax framework to ensure that transnational enterprises pay a minimum level of tax, regardless of where they operate. (Šmirausová, 2021)

The Internal Revenue Code's section 482 regulates transfer pricing. The following is how Section 482 emphasizes the "Arm's Length" principle: The Internal Revenue Service is able to reallocate revenue and expenses in order to measure transactions between two entities that are under common management in the same way as they would measure transactions between unrelated entities. Pricing for revenue and expenses needs to be done at market value. The substance of the transaction cannot be altered to differ from a transaction involving typical market conditions only because two parties share control over one another. Furthermore, taxpayers are required to apply the "best method rule," which stipulates that comparable transactions and conditions should be used to determine prices because pairs of transactions are rarely exactly identical. When the transactions in question involve necessities like products and services, the tax authorities and other regulatory bodies may find it easy to apply the "Arm's-Length" principle. This implies that other market participants have ready access to the fair market prices of those transactions, making it simple to assess whether related party transactions comply with regulations. However, in other situations, applying the "Arm's Length" principle is more difficult. Let's take a scenario where a U.S. business creates a patent at home and licenses it to its Irish subsidiary. Since the U.S. Company charges very little in royalties, the majority of the revenue is retained in Ireland. The corporate income tax rate in Ireland is a mere 12.5 %. In the United States, major transnational corporations with substantial intellectual property often engage in this type of income shifting. It would be challenging to identify a comparable deal, for instance, if Apple were to sell its Ireland subsidiary the collection of intellectual rights that form the basis of the iPhone 5. (Barker et al., 2016)

3 Future Development

Major topics in the dynamic world of transnational corporations could include the use of FDI strategically, the evolution of global taxes, and the strategic and ethical use of CSR (corporate social responsibility). The "revolving door" phenomena between transnational corproations and governments, which lowers the boundaries between corporate interests and public policy, is on the rise, as is collaboration with international organizations. These patterns highlight how political, social, and economic factors interact to shape TNCs strategy internationally.

3.1 Global Taxation

The world has reached an agreement on a solution for worldwide taxes and the taxation of the greatest transnational corporations, notably those functioning in the digital economy, which were not covered by previous systems. In the fall of 2021, 136 countries, including all significant OECD countries (including the Czech Republic) and G20 countries, agreed on a two-pillar income tax scheme. (Štípek, 2022)

Transnational corporations' income will be taxed at a new global minimum rate. The US administration reintroduced a proposal from previous OECD debates on global taxation. The minimum tax rate should be 15 % of profits and will apply to businesses having a turnover of more than 750 million euros. The system will function by increasing earnings in countries with tax rates lower than 15 %. (Štípek, 2022)

This means that corporations will be taxed at a minimum of 15 % on their worldwide profits. However, countries with lower tax rates will not receive any of the additional revenue. This should drive them to raise their tax rates to at least the universally agreed-upon 15 %. Before this in the United States, the corporate tax rate was set at 21 % after reducing from 35 % by the 2017 (Tax Policy Center, 2024), an increase from the previous rate of 15 %. However, many transnational corporations in the US utilized tax loopholes and tax planning to reduce their tax obligations. For instance, Ireland, with one of the lowest tax rates in the EU, became a favored location for the tax residences of many transnational corporations, including Apple, Google, and Facebook. Ireland had a tax rate of 12.5 % (Power, 2024) for businesses, one of the lowest in the EU. Another country with a low tax rate that was a popular choice for the tax residences of transnational corporations was the Netherlands. The Netherlands had a tax rate of 16.5 % for high-profit companies, also among the lowest rates in the EU. (Le Blanc, 2021)

This approach should deter corporations from relocating their tax domicile to nations with low tax rates. The minimum tax rate rule will not apply in nations where transnational corporations have less than ten million euros in sales and one million euros in earnings. The redistribution of some tax money will affect corporations with a global sales of more than 20 billion euros and a profit margin of more than 10 %. A quarter of the earnings generated beyond this 10 % threshold can be allocated to nations where the corporation provides its services and where customers contribute to the company's excessive profitability. (Štípek, 2022)

Table 1 Transnational Corporations by Turnover (2023)

TNC	Turnover in billion $
Apple Inc.	383,3
Alphabet Inc. (Google)	307,4
Microsoft Corporations	211,9
Amazon.com, Inc	574,78
Facebook, Inc. (Meta Platform, Inc.)	134,9

Source: own distribution based on 10-K reports (2023)

With a turnover of over 300 billion dollars as seen in table 1, Apple Inc. would be subject to a minimum tax rate of 15 %, as proposed in the two-pillar system for international income taxation agreed upon by 136 countries, including all key countries in the Organization for Economic Cooperation and Development (OECD) and G20 countries. This could lead to an increase in tax payments to countries with higher tax rates and a decrease in tax payments to countries with lower tax rates. Apple would also have to redistribute a quarter of its profits above a certain limit to the countries where the company sells its products and where consumers contribute to its excessive profitability, as outlined in the agreement. This would affect not only Apple but also other large corporations operating in the digital economy and beyond. (BBC, 2020)

Apple Inc., for example, had been taking advantage of a "double Irish" tax loophole in the United States and the Republic of Ireland. This enabled Apple to funnel all of its sales outside of the Americas-presently around 55 % of its revenue-through Irish subsidiaries that were functionally stateless for tax purposes and hence paid little tax. Instead of paying Irish company tax of 12.5 %, or the US rate of 35 %, Apple's avoidance structure allowed it decrease its tax rate on profits outside of the US to the extent that its foreign tax payments seldom amounted to more than 5 % of its overseas profits, and in some years sank below 2 %. The European Commission concluded that the tax rate for one of Apple's Irish subsidiaries was under 0.005 % for one year. (BBC, 2020)

After the EU declared in 2013 that it was looking into Apple's Irish arrangement, the Irish government ruled that companies incorporated there could no longer be considered stateless for taxation purposes. To keep its tax rates low, Apple sought to identify an offshore financial facility that would act as the tax residency for its Irish companies. Apple chose Jersey, a UK Crown dependency with its own tax laws and a corporation tax rate of 0 % for foreign companies. (BBC, 2020)

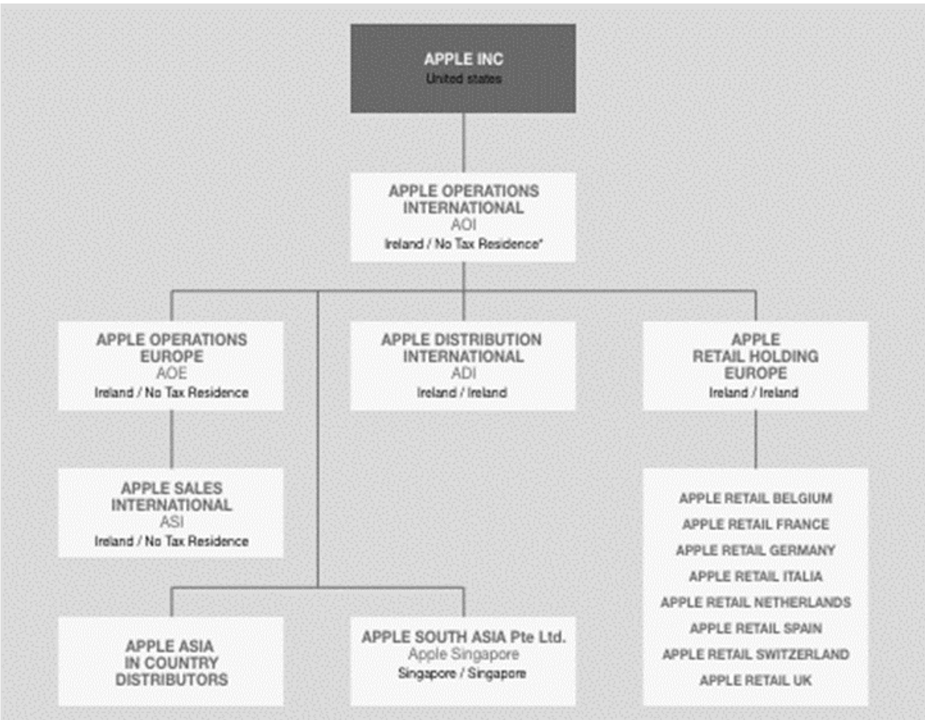

Figure 1 Apple Inc. organizational structure

Source: Fernandez a Hendrikse (2015)

Apple's two Irish subsidiaries, Apple Operations International (AOI) and Apple Sales International (ASI), were administered from Appleby's office in Jersey from early 2015 to early 2016, enabling Apple to continue avoiding billions in taxes worldwide. AOI, a subsidiary wholly owned by Apple, is responsible for directly or indirectly owning most of Apple's other offshore entities, with no physical presence or employees in its 30year history. Its general ledger and accounting records are maintained at Apple's shared service center in Austin, Texas, and its finances are managed by Braeburn Capital, a Nevada-based Apple Inc. subsidiary. AOI's assets are held in a New York bank account, and its Board of Directors includes two Apple Inc. employees from California and one Irish employee of Apple Distribution International (ADI), an Irish company owned by AOI. On the other hand, ASI holds the economic rights to Apple's income-generating intellectual property in Europe, the Middle East, Africa, and Asia (including India). Like AOI, ASI has no physical presence or employees. ASI used to pay a small amount of tax to Ireland, but this may have been related to some unrelated activity, as its primary function is to receive profits generated by Apple's intellectual property worldwide. Apple's third subsidiary, Apple Operations Europe (AOE), is situated between ASI and AOI in the corporate structure. ASI previously held rights to some of Apple Inc's highly valuable intellectual property. If ASI sold the intellectual property back to an Irish business, the Irish company would be allowed to deduct the massive cost from any future profits. Since ASI is registered in Jersey, the earnings from the sale would not be taxed. (Seerwani, 2019)

According to Apple's 2017 records, the company earned $44.7 billion outside of the United States while paying only $1.65 billion in taxes to foreign countries thanks to Apple tax strategies, a percentage of approximately 3.7 %. This is less than one-sixth of the global average corporate tax rate. (BBC, 2020)

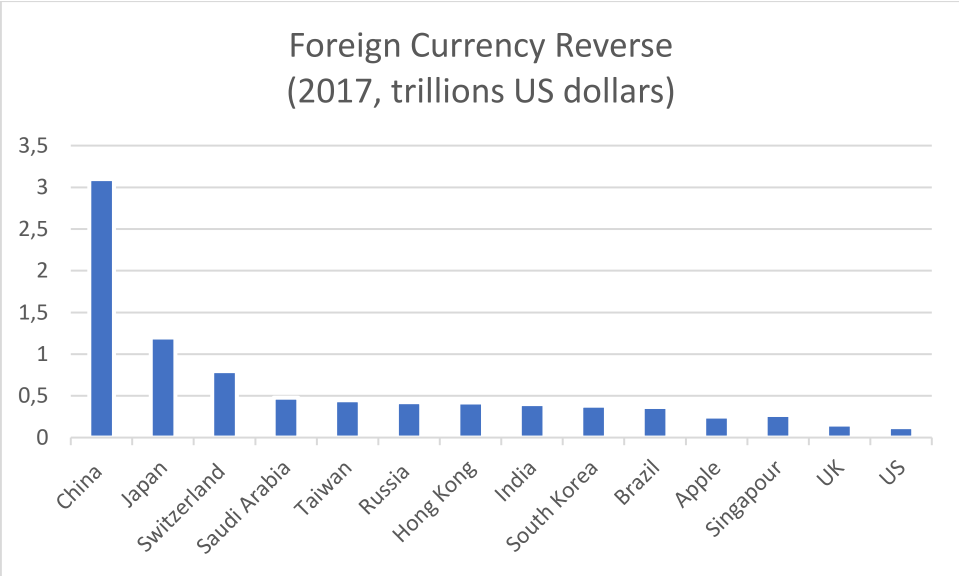

Figure 2 Foreign Currency Reverse
Source: own distribution based on BBC (2020)

Offshore accounting and tax planning are often associated with tax evasion and optimization. Transnational corporations like Apple frequently use offshore accounting and tax planning to minimize their tax obligations in individual countries. In the case of Apple, it is known that the company has a significant amount of money placed in offshore companies. According to a report from 2017, Apple has over 200 billion dollars in cash and investments stored in offshore companies as seen in figure 2, mostly in Ireland. The value of Apple's offshore activities is comparable to the Foreign Currency Reverse of nations such as Singapore and other. This demonstrates Apple's considerable involvement in the global economy, with its overseas businesses accounting for a significant portion of its total financial success.

Table 2 Corporations Tax Avoidance

	Amount Held Offshore ($ millions)	Tax Rate Paid on Offshore Cash	Number of Tax Haven Subsidiaries	Location of Tax Haven Subsidiaries	State Headquarters
Apple	246,000	4 %	3	Ireland (3)	California
Google	60,700	x	1	Ireland (1)	California
Microsoft	142,000	3 %	5	Ireland (3), Lucembourg (1), Singapore (1)	Washington
Facebook	2,848	x	7	Ireland (6), Singapore (1)	California
Amazon	2,800	X	1	Luxembourg (1)	Washington

Source: own distribution based on Phillips et al. (2017)

The primary concern stems from revelations of the company's aggressive profit shifting to offshore tax havens. In 2010, Facebook transferred its online platform and marketing rights to Ireland, a known tax haven used by tech giants like Apple and Google. This move allowed Facebook to avoid paying billions in taxes by channeling royalties from worldwide sources into a country where it's obligated to pay minimal taxes on these earnings. The success of this tactic was evident when Facebook reported $12.6 billion in revenue in Ireland in 2016, paying just $30 million in taxes. (ITEP, 2018)

However, the narrative of Facebook and its investors does not end there. The Internal Revenue Service believes the corporation may owe an additional $3 to $5 billion in taxes on these gains because it allegedly undervalued its intellectual property during the transfer to Ireland. Beyond activist investors, profit-driven investors should be concerned about the financial dangers posed by Facebook's active tax avoidance, as it is unclear whether the firm owes considerably more in taxes than previously reported. (ITEP, 2018)

In addition, Facebook's low tax rates, like those of other online giants, have sparked global concern, with proposals for specific taxes on digitally-driven businesses. This increasing scrutiny has already harmed Facebook's brand and potentially result in significant new foreign taxes on its offshore earnings. Facebook's tax tactics go beyond offshore tax havens. The corporation took advantage of the stock option loophole, which allowed it to deduct a significant amount of income based on the number of stock options given. From 2010 to 2017, Facebook saved $7.9 billion in federal and state income taxes via this loophole. (ITEP, 2018)

These tax avoidance methods have allowed Facebook to maintain a low tax rate in the United States. According to an ITEP research from 2017, Facebook paid a federal income tax rate of only 16.5 % (less than half of the 35 % statutory rate) on its $14.8 billion in pre-tax U.S. profits between 2010 and 2015. In 2012, despite earning more than $1 billion, the corporation paid no federal income taxes. (ITEP, 2018)

According to table 2 Another TNCs like Microsoft, Amazon, and Google that use tax haven subsidiaries to avoid paying taxes. Microsoft, for example, has three companies in Ireland, while Amazon has one in Luxembourg, as does Google. To reduce their tax liabilities, these corporations use complicated tax structures like the "double Irish" or the "Dutch sandwich."

Such tactics often enable businesses to shift their profits from one jurisdiction to another with lower tax rates, greatly lowering their overall tax burden. In this approach, Microsoft, Amazon, and Google can legitimately reduce their tax liabilities while increasing earnings. However, these techniques frequently spark controversy and lead to requests for changes in the international tax system to avoid tax evasion and ensure that firms pay their fair share of taxes wherever they operate.

Offshore accounting and tax planning practices may conflict with the new global taxation system aimed at preventing tax evasion and optimization. If Apple or other transnational corporations continue to attempt to use similar tax optimization methods after the implementation of global taxation, they may face penalties and fines. After the establishment of a global taxation system with a minimum tax rate of 15 %, transnational corporations like Apple would no longer have the option to use such tax optimization methods and transfer their tax residences to countries with extremely low tax rates. The new system should prevent such practices and ensure that transnational corporations pay a minimum tax rate of 15 % on their profits. If Apple or other transnational corporations continue to attempt to use similar tax optimization methods after the implementation of global taxation, they may face penalties and fines. The new system should be designed to minimize tax evasion and ensure that transnational corporations fairly contribute to the tax systems of the countries in which they operate.

According to the table 3, all mentioned countries' tax rates are predicted to rise to a minimum of 15 % as a result of global taxation. This move will have a substantial impact, especially in countries where the present tax rate is 0 % (Bahamas, Guerney, Isle of Man, Jersey), as shown in table 3.

Table 3 States Tax Rate 2023

State	Tax rate	Future minimum tax rate
Bahamas	0 %	15 %
Guernsey	0 %	15 %
Isle of Man	0 %	15 %
Jersey	0 %	15 %
Mauritius	5,7 %	15 %
Bulgaria	9,2 %	15 %
Paraguay	9,5 %	15 %
Andorra	9,5 %	15 %
Lichtenstein	10,2 %	15 %
Hungary	10,3 %	15 %
Cyprus	11,4 %	15 %
Ireland	12,4 %	15 %
UK	12,8 %	15 %

Source: own distribution based on Buchholz (2024)

In summary, the new global taxation system is designed to limit the ability of transnational corporations to engage in tax evasion and optimization, ensuring that they pay a fair tax rate in all countries where they operate. This would increase oversight and transparency in the global tax system, reducing tax competition between states.

3.2 Volume of FDI in Global Economy

By data from figure 3 in 2009, developed economies received around $700 bilion in foreign direct investment. This value has steadily increased over time, reaching a high of $1,310 trilion in 2015. However, the trend reversed in subsequent years, with inflows dropping to $943 bilions in 2017, $638 bilion in 2018, and little increase $998 bilion in 2019.

The COVID-19 epidemic had a huge impact on worldwide FDI, including in developed economies. In 2020, FDI inflows to developing nations fell to $315 million, with a minor recovery to $597 billion by 2021. The most recent data available is for 2022, which shows an additional decline to $378 bilion.

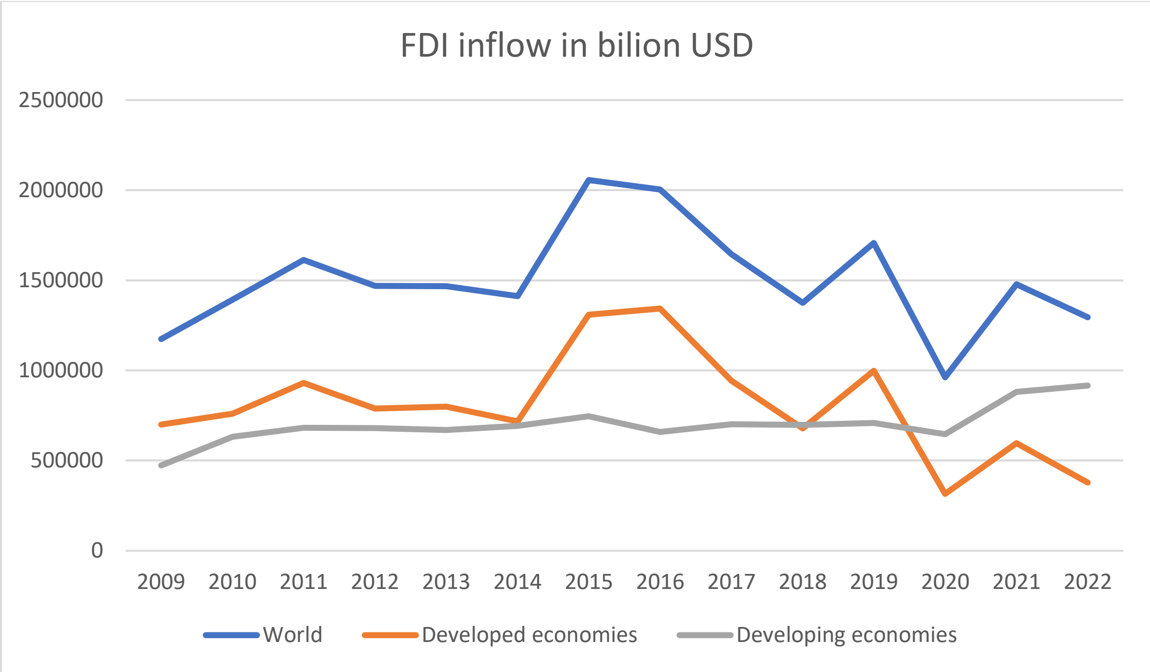

Figure 3 FDI inflow
Source: own distribution based on UNCTAD (2023)

World FDI inflows follow a similar pattern to those entering developed economies as seen in fiugere 3. This issue is caused by global economic trends and factors that have an impact on the flow of foreign investment both internationally and in developing nations. Changes in the global economy, geopolitical events, and crises tend to affect FDI inflows, both worldwide and in developing countries.

During economic crises, such as the global financial crisis and the COVID-19 pandemic, there was a widespread drop in FDI inflows, both worldwide and in emerging economies. In contrast, during periods of economic recovery and stability, FDI inflows tend to increase both worldwide and in regard to developing nations. The parallel development of world FDI inflows and inflows into developed economies suggests that these economies are inextricably linked to global economic events, and that changes in the global economy have an impact on their ability to attract foreign investment. Thorough tracking of these patterns is critical for understanding global economic dynamics and developing effective policies to promote economic growth and development.

From 2009 to 2022, the inflow of FDI into developing economies fluctuated but mostly increased. Beginning with $473 bilion in 2009, it increased significantly in 2010 to

$632 bilion. This rising trend continued in 2011, reaching $681 bilion, before falling slightly in 2012 to $679,8 bilion. Subsequent years witnessed fluctuations: $668,9 bilion in 2013, an increase to $693,5 bilion in 2014, and a significant increase to $746 bilion in 2015. However, in 2016, the total number of bilion decreased to $659. The trend reversed in succeeding years, with a rise of $701,7 bilion in 2017, followed by a modest fall to $697 bilion in 2018. FDI inflows increased again in 2019 to $709 bilion. However, 2020 saw a notable fall to $646 bilion, presumably due to worldwide economic disruptions caused by the COVID-19 pandemic. Nonetheless, FDI rebounded significantly in 2021, hitting $880 bilion, and the trend continued to rise in 2022, reaching $916,4 bilion. Overall, notwithstanding periodic oscillations, the general trajectory of FDI inflows into emerging economies showed rising investment interest and confidence during the study period.

China, Singapore, and the United States are among the world's major users of FDI. From 2009 to 2022, these countries continually received considerable amounts of FDI as shown in table 4.

In the United States, FDI inflows began at $143.6 billion in 2009 and have steadily increased, peaking at $467.6 billion in 2015. Despite changes in succeeding years, the United States remains a top destination for international investment, with inflows reaching $285.1 billion in 2022. This persistent attractiveness arises from reasons such as its large consumer market, technological innovation, political stability, and well-established legal and financial institutions.

China, on the other hand, began the era with FDI inflows of $94.1 billion in 2009 and has had extraordinary development over the years, reaching $189.1 billion in 2022. The country's rapid economic progress, large market size, and proactive government programs aimed at attracting international investment, like as the Belt and Road Initiative and the establishment of free trade zones, have all contributed to its success.

Singapore, despite its modest size, has developed as a major FDI hub, with inflows totaling $18.5 billion in 2009 and peaking at $131.2 billion in 2021. The country's strategic location, business-friendly atmosphere, efficient infrastructure, and competent people have made it an appealing option for global firms looking to establish regional headquarters or expand into Asia.

Several factors determine the amount of foreign direct investment that these countries attract. Economic stability, market size, political environment, infrastructural quality, regulatory framework, and government policies encouraging investment are all important factors. Additionally, global economic conditions, trade agreements, geopolitical issues, and industry-specific trends influence FDI flows. Despite occasional changes caused by these variables, the continued attractiveness of China, Singapore, and the United States as FDI destinations highlights their importance in the global investment scene.

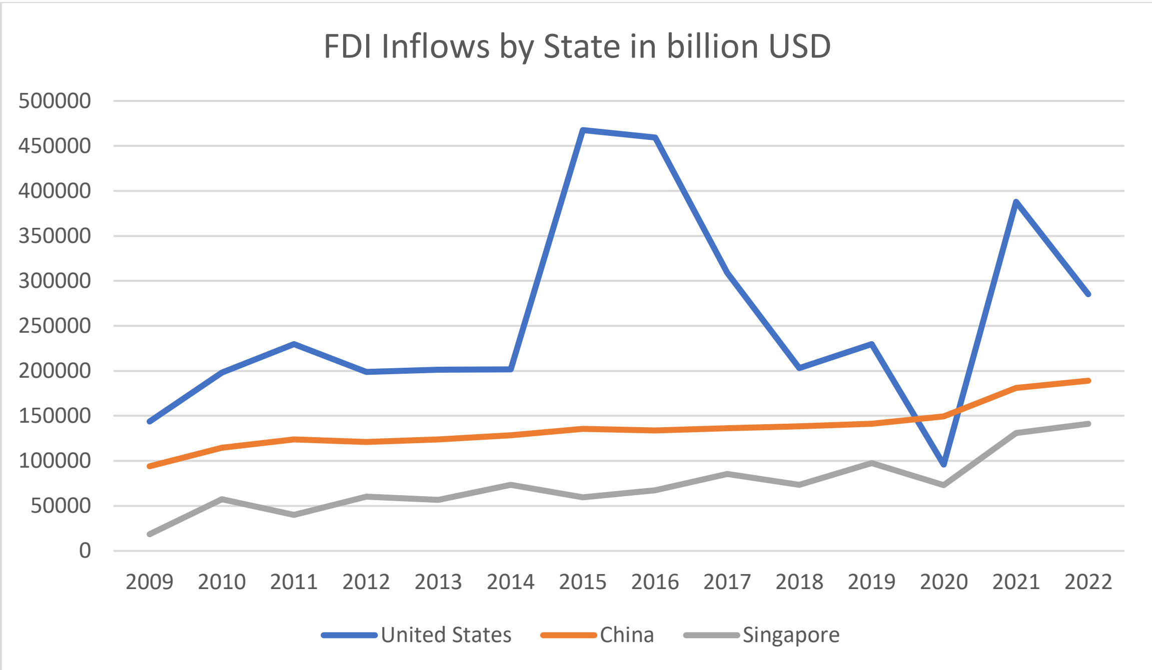

Figure 4 FDI inflows by state
Source: own distribution based on UNCTAD (2023)

3.2.1 FDI in US

In 2021, was recorded a significant $387 billion in FDI inflows into the United States, contributing to economic growth. This influx of FDI was critical in increasing the country's Gross Domestic Product (GDP), demonstrating its major contribution to the country's economic development. FDI is not only a critical driver of economic growth, but it also accounts for a significant share of total private domestic investment in the

United States, emphasizing its importance in setting the country's economic trajectory. Furthermore, foreign direct investment (FDI) has more than just financial repercussions; U.S. companies use transnational corportion distribution systems and market experience to enter new markets and expand their global reach. By leveraging the experience and assets of these foreign organizations, American businesses gain a competitive advantage in global trade, allowing them to sell goods and services to numerous locations throughout the world. This collaborative approach boosts the competitiveness of US products, encourages innovation, supports market expansion, and contributes to economic growth, resulting in a thriving corporate environment. (U. S. Department of Commerce, 2007)

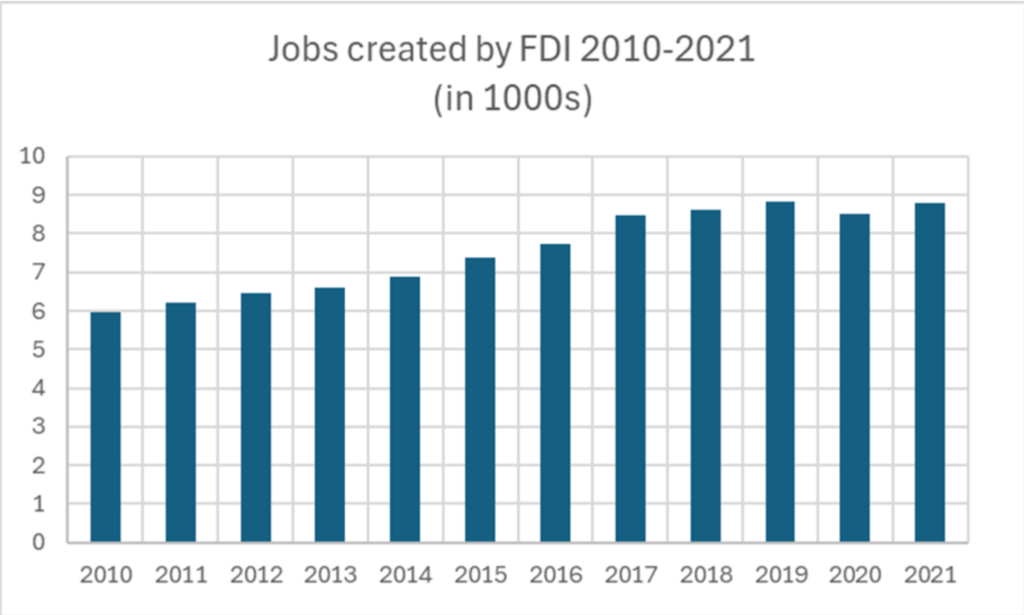

Figure 5 Job created by FDI in US
Source: Statista Research Department (2021)

FDI contributes to job creation in the United States, as evidenced by the figure 5 from 2010 to 2021, which shows a continuous and gradual growth in the number of employment produced each year. This suggests that foreign investment is generating a steady increase in job possibilities. Sharp Increase: 2017 saw a considerable increase in employment creation, with a leap from 7,720 jobs in 2016 to 8,462 jobs in 2017. This jump indicates a surge in foreign investment, which will result in a significant increase in job possibilities. Following the peak in 2017, the trend continues to increase, but at a somewhat slower rate. In 2018, 2019, and 2020, job creation increased significantly, demonstrating that foreign direct investment continues to have a beneficial influence on employment in the United States. Despite the problems faced by the COVID-19 pandemic in 2020, which disrupted economies around the world, the figures show that job growth from foreign direct investment remained reasonably consistent, with 8,519 new jobs generated. In 2021, job creation picks up, hitting 8,791 jobs. This increase demonstrates a recovery from the pandemic's economic disruptions and indicates improved investor confidence in the United States. These jobs are spread across a variety of industries, including manufacturing, finance, technology, and services, highlighting the importance of foreign direct investment in job creation.

Foreign direct investment is critical in determining regional development across the United States, with considerable effects shown at the state level. California emerges as the top receiver of FDI, attracting a significant $29.0 billion investment, demonstrating its role as the country's leading economic powerhouse. Texas follows closely behind in second place, with $20.7 billion in FDI strengthening its booming economy. Meanwhile, Illinois receives significant FDI inflows of $10.9 billion, confirming its status as a crucial participant in regional growth. These enormous investments not only pour capital into local economies, but also drive growth, generate job opportunities, and inspire innovation, all of which contribute to the general prosperity and development of these states. (BEA, 2022)

According to US Department of The Treasury (2021), the value of foreign holdings of US securities will reach a stunning $27,289 billion in 2021, showing the financial market's profound integration with global investors. A large chunk of this huge portfolio is devoted to several asset classes. Foreign investors held $13,740 billion in US equities, suggesting a robust hunger for American stocks and reflecting the US equity market's worldwide popularity. Furthermore, overseas investors showed confidence in US long-term debt securities, with holdings totaling $12,450 billion. This significant investment in US debt instruments highlights the perceived safety and trustworthiness of US bonds and other fixed-income assets, making them a top choice for overseas investors looking for safe havens for wealth preservation and income generation. The significant prevalence of foreign holdings in U.S. assets indicates the financial market's connection to global capital flows. It not only provides critical finance for US businesses and government agencies, but it also improves liquidity and efficiency in the US financial system. Furthermore, it emphasizes the

United States' critical role as a leading destination for international investment, reinforcing its status as a significant actor in the world economy. (U.S. Department of the Treasury, 2024)

3.2.2 FDI in China

From data provided by (United Nations Conference on Trade and Development, 2023), China's economic success is reflected in its real GDP, which has risen from $9.62 trillion in 2013 to more than $16.28 trillion by 2022. From 2013 to 2022, institutional changes and initiatives championed by pilot Free Trade Zones (FTZs) helped to drive this transformation, fostering the creation of a globally competitive, innovation-centric economy. This progress can be measured using a variety of metrics, including the influx of Foreign Direct Investment (FDI), trade expansion, advances in Research and Development (R&D) skills, and the rise of sectors such as the digital economy and Renminbi (RMB) internationalisation. In terms of attracting FDI, China saw a significant growth, with FDI inflows (measured in current price USD) rising from US$123.9 billion in 2013 to US$189.1 billion in 2022, representing a 52.6 % increase, particularly in 2021. FDI outflows increased from US$107.9 billion to US$146.5 billion during the same period. FDI stock for this period totaled about US$3.8 trillion inward and US$2.9 trillion outward. Chinese exports of goods have also grown significantly, rising from US$2.21 trillion in 2013 to US$3.6 trillion by 2022, a 62.7 % increase. There has been a noticeable movement in the mix of goods toward more technology-intensive products, moving away from light manufacturing. Despite a slower growth rate than the period from 2000 to 2006, this rising trend is laudable in light of the worldwide economic downturn caused by the worldwide Financial Crisis (GFC) and the COVID-19 pandemic. Notably, export growth in 2021 and 2022 was exceptionally strong, up 39 % from 2020. The export of services grew even faster, rising from US$207 billion in 2013 to US$424.1 billion by 2022, representing a growth of more than 100 %. (United Nations Conference on Trade and Development, 2023)

By the end of 2019, China had established one million foreign-invested firms. Despite global economic uncertainties such as stagnant growth rates, slow cross-border investment, heightened international uncertainty, and increased competition for foreign investment, China managed to achieve a 6.1 % economic growth rate in 2019, leveraging foreign investments, particularly in advanced industries. Foreign investment made for 28.5 % of the total in China's high-tech sector. The inflow of FDI into sophisticated industries in China showed an increasing trend. (United Nations Conference on Trade and Development, 2023)

Table 4 FDI inflows by sector

Sector	FDI inflows increased in % (2019)
high-tech manufacturing	5,7 %
pharmaceutical manufacturing	43,9 %
in electronics and communication	10,6 %
hightech service industry	43,4 %

Source: own distribution based on Liu a Lee (2020)

In cotext of economy policy China has used a variety of measures to attract and regulate FDI inflows. One such tactic is the establishment of special economic zones (SEZs), which are intentionally designed to entice FDI by promoting processing commerce and increasing export income. These SEZs, including five with historical ties to nearby Hong Kong, Macau, and Taiwan Province of China, benefited from their status as newly industrialized economies with money, technology, market networks, and management knowledge. The formation of SEZs proved extremely successful, particularly in Shenzhen, instilling confidence in Chinese leadership to expand economic zones even further. In the framework of Chinese economic policy, SEZs refer to the five cities/provinces, which generally include entire cities or even bigger areas. Following Hainan, China avoided developing new SEZs in favor of establishing smaller-scale development zones such as "economic and technological development zones" (ETDZs) and "high-tech industrial development zones" (HTDZs) across the country. In addition, new area developments and Pilot Free Trade Zones (FTZs) were established during the 2010s. (United Nations Conference on Trade and Development, 2023)

3.2.3 FDI in Singapore

Singapore's economic growth is heavily reliant on foreign direct investment. FDI boosts overall productivity and economic competitiveness by recruiting new businesses and assisting current ones in expanding. Furthermore, FDI can benefit individuals by creating new job possibilities and encouraging the transfer of skills and information. FDI typically presents itself in the form of new subsidiaries, mergers and acquisitions, or the development of existing firms in Singapore. Notably, the stock of FDI in Singapore's corporate sector had a 5.0 % increase, growing from $2,494 billion at the end of 2021 to $2,619 billion at the end of 2022. (Department of Statistics Singapore, 2022)

Table 5 % of FDI in industry of Singapore

Industry	% of FDI
Finance and Insurance	56 %
Wholesale and Retail trade	16 %
Manufacturing	12 %
Real Estate, Professional Administrative and Support Services	9 %
Transportation and storage	4 %
Information and Communications	2 %
Others	1 %

Source: own distribution based on Department of Statistics Singapore (2022)

As seen in table 5, the distribution of FDI in Singapore by industry in 2022 illustrates the city-state's diverse and resilient economy, which is supported by its strategic position, advanced infrastructure, and business-friendly climate. Notably, the financial and insurance sectors received the most FDI, accounting for 56 % of the total. This reinforces Singapore's standing as a worldwide financial hub, thanks to its stable regulatory environment and robust financial infrastructure, which attract multinational financial firms looking for regional and international opportunities. The wholesale and retail trade sector received a significant 16 % of FDI, highlighting Singapore's status as a regional commercial hub. Singapore's excellent logistics network and connectivity continue to draw investments in regional distribution facilities and retail operations, promoting cross-Asian trade and commerce. Meanwhile, the industrial sector retained its importance, accounting for 12 % of FDI inflows. Singapore's strengths in high-value-added industries such as electronics, pharmaceuticals, and precision engineering continue to attract manufacturing investments, which benefit from the country's talented labor and advanced infrastructure. The real estate, professional administrative, and support services sector accounted for 9 % of FDI inflows, demonstrating Singapore's emphasis on urban growth and infrastructure enhancement. Investments in this sector contribute to Singapore's standing as a global business hub by providing critical services and amenities for both enterprises and citizens. Furthermore, the transportation and storage sector accounts for 4 % of FDI inflows, highlighting Singapore's position as a worldwide transportation and logistics hub. Singapore, with its world-class port facilities, aviation infrastructure, and efficient logistics networks, remains an appealing destination for logistics, shipping, and related service investments. Furthermore, investments in the information and communications sector (2 %) reflect Singapore's increasing emphasis on technology and innovation. Investments in digital infrastructure, cybersecurity, and ICT services help Singapore remain competitive as a digital economy and smart nation. Finally, investments classified as "Others" (1 %) cover a wide range of industries that contribute to Singapore's economy, such as healthcare, education, arts, and entertainment. This highlights Singapore's complex economy and its appeal to investors from various sectors.

The Singapore Economic Development Board (EDB), a key government organization under the Ministry of Trade and Industry, oversees plans to boost Singapore's global reputation as a hub for business, innovation, and talent. In 2023, the EDB received investment commitments of $12.7 billion in Fixed Asset Investment (FAI) and S$8.9 billion in Total Business Expenditure (TBE). These commitments are expected to create 20,045 jobs and generate an estimated S$26.7 billion in value-added per year (VA), exceeding the EDB's medium-to-long-term goals. In a tough global context marked by commercial uncertainties, these investment inflows demonstrate confidence in Singapore's viability as a business hub, acting as an entrance point into the expanding Asian market. While FAI pledges decreased following the unprecedented rise in semiconductor investments in 2022, investments in chemicals, electronics, healthcare, and aerospace remained high, strengthening supply chain resilience. TBE commitments, job creation, and estimated value-added all exceeded 2022 levels, driven by an increase in investment projects, particularly in Headquarters (HQ) and Professional Services, reflecting Singapore's role as a regional services hub. Information and communication technology businesses played an important role, aligning with Southeast Asia's burgeoning digital economy. (EDB, 2024)

Investments in R&D and innovative have expanded, with transnational corporations expanding their innovative footprint in Singapore. Collaborations between TNCs and Singapore's Research, Innovation, and Enterprise (RIE) ecosystem thrived, promoting new product creation. The EDB's Corporate Venture Launchpad (CVL) initiative aided the creation of enterprises in fields like as artificial intelligence (AI) and climate technologies. Upon implementation, the estimated creation of 20,045 jobs will be spread across sectors, with 58 % in services, 26 % in R&D and Innovation, and 16 %

in manufacturing, demonstrating Singapore's varied economic environment and dedication to promoting growth and innovation across industries. (EDB, 2024)

3.3 How Transnational Corporations Influence Global Economy

Transnational businesses (TNCs) shape global policies through CSR, lobbying, collaboration with international organizations, and the revolving door phenomenon. They use corporate social responsibility to link company operations with societal goals, lobby governments directly, partner with international agencies to create policies, and frequently hire former officials to fight for their interests. These initiatives highlight TNCs' important role in setting global policy agendas.

3.3.1 Corporate Social Responsibility

These firms' CSR programs engage with global politics by creating conversation, influencing policy agendas, and contributing to collaborative efforts to address important global issues such as climate change, social injustice, and public health. Article from the Digital Marketing Institute could (2024) showcase the corporate social responsibility (CSR) initiatives of companies such as Coca-Cola, Pfizer, Spotify, Netflix, and Ford. (Digital Marketing Insitute, 2024)

Coca-Cola is emphasizing sustainability as an essential component of its brand identity. Climate concerns, packaging sustainability, appropriate agricultural methods, water management, and product quality are all important focus factors. Their primary concept focuses on building "a world without waste." This vision includes lofty targets such as total bottle collection and recycling, shifting to 100 % recyclable packaging, and replacing all water used in beverage production to promote water security. They have set a target of 25 % reduction in their carbon footprint by 2030. Coca-Cola made a huge breakthrough by introducing its first bottle made completely of plant-based plastic, demonstrating its commitment to innovation and environmental responsibility. (Digital Marketing Insitute, 2024)

Ford is launching substantial Corporate Social Responsibility (CSR) activities with the objective of "building a better world, where everyone is free to move and pursue their dreams." Their commitment includes significant expenditures in electrification, with funds boosted to $22 billion from an initial $11 billion, as well as a goal for their vehicles to be carbon neutral by 2050. In addition to environmental goals, Ford is focusing on pay equity inside the corporation. They are doing a complete diverzity, equity, and inclusion audit, as well as introducing a global salaried pay ratio that takes gender into mind. These measures are intended to assure fair treatment and equitable opportunities for all employees, regardless of background. (Digital Marketing Insitute, 2024)

Netflix and Spotify prioritize employee and family well-being with robust benefits programs. Netflix employees, regardless of parental status, are eligible to an outstanding 52 weeks of paid parental leave, which applies to both birth and non-birth parents, including those with adopted children. This flexibility enables parents to take leave at any time throughout their child's first year of life, or at a later date that is convenient for their family. In comparison, this exceeds the average of 18 weeks granted by other large tech businesses. Similarly, Spotify provides a parental leave program, but for a shorter period of 24 weeks of paid leave. However, Spotify's policy stands out since it allows employees to take parental leave until their child reaches the age of three. Additionally, upon returning to work, employees are given one month of flexible work to help them transition from full-time parenting to full-time employment. In addition to employee benefits, Netflix and Spotify use their social media platforms to highlight their dedication to social problems. They actively support causes including Pride Month, environmental sustainability, and Black Lives Matter. Netflix, in example, demonstrates great targeting and engagement with niche and minority audiences via new social media methods. Their channel 'Strong Black Lead' is a prime illustration of this method. (Digital Marketing Insitute, 2024)

The Pfizer Foundation, founded in 1953, is dedicated to promoting healthy communities globally. Its purpose is to support community-driven innovations, strengthen safety net healthcare providers, advance health equity, and ensure equal access to vaccines. In times of catastrophe, such as the aftermath of Hurricane Matthew in Haiti and the worldwide refugee crisis in Europe and the Middle East, the Pfizer Foundation provides relief through grants in conjunction with non-governmental organizations (NGOs). These funds are directed to as many impacted individuals as possible. Furthermore, through Pfizer's Global Health Innovation Grants program, the foundation awards $100,000 per year to twenty groups, enabling them to find solutions to vaccine-preventable diseases in local communities. Notably, one of the award beneficiaries is the North Star Alliance of Uganda. (Digital Marketing Insitute, 2024)

3.3.2 Lobbying

The lobbying scene in 2022 highlighted the significant financial investments made by diverse industries and Transnational Corporations (TNCs) to influence policy choices and affect the regulatory environment.

Table 6 Transnational corporrations total spend by industry

Industry	Total spend in billion $
Business Associations	$2,926
Oil and Gas	$2,791
Hospitals	$2,326
Manufacturing and Distributing	$2,315

Source: own distribution based on OpenSecrets (2022)

By the informations from table 6, business associations emerged as key actors in the lobbying sphere, allocating a large sum of $2,926 billion to advocacy initiatives. These organizations represent a wide range of businesses and industries and frequently lobby for a variety of concerns. Their lobbying efforts, which range from labor laws to intellectual property rights, product safety standards, and corporate taxation, seek to influence legislation that affects the business environment and economic policies. Business associations work with officials and lawmakers to improve circumstances for their members and handle regulatory issues. (The Investopedia Team, 2024)

Similarly, the oil and gas industry displayed its influence with $2,791 billion in lobbying expenses. This industry is actively involved in campaigning for legislation concerning energy, environmental restrictions, and infrastructural development. Oil and gas corporations are particularly interested in regulations governing pollution and carbon emissions, waste management, cybersecurity, and infrastructure projects. Their lobbying efforts are intended to shape energy policy and influence regulatory decisions that affect their operations and the overall energy industry. (The Investopedia Team, 2024)

Hospitals and nursing homes also contributed considerably to lobbying activities, spending $2,326 billion. These healthcare practitioners advocate for legislation influencing healthcare financing, insurance laws, and infrastructure development within the healthcare business. Their lobbying efforts aim to address healthcare challenges, provide access to high-quality care, and advocate for favorable healthcare legislation that benefits both patients and providers. (The Investopedia Team, 2024)

Furthermore, the Manufacturing and Distributing sector, which spent $2,315 billion, engaged in lobbying actions on multiple fronts. This sector, which represents a varied range of enterprises involved in product manufacture and distribution, lobbied for trade policy, tariffs, environmental restrictions, and infrastructure projects. Their lobbying efforts seek to influence policies affecting their operations, supply chains, and global competitiveness. (The Investopedia Team, 2024)

3.3.3 Cooperations between Transnational Corporations and International Organizations

Intergovernmental groups frequently interact with a wide range of enterprises worldwide. These companies may include both transnational corporations, multinational corporations, and smaller businesses that contribute to many facets of global politics, economics, and society.
For example, Procter & Gamble collaborates with WWF, Coca-Cola partners with WWF and WEF, and Microsoft works with the United Nations.

Procter & Gamble, a worldwide corporation best known for its consumer products, is firmly committed to sustainability and corporate social responsibility. This devotion is demonstrated by its relationships with prestigious international organizations such as the World Wildlife Fund (WWF). They have established and led several significant programs to promote sustainable corporate practices, environmental protection, and social responsibility. One of the major initiatives spearheaded by Procter & Gamble and WWF focuses on biobased plastic and plastic waste management. In 2012, P&G

formed the Bioplastic Feedstock Alliance with seven other top firms and the WWF. This collaboration seeks to advance knowledge and practices relating to responsibly sourced biobased plastic. P&G has played an important role as a founding member of ReSource: Plastic, a consortium led by WWF to address the worldwide plastic waste epidemic. Procter & Gamble has also prioritized climate change mitigation and the promotion of renewable energy sources. The company's assistance and leadership were critical in the formation of the Clean Energy Buyers Association (CEBA). P&G's CEBA has made a substantial contribution to the growth of corporate renewable energy purchases. Furthermore, as a founding member of the Renewable Thermal Collaborative (RTC), P&G is actively committed in growing the market for and implementing low-carbon thermal energy solutions. Procter & Gamble has been a staunch partner of WWF's Forest team for over a decade. P&G has been a member of the WWF's Global Forest & Trade Network (GFTN) since 2008, and has just joined the Forests Forward program. Together, they have strengthened P&G's wood pulp sourcing policy by advocating for Forest Stewardship Council® (FSC®) certification and accelerating progress toward aggressive FSC-certified fiber sourcing targets. P&G has also supported forest landscape restoration planning in Brazil's Atlantic Forest region. (WWF, 2024a)

The Coca-Cola Company has exhibited a persistent commitment to protecting and conserving water resources. Coca-Cola has launched various initiatives focusing on rivers, ecosystems, and community engagement as part of its long-standing cooperation with the World Wildlife Fund (WWF), a leading worldwide conservation organization. In Eastern Guatemala, initiatives to promote water conservation are aimed at the source of the problem. This includes preemptive steps in the Sierra de las Minas mountain range to protect the headwaters of the cloud forests. By preserving these critical places, water capture and distribution to downstream communities are facilitated, benefiting the overall health and sustainability of the watershed ecosystem (WWF, 2024b). The WEF and Coca-Cola collaboration intends to minimize plastic waste and develop a circular plastic economy, which will require coordinated efforts by businesses, governments, and non-governmental organizations to enable and promote recycling around the world. Last year, Coca-Cola announced plans to broaden access to its PlantBottle™, the world's first totally recyclable PET plastic container derived partially from plant waste, to competitors in the beverage sector. (The Coca Cola Company, 2024)

Microsoft is highly committed to supporting the United Nations' Sustainable Development Goals (SDGs). Recently, the company took part in the launch of the UN and World Bank's Joint Call to Action for further data investments to achieve the SDGs. This program demonstrates Microsoft's commitment to sustainable development and active participation in global efforts to achieve the SDGs. Microsoft has long been committed to supporting the SDGs and has launched efforts and programs to help them accomplish their goals. Its engagement includes supporting technological innovations that make it easier to track progress toward the SDGs, investing in technology and digital literacy education and training, fostering innovation in sustainability and environmental protection, and participating in sustainable development partnership programs with international organizations and non-governmental organizations (NGOs). Microsoft's work with the UN on the SDGs is based on common aims of achieving sustainable development and making a constructive contribution to the global society. Its initiatives help to create capacity, improve data resources, foster innovation and technical solutions, and advocate for collaboration between the commercial sector, government, and civil society. In this approach, Microsoft actively contributes to global efforts to achieve sustainable development and implement the United Nations' SDGs. (Sharrock, 2022)

3.3.4 Revolving door

Revolving door appointments are widespread in many levels of EU politics, ranging from senior positions in the Commission and MEPs to policy advisers, MEP assistants, and interns. Many of these persons have been in office for long periods of time. Big Tech corporations generally seek public officials with knowledge in IT policy areas such as data protection, online platforms, intellectual property, and cybersecurity. Some of these officials previously worked on the European Parliament's legal affairs (JURI) and internal market and consumer protection committees (IMCO) before moving on to employment at Big Tech businesses, where they influence their former colleagues. According to one research provided by (LobbyControl, 2022), over three-quarters of the lobbyists representing Google and Meta (previously Facebook) have prior experience working for governmental entities at the EU or member state levels. Notably, 79 percent of Google's lobbyists and 71 % of Meta's lobbyists had previously worked in government agencies. Individuals have transitioned from public office to working for Google or Meta in as little as two years, with some receiving lobby cards for the tech corporations within a few months of leaving public service. However, adherence to norms governing revolving door operations appears inadequate inside the institutions, with some former employees assuming new posts while pending authorization. One recent example is Aura Salla, who held numerous government jobs, including high-level ones in the EU Commission, before quickly transitioning to a position at Meta in three months, despite the Commission's pending authorization.

Another example of the revolving door phenomena can be found at the Pentagon, where many government officials in charge of overseeing the procurement of weapons systems and equipment frequently move on to roles in private sector companies. These companies are frequently responsible for the design and manufacturing of the equipment used by military services. In an analysis of the scant publicly accessible information on the Pentagon's revolving door activities in 2021, the Project On Government Oversight discovered 36 individuals who left the Pentagon to join commercial military or defense-related enterprises. During fiscal year 2021 alone, the Pentagon rewarded defense contractors who recruited former Pentagon officials more than $89.3 billion in contract obligations. Notably, some individuals worked for multiple firms, including former acquisition head Ellen Lord, former Defense Intelligence Agency Director Robert Ashley, and former acting Under Secretary of the Navy James Geurts. In total, 46 organizations in the defense and national security sectors hired former high-ranking Pentagon officials in 2021. (Summers, 2022)

3.4 Market Capitalizations

Market dominance has shifted significantly over the last decade, particularly in the technology sector, as indicated by huge businesses' market capitalizations. Market dominance is calculated by comparing the market capitalizations of major firms from 2014 to 2024 in table 7.

Market dominance:

Market dominance has shifted significantly over the last decade, particularly in the technology sector, as indicated by large businesses' market capitalizations. Going deeper into the evolution of market domination by comparing the market capitalizations of significant corporations from 2014 to 2024. Apple emerged as the undisputed top in 2014, with a market value of $500.74 billion, outperforming industry titans such as Exxon Mobil and Alphabet. This marked the start of Apple's rise to the top of the worldwide market, fueled mostly by the tremendous success of devices such as the iPhone and iPad.

Back in 2015, Apple's dominance grew, with its market capitalization reaching $643.12 billion. The company's creative product assortment and unwavering consumer loyalty boosted its market value to new highs. Meanwhile, Alphabet (Google's parent firm) and Microsoft also had large market capitalizations, reflecting their important roles in the tech ecosystem. The years 2016 and 2017 saw a consolidation of power among tech titans, with Apple, Alphabet, and Microsoft remaining major actors. However, it was at this time that Amazon and Meta/Facebook (previously Facebook) emerged as serious competitors in the sector. Amazon's spectacular rise, powered by its supremacy in e-commerce and cloud computing, resulted in a surge in its market valuation, indicating its expanding influence on global markets.

By 2018, Apple had reinforced its supremacy, surpassing the $860 billion threshold in market capitalization. The business's ongoing innovation, combined with strong sales and a dedicated client base, helped solidify its position as the world's most valuable publicly traded company. Meanwhile, Alphabet, Microsoft, and Amazon trailed closely after, demonstrating their enormous contributions to the tech world. In ensuing years, Apple, Microsoft, Alphabet, and Amazon remained market leaders, with their market capitalizations steadily increasing. Notably, Tesla's ascension as a new entrant into the top market capitalization rankings drew global attention. Tesla's revolutionary discoveries in electric vehicles and renewable energy solutions catapulted its market capitalization to new heights, demonstrating the growing importance of sustainability in determining market dynamics.

Overall, data from table 7 demonstrates the power of tech behemoths like Apple, Microsoft, Alphabet, Amazon, and Meta/Facebook in altering the worldwide market landscape. Their ongoing innovation, strategic investments, and unwavering pursuit of quality have cemented their positions as industry leaders, driving trends and impacting consumer behavior across several industries. These trends in market capitalization provide essential insights into the changing dynamics of market domination and the competitive forces that shape the world economy. As technology continues to transform sectors and business processes, these industry leaders' influence is expected to increase even more in the years ahead.

The research of market capitalization data from 2014 to 2024 offers useful insights into the phenomenon of industrial disruption, notably in the technology sector. This study will look at how specific businesses disrupted established industries and transformed the global market landscape throughout the selected time period.

Industry distruption:

The research of market capitalization, offers useful insights into the phenomenon of industrial disruption, notably in the technology sector. The dominance of select tech behemoths, particularly Apple, Microsoft, Alphabet (Google), and Amazon, demonstrates their critical role in driving industry upheaval. These companies have successfully challenged conventional norms, using innovation and strategic initiatives to reshape old industries and pioneer new market paradigms.

Apple's long-standing supremacy, fueled by an innovative culture and user-centric design, has transformed a variety of industries, including telecommunications, entertainment, and retail. Products like the iPhone and iPad have not only transformed technology, but also disrupted neighboring industries, radically altering consumer behavior and market dynamics. Similarly, Microsoft's successful transition to cloud computing services, particularly Azure, has shaken up the traditional IT sector. By providing scalable and cost-effective cloud infrastructure and services, Microsoft has enabled organizations to innovate and evolve digitally, causing massive market upheaval.

Alphabet, Google's parent firm, has capitalized on the massive volumes of data created by its search engine and advertising platforms. Alphabet has disrupted the advertising and marketing industries by leveraging targeted advertising and data-driven insights to reimagine how businesses interact with customers and monetize digital assets. Amazon's rise to become the world's largest online retailer has transformed the retail environment, posing a challenge to traditional brick-and-mortar stores. With its unprecedented convenience, extensive product range, and competitive pricing, Amazon has driven incumbents to adapt or face obsolescence, resulting in industry-wide upheaval.

Meta/Facebook, previously known as Facebook, has altered social networking and digital communication by connecting billions of individuals worldwide. Its platforms, like as Facebook, Instagram, WhatsApp, and Messenger, have upended traditional ways of communication and advertising, changing the digital world. Tesla's disruption to the automotive industry cannot be emphasized. Tesla has challenged conventional automotive practices with its pioneering electric automobiles, renewable energy solutions, and self-driving technologies, accelerating the transition to sustainable transportation while displacing established players in the field.

Industry disruption has far-reaching repercussions, influencing consumer behavior, business strategies, and global economic trends. As conventional incumbents face the difficulties of disruption, companies must embrace innovation and digital transformation in order to remain competitive in an increasingly dynamic environment.

Global economic trends:

Data from 2014 to 2024 provides valuable insights into current global economic trends, highlighting the dominance of prominent firms across many industries.

Data shows that technology companies are becoming increasingly dominant in global markets. Throughout the investigated time, companies such as Apple, Microsoft, Alphabet (Google), Amazon, and Meta/Facebook have consistently maintained their top market capitalization ranks. Their ongoing rise reflects a long-term growth trajectory fueled by unrelenting innovation, strategic acquisitions, and the deployment of disruptive technologies.

Amazon's meteoric climb to one of the world's most valuable firms demonstrates the growing significance of e-commerce and digital platforms. Its extensive online marketplace and comprehensive array of cloud computing services have profoundly altered traditional retail paradigms, transforming consumer purchasing habits and corporate operations. Similarly, the continued success of Meta/Facebook emphasizes the importance of social networking and digital communication platforms in modern global connections.

The inclusion of Tesla among top market capitalization organizations highlights the growing relevance of sustainable technology, particularly in the automobile sector. Tesla's pioneering efforts in electric vehicles and renewable energy solutions have not only upset traditional automotive incumbents, but also sparked a larger shift toward sustainability in the transportation and energy sectors.

Traditional financial organizations like JPMorgan Chase and Berkshire Hathaway remain strong in market capitalization rankings, despite the dominance of technology companies. Their continued presence demonstrates the financial sector's continued importance in promoting global economic growth and stability. Similarly, Johnson & Johnson and Eli Lilly demonstrate the healthcare and pharmaceutical industries' unwavering commitment to solving global health concerns through continuous innovation and the creation of life-saving cures.

Table 7 Transnational Corporations by Market Cap in Billion USD

2014		2015		2016	
Apple	500,74	Apple	643,12	Apple	583,61
Exxon Mobil	438,7	Exxon Mobil	388,38	Alphabet	534,76
Alphabet	376,01	Microsoft	381,73	Microsoft	439,68
Microsoft	310,5	Berkshire Hathaway	370,02	Berkshire Hathaway	325,49
Berkshire Hathaway	292,36	Alphabet	361,44	Exxon Mobil	323,96
Johnson & Johnson	258,34	Johnson & Johnson	291,04	Amazon	318,34
Walmart	254,62	Wells Fargo	283,44	Meta/Facebook	296,61
Chevron	239,03	Walmart	276,81	Johnson & Johnson	284,22
Wells Fargo	238,68	Procter & Gamble	245,99	Wells Fargo	276,81
Procter and Gamble	220,74	JPMorgan Chase	232,47	JPMorgan Chase	241,9

2017		2018		2019	
Apple	608,96	Apple	860.88	Microsoft	780.36
Alphabet	546,19	Alphabet	731.90	Apple	746.08
Microsoft	483,16	Microsoft	659.91	Amazon	737.47
Berkshire Hathaway	401,92	Amazon	563.54	Alphabet	726.83
Exxon Mobil	374,28	Meta/Facebook	512.76	Berkshire Hathaway	502.57
Amazon	356,31	Berkshire Hathaway	489.05	Meta/Facebook	374.13
Meta/Facebook	331,59	Johnson & Johnson	375.36	Johnson & Johnson	343.57
Johnson & Johnson	313,43	JPMorgan Chase	371.05	JPMorgan Chase	319.78
JPMorgan Chase	308,77	Exxon Mobil	354.39	Visa	293.97
Wells Fargo	276,78	Bank of America	307.91	Exxon Mobil	288.92

2020		2021		2022	
Apple	1,288.00	Apple	2,232.00	Apple	2,902.00
Microsoft	1,200.00	Microsoft	1,678.00	Microsoft	2,522.00
Alphabet	921.95	Amazon	1,638.00	Alphabet	1,918.00
Amazon	920.22	Alphabet	1,183.00	Amazon	1,697.00
Meta/Facebook	585.37	Meta/Facebook	778.23	Tesla	1,092.00
Berkshire Hathaway	552.08	Tesla	677.44	Meta/Facebook	921.94
JPMorgan Chase	429.91	Berkshire Hathaway	537.00	NVIDIA	735.28
Visa	409.44	Visa	473.78	Berkshire Hathaway	662.63
Johnson & Johnson	384.00	Johnson & Johnson	414.31	UnitedHealth	472.51
Walmart	337.17	Walmart	407.84	JPMorgan Chase	466.21

2023		2024	
Apple	2,067,000	Apple	2,994,000
Microsoft	1,788,000	Microsoft	2,795,000
Alphabet	1,142,000	Alphabet	1,749,000
Amazon	856,94	Amazon	1,570,000
Berkshire Hathaway	678,72	NVIDIA	1,223,000
UnitedHealth	495,37	Meta/Facebook	909,77
Johnson & Johnson	461,85	Tesla	789,93
Exxon Mobil	454,25	Berkshire Hathaway	772,53
Visa	439,96	Eli Lilly	553,37
JPMorgan Chase	393,34	Visa	534,59

Source: own distribution based on (FinHacker, 2024)

Conclusion

TNCs play a significant role in international business, driving globalization and shaping cross-border economic exchanges. Their impact extends beyond economic operations to encompass political, social, and environmental domains.

The complex link between transnational corporations and developing countries is a key issue in theoretical discussion. While TNCs can drive economic progress by creating jobs and igniting local economies through Foreign Direct Investment (FDI), there are worries about exploitation and unfair terms in investment agreements. Poverty, labor issues, and governance shortcomings in developing countries frequently overlap with TNC activities, creating ethical questions about their impact on local communities and the environment.

Theoretical part shifted at difficulties related to TNC taxation and regulations. Tax evasion, transfer pricing strategies, and regulatory exploitation highlight the difficulties of international taxation, needing stronger systems to ensure equal and transparent tax practices among TNCs. The changing face of tax legislation, as well as the roles of international organizations in combating tax avoidance, illustrate continuous discussions and efforts to improve tax compliance and accountability in the global corporate environment.

The practical part of the thesis shifted its focus to identifying possible future developments trends that could have a substantial impact on TNCs and their operations. One such trend is the changing face of global taxation, which includes initiatives to establish more uniform tax legislation and reduce multinational firms' tax dodging techniques. According to the study, the implementation of measures such as the OECD's Base Erosion and Profit Shifting (BEPS) initiative and the push for a global minimum corporate tax rate could have a significant impact on the tax planning strategies employed by TNCs, potentially limiting their ability to engage in aggressive tax avoidance schemes.

Furthermore, the practical part analyzed anticipated trends in global economic development, specifically FDI flows, and their consequences for TNC strategy and investments. According to the report, shifting FDI patterns, driven by variables such as technical developments, changing trade dynamics, and geopolitical concerns, will force TNCs to adapt their investment and operational strategies in order to remain competitive in a constantly evolving global scene.

Study looked at how TNCs might form relationships and collaborate with international organizations. The findings indicate that the potential for synergies and mutually beneficial outcomes in these collaborations could result in a more integrated and coordinated approach to solving global concerns such as sustainable development, climate change, and social welfare.

Lastly, the practical part looked at the importance of TNC market capitalization as a measure of their power and resilience in the face of changing economic and geopolitical conditions. The figures show that the top TNCs' market value has continued to rise, highlighting their dominant position in the global economy and ability to weather economic and political catastrophes.

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