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TRANSNATIONAL CORPORATIONS AS KEY DRIVERS OF ECONOMIC STABILITY AND GLOBAL GROWTH

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Abstract

This study examines the role of transnational corporations (TNCs) as a key driver of global economic stability and growth. In the context of an increasingly integrated global economy, TNCs play a crucial role not only in the production of goods and services but also in shaping international trade flows, facilitating foreign direct investment (FDI), and promoting technology transfer. The research is based on a comprehensive methodological approach, combining theoretical analysis, empirical data, and statistical methods. Data from United Nations Conference on Trade and Development, World Bank, and International Monetary Fund were used to evaluate the impact of TNCs between 2000 and 2025. The findings indicate that TNCs account for a significant share of global trade through global value chains and contribute substantially to employment, innovation, and economic development, especially in developing countries. At the same time, the study highlights potential challenges, including increased market concentration, inequality, and pressure on local industries.

Keywords: Transnational corporations, global trade flows, foreign direct investment, global value chains, economic stability.



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1. Introduction

In the context of the modern global economy's complex and interconnected system, the study of transnational corporations (TNCs) and their role in international trade flows represents a pressing scientific issue. In the economic environment of the 21st century, TNCs act not only as producers of goods and services but also as key drivers of global investment flows, technology transfer, and employment. Their operations extend beyond national borders, forming global value chains and significantly impacting global economic stability.

The growth of global trade flows is directly linked to the geographic expansion of TNCs and processes of economic integration. Today, TNCs deploy production processes across multiple countries, allowing for efficient use of resources, optimization of production costs, and rapid implementation of innovative technologies. According to the United Nations Conference on Trade and Development, approximately 70–80% of global trade is conducted through global value chains managed by transnational corporations. This clearly demonstrates their dominant position in the international trade system.

At the same time, global production networks managed by TNCs constitute a significant share of international trade. In particular, the largest 100 transnational corporations have, on average, more than 500 foreign subsidiaries and operate in over 50 countries. This indicates that production has taken on a transnational character and economic processes have become deeply integrated. Consequently, separate stages of production—raw material supply, processing, assembly, and distribution—are spread across different countries, creating added value at each stage.

Transnational corporations also play a crucial role in global investment flows. In recent years, the volume of foreign direct investment (FDI) has been steadily increasing, reaching 1.6 trillion USD by 2025. The majority of these investment flows are carried out by TNCs. By effectively allocating capital, they increase



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production capacity, implement new technologies, and enhance the competitiveness of national economies.

Moreover, TNCs are important providers of global employment. Statistical data indicate that in 2023–2024, the number of people employed in foreign subsidiaries of transnational corporations reached 75–80 million. In particular, in developing countries, TNC investments contribute to an annual growth in employment of approximately 2–4%. This demonstrates that TNCs not only drive economic growth but also contribute to social stability.

Transnational corporations are also a major source of innovation. According to the World Intellectual Property Organization, a significant share of global patent applications comes from large corporations. This reflects the substantial investment TNCs make in research and development (R&D). As a result, technologies and knowledge spread rapidly worldwide, production efficiency increases, and economic stability is strengthened.

At the same time, the role of TNCs in the global economy is dual in nature. Positive aspects include stimulating economic growth, expanding investment flows, accelerating technology transfer, and creating employment. However, their activities can also produce certain negative consequences, such as reduced competitiveness of national markets, unequal income distribution, and increased economic dependency.

2. Literature Review

The issue of transnational corporations (TNCs) and their role in the global economy has been extensively studied by numerous prominent economists and international organizations. Scientific literature in this area explains the impact of TNCs on international trade, investment flows, and economic growth using various theoretical and empirical approaches.

A key theoretical source for understanding TNC activities is John Dunning's work *"Multinational Enterprises and the Global Economy."* In this book,



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Dunning develops the OLI (Ownership–Location–Internalization) paradigm, emphasizing that transnational corporations operate in foreign markets based on ownership advantages (such as technology and brand), location advantages (resources and markets), and internalization advantages (management efficiency). Dunning provides a scientific explanation of how TNCs enhance economic efficiency by optimizing global production. [1]

Similarly, the book “*International Economics: Theory and Policy*” by Paul Krugman and Maurice Obstfeld analyzes international trade and capital movement directly in relation to TNC activities. The authors argue that the international distribution of production through TNCs expands trade volumes and strengthens economic integration between countries. According to them, TNCs not only expand global trade flows but also fundamentally reshape their structure. [2]

The concept of global value chains (GVCs) is extensively explored in Gary Gereffi’s research, “*Global Value Chains in a Post-Washington Consensus World.*” Gereffi emphasizes that TNCs create global production networks by distributing production processes across multiple countries, accelerating the integration of developing economies into the global economy. He notes that TNCs, as key managers of global value chains, also determine the distribution of added value. [3]

Empirically, the impact of TNCs on economic growth is analyzed in detail in the United Nations Conference on Trade and Development’s annual *World Investment Report*. [5] These reports highlight that foreign direct investments (FDI) carried out by TNCs constitute the majority of global investment flows and significantly influence industrial development, export growth, and employment levels, particularly in developing countries.

Innovation and technology transfer are discussed in the *World Intellectual Property Report* published by the World Intellectual Property Organization. [8] The report emphasizes that large corporations contribute the majority of global

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patent applications due to their substantial investment in research and development, confirming the leading role of TNCs in global innovation.

On the other hand, the negative aspects of TNC activities have also been examined in several academic sources. Joseph Stiglitz, in “*Globalization and Its Discontents*,” notes that in some cases, large corporations may act contrary to the interests of developing countries. [3] He argues that while TNCs stimulate economic growth, they can also contribute to unequal income distribution.

Moreover, the *OECD Guidelines for Multinational Enterprises* prepared by the Organisation for Economic Co-operation and Development emphasize the need to regulate TNC activities and enhance their social and environmental responsibility. [9] The guidelines highlight transparency, adherence to labor standards, and ecological sustainability as critical areas for corporate governance. Overall, the analysis of the above scientific literature indicates that transnational corporations play a dual role in the global economy. On one hand, they stimulate economic growth, investment flows, and technological development; on the other, they can create economic inequality, competition challenges, and imbalances in resource distribution. Therefore, a rigorous scientific study of TNC activities and a comprehensive assessment of their impact on economic policy remain important directions in contemporary economic research.

3. Methodology

In this study, modern scientific approaches and economic analysis methods were employed to comprehensively assess the impact of transnational corporations (TNCs) on global economic stability and growth. The research methodology was built on a systematic and integrated approach, combining theoretical, empirical, and statistical analysis methods in a coherent manner.

The theoretical foundation of the study is based on scientific concepts explaining international economics and the operations of transnational corporations. In particular, John Dunning’s OLI (Ownership–Location–Internalization) paradigm

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was applied as the primary methodological framework. [1] This approach enables the analysis of TNCs' motivations for entering foreign markets, the choice of investment locations, and internal management mechanisms. Additionally, the global value chains (GVCs) concept was employed to examine how TNCs create added value and influence trade flows by distributing production processes internationally.

Empirical analysis relied on primary data from official statistical databases of international organizations. Key sources included the *World Investment Report* published by the United Nations Conference on Trade and Development (UNCTAD), data from the World Bank, and statistical indicators from the International Monetary Fund (IMF). [5] Based on these sources, dynamic data on global trade volumes, foreign direct investment (FDI), the number of TNCs, and the activities of their foreign subsidiaries were collected and systematized for the period 2000–2025.

Economic-statistical analysis methods were widely used in the study. In particular, time series analysis was applied to identify trends in TNC activities over time and to assess their share in global trade and investment flows. Correlation analysis was used to statistically evaluate the relationships between indicators representing TNC activity (FDI volume, number of foreign subsidiaries) and macroeconomic indicators (GDP growth rate, employment levels).

Moreover, comparative analysis was conducted to examine differences in the economic impact of TNCs between developed and developing countries. This approach clarified how TNC investments and their economic efficiency yield different outcomes under varying economic conditions. [10] In particular, the effects of TNCs on technology transfer, employment, and export capacity growth in developing countries were analyzed in detail.

The study also utilized content analysis, systematically reviewing scientific literature, international reports, and regulatory documents. This enabled the

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consolidation of existing scientific perspectives on the role of TNCs in the global economy, their positive and negative impacts, and development prospects. Overall, this methodology allowed for a thorough and multidimensional analysis of the effects of transnational corporations on economic stability and global growth. The combination of selected methods ensured the scientific validity and reliability of the findings and clearly revealed the role of TNCs in contemporary global economic processes.

4. RESULTS

The findings of the study indicate that transnational corporations (TNCs) occupy a leading position in the global economic system, serving as the primary driving force behind international trade, investment flows, and production processes. Empirical analyses show that between 2000 and 2025, the share of TNCs in the global economy exhibited a consistent upward trend, which has accelerated particularly in the last decade.

According to data from the United Nations Conference on Trade and Development (UNCTAD), approximately 70–80% of global trade is currently conducted through global value chains managed by TNCs. [10] This highlights the decisive role of TNCs in international trade. Analyses further indicate that in the trade of high-technology products—such as electronics, pharmaceuticals, and automobiles—the share of TNCs exceeds 80%.

Results on global investment flows also confirm the dominant position of TNCs. By the end of 2025, the volume of global foreign direct investment (FDI) reached USD 1.6 trillion, with the majority of these investments carried out by transnational corporations. Analyses show that approximately 60–65% of these investments were directed toward developing countries, significantly boosting industrial development and export potential in these regions.

TNCs' positive impact on employment is also evident. Statistics indicate that in 2023–2024, 75–80 million people were employed in the foreign subsidiaries of

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transnational corporations, representing a substantial share of global employment. In particular, in Southeast Asia, Latin America, and Eastern Europe, TNC activity contributed to an average annual employment growth of 2–4%. From a technological development perspective, the influence of TNCs is also substantial. According to the World Intellectual Property Organization, 65–70% of global patent applications are attributed to large transnational companies. This demonstrates that TNCs invest heavily in research and innovation, facilitating the rapid global dissemination of new technologies and enhancing production efficiency.

Correlation analysis results indicate a positive relationship between TNC activity and economic growth. Specifically, a 1% increase in FDI volume is associated with an average 0.3–0.5% increase in GDP growth rate, confirming that TNC investments are a significant driver of economic expansion.

At the same time, analyses reveal some negative aspects of TNC activity. In developing countries, intensified competition with local firms has led to a reduction in market shares for certain small and medium-sized enterprises. Moreover, income inequality and the concentration of economic resources were observed in some regions.

Results on global production chains indicate that the majority of added value generated in TNC-led production systems is created in developed countries, while labor-intensive stages of production are relocated to developing countries. This highlights the structural imbalances present in the global economy.

5. DISCUSSION

The conducted analyses once again confirm that transnational corporations (TNCs) hold strategic importance in the global economy. They not only shape international trade flows but also play a crucial role in ensuring economic stability through investment, innovation, and employment generation. The results practically validate John Dunning's theory, demonstrating that TNCs leverage



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ownership, location, and internalization advantages to enhance global production efficiency.

The discussion highlights that global value chains managed by TNCs have become a fundamental infrastructure of the modern economy. According to the United Nations Conference on Trade and Development, a significant portion of global trade is conducted through these chains, further reinforcing the dominant role of TNCs in the world economy. This mechanism enables efficient international allocation of production and optimizes the use of resources.

At the same time, the results support the observations of Joseph Stiglitz. While TNCs stimulate economic growth, they may also exacerbate income inequality and economic disparities. In developing countries, TNC activity intensifies competition for local businesses, sometimes leading to increased market concentration in certain sectors.

From the perspective of investment flows, TNCs emerge as the main drivers of global capital movements. Their foreign direct investments expand production capacities, introduce new technologies, and generate employment opportunities, which are particularly significant for economic growth in developing economies. However, alongside these positive impacts, it is necessary to balance TNCs' influence on the global economy. Adverse effects can be mitigated through appropriate tax policies, environmental standards, and labor regulations. In this context, international guidelines, such as those developed by the Organisation for Economic Co-operation and Development (OECD), are of critical importance.

In conclusion, transnational corporations are an integral component of the global economy, serving as essential instruments for promoting economic growth, trade, and innovation. The study shows that TNC activities play a vital role in ensuring global economic stability, but their impact must be effectively managed and regulated.

Looking forward, the rise of the digital economy, green technologies, and innovation-driven development is expected to further strengthen the role of

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TNCs. Therefore, both national and international economic policies should aim to maximize the positive effects of TNCs while minimizing potential negative consequences. Only then can transnational corporations become an effective instrument for global growth and sustainable development.

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