TRANSNATIONAL CORPORATIONS AND GLOBAL ECONOMIC GOVERNANCE: MECHANISMS OF INFLUENCE ON STATES AND INTERNATIONAL INSTITUTIONS

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Abstract. *The role of transnational corporations (TNCs) in global economic governance is examined in this article, along with the ways in which TNCs affect both international economic institutions and national governments. The study's foundation is a review of scholarly works, institutional reports, and studies on globalization, TNCs, and foreign direct investment. FDI, lobbying, global value chains, technological skills, and involvement in international rule-making are some of the main corporate influence pathways identified by the investigation. Although their impact is still reliant on state institutions and the regulatory environment, the paper contends that TNCs have gained significant bargaining and agenda-setting power in several sectors of global economic governance. The study comes to the conclusion that rather than being a straightforward transfer of power, the relationship between states and TNCs is better viewed as one of interdependence and bargaining.*

Keywords: *transnational corporations, global economy, foreign direct investments (FDI), globalization, state, national economies, political economy, society, institutions, agents.*

Introduction

The principal actors of the global economy are national economies, international organizations and transnational corporations (TNCs). In general, a TNC is defined as a legal entity of a parent company and its foreign affiliates, which are defined as the entities in which the foreign investor has a long-term managing interest (UNCTAD, 2006). Since World War II, the number of TNCs operating internationally has increased rapidly. The world has been transformed from a “international” to a “globalized” economy (Nicula, Nicula, 2015).

TNCs have a direct impact on international markets and an indirect impact on the national economies of the countries they operate in. In 2001, there were 65,000 TNCs with 850,000 foreign affiliates, accounting for about two-thirds of world trade (UNCTAD, 2006).Their interests also influence global institutions such as the WTO,

where the private sector affects member states' policies even though governments remain the formal decision-makers (Vander Stichele, 1998). TNCs affect not only economic outcomes but also human rights, labor, and environmental standards (Kline, 2005).

This article traces the evolution of TNCs' role in the global economy and examines how globalization has shaped their influence on states and international institutions.

Emergence and growth of TNCs

The earliest predecessors of TNCs, such as the East India Company, emerged during the “long sixteenth century” (1450–1640) (Gereffi, 2005). Modern TNCs took shape in the nineteenth century alongside industrial capitalism, and their transnational expansion accelerated in the late nineteenth and early twentieth centuries, as firms such as the United Fruit Company came to dominate entire markets (Dunning, 1993). TNCs often cooperated with governments to ensure their position during this period. In Japan, for example, conglomerates known as "zaibatsu", such as Mitsui and Mitsubishi, had an oligopolistic hold on the country's trade, financial and industrial sectors (Greer, Singh, 2000).

TNCs grew rapidly after the Second World War due to improvements in transport and communication, organizational innovation, a favorable political climate and waves of liberalization and privatization (Ietto-Gillies 2014). Ietto-Gillies attributes this growth to four main factors: advances in transportation and communication technologies that cut costs; organizational innovations that let firms split production across several countries; a favorable postwar political climate; and waves of liberalization and privatization in both developing and developed economies. As a result, FDI stock held by TNCs roughly tripled from the 1960s onward, after having only doubled during the first half of the twentieth century.

The 1970s oil shock and the debt crisis that followed pushed national governments and international organizations to relax restrictions on TNC activity, as states sought more FDI to shore up weakened economies (Green, 2016). Global FDI stock rose from US$1.1 to US$2.1 trillion between 1988 and 1993 alone, and sales by foreign affiliates of TNCs grew from roughly US$2.5 trillion to US$18.5 trillion between 1982 and 2001; by the early 2000s, TNCs accounted for about a third of world exports and a tenth of world GDP (UNCTAD, 1998). Growth slowed only briefly during the 2007–2009 financial crisis: by 2011, FDI expenditure had already surpassed its pre-crisis 2008 levels, underscoring how quickly TNCs were able to recover and resume their expansion.

TNCs, globalization, and global political economy

TNCs have often been shown to weaken the bargaining position of states, with governments prioritizing the attraction of FDI over other national interests (Bhagwati, 2005). US TNCs influence foreign policy by lobbying and think tanks that promote corporate-friendly policies (Voitolovsky, 2005). International trade and investment rules such as the WTO's Trade-Related Investment Measures Agreement have often been developed to protect TNC interests (Vander Stichele, 1998).

From the perspective of Pierre Bourdieu's theory of agents operating in a structured field, TNCs can be seen as actors who did not define the rules of the game of globalization but who know, endorse, and operate within these rules (Bourdieu, 1993). In this way, corporations work not only as profit-seeking enterprises but also as participants that replicate and progressively alter the field's structure. They also occupy similar places within the global field and frequently share identical goals and strategies. However, there is still disagreement over the true boundaries of this expanding corporate power. The "power transfer" thesis's detractors contend that states still have important tools that TNCs cannot simply overrule, such as taxes, market access, competition regulation, and the capacity to coordinate through international organizations (Kordos, Vojtovic, 2016). Even the most powerful companies still rely on political stability, infrastructure, and law enforcement in the host nation, so their bargaining leverage is conditional rather than absolute. Seen this way, the expansion of TNCs has not so much replaced state authority as added a new layer of negotiation between public and private actors, one whose outcomes vary considerably across sectors, countries, and periods of economic stability.

Conclusion

Transnational corporations have been the main engine for globalization and have become key players in the global economy. The increasing FDI flows, global supply chains and increasing political influence show that TNCs are no longer confined by national boundaries. Their relationship with states is best understood not as a one-directional transfer of power, but as one of interdependence and ongoing bargaining.

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