MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE

UKRAINIAN-AMERICAN CONCORDIA UNIVERSITY

School of Management and Business

Department of International Economic Relations, Business & Management

Bachelor's Qualification Work

Multinational firms impact on economic growth in emerging markets

(based on the LLC "British American Tobacco Sales and Marketing Ukraine" case)

Bachelor's student of 4th year

Field of Study 29 – International Relations

Specialty 292 – International Economic Relations

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Research supervisor

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Ph.D. in Economics

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Abstract

This bachelor's thesis aimed to analyze the role of multinational corporations in the development of developing countries within the framework of emerging economies. Through theoretical and methodological analysis, it was identified the characteristics of emerging economies, the driving aspects of emerging markets, and the types of multinationals that operate in these markets. The case study of LLC British American Tobacco highlighted the company's impact on the social, economic, and natural environment of Ukraine. The thesis concludes that international giants play a key role in the development of states, the growth of global GDP, and social and political reforms. The benefits of investing in emerging markets are highlighted, such as expanding markets, growing middle classes, and investment policies. In conclusion, multinational corporations have the potential to bring benefits and negative consequences to a host country, and it is crucial for the host country to ensure that corporations operate responsibly. The proposed recommendations aim to assist multinational firms in enhancing their operations in emerging economies by balancing commitment and flexibility.

Keywords: emerging countries, international giants, multinationals, latecomers, British American Tobacco, BAT, market, influence on Ukraine.

Анотація

Ця бакалаврська робота була спрямована на аналіз ролі транснаціональних корпорацій у розвитку країн, що розвиваються, в рамках економік, що розвиваються. За допомогою теоретичного та методологічного аналізу було визначено характеристики економік, що розвиваються, рушійні аспекти ринків, що розвиваються, і типи транснаціональних компаній, які працюють на цих ринках. Кейс-стаді ТОВ «Бритіш Американ Тобакко» висвітлив вплив компанії на соціальне, економічне та природне середовище України. У роботі робиться висновок про те, що міжнародні гіганти відіграють ключову роль у розвитку держав, зростанні світового ВВП, соціальних і політичних реформах. Висвітлюються переваги інвестування в ринки, що розвиваються, такі як розширення ринків, зростання середнього класу та інвестиційна політика. Підсумовуючи, багатонаціональні корпорації мають потенціал приносити вигоди та негативні наслідки приймаючій країні, і для приймаючої країни вкрай важливо забезпечити, щоб корпорації діяли відповідально. Запропоновані рекомендації спрямовані на те, щоб допомогти транснаціональним компаніям покращити свою діяльність у країнах з економікою, що розвивається, шляхом балансування між зобов’язаннями та гнучкістю.

Ключові слова: країни, що розвиваються, міжнародні гіганти, транснаціональні корпорації, нові компанії, British American Tobacco, BAT, ринок, вплив на Україну.

PHEE-institute «Ukrainian-American Concordia University»

School of Management and Business
Department of International Economic Relations, Business and Management

Educational level: **bachelor degree**
Specialty: 292 "International Economic Relations"

Educational Program "International Economic Relations"

APPROVED
Head of Department Prof. L. Zharova
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TASK
FOR BACHELOR'S QUALIFICATION WORK

Valeriia Dorozhkina
(Name, Surname)

1. Topic of the work:
Multinational firms' impact on economic growth in emerging markets (based on the LLC "British American Tobacco Sales and Marketing Ukraine" case)

Supervisor of the work ***Roksoliana Liubachivska, Ph.D. in Economics***.
(surname, name, degree, academic rank)
Which approved by Order of University from "22" September 2022 № 22-09/2022-1c

2. Deadline for bachelor's qualification work submission "***23" April 2023***
3. Data-out to the bachelor's qualification work_
Materials from the internship received during consultation with representatives of the company. Information from open resources on the Internet, official reporting of financial and economic activities of the enterprise.

4. Contents of the explanatory note (list of issues to be developed).

There are main topics a student should develop in this work: to conduct an in-depth literature review to understand the existing theories, concepts, and research findings related to multinational firms' impact on economic growth in emerging markets; to analyze the LLC "British American Tobacco Sales and Marketing Ukraine" case as a specific example of a multinational firm operating in an emerging market; to summarize the implications of the research for theory, practice, and future research.

5. List of graphic material (with exact indication of any mandatory drawings)

Graphs and figures for analysis of economical and statistical information on the company and its development, visualization of mechanism of development, etc.

6. Consultants for parts of the work

Part of the project	Surname, name, position	Signature	
		Given	Accepted
1	*Roksoliana Liubachivska, Ph.D. in Economics*		
2	*Roksoliana Liubachivska, Ph.D. in Economics*		
3	*Roksoliana Liubachivska, Ph.D. in Economics*		

7. Date of issue of the assignment

Time Schedule

№	The title of the parts of the bachelor's qualification work	Deadlines	Notes
1.	I chapter	*31.12.2022*	*In time*
2.	II chapter	*20.02.2023*	*In time*
3.	III chapter	*11.04.2023*	*In time*
4.	Introduction, conclusions, summary	*23.04.2023*	*In time*
5.	Pre-defense	*26.04.2023*	*In time*

Valeriia Dorozhkina____________________
(signature)

Roksoliana Liubachivska____________________
(signature)

Conclusions:

The thesis has been exceptionally well-conducted. The thesis demonstrated a thorough understanding of the subject matter and effectively explored the complexities surrounding the impact of multinational firms on economic growth in emerging markets. Valeriia demonstrated a remarkable grasp of the theoretical foundations related to the modern business environment. Her ability to synthesize and apply theoretical concepts to real-world examples was truly commendable. One of the standout features of Vladyslava's qualification work was her exceptional analytical skills. She approached her research with a rigorous and systematic methodology, collecting and analyzing data from a variety of sources. The comprehensive literature review provided a solid theoretical foundation for the research, and successfully incorporated relevant concepts and theories to support the analysis. In general, if successful defense, the thesis can claim to be "excellent".

Supervisor____________________
(signature)

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INTRODUCTION

The global economy is increasingly being dominated by international giants, with multinational corporations controlling a significant share of global trade and investment. These corporations have tremendous power and influence on emerging countries, and the extent of their influence can determine the economic trajectory of these countries.

International markets like the US, India, the EU, and Africa are examples of large markets. Emerging markets are different from other types of market economies, and the **meaning** itself lacks precision, as it is applied indiscriminately to countries that compete aggressively on the global stage, as well as those stuck in subsistence agriculture or raw material extraction. The size and nature of the market may imply certain characteristics of the market. For example, at the country level, the volume of trade between two countries may depend on the labor force in those countries and the number of natural products available for their exploitation. The S&P/IFC indices used criteria related to macro/income, market size, corruption, and liquidity to classify countries into developed, emerging, frontier, and unclassified markets [31, p. 45-62].

The concept of emerging markets is briefly explained as different from other types of market economies. This type of economics is controversial.

As a label, it lacks precision—applied indiscriminately to countries that compete aggressively on the global stage, as well as those stuck in subsistence agriculture or raw material extraction. More purposeful titles such as frontier markets, or those considered less developed and more difficult to do business with, and new industrialization for those breaking into the global economic arena may prove more useful. Some companies, such as British American Tobacco, are moving into emerging markets. But even these terms are not detailed enough - do growth markets always grow, and do companies in developed countries write off growth completely? In any case, some characteristics unite a group of countries, such as African countries, Latin America, and Ukraine. All have per capita incomes significantly lower than those of the US, Western Europe, and Japan. All of them are less efficient - productivity is noticeably lower than in the richest countries in the world. But in these seemingly negative features lies their promise. If inefficiency can be reduced, if workers can become more productive, and if firms can move up the value chain, then living standards can rise dramatically [32, p. 26]. However, there are countries where the situation is the same as it was 20-30 years ago. Making the right policies, building the right political and legal institutions, and creating the conditions for growth all too often elude countries. But where countries can learn from best practices and implement their version, there is an opportunity for business success. Because of rapid growth for these countries means overcoming serious problems and issues like opportunities for companies. These are cases of affordability, meeting infrastructure needs, and developing new and innovative products to meet local tastes and customs. And there are challenges associated with rapid social and economic change. The CEO of the German automotive giant Volkswagen, in an interview with the BBC, says that in China, where his firm supplies a major local manufacturer: “The growth rate is unbelievable. The challenge of staying on top of demand is certainly unlike any other country we've ever been in or worked in” [34]. Of course, even where countries do it right and experience rapid growth and rising living standards, the economic, political, and business environment in emerging markets is unlikely to match those in emerging markets. In such countries, growth can be fast but often extremely erratic, with regular crises throwing the country off course. Political systems tend to be immature: corruption often thrives, bureaucrats are inefficient, and political decisions are made by narrow special interests. And companies often compete on a very asymmetrical playing field. For foreign firms hoping to profit from emerging markets, the opportunities that arise from rapid growth come with the challenges and risks of a complex and sometimes capricious business environment. The rewards, as always, are balanced by the risks.

As practice shows, developing countries are mainly dependent on agriculture and have a low per capita income. At the same time, developing countries have achieved impressive success in industrial and economic growth and can be suppliers of motivated labor or resources for other more developed countries. Similarly, developing countries have achieved strong economic performance by participating in and benefiting from economic globalization. In doing so, they offer global players and international giants various advantages such as natural resources, substantial domestic markets, appropriate technological capabilities, and an educated but relatively cheap labor force.

In total, following work will discuss emerging economies as crucial for globalization and their **importance** for successful performance for multinationals, their types, and characteristics, impact on international business development. I purpose to reveal the social, economic, and financial ambitions of international companies in developing countries, using the example of Ukraine.

The bachelor thesis consists of an introduction, three chapters, a conclusion, a list of references, and annexes. The thesis has been outlined in the chapters in the following order: outline of the concept of emerging economies as a framework for international business development, the theoretical and methodical analysis of multinational firm's impact on economic growth on the study of LLC "British American Tobacco" and its role on the market, and consideration of ways of business development and enhancement in the framework of emerging economics. The first section provides the necessary theoretical framework for understanding the essence of emerging countries and analyzes basic characteristics as well as international diversity. The second section provides a recollection of the internship experience at LLC "BAT Ukraine" and offers a detailed analysis of the company's economic state and legacy on the market. The third section gathers all the previous data and analysis to establish ways of influencing multinationals on economic growth in emerging markets.

The relevance of this work is defined by the extensive and rapid progress of emerging countries that are taking place in the world right now as well as the effects that it has had on various areas of life, among which lies business development.

The bachelor thesis aims to study and analyze how economic development has become a framework for international business development and its effects on it as well.

In order to achieve the aim, the following tasks were set:

- a theoretical framework for understanding emerging countries and their basic characteristics.

- ways of business development and enhancement in the framework of emerging economics.
- the role of emerging economies in globalization and successful performance for multinationals.
- the social, economic, and financial ambitions of international companies in developing countries.
- analysis of the impact of multinational firms on economic growth using the LLC “British American Tobacco Sales and Marketing Ukraine” Corporation as a case study.
- the influence of multinational corporations on the Nature of the Economy in emerging Countries
- the real impact of multinational corporations on the development of emerging markets

The **methodological basis** for this work is comprised of peer-review journal articles, acclaimed internet publications, and personal data analysis and calculations.

The **research object** is the role of the multinational giant in the development of the emerging country.

The **research subject** is a set of theoretical, methodological, and practical approaches to establish the ways of approaches of business development and define the influence of internationals on emerging markets taking into consideration the Ukrainian market and LLC “BAT Ukraine”.

The Bachelor thesis consists of an introduction, 3 chapters, a conclusion, a list of references, and one annex. Work is carried out on 78 sheets, containing 8 tables, and 3 figures. References include 45 literature sources.

CHAPTER 1. THEORETICAL AND METHODICAL ANALYSIS OF MULTINATIONAL FIRMS IMPACT ON ECONOMIC GROWTH IN EMERGING MARKETS

1.1. The theoretical framework of an Emerging Market

Most people who have studied economics are likely familiar with the three organizations that classify emerging markets: developing countries are categorized as emerging by the IMF, as developing countries by the UNDP, and as low or middle-income countries by the World Bank[1, p. 151].

The names may be different, but essentially, an emerging market refers to an economy that may soon become an advanced economy, when introducing competent reforms. And because an emerging market can be fast-growing, it can offer investment potential in certain sectors.

Emerging market economies are often perceived by investors as promising sources of growth, similar to a young start-up company with an established infrastructure and potential for success. However, these economies also face various challenges that must evolve before reaching maturity. Consequently, investing in emerging markets carries potential risks alongside potential rewards. The range of countries identified as developing or emerging varies from Kenya, with a per capita income of US$350, to Mexico, with a per capita income slightly above US$5,000[2, p. 8].

The notion that developing countries are promising growth prospects may appear desirable, but it could be wishful thinking, given that only a few of them have consistently outperformed advanced economies in terms of growth. Developing countries tend to face higher volatility than advanced industrialized economies, making their lack of a foreign investment history and transition to a market economy indicative of the dynamic nature of emerging markets. However, it is more likely that they can progress from their current economic state to greater institutional and political maturity, thus becoming equal market participants in the world economy. This leads to the second defining characteristic of emerging markets, which is their transitional nature. Emerging markets are typically undergoing transitions in various ways, such as changes in demographics, economic and political institutions, and meaningful interaction with international capital markets. These transitions can be lengthy and sometimes disruptive. Economist forecasters suggest that countries may implement policies that hasten progress but simultaneously increase the risk of crises[6, p. 6].

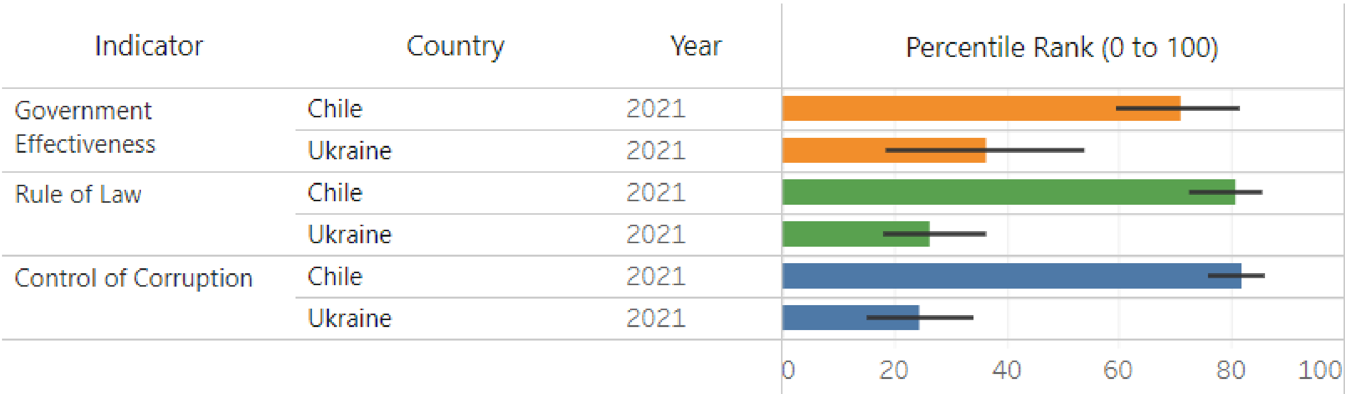
The unique combination of high volatility and transitional characteristics present in emerging market economies creates a challenge for policymakers. Despite this, emerging markets play a crucial role in global economic growth, as they represent countries that are on the path towards development and making significant contributions to the global economy. Understanding the criteria for classifying a country as an emerging market can help investors identify countries with high potential for capital gains. However, the main challenge in creating effective policies for emerging markets is striking a balance between commitment and flexibility, or between rules and discretion. Policies should demonstrate good faith and commitment to economic progress, but the inherent volatility and long-term transitions in combination with corruption in emerging markets mean that a commitment may become ineffective or even harmful over time. The challenge for investors is determining whether policies are truly beneficial in the long term, as shocks and external factors can make it difficult to distinguish between good and bad policies. Ultimately, a lack of commitment can hinder a country's development and widen the gap between countries. [22, p. 35- 43].

The third crucial aspect to note is that emerging markets are striving to transition from traditional economies to industrialized, free-market, or mixed economies. By doing so, they are improving their chances of achieving economic profitability and success [3]. This factor highlights how the transition of countries from more developed to less developed can be influenced by the growth, contraction, and evolution of global markets. Factors such as substantial GDP growth, a significant contribution to global production, and a rising middle class are some of the drivers of this transition. As emerging markets expand, they become more interconnected with global markets, leading to an integration of their economies with other nations on an international level. In addition, they often experience an upsurge in trade and the establishment of contemporary financial institutions.

Another important theoretical factor to consider in emerging markets is the role of institutions. Institutions refer to the formal and informal rules, regulations, and norms that govern economic and social interactions in a country. Strong institutions are essential for economic growth and development, as they provide a stable and predictable environment for businesses and investors to operate in. In contrast, weak institutions can lead to corruption, political instability, and economic volatility, which can hinder investment and economic growth. Emerging markets often face challenges in developing and maintaining strong institutions due to factors such as historical legacies, political instability, and weak rule of law [35, p. 66 - 69]. However, some emerging markets have made significant progress in building strong institutions, which has contributed to their economic success. For example, Chile has developed a reputation for having strong institutions and has consistently been ranked as one of the most economically free countries in Latin America[36]. But Ukraine, in comparison, has struggled with corruption and political instability, which has hindered its economic development. According to the World Bank's Worldwide Governance Indicators, Chile ranks in the 80th percentile for control of corruption, rule of law, and 70th for government effectiveness, indicating that it has strong institutions in these areas. In contrast, Ukraine ranks in the 23rd percentile for control of corruption, the 25th percentile for rule of law, and the 34th percentile for government effectiveness. These low rankings indicate that Ukraine has weak institutions in these areas, which can hinder economic growth and investment.

"Table 1.1"

Control of corruption



" Source: *Worldwide Governance indicator. Control of Corruption*. WGI-Interactive Data Access. (n.d.). Retrieved April 19, 2023, from https://info.worldbank.org/governance/wgi/Home/Reports "

Investors should consider the strength of institutions when evaluating the potential of emerging markets. Countries with strong institutions are more likely to provide a stable and predictable environment for investment, which can lead to higher returns.

A further factor to consider is the impact of globalization on emerging markets. Globalization refers to the increasing interconnectedness of economies and societies around the world. Emerging markets are often seen as beneficiaries of globalization, as it provides access to new markets, technology, and capital. However, globalization can also pose challenges for emerging markets, particularly in terms of competition from more established economies and exposure to global economic shocks. Investors should consider the level of globalization in an emerging market when evaluating its potential. Countries that are well-integrated into the global economy may have greater access to capital, technology, and markets, which can contribute to economic growth. However, they may also be more vulnerable to global economic shocks, which can increase the risk of investment.

To sum up, emerging markets refer to economies that have the potential to become advanced economies but still face challenges and transitions, such as changes in demographics, political and economic institutions, and interaction with international capital markets. Policymakers face a challenge in creating effective policies for emerging markets due to their volatility and transitional nature, making it difficult to strike a balance between commitment and flexibility. Investors should consider factors such as the strength of institutions and the impact of globalization when evaluating the potential of emerging markets. The role of institutions is essential for economic growth and development as they provide a stable and predictable environment for businesses and investors to operate in, while weak institutions can lead to corruption, political instability, and economic volatility.

Finally, emerging markets are striving to transition from traditional economies to industrialized, free-market, or mixed economies, which improves their chances of achieving economic profitability and success.

1.2. Key driving aspects to determine emerging market

Distinguishing between emerging and developed countries is crucial when it comes to investing and future growth opportunities. For any company seeking financial and operational growth, focusing on developing countries is essential. These countries have the most potential for growth and development.

Emerging market economies are currently experiencing rapid growth, whereas the growth of developed economies has stabilized, resulting in modest GDP growth of less than 3%. In contrast, emerging market economies are growing at an astonishing rate of around 7% of GDP [7, p. 2]. The competition for companies is intensifying and evolving rapidly. Multinational corporations are finding that their global counterparts are also striving to increase their share in emerging markets. Additionally, companies in emerging markets are becoming more formidable competitors. They have several advantages, including better cultural understanding, more suitable business models, stronger relationships with the government, inherent protectionism, and fewer restrictions on how they conduct business. Roughly 20% of Fortune Global 500 companies are already emerging market companies, with Chinese, Indian, Brazilian, South Korean, and Turkish firms leading the way. These firms will increasingly challenge Western companies not only in their home markets but also on a global scale[7, p. 3].

The lower average per capita income in developing markets is seen as a benchmark because it serves as a motivator for rapid growth. These countries typically have a younger population compared to developed nations, which translates to a stronger and growing workforce that can build up the economy. A younger population also means a growing consumer market and lower labor costs due to the fewer number of retirees. Despite accounting for about 80% of the world's population, emerging market economies only contribute to about 20% of the global GDP. However, due to their rapid economic growth, it is expected that they will contribute up to 50% of the world's GDP in the next 20-30 years[38, p. 1-4].

Emerging markets are known for their high volatility, which presents both opportunities for sharp and quick economic growth as well as the potential for decades-long economic struggles. The volatility is often the result of rapid socio-political changes, such as political instability, internal economic instability, and high levels of corruption. This volatility can create challenges for traditional agriculture-based economies that may be vulnerable to natural disasters or lack of qualified labor. However, developing markets are trying to create economic structures that can withstand such events. Macroeconomic risks, such as the impact of external prices or the country's risks, can also contribute to the high volatility in emerging markets. For example, countries that rely heavily on gas, oil, or coal revenues can experience economic crises when there is a significant decrease in energy prices worldwide.

Another key driving factor of the emerging economy is an addiction to natural resources. The dependency on natural resources is often due to the high demand for these resources in developed countries. This demand creates a lucrative market for emerging markets, allowing them to leverage their resources for economic growth and development. However, this dependency on natural resources can also have negative consequences.

One result of addiction to natural resources is the "resource curse," which refers to the paradox where countries with an abundance of natural resources, such as oil or minerals, tend to have less economic growth, less democracy, and worse development outcomes than countries with fewer natural resources. This is often due to factors such as corruption, political instability, and a lack of diversification in the economy. In contrast, developed countries tend to have a more diversified economy and are less reliant on natural resources for economic growth. For example, Norway has a long history of relying on its oil and gas resources for economic development. However, the country has also made a concerted effort to diversify its economy and invest in other industries, such as renewable energy and technology. As a result of this diversification, Norway has become one of the wealthiest countries in the world with a high standard of living, low unemployment, and a stable economy. The country has also been able to weather the recent downturns in the oil and gas industry without experiencing significant economic hardship.

Interesting fact that in the past, it was predicted that as emerging economies liberalized their business environment and became wealthier, they would also become more socially and politically liberal. While it is true that newfound wealth can bring popular demands for social freedom, there is little evidence that emerging-world governments are eager to respond to these demands. As a result, companies must adapt to a world in which the largest economies are run according to very different rules and norms from those in the West. This lack of convergence in politics can create challenges for companies operating in emerging markets, as they must navigate a complex and ever-changing political landscape.

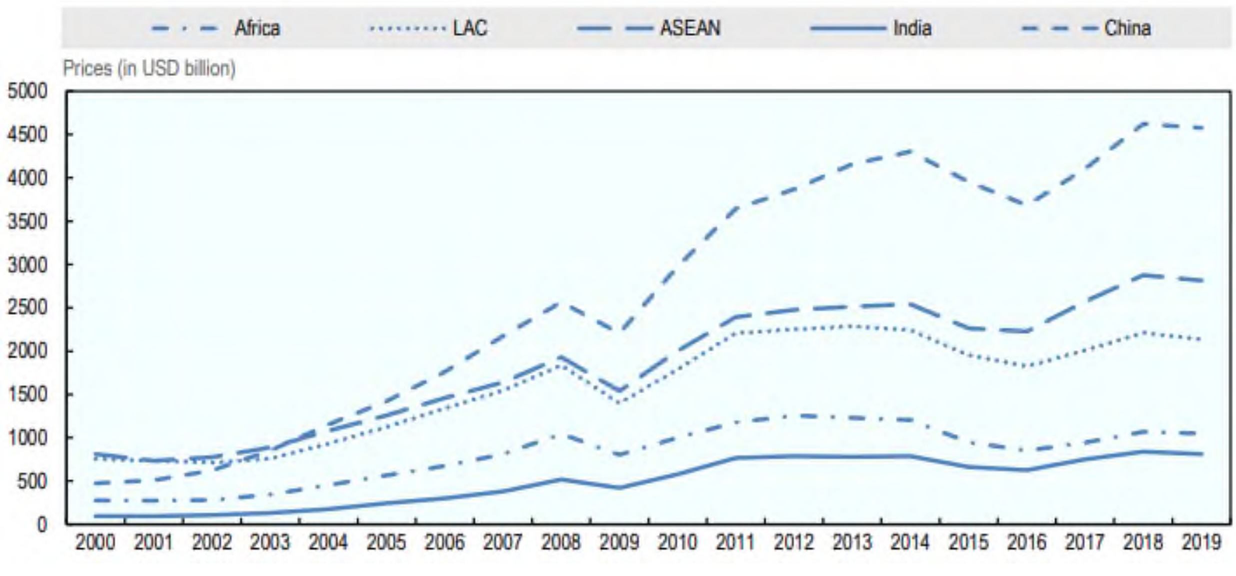


Fig. 1.2 The share of emerging markets in global trade

Source: Unctad. (n.d.). *UNCTADSTAT*. UNCTADstat. Retrieved April 19, 2023, from https://unctadstat.unctad.org/

As developing economies grow and become more industrialized, they may experience volatility in certain sectors, such as currency or goods fluctuations, that they may not have the power to control due to their limited influence. However, these economies have seen a consistent increase in their trade and investment volumes over the years, with China being the primary driver of this growth. This has resulted in emerging markets accounting for a larger share of global trade, increasing from 32% in 2000 to 46% in 2019 [11,p. 19].

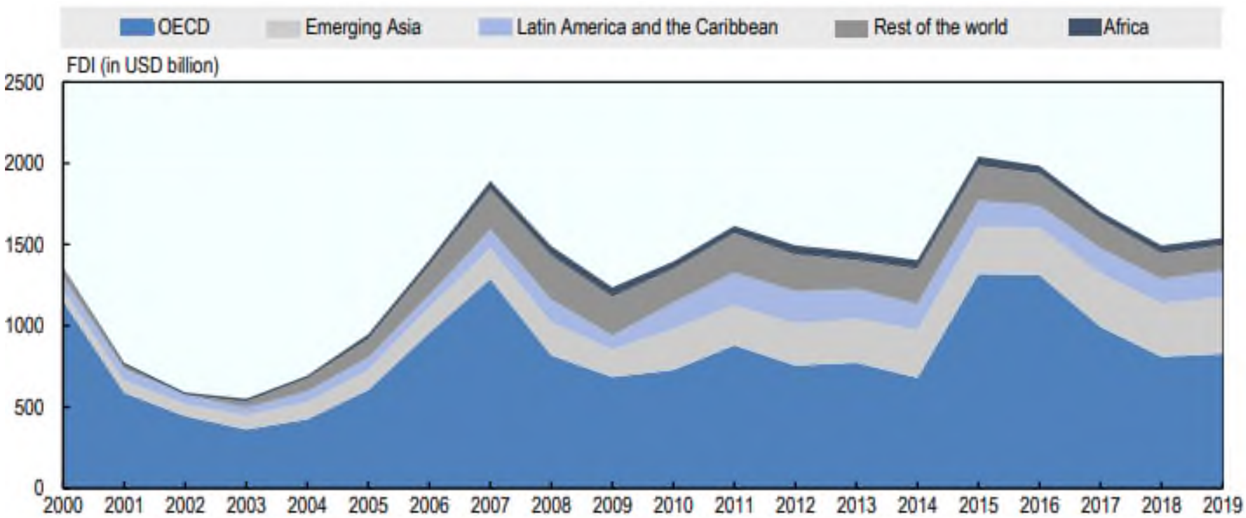


Fig. 1.3 The share of emerging markets in global trade

Source: Unctad. (n.d.). *UNCTADSTAT*. UNCTADstat. Retrieved April 19, 2023, from https://unctadstat.unctad.org/

Likewise, the bulk of FDI is still directed to advanced economies, and the importance of developing markets has grown significantly since 2000. In 2000, about 85% of FDI was destined for the economy, but in 2019 this figure dropped to 54% [11, p. 19].

Thereby, emerging markets are becoming increasingly attractive to investors due to their rapid growth potential and vast consumer markets. However, investing in these markets also comes with risks, such as high volatility and dependency on natural resources. Companies need to understand the unique challenges and opportunities in emerging markets, including the political landscape, economic structures, and sociocultural differences. As these markets continue to grow and become more industrialized, they are expected to contribute significantly to global GDP in the coming decades. Companies must adapt to these changes and navigate the complex landscape to succeed in emerging markets.

1.3. Types of emerging multinational firms

Since the early 1990s, developing countries have experienced remarkable growth in their markets for various goods and services, making them an attractive target for businesses looking to establish manufacturing facilities and service centers where labor and management costs are relatively low. Moreover, several multinational corporations from developing nations have ventured into North America and Europe, leveraging low-cost strategies and innovative business models, such as India's Infosys in IT. Referred to in various terms in the literature, including “Third World multinationals,” “latecomers,” “non-traditional multinationals,” or “emerging multinationals,” depending on their region of origin, these corporations are now known as “new multinationals.” They have become key players in foreign direct investment and cross-border acquisitions, operating in a range of sectors such as extractive, agricultural, industrial, or service. [10, p. 213].

To understand the internationalization of third-world companies, it is necessary to first briefly discuss the current economic theories on the growth of such multinational corporations. From my perspective, there are additional costs incurred by firms when producing overseas due to legal, linguistic, cultural, and political differences between the mother country and host countries, as well as increased transportation and communication costs. Therefore, these outbound firms seek to gain a competitive advantage over domestic firms in the host country, which can benefit more from direct investment than from exports, licensing, and portfolio investment.

Economists broadly classify these multinational corporations into two categories based on their ownership and location. The former is related to the structure, property, or capabilities of the firm, while the latter pertains to the conditions and systemic properties of the host country that attract foreign investors. These can also be referred to as "push" and "pull" factors. Ownership of technology remains the most significant property advantage of multinational corporations, providing them with skills and knowledge related to manufacturing processes.

Typically, transnational corporations aim to take oligopolistic positions in the production of goods and services, with horizontal expansion being the most common cause of foreign direct investment. This occurs when a firm establishes a plant or service business abroad to sell in that market without abandoning production of the same good or service in the home country. Horizontal expansion is driven by factors different from those in vertical expansion, such as protectionist barriers, high transport costs, adverse exchange rate fluctuations, or local adaptation requirements that make exporting from the home country impractical or unprofitable.

When deciding to expand horizontally, a firm must consider the relative advantages of licensing a local producer in the foreign market or forming an alliance versus committing to foreign investment. The main advantage of producing even standard simple products in another country is that they may differ from others due to subjective differences created by marketing skills. Additionally, it may be easier and more cost-effective to produce the same product in a less developed country. [10]

Latecomers to the market typically do not develop new products but rather produce products with standardized technology. These firms often lack established brand recognition and customer loyalty, and may not have access to the latest production technologies or operate in knowledge-intensive industries. Additionally, their skills in commerce and administration may not be as strong as those of firms in industrialized countries.

Ownership-specific variables offer several advantages for multinational corporations, including the appropriateness of their operating technology, lower overhead costs and payments to expatriates, familiarity with the conditions and challenges of developing countries, and a less threatening position. These firms may also possess less advanced, but still effective, production technologies that are suitable for other developing countries.

Additionally, they may provide such benefits refer to the pros that a multinational corporation has based on its internal resources, capabilities, and unique characteristics. These factors can include the firm's ownership of technology, brand recognition, patents, trademarks, and other intangible assets that give it a competitive edge in the global market.

One of the most important ownership-specific advantages for multinational corporations is their access to advanced technology. Advanced technology allows firms to produce high-quality goods and services more efficiently, which can lower production costs and increase profits. Companies that invest heavily in research and development (R&D) often have a significant advantage over their competitors in terms of technological innovation.

Another ownership-specific advantage is brand recognition. Companies that have established a strong brand presence in the global market can often charge premium prices for their products, as consumers are willing to pay more for a product with a trusted and recognizable brand name. This can help firms to increase their profit margins and maintain a competitive edge over their rivals. Patents and trademarks are also valuable ownership-specific assets that multinational corporations can use to protect their intellectual property rights. By holding patents on their technology or trademarks on their brand names, companies can prevent competitors from using similar technology or brand names, giving them a unique advantage in the marketplace.

Multinational corporations can also benefit from their familiarity with the conditions and problems of developing countries. Firms that have experience operating in these markets can leverage their knowledge to navigate complex regulatory environments, cultural differences, and other challenges that may arise when doing business in these regions.

Finally, ownership-specific advantages can also come from a multinational corporation's less threatening position in the market. For example, smaller firms may be perceived as less of a threat to local businesses and governments, which can make it easier for them to establish a foothold in new markets and secure favorable terms for their operations.

The next important type of latecomers is location-specific variables. Location-specific multinationals, also known as contingent multinationals, are companies that operate in emerging markets and possess specific location advantages that give them a competitive advantage over local firms. These advantages may include access to natural resources, favorable regulatory environments, low labor costs, and proximity to key markets [15, p. 328].

Contingent multinationals typically enter emerging markets through joint ventures or acquisitions of local firms, as they often lack the specialized knowledge or expertise to operate in these regions independently. By partnering with local firms or acquiring them, they gain access to local knowledge, relationships, and distribution channels.

One of the key benefits of contingent multinationals in emerging markets is their ability to leverage their location advantages to compete effectively against local firms. For example, companies with access to low-cost labor can produce goods more cheaply than local competitors, while those with access to natural resources can produce goods more efficiently. The primary motivation behind foreign direct investment (FDI) by enterprises is the barriers imposed on imports in the host country. Protectionism is a widespread concern in both developing and industrialized nations, with the latter starting to limit the import of specifically manufactured goods from developing countries that could potentially harm their domestic production. Some firms, particularly those whose home countries are engaged in export-oriented industrialization, pursue overseas investments for promotional reasons [15, p. 328]. In such cases, the primary goal is not to manufacture goods abroad to support the export efforts of their home countries.

The main difference that distinguishes location-specific and ownership-specific multinationals is their purpose. Ownership-specific multinationals are companies that possess specific ownership advantages that give them a competitive edge in foreign markets. On the other hand, location-specific multinationals are firms that operate in foreign markets and leverage specific location advantages to gain a competitive edge over local companies.

Ownership-specific multinationals typically enter foreign markets to leverage their advantages, such as proprietary technology or brand recognition, to gain a competitive advantage over local firms. They may also seek to access new markets or acquire strategic assets that complement their existing operations.

Location-specific multinationals, on the other hand, enter foreign markets to leverage specific location advantages, such as access to natural resources, favorable regulatory environments, or low labor costs. They may also seek to gain access to new markets or acquire local companies to gain access to local knowledge and distribution channels.

Overall, both ownership-specific and location-specific multinationals play important roles in foreign markets. By leveraging their competitive advantages, they can introduce new technologies, improve local infrastructure, create jobs, and contribute to sustainable growth and development.

Apart from ownership-specific and location-specific multinationals, there are other types of multinationals in emerging markets. These include resource-seeking, efficiency-seeking, and knowledge-seeking multinationals. Resource-seeking multinationals are those that enter into foreign markets to acquire natural resources or raw materials. For example, China's State Grid Corporation of China is a resource-seeking multinational as it aims to acquire hydroelectric power and renewable energy projects worldwide[39].

Resource-seeking multinationals are often involved in extracting, processing, and distributing natural resources such as oil, gas, metals, minerals, and agricultural products. They are attracted to emerging markets because of the availability of abundant natural resources and lower costs of production, making them more competitive in the global market [40, p. 28]. Such type of multinationals is essential players in emerging markets, as they provide access to crucial natural resources that are vital to the global economy. These MNCs face several challenges, including political risks and environmental and social concerns, which they need to manage effectively to ensure sustainable and profitable operations.

The primary goal of resource-seeking multinationals is to secure access to natural resources and raw materials in foreign markets. This enables them to ensure a stable supply of inputs for their operations, reducing the risk of supply chain disruptions and price volatility. By acquiring natural resources in foreign markets, these MNCs can also gain a competitive advantage over their rivals and increase their market share [40, p. 29].

Resource-seeking multinationals face several challenges in emerging markets. One of the most significant challenges is political risk, as they operate in countries that may have unstable political environments, weak institutions, or inadequate legal frameworks [40, p.32]. These factors can lead to regulatory uncertainties, expropriation of assets, or political instability, which can disrupt their operations. Another challenge that resource-seeking multinationals face is environmental and social concerns. These MNCs may be involved in activities that can cause environmental damage or harm to local communities, leading to opposition from civil society groups and regulatory agencies. To mitigate these risks, resource-seeking MNCs need to adopt sustainable practices, engage with local communities, and comply with environmental regulations.

Another type is efficiency-seeking multinationals that are focused on optimizing their production processes and reducing costs. They typically establish production facilities in emerging markets where labor costs are lower and regulations are less stringent. These Latercomers aim to take advantage of cost savings and economies of scale by producing goods and services in these markets and exporting them back to their home countries or other international markets. Efficiency-seekers must navigate local labor laws and regulations and establish relationships with local suppliers. They must also address concerns related to worker rights and safety, including issues such as child labor, forced labor, and unsafe working conditions.

Knowledge-seeking multinationals, on the other hand, are focused on acquiring new technologies, knowledge, and expertise from foreign markets. They typically establish research and development centers, collaborate with local universities and research institutions, and hire local talent to gain access to new knowledge and capabilities. Knowledge-seeking MNCs are attracted to emerging markets because of the presence of skilled and educated workers, low research and development costs, and the availability of new technologies. They face several complications in emerging markets, particularly related to intellectual property protection and talent retention. They must establish partnerships with local universities and research institutions to develop local talent and access new technologies, while also protecting their intellectual property rights. They must also navigate cultural differences and language barriers to effectively collaborate with local partners and stakeholders.

It can be concluded that the internationalization of third-world companies has led to the emergence of new multinationals, critical players in foreign direct investment, and cross-border acquisitions. That has become a significant phenomenon in foreign direct investment and cross-border acquisitions. These firms seek to gain a competitive advantage over domestic firms in host countries. Economists broadly classify multinational corporations into two categories based on their ownership and location, namely ownership-specific and location-specific multinationals. Ownership-specific advantages include access to advanced technology, brand recognition, patents, trademarks, and familiarity with the conditions and challenges of developing countries. Location-specific advantages may include access to natural resources, favorable regulatory environments, low labor costs, and proximity to key markets. Apart from these, there are other types of multinationals in emerging markets, including resource-seeking, efficiency-seeking, and knowledge-seeking multinationals. Resource-seeking multinationals face challenges related to political risks, environmental and social concerns, and the need to adopt sustainable practices. On the other hand, efficiency-seeking multinationals focus on optimizing their production processes and reducing costs by producing goods and services in emerging markets where labor costs are lower and regulations are less stringent.

Overall, these new multinationals are changing the global business landscape, and their influence is likely to continue growing in the coming years. While these latecomers may lack established brand recognition and customer loyalty and may not operate in knowledge-intensive industries, they can still be successful by producing products with standardized technology and leveraging their unique advantages to navigate complex regulatory environments and cultural differences. The emergence of new multinationals has been a significant driver of global economic growth and a testament to the increasing globalization of business.

CHAPTER 2. ECONOMIC ANALYSIS OF ACTIVITY OF THE “BRITISH AMERICAN TOBACCO” CORPORATION, EVALUATION OF THE COMPANY’S IMPACT ON UKRAINE DEVELOPMENT

2.1 General Characteristics and analysis of the economic activity of “BAT” Corporation

One of the most striking examples of ownership-specific companies is the British tobacco giant British American Tobacco. I would like to consider my homeland Ukraine as an example of a developing country. Ukraine is an excellent example of a resource-intensive, logistically convenient country with a high-level population compared to other European countries.

British American Tobacco Ukraine is an enterprise with foreign investments in the tobacco industry of Ukraine, which was founded in 1993 based on the Prylutsk tobacco plant.

The company tries to be a leader in all areas of its activity - this is the long-term goal of the Ukrainian branch. The indicator of leadership is not only the first place in the market in terms of quantitative volumes and financial indicators but also the impeccable reputation of the company and favorable working conditions for our people.

British American Tobacco's multimillion-dollar investment in the Prylutsk tobacco factory made it possible to modernize equipment and build a new modern high-tech enterprise on the site of old production facilities, which includes tobacco and cigarette shops, an administrative building, an energy center, and warehouse of finished products, represented in the Kyiv region, Chernivtsi and Lviv. All this made it possible to ensure dynamic business development.

Due to its convenient location, Ukraine borders 7 countries: Poland, Slovakia, Hungary, Romania, Moldova, and Belarus. British American Tobacco Ukraine products are exported to these countries, additionally - to Armenia, Georgia, Azerbaijan, Uzbekistan, Croatia, and the Netherlands (for the Duty-Free network of the world's largest airports)

British American Tobacco Ukraine makes a significant contribution to the development of the country. According to the results of 2019, British American Tobacco Ukraine transferred more than UAH 13.9 billion in taxes to the state budget.

BAT Ukraine's financial performance has been stable over the past few years. In 2020, the company's revenue was UAH 14.9 billion, which is a slight increase compared to the previous year. The company's net profit in 2020 was UAH 3.6 billion, which is a significant increase compared to the previous year's UAH 1.5 billion [41, p. 14-18].

Additionally, BAT is a leading multi-category company operating in the consumer goods segment. Today, the Group, which was founded back in 1902, is a truly global company - it employs more than 53,000 people worldwide, the company is present in more than 180 markets, and has factories in more than 40 countries. BAT Ukraine is a significant employer in the country, with over 1,000 employees working at its manufacturing facilities and offices.

It should be noted that BAT is in the top 50 best employers. At British American Tobacco Ukraine (JSC), every employee has a career development plan. When a job opening arises, the company typically fills it from its internal personnel reserve, although finding suitable IT specialists and digital marketers can be challenging. Geographic location is also a consideration, as professionals, particularly those from larger cities, may be hesitant to relocate to Pryluky, where the BAT factory is located. However, new hires receive compensation for moving and housing costs, including "lifting tickets" for accommodations. In cases where relocation is overseas, the company also covers the costs of childcare and schooling for the employee's children and reimburses travel expenses for visits home several times a year. In addition to their base salary and annual bonus, employees also receive health insurance, life insurance, and accident insurance policies, which is uncommon in Ukraine [8].

The Group's global industry is divided into four regions with 150 million customers and 11 million points of sale. The Group's presence is balanced between developed and emerging markets. [8]

BAT is famous for its production which consists of traditional tobacco products, such as cigarettes, and a wide range of products that do not involve the combustion process. The latter include New Product Categories with Potentially Reduced Risk - vaping products, tobacco heating products, as well as modern oral products, including tobacco-free pads, and traditional oral products such as snus and snuff. Talking about brands, the company's portfolio includes such international brands as KENT, Rothmans, Pall Mall, Vogue, Dunhill, Lucky Strike, and Capri, as well as the national brand "Pryluky Special".

The company's strategy and corporate goals are based on ESG (environmental, social, and governance) principles, which aim to ensure sustainable growth while encouraging more consumers to transition to reducing risk products and minimizing their health impact. British American Tobacco Ukraine is committed to achieving carbon neutrality from its operations by 2030. Additionally, the organization aims to achieve a target income and profitability of £5 billion from new product categories by 2025 and provide long-term value to shareholders through capital distribution. To support these goals, the company plans to invest heavily in a faster transformation over the next five years and has approved a redemption program of Sterling 2 billion in 2022, in addition to increasing dividends to shareholders.

The organization is striving to achieve a target income and profitability of £5 billion from new product categories by 2025, while also leveraging its expertise to reduce nicotine consumption. These efforts will not only provide financial flexibility but also enable the company to offer long-term value to shareholders through capital distribution. The target range for this capital distribution is expected to be around £40 billion. To achieve these goals, the company plans to invest heavily in a faster transformation over the next five years and provide a strong return to shareholders. To support this, the company has approved a redemption program of Sterling 2 billion in 2022, in addition to increasing dividends to shareholders.

For the year 2022, the global tobacco industry volume is expected to decrease by approximately 2.5%. However, the company expects constant currency revenue to grow between 3% to 5%. There is also an anticipated growth in revenue from the New Category products with further reduction in losses. The adjusted earnings per share are expected to grow at a high-single-digit rate in constant currency, with growth in the second half of the year being more significant. The translational foreign exchange is expected to have a broadly neutral impact on the full-year adjusted earnings per share growth. The company also expects to achieve operating cash flow conversion above 90%. These goals are aligned with the company's vision for faster transformation towards a better tomorrow.

Overall, British American Tobacco is focusing on reducing the impact of its business through a multi-category approach. To achieve their goals in the second half of the year, they are prioritizing the development and delivery of consumer-oriented products and brands to build momentum. Their results demonstrate progress in this direction, with significant growth in consumers of non-combustible products from 13.5m to 18.3m, making it their strongest growth to date. Non-combustible products now contribute 12% of Group revenues, up from 4% in 2017. In addition, the revenue from their global vapor brand, Vuse, increased by 59%, making it the leading vapor brand by value share globally. The revenue from their tobacco heating product, glo, increased by 46% following volume share gains in ENA and Japan, while revenue in Modern Oral, largely through Velo, increased by 41%. In 2021, the income from new categories increased by more than 50%, demonstrating the strong performance of their low-risk portfolio, which includes their globally recognized brands Vuse, Glo, and Velo. These results show that Bat is on track to achieve their business transformation goals of generating £5 billion in income and profitability in new categories by 2025 and having 50 million consumers of non-combustible products by 2030.

British American Tobacco Ukraine has made significant contributions to the Ukrainian economy in terms of job creation, tax revenues, and technological advancements. The company's stable financial performance, and focus on new product categories that reduce health risks demonstrate its potential for future growth and continued positive impact on the Ukrainian economy. Moreover, the company's commitment to providing favorable working conditions for its employees, including compensation for relocation costs and comprehensive insurance policies, further demonstrates its commitment to the well-being of its workforce. As a leading multi-category company, it has a strong presence in both developed and emerging markets, with a diverse portfolio of traditional and reduced-risk products. The organization's commitment to ESG principles, including achieving carbon neutrality and reducing nicotine consumption, is a testament to its focus on sustainable growth. With its ambitious targets for income and profitability, British American Tobacco Ukraine is well-positioned to continue providing long-term value to shareholders while contributing to the economic development of Ukraine.

2.2 Research and analysis of the financial state of “BAT” Corporation[

BAT Corporation in Ukraine has demonstrated a steady financial performance in recent years. In 2020, the company's revenue amounted to UAH 15.3 billion, which is an increase of 9.1% compared to the previous year. The company's net income was UAH 4.6 billion, which is a 4.4% increase compared to 2019. The gross profit margin for 2020 was 49.6%, a slight increase from 48.7% in 2019 [22].

British American Tobacco, a global tobacco company, has experienced a successful first half of 2021. Despite a slight decrease in profit compared to the previous year, the company's revenue has increased by over 8%. The growth is largely attributed to the success of BAT's "new category" products, including e-cigarettes and oral nicotine brands, which have doubled in sales. More than a third of the company's revenue in the UK now comes from these products. Looking ahead, BAT CEO Jack Bowles believes that cannabis-related products will play a role in the company's future growth. Additionally, the company aims to generate £5 billion in revenue from nicotine alternatives by 2025, a goal that seems achievable with the increasing number of users of non-combustible products. However, traditional tobacco products remain the largest source of income for the company. In this chapter, we will analyze the financial state of British American Tobacco in Ukraine and explore the factors that contributed to the company's success.

"Table 2.1"

Performance Metrics of BAT Production

For year ended 31 December	Volume (unit)		Revenue (£m)						
			Reported			At constant rates			
	2021 Unit	Change %	2021 £m	2020 £m	Change %	FX £m	2021 cc £m	2020 £m	Change %
New Categories			**2,054**	1,443	+42.4%	124	**2,178**	1,443	+50.9%
Vapour (10ml units / pods mn)	**535**	+55.5%	**927**	611	+51.8%	46	**973**	611	+59.3%
THP (sticks bn)	**19.1**	+78.7%	**853**	634	+34.4%	74	**927**	634	+46.1%
Modern Oral (pouches mn)	**3,296**	+70.5%	**274**	198	+38.8%	4	**278**	198	+40.6%
Traditional Oral (stick eq bn)	**8.0**	-3.9%	**1,118**	1,160	-3.6%	77	**1,195**	1,160	+3.0%
Total Non-Combustibles			**3,172**	2,603	+21.9%	201	**3,373**	2,603	+29.6%
Cigarettes (sticks bn)	**637**	-0.1%							
OTP incl RYO/MYO (stick eq bn)	**18**	-9.2%							
Total Combustibles	**655**	-0.3%	**22,029**	22,752	-3.2%	1,640	**23,669**	22,752	+4.0%
Other			**483**	421	+14.7%	36	**519**	421	+23.1%
Total			**25,684**	25,776	-0.4%	1,877	**27,561**	25,776	+6.9%
Cigarettes and THP (sticks bn)	656	+1.2%							

"Source: *Accelerating a better Tomorrow combined performance and ESG summary 2021*. British American Tobacco - Annual Review 2021. (n.d.). Retrieved April 16, 2023, from https://www.bat.com/ar/2021/"

In 2021, BAT's reported revenue saw a slight decline of 0.4%, amounting to £25,684 million. However, despite this, the company experienced significant growth in its New Categories, with a growth rate of 42.4%. This growth was supported by the company's good pricing strategy for cigarettes and value share gains. However, the company faced several challenges such as translational foreign exchange headwinds of 7.3% and a competitive pricing environment in Australasia, resulting in an estimated £260 million impact. Nevertheless, the company received an estimated £200 million benefit from trade inventory movements in the U.S. mainly due to the timing of price increases and uncertainty about a potential excise increase. Excluding the foreign exchange headwind, revenue saw a growth rate of 6.9% on a constant currency basis. Moreover, non-combustibles now represent 12.4% of Group revenue, reflecting strong growth in New Categories[41, p. 78].

"Table 2.2"

Profit from operations and operating margin

PROFIT FROM OPERATIONS AND OPERATING MARGIN

For year ended 31 December	Reported PfO (£m) Operating Margin (%)			Adjusted PfO (£m) Adjusted Operating Margin (%)				
	2021	2020	Change	Adj	FX	**2021 cc**	2020	Change
Profit from Operations (PfO)	**10,234**	9,962	+2.7%	916	802	**11,952**	11,365	+5.2%
Operating Margin	**39.8%**	38.6%	+120 bps			**43.4%**	44.1%	-70 bps

"Source: BAT_Annual_Report_on_Form_20-F_2022.pdf. (2022). *Combined Annual and ESG Report*, 1–498. Retrieved from https://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/$file/BAT_Annual_Report_on_Form_20-F_2022.pdf"

The financial results of British American Tobacco for 2021 show a mixed picture. On one hand, there was a decline in reported revenue by 0.4% to £25,684 million, which was largely due to foreign exchange headwinds and other factors. On the other hand, revenue from New Categories, which include vaping and oral nicotine products, grew significantly by 42.4%. Non-combustible products now represent 12.4% of the Group's revenue, up from 10.1% in 2020. The company's profit from operations increased by 2.7% to £10,234 million, driven by improved operating performance and a reduction in one-off charges. However, the performance improvement was offset by a translational foreign exchange headwind of 7%. In the following sections, we will analyze the financial state of British American Tobacco in Ukraine in more detail.

Talking about growing operating profit when investing in new categories, BAT's 2021 financials showed growth in operating profit despite currency challenges. Operating income increased 2.7% year-over-year due to higher revenues and efficiencies driven by Project Quantum. Profit growth was also supported by strong fuel prices and reduced losses from new categories. On a constant currency-adjusted basis, operating income increased by 5.2%. However, the adjusted operating margin fell 70 basis points to 43.4%, due in part to commensurate revenue growth from new categories as the company continues to invest in those categories. Still, the growth in operating profit demonstrates the company's ability to balance investments in new categories and maintain the profitability of its traditional tobacco business. [41, p. 88] Performance review by each category is presented in Table 2.3

“Table 2.3”

A step change in new categories

For year ended 31 December	Volume (unit)		Revenue (£m)						
			Reported			At constant rates			
	2021 Unit	Change %	2021 £m	2020 £m	Change %	FX £m	2021 cc £m	2020 £m	Change %
New Categories			**2,054**	1,443	+42.4%	124	**2,178**	1,443	+50.9%
Vapour (10ml units / pods mn)	**535**	+55.5%	**927**	611	+51.8%	46	**973**	611	+59.3%
THP (sticks bn)	**19.1**	+78.7%	**853**	634	+34.4%	74	**927**	634	+46.1%
Modern Oral (pouches mn)	**3,296**	+70.5%	**274**	198	+38.8%	4	**278**	198	+40.6%
Traditional Oral (stick eq bn)	**8.0**	-3.9%	**1,118**	1,160	-3.6%	77	**1,195**	1,160	+3.0%
Total Non-Combustibles			**3,172**	2,603	+21.9%	201	**3,373**	2,603	+29.6%

“Source: BAT_Annual_Report_on_Form_20-F_2022.pdf. (2022). *Combined Annual and ESG Report*, 1–498. Retrieved from https://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/$file/BAT_Annual_Report_on_Form_20-F_2022.pdf”

The first represent or from the vapor category is Vuse. It is a global brand of electronic cigarettes and vaping products that was launched in 2012. Vuse has emerged as the global leader in vapor value share as of July 2021, with a full-year value share of 33.5% (up 800 basis points compared to 2020) in all T5 markets. The brand has seen strong revenue growth and value share gains in all T5 markets and is now either at or approaching value share leadership in these markets. Additionally, Vuse has been independently verified by Vertis2 as Carbon neutral in May 2021. In other T5 markets, Vuse continued to extend its value share leadership position. In the UK, despite a decrease in the total vapor market value share, Vuse's value share increased by 210 basis points compared to 2020, reaching 16.9%. In France, Vuse's value share leadership of the total vapor market increased to 45.7%, up 14.2 percentage points from 2020, driven by ePen 3 and ePod. In Germany, Vuse's value share of the total vapor market was 59.9%, up 10.1 percentage points compared to 2020, driven by ePen 3 and ePod. In Canada, Vuse's value share of the total vapor market was 80.4%, up 34.3 percentage points from 2020, driven by ePod.[41, p 89]

Vuse's success can be attributed to several factors, including its innovative product development, strong branding, and effective marketing campaigns. The brand has invested heavily in research and development, introducing new products and features that appeal to consumers. For example, Vuse has introduced a range of flavors, including menthol, fruit, and dessert flavors, to appeal to different tastes. In addition to its focus on product development, Vuse has also prioritized marketing and advertising efforts to build brand awareness and drive sales. The brand has utilized a range of channels, including social media, events, and sponsorships, to reach consumers and promote its products.

The next product from the THP category is GLO. According to data, GLO's tobacco heating products (THP) category, led by its popular product line, glo Hyper, achieved significant gains in volume share globally in 2021. The THP category volume share grew by 480 basis points in T9 markets compared to 2020, reaching 18.1%. The company's consumer acquisition also increased by 2.7 million, reaching a total of 6.7 million, with growth seen in all T9 markets. The report further highlighted that Glo's consumable volume grew by 79%, which is more than three times the industry volume growth rate of 26%. The revenue growth rate also increased by 34%, with year-on-year and sequential growth accelerating in the second half of 2021.[41, p 90]

In Japan, glo Hyper was the driving force behind the volume growth for consumables and devices, and the company's volume share of the THP category reached 21.2%, up 180 basis points from 2020. In ENA, glo volume grew by 195%, which is about five times faster than the THP industry growth rate of 41%. The region now represents over 50% of the company's global THP volume and 40% of its global THP revenue.

Moreover, glo's performance in Ukraine, Italy, and Romania was also remarkable. The company reached 20.9% THP category volume share in Ukraine, up 990 basis points compared to 2020. In Italy, glo reached 12.8% THP category volume share, up 870 basis points, with Hyper driving 100% of the growth. In Romania, glo achieved 22.1% category volume share, up 530 basis points.[41, p 91]

Lastly, Hyper's progress was noteworthy in Kazakhstan, Poland, Egypt, the Czech Republic, and other smaller ENA launch markets. The product is now available in 22 of GLO's 25 markets, with further market roll-outs planned for 2022.

The next category Modern oral opens VELLO**.** VELLO is a modern oral nicotine product that is designed to offer a smoke-free and spit-free alternative to traditional tobacco products. It comes in the form of small pouches that are placed between the gum and cheek, and they release a flavored nicotine vapor. Modern oral nicotine product has become popular among consumers who are looking for a discreet and convenient way to consume nicotine, without the social stigma and health risks associated with smoking or using traditional tobacco products.

VELLO has several key features that appeal to its users. Firstly, it is discreet and easy to use, allowing users to consume nicotine without the need to smoke or spit. This makes it a more socially acceptable option in many situations, such as in the workplace, in public places, or around non-smokers. Secondly, VELLO comes in a range of flavors, including mint, citrus, and berry, which appeal to users who are looking for a more pleasant taste experience. Thirdly, VELLO is designed to deliver a consistent dose of nicotine, which can help to reduce cravings and provide a more satisfying experience compared to traditional tobacco products. It is also available in different nicotine strengths, allowing users to choose a product that suits their individual needs and preferences. Finally, VELLO is marketed as a reduced-risk product, as it does not involve combustion or the production of smoke, which can be harmful to health. This may appeal to users who are looking for a safer alternative to traditional tobacco products.

VELO is a modern oral category that has shown strong global volume growth, with consumer numbers reaching 2.1 million, a growth of 0.6 million in 2021. In the ENA region, BAT has shown revenue growth of 44%, with volume up 46%, driving volume share to 69.4%, up 380 bps. In the highly competitive US market, the volume share of Modern Oral increased by 410 bps, with volume growth of 272% to 602 million pouches in 2021. The growth in the US market was largely driven by the portfolio and distribution expansion following the acquisition of the nicotine pouch products of Dryft Sciences LLC in October 2020. The insights suggest that a high percentage of Modern Oral users are already poly-users of other categories [22, p. 92].

BAT is the volume share leader of the Modern Oral category in 15 of the 17 markets where they are active in the ENA region. The Modern Oral market is growing rapidly, and BAT is expanding its industry-leading volume share position. In Sweden, the volume share of the Modern Oral category reached 59.6%, an increase of 580 bps in 2020, where Modern Oral represents 13.5% of the total oral category. In Norway, where Modern Oral represents 28.7% of the total oral category, our volume share of the Modern Oral reached 63.9%, up 180 bps vs 2020. In Denmark, where Modern Oral represents 90.5% of the total oral category, our volume share of the Modern Oral category fell by 130 bps to 92.6% in 2021.[41, p.94]

The company is piloting launches of Modern Oral in emerging markets, including Pakistan and Indonesia, to gain valuable insights as they roll out in key urban markets. BAT believes that Modern Oral is an exciting longer-term opportunity to commercialize reduced-risk products by offering New Categories as affordable alternatives to adult nicotine consumers. In Kenya, BAT is engaging with the relevant authorities on the regulatory and fiscal framework to support a commercially sustainable re-entry into the Modern Oral category. However, in Germany, sales of Modern Oral have been suspended pending engagement with the authorities regarding the classification of tobacco-free nicotine pouches.

The "Beyond Nicotine" category refers to products that go beyond traditional tobacco or nicotine offerings and focus on providing health and stimulation benefits to consumers. The company is working to understand this market better through its venture unit, B Tomorrow Ventures (BTV), which invests in innovative consumers, new businesses, and technological enterprises.

In 2021, BTV completed 9 new investments, bringing the total number of investments to 17 since its launch in 2020. The company carefully selects its investments based on original ideas and cultural fit, allowing them to work together and leverage the power of the Bat Group to assist entrepreneurial candidates in accelerating and growing their businesses.

By investing in these innovative companies, BAT aims to develop its portfolio of products and opportunities for the future, both within and outside of nicotine categories, to meet the changing needs and preferences of consumers. The company's focus on developing innovative and non-nicotine products may have implications for the Ukrainian market in the future, as consumers increasingly seek out alternatives to traditional tobacco products. BAT's venture unit, B Tomorrow Ventures, is focused on investing in innovative consumers, new businesses, and technological enterprises, which may lead to the development of new products in Ukraine and other markets.

British American Tobacco presents the category of a market for traditional oral products, such as snuff and chewing tobacco. However, there is limited information available on the performance of this category specifically in Ukraine. In BAT's 2021 annual report, it was reported that the Traditional Oral category globally experienced a decline in the volume of 3.9% to 8.0 billion stock equivalents, with total revenue of £1,118 million, down 3.6%. This was attributed to the impact of foreign exchange, and at constant rates, revenue grew by 3.0%. In the United States, Traditional Oral volume declined 5.1% in 2021, with a value share of moist up 10 bps and volume share down 50bps. The report also mentioned that the Modified Risk Tobacco Product (MRTP) applications for Camel Snus were discussed by the Tobacco Products Scientific Advisory Committee (TPSAC) of the FDA in September 2018, and after extensive work with the FDA, BAT expects that the applications will remain under review until the second half of 2022 [21, p. 27].

The last point is - value through combustibles. This statement is referring to the performance of the combustibles category in terms of its value and volume share, as well as revenue growth. The group's value share, which refers to the percentage of total value in the global tobacco market, increased by 10 basis points (bps), driven by a 60 bps increase in the U.S. market. However, the volume share, which refers to the percentage of the total volume of cigarettes sold, decreased by 10 bps due to declines in AMSSA, ENA, and the U.S. market. Despite the decline in revenue of 3.2%, which was attributed to foreign exchange, revenue increased by 4.0% at constant rates, reflecting continued strong pricing. However, this was partially offset by a negative geographic mix, which could be due to factors such as changing consumer preferences or competition. Overall, the statement suggests that the group's combustibles category is performing well in terms of value share gains and strong pricing, but facing some challenges in terms of volume share and revenue growth.[21, p. 32]

The increase in earnings per share (EPS) serves as the foundation for the rise in dividends. As per the report, basic EPS increased by 6.0% to 296.9p and diluted EPS by 6.0% to 295.6p in 2021, with lower adjusting charges and finance costs offsetting the effects of foreign exchange on the company's operations. The adjusted diluted earnings per share, excluding the impact of adjusting items and foreign exchange, increased by 6.6% to 353.5p at constant rates, with 2020 showing a 5.5% improvement over 2019. This growth in EPS supports the dividend increase [41, p. 76-77].

The Group’s cash conversion ratio, based on net cash generated from operations, was 95% (2020: 98%) and the operating cash conversion ratio was 104% (2020: 103%). The Group realized £9.7 billion (2020: £9.8 billion) of net cash generated from operating activities, or £2.5 billion (2020: £2.6 billion) of free cash flow after dividends – which is a measure the Group uses to assess total cash generated by the Group with which to repay borrowings.

Consequently, in 2021, total borrowings (including lease liabilities) have reduced from £43,968 million in 2020 to £39,658 million in 2021, due to the net repayment of borrowings in the year (including refinancing via issuance of perpetual hybrid bonds) and a currency tailwind of £409 million (2020: tailwind of £219 million)[41, p.113]

The enterprise has developed an Active Capital Allocation Framework that aims to create sustainable long-term value for shareholders, thanks to its ability to generate cash and reduce debt. The framework includes a range of strategies such as increasing dividends, maintaining adjusted net debt to adjusted EBITDA leverage within the target range of 2-3x, exploring bolt-on M&A opportunities, and conducting share buybacks to enhance shareholder returns. The Board will prioritize capital allocation opportunities on an annual basis, using this new framework, taking into account external factors such as macroeconomic conditions, fiscal conditions, regulatory and litigation risks.

"Table 2.4"

BAT Performance metrics

Our performance metrics	Target/Ambition	2021	%	2020	%	2019
Consumer						
Number of Non-Combustible Product Consumers	50 million consumers by 2030	18.3m		13.5m		10.5m
Market Share						
Cigarette and THP volume share growth (bps)	Grow by 0-10 bps (2021)	+10 bps		+30 bps		+20 bps
Cigarette and THP value share growth (bps)		+20 bps		+20 bps		+30 bps
Volume						
Cigarettes (bn sticks)		637	0%	638	-5%	668
Other Tobacco Products (bn stick equivalents)		18	-9%	20	-2%	21
Vapour (mn 10ml units/pods)		535	+56%	344	+52%	226
THP (bn sticks)		19	+79%	11	+19%	9
Modern Oral (mn pouches)		3,296	+70%	1,934	+62%	1,194
Traditional Oral (bn stick equivalents)		8	-4%	8	-1%	8
Financial						
Revenue (£m)		25,684	-0.4%	25,776	-0.4%	25,877
Adjusted Revenue at cc (%)[1,2]	3-5% CAGR		+6.9%		+3.3%	
Revenue from New Categories (£m)	£5 billion by 2025	2,054	+42.4%	1,443	+14.9%	1,255
Revenue from New Categories at cc (%)[1]			+50.9%		+15.4%	
Profit from Operations (£m)		10,234	+2.7%	9,962	+10.5%	9,016
Adjusted Profit from Operations at cc (%)[1,2]	Increase 4.0% to 6.5% (2021)		+5.2%		+4.8%	
Operating Margin (%)		39.8%		38.6%		34.8%
Adjusted Operating Margin (%)[2]		43.4%		44.1%		43.1%
Diluted Earnings per Share (p)		295.6	+6.0%	278.9	+12.0%	249.0
Adjusted Diluted Earnings per Share (p)[2]	5-10% CAGR	329.0	-0.8%	331.7	+2.4%	323.8
Adjusted Diluted Earnings per Share at cc (%)[1,2]	5-10% CAGR		+6.6%		+5.5%	
Dividends per Share (p)		217.8	+1.0%	215.6	+2.5%	210.4
Dividend Pay-Out Ratio (%)	65% of long-term earnings	66%		65%		65%
Net Cash Generated from Operating Activities (£m)		9,717	-0.7%	9,786	+8.8%	8,996
Free Cash Flow after Dividends (£m)		2,543	-0.3%	2,550	+32.7%	1,921
Cash Conversion (%)		95%		98%		100%
Operating Cash Conversion (%)	85-95% each year on average	104%		103%		97%
Borrowings, including Lease Liabilities (£m)		39,658	-9.8%	43,968	-3.1%	45,366
Adjusted Net Debt to Adjusted EBITDA (ratio)[2]	Around 3.0x by year end 2021	3.0x		3.3x		3.5x
Adjusted Return on Capital Employed (%)[2]		9%		10%		9%
Total Shareholder Return (rank)		17 of 24		20 of 23		21 of 23

"Source: *Accelerating a better Tomorrow combined performance and ESG summary 2021*. British American Tobacco - Annual Review 2021. (n.d.). Retrieved April 16, 2023, from https://www.bat.com/ar/2021/"

Analyzing the finance and transformation outlook statement, we may understand that BAT has continued to invest in its transformation by committing more than £1 billion to new categories in the first half of the year, resulting in an improvement in the contribution from New Categories and a reduction in losses for the second consecutive period. Progress has also been made at the innovation center in Trieste, Italy, which will house a production site for new categories, an innovation laboratory, and a digital center of excellence. The company has funded its transformation through an increase in value share and high fuel prices. However, US combustible volume fell 13.4%, mainly due to macro factors such as higher fuel costs and a return to more normal consumer patterns. BAT expects to achieve more than £1.5 billion in annual savings by the end of 2022, supported by additional savings from Quantum.

The reported results were affected by impairment allegations relating to Russian assets, allegations relating to a potential historic sanctions violation, and other charges related to Quantum. Despite this, on an adjusted constant currency basis, earnings per share increased by 5.7%, reflecting strong performance. The company aims to generate £40bn of pre-dividend free cash flow over the next five years and has already redeemed 37.7 million shares worth £1.3 billion as part of their own £2 billion share buyback program in 2022.

Liquidity remains high, with a debt maturity averaging about 10 years and 90% of the debt being fixed. The company's medium-term target rating remains BBB+/Baa1, with the current rating being BBB+ (negative outlook)/Baa2 (stable outlook). Overall, BAT is focused on providing long-term shareholder value through active capital distribution while maintaining its financial targets and ratings. [28]

According to the financial statement, as of December 31, 2022, the loans, including lease liabilities, of the Group were £43,139 million, which increased by 8.8% compared to the previous year, primarily due to currency fluctuations associated with the US dollar and pound sterling. The Group is constantly reviewing its options and remains confident in its ability to enter the debt capital markets. The average maturity of the Group's centrally managed debt was 9.9 years as of December 31, 2022, and the highest proportion of centrally managed debt maturing within one rolling 12-month period was 18.6%. The net debt at the end of the period was £39,281 million, which increased from £36,302 million at the end of December 31, 2021.[21, p 260]

"Table 2.5"

Reconciliation of loans to net debt.

	As at 31 December		
	2022 £m	2021 £m	Change %
Borrowings (including lease liabilities)	**(43,139)**	(39,658)	+8.8%
Derivatives in respect of net debt	**(167)**	91	-283.5%
Cash and cash equivalents	**3,446**	2,809	+22.7%
Current investments held at fair value	**579**	456	+27.0%
Net debt	**(39,281)**	(36,302)	+8.2%
Maturity profile of net debt:			
Net debt due within one year	**(181)**	(792)	-77.1%
Net debt due beyond one year	**(39,100)**	(35,510)	+10.1%
Net debt	**(39,281)**	(36,302)	+8.2%

"Source: Dulloo, A. (2022). Materials and fuels complex FY-22 – FY-26 five-year mission strategy.https://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOCNUNN9/$file/FY_2022_Announcement "

The financial performance of British American Tobacco in Ukraine has been steady in recent years, with a revenue increase of 9.1% and a net income increase of 4.4% in 2020 compared to the previous year. However, the company's 2021 financial results showed a slight decline in reported revenue by 0.4% to £25,684 million, largely due to foreign exchange headwinds and a competitive pricing environment in Australasia. Despite this, revenue from new categories, including e-cigarettes and oral nicotine brands, grew significantly by 42.4%, and non-combustible products now represent 12.4% of the Group's revenue. The company's profit from operations increased by 2.7% to £10,234 million, driven by improved operating performance and a reduction in one-off charges. However, the adjusted operating margin fell 70 basis points to 43.4%, due in part to commensurate revenue growth from new categories as the company continues to invest in those categories. BAT's CEO, Jack Bowles, believes that cannabis-related products will play a role in the company's future growth. Furthermore, the organization reported a growth in earnings per share (EPS) in 2021, which supports the increase in dividends. The company's cash generation drove debt deleveraging, allowing for a more proactive approach to capital allocation. The Group aims to deliver sustainable shareholder value through capital distribution, exploring potential bolt-on M&A opportunities, and conducting share buybacks. Despite challenges faced in 2021, BAT has continued to invest in its transformation by committing more than £1 billion to new categories, resulting in an improvement in the contribution from New Categories and a reduction in losses for the second consecutive period. BAT expects to achieve more than £1.5 billion in annual savings by the end of 2022, supported by additional savings from Quantum. The company's liquidity remains high, and it is focused on providing long-term shareholder value while maintaining its financial targets and ratings. However, the Group's loans, including lease liabilities, increased by 8.8% compared to the previous year, primarily due to currency fluctuations.

2.3. Analysis of the foreign economic activity of "BAT" Corporation

A multinational corporation engaged in the production, marketing, and sale of tobacco products in over 200 markets worldwide. The company operates in four main segments: combustibles, next-generation products (NGP), traditional oral tobacco products, and others.

The company's foreign economic activity is significant as it operates in a highly globalized market. BAT sources raw materials such as tobacco leaves and paper from various countries and also has manufacturing plants in multiple locations worldwide. Additionally, the company's products are sold in numerous countries, and its revenue and profits are significantly affected by foreign exchange fluctuations.

BAT's strategy is to develop its portfolio of NGPs and reduce its dependence on traditional combustible tobacco products. The company has invested heavily in research and development to develop new products, and it is actively seeking regulatory approval to market these products globally.

British American Tobacco Ukraine engages in export activities to several countries in the region, as well as to Duty-Free stores in airports globally. The countries mentioned include Russia, Belarus, Armenia, Georgia, Moldova, Azerbaijan, and Kazakhstan.

Additionally, the company exports its products to Bulgaria. It is important to note that export activities can be influenced by a range of factors, including economic conditions, trade policies, and regulatory requirements in destination countries. Therefore, it is likely that British American Tobacco Ukraine has a dedicated team or department responsible for managing its export operations and ensuring compliance with relevant laws and regulations.

To produce its tobacco products, BAT Ukraine imports and utilizes a variety of tobacco types, depending on their unique characteristics and flavor profiles. For example, the Virginia variety of tobacco, which is named after the American state where it was first grown, is grown in subtropical areas with low rainfall, such as Georgia (USA), southern Brazil, and Zimbabwe (where it is imported from). For classic English brands like Benson & Hedges and Dunhill, exclusively Virginian tobacco is used. Burley, another type of tobacco, is slightly different from Virginia in that its leaves are greener in color but turn brown after being dried in the shade. It contains little sugar, resulting in a cigar-like taste, and requires heavier soils and more fertilizer than Virginia. The best Burley is grown in the USA, Central America, Malawi, and Uganda (where it is imported from). American Blend, which is used in cigarette brands such as Lucky Strike and Pall Mall, is a combination of Burley with Virginia and Oriental varieties. Oriental tobacco, characterized by its small leaves that make its collection time-consuming, is grown in hot summer conditions in the Balkans and the Middle East, as well as in Turkey (from where it is exported). Additionally, BAT has plans to move away from traditional cigarette sales and has identified cannabis as a potential part of its future.

The company's NGP segment includes e-cigarettes, heated tobacco products, and other alternative tobacco products. The NGP segment has shown significant growth, and the company expects it to be a significant source of revenue in the future. BAT's NGP business has been bolstered by the acquisition of Reynolds American in 2017, which gave it access to the popular Vuse and Velo brands in the US market.

BAT faces significant regulatory challenges, particularly with the increasing trend of governments implementing stricter regulations on tobacco products. The company has had to navigate a complex and constantly evolving regulatory landscape, particularly in

Europe, where the Tobacco Products Directive (TPD) has had a significant impact on the industry. Furthermore, the company has been the subject of multiple lawsuits and investigations relating to its marketing and product safety. These issues have the potential to significantly impact the company's reputation and financial performance. Despite these challenges, BAT has continued to perform well financially, with steady revenue growth and increasing profitability. The company's strong cash generation has allowed it to invest in its transformation into a more diversified tobacco and NGP company while also reducing its debt levels.

Tobacco companies such as BAT are increasingly looking for alternatives to traditional cigarettes. BAT has announced its plan to cease selling traditional cigarettes in the UK within the next decade and has invested heavily in smoke-free products, having spent £346 million on them in the last six months alone. In addition to this, the company has acquired drug delivery inhaler maker Vectura for $1.2 billion and nicotine gum maker Fertin Pharma for $820 million. In March, BAT also purchased a 20% stake in Canadian medical cannabis producer Organigram for £126 million, intending to develop a new line of cannabis products for adults. These actions reflect the company's commitment to environmental, social, and corporate governance (ESG) principles that prioritize the interests of the environment and people. With the influx of shareholder funds into ESG funds, BAT hopes to attract some of these funds by demonstrating its adherence to ESG principles. Despite a significant drop in share price over the past four years, from £55 to £27, the company continues to pursue a diversified portfolio of products and investments.

British American Tobacco (BAT) operates in a highly globalized market, with its foreign economic activity being significant to its operations. The company has a diversified product portfolio, with a focus on developing its NGP segment and reducing its dependence on traditional combustible tobacco products. BAT faces significant regulatory challenges, particularly with the increasing trend of governments implementing stricter regulations on tobacco products. Despite these challenges, the company has continued to perform well financially, with steady revenue growth and increasing profitability. BAT's recent investments in smoke-free products, drug delivery inhalers, nicotine gum, and cannabis products reflect its commitment to ESG principles and its pursuit of a diversified portfolio. Overall, BAT's foreign economic activity remains a crucial aspect of its business operations, and the company continues to adapt to changing market conditions to remain competitive.

2.4. Analysis of the social and economic impact of corporation "BAT"

BAT, a global company operating in 175 markets, aims to foster close relationships with the communities in which it operates through Corporate Social Investment programs. The company takes responsibility for its employees and the tobacco supply chain, with initiatives to improve farmer livelihoods, support human rights, and promote health and safety. BAT recognizes that rural poverty is a root cause of problems like child labor, forced labor, and poor environmental standards, leading young people to leave rural areas for urban jobs. To address this, BAT's long-term goal is to provide attractive salaries and conditions that will encourage young people to work in agriculture. The company follows the Five Capitals framework, which requires farming communities to have the financial, natural, physical, cultural, and social capital to be sustainable. BAT has established indicators to track progress in each of these areas for leaf operations and conducts annual assessments.

Although the tobacco industry has been criticized for its negative social impact, including health risks associated with smoking, there are also positive social impacts that can be attributed to the industry.

One of the positive social impacts of BAT in Ukraine is employment. The company employs around 2,500 people in Ukraine, and the tobacco industry as a whole provides thousands of jobs throughout the supply chain, from farmers to distributors.

The company also claims to have a positive impact on the communities it operates in through its corporate social responsibility (CSR) initiatives. For example, in Ukraine, BAT has implemented a range of projects focused on health, education, the environment, and community development. These include initiatives such as supporting cancer research, providing scholarships for university students, implementing environmental conservation projects, and promoting responsible drinking. By the way, BAT is committed to supporting farmers in increasing their income by providing job opportunities to over 75,000 contracted farmers globally. In addition, the company invests in mechanized solutions and curing technologies that help farmers scale up production, reduce manual labor, and minimize health and environmental risks. These solutions include soil tilling and fertilizing machines, as well as automated harvesters, which can decrease fuel use by up to 20%. To further enhance farm productivity, BAT provides farmer training and capacity building, with Extension Service support playing a crucial role in this. Throughout the growing cycle, the Extension Service assists farmers in developing their skills and improving yields.

Respecting human rights is essential to creating a better future, and BAT recognizes this by placing a strong focus on human rights across various industries, such as agriculture, electronics, manufacturing, marketing, and distribution. To ensure effective policy implementation, the company has divided its efforts into two categories: employment rules and operations, and norms for preventing child labor. The Employment Principles provide a general approach to promoting good employment practices and respecting human rights in the workplace across the entire organization. The second group of principles offers more specific guidance and instructions for operation and production. To ensure oversight and accountability, the governance structure includes a flexible online channel for monitoring and addressing human rights issues at all levels of the company.

BAT's human rights strategy encompasses respect for the rights of all employees and communities in its supply chains and business operations. The strategy aligns with the UN Guiding Principles on Business and Human Rights and focuses on implementing strong policies, conducting due diligence, and implementing recovery programs when necessary[31].

"Table 2.7"

Human rights within its operations and supply chain

"Source: BAT_Annual_Report_on_Form_20-F_2022.pdf. (2022). *Combined Annual and ESG Report*, 1–498. Retrieved from https://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/$file/BAT_Annual_Report_on_Form_20-F_2022.pdf"

"Table 2.8"

Diligence and Recovery program

"Source: BAT_Annual_Report_on_Form_20-F_2022.pdf. (2022). *Combined Annual and ESG Report*, 1–498. Retrieved from https://www.bat.com/group/sites/UK__9D9KCY.nsf/vwPagesWebLive/DOAWWGJT/$file/BAT_Annual_Report_on_Form_20-F_2022.pdf"

BAT places a high priority on health and safety in its operations, aiming for zero accidents and safe working conditions. This approach not only supports the well-being of employees but also enhances the company's reputation as an employer of choice. The company's health and safety policy is adopted by all Group companies worldwide and commits to applying the best international standards to employees and workers of companies outside the Group. Furthermore, BAT has an operating standard for providing personal protective equipment (PPE) to all farmers with whom they lease contracts for tobacco growing. This standard mandates that all farmers and their workers have access to PPE for the use of agrochemicals and harvesting.

For Trade, Marketing, and Distribution, where there are high risks of road traffic accidents or attacks and assaults, BAT has implemented comprehensive driver safety and security programs. Additionally, the company has installed a telematics system in all vehicles to monitor driving behavior and identify areas for improvement. In locations where attacks and assaults are a significant risk, BAT constantly assesses threats to ensure appropriate protocols are in place to keep people safe. These measures may include placing limits on the loads carried to reduce the value, strategic route planning to avoid predictability, and providing security escorts.

In terms of the economic impact of BAT on Ukraine, the company makes a significant contribution to the country's economy through taxes and exports.

According to the company's report has invested over $1 billion in Ukraine since it started operations. This investment has been directed towards modernizing the company's production facilities and developing new tobacco products for the Ukrainian market. BAT's operations in Ukraine employ over 1,000 people directly and support thousands more indirectly through the company's supply chain.

The tobacco industry, including British American Tobacco, is an important contributor to the Ukrainian economy, generating significant revenue for the government through taxes and providing employment opportunities for many Ukrainians. According to BAT's 2020 annual report, the company contributed around £180 million in taxes to the Ukrainian government in 2020. The tobacco industry as a whole also contributes significantly to Ukraine's export revenues, with tobacco and tobacco products accounting for around 3% of the country's total exports.

It is important to note that the economic impact of corporations like BAT is complex and multifaceted. While the company may contribute to the economy through job creation and investment, it may also have negative effects on public health and the environment. Therefore, any analysis of the economic impact of BAT on Ukraine should take into account both the positive and negative effects of the company's operations.

The analysis of the social and economic impact of the corporation British American Tobacco (BAT) reveals that the company's operations in Ukraine have both positive and negative effects. On the positive side, BAT's Corporate Social Investment programs aimed at supporting human rights, improving farmer livelihoods, and promoting health and safety are commendable. BAT's investment in mechanized solutions and curing technologies has helped farmers increase their income, scale up production, and reduce manual labor. BAT's contribution to the Ukrainian economy through taxes, job creation, and export revenues is significant. The company's corporate social responsibility initiatives aimed at promoting health, education, the environment, and community development are also commendable. Moreover, BAT's focus on human rights, health, and safety in its operations is impressive. However, on the negative side, the tobacco industry, including BAT, is criticized for its negative social impact, including the health risks associated with smoking. Therefore, any analysis of the economic impact of BAT on Ukraine should take into account both the positive and negative effects of the tobacco industry. Overall, BAT's efforts to operate responsibly and sustainably are commendable, and the company should continue to prioritize the well-being of its employees, communities, and the environment.

CHAPTER 3. WAYS MULTINATIONAL FIRMS IMPACT ON ECONOMIC GROWTH IN EMERGING MARKETS

3.1. Emerging Multinationals: Why multinational giants prefer emerging countries

Multinational corporations have a substantial impact on the global economy, contributing to job creation, innovation, and international trade. They are increasingly turning their focus to emerging markets, such as Ukraine, to expand their presence in new regions. These developing markets are primarily located in Asia, Africa, Latin America, and Eastern Europe, offering multinationals new opportunities to expand their businesses while benefiting from lower production costs, inexpensive labor, and abundant resources.

Emerging economies are considered attractive investment destinations for multinational corporations due to expanding markets, growing middle classes, and rising disposable incomes, which create significant demand for goods and services. With a diverse product portfolio, multinationals can leverage these opportunities to spread risks and maximize profits. They are also attracted to these markets because of the availability of cheap labor, raw materials, and other resources. Some of the most prominent emerging economies that multinationals are targeting include China, India, and Brazil. In addition, emerging countries offer investment-friendly policies. Governments in these economies are pursuing policies to attract foreign direct investment by lowering entry barriers and offering incentives such as tax breaks, low-interest loans, and streamlined business registration processes. For instance, in India, the government allows 100% foreign ownership of companies in many sectors, providing investors with a level of control and flexibility that they may not have in their home market. Similarly, Brazil has made significant efforts in recent years to attract foreign investment by offering tax incentives for companies investing in certain regions or industries and streamlining the business registration process by reducing bureaucracy.

The second important reason is the cost of labor. Developing countries like India and China are attractive to multinational corporations seeking to take advantage of low-cost labor. With a burgeoning population and a significant shortage of jobs that pay wages consistent with the cost of living, these countries offer a productive ground for multinationals. For example, in China, the minimum wage is less than $400 per month, compared to the US, where the minimum wage is more than $1,000 per month. This makes it attractive for multinationals to relocate their manufacturing facilities to China and take advantage of the lower labor costs. Similarly, countries like India and Brazil offer significantly lower labor costs than developed countries, making it appealing for companies in industries such as textiles, electronics, and automotive.

Ukraine is known for having a relatively cheap labor force compared to many developed countries such as the US, Canada, and European nations. The average monthly wage in Ukraine is around $530, which is significantly lower than that in the US, Europe, or Canada. This makes it an attractive option for multinational corporations seeking to reduce their labor costs.

One of the main reasons for the low labor costs in Ukraine is the country's economic situation. The country has a lower level of economic development compared to many other developed countries, which means that labor costs are lower due to lower wages and less strict labor laws. In addition, the cost of living in Ukraine is generally lower compared to many European nations, which also contributes to lower labor costs. It needs to say, Ukraine has a highly educated workforce, which provides companies with a highly skilled labor force at a lower cost. The country has a large number of universities and technical schools that offer programs in various fields, including engineering, IT, and business. This allows companies to access a highly qualified workforce that can help them to grow their businesses and increase their competitiveness.

Emerging economies also offer cheaper raw materials for production, and in some cases, favorable tax rates for multinational corporations, which can significantly lower their costs of production and increase their profit margins. For instance, in Vietnam, the government offers tax holidays for up to 15 years for foreign investors, making it easier for companies to set up shop in the country. Multinationals such as Samsung and Dell have relocated production factories to India and China, taking advantage of the efficient labor forces and producing low-cost goods that are competitive in the market.

The third argument is that Latecomers find emerging markets attractive due to their expanding and affluent consumer markets. These economies have a fast-growing middle class with increasing purchasing power, which translates to a high demand for consumer goods and services that were once considered unattainable. This represents an opportunity for multinational corporations to leverage their diverse product portfolios to meet the needs of these expanding markets. For example, China has the largest middle class in the world with an estimated 400 million people, and this number is expected to grow to 1 billion by 2030. This presents an enormous potential market for multinational corporations that can cater to the needs of this growing middle class. Similarly, Ukraine also has a large consumer market with a growing middle class. Compared to Europe, the US, and Canada, Ukraine offers a significantly lower cost of living, which means that consumers have more disposable income to spend on goods and services. This creates a market for multinational corporations to provide high-quality products and services that cater to the demands of Ukrainian consumers. In addition, Ukraine's strategic location at the crossroads of Europe and Asia, coupled with its large population, makes it an attractive market for companies looking to expand their reach beyond traditional markets. The country also has a rapidly growing e-commerce sector, which provides a platform for companies to reach consumers in Ukraine and beyond.

Talking about BAT in Ukraine we may analyze it from the beneficial side. As multinational corporations seek to maximize profits and take advantage of low-cost labor and resources, emerging economies are increasingly attractive destinations for investment. BAT is one such corporation that has invested over $1 billion in Ukraine since its inception. This investment has gone towards acquiring local tobacco companies, building new factories, and expanding distribution networks, making Ukraine a strategic destination for BAT's operations.

One of the reasons why BAT has chosen Ukraine is the country's large population and growing middle class. With a population of over 42 million people, Ukraine's middle class is expected to grow by 57% by 2030. As the middle class grows, so does the demand for tobacco products. Additionally, Ukraine's strategic location between Europe, Asia, and the Middle East, and its established transportation infrastructure, make it easy for BAT to access markets in neighboring countries. The country also has a large number of tobacco farmers, providing BAT with a steady supply of high-quality tobacco. Another advantage of operating in Ukraine is its relatively low cost of operation compared to other European countries. With lower wages and tax incentives, BAT can reduce the cost of production and increase its profit margins. The regulatory environment in Ukraine is also favorable to businesses, further contributing to BAT's decision to invest in the country

Overall, emerging markets are increasingly becoming attractive destinations for multinational corporations seeking to expand their operations and maximize profits. These economies offer a range of benefits, including lower labor costs, access to abundant resources, investment-friendly policies, and expanding consumer markets. Ukraine is one such country that has gained the attention of multinational corporations, such as BAT, due to its affordable labor force, strategic location, and growing consumer market. Multinationals are investing billions of dollars in emerging markets, such as Ukraine, to acquire local companies, build factories, and expand their distribution networks. As the global economy continues to evolve, emerging markets will likely play an increasingly important role in shaping the business landscape, driving innovation, and contributing to international trade.

3.2. Aspects affect the opening of a branch of the international giant in emerging countries

The emergence of developing countries presents a redundancy of opportunities for multinational companies to expand their operations. The opening of a branch of an international giant in an emerging country brings many benefits to the company, such as attracting a new customer base, increasing sales, and revenue, and diversifying products, and services portfolios.

While emerging economies offer significant investment opportunities, there are also challenges involved in investing in these markets. One of the significant obstacles is navigating the complex regulatory environment that exists in many emerging economies.

Governments in these countries often have complex regulations and changing policies that can make it challenging for foreign investors to navigate. Political instability can pose a significant investment risk, as governments in developing countries are prone to erratic decision-making. Companies need to understand local political dynamics, including government policies, political affiliations, and the influence of political parties on the local business environment. Because of institutional voids—the absence of specialized intermediaries, regulatory systems, and contract enforcement mechanisms—corporations in emerging markets cannot access capital or talent as easily and cheaply as European and American corporations can. This often makes it difficult for businesses in developing countries to invest in research and development or build global brands. Moreover, foreign companies need to adhere to regulations regarding foreign investment, taxation, and employment mechanisms. An unstable political environment can lead to the closure of branches, which may cause significant monetary losses. Multinational corporations must be prepared to deal with regulations that can be at times arbitrary and subject to change quickly. The political instability in Ukraine has had significant impacts on the country's development in several ways. The political instability in Ukraine has had significant impacts on the country's development in several ways.

Firstly, the ongoing political crisis has resulted in a lack of political consensus and stability, which has made it difficult to implement economic reforms and attract foreign investment. The lack of a stable political environment has also led to corruption and inefficiencies, which have hindered economic growth.

Secondly, the Russian invasion of Ukraine, which began in 2014 with the annexation of Crimea and later extended to parts of eastern Ukraine, has had a significant impact on the political environment of Ukraine. The invasion has heightened tensions between Ukraine and Russia, as well as among Ukrainian political factions.

The invasion has led to a more nationalist and anti-Russian sentiment among many Ukrainians, as well as a greater desire for closer ties with Europe and the West. The conflict has also highlighted the deep political and economic divisions within Ukraine, with some factions advocating for closer ties with Russia and others pushing for greater integration with Europe. In terms of the country's development, military aggression from the side of the terrorist state has harmed Ukraine's economy, with many businesses and industries suffering due to the ongoing conflict and uncertainty. The war has also displaced millions of people and created a humanitarian crisis in parts of eastern Ukraine. However, since 2014, Ukraine has implemented a series of reforms aimed at improving the investment climate and promoting economic growth. The country has strengthened its institutions and adopted several measures to combat corruption. These reforms have helped to improve the country's political situation and have made it a more attractive destination for international investors.

Another obstacle is economic consideration. Emerging countries offer substantial potential for multinational companies due to favorable macroeconomic policies leading to high economic growth rates. However, economic considerations play a crucial role in opening a branch in these countries. Companies need to evaluate the market potential by determining the size of the customer base, purchasing power, and spending patterns. They need to assess market demand, competition, and production costs. Because production costs are another critical factor to consider. Multinationals need to evaluate the cost of labor, raw materials, and other inputs required to produce their goods or services. Ukraine has a relatively low cost of labor compared to other European countries, making it an attractive destination for companies looking to reduce their production costs. Additionally, Ukraine has a skilled workforce, particularly in technical and scientific fields, which makes it an ideal location for companies in the technology and engineering sectors. They also need to assess the logistical challenges of operating in a particular market, including transportation costs and infrastructure limitations.

Exchange rates, inflation, currency fluctuations, and interest rates are other important economic considerations. Companies need to estimate the potential impact of these factors on their investment and determine the appropriate strategies for mitigating any risks. Ukraine's currency, the hryvnia, has been subject to significant fluctuations in recent years, which can impact the cost of doing business in the country. Additionally, inflation and interest rates can affect the cost of borrowing and other financial considerations for companies operating in Ukraine.

Another challenge of investing in emerging economies is the lack of developed infrastructure. Many emerging economies have poor transportation networks, communication systems, and energy infrastructure. This means that multinational corporations must invest significant amounts of money to build the necessary infrastructure to operate in these markets. This can be a significant investment for some companies, and it can take a long time to recoup the investment, making it a barrier to entry for some firms.

Additionally, companies must evaluate the potential for technological advancement in the host country. Emerging countries often have untapped technological potential, which can provide significant opportunities for multinational companies. Companies must assess the country's education system, research and development capabilities, and technological infrastructure to determine the potential for technological advancement. For instance, Ukraine has significant potential for technological advancement due to its large pool of talented IT professionals, favorable government policies, and growing startup ecosystem. Ukraine has a long-standing tradition in science and technology, particularly in fields such as mathematics, physics, and computer science. Over the last 17 years, the IT industry in Ukraine has grown almost 46 times, from $110 million in 2003 to around $5 billion in 2020. This growth rate is sustainable and exceeds the global average growth rate of the sector, with the number of IT specialists in Ukraine constantly increasing. With over 4,000 local IT service companies and subsidiaries of more than 110 leading global companies, including Samsung, Microsoft, and Siemens, Ukraine is on track to become a major tech powerhouse. Its success is due to a combination of factors, including an extensive IT talent pool, favorable geographical position, and time zone, strong technical and scientific legacy, and cost-competitive benefits. Opening an R&D division in Ukraine presents a significant opportunity for tech companies to tap into a large pool of educated and talented IT workers at competitive wages. Ukraine has a long-standing tradition of producing engineering graduates, with twice as many graduates as countries such as Britain and Poland. Moreover, major Ukrainian companies often organize their IT schools to train and hire top talent. Kyiv is the largest IT hub in Ukraine, boasting over 1,000 startups and product companies. However, other cities such as Kharkiv, Odesa, Dnipro, Lviv, and

Vinnytsia are also emerging as major centers of IT activity. In summary, Ukraine's IT industry is rapidly growing and offers significant potential for technological advancement due to its large pool of skilled IT professionals, favorable government policies, growing startup ecosystem, and cost-competitive benefits. Companies looking to establish a technology presence in Ukraine can take advantage of these opportunities to achieve long-term success and contribute to the country's economic growth [42].

The most sensitive, from my point of view, hindrance is culture. Cultural differences can significantly impact the success of a multinational company in a new market. The distinction between a multinational company and a local population can considerably impact the opening of a branch. Companies must adhere to social norms, respect the cultural heritage of the local population, and develop products and services that are contextually appropriate. Multinationals must avoid cultural insensitivity, which can cause damage to their brand reputation and eventually lead to a loss of investment. One of the critical cultural considerations is the local language. In many emerging countries, the official language may not be the same as that used by a multinational company. This can create communication barriers, making it difficult for the company to connect with local customers and suppliers. Companies may need to invest in language training for their employees or hire local staff who are fluent in the local language. Another cultural consideration is social customs and etiquette. Cultural differences can significantly impact business relationships and can lead to misunderstandings and conflicts. Companies must be aware of local customs and etiquette and adapt their behavior accordingly. For example, in some cultures, it is considered rude to refuse a gift or offer, while in others, it may be considered inappropriate to accept such gifts.

Religious and ethical considerations are also important when operating in emerging countries. Multinational companies must be susceptible to local religious practices and ethical norms. For example, some countries have strict laws governing the sale and consumption of alcohol or the treatment of animals. Companies must comply with these laws and avoid any behavior that may offend local customs or beliefs.

Cultural differences also extend to business practices and management styles. Multinational companies must adapt their management styles to the local culture, which may be different from what they are used to. For example, in some cultures, hierarchy is highly valued, and decisions are made by senior executives. In contrast, in other cultures, decision-making may be more participatory, and teamwork is highly valued.

The last point I want to discuss is our environment. Environmental factors such as climate, natural disasters, and resource availability can have an impact on the business operations and sustainability of the venture. One of the critical environmental considerations is the availability of natural resources. Many emerging countries are rich in natural resources, such as minerals, oil, and gas. However, the exploitation of these resources can have significant environmental impacts. Companies must evaluate the environmental impact of their operations and ensure that they are compliant with local environmental regulations. Another critical environmental factor is climate change. Climate change can have significant impacts on a company's operations, including extreme weather events, sea level rise, and changes in precipitation patterns. Companies must assess the potential impacts of climate change on their operations and develop strategies to mitigate these risks.

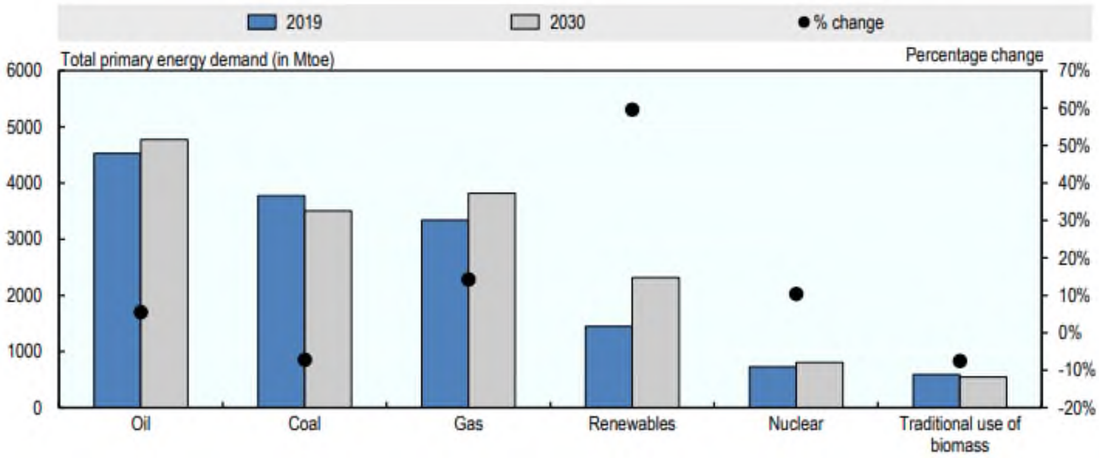


Fig. 3.1 Changed in total primary energy demand (2019-30)

Source: Agency, I. E. (2020). *World energy outlook 2020*. OECD Publishing. https://doi.org/10.1787/557a761b-en)

A green recovery that mobilizes investment in clean energy and promotes energy efficiency offers an opportunity to stimulate growth, innovation, and jobs, while also tackling the looming challenge of climate change. Across emerging markets, reliance on fossil fuels remains a reality, although investments in renewable energies are expected to grow significantly as the renewable energy sector leads the rebound in global energy demand. In emerging markets, governments have already taken steps toward a green recovery that supports economic development while putting carbon emissions into a structural decline [27, p. 217].

Air pollution is also a significant environmental consideration. Many emerging countries suffer from high levels of air pollution, which can have significant health impacts. Companies must evaluate the potential impact of air pollution on their employees, customers, and surrounding communities. They must also develop strategies to reduce their contribution to air pollution, such as investing in cleaner technologies and adopting sustainable practices.

Water scarcity is another critical environmental consideration. Many emerging countries suffer from water scarcity, which can impact the availability of water for business operations and local communities. Companies must evaluate their water usage and develop strategies to reduce their water consumption. They can also invest in water-saving technologies and practices.

Conclusively, emerging economies present significant investment opportunities for multinational companies, but there are challenges and risks involved. These challenges include navigating complex regulations, dealing with political instability, evaluating economic considerations, assessing the potential for technological advancement, and dealing with the lack of developed infrastructure. Ukraine serves as an example of a country that has faced these challenges, including political instability due to the ongoing conflict with Russia, economic fluctuations, and the need to build infrastructure to attract foreign investment. However, despite these challenges, Ukraine has implemented significant reforms aimed at improving the investment climate and promoting economic growth, making it a more attractive destination for international investors. As multinational corporations continue to look for opportunities in emerging economies, they must consider these challenges and risks, evaluate the potential rewards, and develop strategies for mitigating the risks involved.

3.3 The influence of international companies on the nature of the economy in emerging countries

The globalization of the economy has led to an increase in the presence of international companies in emerging countries. These companies have a significant impact on the nature of the economy in these countries. The easiest way to examine the influence of international companies in emerging countries is to consider the most vulnerable factors: economic, social, environmental, and political [43, p.5].

International companies bring new technologies, management practices, and capital to emerging countries. Increased productivity and economic expansion may result from this. They create jobs, which can help to reduce unemployment and poverty. However, international companies may also displace local companies, which can lead to a loss of jobs and economic activity.

From one side, MNCs can create jobs in emerging markets, including positions in manufacturing, logistics, and management. This can provide opportunities for people in these countries and contribute to local economic growth. The trend is evident in Hungary, where export-oriented business service projects have created mainly medium- to high-skilled jobs, according to research. The majority of the jobs created require knowledge of at least one foreign language, with many employees being fresh graduates. The companies mostly hire individuals with university degrees, with a gender aspect at the lower level of services activities where human resources managers and accountants are mainly women. However, the sector is facing a shortage of properly trained employees, with some companies having up to 200 vacancies out of 2,000 positions. This trend is not unique to Hungary, but rather a broader phenomenon in emerging markets. As multinational companies continue to expand their operations, there is a growing demand for skilled labor in various fields, including engineering, IT, accounting, and management. This has a positive impact on the economy, as the demand for skilled labor creates opportunities for individuals to improve their skills and increase their income, leading to a more prosperous society. Governments and educational institutions in emerging markets can respond to the growing demand for skilled labor by implementing programs that train and educate individuals in the necessary skills. This can involve partnerships with multinational companies to provide on-the-job training and internships, as well as investments in educational institutions to improve the quality of education in fields that are in high demand. Such initiatives will not only benefit multinational companies but will also enhance the capabilities of the labor force in emerging markets, leading to sustainable economic growth [45, p. 56 - 61].

Additionally, companies often bring new technologies and production techniques to emerging markets, which can lead to productivity gains and improvements in the quality of local products. This can help local businesses to become more competitive and contribute to economic growth. Another positive side is that they can provide emerging market companies with access to global markets through their distribution networks and supply chains. This can help local companies to expand their reach and increase their revenues, contributing to economic growth. We must not forget about investments: giants can bring significant levels of investment to emerging markets, including both foreign direct investment and portfolio investment. This can help to fund new business ventures, infrastructure projects, and other initiatives that can contribute to economic growth.

Overall, the economic influence of MNCs on emerging markets can have a range of positive impacts. Otherwise, there are potential negative economic impacts as well, policymakers should carefully consider the potential benefits when attracting and regulating multinationals in emerging markets. While MNCs can bring investment, innovation, and job creation, they can also create economic and social challenges that can harm local communities and economies.

One of the main negative economic impacts on emerging markets is the exploitation of labor. MNCs often operate in countries with weak labor laws and regulations, and they can take advantage of this by paying low wages and providing poor working conditions. Firstly, it leads to a decrease in the standard of living for workers and their families, resulting in reduced purchasing power and lower demand for goods and services, which can hinder economic growth. Secondly, labor exploitation can lead to social and political instability as workers may protest against poor working conditions and low wages, leading to strikes and other forms of disruption that can hurt the economy. Thirdly, it provokes a brain drain as skilled workers leave the country to seek better opportunities elsewhere. This can result in a shortage of skilled labor, hindering economic growth and development. Therefore, it is essential to address labor exploitation in emerging markets by enforcing labor laws and regulations, improving working conditions, and promoting fair wages and benefits for workers. Such measures can lead to a more stable and prosperous economy for all stakeholders [44].

Another negative economic impact of organizations on emerging markets is the unequal distribution of benefits. Multinational enterprises often capture a disproportionate share of the economic benefits from their operations, leaving little for local communities and businesses. This can exacerbate existing economic inequalities, as the benefits of MNC investment and job creation may not be distributed evenly across the local economy. In some cases, they may also engage in practices such as transfer pricing, which involves shifting profits from one country to another to minimize taxes. This can deprive emerging markets of much-needed tax revenue, which can limit their ability to invest in public services and infrastructure.

Being concerned with British American Tobacco, is a major international tobacco company with a presence in Ukraine and it also has positive and negative economic impacts. Talking positive economic influence includes job creation: BAT's operations in Ukraine employ a significant number of people, including factory workers, salespeople, and administrative staff. This provides job opportunities for many Ukrainians and contributes to the country's economy. And as a large multinational corporation, BAT likely pays significant taxes to the Ukrainian government. This tax revenue can be used to fund public services and infrastructure projects, which can benefit the economy and society.

On another, negative, side tobacco use is a leading cause of preventable death and disease worldwide, and Ukraine has a relatively high smoking rate compared to other countries. The health costs associated with tobacco use, such as medical treatment and lost productivity, can be a significant burden on the Ukrainian economy. Additionally, it harms not only the health of humanity but also the environment. While tobacco production and consumption can have negative environmental impacts, such as deforestation, water pollution, and waste generation. If BAT's operations in Ukraine contribute to these environmental problems, they could impose additional costs on the country.

The next step in analyzing the influence of international companies in emerging countries is to consider the social impact. International companies can have a significant impact on the social structure of emerging countries. They can introduce new ideas, products, and lifestyles. This can lead to a change in social values and norms. However, international companies may also exploit cheap labor in emerging countries, leading to social inequality.

The positive side is skill development, while MNCs can provide training and development programs for local employees, which can help in developing new skills and improving the employability of the local workforce. Further, it develops significant social responsibility. Many enterprises have corporate social responsibility programs, which can include activities like building schools, hospitals, and other community infrastructure projects. These activities can have positive social impacts by improving access to education and healthcare and creating job opportunities in the region.

Negatively, we may observe the exploitation of labor. Multinationals have been accused of exploiting labor in emerging markets by paying low wages, providing poor working conditions, and not respecting workers' rights. The subject of “Interpersonal relations” shows the phenomena of cultural erosion. Lots of internationals try to bring in foreign cultures and values, which can negatively impact the traditional values and culture of the local communities.

British American Tobacco also provides positive social impact such s corporate social responsibility, training, and development: BAT has corporate social responsibility programs in Ukraine, which can include activities like supporting local communities, improving access to education and healthcare, and protecting the environment. The company also provides training and development programs for its employees in Ukraine, which can help to improve the skills of the local workforce.

And last, but not least the important case is the environmental impact of MNCs.

International companies can have a significant impact on the environment in emerging countries. They can introduce new technologies and practices that reduce pollution and waste. And I feel it is necessary to examine this factor in my example. Forest Preservation is a significant BAT influence as sources its tobacco from sustainable and certified sources, which can contribute to the preservation of forests and biodiversity. Initiation of “Better TOMORROW” includes energy efficiency, waste management, and sustainable packaging. Energy efficiency measures in its manufacturing and distribution operations in Ukraine can contribute to reducing greenhouse gas emissions and mitigating climate change. Also, BAT has implemented waste management practices in Ukraine, which can contribute to reducing waste and improving waste disposal practices.

On the opposite side, tobacco cultivation can require the use of pesticides and fertilizers, which can contribute to soil and water pollution. Tobacco manufacturing and distribution can require significant energy consumption, which can contribute to greenhouse gas emissions and climate change.

BAT's operations in Ukraine can have positive environmental impacts, such as sustainable sourcing and waste management, policymakers must also consider the negative environmental impacts, especially those related to land use, pesticides, and energy consumption, when regulating the tobacco industry. It is important to balance the benefits of BAT with the potential environmental costs to ensure that the environmental impact of BAT's operations in Ukraine is minimized.

Overall, international companies have a significant impact on the nature of the economy in emerging countries. While they bring many benefits, they also have negative impacts, such as the displacement of local companies and the exploitation of cheap labor. Therefore, emerging countries should carefully consider the impact of international companies on their economy, society, and environment. They should work to create a balance between the benefits and drawbacks of international investments.

3.4. Help or harm: do international corporations help in the development of the country

The presence of international corporations in developing countries has been a topic of debate for many years. While some argue that these corporations bring much-needed jobs and economic growth to these countries, others suggest that they exploit the resources and labor of the host countries for their benefit, resulting in negative consequences for the local population. The answer to whether international corporations help in the development of a country is not straightforward and depends on various factors.

On one hand, international corporations can bring significant benefits to the host country, such as increased foreign investment, job creation, and access to advanced technology and managerial skills. This can lead to economic growth and development, which can improve the standard of living for the local population. However, on the other hand, international corporations may prioritize their interests over those of the host country, resulting in negative consequences such as the exploitation of labor, environmental degradation, and the displacement of local communities. Additionally, profits made by international corporations may not be reinvested in the local economy but rather repatriated to the corporation's home country. Therefore, it is crucial that the host nation carefully weigh the possible advantages and disadvantages of allowing foreign firms to operate within its borders and ensure that they are doing so in a socially and environmentally appropriate way. This can include enforcing regulations to protect the rights of workers and the environment, promoting local employment and entrepreneurship, and encouraging reinvestment in the local economy.

In fact, international corporations can play a significant role in the development of Ukraine. The country is in desperate need of investment and support to help it recover from the conflict. Multinationals can play a significant role in this process by investing in the country, creating jobs, and contributing to the rebuilding of the economy. One of the main ways they can help Ukraine is by investing in infrastructure. The conflict has left many cities and towns in ruins, with damaged roads, buildings, and public services. Multinational corporations can invest in the repair and reconstruction of infrastructure, creating jobs in the process. By investing in infrastructure, these companies can also help to improve the business environment in Ukraine, making it more attractive for other investors and businesses.

Investing in education and training is another option. Many colleges and institutions have shuttered or are operating at reduced capacity as a result of the war. International businesses can contribute to the rebuilding of the educational system by funding training and education initiatives that give young people opportunities. By investing in education, these companies can also create a more skilled workforce, which can help to attract more businesses to the country.

Organizations can also help Ukraine by investing in the energy sector. The country has significant potential in renewable energy, such as solar and wind power. Multinational corporations can invest in these technologies, helping to reduce Ukraine's reliance on fossil fuels and improving energy security. These investments can also create jobs and contribute to the development of new technologies. In addition to these expenditures, the support can be shown by providing expertise and technology. For example, they can help to modernize the country's agricultural sector, which is a significant contributor to the economy. By providing expertise and technology, multinationals can help to improve the efficiency and productivity of the sector, creating more jobs and increasing exports. Furthermore, international corporations can also provide opportunities for local suppliers and contractors, which can increase the capacity of local businesses and enhance the overall competitiveness of the Ukrainian economy. This can help to create a more favorable business environment and attract further investment to the country.

Finally, multinationals can help Ukraine by supporting social and community development. They can invest in programs that support the most vulnerable communities affected by the conflict, such as displaced persons and refugees. By supporting social development, these companies can help to rebuild the social fabric of the country, which has been significantly damaged by the conflict.

As a representative of this company, BAT can also contribute. In particular, to help rebuild Ukraine, BAT could invest in local communities by building relationships with local businesses, NGOs, and community leaders to better understand their needs and priorities. By identifying areas where it can have a significant impact, such as job creation, education, and infrastructure development, BAT can create employment opportunities and support the local economy. In addition, it can provide training programs for local people, especially, women and youth, to help them acquire the skills they need to find work in the tobacco industry or other sectors.

BAT can also support small and medium-sized enterprises through mentoring programs, financial assistance, and business training to help these businesses grow and prosper. As a responsible corporate citizen, promoting sustainable development in Ukraine is also important. This may include investing in renewable energy sources, promoting sustainable agricultural practices, and supporting initiatives to reduce waste and improve the environment.

In addition, BAT can provide aid and assistance to those affected by war by providing funds to support relief efforts, providing essential items such as food and shelter, and working with local organizations to help rebuild damaged infrastructure. By implementing these strategies, BAT can help Ukraine recover from the effects of war and promote sustainable development for the country's future.

Multinational companies have the power to choose their role in a particular country, whether to help in its development and transformation or to use it for their own purposes and hinder development. The impact of their presence in developing countries can be positive or negative, depending on various factors such as their level of social and environmental responsibility. For Ukraine, multinational companies can play a significant role in its recovery and development by investing in infrastructure, education, renewable energy, agriculture, and social and community development. As a responsible corporate citizen, BAT can contribute to Ukraine's sustainable development by investing in local communities, supporting small and medium-sized enterprises, promoting sustainable practices, and providing aid and assistance to those affected by war. By working together with local stakeholders, BAT can make a significant impact on Ukraine's future, and ultimately, contribute to a more sustainable and prosperous world.

CONCLUSION AND PROPASALS

In conclusion, after looking at the general discussion of developing economies as crucial for globalization and the successful operation of transnational companies, their types and characteristics, the impact on the development of international business, we can say that international giants play one of the key roles in the development of states, the growth of global GDP, social and political reforms.

The aim of this thesis was to analyze the outline of the concept of emerging economies as a framework for international business development, the theoretical and methodical analysis of multinational firm's impact on economic growth on the study of LLC “British American Tobacco” and its role on the market, and consideration of ways of business development and enhancement in the framework of emerging economics. The task of scientific work was to analyze the role of transnational corporations in the development of developing countries. In particular, this includes creating a theoretical framework to better understand the main characteristics of developing countries, as well as exploring ways in which businesses can develop and improve their operations in these economies. In addition, the focus is on understanding the role of developing economies in the broader context of globalization and the successful operations of multinational corporations. In addition, it is necessary to take into account the social, economic, and financial ambitions of international companies in developing countries. To better understand the impact of multinational companies on economic growth, a case study of British American Tobacco LLC was conducted. After completing the work, it is possible to say that the aim of this work has been achieved through accomplishing all the tasks.

The first section discussed the theoretical and methodological framework of for understanding the essence of emerging countries and analyzes basic characteristics as well as international diversity. Emerging markets are economies that are transitioning to become advanced economies and can offer potential investment opportunities. These economies face challenges and risks due to their high volatility and transitional nature. Strong institutions are necessary for economic growth and development, and investors should consider their strengths when evaluating emerging markets. Globalization can provide benefits to emerging markets, but it also poses challenges. Overall, understanding the criteria for classifying a country as an emerging market can help investors identify countries with high potential for capital gains, but effective policies for these markets require a balance between commitment and flexibility.

The key driving aspects of emerging markets include their potential for growth and development, rapid socio-political changes, and the addiction to natural resources. Emerging markets are attractive to investors due to their rapid growth potential and vast consumer markets, but investing in them also comes with risks. Developed countries tend to have a more diversified economy and are less reliant on natural resources for economic growth. However, emerging markets are expected to contribute up to 50% of the world's GDP in the next 20-30 years. The lack of convergence in politics can create challenges for companies operating in emerging markets, as they must navigate a complex and ever-changing political landscape.

Talking about types of multinationals, we discovered their categorization mainly based on ownership and location. These new multinationals are attracted to developing countries due to low labor and management costs. The former is related to the structure, property, or capabilities of the firm, while the latter pertains to the conditions and systemic properties of the host country that attract foreign investors. MNCs aim to gain a competitive advantage over domestic firms in the host country, and their ownership-specific advantages include ownership of technology, brand recognition, patents, trademarks, and experience operating in developing countries. In contrast, location-specific advantages include access to natural resources, favorable regulatory environments, and low labor costs.The main difference that distinguishes location-specific and ownership-specific multinationals is their purpose. Ownership-specific multinationals are companies that possess specific ownership advantages that give them a competitive edge in foreign markets. On the other hand, location-specific multinationals are firms that operate in foreign markets and leverage specific location advantages to gain a competitive edge over local companies.

Apart from the already mentioned types of Latercomer, exists different types of multinationals in emerging markets, including resource-seeking, efficiency-seeking, and knowledge-seeking multinationals. Resource-seeking multinationals aim to secure access to natural resources and raw materials in foreign markets while efficiency-seeking multinationals focus on reducing costs by establishing production facilities in emerging markets. Knowledge-seeking multinationals are focused on acquiring new technologies, knowledge, and expertise from foreign markets. These multinationals face various challenges related to political risks, environmental and social concerns, labor laws, regulations, intellectual property protection, talent retention, and cultural differences. The emergence of new multinationals has been a significant driver of global economic growth and a testament to the increasing globalization of business. Overall, emerging markets are economies in transition that offer potential investment opportunities but also face risks and challenges. These multinationals face various obstacles related to political risks, environmental and social concerns, labor laws, regulations, intellectual property protection, talent retention, and cultural differences. The emergence of new multinationals has been a significant driver of global economic growth and a testament to the increasing globalization of business.

The second section of the work is devoted to memories of internship experience at BAT Ukraine LLC and offers a detailed analysis of the company's economic status and heritage on the market. The impact of the company on the social, economic, and natural environment of Ukraine is also investigated. The financial performance of BAT in Ukraine showing steady growth in revenue and net income in recent years, with significant growth in revenue from new categories, including e-cigarettes and oral nicotine brands. In 2020, the company's revenue amounted to UAH 15.3 billion, which is an increase of 9.1% compared to the previous year. The company's net income was UAH 4.6 billion, which is a 4.4% increase compared to 2019. The gross profit margin for 2020 was 49.6%, a slight increase from 48.7% in 2019.BAT aims to generate £40bn of pre-dividend free cash flow over the next five years while maintaining its financial targets and ratings.

BAT's foreign economic consideration is significant as it operates in a highly globalized market. The company's diverse product portfolio includes combustibles, next-generation products (NGP), traditional oral tobacco products, and others. BAT has invested heavily in research and development to develop new products, with a focus on developing its NGP segment and reducing its dependence on traditional combustible tobacco products. The enterprise faces significant regulatory challenges, particularly with the increasing trend of governments implementing stricter regulations on tobacco products. Despite these challenges, the company has continued to perform well financially, with steady revenue growth and increasing profitability. BAT's recent investments in smoke-free products, drug delivery inhalers, nicotine gum, and cannabis products reflect its commitment to ESG principles and its pursuit of a diversified portfolio.

The company's foreign economic activity is significant, with raw materials sourced from various countries, and manufacturing plants located worldwide. BAT's products are sold in numerous countries, and its revenue and profits are significantly affected by foreign exchange fluctuations.

British American Tabacco's strategy is to develop its portfolio of next-generation products (NGPs) and reduce its dependence on traditional combustible tobacco products. The NGP segment includes e-cigarettes, heated tobacco products, and other alternative tobacco products. The company has invested heavily in research and development to develop new products, and it is actively seeking regulatory approval to market these products globally.

BAT Ukraine engages in export activities to several countries in the region, as well as to Duty-Free stores in airports globally. The company imports and utilizes various tobacco types, depending on their unique characteristics and flavor profiles. The company faces significant regulatory challenges, particularly with increasing trend of governments implementing stricter regulations on tobacco products, particularly in Europe, where the Tobacco Products Directive (TPD) has had a significant impact on the industry.

Despite these challenges, BAT continues to perform well financially, with steady revenue growth and increasing profitability. The company's recent investments in smoke-free products, drug delivery inhalers, nicotine gum, and cannabis products reflect its commitment to environmental, social, and corporate governance (ESG) principles and its pursuit of a diversified portfolio. Overall, BAT's foreign economic activity remains a crucial aspect of its business operations, and the company continues to adapt to changing market conditions to remain competitive.

The third chapter brings together all the previous data and analysis to determine how multinational companies influence economic growth in markets, what difficulties they face and how they can influence the development of such countries. The chapter also contains basic recommendations for a company that has been working with our market for more than a dozen years.

Multinational corporations are attracted to emerging markets for a number of advantages, such as expanding markets, growing middle classes, rising disposable incomes, cheaper labor, raw materials and resources, investment policies, and tax incentives. Emerging economies offer investment opportunities for multinational corporations to expand their businesses while lowering production costs, taking advantage of cheap labor, significant resources, and diverse product portfolios. In addition, these markets have a rapidly growing middle class with increasing purchasing power, creating significant demand for consumer goods and services. For multinational corporations, investing in emerging markets provides access to strategic locations at the crossroads of Europe and Asia, expanding their reach beyond traditional markets. In summary, investing in emerging markets offers multinational corporations the chance to maximize returns, diversify their portfolios, and spread risk.

Investing in developing countries creates significant opportunities for multinational companies, but also significant challenges. These challenges include a complex regulatory environment, political instability, economic considerations, a lack of developed infrastructure, and the potential for technological advancement. Political instability in Ukraine and the ongoing conflict with Russia have hampered economic growth, but the country has implemented reforms to improve the investment climate and promote economic growth. Despite these challenges, multinational companies can benefit from investing in emerging markets if they do thorough research and understand the unique challenges and opportunities each market presents. Ukraine has a large pool of talented IT professionals and favorable government policies that have led to the growth of the IT industry in the country. Transnational companies can take advantage of these opportunities by investing in Ukraine's IT sector and utilizing the country's untapped technological potential. In general, investing in emerging markets requires careful planning, patience, and an understanding of the unique challenges and opportunities each market presents.

International companies have a significant impact on the nature of the economy in emerging countries. Positive impacts include job creation, productivity gains, improvements in the quality of local products, access to global markets through their distribution networks and supply chains, and investments in infrastructure projects that can contribute to economic growth. Multinational companies can also bring new technologies and production techniques to emerging markets, which can help local businesses to become more competitive and contribute to economic growth. Additionally, MNCs can bring significant levels of investment to emerging markets, including foreign direct investment and portfolio investment.

However, there are potential negative economic impacts as well. Multinational companies can create economic and social challenges that can harm local communities and economies. For instance, labor exploitation can lead to a decrease in the standard of living for workers, social and political instability, and brain drain. In addition, international companies can capture a disproportionate share of the economic benefits from their operations, leaving little for local communities and businesses. MNCs may also participate in tax avoidance strategies like transfer pricing, which includes moving profits from one nation to another to save taxes. This can limit emerging nations' capacity to invest in infrastructure and public services.

Therefore, policymakers should carefully consider the potential benefits and drawbacks when attracting and regulating multinationals in emerging markets. It is essential to address labor exploitation in emerging markets by enforcing labor laws and regulations, improving working conditions, and promoting fair wages and benefits for workers. Measures should also be taken to ensure that the economic benefits of MNC investment and job creation are distributed evenly across the local economy, and to prevent transfer pricing practices that can deprive emerging markets of tax revenue.

In conclusion, multinational corporations can bring both benefits and negative consequences to the host country. While they can bring foreign investment, job creation, and advanced technology to the country, they may also exploit labor and resources, resulting in environmental degradation and the displacement of local communities. Therefore, it is important for the host country to evaluate the potential benefits and drawbacks of allowing international corporations to operate within their borders, and to ensure that they are operating in a socially and environmentally responsible manner.

For Ukraine, multinational corporations such as BAT can play a significant role in the country's recovery and development by investing in infrastructure, education, renewable energy, agriculture, and social and community development. As a responsible corporate citizen, BAT can contribute to Ukraine's sustainable development by investing in local communities, supporting small and medium-sized enterprises, promoting sustainable development, and providing aid and assistance to those affected by war. By implementing these strategies, BAT can help Ukraine recover from the effects of war and promote sustainable development for the country's future.

I considered some recommendations for BAT in Ukraine including investing in local communities, supporting small and medium-sized enterprises, investing in infrastructure, education, renewable energy, agriculture, and social and community development. Investing in local communities and supporting small and medium-sized enterprises can help BAT build strong relationships with the people of Ukraine, and in turn, create a positive image for the company. This could lead to increased sales and loyalty among consumers. Investing in infrastructure, education, renewable energy, and agriculture can help improve the overall standard of living in Ukraine and provide opportunities for economic growth. This can benefit BAT by creating a more stable and prosperous business environment. Furthermore, supporting social and community development initiatives can help BAT establish itself as a responsible corporate citizen, which can improve its reputation and credibility. By providing aid and assistance to those affected by war, BAT can demonstrate its commitment to helping people in need and contribute to the overall recovery efforts in Ukraine. This can also help the company build goodwill and strengthen relationships with local communities.

After all, transnational corporations have the ability to define their role in a particular country - either to support its growth and progress, or to use it for their own purposes and hinder development. Their presence in developing countries can have both positive and negative outcomes under the influence of factors such as the level of social and environmental responsibility. In Ukraine, multinational companies can contribute to the recovery and growth of the country by investing in areas such as infrastructure, education, renewable energy, agriculture, and social and community development. As a responsible corporate organization, BAT can contribute to the sustainable development of Ukraine by investing in local communities, supporting small and medium-sized businesses, promoting sustainable practices and providing assistance to those affected by conflict. By working with local stakeholders, BAT can significantly influence Ukraine's future and contribute to a more sustainable and prosperous world. We are at the stage when the "my house is from the edge - I don't know anything" policy is already not working. We live in a time when everything is interconnected. And the international giants should stop being selfish carriers of capital, pumping out resources. They have to act on behalf of society and generations.

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