

Worksheet 12: Economic interactions and flows

Development of TNCs over time

- 1 Define the term 'transnational corporation'.
- 2 Study Figure 12.1.

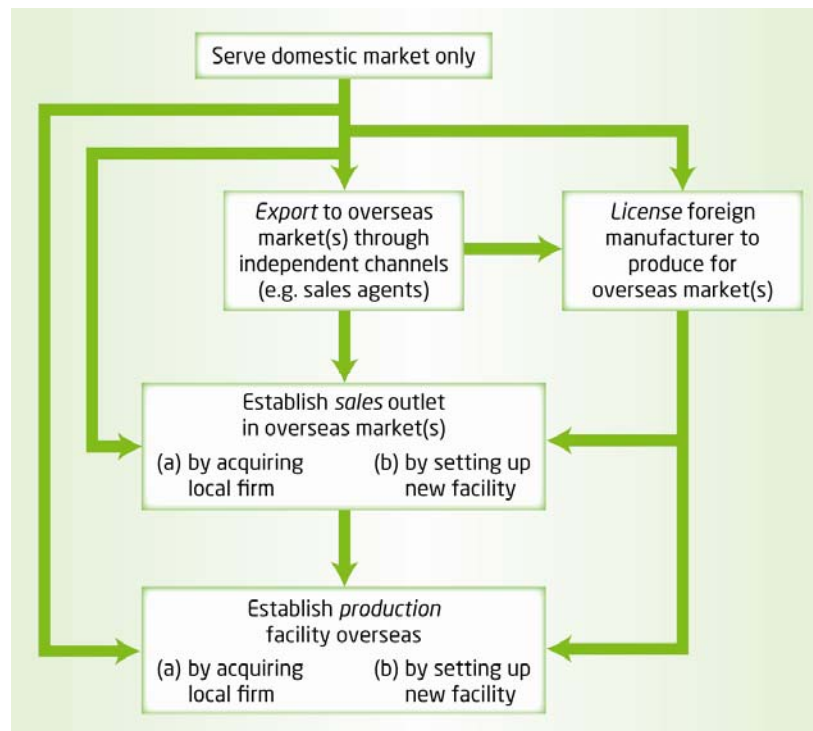


Figure 12.1 Sequential development of a transnational corporation.

(Source: Dicken, P. (2001) *Global Shift* 3rd edition, PCP, fig 6.5, p191, Sage Publications)

- a Why do TNCs usually begin by operating in one country only?
- b Describe the sequence of TNC expansion shown in the diagram.

- c Examine the reasons why companies may decide to become transnational.
- d Conduct research to find the names and the sizes of the major TNCs originating from the country in which you live.
- 3 Read the extract in Figure 12.2. Over the last 20 years, an increasing number of companies from Asia, Latin America and Africa have grown in size to become TNCs.

A growing role in the world economy

Reflecting the overall strengthening of emerging economies, the relative size of the top TNCs from developing countries, compared to their counterparts from developed countries, has grown rapidly over the past 15 years. This trend continued in 2007, when the assets of the 100 largest TNCs from developing countries rose by 29% from their level in 2006, while those of the top 100 TNCs worldwide increased by only 16%. As a result, while the total assets and employment of the top 100 non-financial companies from developing countries amounted to only 18% and 34% of assets and employment, respectively, of the top 100 non-financial TNCs worldwide in 2006, these figures rose within just one year to 20% and 41% respectively.

In terms of the nationality of firms, Asia remains by far the major home region, even increasing its lead over time. Hong Kong (China) and Taiwan Province of China dominate both the 2007 and 2008 lists. Singapore and China have maintained their rankings with 11 companies each. Other important home countries are South Africa (9), Malaysia (6), the Republic of Korea and Mexico (5 each). Companies from East Asia are, on average, more internationalized than others (see table).

Region	Number of TNCs
Africa (South Africa)	9
South-East Asia	19
South Asia	2
East Asia	57
West Asia	4
Latin America and the Caribbean	9
Total	100

Source: UNCTAD/Erasmus University database

Figure 12.2 The top TNCs from developing economies.

(Source: *World Investment Report 2009*, UNCTAD, pp22–23)



- a** Describe how TNCs from developing countries have become more important globally in recent years.

- b** Suggest reasons for this development.

- c** Describe the spatial distribution of the 100 largest TNCs from developing countries.

- d** What are the main reasons for the variations in this distribution?