**UNCTAD Investment Brief**

**Number 5 2006**

# TOP TNCs PRESENT IN 40 HOST COUNTRIES ON AVERAGE

*The world's largest transnational corporations (TNCs) are present in 40 foreign countries on average. The geographic coverage of their developing-country counterparts is less extensive as they tend to expand mainly into neighbouring countries. New UNCTAD research shows that some locations host virtually all of the top TNCs.*

## Small changes in top 100 TNC list

With 16% of the estimated foreign sales of all the 77,000 TNCs in the world, the largest 100 play a key role in the global economy. Following a slowdown in their expansion in 2000, company profits declined in 2001-2002. After a rebound, their activities have increased, and 2004 was a new record year.

Overall, the top positions among the top 100 TNCs have remained relatively stable in the past few years. In 2004, General Electric, Vodafone and Ford were still heading the list. These three TNCs held a combined $877 billion in foreign assets, corresponding to almost 25% of the total foreign assets of the largest 100 TNCs. In 2004, 85 of the top 100 TNCs had their headquarters in the Triad - the United States, the EU and Japan. The United States accounted for the highest number of TNCs, with 25 entries. The 25 EU countries had 53 TNCs on the list, while Japan had 7.

In 2004, the list featured five TNCs from developing economies, all of them in Asia. In addition, some developed-country TNCs have their origin in a developing country. Anglo American (United Kingdom) is ranked 36 and was created in May 1999 following the merger of Anglo American (South Africa) and Minorco (Luxembourg). Mittal Steel is based in Europe, but was founded by an Indian national.

## Geographical reach varies

The geographical reach of the top companies differs considerably. Some companies are present in many countries, whereas others concentrate on just a few. The geographic spread reflects strategic corporate decisions and may affect the ability of a company to develop and spread knowledge and innovations. The number of host countries in which a TNC has foreign affiliates provides a good indication of the geographic spread.

On average, the largest TNCs had foreign affiliates in 40 countries in 2005. The TNC with a presence in the highest number of host countries is Deutsche Post, which is represented in as many as 103 countries (table 1). The extensive coverage is partly linked to its ownership stake in the courier company DHL. Other companies with foreign affiliates in at least 90 locations are Nestlé and Royal Dutch/Shell. The foreign expansion of the top developing-country TNCs is more limited; Samsung and Flextronics have foreign affiliates in 29 and 27 countries, respectively.

## The United States attracts most TNCs

Developed host countries are most frequently chosen by the largest 100 TNCs. The United States is the top destination according to location intensity (see explanatory note below). The next popular locations are the United Kingdom and the Netherlands (table 2). The United States is also the most-favoured location for affiliates of the 100 largest TNCs from developing countries, followed by Hong Kong (China) and the United Kingdom.

Among developing host countries, Brazil hosts the largest number of affiliates of the world's largest 100 TNCs, followed by Mexico. In the case of the top 100 TNCs *from developing countries*, the locations hosting most affiliates are in Asia. This should not surprise since most of these TNCs originate from this region. In the same vein, the most important host region for Mexican TNCs is Latin America and the Caribbean. Offshore financial centres, like Cayman Islands, British Virgin Islands and Bermuda, are also well represented among the most-favoured locations for the top developing-country TNCs.

*Source:* UNCTAD.

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### Table 1. The top-100 TNCs with presence in the highest number of host countries 2005

| TNCs from all countries | | TNCs from developing economies | |
|---|---|---|---|
| **Company name** | **Number of host countries** | **Host economy** | **Number of host countries** |
| Deutsche Post | 103 | Samsung | 29 |
| Nestlé | 96 | Flextronics | 27 |
| Royal Dutch/Shell | 92 | SingTel | 21 |
| BASF | 79 | CapitaLand | 21 |
| Bayer | 70 | LG Electronics | 20 |
| Siemens | 69 | Acer | 19 |
| Procter and Gamble | 68 | Hutchison Whampoa | 15 |
| AstraZeneca | 67 | Neptune Orient Lines | 14 |
| Total | 65 | Datatec | 12 |
| IBM | 64 | Hon Hai Precision Industries | 12 |

*Source:* UNCTAD. based on Dun and Bradstreet's *Who Owns Whom* database.

### Table 2. The 25 most-favoured locations of the largest 100 TNCs in the world and from developing economies in 2005

| TNCs from all countries | | TNCs from developing economies | |
|---|---|---|---|
| **Host economy** | **Location intensity** | **Host economy** | **Location intensity** |
| United States | 92.0 | United States | 50.0 |
| United Kingdom | 91.0 | Hong Kong, China | 33.9 |
| Netherlands | 89.6 | United Kingdom | 33.7 |
| Germany | 87.4 | China | 30.0 |
| France | 83.5 | Singapore | 26.4 |
| Italy | 81.4 | Netherlands | 25.0 |
| Brazil | 81.0 | Japan | 22.5 |
| Belgium | 80.0 | Malaysia | 20.3 |
| Switzerland | 79.4 | Canada | 16.2 |
| Mexico | 78.0 | Australia | 15.0 |
| Canada | 77.3 | Germany | 15.0 |
| Spain | 76.4 | Cayman Islands | 13.7 |
| Singapore | 73.7 | Taiwan Province of China | 13.2 |
| Poland | 72.0 | Virgin Islands (UK) | 12.5 |
| Japan | 70.3 | Bermuda | 11.2 |
| Czech Republic | 70.0 | France | 11.2 |
| Australia | 69.7 | Brazil | 10.4 |
| Argentina | 68.0 | Belgium | 10.0 |
| China | 66.0 | Mexico | 9.5 |
| Hong Kong, China | 65.6 | Poland | 8.8 |
| Austria | 64.0 | Czech Republic | 7.5 |
| Portugal | 64.0 | Italy | 7.5 |
| Denmark | 61.0 | Spain | 7.5 |
| Finland | 55.1 | Korea, Republic of | 6.7 |
| Hungary | 55.0 | Austria | 6.2 |

*Source:* UNCTAD. based on Dun and Bradstreet's *Who Owns Whom* database.

*Note:* ***Location intensity*** *is defined as the total number of TNCs having at least one affiliate in the host country, divided by 100 minus the number of TNCs from this country listed in the top 100 lists.*

For more on this topic see: **The World Investment Report 2006,**
which can be accessed free of charge at **www.unctad.org/wir.**


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