

### THE LOCATIONS MOST FAVOURED BY THE LARGEST TNCs

*The world's largest transnational corporations (TNCs) have resumed their international expansion after a few years of consolidation. UNCTAD research shows that some locations host virtually all of the top TNCs. Among developed countries, the United Kingdom and the Netherlands are the preferred host countries, while Brazil leads the developing-country list, with investments by 75% of the top 100 TNCs.*

#### Top TNCs resume global expansion

Recent years have seen rapid growth in global trade and foreign direct investment (FDI) in all sectors of activity. TNCs from developed countries have been driving this growth, but increasingly, TNCs from developing countries are contributing too.

Overall, the rankings in the list of the top 100 TNCs in 2003 were similar to those in 2002. The top 10 remained virtually unchanged, with General Electric (US) and Vodafone (UK) at the top, boasting foreign assets of about \$250 billion (*WIR05*). The number of TNCs from the European Union has increased over time, and these now make up more than half of the top 100.

The largest TNCs resumed their international expansion in 2003 after a few years of consolidation during the global economic slowdown. Foreign assets and foreign sales surged by more than 20% compared with the preceding year. At the end of 2003, the top 100 TNCs had some 7.2 million employees outside their home countries, about half of their total workforce. European firms generally have a higher foreign share of employment than TNCs from the United States or Japan.

#### Which are the preferred locations?

UNCTAD research shows that the top 100 TNCs in 2003 on average had foreign affiliates in 39 foreign countries. In comparison, the top 50 TNCs from developing countries had affiliates in 13 foreign countries on average. European TNCs generally have a foreign presence in more countries. In fact, 15 of the 20 TNCs with the highest number of host countries were of European origin. Deutsche Post led the pack with foreign affiliates in more than 100 economies (table 1).

An analysis of information from Dun & Bradstreet suggests that the United Kingdom, the Netherlands and the United States are the host countries most favoured by the world's top TNCs. According to a location intensity index, which measures the share of top 100 TNCs that have at least one *foreign* affiliate in a host location, as many as 98% of the non-British top TNCs were present in the United Kingdom. The corresponding shares for the Netherlands and the United States were 95% and 92%, respectively.

#### Brazil the favourite developing-country location

Among host developing economies, three quarters of the top 100 TNCs have affiliates in Brazil, 72% in Mexico, 67% in Hong Kong (China) and 65% in Singapore (table 2). South Africa, Morocco and Egypt top the location intensity index for Africa. The five most favoured countries in Latin America host on average 62 TNCs (table 2). This figure is 58 for Asia but only 27 for Africa and 24 for South-Eastern Europe/CIS. As many as 82 developing economies host foreign affiliates from at least 3 of the 100 largest TNCs.

A breakdown of TNCs by home country shows interesting geographical patterns. For example, top TNCs from the United States tend to spread their affiliates relatively evenly across all regions; French TNCs are relatively well represented in Africa; Spanish TNCs are prominent in Latin America; and German TNCs have a particularly strong presence in South-Eastern Europe and the CIS countries. Japanese TNCs account for the smallest involvement in Africa. Overall, the European Union is the region hosting the largest number of TNCs from all home countries.

*Source:* UNCTAD.

# UNCTAD Investment Brief

Number 4  2005

**Table 1. The top 20 of the world's largest TNCs, by number of host economies, 2003**  
(Number of host economies in which TNC is present)

Corporation	Home economy	Main industry	No. of host countries
Deutsche Post	Germany	Transport and storage	102
Ford Motor Company	United States	Motor vehicles	98
Nestlé	Switzerland	Food and beverages	97
Royal Dutch/Shell Group	UK/Netherlands	Petroleum expl./ref./distr.	93
Siemens	Germany	Electrical & electronic equipment	84
Unilever	UK/Netherlands	Diversified	83
BASF	Germany	Chemicals	74
Bayer	Germany	Pharmaceuticals/chemicals	67
IBM	United States	Electrical & electronic equipment	63
Total	France	Petroleum expl./ref./distr.	63
Sanofi-Aventis	France	Pharmaceuticals	61
Novartis	Switzerland	Pharmaceuticals	56
British American Tobacco	United Kingdom	Tobacco	55
Nokia	Finland	Telecommunications	54
Altria Group	United States	Tobacco	54
Pinault-Printemps Redoute	France	Wholesale trade	54
United Technologies Corp.	United States	Transport equipment	54
Abbott Laboratories	United States	Pharmaceuticals	52
Volvo	Sweden	Motor vehicles	52
Lafarge	France	Non-metallic mineral products	51

Source: UNCTAD.

**Table 2. Top 10 host economies most favoured by the top 100 TNCs, 2003**  
(Percentage of top 100 TNCs with a *foreign* affiliate in the location)

Developed countries		Africa		Asia and Oceania		Latin America and Caribbean		SEE and CIS	
UK	98	South Africa	43	Hong Kong (China)	67	Brazil	75	Russia	45
Netherlands	95	Morocco	27	Singapore	65	Mexico	72	Romania	30
United States	92	Egypt	26	China	60	Argentina	63	Ukraine	20
Canada	87	Kenya	20	Turkey	52	Venezuela	56	Bulgaria	15
France	82	Nigeria	17	Taiwan Province of China	49	Chile	46	Croatia	10
Germany	81	Tunisia	16	Malaysia	47	Colombia	44	Serbia and Montenegro	9
Italy	78	Côte d'Ivoire	15	Rep. of Korea	42	Peru	34	Kazakhstan	8
Spain	77	Cameroon	12	India	38	Panama	28	Azerbaijan	5
Switzerland	77	Gabon	9	Thailand	36	Bermuda	23	Bosnia and Herzegovina	4
Belgium	75	Ghana	9	United Arab Emirates	31	Ecuador	22	Uzbekistan	4

Source: UNCTAD.

For more on this topic, see *World Investment Report 2005: Transnational Corporations and the Internationalization of R&D* ([www.unctad.org/wir](http://www.unctad.org/wir)). A special study on the top TNCs globally and from developing countries will be published in late 2005.