



ROLE OF TRANSNATIONAL CORPORATIONS (TNCs) IN THE INTERNATIONAL TRADE

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ABSTRACT

The actual focus or key purpose of this document or research paper is to measure the role of transnational corporations (TNCs) in the international trade. Transnational corporations (TNCs) play a vital role of the world economics or trade sector it has a great value in aspects of world economy. If we analysis we can see on one side the globalization and regionalization capitalized lead the opportunity to build a very favorable situations for progress or development of TNCs, on the other sector there is companies strengthen this method by their export and foreign direct investment (FDI) technique method. So here the trading system that deals with out of boarder or beyond the territory line is interconnected and has a great role in economic growth and foreign direct investment.

KEYWORDS: *transnational corporation (TNCs), international trade, economic growth, FDI*

INTRODUCTION

In a globalized world, TNCs are playing a vital role, as well as in situation of integration, universalize and proliferation method, the action of transnational corporations is mainly focused on economic growth. The leading part of such entities or organization in the world economy raises the broader their presentation, especially since transnational companies (transnational corporations - TNCs) defined by different aspects and institution. 'the United Nations (UN) says, transnational corporation has wings and/or division with at least two countries, they minimum maintain more than one zone and create a management system to ensure implementation by the branch of the common strategies and policies, the linkage forms of subsidiaries which interact each other's'.²

'United Nations sets out the definition of transnational company, as an economic entity with legal personality or not having legal personality, composed of the mother company and its foreign affiliates'³.

The mode of characterized 'Transnational Corporations' are by: the political situation of the country does not give any extra opportunity; the authority contains of the circumstance that strategic decisions of TNCs are taken independent of the countries of investment. However, the Sovereignty, does not provide any protection of them against the risk of investment (more or less), because they need to depend on the economic growth conditions or the political condition of the country; as there always an up and down situation the extension of surface area or in a sense geographical spread.

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² United Nation Centre on Transnational Corporation, *Transnational Corporation in World Development*, New York 1983 s. 28.

³ *World Investment Report 2000, Cross-border Mergers and Acquisitions and Development*, UNCTAD, Geneva 2000, s. 267.



Methodology and technology they use and human resources between division and corporate's offices- 'Involving the ability to carry out many operations simultaneously on different markets, in order to use the economic differences (in prices, in terms of production, resources, and in the tax regulations), the effect is the ability for high current or prospective performance'⁴.

TRANSNATIONAL CORPORATIONS IN THE CURRENT WORLD

The vital part of transnational corporations in the current world economy stems not only of the theoretical foundations as well as the economic side. The mainly development of corporations has started in the fifties of the twenty centuries. The increase of amount of capital invested in different region of world was result of this situation.

"In the time of 1969, the world, have around 7,000 transnational corporations"⁵. "In 1992, more than 37 thousand TNCs, and around 200,000 remote offshoots, and in 1996 this figure had ascended to more than 44,500, which control in excess of 270 thousand auxiliaries, and in 2000 to more than 62 thousand and of 820 thousand its outside auxiliaries, and in 2008 the quantity of transnational partnerships on the planet added up to 82 thousands which controlled 810 thousand subsidiaries"⁶. The principle job for the world economy has the biggest one hundred transnational partnerships. On the off chance that we drawing up its yearly rankings by the UNCTAD top positions involved by the greatest companies didn't change throughout the years. In 2008, the underlying areas on the rundown were: General Electric, Vodafone and Royal Dutch (see Table 1).

Table 1. The world's top 25 TNCs ranked by country of origin

Number	Name of TNCs	Home countries	Industry
1	General Electric	USA	Electrical & electronic equipment
2	Vodafone Group Plc	USA	Telecommunications
3	Royal Dutch/ Shell Group	Netherlands	Petroleum Expel. /ref./Distr.
4	British Petroleum Company	United Kingdom	Petroleum Expel. /ref./Dist.
5	Exxon Mobil	USA	Petroleum Expel. /ref./Dist.
6	Toyota Motor Corporation	Japan	
7	Total	France	Petroleum Expel. /ref./Dist.
8	Electricity De France	France	Electricity, gas and water
9	Ford Motors	USA	Motor vehicles

Number	Name of TNCs	Home countries	Industry
10	E.O.N. AG	Germany	Electricity, gas and water
11	Arcelor Mittal	Luxemburg	Metals and metal products
12	Telefonica SA	Spain	Telecommunications
13	Volkswagen AG	Germany	Motor vehicles
14	ConocoPhillips	USA	Petroleum expels. /ref./distr.
15	Siemens AG	Germany	Electrical electronic equipment
16	DaimlerChrysler	USA	Motor vehicles
17	Chevron Corporation	USA	Petroleum expels. /ref./distr.
18	France Telecom	France	Telecommunication
19	Deutsche Telekom	Germany	Telecommunication
20	AG	France	Electricity, gas and water
21	Suez Group	France	Water, Gas and Waste Management
22	BMW AG	USA	Motor vehicles
23	Hutchison Whampoa	HK, China	Diversified
24	Honda Motor Co Ltd	Japan	Motor vehicles
25	Eni Group	Italy	Petroleum expel. /ref./distr.

Source: World Investment Report. Transnational Corporations, Agricultural Production and Development, UNCTAD, New York and Geneva 2009, s. 258.

⁴ A. Zorska, *Ku globalizacji? Przemiany w korporacjach transnarodowych w gospodarce światowej*, PWN, Warszawa 2000, s. 50-57.

⁵ Ibidem, s. 48.

⁶ World Investment Report 1994. Transnational Corporations Employment and the Workplace, United Nations, New York and Geneva 1994, s. 15-17, World Investment Report, World Investment Report. Transnational Corporations, Agricultural Production and Development, UNCTAD, New York and Geneva 2009, s. 17



In year of 2008, generally engaged or mainstream organizations out of one hundred biggest companies had opened up their base camp in the Triad nations chiefly, the United States, the European Union nations and Japan. Be that as it may, in the time of 1993 none of the 100 biggest enterprises was the transnational organization from creating nations or immature, while in the 2007 on the rundown seemed seven of them: three companies from Korea, one structure China, Hong Kong and Malaysia and Mexico was there. Global organizations consistently had centered for investigating business essentially in

created nations. Spot of decision for TNCs from created nations are nations, for example, UK, Germany, Netherlands, United States, and Japan. Be that as it may, the significance of creating nations as a position of transnational enterprises' area has expanded. The explanation behind the expanding exercises of TNCs in creating nations is to increment of their number in: China and India. They presently are getting the most elevated pace of monetary turn of events, gain the exceptional outcomes in worldwide exchange and are the top exchanging accomplices (see Table 2).

Table 2. Number of parent corporations and foreign affiliates by region and economy, latest available year (concluded)

Region/Economy	Parent corporations based in economy	Foreign affiliates located in economy	Year
Developed economies	58783	366881	
Europe	47765	347771	
e.g.:			
France	1267	10713	2002
Netherlands	4788	17521	2008
Germany	6115	11750	2007
Poland	58	14469	2001
Sweden	1268	1944	2007
United Kingdom	2360	113667	2005
North America	3857	9389	
Canada	1439	3725	1999
USA	2418	5664	2002
Other developed countries			
Japan	4663	4500	2006
Developing economies	21425	425258	
Africa	746	6084	
The Caribbean and Other America	3533	39737	2007
Asia and Oceania	17146	279437	2008
India	815	2242	
China	1167	9712	

Source: Like in Table 1.

The leading influence or playing a great role of TNCs on globalization and regionalization processes, reason to fixes their potential in the plat form global economy in current world.

THE IMPORTANCE OR “ROLE OF TNCs” IN THE INTERNATIONAL TRADE

So, if we take a deep look on the exercises of transnational enterprises, ought to be considered in two perspectives in the worldwide economy. Initially, in the roundabout structure, comprehended as the presence of merchandise and enterprises of independent firms on outside bazaars and from the immediate side, which means working together because of speculations made abroad. Along these lines, both side to commitment of TNCS in remote exchange and of venture, caused that they are

"predominant" on the planet economy. Today when the economy is begun creating or changed, organizations have the chance to pick of the degree of universal exchange and work. For instance, the fare of one transnational partnership's subsidiaries in 2008 was represented 33% of world fares. Moreover, the quantity of individuals utilized by global partnerships developed quickly in 2008 amounted to 77 million people, which is twice than the all workforce in Germany (see Table 3).



Table 3. Selected indicators of the activities of transnational corporations

Item	Value at current Prices (billions of dollars)		Annual growth rate (per cent)			
	1990	2008	1996-2000	2004	2006	2008
Years	1990	2008	1996-2000	2004	2006	2008
FDI inflows	207	1697	39.4	30.0	50.1	-14.2
FDI outflows	239	2853	35.6	65.0	58.9	-13.5
Cross-border M&As	112	673	62.9	28.4	38.1	-34.7
Sales of foreign affiliates	6026	30311	8.1	26.8	18.9	-4.6
Gross product of foreign affiliates	1477	6020	6.9	21.6	20.1	-4.4
Total assets of foreign affiliates	5938	69771	18.9	4.8	23.9	-5.0
Export of foreign affiliates	1498	6664	3.6	21.3	15.0	15.4
Employment by foreign affiliates (thousands)	24476	77386	9.7	8.5	11.4	-3.7

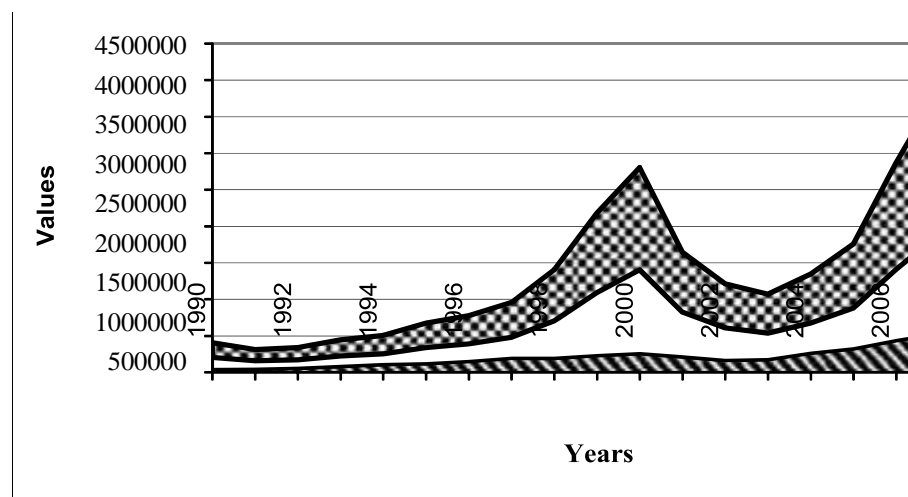
Source: Like in table 1.

Investigation of the information contained in the table 3 shows that the TNCs have the extreme job in the current world and worldwide economy. In the both created and creating nations TNCs are the makers of merchandise and enterprises on the planet. In the season 2007-2008 the biggest TNCs have delivered 4% of worldwide GDP, also have 9% of worldwide outside resources, made 16% of world fares or conveying and utilizing 11% of accessible resources⁷. In 2008, all pointers of transnational organizations (barring trades)

declined, which transformed into the emergency. The information in table 3 shows that the job of TNCs make about 20% of worldwide exchange.

Be that as it may, remote direct venture is the most exceptional type of worldwide nearness of transnational partnerships. "On remote direct venture comprises of: money related capital, reinvested income and credits companies"⁸. As per, in the time of 2008 the pattern in the inflow of remote direct speculation (FDI) was as per the following (see Figure 1).

Figure 1. FDI inflows, global, and by groups of economies 1990-2008 (mild USD)



Source: Own compilation based on: <http://stats.unctad.org/FDI/>,

⁷ Ibidem, s. 17

⁸ Por. *World Investment Report 2005, Transnational Corporation and the Internationalization of R&D*, UNCTAD, New York and Geneva 2005, s. 10.

⁹ Por. *World Investment Report. Transnational...op.cit.*, s. 19.



Since, 1990 there was an orderly increment proportion in capital put resources into the type of remote direct speculation (FDI) on the planet until 2000, when inflows arrived at 1.400 billion U.S. \$, of which 1.200 billion was promoted in created nations, while around 200 billion in creating nations or zones. Since 2000, the estimation of promoted reserves continuously declined. Since 2003, FDI inflows into the world economy started to develop until 2007, when there was a disappointment in the most elevated all through the period by 14% from 1679 billion USD in 2008. The principle reason of disappointment the inflow of outside capital into the economy world in 2008 ought to be associated with in the emergency time frame.

The consequence of the money related emergency was the dismissal the quantities of worldwide mergers and acquisitions by 39% in 2008 contrasted and 2007, which is considered as the primary channel inflow of remote capital. "In Europe, the quantity of mergers and acquisitions fell by 56% and Japan 43%⁹". The hour of emergency, additionally ensured that the created nations are increasingly touchy for variances, in light of the fact that their budgetary framework is intently or the same to the financial framework like in United States than the monetary frameworks of creating nations.

Notwithstanding the dismissal of remote direct speculation appearance to created nations a large portion of the FDI went to the Member States of the European Union in 2008. Their worth added up to 503 billion U.S. dollars. The appearance into Asia in 2008 added up to 388 billion U.S. dollars. On the accompanying spots were North America with the inflow of FDI was 360 billion U.S. dollars and South and Central America with 144 billion dollars. "The year 2008 was additionally incredibly favoring and gainful for Africa as far as outside direct venture (FDI) floods, which added up to 87 billion dollars. It was a surprising time in the historical backdrop of the Region"¹⁰. Recently, the movement in the flow of foreign capital have translated the principle of relations between the rich North and poor South. Cooperation was strongminded precisely as "open regionalism".

The investments of transnational corporations there be can some sort difference in the most unfortunate nations may have negative side and impacts, since it expands the social disparities and a separation. Enterprises produce merchandise and offer types of assistance for this specific gathering, which have the buying power, yet don't think about the requirements of the most unfortunate individuals who don't have the chance to purchase the products (this marvel is known as a "neediness of bounty").

The impact of disparities in the utilization of capitals are the distinctions in levels of advancement between the more evolved nations and nations with low degrees of monetary turn of events. Significant inquiry emerges whether it is conceivable the arrangement of such assets by transnational partnerships that they will end up being the variables that escalates the improvement of less created nations, accordingly engrossing speculation exercises?

CONCLUSIONS

The importance or role of transactional corporation or TNCs is increasing world economy or trade as always. Undeniably, corporations are turn into independent and expanded from the control and regulation of both the main and the multitude economy. The secure situation of establishments in the world budget due to the functions they perform, i.e.:

- The transferring or the drive of resources and measurements of manufacture and trade,
- The motivation of development and the pecuniary productivity,
- The encouragement of rearrangement,
- The strengthening of the marketplace struggle,
- The mixing of initiatives and financial prudence.

TNCs mainly focused on strengthen the beyond the boarder and its development process. Funds cares area wised commercial combination, both in developed countries, developing and poor countries deprived countries, mainly by the "international trade". So, we can clearly say it that it has a drastic role in our current civilized world.

¹⁰ Ibidem, s. 247-250.



LITERATURE REVIEW

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