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ANALYSIS OF DEVELOPMENT OF PARENT CORPORATIONS AND FOREIGN AFFILIATES IN ASIA IN THE PERIOD 1992-2008

Abstract: The development of transnational corporations from Asian countries in the world economy took place at a very fast pace according to data presented by UNCTAD. Number of parent corporations only in Asia during the last seventeen years (1992-2008) increased almost threefold, including also Japan. This article aims to analyze development of Asian parent corporations and foreign affiliates in the period 1992-2008 divided into developed countries which include Japan and developing countries on the basis of numerous reports of the United Nations Conference on Trade and Development.

Keywords: development of transnational corporations, transnational corporations and foreign affiliates in Asia.

1. Introduction

TNCs are present on all the markets that are attractive for both strategic and operational reasons. In gaining sustainable competitive advantage many of them set up their branches in the regions or countries where the motives were the best cost conditions, market, supply, and even political. Since the end of the 1960s the number of parent corporations and foreign affiliates has been growing on every continent including Asia. This article aims to analyze development of Asian parent corporations and foreign affiliates in the period 1992-2008 divided into developed countries which include Japan and developing countries on the basis of numerous reports of the United Nations Conference on Trade and Development.

2. Definition and forms of occurrence of transnational corporations abroad according to UNCTAD

United Nations Conference on Trade & Development (UNCTAD) defines corporation as a company which is a limited liability company having or not legal personality, which consists of parent corporations and foreign affiliates. Specifically the definition says that the parent corporation is the one which controls the assets of its subsidiaries

in countries other than the country of origin and which has a certain share of their equity (generally it is recognized that participation in the equity stands at 10% or more of ordinary shares, thanks to which control of resources is achieved).¹

UNCTAD defines three possible forms of corporate presence abroad. First, subsidiaries with full or majority equity participation – more than 50% and the right to decisive vote. Second, associate can be a mixed company or a joint ownership (joint venture), with the participation of 10-50% equity and the corresponding voting rights. Thirdly, foreign assets may be in the form of branches which are representing the investor or joint venture with a small capital commitment – below 10% percent or possessing at least a year of immovable property or movable.²

3. TNCs and their foreign affiliates in developed and developing countries

Since the 1960s, as previously mentioned, the number and role of transnational corporations and foreign affiliates has been growing both in developed and developing countries. In 1969 there were globally over 7 thousand transnational corporations³ and 40 years later there were 82 thousand, which means increase of more than 1072%. The main reasons for such growth include scientific and technological progress, economic growth, high accumulation of capital or liberalization of trade. In addition one may say that the percentage share in subsequent years of development was changing. Most of parent corporations usually came from economically developed countries, although on average a quarter of parent corporations in the analyzed period were attributed to Asia. With regard to the number of foreign affiliates according to UNCTAD report there were mostly located in developing countries including mainly Central and Eastern Europe and Asia of course (see Tables 1, 2). Starting from 2000 their share accounted for nearly 50% globally. The main reasons of placing investments in these countries were, among others: cheaper resources, lower production costs, search for partners or simply gaining new markets.

In 1992 there were more parent corporations by over 420% compared to 1969 and according to UNCTAD⁴ data the number was 36,600 and they had almost 175 thousand foreign affiliates (see Table 2). Developed countries accounted for over

¹ *World Investment Report 2008. Transnational Corporations and the Infrastructure Challenge*, United Nations, New York and Geneva 2008, p. 249.

² A. Zorska, *Korporacje transnarodowe. Przemiany, oddziaływania, wyzwania*, PWE, Warszawa 2007, p. 122.

³ *World Investment Report 1993. Transnational Corporations and Integrated International Production*, United Nations, New York 1993, p. 19.

⁴ Due to the lack of data on all corporations in various countries in the UNCTAD reports, there is a discrepancy in analysis related to the year regarding data about the total number of corporations (non-uniform date in all countries, see Table 2).

Table 1. Percentage of Asian parent corporations and foreign affiliates in the years 1992-2008 (developed and developing countries) in the world

Year	Parent corporation (%)	Foreign affiliates (%)
1992	15.42	26.30
1996	23.95	37.91
2000	23.16	55.94
2004	27.13	43.18
2005	28.81	47.67
2006	25.88	47.17
2007	27.04	46.83
2008	26.55	47.50

Source: own elaboration.

91.5% of parent corporations (in Japan of approximately 10.5%) and almost 47% of foreign affiliates (in Japan about 3.8%). In the forefront of corporate champions there were corporations from five countries. Apart from Japan there were companies from France, Germany, Great Britain and the United States. Developing countries accounted for only 8.5% of corporations (i.e. 3100) and more than 53% of branches (i.e. 93,100)⁵ of which almost two-thirds of parent corporations from developing countries were located in Asia, primarily in the Republic of Korea (almost 34%), Hong Kong, China and India (see Table 2). There was also a high number of foreign affiliates in Asia including main countries like China, Singapore, Taiwan, the Republic of Korea and Hong Kong. The main areas of operation for all countries were manufacturing (60%), services (37%), agriculture and extractive industries (mining, metallurgy, petrochemical – 3%).⁶

In subsequent years, we have seen a growing number of corporations in both developed and developing countries including those from Asia (see Table 2). In 1996, the total number of parent corporations in the world reached 44.5 thousand (an increase of approximately 22% compared to year 1992), a subsidiary 276 659 (an increase of over 58%). In Japan, there has been an increase in both corporations and subsidiaries about 12 and 8%, respectively, taking into account the earlier period analyzed. In turn, the number of TNCs from developing countries increased by about 162% compared to 1992, including those from Asia for more than 215% considering only the five most important countries studied, such as China, the Republic of Korea,

⁵ The author included among developing countries apart from Central and Eastern Europe also Commonwealth of Independent States (CIS), the Czech Republic, Slovakia, Hungary and Poland. Starting from 2004 these countries are classified as developed countries within European Union and later Bulgaria and Romania in 2008 according to WIR report.

⁶ *World Investment Report 1993...*, pp. 19-22.

Table 2. Number of parent corporations and foreign affiliates located in developed and developing economies

WIR	Year	Parent corporations based in world	Foreign affiliates located in world	Parent corporations located in developed economies	Foreign affiliates located in developed economies	Parent corporations located in developing economies	Foreign affiliates located in developing economies
1993	1992	36,600	174,900	33,500, including: – Japan 3,529 (1991)	81,800, including: – Japan 3,150 (1991)	3,100 including: – China 379, – Hong Kong 500, – Republic of Korea 1,049, – India 187	93,100 including: – China 15,966, (1988), – Singapore 10,709, – Republic of Korea 3,671, – Hong Kong 2,828, – India 926 (1988)
1997	1996	44,508	276,659	36,380: – Japan 3,967 (1995)	93,628: Japan 3,405 (1995)	8,128, Asia have 6,691 including: – Republic of Korea 4,806, – Hong Kong 500, – China 379 (1993), – Turkey 357, – India 187 (1991)	183,031, Asia have 101,470 including: – China 45,000 (1993), – Singapore 19,160, – Philippines 14,802, – Taiwan Province of China 5,733, – Hong Kong 4,604, – Republic of Korea 3,878, – India 926 (1991) – Turkey 136
2001	2000	63,312	821,818	49,944: Japan 4,334 (1998)	95,485: Japan 3,321 (1998)	13,368, Asia have 10,332, including: – Republic of Korea 7,460 (1999), – Hong Kong 819 (1998), – Taiwan Province of China 666, – China 379 (1999), – Turkey 357, – India 187 (1995)	726,333, Asia have 456,414, including: – China 364,345 (1999), – Singapore 24,114, – Malaysia 15,567, – Republic of Korea 6,486 (1999), – Hong Kong 6,247 (1998), – India 1,416 (1995)
2005	2004	69,727	690,391	50,520: Japan 4,149 (2003)	247,241 Japan 4 710 (2003)	19,207, Asia have 14,769, including: – Republic of Korea 7,460 (2004), – China 2,000 (2003), – India 1,700, – Turkey 1,474, – Hong Kong 948 (2003)	443,150, Asia have 293,427, including: – China 215,000 (2003), – Republic of Korea 16,181, – Singapore 14,052, – Turkey 9,616, – Hong Kong 9,072 (2003), – India 1,181;

2006	2005	77,175	773,019	55,490, Japan 5,658 (2004)	256,155 Japan 4,761 (2004)	21,685, Asia have 16,575, including: – Republic of Korea 7,460, – China 3,429, – India 1,700 (2005), – Turkey 1,624, – Hong Kong 948 (2003)	516,864, Asia have 363,765, including: – China 280,000, – Republic of Korea 18,376, – Malaysia 15,567 (1999), – Singapore 14,052 (2002), – Turkey 11,700, – Hong Kong 9,072 (2003), – India 1,493
2007	2006	78,411	777,647	58,239, Japan 4,563 (2005)	259,942, Japan 4,500 (2005)	20,172, Asia have 15,733, including: – Republic of Korea 7,460, – China 3,429 (2005), – Turkey 1,624, – Hong Kong 1,167 (2005), – Taiwan Province of China 606, – India 587	517,705, Asia have 362,393, including: – China 280,000 (2005), – Malaysia 15,567 (1999), – Turkey 14,955, – Singapore 14,052 (2002), – Republic of Korea 13,311, – Hong Kong 9,075 (2005), – Taiwan Province of China 3,034, – India 1,796
2008	2007	78,817	794,894	56,448, Japan 4,663 (2006)	366,628, Japan 4,500 (2006)	22,369, Asia have 16,651, including: – China 3,429 (2005), – Hong Kong 1,167, – Republic of Korea 7,460, – India 699	428,266, Asia have 367,764, including: – China 280,000 (2005), – Hong Kong 9,712, – Republic of Korea 14,689, – India 1,923
2009	2008	82,053	807,363	58,783 Japan 4,663 (2006)	366,881 Japan 4,500 (2006)	23,270, Asia have 17,124	440,482, Asia have 378,996

Source: developed by: *World Investment Report 1993, 1997, 2001, 2005, 2006, 2007, 2008, 2009*, United Nations, New York and Geneva.

Hong Kong, Turkey and India. Increase occurred also in the case of affiliates, i.e. around 97% where the highest percentage was recorded in Asia, where more than half of all the affiliates originating from these countries and about 37% from all affiliates in the global economy were located.⁷ Most affiliates were located in China, Singapore, the Philippines, Taiwan and Hong Kong.

In 2000 it was again observed that number of transnational corporations in the world economy increased. Total number compared to 1996 increased by over 42% and subsidiaries number was nearly doubled. There was very little growth in developed countries comparing to previous years (respectively parent corporations' number increased by about 37% and affiliates only by almost 2%) for the benefit of developing countries including Asia. In Japan, there has been an increase in both corporations and subsidiaries, respectively about 9.2 and 27% taking into account the earlier period analyzed. In Asia considering only developing countries there were located more than 16% of parent corporations in the world. Most of them, almost two-thirds were located in the Republic of Korea, Hong Kong (8.2%), Taiwan (6.7%), China (3.8%), Turkey (3.6%), Indonesia (3.1%) and India (1.9%). In Asia there has been a substantial increase in foreign affiliates too. Compared to 1996 their number was higher by about 350% which constituted over 55% of the number of foreign affiliates from all countries in the world economy. Most of them were located in China, Singapore, Malaysia, the Philippines, Republic of Korea and Hong Kong.

In 2004 (WIR 2005, see Table 2) there was already about 10% more of parent corporations in the world while the total number of affiliates compared with the year 2000 fell by almost 16%. The largest reduction occurred in developing countries, as explained by a period of slow economic development, misleading statistics on the number of corporations from previous years. Another reason was that in the analyzed period, some of countries from Central and Eastern Europe like Poland, the Czech Republic, Slovakia and Hungary were included in developed countries within the European Union. The data in the report WIR 2005 show that nearly 72% of parent corporations were located in developed countries (in Japan they accounted for approximately 8.2% of parent corporations in developed countries, while only 1.9% of affiliates) and the remaining 28% in developing countries, where most were recorded in the Republic of Korea, China, India and Hong Kong. In these countries there were also more than 35% of foreign affiliates of the world and taking into account only developing countries it constituted more than a half. In the first place in terms of number of foreign affiliates East Asia was placed (83.6%, China, Republic of Korea, Hong Kong, Taiwan). Second place went to South East Asia (11.5%, Malaysia, Singapore), followed by small shares belonging to West Asia (3.7%, primarily Turkey) and South Asia (1.1%, Sri Lanka and India).

⁷ *World Investment Report 1994. Transnational Corporations Employment and the Workplace*, United Nations, New York and Geneva 1994, pp. 21-24; *World Investment Report 2007. FDI from Developing and Transition Economies: Implications for Development*, United Nations, New York and Geneva 2007, p. 7.

In 2005 (WIR 2006, see Table 2) the number of transnational corporations in the world increased by about 11% and the number of foreign affiliates by about 12% (Japan accounted for about 10% of parent corporations and about 1.9% of affiliates, this year also their number increased). In Japan, there was an increase in both corporations and affiliates, respectively by about 36 and 1.1% taking into account the earlier period analyzed. In Asia, in developing countries compared to previous year there was a slight increase in number of parent corporations by about 12% and most of them were located in eastern Asia (around 75%), in countries such as the Republic of Korea, China, Hong Kong and Taiwan. The next place in terms of number of parent corporations from other regions was taken by India and Turkey. With regard to foreign affiliates in the analyzed period, the number rose by about 24%. The largest group was in East Asia (around 86%), then respectively South-East Asia (about 9.3%) West Asia (3.6%) and finally in South Asia (about 1%). The data showed that almost half of all foreign affiliates in the world, i.e. about 47% were located in Asia (in 1997 WIR report it was about 36%) and above all in China (about 36% of the total number of affiliates in the world and over 54% of the total number of foreign affiliates in developing countries). Other countries where there was the largest number of affiliates in Asia were the Republic of Korea, Malaysia, Singapore, Turkey, Hong Kong, Taiwan, Sri Lanka and India.

In 2006 (WIR 2007, see Tables 1, 2) in contrast to previous years the overall increase in the number of corporations did not come up to 2% and increase in the number of affiliates was less than 1% (1.6 and about 0.6%, respectively). Despite the small rise in this period, foreign affiliates have already demonstrated 10% of world gross product (in the report of 2005 it was 9%). Total assets of all corporations during the period increased by 20%. Other indicators of foreign affiliates also showed increases: the sale by 18%, gross product by 16% and exports by 12%. The report found that over the past 15 years the number of parent corporations from developing countries increased more than that from developed countries (compared to 1992, 550 and 114%, respectively), but for the first time during the period a slight decrease in the number of parent corporations in developing countries was recorded, i.e. about 7%, including those from West Asia (down by about 2.4%), South-East Asia (down by 1.75%) and South Asia (down by as much as 63%). However, in the South-East Asia there was very small, insignificant increase – by one company only. Compared to the previous year's report, taking into account all the regions the growth was lower by 5%. At the forefront of countries with the largest corporate headquarters of parent remained the Republic of Korea, China, Turkey, Hong Kong and Taiwan. Very high reduction occurred in India, more than 65%.

As far as foreign affiliates in Asia are concerned, in 2006 they experienced a decline. During this period, as in previous years, China took the largest number of foreign affiliates, representing more than one-third of all foreign affiliates worldwide. Their small share in the world capital (2% in 2006) means that most of the foreign

affiliates located in that country are very small and are mainly the company's joint venture with local companies. Successive states, which had the largest number of affiliates, were successively Malaysia, Turkey, Singapore, the Republic of Korea and Hong Kong.

In 2007 (WIR 2008, see Table 2), as in the previous year there was a slight increase in both the transnational corporations by 0.5% and the total number of their foreign affiliates, i.e. by 2.2%. According to the report, the production increased during the period, the gross product of the foreign affiliates has reached 11% of world gross product, sales amounted to 31 trillion USD, where one-fifth that of exports and employment has reached 82 million people. In the analyzed year economically developed countries accounted for almost 72% of parent corporations including Japan – about 8.2%. The share of Asia (excluding Japan) was more than 21% of all TNCs. Most parent corporations were located in East Asia (16% of the total number of corporations in the world), in countries such as the Republic of Korea, China, Hong Kong and Taiwan, and in Western Asia, primarily in Turkey. With regard to foreign affiliates in 2007 more than half of all foreign affiliates in the world, i.e. around 54% were located in developing countries, especially in eastern and southern Asia in countries such as China (over 65% of the total number of foreign affiliates in developing countries – 280,000), Hong Kong, the Republic of Korea, India, Malaysia, Singapore, and Thailand.

The final analyzed period is the year 2008 (WIR 2009, see Tables 2, 3). At that time, the number of transnational corporations in the world increased by about 4% and the number of foreign affiliates by about 1.6% (Japan accounted for approximately 5.7% of parent corporations and about 0.6% of affiliates, there is lack of current data this year). Economically developed countries accounted for almost 72% of corporations (excluding Japan stands at nearly 66%), in Asia in developing countries nearly 21% (including Japan, this share is even higher by 5% – 26.55). Most of parent corporations just as in previous years were located in East Asia (more than 74%), in countries such as the Republic of Korea, China, Hong Kong and Taiwan. Another place in terms of number of parent corporations from other regions occupied Turkey, India and Indonesia. With regard to foreign affiliates in the analyzed period, the number rose by about 3%. The largest number was in East Asia (almost 84%), then respectively South-East Asia (about 8.6%), West Asia (nearly 6%) and finally in South Asia (about 1%). As in previous years nearly half of all foreign affiliates in the world, i.e. more than 46.9%, were located in Asia in developing countries (including Japan, this level is 47.5%). Main location of foreign affiliates account for China (about 35.5% of the total number of foreign affiliates in the world, more than 75.5% only in Asia and almost 65% of the total number in developing countries). Other countries where there was the largest number of affiliates in Asia are Turkey which increases the number every year (an increase of 15%) and the Republic of Korea, Malaysia, Singapore, Hong Kong, Taiwan, India, Thailand and Sri Lanka.

Table 3. Number of parent corporations and foreign affiliates, by region and economy, latest available year (WIR 2009)

Region/economy	Year	Parent corporation based in economy	Foreign affiliates located in economy
1	2	3	4
World		82,053	807,363
Developed economy		58,783	366,881
Europe, including:		47,765	347,771
European Union (25 countries)		43,492	335,577
Poland	2001	58	14,469
Other developed Europe (EFTA and other)		4,273	12,194
North America including:		3,857	9,389
Canada	1999	1,439	3,725
USA	2002	2,418	24,607
Other developed countries including:		7,161	9,721
Australia	2006	1,380	1,991
Japan	2006	4,663	4,500
Developing economies:		21,425	425,258
Africa		746	6,084
Latin America and the Caribbean		3,533	39,737
South and Central America, including:		851	36,647 (Central 27,370)
Argentina	2008	106	1,826
Brazil	2008	226	4,172
Mexico	2002	no data	25,708
Panama	2008	221	517
British Virgin Islands	2008	1,754	1,169
Cayman Islands	2008	442	778
Asia and Oceania		17,146	379,437
Oceania		22	441
Asia, including:		,24	378,996
West Asia including:		3,245	22,509
Iran	2008	44	238
Saudi Arabia	2008	35	97
Kuwait	2008	45	31
Oman	2004	92	49
Turkey	2008	2,871	21,079
United Arab Emirates	2008	77	796
South, East and Southeast Asia		13,879	356,487
East Asia including:		12,708	318,355

Table 3, continued

1	2	3	4
China	2007	3,429	286,232
Hong Kong, China	2007	1,167	9,712
Republic of Korea	2008	7,460	16,953
Taiwan Province of China	2005	606	3,034
South Asia including:		849	4,178
India	2008	815	2,242
Pakistan	2007	21	153
Sri Lanka	2004	no data	1 693
South-East Asia, including:		322	33,954
Indonesia	2004	313	721
Malaysia	1999	no data	15,567
Singapore	2002	danych no data	14,052
Vietnam	2008	4	321
South-East Europe and CIS, including:		1,845	15,224
South-East Europe, including:		612	2,990
Croatia	2007	485	3,256
Serbia	2008	97	466
CIS, including:		1,233	11,234
Russian Federation	2004	no data	1,176
Kazakhstan	2008	270	2,282
Republic of Moldova	2002	951	2,670
Ukraine	2004	1	367

Source: *World Investment Report 2009. Transnational Corporations, Agricultural Production and Development*, United Nations, New York and Geneva, pp. 222-224.

4. Conclusions

The development of transnational corporations from Asian countries in the world economy took place at a very fast pace according to data presented by UNCTAD. The number of parent corporations only in Asia during the last 17 years (1992-2008) increased almost threefold (286%) including also Japan. According to the recent report, among the hundred major, non-financial corporations judging by assets held abroad, 16% of corporations are those coming from Asia. The ten corporations on the list have their headquarters in Japan, three in the Republic of Korea and one in Hong Kong, Malaysia and China. Noteworthy is also the number of foreign affiliates that have been created. More than a half was located in developing countries, among which over 47% falls in Asia, especially its eastern and south-eastern part. In the period under review (1992-2008) this number increased more than sevenfold (about

724%). It is anticipated that in the future there will be continuing growth in the number of transnational corporations and foreign affiliates in the global economy including Asia. However, it will not be so sharp and fast as till now due to world economic situation and ongoing process of globalization. Nevertheless such factors as search for capacity, cost reduction, internationalization of enterprises or new markets will be a driving force to develop and explore new opportunities for gaining sustainable competitive advantage.

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ANALIZA ROZWOJU KORPORACJI MACIERZYSTYCH I ZAGRANICZNYCH FILII W AZJI W LATACH 1992-2008

Streszczenie: Rozwój korporacji transnarodowych z krajów Azji w gospodarce światowej, według przedstawionych danych UNCTAD, następował w bardzo szybkim tempie. Liczba korporacji macierzystych tylko w Azji w ciągu 17 lat (1992-2008) wzrosła prawie trzykrotnie, wliczając także Japonię. Celem artykułu jest dokonanie analizy rozwoju azjatyckich korporacji macierzystych i zagranicznych filii w latach 1992-2008 z podziałem na kraje rozwinięte, do których zalicza się Japonia, i rozwijające się na podstawie licznych raportów Konferencji Narodów Zjednoczonych ds. Handlu i Rozwoju.