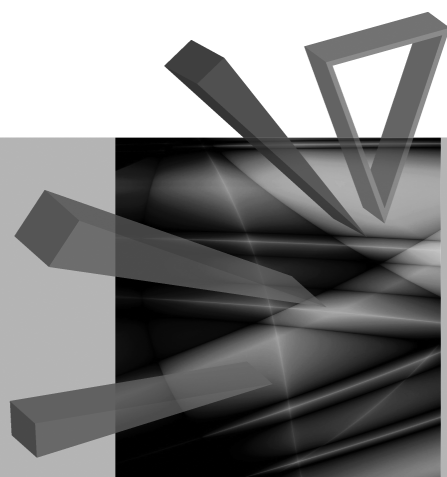


# Faces of Competitiveness in Asia Pacific



edited by  
**Bogusława Skulska**  
**Anna H. Jankowiak**



Publishing House of Wrocław University of Economics  
Wrocław 2011

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**ISBN 978-83-7695-126-3**

**ISSN 1899-3192**

Printing: Printing House TOTEM

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**Anna Żelezna**

Wrocław University of Economics

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## TRANSNATIONAL CORPORATIONS AND THEIR INFLUENCE ON THE COMPETITIVENESS OF ASIAN NEWLY INDUSTRIALIZED ECONOMIES

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**Summary:** Transnational corporations are entities that rised as a result of globalization. Through their actions they influence both home and host economies. The Asian New Industrialized Economies (commonly called “the Asian tigers of the first generation”) are Hong Kong, Taiwan, Singapore, and South Korea. They started their dynamic development in 70s and nowadays they are home economies for lots of the world’s largest TNCs. At the same time, they are very attractive places for foreign investors. TNCs activity in the region of East Asia causes infrastructure development, an increase in foreign trade, creates new workplaces and accelerates technology, knowledge, and innovation transfer. All these actions have a huge impact on high competitiveness of Newly Industrialized Economies.

**Keywords:** transnational corporations, competitiveness, Asian Newly Industrialized Economies.

### 1. Introduction

Transnational corporations are one of the most important actors in the world economy. UNCTAD defines transnational corporations (TNCs) as “incorporated or unincorporated enterprises comprising parent enterprises and their foreign affiliates. They are economic entities operating in more than one country or a cluster of economic entities operating in two or more countries”.<sup>1</sup> TNCs by their actions affect economies of both home and host countries. Through their impact on the economies in which they operate they have a direct impact on the competitiveness of these economies in the international arena. Their activity allows the economy to achieve an advantage in trade and reap the benefits from foreign direct investment (FDI) inflows. Therefore, we are dealing with two types of competitiveness here: the firm level (micro competitiveness level) and the national level (macro level).

One of the most important issues in assessing the level of the competitiveness of a company (micro level) is that it should be considered in reference to three key

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<sup>1</sup> *United Nations Conference on Trade and Development*, <http://www.unctad.org/templates/Page.asp?infItemID=3148&lang=1> (date of access: 20.04.2011).

elements: the competitive position, the competitive potential, and the company's strategy. The competitive position is the effect of activities that have been taken up so far and the starting point to future activities. The competitive potential is understood as the future opportunities of a firm. The company strategy is the programme of activities transforming the potential into results with market conditions taken into consideration. The overall reason for measuring competitiveness is to know the competitive situation of a company and to identify potential consequences for its future operation.<sup>2</sup> At the micro level, the competitive position of the company can be measured especially by indicators of microeconomic efficiency. The main indicators are: net profit (profit after taxation), share of export production, expenditure on research and development, market share, and level of investment. The methods of assessing the measurement of competitiveness are also based on an analysis of competitive potential that a company has. This potential is created by a group of tangible and intangible resources used in the production of goods and services. These resources can be divided into the following areas: sphere of research and development (for example: budget, ability to create new technologies and products), sphere of production (for example: quality of machines and production equipment, modern technology, knowledge), quality management, logistics (for example: access to sources of supply and sales, location of this sources), sphere of marketing and finance.<sup>3</sup>

The international competitiveness of a country can be defined in many ways. One of the most popular definitions was created by IMD – International Institute for Management Development from Lozanna: “competitiveness of Nations is a field of economic theory, which analyzes the facts and policies that shape the ability of a nation to create and maintain an environment that sustains more value creation for its enterprises and more prosperity for its people”.<sup>4</sup> There are also many ways to measure the competitiveness of a country. According to the first theory, the measures of international competitiveness are divided into two groups: measures of competitive position and measures of competitive ability. Competitive position means an achieved level of development of the economy in relation to other economies. It should be evaluated by the indicators of national income level and dynamics of its changes (Gross Domestic Product and Gross National Product), and productivity indicators (measures of labor and capital productivity). The measures of competitiveness ability correspond to four groups of factors: human resources and human capital (for example: economic activity rate, unemployment rate, occupational mobility,

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<sup>2</sup> M. Sulimowska-Formowicz, B. Stępień, *Metody pomiaru konkurencyjności przedsiębiorstwa, Gospodarka Narodowa* 2004, Nr 5-6, p. 55.

<sup>3</sup> M.J. Stankiewicz, *Konkurencyjność przedsiębiorstwa. Budowanie konkurencyjności przedsiębiorstwa w warunkach globalizacji*, Dom Organizatora, Toruń 2002, pp. 118-124

<sup>4</sup> S. Garelli, *The Fundamentals and History of Competitiveness, World Competitiveness Yearbook 2011*, IMD, [www.imd.org/research/centers/wcc/upload/Fundamentals.pdf](http://www.imd.org/research/centers/wcc/upload/Fundamentals.pdf) p. 489, (date of access: 29.09.2011).

level of education and qualifications, matriculation rate, fertility rate), capital resources, technological development (for example: Total Factor Productivity, Multi Factor Productivity, R&D expenditure, the speed of technology transfer, innovation economy), institutions and regulations.<sup>5</sup>

Another way of measuring competitiveness was presented by M.E. Porter. He also attempted to systematize factors that have influence on the competitiveness of the country. According to his approach, each country has to have four systems (diamonds). Their interaction will help to achieve an international advantage. These elements are: factor conditions (specialized factors of production, level of social and technical infrastructure); demand conditions; related supporting industries; firm strategy, structures and rivalry.<sup>6</sup> In addition, Porter has identified four stages of national competitive development. Each stage reveals the next level of economic development:

1. The factor-driven economy – related to the group of less developed countries, industry is based on natural resources, workforce is generally poorly qualified, companies rarely use the direct export.

2. The investment-driven economy – local companies invest in foreign technologies and try to distribute their products abroad. The benefits are reaped from improving factor conditions.

3. The innovation-driven economy – related to highly developed countries, companies produce goods using much more advanced technology, workforce is highly and educated. The competition on the internal market is growing, especially based on non-price factors.

4. The wealth-driven economy – the government carries on wealth that is already achieved. There is a lot of mergers and acquisitions on this stage. The investments are rather financial than productive.<sup>7</sup>

However, to evaluate and compare the competitiveness of particular economies, one should use an indicator which measures the influence of all significant factors in the most comprehensive way. Such indicators were created by IMD – (International Institute for Management Development) and WEF (World Economic Forum). By using the classifications of tens of factors, they created competitiveness indexes and annually present results that were achieved by analyzed countries (described later in this paper).

Among other indicators, which are supporting tools to determine the competitive position of a country, there are also: Index of Economic Freedom, Foreign Direct Investment Confidence Index and Human Development Index.

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<sup>5</sup> M.J. Radło, Międzynarodowa konkurencyjność gospodarki. Uwagi na temat definicji, czynników i miar, [in:] W. Bieńkowski *et al.*, *Czynniki i miary międzynarodowej konkurencyjności gospodarek w kontekście globalizacji – wstępne wyniki badań*, Prace i Materiały Nr 284, Instytut Gospodarki Światowej, SGH, Warszawa 2008, pp. 26-33.

<sup>6</sup> J. Rymarczyk (ed.), *Międzynarodowe stosunki gospodarcze*, PWE, Warszawa 2006, p. 273.

<sup>7</sup> W.B. Traill, E. Pitts, *Competitiveness in the Food Industry*, Blackie Academic & Professional, London 1998, pp. 22-23.



Companies (including TNCs) through their actions have a direct impact on the competitiveness of a country. Importance of TNCs is related to their economic power. The activities of corporations in the global economy fulfill many important functions that support the development and changes at global, regional, and national scale. By realizing their policy of expansion, corporations make the movement of resources and capacity, stimulate growth and economic efficiency. They also activate a local competition, transmit new methods and models of management, and reinforce international links and correlations. Moreover, indicators of science, technology, and innovation that have a significant contribution on the competitiveness of a company also represent the level of technological competitiveness and innovative economies. One of the most important indicators are: total expenditure on R&D as a percentage of GDP; structure of expenditure on R&D divided into: government spending, higher education expenses and expenses of the business sector; number of patent applications; expenditure on innovation. Therefore, companies activities have a direct impact on building the information society and the knowledge economy.

The purpose of this article is to show the impact of transnational corporations on the competitiveness of the Asian Newly Industrialized Economies. NIEs belong to a group of Asian developing countries. They appeared in the late 60s and started to develop based on pro-export policy. They include the following countries: South Korea, Singapore, Hong Kong, and Taiwan (by the majority of countries considered to be a Chinese province); commonly this countries are called “the Asian tigers of the first generation”. Nowadays, they are seen as countries that have achieved a global economic success. It is proved by high level of GDP *per capita*, FDI inflows and outflows, low unemployment and inflation, very well-developed social and technical infrastructure. But it is also easy to notice that the whole region of East Asia is developing very fast. Next countries like: Malaysia, Indonesia, Philippines, and Thailand have become more and more significant since the late 80s. Because of that they are called “the second generation of Asian tigers”.<sup>8</sup> It is important that only a few years ago the Asian Newly Industrialized Economies were countries that encouraged potential investors only by cheap labor force. Nowadays, they are not only the host economies for TNCs but also the home economies for big and famous international corporations.

## 2. Measuring competitiveness

To specify the impact of TNCs on the competitiveness of analyzed countries, at first it needs to be checked, which places were taken by these countries in the most important rankings of economies competitiveness since 2000.

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<sup>8</sup> B. Skulska (ed.), *Biznes międzynarodowy w regionie Azji i Pacyfiku*, Wyd. Adam Marszałek, Toruń 2009, p. 41-45.

There are two very popular institutions which publish competitiveness reports, (mentioned earlier in this article): IMD (International Institute for Management Development from Lausanne) and WEF (World Economic Forum). Each of them created an index (based on different methodologies) that allows rating and ordering economies from the most to the less competitive.

The first one – *World Competitiveness Yearbook* – is created annually by International Institute for Management Development. There are four groups of factors that have an influence on the result. Each of these groups contains five main sub-factors: economic performance (domestic economy, international trade, international investment, employment, prices); government efficiency (public finance, fiscal policy, institutional framework, business legislation, societal framework); business efficiency (productivity, labor market, finance, management practices, attitudes and values); and infrastructure (basic infrastructure, technological infrastructure, scientific infrastructure, health and environment, education). The weight of each sub-factor is 5%. The sum of results achieved by a particular country from twenty sub-factors gives an overall ranking score.<sup>9</sup> There were 58 economies analyzed in the ranking in 2010. Table 1 presents places of South Asian Countries in rankings in 2000-2010.

**Table 1.** World competitiveness scoreboard for South Asian countries in 2000-2010

Country	Rank											Score in 2010
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Singapore	2	2	5	4	2	3	3	2	2	3	1	100.000
Hong Kong	12	6	9	10	6	2	2	3	3	2	2	99.357
Taiwan	20	18	24	17	12	11	17	18	13	23	8	90.441
Malaysia	27	29	26	21	16	28	22	23	19	18	10	87.228
China	30	33	31	29	24	31	18	15	17	20	18	80.182
South Korea	28	28	27	37	35	29	32	29	31	27	23	76.249
Thailand	35	38	34	30	29	27	29	33	27	26	26	73.233
Japan	24	26	30	25	23	21	16	24	22	17	27	72.093
India	39	41	42	50	34	39	27	27	29	30	31	64.567
Indonesia	44	49	47	57	58	59	52	54	51	42	35	60.745
Philippines	37	40	40	49	52	49	42	45	40	43	39	56.526
Russia	47	45	43	54	50	54	46	43	47	49	51	49.318

Source: author's own work based on *World Competitiveness Yearbook 2000-2010*, IMD, <http://www.imd.org/research/publications/wcy/index.cfm> (date of access: 26.04.2011).

<sup>9</sup> *World Competitiveness Yearbook 2010*, IMD, <http://www.imd.org/research/publications/wcy/index.cfm> (date of access: 26.04.2011).

International Institute for Management Development has studied the competitiveness of the countries since 1989. And for the first time in the history the United States is not number one, but Singapore and Hong Kong are the leaders. The United States is just next to them on the third position. But the differences between their scores are almost none. Singapore is also the world's easiest place to do business and one of the biggest world financial centers. It is important to notice that among top ten countries in 2010, there were five from Asia: Singapore (1st), Hong Kong (2nd), Australia (5th), Taiwan (8th), and Malaysia (10th). It proves that the position of Asian countries in the global economies becomes more important. South Korea took the last (23rd) place among four NIEs, but was still ahead of Japan – one of the most developed countries in the world. The South Asian economies have displayed good resilience through the crisis.<sup>10</sup> In 2010 the Singaporean economy grew by almost 15%.<sup>11</sup>

The second major competitiveness report is prepared annually by World Economic Forum. The methodology used to create the Global Competitiveness Index is different than in the previous ranking. GCI is based on twelve elements divided into three groups: basic requirements (institutions, infrastructure, macroeconomic environment, health and primary education); efficiency enhancers (higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size); innovation and sophistication factors (business sophistication, innovation). The weight of each pillar depends on the stages of development of measured country. There are three stages that an economy can achieve: factor-driven economy (countries compete based on factor endowments: natural resources and unskilled, uneducated labor; productivity and wages are low), efficiency-driven economy (countries become more competitive; productivity and wages will rise, competitiveness is based on the second group of pillars); innovation-driven economy (production process is more sophisticated and the level of innovation is high). Countries are allocated into stages of development by using two criteria: the level of GDP *per capita* at market exchange rates and factor driven, measured by the share of exports of mineral goods in total exports. All of the Asian Newly Industrialized Economies achieved the last stage of development and among all 139 ranked economies they were in top 25 in 2010.<sup>12</sup> Table 2 presents places of South Asian countries in GCI rankings in 2000-2010.

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<sup>10</sup> *World Competitiveness Yearbook 2010*, IMD, <http://www.imd.org/research/publications/wcy/index.cfm> (date of access: 26.04.2011).

<sup>11</sup> *Recent Economic Developments in Singapore*, Monetary Authority of Singapore, 3.03.2011, [www.mas.gov.sg/resource/eco\\_research/eco\\_dev\\_ana/Recent\\_Economic\\_Developments.pdf](http://www.mas.gov.sg/resource/eco_research/eco_dev_ana/Recent_Economic_Developments.pdf) (date of access: 28.04.2011).

<sup>12</sup> *The Global Competitiveness Reports 2000-2010*, World Economic Forum, [www.weforum.org](http://www.weforum.org) (date of access: 28.04.2011).

**Table 2.** Global Competitiveness Index for South Asian countries in 2000-2010

Country	Rank											Score in 2010
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Singapore	2	4	7	6	7	6	5	7	5	3	3	5.48
Japan	20	21	16	11	9	12	7	8	9	8	6	5.37
Hong Kong	7	13	22	24	21	28	11	12	11	11	11	5.30
Taiwan	10	7	6	5	4	5	13	14	17	12	13	5.21
South Korea	28	23	25	18	29	17	24	11	13	19	22	4.93
Malaysia	24	30	30	29	31	24	26	21	21	24	26	4.88
China	44	47	38	44	46	49	54	34	30	29	27	4.84
Brunei	.	.	.	.	.	.	.	.	39	32	28	4.75
Thailand	30	33	37	32	34	36	35	28	34	36	38	4.51
Indonesia	43	64	69	72	69	74	50	54	55	54	44	4.43
Vietnam	53	62	62	60	77	81	77	68	70	75	59	4.27
Russia	54	63	66	70	70	75	62	58	51	63	63	4.24
Philippines	36	48	63	66	76	77	71	71	71	87	85	3.96
Cambodia	.	.	.	.	.	112	103	110	109	110	109	3.63

Source: author's own work based on *The Global Competitiveness Reports 2000-2010*, World Economic Forum, [www.weforum.org](http://www.weforum.org) (date of access: 28.04.2011).

Switzerland retained the 1st place in the overall ranking. It was possible due to a very good capacity for innovation and sophisticated business culture. Asian Newly Industrialized Economies and Japan were the most developed countries in the region of East Asia in 2010. They took the highest places during whole analyzed period. Singapore was ranked 3rd in overall GCI ranking and 1st among South Asian Countries at the same time. It means that Singapore was considered the most competitive economy in Asia, as in *World Competitiveness Yearbook*. The value of GCI Index for Singapore was 5.46 in 2010. It proves that local institutions are the best in the world; labor force is well-educated and qualified; technical infrastructure is one of the most developed. There are also good conditions for foreign direct investments and TNC's activity. Japan moved into 6th position with 5.37 points. It is the best place of this country since 2000. Hong Kong has maintained its 11th position since 2008. Among four Newly Industrialized Economies only South Korea continues to decline, which began in 2007, falling three more places to 22nd position.<sup>13</sup>

Referring to Porter's diamond model of competitiveness, it must be admitted that ways of measuring competitiveness of economies submitted by the IMD and

<sup>13</sup> *Ibidem*.

WEF are more comprehensive and present modern and current approach to this subject. These models much more accurately describe the role of macroeconomic and international environment in the creation of international competitiveness. These methods of assessment of international economic competitiveness correspond to the definition of competitiveness more than the previous one. They do not focus only on an assessment of the microeconomic environment, but include factors relating to both companies (corporate strategies) and factors in their environment (micro- and macroeconomic), including the assessment of relationship with the global economy. Porter's model does not sufficiently take into consideration the role of globalization in creating competitive advantages of countries. This role is due to the increasing significance of economic correlation as a consequence of the development of cross-border networks of economic relations, including the increasing role of transnational corporations. According to the opinion of some authors, Porter's model is more adequate to assess the level of competitiveness of the economies sectors, or even some specific industries, rather than to assess the competitiveness of the whole economies.<sup>14</sup>

### 3. The most important investors from the region of East Asia

There are a lot of rankings that classify TNCs. One of the most popular is published each year by *Fortune*. It shows the significance of 500 world's largest corporations and arranging them by their revenues. In 2010 ranking there were 25 companies from Asian Newly Industrialized Economies (see Table 3). Most of them (10) came from South Korea, 9 from Taiwan, 4 from Hong Kong and 2 from Singapore. In top 100 there were only 3 TNCs from analyzed countries – all of them from South Korea – a country that is the least developed of all NIEs. Samsung Electronics took the best (32nd) place in Global 500 ranking with revenues of almost USD 109 billion. In comparison to Wall-Mart Stores, which was the ranking leader, Samsung Electronics had four times lower revenues in 2010. LG was ranked 67th, Hyundai Motor – 78th. The first corporation from Taiwan (Hon Hai Precision Industry) took 112th position. The best Hong Kong's TNC was ranked 242nd and Singapore's only 350th.<sup>15</sup>

Another TNC's annual classification is prepared by UNCTAD. Companies are compared by two indexes: foreign assets and Transnationality Index (TNI). TNI is calculated as the average of the following three ratios: foreign assets to total assets, foreign sales to total sales, and foreign employment to total employment. It shows the level of internationalization and globalization of TNC's activities. Each year UNCTAD publishes two rankings. The first one presents the world's top 100 non-

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<sup>14</sup> M.J. Radło, *op. cit.*, pp. 6-13.

<sup>15</sup> *Fortune Global 500 2010*, <http://money.cnn.com/magazines/fortune/global500/2010/fulltext/> (date of access: 28.04.2010).

financial TNCs, the second one – the top 100 non-financial TNCs from developing and transition economies.<sup>16</sup>

**Table 3.** TNCs from Asian Newly Industrialized Economies by the biggest revenues in 2010

Rank	Company	Global 500 Rank	Revenues (million USD)	Country
1	Samsung Electronics	32	108 927	South Korea
2	LG	67	78 892	South Korea
3	Hyundai Motor	78	71 678	South Korea
4	SK Holdings	104	64 396	South Korea
5	Hon Hai Preision Industry	112	59 324	Taiwan
6	Noble Group	242	31 183	Hong Kong
7	Soft Bank	263	29 762	Japan
8	POSCO	272	28 883	South Korea
9	Cathay Financial Holdings	281	28 315	Taiwan
10	GS Holdings	300	27 066	South Korea
11	Hutchison Whampoa	302	26 938	Hong Kong
12	Korea Electric Power	306	27 066	South Korea
13	Samsung Life Insurance	316	25 805	South Korea
14	Quanta Computer	327	25 429	Taiwan
15	Flextronics International	350	24 111	Singapore
16	Wilmar International	353	23 885	Singapore
17	Hanwha	358	23 521	South Korea
18	Hyundai Heavy Industries	375	22 926	South Korea
19	Jardine Matheson	382	22 501	Hong Kong
20	China Resources National	395	21 902	Hong Kong
21	Compal Electronics	431	20 448	Taiwan
22	CPC	434	20 253	Taiwan
23	Formosa Petrochemical	452	19 204	Taiwan
24	Asustek Computer	465	18 474	Taiwan
25	Acer	487	17 380	Taiwan

Source: author's own work based on *Fortune Global 500 2010*, <http://money.cnn.com/magazines/fortune/global-500/2010/fulltext/> (date of access: 28.04.2010).

According to *World Investment Report (WIR) 2010*, among 100 world's top non-financial TNC's there were 15 corporations from East Asia in 2008 (see Table 4).

<sup>16</sup> *World Investment Report 2010*, ONZ, New York-Geneva 2009.

Most of them came from Japan (9 firms). The most important were: Toyota Motor Corporation, Honda Motor Co. Ltd., Nissan Motor Co. Ltd., Mitsubishi Motors Corporation, Mitsui & Co. Ltd., and Sony Corporation. It is easy to notice that they were mainly from motor vehicles and wholesale trade industries. Among the other six corporations one came from Hong Kong (Hutchison Whampoa Limited), two from South Korea (Samsung Electronics Co. Ltd. and Hyundai Motor Company), one from Malaysia (Petronas – Petroliam Nasional Bhd.), and two from China (CITIC Group and China Ocean Shipping (Group) Company). Using TNI Index the leading company from analyzed region was Hutchison Whampoa Limited (82%).<sup>17</sup>

**Table 4.** The biggest TNCs from the region of East Asia in 2008

Ranking by:		Corporation	Home economy	Industry	Foreign assets [USD million]	TNI [%]
Foreign assets	TNI					
5	74	Toyota Motor Corporation	Japan	Motor vehicles	169 569	52.9
25	18	Hutchison Whampoa Limited	Hong Kong	Diversified	70 762	82.0
20	37	Honda Motor Co. Ltd.	Japan	Motor vehicles	89 204	72.2
34	56	Nissan Motor Co. Ltd.	Japan	Motor vehicles	57 080	59.2
32	96	Mitsubishi Motors Corporation	Japan	Motor vehicles	59 160	31.3
43	45	Mitsui & Co. Ltd.	Japan	Wholesale trade	48 653	64.8
33	48	Sony Corporation	Japan	Electrical & electronic equipment	57 116	61.8
76	73	Samsung Electronics Co. Ltd.	South Korea	Electrical & electronic equipment	28 765	54.2
96	95	Marubeni Corporation	Japan	Wholesale trade	25 049	34.6
78	99	Petronas – Petroliam Nasional Bhd.	Malaysia	Petroleum expl./ref./distr.	28 447	29.6
79	93	Hyundai Motor Company	South Korea	Motor vehicles	28 359	36.5
48	100	CITIC Group	China	Diversified	43 750	21.0
98	98	Hitachi Ltd.	Japan	Electrical & electronic equipment	24 282	31.2
90	91	Sumitomo Corporation	Japan	Wholesale trade	26 448	42.0
80	83	China Ocean Shipping (Group) Company	China	Transport and storage	28 066	49.9

Source: author's own work based on *World Investment Report 2010*, ONZ, New York-Geneva 2009.

<sup>17</sup> *Ibidem.*



The second ranking was dominated by TNCs from Asia. Among the top 100 non-financial TNCs from developing and transition economies, there were 80 from this continent in 2008. 41 came from Asian Newly Industrialized Economies: 16 from Hong Kong, 13 from Taiwan, 7 from Singapore and 5 from South Korea.<sup>18</sup>

There are many reasons that cause such a high popularity of the analyzed countries as places in which TNCs are formed. They are highly developed countries, located at the crossroads of major trade routes in Asia. The closeness to China (country that developed very fast during last decades) is also very significant. The most important role in these economies is played by services sector. The government policy is based mainly on supporting and promoting exports. Besides, these economies are fully liberalized and focused on the development of science, innovations, and investments. This affects the increasing of education level and improvement of labor skills.

It is obvious that Asian Newly Industrialized Economies would not succeed without TNC's activity. Despite of their negative effect (for example on natural environment and local businesses), they have a positive influence on economic development, international trade, and export competitiveness. They contribute to GDP growth and employment growth. In 2008 the Taiwanese corporation, Hon Hai Precision Industries, employed 611 000 people. Another Taiwanese company, Pou Chen Corp., employed 345 185 people in 2008.<sup>19</sup> TNCs by their actions provide innovation, knowledge, and technology transfer. The importance of Asia as a region characterized by a significant contribution in R&D activities is showed by the number of patent applications reported in each country.<sup>20</sup> After the United States, Japan is the one in which the most of patent applications were reported (19 933 applications) in 2009. The 2nd Asian country and the 1st from NIEs at the same time was South Korea (4193 applications). Next there appeared: China (1631) and Taiwan (1006). In Singapore 264 applications were reported and in Hong Kong only 46 in 2009.<sup>21</sup> Transnational corporations have also a positive impact on both social and technical infrastructure. In connection to the growing technical and analytical skills of employees, wages are also increasing. It has a direct effect on rising the standard of living. Technical infrastructure is also improving because TNCs need good connections with their foreign subsidiaries. Therefore, all of these factors have a huge influence on the competitiveness of analyzed countries.

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<sup>18</sup> *Ibidem*.

<sup>19</sup> *World Investment Report 2010*, ONZ, New York/Geneva 2009.

<sup>20</sup> There are two most popular rankings that present the number of patent application: *EPO Annual Report* created by European Patent Office and *PCT Yearly Reviews* created by World Intellectual Property Organization. The second institution presents data about patent applications corresponding to international PCT system (Patent Cooperation Treaty).

<sup>21</sup> *EPO Annual Report 2009*, European Patent Office, [www.epo.org/about-us/publications/generalinformation/annual-reports.html](http://www.epo.org/about-us/publications/generalinformation/annual-reports.html) (date of access: 29.04.2011).



## 4. Conclusions

Transnational corporations are created mainly by foreign direct investment. Their role in the international market is increasing year by year and nowadays they have a significant contribution to the economic development of each country and its competitiveness. Due to the growing importance of the region of East Asia, their activity in this area will certainly grow in the future. Only few years ago Asian Newly Industrialized Economies were countries that only sought to attract FDI. Today they are home economies for lots of corporations which locate activities in other, less developed Asian countries. During analysis of TNCs and their influence on the competitiveness of Asian Newly Industrialized Economies, China should be also mentioned. It is a country that can reach the status of the world economic leader soon. The dominance of China in the region of East Asia may have a double effect. With the fast development of this country, the number of foreign direct investments will increase in the whole region. On the other hand, China can attract most FDIs and subsidiaries of foreign corporations.

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## **KORPORACJE TRANSNARODOWE I ICH WPLYW NA KONKURENCYJNOŚĆ GOSPODAREK NOWYCH KRAJÓW PRZEMYSŁOWYCH AZJI**

**Streszczenie:** Korporacje transnarodowe to podmioty, które powstały w wyniku procesu globalizacji, ale jednocześnie same ten proces kształtują. Poprzez swoje działania wpływają na gospodarki krajów macierzystych i goszczących. Grupa Nowych Krajów Przemysłowych (potocznie zwanych „azjatyckimi tygrysami pierwszej generacji”) obejmuje: Hongkong, Tajwan, Singapur i Koreę Południową. Państwa te swój dynamiczny rozwój rozpoczęły w latach 70. i dziś są krajami macierzystymi wielu największych korporacji na świecie. Działalność KTN w tym regionie prowadzi do rozwoju infrastruktury, tworzenia nowych miejsc pracy, wzrostu obrotów handlowych z zagranicą i szybszego rozprzestrzeniania się wiedzy i technologii. Wszystko to ma niebagatelny wpływ na fakt, że dziś Nowe Kraje Przemysłowe Azji są jednymi z najbardziej konkurencyjnych krajów na świecie.