

United Nations Conference on Trade and Development

# World Investment Report

**2000** Cross-border  
Mergers and Acquisitions  
and Development

*Overview*



United Nations  
New York and Geneva, 2000

## Note

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The following symbols have been used in the tables:

Two dots (..) indicate that data are not available or are not separately reported. Rows in tables have been omitted in those cases where no data are available for any of the elements in the row;

A dash (-) indicates that the item is equal to zero or its value is negligible;

A blank in a table indicates that the item is not applicable, unless otherwise indicated.

A slash (/) between dates representing years, e.g., 1994/95, indicates a financial year;

Use of a hyphen (-) between dates representing years, e.g., 1994-1995, signifies the full period involved, including the beginning and end years.

Reference to "dollars" (\$) means United States dollars, unless otherwise indicated.

Annual rates of growth or change, unless otherwise stated, refer to annual compound rates.

Details and percentages in tables do not necessarily add to totals because of rounding.

The material contained in this study may be freely quoted with appropriate acknowledgement.

UNCTAD/WIR/2000 (Overview)
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# World Investment Report 2000: Cross-border Mergers and Acquisitions and Development

## Overview

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### *Transnational corporations, the firms driving international production,...*

International production by transnational corporations (TNCs), now numbering some 63,000 parent firms with around 690,000 foreign affiliates and a plethora of inter-firm arrangements, spans virtually all countries and economic activities, rendering it a formidable force in today's world economy. The world's top 100 (non-financial) TNCs (with General Electric in first place), based almost exclusively in developed countries (see table 1 for the top 25 of those firms), are the principal drivers of international production. The \$2 trillion in assets of their foreign affiliates accounted for about one-eighth of the total assets of all foreign affiliates worldwide in 1998. The foreign affiliates of the top 100 TNCs employ over 6 million persons, and their foreign sales are of the order of \$2 trillion. They are concentrated mainly in electronics and electrical equipment, automobiles, petroleum, chemicals and pharmaceuticals.

Despite the prominence of the top 100, the universe of TNCs is quite diverse, and includes a growing number of small and medium-sized enterprises, TNCs from countries in Central and Eastern Europe that have only recently begun to engage in international production, and large TNCs based in the developing world. Although less transnational overall than the world's top 100 TNCs, some of the developing-country TNCs are quite sizeable – witness, for example, the size of the foreign assets (\$8 billion) of Petroleos de Venezuela, the largest TNC from the developing world and the only developing-country firm to appear in the top 100 list (see table 2 for the top 25 of those firms).

The expansion of international production has been facilitated by virtually all countries through changes in their regulatory environments. Over the period 1991-1999, 94 per cent of the 1,035 changes worldwide in the laws governing foreign direct investment (FDI) created a more favourable framework for FDI (table 3). Complementing the more welcoming national FDI regimes, the number of bilateral investment treaties – concluded increasingly also between developing countries – has risen from 181 at the end of 1980 to 1,856 at the end of 1999. Double taxation treaties have also increased, from 719 in 1980 to 1,982 at the end of 1999. At the regional and interregional levels, an increasing number of agreements (most recently between the European Community and Mexico) are helping to create an investment environment more conducive to international investment flows.

Evidence on the expansion of international production over the past two decades abounds. Gross product associated with international production and foreign affiliate sales worldwide, two measures of international production, increased faster than global GDP and global exports, respectively (figure 1). Sales of foreign affiliates worldwide (\$14 trillion in 1999, \$3 trillion in 1980) are now nearly twice as high as global exports, and the gross product associated with international production is about one-tenth of global GDP, compared with one-twentieth in 1982 (table 4). The ratio of world FDI inflows, which stood at \$865 billion in 1999, to global gross domestic capital formation is now 14 per cent, compared with 2 per cent twenty years ago. Similarly, the ratio of world FDI stock to world GDP increased from 5 per cent to 16 per cent during the same period. And the number of transnational parent firms in 15 developed home countries increased from some 7,000 at the end of the 1960s to some 40,000 at the end of the 1990s.

The ascendance and deepening of international production have given rise to new policy challenges. The distribution of international production, and of the corresponding benefits associated with it, is one of the most important of these. While the size of international production has risen significantly over the past few decades, not all countries have participated in it to the

**Table 1. The world's top 25 TNCs, ranked by foreign assets, 1998**  
(Billions of dollars and number of employees)

Ranking 1998 by:	Foreign assets	Ranked in 1997 by:		Corporation	Country	Industry <sup>b</sup>	Assets		Sales		Employment		TNI <sup>a</sup> (Per cent)
		Foreign assets	TNI <sup>a</sup>				Foreign	Total	Foreign	Total	Foreign	Total	
1	75	1	84	General Electric	United States	Electronics	128.6	355.9	28.7	100.5	130 000	293 000	36.3
2	85	4	91	General Motors	United States	Motor vehicles	73.1	246.7	49.9	155.5	...	396 000	30.9
3	45	3	44	Royal Dutch/Shell Group <sup>c</sup>	Netherlands/United Kingdom	Petroleum expl./ref./distr.	67.0	110.0	50.0	94.0	61 000	102 000	58.0
4	76	2	80	Ford Motor Company	United States	Motor vehicles	...	237.5	43.8	144.4	171 276	345 175	35.4
5	19	5	29	Exxon Corporation <sup>d</sup>	United States	Petroleum expl./ref./distr.	50.1	70.0	92.7	115.4	...	79 000	75.9
6	60	6	75	Toyota	Japan	Motor vehicles	44.9	131.5	55.2	101.0	113 216	183 879	50.1
7	54	7	54	IBM	United States	Computers	43.6	86.1	46.4	81.7	149 934	291 067	53.0
8	21	30	42	BP AMOCO	United Kingdom	Petroleum expl./ref./distr.	40.5	54.9	48.6	68.3	78 950	98 900	74.9
9	59	10	71	DaimlerChrysler	Germany	Motor vehicles	36.7	159.7	125.4	154.6	208 502	441 502	50.4
10	3	9	4	Nestlé SA	Switzerland	Food/beverages	35.6	41.1	51.2	52.0	225 665	231 881	94.2
11	51	8	50	Volkswagen Group	Germany	Motor vehicles	...	70.1	52.3	80.2	142 481	297 916	53.8
12	7	18	5	Unilever	Netherlands/United Kingdom	Food/beverages	32.9	35.8	39.4	44.9	240 845	265 103	90.1
13	63	-	-	Suez Lyonnaise Des Eaux	France	Diversified/utility	...	84.6	12.9	34.8	126 500	201 000	45.6
14	73	-	-	Wal-Mart Stores	United States	Retailing	30.2	50.0	19.4	137.6	...	910 000	37.2
15	8	14	2	ABB	Switzerland	Electrical equipment	...	32.9	23.1	27.7	154 263	162 793	89.1
16	43	11	39	Mobil Corporation <sup>d</sup>	United States	Petroleum expl./ref./distr.	...	42.8	29.7	53.5	22 100	41 500	58.6
17	17	42	25	Diageo Plc	United Kingdom	Beverages	27.9	46.3	10.5	12.4	65 393	77 029	76.7
18	38	24	32	Honda Motor Co Ltd	Japan	Motor vehicles	26.3	41.8	29.7	51.7	...	112 200	60.2
19	52	19	56	Siemens AG	Germany	Electronics	...	66.8	45.7	66.0	222 000	416 000	53.6
20	41	21	34	Sony Corporation	Japan	Electronics	...	52.5	40.7	56.6	102 468	173 000	59.3
21	34	33	68	Renault SA	France	Motor vehicles	23.6	43.2	25.4	39.8	92 854	138 321	61.8
22	12	28	21	News Corporation <sup>e</sup>	Australia	Media/publishing	22.9	33.6	10.5	11.7	...	50 000	78.7
23	40	25	38	BMW AG	Germany	Motor vehicles	22.9	35.7	26.8	37.7	53 107	119 913	59.9
24	81	22	78	Mitsubishi Corporation	Japan	Diversified	21.7	74.9	43.5	116.1	3 668	11 650	32.7
25	67	17	60	Nissan Motor Co Ltd	Japan	Motor vehicles	21.6	57.2	25.8	54.4	...	131 260	42.6

Source: UNCTAD/Erasmus University database.

<sup>a</sup> TNI is the abbreviation for "transnationality index", which is calculated as the average of three ratios: foreign assets to total assets, foreign sales to total sales and foreign employment to total employment.

<sup>b</sup> Industry classification for companies follows the United States Standard Industrial Classification as used by the United States Securities and Exchange Commission (SEC).

<sup>c</sup> Foreign assets, sales and employment are outside Europe.

<sup>d</sup> Mergers between Exxon and Mobil into ExxonMobil, and Hoechst AG and Rhone-Poulenc SA into Aventis are not documented yet as they took place in 1999.

<sup>e</sup> Data on foreign assets, foreign sales and foreign employment were not made available for the purpose of this study. In case of non-availability, they are estimated using secondary sources of information or on the basis of the ratios of foreign to total assets, foreign to total sales and foreign to total employment.

Note: The list includes non-financial TNCs only. In some companies, foreign investors may hold a minority share of more than 10 per cent.

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The top 25 TNCs from developing economies, ranked by foreign assets, 1998  
(Millions of dollars, number of employees)

			Assets		Sales		Employment		TNI <sup>a</sup>
Economy	Industry <sup>b</sup>		Foreign	Total	Foreign	Total	Foreign	Total	(Per cent)
iad	Venezuela	Petroleum expl./ref./distr.	7 926	48 816	11 003	25 659	6 026	50 821	23.7
	Republic of Korea	Trade	..	22 135	..	30 547	..	15 000	49.4
	Hong Kong (China)/								
	Bermuda	Diversified	5 954	9 565	7 921	11 230	..	160 000	67.6
	Mexico	Construction	5 639	10 460	2 334	4 315	9 745	19 761	52.4
	Malaysia	Petroleum expl./ref./distr.	5 564	26 184	3 757	11 133	2 700	18 578	23.2
	South Africa <sup>c</sup>	Pulp and Paper	4 574	6 475	3 246	4 308	10 725	23 640	63.8
	Hong Kong (China)	Diversified	..	13 389	2 191	6 639	20 845	39 860	39.4
	Hong Kong (China)	Other	4 086	7 646	2 527	2 894	15 063	30 673	63.3
	Republic of Korea	Diversified	3 851	36 944	12 029	38 274	2 400	29 000	16.7
Brazil	Petroleum expl./ref./distr.	3 700	33 180	1 300	15 520	417	42 137	6.8	
Hong Kong (China)	Construction	3 414	13 465	376	2 628	30	16 512	13.3	
o.	China	Construction	3 290	7 300	1 950	5 890	5 535	239 102	26.8
	Argentina	Petroleum expl./ref./distr.	3 278	13 146	880	5 500	1 754	9 486	19.8
	Republic of Korea	Electronics and electrical equipment	3 127	12 824	4 841	12 213	27 819	60 753	36.6
	China	Trade	3 000	4 950	7 920	13 800	510	8 415	41.4
	Singapore	Diversified	2 598	17 321	376	2 127	1 700	11 900	15.7
	Brazil	Transportation	1 947	13 539	3 025	4 321	7 076	40 334	34.0
	Republic of Korea	Construction	..	7 094	..	3 815	..	22 787	37.6
	Hong Kong (China)	Diversified	1 842	8 771	908	1 755	7 639	11 871	45.7
	Chile	Electric utilities or services	1 697	16 117	306	3 406	9 342	14 336	28.2
	Hong Kong (China)	Diversified	1 695	2 577	614	812	16 015	17 330	77.9
Philippines	Food and beverages	1 676	3 552	287	1 811	4 338	15 923	30.1	
Republic of Korea	Electronics and electrical equip.	..	17 213	..	16 640	..	42 154	16.3	
China	Steel and iron	1 610	6 990	830	4 270	1 548	212 027	14.4	
South Africa <sup>c</sup>	Diversified	1 574	2 624	1 734	3 769	..	27 804	43.9	
	equipment	..	4 483	..	2 921	..	19 719	28.1	

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ch is calculated as the average of three ratios: foreign assets to total assets, foreign sales to total sales and foreign employment to total employment.

d States Standard Industrial Classification which is used by the United States Securities and Exchange Commission (SEC).  
s a developing country.

ment were not made available for the purpose of this study. In case of non-availability, they are estimated using secondary sources of information or on the basis  
sales and foreign to total employment.