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Faculty of Economics

Impact and Performance of Transnational Corporations

Master Thesis

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Impact and Performance of Transnational Corporations

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- JAMES-ELUYODE, Jide, 2019. *Corporate Responsibility and Human Rights: Global Trends and Issues Concerning Indigenous People*. Maryland: Lexington Books. ISBN 978-1-4985-6664-3.
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Anotace

Cílem této diplomové práce je analyzovat vliv nadnárodních korporací na rozvojové země a měřit jejich výkonnost pomocí vybraných ukazatelů založených na databázi AMNE. Teoretická část práce popisuje definici nadnárodních korporací, jejich historické pozadí, růst a další faktory. Následující část studuje nejdůležitější aspekty nadnárodních korporací včetně přímých zahraničních investic a globální odpovědnosti. Nejrozsáhlejší část hloubkově analyzuje pozitivní a negativní dopady nadnárodních korporací. Praktická část měří operace nadnárodních korporací dle databáze AMNE, dále zkoumá trendy internacionalizace největších nadnárodních korporací a přímé zahraniční investice. Závěrečná část této diplomové práce obsahuje hodnocení.

Klíčová slova

Nadnárodní korporace, Internacionalizace, Dopady nadnárodních korporací, FDI, Databáze AMNE

Abstract

The aim of this master thesis is to analyse the impact of Transnational corporations on developing countries and measure their performance by selected indicators based on AMNE database. The theoretical part of the thesis describes the definition of transnational corporations, their historical background, growth and factors. The following section studies the most important effects of TNC including FDI and Global responsibility. The most extensive part deeply analyses the positive and negative impacts of transnational corporations. The practical section measure the the operations of TNC's by AMNE database, explore the Internationalization trends of the largest TNC's and shortly examine the foreign direct invesments. The final part of this master thesis contains the evaluation.

Keywords

Transnational Corporations, Internationalization, Impacts of Transnational Corporations, FDI, AMNE Database

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List of Abbreviations

AMNE	Activity of Multinational Enterprises
CO_2	Carbon Dioxide
CSR	Corporate Social Responsibility
ECB	European Central Bank
EMAS	Eco-Management and Audit Scheme
EU	European Union
EUROSTAT	European Statistical Office
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
GVCs	Global Value Chain
HDI	Human Development Index
ICT	Information and Communication Technologies
ILO	International Labour Organization
IMF	International Monetary Fund
ISO	International Organization for Standardization
MNE	Multinational Enterprise
OECD	Organization for Economic Cooperation and Development

R&D	Research and Development
SO-MNEs	State-Owned Multinational Enterprises
TNC	Transnational Corporation
TNI	Transnationality Index
U.S.	United States
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
USA	United States of America
WTO	World Health Organization

Introduction

In today's world of globalization and the constant emergence of new economic integrations, the importance of the borders of individual national economies is gradually declining. Transnational corporations have been playing a major role in the world economy for a long time and have become an integral part of international trade. The first transnational corporations were established in the 19th century, but their importance is growing mainly from the 70s and 80s of the 20th century. In the past, the study of transnational companies in international relations was a rather marginal issue, which is related to the dominance of realistic theory of international relations. Transnational corporations are economic entities whose main goal is to maximize profits.

Furthermore, as the main actors of international trade, they can also have a significant influence on the countries in which they operate. There is a lot of scientific work that deals with the impact of transnational corporations on host countries. Some countries regard transnational corporations as a great opportunity to achieve rapid economic development of the their economy, while others consider them harmful and highlight rather negative effects of TNC‘s actions.

Generally, it is not so easy to answer the question whether transnational corporations benefit or harm the host states. However, the effects of a transnational corporations on the host country can be estimated to some extent. Different problems and potential benefits of multinational companies can be expected in developing countries than in developed countries. This is due to the considerable diversity and internal diversity of these states. In addition, the activities and operations of transnational corporations and related problems are usually more difficult to regulate and to measure.

However, the goal of this thesis is to identify the impact of Transnational corporations on developing countries and to measure their performance by selected indicators from AMNE database. The task to fulfill the first part of the goal is to deeply and clearly summarize the TNC’s activities and operations mainly in developing countries, where the impacts are higher and where the positive as well as negative effects of these corporations are the most noticeable. The next main aim is to measure their inward (country of origin) and outward (location) performance by AMNE database.

The thesis is divided into several parts. The theoretical part of the thesis describes the definition of transnational corporations, their historical background, growth and factors. The following section studies the most important effects of TNC including global responsibility and foreign direct investment, which are very closely linked to these companies. The most extensive part deeply analyses the positive and negative impacts of transnational corporations on the labor market, employment and wages, balance of payments, competitive environment in the state and local business activity. The ability to disseminate and introduce new technologies and innovations and the consequences that these technology transfers can have and new opportunities of foreign trade is also mentioned. The theoretical part analyzes secondary data from available external sources. Specifically, both domestic and foreign professional literature and specialised articles on the issue are used to fulfill the first goal. The theoretical part serves as a basis for the practical part of the work.

In the practical part, the measurement of TNC‘s is characterized. Subsequently, this section measures the activity of TNC’s by AMNE database, explore the internationalization trends of the largest TNC’s and shortly examine the foreign direct invesments. The practical part analyzes secondary data from the online available AMNE database, which reflects data reported by OECD, Eurostat and National Statistical Offices. The AMNE statistics cover a full matrix of the output of foreign subsidiaries in almost 60 economies plus the related host countries, industries or dimension. The methods used for processing are comparison and analysis. Other data come from high quality and reliable sources such as UNCTAD, WB and ILO. The final part of this master thesis contains the evaluation.

1. Definition of Transnational Corporations

One of the most important actors in international relations are transnational corporations, shortly TNC's. The term comes originally from Latin „corporatio“. The number of TNC's are continuously growing and these corporations have been playing a major role in international environment since 1950s. TNC's are trading companies operating in more than one foreign country with hierarchically arranged headquarters at various location. The definitions of transnational corporation usually cover qualitative and also quantitative features. Regarding the qualitative definition, TNC's are recognized as organizations, which manage activities simultaneously in several states, set goals that are not achievable in one country and operate mostly in the economic field. The main goal of these organizations is to maximize profits. Maximization of the profit is possible due to the high geographical flexibility and adaptability of an organization. Transnational corporations often influence the foreign policy of state. Moreover, they are becoming significantly powerful and autonomous political players who set up independent relations with states and international organizations. From a negative point of view, in many cases, TNC's try to avoid tax liability in the place where their profits are primarily generated. Additionally, with an increasing capital mobility, they can move their production to another location. This situation can cause the national economy intractable problems such as rising unemployment or a widening budget deficit. Transnational corporations became especially in the second half of the 20th century a significant element of the international economic system and at present they contribute to a large extent to the total world production (Smolík, 2014).

The one characteristics that differs transnationals from other organizations doing international trade is direct production and generally direct business activities abroad. For the TNC's is common practise to set up affiliates in foreign countries and therefore acquire the ownership and control of their asset. The company is considered to be a transnational, if it operates simultaneously across more countries and if it is able to to handle business strategies across and above national frontiers which differs these organizations from other players in the economic environment (Ietto-Gillies, 2012).

Transnational corporations are considered to be the one of the most important driving forces of modern global economy. The Conference of United Nations Organization on Trade and

Development (UNCTAD) defines the transnational corporation as follows: "*Transnational corporations are legal entities or entities without legal personality consisting of parent companies and their foreign affiliates. The parent company is defined as an enterprise that controls assets of other entities in countries other than the mother country, usually by owning a capital stake. Foreign affiliate is a legal entity or entity without legal personality in which an investor as a resident in other economy holds a share that allows a long-term interest in managing of this company*" (UNCTAD, 2016). However, some authors disagree with this definition. For instance, Rugman (2006) sees definition of TNC's as companies, that produce and sell their products in more than one country and create added value. Affiliates of TNC's are set up in foreign countries with headquarter in original country that provides some kind of controlling. These corporations establish a stable relationship with their stakeholders such as suppliers, customers and cooperating partners. They can afford to invest a lot of money into research and development due to high amount of profit. Moreover, they have an influence on the technology choice globally since the creation of corporate networks (Zadražilová, 2007).

Researches show, that 4 % of total employment in developed countries and 12% of all employees in developing countries are directly employed by TNC's. Moreover, these corporations currently manage more than ½ of international trade (European Commission, 2016). In 2016, the number of parent TNCs increased to 60 000, with about 500 000 affilitates across the world. Most of the today's TNCs experienced massive expansion and some of them boast with the higher gross national product in comparison with most countries. Regarding the employees in the largest TNCs, the General Motors employed in 2015 708,000 workers, Siemens 486,000 and Ford Motor employment was estimated to 464,000 (Kordos, 2016).

To conclude, due to the internationalization and allocation of the capital, the TNC's has emerged. Transnational corporations lead and influence international production internationalization, international trade liberalization and overall world economy globalization. TNC's are driving forces of current international economics processes. However, they are causing the degradation of the role of national governments (Kordos, 2016).

1.1 Historical Background

Developing objective internal affairs processes of the international development sphere and centre resulted in the formation of transnational corporations. In the modern world, the establishement of the first transnational corporation took place at the end of the nineteenth century. The expansion of these organizations was recorded in the 50s-70s of the twentieth century. These corporations played a major role in economic sphere by transforming the markets of the world. The term „transnational corporation" is used since 1960 (Voitko, 2020).

The transnational company in the modern age has been emerging since the end of the second world war. However, researches show, that its distant predecessors existed much further in the past. Furthermore, direct business activities across borders have been realized for many centuries, even before the formation of nation-states. One of the company, which can be recognized as predecessor is Medici bank in Florence in fifteenth century. Moving on to the seventeenth and eighteenth century, other companies, such as the East India Company, the Royal African Company and the Hudson Bay Company were born. Hymer et al. consider companies established from the mid-nineteenth century and onwards as the real forerunners of the TNC's (Ietto-Gillies, 2012).

In some studies authors believe that forerunners of TNC's existed in the history of colonial expansion of the ancient Phoenicians and Romans and other ancient civilizations. Other researches argues, that birth of modern transnational corporations emerged in the Middle Ages and the Renaissance period, which is connected with the development of famous trading companies with British and Dutch origin. Industrial Revolution of the late 18th and early 19th century is considered as a great milestone, which brought especially more opportunities in production area. As a result, economic organizations have emerged, resembling modern enterprises (Jaworek, 2015).

In the 20th century, global conquest was possible for corporations from highly developed countries after the war and intensified in the 1960s and 1970s. Simustaneously, the theoretical concepts of TNC's were introduced due to the wider interest in explaining the base of these organization. First calculation of corporations was made by R. Vernon who identified 396 parent companies with 28,318 foreign affiliates. The United nations established in 1974 special program for international business activities. The main goal of this particular program was to control and monitor corporation's operations and the flow of foreign direct investment (FDI). United Nations introduced to the world in 70s the term "transnational corporation", which has become a widely used since then. Moving on to 1980s and 1990s, the massive growth in business operations and incresed amount of TNC‘s was recorded mainly due to the technology development, liberalization of trade and capital flows. Statistics says, that in 1982, the total value of FDI amount was 579 billion dollars, globally (UNCTAD, 2009). Eight years after, the total global value reached $1,786 billion. The number of corporations in 1990 climbed up to 30,000 and the number of TNC foreign affiliates was estimated to 150,000 (Jaworek, 2015).

1.2 Growth of TNC's and Their Factors

The study from Ietto-Gillies shows that the number of TNC‘s has been significantly growing since the mid-1970s. It is recorded, that in year 1968 the total amount of TNC's was 7276. (Ietto-Gillies, 2012). In year 2006, the number of TNC's rose to 78,000. In that time, huge companies such as General Motors, Walmart, Mitsubishi and Siemens were ones of the largest TNC's. Moreover, together, they contibuted to more than half of the world's industrial production (Smolík, 2014).

The birth and folowing growth of TNC's was influenced by many factors. The establishement of better conditions fot technology, production and management movement abroad can be considered as one of the main factors. In general, the technological, organizational, communication and transportation innovation within companies have contributed to the growth of TNCs (Ietto-Gillies, 2012). Additionally, what may really attracts company to become TNC's is the access to resources in foreign countries, implementation of different policies in different countries and ability to extend the life cycle of their technologies and products which can lead to improved level of efficiency and competitiveness (Voitko, 2020). Also, the companies were facilitated and encouraged to make investments in foreign countries in the last 40 years because many developed and developing countries started pursuing the liberalization and privatization (Ietto-Gillies, 2012).

2. The Most Important Effects of TNC Acting in Global Environment

There is no doubt that transnational corporations play a significant role in the world economy. In fact, almost three quarters of world trade is managed by transnational corporations. These corporations became the key contributors to globalization processes, including transnationalization processes, FDI movement, social and economic responsibility and global risks and limits (Kordos, 2016).

2.1 Foreign Direct Investment

There was recorded a very sharp growth of volume of foreign direct investment (FDI) in recent years. On the contrary, most forecasts had predicted reduction in their value. After several research, it was found that the main components of FDI consist of cross-border mergers and acquisitions rather than greenfield investments, which have so far focused during the theoretical explanation of FDI. With an increase in the volume of cross-border mergers and acquisitions, the interest of the economist in this category also increased (Ietto-Gillies, 2012).

Foreign direct investment is regarded as an investment, which provides the controlling and long term interest in the acquired company and which businesses utilize to acquire abroad assets. FDI is important component of formation of Transnational corporations (Ietto-Gillies, 2012).

Foreign direct investment is the movement of company's operations beyond the borders of national state. FDI provide control and mechanism of ownership of foreign production facilities and simustaneously, a number of opportunities to Transnational corporations to increase their foreign activities and therefore are considered as international nature process of TNC's. One of the major motive for managing foreign direct investment is the decision of chiefs of the company to maximize the objective function. This aim can be achieved only at the international level, consists of several steps and cover also planning, implementation and relization of various goals of production and other business activities. Additionaly, other motives for FDI include reduction of the competition, strength of the market position, use of more advanced technology and hi-tech production, in which investments were made (Voitko, 2020).

By the FDI, the businesses try to avoid the payment of taxes and fees within their state of origin. Another way how to pay less is to transfer the production to a different country with not so strict regulatory framework and reduced tax rate. The environment of transnational corporations is changing very quickly and therefore it might happen that businesses have to handle some problematic situations which never occur to them before they became international (Voitko, 2020).

In this modern world, TNC's have become economic giants mainly because of foreign investments. The main goal of their strategy is the growth of earnings of the whole business, which contain several parts of global organization. Some research say that TNC's manage and operate as an internationally integrated business. As a part of the strategy, these corporations try to obtain cheap sources such as material, technology or labor from different countries in order to be flexible and efficient (Kordos, 2016).

Sometimes happens, that one TNC can be the only player on the market, which leads to a monopoly. Moreover, the country, in which this corporation operates, rely on their production and follow their business strategy. Unfortunately, the countries are not able to regulate their power, either economical or political. However, the host countries should implement into the legislation some boundaries to regulate the economic or political power. Some consequences of huge investments of foreign businesses are reflected mostly on small economies, for example the outflow of profits etc. (Kordos, 2016).

Trasnational corporation's approach is not always in accordance with the policy of national countries, either in economic or social way. Some national countries and their government have started to monitor and control the FDIs, since the impact of foreign direct investment on national economies is emerging. The government mostly regulate the foreign flows of capital and investment with several different ways. The flows from abroad are classificated into different categories, from the unobstructed inflow to very restricted and protectionist categories (Kordos, 2016).

2.2 TNC’s in Terms of Global Responsibility

There is recently a high pressure on all companies and especially on transnational corporations operating in international environment to behave more responsibly, in global. Concrete components cover for instance environment, human health, corporate social responsibility, and regulation of different interests (Kordos, 2016).

Long-lasting studies discover that, it is not true that corporations have to choose between the higher profits or protection of environment. Theoretically, corporations can behave responsibly to environment and simustaneously provide the best quality products and services. Research from Snaar (2002) says that waste is considered as one of the factor of unnecessary costs and inflexible management (Kordos, 2016).

Unfortunately, most countries and their governments do not put much priority of environmental issues protection. This fact benefit to TNC’c, because not so developed countries have poor legislation of this issues. In general, natural characteristics of TNC’s do not fulfil consumer’s requirements for responsible behavior. However, modern approach for running successful business does not require only high profit, but also other components just related with corporate responsibility (Kordos, 2016).

European Union helps the nation states and transnational corporations promotes mutual communication and cooperation between each other and states the terms of CSR, such as business ethics, rejection of corruption, good behavior to its employees, customers, suppliers and investors (Lipkova, 2012).

Meeting corporate social responsibility can be done by the creation of the goodwill, tradition, sustainable growth and development. The fact is, that people do not have the same interest and priorities and so, national interests and the interests of TNCs differ in some ways. On the other hand, politics and transnational corporations are becoming more and more connected. Most of the interests of powerful politicians are identical with the interests of leaders of TNC’s. As a consequence, some rules and guidelines were acquired. Concerning these regulations, activities of TNC’s can not encroach the government affairs. Other regulations are related to investing (Kordos, 2016).

Due to the inconsistent interpretation of CSR, there are currently many standards governing this type of behavior. The most frequently followed ones are: UN Global Compact, ILO convention, ISO 14000, EMAS, ISO 26000, Global Sullivan Principles, OECD Guidelines for Multinational Enterprises and GRI Guidelines. The main reason for implementing standards is to gain a competitive advantage. Moreover, if company implements these standards in a correct way, it can be benefitious by increased credibility, productivity or image (Kunz, 2013).

UN Global Compact cover all 3 pillars of CSR- economic, social and environmental. This global standard was established with stakeholder consultation and is suitable for companies of all sizes and from all industries. The DNA of the UN Global Compact is based on Human rights, Labour, Environment and Anti-corruption (United Nations Global Compact, 2021).

The OECD Guidelines for Multinational Enterprises are the oldest, most comprehensive and important tool in the field of corporate social responsibility, which were signed by 46 states. The OECD Guidelines for Multinational Enterprises were established in 1976 in order to help multinationals and society to work more closely and responsibly within each other and to prevent and mitigate the negative effects of the multinationals on society. They are significant part of the OECD Declaration on International Investment and Multinational Enterprises. Following the rules and compliance with the recommendations is voluntary. The chapter of human rights was implemented into this guideline in year 2011. The OECD Guidelines for Multinational Enterprises are in line with other CSR standards such as the UN Global Compact and ISO 26000. The guidelines have several cha pters and each of them is specialized in another topic. The topics are namely: access to information, human rights, employment and industrial relations, the environment, the fight against bribery and extortion, consumer interests, science and technological innovation, competition and taxation (mpo.cz, 2016).

In 1972, some regulations of making foreign investments were defined by International Chamber of Commerce in the very first Code of Conduct. This Conduct states rules which should improve cooperation between the TNC's and nations. Moreover, it should force these corporations to make more commitment to national goals in host countries (OECD, 2011). The guidelines are defined not only for corporations, but also for the nation states. The rules for transnational corporations include for example respecting the host country law and national sovereignty, disputing settlements between TNC's and the nation states or non-interference in domestic political affairs (United Nations Global Compact, 2021).

Host countries should not favor certain domestic companies over the TNC's. Nation states should compensate corporations in case of nationalization of some business processes and to facilitate funds transfers of mentioned corporations (OECD, 2011).

Recent decades show the major change in how corporations manage their business and how the whole society perceive them. Transnational corporations comply not only with their aim of maximizing profits, which was always the main reason, but also with the idea of maintaining sustainable profits in socially responsible way. CSR is sometimes seen as a need to balance the corporation's objectives and societal demand for socially responsible corporate behavior. Globally, there is still on-going question whether governments and corporations should cooperate with each other on the the social and economic well-being of the community. Originally, government and corporations have operated independently within the society. However, their roles and responsibilities have changed during the past years. Additionaly, these two entities are forced to making compromises, since many corporations have gained more power than some national governments. There is no doubt, that transnational corporations influence significantly the global economy and there is a huge probability that there can be serious consequences by their action on global events. These entities can have serious impact on developing countries, which have in general lack of regulatory standards against corporations, because they are compelled to set lax regulations or minimal statutory burdens as an incentive to attract foreign direct investments (James-Eulyode, 2020).

3. Impacts of Transnational Corporations on Developing Countries

The activities of transnational corporations have a certain effect on the economic prosperity of the host economies in which they operate. There is much discussion about whether the effects are negative or positive. Although there are many empirical studies on the economic consequences of foreign direct investment and the behavior of transnational corporations, there is no objectively accepted answer to these questions. The outcome of these corporations depends on many factors, such as the country's cultural identity, the state's policy, the maturity of the host economy, state and industrial characteristics, the specific characteristics of the corporation and the type of foreign direct investment. It also depends on the timing within which the impacts are estimated. The long-term effects of the activities of corporations will certainly be significantly different from the short-term ones. In general, however, transnational companies are indeed a great opportunity to involve developing countries in the world economy (Hinková, 2009).

Transnational corporations are causing considerable controversy. They are regarded as a success of economic liberalism. They contribute to society by the ability to disseminate new technologies and the efficient use of natural resources. However, others consider them an instrument of capitalist dominance (Oatley 2012).

3.1 Positive Impacts of TNC's

Transnational corporations support peaceful relations between states in an effort to increase their profits. They tear down barriers between states, accelerate the globalization of the international economy and help shape the rules of its management. As a result of the activities of transnational corporations, the volume of world trade is growing. These corporations help raise investment capital, which can be the basis for a boom in host countries, but they also stimulate research and development in general. They finance international loans and services, reduce the price of goods by increasing their production according to the principle of comparative advantage, promote the principles of free trade and help remove obstacles such as customs. By paying taxes in the host country, they increase revenue to the state budget. They increase the employment and qualification level of the workforce. Goods produced by the host country are provided by markets, market experience and mass advertising. They increase profits and wealth (Smolík, 2014).

Transnational corporations contribute significantly to the expansion of international investment. These investments are the driving force to economic globalism. Corporations bring more opportunities in employment sector and enable human potential development. Moreover, these corporations allow efficient capital distribution, growth of advanced technology and transfer of knowledge and skills. All these points mentioned above are beneficial not only for home countries, but also for the host ones, when taking into account the economic development (mneguidelines.oecd, 2018).

3.1.1 Impacts on the Labor Market, Employment and Wages

The positive of transnational corporations is clearly their ability to create new jobs, thus helping to reduce unemployment. In addition, domestic companies are pushing for greater productivity and competitiveness and at the same time, it has a strong influence on the policy of the host state. The functioning of corporations is to some extent limited by regulations, rules and quotas, on the other hand corporations have such strength that they are able, for example, through lobbying negotiate more favorable terms. Transnational corporations are in this regard stronger precisely in developing countries, where they hold the position of the one who brings in countries' progress, jobs and capital. Developing countries are therefore encouraged by these corporations (BBC, 2022, WorldBank, 2015).

Globally, the labor is influenced by various effects such as increased trade, FDI, and international technology transfer. Foreign direct invesment bring the opportunity to raise the employment rate amongst domestic companies. The higher number of employed workers as a result of backward or forward linkages can differ in comparison to the direct employment and foreign affiliates may underestimate the total impact (Osano and Koine, 2016).

Almost all activities operated by transnational corporations or their affiliates influence the level of growth, stability, quality and remuneration of the workforce. New work practices, marketing strategies and new system technologies can not be realized without skilled workforce. Regarding that, success of transnational corporations also depends on the willingness and ability of people to work together. In general, it is hard to find skilled and qualified workers in this modern world. The countries with quality workforce are therefore attracting corporations, which focus on production with higher added value. The lack of job positions is a common problem in developing countries, where their economic performance is rather low with large number of unskilled labor. The entry of a such corporation into the developing economy can bring new job opportunities for the inhabitants of the state. It can lead to further positive social effects (Hinková, 2009).

Considering this modern labour markets, corporations are willing to pay higher average wages in different cases, for instance when they hire more expertised and higher educated people. Another example is compensation of employees for undesirable differences in the job description, such as lower job security. Sometimes, the market failures can occur and cause the process when corporations are motivated to offer higher salary and better working conditions than local companies. As a result, these trasnational giants can afford to pay, so-called, efficiency wages. The typical case is when these giants offer higher salaries than local company in order to lower employee turnover. Higher wages can be applied when motivating the employees, as there is a good chance to higher monitoring costs related to informational problems. Additionally, there might be for example institutional factors that can indirectly force transnational corporations to go beyond domestic labour practices. Some developing countries, for instance, lack the rule of law, so the the economic giants might follow national labour laws due to the concerns and pressure in their home markets (OECD-ILO Conference on Corporate Social Responsibility, 2008).

Positive impacts of transnational corporations on employment can be divided into two sections, namely direct and indirect impacts. Direct effects on employment cover total number of people employed under subsidiaries of the TNC's. It is estimated, that these corporations operating all around the world employ 3-4% of the world's workforce. Indirect effects on employment, which include all types of employment indirectly created in the local state by a TNC subsidiary, are often more important. For instance, indirect employment can be caused by local state as a result of increased staff costs and shareholders of the TNC subsidiary, generated among other local enterprises as a result of competition with a TNC subsidiary or created by the subsidiary TNC among its own local suppliers and customers. The intensity of these impacts is related to the participatory or operational nature of the TNC's action. Many corporations operating in developing countries invest their assets in export-oriented industries, where large-scale production is expected, so the corporation can employ numbers of workers available directly in developing countries (Hinková, 2009).

Apart from higher wage levels and their growth rate, transnational corporations can offer to developing countries support when qualifying and training the workforce (Chocholová, 2008). Many corporations enable their employees to take part in an exchange programs within their foreign affiliates to gain more education from experienced managers. As a result, relatively costless and easy transfer of managerial know-how is assured (Smrčková, 2008).

The results from the research conducted in Mexico, the USA and Venezuela reveal the fact, that average worker's remuneration in foreign subsidiaries are about 30 % higher than in local firms. Another example from Indonesia show that remuneration varies depending on the position and type of work. Concerning the detailed data on hierarchy of workers and their educational attainment, earnings for employees working in production department in foreign subsidiaries are 12 % higher in comparison to local firms. Salaries are also higher up to 20 % in non-production sector (OECD-ILO Conference on Corporate Social Responsibility, 2008).

The variability of the structure of the workforce can be studied by changes in company‘s ownership due to cross-border takeovers. In most of the times, the results from the studies report that structure of the workforce is not impacted by cross-border takeovers. This statement does not apply to greenfield investment, where the impacts might be different. The analysis of cross-border mergers and acqusition reveal that transnational corporations bring higher number of jobs and their qualities particularly in developing countries (OECD-ILO Conference on Corporate Social Responsibility, 2008).

The good example of that is the research from Girma and Görg (2007) for the UK. The finding showed that foreign takeovers of local companies just slightly influence the increase of salaries. On the other hand, the study for Indonesia from Lipsey and Sjöholm (2006) report that foreign takeovers increase salaries for employees working in production by 17% and nonproduction employees even by 33% (OECD-ILO Conference on Corporate Social Responsibility, 2008).

The direct impact of FDI on non-wage working conditions is not so much researched. However, some studies tried to characterise employment conditions in TNC‘s and define their elements. The interpretation of employment conditions varies across the researches. The findings have shown that TNC’s have a relatively low tendency to export labour practices to their foreign subsidiaries and rather try to adjust labour practices to local ones. Unfortunately, there is not much data on the propensity of TNC s to export labour practices to developing countries. The fact is, that enforcement of labour provisions and trade unions are not so strong in developing countries. Regarding that, the character of institutional constraints for the foreign subsidiaries of these corporations have shortened when implementing the identical labour practices used in OECD countries. Additionally, the labour practices in developing countries might not be allowed by the consumers and investors in developed countries. This may force the TNC’s to export their human-resource practices to foreign countries (OECD-ILO Conference on Corporate Social Responsibility, 2008).

Concerning the mobility of the workers, the wage increases when worker move from local company to the foreign one, which can offer higher salary in comparison to local companies with similar jobs. Additionally, workers who move from local company to the foreign one are entitled to a higher wage premia in comparison to workers who became the part of foreign company thanks to the takeovers. The wage implications of foreign ownership vary considerably from country to country. For instance, they differ from 6% in the United Kingdom to 14% in Portugal and 21% in Brazil. This is in accordance with empirical literature that foreign wage premia are lower in developed countries compared to developing countries (OECD-ILO Conference on Corporate Social Responsibility, 2008).

There is no doubt that multinationals bring jobs to host countries. But there is a question, whether these jobs are good. The perspective differs from worker to country. From a worker’s point of view, a good job means higher earnings and it is accompanied with higher satisfaction. On the other hand, the country sees good jobs as more productive ones and with the potential to be more efficient trough the time. Javorcik (2015) have analysed in her study the creation of jobs as a result of FDI inflows and have tried to answer the question whether these created jobs can be regarded good (Javorcik, 2015).

Workers consider jobs created by foreign affiliates good, because, simply, they can earn more money. As a prove, the data from from Hungary and Brazil shows that wages are approximately around 5 % higher in foreign affiliates in comparison to what the domestic companies offer. According to Egger and Kreickemeier (2013), foreign affiliates can afford pay higher wages since they operate on higher productivity and therefore earn higher profits. Also, foreign affiliates reward workers more because their mother company has higher earning in global. Positions in a foreign affiliate may be more attractive for the employee since many corporations offer various opportunities for training programs or personal and even professional development. For example, research from (Filer et al. 1995) reveal the fact that foreign-owned companies in the Czech Republic invest 5 times more in human resources development including hiring and training when compared to domestic companies. Additionally, other evidence show that foreign affiliates tend to have a more meritocratic culture. This culture attracts particularly female employees, for instannce in more traditional societies such as Japan. Regarding the host country's perspective, job creation as a result of foreign direct investment is considered as productive, with the potential to be more efficient trough the time and with the potential to increase expertise within the economic sector. From what was analysed, jobs created through FDI inflows are good and brings benefits both to the workers and to the country (Javorcik, 2015).

3.1.2 Technology Diffusion and Knowledge Transfer

Technology is considered as a key factor for productivity. The fact is that just few rich countries contribute to invention of the world's new technologies. As a consequence, the importance of technology trasfer through the whole world is nowadays more recognised. The influx of new technologies can boost domestic productivity growth and increase living standards (Osano and Koine, 2016).

Transnational corporations are known for creation of knowledge, which is transmitted through their all foreign affiliates. Research say, that almost 50 % of the world's total R&D expenditure is operated nad managed by these corporations. Moreover, they have control over 70 % of the world's business R&D (Arnold and Javorcik, 2015).

Beyond the transfer of knowledge and technology, the foreign companies at the same time bring with them managerial skills and experience. This experience often lacking in developing countries, so this allows local managers to improve in their abilities. On the other hand, technology transfer is in fact limited. Companies often keep their know-how in top management positions. Corporations employ rather their own professionals than local workers (Krpec - Hodulák, 2011).

As was mentioned earlier, the important part of doing business is knowledge. The existence of knowledge spillovers is proven, when trading internationally. Knowledge spillover is defined as a process, where knowledge created by corporations is applied by the domestic company, without fully compensating the corporation. Domestic companies can acquire knowledge about new production systems, new usage of technologies or about different types of marketing strategies in foreign markets. Other areas of gained knowledge can cover for example movement of labor or the transfer of knowledge from affiliates located abroad to their suppliers (Javorcik, 2015).

Knowledge spillovers can occur in different types. First type of spillover arises when a local company observes companies from abroad and copy some technology in order to improve their system of productivity. The other type of spillover happens when foreign and domestic companies compete with each other. The influx of foreign direct investment may strenghen the competition faced by local companies and directly force them to act more competitively (UNCTAD, 2008).

The technological and managerial know-how which is moving through the foreign subsidiaries of TNC's lead not only to direct, but also to indirect benefits. Indirect benefits are distinguished by improving the productivity of local companies due to the productivity spillovers, which have overal positive effects and externalities to the host country. Additionally, some policies treat foreign investment more favourably than investment by local companies (OECD-ILO Conference on Corporate Social Responsibility, 2008).

Regarding the innovative activities, transnational corporations account for a large fraction of total research and development expenditures. Some theories of the transnational corporations suggest that integrated cross-border activities are best able to exploit sources of value in intangible assets. When a company come out with an innovative product or process, managers try to implement these innovations firstly within the company. There is possibility of licensing the intangible asset to another party, but it is not so profitable and the danger of unwelcome competition or imitation can occur. In response to what was mentioned above, these points are strong reasons for innovative companies to start international operations. Companies operating in international environment have the strongest incentives to produce internationally profitable innovations. Transnational corporations are highly active researches, due to the fact that they have mostly the financial resources for the realization of new innovations. Particular features of the international research landscape have changed, since transnational corporations manage the majority portion of their research and development outside their home countries (Global Goliath, 2021).

In general, one of the strongest competitive advantages of companies are new innovations and technologies including all forms of physical assets, knowledge and abilities that enable efficient organization of production of goods and services. Technologies can be defined an output of technological and organizational capabilities that set the ways transformation of tangible and intangible resources into an intermediate product and further to the final product or service. The creation and implementation of new technologies and innovations is crucial for the economic success of all companies. The costs related with adaptation of new technologies abroad have become a big problem in past few years. The amount of these costs depends on various factors such as the type of production, specific characteristics and also on foreign investors. However, product adaptation can vary in each state due to the different stage of the country's economic development (Hinková, 2009).

The most expensive process for the transnational corporations will be investing into the new market in developing countries at an early stage of economic development. The costs to gain new market in developing country will cover for example use of poor quality, underdeveloped and poorly modernized infrastructure for transfer technology and also the existence of a very small percentage of skilled labor that could handle the advanced technology. Transnational corporations support the emergence of new technologies and innovations and therefore invest considerable high amounts in research and development. For instance, they can afford to set up new laboratories that are very costly due to their large financial resources (Najmanová, 2009).

In developing countries, most local businesses fail the production due to lack of capital and necessary know-how. TNC's can bring to such countries the needed technology and innovation in order to develop their economies and strengthen their internal competitiveness environment. Moreover, they can produce new innovative products and introduce new manufacturing methods, which can reflect to behaving more environmentally friendly or strengthening their competitive position in international markets. Such transfers of innovation and technology often represent the only possible way for developing countries to obtain modern technology (Hinková, 2009).

Recently, the World Bank study have reported the growing adoption of industrial automation, data exchange, robotics and more. The so-called Industry 4.0. is improving the manufacturing processes and altering the world of work (Hallward-Driemeier and Nayyar, 2017).

Rodrik (2018) suggests that global value chains can help bring advanced technologies into the production system in developing countries. Some policy makers in developing countries are concerned about the consequences of Industry 4.0, especially on manufacturing jobs, and on the well-being of their citizens in general. The innovation process is not always easy, but it can bring several opportunities for developing countries, such as participation and its benefits in the global value chain. The use of new technologies, especially digital ones, can reduce production input costs, reduce transport costs or improve the production process to produce better quality goods, increase productivity and contribute to the development and speed of technology diffusion (Nayyar, 2017, Claire H. Hollweg (World Bank Group), 2019).

3.1.3 Impacts on the Balance of Payments

The governments of most countries around the world are trying to monitor their external position in the market in order to ensure the success of country's foreign economic operations and global social goals. The balance of payments consists of outgoing and incoming investments, imports and exports of goods and services, as well as donations and transfers of funds that take place between a particular state and its foreign partners. Theoretically, the balance of payments of the countries should not have high fluctuations between the export and import. However, this condition is not commonly applied in praxis because there exist countries with higher exports and, on the other hand, also countries with higher imports. Transnational corporations currently affect more than 50% of all balance of payments transactions. The balance of payments of developing countries is improving by the inflow of foreign direct investment brought about by the operations of TNC's, and simoustaneously by the massive exports of goods and services produced by these corporations. Other positive effects on the balance of payments include efforts of transnational corporations to reduce existing imports of goods and services in order to increase the involvement of local companies in production process which may lead to the substitution of imported products by domestic goods (Hinková, 2009).

3.1.4 Impacts on the Competitive Environment in the State

In general, the most recognized impacts of the activities of transnational corporations cover the effects on the competitive environment in the state and on the performance of rival domestic companies. The effects of TNC's on individual sectors depend primarily on existing characteristics of the sectors, including the number and size of companies forming the sector in which the TNC operates, the composition of their production, distribution and the nature of the market, innovative possibilities and capabilities of local companies, the existence of potential economic performance of companies, ability and willingness to do business and future market prospects, the ability or inability of companies to create surpluses or the degree of protection of the sector from foreign competition. The impacts also depend on the nature and extent of foreign competitive advantages of companies. TNC input is likely to stimulate the innovation capacity of all actors and to encourage the whole market. Important, however is that local companies are willing and able to do business, take risks and adapt quickly in a new environment. How the TNC will affect the competition in the host economy environment also depends on the purpose for which the foreign company is coming; whether to create dynamic competition or to become a monopoly there (Hinková, 2009).

3.1.5 Impacts on Local Business Activity

Transnational corporations are suppliers of better or new products, cross-border disseminators of information, knowledge, ideas and pioneers of new jobs practices. Furthermore, as stimulators of competition and entrepreneurship, they can help increase economic prosperity of domestic producers, and thus achieve greater economic development of the country. The degree of interconnection between domestic companies and the TNC is influenced by several aspects. These main aspects include in particular characteristics of the host economy (whether local companies are able to contribute to the TNC), the duration of the TNC in the host economy (the longer the TNC operates in the economy, the greater chances of cooperation with local companies and vice versa), but also TNC strategies (whether TNC produces for export or for the local market) (Blažek, 2008).

The amount of subcontracting that corporations will need from local suppliers, depends mainly on the range of goods that the TNC will produce, but also on the quantity of each product produced and on the extent of internalisation of production foreign companies. The more internationalization of production, the less interconnectedness will be with local businesses and conversely. The probability of the emergence of subcontracting and supply links and networks will certainly increase with the arrival of the TNC in developing countries. The big advantage of domestic companies is excellent knowledge of the local environment, which is one of the reasons why the links and networks between these and foreign companies often arise. Newly arrived foreign company these local businesses need for their adaptation and orientation in the new environment and at the same time local companies need a transnational company for its ownership of so much valuable know-how, technologies and innovations, knowledge and experience that local companies are not capable of create. When these interconnected ties emerge within a developing country and networks, it is an important step towards further economic development of the state. Local businesses will be able to increase employment within their companies due to the new orders and contracts from the TNC. The higher amount of incoming state taxes and overall economic growth will attract more investors to the country. Greater competition in the market will increase the supply of goods and services at more acceptable prices, which will increase the overall consumption of the citizens and this will lead to further economic growthof the country (Hinková, 2009).

3.1.6 New Opportunities and Foreign Trade

By multinational presence of corporations, the host country can better engage in global trade and new export opportunities. These corporations need a network of suppliers and subcontractors to manage their business activities, which local domestic businesses can become. This is often the case for such home companies means a unique opportunity to engage in international trade. For instance, without the presence of a large corporation, the home companies would not have such a goal at all to achieve (Oatley, 2012).

Another positive impact is that corporations can indirectly lead indigenous companies to higher performance. A good example of this statement is the entry of foreign affiliates into downstream sectors which causes increased demand for inputs. As a consequence, this can force indigenous companies to invest more, particularly in moving the production to higher level, choosing more suitable and cost-saving technologies or raising the manufacturing capacity and therefore promote a better performance, as was mentioned before. The expansion of transnational corporation to another country may also change the market structure. In reaction to that, increased level of competition can occur (Javorcik, 2015).

The expansion of trade and relatively not hard access to export markets FDI may establish a market for domestic companies which can be situated not only in the same industry but also in different one. The company's profitability is impacted by several variables including the amount of investment. The location of foreign investments is not evenly distributed between companies. Regarding that, there is an option to create company-specific weighted averages of foreign GDP growth, which can state the anticipated growth rates of foreign operations that are further implemented to unterpret the differences in local operations. Local activities are influenced by foreign ones in several ways. For instance, if the process of foreign production needs inputs of tangible or intellectual property made in the home country. The results from the instruments for measuring the differencies in foreign investment do not have to be always adequate. The typical case is when the foreign investments of companies planning significant increase of domestic investment are disproportionately attracted to economies expected to grow rapidly (Osano and Koine, 2016).

3.2 Negative Impacts of TNC's

Some theorists and politicians consider the activities of transnational corporations in developing countries as negative. They say that these corporations threaten the sovereignty and autonomy of the nation state and support and justify repressive regimes in the name of stability and order. It makes third world countries dependent on technology, capital and first world knowledge. They dictate the character of the economic orientation of the country and the form of its development, destroy local culture and national peculiarities, homogenizing world culture at the level on western consumer orientation, create non-colonial ties, bring cultural pollution and consumption patterns through advertising. Some theorists also suggest that these corporations limit worker's wages, increase profits and capital in the host country, but export it to the home country and destroy some local business. The increased wealth of domestic elites working with transnational corporations deepen the poverty of others. Transnational corporations are helping to grow the oligopolistic structure of the world economy at the expense of competition and free enterprise, limit the availability of commodities by monopolizing their production and controlling their distribution, create debtors and make poor countries dependent on loans (Smolík, 2014).

Transnational corporations can have negative influence in particular countries. For instance, developing countries that are rich of raw materials, often reduce the environmental demands on companies. This is the way how developing countries try to attract foreign capital. But the fact is, that the profits often end up at the headquarters of corporations (in the developed countries). The host country does not profit from the presence of the corporation in comparison to as if it was controlled from their side (Oatley, 2012).

The economic giants often exploit low costs and less strict requirements in developing countries. The evidence point out for example on environmental protection requirements, where developing countries have only minimum legislation. At the same time, they often own a high amount of stocks of raw materials. The corporations are more than aware of that and continue to exploiting the natural resources in order to reduce potential competition (Mezřický, 2003).

Furthermore, the reluctance of corporations to pay adequate salaries in developing countries is a serious economic problem. Much discussed topic is job creation itself and reducing unemployment, which is debatable, because corporations often move production lines to countries with the cheapest work. The reduction in unemployment is therefore only a short-term trend in current country (Kuldová, 2010).

Regarding the arguments above, transnational corporations do not act responsibly to the territory, where they operate. The corporation has a tendency to move the production from one country to another when the country of origin is no longer advantageous. This phenomenon is called delocalization, which can be defined as the moment when more advantageous location for the corporation appears and business is relocated (Pitthart, 2011).

One phenomenom of transnational corporations is the outsourcing of their production to the third parties. The corporation can therefore fully focus on marketing activities, which are quite expensive. Concerning that, there is a pressure on external companies to reduce the production costs as much as they can. Production is often moved to the so-called export processing zones, mainly in developing countries, particularly in countries with lower taxes or no taxes at all. The existence of export processing zones is pushing companies to constantly reduce production costs. For economically weaker states is very important to attract the investors so the fear of losing these investors is the reason why states often tolerate inadequate conditions provided by corporations and permit corporations various tax breaks and tax holidays. Countries believe that the creation of these zones will have positive effects on the state and their citizens. They rely on the creation of new jobs in order to support the development and economic stimulus and allow employees to have higher standard of living. However, the reality of these statement can differ from country to country (Klein, 2005).

3.2.1 Technology Diffusion and Knowledge Transfer

Not every transfer of new technologies done by corporations has a positive impact on the host country. Many foreign investors are attracted by the inadequate legislation, poor control and regulation system in developing countries. Transnational corporations transfer these outdated technologies, which they can no longer use in a developed country due to the legal restrictions. These technologies may be very effective and practical, but their impact on the environment is very negative, even drastic. The giant corporations are exploiting unused natural resources of developing countries and destroying their still untouched environment. However, these technologies are commonly used in production process all around the world for making standard goods with low added value. Unfortunately, this is not a way how the economy of developing country can grow or develop. However, even there are some regulations and standards, particularly ecological ones, in a developing country, it does not mean that trasnational corporation will respect them. A good example of that is natural gas corporation operating in Indonesia, which disobey the Indonesian environmental law regulations in May 2006 by making a drill hole to obtain natural gas, which was previously researched by scientists and regarded as dangerous action. Eventually, mud began to seep into the drill hole, which subsequently flooded 8 villages (Bonner and Suhartono, 2006).

The advanced technology and Industry 4.0 included, can bring some negative effects for developing countries, particularly in labor markets. The new technologies closely related to Industry 4.0 may cause the labor-saving. Regarding that, there is a global concern that robotics will replace lowskilled workers with manufacturing jobs in developing countries. The good example of what was mentioned above is the fact that the company FoxConn in year 2016 replaced 60,000 Chinese employees with industrial robots (Wakefield, 2016).

However, nobody knows how much will technological progress influence jobs and skills in developing countries. This question was researched by Bertulfo, Gentile, and de Vries (2019), the study is concentrated on the impact of the acceleration of technological development within global value chain jobs in 12 developing countries in Asia between years 2005 and 2015 using regional input output tables and labor force survey data. (Timmer et al. 2014; Meng, Peters, and Wang, 2015). The jobs were further sort out by factors such as skill type and business activity. The total change in employment in each economy can be caused by several factors (ADB, 2018). The findings have shown, that with the increased demand for services and reduced demand for products, the employment would increase in service sector and decrease in production line. Efficiency improvement within economies of the states has no positive impact on employment levels. For instance, job positions within global value chain would have been reduced by 20 percent, but all the other positions will remain without any change in developing Asia (WTO, 2019).

The automation is a big progress in technology sector, on the other hand, as was said earlier, it can have negative effects on jobs particularly in assembly lines. The research by Chang et al. from 2016 discover that more than 80 % of Cambodian and Vietnamese workers in production lines might be dismissed due to the new automation processes. As the save ground can be regarded textile, garments and footwear industry, which do not face that much automation and therefore require the human labor (WTO, 2019).

Despite the continuous development of technology in production line and its negative impact on employment, this situation has been partly improved by rising consumer demand. Although the process of automation will lower the amount of traditional positions in production, new positions in service sector will arise within the chain. With the arrival of the new jobs, the staff requirements will increase. The skills needed for these jobs will cover knowledge from IT sector, particularly about software programs and other computer skills (Frederick, 2018).

The development of the technology can increase the unemployment rate. The higher unemployment can be caused by replacement of the higher amount of low-skilled workers with fewer high-skilled employees or by the replacement of the capital for labor. Therefore, there is a great possibility that technology policies affect the degree of job creation. The local companies gain technology from FDI, which significantly improve the productivity of the companies. However, the productivity of the local companies can also decrease due to the high competition caused by inward FDI. This can happen if imperfectly competitive companies have to incur fixed costs of production and the corporation with lower marginal costs will have an incentive to rise the production relative to its local competitor. In this modern world, the entry of transnational corporations whose production is also consumed by the local market, can lead to reduction of the local production (Osano and Koine, 2016).

Furthermore, sometimes it can happen that investments related to the transfer of new technologies flow just to a certain sector of the state. This is benefitial to this certain sector, where the great development can be realized, but not to the other sectors, where old production technologies is still used, which will not lead to the growth of the overalll economy at all. This conflict between modern and traditional practices means that the host economy is unable to adapt, which in turn makes it impossible to reap the benefits of the existence of transnational corporations (Chocholová, 2008).

As mentioned before, the transffering costs of new technologies and innovations play a very important role. Even the highest-skilled employees may not be able to properly use new technologies in order to improve production in a foreign affiliate located in a developing country. This means that costs of the parent company will increase, because there will be a need to invest a lot of money on retraining employees in its foreign branches. Due to the inability of the branch to innovate and develop its existing products, there will be an overall decline in the competitiveness of these products on the international market, which may result in its complete liquidation by the parent company (Hinková, 2009).

3.2.2 Impacts on the Labor Market, Employment and Wages

Many people claim that TNC's come into developing countries to obtain cheap labor. This statement proves the recent case from Indonesia which have shown that companies, especially from textile industry have exploited the human labor. Workers were forced to live under unfavorable living conditions and illegal wages (UNCTAD, 2006). These big corporations do not provide good working conditions and better wages than in alternative employment, and they do not often recognize the worker 's rights (Drusilla, Alan, & Robert, 2002). Another thing which is commonly criticised is that TNC's make only a slight contribution to employment. Additionally, they successfully compete with local businesses by acquiring existing companies and using expatriate workers and managers (Shameema Ferdausy, 2009).

The height of the wages that will be paid to employees working for the TNC can influence the tactics with which the corporation came to a developing country. In general, it can be said that if a corporation comes up with the intention of gaining new know-how, the wages of employees will be high. However, this case will be truly unique within developing countries, because developing countries lack their own know-how. If the TNC tries to penetrate a new market that seems to be promising, employee wages will not be low, but they will certainly be lower than in the first case. Such TNC's are established mainly in the tertiary sector within the financial and consulting sector. The lowest wages, however, threatens the employees of those foreign companies that have penetrated the host country's market with the intention of reducing the total production costs. It is quite realistic assuming that their savings will also affect workers' wages. These companies are created most of the times in the secondary sector, which is precisely the sector that is currently developing in developing countries, records the largest growth, and therefore it is very likely that foreign investors will invest in this sector (Blažek, 2008).

A common problem of governments in developing countries is sometimes an exaggerated effort to attract foreign investors by offering cheap labor without being aware of the possible consequences. The economic giants then accept this offer and create poor working conditions for employees. This phenomenon is known as Sweatshop and includes all forms of exploitation of employees from forced unpaid overtime, extremely low wages, violations of labor standards, to intimidation, punishment or even child labor. These practices are often applied by large companies, especially those, who operate in clothing sector (Najmanová, 2009).

In addition to creating new jobs, a big corporation can in developing countries also contribute to a significant reduction in employment. Many foreign companies often employ a large percentage of workers and their sudden loss of employment can endanger the whole state economically and socially. Foreign investors are sometimes forced to close their branches or at least limit production in them. These situations can occur, for example, due to low manufacturing productivity in the branch, internal problems within the branch (poor quality of work, frequent strikes by employees, but also violations standards by the TNC) or due to a shift in production according to the life cycle stage product to other countries. The most vulnerable branches are those without any research project or management center. It is therefore mainly assembly and large-scale production plants that are often located in developing countries (Blažek, 2008).

3.2.3 Environment Pollution

Globally, the transnational corporations are not environmentally friendly. These economic giants are great waste makers and creators of pollution. Their amount of pollution exceeds in most of the times all local businesses and state-owned enterprises. Some critics comply with the statement that TNC's have caused serious environmental damage in developing countries. Due to theirs mining operations all around the world, the environment has degradated a lot. In relation to that, the degradation is connected with the discharge of toxic substances into river systems, the inadequate disposal of hazardous wastes, and most seriously, the long run impacts of poorly planned mine closure. Transnational corporations, mainly producting oil, was accused of the violation of human rights and pollution in the developing countries and several protest and criticism took place (Shameema Ferdausy, 2009)

Raw materials such as diamonds, oil, rubber and other precious metals are an important part of transnational investment in developing countries. However, the extraction of raw resources can negatively affect the environment which can reflect in polluted rivers or loss of natural landscape. Moreover, the payments for the raw materials end up in most of the times in hands of corrupt officials and politicians and not in hands of the local communities, which can be exposed to widespread environmental disruption, but not enough compensation for the natural resources (Tejvan Pettinger, 2019).

Some corporations may hope for acting more environmentally friendly. However, there is high preassure on them due to the commitments to shareholders and fear of competitors. The numbers about corporations speak clearly: 100 top companies have been the source of more than two thirds of the world's greenhouse gas emissions since 1988, of which more than half of all greenhouse gas emissions is produced by 25 entities. One of the serious problems is air pollution, which is caused by poor production techniques. Water pollution, on the other hand, is a result of poor water management which leads to lack of nourishing elements, killing fish and it is extremely harmful to human health. Also, the industrial pollution is still increasing the average temperatures (healtheplanet.com, 2022).

Several cases of populations being pushed off their lands by transantional corporations have been recorded. This is happening because corporations want to have access to these valuable lands all over the world, where they can realize their large-scale mining or oil activities, which involve the use of both-legal and illegal means, state and corporate interests and in worser cases the direct violence. Large scale mining and oil activities are traditionally sectors with higher profits. The best case is when ground rent is included into profits. In terms of the capital, the most fruitful investments involve costless inputs and strong control over the land ownership (Sacher, 2015).

Mega-mining has been impacting variuos sectors from political to health level, as researched by several studies around the world. The provided data showed how mining operations damage and contaminate the environment and how this contamination created by mega-mining can influence localities to hundreds of kilometers away from the extraction zone. The industrial operations have also great consequences on intensive deforestation and biodiversity loss. Toxic pollution together with mega-mining negatively impact public health and can cause several dieases such a cancer, nervous and reproductive disorderss and others. Some people can be more prone to these impacts. For instance, the evidence from Ecuador reveal that large-scale copper mining project in the country had greatly affected woman and children than men (Sacher, 2017).

The research from Itzhak Ben-David et al. (2020) have analysed where do large transnational corporations locate their polluting activities during the years 2008 to 2015. Globally, the CO2 emissions have been increasing year by year. The findings have shown that corporations have been reducing pollution in their home countries, but on the other hand, their pollution in foreign countries is growing. Corporations locate their CO2-emitting activities in countries with lack of environmental law regulations. It was proven, that companies report higher emission levels abroad if their face stronger environmental law in their home country. This statement can be supported with the fact that companies produce a third less emissions on average in economies with strong environmental law. On the other hand, these companies also report 43 % higher emissions abroad. Generally, the corporations with headquarters in countries with strong environmental law pollute less globally. There is a tendency of strengthening environmental regulations in the home country which is related to 15 % lower global CO2 emissions overall (Itzhak Ben-David, 2020).

Despite the fact that just one country cannot change the most damaging effects on environment, many countries are trying to tighten the national environmental regulations, which is benefitial in reducing global CO_2 emissions but it also slightly forces the corporations to move their polluting activities abroad. It was found out that some types of industries, especially those working with electricity, gas, steam, air conditioning and refined petroleum products, are more likely to export pollution to foreign countries in comparison to others. Companies which produce the highest waste mostly do not reduce emissions in their home country. Moreover, they move their polluting activities abroad twice as much as average company in other industries do. This is happening because of high compliance costs related to strict environmental regulations. Policymakers may have therefore succed in lowering the global emissions if they tighten the regulation of these high-polluting industries (Itzhak Ben-David, 2020).

3.2.4 Impacts on the Competitive Environment in the State

The competitive environment in the host country is also greatly affected by whether a foreign company enters the market with the intention of becoming a monopoly or oligopoly, or whether it wants to encourage local competition by introducing new innovative products and services. If a transnational corporation enters the market as a monopoly or oligopoly, it surely does its own production as well as promotion and distribution. This overall will affect the availability of similar products on the market. The operation of a corporation will thus limit the local business producing similar products, mainly due to their insufficient financial resources as well as lack of research and development of new products. It can happen that transnational corporation decides to fight the competition or even break it down in order to achieve a monopoly position. Such TNC can afford to reduce the selling prices of their products or even go below their production costs due to its size and larger financial reserves than its competitors (Hinková, 2009).

The entry of the foreign company into the developing countries can lead to the liquidation of local companies operating in the same sector due to the fact that in most of the times corporations can afford and have resources to produce the same product at a lower price and make the local companies uncompetitive. At the same time, the demise of the one local company can cause the so called “domino” effect and therefore cause other companies, particularly supplier one, to fall. Transnational corporations do not have to depend only on local suppliers. Thanks to their connection to the global market, they can easily obtain the required raw material elsewhere (Oatley, 2012).

3.2.5 Impacts on the Balance of Payments

TNC can have significant negative effects on the balance of payments of developing countries for example if transnational corporation imports more goods and services and little export its products and intermediates. This condition can occur when the TNC only produces goods for the host country market, does not export the products and at the same time import most of the materials and intermediate goods for production from different countries. This situation has usually very negative impacts on local business aktivity (Hinková, 2009).

The balance of payments is also affected by reinvested earnings. In developing countries, there is often a so-called repatriation of profits, which means that transnational corporation shifts profits created within a subsidiary of a developing country to the state where the corporation has its own headquarters-to the state of the parent company. Transnational corporations are thus relocating their resources to the areas that are most beneficial to them. Developing countries urgently need the capital, and therefore such a form of outflow capital could gradually stop the whole economic prosperity of the state. Some developing countries can protect themselves by well-designed contracts with these economic giants, which require reinvestment conditions profits and other investments (Chocholová, 2008).

However, quality contracts are not enough. With reinvested profits, the transfer prices are related. TNC states these prices for technology transfer, innovation, products and services among its subsidiaries worldwide. These prices are often adjusted by the corporations to make the most of it where it is needed. If the TNC does not want to report a profit in the developing country, then is forced to reinvest (for example, due to a reinvestment agreement in a given country). Similar processes then take place even if the subsidiary does not want to report profit in a state with high taxation. The corporation therefore transfers this profit to the state with little or no taxation to achieve maximum profit (Najmanová, 2009).

The issue of Transnational corporations avoiding taxes is still much discussed, even after several quidelines and regulations were established by the Organisation for Economic Cooperation and Development (OECD). The corporations, on the other hand argued, that they pay taxes responsibly. For instance, the U.S. Chamber of Commerce in Bangkok claimed a few years ago that TNC's paid two thirds of Thailand's corporate taxes, implying considerable tax evasion by the local citizens (Shameema Ferdausy, 2009)

3.2.6 Impacts on Local Business Activity

The existence of a transnational corporation in the economy of a developing state can mean great potential for future economic growth of the whole country. However, this is not the rule. Transnational corporations do not always cooperate with local companies. Everything depends on the characteristics of the local economy and other circumstances. Many corporations are entering the new economy abroad with expectation of utilization the all possibilities provided by the state. Especially in developing countries, there can happen situations where local suppliers are not able to meet the demanding requirements of TNC subsidiaries or do not exist at all. In this case, where there are no links and networks between the TNC and local suppliers, the TNC will need the products and materials imported from abroad (Hinková, 2009).

Sometimes, on the contrary, a foreign company with its arrival in developing countries completely breaks existing links. It can occur that the investor buys a functioning company to which suppliers and customers have been connected for a long time and will not want to cooperate with this new company anymore. These long-lasting ties and networks will be severed. Addditionally, there will also be a possible cancellation of jobs positions in these downstream of suppliers and customers if the previous company was their only source of income or products. Transnational corporations often intervene with their great power and influence the policies of the states in which acts. States usually try to prevent these actions by constantly monitoring the foreign companies and simustaneously regulate the directives, even though these mechanisms are not in developing countries as far as developed as in developed countries (Hinková, 2009).

4. Measurement of TNC‘s activities

Many institutions operating in international environment gather information about foreign direct investment (FDI) through central banks, ministries of commerce and statistical offices, including the Organization for Economic Cooperation and Development (OECD), the statistical office of the European Union (EUROSTAT), the European Central Bank (ECB), the International Monetary Fund (IMF), and the United Nations Conference on Trade and Development (UNCTAD). When measuring transfers of capital between direct investor and direct investment corporation, FDI is a broadly used indicator, which is easily accessible in most countries. However, this indicator include only flows and stocks. Measuring TNC's requires inputs and outputs produced by these direct investment enterprises (International Labour Organization, 2018).

The newest data on transnational corporations can be found in statistics of OECD. Theirs AMNE database measures the activities of transnational corporations by several variables. This database aim to reflect the overall operations of corporation including variables such as turnover, employment, and value added. Although FDI and AMNE may seem on the first sight almost the same, there exists some differencies. FDI as an indicator enclose both control (+50 % ownership) and influence (between 10 % and 50 % ownership) relationships. AMNE database is based only on control relationships. FDI and AMNE vary also in classification by countries. While FDI database is based on the immediate investing country, AMNE database is distinguished by the ultimate investing country and therefore provide additional information on TNC's (International Labour Organization, 2018). The main diffrencies between FDI and AMNE database are summarized in key points in the figure below.

Why FDI and MNE data do not measure the same

MNEs are the result from a decision to invest abroad and this explains why FDI statistics have often been used to study MNEs across countries and industries. Collected in the Balance of Payments, FDI data have the advantage of being largely available across countries but they capture a different reality:

• FDI reflects the objective of obtaining a lasting interest by a resident entity in one economy in an entity resident in an economy other than that of the investor. The 'lasting interest' is operationalised by 10% or more of the ordinary shares or voting power. FDI statistics track the value of financial transactions (flows and positions) between direct investors and the direct investment enterprises.

• Activities of multinational enterprises (AMNE) refer to economic transactions (sales, value added, R&D, etc.) reflecting the overall operations of MNEs whether or not financed by the direct investor. The concept of the multinational enterprise is based on the concept of control and refers to 50% or more of the ordinary shares or voting power.

As a result, FDI data do not reveal the economic importance of MNEs. For one, FDI statistics provide information on cross-border capital flows which may be eventually sent to other countries without contributing at all to the local economy. This is especially the case for so-called Special Vehicle Entities (SPE): a large presence of these SPEs in a country typically results in simultaneously high FDI inward and outward flows for that country without the corresponding economic effects. Second, FDI only measures part of what foreign affiliates use to finance their activities and excludes the financial resources they raise from local sources. Third, as FDI is a financial input, excluding the contribution of labour, FDI stocks underestimate MNE activity in countries where labour is relatively more productive.

Figure 1: Why FDI and MNE data do not measure the same
Source: OECD, Multinational enterprises in the global economy, 2018

Additionally, UNCTAD publishes every year World Investment Report, which reflect global FDI trends and current issues related to TNC's. UNCTAD also analyses FDI information and activity of TNC's in single countries. Additionally, information about activity of foreign subsidiaries in the host country, as well as the operations of TNC's abroad and their parent headquaters are also recorded by UNCTAD. However, measuring TNC's activity is very complicated, since information of operations of TNC's beyond investments are very limited (OECD, 2008).

5. AMNE Database – Activity of Multinational Enterprises

The AMNE database, as was mentioned in previous chapter, measure comprehensive information of inward and outward operations of foreign subsidiaries in countries within OECD. The database contains information about foreign subsidiaries in the economies of host countries. Production, employment, research and development, labour compensation, export etc. are subject of research. The database cover 17 variables selected by country of origin (inward investment) or location (outward investment) and by industrial sector. AMNE statistic database reflect data reported by OECD and Eurostat (OECD, 2017).

The role and operations of TNC's are important to understand the functioning of global value chains (GVCs). Globally, the recent expansion of TNC's has significantly challenged existing economic insights and policy implications. The motivation for gathering more empirical data on TNC‘s was to have greater picture of their operations and related key issues in international business, industrial policy and cross-border activities. Better understanding of TNC's was demanded by society and economy itself. As a consequence, the OECD has established more detailed database on TNC‘s operations and transfers across countries and industries. Three different types of companies are distinguished by this statistical database. First group contains foreign subsidiaries, which are defined as companies with at least 50 % of foreign ownership. Second group are domestic TNC's, which are characterized as domestic companies with foreign subsidiaries. Last group cover domestic companies whose operations are not related with international investment (OECD, 2022).

The AMNE statistics provide aswers to several questions related to a broad range of important policy issues. The database help to define the role of TNC‘s in today's global economy, specify the relationship between trade and investment in the internationalisation strategies of TNC's and identify the role and impact of foreign TNC‘s in the GVC operations of their host countries. Moreover, the data analyse the domestic linkages between foreign TNC‘s and the host economies or the economic effects such as employment and GDP (OECD, 2022).

The AMNE statistics cover a full matrix of the output of foreign subsidiaries in almost 60 economies plus the related host countries, industries or dimension. Additionally, the matrices for value-added, exports and imports of intermediate inputs are also available. The time range of the provided data includes years from 2005 to 2016. The database distinguishes 34 unique industrial areas. A second set of matrices in the AMNE contains information on output, value-added, exports and imports of intermediate inputs of domestic TNC‘s and non-TNC’s domestic companies since the year 2008 (OECD, 2022).

5.1 Inward Activity (country of origin) of TNC’s by Investing Country

The graphs below are based on the AMNE database, which was presented in previous chapters. In this case, the statistics is specified on inward activity of TNC’s by investing country. This data provides an overall view on affiliates under foreign control by investing country in the total manufacturing, total services and total business enterprise sectors. Total activity includes manufacturing and business sector services excluding finances. Provided data are from Czech republic with economic variable “production value” in millions of Czech Crowns. The latest data available are from year 2016. The default data information is summarized in the table below.

Table 1: Data information

Data information	
Declaring country	Czech Republic
Year	2016
Economic variable	Production value
Unit	CZK Millions

Source: own distribution based on AMNE database

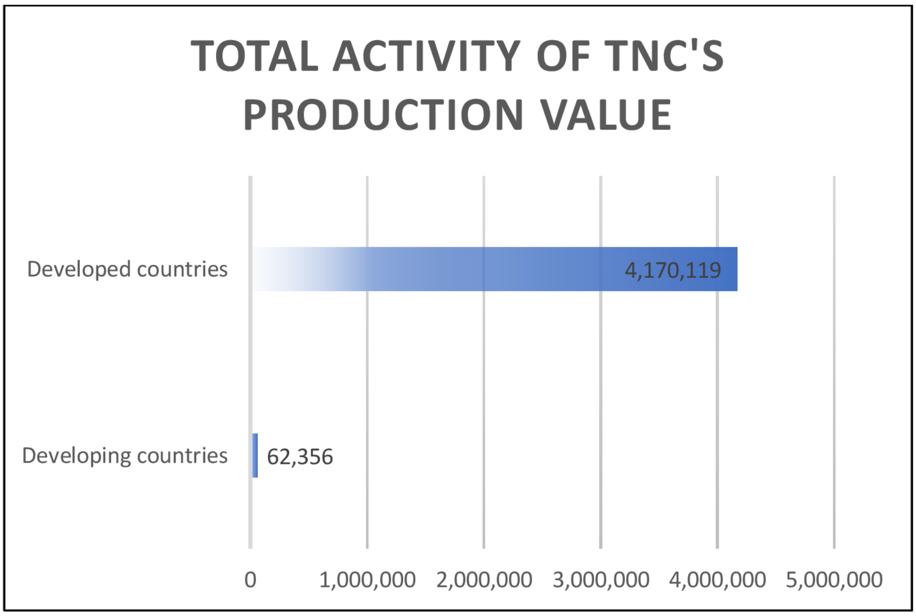

Figure 2: Total activity of TNC's production value
Source: own distribution based on AMNE database, 2016

This chart presents an information about total activity of TNC's production value. The investing countries are divided by the stage of their development. There was counted number of 44 developed countries and number of 20 developing countries.

The selection of developing countries is based on Human Development Index (HDI) which presents the national development and well-being of the countries. The HDI cover three basic dimensions of human development: health, education and income. The index divides the states into 4 groups – very high human development, high human development, medium human development and low human development. The indicator included partner countries from all UN countries except the countries in the first group (the countries with very high human development with a Human Development Index value higher than 0.8).

The chart shows that the TNC's from developed countries produce a significant value of 4 170 119 millions of Czech Crowns. When compared to developing countries with amount of 62 356 millions of Czech Crowns, the production value is negligible.

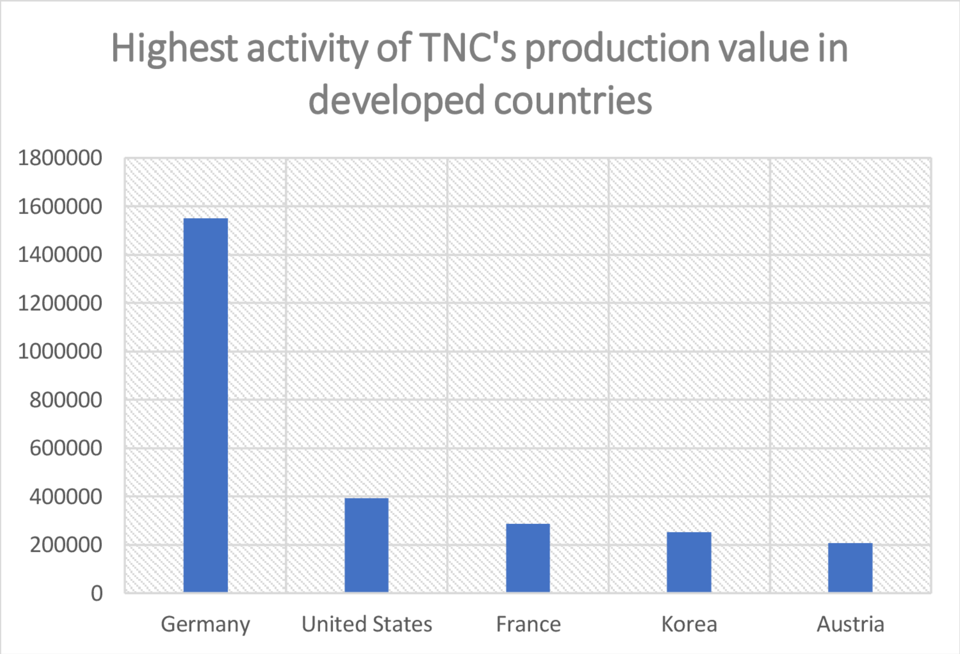

Figure 3: Highest activity of TNC's production value in developed countries
Source: own distribution based on AMNE database, 2016

This chart presents the five most succesfull developed countries with highest activity of TNC's production value. The main leader is obviously Germany with total activity of 1 550 019 millions of Czech Crowns, which can be split up to area „Manufacturing" with amount of 1 011 996 millions of Czech Crowns and area „Business Excluding Finances" with number of 286 763 millions of Czech Crowns. Other succesfully investing developed countries which follow Germany are United States, France, Korea and Austria.

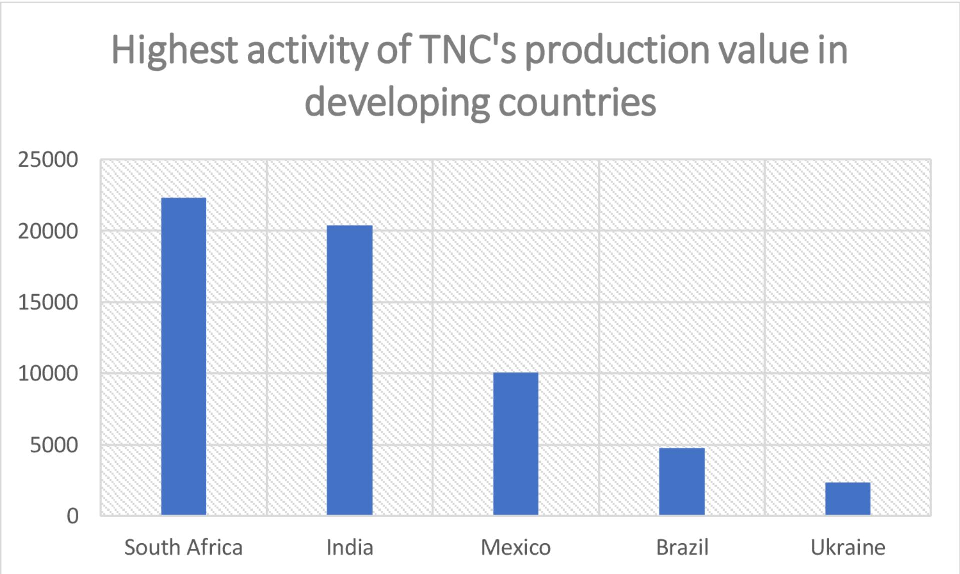

Figure 4: Highest activity of TNC's production value in developing countries
Source: own distribution based on AMNE database, 2016

This chart presents the five most succesfull developing countries with highest activity of TNC's production value. Leading country is South Africa, with total activity of 22 284 millions of Czech Crowns, closely followed by India with total activity of 20 365 millions of Czech Crowns. On the contrary to developed countries, the specific fields of actions of developing countries are not covered in the database. Other investing developing countries which follow South Africa and India are Mexico, Brazil and Ukraine.

5.2 Inward Activity (country of origin) of TNC's by Industrial Sector

The graphs below are based on the AMNE database, which was presented in previous chapters. In this case, the statistics is specified on inward activity of TNC's by industrial sector. These data provide an overall view on the activity of affiliates under foreign control and on all firms by industry according to the International Standard Industrial Classification (ISIC Revision 4). Provided data are from Czech republic with economic variable "production value" in millions of Czech Crowns. The latest data available are from year 2016. The default data information is summarized in the table below.

Table 2: Data information

Data information	
Declaring country	Czech Republic
Year	2016
Economic variable	Production value
Unit	CZK Miliions

Source: own distribution based on AMNE database

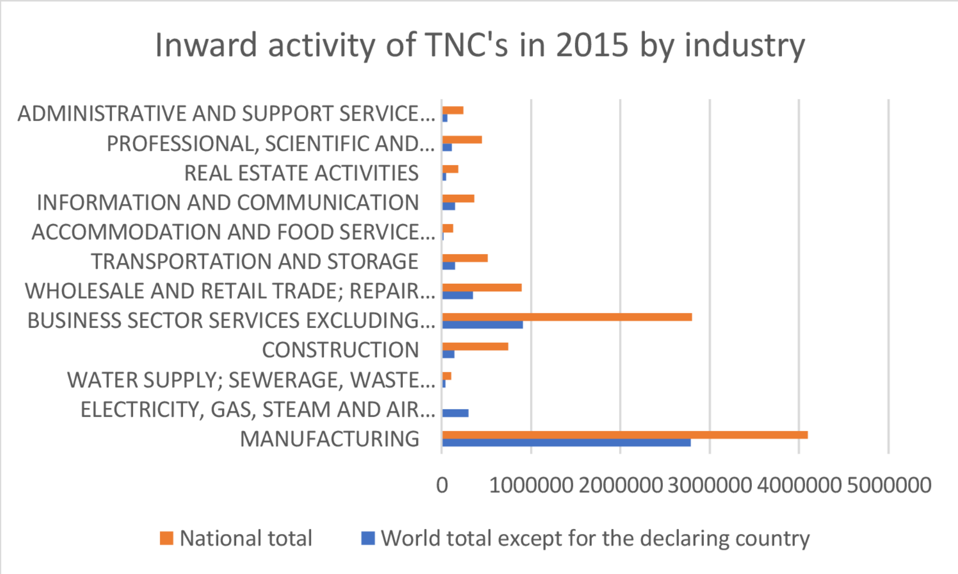

Figure 5: Inward activity of TNC's in 2015 by industry
Source: own distribution based on AMNE database, 2016

This chart presents the TNC's production value of 12 industries from the year 2015. The forefront industry is Manufacturing with national total activity of 4 094 559 millions of Czech Crowns followed by Business sector services excluding finances with 2 800 200 millions of Czech Crowns. Wholesale and retail trade on the third place with 892 776 millions of Czech Crowns. Other active industries are Construction, Transportation and Storage, Professional scientific and technical activities.

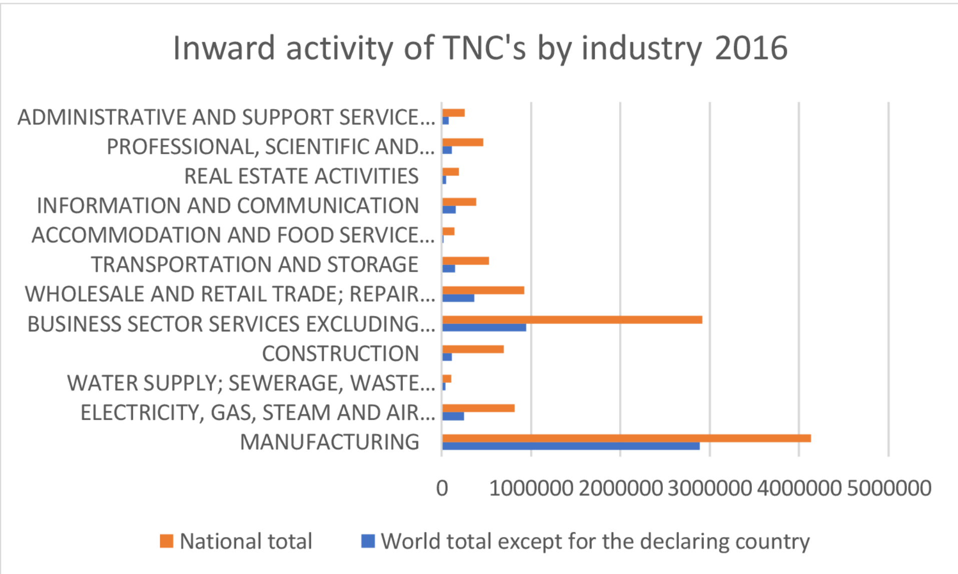

Figure 6: Inward activity of TNC's in 2016 by industry
Source: own distribution based on AMNE database, 2016

This chart presents the TNC's production value of 12 industries from the year 2016. The situation in this year were very similar to previous year. Forefront industry is again Manufacturing with national total activity of 4 134 229 millions of Czech Crowns followed by Business sector services excluding finances with 2 918 453 millions of Czech Crowns. Wholesale and retail trade on the third place with 923 754 millions of Czech Crowns. Other active industries are Electricity, gas and steam, Construction, Transport and Storage.

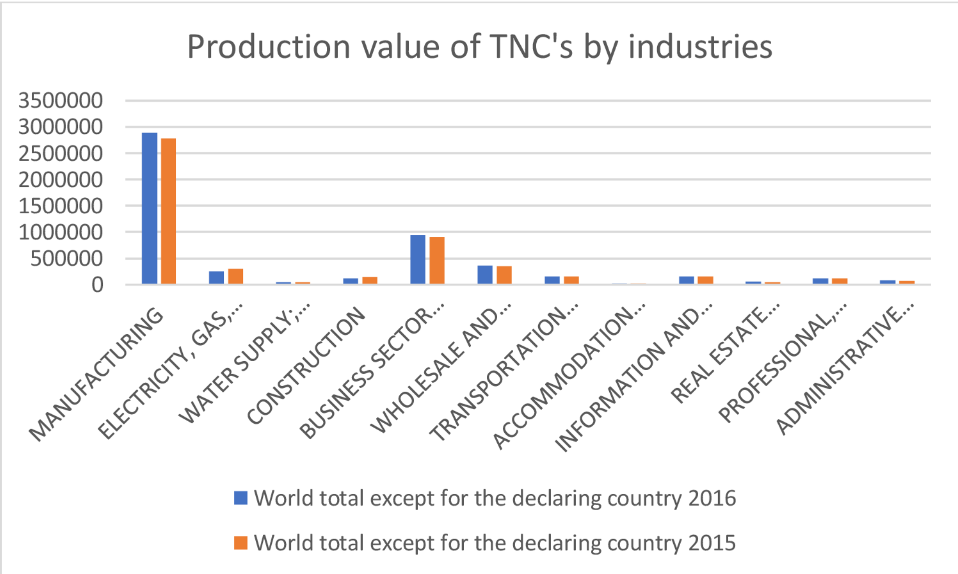

Figure 7: Production value of TNC's by industries (World total except for the CZ)
Source: own distribution based on AMNE database, 2016

This figure shows the comparison of the World total activity of TNC's production value by industries, except for the declaring country - Czech republic, in the year 2015 and 2016. The situations in both years are quite similar. The insurmountable industry is Manufacturing with total activity of TNC's production value of 2 887 926 of millions of Czech Crowns in 2016, which is slightly increase to the previous year. Quite same conditions are in Business sector industry excluding finances and Wholesale and retail trade.

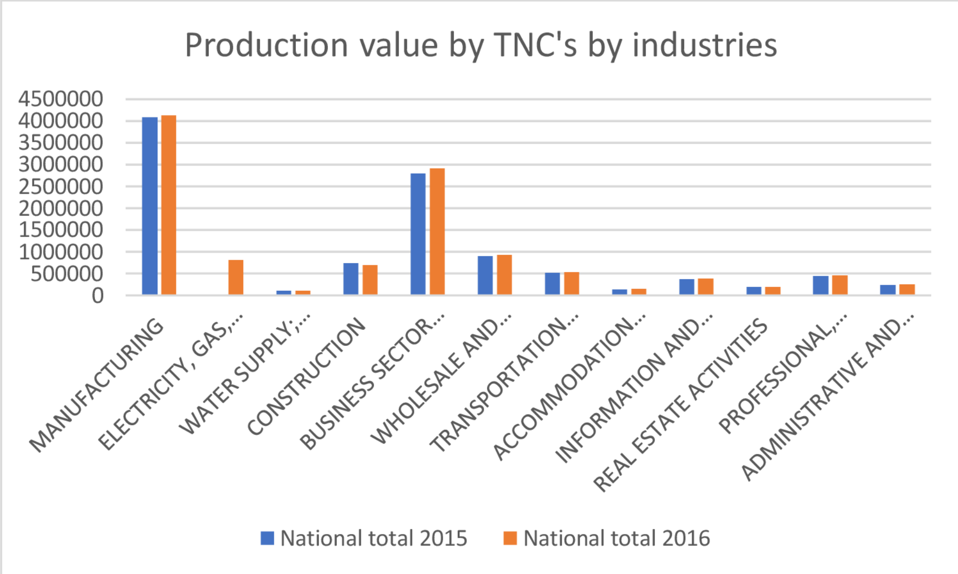

Figure 8: Production value of TNC's by industries (National Total)
Source: own distribution based on AMNE database, 2016

This figure shows the comparison of the National total activity of TNC's production value by industries in the year 2015 and 2016. The situations in both years are quite similar as in the previous figure. The insurmountable industry is Manufacturing with total activity of TNC's production value of 4 134 229 of millions of Czech Crowns in 2016, which is slightly increase to the previous year. Quite same conditions are in Business sector industry excluding finances and Wholesale and retail trade. The one important note is that Electricity, gas, steam and Air conditioning supply report a significant increase in 2016.

5.3 Outward Activity (location) of TNC's by Country or Location

The graphs below are based on the AMNE database, which was presented in previous chapters. In this case, the statistics is specified on outward activity of TNC's by country or location. These data provide an overall view on the activity of affiliates located abroad by host country in the total manufacturing, total services and total business enterprise sectors. Provided data are from Czech republic with economic variable "turnover" in millions of Czech Crowns. The latest data available are from year 2016. The default data information is summarized in the table below.

Table 3: Data information

Data information	
Declaring country	Czech Republic
Year	2016
Economic variable	Turnover
Unit	CZK Millions

Source: own distribution based on AMNE database

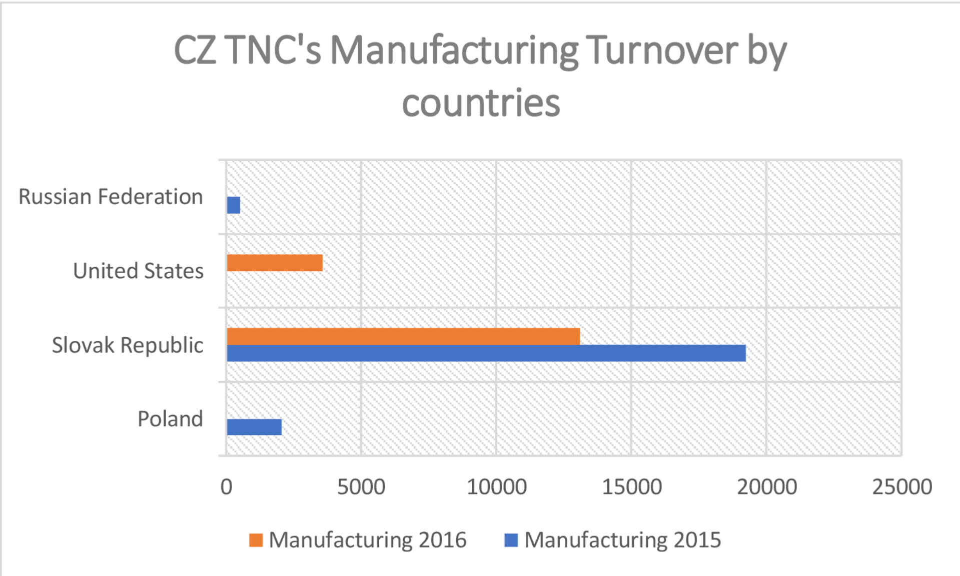

Figure 9: TNC's manufacturing turnover by coutries
Source: own distribution based on AMNE database, 2016

This graph presents the 4 countries with highest turnover activity of TNC's in manufacturing. The main leader is obviously Slovak Republic with turnover of 192 35 millions of Czech Crowns in year 2015 and turnover of 13 111 millions of Czech Crowns in 2016. Poland and Russia are other countries, which had a share on manufacturing turnover in 2015. In 2016, the United States also contribute to the increase of manufacturing turnover.

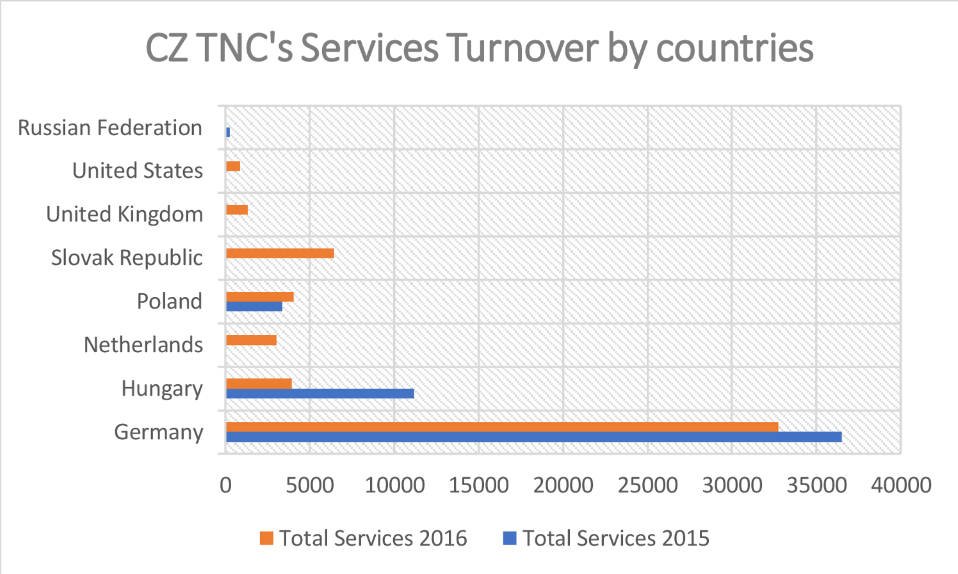

Figure 10: TNC's services turnover by coutries
Source: own distribution based on AMNE database, 2016

This graph presents countries with the highest turnover activity of TNC's in services. The main leader is obviously Germany with turnover of 36 505 millions of Czech Crowns in year 2015 and turnover of 32 764 millions of Czech Crowns in 2016. Poland, Hungary and Russia are countries, which had a share on services turnover in 2015. Among the Germany, Hungary, Netherlands, Poland, Slovak republic, United Kingdom and United states also contributed to the increase of services turnover.

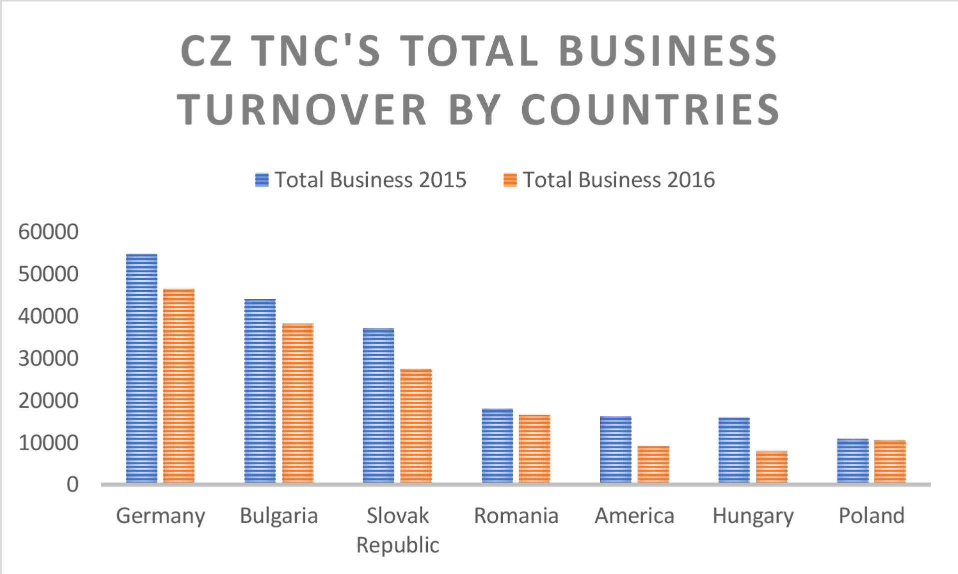

Figure 11: TNC's total business turnover by coutries
Source: own distribution based on AMNE database, 2016

This graph presents countries with the highest turnover activity of TNC's in total business. The leading country is again Germany with turnover of 54 701millions of Czech Crowns in year 2015 and turnover of 46 509 millions of Czech Crowns in 2016, following by Bulgaria with turnover of 44 003 millions of Czech Crowns in year 2015 and turnover of 38 131 millions of Czech Crowns in 2016. Slovak republic, Romania, America, Hungary and Poland and United states also contributed to the increase of services turnover.

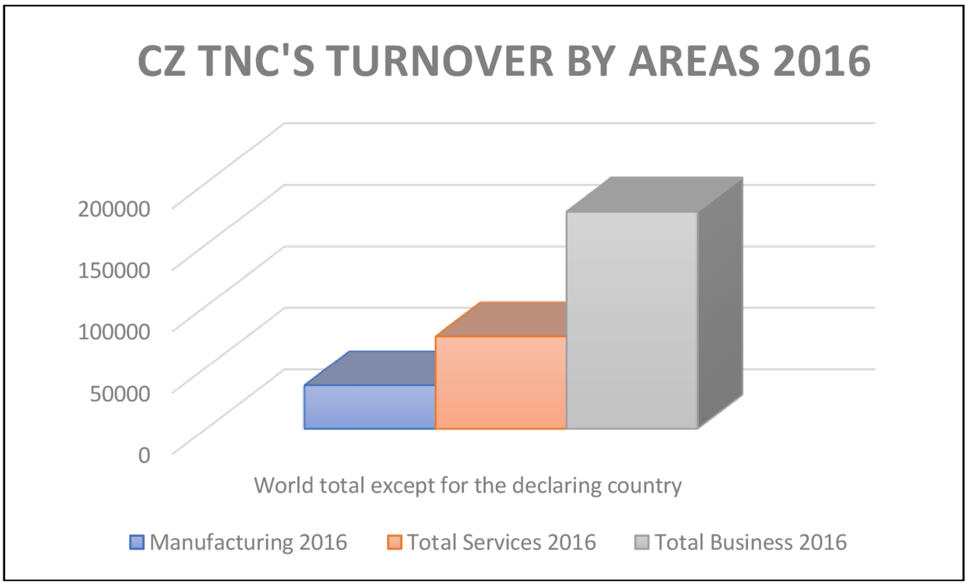

Figure 12: TNC's turnover by areas
Source: own distribution based on AMNE database, 2016

This figure divides the turnover by areas manufacturing, services and total business in 2016. Turnover in manufacturing accounted for 35 227 millions of Czech Crowns, services for 75 004 millions of Czech Crowns and total business for 176 540 millions of Czech Crowns.

5.4 Outward Activity (location) of TNC's by Industrial Sector

The graphs below are based on the AMNE database, which was presented in previous chapters. In this case, the statistics is specified on outward activity of TNC's by industrial sector. These data provide an overall view on the activity of affiliates located abroad by industry according to the International Standard Industrial Classification (ISIC Revision 4). Provided data are from Czech republic with economic variable "turnover" in millions of Czech Crowns. The latest data available are from year 2016. The default data information is summarized in the table below.

Table 4: Data information

Data information	
Declaring country	Czech Republic
Year	2016
Economic variable	Turnover
Unit	CZK Millions

Source: own distribution based on AMNE database

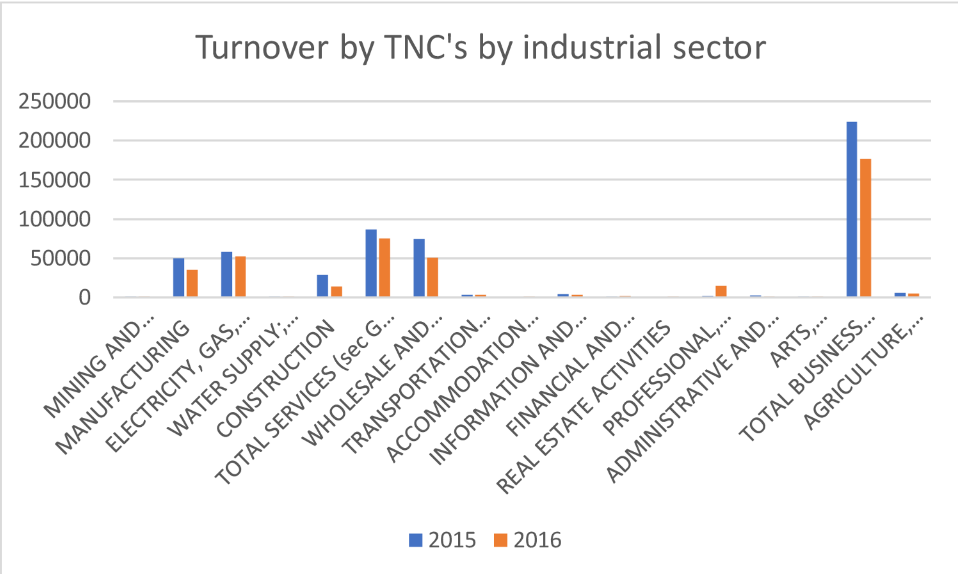

Figure 13: Turnover by TNC's by industrial sector
Source: own distribution based on AMNE database, 2016

This figure compare the TNC's turnover of 17 industries from the year 2016 and 2015. From the garph it is obvious that year 2015 was overall more succesfull than year 2016. The highest turnover is reported by the total business sector industry with amount of 223 458 millions of Czech Crowns followed Total services with 86 674 millions of Czech Crowns. The least turnover was reported by the Accommodation and food service sector.

6. Internationalization Trends of the Largest TNC‘s

The structure of the list of the top 100 TNC’s worldwide has changed remarkably during the last five years. One significant trend can be spotted in extractive businesses and trade corporations, which are continuously leaving the ranking. On the other hand, the number of digital companies in the ranking is growing. In 2017, the list of the top 100 TNC’s worldwide covered 7 telecomunication’s and 15 technological corporations, whose presence in the ranking has more than doubled since 2012 (World investment report, 2018). The figure below provides an overview of the Evolution of ICT TNC’s in UNCTAD’s ranking of the top 100 MNEs during the years 2010–2017 (number of companies and share of assets and revenues).

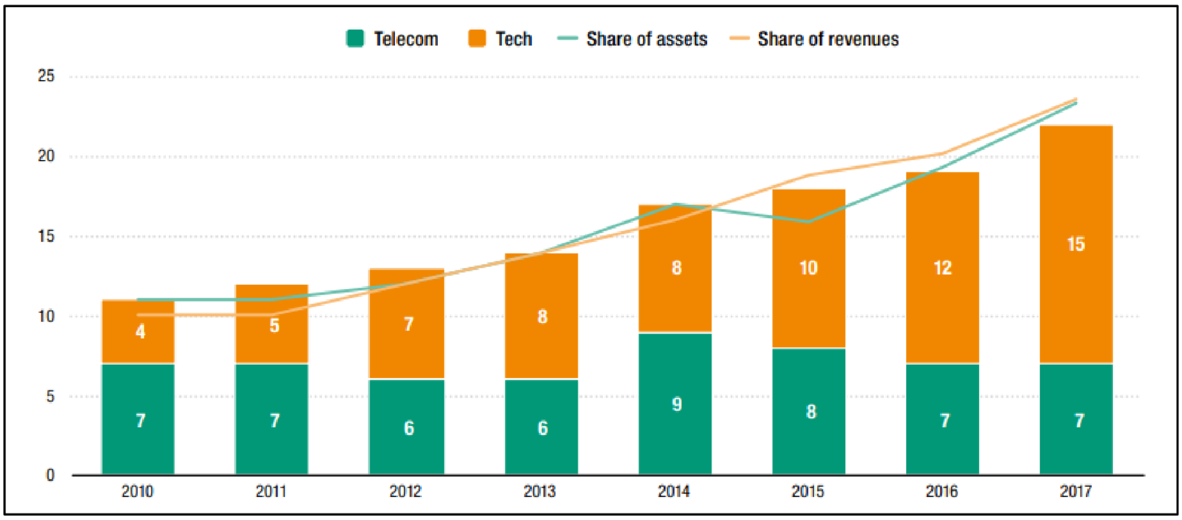

Figure 14: Evolution of ICT TNC’s in UNCTAD’s ranking of the top 100 MNEs, 2010–2017
Source: World Investment report, 2018

Despite the fact, that internationalization statistics remained flat in 2017, the top TNC’s significantly expanded their operations all around the world. The growth of assets and sales by 8 % were caused mainly due to a process of megadeals across virtually all business fields. Furthermore, also tech and automotive industries extended and diversified their international actions. TNC’s representing automotive industry increase their assets by an average from 10 to 20 % as a consequence of major investments to research and development section and following production of new goods (World investment report, 2018).

The table below presents Composition of top 100 global TNC‘s by industry and home economy during the years 2012–2017 (number of corporations).

Industry	2012	2017	Economy	2012	2017
Mining, petroleum and refining	19	13	United States	24	20
Automotive and aircraft	13	13	United Kingdom	17	14
Pharmaceuticals	10	12	France	13	12
Utilities	10	9	Germany	9	11
Wholesale and retail trade	10	6	Japan	9	11
Food, beverages and tobacco	9	8	Switzerland	6	5
Tech	7	15	Ireland	..	4
Telecom	6	7	**Other developed economies**	**22**	**23**
Other industry	12	13	**Developing economies**	**7**	**8**
Other services	4	4	China	3	4
Total	**100**	**100**		**100**	**100**

Figure 15: Composition of top 100 global TNC‘s by industry and home economy, 2012–2017
Source: World Investment Report, 2018

Year 2018 introduced seven new corporations which appeared in the list of the top 100 TNC’s. Of which three corporations are headquatered in developed countries and four corporations come from developing countries. Three of them are originated China, namely Chem China, State Grid and China MinMetals. The fourth one is Tata Motors from India. Additionally, the overall degree of internalization decreased in 2018 mainly due to the Chinese entries and various mergers. The trend of tech and automotive industries expanding their operations abroad prevails (World investment report, 2019).

International activities and projects are increasing across industries in 2019. The top TNC’s which invest into international projects in developed economies are from the United States (15 % of all foreign investors), the United Kingdom (12 %) and Germany (8 %). In comparison, the top investing TNC‘s in projects into developing economies are from Spain (12 %), the United States (9 %) and China (8 %) (World Investment report, 2020).

The internationalization rates of the top 100 TNC‘s in 2019 recorded decreasing rates in heavy industrial sector. On the other hand, the technology and telecommunication area reported growing numbers. Also pharmaceutical corporations scored with higher rates. The good example of that is corporation named GlaxoSmithKline with headquaters in United Kingdom gaining 27 positions in the ranking as a result of signed contracts in 2018 (World Investment report, 2020.

In 2019, the corporations based in United States expanded their foreign activity abroad with such a success. For instance, Amazon.com entered a few new markets and Coca-Cola extend its scope of its production operations in Africa. Furthermore, the newest TNC's in the top 100 ranking cover also construction company Vinci, with headquaters in France, gold mining company Barrick Gold, originally from Canada, and the mother corporation of computer manufacturing company Lenovo, Legend Holdings, based in China (World Investment report, 2020).

One important indicator, which should be mentioned when chracterizing TNC's is the Transnationality Index (TNI), which cover the relative shares of corporation's foreign assets, sales and employees. In 2019, the average TNI of the top 100 has remained flat. This index have been fluctuating in the last decade around 65 %. The TNI remained flat partly due to the new structure of the list, with new emerging-market corporations beginning at lower levels of internationalization (World Investment report, 2020).

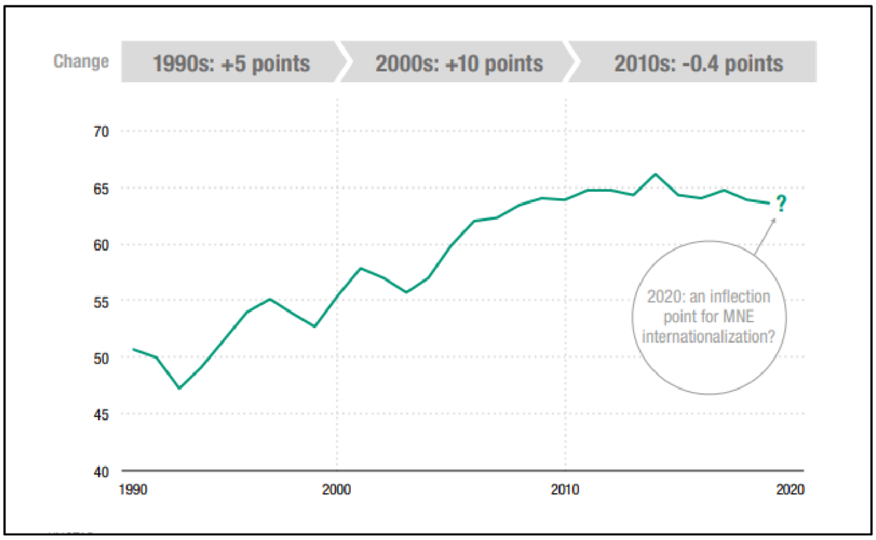

Figure 16: Transnationality index of top 100 global TNC's, by decade
Source: World Investment Report, UNCTAD, 2020

The newest data of the internationalization rate of corporations from developing and transition economies comes from year 2018. The developing and transition countries reported higher number of foreign assets, which was caused by a group of Chinese and

Korean companies mostly operating in the technology industry and growing sales with total overal increased rate by 2 %. Regarding the telecommunication sector, the company which is worth mentioning is definitely chinese Huawei which tripled their foreign assets during 2018. Technology industry was also sufficient. For example, the chinese companies Tencent and Legend boost their foreign assets by a half and LG Electronics, based in Republic of Korea, tripled its non-current assets in North America and Europe.

The ranking of TNC‘s from developing and transition economies was influenced partly due to the strong presence of Chinese State-owned MNEs (SO-MNEs). Chinese companies took 44 places in the ranking with SO-MNEs, concentrated in the extractive, utility and metal industries (World Investment report, 2020).

Additionally, the top 100 ranking was also influenced by the COVID-19 pandemic. Many corporations were affected by the supply chain disruptions and face various unconveniences. All corporations recorded falling global demand at that time. The least negatively impacted sectors were pharmaceutical and technological one. Moreover, the corporations Takeda Pharma, NTT and Microsoft, which all belong to least negatively impacted industries actually increase their profit at the time of the pandemic. On the contrary, the worst impact have had the virus on extractives and automotive industry, including some of the top automotives such as Ford, Honda, Nissan Motor and Hitachi (World Investment report, 2020).

The table below presents the 30 current world’s largest companies from year 2021 (Forbes, 2021). The ranking done by Forbes counted into account 4 variables: sales, profit, assets and market value. As can be seen, almost half of the corporations are originated in United States. The largest company from U.S., JPMorgan Chase, which is financial services holding company headquartered in New York City and incorporated in Delawar, has taken second place in the ranking. Other U.S. corporations which have placed in the top thirty are Berkshire Hathaway, Apple, Bank of America, Amazon, Alphaber, Microsoft, Citigroup, Walmart, Wells Fargo, Verizon Communications, UnitedHealth Group, Comcast and Goldman Sachs Group. The second most mentioned country of origin is China with 9 corporations placed in the top thirty, namely ICBC, China Construction Bank, Ping An Insurance Group, Agricultural Bank, Bank of China, China Merchants Bank, Alibaba Group, Postal Savings Bank of China and Tencent Holdings. Saudi Arabia, South Korea, Japan, Germany and France have at least one corporation in the top thirty ehich represents them.

Rank	Name	Country of origin	Sales	Profit	Assets	Market Value
1	ICBC	China	$190.5 B	$45.8 B	$4,914.7 B	$249.5 B
2	JPMorgan Chase	U.S.	$136.2 B	$40.4 B	$3,689.3 B	$464.8 B
3	Berkshire Hathaway	U.S.	$245.5 B	$42.5 B	$873.7 B	$624.4 B
4	China Construction Bank	China	$173.5 B	$39.3 B	$4,301.7 B	$210.4 B
5	Saudi Aramco	Saudi Arabia	$229.7 B	$49.3 B	$510.3 B	$1,897.2 B
6	Apple	U.S.	$294 B	$63.9 B	$354.1 B	$2,252.3 B
7	Bank of America	U.S.	$98.8 B	$17.9 B	$2,832.2 B	$336.3 B
8	Ping An Insurance Group	China	$169.1 B	$20.8 B	$1,453.8 B	$211.2 B
9	Agricultural Bank	China	$153.9 B	$31.3 B	$4,159.9 B	$140.1 B
10	Amazon	U.S.	$386.1 B	$21.3 B	$321.2 B	$1,711.8 B
11	Samsung	South Korea	$200.7 B	$22.1 B	$348.2 B	$510.5 B
12	Toyota Motor	Japan	$249.4 B	$14.3 B	$561.9 B	$219.2 B
13	Alphabet	U.S.	$182.4 B	$40.3 B	$319.6 B	$1,538.9 B
14	Bank of China	China	$134 B	$27.9 B	$3,731.4 B	$116.7 B
15	Microsoft	U.S.	$153.3 B	$51.3 B	$304.1 B	$1,966.6 B
16	Citigroup	U.S.	$84.4 B	$17.1 B	$2,314.3 B	$151.2 B
17	Volkswagen Group	Germany	$254.1 B	$9.5 B	$646.4 B	$147.2 B
18	Walmart	U.S.	$559.2 B	$13.5 B	$252.5 B	$396.1 B

19	Wells Fargo	U.S.	$85.9 B	$7.4 B	$1,959.5 B	$181.5 B
20	Verizon Communications	U.S.	$128.3 B	$17.8 B	$316.5 B	$241.3 B
21	UnitedHealth Group	U.S.	$262.9 B	$16.9 B	$205.2 B	$369.6 B
22	China Merchants Bank	China	$60.4 B	$14.1 B	$1,278.5 B	$192.8 B
23	Alibaba Group	China	$93.8 B	$23.3 B	$250.1 B	$657.5 B
24	Allianz	Germany	$129.9 B	$7.8 B	$1,357.5 B	$108 B
25	Comcast	U.S.	$103.6 B	$10.5 B	$273.9 B	$252.4 B
26	Goldman Sachs Group	U.S.	$61.8 B	$15.1 B	$1,302 B	$116.5 B
27	Softbank	Japan	$70.3 B	$14.9 B	$366.7 B	$163.1 B
28	Postal Savings Bank of China	China	$67.2 B	$9.3 B	$1,736.2 B	$112.4 B
29	Tencent Holdings	China	$70 B	$23.3 B	$203.9 B	$773.8 B
30	BNP Paribas	France	$102.7 B	$7.6 B	$3,044.8 B	$79.1 B

Table 5: 30 current world's largest companies from year 2021
Source: own distribution based on Forbes, 2021

Variable	100 largest MNEs, global 2017[a]	2018[a]	2018–2017 Change (%)	2019[b]	2018–2019 Change (%)	100 largest MNEs from developing and transition economies 2017[a]	2018	Change (%)
Assets (billions of dollars)								
Foreign	9 139	9 335	2.1	9 535	2.1	2 434	2 581	6.1
Domestic	6 625	6 710	1.3	6 819	1.6	5 726	5 430	-5.2
Total	15 763	16 045	1.8	16 354	1.9	8 160	8 011	-1.8
Foreign as share of total (%)	58	58	0.2	58	0.2	30	32	2.4
Sales (billions of dollars)								
Foreign	5 366	5 916	10.3	5 796	-2.0	2 224	2 559	15.1
Domestic	3 539	3 919	10.8	3 870	-1.3	2 576	2 751	6.8
Total	8 904	9 836	10.5	9 666	-1.7	4 800	5 311	10.6
Foreign as share of total (%)	60	60	-0.1	60	-0.3	46	48	1.9
Employment (thousands)								
Foreign	9 750	9 604	-1.5	9 466	-1.4	4 691	4 693	5.8
Domestic	9 536	8 548	-10.4	9 049	5.9	9 118	9 248	1.4
Total	19 286	18 152	-5.9	18 515	2.0	13 808	14 211	2.9
Foreign as share of total (%)	51	53	2.4	51	-3.4	34	35	1.0

Figure 17: Selected variables of the 100 largest TNC's
Source: World Investment report, UNCTAD, 2020

This table provides an internationalization statistics of the 100 largest non-financial TNC's, worldwide and from developing and transition economies. The assets and sales are measured in billions of dollars and employment in thousands of employees.

Globally, the 100 largest corporations accounted for 16 354 billions of dollars in total assests, divided by foreign assests of 9 535 billions of dollars and domestic assets of 6 819 billions of dollars in year 2019. The total amounts of assets in 2019 was higher in comparison with the years before and at the same time these numbers point to total foreign share of 58 %.

On the other hand, the 100 largest corporations from developing and transition economies reported 32 % of total foreign share with the amount of 8 011 billions of dollars in total assets in 2018. It is suprisingly almost 150 billions of dollars less than in the previous year. However, the overall internationalization rate of these corporations originated in developing and transition economies have grown by almost 2 %, with foreign assets and sales growing fastest. The increase of foreign assets was mainly caused by various technological corporations from China and Korea, namely Huawei, Technology groups Tencent and Legend and LG Electronics (Republic of Korea) (World Investment report, 2020).

The significant growth of 511 billions of dollars in total sales was recorded by the largest corporations from developing and transition economies during the year 2018. The total sales from the prior year, 2017, accounted for 4 800 billions of dollars with foreign sales of 2 224 billions of dollars and domestic sales 2 576 billions of dollars.

The total sales statistics of the 100 largest corporations worldwide show the decrease of 170 billions of dollars, with foreign loss of 120 billions of dollars and domestic loss of 50 billions of dollars in 2019 in comparison to numbers from 2020y. The loss was caused due to the reduced number of technology and digital corporations in the list of the top 100. During the two years, the number of technology and digital corporations dropped from 17 to 13. Moreover, this situation persists, because huge technology corporations have been investing to new start-ups or pursuing strategy of vertical integration, engaging in the creation of content for their platforms.

In 2019, the 100 largest corporations from all around the world employed 9 466 thousands of foreign people, which is 138 thousands less than in year 2018 and 284 thousands less compared to year 2017. The domestic employment accounted for 9 049 thousands of people, which is over 500 thousands higher number in comparison to year 2018 but lower number of 487 thousands in contrast to year 2017.

On the other hand, as can been seen from the figure, the employment of the 100 largest corporations from developing and transition economies has been increasing through the past years. The total foreign share was 34 % in year 2017 and 35 % in year 2018.

7. FDI

As was mentioned in the theoretical chapter, foreign direct investment is the movement of company's operations beyond the borders of national state. FDI provide control and mechanism of ownership of foreign production facilities and simustaneously, a number of opportunities to Transnational corporations to increase their foreign activities and therefore are considered as international nature process of TNC's.

Item	Value at current prices ($ billions) 1990	2005–2007 (pre-crisis average)	2017	2018	2019
FDI inflows	205	1 414	1 700	1 495	1 540
FDI outflows	244	1 452	1 601	986	1 314
FDI inward stock	2 196	14 484	33 218	32 944	36 470
FDI outward stock	2 255	15 196	33 041	31 508	34 571
Income on inward FDI[a]	82	1 027	1 747	1 946	1 953
Rate of return on inward FDI[b]	*5.3*	*9.0*	*6.8*	*7.0*	*6.7*
Income on outward FDI[a]	128	1 102	1 711	1 872	1 841
Rate of return on outward FDI[b]	*8.3*	*9.6*	*6.2*	*6.4*	*6.2*
Cross-border M&As	98	729	694	816	483
Sales of foreign affiliates	6 929	24 610	29 844	30 690[c]	31 288[c]
Value added (product) of foreign affiliates	1 297	5 308	7 086	7 365[c]	8 000[c]
Total assets of foreign affiliates	6 022	55 267	101 249	104 367[c]	112 111[c]
Employment by foreign affiliates (thousands)	27 729	58 838	77 543	80 028[c]	82 360[c]
Memorandum					
GDP[d]	23 522	52 428	80 606	85 583	87 127
Gross fixed capital formation[d]	5 793	12 456	20 087	21 659	21 992
Royalties and licence fee receipts	31	172	369	397	391

Figure 18: FDI statistics
Source: UNCTAD, FDI/MNE database, 2020

This table provides the statistics of indicators of FDI and international production. The selected and compared years are 1990, 2017, 2018 and 2019. The data in the table show, that international production continued to expand in 2019. Focusing on employment in foreign subsidiaries in 2019, there was reported a growth of 3 % over the previous year.

7.1 FDI outflows by TNC's

After not so succesfull years 2017 and 2018, the FDI flows grow modestly in 2019, globally. The higher numbers of FDI flows to developed economies, as a result of cancellation the tax reforms in the United States from 2017, contributed significantly to the growth in FDI (World Investment report, 2020).

In 2019, the transition economies reported growing FDI flows. On the other hand, the flows to developing economies decreased marginally. In the same year, there was FDI stock growth of 11 per cent, reaching $36 trillion. This was caused due to the rising valuations in global capital markets and improved profits of TNC’s. In the last five years, the chinese TNC’s contribute more and more to the developing countries by making huge investments, particularly in transport infrastructure and power generation (World Investment report, 2020).

In 2019, TNC’s with headquaters in developed countries were expanding their investing operations due to the decreased repatriations in 2018 of accumulated profits from abroad of corporations from United States. In 2019, corporations from developed countries made a significant amount of investments of $917 billion to foreign economies, which is 72 % increase when compared to the year 2018. The flow of FDI from developing and transition economies was reduced. As a consequence, the overall share of FDI outflows of developed countries recorded an increase of 16 % in 2019 in comparison to previous year (World Investment report, 2020).

Regarding the Europe continent, TNC‘s in Europe reported a growth of outflows of 13 %. The higher outflows were caused mainly due to the enormous investing activities of Netherlands’s TNC’s and reinvesting operations of German TNC‘s in foreign economies. On the other hand, outflows of France were reduced by 63 % and outflows of Switzerland by 82 % in 2019 (World Investment report, 2020).

FDI outflows from the United States got positive, after negative score of -91 billion in 2018 when corporations due to the tax reforms repatriated their financial assets. Foreign direct investment by Canadian TNC‘s remarkably rose by 54 %. Globally, Japan continued to keep first position as a largest investor with increased investments of 58 % and record of $227 billion, mainly as a consequence of a spike in cross-border M&As. Corporations with headquaters located in Japan doubled their investments in Europe and North America (World Investment report, 2020).

Concerning the TNC’s from developing economies, their investment operations in another economies decreased by 10 % when taken the amount of $373 billion in 2019. Developing Asia reported reduced FDI outflows of 19 % as well as China, whose investment performance is decreasing from the year 2017. The decline was caused mainly by the government‘s restrictions on outward investment and overall investment policy environment. The decreased outflows experienced also Hong Kong and the Republic of Korea (World Investment report, 2020).

Moving on to the continent of Latin America, the TNC’s outward investment rose significantly in 2019, to the amount of $42 billion, mostly due to the reduction of negative outflows. The highest growth was recorded in country of Brazil, Mexico and Chile (World Investment report, 2020).

Year 2019 influenced the transition economies negatively in FDI outflows, which were reduced by 37 %, to $24 billion. The Russian Federation was country responsible for almost all outward FDI. Russian TNC’s kept distance from foreign expansion, especially in economies, in which they are aware of increasing restrictions and international sanctions (World investment report, 2020).

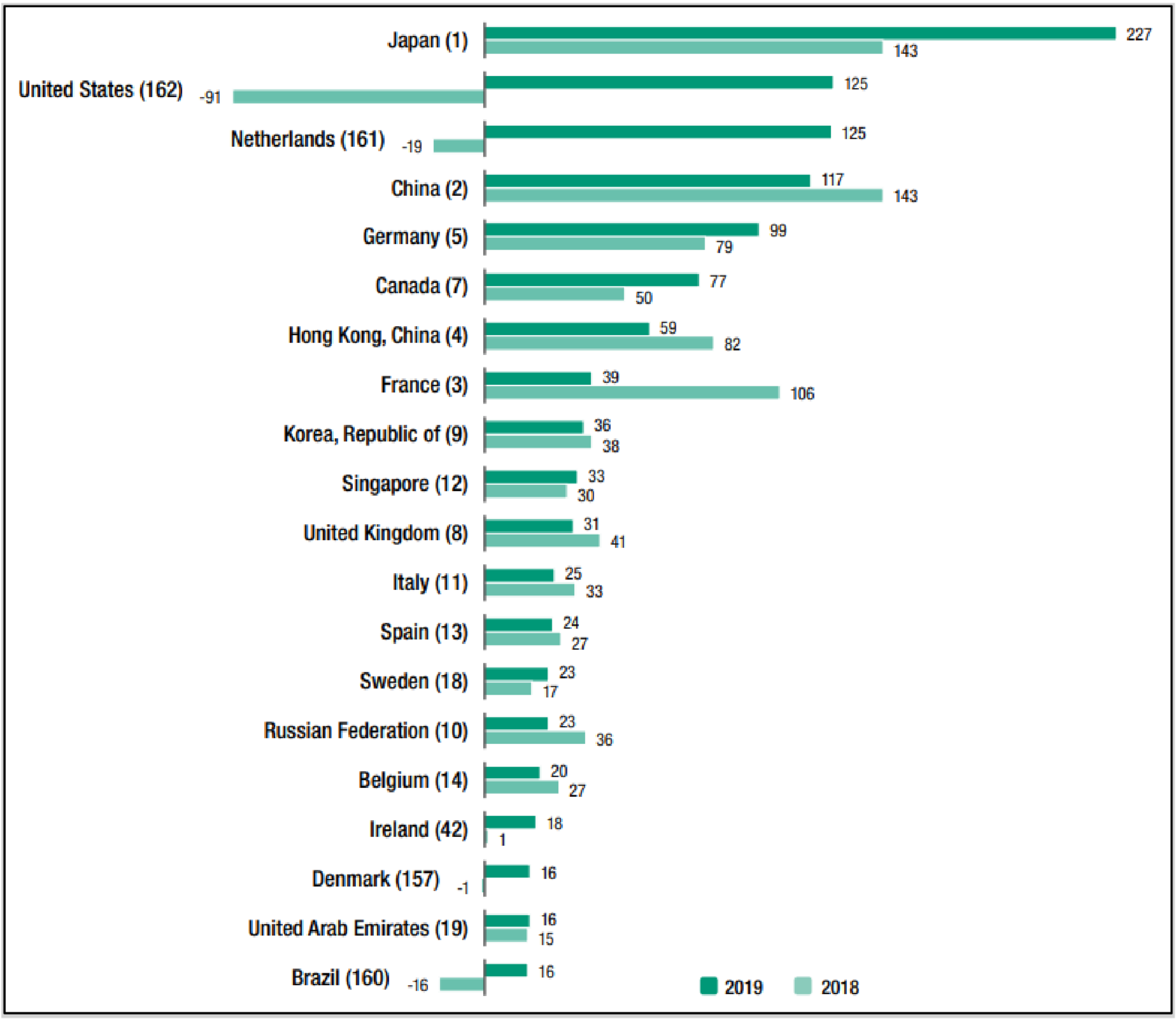

Figure 19: FDI outflows, top 20 home economies, 2018 and 2019
Source: UNCTAD, FDI/MNE database, 2020

This table provides data of the 20 economies with highest FDI outflows from years 2018 and 2019. The numbers are measured in billions of dollars. It is mostly developed countries. The first place is taken by Japan, followed by USA and Netherlands.

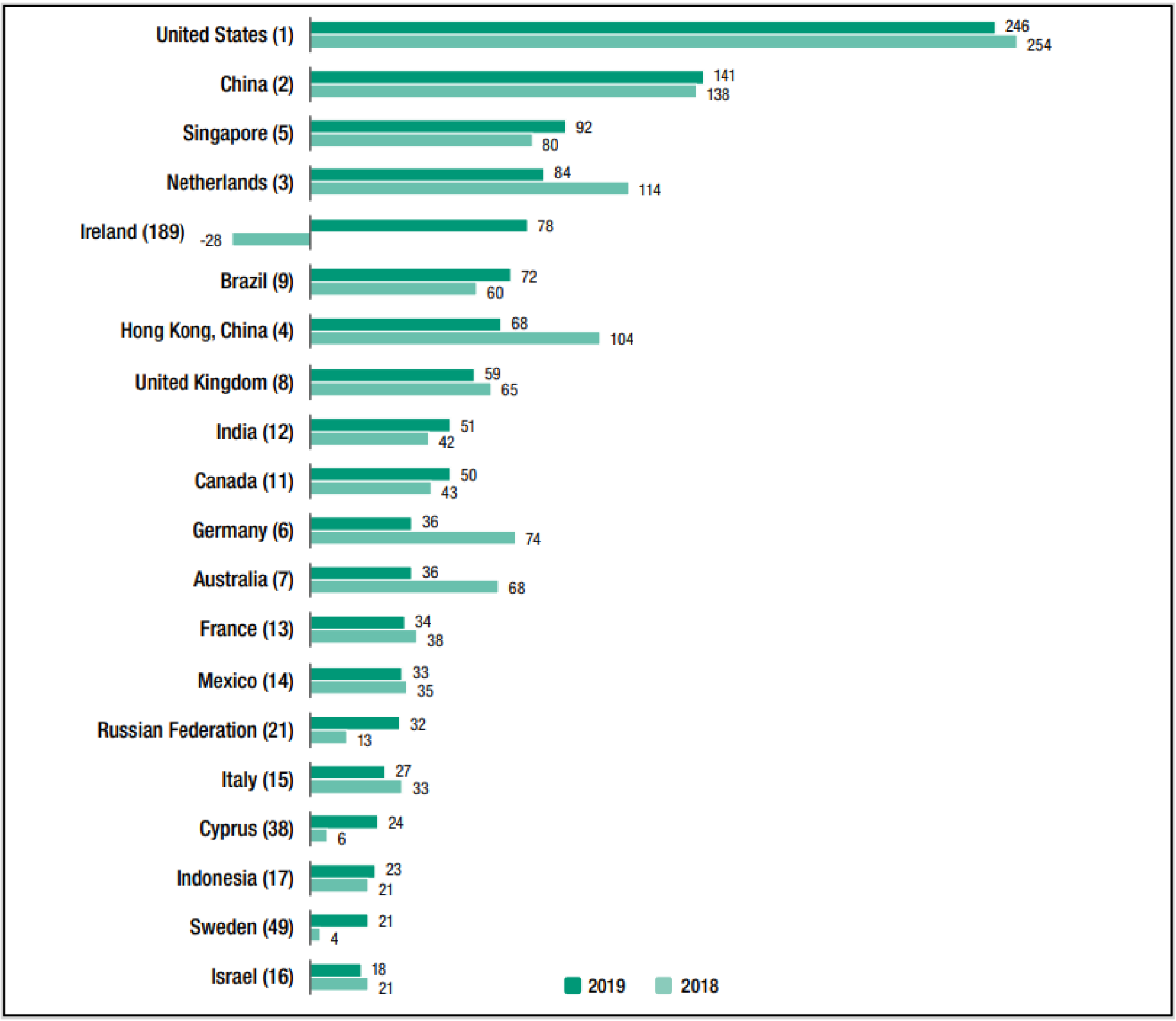

Figure 20: FDI inflows, top 20 host economies, 2018 and 2019
Source: UNCTAD, FDI/MNE database, 2020

This table provides data of the 20 economies with highest FDI inflows from years 2018 and 2019. The numbers are measured in billions of dollars. The most investments are flowing to USA, China and Singapore.

7.2 Overall FDI by TNC's during the pandemic

UNCTAD has been monitoring flows of FDI and the operations of TNC's for 30 years. Throughout the time, the international production faced two phases of sharp growth following by one of stagnation. The world investment report says that profit's of TNC's need an attention, because the overall performance and earnings of these corporations fell down by 40 per cent on average. Moreover, some industries even report the losses. This situation will negatively effect the reinvested earnings, which on average are more than half of the FDI. The most seriously affected industry were the services industries, specifically the companies offering accommodation and food service activities and transportation and storage, which were directly negatively influenced by the lockdown. Regarding the manufacturing, particularly automotive and textile industry which were active members of global value chain, were the first ones to face a supply chain shortage. Manufacturing in automotive and textile industry is based on cyclical nature. Therefore, they respond more vulnerably to supply and demand shocks (World Investment report, 2020).

Conclusion

Transnational corporations are worldwide disccussed theme. These corporations became the key contributors to globalization processes, including FDI movement and social and economic responsibility. The goal of this thesis was to identify the impact of Transnational corporations on developing countries and to measure their performance by selected indicators from AMNE database.

The first part of the thesis provides overal overview of transnational corporations with its definition, historical background and most important effects, including foreign direct investments which is important component of formation of transnational corporations. Another important aspect of TNC which was mentioned in the work is global responsibility. There is recently a high pressure on all companies and especially on transnational corporations operating in international environment to behave more responsibly. Modern approach for running successful business does not require only high profit, but also other components related with corporate responsibility. Established guidelines and regulations help the nation states and transnational corporations promotes mutual communication and cooperation between each other in terms of CSR. UN Global Compact and OECD Guidelines for Multinational Enterprises were deeply characterized in the thesis.

In the following part of the work, the summary of the most important impacts of transnational corporations, especially on developing countries were covered. Although the question whether transnational corporations have a rather positive or negative impact, was not unequivocally answered, it can be said that the presence of these economic giants with their investments is a great opportunity for the developing (receiving) countries. Indeed, their backwardness and insufficient economic development stem from a lack or impossibility of acquiring such assets that would encourage this development.

Transnational corporations usually have these assets and pursue their own interests in order to make a profit, and are willing to provide these assets through investments in developing countries. It is then up to the developing country itself to respond to such investments. In general, it is not always good to attract foreign investors to the host country at all costs. Not all domestic business economies can withstand tough competition with the strong adversary that transnational corporations undoubtedly are. If most local businesses were not able to compete with this large company, there could be an overall collapse of the host economy, which would certainly not bring economic development to such a state.

Unfortunately, not every country has the political space to choose between investments and most poor countries is quite limited in this aspect. Today's globalized world economy is set up in such a way that poor developing countries must try to attract foreign investors at all costs. However, governments of these countries should be as cautious as possible in their efforts to attract various investors to their country and be aware of all possible negatives impacts that could seriously damage the economy. Furthermore, the operations of a transnational corporation can disrupt the social and political stability of the state which can lead towards complete suppression.

The most important step is to introduce such regulations and quidelines, which should transnational corporations follow and which will protect local people, businesses and environment. Good legislation and a well-prepared and sophisticated system of regulation and control of transnational corporations are thus among the basic tools that every state seeking to attract foreign investors should use. However, in many developing countries, regulatory options are severely limited and solutions often exist only outside those countries. A major problem can also be found in the predominantly one-sided exploitative nature of investments in developing countries.

The practical part of the thesis measured TNC's by data from AMNE database. The results of the analysis are following: Inward activity of TNC's by investing country showed that the TNC's from developed countries produce a significant value of 4 170 119 millions of Czech Crowns. When compared to developing countries with amount of 62 356 millions of Czech Crowns, the production value is negligible. The developed country with highest activity of TNC's production value is Germany with total activity of 1 550 019 millions of Czech Crowns. Other succesfully investing developed countries which follow Germany are United States, France, Korea and Austria. Regarding the developing countries, the highest activity of TNC's production value reported South Africa, with total activity of 22 284 millions of Czech Crowns, closely followed by India with total activity of 20 365 millions of Czech Crowns. Other investing developing countries which follow South Africa and India are Mexico, Brazil and Ukraine.

The findings of inward activity of TNC’s by industrial sector report that forefront industry is Manufacturing with national total activity of 4 134 229 millions of Czech Crowns followed by Business Sector Services Excluding Finances with 2 918 453 millions of Czech Crowns. Wholesale and Retail trade on the third place with 923 754 millions of Czech Crowns. Other active industries are Electricity, Gas and Steam, Construction, Transport and Storage.

Concerning the outward activity of TNC’s by country or location. The country with highest turnover activity of TNC’s in manufacturing is Slovak Republic with turnover of 13 111 millions of Czech Crowns in 2016. In 2016, the United States also contribute to the increase of manufacturing turnover. The country with the highest turnover activity of TNC’s in services is Germany with turnover of 32 764 millions of Czech Crowns in 2016. Among the Germany, Hungary, Netherlands, Poland, Slovak republic, United Kingdom and United states also contributed to the increase of services turnover. The country with the highest turnover activity of TNC’s in total business is again Germany with turnover of 46 509 millions of Czech Crowns in 2016, following by Bulgaria with turnover of 38 131 millions of Czech Crowns in 2016. Slovak republic, Romania, America, Hungary and Poland and United states also contributed to the increase of services turnover.

The newest data from the year 2019 reported increased international activities and projects across industries. The top TNC’s which invest into international projects in developed economies are from the USA, UK and Germany. In comparison, the top investing TNC‘s in projects into developing economies are from Spain, USA and China. The internationalization rates of the top 100 TNC‘s in 2019 recorded decreasing rates in heavy industrial sector. On the other hand, the technology and telecommunication area reported growing numbers.

In 2018, the developing and transition countries reported higher number of foreign assets, which was caused by a group of Chinese and Korean companies mostly operating in the technology industry and growing sales with total overal increased rate by 2 %.

The overall total amounts of assets in 2019 was higher in comparison with the years before and at the same time these numbers point to total foreign share of 58 %. The significant growth of 511 billions of dollars in total sales was recorded by the largest corporations from developing and transition economies during the year 2018.

The author of this thesis would say that transnational corporations are indelible component of globalization and worldwide economic development and despite the fact, that they recently have been trying to behave more responsibly, in some situations, they can be locally harmful.

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