◆ **BRIEFING PAPER** ◆

Global Corporate Power

Emerging Trends and Issues

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ASIA-EUROPE DIALOGUE PROJECT

PUBLIC INTEREST RESEARCH CENTRE

GLOBAL CORPORATE POWER

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Asia-Europe Dialogue Project
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1 US Dollar = Rs 46 (2001)

Million is 1000000.

Billion is 1000 million.

Trillion is 1000 billion.

Dollars are US dollars unless otherwise specified.

TRANSNATIONAL Corporations (TNCs) — the world's biggest economic institutions — are not a new phenomena. The historical origins of TNCs could be traced to the major colonizing and imperialist countries of Western Europe, notably England and Holland. The process began in the 16th century and continued for the next several hundred years. During this period, firms such as the British East India Trading Company were formed to promote the trading activities and territorial acquisitions in the Far East, Africa, and the Americas.

The transnational corporation as it is known today, however, did not really come into being until the 19th century. With the advent of industrial capitalism in the 19th and early 20th century, the search for resources including minerals, petroleum, and agricultural commodities as well as pressure to protect and enlarge markets propelled transnational expansion by companies exclusively from the United States and a handful of Western European nations. Sixty per cent of these corporations' investments went to Latin America, Asia, Africa, and the Middle East. Fuelled by numerous mergers and acquisitions, monopolistic and oligopolistic concentration of large transnationals in major sectors such as petrochemicals and food also took roots in these years. The US agribusiness giant United Fruit Company, for example, controlled 90 per cent of US banana imports by 1899, while at the start of the First World War, Royal Dutch/Shell accounted for 20 per cent of Russia's total oil production.[1]

Demand for natural resources continued to provide an impetus to the European and US corporate ventures between the First and the Second World Wars. Although corporate investments from Europe declined somewhat, the activities of US TNCs registered vigorous expansion. In Japan, this period witnessed the growth of the Zaibatsu ('financial clique') such as Mitsui and Mitsubishi. These giant corporations in alliance with the Japanese state had oligopolistic control over the

country's industrial, financial, and trade sectors.

US-based TNCs were heavily dominating the international foreign investments in the two decades after the Second World War, when European and Japanese corporations also began to chart out greater roles for themselves. In the 1950s, banks in the US, Europe, and Japan began investing vast sums of money in industrial stocks, encouraging corporate mergers and furthering capital concentration. Major technological advances in shipping, transport (especially by air), computerization, and communication accelerated TNCs' increasing internationalization of investment and trade, while new advertising capabilities helped TNCs to expand their market shares. However, it would be incorrect to suggest that technological advances alone facilitated this expansion. Rather it was politics that significantly shaped the expansion of TNCs during this period. All these trends meant that by the 1970s, oligopolistic consolidation and TNCs' role in global commerce was on a far different scale as compared to the earlier century.

Some Recent Trends

With the breakdown of Bretton Woods system and the subsequent global acceptance of neoliberal thinking based on deregulation, privatization and liberalization, there has been a virtual proliferation of TNCs in the last three decades. In 1970, there were some 7,000 parent TNCs whereas by the year 2000 there were 63,000 parent TNCs with over 8,00,000 foreign subsidiaries, besides a number of inter-firm arrangements. The large number of TNCs can be somewhat misleading because the wealth is highly concentrated among the top 100 corporations. The total revenues of top 100 TNCs alone were a staggering $6.6 trillion in the year 2000. In comparative terms, the total revenues of top 100 TNCs were higher than the combined gross

domestic product (GDP) of over 180 countries if the top 10 high-income countries are excluded. Further, the top 100 TNCs slots are captured by the US (37 corporations), followed by Japan (22), Germany (10) and France (7).

As far as foreign direct investment (FDI) is concerned, it is highly concentrated in a handful of developed countries. In the case of developing countries, the distribution pattern is extremely skewed. Only 10 developing countries received as much as 80 per cent of global FDI in 1999 while the under-developed countries received as low as 0.5 per cent. Moreover, about 90 per cent of the world's top 100 non-financial TNCs are headquartered in the Triad — the US, the European Union and Japan. Though located predominantly within the Triad, TNCs' operations span the entire globe.

Partly as a result of their size, TNCs tend to dominate in industries where output and markets are oligopolistic. For instance, the oil production of Exxon Mobil alone exceeds the combined oil production of OPEC countries.

Some of the other startling facts about the growing economic clout of TNCs and its wider implications are listed below.

In the year 2000, out of world's top 100 economies, 54 were corporations and 46 were countries (Table 1). While just three years ago (1998), 51 were corporations and 49 were countries.

Out of the top 500 corporations listed by Fortune, US dominates with 185 slots followed by Japan with 104 corporations, together accounting for 58 per cent of the total numbers.

In the year 2000, the combined revenues of top 500 corporations ($140,64,960 million) was 170 per cent of the combined GDP of all

Table 1: World's Top 100 Economies in 2000
($million)

	Country/TNC	GDP/Revenue		Country/TNC	GDP/Revenue
1	United States	9882482	26	**Ford Motor**	**180598**
2	Japan	4677099	27	Hong Kong	163261
3	Germany	1870136	28	Denmark	160780
4	United Kingdom	1413432	29	Poland	158839
5	France	1286252	30	Indonesia	153255
6	China	1079954	31	**DaimlerChrysler**	**150070**
7	Italy	1068518	32	Norway	149349
8	Canada	689549	33	**Royal Dutch/Shell**	**149146**
9	Brazil	587553	34	**BP**	**148062**
10	Mexico	574512	35	Saudi Arabia	139383
11	Spain	555004	36	**General Electric**	**129853**
12	India	479404	37	**Mitsubishi**	**126579**
13	South Korea	457219	38	South Africa	125887
14	Australia	394023	39	Thailand	121927
15	Netherlands	364948	40	**Toyota Motor**	**121416**
16	Argentina	285473	41	Venezuela	120484
17	Russian Federation	251092	42	Finland	119823
18	Switzerland	240323	43	**Mitsui**	**118014**
19	Belgium	231016	44	Greece	111955
20	Sweden	227369	45	**Citigroup**	**111826**
21	**Exxon Mobil**	**210392**	46	Israel	110332
22	Turkey	199902	47	**Itochu**	**109756**
23	**Wal-Mart Stores**	**193295**	48	**Total Fina Elf**	**105870**
24	Austria	190957	49	Portugal	103871
25	**General Motors**	**184632**	50	**Nippon Tel and Tel**	**103235**

contd. on next page

	Country/TNC	GDP/Revenue		Country/TNC	GDP/Revenue
51	**Enron**	**100789**	76	**Philip Morris**	**63276**
52	Iran	98990	77	Pakistan	61673
53	Egypt	98333	78	**CGNU**	**61499**
54	Ireland	94388	79	**JP Morgan Chase & Co.**	**60065**
55	**AXA**	**92782**	80	**Carrefour**	**59888**
56	Singapore	92252	81	**Credit Suisse**	**59315**
57	**Sumitomo**	**91168**	82	**Nissho Iwai**	**58557**
58	Malaysia	89321	83	**Honda Motor**	**58462**
59	**IBM**	**88396**	84	**Bank of America Corp.**	**57740**
60	**Marubeni**	**85351**	85	**BNP Paribas**	**57612**
61	Colombia	82849	86	**Nissan Motor**	**55070**
62	**Volkswagen Group**	**78852**	87	**Toshiba**	**53827**
63	**Hitachi**	**76127**	88	Algeria	53817
64	**Siemens Group**	**74858**	89	**PDVSA**	**53680**
65	**ING Group**	**71196**	90	**Assicurazioni Generali**	**53333**
66	**Allianz**	**71022**	91	**Fiat**	**53190**
67	Chile	70710	92	**Mizuho Holdings**	**52068**
68	**Matsushita Electric Ind.**	**69475**	93	**SBC Communications**	**51476**
69	**E.ON**	**68433**	94	**Boeing**	**51321**
70	**Nippon Life Insurance**	**68055**	95	**Texaco**	**51130**
71	**Deutsche Bank Group**	**67133**	96	New Zealand	49983
72	**Sony**	**66158**	97	**Fujitsu**	**49603**
73	**AT&T**	**65981**	98	Czech Republic	49510
74	**Verizon Communications**	**64707**	99	**Duke Energy**	**49318**
75	**US Postal Service**	**64540**	100	**Kroger**	**49000**

Source: Compiled by author from World Development Report, 2001 and Fortune, July 23, 2001.

the countries in the world ($82,07,406 million), if the top 10 high-income countries are excluded.

The total revenue of Exxon Mobil in the year 2000 was more than the GDP of each of the 113 countries including New Zealand, Indonesia, Iran, Malaysia, Pakistan, Philippines and Thailand among others.

Total profits of Global 500 corporations climbed 20.4 per cent while revenues increased by 10.8 per cent in the year 2000. On the other hand, the assets of top 500 corporations registered a nominal increase of 4.1 per cent. However, the persistence of recessionary conditions in the US and Japan is likely to cast a negative impact on the revenue and profits of top 500 corporations in the year 2001.

The profits of Exxon Mobil increased by a whopping 127 per cent in the year 2000. Table 2 provides the highest profits of ten corporations in the year 2001.

Table 2: Highest Profits of Corporations

	Corporation	**Profits 2000** ($million)	**% change in Profits from 1999**
1	Exxon Mobil	17720	124
2	Citigroup	13519	37
3	General Electric	12735	18
4	Royal Dutch/Shell Group	12719	48
5	BP	11870	137
6	Verizon Communications	11797	180
7	ING Group	11075	110
8	Intel	10535	44
9	Microsoft	9421	21
10	Royal Philips	8874	362

Source: Fortune, July 23, 2001.

Not long ago, corporations were rated in terms of value of factories and real estate, now their brands are worth billions of dollars. Table 3 lists the world's ten most valuable brands in 2001. In order to maintain market domination, TNCs drop, sell and even export their brands. Unilever, for instance, brought down its brand portfolio from 1600 to 900 within three years.[2]

More than 90 per cent of patents related to high technologies are owned by TNCs.[3] Further, more than 95 per cent of foreign-owned patents are registered in the developed world. In the US alone, over 3,00,000 patent applications are filed each year. On an average, TNCs such as IBM get 10 new patents each day and earn billions of dollars by licensing patents.[4] Described as "the patent king" by Fortune, Jerome Lemelson, a US citizen, owns a staggering portfolio of 558 patents, with companies paying him nearly $1.5 billion in licensing fees.[5]

Table 3: The World's 10 Most Valuable Brands in 2001
($billion)

Rank	Brand	Brand Value
1	Coca-Cola	68.9
2	Microsoft	65.1
3	IBM	52.8
4	GE	42.4
5	Nokia	35.0
6	Intel	34.7
7	Disney	32.6
8	Ford	30.1
9	McDonald's	25.3
10	AT&T	22.8

Source: Businessweek, August 6, 2001.

Nearly 90 per cent of all cross-border licensing payments and 70 per cent of all international patent royalty payments are made between parent TNCs and subsidiaries.[6]

The top five grain trading TNCs control more than three-fourths of world market for cereals and similar levels of oligopolistic concentration exist in most internationally traded agricultural commodities.[7]

Since the mid-1990s, several TNCs have ventured into new sectors (e.g., water, sanitation, education, etc.) which were earlier under the control of public utilities.

Revenues, profits and assets of the top 500 corporations are rising much faster than employment growth.

Despite several decades of privatization and consequent downsizing of workforce, the public sector still remains the major employer, providing 435 million jobs globally in the year 2000. The top 500 corporations with a large number of subsidiaries had only 47 million employees worldwide in 2000. To maintain higher profits, corporations often indulge in massive layoffs of workers. In recent times, there has been massive job loss globally. For instance, 2,93,000 jobs were lost in the global telecom sector between January-June 2001. In the wake of recent terrorist attacks in the US, nearly 2,00,000 jobs have vanished in the month of September 2001 alone.

In an era of declining constraints on their mobility and the attraction of low wages in the developing countries eager to draw foreign investments, TNCs are eliminating jobs in their home countries and shifting production abroad. It needs to be emphasized here that only low value, labor-intensive activities are being shifted to the developing world while strategic operations such as R&D and headquarters

continue to be located in the developed world. For workers in the US and other developed countries, TNCs' increased willingness to move operations to low wage areas along with their greater usage of automation, subcontracting, and employment of part-time labor has rendered the strike (a traditional weapon of working class) relatively ineffective. As a result, trade unions' collective bargaining power has been substantially undermined. In the US, there were one-tenth the number of strikes in 1993 as in 1970, and only 12 per cent of the US workforce is currently unionized, a lower proportion as compared to 1936.[8] The TNCs, which are attracted by lesser costs and fewer regulations, offer little promise to workers in terms of decent working conditions, sufficient pay, or job security in the developing world. Tax breaks and subsidies which governments use as incentives are no guarantee that the TNCs will not move on to greener pastures after the expiry of benefits, and as cost advantages now found in Singapore are available in, say Bangladesh, the countries currently experiencing an influx of investments may eventually find themselves in the same situation as that of the US and other developed countries today.

In the present era of downsizing of workforce worldwide, the CEOs of TNCs are getting massive hikes in salaries and benefits. The pay packages of CEOs are not only outrageous but also amount to "highway robbery," as pointed out by Fortune magazine.[9] For instance, the total compensation of Steven Jobs, CEO of Apple Computer, was $872 million in the year 2000.[10] Computer Associates' Charles Wang was drawing a pay package of $507 million in 1999.[11] According to Fortune magazine, the top number one earners in the past five years received packages valued cumulatively at nearly $1.4 billion, or $274 million on an average.[12] Despite such hefty pay packets, four of the five corporations have been reported to be "marginal to horrible performers."

Japanese corporations dominate the list of top Asian-based corporations (see Table 4). Out of the top 25 Asian corporations, Japanese corporations hold 21 slots, followed by 3 Chinese and one South Korean corporation. While India with one billion population

Table 4: Asia's Top 25 Corporations in 2000
($million)

	Corporation	Country	Revenues
1	Mitsubishi	Japan	126579
2	Toyota Motor	Japan	121416
3	Mitsui	Japan	118014
4	Itochu	Japan	109756
5	Nippon Telegraph & Telephone	Japan	103235
6	Sumitomo	Japan	91168
7	Marubeni	Japan	85351
8	Hitachi	Japan	76127
9	Matsushita Electric Industrial	Japan	69475
10	Nippon Life Insurance	Japan	68055
11	Sony	Japan	66158
12	Nissho Iwai	Japan	58557
13	Honda Motor	Japan	58462
14	Nissan Motor	Japan	55077
15	Toshiba	Japan	53827
16	Mizuho Holdings	Japan	52068
17	Fujitsu	Japan	49603
18	NEC	Japan	48928
19	Tokyo Electric Power	Japan	47556
20	Dai-Ichi Mutual Life	Japan	46435
21	Sinopec	China	45346
22	State Power	China	42549
23	China National Petroleum	China	41684
24	Samsung Electronics	South Korea	38491
25	Sumitomo Life	Japan	37536

Source: Fortune, July 23, 2001.

has just one company, Indian Oil, in the top 500 list. Indonesia, the fourth largest populous country in the world, does not even have one corporation in the top 500 list. On the other hand, Chinese corporations are entering the global corporate world in a big way. In fact, China is fast emerging as a new economic powerhouse in Asia. There are 12 Chinese corporations listed in the top 500 list of global corporations.

The sectoral distribution of the top 500 corporations in the year 2000 reveals an interesting trend. The maximum number of corporations (56) belong to the banking and financial sectors. This clearly shows the growing clout of international banks and financial institutions as well as phenomenal rise of finance capital in the recent years. Nowadays, more and more conventional non-finance corporations are entering the finance sector. For instance, General Electric and UPS (a courier company) have ventured into the finance sector. The rationale of TNCs entering the finance sector is obvious as quick profits could be reaped from speculative investments in the global financial markets rather than making long-term investments in the real economy. In terms of the numbers of TNCs, banks are followed by petroleum refining, automobiles, telecommunications, food and drug stores, and electronic industries.

A quick glance at the sectoral distribution of profits of top 500 TNCs reveals that higher crude oil prices in the year 2000 was largely responsible for huge profits of oil corporations. On an average, profits of oil companies grew as high as 124 per cent during the year. As a result, Exxon Mobil displaced General Motors from number one position in the top 500 global list of TNCs. Profits of drug companies also soared in the year 2000, with 17 per cent returns on both revenues and assets.

The M&A Mania

The moot question is, how corporations are able to generate so much wealth and profit? Since the 1990s, TNCs are widely using the strategy of merger and acquisition (M&A) to consolidate and expand their global reach. The stupendous growth in revenues and profits in the last decade has been largely due to mergers and acquisitions M&A rather than 'greenfield' investments. M&A is one of the most controversial issues in the present times. Technically, mergers are different from acquisitions in the sense that mergers generally take place between equals whereas acquisitions involve buying existing firms.

Instead of launching 'greenfield' projects which create new opportunities for employment and competition, TNCs rather prefer the easy route of M&A to consolidate their economic clout. In reality, M&A add little to productive capacity but are simply transfer of ownership and control with no change in the actual asset base. The major negative fallout of M&A activity is the promotion of monopolistic tendencies, which in turn, curb competition and widen the scope for price manipulations.

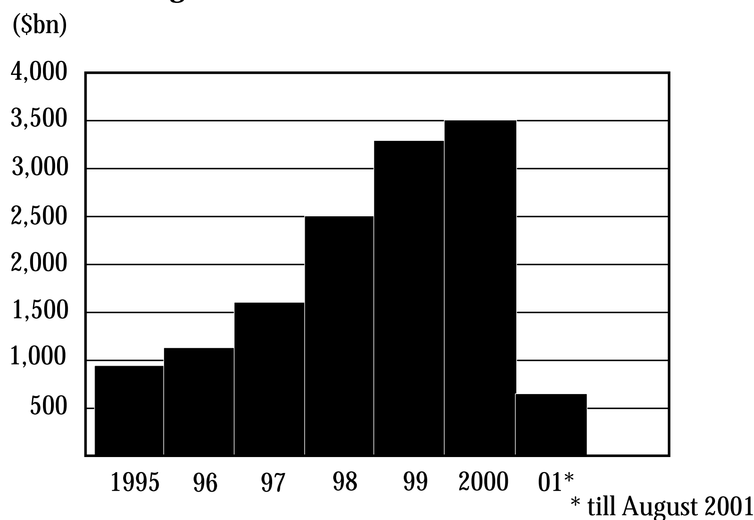
After acquisition, corporations often break up the newly acquired firms, reduce workforce and indulge in various malpractices to curb competition. Therefore, M&As have become one of the quickest means to acquire new markets. These deals generally lead to strategic firms and sectors of economy (e.g., infrastructure and banking) coming under the total control of TNCs. As top managements carry out M&A deals with the primary objective of raising shareholder value (rather than making strategic gains), it is not surprising to find that M&A deals have markedly flourished in the bullish global financial markets.

At the global level, M&A accounts for the bulk of FDI flows. Due to

M&A, the landscape of global corporate world is not only rapidly changing but also becoming more and more complex. A look at the top global 500 TNCs list over the last five years reveals that several well-known corporations have either disappeared or merged into a new entity. As a result, the list of top global 500 TNCs keeps changing every year. In the year 2000, Exxon Mobil, Citigroup, DaimlerChrysler, JP Morgan Chase & Co secured top positions in the top 500 list of TNCs only because of M&A.

The M&A deals are taking place at several levels — national, regional and international. For instance, large-scale M&A deals took place in the banking and financial sectors of Malaysia in the aftermath of the Southeast Asian financial crisis. As a result, the total number of banking institutions in Malaysia got reduced from 54 to 10 almost within a year. Besides, the world has also witnessed several cross-border mergers

Figure 1: Value of Global M&A Deals



Source: Financial Times.

and takeovers. For instance, German banks take over American banks, American banks join hands through mergers, Dutch banks acquire British banks and so on and so forth.

The year 2000 was an important milestone in the history of M&A deals. It witnessed record M&A deals both in terms of value and numbers. There were as many as 38,292 M&A deals, totaling nearly US $3,500 billion in the year 2000 (Figure 1). This was over 10 per cent of the world GDP estimated at $33 trillion. The important deals of the year 2000 were AOL-Time Warner and SmithKline Beecham-Glaxo Wellcome (Table 5). Interestingly, more than half of M&A deals took place in US confirming that M&A mania has gripped the country.

The bulk of M&A activity at the global level is taking place within the financial and banking sectors. Particularly in the US where M&A deals have blossomed after the removal of legal restrictions on conglomerations in the financial services. In the fierce competitive environment, big banks are swallowing each other to dominate global banking industry. Mizuho Group of Japan (a holding company formed by merger of three large banks — Fuji, Dai-Ichi Kangyo and Industrial Bank of Japan) and Citigroup of the US secured top positions in the global banking industry as a result of M&As. Mizuho Group is the largest bank in the world with assets of $1.25 trillion, over $350 billion ahead of its nearest rival Citigroup, which holds assets of $902 billion. According to The Banker, a leading banking industry journal, the top 25 banks account for 38 per cent of assets of the top 1000 banks.[13] Annexure 1 delineates mega mergers taking place in the global banking industry since 1998.

Thanks to M&As, Japanese banks have again bounced back to top positions that they enjoyed in the 1980s. In the coming years, Japanese banks are likely to occupy top positions due to M&As. This is despite

Table 5: Leading Global M&A Deals in 2000-2001

Date Announced	Target	Acquiror	Value ($bn)
January 10, 2000	Time Warner	America Online	181.6
January 17, 2000	SmithKline Beecham	Glaxo Wellcome	77.2
July 24, 2000	Voice Stream Wireless	Deutsche Telekom	55.1
October 23, 2000	Honeywell International	General Electric	50.1
May 30, 2000	Orange (Mannesmann)	France Telecom	46.0
October 16, 2000	Texaco	Chevron	43.3
June 20, 2000	Seagram	Vivendi	42.8
July 10, 2000	SDL	JDS Uniphase	41.0
February 29, 2000	Cable & Wireless	Pacific Century Cyberworks	35.5
October 4, 2000	Beijing Mobile, 6 others	China Mobile (Hong Kong)	34.0
September 13, 2000	JP Morgan	Chase Manhattan	33.6
September 6, 2000	Associates First Capital	Citigroup	31.0
March 12, 2001	American General	Prudential	24.5
May 2, 2000	Bestfoods	Unilever	23.7
April 1, 2001	American General	American International Group	23.4
October 4, 2000	US Bancorp, Minneapolis	Firstar, Milwaukee	21.1
March 7, 2000	Network Solutions	VeriSign	20.8
April 1, 2001	Dresdner Bank	Allianz	20.6
April 17, 2000	Allied Zurich	Zurich Allied	19.4
June 25, 2000	Nabisco Holdings	Philip Morris	19.4

Source: Financial Times.

the fact that the Japanese banking sector continues to be in a mess and no marked improvement in their efficiency is yet to be noticed notwithstanding massive bailout packages by the government.

In the past three years, the impact of M&As in the banking industry has been dramatic in Central and Eastern Europe (CEE) where most domestic banks have already become or are likely to become subsidiaries of large foreign banks. In the wake of massive privatization programs, foreign banks have rapidly taken control over the domestic banking industry in this region. In the nine CEE states, foreign bank holdings have risen from 20 per cent of assets in 1997 to a majority status in 2000 and are expected to touch 60 per cent by the end of 2001.[14] In terms of assets, over 90 per cent of Czech banking sector has come under the control of foreign banks.[15] Elsewhere too, similar trends are visible. For instance, all three top banks of Mexico (Bancomer, Serfin and Banamex) have come under the control of foreign banks through M&A deals.

There are innumerable instances where M&A deals within foreign banks have led to increased concentration of banking industry in other countries where they are operating through their subsidiaries. For instance, the announced merger of top two Swedish banks, Swedbank and SEB is expected to lead to further consolidation of banking industry in the Baltic region. Together, these two banks control more than 70 per cent of the Lithuanian banking market.[16] In Estonia, the combined grouping is going to control as much as 83 per cent of total bank assets.[17]

One of the major negative fallout of M&A activity in the banking sector is the sheer neglect of lending to small and medium-sized enterprises. Particularly, in countries like Japan where small and medium-sized enterprises constitute the backbone of manufacturing and services, the consequences for the real economy could be disastrous. If these

experiences are any guide, mega banks are unlikely to serve millions of ordinary people who are usually dependent on local, regional and national banking institutions for credit and financial requirements. In the developed countries like Germany, over 500 Sparkassen (saving banks) alongwith 12 Landesbanken (state banks) continue to provide credit and banking services to ordinary people and small enterprises.

Another negative consequence of M&A in the banking sector is the massive layoff of workers. On an average, between 10 and 20 per cent of workforce was laid off in the wake of M&A deals. In Europe, M&A deals led to nearly 3,00,000 job losses in the financial sector alone in the 1990s. Not only in the banking sector, massive layoff of workers constitutes an integral part of each and every M&A deal. It is paradoxical that at a time when workers are losing jobs, the CEOs of corporations, the masterminds behind M&A deals are being rewarded with hefty hikes in pay packages.

Is M&A Mania on the Wane?

However, in the first half of 2001, M&A deals have slowed down dramatically. Except the pharmaceutical sector, there has been substantial decline in M&A deals in almost every other sector. There are several reasons behind this dramatic decline. Firstly, there has been exceptional fall in the share prices globally, particularly with the bursting of high-tech bubble. Secondly, the specter of global economic slowdown, particularly in the US, is fast becoming a reality. Lastly, the adverse results and experiences of several previous M&A deals have come to light. On paper, mergers and acquisitions sound attractive but in the real world, synergies often do not materialize. Since each corporation has a distinct work culture, it is not an easy task for the board, management and workers to work cohesively in the aftermath of a M&A deal.

Most of M&A deals do not yield desired results. Despite the massive layoff of workers and organizational restructuring, two-thirds of M&As failed to achieve the intended objectives. In the words of Juergen Schrempp, CEO of DaimlerChrysler, "seventy per cent of mergers have not brought results."[18] A recent study by KPMG (a consultancy firm) found that the shareholder value got eroded in as many as 50 per cent of mergers. In another one third of cases, there was no significant change in the shareholder value. This puts a big question mark on the real purpose behind the mergers.

As mentioned earlier, the main objective of M&A deals is to raise shareholder value. Several instances have come to notice where corporations made no strategic gains after M&A. Take the case of Ciba-Geigy and Sandoz merger. The merger failed to yield positive results precisely because both corporations produced almost similar range of drugs, thereby no additional value accrued to the merged entity.

Same is the case with DaimlerChrysler, a huge cross-border merger between Daimler Benz of Germany and Chrysler of the US that took place in 1998. Daimler Benz paid $36 billion for the takeover of Chrysler Corporation. Huge losses, botched product introductions, spiraling costs and a demoralized workforce wiped out $60 billion in market capitalization of the merged entity. DaimlerChrysler is still in the red. Not only the company suffered a loss of $2 billion in 2000, even the future prospects seem bleak. By company's own calculations, it won't be able to book a dollar of profit until 2003.

In situations where M&A deals are not possible because of anti-competition regulations, TNCs often form commercial alliances to share patents and technologies. With the help of such alliances, TNCs have been eluding anti-competition regulations. Between 1998 and 2000, the world's largest TNCs established more than 20,000 such alliances.[19]

The Menace of Transfer Pricing

Transfer Pricing, one of the most controversial and complex issues, requires closer scrutiny not only by the anti-corporate activists but also by the tax authorities in the developing and the under-developed world. Transfer pricing is a strategy adopted by the TNCs to book huge profits through illegal means. In simple terms, transfer pricing is the price charged by one associate of a corporation on another associate of the same corporation. When one subsidiary of a corporation in one country sells goods, services or know-how to another subsidiary in another country, the price charged for these goods or services is called transfer price. Transfer price could be purely arbitrary or fictitious, therefore different from the price which unrelated firms would have had to pay. By manipulating a few entries in the account books, TNCs are able to reap stinking profits with no actual change in the physical capital base.

TNCs derive several benefits from transfer pricing. Since each country has different tax rates, they can increase their profits with the help of transfer pricing. By lowering prices in countries where tax rates are high and raising them in countries with a lower tax rate, TNCs can reduce their overall tax burden, thereby boosting their profits. That is why one often finds that corporations located in high tax countries hardly pay any corporate taxes.

Various kinds of transactions within the corporations are subject to transfer pricing including raw material, finished products, and payments such as management fees, intellectual property royalties, loans, interest on loans, payments for technical assistance and know-how and other related transactions.

With the advent of forces of globalization, manipulative transfer pricing has increased manifold. According to the UNCTAD's World Investment

Report 1996, one-third of the world trade is basically intra-firm trade. As a consequence of M&As, the intra-firm trade has increased considerably in recent years. As mentioned earlier, there are over 63,000 parent TNCs with over 8,00,000 subsidiaries in the world, the number of transactions taking place within these entities is unbelievable. Hence, the task of tax authorities becomes extremely difficult to monitor and control each and every transaction taking place within a particular TNC. The rapid expansion of Internet-based trading (E-commerce) has further queered the task of national tax authorities.

TNCs not only reap higher profits by manipulating transfer pricing, there is also substantial loss of tax revenue to countries, particularly the developing ones that are heavily dependent on corporate income tax for financing their developmental programs. Besides, governments are under pressure to lower taxes as a means for attracting investment or retaining a corporation's presence in their country. Consequently, it leads to heavier tax burden on common citizens for financing social and developmental programs. Although several instances of fictitious transfer pricing have come to public notice in the recent years, there are no reliable estimates of loss of tax revenue globally. The Indian tax authorities are expecting to garner an additional Rs 5000 million each year from TNCs through new regulations on transfer pricing introduced in 2001.

In addition, fictitious transfer pricing creates substantial loss of foreign exchange and engenders economic distortions through fictitious entries of profits and losses. In countries where there are government regulations preventing companies from setting product retail prices above a certain percentage of prices of imported goods or the cost of production, TNCs can inflate import costs from their subsidiaries and then charge higher retail prices. Additionally, TNCs can use overpriced imports or underpriced exports to circumvent governmental ceilings

on profit repatriation, thereby causing drain of foreign exchange. For instance, if a parent TNC has a profitable subsidiary in a country where the parent corporation does not wish to re-invest the profits, it can remit them by overpricing imports into that country. During the 1970s, investigations revealed that average overpricing by parent firms on imports by their Latin American subsidiaries in the pharmaceutical industry was as high as 155 per cent, while imports of dyestuffs, raw materials by TNC affiliates in India were overpriced in the range of 124 to 147 per cent.[20]

Given the magnitude of manipulative transfer pricing, the Organization for Economic Co-operation and Development (OECD) has issued detailed guidelines. Transfer pricing regulations are extremely stringent in developed countries such as the US, the UK and Australia. In the US, for instance, regulations related to transfer pricing cover almost 300 pages, which demolishes the myth that the US espouses 'free market' policies. However, developing countries are lagging behind in enacting regulations to check the abuse of transfer pricing. India framed regulations related to transfer pricing as late as 2001. However, in several developing countries such as Bangladesh, Pakistan and Nepal, tax authorities are yet to enact regulations curbing the abuse of transfer pricing.

Global Corporate Power or Political Power?

In the last two decades, the tremendous increase in the economic clout of TNCs has given rise to a new doctrine that global economic domination by TNCs would spell the end of nation-states and thereby lead to unleashing of corporate rule at the global scale. Not only the proponents of corporate-led globalization, even some critics also share this opinion. There is no denying that TNCs pose a serious challenge to national autonomy and sovereignty on economic matters but it

would be inappropriate to conclude that they control the political domain. Political power still remains in the arena of nation-state. In spite of the growing domination of TNCs in the economic realm in the last two decades, it would be wishful thinking that the nation-state is going to wither away or become irrelevant.

The role of state remains paramount in shaping contemporary global economy. On their own, TNCs have neither the power nor the competence to mold the global economy in their favor. Rather, TNCs seek the support of nation-states and international governmental organizations to shape the contemporary global economy. Most of investment decisions by corporations are influenced by state regulations in areas as diverse as taxation, trade, investment and labor. TNCs still remain dependent on state resources in several spheres including investments in infrastructure, skilled workforce, research and development, trade and investment policies, tax concessions as well as direct financial support. The financial support to TNCs is best exemplified by the continuous subsidy being passed on to TNCs like Boeing Corporation and Airbus Industries. In the aftermath of the attacks on the World Trade Center and Pentagon on September 11, 2001, the US airline industry received an unconditional bailout package of $17 billion from the government.

In addition, the US government has been pumping billion of dollars each year into biomedical research and development. While publicly funded US research institutions and universities (e.g., National Institute of Health) had carried out initial research for the development of several drugs, it is the pharmaceutical TNCs who have reaped the real benefits. Internet is another illustration of government support for the development of new technologies. In fact, it was the Pentagon that initially developed the enabling technology of Internet for military purposes, via APRA-net. One can go on citing innumerable instances,

but the plain truth is that the state is actively involved in the creation and expansion of markets at various levels.

TNCs, in fact, need legislative, judicial and executive institutions to not merely protect and enforce property rights, contract laws but also to provide social, political and macroeconomic stability. There are no instances of pure laissez-faire regimes in economic history. Therefore, the idea of 'free market' is a myth as all markets are governed by state regulations. In fact, markets work best when the state is a strong

Box 1

A Survey of Corporate Power in US

An interesting survey of corporate power in the US was carried out by Businessweek in 2000.[21] The findings of the survey revealed several startling facts, some of these are summarized below.

72 per cent of Americans said that business has too much power over too many aspects of American life.

74 percent of respondents said that big business has excessive power in influencing government policies, politicians, and policy-makers in Washington.

95 per cent were of the opinion that US corporations should have more than one purpose. They supported the view that corporations owe something to their workers and the communities in which they operate and therefore corporations should earmark some profit for the benefit of workers and communities.

Majority of respondents stated that tobacco, oil and insurance companies poorly serve their consumers.

regulator. As rightly pointed out by Howard Davies, Chairman of Financial Services Authority of UK, the most successful markets are not the least regulated ones — they are the ones which have sound regulation.

International Institutions in the Service of TNCs

TNCs' influence over countries, particularly those belonging to the developing and the under-developed world, is not merely confined to their economic clout and lobby groups. TNCs exert leverage directly by employing government officials, participating in important national economic policy making committees, funding political parties, and bribing government officials and politicians. TNCs also enlist support of political establishments of home countries to expand their empire in the host countries. Especially since the 1980s, the involvement of TNCs at international political fora and negotiations has facilitated the rise of global corporate economic power. In order to reduce barriers to trade and investment flows, TNCs have lobbied vigorously at several multilateral trade and investment negotiations. Much of the agenda of Europe's Single Market agreement, the North American Free Trade Agreement (NAFTA), the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), now the World Trade Organization (WTO), have been dictated by the TNCs and their lobbies.

The multilateral financial institutions, namely, the IMF, the World Bank, and several regional developmental banks, actively promote the interests of TNCs. These unelected and highly secretive financial institutions use conditionalities as part of their loan agreements to open up the economies of the developing and the under-developed world. Apart from multilateral financial institutions, there are multilateral trade institutions such as the WTO which make it mandatory for member countries to liberalize their trade and

investment policies. In addition, there are a host of bilateral trade and investment treaties that favor the entry of transnational corporations. In the late nineties, an attempt was made by OECD to launch a new treaty called Multilateral Agreement on Investment (MAI) which was aimed at further increasing the penetration of TNCs without corresponding obligations. However, the treaty had to be shelved due to vigorous campaigns launched by NGOs, social activists and trade unions in the OECD countries.

The role of some external aid agencies has also been important in facilitating the expansion of TNCs in the developing and the under-developed world. For instance, Japan Bank for International Cooperation expands the reach of Japanese corporations to the developing world in the form of project loans, export loans and investment loans. At other levels, international fora like World Economic Forum, neoliberal think-tanks (e.g., Adam Smith Institute, etc.) and business media (e.g., The Economist) are unabashedly propagating neoliberal ideology.

TNCs-UN Partnership: Who Calls the Shots?

Recently, the UN has launched "Partnership" with several TNCs, some of them notorious for their appalling labor and environmental records such as Nike, Royal Dutch/Shell and Rio Tinto. Known as the 'Global Compact,' the UN has joined hands with over 50 big TNCs with the ostensible objective of protecting environmental and human rights.

The relationship between the UN and TNCs has taken a U-turn in the last three decades.[22] In the 1970s, the UN was engaged in drafting an International Code of Conduct to regulate the activities of TNCs and the United Center on Transnational Corporations (UNCTC) was mandated to carry out this task. Pushed at the behest of the developing world, the Draft Code of Conduct prepared by UNCTC was meant to

curb the power of TNCs in domestic political matters. In the early 1970s, developing countries were seriously concerned over the involvement of a US TNC, ITT, in overthrowing democratically elected Allende government in Chile. But the Draft Code, designed to complement the national state regulations, never got acceptance for two primary reasons — strong opposition from the developed world and the weakening of national regulations in the developing world as they had been embracing neoliberal economic policies throughout the eighties and the nineties.

Not surprisingly, UN agencies like the United Nations Conference on Trade and Development (UNCTAD) began promoting the interests of TNCs in the 1980s. Even the environmental recommendations on TNCs drafted by UNCTC were not only dropped at the UN Earth Summit at Rio in 1992 but the UNCTC itself was shifted to a division under the UNCTAD.

It is regrettable that rather than joining hands with peoples' movements which are demanding wider accountability from the TNCs, UN has taken the liberty to align with such forces who have been systematically undermining public accountability and state regulations.

TNCs' Collaborators in the Host Countries

It would be incorrect to hold only external agencies (as listed above) responsible for promoting the expansion of TNCs globally. Corporations also have powerful allies and collaborators in the host countries. In India, like many other developing countries, the domestic allies of TNCs include big business houses, middle classes, big farmers as well as the business media.

In the present global scenario, it is the unholy alliance of global ruling elites with their counterparts in the developing and under-developed

world that ensures the global domination of TNCs. Even the earlier contradictions between foreign and domestic capital are getting blurred day by day. In India, for instance, over two-thirds of foreign investment in the post-liberalization period (1991-99) has been in the form of joint ventures between TNCs and domestic firms. Therefore, any understanding of corporations would be incomplete without analyzing the prominent role played by domestic collaborators of foreign capital.

Of late, even certain NGOs are collaborating with TNCs. Corporations often use NGOs to enhance their public image while blatantly flouting environmental and labor regulations. There are several instances where TNCs, while working in partnership with NGOs, have actually undermined environmental and labor rights. Even corporate donations to philanthropic NGOs has more to do with their business interest and value addition to their brands. Besides, NGOs have been used, inadvertently or otherwise, by TNCs to penetrate the rural markets through self-help groups and micro credit institutions.

Are Corporate Codes of Conduct the Solution?

There is considerable interest within sections of anti-corporate movement on code of conduct and self-regulation. In fact, several environmental and human rights NGOs have played a key role in drafting codes of conduct for TNCs. Over the years, a variety of such codes have emerged.[23] The list includes the International Labor Organization's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy; the OECD Guidelines on Multinational Enterprises; the UNCTAD Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices; the Food and Agriculture Organization's Code on the Distribution and Use of Pesticides; the World Health Organization/ UNICEF Code of Marketing Breast Milk Substitutes, etc. Corporations

have also adopted similar codes such as the US Chemical Manufacturers Association's Responsible Care Program and the International Chamber of Commerce's Business Charter for Sustainable Development.

In operation for several years, corporate codes of conduct remain weak and ineffective because they are voluntary, non-binding agreements. These codes are not mandatory, i.e., they do not involve any penalties on TNCs who violate them. Corporate codes are limited to a few sectors, particularly those where brand names play a decisive role such as garments, footwear, toys, sport goods and retailing businesses. Whereas major sectors of the economy remain outside the purview of corporate codes.

Another problematic area relates to the actual implementation and monitoring of voluntary codes. Since big consultancy firms usually carry out monitoring of codes with little transparency and public participation, the actual implementation of codes by TNCs remain a closely guarded secret. This strengthens the suspicion that voluntary codes are meant to deflect public criticism rather than solving the ground conditions. The mushrooming of voluntary codes in an era of increasingly deregulated business and trade raises doubts about their efficacy. Unlike the 1970s when codes of conduct for TNCs were largely pushed by the developing countries, it is mainly the developed countries and their NGOs who have been insistently promoting the voluntary corporate codes of conduct in the 1990s.

Therefore, it is not surprising that there is a strong propensity among the supporters of neoliberalism to consider voluntary codes of conduct as a substitute to state regulations. The voluntary codes of conduct cannot be a substitute for state regulations. Nor can they substitute labor and community rights. At best, voluntary codes can complement

state regulations and provide space for raising environmental, health, labor and other concerns.

Moreover, if the recent experience is any guide, the fight for implementation of voluntary codes could be frustrating, time-consuming exercise thereby distracting much-needed energy from the struggle for regulatory controls on TNCs. This was evidenced in the case of the decade-long campaign on the national code and law for nurturing breastfeeding and restricting TNCs' baby food marketing in India.[24] Therefore, voluntary codes require serious rethinking on the part of anti-corporate movements who consider these as a solution to problems posed by TNCs.

Contesting TNCs: Emerging Issues and Challenges

In the last two decades, there has been simmering discontentment among the poor and working classes, whether they are located in the developing or in the developed world, against neoliberal globalization. As a result, several anti-corporate groups and activists have launched myriad campaigns and struggles against the TNCs. These diverse groups have used assorted strategies to deal with the corporate world such as shareholder action, litigation, community and labor protests, media campaigns, and street actions.[25] From Seattle, Davos to Genoa, the world has already witnessed a number of violent public protests. Not long ago, Multilateral Agreement on Investment was given a quiet burial in the wake of strong protests in the developed world. In the year 2001, anti-corporate activists registered a major victory against pharmaceutical TNCs on AIDS drugs issue (for details, see Box 2).

In spite of these significant achievements in the recent years, the anti-corporate movement needs to rethink its strategy in the light of new developments. By and large, most of the anti-corporate movements

Box 2

Victory of Patients over Patents

The year 2001 was an important milestone in the recent history of anti-corporate movements who won a major victory against pharmaceutical TNCs in South Africa. On April 19, 2001, 39 drug TNCs' association, which had taken the South African government to court over patent laws, dropped the lawsuit unconditionally. The case was filed by the Pharmaceutical Manufacturers' Association of South Africa (PMASA), a body representing South African subsidiaries of 39 drug TNCs. The Association challenged the Medicines and Related Substances Control (Amendment) Act of 1997 which allows parallel importing of Acquired Immuno Deficiency Syndrome (AIDS) and other related drugs. Recent experience shows that parallel importing can be helpful in promoting access to drugs at affordable prices.

It is important to emphasize here that the drug TNCs unconditionally dropped the lawsuit not because of their sudden change of heart or altruistic feelings towards the poor South Africans suffering from AIDS. Rather, it was the result of a sustained campaign by a number of health activists and groups around the world. These groups campaigned tirelessly to get the drug companies to drop the lawsuit against the South African government. The health activists and groups were successful in spreading the message across the world that drug TNCs have been putting profits before poor people's lives. They highlighted various arm-twisting strategies adopted over the years by the drug TNCs to block attempts by the poor and developing countries to supply cheap drugs to their patients. In the end, it was a great victory for the people of South Africa and for the global campaign to make drugs more affordable.

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After suffering such a humiliating defeat, it is unlikely that drug TNCs will launch a similar lawsuit in any other country in the near future. This case is likely to shift the balance of power in favor of the poor and developing countries. It has sent the message that lives are more important than patents. The victory will certainly boost the morale of the people, particularly in the third world countries, to demand medicines that are affordable. Now the onus is on the poor and developing countries to take full advantage of this case and demand a comprehensive review of TRIPS, including reduction in the duration and scope of patent protection for medicines that are essential for public health. Rather than recklessly pursuing amendments in the Indian Patents Act, the Indian government should seek suitable revisions in the TRIPS agreement, in the light of these developments.

Despite such a positive outcome, however, it would be a serious mistake to consider this victory as an end in itself. Now health activists have to pressurize the South African government to go ahead with its plan to buy generic drugs and launch a widespread program to provide AIDS medication for the 4.7 million people infected with AIDS. Otherwise, the withdrawal of the lawsuit would remain meaningless for millions of AIDS infected people.

The next battleground should be Brazil which is fighting for its right to care for its sick and dying people against the global drug TNCs backed by the US government. In fact, the real challenge before the peoples' movements lies in confronting and reversing the WTO rules on intellectual property rights and a host of other areas that were introduced at the behest of TNCs. It is high time that the primacy of national health policy over international agreements, including the WTO, be restored.

are single-issue oriented, focussing on a particular TNC or sector. But with massive M&A deals along with the breaking down of traditional boundaries between various sectors of economy taking place globally (such as banking and insurance, agriculture and pharmaceuticals, etc.) the single-issue or single-sector campaign may not suffice to address the swift developments taking place in the corporate world. Similarly, sustaining effective anti-corporate campaigns over a long period of time is a big challenge. Two important campaigns often glorified as "success stories" within the anti-corporate circles — the farmers' direct action against Cargill in India and the international boycott campaign against Nestle baby food — have failed to make a significant dent on the profits and operations of these corporations. On the contrary, profits and outreach of these two corporations continue to rise exponentially. Therefore, anti-corporate activists and groups will have to devise new analytical and long-term strategic framework to deal with the emerging issues.

Anti-corporate activists and groups, particularly those who believe in complete dismantling of corporations, would have to address larger political issues since dismantling of TNCs cannot be an end in itself. After all, corporations happen to be only one of the important institutions of production under global capitalism. What about other powerful economic constituents of global capitalism such as finance capital which is more damaging than the productive capital?

As there cannot be a single strategy to deal with corporations due to inherent complexities, a combination of strategies may have better chances of success. Some of these may be short-term while others may be long-term strategies. Strategies may also vary from country to country depending on the locale and strength of social and political movements. While the arena of campaigns and struggles remain national, activists and groups can join hands with their counterparts

around the world.

To begin with, a broad based campaign for strict enforcement of regulatory measures such as taxes, curbs on capital movements, and social and environmental regulations at the national level could be launched by the anti-corporate movements. It is important to emphasize here that a transparent and accountable system of regulation and supervision is a necessary precondition for the effective enforcement of regulations. Otherwise, a corrupt and secretive bureaucratic system could defeat the very purpose behind the regulations. At the international level, movements could take up the task of democratizing the structures of global economic institutions. To conclude, a democratic and accountable state with social control on TNCs not only act as a bulwark against the present trajectory of corporate-led globalization but it can also broaden the space for alternative developmental strategies.

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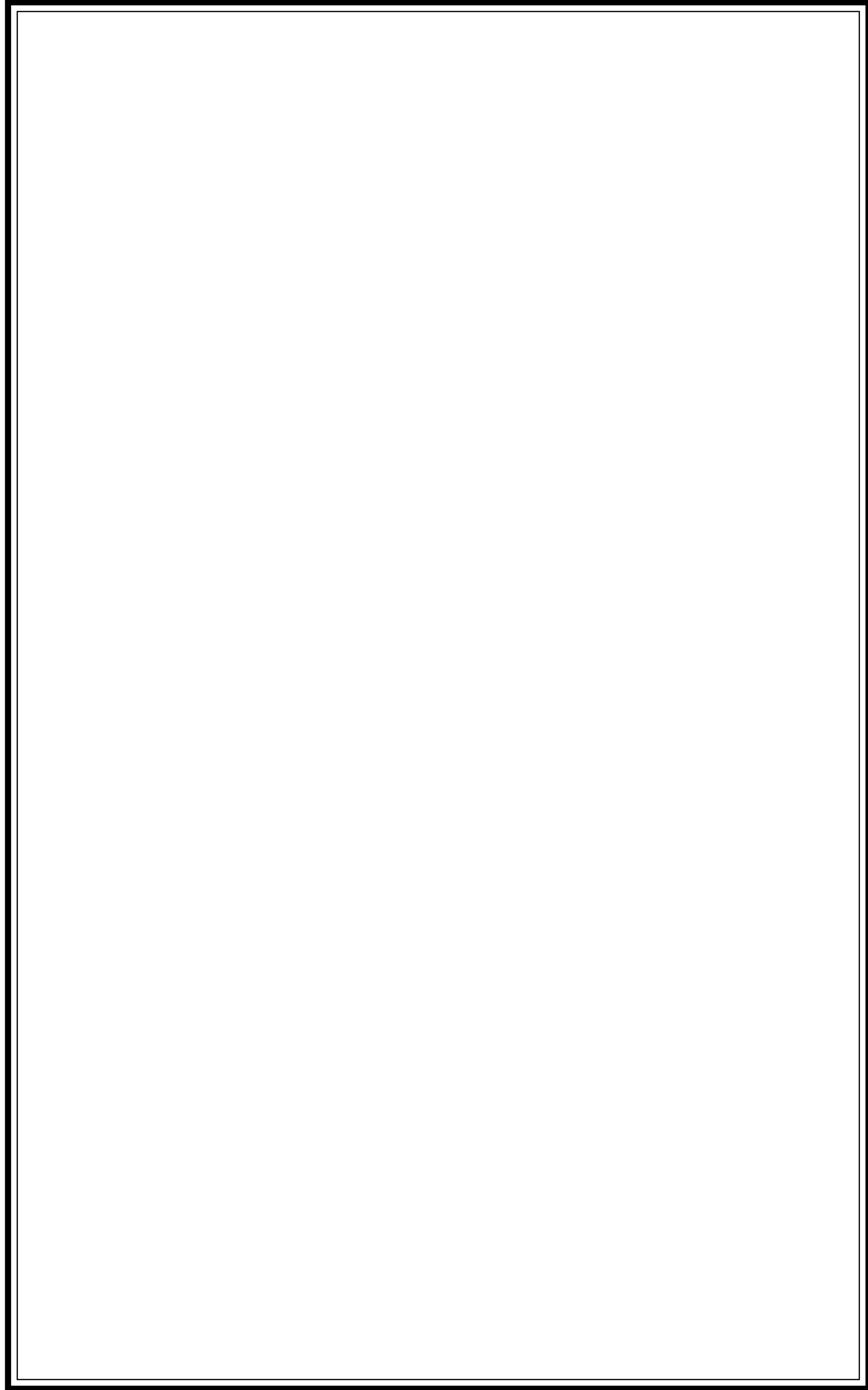

Annexure 1: Major Mergers in Global Banking Since 1998

(Assets $million)

	1998 / 1999	1999 / 2000	2000 / 2001
Citigroup	668641	716937	
Schroders	22606	21662	902210
Banamex	29844	26724	34902
Dai-Ichi Kangyo Bank	396674	471977	
Fuji Bank	358223	531184	Mizuho Financial Group
Industrial Bank of Japan	370394	391081	1259498
Chase Manhattan	365875	406105	
JP Morgan	261067	260898	JP Morgan Chase
Robert Fleming	17192	19802	715348
HSBC Holdings	484655		
Republic New York	50424	569139	
CCF	73247	69608	
Banque Hervet	3907	5796	673614
Deutsche Bank	732534		
Bankers Trust	133115	843761	874706
Bank of Tokyo-Mitsubishi	598270	678244	675640
Mitsubishi Trust	141048	152467	145222
Sakura Bank	389434	443367	416129
Sumitomo Bank	439702	507959	540875
HypoVereinsbank	337197	505559	
Bank Austria	140161	140646	666707
BNP	379046	BNP Paribas	
Paribas	309364	701853	645793

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National Westminster[1]	309421	286811 }	Royal Bank of Scotland
Royal Bank of Scotland	133662	146307 }	461511
Wells Fargo	202475	218102 }	
First Security	21689	22993 }	272341
Sanwa Bank (UFJ Hdgs)	418373	428804	425302 }
Tokai Bank	252605	277688	267223 }
Toyo Trust	62949	75687	62289 }
Barclays	353367	398825 }	
Woolwich	55296	54562 }	458787
Fleet Financial	104554 }	FleetBoston	
BankBoston	73513 }	190692	179346 }
Summit	33130	36411	39651 }
Banco Santander	180840 }	BSCH	
Banco Central Hispano	95663 }	257624 }	
Banespa	20983	15963 }	
Banca Serfin	16904	15803 }	324675
Banco Bilbao Vizcaya	156274 }	Banco Bilbao Vizcaya Argentaria	
Argentaria	81473 }	239268 }	
Bancomer	25836	22490 }	279535
First Union[2]	237363	253024	253290
SunTrust[2]	93170	95390	103312
Wachovia[2]	64123	67353	73950
BCI[1]	132188 }	IntesaBci	
Banca Intesa	179258 }	305354	309172
Lloyds TSB[3]	240068	241715	249026 }
Abbey National[3]	295756	263949	276497 }
Frortis Bank	323567	330640 }	
Banque Generale du Luxembourg	35685	32904 }	313643

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Halifax	240516	222795	226177 }
Bank of Scotland	99478	114370	124693 }
MeritaNordbanken	112049	104457 }	Nordea Group
Unidanmark	70058	77859 }	208157 }
Christiania	24547	26223	26692 }
Dexia	232601	245775	239925 }
Artesia (BACOB)	75354	87117	70232 }
SanPaolo IMI	185403	140533 }	
Banco di Napoli	37868	35134 }	160139
US Bancorp	76438	81530	87173 }
Firstar	38476 }		}
Mercantile Bancorp	35974 }	72788	77564 }
Mitsui Trust	78103	91984 }	Chuo Mitsui Trust and Banking
Chuo Trust	38584	47560 }	108198
OCBC[4]	33566	32587	34484 }
Keppel Tatlee[4]	12102	14546	15007 }
Fifth Third	28922	41590	45818 }
Old Kent	16589	17987	23862 }
SEB	85555	83314	117757 }
Swedbank	89312	97781	97477 }
Comerica	36697	38664 }	
Imperial	6211	6868 }	41985
First American	20722 }	AmSouth	
AmSouth	19919 }	43427	38967
Den norske Bank	32234 }	DnB Group	
Postbanken	9154 }	38981	38900

Notes: [1] Reverse takeover; [2] Contested offers for Wachovia; [3] Unsolicited offer; awaiting decision by Competition Commission; [4] Unsolicited offer.

Source: The Banker, July 2001.

Annexure 2: Top 100 TNCs in 2000 ($million)

TNC	Country	Revenues
Exxon Mobil	US	210392
Wal-Mart Stores	US	193295
General Motors	US	184632
Ford Motor	US	180598
DaimlerChrysler	Germany	150070
Royal Dutch/Shell Group	Britain/Netherlands	149146
BP	Britain	148062
General Electric	US	129853
Mitsubishi	Japan	126579
Toyota Motor	Japan	121416
Mitsui	Japan	118014
Citigroup	US	111826
Itochu	Japan	109756
Total Fina Elf	France	105870
Nippon Telegraph & Telephone	Japan	103235
Enron	US	100789
AXA	France	92782
Sumitomo	Japan	91168
I B M	US	88396
Marubeni	Japan	85351
Volkswagen	Germany	78852
Hitachi	Japan	76127
Siemens	Germany	74858
ING Group	Netherlands	71196
Allianz	Germany	71022
Matsushita Electric Ind.	Japan	69475
E.ON	Germany	68433
Nippon Life Insurance	Japan	68055
Deutsche Bank	Germany	67133
Sony	Japan	66158
AT&T	US	65981
Verizon Communications	US	64707

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TNC	Country	Revenues
U.S. Postal Service	US	64540
Philip Morris	US	63276
CGNU	Britain	61499
J P Morgan Chase & Co	US	60065
Carrefour	France	59888
Credit Suisse	Switzerland	59315
Nissho Iwai	Japan	58557
Honda Motor	Japan	58462
Bank of America Corp	US	57747
BNP Paribas	France	57612
Nissan Motor	Japan	55077
Toshiba	Japan	53827
PDVSA	Venezuela	53680
Assicurazioni Generali	Italy	53333
Fiat	Italy	53190
Mizuho Holdings	Japan	52068
SBC Communications	US	51476
Boeing	US	51321
Texaco	US	51130
Fujitsu	Japan	49603
Duke Energy	US	49318
Kroger	US	49000
NEC	Japan	48928
Hewlett-Packard	US	48782
Hsbc Holdings	Britain	48633
Koninklijke Ahold	Netherlands	48492
Nestle	Switzerland	48225
Chevron	US	48069
State Farm Insurance Cos	US	47863
Tokyo Electric Power	Japan	47556
UBS	Switzerland	47316
Dai-Ichi Mutual Life Insurance	Japan	46436
American Int Group	US	45972
Home Depot	US	45738

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TNC	Country	Revenues
Morgan Stanley Dean Witter	US	45413
Sinopec	China	45346
ENI	Italy	45139
Merrill Lynch	US	44872
Fannie Mae	US	44089
Unilever	Britain/Netherlands	43974
Fortis	Belgium/Netherlands	43831
ABN AMRO Holding	Netherlands	43390
Metro	Germany	43371
Prudential	Britain	43125
State Power	China	42549
RWE	Germany	42514
Compaq Computer	US	42383
Repsol YPF	Spain	42273
Pemex	Mexico	42167
Mckesson Hboc	US	42010
China National Petroleum	China	41684
Lucent Technologies	US	41420
Sears Roebuck	US	40937
Peugeot	France	40831
Munich Re Group	Germany	40672
Merck	US	40363
Procter & Gamble	US	39951
Worldcom	US	39090
Vivendi Universal	France	38628
Samsung Electronics	South Korea	38491
Tiaa-Cref	US	38063
Deutsche Telekom	Germany	37834
Motorola	US	37580
Sumitomo Life Insurance	Japan	37536
Zurich Financial Services	Switzerland	37431
Mitsubishi Electric	Japan	37349
Renault	France	37128
Kmart	US	37028

Source: Fortune, July 23, 2001.

BRIEFING PAPER

In the last two decades, economic clout of global corporations has scaled unprecented heights. Out of world's top 100 economies in 2000, 54 were corporations and only 46 were nations. Not only TNCs have global reach, there are hardly any sectors where TNCs do not enjoy a dominating presence. Does this suggest the end of nation-states? Not at all, says the author. With the help of contemporary examples, the author argues that the role of state has been critical in shaping the present trajectory of corporate-led global economy. Tracing the history of TNCs from the 16th century, the paper provides up-to-date information on important aspects related to TNCs and their wider implications. It critically examines in detail two most controversial and complex issues related to TNCs namely, mergers and aquisitions and transfer pricing. The author calls upon anti-corporate activists and movements to rethink their strategies in order to address new challenges posed by corporate-led globalization.

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Asia-Europe Dialogue Project is a collective effort to encourage and strengthen dialogue among various organizations for developing alternative strategies of development. Initiated by Heinrich Böll Foundation, the project runs a website and works closely with like-minded individuals and organizations in Asia and Europe.

Public Interest Research Centre is a Delhi-based organization working on issues related to capital flows and development.

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