

Trends in the development of transnational business in the context of globalization and the pandemic (COVID-19)

Galyna Zhavoronkova, Vladimir Zhavoronkov, Natalia Khoroshchak,
National Aviation University,
Kyiv, Ukraine
zhavor@ukr.net

Annotation. The combination of interests of TNCs and the state is considered. An assessment of the activities of the world's largest TNCs. The dynamics of the number of TNCs in the top 100 companies in the world by country is determined. A comparative analysis of the size of market capitalization by sectors of companies. The contradiction between the international global nature of TNC operations and the territorially limited jurisdiction of the state was revealed. It was found that the market capitalization of multinational companies in the top 100 has decreased, but global companies have shown significantly better results than their smaller representatives have.

KEYWORDS: TRANSNATIONAL CORPORATIONS, MARKET CAPITALIZATION, TRANSFER PRICING, GLOBALIZATION, PANDEMIC

1. Introduction

In the context of globalization, the interdependence and interconnectedness of countries is deepening. The advantages of these processes are developed countries where transnational corporations (TNCs) come from - the main actors operating in international markets. The activities of TNCs have a huge impact on the development of global society, as well as developing countries [9].

The combination of the interests of transnational corporations (TNCs) and the state can be observed in the following cases:

- intensification of TNCs in the national economy can improve the image of the state at the global level and, consequently, make it more attractive to other corporations;
- foreign direct investment by foreign TNCs in production finances the country's balance of payments deficit;
- implementing their strategies, TNCs can contribute to the restructuring of the economy and increase its competitiveness;
- TNCs in the national economy can ensure the development of existing and the creation of new ancillary industries for their production.

As a result of the rapid development of the global pandemic (COVID-19), key global stock exchanges have experienced the "deepest" intraday declines in March 2020 since the 2008 global financial crisis. In the same month, market volatility peaked after the global financial crisis due to the unprecedented impact of COVID-19 on world markets. The negative economic phenomena outlined above have distorted the world market in a short period, and all countries and companies around the world are still feeling the effects.

2. Evaluation of the activities of the largest multinational corporations in the world

To understand the economic impact of COVID-19 on the company's data and opportunities for their further development in global markets for goods and services, we will focus on a detailed analysis of trends in the 2020 reporting year.

The market capitalization of the top 100 companies decreased by \$ 3905 billion. (15%) to \$ 21,471 billion. as of March 2020, although it should be noted that these global companies have performed significantly better than smaller representatives of their sectors have. This is a sign that when choosing the most favorable companies to invest in sectors of the world economy, investors should evaluate the combination of economic stability and protective qualities of large companies, as well as their ability to invest in eliminating the negative effects of market fluctuations.

The market capitalization of the world's top 100 global companies increased by 20% from March to December 2019, before decreasing by 15% from December 2019 to March 2020, as COVID-19 consolidated its position in global markets for goods and services (Fig.1).

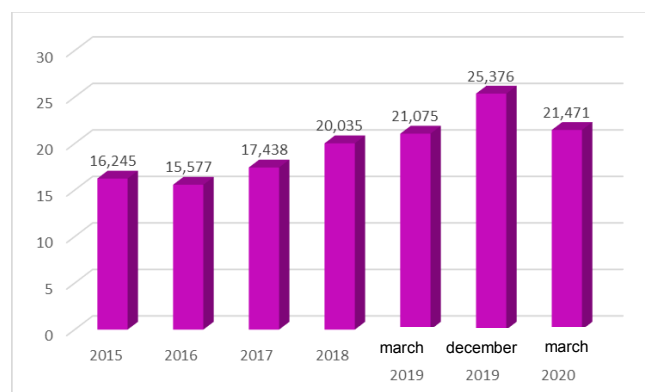


Fig. 1. Dynamics of change in the market capitalization of the top 100 global companies in the world, billion dollars, 2015-2020
Source: built on [1]

In 2020, the market capitalization of the top 100 global companies in the world increased by only 2%, which is the lowest figure since 2016 [2].

In all regions of the world, the market capitalization of the top 100 companies grew until December 2019, after which profits began to decline in all regions of the world (except Saudi Arabia) (table 1).

Table 1 Changes in the market capitalization of the top 100 companies in the world by region (December 2019 - March 2020)

Region of the world	Change, billion dollars	Change, %
USA	- 2 204	- 14
Europe	- 956	- 25
China and the Asian region	- 355	- 11
Other regions of the world	- 389	- 13
Total	- 3905	- 15

Source: built on [1]

Thus, European companies, which were among the top 100 companies in the world, experienced the most significant relative decline in the three months to March 2020, while market capitalization decreased by 25% (\$ 956 billion) [3]. British companies in the top 100 companies in the world with a relatively high weight of companies representing the oil and gas sectors received a moderate 2% increase in market capitalization in March-December 2019, before a decrease in market capitalization by 28% by March 2020.

The United States continues to dominate the top 100 companies in the world in terms of market capitalization and the number of companies on the list, despite a reduction in market capitalization of \$ 2,204 billion (14%) in the three months to March 2020 [4].

China and its regions make the second largest contribution to the list of top 100 global companies in the world with 14 companies, losing one company in 2020 and slightly behind the United States [5].

Brazil, South Africa and Australia are no longer in the top 100 global companies in the world because Petrobras (Brazil), BHP (Australia), Naspers (South Africa) after selection Prosus in a separate TNC, dropped out of this ranking [6].

Other notable changes in the market capitalization of the world's top 100 companies by region in 2020 compared to 2019 are as follows:

- Saudi Arabia's position was improved by Saudi Aramco, which rose from 17th to third position;
- The position of the United Kingdom has changed from third to fifth place, despite the fact that the list has the same number of companies. British companies demonstrated one of the largest reductions in market capitalization in the three months to March 2020;
- The Netherlands rose from 12th to eighth position, taking advantage of a significant increase in market capitalization IPO Prosus and ASML Holdings;

- Canada has gone down five steps since Toronto Dominion Bank is no longer on the top 100 list.

Speaking of specific companies in the top 100, Microsoft took second place as of March 2020, despite a temporary lead by Apple in late 2019. At the same time, both companies are ranked lower than Saudi Aramco, which took the first place in terms of market capitalization (Fig. 2).

According to Figs. 2 can be traced to the fact that Saudi Aramco had the world's largest IPO in December 2019. Since its listing, it is the world's largest company by market capitalization. At the time of the IPO, its value was more than twice that of Microsoft's largest company in March 2019. As of March 2020, Exxon Mobil fell from the top ten to 42nd position (starting in December 2019), which corresponds to the negative trend in the oil and gas sector after the pandemic. The gap between the leaders and outsiders of the world's top 100 companies was \$ 1,516 billion and has grown significantly compared to March 2019 due to the size of Saudi Aramco. The gap between the second largest companies (Microsoft and Apple) and outsiders has also widened.

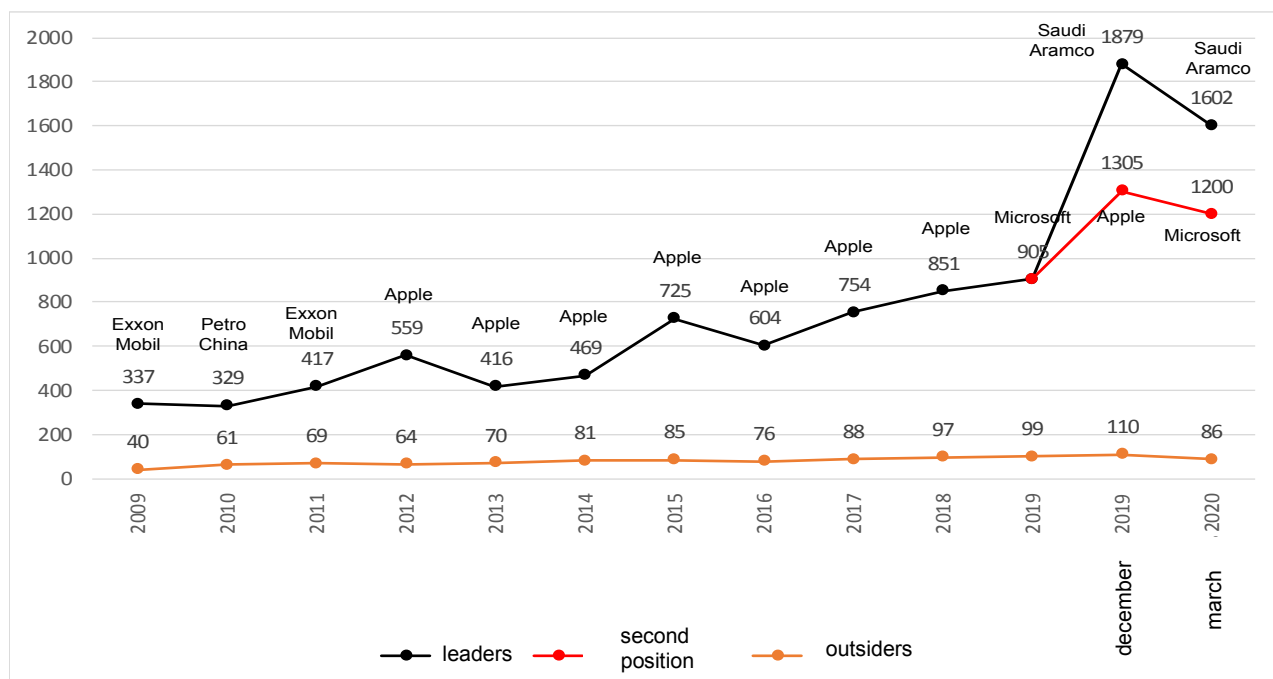


Fig. 2. Dynamics of market capitalization of leaders and outsiders of the top 100 global companies in the world, billion dollars, 2009-2020
Source: built on [1]

In March 2020, the market capitalization of outsiders in the top 100 companies in the world was \$ 13 billion lower than in March 2019.

Thus, even taking into account the negative economic factors caused by the COVID-19 pandemic and the unprecedented decline in oil and gas prices, Saudi Aramco retains its top positions as of December 2019 (and March 2020 Figure 3).

According to analytical data presented in Fig. 3, it can be concluded that the companies of the top 100 companies in the world. Apple regained the lead by overtaking Microsoft in October 2019, but as of 2020, Apple dropped to third place. In our opinion, the Technology and e-commerce sector continue to dominate at the top of the ranking of further research in this area is promising, aimed at studying the changes in the positions of companies in the top 100 by 2020 and their resilience to the obstacles caused by the COVID-19 pandemic.

Amazon has become one of ten companies in the top 100 companies in the world as of 2020, increasing its market value in

the three months to March 2020. As a result, the company rose one place in the ranking of Alphabet.

As noted above, in all regions the market capitalization of the world's top 100 companies grew until December 2019, after which the negative trends caused by COVID-19 hit global markets, and the profits of the surveyed companies were leveled in all regions of the world (except Saudi Arabia) (Fig.4).

European companies in the top 100 companies in the world showed the most significant relative decline in the three months to March 2020, while their market capitalization decreased by 25% (\$ 956 billion). The market capitalization of American companies in the top 100 companies in the world fell by 14% in three months to March 2020 (\$ 2,204 billion). The United States continues to dominate the top 100 companies in the world in terms of market capitalization and the number of companies on the list (Fig.5).

The market capitalization of China and its regional companies in the top 100 companies in the world has decreased slightly - from 15% of the total in March 2019 to 14% in March 2020. Sinopec (China Petroleum & Chemical Corporation) has dropped out of the list of world leaders.

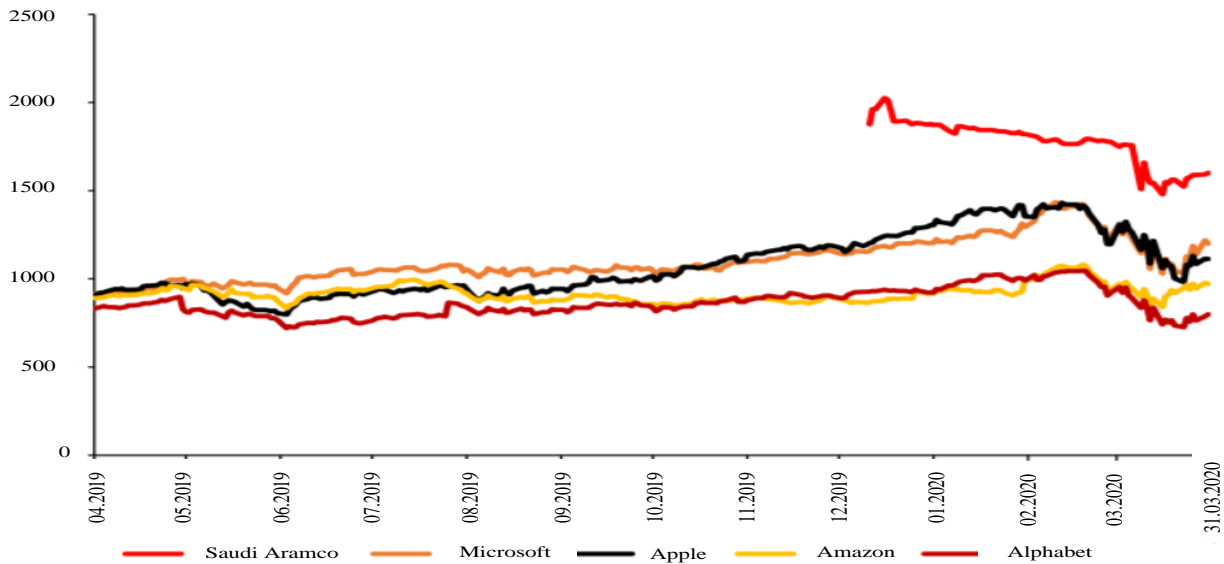


Fig. 3. Dynamics of market capitalization of the world's leading companies, billion dollars, April 2019 - March 2020
Source: based on [1]

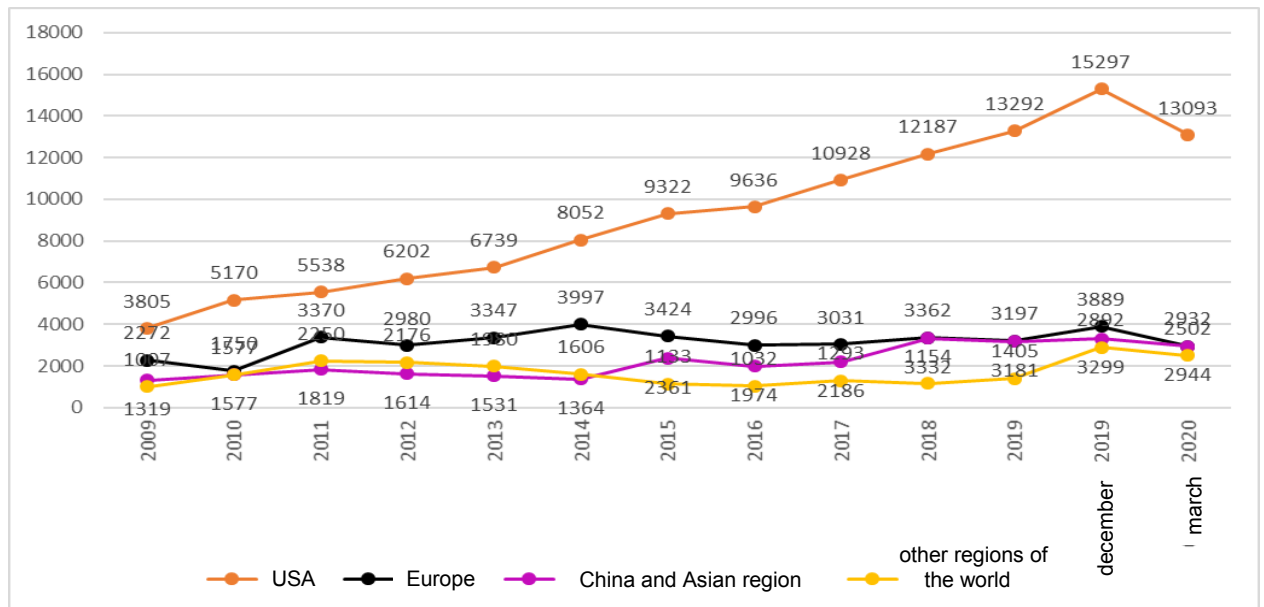


Fig. 4. Dynamics of market capitalization of the world's leading companies by region, billion dollars, 2009-2020

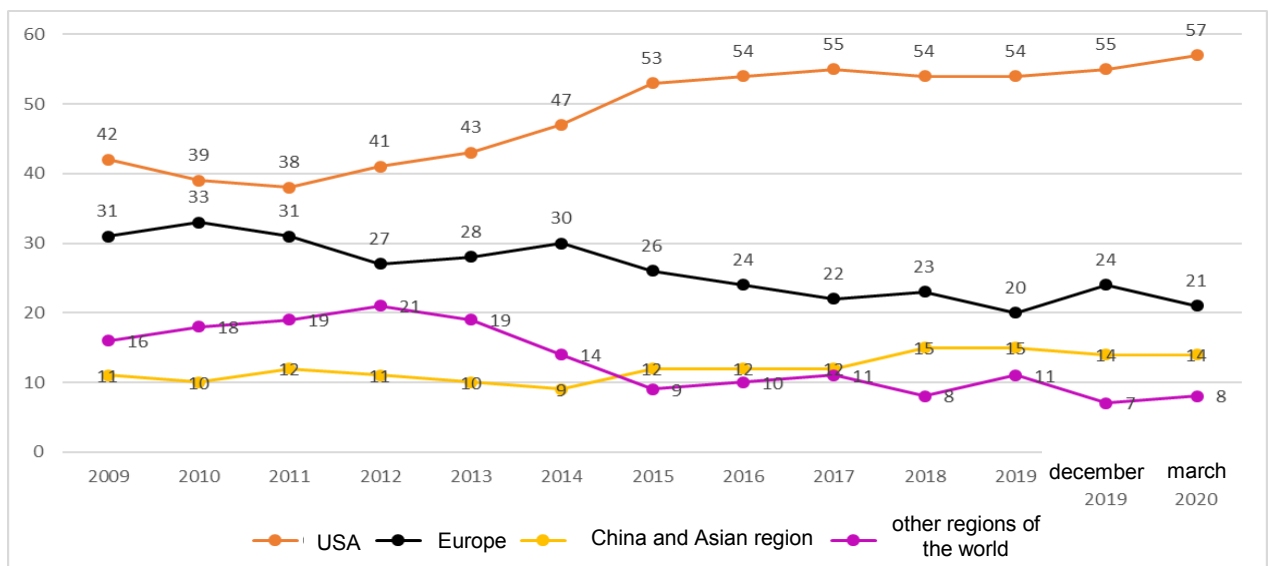


Fig. 5. Dynamics of the number of companies in the top 100 companies in the world by region, number, 2009-2020
Source: based on [1]

The market capitalization of companies in other regions of the world market was increased due to the accession of Saudi Aramco in the period up to December 2019, which more than offset the net losses of three companies (36%) in this category from the top 100. Thus, the top 100 companies from the United States and China

(taking into account the Asian region) have not shown drastic changes in their rankings since March 2019. Although US companies have expanded their presence in the top 100 companies in the world (+3 companies), Chinese companies have lost their representatives in the ranking (-1 company) (Table 2).

Table 2 Dynamics of the number of TNCs in the top 100 companies in the world by country

Country	Indicators as of 2020			Indicators as of 2019		
	Number of companies, pcs.	Market capitalization, billion dollars	Position in the ranking by capitalization	Number of companies, pcs.	Market capitalization, billion dollars.	Position in the ranking by capitalization
USA	57	13093	1	54	13292	1
China	14	2922	2	15	3197	2
Saudi Arabia	1	1602	3	1	100	17
Switzerland	3	795	4	3	774	4
UK	6	640	5	6	870	3
France	4	545	6	5	696	5
Japan	3	395	7	2	298	6
Netherlands	3	357	8	1	166	12
North Korea	1	234	9	1	234	8
Ireland	2	225	10	2	235	7
India	2	185	11	2	233	9
Denmark	1	144	12	1	128	15
Germany	1	136	13	1	142	13
Belgium	1	90	14	1	169	11
Canada	1	87	15	2	208	10

Source: based on [1]

According to table. 2 can be seen that the position of Saudi Arabia has improved due to the above-mentioned company Saudi Aramco, so, the country rose from 17th to 3rd place. During this period, Saudi Aramco acquired the Saudi Basic Industries Corporation (SABIC), and as of March 2019, SABIC was the only company in Saudi Arabia.

The position of the United Kingdom fell from 3 to 5 place, despite the fact that the same number of companies on the list. Some of the largest reductions in market capitalization in the three months to March 2020 were demonstrated by British companies,

including HSBC, BP and Royal Dutch Shell [10]. The Netherlands rose from 12th to 8th position, mainly due to increased market capitalization of the semiconductor company ASML Holding and IPO Prosus (the technology company broke away from Naspers).

Canada has dropped five places during this period due to the loss of Toronto Dominion Bank's leading position in the global financial sector.

As of March 2020, the technology, finance and healthcare sectors accounted for 58% of the total market capitalization of the world's top 100 companies (Table 3).

Table 3 Comparative analysis of market capitalization by sectors of companies, December 2019 - March 2020

ector	Change in market capitalization, %	Change in the sector performance index, %	Market capitalization, 03.2020, billion dollars	Number of companies, 03.2020, pieces	Market capitalization, 12.2019, billion dollars
Domestic services	-6	-33	2876	10	3066
Telecommunications	-14	-16	782	5	904
Healthcare	-11	-12	2968	19	3325
Industry	-19	-27	504	5	623
Consumer goods	-14	-18	2222	13	2590
Technologies	-11	-14	6258	20	7-26
Oil and gas	-24	-44	2428	8	3187
Resources materials	-20	-28	92	1	114
Finances	-23	-32	3224	18	4206
Utilities	-1	-16	118	1	118

Source: built on [1]

Utilities is a new sector that is included in the analysis only in 2020 due to the inclusion of NextEra Energy (renewable energy producer) in the ranking of the top 100 companies in the world. As of December 2019, the company was ranked 92nd, rising to 63rd place in March 2020.

Three months before March 2020, when the global situation with COVID-19 was developing rapidly in a negative direction for the world economy, all indices of leading sectors ranged from 12% to 44%. During the same period, although the market capitalization of the world's top 100 companies by sector also declined significantly, in all sectors it exceeded its respective industry indicators. This is consistent with the view that scale brings resilience to TNCs and protective qualities for investors seeking to expand their spheres of influence.

The oil and gas sector has suffered the most from the large-scale impact and uncertainty caused by COVID-19, with the overall decline in the industry index being 44%. With the exception of Saudi Aramco, the world's top 100 companies recorded a 37% drop in market capitalization (24% including Saudi Aramco).

According to the general market indicators, the top 100 companies in the sectors of financial activities, resource materials and industry also underwent significant negative changes in market capitalization during the three months to March 2020.

Three months before March 2020, consumer services companies Netflix and Amazon saw an increase in market capitalization, reinforced by traffic restrictions imposed by governments in an attempt to slow the spread of COVID-19. The increase in these two companies partially offset the decline in

market capitalization of all other companies in the sector, leading to a net reduction of only 6% (compared to -33%, which is observed in the total of all companies in the top 100).

So, three months before March 2020, the global market has identified winners and losers in the sector, and companies in the

technology and health sectors are clearly ahead of the financial and oil and gas industries. In addition, the top 100 companies showed corresponding changes in market capitalization, corresponding to their individual circumstances of economic activity (Tab.4)

Table 4 Comparative analysis of the top 10 global companies with the largest relative increase and decrease in market capitalization, December 2019 - March 2020

The company name	Country of base	Sector	Change in market capitalization,%	Market capitalization, December 2019, billion dollars	Market capitalization, March 2020, billion dollars
Leading companies in increasing market capitalization					
Tesla	США	Consumer goods	28	75	96
Netflix	США	Services	16	142	165
Gilead Sciences	США	Healthcare	14	82	94
Nvidia Corporation	США	Technologies	12	144	161
NTT Docomo	Японія	Telecommunications	12	93	105
Amazon	США	Services	6	916	971
Eli Lilly and Company	США	Healthcare	5	126	133
Novo Nordisk	Данія	Healthcare	4	139	144
Tencent	Китай	Technologies	2	461	469
Roche Holding AG	Швейцарія	Healthcare	0	279	280
Outsider companies by increasing market capitalization					
Citigroup	США	Finances	-49	174	88
Wells Fargo & Company	США	Finances	-48	228	117
AB InBev	Бельгія	Consumer goods	-46	165	90
Exxon Mobil Corporation	США	Oil and gas	-46	295	161
Royal Dutch Shell	Великобританія	Oil and gas	-42	234	135
Bank of America	США	Finances	-42	317	185
Chevron Corporation	США	Oil and gas	-40	228	136
JPMorgan Chase & Co.	США	Finances	-37	437	277
Walt Disney Company	США	Services	-33	261	174
BP	GB	Oil and gas	-32	127	86

Source: built on [1]

Thus, even under the influence of COVID-19, Tesla has shown the largest increase in three months to March 2020. The results of trading in the IV quarter of 2019 exceeded market expectations, and the company's share price satisfied traders who covered their short positions [7].

Other companies that showed an increase in market capitalization during the period under review, including Netflix and Amazon, had increased demand for their services due to the constraints imposed by governments as measures to curb COVID-19 [8].

In contrast, the restrictions had a negative impact on the multinational brewery AB InBev, especially on its local sales, whose market capitalization fell by 46%.

After the cessation of theme parks, resorts, film productions and cruise liners, three months before March 2020, the Walt Disney Company recorded a 33% decrease in market capitalization. Positive impact on subscription to Disney + was not enough to compensate for the negative impact COVID-19 on the main business of this company.

3. Conclusions

It was found that at the heart of all the contradictions between the interests of TNCs and the state is the contradiction between the international global nature of TNC operations and the territorially limited jurisdiction of the state. As a result of these phenomena, we can observe the following processes:

- due to the differences between the goals of TNCs and the state, corporations can hinder the development of the national

economy through the implementation of their own strategies, both purposefully and indirectly;

- TNCs can negatively affect the macroeconomic balance in the country, as they can change the relationship between macroeconomic indicators due to the great opportunities in the field of cross-border movement of factors of production and profits;

- TNCs are able to monopolize the technologies produced in the framework of their research and development and thus restrain the technological development of the country;

- TNCs can negatively affect the environmental situation in the country through the organization and location of "dirty" production;

- the ability of TNCs to use transfer pricing within the company leads to a decrease in the competitiveness of national markets and the effectiveness of economic policy;

- TNCs are able to lobby their interests in government, which can lead to the adoption of laws that are convenient for TNCs and unfavorable to the overall economic development of the country.

The analysis of the work revealed that the market capitalization of multinational companies in the top 100 decreased by 3905 billion dollars. (15%) to \$ 21,471 billion. as of March 2020.

However, it should be noted that these global companies have shown significantly better results than smaller representatives of their sectors. This is a sign that when choosing the most favorable TNCs to invest in sectors of the world economy, investors should evaluate the combination of economic sustainability and protective qualities of large companies, as well as their ability to invest in eliminating the negative effects of market fluctuations.

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