

Cities in the global network of transnational corporations

Summary

One of the most significant processes observed in the contemporary world is globalization which manifests itself in all areas: economic, social, cultural, political and technical. However, globalization processes affect particular regions and societies of the world differently, they adopt various forms, generate diverse spatial changes and influence local economies in a variety of ways.

Globalization covers mostly urban areas, large cities and multimillion metropolises which fulfil various, highly specialized functions. The source literature emphasizes city-centred, nodal character of globalization processes. Giant transnational corporations operating at a global scale – regarded as the main entities of the globalizing world – play an important role in spreading globalization processes. It is those corporations, which look for advanced, unique, creative, knowledge-based resources enabling them to gain a global competitive advantage, locate their activity in cities in various parts of the world, incorporating them in the global network of business relations. Thus, cities due to their resources and functions play a key role in the geographical division of labour, become focal points of development and leading centres of economic, social and political life, and at the same time – nodes in the global economy network.

The main purpose of this work is to determine the position of cities in the global network of the spatial organization of transnational corporations taking into account the place of Polish cities in the global network of economic relations. The work adopts a theoretical and an empirical approach. In the theoretical approach, an overview was provided concerning the conceptions and opinions about the economic globalization processes, the importance of cities in the global economy (as places in which global powers concentrate – managerial functions and those of controlling the global economic system), their economic competitiveness, the organization and strategies of transnational corporations as main entities influencing economic globalization, reasons for the internationalization of company activities, and theories about international capital flows in the form of foreign direct investment.

In the empirical approach, the analysis was made of activities of transnational corporations, the structure and dynamics of the capital movement in the form of foreign direct investment and the distribution of organizational units of the 150 largest transnational world corporations, taking into account the locations of the seats of corporation management, production plants, and centres of business services and research in cities in the particular regions of the world. In total, the location of 19,871 corporation units was analysed. On this basis two models were developed, one of the global configuration of the transnational corporate activity and the other of the trans-border network organization of transnational corporations. An analysis was car-

ried out of global networking of cities and different levels of their investment attractiveness for transnational corporations. The aim of this research was also the determination of the position of Polish cities in the global network of economic relations and the level of their investment attractiveness for corporations.

This work seeks to present a geographical approach to the operation of transnational corporations (relating a corporate activity to cities at a global scale), where cities are treated as nodes of the global network of economic flows. Its objective is to supplement our knowledge of the spatial organization of the activities of transnational corporations on a global scale and to contribute to the discussion on global and local relations, especially in terms of the position of cities in globalization processes and global relations among cities through the transnational activity of corporations (the location of cities in the strategies of the global competitive advantage of transnational corporations). The approach presented in the work is a new way to analyse the global network of cities, i.e. the inclusion of cities in the global economic system through the activity of transnational corporations (transnationalization), where the research was conducted in terms of the global network organization of corporations.

In the light of the empirical research conducted, one can formulate the following conclusions:

- 1) Spatial differences in globalization processes result from the geographical expansion of transnational corporations. The expansion proceeds in a selective way related to the nature of global strategies and is focused on specific world regions, countries and agglomerations whose economies offer resources, skills and sales markets which enable corporations to increase their global efficiency and gain a competitive advantage. Globalization through the transnational corporate activity covers mainly urban areas. Cities play the role of nodes in the global network of economic relations, as mentioned earlier, particularly because of the concentration of resources attractive to transnational corporations. Those are mainly resources based on knowledge and innovations, thanks to which corporations are able to work out and maintain their competitive advantage at the global scale. It can therefore be concluded that economic globalization processes develop mainly on the basis of local knowledge and skills.
- 2) What is highly important is a proper configuration of the corporation activity guaranteeing the effective acquisition of knowledge, learning and the flow of information and innovation in the global corporate network. The key factor is therefore the location of particular corporate units (especially management bodies responsible for the coordination of extensive corporate networks as well as research and business service centres important for the corporate system in terms of generating the value added, increasing the level of its innovativeness and competitiveness) in cities offering advanced, creative resources as well as developed financial markets, the entire business environment sector and specialized services linked to information processing. The model of the global configuration of the corporation activity is an indicative of the concentration of management and research functions in few places in the world and the wide dispersion of business services and the production activity.
- 3) Elements of resource strategies and competitive positioning permeate and complement each other in the transnational corporate activity making the simultaneous competition of many factors possible and additionally allowing a quick reaction to changes in the global environment.

- 4) Transnational corporations focus mainly on cities in four world regions: Europe, North America, Southeast Asia and Latin America. Australia and Africa are on the margins of their activities. Geographical directions of the foreign direct investment flow confirm it. Although the engagement of corporations in host countries is higher than in home ones, yet home economies still remain attractive markets and places of business activity. It indicates the key role of high-quality human capital and advanced knowledge, which are usually found in the home countries of corporations, i.e. in well-developed economies, in strengthening their competitiveness. On the other hand, the turbulence and high dynamics of the global environment and increasing competition and consumers' requirements generating high costs of the R&D activity make corporations look for new locations which guarantee the access to cost-effective, but at the same time technologically advanced resources, the sector of creative knowledge, information, new infrastructure as well as make it possible to cooperate with universities and companies with competitive productive skills. It allows corporations to gain a competitive advantage while making their activity more economic.
- 5) The spatial organization of the activity of transnational corporations in the world indicates that the most important places in the global network of transnational corporations is occupied by four large metropolises (London, Tokyo, New York and Paris), which are considered global cities (characterized by the highest level of global networking and investment attractiveness) and large cities located in both, well-developed regions and developing ones where the most important corporate bodies are placed: head offices, R&D centres and business service centres.
- 6) Cities located in developing countries are gradually included in globalization processes through the transnational corporation activity. Particularly the cities of South and East Asia and Latin America, which are subject to rapid urbanization, and which more and more often change into the so-called dual cities characterized by huge socio-economic contrasts, try to indicate their presence in the global economy. In those cities, apart from spatially organized business districts where large global corporations are located, there also develop multimillion areas of extreme poverty with no basic infrastructure.
- 7) Great Asian metropolises: Singapore, Shanghai, Seoul and to a smaller degree: Hong-Kong, Bombay, Bangkok, Bangalore, Beijing and Dubai are the centres which have the strongest connection with global cities (Tokyo, London, New York and Paris). Outside Asia, global cities have also strong links with Europe (Madrid, Milan, Brussels, Dublin, Warsaw) and Latin America (Rio de Janeiro, Santiago de Chile, Bogota, Sao Paulo, Mexico City), North America (Washington, Toronto) and Australia (Sydney) and Africa (Johannesburg).
- 8) In the case of Polish cities in global transnational corporation network, one should notice that the activity of corporations concentrate in Warsaw, which is the most attractive in terms of investment and global networking. Only the largest Polish urban centres with high-quality human capital allowing cooperation with local entities, including research institutions and universities, and ensuring labour costs lower than in Western Europe, are able to face the international competition in terms of attracting branches of the largest transnational corporations in the world. The most attractive centres for national corporations are (apart from the country's capital) Cracow, Katowice, Poznań, Wrocław and Łódź.