THE DEVELOPMENT OF TRANSNATIONAL CORPORATIONS IN CHINA

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Transnational corporations (TNCs) as a significant component of the formation of the world economy and international economic relations play an important role in the distribution of global productive capacity. As a large country with great development potential, China has attracted a large number of TNCs, providing important support and guarantee for its economic growth and social development. The article focuses on the current trends in the development of TNCs in China and their impact on the economic development of China, identifies factors that limit their activities in China, and puts forward effective methods for accelerating the investment process of TNCs in China.

Key words: Transnational corporations (TNCs); reform and opening-up policy; foreign direct investment (FDI); the COVID-19 pandemic; the global supply chain; China.

РАЗВИТИЕ ТРАНСНАЦИОНАЛЬНЫХ КОРПОРАЦИЙ В КИТАЕ

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Транснациональные корпорации (ТНК) как значимый компонент формирования мировой экономики и международных экономических отношений играют важную роль в распределении мирового производственного потенциала. Китай, как крупная страна с большим потенциалом развития, привлекает большое количество ТНК, обеспечивая важную поддержку и гарантию его экономического роста и социального развития. В статье рассмотрены современные тенденции развития ТНК в Китае и их влияния на экономическое развитие Китая, выявлены факторы, ограничивающие их деятельность в Китае, а также определены эффективные методы ускорения инвестиционного процесса ТНК в Китае.

Ключевые слова: Транснациональные корпорации (ТНК); политика реформ и открытости; прямые иностранные инвестиции (ПИИ); пандемия COVID-19; глобальная цепочка поставок; Китай.

Transnational corporations (TNCs), as the result of the processes occurring in the world economy, have an extremely important role in the distribution of global productive capacity through their capital investment decisions and choice of production locations. In the last quarter of the twentieth century, TNCs have become a significant component of the formation of the world economy and international economic relations. In the context of economic globalization, China's reform and opening-up policy has attracted a large number of TNCs to invest in China, providing important support and guarantee for its economic growth and social development. Considering the current complex situation, improving the business environment, providing TNCs with attractive future market growth opportunities and making them more fully serve the needs of sustainable economic and social development is also one of the main tasks of the Chinese government.

A transnational corporation is an enterprise that controls assets of other entities in economies other than its home economy, usually by owning a certain equity capital stake. TNCs tend to have offices and headquarters located in developed countries, are responsible for most direct foreign investment, and this can be regarded as a package containing those factors (technology of various kinds, managerial and organizational skills, etc.) that many would argue are urgently required by less-developed countries [1]. Given their strong financial power and quite extensive sectoral structure, covering manufacturing, services, extractive industries and agriculture, TNCs, according to UN experts, regarded as “engines of the global economy”.

Since the launch of reform and opening-up, China has gradually begun to integrate into the international production division system. Joining the WTO has significantly improved the breadth and depth of China's participation in the international production division system. Since 2011, there has been a noticeable increase in the activities of major TNCs in China, including their participation in the restructuring of Chinese state-owned enterprises through full or partial buyout of assets. Investment in wholly foreign-owned enterprises has been growing at a rapid pace. More than 62% of large TNCs consider China as the “first choice” when establishing foreign branches. These TNCs come from more than 100 countries and regions all over the world. But in terms of foreign direct investment (FDI) in China, the top three investors are the Republic of Korea, Germany, and the United Kingdom. In 2022, according to the Ministry of Commerce of the People's Republic of China, FDI inflows into China hit 189.13 billion US dollars and FDI from these three main investors increased by 64.2 %, 52.9 %, and 40.7 %, respectively [2].

As for the industries, TNCs mainly invested in the secondary industry headed by manufacturing, mainly due to the Chinese labor force advantage, but with the development of science and technology, the tertiary industry dominated by modern technology is gradually favored by TNCs. This can be seen in the increase in the share of cutting-edge technologies transferred by TNCs to enterprises with foreign capital, the active participation of TNCs in retraining China's national personnel, and the growth of their capital investments in high-tech rather than labor-intensive industries in China [3].

At present, TNCs with good development conditions in China mainly include: catering companies, including: Yum! Brands, which owns Pizza Hut, KFC and Taco Bell, McDonald's Corp., Starbucks; retail giants, including: Walmart, Trader Joe's and The Home Depot; tech companies, including: Apple, Microsoft, Intel, Dell; apparel companies like Nike, Gucci and Abercrombie & Fitch; well-known consumer goods companies selling include Avon, Colgate – Palmolive, Tyson Foods, Nabisco, Kellogg's, Danone, Conagra and Tupperware; healthcare companies, such as Johnson & Johnson, Pfizer and Eli Lilly; automakers, such as Japanese Toyota, Mitsubishi Motors and Subaru [4].

In investing in China over the past 40 years, TNCs have been involved in China's reform and opening-up policy, and the rapidly developing Chinese market has provided opportunities for TNCs to expand globally and explore new avenues for development. TNC investment has contributed enormously to China's development. Foreign-owned enterprises now account for less than 3 % of all enterprises in the country, but they account for almost half of China's total foreign trade, a quarter of the output and profits of large industrial enterprises and a fifth of all tax revenues, so foreign enterprises play an irreplaceable role in China's economy [5].

However, due to enormous uncertainties in the global political and economic operation, the TNCs development in China is facing many challenges, mainly including the continuous rise of China's factor costs, the United States' expectation of "decoupling" from China, the COVID-19 pandemic, etc. During the entire process of the spread and prevention of the global epidemic, the global industrial and supply chains dominated by TNCs have been greatly impacted. In the early stage of the pandemic, China interrupted a considerable part of its production and supply capacity for the global market due to the severity of the pandemic, which aroused concerns of TNCs on the demand side about stable supply. Later, China took the lead in realizing the resumption of work and production of enterprises due to the effective control of the pandemic. However, at this time, it was still subject to the fact that enterprises in other countries did not produce or could not produce at full capacity, or to a certain extent encountered the suppression of overseas market demand.

During the pandemic, the global supply chain has been constrained and affected by various non-economic factors in various countries, and has lost its original advantages of low-cost and high-efficiency operations. The supply dilemma has stimulated the strategic needs of TNCs to adjust their own global value chains and to establish and develop relatively self-sufficient and stable supply production capacity in regional markets. Moreover, affected by the China-U.S. competition in the high-tech field, some TNCs may consider returning relatively high-tech production links to their own countries or surrounding areas.

In conclusion, considering the current complex situation, improving the business environment, providing TNCs with attractive future market growth opportunities, and making them more fully serve the needs of sustainable economic and social development, the Chinese Government should optimize treatment for TNCs, such as the optimization of the tax refund process of TNCs, while improving the fairness and justice of the investment environment and increasing the protection of their intellectual property rights, establishing a new system for Foreign Invested companies, reducing the negative list, subsidies for High Tech industry, etc.

In addition, to expand market access to foreign investors, China has continued to expand its Catalogue of Encouraged Industries for Foreign Investment, which includes a total of 1,474 items [6]. With the lifting of COVID-19 restrictions, aviation, healthcare, renewable energy, and high-end manufacturing would become new attractive industries in China for TNCs.

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