

University of Economics, Prague

International Business –Central European Business Realities



**Global Companies and its impact on GDP
and workforce (socio-economic structure)
of China**

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Declaration:

I hereby declare that I am the sole author of the thesis entitled “Global companies and its impact on GDP and workforce (socio-economic structure) of China”. I duly marked out all quotations. The used literature and sources are stated in the attached list of references.

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Abstract

With the deepening of economic globalization, multinational corporations have become an important force in promoting the development of the world economy. Since China entered WTO, the multinational corporations (MNC) increased the foreign direct investment (FDI) in Chinese market because China is famous for its huge market volume and low labor cost. However, the knowledge of Chinese market is still limited. Fundamentally speaking, the impact of multinational corporations' investment in China on China is mainly reflected in the economy. At the same time, it is a double-edged sword. The impact on the economy is divided into positive and negative aspects. We should correctly position multinational corporations and their economic impact.

Key words: Multinational company, Chinese economic structure, impact.

Contents

Theoretical part.....	1
Introduction.....	1
Literature review.....	3
Discussion.....	5
Chapter 1: Current situation of Multinational companies in China.....	5
1.1 Overview of Multinational corporations.....	5
1.2 The development of multinational companies in China.....	5
1.2.1 Development history in China.....	5
1.2.2 Case analysis: Development of Multinational companies in China.....	7
1.3 Characteristics of Multinational company in China.....	11
1.3.1 Investment allocation.....	11
1.4 Entry strategy of Multinational companies in China.....	16
1.4.1 Joint Venture.....	16
1.4.2 Foreign-owned and Sole proprietorship.....	16
1.4.3 Mergers and Acquisitions.....	18
1.4.4 Technical transformation.....	18
1.4.5 Franchise.....	19
Chapter 2: The role of MNCs in China and its impact.....	19
2.1 Positive impact of multinational company in China.....	20
2.2 Negative impact.....	23
Chapter 3: Economic structure of China.....	26
3.1 Economy of China.....	26
3.1.1 Overview.....	26
3.1.2 Macroeconomic analysis.....	27
3.1.3 Characteristic analysis of China's economy.....	37
3.2 China's Labour Force profile.....	40
3.2.1 Labour Population.....	40
3.2.2 Present situation of labour market in China.....	41

Practical part.....	44
Chapter 1: Research background.....	44
1.1 Purpose of select the topic.....	44
Chapter 2: Analysis of the Multinational Automobile Companies in China.....	45
2.1 Development of Multinational automobile companies in China.....	45
2.2 Structure of multinational automobile company in investment.....	45
2.3 Case analysis: situation of main multinational automobile companies in China.....	46
2.3.1 Volkswagen.....	46
2.3.2 General Motors Corporation.....	47
2.3.3 Ford Motor.....	48
Chapter 3: Measurement of the impact on socio-economic structure.....	48
3.1 Model one: The impact of multinational companies on GDP based on Jilin Province.....	49
3.1.1 Propose a hypothesis.....	49
3.1.2 Data collection and analysis.....	49
3.2 Model two: The relationship between the number of multinational corporations and the employed population in manufacturing industry...50	
3.2.1 Propose hypothesis.....	51
3.2.2 Data collection and analysis.....	51
3.3 Model three: The impact of multinational manufacturing corporations on environment and promotion of environmental protection system in China.....	53
3.3.1 Propose hypothesis.....	53
3.3.2 Data collection and analysis.....	53
3.4 Research Findings.....	54
Chapter 4 Conclusion and Countermeasures for economic globalization in China.....	55
4.1 Suggestions for multinational companies to cope with the changing	

economic environment in China.....	55
4.1.1 Realistic factor of strategic adjustment.....	55
4.1.2 Suggestion on Strategic adjustment.....	56
4.2 Coping Strategies of China for Investment Strategy Adjustment of Multinational Corporations.....	59
4.2.1 Suggestion on Coping strategies of Chinese local enterprises.....	59
References.....	62
Annexes.....	66
Figure 1.....	12
Figure 2.....	14
Figure 3.....	28
Figure 4.....	28
Figure 5.....	30
Figure 6.....	36
Figure 7.....	41
Table 1.....	50
Table 2.....	52
Table 3.....	54

Theoretical part

Introduction

With the progress of science and technology and the development of productive society, the international division of labor and economic globalization have been further strengthened. Multinational corporation have become more and more active on the world stage, and have become the main body of international trade, and thus become the backing of the world economic development in the 21st century. Since the market reform began in 1978, China has transformed from a centrally planned economy to a more market-oriented economy, experiencing rapid economic and social development. As an important force in the development of the world economy, China has been favored by many multinational corporations. They have invested in China one after another. This has brought both opportunities and challenges to China.

In this study, research is going to be carried out base on multinational company and its impact on GDP and workforce. Generally speaking, the greater the openness of a country's foreign economic transactions, the greater the importance of using GDP as a measure of income. In addition, because the data on factor income from abroad is more difficult to obtain accurately, the GDP data is easier to obtain. On the other hand, as the most populous country in the world, China has abundant labor resources. This is also an important reason for attracting multinational companies to come to China.

The methodological framework of this study incorporates both qualitative and quantitative methods with secondary data. Author will use the case-study approach along with simple regression analysis, in order to get the conclusion of multinational company and its impact on China's GDP growth and impact on workforce, especially on changes in the number of labor.

This thesis is of narrative character, based on how multinational company and its

issues were developed in literature and how the discussed issues had been interpreted by data. This collection of papers will be organized as follows. Literature Review primarily introduces the theories and concepts that is correlate to this research, then present what previous studies mentioned in terms of this subject that is used for opening the discussion. After that, author will move on to introducing a few about economic globalization and MNCs, and what are the situation of it on today's Chinese market in different aspects. In order to lay the foundation for future research, author would explore previous discussion in terms of the concept/theories of the role of MNCs in China. A brief introduction about development stats of MNCs in China will be provided in Chapter one and then, entry strategy of multinational company will have a brief introduce in Chapter two. Economic structure as a important part in this study, it will be divided into several part to discuss, that is to say: macroeconomic, characteristic of Chinese economy, China's population and labour force and China's industry sectors in Chapter three. In practical chapter, it clearly explain what case research in this study author would employ and some basic information of selected case will be introduced in Chapter1. Chapter 2 provides a brief analysis of selected industry. After this, in following chapter, measurement of MNCs impacts on China's socio-economic structure will be provided in three different model, its impact on GDP, employed population in selected district and its impact on environment. According to the research and analysis, countermeasures for economic globalization in China will be mentioned in Chapter 4. The fourth chapter including conclusion of this study which allows author to put her findings and suggestions.

Literature review

In the 1960s and 1970s, Hymer (1976) and Kindleberger (1969) developed the theory of structural market defects, arguing that the development of multinational companies showed imperfections in the market. It is precisely because of the imperfection of the market that multinational companies can use their organizational efficiency to compete with local companies.

Vernon (1966, 1979) developed an international product life cycle theory that indicates where a product's life cycle determines its geographic location. FDI is the result of trading at a production location. Buckley (1976) developed the theory of natural market defects and the internalization of market theory, indicating that multinational companies use effective administrative structures to replace imperfect market structures. Multinational companies internalize imperfect market structures. Knickerbocker (1976) studied the oligopolistic behavior of multinational corporations, indicating that in some oligopolistic industries, foreign direct investment is determined by the reaction and behavior of competitors.

Most of these studies are targeted at developed countries, basic in North America, the Western European Community and Japan. Empirical studies have been carried out in developing countries. But rare empirical research in developing countries. Although attention was low, research in developing countries was valued by some scholars in the late 1970s and early 1980s (Lall, 1983; Wells, 1983). In the 1990s, as researchers further focused on research on multinational corporations in developing countries, there was more focus on the growth of multinational corporations (Dunning, 1997; Hoesel, 1999; Nagesh, 1995; Tolentino, 2000; Conference, 2006)

According to Dunning (1997), the main difference between multinational companies in developing country and developed country is that the different advantage for multinational companies. That is to say, ownership advantages. The ownership

advantage of multinational companies in developing countries is considered to be lower production costs, lower wages and lower prices (Lall, 1983b; Wells, 1983a). Existing research shows (eg Ahmad & Kitchen, 2007; Cantwell & Tolentino, 2000; Hoesel, 1999; Tolentino, 1993; Yeung, 1998) that developing country MNCs have the ability to catch up with competitors in developed countries through technology accumulation.

The impact of multinational corporations on the global economy is undoubtedly huge. Especially in the service industry, the impact is growing (Goerzen & Makino, 2007). The relationship between the multinational corporations and the host country also affects their own interests. According to a study called *Strategy and Structure* (Chandler, 1962) pointed out that the importance of the central office and the number of its departments have increased as the company has grown from an initial small workshop to a large factory and then to a series of factories across the country. The larger the company, the larger the business size of the central office and the greater the degree of subdivision. In addition, the powers and responsibilities of the central office will rise in accordance with its new structure.

Nowadays, economic globalization is increasingly affecting development. Through the continuous introduction and influence of multinational corporations, companies in developing countries have also begun a new sectoral shift from labor-intensive industries to knowledge-based industries such as automobiles, electronics and telecommunications. The benefits a country can derive from foreign direct investment and multinational investment depend on the country's general economic situation and investment climate. Due to the improvement of China's economic environment, China has the opportunity to adopt the well-designed policies to bring the investment of multinational companies to the direction they need, thus maximizing the benefits of investment by multinational corporations.

Discussion

Chapter 1: Current situation of Multinational companies in China

1.1 Overview of Multinational corporations

Multinational company, also known as transnational company, international firm or super-national enterprise. In the early 1970s, the United Nations Economic and Social Council formed a group of eminent personalities. After a more comprehensive examination of the various norms and definitions of transnational corporations, it decided in 1974 to decide on the UN's unified adoption of "multinational corporations".

1.2 The development of multinational companies in China

1.2.1 Development history in China

In the 21st century, with the steady development of the global economy, the development of multinational corporations in China has entered an all-round stage. It drives the diversification of investment projects in China, increases the inflow of investment funds from various countries. Meanwhile, multinational company affects the development of China's economic market structure, and also promotes the development of China's state-owned enterprises.

With the rapid development of the global economy, multinational corporations have provided the main economic motive force. At the beginning, it was almost a direct monopoly for Chinese multinational corporations to enter the Chinese market. Since China's economy was not very developed at that time, foreign enterprises were optimistic about China's economic market. Since then, there have been a few

multinational corporations in China. Since most of these multinational corporations are large enterprises in capitalist countries, these enterprises have a solid economic foundation. In terms of investment in China's market, these multinational corporations have taken the initiative and caused a certain impact on the development of China's economic market at that time.

a. The number of multinationals is growing

Since the 1980s and early 1990s, multinational enterprises began to pay attention to the processing and production of clothing, plastic products, leather products, and then gradually began to expand to electronics, automobiles, household appliances, and a series of professional industries with technology. Since reform and opening up, the enterprises are bullish on the huge consumption market in China, and gradually began to multinational companies in our country, these enterprises gradually become the important pillar of the market economy in our country, because at that time, our country market economy is not well developed, so the main daily necessities are these multinational enterprises in the production and the sales in our country. According to statistics, until 2017, there were more than 55,000 enterprises invested by transnational corporations in China. These transnational enterprises have driven the development of China's market economy and played an important role in promoting the development of China's economy. With the trend of economic development, the number of multinational companies is also increasing, which has an impact on the development of China's local enterprises.

b. Strong competitiveness of multinational companies

For China in the 20th century, the investment of multinational corporations in China has promoted the development of China's market economy and brought new impetus to China's reform and opening up. At that time, various countries came to China for the construction of branch companies, which also caused a certain impact on the development of China's economy. According to incomplete analysis, at that time, Britain, Germany, France and France all set up multinational enterprises in China,

including some well-known brands such as Ford, GM and Exxon. These multinational enterprises investing in China are the main driving force of economic globalization. Only with the development of these multinational enterprises, can we achieve the reform of economic globalization in the 21st century. In the modern development with information technology as the core, in addition to the adjustment of business strategy, multinational enterprises also need to change their own development, change the previous business development strategy, and transform into globalization-oriented companies to meet the needs of current market development.

1.2.2 Case analysis: Development of Multinational companies in China

a. Growth of Nokia in China

Nokia has a 30-year development history in China. At the very beginning of entering China, Nokia was optimistic about China, which is a market with huge development potential. After a long period of development in China, the Nokia brand has been gradually integrated into the Chinese market. As the original mobile phone sales brand in China, Nokia has become a milestone in China's mobile phone market through investment in China's mobile phone market and cooperation with enterprises. Although now products from Nokia has gradually faded out of people's vision, but in the embryonic stage of China's mobile phone market, Nokia fully invested in the Chinese market. With the first-class mobile phone design and price advantage at that time, the experience of Chinese consumer of using electronic communication products has been constantly improved, and meanwhile, people has been facilitated and the quality of people's daily life has been improved.

In the mid-1990s, Nokia established a joint venture in China to achieve localized production and gradually developed it into Nokia's major global production base. In the new century, Nokia has strengthened its cooperation with China in the latest communication technology field. They participated in the development of China's

information industry and further build China into a global R&D and talent base. Year 2006 is a milestone in the development of Nokia in China. Nokia's annual sales and exports in China total more than 10 billion euros. Among them, net sales exceeded 5.3 billion euros and exports reached 4.8 billion euros. China continues to be Nokia's largest market in the world. As one of the largest foreign-invested companies in China, Nokia Travel has a solid commitment to sustaining the local economy.

With the development of 3G service in China, China is entering a new era of mobile communication. Nokia China fully supports all 3G standards, including TD-SCDMA, and actively promotes 3G services to continuously improve the mobile experience of Chinese users in an easier and simpler way. For mobile phone market in China, Nokia is unforgettable. What it leaves to Chinese consumers are electronic products that are convenient for people to travel and high-quality experiences that change people's lives. In the process of continuous exploration and innovation, combination of globalization operation mode and Chinese characteristics, Nokia's brand strength in China has been continuously enhanced, and its status as an excellent employer has attracted many outstanding local talents. Nokia has grown into a multinational company with more than tens of offices across the country, six R&D institutions and four production sites, and more than 6,000 employees. As a good corporate citizen, Nokia continues to contribute to China's development.

b. The development of Siemens home appliances in China

For home appliance products, the gradual development of home appliance brands in China in recent years is representative of Fang Tai, Gree, Haier and other brands, but the most impressive Chinese consumers is Siemens home appliance brand. There is no doubt that China is one of the fastest growing and most promising markets in the world. Siemens has been in China since 1995. In 2008, the Siemens Center (Beijing) was officially completed. The 30-story high-rise building that Siemens invested 100 million euros in today has become the landmark building in the Wangjing area. It not only provides comfortable office space for more than 3,000 employees, but also uses

the most advanced building technology that energy reduced by 28%, which is more energy-efficient than the same scale.

For more than 20 years, Siemens has been providing comprehensive support for the development of China with innovative technology, excellent solutions and products, and has established its leading position in the Chinese market with outstanding quality, reliable reliability, leading technical achievements and unremitting pursuit of innovation. Siemens has grown into an integral part of China's society and economy and is committed to working with China to achieve sustainable development.

Siemens household appliances entered the Chinese market in 1995. It has set up two factories in Jiang Su province and An Hui province, and established perfect after-sales service and maintenance institutions to provide satisfactory services for consumers. At present, the investment of Siemens household appliances in the Chinese market reaches 200 million dollars, and both factories have entered the payback period with significant returns. Sales of Siemens appliances in China have continued to grow, with refrigerators and tumble washers among the most popular products. This shows that Chinese consumers are more interested in Siemens appliances, and Siemens ranks first among similar products in white goods industry of China.

Siemens witnessed the tremendous changes brought about by China's reform and opening up. Meanwhile, it also conformed to the trend of the times and constantly carried out its own reform and development. In fiscal year 2016, the total revenue of Siemens in China reached 6.44 billion euros. With approximately 31,000 employees in China, Siemens is one of the largest foreign-invested companies in China. Siemens has developed into an inseparable part of China's society and economy. With its environmental business portfolio and innovative solutions, Siemens is fully committed to working with China to achieve sustainable development.

c. The development of P&G in China

P&G has been in China for nearly 30 years, and the Chinese market has grown into one of the fastest growing markets for P&G in the world. Headquartered in Guangzhou, P&G China currently has a number of branches and factories in Guangzhou, Beijing, Shanghai, Chengdu, Tianjin, Dongguan and Nanping. It employs more than 6,300 people and has a total investment of over US\$1 billion in China. In 1988, P&G company established its first joint venture in China -- Guangzhou Procter & Gamble co., ltd. in Guangzhou. Since then, P&G company has occupied the Chinese commodity market with its rapid development advantage. In 1988, this point was the beginning of reform and opening up, and also the beginning of urban development. The rapid development of industry and cities began in the 1990s, bringing huge business opportunities to p&g. Procter & gamble aims to enter China at this time, which is also the time when the Chinese government can give it the biggest support and the least resistance.

The P&G headquarters was founded in 1837 and has been in existence for 169 years. Regardless of technology, product history, sales experience, and talent pool, there are great advantages. Advanced technology and high investment in research and development technology is an important reason for P&G's success in overseas markets. Procter & Gamble has its own research institutes all over the world, and absorbs scientific research talents from all over the world. The information sharing and competition between scientific research results between the centers has achieved the goal of improving the overall level. They also hired a professional as a technical consultant expert for guidance. Researchers are responsible for researching different formulations that are suitable for the local climate, the skin's skin and consumer abilities, and the odor of the hobby. Instead of using a formula globally. P&g does not have an explicit figure for advertising, but it must be a large amount. Television advertising at various times of the day enables consumers to buy their new product. And P&G's advertising is by no means a kind of fatigue-bombing propaganda. They will control a certain scale and prevent consumers from resisting. The advertisements broadcast by Procter & Gamble are all with positive and healthy image, which give

their audience a fresh look, clear in meaning, simple in language, giving a sense of elegance and easy acceptance of new products.

From the perspective of consumer psychology, consumers accustomed to attempt new products. When they make use of a commodity for a long time, they generally tend to try out other products for comparison. Procter & Gamble perfectly aware of this situation, so the advertising campaign no longer only focuses on the company's publicity of the product. Meanwhile, they still focuses on the promotion of the technological content and formula effect of the product, and uses light and bright colors as well as simple lines on the packaging. In the meantime, the product is available in large, medium and small models, which can be suitable for people with different family conditions. Another characteristic of P&G's products is that the packaging is update frequently, which is reflected in their products will be changed once or twice a year in the form of packaging. Precisely because of it, their product has the advantage of giving consumers the feeling that the product is fresh again. This leads to another advantage of this strategy, that is to reduce the product's market life cycle and keep it “ fresh”. Through a new marketing model, Procter & Gamble's sales in China have been rising, and in 2013 it has exceeded 3.5 million RMB, which has nearly doubled its sales in 2005.

1.3 Characteristics of Multinational company in China

1.3.1 Investment allocation

a. Industry distribution

Figure 1

2015-2017 Industry Structure and Actual Amount of Foreign Direct Investment (Unit: 10,000 USD)			
	2017	2016	2015
Total amount of actual use of foreign direct investment (US\$10,000)	13103500	12600100	12626700
Agriculture, forestry, animal husbandry and fishery	107492	189770	153386
Mining industry	130198	9634	24292
Manufacturing industry	3350619	3549230	3954290
Production and supply of electricity, gas and water	352132	214677	225022
Construction industry	261940	247744	155876
Transportation, warehousing and postal services	558803	508944	418607
Information transmission, computer services and software industry	2091861	844249	383556
Wholesale and retail industry	1147808	1587016	1202313
Accommodation and catering industry	41914	36512	43398
Financial industry	792119	1028901	1496889
Real estate industry	1685559	1965528	2899484
Leasing and business services industry	1673855	1613171	1004973
Scientific research, technical services and geological exploration industry	684373	651989	452936
Water conservancy, environment and public facilities management industry	56951	42159	43334
Resident services and other service industries	56723	49038	72131
Education	7747	9437	2894
Health, social security and social welfare	30516	25411	14338
Culture, sports and entertainment industry	69846	26732	78941

Source: Stats.gov.cn

According to China's current national economic industry classification statistics, the distribution of multinational companies in various industries in China as follows:

Above all, taking 2017 as the analysis object, the total amount of foreign direct investment was 13103.5 million dollar, which involving 35,652 contracted foreign investment project. There were 27,900 in 2016 and 26,575 in 2015. From the perspective of the number of contracts, the investment projects of multinational enterprises have increased in recent year.

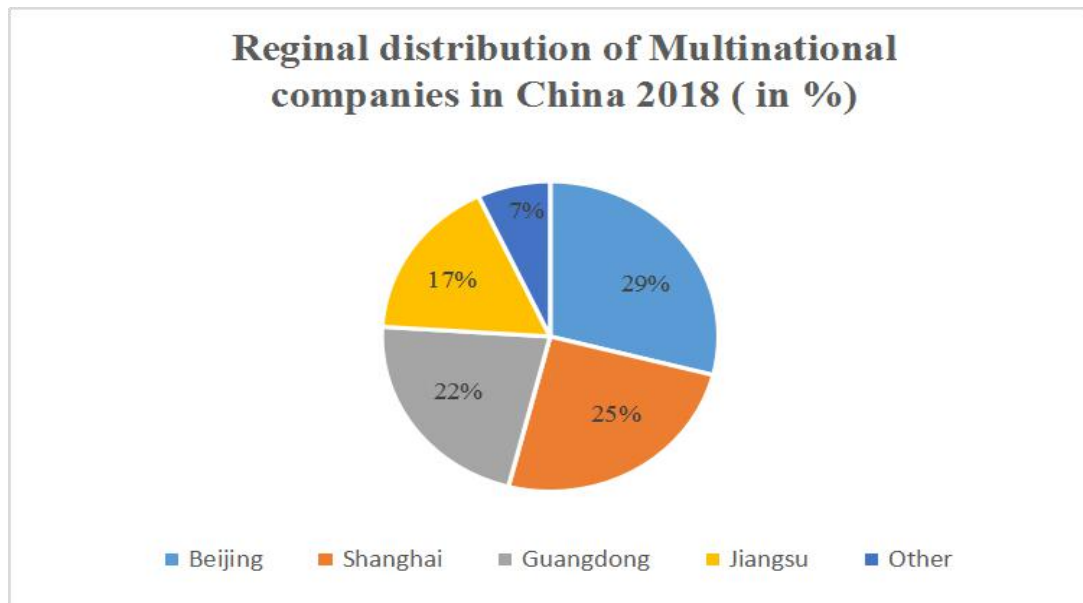
The number of contracts does not effectively explain the situation, then the next is the specific analysis of the actual amount. First, the scale of foreign investment in agriculture, forestry, animal husbandry and fisheries is small. There were 706 new contracted foreign investment project in 2017, which involving an amount of 107.492 million dollar. The industry accounts for 0.82% of total amount. It has declined compared with the previous year.

Second, manufacturing is still the main area of foreign investment. There were 4986 new contracted foreign investment project in 2017, which involving an amount of 3350.62million dollar. This industry accounts for 25.57% of the total amount. It had an decline compare with last year as well.

For another, distribution of foreign capital of a certain scale in areas such as infrastructure construction, market circulation, and high-tech services. Among them, the industries that large absorb foreign direct investment including (sorted according to the actual use of foreign capital): information transmission, computer services and software industry, which involving an amount of 2091.86 million dollar, accounts for 15.96% of the total amount. The real estate industry in closed behind, which involving 1685.56 million dollar, accounts for 12.86% of the total amount. Leasing and business services industry were also on the list. It absorbed 1673.86 million dollar, which accounts for 12.77% of the total amount in 2017. Wholesale and retail industry absorbed 1147.81 million dollar, which is account for 8.76% of the total amount. Financial industry absorbed 792.12 million dollar, which occupy 6.05% of the total amount. The last industry was scientific research and technical services, which absorbed 684.373 million dollar and account for 5.22% of the total amount. Most of the foreign direct investment in the above industries can be classified into the field of service trade.

b. Regional distribution

Figure 2



Source: Fdi.gov.cn

One case is concentrated in the center of economic and technological development. From the perspective of regional distribution, R&D centers of more than 400 multinational companies have gathered in the central cities of science, technology and economic development such as Beijing, Shanghai, Guang dong, Jiang su and Tianjin.

Second, multinational companies are also concentrated in high and new tech areas. The newly established high-tech park has become the first choice for multinational companies to establish in China with its many characteristics and advantages. Among them, Shanghai Pudong Zhangjiang Hi-Tech Park, Beijing Zhongguancun Science Park, and Shenzhen High-tech Zone have become synonymous with the development of China's science and technology industry with its excellent research and R&D capabilities and many remarkable achievements. High-tech parks usually have the following location advantages and characteristics:

- (a) high-tech parks are mostly centered on universities or large-scale scientific research institutions and high-tech enterprises;
- (b) have a sufficient number of high-quality labor;
- (c) convenient transportation and infrastructure More perfect;

(d) Local governments provide preferential policies for taxation, finance, land rent and product sales to investors in high-tech parks.

The last type of site selection is in line with the direction of local industry development. With the rapid increase in R&D and investment of multinational corporations in China, they are necessarily to rely on local industry characteristics and orientation to form a unique division of labor system in terms of industry characteristics and countries. To illustrate, General Motor and Volkswagen selected the manufacturing plants in the three provinces of Northeast China in the early days, including Liaoning, Shenyang and Changchun. The obvious cause is that these cities belong to industrial cities, and industrial manufacturing is relatively developed in China.

There are also some more obvious distribution characteristics. For instance, Guangzhou can attract many multinational companies to settle in, not only to obtain a good geographical advantage, but also owing to Guangzhou has issued a series of preferential policies for foreign businessmen. For example, multinational enterprises in the manufacturing industry enjoy preferential policies on land use in accordance with the Notice of the Guangdong Provincial People's Government on Printing and Distributing Certain Policy Measures for Lowering the Cost of Manufacturing Enterprises to Support the Development of the Real Economy in Guangdong Province (Guangdong [2017] No. 90). In order to strengthen the land use security of multinational enterprises in China.

In 1997, China introduced the “Measures to Encourage the Establishment of Sino-foreign Cooperation and Joint Venture R&D Centers”, which set off a wave of multinational companies setting up R&D institutions in China. Since then, a series of policies have been introduced to encourage foreign investment in setting up R&D institutions. Taking this as a starting point, since the reform and opening up, some regions of China have implemented a series of preferential policies for foreign

investment, such as tax incentives, which have played an important role in attracting investment from multinational corporations.

1.4 Entry strategy of Multinational companies in China

1.4.1 Joint Venture

When entering Chinese market, multinational companies may consider joint ventures with local Chinese companies. Establishing joint ventures and cooperative enterprises is usually when multinational companies enter the Chinese market for the first time. Normally, company using this kind of strategy when they does not comprehend much about the market. Joint venture will be a effective tentative approach in that situation.

Multinational companies face many difficulty in entering the Chinese market, and many local companies in China already have relatively complete production systems and extensive marketing networks. Therefore, in order to cross the difficult market development stage, more familiar with the local market and occupy the market faster, some multinational companies will select joint venture in most cases.

1.4.2 Foreign-owned and Sole proprietorship

Another strategy is to establish a wholly foreign-owned enterprise by a multinational company. A wholly foreign-owned enterprise refers to an enterprise invested by a foreign investor with all the capital established in China in accordance with the relevant laws of China, and does not include branch offices and representative offices of foreign enterprises and other economic organizations in China. A sole proprietorship enterprise refers to an enterprise established by a foreign investor to invest in China according to law. The application for the establishment of a wholly foreign-owned enterprise shall be examined and approved by the competent

department of foreign economic relations and trade under the State Council or the authority authorized by the State Council. After the application for the establishment of a wholly foreign-owned enterprise is approved, the foreign investor can apply for registration and obtain a business license from the industrial and commercial administration with the approval document. The establishment conditions of sole proprietorship enterprises are quite lenient, and the establishment procedure is relatively simple. As long as there is a legal business name, investment by investors, fixed production and operation sites, necessary production and operation conditions and necessary employees, the enterprise registration authority should register within the statutory time limit. Foreign investors have unlimited liability for corporate debt. In addition to land, the company's investment is 100% privately owned by foreign investors, and no Chinese investors participate. A company can be a foreign investor or a joint venture of several foreign investors. The establishment of a wholly foreign-owned enterprise must be conducive to the development of China's national economy, and the use of advanced technology and equipment, or products have to be full export or export most of them.

On the other hand, the most important issue is the scope of business of a wholly foreign-owned enterprise. The business scope of all industries in China is strict and precise. A wholly foreign-owned enterprise can only conduct commercial activities within its permitted business scope, and this scope will be indicated on the business license. Take the consulting company as an example, its business scope includes: investment consulting, international economic consulting, trade information consulting, marketing consulting, company management consulting, technical consulting, etc.

With the gradual opening up of the Chinese market and the continuous improvement of the law, the information transmitted to the outside world is increasingly standardized and transparent. For this reason, multinational corporations are increasingly adopting sole proprietorship to enter the Chinese market, which is

determined by the strategic objectives of their transnational operations. When they set the Chinese market as a strategic goal, they aim to bring their resources together on a global scale, sharing their supply channels, human resources, technology and management experience globally. To implement this target, sole proprietorship will enable multinational companies to achieve their goals more efficiently.

1.4.3 Mergers and Acquisitions

Cross-border merger and acquisition is one of the most effective ways for companies to achieve rapid expansion. Particularly when a company enters a new market, the strategy of mergers and acquisitions can not only reduce the risk of market development, but also reduce the investment of starting capital, so as to achieve the purpose of improving economic efficiency. For the past few years, cross-border mergers and acquisitions have reached a fairly active level. As the pace of China's integration into the world economy has accelerated, mergers and acquisitions have gradually become a new approach for multinational companies to enter China's market. By acquiring the equity of Chinese state-owned enterprises, multinational corporations can gain time in entering the Chinese market, while at the same time directly entering industries that are monopolized by resources or industries. For instance, Nanfu Battery is a well-known battery brand in China. It is popular among Chinese consumers due to the reason of its attractive and reasonable price. In 2003, American brand, Gillette Corporation wants to open up the battery market in China. Nevertheless, duracell battery, which is produced by Gillette has been sold in China for ten years, market share is not what they expected. In order to increased the market share, it is imperative to acquire Nanfu Battery.

1.4.4 Technical transformation

With the further opening of the market after joining the WTO, the Chinese

government strongly encourages foreign investors to invest in the high-tech industry, which promotes the entry of multinational companies into the Chinese market with technology input. Previously, multinational companies tended to not give China most advanced technology and products. Nevertheless, as China joins WTO, competition from foreign-invested companies in China has intensified, this kind of phenomenon has been improved. According to the results of the survey in 1997, only 13% of the parent company's advanced technology is actually used in the Chinese market. It is amazingly seen that this number had grown dramatically to 41% by 2001.

1.4.5 Franchise

Franchising is a form of distribution in which multinational companies are less used in the Chinese market. It generally means that the franchiser gives the franchisee certain rights to use the intangible assets of the franchiser to provide products and services. In exchange, the franchisee of the right to operate pays an initial fee and subsequent license fees. The adoption of this strategy can quickly achieve the goal of scale expansion in the short term, thereby increasing the market coverage of multinational companies and increasing market share. For instance, in order to seize the market with competitor Fuji, Kodak has rapidly expanded its chain of color expansion stores in the form of franchising.

Chapter 2: The role of MNCs in China and its impact

The influence of multinational corporations on China's economy is double interaction. It is not only the "booster" of China's economic development, but also the "stumbling block" of China's economic development. A correct view of the status of transnational corporations and the balance of their influences will help further exert the boost role of transnational corporations in China's economy, make them truly used by China

itself, promote the continuous innovation of Chinese technologies, improve the competitiveness of Chinese enterprises, and make joint efforts to promote the sound and rapid development of China's economy.

2.1 Positive impact of multinational company in China

- Giving a strong boost to China's economic growth

According to the statistics, the rapid development of multinational companies in China's GDP has accounted for one-third of China's economic aggregate. There is no doubt that multinational company has contribution to China's GDP and it can not be ignored. From the qualitative point of view, multinational companies introduced certain foreign capital to the country, and the entry of foreign capital promotes the progress and development of Chinese industry. Chinese industrial structure has been optimized and deepened as well. This is undoubtedly beneficial to economic development. In terms of exports, multinational companies are an crucial driving force for China's export growth.

- Promoting technological progress and improving level of management

From the perspective of the development of China's market economy, multinational enterprises have played a positive role in the development of China's economy. One of the reason is the investment of multinational enterprises in China has increased the capital reserves and transformed China's previous market economy structure. With the continuous improvement of China's economic industry, the competitiveness of Chinese enterprises is gradually increasing, and the investment projects of multinational enterprises have become an significance part of the upgrading and progress of China's industrial structure.

Meanwhile, there are greater demands of the talent from the multinational enterprise. By this reason, multinational company facilitating optimize the work environment for

Chinese labor. As well as to improve the level of overall human resources in China.

Although China has abundant resources, including natural resources and human resources. However, technology is relatively backward in early period, most of advanced technology are control by some developed countries. After the reform and opening up, a large number of multinational companies entered the Chinese market. While China provides rich resources for multinational companies, those multinational companies have brought advanced technology to China as well. More critically, they also introduced advanced management approach, the idea of Corporate social responsibility and many different business philosophy, which provides authentic and effective examples to many Chinese enterprises.

- Higher competitive power

A portion of the Chinese enterprises are state-owned enterprises, the rest part are small and medium-sized enterprises. Thanks to their small scale, these enterprises are incapable to operate in the market competition. Generally, insufficient capital, backward technology, imperfect management and other are the reason. Therefore, for Chinese enterprises, the priority is to innovate their technological capabilities, increase their competitiveness, and equip them with certain patent skills to compete with multinational enterprises. For domestic enterprises in China, due to the late start of development, the industries involved in the enterprise are relatively scattered, and the incomplete system cannot be formed, so the enterprise does not have a certain level of competitiveness. The existence of multinational corporations urges Chinese enterprises to pay attention to cultivating their core competitiveness and improving their innovation ability so as to compete with multinational corporations in the market.

- Providing variety of products in Chinese market

Multinational corporations have been developing in China for a relatively long time. From the perspective of the development of market economy of China, multinational

corporations have played a positive role in the development of the Chinese economy. They providing a variety of products for Chinese consumers and changing the quality of consumption in China. The development of multinational corporations not only affects the development of China's market economy, but also affects the single product type in China, providing diversified products for China's market.

- Providing a large number of job opportunities

As a country with a large population, China is facing great employment pressure in recent years. Multinational companies can alleviate the employment pressure in China to a certain extent. According to the labor statistics report of the National Bureau of Statistics, China has more than 17.5 million direct employees in multinational enterprises, accounting for more than 10% of the country's non-agricultural labor force. For instance, Pepsi is an early market entrant in Chinese market, which has directly employed more than 10,000 people in its Chinese branch. Pepsi bringing indirect employment effect to more than 150,000 people. Meanwhile, through personnel training, multinational companies can also improve the quality of Chinese employment population. Under the present situation of economic and social employment pressure increasingly dramatic, this is undoubtedly beneficial to Chinese society. Multinational enterprises create opportunities for people those who have skills and talents to exert their ability, create wealth and contribute to society.

- Promoting the development of supporting industries in China

The investment of multinational companies in China will attract foreign supporting industries, and make local supporting industries rise and develop through the upstream and downstream links of the industrial chain. The rise of China's supporting industries and the formation of a large number of parts manufacturers have benefited from the entry of multinational companies into the Chinese market. Especially the development of the tertiary industry, it absorbed a large number of labor and employment population, play a certain role in solving the employment problem in some regions of China, but also promote the local economic development. Some

developed areas have formed supporting industrial clusters, where enterprises and middlemen gather together, reducing transportation costs, improving efficiency and generating economies of scale.

- Promoting attention to corporate social responsibility

Multinational companies in China usually start with the development of enterprises and constantly coordinate the contradictions and conflicts of traditional culture and values between Chinese and values and Western. Compared with multinational corporations in western countries, there is a big gap in the awareness and practice of social responsibility of Chinese enterprises. Firstly, Chinese enterprises pay more attention to their own short-term economic benefits and pay less attention to the interests of the public. With more and more multinational companies entering the Chinese market, more and more Chinese enterprises realized the importance of corporate social responsibility, which is highly valued in the western countries. On the basis of combining Chinese traditional culture and values, while absorbing the beneficial components of Western culture and values, Chinese enterprises have also formed a distinctive corporate social responsibility system.

Nowadays, under the influence of the multinational corporations, Chinese enterprise understand that the corporate social responsibility in the core status of enterprise culture.

2.2 Negative impact

- Mainly investment in the second industry, transferred pollution, squeezed cheap labor

In developed countries, the environmental pollution in developed areas is relatively serious, and those residents have realized the harm and made a strong resistance. In order to avoid the punishment of the government, producers usually relocate heavily

polluting enterprises to developing countries that are not aware of the environmental pollution hazards and whose relevant laws and regulations are still incomplete. Some multinational companies take advantage of this loophole to move some highly polluting institutions to China, and make the ecological environment as the victim of economic efficiency improvement and social and economic development.

On the other hand, some multinational enterprises are blinded by gain and ignore to realized that they should establish a harmonious labor-capital relationship with China. Some negative news about child labor and the squeeze of cheap labor further reflects this problem. The arrival of multinational corporations has eased the employment pressure in China, but on the other hand, the Chinese labor force has not received the protection it deserves.

- Over dependent on foreign technology

Nowadays, multinational companies are using "technology lock" strategy, namely "the parent company controls the core technology, using its monopoly and internalization advantages in advanced technology, the technology key part of the design, production process and other links set up some technical barriers, by putting the non-core technology transfer to the host country enterprise, enhance the host country enterprise for its dependencies, seeking the biggest benefit ". That is to say, China only gets some insignificant technologies, but cannot leave the technology provider, that is to say, multinational companies, for survival and development. It can be said that Chinese enterprise falling into the technology trap of relying on multinational companies. This will threaten the control of the Chinese government and enterprises over industrial development, making it difficult for the government and local enterprises to grasp the direction of industrial development.

- Negative impact on national brand

For Chinese consumers, the power of brand has certain appeal, so the construction of domestic brands in China needs to be paid attention to by the Chinese market. For

Chinese national brands, it is necessary for domestic enterprises to strengthen the publicity of national brands, use existing national brands to drive the popularity of Chinese domestic brands, and realize the internationalization of national brands. In addition, to strengthen the protection of Chinese national brands, the state needs specialized protection agencies responsible for the detailed interpretation of intellectual property legal systems of various countries, so as to better enhance the popularity of Chinese national brands in the world and improve the service of national brands.

- Brain drain of talents

Multinational corporations have brought some pressure to domestic enterprises while promoting China's economic development. As the development of Chinese enterprises is still in the stage of exploration, compared with the mature management stage of multinational enterprises. There is still a certain gap. The investment of multinational corporations in China has brought certain impact to local enterprises in China. After multinational enterprises entered the Chinese market, many domestic enterprises have suffered a certain impact. Some domestic enterprises have gradually disappeared into China's economic market through joint ventures, mergers and acquisitions. The large number of multinational enterprises entering the economic market in China has caused a large loss of outstanding personnel within Chinese enterprises. Due to the reason of the advantages of multinational companies in China, they have great attraction to the domestic excellent scientific and technological talents. These talents have been dug by multinational enterprises, resulting in serious brain drain in China. This has led to the flow of outstanding master and doctor graduates from Chinese universities and key talents from research institutions and enterprises to multinational companies, impeding the construction of China's own scientific and technological innovation system and weakening China's indigenous innovation capacity. The research tasks of frontier technology and technological innovation required by China's scientific and technological development have lost their undertakers, leading to difficulties for domestic research institutions and enterprises.

Chapter 3: Economic structure of China

3.1 Economy of China

3.1.1 Overview

China's economy is a socialist market economy, ranking second in nominal GDP and first in purchasing power parity. China is the world's largest manufacturing economy and exporter of goods. It is also the fastest growing consumer market in the world and the second largest importer of goods. GDP growth averaged nearly 10% a year, the fastest sustained growth in any major economy on record, and 850 million people were lifted out of poverty. With a population of 1.4 billion, China is the world's second-largest economy. Over the past eight years, it has contributed about 30 percent to global growth.

After the founding of the People's Republic of China, China has become one of the world's most economically promising countries through planned large-scale construction. People's lives have generally reached a well-off level. According to the plan, by 2010, China has established a relatively complete market economy system; by 2020, it has established a relatively mature market economy system. From 1953 to 2010, China has successively completed eleven "five-year plans" and achieved world-renowned achievements, laying a solid foundation for the development of the national economy. Since the reform and opening up in 1979, the Chinese economy has been unprecedented rapid growth. After entering the 21st century, the Chinese economy continues to maintain steady and rapid growth. The market economic system has been initially established, the market plays a decisive role in resource allocation, and the macro-control system is becoming more and more perfect. The pattern of common development of the public sector of the economy as the main body, individual, private, foreign capital and other non-public sectors of the economy has basically taken shape, and the mode of economic growth has gradually changed from

extensive to intensive.

As of the end of January 2019, China's economic growth achieved a good score of 6.6% in 2018, maintaining a generally stable, stable and progressive development trend, achieving the annual growth target of 6.5% set at the beginning of the year.

3.1.2 Macroeconomic analysis

The macroeconomic situation refers to the state of macroeconomic development of the country and its trends. The macroeconomic situation is good and bad, and the impact on enterprises is very obvious. China's economy grew 6 percent in the third quarter, the slowest pace in at least 27 years. The ongoing trade war with the United States continues to weigh on the world's second-largest economy. China is struggling with weak domestic consumption and a protracted trade war with the United States, a trade war that has hurt China's exports.

a. GDP

GDP at purchaser's price is the sum of all resident producers in the economy plus any product taxes and any subsidies not included in the value of the product. The data is in US dollars. The dollar data for GDP is converted from the national currency using the official exchange rate for one year.

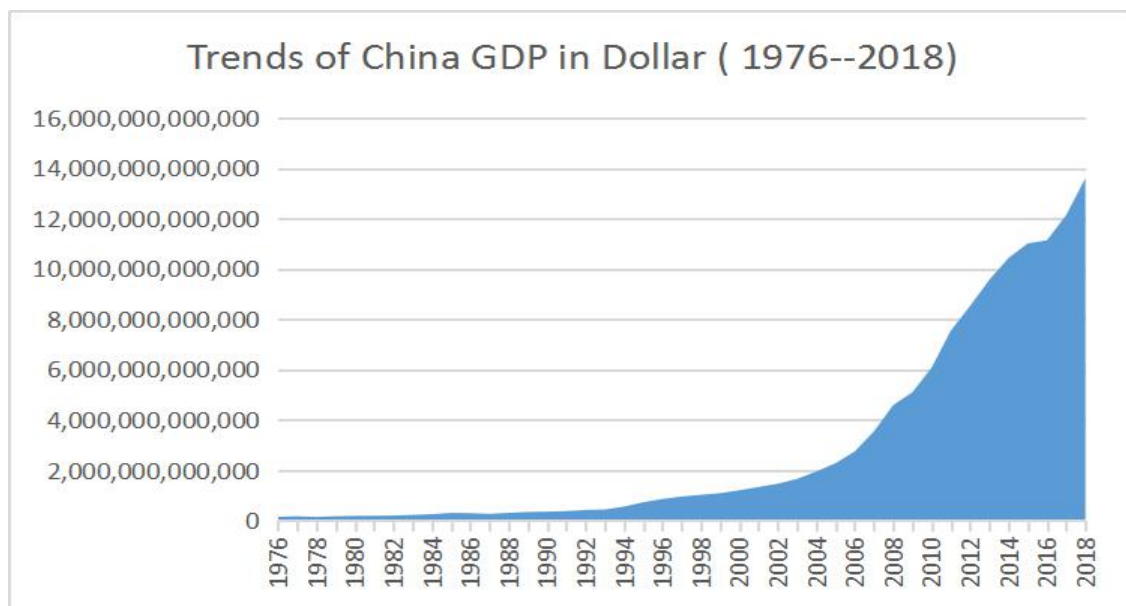
Figure 3

GDP of China from 2014-2018	
Year/ GDP	Dollar (\$)
2014	\$10,438.53B
2015	\$11,015.54B
2016	\$11,137.95B
2017	\$12,143.49B
2018	\$13,608.15B

Source: World bank

In 2018, China's GDP was \$13,608.15B, an increase of 12.06% from 2017. China's GDP accounts for 21.95% of the world economy in 2018. For 2017, GDP was \$12,143.49B, had 9.03% increase from 2016. GDP for 2016 was \$11,137.95B which had 1.11% increase from 2015. In 2015, China's GDP was \$11,015.54b, an increase of 5.53% compared with 2014.

Figure 4



Source: National Bureau Statistics

In recent years, China's GDP has maintained rapid growth, the economic aggregate has continued to expand, and remarkable achievements have been made in its development. It can be seen intuitively that from 2006 to 2011, China's GDP has continued to grow and maintains a high growth rate. In 2011, China's national economy maintained steady and rapid development, achieving a good start in the "Twelfth Five-Year Plan" period.

In 2010, China's GDP exceeded Japan and became the world's second largest economy. However, the problems of imbalance, uncoordinated and unsustainable development in China are still outstanding. It also includes export-oriented, investment-led, extensive development, urgent transformation, unsustainable demographic dividend, and prominent GDP supremacy. According to data from international organizations such as the International Monetary Fund, China's per capita GDP ranks around 100th in the world, less than half of the world average. According to UN standards of US\$1 per person per day, China still has around 150 million poor people.

China's economy has developed rapidly and the entire economic situation has undergone earth-shaking changes. In general, the Chinese economy has succeeded in relying on a large amount of cheap labor and actively introducing foreign capital. At the same time, China still disturbed by inflation, rising prices, housing bubbles and other issues. The RMB exchange rate and global warming also require China to shoulder the responsibility of the big country.

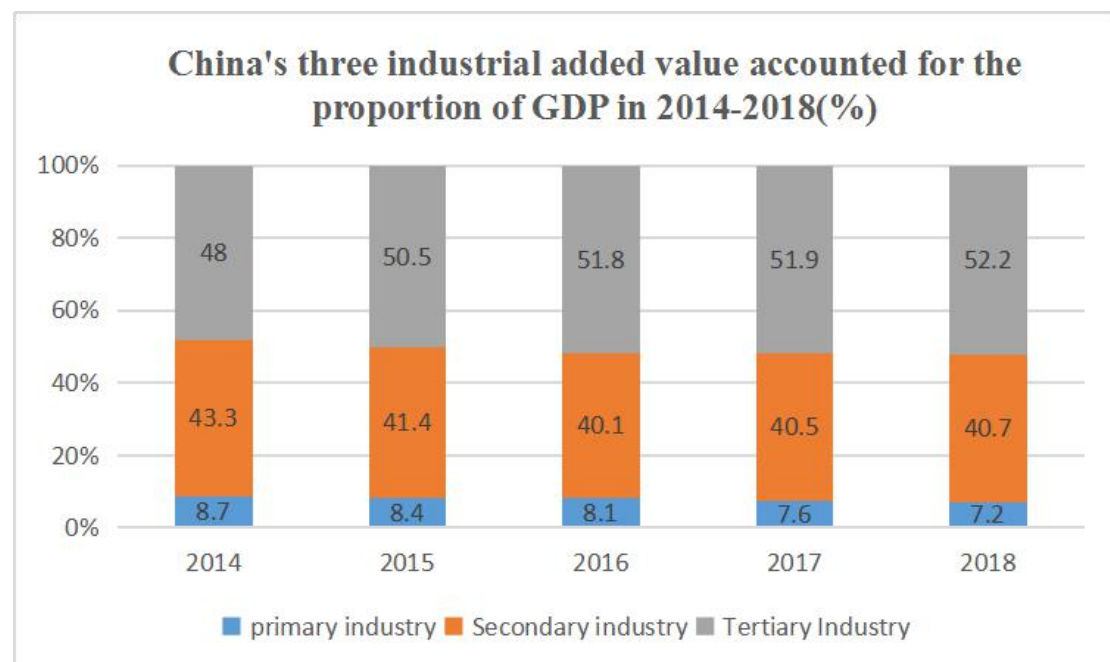
b. Current situation of China's industrial

Since entering the 21st century, China's industrial structure has been continuously optimized. The growth of the primary industry was relatively slow, the growth of the secondary industry was rapid, and the tertiary industry broke through a single development pattern dominated by commerce and catering, accelerating the development of industries such as finance, insurance, research and development, and

consulting. The growth of the primary industry was relatively slow, the growth of the secondary industry was rapid, and the tertiary industry broke through a single development pattern dominated by commerce and catering, accelerating the development of industries such as finance, insurance, research and development, and consulting.

However, many problems still exist in the analysis of China's current industrial structure from a static or dynamic perspective.

Figure 5



Source: China Business Research Institute Database

As can be seen from the chart, it shows that China's national economy is still excessively dependent on agriculture, while the service industry is relatively backward. In the GDP structure of developed countries, the proportion of the primary industry generally does not exceed 5%, the secondary industry generally does not exceed 30%, and the proportion of the tertiary industry is the largest, which are generally more than 65%. Compared with developed countries, China's industrial structure still has place for optimization.

(a) Primary industry

Since the reform and opening up, China's agriculture and rural economy have made considerable progress, and the agricultural industrial structure has been adjusted to form a better pattern. However, there are still many problems in the current agricultural industrial structure. Agricultural infrastructure is still weak; the variety and quality structure of agricultural products are not optimized, and the quality of agricultural products is low. On the other hand, the agricultural product processing industry is still in its infancy. That is to say, the development of preservation, packaging, storage, transportation and sales system lags behind. Uncoordinated ratio between primary products and processed products are still exist. Not only that, the unreasonable regional distribution of agricultural products has not fully exerted its regional comparative advantages. And the failure to form a regional structure of agricultural products with distinctive characteristics still restricts the development of agriculture.

(b) Secondary industry

The total volume of the secondary industry expanded significantly, but the production structure was not reasonable enough, the structure upgrade was slow, and the quality of economic growth was not high. Mainly manifested in: at the bottom of the global value chain, industrial upgrading faces difficulties; insufficient investment in industrial R&D and poor technological innovation capability.

China's comparative advantage is obtained to a large extent by cheap labor, which leads to the industry's competitive advantage mainly concentrated in the low value-added, non-core component manufacturing and labor-intensive assembly, the added value of the product is difficult to improve.

Of the total exports, processing trade also accounts for more than 50%. It can thus be seen that even local companies rely heavily on the order from foreign companies rather than relying on independent research and development, or their own products to

open up international markets. This is another testament to the fact that Chinese industries are at the bottom of the global value chain. One thing to note is once the foreign market starting to be weak, this model will be difficult to sustain. The poor technological innovation capability of the industry leads to a high dependence on foreign core technologies and key components. Enterprises cannot gain advantages in differentiated competition such as quality and innovation, and can only maintain revenues at low cost.

(c) Tertiary industry

The development of China's tertiary industry is relatively lagging behind, and the internal structure needs further adjustment and improvement. From the perspective of the internal structure of the tertiary industry, developed countries mainly focus on emerging industries such as information, consulting, science and technology, and finance, while China's traditional services such as commercial catering, transportation, etc. account for a large proportion, accounting for more than 40%. The basic service industries such as post and telecommunications, finance and insurance, as well as information services, research and development, tourism, press and publication, radio and television, and other emerging service industries have developed rapidly, but the proportion is still not high, and the development is still insufficient.

c. Industrial production

Industry is one of the most important material production sectors in the national economy. Industrial production is the process of processing or assembling natural resources and raw materials. It's an industry where the wages are relatively high but the jobs are tough. People who work in this field are required to have certain physical ability and skills. Industry is the only department that produces modern means of labor. It determines the speed, scale and level of national economic modernization and plays a leading role in the national economy of the contemporary world.

China's industrial production has maintained a medium-to-high-speed growth since

the 18th National Congress. The production of emerging industries has grown rapidly. The traditional industries have accelerated their transformation and upgrading. They have played an important supporting role in maintaining the medium-to-high-speed growth of the national economy and moving towards the middle and high-end levels.

(a) Current situation of China industry

China's industry has maintained rapid growth in a complex and severe economic environment. In terms of categories, the manufacturing industry grew at an average annual rate of 9%, the mining industry grew at an average annual rate of 4.5%, and the electricity, heat, gas and water production and supply industries grew at an average annual rate of 3.8%. In terms of economic type, state-owned holding companies grew at an average annual rate of 4.4%; collective enterprises grew at an average annual rate of 2.4%; joint-stock companies grew at an average annual rate of 9.3%; foreign-invested enterprises from Hong Kong, Macao and Taiwan grew at an average annual rate of 6.1%; private companies grew at an average annual rate of 10.4%.

In recent years, the world economic recovery has been lack in strength, and there were not significant change of the phenomenon of fatigued and weak in external demand. The major developed economies have rebounded less than expected, and the growth rate of emerging economies has generally declined. According to the data from United Nations Industrial Development Organization, the annual growth rate of the world manufacturing industry is only in the range of 2% to 4% between 2013 and 2015. China's industrial growth is still among the top in the world's major economies.

On the other hand, the overall efficiency of the enterprise is satisfactory, and the unit labor output is obviously lifted-off effect. Taking period from 2013 to 2015 as an example, the income from the main business of industrial enterprises which are above designated size increased by 6.3% annually, total profit increased by an average of 4.2% annually. Among them, the main business income of the manufacturing industry

increased by 7.3% annually, and the total profit increased by 8.6% annually, which was higher than the integral level of industrial enterprises which are above designated size. Judging from the income from the main business created by per capita, the increase in unit labor output reflects the progress of improving quality and efficiency.

(b) Growing trends of China industry

According to the analysis of the current situation of China's industry, the development trend presents the following points.

Firstly, industrial development presents a new normality from high-speed growth to medium-high-speed growth. The change in growth status is mainly due to the internal and external conditions of China's industrial development have undergone profound changes. As a consequence, the potential growth rate of industry appears to be declining. This decline is not only a cyclical change, but a trending deceleration feature brought about by the transition of the development phase.

Secondly, the supporting conditions for the factors of industrial development are undergoing major and profound changes. As an important supporting condition for the rapid growth of China's industry for more than 30 years, the realization of low-cost factors is drop continuously, industrial growth faces a full range of high-cost constraints. The original growth model of “low-cost investment, low-level expansion, and low-price competition” will be challenged. On the other hand, China's technological innovation capability has increased and breakthroughs have been made in some industries. Under the guidance of the strategic goal of building an innovative country, China's industrial technology innovation system has taken initial shape, the technological innovation environment has been improved, and technological innovation awareness and technological innovation capability have been enhanced.

Moreover, the prevalence of overcapacity has led many industries to face severe market challenges. Under the dual influence of sluggish external demand and the

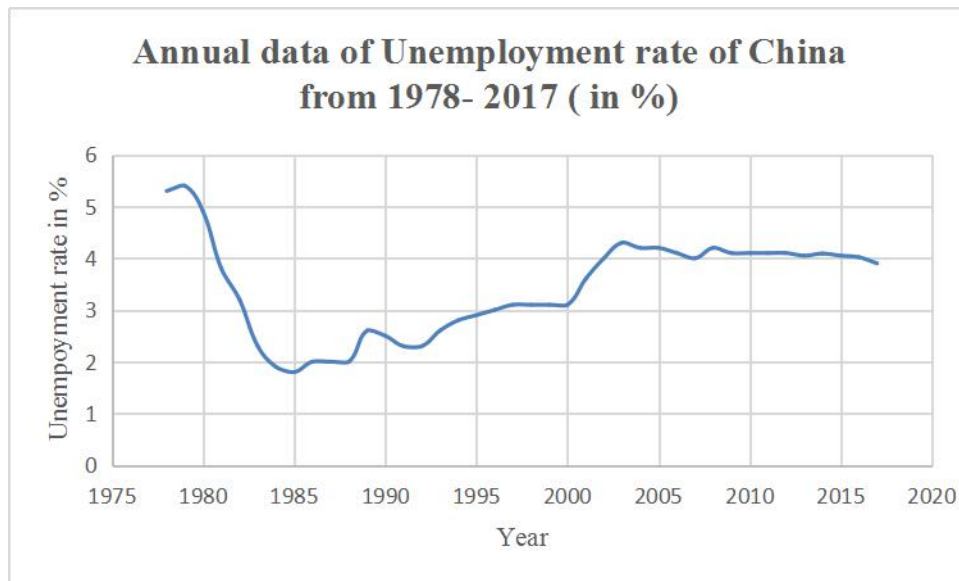
slowdown of domestic economic growth, some industries in China have experienced severe overcapacity. The long-term persistence of overcapacity not only leads to vicious competition among enterprises, but also hinders technological progress of enterprises, which is not conducive to the healthy development of the industry.

Last but not least, the government's constraints on the resources and environment are constantly increasing, thus placing new demands on the industrial green development. At present, China's resources are increasingly dependent on external resources, and the resource cost of industrial development is getting higher and higher. The long-term accumulation of ecological and environmental contradictions is gradually emerging. According to the analysis of the current situation and development trend of China's industry, under the circumstances of the increasingly severe resource and environment situation, industrial development needs to be transformed from a traditional development model that relies mainly on increasing the consumption of material resources to a lean development model that relies more on scientific and technological progress. In the way of resource utilization, it is changing from extensive to intensive, and gradually forms an economic development mode of "low input, low consumption, low emission and high efficiency".

d. Unemployment rate

The unemployment rate is the main indicator for assessing the unemployment situation in a country or region. At present, the only officially released unemployment rate in China is the "town registration unemployment rate". According to the unemployment definition, the criteria for measuring employment and unemployment can be determined so that the unemployment situation can be measured to grasp the most basic macroeconomic variables—the unemployment rate and its changing trend. The unemployment rate is the ratio of the unemployed to the working population. According to official data released by the Ministry of Social Security of China, the trends of unemployment rate of China are as follow,

Figure 6



Source: Stats. gov.cn

After the reform and opening up, China's economy has developed rapidly, especially since the 1990s. But at the same time, with the modernization of China, the optimization and upgrading of the urban economy will inevitably lead to structural unemployment of workers, and the imperfect development of China's labor market and social security system, the natural unemployment rate itself is relatively high. After entering the 21st century, society is in a period of transition, and the contradiction between science and technology and people is deepening. Enterprises are unemployed when the industrial structure is upgraded. Many of the unemployed with low education cannot achieve full reemployment.

The current composition of unemployed people in China is mainly divided into three categories:

(a) Rural surplus labor; In recent years, China has entered the stage of industrial transformation, and the changes in the international and domestic economic situation have led to the collapse of a large number of labor-intensive factories, resulting in a large number of migrant workers returning home, and unemployment is serious.

(b) Due to the rising wages of employees in China, taxation, rent and other reasons, the operating costs of enterprises have increased, corporate profits have decreased. In recent years, a large number of foreign capital have been withdrawn from China, and some foreign-funded white-collar workers have also been forced to join the army of unemployment.

(c) The problem of graduates' employment difficulties has always been a concern of the society. Because college students have just left the school and have no work experience. The expectations of graduates are too high, which also leads to the unemployment of college graduates. Therefore, the state actively encourages college students to start their own undertaking, eases employment pressure, as well as alleviate social pressure.

3.1.3 Characteristic analysis of China's economy

a. Economic growth slows down

From January to September in 2012, China's economic growth rate has dropped back to 7.7%. Compared with China's growth rate of nearly 10% in the past 30 years, it is close to 11.2% during the 11th Five-Year Plan period. Therefore, it is clear that economic growth is slowing down that the growth rate started to below 10% or 8%. In addition, various macro data released by the National Bureau of Statistics show that China's economic growth rate has begun to slow down.

b. Economic reform and opening up

In order to meet the needs of reform, opening up, and economic development, China has established five special economic zones in Shenzhen, Zhuhai, Shantou, Xiamen, and Hainan Province in Guangdong Province since 1980. In 1984, 14 coastal cities consist of Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhanjiang and Beihai were further opened. After 1985, the Yangtze River Delta, the Pearl River Delta, the Southern Anhui Triangle, the Shandong Peninsula, the Liaodong Peninsula, Hebei, and

Guangxi were successively opened as economic open areas, thus forming a coastal economic open zone. In 1990, the Chinese government decided to open up the Shanghai Pudong New Area, and then further opened up a number of cities along the Yangtze River to form the Yangtze River Open Belt with Pudong as the leader.

Since 1992, Chinese government has decided to open up a number of frontier cities and further open up the capital cities of the provinces and autonomous regions. In some large and medium-sized cities, 15 bonded zones, 32 state-level economic and technological development zones and 53 high-tech industrial development zones have been established. In this way, China has formed an all-round, multi-level and wide-ranging pattern of opening up to the outside world along the coast, along the Yangtze River, along the border and inland.

Special economic zones are a major measure for China to open up to the outside world. In April 1979, Deng Xiaoping first proposed to open an "Export Special Zone". Later in March 1980, the "Export Special Zone" was renamed "Special Economic Zone" and was implemented in Shenzhen. According to its essence, special economic zones are also one of the main forms of the world free port area. By means of preferential measures such as tariff reduction and exemption, through the creation of a harmonious investment environment, so that foreign investment, advanced technologies and scientific management methods are introduced to promote the economic and technological development of the countries in which the SAR is located. The characteristics of special economic zone includes national unified leadership, comprehensive diversified operations. The economic development funds of special economic zones mainly rely on the use of foreign capital, and the products are mainly for export. Foreign investors who have come to invest will be given special concessions and conveniences in terms of taxation and profit remittance, and strive to improve the investment environment in order to attract more foreign investment and promote the foreign trade and economic development of the special economic zones. Meanwhile, it is implementing external referrals, strengthening coordination and

cooperation between SARs and non-SARs, and jointly promoting the construction and development of the national socialist market economy. From July 1979 to 1981, the Central Committee of the Communist Party of China and the State Council successively decided to set up some trial export special zones in Shenzhen, Zhuhai, Shantou, and Xiamen, four cities in Fujian Province.

On August 26, 1980, the Standing Committee of the National People's Congress made a resolution on approving the Regulations of the Guangdong Special Economic Zone. The resolution states: in order to develop foreign economic cooperation and technological exchanges and promote socialist modernization, the special economic zones were set up in Shenzhen, Zhuhai and Shantou in Guangdong Province.

Special administrative regions (SARs) encourages foreign citizens, Chinese who live overseas , Hong Kong and Macao compatriots, their companies and enterprises to invest in setting up factories, or establish a joint venture with Chinese companies to set up enterprises and other businesses. SARs devote to protect their assets, profits and other legitimate rights and interests in accordance with the law. Thereafter, in October 1981, the State Council approved the establishment of a special economic zone in Xiamen. On April 13, 1988, the first meeting of the Seventh National People's Congress made a resolution on the establishment of the Hainan Special Economic Zone, and designated Hainan Island as the Hainan Special Economic Zone.

The development of the SAR economy mainly relies on attracting and utilizing foreign capital. The SAR economy is a combination of Sino-foreign joint ventures, cooperative ventures and wholly foreign-owned enterprises, with multiple economic components coexisting. The SAR's foreign investment is preferentially treated in terms of taxes, import and export of goods, and entry and exit of personnel.

3.2 China's Labour Force profile

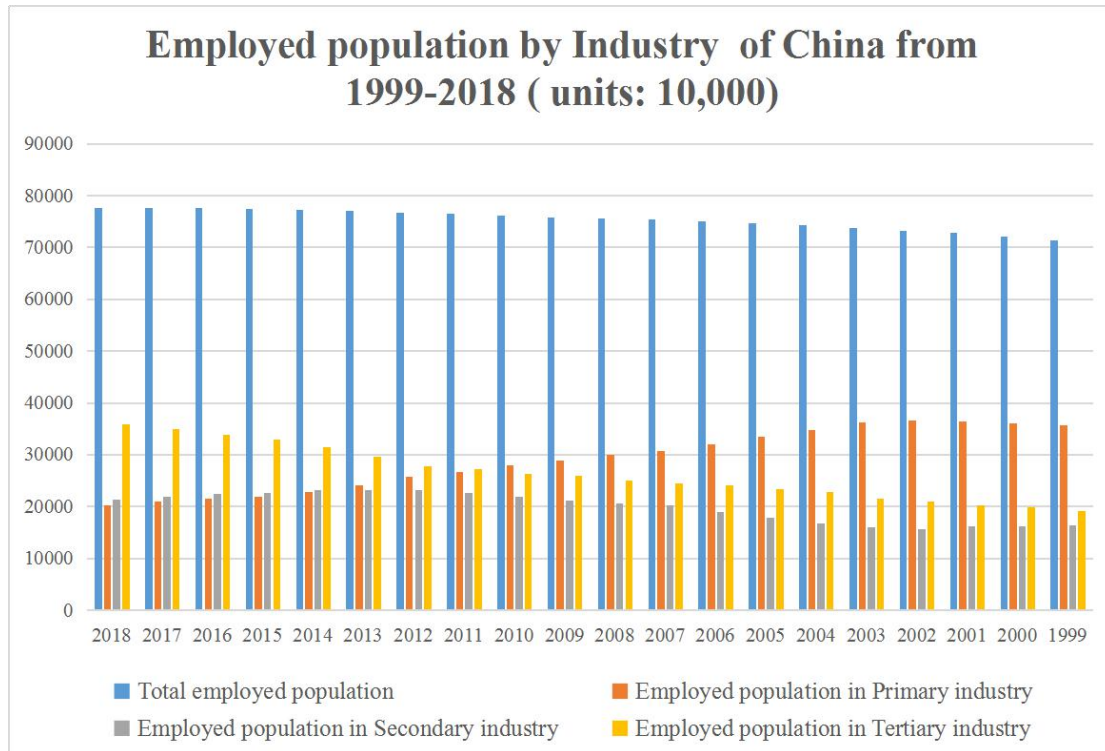
3.2.1 Labour Population

Since the founding of the People's Republic of China, China's population policy has experienced a period of relaxation from fertility to birth control. The current state of China's population currently presents four characteristics. Namely, a slowdown in population growth, an aging population, an increase in the rate of low fertility, and a decline in fertility and fertility population.

On December 10, 2016, the China Human Capital and Labor Economic Research Center of the Central University of Finance and Economics released the China Human Capital Report 2016. According to the report, the average age of China's national labor force has risen to 36 years. The report believes that aging is increasingly hindering human capital growth, especially in the Northeast. The working-age population under the current retirement policy will begin to decrease in 2017. The report predicts that China's human capital growth will slow down in the next decade and will begin to decline after 2038.

The impact of demographic changes on China's economy is gradually becoming dominant. In recent years, the “double change” in the quantity and quality of the working-age population has already forced the upgrading of the industrial structure. In 2016, the working-age population continued to decline. The cumulative reduction in the past five years was about 20 million. The reduction in labor supply led to an increase in labor costs, industrial transfer and technology substitution labor. The decline in the working-age population is a reality that has to be faced in the course of China's economic development. In 2015, China's working-age population dropped to 911 million, and it will continue to decline. There will be a sharp decline after 2030, with an average annual reduction of 7.6 million. By 2050, the Ministry of Human Resources and Social Security predicts that the working-age population will drop from 830 million in 2030 to about 700 million.

Figure 7



Source: Stats. gov. cn

3.2.2 Present situation of labour market in China

China's labor market is expanding in size, and the employment structure has been adjusted to become more reasonable. China is the most populous country in the world and one of the most labor-rich countries in the world. Chinese universities and colleges send millions of new graduates into the labor market each year. China's rural areas send hundreds of millions of surplus labor to the labor market. This has also created a surplus of Labour supply.

Although labor prices have risen in China, low-cost labor prices still have a cost advantage compare with America, Mexico and neighboring countries such as Japan, South Korea. China's labor price is about 1/12 of Japan's same-post labor price and about 1/10 of South Korea's.

On the other hand, the low quality of the labor culture is also a feature of Chinese labour market. At present, the average level of education of Chinese nationals is low. Among the employees, the number of people equivalent to the high school level is only 14%, and 85.9% are junior high school and below. High-end technical talents, high-level technical personnel are scarce, and foreign trade and export trade professionals are seriously deficient.

The data from the statistics analysis of China human resource capital 2016 from National Bureau of Statistics shows that China's labor market only accounts for 4% of high-skilled talents, 20% of ordinary skilled talents, and 76% of unskilled at present. The number of informal employment, liquid employment, and irregular employment is increasing. The shortage of skilled talents will be a major worry for China's economic transformation and upgrading. To alleviate this concern, accelerating the development of vocational education is a top priority. Certainly, vocational education also has problems in the unscientific orientation of education, the training mode does not meet the training rules of technical skills, the quality of teachers cannot keep up with the pace of scientific and technological changes, and the internship training conditions are insufficient. It cannot adapt to "Made in China 2025" and "Internet +" "New requirements for major national strategies such as "public entrepreneurship, innovation", "precision poverty alleviation" and "One Belt, One Road".

From the above analysis of the characteristics of China's labor force, it can be seen that China currently has a large number of excellent and low-cost labor, but they can not be an important magic weapon for China's future economic development. Insufficient protection of labor power and imbalance of labor resources are all issues that China needs to solve urgently. Otherwise, the economic growth model that relies solely on cheap labor will certainly constrain China's economic development.

Based on the above analysis, it can be seen that the influence of multinational companies and their countries on each other is mutual. China has achieved steady

economic growth by introducing a large number of foreign-funded enterprises, and the impact of multinational enterprises on China's social and economic structure is undoubtedly huge. Economic environment and social environment including labor population, labor wages will also impact on multinational companies in their strategy and structure. At the same time, before the multinational companies enter China, they will also consider China's current economic environment and social conditions.

The next empirical part will further prove that multinational companies have a specific impact on China, including GDP, labor force and promotion of Chinese environmental protection.

Practical part

Chapter 1: Research background

1.1 Purpose of select the topic

After the 1990s, the process of economic globalization has accelerated markedly. In this process, the automotive industry is one of the leading and most typical industries. The globalization of the automotive industry is concentrated in two distinct and interrelated features. First, the automotive industry chain, including investment, production and procurement, sales and after-sales service, research and development, and other major links are increasingly global. Second, large-scale restructuring between giant car companies. The results have substantially changed the traditional resource allocation, industrial competition mode and industrial organization structure, and made the development strategies and related policies of the automobile industry in the past, especially in developing countries, facing severe challenges.

This part is based on the research results and theoretical analysis of the influence of scholars on the direct investment of multinational corporations in the host country in recent years, and applies the research methods and results to the automotive industry in China. Based on the investment practice of multinational automobile companies in China in recent years, the system analyzes its impact in depth, and finally summarizes the development of China's automobile industry.

Through research and exploration of the impact of direct investment by multinational corporations on China's automobile industry, and comprehensively and systematically analyze the investment motives, methods, models and behaviors of multinational corporations, to achieve an objective and accurate evaluation of the impact of direct investment by multinational corporations on China's automobile industry.

Chapter 2: Analysis of the Multinational Automobile Companies in China

2.1 Development of Multinational automobile companies in China

Automobile industry is one of the early industries for foreign investment in China. In 1983, with the establishment of Beijing Jeep Automobile Co., Ltd. as a symbol, it kicked off the prelude of foreign investment in China's automobile industry. So far, China has established more than 600 foreign-invested companies with enterprises in more than 20 countries and regions around the world in automobile industry. In 2005, among the world's top 500 companies, there are 24 companies mainly engaged in automotive products, and 27 companies that produce automobile products. These 51 companies have all established joint venture automobile enterprises in China. According to statistics, the world's 500 largest companies have established 100 enterprises in China's auto industry, including 23 complete vehicle companies and 77 parts and components enterprises, with a total investment of 12.75 billion US dollars, accounting for 62.6% of the total foreign investment in the automotive industry. . From the overall situation of investment amount and investment scope, the field of joint ventures in China's auto industry is constantly expanding.

2.2 Structure of multinational automobile company in investment

In the multinational auto companies that enter China's auto industry, foreign investment in regional distribution is mainly concentrated in the regions where the large auto manufacturers are located or in areas with relatively developed economies.

In terms of regional distribution, FDI enterprises in the automobile industry are mainly concentrated in East China, Central South and Northeast China. The number of foreign-invested enterprises in these three regions accounted for 35.8%, 24.3%, and

15.6% of the total number of foreign-invested enterprises in the national automobile industry. The largest investment of multinational automobile companies are in East China, which accounting for 39.9% of the total foreign investment in the national automobile industry. The second is central and southern China, accounting for 26.6%, which follow by Northeast China, accounting for 18.3%. Multinational auto companies are concentrated in these three regions, apparently because these three regions have supporting auto parts companies to provide them with convenience.

In terms of investment amount, foreign investors investing more than US\$3 billion in the automotive industry in Shanghai. With a total investment of US\$2 billion to US\$3 billion in Liaoning Province and Jilin Province. The total investment in Hubei, Guangdong, Beijing, Jiangsu, Tianjin and Shandong provinces are between US\$1 billion and US\$2 billion. Chongqing, Heilongjiang and Hunan provinces with a total investment of 500 million to 1 billion US dollars. The foreign companies in the world's top 500 companies investing in auto parts and components in Shanghai include Volkswagen, Robert Bosch, General Motors, Ford Motor Company, Delphi Automotive Systems, Sakamoto Toyota Tsusho Co., Ltd., etc.

In addition, German Volkswagen and Changchun FAW, French Citroen and Hubei Second Automobile, Japan Toyota and Tianjin Automobile Company, Honda and Guangzhou Automobile Company have all achieved great success in our domestic market. It can also be seen that the main area of China's automobile industry to absorb foreign direct investment is the car project.

2.3 Case analysis: situation of main multinational automobile companies in China

2.3.1 Volkswagen

German Volkswagen was the first multinational company to enter China. At that time, China and Germany each invested 6 billion yuan and 11.7 billion yuan (including

Audi's investment of 1.8 billion yuan), and established Shanghai Volkswagen and FAW-Volkswagen. The market share in China exceeds half of the sales volume of China's cars. In the increasingly fierce competition in the industry, the Volkswagen Group has great advantages. At the same time, the Volkswagen Group will also be based in the Chinese market, develop products and platforms suitable for the needs of developing countries, and continue to increase investment in an effort to maintain a competitive advantage. The Volkswagen Group seeks to integrate existing resources and establish the China Volkswagen Group and integrate it into the global network of the Volkswagen Group. As a multinational group that entered the Chinese market early, Volkswagen Group has steadily developed and cultivated a large number of qualified parts suppliers with international competitiveness. More importantly, it has cultivated a large number of qualified auto companies at all levels. Automotive technical and management talents.

2.3.2 General Motors Corporation

In 1997, GM entered China and established Shanghai GM. At the same time, it built a highly automated and modern flexible production line. It was listed as the No. 1 Strategy Day by the US General Motors. At present, the US General Motors Group has two North and South automakers in China, and the speed of entering the Chinese market is fast, which shows the determination and goals of the GM Group to enter China.

On the other hand, General Motor's great success in the Chinese market is also due to its "strategic partnership" relationship. In order to achieve its goals in China and Asia, General Motors quickly adopted the alliance rather than the merger and acquisition, and quickly completed the strategic layout in the Chinese market with minimal cost and risk. General Motors has established partnerships with Shanghai Automotive Group, Shenyang Jinbei Automobile Co., and Liuzhou Wuling Automobile Co., Ltd.,

so that they can successfully enter in China's high-end cars, family cars, multi-purpose vehicles and mini-cars. GM considers Chinese companies as long-term partners, instead of fully controlling the partners through capital operations. This kind of strategy helps GM corporation takes huge advantage while other competitors competing for competition in the Chinese market, make them stand out in the competition and become the leader in the Chinese market.

2.3.3 Ford Motor

In 2001, Ford Motor and Changan Motor jointly established Changan Ford, with a total investment of 98 million US dollars to produce small cars. . The real move of Ford into the Chinese market was in April 2001, when Ford and Chongqing Changan gather group joint venture to set up Chongqing Changan Ford Co., Ltd. The main purpose is to produce a family car which is suitable for the Chinese market. In order to quickly establish a foothold in the Chinese market and compete with Volkswagen and General Motors, Ford actively integrates their resources in China.

Chapter 3: Measurement of the impact on socio-economic structure

In this part, author selected Eviews 7.2 as the regression analysis as the statistic tool, in order to find investigation of relationships between variables. In this analysis, Jilin province will be a base of this analysis. As mentioned above, those provinces in Northeast of China are heavy industry provinces, large amount multinational automobile manufacturers select here as their branch.

3.1 Model one: The impact of multinational companies on GDP based on Jilin Province

3.1.1 Propose a hypothesis

Hypothesis 0 Multinational automobile companies has impact on GDP of Jilin Province

Hypothesis 1 Multinational automobile companies has no impact on GDP of Jilin Province

3.1.2 Data collection and analysis

All the data are from the official website of Secondary data from National Bureau of Statistic of China and analysis. In this model, Jilin Province Regional GDP and total number of multinational industrial enterprises will be the variables in this case.

Here, Jilin province regional GDP as Y variable, total number of multinational industrial enterprises will be X variable. According to the data of two sector, result from Eviews are below:

Table 1

Dependent Variable: Y Method: Least Squares Date: 11/12/19 Time: 17:06 Sample: 2008 2017 Included observations: 10				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	42451.49	3623.085	11.71695	0.0000
X1	-89.23042	10.41835	-8.564740	0.0000
R-squared	0.901665	Mean dependent var		11551.00
Adjusted R-squared	0.889373	S.D. dependent var		3153.273
S.E. of regression	1048.797	Akaike info criterion		16.92553
Sum squared resid	8799798.	Schwarz criterion		16.98605
Log likelihood	-82.62766	Hannan-Quinn criter.		16.85914
F-statistic	73.35477	Durbin-Watson stat		1.434930
Prob(F-statistic)	0.000027			

Source: Eviews 7.2

According to the calculation results, t- statistic amount are both more than 2, Prob. result equal to 0. R- squared more than 0.8, that is to say, variable Y and X1 has linear relationship. To further confirm this result, F statistic will be test statistics. Generally, F- statistic the bigger, the closer the linear relationship between variables is. In this model, F- statistic equal to 73.35, the conclusion can be confirmed.

This model only including two variables, Y and X1, so there will be no possibility of self- correlation.

As the conclusion, total number of multinational industrial companies has impact on Jilin province regional GDP, that is to say, hypothesis 1 has been reject.

3.2 Model two: The relationship between the number of multinational corporations and the employed population in manufacturing industry

It is widely believed that for developing countries with large employment burdens, the

entry of multinational corporations has boosted domestic employment and improved the overall employment level.

3.2.1 Propose hypothesis

Hypothesis 0 Multinational industrial companies has impact on employed population manufacturing industry in Jilin province.

Hypothesis 1 Multinational industrial companies has no impact on employed population manufacturing industry in Jinlin province.

3.2.2 Data collection and analysis

All the secondary data are from the official website of the National Bureau of Statistic of China. Employed population in manufacturing industry in Jinlin province and total number of multinational industrial enterprises will be take as variables in this hypothesis.

In this model, employed population in manufacturing industry as the variable Y, total number of multinational industrial enterprises will be X variable. According to the data of two sector, result from Eviews are below:

Table 2

Dependent Variable: Y
Method: Least Squares
Date: 11/12/19 Time: 17:40
Sample: 2008 2017
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	308.7202	42.65288	7.237969	0.0001
X1	-0.534329	0.122650	-4.356526	0.0024
R-squared	0.703477	Mean dependent var		123.6820
Adjusted R-squared	0.666411	S.D. dependent var		21.37743
S.E. of regression	12.34699	Akaike info criterion		8.041559
Sum squared resid	1219.586	Schwarz criterion		8.102076
Log likelihood	-38.20779	Hannan-Quinn criter.		7.975171
F-statistic	18.97932	Durbin-Watson stat		1.185176
Prob(F-statistic)	0.002424			

Source: Eviews 7.2

According to the calculation results, t- statistic amount are both more than 2, the value of Prob. Close to 0. R- squared are between 0.5-0.8, that is to say, variable Y and X1 has linear relationship. To further confirm this result, F statistic will be test statistics. Generally, F- statistic the bigger, the closer the linear relationship between variables is. In this model, F- statistic equal to 18.98, the conclusion can be confirmed.

This model only including two variables, Y and X1, so there will be no possibility of self- correlation.

As the conclusion, total number of multinational industrial companies has impact on Jilin province regional GDP, that is to say, hypothesis 1 has been reject. Comparing with Model 1, two variables of this model do not have obvious and closely related linear relationship as previous one, but linear relationship still exist. In other words, multinational industrial enterprise has impact on employed population, however, it is

not the only reason of employed population changes.

3.3 Model three: The impact of multinational manufacturing corporations on environment and promotion of environmental protection system in China

3.3.1 Propose hypothesis

Hypothesis 0 multinational manufacturing corporations has impact on promotion of environment protection system in Jilin province

Hypothesis 1 multinational manufacturing corporation has no impact on promotion of environment protection system in Jilin province.

3.3.2 Data collection and analysis

All the secondary data are from the official website of the National Bureau of Statistic of China. Total amount of industrial environmental management project in Jinlin province and total number of multinational industrial enterprises will be take as variables in this hypothesis.

In this model, total amount of industrial environmental management project in Jinlin province as the variable Y, total number of multinational industrial enterprises will be X variable. According to the data of two sector, result from Eviews are below:

Table 3

Dependent Variable: Y				
Method: Least Squares				
Date: 11/12/19 Time: 17:50				
Sample: 2008 2017				
Included observations: 10				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	180308.0	111100.8	1.622923	0.1433
X1	-252.9471	319.4753	-0.791758	0.4513
R-squared	0.072666	Mean dependent var		92712.40
Adjusted R-squared	-0.043251	S.D. dependent var		31487.31
S.E. of regression	32161.03	Akaike info criterion		23.77175
Sum squared resid	8.27E+09	Schwarz criterion		23.83227
Log likelihood	-116.8588	Hannan-Quinn criter.		23.70537
F-statistic	0.626881	Durbin-Watson stat		1.168963
Prob(F-statistic)	0.451337			

Source: Eviews 7.2

According to the calculation results, one t- statistic result more than 2 , the value of Prob. are not bigger than 0. R- squared are below 0.5, that is to say, variable Y and X1 has no linear relationship. To further confirm this result, F statistic will be test statistics. Generally, F- statistic the bigger, the closer the linear relationship between variables is. In this model, F- statistic equal to 0.63. Therefore, the conclusion can be confirmed.

3.4 Research Findings

According to qualitative analysis, multinational industrial companies has impact on Jilin province regional GDP and industrial employed population. Nevertheless, it dose not have significant impact on environment promotion. Based on the results and theoretical analysis above, the impact of multinational corporations on China's environmental protection policy is subtle. For instance, P&G introduced new

technologies and transform on existing equipment to reduce environmental pollution. After entering the Chinese market, the advanced environmental protection concept of multinational companies also stimulated the environmental awareness of Chinese enterprises and residents. In view of this research, there are many factors influence total amount of industrial environmental management project in Jinlin province, national policy intervention, environmental laws and regulations stipulate the amount requirements, etc.

Chapter 4 Conclusion and Countermeasures for economic globalization in China

4.1 Suggestions for multinational companies to cope with the changing economic environment in China

As mentioned above, as a global carrier, multinational corporations have become the most direct and influential factor in the world economy and national trade. Yet as time passed, economic situation and environment of China has long since changed. As mentioned above, China is undergoing a transformation from “world factory” to “technical innovation”. Now therefore, the strategic adjustment of multinational companies in China is also inevitable.

4.1.1 Realistic factor of strategic adjustment

Economic globalization has given multinational corporations a severe challenge to the globalization of production, operation, management and competition. This requires multinational corporations to focus on the global perspective, pay close attention to the changing trends of the foreign investment environment, and adjust their strategic plans in a timely manner. In this international economic environment, multinational

corporations, which are the carriers of globalization of production and management, as well as the main body of international technology transfer and crucial channels for foreign direct investment. They have not only achieved unprecedented development in quantity and scale, but also have significant changed on their business strategies and specific operations.

The increasing capacity of the Chinese market is one of the characteristics of China's economic environment changes, and it is also a major factor in strategic adjustment. In the past decade, China's economy has maintained a steady and sustained growth momentum, which has led to the continuous expansion of the market. In the entire world market, the markets of developed countries are relatively mature and saturated, and it is relatively difficult to increase the share in this market. However, the market in many other developing countries is relatively small, so the huge and rapid growth of the Chinese market is particularly noticeable. Whether it can adapt to the changing market environment, quickly break into the Chinese market and expand its market share in China is of great significance for enhancing the competitiveness of multinational companies in the global market.

The rapid rise of local companies is an significance part of multinational companies that cannot be ignored. Local enterprises, which are constantly growing and expanding, gradually aligning with the international market. This has made multinational companies feel the competitive pressure from local companies.

4.1.2 Suggestion on Strategic adjustment

a. Diversified investment industry

A large amount of multinational companies have gradually increased their investment in manufacturing in China, making China as an important production base. For instance, Coca-Cola, Samsung, Dell, Motorola, and Electrolux, both of them have set up their production bases in China. They take advantages of cheap labor to reduce production cost, while at the same time they trying to get closer to the sales market.

Sales cost can be reduced during this process, as a consequence, profit margin can be increased. However, as analyzed in this paper, China is entering an ageing society, the decline in the labor force and the rise in labor costs will undoubtedly have a profound impact on multinational companies.

Multinational companies should shift their investment focus areas to high-tech industries and service industries. For example, microelectronics, automotive manufacturing, communications equipment, office supplies, instrumentation, pharmaceutical, chemical and other knowledge-intensive industries. Meanwhile, they need to strengthen research and development efforts in China, and make China as a regional R&D center. Simply relying on cheap labor is not enough to make multinational companies gain a foothold in China.

b. Strengthen on degree of industrial clustering

In other words, from the investment in individual projects to the systematic investment in the entire industry chain, to strengthen the degree of industrial clustering. Trying to make gradually upgrade of investment project and tend to be systematic and multi-functional. What multinational companies should pursue is to establish a dominant market position and conduct world-class business in China to achieve their global competitive strategy. It not only represents the investment in the entire industrial chain of products in the upper, middle and lower reaches of an industry (ie. vertical integration investment), but also in the comprehensive and systematic investment in the operation links related to particular industries (ie. horizontal integration investment).

c. Further implement localization strategy

In accordance with the overall strategy of its development, multinational companies can select excellent managers in the local area, then train these managers, and gradually introduce them to various positions in the Chinese subsidiaries. The localization of management not only reduces management costs, but also effectively

avoids conflicts between multinational companies and local culture, which accelerates the company's adaptability in China and its response to market changes. At present, some multinational companies in China have implemented different levels of management localization strategies. For example, 9 of the 12 general managers and presidential managers of Ericsson (China) Co., Ltd. are from China, while 21 of the 25 departmental directors team are local talents.

On the other hand, multinational companies should recognize in the years of international competition that a truly lasting competitive advantage always come from a powerful brand. Simultaneously, they have to realized that simply transplant the effective brand management model that has been proven in the domestic market to China are far from effective. Therefore, it is imperative that multinational company have to implement brand localization strategy. For instance, the Coca-Cola Company's branding strategy in China includes both the development of the brand for the Chinese market and the development of local brand beverages.

Multinational companies can also conduct financing activities through local capital financial markets to obtain the financial support needed to expand their business operations. In the financing channel, with the release of the “Several Opinions on Issues Related to Foreign-Invested Enterprises in Listed Companies” jointly issued by the China Securities Regulatory Commission and the Ministry of Foreign Trade and Economic Cooperation at the end of 2001, more and more multinational companies in China intend to use low-cost method to direct financing in China's securities market.

4.2 Coping Strategies of China for Investment Strategy Adjustment of Multinational Corporations

4.2.1 Suggestion on Coping strategies of Chinese local enterprises

After the strategic adjustment of multinational companies, they will further gain competitive advantage, and Chinese local enterprises will face challenges and pressures again. Chinese local enterprise ought to take corresponding measures to cope with the challenge.

a. Strengthen the Nuclear Heart Industry and re-examine at the domestic Market

Especially for the new entrants in the industry, due to limited resources and insufficient experience, enterprises must concentrate resources and strengthen core business, and take the domestic market as the main part. Many local enterprises in China have just achieved some success, then blindly implemented diversification strategies, and conduct cross-border operations in haste. As a result, they have dispersed their resources and weakened their core capabilities.

Compared with multinational corporations, China's local enterprises are more familiar with the domestic market environment. Especially when multinational companies are optimistic about Chinese market, which is recognized by the world as the fastest growing and most potential market, local companies should pay more attention to their domestic markets. Throughout the road of multinational corporations entering into overseas markets, they have first achieved success in the home market and been in the leading position of the local industry before opening up overseas markets. Nevertheless, multinational companies have increased their localization strategy, local companies have a natural geographical advantage and are more likely to have a deeper understanding of the Chinese market and consumers than multinational companies. Therefore, Chinese local enterprises should have a rational mentality and a prudent attitude toward the initiation of the internationalization strategy. Before

finding a suitable internationalization path, they should conduct their experience in the local market.

b. Group construction and strategic alliance

Strategic Alliance is a combination between two or more enterprises, which have identical or similar strategic goal of achieving a common market. By sharing resources, technology or management approach to enhancing competitive advantage for both parties. Comparing with some multinational companies which strong in strength, Chinese enterprises are still far different. Through the strategic alliance, they can optimize the resource, co- marketing to achieve complementary advantages. Practice shows that strategic alliances can reduce the investment of enterprises entering new markets and help with overcome barriers of market entry. Meanwhile, it will contribute to gain more exposure for the brand, reduce the risk of the company and accelerate the return on investment for both parties.

c. Increase brand awareness and expand overseas markets

The role and impact of brands, which are crucial parts influence the consumer behaviour. It is ranging from brand extension to brand equity. Nowadays, the global market competition has risen from product competition and service competition to brand competition. The increasingly fierce competition makes enterprises realize the great value of brand and regard brand equity as an important part of enterprise amorphous assets. Brand equity is an added value that is higher than the price of the typical competitor. Compared with multinational companies, Chinese enterprise's realization of brands is relatively late, and the understanding of brands is relatively superficial. The situation of lacking long-term brand management strategies and specialized brand management talents have to be changed.

The competitiveness of the brand is reflected in the brand's ability to develop the market and occupy the market. Taking the example of leading brand in Chinese computer industry, Lenovo. In 2003, “ Legend” renamed as “ Lenovo”, conducted to

re-branding. The purpose of this action is to enhance the competitiveness of the brand, then paving the way for the expansion of overseas markets.

With the opening of the Chinese market, local companies have fundamentally lost protection and faced the challenges of international brands. Therefore, local companies have a long way to go in creating core competitiveness of brand and exploring the international market.

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Annexes

No.1 Table of Actual utilized Foreign direct investment of MNCs in China from 1999-2018

Actual utilized Foreign direct investment of MNCs in China from 1999-2018 (units: billion dollar)	
Year	Totoal amount
1999	40.32
2000	40.72
2001	46.88
2002	52.74
2003	53.51
2004	60.63
2005	60.33
2006	65.82
2007	74.77
2008	92.4
2009	90.03
2010	105.74
2011	116.01
2012	111.72
2013	117.59
2014	119.56
2015	126.27
2016	126
2017	131.04
2018	134.97

No.2 Table of China's three industrial added value accounted for the proportion of GDP in 2014-2018 (%)

China's three industrial added value accounted for the proportion of GDP in 2014-2018 (%)			
	primary industry	Secondary industry	Tertiary Industry
2014	8.7	43.3	48
2015	8.4	41.4	50.5
2016	8.1	40.1	51.8
2017	7.6	40.5	51.9
2018	7.2	40.7	52.2

No. 3 Table of total data of China GDP in Dollar from 1975 to 2018

Total data of China GDP in Dollar (1975--2018)	
1976	153,940,455,341
1977	174,938,098,826
1978	149,540,752,829
1979	178,280,594,413
1980	191,149,211,575
1981	195,866,382,432
1982	205,089,699,858
1983	230,686,747,153
1984	259,946,510,957
1985	309,488,028,132
1986	300,758,100,107
1987	272,972,974,764
1988	312,353,631,207
1989	347,768,051,311
1990	360,857,912,565
1991	383,373,318,083
1992	426,915,712,711
1993	444,731,282,436
1994	564,324,670,005
1995	734,547,898,220
1996	863,746,717,503
1997	961,603,952,951
1998	1,029,043,097,554
1999	1,093,997,267,271
2000	1,211,346,869,605
2001	1,339,395,718,865
2002	1,470,550,015,081
2003	1,660,287,965,662
2004	1,955,347,004,963
2005	2,285,965,892,360
2006	2,752,131,773,355
2007	3,550,342,425,238
2008	4,594,306,848,763
2009	5,101,702,432,883
2010	6,087,164,527,421
2011	7,551,500,425,597
2012	8,532,230,724,141

2013	9,570,405,758,739
2014	10,438,529,153,237
2015	11,015,542,352,468
2016	11,137,945,669,350
2017	12,143,491,448,186
2018	13,608,151,864,637

No.4 Table for industry structure analysis

2015-2017 Industry Structure and Actual Amount of Foreign Direct Investment (Unit: 10,000 USD)			
	2017	2016	2015
Total amount of actual use of foreign direct investment (US\$10,000)	13103500	12600100	12626700
Agriculture, forestry, animal husbandry and fishery	107492	189770	153386
Mining industry	130198	9634	24292
Manufacturing industry	3350619	3549230	3954290
Production and supply of electricity, gas and water	352132	214677	225022
Construction industry	261940	247744	155876
Transportation, warehousing and postal services	558803	508944	418607
Information transmission, computer services and software industry	2091861	844249	383556
Wholesale and retail industry	1147808	1587016	1202313
Accommodation and catering industry	41914	36512	43398
Financial industry	792119	1028901	1496889
Real estate industry	1685559	1965528	2899484
Leasing and business services industry	1673855	1613171	1004973
Scientific research, technical services and geological exploration industry	684373	651989	452936
Water conservancy, environment and public facilities management industry	56951	42159	43334
Resident services and other service industries	56723	49038	72131
Education	7747	9437	2894
Health, social security and social welfare	30516	25411	14338
Culture, sports and entertainment industry	69846	26732	78941

No. 5 Table of data for Eviews analysis

Year	Number of MNC manufacturing
1999	223
2000	239
2001	245
2002	247
2003	206
2004	279
2005	265
2006	309
2007	376
2008	396
2009	400
2010	384
2011	334
2012	330
2013	333
2014	332
2015	325
2016	321
2017	308

Year	Jilin province GDP (Billion Yuan)
1999	1672.96
2000	1951.51
2001	2120.35
2002	2348.54
2003	2662.08
2004	3122.01
2005	3620.27
2006	4275.12
2007	5284.69
2008	6426.1
2009	7278.75
2010	8667.58
2011	10568.83
2012	11939.24
2013	13046.4
2014	13803.14

2015	14063.13
2016	14776.8
2017	14944.53

Year	Employed population in manufacturing (ten thousand)
2008	93.11
2009	97.75
2010	101.71
2011	116.06
2012	116.44
2013	143.86
2014	145.2
2015	149.12
2016	141.84
2017	131.74

Year	Amount of industrial environmental governance projects (ten thousand Yuan)
2004	42205
2005	51531
2006	39810
2007	80308
2008	93865
2009	79255
2010	63366
2011	65624
2012	57269
2013	93731
2014	163707
2015	121203
2016	98402
2017	90702