THE ESSENCE AND IMPORTANCE OF TRANCNATIONAL FOR THE DEVELOPMENT OF THE CHINA'S ECONOMY

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With the rise of globalization, in the 1960s and 1970s, multinational companies appeared on the international political and economic stage as a force that cannot be ignored. Multinational companies have largely changed the production and exchange methods of human society, changed the source and distribution of wealth, and also changed the composition and operation of power, and even directly affect the daily life and consumption patterns of citizens of the earth. .

In the early 1970s, the United Nations Economic and Social Council formed a group of well-known personalities. After a comprehensive review of the various guidelines and definitions of multinational corporations, a resolution was made in 1974 deciding that the United Nations should adopt the "multinational corporations" uniformly name.

Multinational corporations mainly refer to monopolistic enterprises in developed capitalist countries. Based on their own countries, through foreign direct investment, they set up branches or subsidiaries around the world to engage in international production and management activities [1].

DuPont de Nemours, Inc., commonly known as DuPont, is an American company formed by the merger of Dow Chemical and DuPont on August 31, 2017, and then subsequent spinoffs of Dow Inc. and Corteva. Prior to the spinoffs it was the world's largest chemical company in terms of sales.

Within 18 months of the merger the company was split into three publicly traded companies with focuses on the following: agriculture, materials science, and specialty products. The agriculture division is named Corteva, the materials science spin-off is named Dow Inc., and the specialty products division is named DuPont. Jeff Fettig is executive chairman of the company, and Edward Breen is the CEO. The merger has been reported to be worth an estimated $130 billion. With 2018 total revenue of $86 billion, DowDuPont ranked No. 35 on the 2019 Fortune 500 list of the largest United States public corporations.

COFCO was established in 1949. After 70 years of development, from a single grain and oil import and export company, it has become an international first-class grain enterprise integrating agricultural product trade, logistics, processing and grain oil and food production and sales. The population provides grain, oil and food.

Between 1952 and 1987, it was the sole agricultural products importer and exporter operating under direct control of the central government. In 2007, COFCO had just over 60,000 employees in multiple locations in China as well as overseas operations in countries such as the US, UK, Japan, Australia and Canada. Besides the foodstuff business, COFCO has developed into a diversified conglomerate, involving planting, cultivation, food-processing, finance, warehouse, transportation, port facilities, hotels and real estate. It is one of the top 500 enterprises chosen by US's Fortune Magazine (tab. 1).

Table 1 – Basic information about global transainternational companys DuPont and COFCO

Name	Headquarters	Revenue	Total assets	Number of employees
DuPont	Wilmington, Delaware, USA	US$85.97 billion (2018)	US$188.03 billion (2018)	98000 (2018)
COFCO	Beijing, China	US$6.73 billion (2018)	US$899.94 million (2018)	145013 (2016)

In China, there are many other countries’ multinational companies like DuPont. Also china has its own multinational companies like COFCO in other countries.

Over the past two decades of reform and opening up, China has made rapid progress in the field of economic development. Large consumer groups, relatively cheap labor, and the government’s investment attraction strategy have attracted the attention of multinational companies.

Now, the products of multinational companies have penetrated into many corners of our daily life, from industrial manufacturing to commercial retail, from our food and clothing to cultural and entertainment, an ordinary Chinese people can freely say the products of several multinational companies Brand. It is an indisputable fact that multinational companies invest in China and further advance their localization strategy, and promote localization from all angles and in various fields.

Consider the main directions of the role of multinational companies in the economic development of China.

From the perspective of classical economic growth theory, the entry of multinational companies increases the supply of capital factors, which in turn has an impact on the progress of the Chinese economy. To analyze intuitively, the entry of multinational companies has increased the source of domestic investment funds, and in other circumstances unchanged, it can increase the speed of economic growth accordingly. After foreign direct investment enters China, it is necessary to increase the investment in infrastructure such as energy, transportation, and communications to boost the growth of domestic investment and expand the total social demand, which will promote China's economic development.

From another perspective, the investment of multinational companies has increased the total amount of capital investment in China, and to a certain extent made up for the shortage of funds for China's modernization construction, which has greatly promoted the development of China's national economy [2].

Absorbing foreign direct investment can not only increase the capital accumulation and increase the capital formation rate of the host country, but more importantly, by absorbing foreign direct investment, new technologies can be introduced to improve the host country's technical level and increase the capital output rate, thereby promoting economic growth [3].

The technology transfer of multinational companies can be divided into technology import and technology spillover. Technical input refers to the internalized technical input of multinational companies through overseas subsidiaries. In cooperative operations, foreign companies usually invest in machinery and equipment, industrial property rights, proprietary technology, etc., which is necessarily accompanied by the transfer and use of production factors. To avoid transplanting their production technology and management experience to these joint venture (cooperative) enterprises.

Technology spillover refers to the promotion of the improvement of the technological level and productivity of the host country through the involuntary diffusion of technology. There are usually three ways of technology spillovers: One is the forward and backward association between enterprises. When a subsidiary of a multinational company contacts a supplier, customer, or partner of a host country, the latter may “free ride” from the product innovation, advanced process technology, and market knowledge of the multinational company, thereby generating spillover effects.

The second is to promote domestic industry to improve the level of independent technological innovation through market competition and market demonstration.

The third is that the subsidiaries of multinational companies train local employees to equip them with technical, marketing and management knowledge.

When they re-employed in the host country company or started their own company, they will form a technology transfer.

Thus, we can say the following.

To a certain extent, the investment of multinational companies is a complex of capital, technology, management, and marketing. Foreign investment has become an important part of China's economy and a new growth point, and plays an important role in the national economy.

The investment and establishment of large multinational companies in China provides favorable conditions for China's economy to participate in the globalization process and further promote economic and technological cooperation and exchanges with multinational companies.

Multinational companies are also prevalent in a new production strategy, large-scale implementation of product outsourcing. Multinational companies maintain the production of core components of their products, while subcontracting the production of a large number of spare parts to upstream and downstream processing enterprises that have cost advantages and logistics advantages [4].

This kind of production method with industrial "aggregation effect" has enabled a large number of small and medium-sized enterprises that meet the needs of the product chain of multinational companies to obtain a large number of processing orders.

Therefore, those Chinese private enterprises with appropriate production scale high management level and able to provide supporting products for large companies will get unprecedented development opportunities.

As multinational companies enter China, they have brought strong capital, advanced technology, and scientific management to the Chinese economy [5].

These core competencies have injected fresh blood and momentum into the relatively young Chinese economy. While obtaining economic benefits, cross-group companies also actively promote localization and employ a large number of Chinese employees.

Literature

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