

# 第一章

## Chapter 1

### 跨国公司概论

## Introduction to Multinational Corporations

#### Learning Objectives

- To know the concept of multinational corporations
- To recognize the features and types of multinational corporations
- To be familiar with the generation and development of multinational corporations
- To understand the positive and negative effects of multinational corporations

### 第一节 跨国公司的概念

#### (The Concept of Multinational Corporations)

##### 1. The term of multinational corporations

跨国公司最初是在西方发达国家产生和发展起来的一种企业实体。这些国家已经研究跨国公司几十年了,然而,迄今为止尚未形成统一名称。在英文文献中,有关跨国公司的名称多种多样,其中最常见的有四种:国际公司、多国公司、全球公司和跨国公司。这些名称虽然都表示从事跨国经营活动的企业,但其内涵却存在较大差别。这种差别源于跨国公司在不同发展阶段的演变历史,以及不同的企业跨国经营战略。

Multinational corporations (MNCs) were originally a type of corporate entity that emerged and developed in developed Western countries. These countries have studied MNCs for several decades. However, a unified name has not yet been formed. In English literature, there are various names for MNCs, among which four are the most common: international corporations, multinational corporations, global corporations, and transnational corporations. Although these names all refer to enterprises engaged in cross-border business activities, there are significant differences in their connotations. These differences arise from the evolution history of MNCs at different stages of development, as well as different corporate cross-border business strategies.

##### (1) International corporations

In the early stages of the development of MNCs, foreign business accounted for a relatively small proportion of all business, and enterprises mainly focused on the parent company's business in their home country. Foreign subsidiaries and branches usually

considered how to enhance the parent company's competitive strength and organize production and business activities, such as ensuring raw material supply, providing low-cost components, and increasing the overseas sales of their company's products. Compared to corporations whose business is completely limited to one country, these enterprises engaged in limited cross-border production and operation activities are called international corporations. This idea of conducting cross-border business based on the product lifecycle and focusing on the domestic market has formed the international business strategy of international corporations, also known as the international strategy. Implementing this strategy requires enterprises to have strong new product development capabilities, be able to successfully capture the domestic market, and effectively control and manage the transfer of product technology to overseas subsidiaries. Many large corporations in the United States, such as Procter & Gamble, General Electric, and Pfizer, adopted international strategies in their early stages of development.

## (2) Multinational corporations

International corporations conducting cross-border business activities based on their home country market face significant challenges in adapting to changes in local market demand. And differences in culture, economic development level, business practices, and social systems between the home country and the host country also have serious impacts on the realization of their business goals. Especially when enterprises realize that products will be eliminated in the domestic market solely through export and that transferring outdated technology or equipment abroad will lose the opportunity for development, they expand the scale of outward direct investment. At this point, how to enhance the adaptability in various host countries has become a question that enterprises must consider when carrying out cross-border business activities. In order to ensure the success of cross-border business activities, enterprises need to formulate development strategies based on the specific characteristics of different host countries, adjust product structure, product performance or product packaging, and even adopt different management methods in subsidiaries of different host countries. This type of enterprise that conducts cross-border business activities based on the unique environment of different host countries is often referred to as a multinational corporation. The prominent feature of MNCs is their strong flexibility and adaptability in different host countries. The strategy adopted by such, also known as multinational strategy, focuses on the differences between host countries. Localization is the core content of a multinational strategy. Each subsidiary in the host country needs to improve the product technology provided by the parent company or develop new products based on local market demand, and make the most of local resources to meet the needs of the local market. Many large European corporations, such as Unilever, Philips, and Nestle, adopted a multinational strategy in their early stages of development. Multinational

corporations developed rapidly in the 1950s and 1960s, as during this period, many countries generally adopted high tariff policies, and implementing the multinational strategy was an effective way to avoid switching taxes. However, by the 1970s, with the rise of global strategy, the position of multinational strategy had been shaken in many industries.

### (3) Global corporations

In order to enhance the adaptability of multinational operations, multinational corporations usually need to establish a complete production and operation system in each host country, including product research and development, raw material and component procurement, production and assembly, warehousing, transportation and marketing, as well as after-sales service and all other production and operation links. If the market of the host country is small, it is difficult for foreign subsidiaries to achieve economies of scale. To improve efficiency in cross-border operations, companies must consider the markets of different countries in the world as a whole, that is, formulate cross-border business strategies from a global market perspective. This type of enterprise that conducts cross-border business activities targeting the global market is often referred to as a global corporation. Global corporations are committed to the production and operation of global products. The market for this type of product is a global market, and its demand arises from similar or convergent preferences among consumers in various countries. The cross-border business strategy of global corporations is global strategy, whose strategic goal is to improve efficiency through large-scale production and operation activities based on global coordination, thereby effectively establishing absolute cost advantages and occupying the global market. Coca Cola, Pepsi, Nike, and others are typical multinational corporations that adopt global strategies.

### (4) Transnational corporations

The biggest cost of global corporations in their development is the reduction of the host country's specific environmental adaptability. The overall efficiency of cross-border operations and the adaptability to market changes in various host countries are two important goals that are difficult to balance simultaneously. Theoretically, a true multinational corporation should establish a global competitive advantage, which can achieve high overall cross-border operational efficiency, as well as greater flexibility and strong adaptability. From a global economic perspective, starting from the specific environment of each host country to carry out cross-border business activities is the dominant idea of the business strategy of multinational corporations. The relationship between the parent and subsidiary companies of multinational corporations is not simply a centralized and decentralized relationship, but rather different decision-making entities that depend on each other in an integrated global business network, ensuring the

effective operation of multinational business activities through complex organizational management and coordination systems. Since the 1990s, more and more enterprises have been formulating and implementing strategies that balance efficiency and adaptability, namely transnational strategies, striving to develop into true MNCs. For example, McDonald's, KFC, Wallace, and others are well-known MNCs that balance efficiency and adaptability.

在国际公司、多国公司、全球公司和跨国公司这四种名称中,“多国公司”一词的使用最为普遍。从20世纪60年代到80年代,在西方的许多国家中,“多国公司”和“跨国公司”这两个词是混用的,而且用得比较多的还是“多国公司”一词。1973年,联合国秘书处提供的一份题为《世界发展中的多国公司》的报告中,采用的是“多国公司”的提法。<sup>①</sup>在次年讨论这份报告时,拉丁美洲国家的一些代表提出用“跨国公司”一词代替原来的“多国公司”。原因是在拉丁美洲一体化文化中,“多国公司”一词专指安第斯条约组织成员国联合创办和经营的公司。联合国经社理事会最终采纳了这个建议,并在联合国的有关文件中统一使用“跨国公司”一词。不过“多国公司”一词仍在学术界和企业界广泛使用。本书遵循这一传统,使用“多国公司”的称呼,泛指各种跨国企业。

Among the four names of international corporations, multinational corporations, global corporations, and transnational corporations, the term “multinational corporations” was most commonly used. In fact, from the 1960s to the 1980s, in many Western countries, the terms “multinational corporations” and “transnational corporations” were used interchangeably, and the term “multinational corporations” was used more frequently. In documents released by the United Nations, the term “transnational corporations” was uniformly used. However, the term “multinational corporations” is still widely used in the academic and business communities. This book follows this tradition, using the term “multinational corporations” to refer to various transnational corporations.

## 2. The definition of multinational corporations

### (1) Structural criteria

凡采用“地区分布”“生产或服务设施”“所有权”等作为划分跨国经营与国内经营的标尺,都属于结构性标准。

Any use of “regional distribution”, “production or service facilities”, “ownership”, etc. as the indicator for dividing cross-border operations from domestic operations belongs to structural criteria. The most famous example is Harvard Business School's Multinational Enterprise Project, which holds that a true MNC must have subsidiaries or affiliated enterprises in more than six countries. Raymond Vernon, the director of the project, believes that in the world's economic development, national sovereignty is powerless, while multinational corporations have made significant contributions, and he

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<sup>①</sup> [英]约翰·邓宁. 多国企业, 转引自联合国秘书处《世界发展中的多国公司》中译本. 北京: 商务印书馆, 1975, 附录II.

has titled his work *Sovereignty at Bay*. Vernon points out in the book that multinational corporations typically have a fairly wide geographical distribution, and that a parent company cannot be included in the list of multinational corporations if it only has equity relationships with one or two countries outside its home base.

However, many international organizations, including the United Nations (UN) and the Organization for Economic Cooperation and Development (OECD), do not require MNCs to have their institutions located in more than six countries, but rather emphasize the need to have production or service facilities in two or more countries. It can be seen that MNCs emphasize the sum of production facilities, not just the combination of markets. That is to say, a company can be considered as a trading company only when it has import and export trade with many countries without having production or service facilities in these countries. If one owns production or service facilities but does not participate in business management, that is, they have property ownership but no management rights, it is simply an international holding company.

In western definition, ownership has two meanings: the form of ownership of assets and the country or countries which the enterprise belongs to, which is the nationality of the enterprise owner and senior management. Many international organizations do not attach great importance to forms of asset ownership, such as state-owned, private, cooperative or public-private partnerships, as well as partnerships and joint-stock companies. Only a few scholars believe that MNCs must be international monopolistic organizations and monopolistic capitalist ownership, while enterprises established by socialist countries abroad are an extension of public ownership and should not be referred to as MNCs. There are two different views on the issue of nationality of enterprises. Firstly, it is believed that the equity of transnational or multinational corporations should be owned by citizens of multiple countries, and the management rights should also be multinational. Secondly, it is believed that the characteristic of transnational or multinational corporations is “statelessness”, that is, they do not belong to any country.

#### (2) Performance criteria

按跨国公司在全球经营业绩状况来界定跨国公司,主要是指企业的国外活动占整个公司业务份额,包括销售收入、资产总额、盈利额或公司雇员人数等达到一定标准才算得上是跨国公司。最常用的绩效指标是跨国程度指数。

When global business performance is used to define an MNC, it mainly refers to the proportion of its foreign activities in the entire company's business, including sales revenue, total assets, profits, or the number of employees. As Professor Raymond Vernon believes, the standard for MNCs is: companies with annual sales exceeding US \$100 million. In 1993, the United Nations Conference on Trade and Development (UNCTAD) considered companies with a turnover of over US \$1 billion to be MNCs,

known as the “Billion Dollar Club”. Among the performance criteria of the percentage of assets, sales revenue, production revenue, profits, and number of employees in the company’s overseas business activities, overseas sales revenue or production revenue is mostly advocated as the main indicator, generally with a limit of 25%.

The most popular indicator to measure whether a company is an MNC is so called transnationality index, which is equal to  $(\text{overseas assets}/\text{total assets} + \text{overseas sales}/\text{total sales} + \text{overseas employment}/\text{total number of employees})/3$ . Transnationality index is composed of the average of three ratios and is the average data used to measure the level of international participation of MNCs. It is a function of the degree to which a company’s business activities are allocated abroad. The UN pointed out in the *World Investment Report 1998* that the theoretical framework for transnationality index (TNI) is based on the dichotomy between foreign and domestic activities, and that TNI is used to evaluate the degree to which the activities and interests of multinational corporations are involved in the domestic or foreign economy.

### (3) UN criteria

1986年,联合国跨国公司中心在其所发布的《跨国公司行为守则(草案)》中,将跨国公司界定为同时具有以下特点的企业:一是在两个或两个以上的国家拥有实体,不管这些实体的法律形式或经营领域是什么;二是在一个决策体系下经营,能通过一个或多个决策中心采取连贯策略和共同战略;三是各实体通过股权或其他方式互相联结,其中一个或多个实体有可能对其他实体施加重大影响,特别是同其他实体分享知识与资源,分担责任。

In 1973, the United Nations Secretariat defined multinational corporations as enterprises which control assets, mines, sales offices, and the like in two or more countries.<sup>①</sup> In 1974, the United Nations Commission on Transnational Corporations was established as an intergovernmental committee, and the United Nations Centre on Transnational Corporations (UNCTC) was also established as the secretariat of the United Nations Commission on Transnational Corporations, which was specifically responsible for handling UN affairs related to transnational corporations. In 1986, UNCTC redefined MNCs as enterprises that simultaneously possess the following characteristics in its draft code of conduct for MNCs: (a) comprising entities in two or more countries, regardless of the legal form or fields of activity of these entities; (b) which operate under a system of decision-making, permitting coherent policies and a common strategy through one or more decision-making centers; (c) in which the entities are so linked, by ownership or otherwise, that one or more of them may be able to exercise a significant influence over the activities of others, and, in particular, to share

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<sup>①</sup> *The Impact of Multinational Corporations on Development and International Relations*. United Nations publication, Sales No. E. 74. II. A. 5, 1973.

knowledge, resources and responsibilities with the others.

## 第二节 跨国公司的类型与特征 (Types and Characteristics of Multinational Corporations)

### 1. Types of multinational corporations

跨国公司的分类多种多样。按照经营内容分,跨国公司可分为资源型、制造型和服务型跨国公司。按照业务结构分,跨国公司可分为水平型、垂直型和混合型跨国公司。按照决策中心分,跨国公司可分为民族中心型、多国中心型、区域中心型和全球中心型跨国公司。按照国际化模式分,跨国公司可分为天生全球化企业和渐进型跨国公司。按照数据强度分,跨国公司可分为数字型跨国公司、信息与通信技术跨国公司和传统型跨国公司。

There are various types of MNCs. According to their business content, MNCs can be classified into resource-oriented, manufacturing-oriented, and service-oriented MNCs. According to their business structure, MNCs can be classified into horizontal, vertical, and mixed MNCs. According to the decision-making center, MNCs can be divided into ethnocentric, polycentric, regiocentric, and geocentric MNCs. According to internationalization models, MNCs can be divided into born-global firms and incremental MNCs. According to data intensity, MNCs can be divided into digital MNCs, ICT MNCs, and traditional MNCs.

#### (1) Classification by business content

① Resource-oriented MNCs. They are referring to MNCs whose main objective is to develop and utilize natural resources, which were the main types of early MNCs. The infamous British East India Company was a typical representative. While dumping British industrial products on a global scale, it also seized scarce resources such as tobacco, coal, ore, and fuel that Britain urgently needed from various countries around the world. It was an important tool for Britain to carry out colonial plunder, although the East India Company was not yet a modern MNC.

② Manufacturing-oriented MNCs. They are referring to MNCs that primarily engaged in the production and manufacturing of final and intermediate products, involving the manufacturing of steel, non-ferrous metals, chemical products, electromechanical products, durable consumer goods, etc. It is a type of MNC that rapidly developed during the recovery and reconstruction period of countries around the world after World War II. The typical representatives include General Motors of the United States, Unilever of the United Kingdom, Panasonic Electric Company of Japan, etc.

③ Service-oriented MNCs. They are referring to MNCs that provide various services in the fields of trade, finance, transportation, communication, tourism, insurance, management, consulting, advertising, etc. The typical representatives include Citibank, PricewaterhouseCoopers, McKinsey & Company, etc. Service-oriented MNCs

have developed rapidly since the 1970s for two reasons. One is that manufacturing-oriented MNCs have made significant outward direct investments in the service industry in order to share the development dividends of the service industry or achieve integrated production and service operations, leading to the emergence of a large number of service-oriented enterprises. Secondly, service-oriented MNCs have freed themselves from the positioning of providing services for manufacturing-oriented MNCs and actively and independently engage in outward direct investment.

### (2) Classification by business structure

① Horizontal MNCs. They are referring to MNCs that operate or provide a single kind of product or service in a single field. The typical representatives include PepsiCo and McDonald's in the United States. This type of enterprises, regardless of where they set up branches, always produce or provide the same products or services as the company headquarters.

② Vertical MNCs. They are referring to MNCs that simultaneously engage in the upstream and downstream of a certain industry or produce products with different processing levels and process stages in a certain industry. The typical representatives include Royal Dutch Shell PLC and German Volkswagen. Shell focuses on the petroleum industry, with its business scope covering upstream oil exploration and extraction, midstream oil refining, and downstream oil transportation and sales, forming the entire industry chain of the petroleum industry. Although Volkswagen only produces cars, its global branches implement specialized division of labor, producing different parts of cars such as engines, gears, reducers, etc.

③ Mixed MNCs. They are referring to MNCs that engage in diversified operations, with each branch potentially producing products that are not closely related or even unrelated. The typical representatives include General Electric of the United States, Philips of the Netherlands, and others. General Electric is a world-renowned diversified enterprise, providing a wide range of products ranging from aviation engines to light bulbs and screws, many of which are even unrelated to each other. Philips is no exception, as it is a globally renowned home appliance company that also provides personal care and medical products, making it a typical hybrid MNC.

### (3) Classification by decision center

民族中心型跨国公司,即以母国利益为中心进行经营决策的跨国公司。这类跨国公司往往处于国际化的早期,国际化业务有限,公司业务仍以国内为主,国外市场被视为国内市场的简单延伸。

① Ethnocentric MNCs. They are referring to MNCs that make business decisions centered around the interests of its home country. These multinational companies are often in the early stages of internationalization, with limited international business and their business still primarily focus on domestic markets. The foreign market is seen as a

simple extension of the domestic market.

多元中心型跨国公司,即以各地分支机构的自身利益为中心进行经营决策的跨国公司。这类跨国公司的分支机构在全球分布广泛,经营活动丰富,主要采取的是本土化经营战略。在不违背母公司规定的前提下,各地的分支机构一切以本土利益为第一经营要义。

② Polycentric MNCs. They are referring to MNCs that make business decisions centered on the interests of its branches in various regions. The branches of such MNCs are widely distributed globally and have rich business activities, mainly adopting localization business strategies. On the premise of not violating the regulations of the parent company, local interests are the top priority for all branch structures in various regions.

区域中心型跨国公司,即以某一地区的分支机构利益为中心进行经营决策的跨国公司。这类跨国公司不是以一个国家或城市为决策单元,而是以包括多个地理上临近、文化上相似的国家的地区为考量单位,通常以设置区域总部的形式在全球开展经营活动,如北美、亚太、中东、北非、东南亚、大中华区等。

③ Regiocentric MNCs. They are referring to MNCs that make business decisions centered around the interests of its branch offices in a certain region. These MNCs are not based on a single country or city as their decision-making unit, but rather on regions that include multiple geographically adjacent and culturally similar countries. They conduct business activities globally by setting up regional headquarters, such as in North America, Asia Pacific, the Middle East, North Africa, Southeast Asia, Greater China, etc.

全球中心型跨国公司,即以公司总体利益最大化进行经营决策的跨国公司。这类跨国公司对国内外业务一视同仁,没有孰轻孰重的偏见。只要有利于公司总体利益,甚至可以牺牲母国或少数分支机构的利益。

④ Geocentric MNCs. They are referring to MNCs that make business decisions to maximize the overall interests of the company. These MNCs treat domestic and international business equally, without any bias of prioritization. As long as it benefits the overall interests of the company, they may even sacrifice the interests of the home country or a few branch offices.

#### (4) Classification by internationalization model

① Born-global firms. They are usually enterprises that have engaged in international business within three years of establishment and have overseas sales accounting for no less than 25%. With the progress of the Internet and communication technology and the arrival of the digital era, some enterprises can quickly carry out international business through cross-border e-commerce and other means, even if they are small in size, or even have only one person, and can even carry out transnational operations on their first day of establishment.

② Incremental MNCs. They are referring to MNCs that gradually carry out international business through continuous accumulation of experience and scale. This

type of enterprise is a typical type of cross-border operation before the digital age. They often start with export with lower business risks, accumulate international experience and enterprise scale, gradually carry out licensing and joint venture operations, and ultimately choose sole proprietorship and outward direct investment.

#### (5) Classification by data intensity

According to *World Investment Report 2017* released by UNCTAD, the framework of the digital economy is shown in Figure 1-1. From Figure 1-1, it can be seen that MNCs can be divided into the following three categories based on digital intensity:

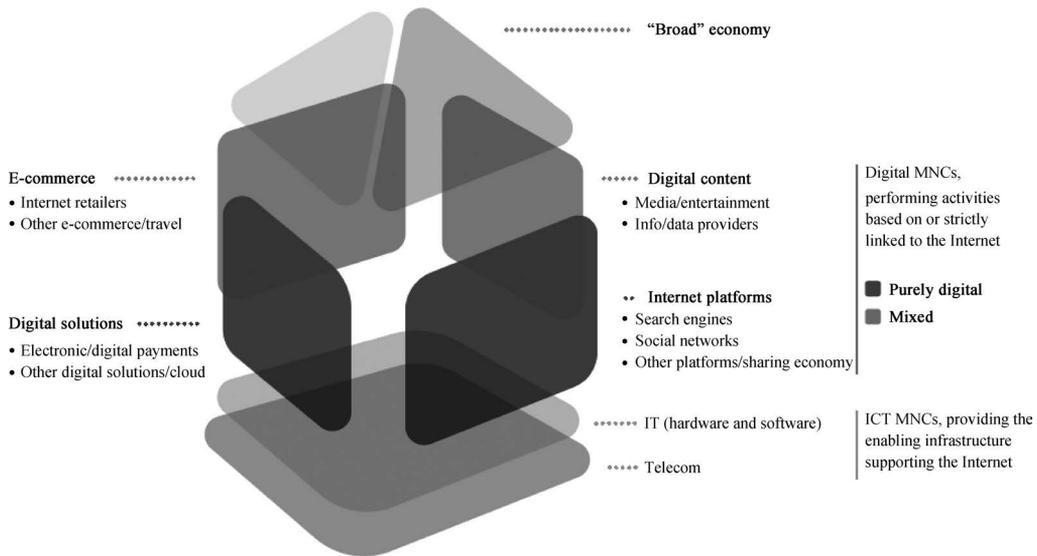


Figure 1-1 UNCTAD framework for mapping the digital economy

Source: UNCTAD, *World Investment Report 2017*

① Digital MNCs. In UNCTAD’s analytical framework, digital firms include purely digital players (Internet platforms and providers of digital solutions) that operate entirely in a digital environment and “mixed” players (e-commerce and digital content) that combine a prominent digital dimension with a physical one.

Specifically, Internet platforms are companies providing digital services through Internet and cloud-based platforms, e. g. search engines and social networks. Sharing economy platforms such as transaction platforms (eBay) and open-source platforms (Red Hat) are also included. The category digital solutions (electronic and digital payments, other digital solutions in the cloud) describes a variety of players with core activities based on, or strictly linked to, Internet technologies, which include cloud hosting and computing, web hosting and email services, electronic and online payments, and digital solutions for business management and for financial applications (fintech).

Among the mixed players, e-commerce (Internet retailers, other e-commerce) consists of specialized and non-specialized online stores and online travel and booking

agencies, focusing on fully online and online-born retailers. It also includes agencies specialized in online marketing and advertising. The last category in the scope of digital MNCs, digital content (digital media and entertainment, information and data providers), includes producers and providers of digital content, such as media (music, video, e-books and online magazines, online courses) and gaming (“classic” video games, online games, mobile games, multiplayer interactive games). It also captures “big data” providers, and providers of marketing and customer intelligence, as well as economic, business and credit information.

② ICT MNCs. They include IT companies providing hardware and software, as well as telecommunication firms. IT hardware and software cover the broad categories of manufacturers of ICT hardware (computer brands) and components (e. g. the semiconductor industry) as well as software houses and providers of auxiliary service. Telecom players are owners of the telecommunication infrastructure on which Internet data is carried.

③ Traditional MNCs. They are referring to the MNCs that are beyond the above MNCs, which may be the customers of digital technology or service rather than the providers or facilitators.

## **2. Characteristics of multinational corporations**

### (1) Business scale can be large or small

Incremental MNCs often have a large scale because they only engage in cross-border operations after a significant increase in the company’s size, which in turn makes the enterprise even larger and wealthier. For example, if the sales of Walmart in the United States in 2024 were regarded as the GDP of a country, it would probably rank 25th in the world. However, there are also some small born-global firms, even with only one employee, that use cross-border e-commerce platforms to carry out cross-border operations from their inception. Therefore, business scale is no longer an important criterion for measuring MNCs.

### (2) Competitive strategies are flexible and diverse

To compete in the international market, MNCs must develop competitive strategies tailored to the characteristics of different competitors in different host country markets. In the process of strategic formulation, it is necessary to consider both adaptability to the different operating environment of each host country and low-cost raw material sources and global economies of scale efficiency. It needs to consider both global competition conditions and the potential impact of strategic actions taken in one host country on other host countries. It is necessary to consider both the need for the headquarters of the company to coordinate economic activities scattered around the world through integrated leadership, and the autonomy required for external subsidiaries to respond flexibly to changes in local market demand. Therefore, the formulation and implementation of

competitive strategies for MNCs are very complex, and many challenges, as well as many choices and factors that must be considered, are not involved in the process of domestic enterprises formulating and implementing competitive strategies.

(3) The development speed is getting faster and faster

In the digital economy era, digital MNCs, compared with ICT MNCs and traditional MNCs, are inclined to conduct foreign direct investment (FDI) with light asset, which can be measured by FDI asset-light index. It is defined at the level of the individual MNC as the ratio between the share of sales generated by foreign affiliates and the corresponding share of foreign assets. If the ratio is bigger than 1, it means the MNCs have achieved rapid growth in sales despite limited overseas assets, which reveals the reason why MNCs develop faster and faster in digital era. The direct reason for this phenomenon is the advancement of digital technologies such as 5G, cloud technology, and artificial intelligence. These technologies allow companies to invest a small amount of facilities overseas, even without the need for physical assets, to achieve cross-border operations, thereby accelerating the company's development.

(4) The global mindset is increasingly stronger

Regardless of the type of MNCs, all MNCs must have a global mindset and view the global market as a whole to carry out business activities in order to survive in the era of globalization. "Internationalization of the domestic market and domestication of the international market" are the concentrated manifestations of global thinking, while "thinking globally and acting locally" are the rational choices of many MNCs in their actual business activities.

### 第三节 跨国公司的产生与发展

#### (Generation and Development of Multinational Corporations)

##### 1. The budding period before World War I

跨国公司不是普遍存在于任何社会之中,而是以社会化大生产和市场经济为特征的社会产物。跨国公司也不是突然出现的,而是在市场及复杂的经济发展过程中逐渐形成的。

MNCs are not universally present in any society, but are products of a society characterized by mass production and market economy. MNCs do not suddenly emerge, but gradually form in the market and complex economic development process.

Before the Industrial Revolution, western capitalist countries engaged in overseas expansion based on three main motivations: the first is to meet domestic demand through trade and financial activities; the second is to acquire new territory or wealth; the third is to seek new channels for domestic capital export. Since the 15th century, maritime exploration activities aiming at discovering the new continent had gradually

become active. These activities promoted the economic expansion of early capitalist countries and opened the prelude to cross-border production and operation. In the 16th and 17th centuries, there were significant improvements in transportation, the scope of cross-border trade activities expanded, and the relationships between trading partners of different countries shifted from irregular personal relationships to more reliance on formal commercial documents. During this period, outward foreign direct investment (OFDI) had two main purposes: firstly, to strengthen international trade activities; secondly, to strengthen overseas colonial rule and land development. However, compared to commodity trade, OFDI is negligible. Only the UK and France had a small amount of OFDI.

The Industrial Revolution significantly changed the foreign trade and colonial activities of capitalist countries. The external investment motivation of enterprises in these countries had also changed, shifting from promoting trade to seeking more raw materials and mineral resources for domestic industrial development. The introduction of the factory system had had a profound impact on the development of private enterprises and the formation of modern corporate management systems. At the same time, the Industrial Revolution led to the refinement of professional division of labor between and within enterprises, strengthening the role of technological progress, monetary capital, and management skills in socialized mass production. All of these laid the material foundation for cross-border operations, which in turn gave birth to MNCs. In 1865, Friedrich Bayer Chemical Company of Germany opened a factory in Albany, New York, USA to manufacture aniline. In 1866, the Swedish company Alfred Nobel opened a factory in Hamburg, Germany to manufacture explosives. In 1867, the American company Shengjia Sewing Machine established a sewing machine assembly plant in Glasgow, England. The above three companies are usually considered pioneers in modern OFDI.

There were two main motivations for early MNCs to engage in OFDI: firstly, to acquire new markets; secondly, to obtain new resources. Most OFDI targeting resources had flowed to developing countries, while OFDI targeting markets had flowed mostly between industrialized countries in Europe and America. In market-oriented OFDI, MNCs from different countries invested in different industries. The OFDI of British MNCs was concentrated in the processing and consumer goods industries. European MNCs focused on conducting cross-border production and business activities in the chemical and electrical engineering industries. The cross-border production and operation activities of American enterprises were mainly capital intensive large-scale production and assembly. By the eve of World War I in 1914, MNCs were increasingly conducting OFDI by setting up branch factories overseas. Moreover, in such investment, more emphasis was placed on utilizing the advantages of vertical or horizontal integration of

production to reduce uncertainty in the intermediate product market.

## 2. The gradually maturing period between the two world wars

After World War I, the development of MNCs exhibited some completely different characteristics from the previous period.

Firstly, the growth of cross-border business activities in Western European countries was slow, while MNCs in the United States had made significant progress and gradually matured. The two world wars that mainly occurred in Europe resulted in European participating countries selling some overseas investment enterprises, especially a significant decrease in investment in the former Soviet Union. The severe economic crisis that occurred in 1929, as well as the prolonged economic depression that followed, further restricted the cross-border business activities of major capital exporting countries in Europe.

Secondly, the proportion of OFDI flowing to developing countries had increased. The direct investment activities of American MNCs in developing countries included new oil fields in Mexico and the Middle East, copper and iron mines in Africa, nitrates in Chile, bauxite in Guyana, and especially non-ferrous metals in South Africa. The UK had increased its investment in Commonwealth countries in an attempt to regain control of export markets lost due to the war. There was a notable surge of US investment in the UK, with 121 new manufacturing subsidiaries established in the 1920s, and 112 in the 1930s, of which 40% and 23% were acquisition entries, respectively. <sup>①</sup>

Lastly, diversified cross-border business models had led to the emergence of vertically integrated or diversified MNCs. The international economic and trade environment during this period was far inferior to that before 1914. Due to factors such as economic depression and war, many countries had raised tariffs and strengthened import controls. This prompted companies to replace export trade with cross-border production. During this period, the scale and quantity of internal transactions in multinational operations of enterprises increased significantly. Moreover, the growth of cross-border mergers and acquisitions was faster than that of newly established enterprises. This type of cross-border M&A activity was largely a strategy adopted by domestic oligopolistic monopolies in major capital exporting countries to strengthen their market position. One result was the rapid development of international cartels. <sup>②</sup>

## 3. The period of vigorous development after World War II

After World War II, a clear characteristic of the development of MNCs was the dominance of American MNCs. In 1960, the five largest foreign investment countries in

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<sup>①</sup> Dunning, J. H., Lundan, S. M. (2008), *Multinational Enterprises and the Global Economy*, Edward Elgar Publishing Limited, Cheltenham, UK. P180.

<sup>②</sup> Dunning, J. H., Lundan, S. M. (2008), *Multinational Enterprises and the Global Economy*, Edward Elgar Publishing Limited, Cheltenham, UK. P184.

the world were the United States, the United Kingdom, the Netherlands, France, and Canada, with absolute cumulative investments of 31.9 billion US dollars, 10.8 billion US dollars, 7 billion US dollars, 4.1 billion US dollars, and 2.5 billion US dollars, respectively. The relative weights were 49%, 16.6%, 10.8%, 6.3%, and 3.8%.<sup>①</sup> The reason why the United States replaced Britain as the largest OFDI country was inseparable from the special political and economic environment of the post-war world. The participating countries in Western Europe focused their main energy on healing the wounds of war and rebuilding their homeland, with no time to pay more attention to the development of overseas investment. In order to restore domestic production as soon as possible, they even sold some foreign companies to raise funds. The United States, as the largest victorious country, took advantage of the opportunity to assist the participating countries in Western Europe in rebuilding and expanded its direct investment in these countries. During this period, important factors that prompted American companies to develop overseas through direct investment also included: a global shortage of dollars made American companies more inclined to produce and sell locally in other countries; the gap in labor costs between the United States and other countries was increasing; the implementation of antitrust policies in the United States had been strengthened domestically; and American companies were becoming more competitive in technology development and marketing. In Europe, MNCs from other major economically developed countries, except for the Confederation, also experienced recovery and varying degrees of development during this period. For example, by 1960, OFDI from the Netherlands and France had exceeded pre-war levels.<sup>②</sup>

From the industry distribution of OFDI, although there are differences in different countries, it is generally concentrated in manufacturing and resource-based industries. MNCs in the United States and the United Kingdom had seen a rapid increase on OFDI in the manufacturing industry. In 1960, 35% of the OFDI of the two countries was in manufacturing, while in 1938, this proportion was only 25%. In the 1950s, OFDI from the Netherlands, France, and Switzerland was mostly concentrated in the manufacturing and service industries (finance and trade).<sup>③</sup> The investment based on obtaining the necessary resources for domestic production was another important feature of the development of MNCs during this period. The rapid economic development of developed Western countries after the war led to a significant increase in demand for resources. In

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① Dunning, J. H., Lundan, S. M. (2008), *Multinational Enterprises and the Global Economy*, Edward Elgar Publishing Limited, Cheltenham, UK. P174.

② Dunning, J. H., Lundan, S. M. (2008), *Multinational Enterprises and the Global Economy*, Edward Elgar Publishing Limited, Cheltenham, UK. P185.

③ 同上。

order to ensure the supply of raw materials, energy and other resources required for domestic production, many MNCs invested in mining, oil and other industries in the host country to establish raw material production bases. For example, in 1950, the United States had the highest proportion of OFDI in the mining and oil industries. However, the direct investment activities of MNCs aimed at obtaining resources had gradually attracted the attention of host country governments. Some governments had implemented policies to impose restrictions, resulting in a decline in such investment activities in the 1960s and 1970s. A trend in the development of MNCs in the early post-war period was that OFDI flowed more towards developed countries. During the two world wars, the proportion of direct investment flowing to developed countries was approximately 33%, and by 1960 this proportion had risen to 67%. The investment focus of American MNCs was on Canada and Western Europe, while MNCs in the UK mainly developed towards Commonwealth countries among which Australia, Canada, and South Africa were investment priorities.<sup>①</sup>

Since the 1970s, the global economic landscape and business environment had undergone significant changes, which were as follows. First, Japan's economy developed into an economic powerhouse capable of competing with the United States and Europe. Second, the oil crisis in the early 1970s greatly elevated the position of oil exporting countries in the world economy. Third, some developing countries and emerging industrialized countries in Asia and Latin America were experiencing rapid economic development, forming new regional markets with enormous potential. With the end of the Cold War in 1989, the international trade and investment environment continued to improve, and the trend of global economic integration became increasingly evident, which had a direct impact on the development of MNCs. Both global corporations and truly MNCs developed during this period.

From the perspective of the flow of FDI by MNCs, there has been a significant increase from developed countries to developing countries from 1990—2022, as shown in Figure 1-2. The same story happened in terms of the flow of OFDI from different countries. As shown in Figure 1-3, although the flow of OFDI from developed countries is larger than that from developing countries in most years during the period of 1990—2022, the growth of the flow of OFDI from developing countries is greater and more dramatic.

近年来,发展中国家和新兴工业化国家的跨国公司有了长足的发展,特别是以中国为代表的金砖国家和新兴市场跨国公司发展迅猛,从无到有,从小到大,逐渐成为全球市场的重要参与者。随着改革开放政策的实施,特别是2001年加入世界贸易组织以来,中国

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<sup>①</sup> Dunning, J. H., Lundan, S. M. (2008), *Multinational Enterprises and the Global Economy*, Edward Elgar Publishing Limited, Cheltenham, UK, P186.

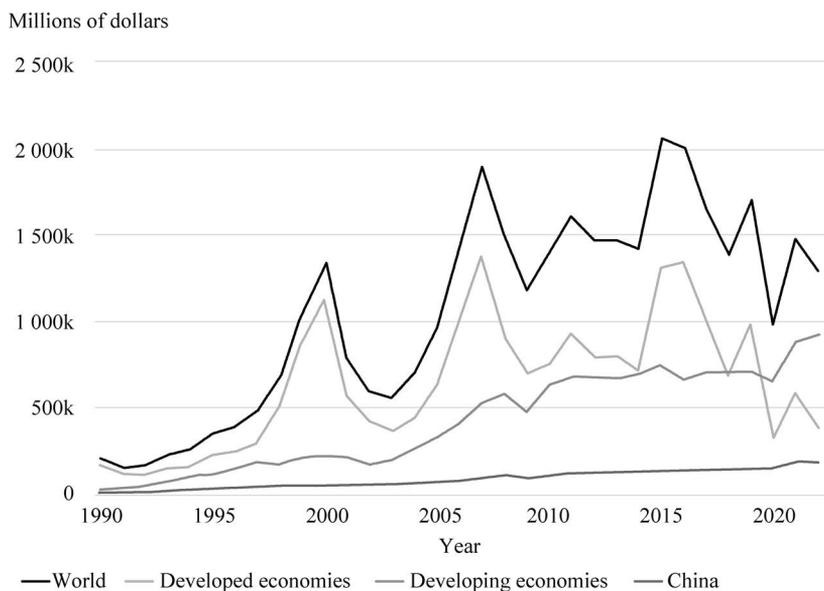


Figure 1-2 Trend of FDI flow, 1990—2022

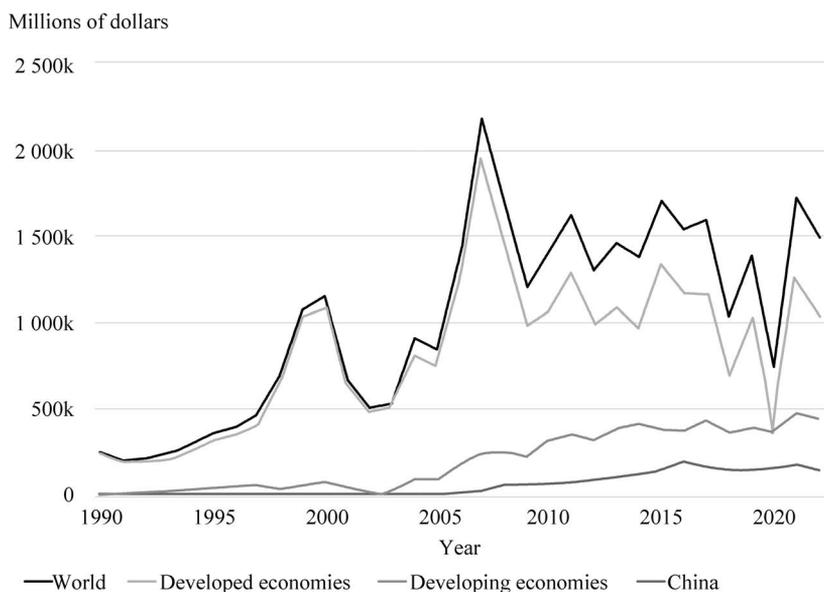
Source: UNCTAD, *World Investment Report 2023*

Figure 1-3 Trend of OFDI flow, 1990—2022

Source: UNCTAD, *World Investment Report 2023*

从低收入国家快速跨过中低收入和中高收入的门槛,即将步入高收入国家行列。与中国经济全面崛起相伴随的,是中国跨国公司从仅专注国内市场到向全球市场的全面进发。中国跨国公司是中国成为“世界工厂”的重要推手。美国《财富》杂志连续多年发布的跨国公司世界 500 强榜单显示,2019—2023 年,包括香港和台湾地区在内的中国跨国公司上

榜总数超过美国,中国连续五年成为全球上榜世界 500 强跨国公司数量最多的国家(参见表 1-1)。

In recent years, MNCs from developing countries and emerging industrialized countries have made significant progress, especially the BRICs (Abbreviation for Brazil, Russia, India and China) countries and emerging market MNCs represented by China, which have developed rapidly from scratch and from small to large, gradually becoming important participants in the global market. With the implementation of the reform and opening up policy, especially since joining the World Trade Organization (WTO) in 2001, China has quickly crossed the threshold of low-and middle-income countries and is about to enter the ranks of high-income countries. Accompanied by the comprehensive rise of the Chinese economy is the comprehensive expansion of Chinese MNCs from focusing solely on the domestic market to expanding into the global market. And Chinese MNCs are an important driving force for China to become the “Global Factory”. The “Global 500” list of MNCs released by the United States magazine *Fortune* for several consecutive years shows that from 2019 to 2023, the total number of Chinese MNCs, including MNCs in Hong Kong SAR and Taiwan Province, has surpassed that of the United States, and China has become the country with the highest number of MNCs on the “Global 500” list for five consecutive years, as shown in Table 1-1.

**Table 1-1 Number of MNCs listed on “Global 500” list for selected countries, 2015—2024**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
US	128	134	132	126	121	121	122	124	136	139
China	106	110	115	120	129	133	143	145	142	133
Japan	54	52	51	52	52	53	53	47	41	40
Germany	28	28	29	32	29	27	27	28	30	29
France	31	29	29	28	31	31	26	25	24	24
UK	29	27	24	21	17	22	22	18	15	17
South Korea	17	15	15	16	16	14	15	16	18	15
Canada	11	11	11	12	13	13	12	12	14	14
India	7	7	7	7	7	7	7	9	8	9
Brazil	7	7	7	7	8	7	6	7	9	9

Source: <https://www.fortunechina.com/>

Note: The number of MNCs listed by China includes the Chinese mainland; Hong Kong SAR, China; and Taiwan, China.

## 第四节 跨国公司的作用

### (The Effect of Multinational Corporations)

跨国公司对东道国和母国既有积极影响,也有消极影响。这主要取决于对这种影响的分析是立足当下还是着眼长远,是静态分析还是动态分析。不论是对哪种影响的分析,

都有大量的不同意见,这些争论可能永无休止。

MNCs can have both positive and negative effects on host and home countries. It mainly depends on the analysis of the effect types, such as short-run or long-run effect, and static or dynamic effect. No matter which type the effects belong to, there are always a lot of discussions, which may never end in the future.

### **1. Positive effects of multinational corporations**

#### (1) Transfer capital

The FDI of MNCs promotes the cross-border flow of capital, which is not only beneficial for compensating for the lack of capital in host countries, especially developing countries, but also for achieving the goal of maximizing profits for MNCs. MNCs often have significant financial transactions between their wholly-owned or controlling subsidiaries in the host country and their parent companies. For example, if a subsidiary submits profits to the parent company, the parent company may make additional investments in the subsidiary. This cross-border transfer of capital reflects the characteristic of capital chasing profits, which helps to improve the international balance of payments of the host country.

#### (2) Spread technology

MNCs, in order to occupy the market in the host country, will bring advanced management experience and production technology from their home country to drive the host country. This allows enterprises in host countries, especially enterprises in developing countries, to observe, interact with, and ultimately master these experiences and technologies up close, thereby narrowing the technological gap between developed and developing countries. In some highly competitive industries, some MNCs from developed countries may even establish research and development centers in developing host countries, using the most advanced technology for the host country's market competition in the first time, which helps to improve the overall technological level of the host country.

#### (3) Create jobs

The FDI made by MNCs through the establishment of new enterprises undoubtedly creates new job opportunities and increases employment rates for the host country. Moreover, in order to achieve expected business performance, MNCs will also provide different levels of management and skill training to host country employees, which helps to improve the skill level and overall quality of host country workers. As of the end of 2022, the China-Pakistan Economic Corridor has brought a total of 25.4 billion US dollars in direct investment to Pakistan and created 236,000 job opportunities. <sup>①</sup>

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<sup>①</sup> 中华人民共和国国务院新闻办公室. 共建“一带一路”: 构建人类命运共同体的重大实践(白皮书). 北京: 人民出版社, 2023.

#### (4) Increase tax

MNCs in the host country must pay various taxes in accordance with the relevant laws of the host country for their operating income, which increases the host country's fiscal revenue. This has been one of the main purposes for many countries, especially developing countries, to implement various preferential measures in recent years to attract foreign investment.

#### (5) Promote growth

MNCs, which rely on FDI as their basic means of operation, are the engines of global economic growth. Places where MNCs are more concentrated are usually also the places with the fastest economic growth. MNCs allocate resources globally by conducting intra company trade, greatly increasing the scale of global trade and improving resource allocation efficiency, making them an indispensable force for global economic growth. For example, the Mombasa Nairobi Railway invested and constructed by Chinese companies in Kenya has contributed 2% to Kenya's economic growth. <sup>①</sup>

## 2. Negative effects of multinational corporations

### (1) Market monopoly

MNCs often have advantages in capital, technology, and talent compared to indigenous enterprises in the host country, and are in a competitive position in the local market. Due to the profit-driven nature of capital, MNCs may even use product quantity, quality, and price advantages to suppress indigenous enterprises in the host country, ultimately forcing indigenous enterprises to exit the market, thus forming a market monopoly situation. This not only is detrimental to the employment and taxation of the host country, but also harms consumer surplus, turning the host country into an economic colony.

### (2) Deterioration of income and expenditure

The FDI of MNCs in the host country is usually accompanied by the outflow of capital from the home country, which worsens the international balance of payments situation of the home country. Meanwhile, direct investment by MNCs in host countries may also worsen their international balance of payments. On the one hand, if an MNCs' branch in the host country repatriates its operating profits back to its home country, it will reduce the available capital in the host country. On the other hand, if an MNCs' branch in the host country must purchase the necessary equipment or services for operation from other countries, it will expand the host country's imports and increase its international expenditures.

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<sup>①</sup> 中华人民共和国国务院新闻办公室. 共建“一带一路”: 构建人类命运共同体的重大实践(白皮书). 北京: 人民出版社, 2023.

### (3) Magnified risks

The FDI of MNCs often means the international transfer of industries, becoming an important driving force in shaping the global value chain, and gradually forming a situation where developed countries occupy the high-end of the value chain and developing countries are locked in the low-end and middle-end of the value chain. In the context of smooth global supply chains, countries around the world can generally benefit from industrial transfer and international division of labor, although the benefits of developed countries are significantly higher than those of developing countries. However, due to the impact of natural disasters, geopolitics, and the game of great powers, the global supply chain faces the risk of interruption, and decoupling and chain breaking seriously threaten the industrial security, economic security, and national security of various countries. The business activities of MNCs have significantly magnified national security risks.

### (4) Sovereign erosion

In cross-border business activities, MNCs may use various resources to influence the policy-making of the host country in order to continuously obtain operating profits. And their most common approach is to use economic interests to exert pressure and coerce host countries into formulating policies favorable to MNCs through divestment. It is also a common practice to lobby policy makers in host countries through commercial bribery. These actions undoubtedly go beyond the scope of economic activities and erode the sovereignty of the host country. The various advertisements and promotions carried out by MNCs to promote product sales, once a cultural conflict arises, to some extent, also constitute cultural erosion of the host country and infringe upon the overall interests of its citizens.

### (5) Economic collapse

MNCs gathering in large numbers in a host country may create pseudo prosperity for the local community as the host country's economy relies heavily on MNCs, gradually losing economic independence. When economic crises and other risks arise, MNCs flee one after another, and indigenous enterprises in the host country are weak and insufficient to support local economic development, causing the host country's economy to collapse instantly. Latin American countries, represented by Argentina, have long fallen into the "middle-income trap" and are unable to extricate themselves, which is the result of excessive reliance on MNCs and neglecting the development of local enterprises.

## 关键术语(Key Terms)

国际公司(international corporation)

全球公司(global corporation)

多国公司(multinational corporation)

跨国公司(transnational corporation)

跨国程度指数(transnationality index)	多元中心型跨国公司(polycentric MNC)
资源型跨国公司(resource-oriented MNC)	区域中心型跨国公司(regiocentric MNC)
制造型跨国公司(manufacturing-oriented MNC)	全球中心型跨国公司(geocentric MNC)
服务型跨国公司(service-oriented MNC)	天生全球化企业(born-global firm)
水平型跨国公司(horizontal MNC)	渐进型跨国公司(incremental MNC)
垂直型跨国公司(vertical MNC)	数字型跨国公司(digital MNC)
混合型跨国公司(mixed MNC)	信息与通信技术跨国公司(ICT MNC)
民族中心型跨国公司(ethnocentric MNC)	轻资产指数(asset-light index)

### 小结(Summary)

1. The names of transnational corporations include international corporations, multinational corporations, global corporations, etc. In this book, “multinational corporations” are used to refer to various transnational corporations. The definition of MNCs mainly includes structural criteria, business performance criteria, and United Nations criteria.

2. MNCs can be classified into resource-oriented MNCs, manufacturing-oriented MNCs, and service-oriented MNCs based on their business content; classified by business structure, they can be divided into horizontal MNCs, vertical MNCs, and mixed MNCs; according to the classification of decision-making centers, they can be divided into ethnocentric MNCs, polycentric MNCs, regiocentric MNCs, and geocentric MNCs; classified by internationalization model, they can be divided into born-global firms and incremental MNCs; classified by digital intensity, they can be divided into digital MNCs, ICT MNCs, and traditional MNCs. The characteristics of MNCs include: business scale can be large or small, competitive strategies are flexible and diverse, development speed is accelerating, and the global mindset is becoming stronger.

3. MNCs are not universally present in any society, but are products of a society characterized by socialized mass production and market economy. The period before World War I is commonly referred to as the embryonic stage of MNCs. During the two world wars, American MNCs made significant progress, with an increase in the proportion of global FDI flowing to developing countries and diversification of cross-border business operations. After World War II, American MNCs dominated, but in recent years, BRICs countries and emerging market MNCs represented by Chinese MNCs have developed rapidly and gradually become important participants in the global market.

4. MNCs can have both positive and negative effects. Positive effects include transferring capital, spreading technology, creating job opportunities, increasing taxation, and promoting growth; negative effects include market monopoly, deterioration of

income and expenditure, magnified risk, sovereignty erosion, and economic collapse.

### 延伸阅读(Further Readings)



### 习题(Exercises)

