

# **PROBLEMS OF MULTINATIONALS IN CHINA**

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**Abstract.** China continues to attract the world's top multinationals seeking to establish a presence and expand its footprint in the world's second-largest economy. Multinationals will continue to play an important role but China has evolved quickly, as have Chinese homegrown businesses. However, all newcomers companies should be able to demonstrate flexibility in the Chinese market and be prepared to adapt. This article describes how well-known international companies entered the new market and what complications they ran in different areas of the industry. And It also investigates what influenced the change of perception of MNCs by the government and Chinese consumers and brought changes over to considerable.

**Keywords:** multinationals, China, companies, problems.

**INTRODUCTION.** Attitude toward multinationals (MNCs) in China cardinally changed at the end of 1970th when the country opened its economy to the world and became accessible for foreign direct investments, like Volkswagen and Coca-Cola which began an active study of its market. Throughout the 1980s other MNCs as Motorola, Philips and NEC also entered this market where they were charged half as much corporate taxes as local companies, and they did not pay a cent of equipment import taxes. However, after 2001 when China joined the World Trade Organization, the perception of MNCs by the government and Chinese consumers has changed. Multinationals are subject to much more thorough analysis in accordance with national interests. Moreover, for MNCs, Chinese are increasingly ceasing to make exceptions. From now on MNCs must adhere to the same standards as local competitors. And often they are facing higher demand for meeting these standards than local companies. Chinese consumers have become more finicky and knowledgeable in choosing products between MNCs or national. This was influenced by the ignorance of Chinese traditions and history. Therefore, companies are forced to think not globally, but locally.

**METHODOLOGY.** The article is based on the analysis of the problems faced by companies coming to the Chinese market since the 70s of the 20th century.

**RESULTS.** When China opened up to the world, it was initially expected that Multinationals would bring cash, know-how, and technology to the country. However, the national economy grew very fast, faster than many companies would like to come to this market from outside. As a result, many innovations introduced have become much less appreciated in this country (Shelukhyn, 2016).

Today, MNCs expect something much better and different from what it was before. It is assumed that they should be role models, but they are not able to become such ideal.

World-famous companies faced advertising promotions that led to a loss and distrust of new MNCs. For example, less than two years ago, the fast-food giant McDonald's Corporation was forced to refuse to show a television commercial in China, which had previously been allowed to be shown by Chinese representatives. In advertising, a Chinese man was kneeling in front of the seller and begging him for a discount. From the context of this video footage, consumers concluded that their nation is poor and has no dignity (Ventao, 2016).

Another problem for companies is the difficulty of adapting to new realities, which has led to a rapid increase in the number of public crises that have caused MNCs serious losses in reputation and finances.

China believes that the positive impact of MNCs on the overall business environment and business culture will benefit him. Loss of face will significantly undermine the competitiveness of MNCs and, therefore, their future in China. In order to gain respect and create an appropriate face, transnational corporations must strictly follow global behavioral standards (Seunh Kho, 2007).

**CONCLUSION.** The Multinationals that successfully entered the Chinese market were all closely associated with the government. In turn, the Chinese government for transnational corporations solved all social problems. Now, submission, vulnerable individuals and victims of preferential policies for multinationals have changed the role.

Transnational companies over the years have focused on economic adaptation in order to achieve financial growth and ignored the change in society. In time, when the

Chinese economy lowers its temperature and the market is unstable, the self-positioning of MNCs for adaptation is very important to solve this problem.

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