

The Role of Multinational Enterprises in Promoting China's Economic Development in People-to-people Diplomacy

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Abstract: Over the past decade, there has been a growing narrative surrounding China's economic rise, driven by the nation's increasing economic influence, expansion of financial resources, and a surge in foreign direct investments. This has rendered the examination of China's economic trajectory a critical area of study. Multinational corporations, which are integral to the market economy, have been instrumental in fueling the economic expansion of China. Utilizing a combination of literature analysis and case studies, this paper delves into the pivotal contributions of these enterprises in fostering China's economic progress through grassroots diplomatic initiatives. Coca-Cola China exemplifies how multinationals, via deliberate people-to-people diplomacy, have significantly bolstered China's economy while also securing mutual gains. These findings underscore the significance of monitoring the evolving role of multinational firms in the global business landscape, which is increasingly vital for mutual prosperity and the enhancement of worldwide economic growth through equitable and reciprocal partnerships.

Keywords: multinational enterprises, China, economic development, people-to-people diplomacy.

1. Introduction

The National Bureau of Statistics of China reports that the Gross Domestic Product (GDP) for 2023 has reached 12,499.06 trillion yuan, signifying a robust 5.2% rise from the previous year at constant prices. This economic leap is projected to propel China's total economic output beyond the 6 trillion yuan mark, a figure that rivals the yearly production of a mid-tier nation. This growth significantly outpaces that of Germany, which saw a mere 0.30% increase, and Japan, with 1.90%. Over the past twenty years, China has strategically wielded a diverse array of economic instruments, contributing to this remarkable expansion [1]. Echoing this sentiment, Xia and Liu have noted the remarkable average annual GDP growth rate of approximately 8.6 percent, solidifying China's position as the world's second-largest economy [2]. This economic dynamism has led to a growing consensus among scholars that the global economic landscape is increasingly aligning with China's interests. With China's emergence as a preeminent originator of outward foreign direct investments (FDI), there is a pressing need for an in-depth analysis of the contributions of multinational corporations to this rapid economic surge and an exploration of the applicability of these strategies to other nations, both developing and established [3].

Consider the scenario where China's financial engagement with Brazil, manifesting as foreign direct investment (FDI), is intricately linked to Beijing's strategic objectives, while simultaneously adhering to market-driven principles aimed at profit maximization. This is all within the purview of China's expansive 'Going Global' initiative, where Busilli and Jaime have posited that state-owned entities are pivotal to this endeavor [4]. Additionally, Wang and Yu have corroborated the notion that China harnesses its FDI in state-owned giants to further its diplomatic agenda [3]. Analyzing the ramifications of diplomatic endeavors on outward foreign direct investment (OFDI), Zhang and Jiang have determined that amicable bilateral relations are generally conducive to OFDI. They have noted that diplomatic engagements are particularly instrumental in backing key investments and are crucial in nations with underdeveloped or deficient institutional frameworks [5].

Nevertheless, this study, through a comprehensive literature review and detailed case study analysis, delves into the profound impact that multinational corporations can have on fostering China's economic progress via grassroots diplomatic efforts. Drawing on empirical evidence and scholarly findings, the paper substantiates the significant catalytic effect of these corporations on China's economic trajectory, from a theoretical standpoint. Moreover, this influence transcends national boundaries, fostering a reciprocal and advantageous diplomatic dynamic that benefits both parties involved.

2. Literature review

An examination of existing scholarly discourse reveals that a well-crafted foreign and fiscal strategy is capable of spurring economic growth in nations of all sizes, including China. Shrestha's work highlights how Nepal, post the re-establishment of multi-party democracy in 1990, endeavored to formalize and execute economic diplomacy via its diplomatic corps, thereby enhancing its economic and global stature [6]. This underscores the capacity of even smaller nations to leverage economic diplomacy for advancement. The multinational corporations' adeptness in diplomatic affairs and their capacity to invigorate economic progress are further underscored, particularly in the context of China's economic rise through people-to-people diplomacy, which is recognized as a complex and layered issue. This paper synthesizes insights from a spectrum of academic literature that spans the realms of diplomacy, economic advancement, and multinational corporations, with a significant focus on case studies of multinational companies in China, offering a multifaceted lens through which to scrutinize the subject matter.

Furthermore, the collaborative work of Alimova and Nutfullaevna explores the mechanisms by which governments can oversee and foster the international economic endeavors of businesses, employing a spectrum of strategies such as financial incentives, monetary policies, credit facilities, and both tariff and non-tariff regulatory frameworks [7]. This underscores the governmental influence in shaping the trajectory of multinational corporations, potentially motivating them to contribute to societal advancement. Concurrently, such regulatory measures ensure that the growth and operations of these corporations align with established norms and standards.

In the context of China, the advantageous conditions for growth and the benefits accrued from policies of reform and openness have been instrumental in the flourishing of multinational corporations within the country. Initially, these corporations have emerged as vital catalysts for China's economic prosperity, driven by their investment and operational endeavors. Zhang and colleagues, in their research published in the *International Business Review*, have emphasized that the perception of multinational firms in their home country significantly influences the allure of their Chinese subsidiaries to potential employees [8]. This underscores the corporations' pivotal role in cultivating a favorable national image and enticing skilled talent. Moving forward, multinational entities have also been pivotal in energizing China's economic expansion through their involvement in key infrastructure and energy initiatives. As illustrated by Busilli and Jaime in Contexto

Internacional, China's strategic investments in Brazil exemplify economic diplomacy aimed at bolstering relations with Latin America and ensuring a steady supply of raw materials and energy [4]. This highlights the multinationals' essential function in the distribution of global resources and their contribution to China's pursuit of energy security and economic advancement.

Furthermore, through the transfer of technology and collaborative innovation efforts, multinational firms have stimulated China's industrial evolution and technological advancements. Egea and team, in their piece for the *Journal of Open Innovation: Technology, Market, and Complexity*, have shed light on the corporate diplomacy tactics that multinationals employ to extend their political, social, and cultural reach in international markets, thereby bolstering their global standing and introducing novel technological and managerial practices to China's economic landscape [9]. These activities not only enhance the global competitiveness of enterprises but also introduce new technology and management experience to China's economic development.

Lastly, a review of the existing literature, which encompasses a variety of case studies, consistently reinforces the critical and integral role that multinational corporations occupy in the economic landscape of China. These studies collectively validate the significance of these enterprises in shaping and driving the country's economic progress. McDonald utilized the instance of Microsoft's nuanced diplomatic strategies to elucidate the company's proactive stance, exemplified by initiatives like the digital Geneva Convention and the Digital Peace campaign [10]. These endeavors underscore the affirmative impact of grassroots diplomacy on the regulation of cyber realms, fostering an atmosphere conducive to digital tranquility and security. In their analysis, Zhang and colleagues examine the influence of diplomatic engagements on China's outward foreign direct investment (OFDI), revealing that amicable bilateral relations significantly bolster OFDI, particularly in nations with nascent or imperfect systems [5]. To conclude this section, Macikenaite delves into the evolving tactics of China's economic statecraft, illustrating how the nation leverages its burgeoning economic might to navigate the complexities of an interconnected global arena, with economic instruments strategically deployed to achieve broader national objectives, as informed by pertinent Chinese economic directives [1].

3. From Corporate to Community: Coca-Cola China's Grassroots Diplomacy

In a testament to the impact of responsible corporate people-to-people diplomacy on sustainable economic progress, this paper delves into the exemplary practices of Coca-Cola China, a prominent multinational corporation operating within China. The analysis meticulously examines the strategies employed by such corporations to chart a path of sustainable development while simultaneously contributing to the economic prosperity of the host nation. The Coca-Cola Company, globally recognized for its beverages, is headquartered in Atlanta, Georgia, and boasts a widespread international reach across more than 200 countries. As a prominent player in the industry, Coca-Cola understands the significance of business ethics and corporate social responsibility in maintaining its reputation and contributing to sustainable development. Due to its consistent focus on corporate responsibility and maintaining a positive reputation, Coca-Cola has gained significant national recognition in China. Additionally, the company's emphasis on people-to-people diplomacy has played a crucial role in its successful penetration of the Chinese market, leading to its status as one of the top-selling beverage brands in the country.

Coca-Cola, a globally recognized beverage conglomerate, has been at the forefront of advocating for sustainable development on a worldwide scale. In China, the company has initiated several eco-conscious initiatives that have significantly contributed to the advancement of a sustainable economy. Notably, on Earth Day, April 22, 2021, Coca-Cola China organized a thematic exhibition titled *Recycle me, See You Later - Community Circulation Esthetics Station* at the Chuangheta Creative Park in Shanghai. Constructed from over 100,000 repurposed beverage containers, this exhibition

was a collaborative effort between Coca-Cola China, Changshou Road Street, and Shanghai Daily. The primary goal was to raise awareness about the recycling of beverage bottles, foster a community-based recycling loop, and cultivate an aesthetic appreciation for recycling within communities. Drawing inspiration from the concept of time cycles and centered around the idea of resource recycling, the exhibition featured three major artistic installations—"Recycle Me", "See You Later", and "Come Back"—that vividly illustrated the transformation of plastic bottles from collection to rebirth as various items, making the recycling process tangible and perceptible to the public. This initiative not only allowed individuals to experience the intrinsic value of recycling but also highlighted the allure of environmental stewardship. Coca-Cola China's year-long recycling campaign, launched in September 2020, has successfully established a novel community-based recycling model in partnership with various societal sectors. The establishment of the Recycle Me, See You Later - Community Circulation Aesthetic Station on Changshou Road is a testament to the company's ongoing pursuit of a closed-loop recycling system. Looking ahead, Coca-Cola China remains dedicated to its 'World Without Waste' vision for sustainable packaging, continuing to raise public awareness about the importance of beverage bottle recycling and to inspire broader participation in recycling efforts.

Beyond its commitment to environmental sustainability, Coca-Cola China has also demonstrated a profound dedication to safeguarding the well-being of the Chinese populace, aligning with the nation's priority on life safety. The establishment of the *Clean Water 24 Hours* emergency response system in 2013 exemplifies this commitment, designed to harness Coca-Cola China's extensive infrastructure, including its bottling facilities, logistics, storage, and distribution networks, to swiftly address urgent needs during crises. In collaboration with local authorities and community organizations, this system rapidly deploys as a water supply and rescue operation, ensuring the swift delivery of potable water to those affected by emergencies. Since its inception following the Ya'an earthquake in 2013, this initiative has been activated in response to a myriad of disasters and emergencies, including the 2020 health crisis, efficiently providing over 18.97 million bottles of safe drinking water to over 2.24 million individuals in distress within an average timeframe of 11 hours.

The Water Purification 24-Hour Rescue Mechanism is designed to rapidly procure and distribute essential supplies, ensuring that life-saving materials are available to disaster-stricken areas within a brief timeframe. This system significantly enhances the survival rates of those affected by disasters and aids in the subsequent recovery and economic revitalization of the impacted regions. A prime example of this mechanism's efficiency was during the Ya'an earthquake, where the response time was impressively reduced to just 11 hours. Here is a detailed timeline of the response: at 8:02 AM, a 7.0 magnitude earthquake struck Lushan County in Ya'an City, Sichuan Province. By 9:30 AM, Coca-Cola China had swiftly assessed its regional inventory, ascertaining the quantity of bottled water readily available for dispatch. Precisely at noon, a convoy of Coca-Cola China's 9.6-meter-long relief trucks, laden with 2,000 boxes of purified water, reached Lushan County. By 2:00 PM, these supplies were efficiently distributed to the severely affected areas in Ya'an. This swift mobilization not only exemplified Coca-Cola's commitment to social responsibility but also contributed to the swift recovery and rebuilding efforts in the aftermath of the disaster.

4. Discussion

This paper has meticulously dissected the non-governmental diplomatic endeavors of Coca-Cola China, using it as a lens to examine the broader implications of grassroots initiatives by multinational corporations (MNCs) on China's economic landscape. The analysis reveals that the symbiotic relationship between China's economic reforms and the strategic investments of MNCs has been a catalyst for growth and development.

The integration of China into the global market has been marked by the influx of MNCs, which have not only capitalized on the opportunities presented by China's reformative policies but have also contributed to the nation's economic vitality. The case of Coca-Cola China illustrates how MNCs can leverage their global presence and resources to forge partnerships with local entities, thereby creating a network of support that enhances economic construction and development.

Moreover, the active participation of MNCs in China's economic narrative has been characterized by a dual focus on economic gain and social responsibility. By engaging in environmentally conscious practices and community development initiatives, companies like Coca-Cola have bolstered their reputation and simultaneously contributed to the sustainable development goals of the host country.

The *Clean Water 24 Hours* emergency response mechanism, as exemplified by Coca-Cola China, is a testament to the agility and responsiveness of MNCs in times of crisis. This initiative not only underscores the company's commitment to social welfare but also highlights the strategic advantage of having a robust logistical network that can be swiftly repurposed to meet pressing community needs.

Furthermore, the paper delves into the reciprocal nature of MNCs' engagement with China. While these corporations have played a crucial role in promoting environmentally friendly initiatives and fostering economic development within the country, they have also gained significant advantages in terms of enhancing their brand recognition and expanding their market presence. This reciprocal exchange has fostered a favorable environment for economic diplomacy, where the interests of MNCs align with the developmental objectives of the host nation.

The outward expansion of Chinese investment, particularly that in developing countries, signifies a shift in China's role from a recipient to a provider of economic opportunities. This transition reflects the evolving economic power of the country and its aspiration to establish itself as a key player in the global development narrative. By extending its reach to regions such as Latin America and Africa, China is not only seeking new avenues for growth but also fostering international relations built on the principles of friendship, peace, and mutual assistance.

Despite the skepticism and concerns regarding the impact of China's economic engagements on developing countries, the tangible outcomes of these investments attest to their positive influence. The material progress and economic upturn in these regions serve as evidence of the mutually beneficial nature of such partnerships, which has led to an increasing number of countries seeking to establish friendly trade relations with China.

The discussion presented in this paper underscores the multifaceted role of MNCs in China's economic development and the intricate dynamics of non-governmental diplomacy. It is evident that the strategic investments and social initiatives of these corporations have played a pivotal role in shaping China's economic trajectory and its position on the global stage. As China continues to evolve and assert its influence in the international arena, the role of MNCs and their diplomatic activities will remain a critical area of study for scholars and practitioners alike.

5. Conclusion

To encapsulate, this study posits that the flourishing of China's economy is inextricably intertwined with the dedicated endeavors of multinational enterprises, particularly in the realm of grassroots diplomacy. The symbiotic relationship between China and these corporations has not only propelled economic progress but also significantly bolstered societal sustainability and environmental conservation efforts. The multifaceted contributions of multinational enterprises have proven to be indispensable to the trajectory of China's economic growth, underscoring their integral role in fostering a sustainable and eco-friendly future.

While numerous instances substantiate the positive impact of transnational corporations on China's economic development, a quantitative assessment is required to empirically ascertain the strength of

the association between their non-governmental diplomatic endeavors and economic growth. Presently, a comprehensive statistical investigation and regression analysis are absent, which are essential to validate the positive correlation hypothesis. In anticipation, it will be imperative to establish a robust database for systematic data aggregation and employ rigorous analytical methods. Such an approach will offer a more definitive affirmation of the relationship in question. Despite this methodological gap, the synthesis of statistical evidence and case study analysis presented in this paper provides a compelling affirmation of the affirmative role that non-governmental diplomatic initiatives of transnational corporations play in advancing China's economic landscape.

The current study offers a well-founded interpretation of the progression of multinational corporations within China, adopting a novel and insightful perspective. Moving forward, it is imperative to delve deeper into the regulatory frameworks and policies that govern the operations of these corporations. It is also essential to explore the mechanisms through which they successfully intertwine local customization with non-governmental diplomatic initiatives. Such inquiries can yield valuable insights and serve as a reference for foreign entities considering investment opportunities in China.

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