



## Press Release

### EMBARGO

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## Chinese Multinationals Make Steady Progress

### *Release of the FUDAN-VCC 2007 ranking of Chinese multinational enterprises*

Shanghai and New York, October 22, 2008

The first-ever survey of the foreign assets held by large Chinese multinational enterprises (MNEs), conducted by the School of Management at Fudan University and the Vale Columbia Center on Sustainable International Investment (VCC), released today, indicates that Chinese multinationals are making steady progress on the world stage.

The survey's principal findings include: As of the end of 2006, 18 large Chinese MNEs in terms of foreign assets had at least US\$79bn in overseas assets (table 1), employed over 120,000 persons abroad, and had US\$79bn in sales by their foreign affiliates (annex table 1). State-controlled MNEs, such as China National Petroleum Corp. and Shanghai Automotive Industry Corporation (Group), are being more proactive international players, as are majority-owned private firms Lenovo and TCL.

The Chinese government, through its principle of both “bringing in” and “going out”, has encouraged the international expansion of Chinese MNEs since the beginning of this decade as a springboard to acquire strategic resources, expand into foreign markets, and reduce market constraints at home. These 18 –which are large but not necessarily the largest 18 Chinese MNEs (see footnote a in table 1) –have played a vital role in that expansion, helping make China the fourth largest outward investor among emerging markets in 2006 in terms of FDI outflows and the seventh largest in terms of outward FDI stock.

“Chinese firms have made great progress in their internationalization in recent years. What is particularly important to note, however, is that now the driving force for internationalization comes from the enterprises themselves rather than the government”, notes Xiongwen Lu, Dean of the School of Management at Fudan University. “Still, most Chinese MNEs are not yet as diversified in their internationalization strategies as are their BRIC counterparts.”

Adds Karl P. Sauvant, Executive Director of the Vale Columbia Center on Sustainable

**International Investment, “Chinese MNEs started acquiring foreign assets later than their BRIC counterparts, but they are rapidly making up for lost time. At their current rate, it may not be long before China is the preeminent outward investor among all emerging markets.”**

The School of Management at Fudan University (one of the most influential business schools in China) and the Vale Columbia Center on Sustainable International Investment (a joint Columbia Law School – Earth Institute center at Columbia University) collaborated on the ranking of Chinese MNEs. This exercise is part of a global effort to rank emerging market MNEs. Ranking lists for Brazil, Russia, Slovenia and Israel have already been published (see [www.vcc.columbia.edu](http://www.vcc.columbia.edu)). A ranking list for India will be available soon, and additional lists will be published throughout the year.

<b>Table 1. FUDAN-VCC ranking of 18 large Chinese multinational enterprises in terms of foreign assets, 2006<sup>a</sup> (Million of US\$)</b>			
<b>Rank</b>	<b>Name</b>	<b>Industry</b>	<b>Foreign assets</b>
<b>1</b>	CITIC Group	Diversified	17,623
<b>2</b>	China Ocean Shipping (Group) Company	Transport and storage	10,397
<b>3</b>	China State Construction Engineering Corp	Construction, real estate	6,831
<b>4</b>	China National Petroleum Corp	Petroleum expl./ref./distr.	6,374
<b>5</b>	Sinochem Corp.	Petroleum and fertilizer	5,326
<b>6</b>	China Poly Group Corporation	Trade, real estate	5,113
<b>7</b>	China National Offshore Oil Corp.	Petroleum and natural gas	4,984
<b>8</b>	Shougang Group	Diversified	4,875
<b>9</b>	China Shipping (Group) Company	Diversified	4,600
<b>10</b>	TCL Corporation	Electrical & electronic equipment	3,875
<b>11</b>	Lenovo Group	Computer and related activities	3,147
<b>12</b>	China Minmetals Corp	Metals and metal products	1,266
<b>13</b>	China Communications Construction Corp	Construction	1,162
<b>14</b>	Shum Yip Holdings Company Limited	Real estate	972
<b>15</b>	Baosteel Group Corporation	Diversified	968
<b>16</b>	Shanghai Automotive Industry Corporation(Group)	Automotives	442
<b>17</b>	China Metallurgical Group Corporation	Diversified	439
<b>18</b>	Haier Group	Manufacturing, telecommunications, IT	394
<b>TOTAL</b>			<b>78,788</b>

Source: FUDAN-VCC survey of Chinese multinationals.

<sup>a</sup> Three rounds of surveys were conducted by Fudan University between July 2007 and March 2008, resulting in primary data from 11 MNEs. These data were supplemented by data from UNCTAD’s *World Investment Report 2008* and by estimating foreign assets by adding cross-border M&As and greenfield investments to the 2005 foreign asset levels as reported in UNCTAD’s *World Investment Reports 2007*. MOFCOM publishes a ranking of the 30 largest Chinese MNEs, but provides no data for individual firms. While there is substantial overlap between the FUDAN-VCC and the MOFCOM lists, the ranking of individual firms is quite different. As a result of incomplete data, it cannot be said that the 18 MNEs listed here are the *largest* Chinese MNEs in terms of foreign assets; it can only be said that they are *among* the largest.

## The Profile of the 18 MNEs

- Chinese multinationals lag behind their foreign counterparts:
  - Only two of the 18 have over US\$10bn foreign assets, and only three employ more than 10,000 people abroad (annex table 1).
  - Only one Chinese MNE, the CITIC Group, is among the top 10 of the top 100 non-financial MNEs from developing countries, as reported in UNCTAD's *World Investment Report 2008*. Another 8 are included in that entire list.
- Foreign assets and foreign sales of the 18 MNEs have grown rapidly, with foreign sales (the production of foreign affiliates) growing much faster than total sales and foreign assets. Between 2004 and 2006, foreign assets rose by 38% (compared to an increase in total assets of 45%), and foreign sales grew by 65% (as compared to a 41% increase for total sales) (table 2).
- Because streamlining corporate structures and staff has been a major concern for most large Chinese firms, foreign and total employment decreased slightly by 3% and 1%, respectively, between 2004 and 2006.
- Fifteen of the 18 MNEs are majority or entirely state-owned; Lenovo, TCL, and Haier are the exceptions.

Table 2. Snapshot of the 18 Chinese MNEs, 2004-2006 (Billion of US\$ and no. of employees)				
Variable	2004	2005	2006	% change (2006/2004)
<i>Assets</i>				
Foreign	57	67	79	38
Total	338	405	489	45
Share of foreign in total (%)	17	16	16	
<i>Employment</i>				
Foreign	127,047	121,358	123,670	-3
Total	2,089,163	2,051,819	2,062,658	-1
Share of foreign in total (%)	6	6	6	
	48	79	79	65
Sales(excluding exports)	236	283	333	41
Foreign	21	28	24	
Total				
Share of foreign in total (%)				

Source: FUDAN-VCC survey of Chinese multinationals.

- The weighted average Transnationality Index (TNI) of the 16 companies for which all the necessary data are available is around 15% (annex table 1), which is lower than the TNI for the largest Russian (30%) and Brazilian (18%) MNEs.<sup>1</sup> This reflects two things – the rather recent outward expansion of Chinese companies and their large domestic asset base.
- The number of foreign affiliates of the 13 MNEs for which this information is available ranges from 1 to 245, with an average of approximately 40 (annex table 1).
- All companies are listed on at least one stock exchange (annex table 2).
- The 18 MNEs fall into four broad industry categories – diversified, 5 firms; natural resources (oil, gas, fertilizer, and metal), 4 firms; labor intensive (construction, real estate, transport and storage), 5 firms; and manufacturing (automotives, computers, and electronics), 4 firms - accounting for 36%, 23%, 31% and 10%, respectively, of foreign assets (annex figure 1).
- Twelve of the 18, including the top 8, are headquartered in Beijing, 3 in Shanghai, 2 in Guangdong, and 1 in Shandong (annex figure 2).<sup>2</sup>

### *The whole picture*

With the encouragement and backing of central and provincial governments, Chinese firms have been accelerating their international expansion. FDI outflows from China increased from US\$4bn in 1992 to US\$21bn in 2006 and US\$23bn in 2007, making China the fourth largest outward investor in emerging markets in 2006 in terms of outflows (behind Hong Kong(China), Brazil, and Russia). Although there is a general upward trend in outward FDI, it still is far less than inward FDI (annex figure 3). The stock of Chinese outward FDI rose from a level of US\$5bn in 1990 to US\$73bn in 2006 and US\$96bn in 2007.

Chinese multinationals have been actively engaging in cross-border M&A over the past five years. In 2006, perhaps more than 70% of FDI outflows took the form of international acquisitions (annex figure 4). This phenomenon reveals that Chinese MNEs aim to acquire critical assets abroad in order to overcome their latecomer disadvantage. This acquisition strategy continued in 2007. The 15 M&As that were made in 2007 represent US\$28bn of investment (annex table 3). Six of these transactions, worth US\$18bn, were in financial services, four, representing US\$2bn, are in mining & metals, one, US\$4bn, is in public utilities (electricity), and one, US\$4bn, is in coal and natural gas. Two of the transactions, both in financial services and

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<sup>1</sup> See the press releases on the largest Brazilian and Russian MNEs at <http://www.vcc.columbia.edu/projects/#Emerging>.

<sup>2</sup> Lenovo opened up a second 'headquarters' in North Carolina; however its purpose is to be close to its customer base rather than as a center for strategy and decision making.

totaling US\$8bn, were made by the China Investment Corporation, an investment vehicle created by the government in 2007 to invest some of the Chinese government's massive foreign exchange reserves.<sup>3</sup> Besides M&As, recent years also have witnessed an increase in cross-border greenfield investments. As shown in annex table 4, US\$11bn in greenfield investments were made in 2007 as compared to US\$6bn in 2006. US\$4bn of greenfield investments had been made in just the first two months of 2008. Six of the ten greenfield investments listed, worth US\$15bn, are in natural resource-related industries. The remaining investments are in transportation (US\$3bn), communications (US\$2bn), consumer electronics (US\$1bn), and automotive OEM (US\$1bn).

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### Emerging Market Global Players Project

The FUDAN-VCC 2007 Ranking of Chinese Multinational Enterprises was conducted within the framework of the Emerging Market Global Players Project, a collaborative effort led by the Vale Columbia Center on Sustainable International Investment. It brings together researchers on FDI from leading institutions in emerging markets to generate annual ranking lists of emerging market MNEs. Thus far, ranking lists from Brazil, Russia, Slovenia, Israel, and now China have been published. Fudan University is working on a list for Hong Kong (China), and lists from India and Taiwan Province of China are being developed. All lists are available at [www.vcc.columbia.edu](http://www.vcc.columbia.edu) or by contacting [vcc@law.columbia.edu](mailto:vcc@law.columbia.edu).

### Five Diamond Conference Series

Given the importance of the international expansion of companies from the BRIC countries, the

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<sup>3</sup> Since financial services companies are not included in the ranking lists, this aspect of Chinese FDI will not be reflected in the 2007 list. The investment activities of the China Investment Corporation, and similar entities in other emerging markets, are expected to grow in size and breadth.

School of Management at Fudan University, together with the Vale-Columbia Center on Sustainable International Investment, SKOLKOVO Moscow School of Management, Fundacao Dom Cabral (Brazil), and the Indian School of Business, are organizing a series of conferences to further explore that phenomenon. The first Five Diamond conference took place in New York City on April 28-29, 2008; the second conference will take place in Novo Lima (Brazil), August 18-19, 2009. For further information, please contact [vcc@law.columbia.edu](mailto:vcc@law.columbia.edu).

#### **School of Management at Fudan University**

The School of Management at Fudan University is one of the most influential business schools in China. It has developed a strong faculty with a wide range of expertise, strong academic credentials, and rich teaching experience. The school aims to become a world-class business school, keeping pace with China's rapid growth and emerging world importance while at the same time anticipating the challenges of the future. For more information, see [www.fdms.fudan.edu.cn](http://www.fdms.fudan.edu.cn).

#### **Vale Columbia Center on Sustainable International Investment**

The Vale Columbia Center on Sustainable International Investment (VCC), led by Dr. Karl P. Sauvant, is a joint center of Columbia Law School and The Earth Institute at Columbia University. It seeks to be a leader on issues related to FDI in the global economy. The VCC focuses on the analysis and teaching of the implications of FDI for public policy and international investment law. Its objectives are to analyze important topical policy-oriented issues related to FDI, develop and disseminate practical approaches and solutions, and provide students with a challenging learning environment. For more information, see [www.vcc.columbia.edu](http://www.vcc.columbia.edu).

Annex table 1: FUDAN-VCC ranking of 18 Chinese multinationals, key variables, 2006

(Millions of dollars and number of employees)

Ranking		Name	Industry	Assets		Sales		Employment		TNI (%)	No. of Foreign affiliates
Foreign Assets	TNI <sup>a</sup>			Foreign	Total	Foreign	Total	Foreign	Total		
1	9	CITIC Group	Diversified	17,623	117,355	2,482	10,113	18,305	107,340	19	12
2	4	China Ocean Shipping (Group) Company	Transport and storage	10,397	18,711	8,777	15,737	4,432	69,549	39	245
3	8	China State Construction Engineering Corp	Construction, real estate	6,831	15,603	4,376	18,101	5,820	119,119	24	40
4	15	China National Petroleum Corporation	Petroleum and gas.	6,374	178,843	3,036	114,443	22,000	1,167,129	3	5
5	3	Sinochem Corp.	Petroleum and fertilizer.	5,326	8,898	19,374	23,594	220	21,048	48	31
6	n.a.	China Poly Group Corporation	Real estate	5,113	7,875	1,750	7,375	n.a.	n.a.	n.a.	n.a.
7	5	China National Offshore Oil Corp.	Petroleum and natural gas	4,984	19,409	3,719	8,479	984	2,929	34	n.a.
8	n.a.	Shougang Group	Diversified	4,875	10,000	2,250	8,750	n.a.	n.a.	n.a.	n.a.
9	6	China Shipping (Group) Company	Diversified	4,600	9,560	4,324	9,183	2,433	43,160	34	81
10	1	TCL Corporation	Electrical & electronic equipment	3,875	8,500	3,366	6,502	32,078	55,455	52	28.
11	2	Lenovo Group	Computer and related activities	3,147	5,500	9,002	14,590	6,200	20,700	50	18
12	10	China Minmetals Corp	Metal and metal products	1,266	6,813	2,527	17,256	630	32,594	12	14
13	13	China Communication Construction Co.	Construction	1,162	16,258	2,855	14,712	1,078	78,331	9	n.a.
14	7	Shum Yip Holdings Company Limited	Real estate	972	2,267	123	288	28	13,142	29	n.a.
15	14	Baosteel Group Corporation	Diversified	968	29,522	4,231	23,982	170	89,704	7	13
16	11.	Shanghai Automotive Industry Corporation(Group)	Manufacturing	442	17,300	4,133	17,948	7,175	70,374	12	1
17	16	China Metallurgical Group Corporation	Diversified	439	10,370	314	11,345	745	136,122	3	14
18	12	Haier Group	Manufacturing, telecommunications, Business Services	394	6,001	1,870	13,438	6,800	52,003	11	22
<b>Total</b>				<b>78,788</b>	<b>488,784</b>	<b>78,509</b>	<b>332,836</b>	<b>123,670</b>	<b>2,062,658</b>	<b>15</b>	<b>n.a.</b>

Source: FUDAN-VCC survey of Chinese multinationals, UNCTAD, *World Investment Report 2007 and 2008*, and various company reports.<sup>a</sup> TNI is calculated as the average of the following three ratios: foreign assets to total assets, foreign sales to total sales and foreign employment to total employment.

Annex table 2. Stock exchanges on which the 18 Chinese multinationals are listed

Company name	Stock exchange
CITIC Group	Hong Kong, Shanghai, Shenzhen
China Ocean Shipping Group Company	Hong Kong, Shanghai, Shenzhen, Singapore
China State Construction Engineering Corp	Hong Kong
China National Petroleum Corporation	Shanghai, Hong Kong, New York
Sinochem Corp.	Hong Kong, Shanghai
China Poly Group Corporation	Shanghai, Hong Kong
China National Offshore Oil Corp	Shanghai, Hong Kong, New York
Shougang Group	Shenzhen, Hong Kong
China Shipping (Group) Company	Shanghai, Hong Kong
TCL Corporation	Shenzhen, Hong Kong
Lenovo Group	Hong Kong
China Minmetals Corp.	Shanghai, Hong Kong
China Communication Construction Corp.	Hong Kong
Shum Yip Holdings Company Limited	Hong Kong
Baosteel Group Corporation	Shanghai, Shenzhen
Shanghai Automotive Industry Corporation(Group)	Shanghai
China Metallurgical Group Corporation	Shenzhen
Haier Group	Shanghai, Hong Kong

*Source:* Company websites.



**Annex table 3. Top 15 cross-border merger and acquisition (M&A) transactions, 2007**  
(Millions of US\$)

Date(s)	Acquirer name	Target company name	Target industry	Target country	% of shares acquired	Value of transaction
25-Oct-07	Industrial and Commercial Bank of China	Standard Bank of South Africa Ltd.	Bank	South Africa	20	5,460
19-Dec-07	China Investment Corporation	Morgan Stanley	Investment bank	USA	nearly 10	5,000
12-Dec-07	State Grid Corporation of China and two Philippines companies	The operation rights of electricity grid systems	Public utility	Philippines	40	3,950
15-Jan-07	China National Petroleum	South Pars	Coal, oil and natural gas	Iran	100	3,600
21-May-07	China Investment Corporation	Blackstone Group	Special assets management and financial consulting	USA	nearly 10	3,000
23-Jul-07	China Development Bank	Barclays Bank	Bank	U.K.	3.1	3,000
30-Nov-07	Ping An Insurance (Group) Company Of China	Fortis SA/NV and Fortis N.V.	Financial service provider	Belgium	4.18	1,657
1-Aug-07	Aluminum Corporation of China	Peru Copper Inc.	Metals & mining	Canada	91	860
6-Dec-07	Jiangxi Copper Corporation and China Minmetals Non-ferrous Metals Co. Ltd	Northern Peru Copper Inc.	Metals & mining	Canada	100	497
28-Apr-07	China Mobile Communications Corporation	Paktel Ltd. Of Pakistan	Telecommunications	Pakistan	100	460
20-May-07	China Special Steel Corporation	Nanyang Mining Resources Co. Ltd	Metals & mining	Indonesia	100	364
2-Feb-07	Sinochem Corporation(Cayman)	New XCL_China,LLC	Metals & mining	USA	100	228
8-Nov-07	China Youngor Corporation LTD	Smart Apparel Group Limited and XinMa Apparel International Limited	Apparel	Hong Kong	100	120
7-Oct-07	China Minsheng Banking Corp. LTD	UCBH Holdings Inc	Bank	USA	9.9	95
28-Jun-07	China International Marine Containers (Group) Ltd	Burg Industries B.V.	Transportation vehicle	Netherlands	80	74

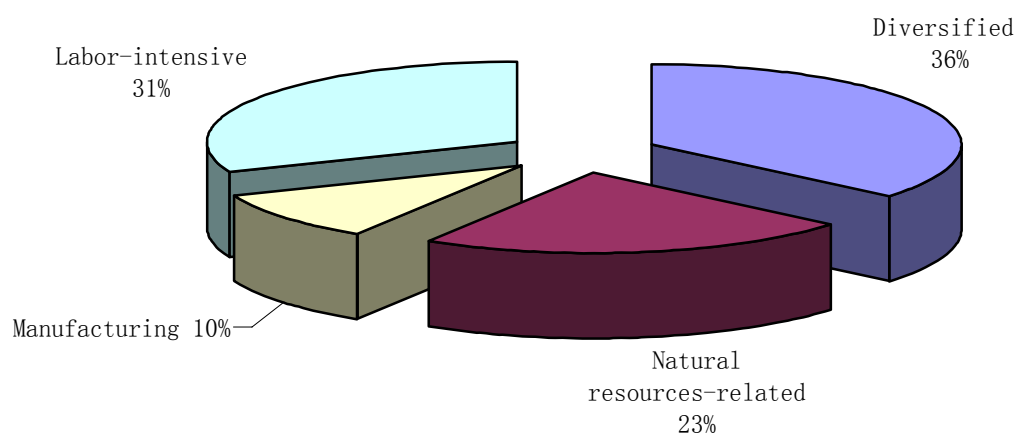
*Source:* Company information.

Annex table 4. Top 10 China cross-border greenfield transactions, announced,  
2006-March 2008  
(Millions of US\$)

Date	Company name	Destination country	Sector	Value
<i>Dec-07</i>	CITIC	Australia	Metals	4,600
<i>Jan-07</i>	China National Petroleum (CNPC)	Iran	Coal, oil and natural gas	3,600
<i>Jun-07</i>	COSCO	Philippines	Transportation	3,000
<i>Jan-08</i>	China National Petroleum (CNPC)	Turkmenistan	Coal, oil and natural gas	2,200
<i>Feb-08</i>	Xinxing Group	India	Metals	2,200
<i>Sep-06</i>	Huawei Technologies	Ethiopia	Communications	1,500
<i>Jun-06</i>	SVA	Bulgaria	Consumer electronics	1,300
<i>Nov-06</i>	Shanghai Baosteel Group	Philippines	Metals	1,000
<i>Aug-06</i>	Yantai Shuchi Vehicle	Thailand	Automotive OEM	1,000
<i>Apr-06</i>	Jinchuan	Philippines	Metals	1,000

Source: FDI Intelligence – Financial Times Ltd.

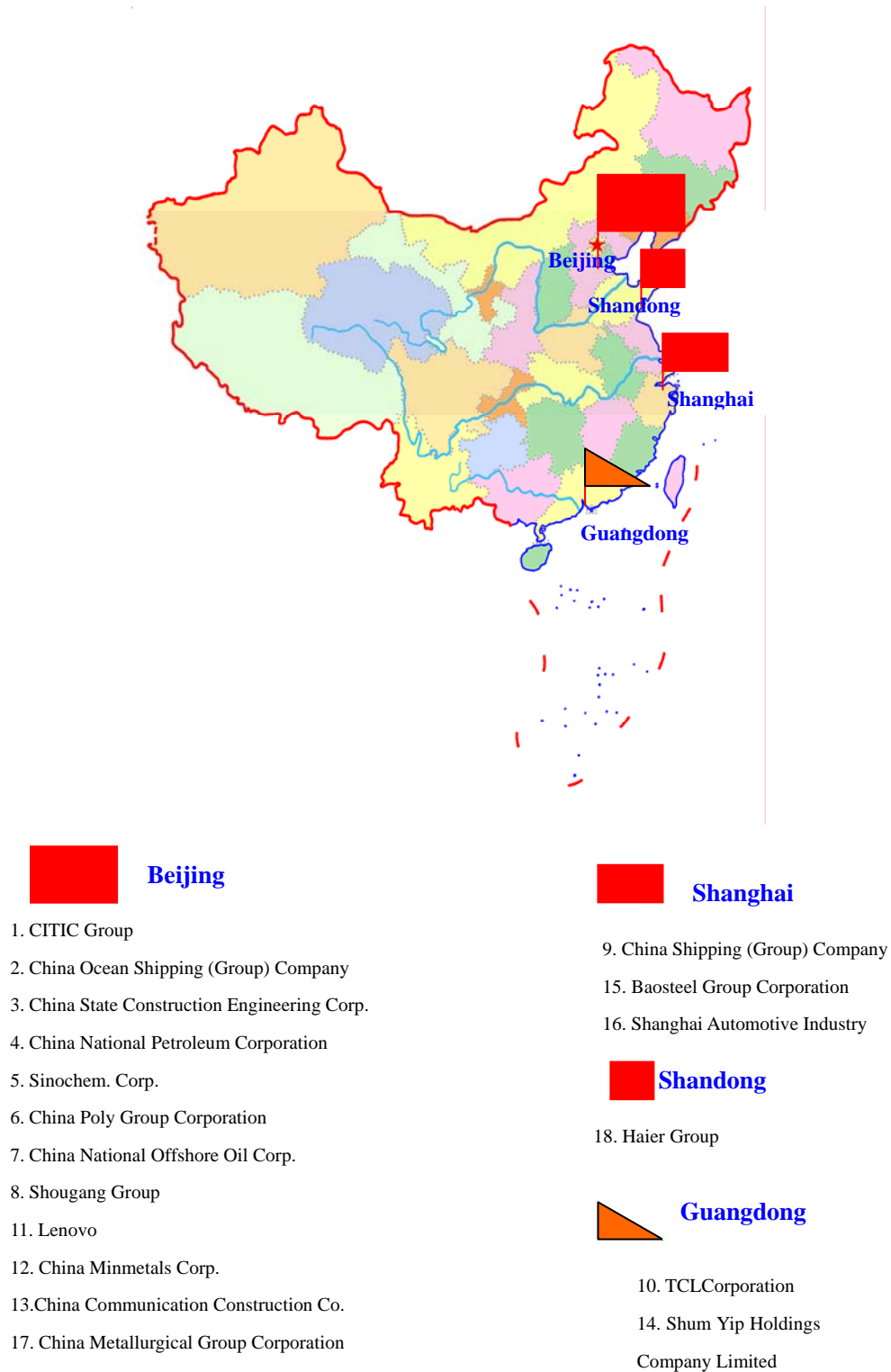
Annex figure 1. Breakdown of the 18 MNEs' foreign assets by industry, 2006



Industry type	Industries included	Foreign assets (US\$ million)	Number of firms	Companies
Natural resources-related	Petroleum, natural gas, fertilizer, and metal	17,950	4	China National Petroleum Corporation, Sinochem Corp., China National Offshore Oil Corp, China Minmetals Corp.
Labor-intensive	Construction, real estate, transport, and storage	24,475	5	China Ocean Shipping(Group) Company, China State Construction Engineering Corp. , China Poly Group Corporation, China Communication Construction Co., , Shum Yip Holdings Company Limited
Manufacturing	Computer, telecommunications, electrical and electronic equipments, automotives	7,858	4	TCL Corporation, Lenovo Group, Shanghai Automotive Industry Corporation(Group), Haier Group
Diversified	n.a.	28,505	5	CITIC Group, Shougang Group, China Shipping (Group) Company, Baosteel Group Corporation, China Metallurgical Group Corporation

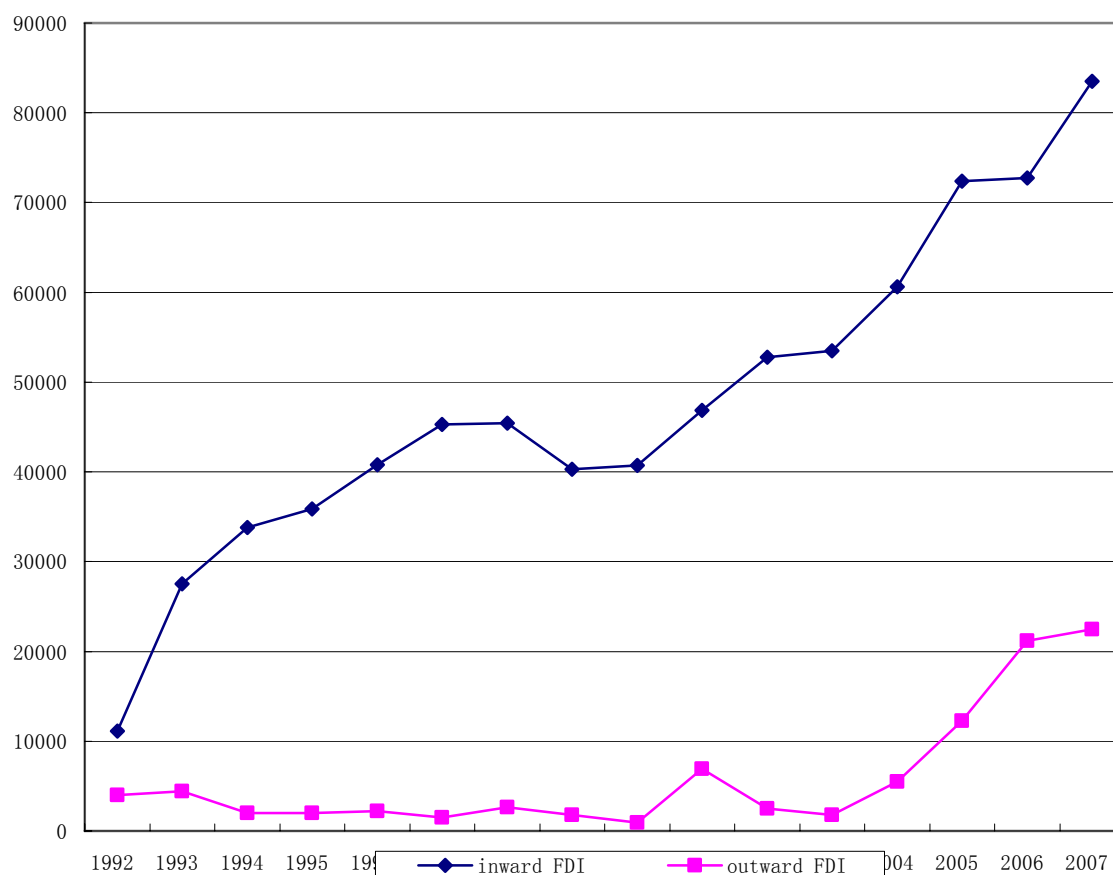
Source: FUDAN-VCC survey of Chinese multinationals.

Annex figure 2. Headquarter locations of the 18 Chinese multinationals, 2006



Source: FUDAN-VCC survey of Chinese multinationals.

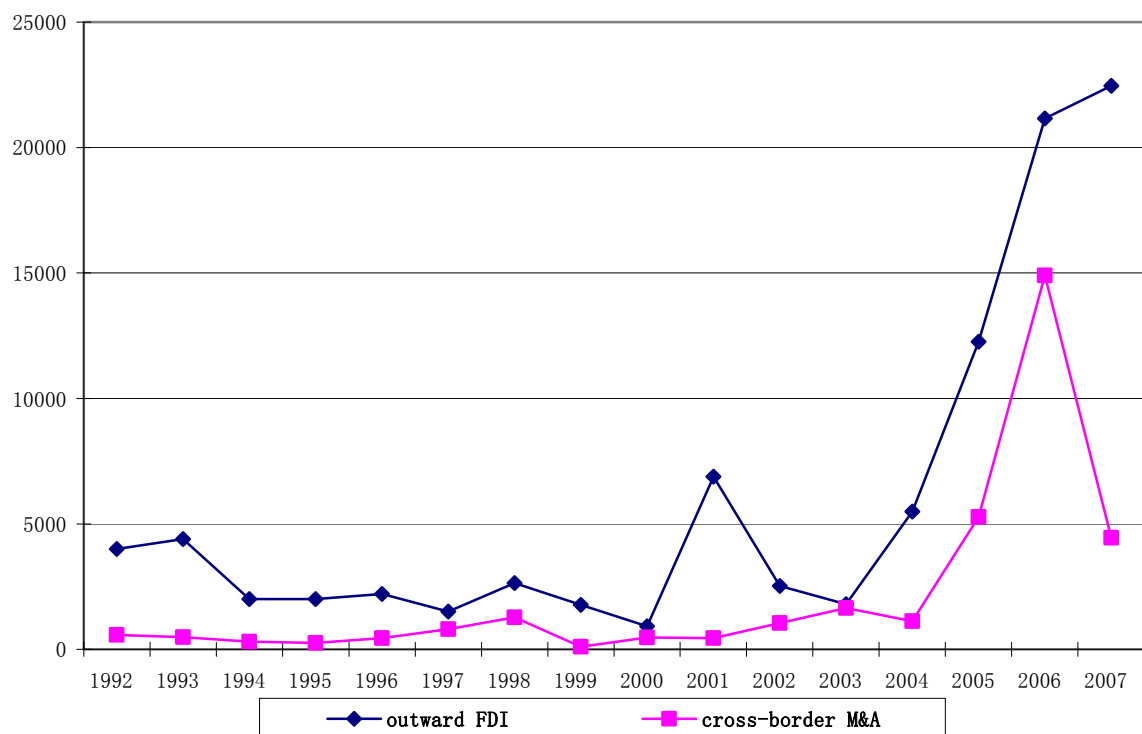
Annex figure 3. FDI outflows from, and inflows into China, 1992-2007  
(Millions of US\$)



Source: UNCTAD, World Investment Report 2008, *op. cit.*

	Inward FDI	Outward FDI
	(Millions of US\$)	
1992	11156	4000
1993	27515	4400
1994	33787	2000
1995	35849	2000
1996	40800	2200
1997	45300	1500
1998	45463	2634
1999	40319	1775
2000	40715	916
2001	46878	6884
2002	52743	2518
2003	53505	1800
2004	60630	5498
2005	72406	12261
2006	72715	21160
2007	83521	22469

Annex figure 4. FDI outflows from China and purchases of cross-border M&A by Chinese multinationals (Millions of US\$)



Source: UNCTAD, *World Investment Report 2008*, *op. cit.*

	Outward FDI	Cross-border M&A
	(Millions of US\$)	
1992	4000	573
1993	4400	485
1994	2000	307
1995	2000	249
1996	2200	451
1997	1500	799
1998	2634	1276
1999	1775	101
2000	916	470
2001	6884	452
2002	2518	1047
2003	1800	1647
2004	5498	1125
2005	12261	5279
2006	21160	14904
2007	22469	4452