Vale Columbia Center
on Sustainable International Investment

A Joint Center of Columbia Law School and
The Earth Institute, Columbia University

MNEs from Emerging Markets: New Players in the World FDI Market

Edited by
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Vishwas P. Govitrikar
Ken Davies

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The Vale Columbia Center on Sustainable International Investment (VCC) seeks to be a leader on issues related to foreign direct investment (FDI) in the global economy, paying special attention to the sustainability dimension of this investment. It 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, please see http://www.vcc.columbia.edu.

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Acknowledgments

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Karl Sauvant
Vishwas Govitrikar
Ken Davies

Partner institutions

Vale Columbia Center on Sustainable International Investment. The Vale Columbia Center on Sustainable International Investment (VCC), headed by Karl P. Sauvant, is a joint undertaking of the 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, paying special attention to the sustainability dimension of this investment, 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 and 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.

Argentina

ProsperAr. ProsperAr is Argentina's Investment Development Agency. Its mission is to attract foreign direct investment and develop domestic investment to contribute to Argentina's competitiveness and sustainable growth with equity. ProsperAr's four main objectives are: to attract and generate investment; to offer investors a unified one-stop facilitation system with personalized professional services throughout the investment process; to optimize the business environment by identifying and tackling possible obstacles to investing locally; and to promote the growth and internationalization of Argentine firms, fostering their vocation for entrepreneurship and innovation, and encouraging their overall competitiveness. For more information, please visit www.prosperar.gov.ar, or contact info@prosperar.gov.ar

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India

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Israel

The Israeli Team. The survey of Israel's leading MNEs is a joint endeavor of the Foreign Trade Division of the Manufacturers Association of Israel, headed by Dan Catarivas (www.industry.org.il), and the two leading business schools in Israel. The project is headed by Seev Hirsch from the Recanati School of Business Administration at Tel Aviv University (www.recanati.tau.ac.il), together with Niron Hashai and Ohad Red from the Jerusalem School of Business Administration at the Hebrew University (bschool.huji.ac.il).

Republic of Korea

Institute of International Affairs, Graduate School of International Studies, Seoul National University. The Institute promotes research in international studies and publishes academic journals on international relations, business and economics, area studies, and other related subjects. It pursues excellence in academic research and has led the development of international studies in the Republic of Korea. For more information, see http://gsis.snu.ac.kr or http://iia.snu.ac.kr.

Mexico

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Russian Federation

SKOLKOVO Moscow School of Management. The Moscow School of Management SKOLKOVO is a joint project by 14 major companies and private individuals in the Russian Federation and international business leaders. Through sharing practical knowledge, SKOLKOVO educates managers and entrepreneurs to help them set up and run their own businesses and contribute to the development of the economy of the Russian Federation. For more information, see www.skolkovo.ru.

Institute of World Economy and International Relations (IMEMO) of the Russian Academy of Sciences – Russian Federation. IMEMO was established in 1956 as a successor to the Institute of World Economy and Politics which had existed from 1925 to 1948. It is the leading Russian Federation research center in the field of world development and one of the world's 50 leading think tanks, according to a special global survey of institutions focusing on public policy, economics, social issues, security, and ecology. The Institute is a non-profit organization that acts within the Charter of the Russian Academy of Sciences. For many years, research carried out by IMEMO has served as a reliable basis for political decision-making. At the same time, IMEMO takes an independent and uncommitted position in its research. The Institute employs approximately 400 researchers, including several members of the Russian Academy of Sciences and more than 260 Professors and PhDs. IMEMO has eleven research centers and several research departments. Since December 2006, the Institute has been directed by Academician and Professor of Economics, Alexander Dynkin. For more information, see http://www.imemo.ru.

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Turkey

Kadir Has University (KHU). The Kadir Has University is located in Istanbul and was founded in 1997. The University has six faculties and the student body is international. The total number of faculty is about three hundred. The main campus of the university is located at the heart of historic Istanbul in a prize–winning set of buildings. KHU has close relationships with a number of foreign universities, including London, Purdue, and Fordham. The Rector of KHU is Prof. Dr. Mustafa Aydin. For more information, see www.khas.edu.tr.

Foreign Economic Relations Board of Turkey (DEIK). Formed in 1988, DEİK aims to pave the way for the development of Turkey's economic, commercial, industrial and financial relations with foreign countries as well as international business communities, by acting as an intermediary between the public and private sectors in both Turkey and abroad. As of November 2009, DEİK has more than 1,500 representatives from more than 700 member companies. The Chairperson of DEİK, Rifat Hisarcıklıoğlu, is also the Chairperson of the Union of Chambers and Commodity Exchanges of Turkey (TOBB). For further information, see http://www.deik.org.tr.

KPMG International Cooperative. KPMG International Coopertive is the coordinating entity for a global network of professional services firms providing audit, tax, and advisory services, with an industry focus. KPMG Turkey was established in 1982 and its offices are located in İstanbul, Ankara and İzmir with approximately 500 professional staff. Through KPMG's Global Industry Groups, knowledgeable people, well-designed products and technologies are combined to help enhance services with industry insights and competitive practices. For more information, see http://www.kpmg.com.tr/index.thtml.

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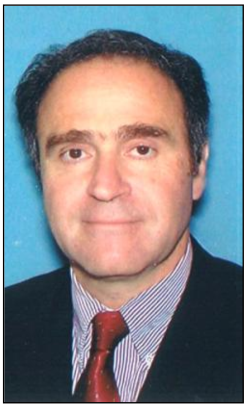

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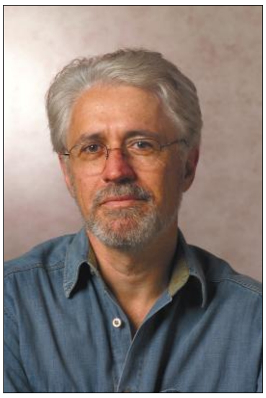

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Foreword

Emerging markets and the growing number of their multinational enterprises (MNEs) – many of them now global players – have attracted rising interest in economic, social and political circles, especially since the turn of the century. Although there were already indications in the 1980s and 1990s that MNEs from the more advanced developing countries were making inroads into the world foreign direct investment (FDI) market, it is only over the past decade that outward FDI from emerging markets has reached proportions that make firms from these parts of the world serious international competitors in an increasing range of industries. Consequently, there is a need to find out more about who these new global players are, the pattern of their expansion, their motivations, and their impact on both the countries of origin and their host countries, as well as policy implications.

During the past few years, outbound FDI from emerging markets has grown faster than FDI from developed countries. While most of this investment has been directed to neighboring markets as measured by the "regionality index" used in this volume, the performance of these firms as reflected in the "transnationality index" – which measures the overall degree of foreign involvement of a firm, also reported here – has also improved because of the growing number of ventures that emerging market MNEs are setting up further afield.

The reasons offered as an explanation of these outward moves are diverse and most often relate to the attempts of firms to expand their market presence, the need to acquire raw materials and established foreign brands, and to access advanced technology and research and development capacities. While many researchers hypothesize that the classic determinants of market seeking, resource seeking and strategic asset seeking explain much of the behavior of these new global players, others are convinced that these determinants do not fully capture these motives, especially for Indian and Chinese outbound investments. Moreover, although some have doubted that these new players in the world FDI market have sufficient ownership-specific advantages to compete successfully in this market, it is generally recognized that the global players presented in this volume have succeeded in accumulating technological, market and other capabilities to do so. Furthermore, the emergence of asset-augmenting FDI by emerging market firms is used to speed up their own technological and economic development and that of their home countries.

While Latin American global players suffered from the economic and financial crisis of 2008 – although less than developed countries and firms based there – MNEs from Asian emerging markets fared much better. Some of the latter took over Western competitors that were struggling to cope with the crisis, often because of the high level of leverage in their balance sheets. Companies in developed countries that needed restructuring presented an opportunity for strategic investors from emerging markets with sufficient funds and, in certain cases, government backing.

With its Emerging Markets Global Players project, the Vale Columbia Center on Sustainable International Investment is laying the groundwork for further research on investors from non-traditional home countries. Although outward FDI from emerging markets is seen by many as being mainly associated with investments from Brazil, the Russian Federation, India, and the People's Republic of China (the BRICs), firms from other developing and transition economies have also been venturing abroad in significant numbers. Thus, this volume also covers the major MNEs from such countries as Argentina, Israel, Mexico, the Republic of

Korea, Slovenia, and Turkey. The fact that firms from these countries are even establishing themselves in developed countries and are often using acquisitions to do so has in certain cases resulted in negative policy reactions in host countries. This makes a better understanding of these new global players even more important.

The Center's project, and hence this volume, provides valuable information about the leading MNEs from emerging markets. Researchers, policy makers and anyone interested in this new phenomenon, be they from emerging markets or host countries, should therefore appreciate it that this information is made available in consolidated form in this volume. In provides comparative and longitudinal data that help to improve our empirical knowledge, facilitate theoretical insights and assist policy analyses.

Daniel Van Den Bulcke
Emeritus Professor
University of Antwerp

Preface

The rise of foreign direct investment (FDI) from emerging markets has become a focus of attention since the turn of the century. Over the past few years, firms from these markets have become major investors abroad, complementing their home countries' traditional role as *recipients* of FDI.

Even during the first year of the global financial and economic crisis, in 2008, outflows from these economies continued to grow, reaching US$ 350 billion, seven times the average of *world* FDI flows during the first half of the 1980s. While outflows fell in 2009, they did so by considerably less than those from developed countries. MNEs from emerging markets have clearly become important players in the world FDI market.

While this is not a new phenomenon, the magnitude it has reached recently is new. With it, a number of issues have arisen for emerging market global players, as have a number of policy issues relating to host and home countries. Yet the investing enterprises are typically less well known than their counterparts in the developed world and little has been done hitherto to chart their progress systematically.

If this remarkable phenomenon is to be properly understood and its implications for public policy and corporate strategy grasped, the first need is for reliable and comparable data on the activities of emerging market MNEs. Gathering such data is part of the objective of a unique collaborative effort launched by the Vale Columbia Center in 2007: the Emerging Market Global Players (EMGP) project. This project brings together researchers on FDI from leading institutions in emerging markets to produce annual reports on (usually) the top 20 MNEs from each of a number of emerging markets. (The authors of each report are listed in the acknowledgement page, and their bios can be found below.)

The 11 chapters in this volume contain reports for the 11 countries covered so far: Argentina, Brazil, The People's Republic of China, Hungary, India, Israel, the Republic of Korea, Mexico, the Russian Federation, Slovenia, and Turkey. These reports altogether identify some 212 emerging market MNEs. Reports on other countries are in process and will be added online at http://www.vcc.columbia.edu/content/emerging-market-global-players-project-0.

For each emerging market, MNEs are ranked in the order of the value of their foreign assets; their foreign sales and employment totals are also given. This information, together with a description of the geographical spread and sectoral distribution of these enterprises, gives a basic statistical picture of the activities of the leading outward investors from emerging markets. A transnationality index provides a rough indicator of how important foreign activities are in each firm's total activity, while a regionality index displays each enterprise's global spread.

To this still picture of the state of emerging market global players in a given year is then added a dynamic dimension in the form of a brief analysis of the trend of outward investment by these enterprises. The focus is in particular on the response to the financial and economic crisis of 2008-2009. Was the impact wholly negative? Or did the crisis, emanating from the developed countries, provide a window of opportunity for these “new kids on the block”?

The value of this collection is that it provides an up-to-date insight into the development of one of the most rapidly growing (and little known) elements of globalization – investment from emerging markets – from the inside, i.e. as seen by independent observers in the source countries themselves. Such insight is essential to understanding not only the emerging world economic order, in which investment moves South-South and South-North as well as North-South and North-North but also the adjustments in the global balance of power of which this process is a part.

We hope this volume will be useful to researchers who seek to understand the salient features of emerging market MNEs, to those responsible for framing government policies toward international investment and to MNEs from emerging economies and their counterparts in the developed world with whom they compete and cooperate.

New York, January 2011

Karl P. Sauvant
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Ken Davies

List of abbreviations

BRIC - Brazil, Russia, India, China

FDI - foreign direct investment

GDP - gross domestic product

IFDI – inward foreign direct investment

IMF - International Monetary Fund

IT – information technology

M&A - mergers and acquisitions

MNE - multinational enterprise

NAFTA - North American Free Trade Agreement

OECD - Organisation for Economic Co-operation and Development

OFDI – outward foreign direct investment

R&D - research and development

UNCTAD - United Nations Conference on Trade and Development

WTO - World Trade Organization

Chapter 1 – Argentina's global players

Diversified success in internationalization in 2006-2008

Beatriz Nofal, Luciana Pagani, Cecilia Nahón, María Eugenia Donadille, and Carolina Fernández[1]

The first survey of Argentine MNEs, released on August 13, 2009, covers the period 2006-2008. The report includes a ranking of Argentine MNEs based on their foreign assets (see table 1 below). The 19 MNEs listed held over US$ 19 billion in foreign assets in 2008. Techint Group, which ranked first, accounted for somewhat over US$ 17 billion and Arcor followed with nearly US$ 500 million in foreign assets in 2008. Combined, the 19 companies included in the survey registered foreign sales of around US$ 21 billion in 2008 and employed 42,400 workers abroad. In 2007, Argentina was the 15th largest outward investor in terms of FDI stock among emerging markets and the 25th largest in terms of outward FDI flows, well below the BRIC countries.[2] Argentine companies' overseas investments were primarily in basic metal products, food products, pharmaceuticals, and crop and animal production. The rest range over a number of industries, including civil engineering, computer and electronic products, chemicals, IT services, waste collection and disposal, and R&D activities. These varied successes in internationalization suggest that there is room for many other Argentine firms to spread their wings, even if they are small by international standards.

To date the impact of the international economic crisis on Argentine outward foreign direct investment (OFDI) has been moderate. Following a rise of 27% in 2007, foreign assets of the 19 MNEs in the ranking experienced a slight decline of 2% in 2008. At the aggregate level, Argentine OFDI flows contracted 10% in 2008, but were up 14% during the first quarter of 2009. However, the international financial crisis and the global economic downturn, with the resulting credit crunch and financial restrictions, could have a greater impact over the course of the year.

Argentine companies stand out among their peers from other developing countries as pioneers in outward foreign direct investment (OFDI), with examples that date back to the end of the 19th century and the beginning of the 20th century. The early experiences of companies such as Alpargatas, Bunge & Born, Siam Di Tella, Quilmes, and Aguila-Saint paved the way for other Argentine MNEs like Techint, YPF (the national oil company), Perez Companc, Arcor, Bagó, and Impsa, among many others. Although many of these companies remain international players, some of them were sold to foreign

[1] Juan Savino and Nicolas Nowosad also contributed to the gathering and processing of the data.

[2] Ranking based on United Nations Conference on Trade and Development (UNCTAD), World Investment Report, 2008 (New York and Geneva: United Nations, 2008).

investors during the 1990s and early 2000s.[3] The ranking thus includes both Argentine MNEs with a long tradition of investing abroad and companies whose internationalization is more recent.

Table 1 ranks 19 Argentine MNEs—firms with head offices in Argentina that have management control over at least one foreign affiliate in another country—by their *foreign* assets. As not all candidate companies responded to the survey and reliable public information was not always available, the 19 firms listed below cannot be described as *the largest* outward investors from Argentina. However, they are certainly *among* the largest. In collective terms, the companies selected are representative of how Argentine corporations have evolved to acquire an international dimension over the past few years.

The main findings of the survey include the following:

The 19 listed[4] Argentine MNEs together had US$ 19 billion[5] in assets abroad in 2008 (table 1), about US$ 21 billion in foreign sales[6] and 42,400 foreign employees (table 2).[7] Their assets, sales and employees abroad increased by 25%, 68% and 19%, respectively, between 2006 and 2008 (table 2). The largest concentration of foreign affiliates was in South America (201 affiliates), representing 64% of all foreign affiliates.

The Techint Group represented 91% of the total amount of foreign assets held by the 19 companies surveyed. Arcor ranked second and accounted for 3% of total foreign assets. The combined foreign assets of the 19 firms represented 68% of the US$ 28 billion in foreign stock held by Argentine companies in 2008 (Annex figure 7).[8]

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[3] Out of the companies mentioned, Alpargatas, Quilmes, YPF and the oil and derivatives components of Perez Companc were sold to foreign investors; Aguila-Saint was sold to a national MNE (Arcor); and Siam Di Tella has gone out of business. Techint, Arcor, Bagó and Impsa remain Argentine MNEs and are included in the present ranking. Bunge & Born went trough a significant process of restructuring in the 1990s and does not exist any longer as Bunge & Born. It is now mainly an international company based in the United States.

[4] ProsperAr conducted several rounds of surveys with the largest Argentine MNEs. In addition, extensive research was done from publicly available data to determine levels of foreign assets. While the initial goal of this survey was to create a ranking of 20 companies, 19 are included in this first annual report. We expect future rankings to be more comprehensive and to include a larger number of companies.

[5] The following Argentine Peso/US Dollar exchange rates, based on the rates of the International Monetary Fund (http://www.imf.org) at the end of each year, were used throughout for asset values: 3.45 (2008); 3.15 (2007); 3.06 (2006). For sales values, the following annual average exchange rates, based on the rates of the Argentine Central Bank, were used: 3.16 (2008); 3.11 (2007); 3.07 (2006).

[6] Foreign sales are sales of foreign affiliates and exclude exports from headquarters in Argentina. However, since inter-company sales are not counted as exports, some part of foreign sales may be exports passing through.

[7] The corporations included are, for the most part, economic holdings that consolidate information pertaining to a number of legally independent companies linked by common capital ownership and strategic decision-making. Given the methodology of this project, the data included in the report may differ from figures published in the companies' annual reports as the report includes information on assets, sales and employees of firms controlled both locally and abroad which may not be consolidated in a single balance sheet.

[8] The high share level is partly due to the fact that the figures for outward FDI stock and foreign assets of the firms listed in the ranking are not entirely comparable. In particular, the estimate of foreign assets published by UNCTAD (shown in annex figure 7), which is based on Argentina's balance-of-payment figures, only includes a portion of the foreign assets corresponding to the Techint Group, given its Italian-Argentine origin. In this survey, the total sum of the Group's foreign assets is taken into consideration, as the criterion of nationality established by this project's methodology is the location for strategic decision-making, which is in Argentina.

Profile of the 19 firms on the list:

Growth of foreign assets. Foreign assets increased by 25% between 2006 and 2008 to US$ 19 billion (table 2). The growth was the result of a rise of 27% in external assets in 2007, which was followed by a slight decline of 2% in 2008, most probably due to the global crisis. Foreign employment followed a similar growth pattern, increasing by 22% in 2007, and then dropping slightly in 2008 to 42,400 persons. Growth in assets and employment within Argentina in 2008 offset the decline in assets and employment abroad, resulting in a net increase in total assets and employment during the same period.

Foreign sales expansion. Foreign sales grew 26% in 2007 and 33% in 2008 to reach a figure of just over US$ 21 billion. Total sales also increased over this period, although at a slightly slower rate than foreign sales.

Table 1. Ranking of 19 of the largest Argentine MNEs investing abroad, 2008 (US$ millions)

Rank	Name	Industry	Foreign assets
1	Techint Group [a]	Conglomerate	17,406
2	Arcor S.A.I.C.	Food products	491
3	IMPSA [b]	Machinery and equipment	300
4	Bagó Group[c]	Pharmaceuticals	192
5	Molinos Rio de la Plata S.A.	Food products	190
6	Los Grobo Group	Crop and animal production	175
7	Cresud	Crop and animal production	68
8	Roemmers	Pharmaceuticals	58
9	TECNA	Specialized construction activities	50
10	Iecsa S.A.	Civil engineering	50
11	S.A. San Miguel A.G.I.C.I.	Food products	23
12	BGH	Computer and electronic products	15
13	CLISA [d]	Waste collection & disposal activities	8
14	Petroquímica Rio Tercero S.A.	Chemicals	8
15	Assa Group	IT Services	7
16	Plastar Group	Rubber and plastics products	5
17	Sancor Coop. Unidas Ltda.	Food products	3
18	Havanna [e]	Food and beverage service activities	2
19	Bio Sidus [f]	Scientific research and development	1
Total			19,052

***Source*:** ProsperAr - Vale Columbia Center survey of Argentine MNEs.

a The Techint Group was created ad hoc to comply with the project's methodological requirements according to which "a group or conglomerate of companies is considered as a single enterprise". For the purpose of this ranking, the Techint Group is comprised of four companies: Tenaris, Terniun, Techint Compañía Técnica Internacional and Tecpetrol (see Box 1 for more details).

[b] Company belonging to the Pescarmona Group, although only data specific to IMPSA (the group's flagship company) were available.

[c] Includes information on Biogénesis Bagó, a leading pharmaceutical firm specialized in animal health with foreign affiliates in six countries and US$ 11 million in foreign assets in 2008.

[d] The company is also active in civil engineering and land transport services.

[e] While Havanna is a food producer, its internationalization process is based on the food and beverage service business. (Food production is still located in Argentina.)
[f] Company belonging to the Sidus Group, although only data specific to Bio Sidus were available.

Key drivers. According to the companies surveyed, the primary motive driving their internationalization process has been the search for new markets or the preservation of existing ones. Argentine companies have also been making efficiency-seeking investments abroad, in order to benefit from economies of scale and/or risk diversification. In some cases, the drivers for investment are certain competitive advantages, such as a favorable cost scenario, highly qualified human resources, or the companies' ability to meet international quality standards.

High concentration. The first position in the ranking—representing 91% of total foreign assets controlled by the 19 companies included in the survey—is held by the Techint Group. The conglomerate includes two companies of international stature—Tenaris and Ternium—both global leaders in the steel manufacturing sector with a network of production centers all over the world. Arcor, in second place, is one of the leading global candy exporters and has most of its production facilities in Latin America, although it has a global presence as the world's largest hard candy producer.

Box 1. The Techint Group

Techint is a group of companies, all sharing an original philosophy, present in over 100 countries with global earnings of around US$ 26 billion. For the purpose of this ranking, the figures for Techint Group are derived from those four companies: Tenaris, Ternium, Tecpetrol, and Techint Ingeniería & Construcción. Together, they account for almost 80% of the conglomerate's global earnings.

Consolidated figures for Techint Group in this report have been calculated for statistical purposes only and are based on information provided by each of the companies mentioned above. While the four companies have the same main stakeholders and decision makers, their financial statements are presented separately. The Techint Group was created *ad hoc* to comply with the project's methodological requirements, according to which "a group or conglomerate of companies is considered as a single enterprise".

The four companies mentioned above are managed from Argentina and are the components of the Group that have made the most progress in their internationalization process. (Data on the remaining 20% were not available.) The main areas of business are the manufacturing of steel pipes (Tenaris), of flat and long steel products (Ternium), engineering and construction (Techint Ingeniería & Construcción), and energy (Tecpetrol). Ternium has the highest number of foreign affiliates, 53 in 16 countries, followed by Tenaris (26 foreign affiliates in 14 countries), Tecpetrol (three foreign affiliates in three countries) and Techint Ingeniería & Construcción (four foreign affiliates in four countries). It is also worth highlighting that Tenaris and Ternium were the main drivers behind the Techint Group's strong global presence over the last two decades.
Details on local and foreign assets, sales and employment for each of the four companies are presented in the table below.

Box Table 1. Key variables for Techint Group's companies included in the ranking, 2008 (US$ million and number of employees)

Name	Assets		Sales		Employment	
	Foreign	Total	Foreign	Total	Foreign	Total
Tenaris S.A.	13,589	15,101	11,012	12,132	17,150	23,873
Ternium S.A.	3,790	4,835	6,131	8,465	10,042	15,651
Tecpetrol	23	414	0	346	0	425
Techint Cía. Técnica Int.	4	300	5	359	0	7,564
Total	**17,406**	**20,651**	**17,148**	**21,302**	**27,192**	**47,513**

Source: ProsperAr - Vale Columbia Center Survey of Argentine MNEs.

Value of foreign assets. Foreign assets and sales as a percentage of the total assets and sales of these companies were about 66% and 68%, respectively, in 2008, whereas foreign employment was 37% of total employment (table 2). Excluding Techint Group, foreign assets and sales as a percentage of the total assets and sales were 20% and 40%, respectively, in 2008, whereas foreign employment accounted for 22% of total employment.

Modest size. In size, Argentine MNEs clearly lagged behind some of their emerging-market counterparts, with the noticeable exception of the Techint Group. Only this conglomerate had over US$ 10 billion in foreign assets in 2008 and employed a significant number of people abroad (over 20,000) (Annex Table 1).

Roots of the internationalization process. OFDI has gone through various phases in Argentina. The beginnings of the internationalization process of most of the companies included in this ranking range over a 40-year period (Annex figure 1). Techint Group stands out here, with its internationalization beginning as early as 1947. Two other companies (Grupo Bagó and Clisa) opened their first major affiliates abroad during the 1970s; three more did so during the 1980s. Most of the companies surveyed began their process of internationalization in the past two decades: four in the 1990s and another nine since 2000.

Foreign affiliates. The 19 companies on the list have 315 foreign affiliates in 42 countries. The Techint Group has 86 foreign affiliates in 27 countries, mainly in North America. Havanna follows with 66 foreign affiliates (mostly branches) in eight host countries; Los Grobo Group with 30 foreign affiliates (mostly sales offices) in three host countries; Arcor, with 27 foreign affiliates in 16 countries; and Bagó Group, with 26 foreign affiliates in 20 countries (Annex table 1).

Table 2. Overview of the 19 listed Argentine MNEs, 2006-2008 (US$ millions)

Variable	2006	2007	2008	% Change 2006-2008
Assets				
Foreign	15,239	19,407	19,052	25
Total	18,027	27,268	28,978	31
Share of foreign in total (%)	69	71	66	
Sales				
Foreign	12,546	15,793	21,081	68
Total	18,649	24,344	31,080	66
Share of foreign in total (%)	67	65	68	
Employment				
Foreign	35,769	43,589	42,437	19
Total	92,514	113,916	115,631	25
Share of foreign in total (%)	39	38	37	

Source: ProsperAr - Vale Columbia Center Survey of Argentine MNEs.

Distribution by industry. The companies on the list are from 14 different industries (Annex figure 2). In terms of foreign assets, the Techint conglomerate is the most prominent as it represents 91% of the total sum of foreign assets, mostly corresponding to the basic metal products sector. Second and third places are held by food products (4%) and machinery and equipment (2%). In terms of *numbers* of firms, food production is the leading industry, represented by four out of the 19 companies, followed by the pharmaceuticals sector and crop and animal production each represented with two companies. It should also be noted that 11 out of the 19 companies are involved in manufacturing, although some of them have branched out into other industries or into activities linked to the services sector.

Geographic distribution of foreign affiliates. The 315 affiliates are mostly concentrated in South America (64%) and North America (17%), followed by Europe (8%) and Central America (7%), as indicated by the Regionality Index (Annex table 2) and shown on the map of foreign affiliates (Annex figure 3). Within South America, there is a concentration of affiliates in the countries neighboring Argentina: Brazil (34% of South American affiliates), Uruguay (16%), Chile (16%), Paraguay (6%) and Bolivia (5%).

Distribution by region and industry. The geographic distribution of the foreign affiliates of the 19 Argentine MNEs varies from sector to sector (Annex figure 4). The Techint conglomerate shows the largest concentration of foreign affiliates in North America (59%) and Europe (21%), while food products and machinery and equipment are largely concentrated in South America (81% and 86%, respectively). Unlike global MNEs, the Argentine MNEs from the pharmaceuticals industry hold most of their assets in South and North America (59% and 36%, respectively).

Multinationality Index. The Multinationality Index ranking the main variables held abroad again places the Techint Group in the first position (Annex table 1). However, unlike the foreign assets ranking, the top five in this one include TECNA, an infrastructure services company, the ASSA Group which provides software and IT services, and the Los Grobo Group, a crop and animal production company. The pharmaceuticals leader Bagó Group is included in the top five of both rankings.

Private capital. None of the companies on the list is a state-owned enterprise. Indeed, the state owns no equity in any of these firms.

Capital markets. Of the 19 companies selected, seven were listed on the Buenos Aires Stock Exchange and two companies were listed on at least one Argentine Board of Trade. One is also listed on the New York Stock Exchange, one on the NASDAQ, one on the Mexico Stock Exchange, one on the Luxembourg Stock Exchange and one on the Milan Stock Exchange. Eleven of the companies are unlisted, being privately held.

Localization. The head offices of 12 of the companies on the list selected are located in the city of Buenos Aires (Annex figure 5), while the rest are based in the provinces of Buenos Aires (4), Mendoza (1), Santa Fe (1) and Tucuman (1).

Local management. The top management of the companies on the list is mostly local, with 81% of the directors and 79% of the managers being of Argentine nationality. Based on data from five companies, foreign directors and top management are predominantly Brazilian (44%), followed by Italian and Mexican (19% each), Uruguayan (13%) and Chilean (6%).

Official languages. The official language of 13 of the 19 selected companies is Spanish, while six companies use at least one other official language (three use Portuguese, two use English and one uses Portuguese and English).

Top mergers and acquisitions. The most significant merger and acquisition (M&A) operation by value carried out by an Argentine MNE in the last three years was Ternium's purchase of 100% of the Mexican steel producer Grupo IMSA in 2007 for US$ 1.7 billion (Annex table 3).

Top greenfield investment announcements. The headline announcements of investments abroad by Argentine companies in 2008 include investments made by Techint Group for over US$ 6.6 billion in Mexico and IMPSA's investments in the energy generation sector in several South American countries (Brazil, Venezuela and Ecuador) and in Vietnam, totaling US$ 2 billion (Annex table 4).

The big picture

Argentine firms have led the way in OFDI among developing countries, with examples that date back to the end of the 19th century and the beginning of the 20th century. Companies like Alpargatas, Bunge & Born, Siam Di Tella, Quilmes and Aguila-Saint stand out as OFDI pioneers in Latin America. The trend continued into the 1970s, as Argentine firms were involved in the first wave of corporate internationalization from developing countries. However, in the 1980s, this involvement tailed off as the foreign debt crisis and ensuing macroeconomic volatility in Latin America, in general, and in Argentina, in particular, reduced the investment capacity of Argentine MNEs and resulted in fewer business opportunities in the region. Therefore, Argentine and Latin American companies played a lesser role in the new wave of internationalization carried out by MNEs from other emerging markets, mostly Asian economies. Publicly owned oil companies were the only exception to this trend in Latin America.

The situation shifted once more in the 1990s as a result of both international and domestic factors. At the international level, high liquidity for emerging markets prevailed until the Asian financial crisis in 1997 and the Russian debt moratorium in 1998. In Argentina, stabilization, growth and reform promoted trade and financial openness, an overvaluation of the domestic currency in relation to the US dollar and the consolidation of key business groups. As a consequence, OFDI rose rapidly from very low levels in the 1980s to reach a peak in 1997 (US$ 3.6 billion), falling gradually afterwards. On average, yearly OFDI flows were of US$ 1.6 billion during the period 1992-2000 (Annex figure 6). Other main Latin American economies underwent a similar process of international expansion.

During the nineties, inward foreign direct investment (IFDI) also increased significantly, to an annual average of US$ 7.1 billion during the period 1990-2000. The high volume can be attributed in part to the broad privatization process in Argentina in the 1990s, which brought in considerable amounts of FDI. Annual inflows net of privatizations were only US$ 4.6 billion during the period 1990-2000.

The 2001-2002 crises brought about a brief interruption of both inward and outward investment flows. By 2003, OFDI had resumed and, over the next four years, reached an annual average of US$ 1.3 billion. In 2008, FDI outflows were US$1.4 billion, higher than the average for the entire period but down 10% from 2007. Argentina continues, however, to be a net recipient of FDI. Inflows have grown faster than OFDI, reaching an annual average of US$ 6.1 billion in the period of 2004-2008, surpassing average annual flows net of privatizations during the 1990s.9

As a result of the increase in outward flows, the OFDI stock rose from about US$ 6 billion in 1990 to US$ 21 billion in 2000 and reached nearly US$ 27 billion in 2007 (Annex figure 7). This stock level places Argentina among the leading outward investing countries in Latin America, below Brazil and Mexico, and close to Chile. In 2007, Argentina ranked 15th among emerging markets in foreign stock and 25th in OFDI flows.

Argentine companies investing abroad usually locate first in other Latin American countries, a strategy also employed by other Latin American companies as they expand abroad. The two primary modes of entry into foreign markets are acquisition and joint ventures with local partners.

Conclusions

There are three broad observations that may be made about the material presented in this report. First, while international economic conditions have been important determinants of OFDI trends—particularly financial conditions—Argentina's own economic cycle has also had a role in shaping OFDI patterns, as reflected in the pro-cyclical behavior of Argentine outward investment flows through the years. In addition, the exchange rate played a role in OFDI flows, mainly during the 1990s when currency overvaluation facilitated outward investment.

Second, Argentina has not formulated specific policies or instruments to offer financial support to outward investors. Hence, for the most part, companies have financed their

[9] ProsperAr, "Reporte de Inversión 2008", December 2008 and OECD, "Investment policies and economic crises: Lessons from the past" (Paris: OECD, April 2009).

international investments with debt or equity in international markets or with reinvested earnings. A lack of long-term financing and past macroeconomic volatility have been limiting factors in the growth and international expansion of Argentine companies. Particularly, Argentine companies have a much smaller access to domestic credit relative to companies in other countries in the region (such as Brazil and Chile in South America).

Finally, regionalization as a first step in internationalization has not been a random choice for MNEs in either Argentina or Latin America more generally. It comes out of a broader strategy that builds on trade integration within Latin America and MERCOSUR. Trade agreements in the region in general, and MERCOSUR in particular, not only aim to promote greater trade flows between Latin American countries, but also to facilitate the internationalization of local companies and enhance the ability of these countries to face the challenges and secure the benefits of globalization. In this broader strategy, the region is the natural platform from which companies can launch themselves into the world

Annex Table 1. Ranking of the 19 Argentine MNEs listed, key variables, 2008 (US$ million and number of employees)

Ranking				Assets [h]		Sales [i]		Employment				
By foreign assets	**By multi-natio-nality index [a]**	**Name**	**Industry**	**Foreign**	**Total**	**Foreign**	**Total**	**Foreign**	**Total**	**Multinationality Index (%)**	**N° of foreign affiliates**	**N° of host countries**
1	1	Techint Group [b]	Conglomerate	17,406	20,651	17,148	21,302	27,192	47,513	74	86	27
2	6	Arcor S.A.I.C.	Food products	491	1,341	846	2,259	7,192	20,416	36	27	16
3	7	IMPSA [c]	Machinery and Equipment	300	919	138	483	2,167	5,619	33	11	11
4	5	Bagó Group[d]	Pharmaceuticals	192	555	329	713	2,776	6,106	42	26	20
5	8	Molinos Rio de la Plata S.A.	Food products	190	1,075	2,038	2,534	60	4,593	33	15	8
6	4	Los Grobo Group	Crop and Animal Production	175	343	210	588	499	1,014	45	30	3
7	16	Cresud	Crop and Animal Production	68	1,582	13	167	1	391	4	5	5
8	10	Roemmers	Pharmaceuticals	58	367	33	388	728	2,758	17	3	3
9	2	TECNA	Specialized construction activities	50	57	65	92	313	827	66	9	8
10	14	Iecsa S.A.	Civil Engineering	50	439	22	285	18	2,128	7	10	6
11	11	S.A. San Miguel A.G.I.C.I.	Food products	23	187	17	198	249	1,215	14	9	2
12	9	BGH	Computer and Electronic products	15	232	160	421	269	1,377	21	5	4
13	17	CLISA [e]	Waste collection & Disposal activities	8	599	3	597	300	15,000	1	4	4
14	15	Petroquímica Rio Tercero S.A.	Chemicals	8	91	11	153	6	336	6	1	1
15	3	Assa Group	IT Services	7	25	31	48	500	920	48	5	5
16	13	Plastar Group	Rubber and Plastics products	5	52	6	94	25	547	7	1	1
17	18	Sancor Coop. Unidas Ltda.	Food products	3	381	7	666	42	3,773	1	1	1
18	12	Havanna [f]	Food and beverage service activities	2	45	3	52	100	870	7	66	8
19	19	Bio Sidus [g]	Scientific research and development	1	38	0	38	0	228	1	1	1
Total				19,052	28,978	21,081	31,080	42,437	115,631		315	42

***Source*:** ProsperAr - Vale Columbia Center Survey of Argentine MNEs.

[a] The Multinationality Index 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.

[b] For the purpose of this ranking, the Techint Group is comprised of four companies: Tenaris, Terniun, Techint Compañía Técnica Internacional and Tecpetrol (see Box 1 for more details).

[c] Company belonging to the Pescarmona Group, although only data specific to IMPSA (the group's flagship company) were available.

[d] Includes information on Biogénesis Bagó, a leading pharmaceutical firm specialized in animal health with foreign affiliates in six countries and US$ 11 million in foreign assets in 2008.

[e] The company is also active in civil engineering and land transport services.

[f] While Havanna is a food producer, its internationalization process is based on the food and beverage service business (food production is still located in Argentina).

[g] Company belonging to the Sidus Group, although only data specific to Bio Sidus were available.

[h] The following Argentine Peso/US Dollar exchange rate, based on the rate of the International Monetary Fund at the end of the year, was used for 2008: 3.45.

[i] The following Argentine Peso/US Dollar exchange rate, based on the average annual rates of the Argentine Central Bank, was used for 2008: 3.16.

Annex Table 2. The listed Argentine MNEs: Regionality Index,[a] 2008

Company	South America	North America	Europe	Central America	Asia	South-Eastern Asia and Oceania	Middle East and Africa
Techint Group	29	45	14	11	1	-	-
Arcor S.A.I.C.	67	15	11	-	3	4	-
IMPSA	45	9	-	-	27	-	18
Bagó Group	50	8	4	31	8	-	-
Molinos Rio de la Plata	60	13	27	-	-	-	-
Los Grobo Group	100	-	-	-	-	-	-
Cresud	80	20	-	-	-	-	-
Roemmers	100	-	-	-	-	-	-
TECNA	67	22	11	-	-	-	-
Iecsa S.A.	70	-	20	10	-	-	-
S.A. San Miguel A.G.I.C.I.	67	-	-	-	-	33	-
BGH	100	-	-	-	-	-	-
CLISA	100	-	-	-	-	-	-
Petroquímica Rio Tercero S.A.	100	-	-	-	-	-	-
Assa Group	40	40	20	-	-	-	-
Plastar Group	-	100	-	-	-	-	-
Sancor Coop. Unidas Ltda.	100	-	-	-	-	-	-
Havanna	94	-	1	5	-	-	-
Bio Sidus	-	100	-	-	-	-	-

***Source*:** ProsperAr - Vale Columbia Center Survey of Argentine MNEs.

[a] The Regionality Index is calculated by dividing the number of a firm's foreign affiliates in a particular region of the world by its total number of foreign affiliates and multiplying the result by 100.

Annex Table 3. Top Argentine outward M&A transactions, 2006-2008

Rank	Date	Acquirer name	Target name	Target industry	Target country	Deal value (US$ million)	% of shares acquired
1	06/12/06	Tenaris SA	Maverick Tube Corp	Materials	United States	3,096	100
2	02/12/07	Tenaris SA	Hydril Co LP	Energy and power	United States	2,212	100
3	04/30/07	Ternium SA	Grupo Imsa SA	Materials	Mexico	1,727	100
4	05/02/07	Ternium S.A.	IMSA	Basic metals products	Mexico	1,700	100
5	06/24/08	Grupo Los Grobo SA	Sementes Selecta	Consumer staples	Brazil	455	90
6	10/12/06	Bemberg Investments SA	Empresas La Polar S.A.	Retail	Chile	160	20
7	05/31/07	Forestadora Tapebicua SA	FANAPEL	Materials	Uruguay	45	55
8	06/14/07	Forestadora Tapebicua SA	FANAPEL	Materials	Uruguay	24	26
9	01/22/08	Mercadolibre Inc	Classified Media Group Inc	Retail	Panama	19	100
10	07/08/08	Grupo Los Grobo SA	Ceagro Business	Consumer staples	Brazil	16	40
11	10/22/08	Molinos Rio de la Plata SA	Cia Alimenticia de los Andes	Consumer staples	Chile	13	49
12	07/25/08	Agrometal SA	Fankhauser SA	Consumer products and services	Brazil	5	60

***Source*:** ProsperAr and Thomson Financial (courtesy U.S. Chinese Services Group, Deloitte LLP).

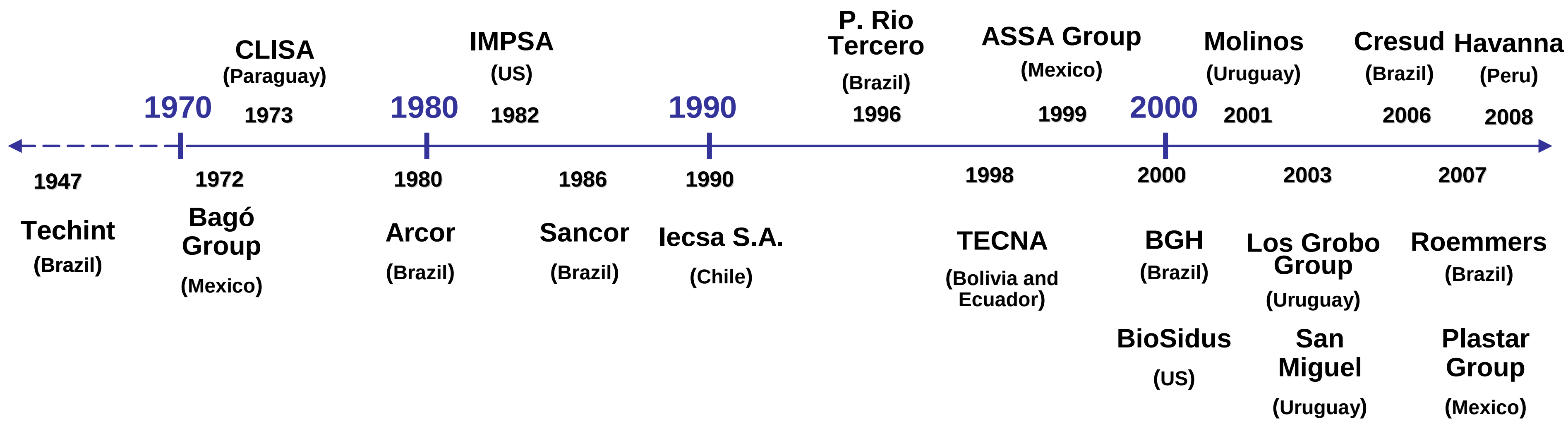
Annex Table 4. Announced Argentine outward greenfield investments - 2006-2008

Date	Company name	Destination country	Sector	Value (US$ million)
09/03/08	Techint Group [a]	Mexico	Steel	6,600
08/25/08	IMPSA	Brazil	Energy	750
01/21/08	IMPSA	Venezuela	Energy	520
02/08/08	IMPSA	Ecuador	Energy	480
10/01/08	IMPSA	Vietnam	Energy	250
10/10/07	José Cartellone S.A.	Jamaica	Civil engineering	99
10/10/07	José Cartellone S.A.	Bahamas	Civil engineering	90
09/19/07	Atanor S.C.A.	Brazil	Chemical products	80
09/15/07	Arcor	Mexico	Food products	60
10/12/07	Ocasa	South-East Asia	Courier activities	60
07/11/07	Tenaris S.A.	Mexico	Steel	50
10/23/08	Oil Fox	Paraguay	Biofuels	50
07/17/08	Cubecorp-Byte Tech	Jordania	IT Services	50
10/18/08	Tenaris S.A.	People’s Republic of China	Steel	35
11/16/07	IMPSA	Brazil	Energy	30
12/18/08	Consultatio	Uruguay	Construction	30
11/21/08	Cresud	Bolivia - Paraguay	Crop and animal production	n/a

Source**:** ProsperAr - Vale Columbia Center Survey of Argentine MNEs.

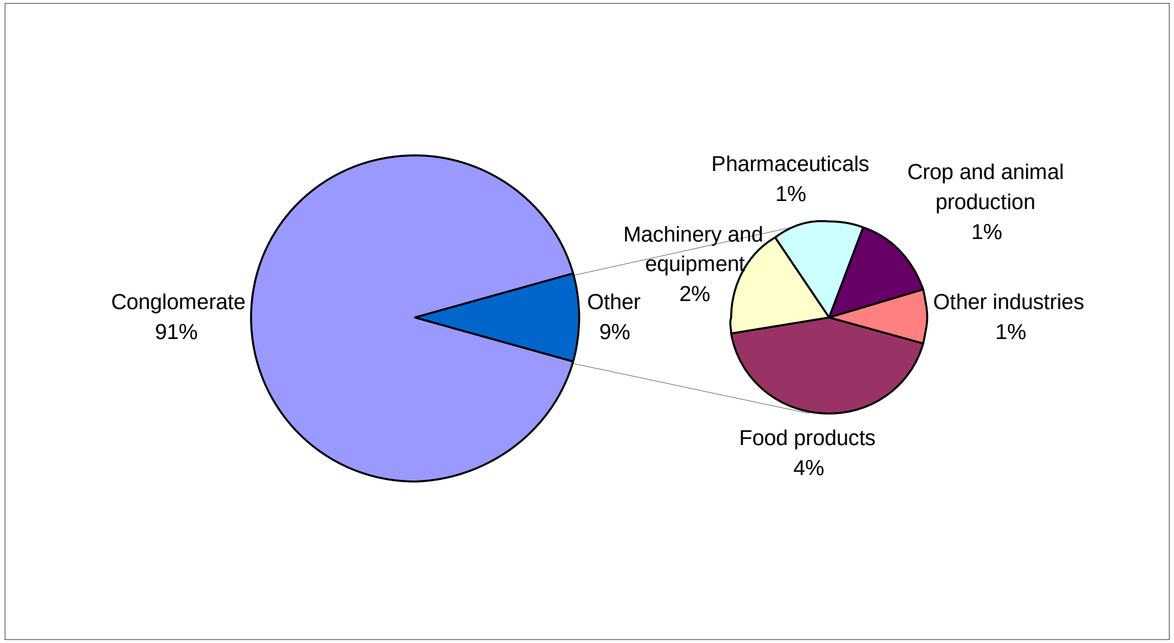
[a] Out of the US$ 6,600 million in greenfield investments announced by Techint Group, around US$ 2,600 million are for Tenaris to increase production of seamless tubes (US$ 1,600 million to build a plant in Veracruz and US$ 1,000 million for the development of a mining project regarding iron reserves in the western states of Colima, Jalisco and Michoacán). The remaining amount corresponds to other long-term investments (5-year horizon) by Tenaris and Ternium for which detailed information was not available.

Annex Figure 1. Timeline tracking the opening of the first major foreign affiliate by each of the listed companies



Source: ProsperAr - Vale Columbia Center Survey of Argentine MNEs.

Annex Figure 2. Breakdown of the foreign assets of the Argentine MNEs listed, by main industry - 2008

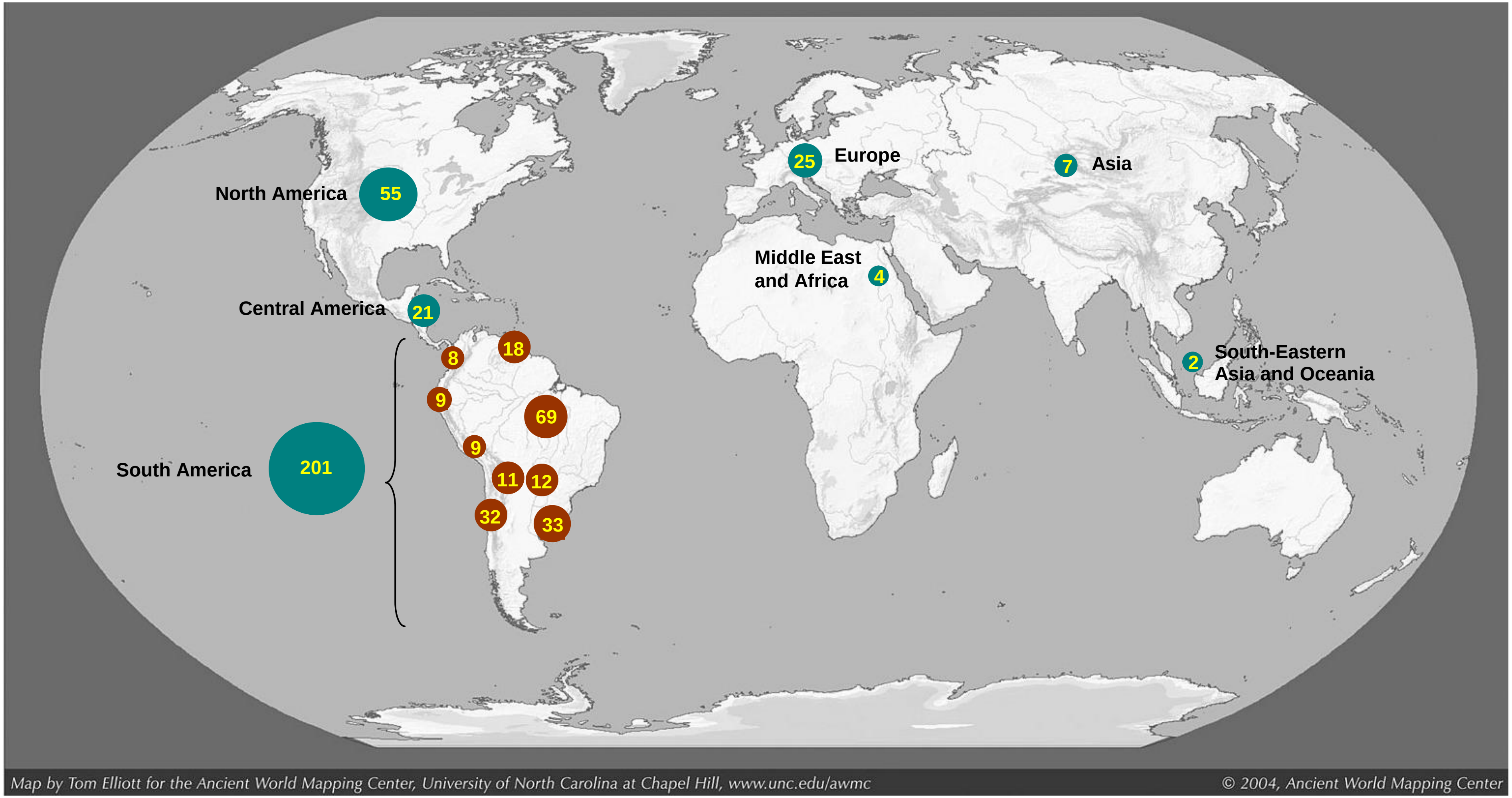


N°	Industry	Foreign assets (US$ millions)	Number of companies	Companies
1	Conglomerate [a]	17,406	1	Techint Group
2	Food products	708	4	Arcor S.A.I.C., Molinos Rio de la Plata S.A., S.A. San Miguel A.G.I.C.I., Sancor Coop. Unidas Ltda.
3	Machinery and equipment	300	1	IMPSA
4	Pharmaceuticals	250	2	Grupo Bagó, Roemmers
5	Crop and animal production	243	2	Cresud, Grupo Los Grobo

6	Civil engineering	50	1	Iecsa S.A.
7	Specialized construction activities	50	1	TECNA
8	Computer and electronic products	15	1	BGH
9	Waste collection & disposal activities	8	1	CLISA
10	Chemicals	8	1	Petroquímica Rio Tercero S.A.
11	IT Services	7	1	Grupo Assa
12	Rubber and plastics products	5	1	Grupo Plastar
13	Scientific research and development	1	1	Bio Sidus
14	Food and beverage service activities	2	1	Havanna
	Total	**19,052**	**19**	

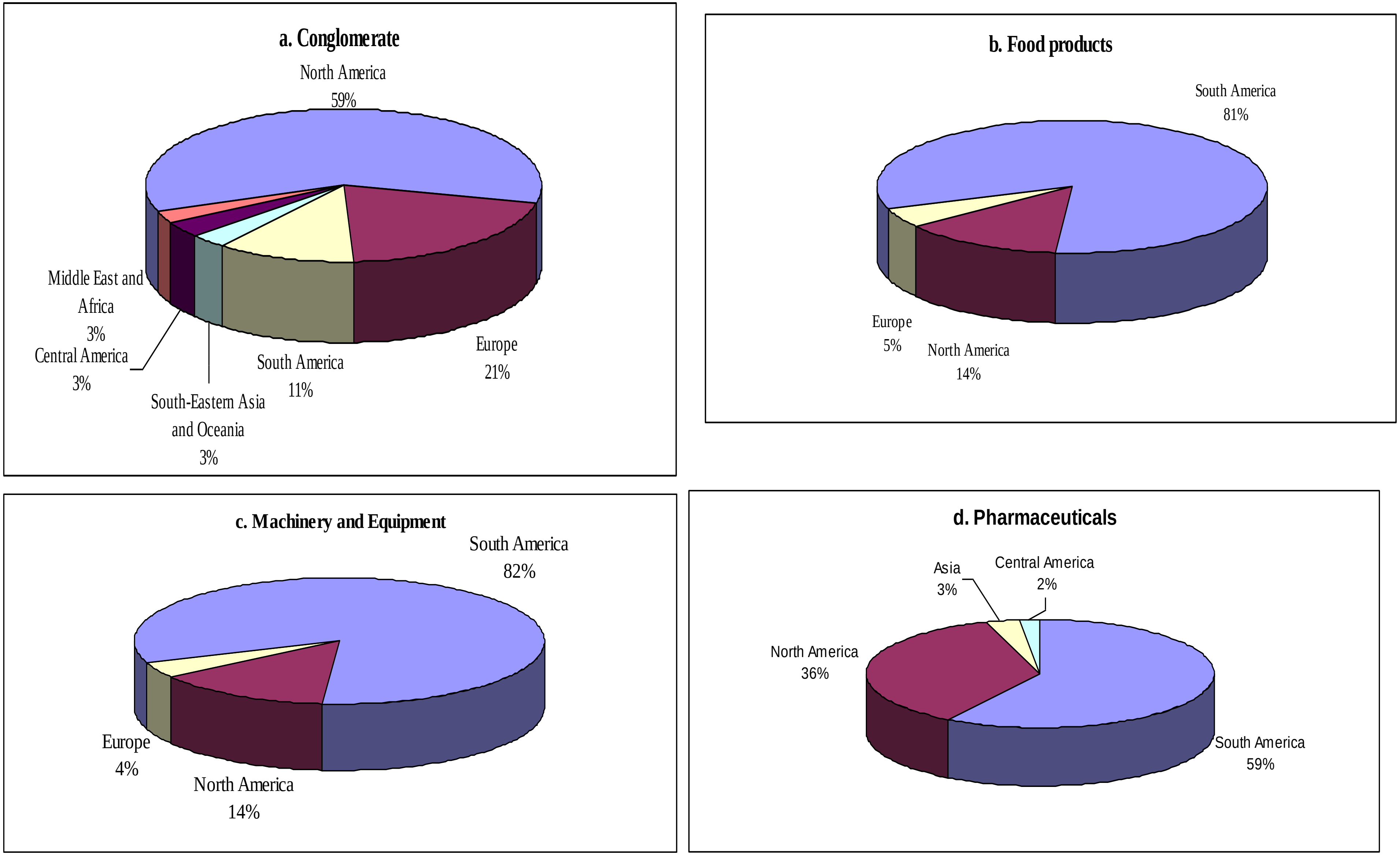
Source: ProsperAr - Vale Columbia Center Survey of Argentine MNEs.
[a] Mainly basic metal products.

Annex Figure 3. Foreign affiliates of the listed Argentine MNEs by region - 2008 (number of affiliates)



Source: ProsperAr - Vale Columbia Center Survey of Argentine MNEs.

Annex Figure 4. Geographic distribution of the assets of the listed Argentine MNEs, by main industry - 2008 **(Percentage of foreign affiliates).**

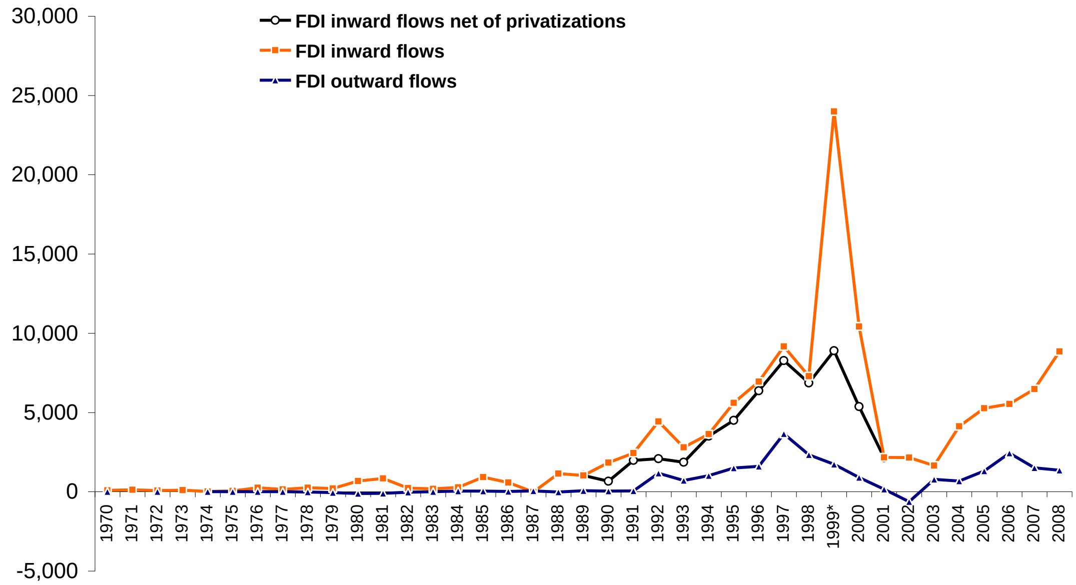


Source: ProsperAr - Vale Columbia Center Survey of Argentine MNEs.

Annex Figure 5. Head office locations of the 19 selected Argentine MNEs - 2008

Source: ProsperAr - Vale Columbia Center Survey of Argentine MNEs.

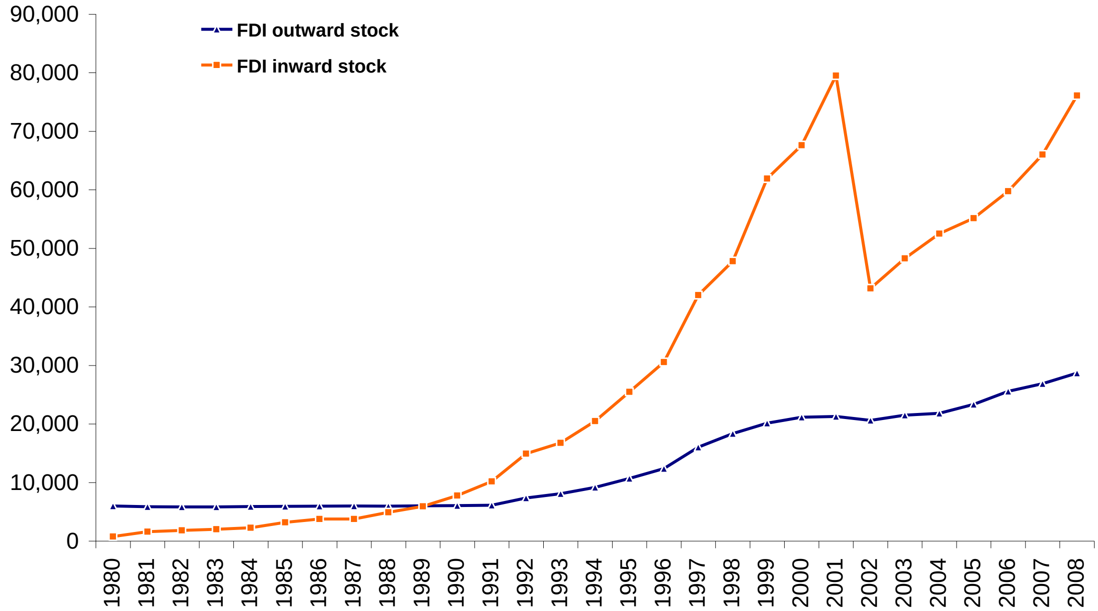
Annex Figure 6. FDI inward and outward flows to and from Argentina, 1980-2008 [a] (US$ million)



Source: Data from United Nations Conference on Trade and Development (UNCTAD), *World Investment Report, 2008* (New York and Geneva: United Nations, 2008), except for data on 2006-2008 flows and flows net of privatizations, which are from Argentina's balance-of-payment statements (National Direction of International Accounts, June 2009).

[a] The exceptional level of inflows in 1999 resulted from the acquisition of the Argentine oil company YPF by Repsol for a total of US$15 billion.

Annex Figure 7. Inward and outward FDI stock, 1980-2008 [a]
(US$ million)



Source: United Nations Conference on Trade and Development (UNCTAD), *World Investment Report, 2008* (New York and Geneva: United Nations, 2008), except for 2008 figures, which are from Argentina's balance-of-payment statements (National Direction of International Accounts, June 2009).

[a] Figures for outward FDI stock and foreign assets of the firms listed in the ranking are not entirely comparable. In particular, the estimate of foreign assets published by UNCTAD (based on Argentina's balance-of-payment figures) only includes a portion of the foreign assets corresponding to the Techint Group, given its Italian-Argentine origin. In this survey, the total sum of the Group's foreign assets is taken into consideration as the criterion of nationality established by this project's methodology is location for strategic decision-making, which is Argentina.

Chapter 2 – Brazil's global players

A. Brazilian MNEs take off in 2006

Luiz Carvalho and Álvaro Cyrino

The first survey of Brazil's top MNEs, released on December 3, 2007, showed that they made the country the second largest outward investor among developing countries in terms of foreign direct investment (FDI) outflows in 2006.

The survey's principal findings include:

The country's Top 20 MNEs have US$56bn[10] assets abroad, equivalent to over half of the country's outward FDI stock.

The Top 20 produces and sells goods and services worth approximately US$30bn and employs 77,000 persons abroad.

About half focus on their region, Latin America, where they are represented in the relative largest number of countries.

The multinationalization of Brazilian firms has risen rapidly during the past few years, fueled primarily by natural resource firms; these firms account for about two-thirds of the foreign assets of the Top 20. CVRD leads the MNE ranking list, which also includes many industrial groups, heavy construction companies and some high-tech groups like EMBRAER and Itautec.
Despite the concentrated nature of outward FDI from Brazil, a growing number of firms, including many small and medium-sized enterprises, are becoming MNEs.

Table 1. FDC-CPII ranking of the top 20 Brazilian MNEs, in terms of foreign assets, 2006
(Millions of US$)

Rank	Name	Industry
1	Companhia Vale do Rio Doce (CVRD)	Mining & metals
2	Petrobras S.A. (Petroleo Brasileiro S.A.)	Oil & gas
3	Gerdau S.A.	Steel
4	EMBRAER - Empresa Brasileira de Aeronáutica S.A.	Aviation
5	Votorantim Participações S.A.	Diversified
6	Companhia Siderurgica Nacional (CSN)	Steel
7	Camargo Corrêa S.A.	Diversified
8	Odebrecht S.A.	Construction & petrochemicals

[10] All reais figures are converted into U.S. dollars using IMF *International Financial Statistics* data, averaged for each year.

9	Aracruz Celulose	Pulp & paper
10	Weg S.A.	Electro-mechanical
11	Marcopolo S.A.	Bus manufacture
12	Andrade Gutierrez S.A.	Diversified
13	Tigre S.A. Tubos e Conexões	Construction
14	Usinas Siderúrgicas de Minas Gerais S.A.- Usiminas	Steel
15	Natura Cosméticos S.A.	Cosmetics
16	Itautec S.A.	IT
17	America Latina Logistica S.A.	Logistics
18	Ultrapar Participações S.A.	Diversified
19	Sabó Indústria e Comércio de Autopeças Ltda.	Automobile parts
20	Lupatech S.A.	Electro-mechanical

Total foreign assets of the Top 20: 56,426
Source: FDC-CPII survey of Brazilian MNEs.

Table 1[11] (and *Annex table 1*) list the Top 20 in terms of foreign assets in 2006. Half of the Top 20 are headquartered in Sao Paulo state (*annex figure 1*). They are all privately held firms, except for Petrobras. CVRD and Petrobras, the top two (and both natural resource companies), together accounted for over two-thirds of the foreign assets of the Top 20; if the third ranking firm, Gerdau, is added, more than three-quarters of all the foreign assets of the Top 20 are accounted for. There are also many small firms that have investments abroad and are, in fact, quite multinational; they are listed, by way of example, in Annex Table *2*. Of the 18 top MNEs that responded to this question, only four began to establish foreign affiliates between 1990 and 1996, and an additional five since 1997 – in other words, they are young MNEs.

Table 2. Snapshot of Brazil's 20 largest MNEs, 2004-2006
(Billions of US$ and no. of employees)

Variable	**2004**	**2005**	**2006**	**% change (2005-6)**
Assets				
Foreign	24	27	56	112
Total	190	215	277	29
Share of foreign in total (%)	13	12	20	
Employment				
Foreign	32,645	41,284	77,058	87
Total	312,306	330,689	405,817	23
Share of foreign in total (%)	10	12	19	
Sales (excluding exports)				
By foreign	23	26	30	14

[11] Financial services companies are not included in the ranking.

affiliates				
Total	148	167	190	14
Share of foreign affiliates in total (%)	15	16	16	

Source: FDC-CPII survey of Brazilian MNEs.

The profile of the Top 20

The foreign assets held by Brazilian MNEs more than doubled between 2005 and 2006, signaling the take-off of Brazilian MNEs. This growth was due in part to CVRD's US$ 18 billion acquisition of Inco (Canada) in 2006. Increasingly also, the financing of foreign expansion can draw on global pools of capital, with eight of the top ten MNEs listed on both the New York Stock Exchange and the São Paulo Stock Exchange (BOVESPA).

As a percentage of total assets, the foreign assets of the Top 20 range from 1% to 46%, with only two having more than US$ 10 billion in foreign assets. For the group as a whole, foreign asset were 20% of total assets in 2006, compared to 12% in 2005 (this increase is mostly due to CVRD's acquisition of Inco). This compares to 33% for the 100 largest MNEs from developing countries in 2005[12] – indicating that Brazilian MNEs still have a considerable way to go to catch up with the average of their (especially Asian) competitors.

In line with the increase in assets, the foreign employment of the Top 20 almost doubled from 2005 to 2006. Three (led by Odebrecht) have more than 10,000 employees abroad. The average of foreign employment to total employment for the Top 20 is 19% (compared to 39% for the largest 100 MNEs from developing countries). Some two-thirds of foreign employment is located in Latin America. All of the Top 20's CEOs are Brazilian. Five out of the 157 board members of the Top 20 are non-Brazilian (3%). Surprisingly, eight of the Top 20 say that they have Spanish and/or English as an official language, in addition to Portuguese.

The distribution by industry shows a great concentration in the natural resources sector, with two companies (CVRD and Petrobras) representing more than two-thirds of the foreign assets of the Top 20. A second group, composed of companies manufacturing industrial products, accounts for more than 19%. Brazilian MNEs that assemble finished goods and service companies represent each around 6%, leaving less than 1% for the only company in the consumer business (Natura) (Annex figure 2).

The production and hence foreign sales by foreign affiliates, at US$ 30 billion, represent about one-sixth of their total sales. Six have production and hence sales of over US$ 1 billion abroad, and one (Petrobras) over US$ 10 billion. Foreign sales rose by 14% in 2006, which was half as fast as assets. The foreign sales and hence production of the Top 20 were the equivalent of about one-fifth of the country's exports in 2006, making FDI increasingly more important for Brazil in terms of delivering goods and services to foreign markets.

[12] UNCTAD, *World Investment Report 2007* (Geneva: UNCTAD, 2007), p.25, also for the subsequent data.

If the exports of the parent firms of the Top 20 (not including Petrobras and Natura, due to lack of data) are added to the production and sales of their foreign affiliates, the total is US$ 42 billion, for a 44% ratio of international vs. total sales. This ratio is already in line with the data reported by UNCTAD for the largest 100 MNEs from developing countries (43%).

If Brazilian MNEs were ranked according to the Transnationality Index13, the list would be led by Gerdau, CVRD and Sabo (Annex table 1). Many firms consist of course of various divisions, with each having a different degree of multinationality. An example is Odebrecht, whose overall index is 27%; however, if its petrochemical side, Braskem, is excluded from the total and Odebrecht Construction is taken by itself, the company's Transnationality Index is 57%, the highest in the list.

The foreign affiliates of the Top 20 have a wide geographic spread (Annex figure 3). Together, the Top 20 are present in 51 countries. On average, they were present in about three host countries, led by Votorantim, Camargo Correa, Odebrecht and Weg, which each is present in 12 countries outside of Brazil.

If one calculates the number of host countries in which a Brazilian MNE is located in a given region as a percentage of all host countries in which it is located (times 100), one arrives at the Regionality Index. It shows that about half of the Top 20 have most of their activities in Latin America, with a few giving special attention to Europe and Asia (Annex table 3). In other words, in line with firms from other outward FDI countries, most Brazilian MNEs are regional firms.

The aggregate picture

The data on the Top 20 need to be seen in the context of Brazil's total inward and outward FDI *flows*. For the first time since official statistics have become available, outward flows in 2006 (US$ 28 billion) were higher than inward flows (US$ 19 billion) (*Annex figure 4*), although this is not likely to become a pattern in the near future.[14] Still, both types of flows are forecast to stay at relatively high levels.[15] This made Brazil the second most important outward investor among developing countries (after Hong Kong (China)) in terms of FDI outflows in 2006, and the top outward investor in Latin America. A good part of these flows took the form of mergers and acquisitions (M&A's) (*Annex table 4*), but greenfield investments were also quite important (*Annex table 5*).

By the end of 2006, Brazil had accumulated an OFDI *stock* of US$ 108 billion, making it the third largest outward investor among developing countries (after Hong Kong (China) and Singapore). According to Brazil's Central Bank, in 2005 most of this investment was in financial services (49%), followed by professional services (36%) and petrochemicals and energy (4%)[16].

[13] The Transnationality Index is a composite ratio calculated by averaging the relative shares of foreign assets, foreign employees and foreign sales as a percentage of their respective totals. See UNCTAD op. cit.
[14] In 2007, Brazilian FDI inflows are expected to be higher than outflows.
[15] *World Investment Prospects to 2011: Foreign Direct Investment and the Challenge of Political Risk*, at www.cpii.columbia.edu.
[16] This distribution has changed in light of the composition of outward FDI flows since 2005.

The lion’s share is located in Latin America and the Caribbean (56%), followed by Europe (36%) and North America (7%).

Brazil’s outward FDI is being undertaken by 885 MNEs[17] headquartered in Brazil, showing that, apart from the firms captured in the ranking, there are many small and medium-sized Brazilian firms that are beginning their efforts to become competitive in foreign markets.

[17] It is not clear to what extent this figure includes foreign affiliates in Brazil undertaking FDI outside Brazil.

Annex Table 1: FDC-CPII ranking of the Top 20 Brazilian MNEs, key variables - 2006
(Millions of US$)
Ranking

Foreign assets	Trans nationality Index	Name	Industry	(Foreign assets / total assets) (%)	(Foreign sales / total sales) (%)	(Foreign employment / total employment) (%)	Trans nationality Index (%)	Number of host countries
1	2	Companhia Vale do Rio Doce (CVRD)	Mining & metals	46	18	24	29	10
2	18	Petrobras	Oil & gas	12	12	11	12	9
3	1	Grupo Gerdau	Steel	39	54	46	46	11
4	6	EMBRAER	Aviation	45	12	13	23	5
5	24	Grupo Votorantim	Diversified	5	9	4	6	12
6	13	CSN	Steel	18	28	3	16	2
7	9	Camargo Corrêa	Diversified	26	13	18	19	12
8	5	Grupo Odebrecht	Construction & petrochemicals	15	20	47	27	12
9	23	Aracruz	Pulp & paper	19	n.a	1	7	5
10	7	WEG	Electro-mechanical	24	30	11	22	12
11	4	Marcopolo	Bus manufacture	30	30	22	27	7
12	11	Andrade Gutierrez	Diversified	4	7	41	17	8
13	8	Tigre	Construction	27	17	17	20	7
14	31	Usiminas	Steel	1	n.a	n.a	0.3	0
15	17	Natura	Cosmetics	22	3	15	14	7
16	15	Itautec	IT	19	20	6	15	8
17	19	America Latina Logistica S/A	Logistics	2	11	23	12	1
18	26	Ultrapar/ Grupo Ultra	Diversified	2	2	3	2	2
19	3	Sabó	Automobile parts	16	43	27	29	11
20	22	Lupatech	Electro-mechanical	10	4	7	7	2

Source: FDC-CPII survey of Brazilian MNEs.

Reais/dollar exchange rate (IMF): 2.175

Annex Table 2: Additional Brazilian MNEs, key variables - 2006[a]
(Millions of US$)

Name	**Industry**	**(Foreign assets / total assets) (%)**	**(Foreign sales / total sales) (%)**	**(Foreign employment / total employment) (%)**	**Transnationality Index (%)**	**Number of host countries**
Artecola Inds Quims Ltda	Chemical	28	12	10	17	5
Bematech Indústria e Comércio de Equipamentos Eletrônicos S.A.	IT	..	3	2	2	4
Datasul S.A.	IT	1	2	2	2	3
Duas Rodas Industrial Ltda.	Chemical	40	6	7	18	4
Localiza Rent a Car S.A.	Transport	..	..	..	0.1	1
Marisol S.A.	Textile	2	1	..	1	2
Metalfrio Solutions S.A.	Cooling	19	1	27	16	5
Método Engenharia S.A.	Engineering and construction	19	6	1	9	3
Perdigão S.A.	Agribusiness	..	33	..	11	8
Portobello S.A.	Construction materials	13	24	7	15	1
Randon S.A. - Implementos e Participações	Diversified	2	2	1	2	12
TOTVS S.A	IT	3	5	5	4	3

Source: FDC-CPII survey of Brazilian MNEs. *Reais/dollar exchange rate (IMF): 2.175*

[a] At this stage, their rankings could not be determined.

Annex Table 3: The Top 20: Regionality Index - 2006

		Regionality Index				
Rank	**Name**	**Africa**	**Asia**	**Europe**	**Latin America**	**North America**
1	Companhia Vale do Rio Doce (CVRD)	10	60	10	10	10
2	Petrobras S.A (Petroleo Brasileiro S.A)	22	-	33	33	11
3	Gerdau S.A.	-	-	9	73	18
4	EMBRAER - Empresa Brasileira de Aeronáutica S.A.	-	40	40	-	20
5	Votorantim Participações S.A.	-	25	33	25	17
6	Companhia Siderurgica Nacional (CSN)	-	-	50	-	50
7	Camargo Corrêa S.A.	17	-	8	67	8
8	Odebrecht S.A	17	8	8	58	8
9	Aracruz Celulose	-	-	40	40	20
10	Weg S.A.	8	17	33	33	8
11	Marcopolo S.A.	14	29	14	43	-
12	Andrade Gutierrez S.A.	-	-	13	88	-
13	Tigre S/A. Tubos e Conexões	-	-	-	86	14
14	Usinas Siderúrgicas de Minas Gerais S.A-Usiminas	-	-	-	-	-
15	Natura Cosméticos S.A.	-	-	14	86	-
16	Itautec S.A.	-	-	25	63	13
17	America Latina Logistica S.A.	-	-	-	100	-
18	Ultrapar Participações S.A.	-	-	-	100	-
19	Sabó Indústria e Comércio de Autopeças Ltda.	-	27	55	9	9
20	Lupatech S.A.	-	-	-	50	50

Source: FDC-CPII survey of Brazilian MNEs.

Annex Table 4: Top 10 Brazilian cross-border merger and acquisition (M&A) transactions - 2005 to November 2007 (Millions of US$)

Date(s)	Acquiror name	Target company name	Target industry	Target country	% of shares acquired	Value of transaction
3-Nov-06/5-Jan-07	Companhia Vale do Rio Doce (CVRD)	Inco Ltd	Metals & mining	Canada	89	19,466
11-Jul-07	J&F Participacoes S.A.	Swift & Co	Food and beverage	United States	100	1,425
9-Aug-06	AmBev	Quilmes Industrial S.A. {Quinsa}	Food and beverage	Argentina	34	1,200
13-Dec-05	Camargo Correa Group	Loma Negra CIA S.A.	Construction materials	Argentina	100	1,025
1-Sep-07	GP Investimentos	Pride Intl Inc-Latin American	Oil & gas	Argentina	100	1,000
9-Dec-05	Companhia Vale do Rio Doce (CVRD)	Canico Resource Corp	Metals & mining	Canada	94	743
26-Feb-07	Companhia Vale do Rio Doce (CVRD)	AMCI Holdings Australia Pty	Other financials	Australia	100	663
24-Jan-06	Cia de Tecidos-Textile Bus	Springs Inds	Textiles & apparel	United States	100	494
17-Mar-07	Grupo Votorantim	Acerias Paz del Rio S.A.	Metals & mining	Colombia	52	489
31-Mar-05	Grupo Votorantim	CEMEX S.A.	Construction materials	United States	100	389

Source: Thomson Financial.

Annex Table 5: Selected Brazilian cross-border greenfield transactions undertaken or announced, 2004-June 2007
(Millions of US$)

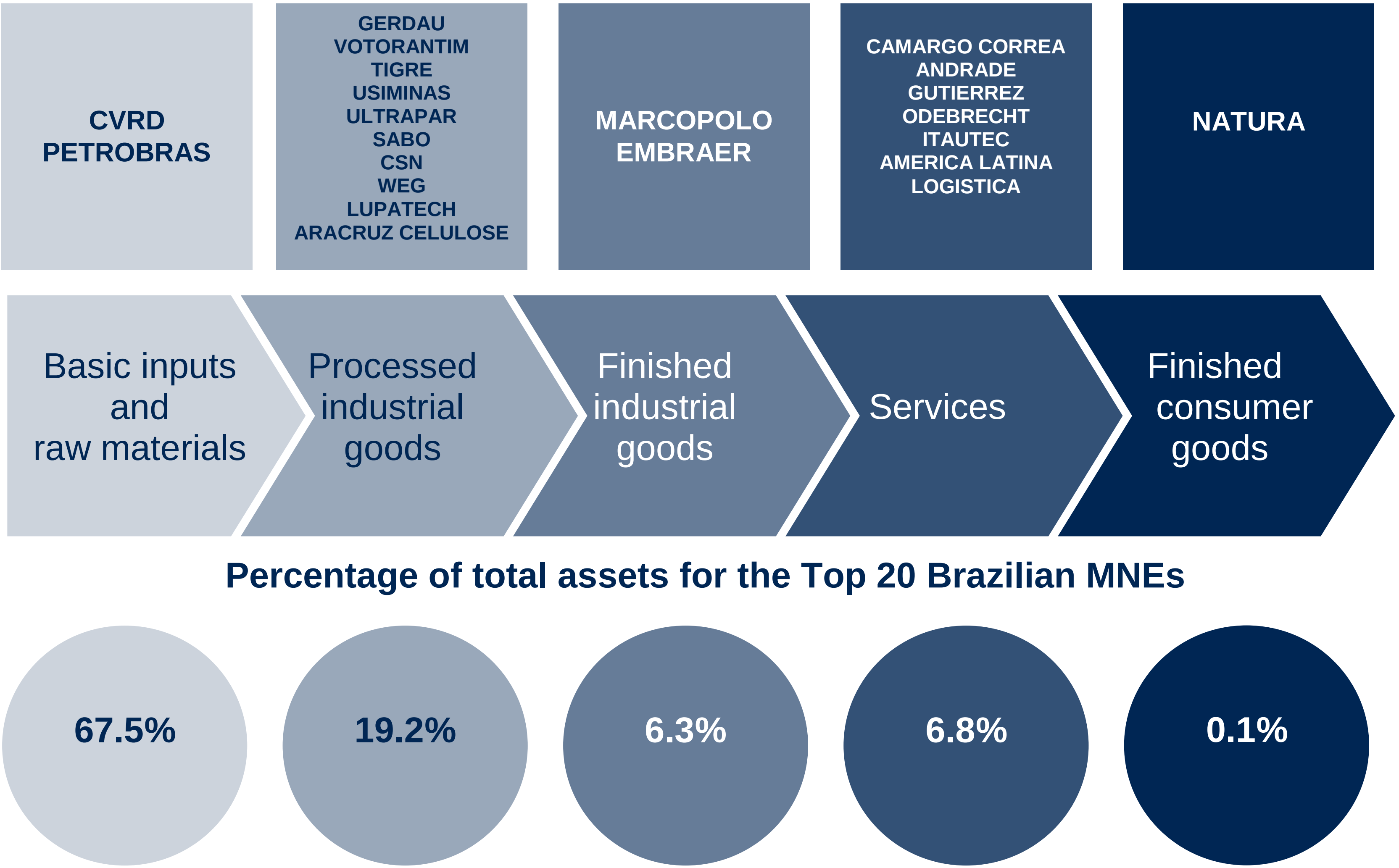
Date	Company Name	Destination Country	Sector	Value
Aug-05	Petrobras	Nigeria	Coal, oil and natural gas	1,900
Mar-07	Companhia Vale do Rio Doce (CVRD)	Mozambique	Coal, oil and natural gas	1,200
May-06	Petrobras	USA	Coal, oil and natural gas	500
Jul-06	Petrobras	Argentina	Coal, oil and natural gas	450
Jun-07	Petrobras	Argentina	Coal, oil and natural gas	420
Feb-04	Companhia Siderurgica Nacional (CSN)	Portugal	Metals	375
May-04	Sigma Pharma	Portugal	Pharmaceuticals	359
Sep-04	Petrobras	Argentina	Transportation	285
May-07	Petrobras	Nigeria	Alternative/renewable energy	200
Mar-07	Votorantim Group	USA	Building & construction materials	200
Jul-06	Petrobras	Argentina	Coal, oil and natural gas	200
Sep-04	Petrobras	Argentina	Transportation	200
Mar-05	Petrobras	Argentina	Coal, oil and natural gas	180

Source: OCO Monitor, www.ocomonitor.com

Annex figure 1. Headquarters locations of the Top 20 Brazilian MNEs - 2006

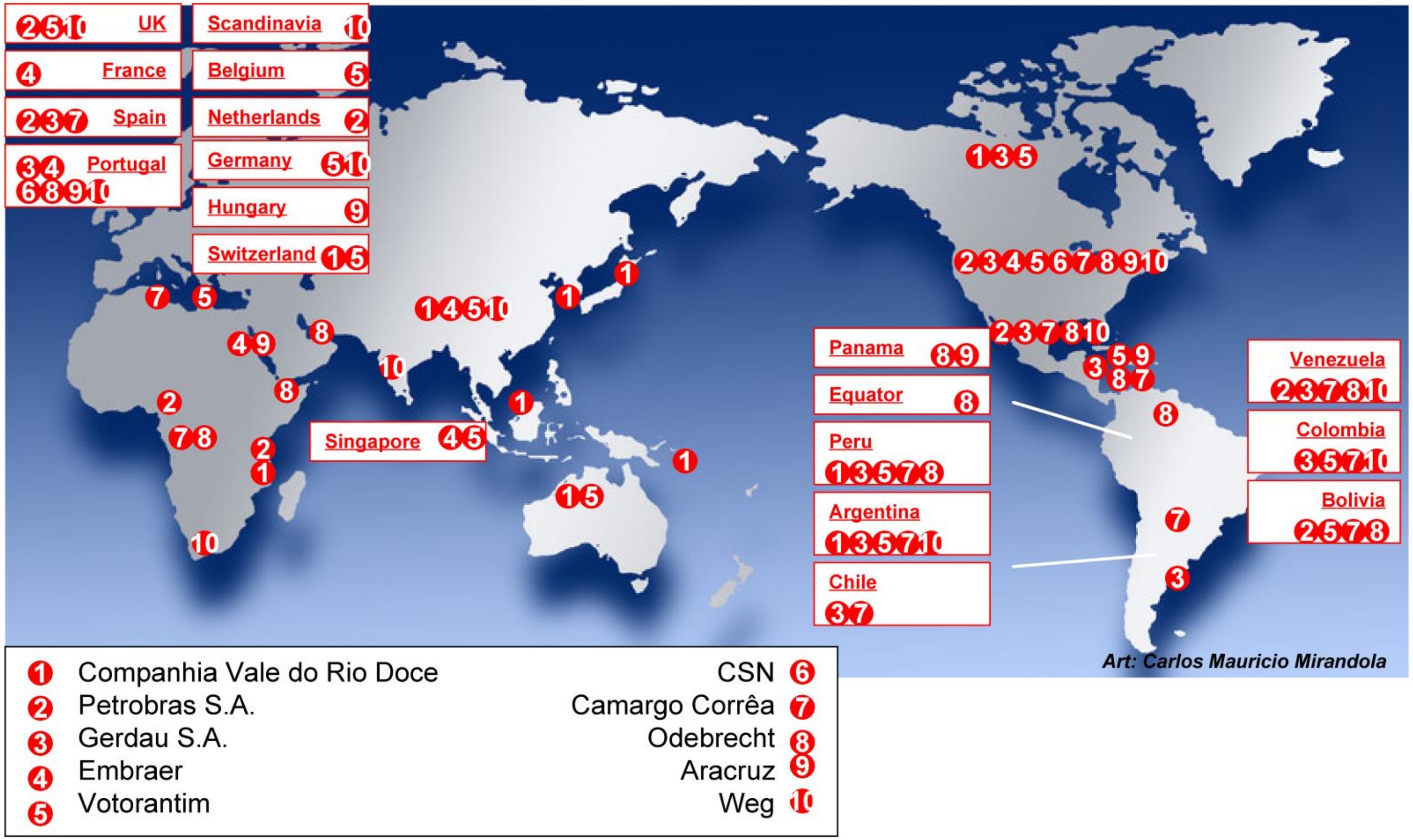
Source: FDC-CPII survey of Brazilian MNEs.

Annex figure 2. Distribution of foreign assets of the Top 20 Brazilian MNEs, by industry - 2006



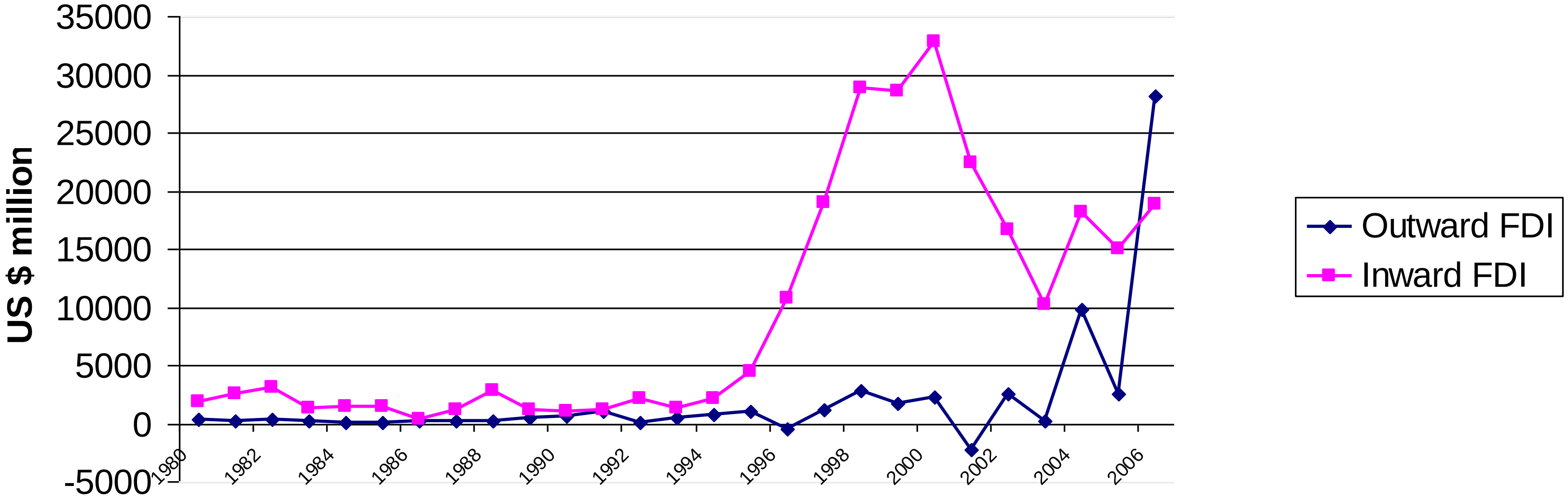
Source: FDC-CPII survey of Brazilian multinationals.

Annex figure 3. Spread of foreign affiliates of Brazil's top 10 MNEs



Source: FDC-CPII survey of Brazilian MNEs.

Annex figure 4. Evolution of Brazilian FDI flows, 1980-2006



Source: Central Bank of Brazil

B. The internationalization of Brazilian MNEs is steadily increasing in 2006-2008

Luís Afonso Lima and Antônio Félix

The 2009 survey of Brazilian outward-investing firms, released on October 29, 2009, covers the period 2006-2008. It focuses on companies that a) had their head office in Brazil, b) exercised management control over at least one foreign affiliate in another country, and c) held OFDI stock of at least US$ 10 million. The purpose of the survey was to broaden our understanding of the internationalization of Brazilian companies, and to trace the evolution of this process over the last few years. This report thus includes a ranking of Brazilian MNEs based on their internationalization index, as well as one based on their foreign assets.

The internationalization index represents the arithmetical average of three ratios: foreign to total assets, foreign to total sales, and foreign to total employees. Note that foreign sales in this report do *not* include exports. Questionnaires were sent to nearly 200 Brazilian MNEs.[18] The final ranking presented here includes 57 companies. Apart from the information needed to calculate the internationalization index, qualitative information regarding the motivations and characteristics of, and barriers to, the internationalization process of Brazilian companies was also sought, as was information about the OFDI intentions of the companies.

Some key findings

The 57 listed Brazilian MNEs together had about US$ 21 billion in foreign assets, just over US$ 40 billion in foreign sales, and nearly 158,500 foreign employees in 2008.

JBS Friboi came first in the ranking by the internationalization index and sixth in the ranking by foreign assets, with 56% of its assets held abroad. Gerdau (Grupo) was first in the ranking by foreign assets, with 61% of its assets held abroad, and third in the ranking by the internationalization index. (Table 1)

The average internationalization index for the listed companies rose from 14.9 in 2006 to 16.7 in 2007 and to 17.4 in 2008.

The internationalization of Brazilian companies is dominated by the private sector, although state-owned enterprises also play a role. Just one company in our list of 57, Petrobras, is from the public sector.

The global economic crisis has had a major impact on Brazilian OFDI flows (see Annex figures 2a and 2b) On the other hand, investment intentions remain strongly positive, with nearly 75% of companies planning either an increase in OFDI next year [39%] or no change (35%).

[18] In the case of companies that appeared among the top 20 in the Valor ranking published in 2008 but did not respond to the present survey, the rankings in this year’s list are based on the companies’ financial statements for fiscal 2008.

Ranking of Brazilian MNEs investing abroad, 2008				
Name	Industry	Ranking by		Foreign assets / total assets
		Foreign assets	Internationalization index	
JBS Friboi	Crop and animal production	6	1	55,9
Odebrecht	Construction of buildings	-	2	55,9
Gerdau (Grupo)	Manufacture of basic metals	1	3	60,9
Metalfrio	Manufacture of machinery and equipment	25	4	68,7
Coteminas (Springs Global)	Manufacture of textiles	17	5	19,5
Ibope	Information service activities	-	6	33,0
Sabó	Manufacture of other transport equipment	18	7	38,5
Magnesita	Manufacture of other non-metallic mineral products	12	8	64,2
Marfrig	Crop and animal production	7	9	26,2
AmBev	Manufacture of beverages	4	10	12,0
Vale do Rio Doce	Mining of metal ores	2	11	38,9
Artecola	Holding	27	12	30,6
Marcopolo	Manufacture of other transport equipment	16	13	16,3
WEG	Manufacture of electrical equipment	11	14	17,6
Gol	Air transport	9	15	58,8
Embraer	Other manufacturing	10	16	39,4
Duratex	Specialized construction activities	22	17	4,1
Itautec	Manufacture of computer, electronic and optical products	19	18	19,7
Camargo Corrêa (Grupo)	Conglomerate	8	19	16,2
Stefanini	Computer programming, consultancy and related activities	34	20	18,3
Votorantim (Grupo)	Conglomerate	3	21	22,2
Construtora Andrade Gutierrez	Construction of buildings	14	22	11,4
Tupy	Manufacture of fabricated metal products, except machinery and equipment	15	23	19,8
CI&T	Computer programming, consultancy and related activities	40	24	16,6
TAM	Air transport	-	25	0,0
Bertin	Manufacture of food products	13	26	7,0
All América	Warehousing and support activities for transportation	-	27	0,0
Petrobras	Extraction of crude petroleum and natural gas	31	28	11,3
Natura	Manufacture of chemicals and chemical products	28	29	2,5
CSN	Mining of metal ores	5	30	12,9
G Brasil	Holding	33	31	7,3
Perdigão	Manufacture of food products	44	32	11,0
Acumuladores Moura	Manufacture of electrical equipment	30	33	8,6
Indústrias Romi	Manufacture of machinery and equipment	32	34	2,0
Agrale	Manufacture of motor vehicles, trailers and semi-trailers	42	35	14,0
Alusa	Civil engineering	-	36	0,0
Aracruz	Manufacture of paper and paper products	20	37	16,9
Portobelo	Manufacture of other non-metallic mineral products	36	38	3,4
Banco Itaú	Financial and insurance activities	-	39	10,4
Totvs	Computer programming, consultancy and related activities	39	40	1,7
Bematech	Manufacture of electrical equipment	38	41	1,5
Braskem	Manufacture of chemicals and chemical products	24	42	1,0
DHB	Manufacture of other transport equipment	41	43	4,6
Módulo Security Solutions	Computer programming, consultancy and related activities	45	44	3,6
Altus	Manufacture of electrical equipment	43	45	3,5
Inplac	Manufacture of rubber and plastics products	-	46	0,0
Iochpe Maxion	Manufacture of other transport equipment	26	47	0,1
Minerva	Manufacture of food products	35	48	0,8
M. Dias Branco	Manufacture of food products	23	49	5,1
Marisol	Manufacture of textiles	37	50	2,6
Suzano	Manufacture of paper and paper products	-	51	0,0
Klabin	Manufacture of paper and paper products	-	52	0,0
Sadia	Manufacture os food products	21	53	1,2
Romagnole	Manufacture of electrical equipment	46	54	0,4
Banco do Brasil	Financial and insurance activities	-	55	0,0
Telemar	Telecommunications	47	56	0,2
Cemig	Electricity, gas, steam and air conditioning supply	29	57	0,1

Source: Sobeet

Other Findings

Distribution by industry. The 57 companies on our list are from 28 different industries: in manufacturing, the manufacture of transport equipment, food products, basic metals, chemicals products, textiles, and electrical equipment; in services, computer programming and consultancy; in the primary sector, crop and animal production, and petroleum and natural gas extraction; among other activities (see table 1 above). Note, however, that the pattern of industry distribution in our list may not necessarily be the pattern of distribution of Brazil's OFDI. Central Bank data show current Brazilian OFDI as concentrated in the service sector. Caution is in order about these figures, though, as it is difficult in Brazilian outflows to separate authentic FDI from purely financial investment under the guise of FDI.19 Moreover, since much of Brazil's OFDI goes into tax havens in the first instance, it is also not easy to know where and in what activity this investment ultimately ends up.

Localization. The head offices of 25 of the companies on the list selected are located in the state of São Paulo, while the rest are based in the states of Rio Grande do Sul (6), Rio de

[19] See "The growth of Brazil's direct investment abroad and the challenges it faces," by Luís Afonso Lima and Octavio de Barros, Columbia FDI Perspective No. 13, August 17, 2009, http://www.vcc.columbia.edu/pubs/documents/BrazilOFDI-Final.pdf, for further discussion.

Janeiro (5), Santa Catarina (4) Minas Gerais (4), Paraná (2), Ceará (1) and Pernambuco (1) (see Annex figure 1.)

Impact of the crisis on Brazilian OFDI. There is no doubt that Brazilian MNEs are being severely hit by the international crisis. This explains why Brazilian OFDI flows were reduced during 2009 (see Annex figure 2). According to our survey, less than 2% of the companies have *not* been affected by the crisis. The majority, 54%, are facing lower demand for their products, besides lower prices and less credit for their international operations. About 5% of the companies see the crisis bringing new opportunities in their business (see Annex figure 3). It is also interesting to note that, despite the crisis, only 1.8% of the companies are planning to sell all their assets abroad. Most are planning to reduce costs (47%) or temporarily reduce investment (22%). (See Annex figure 4)

Motivations to internationalize. The reason most mentioned, the company's international competitive position, received 26% of the responses. The second most mentioned option with 16% of the responses was following clients into international markets. Other motivations include growing world demand, fiscal incentives, and the desire to reduce dependence on the domestic market (see Annex figure 5).

Functions carried out by the overseas units. The answers indicate that most of these units (45%) consist of offices for exporting goods manufactured in Brazil. The second most frequent response was the manufacture of goods and the provision of services overseas (29%). It is interesting to note how other functions, such as logistics services and R&D, already figure among the overseas activities carried out by respondent companies (see Annex figure 6).

Most important factors for companies locating overseas. 41% of the responses mentioned access to international or regional markets, while 36% mentioned market size (see Annex figure 7).

Principal sources of financing. This question showed the greatest concentration of responses. 71% of respondents indicated their own capital as the main source of funding. It is interesting to note that the answers do not mention domestic bank loans. Access to BNDES funds were mentioned by 5% of the respondents (see Annex figure 8).

Internal barriers to internationalization. A diverse range of factors was mentioned as barriers. 24% of respondents cited currency fluctuation. Among other internal barriers frequently mentioned were high taxes, high logistics costs, and the cost of credit (see Annex figure 9).

External barriers to internationalization. Tough competition in mature markets was the main barrier outside Brazil, with 32% of the responses. In second place, with 17% of responses, came taxation issues, like double taxation and tax charged on foreign exchange. Other factors mentioned were the regulatory environment of host countries, credit terms and risk on overseas buyers (see Annex figure 10).

Outward investment intentions in 2009–2010, compared to 2008. Despite the crisis, 39% of respondents declared their intention to increase OFDI. Among these, the majority intend to increase OFDI by less than 30%. Another 35% of respondents planned to maintain OFDI at current levels, while 27% intend to reduce their investments (see Annex figure 11). It is interesting to note that the United States and Argentina still remain the preferred destinations for OFDI from Brazil. Other destinations cited were the People's Republic of China, South Africa and India.

Brazilian OFDI: The Broad Picture[20]

In 2008, Brazil was the 6th largest outward investor among emerging markets in terms of FDI stock, with US$ 162 billion. In terms of outward FDI flows, Brazil was the 5th largest, with nearly US$ 21 billion.

The internationalization of Brazilian companies is a relatively recent phenomenon. From 2000 to 2003, OFDI averaged less than US$ 1 billion a year. Over the four-year period 2004−2008, this average jumped to nearly US$ 14 billion. In 2008, when global FDI inflows were estimated to have fallen by 15%, OFDI from Brazil almost tripled, increasing from just over US$ 7 billion in 2007 to nearly US$ 21 billion in 2008. UNCTAD data put the current stock of Brazilian OFDI at US$ 162 billion in 2008, an increase of 96% over 2003. According to the most recent data, 887 Brazilian companies have invested abroad.

Despite its relative novelty, the internationalization of Brazilian companies has achieved a wide geographic spread. Brazilian OFDI can today be found in 78 countries. Admittedly, some destinations matter more than others. Putting aside investment in tax havens, which accounts for 67% of the total, according to the most recent data, half the stock of OFDI from Brazil had gone to Denmark, the United States and Spain, with developed economies together accounting for 75%. Among emerging markets, Argentina leads, followed by Uruguay.

Conclusion

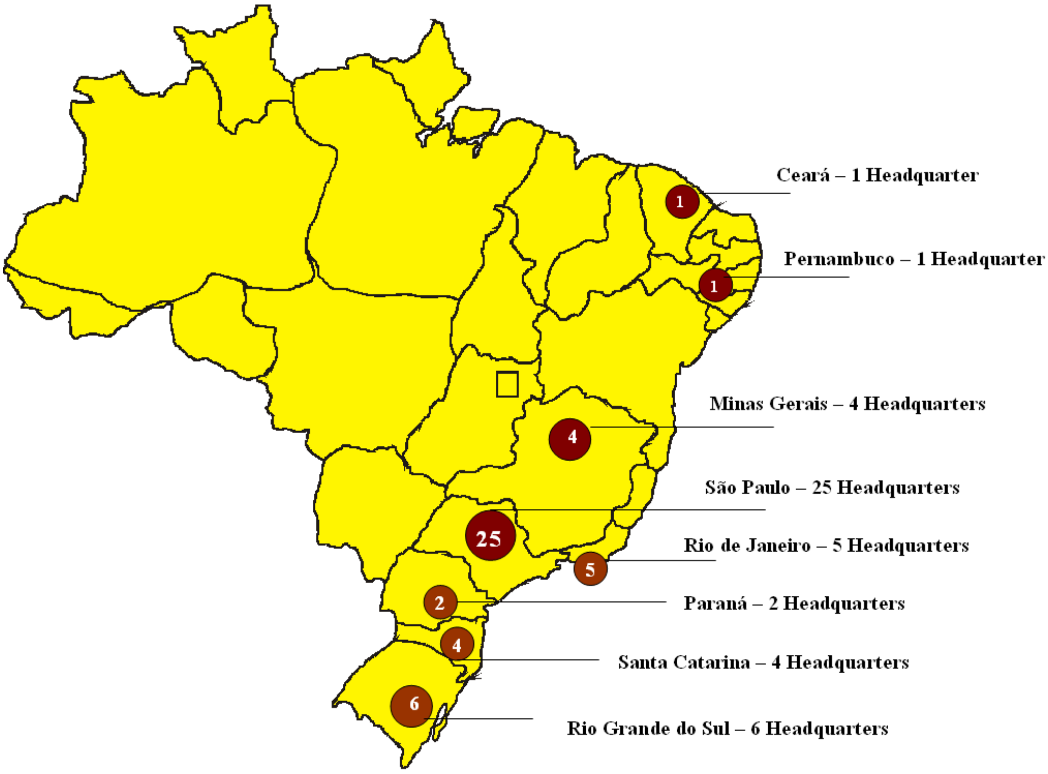
The internationalization of Brazilian companies is a much more widely disseminated phenomenon than one might conclude from the few cases always mentioned by the media as examples of overseas success. This survey of internationalized Brazilian companies seeks to contribute not only to identifying opportunities and overcoming the difficulties companies face, but also to understanding this phenomenon, and defining national strategies regarding it. To do this, the survey focused on obtaining a representative sample of companies.

The conclusion of this survey is that the internationalization of Brazilian companies is not a limited or short-term phenomenon. As with other emerging market OFDI, Brazil's internationalization movement is only just beginning.

The results of the survey also suggest some issues public policies might usefully focus on. These include taxes, logistics, currency fluctuations, and investors' unfamiliarity with potential markets. One issue that stands out is the low participation of Brazilian banks, both private and BNDES, as sources of funds for internationalization. Greater access to credit could make a major contribution to increasing the overseas presence of Brazilian companies.

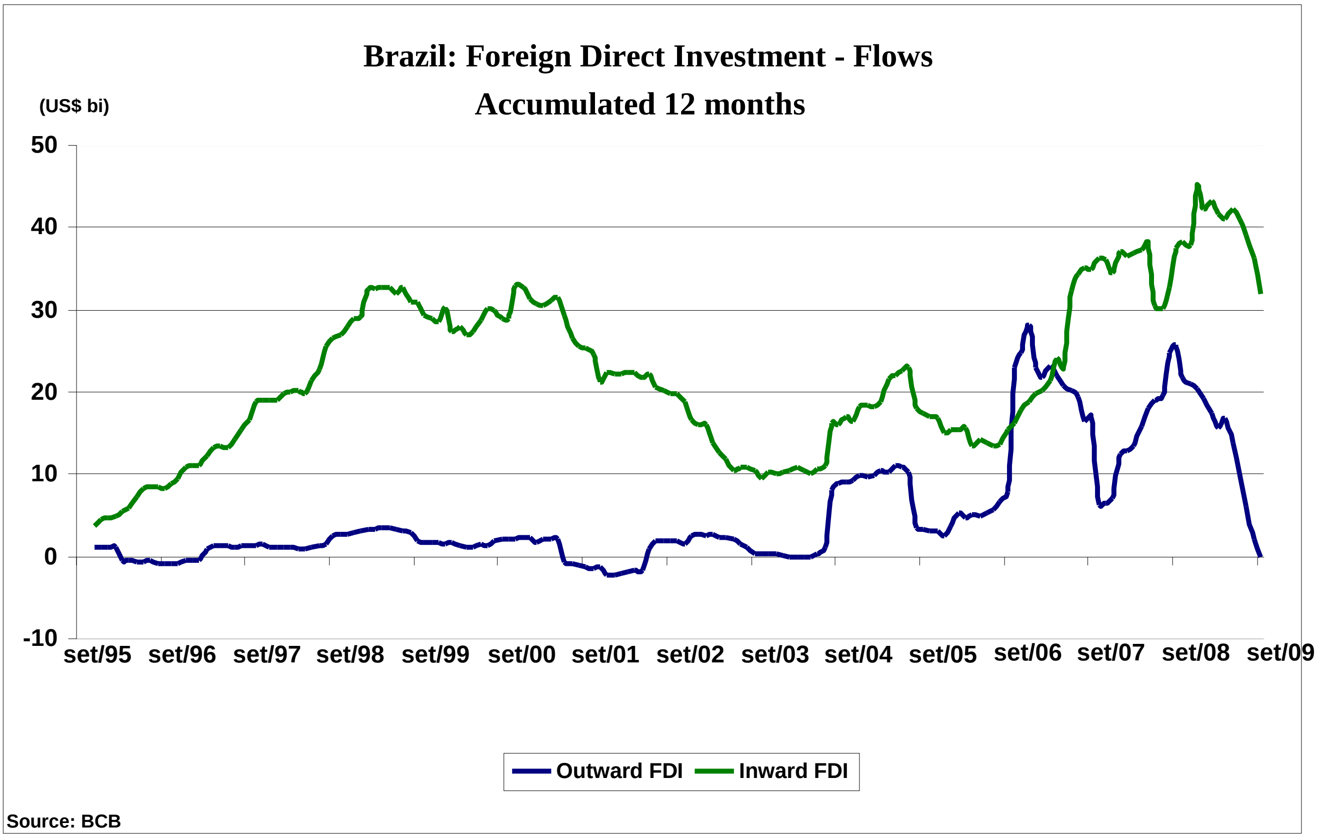
[20] See the article mentioned in fn. 2 above.

Annex figure 1: Locations of head offices in Brazil

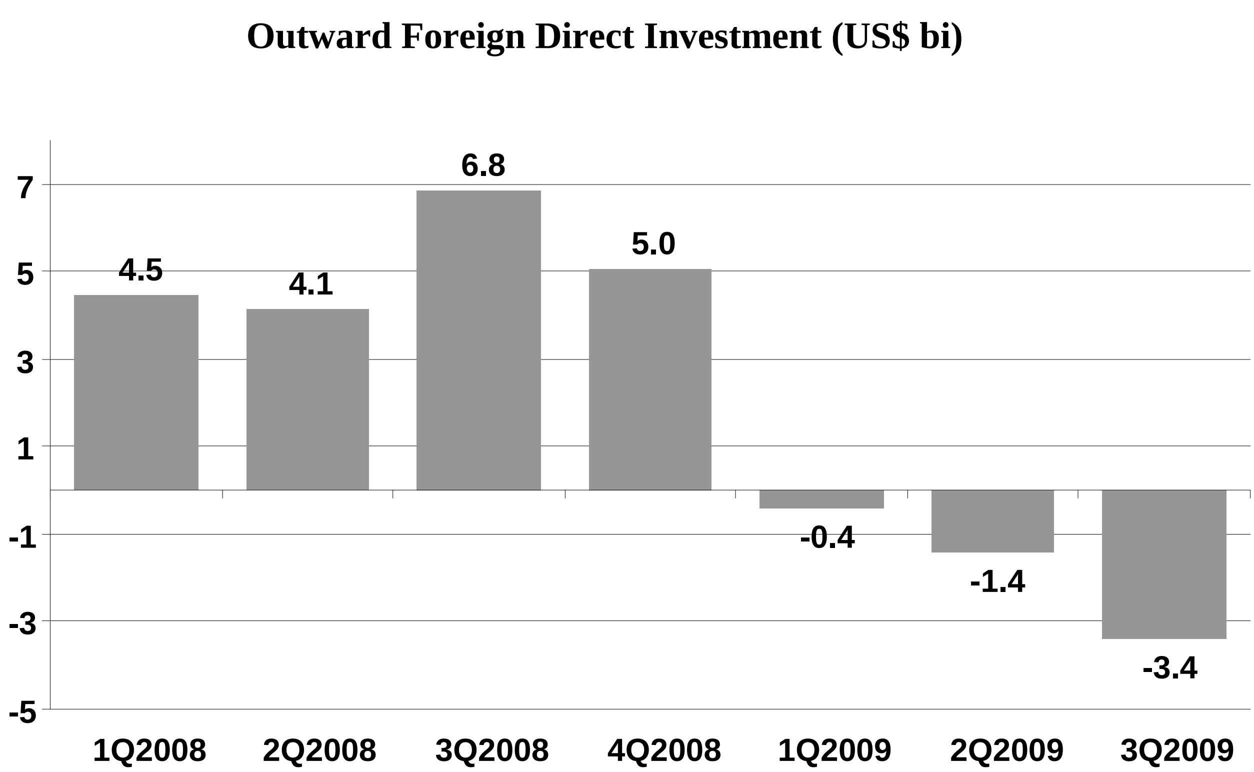


Source: SOBEET-Valor-VCC survey of Brazilian multinationals, 2009.

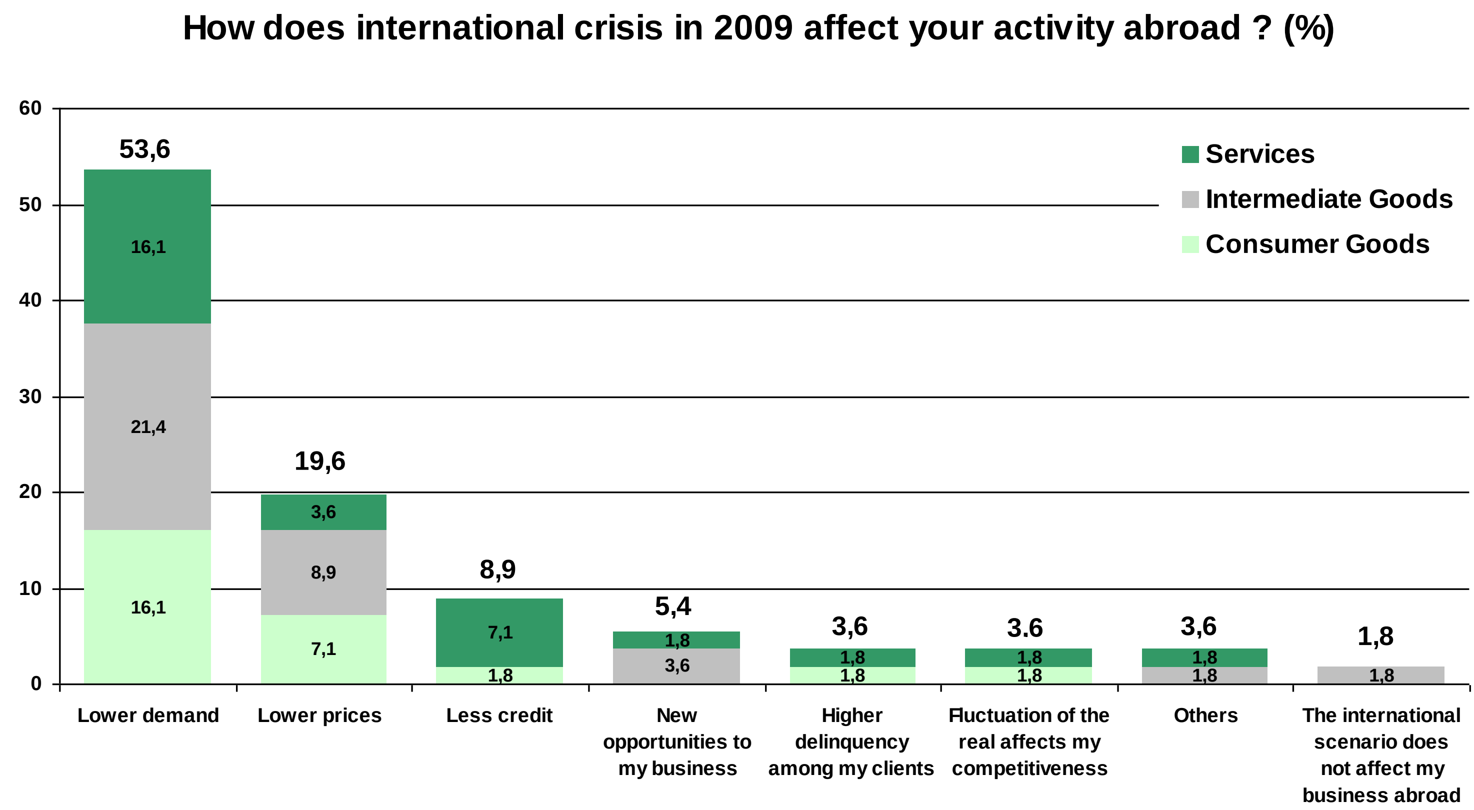
Annex figure 2a:



Annex figure 2b:

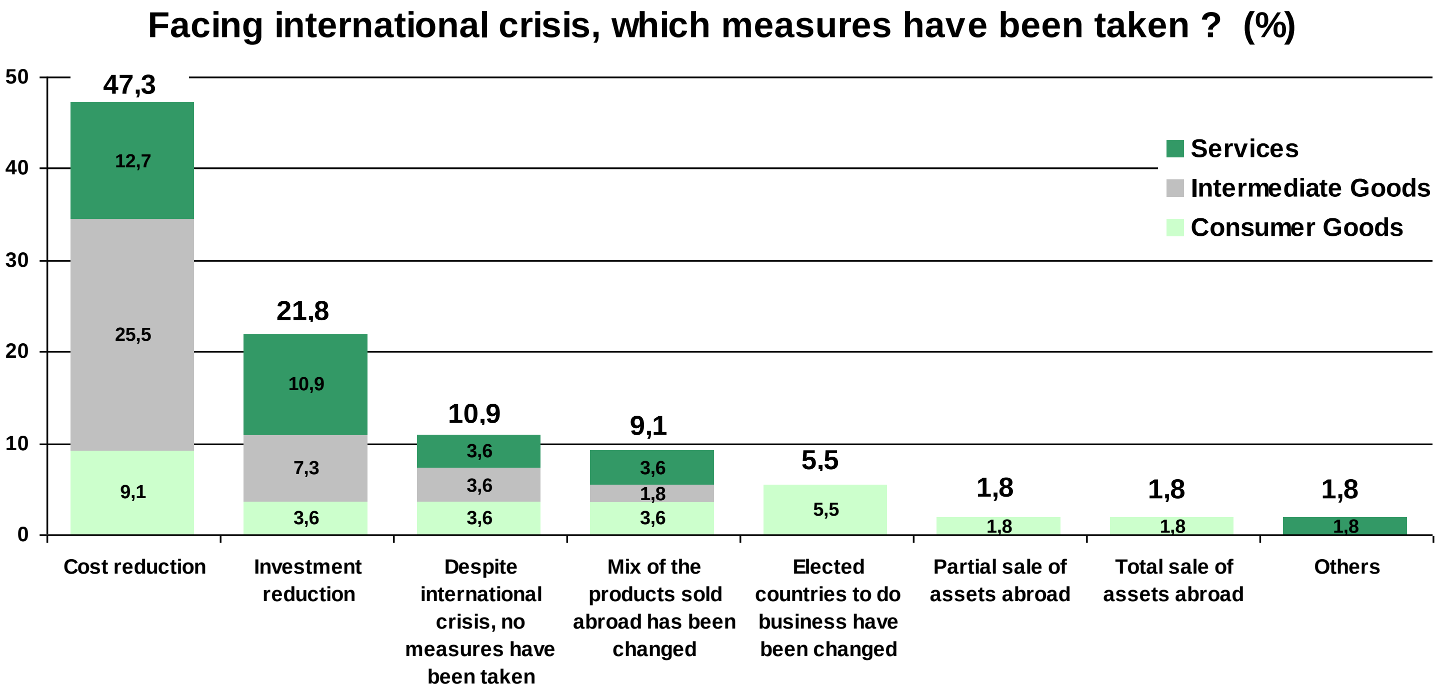


Source: BCB



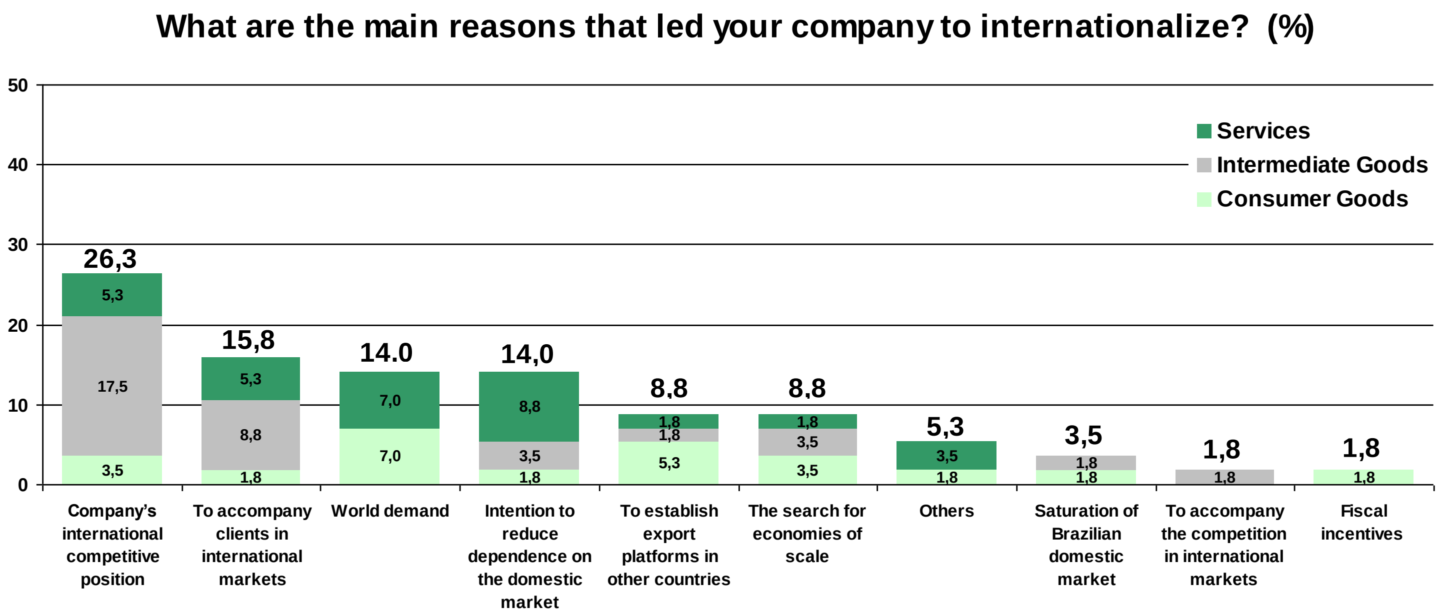
Source: SOBEET-Valor-VCC survey of Brazilian multinationals, 2009.

Annex figure 4:



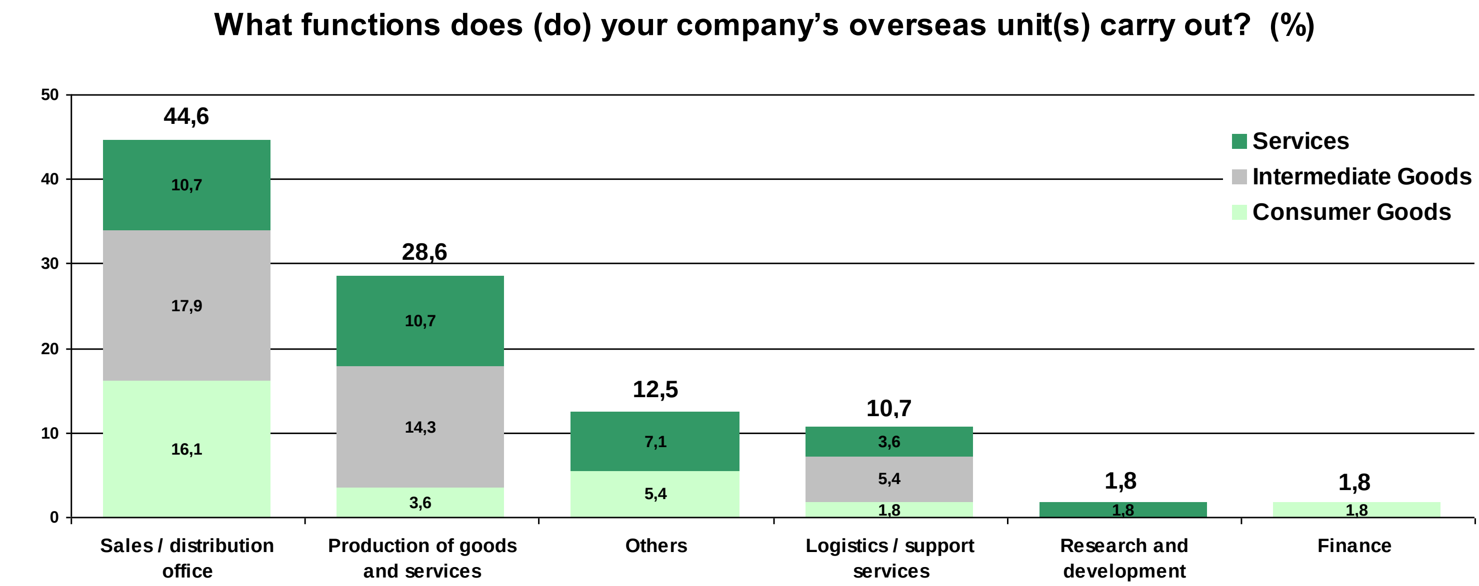
Source: SOBEET-Valor-VCC survey of Brazilian multinationals, 2009.

Annex figure 5:



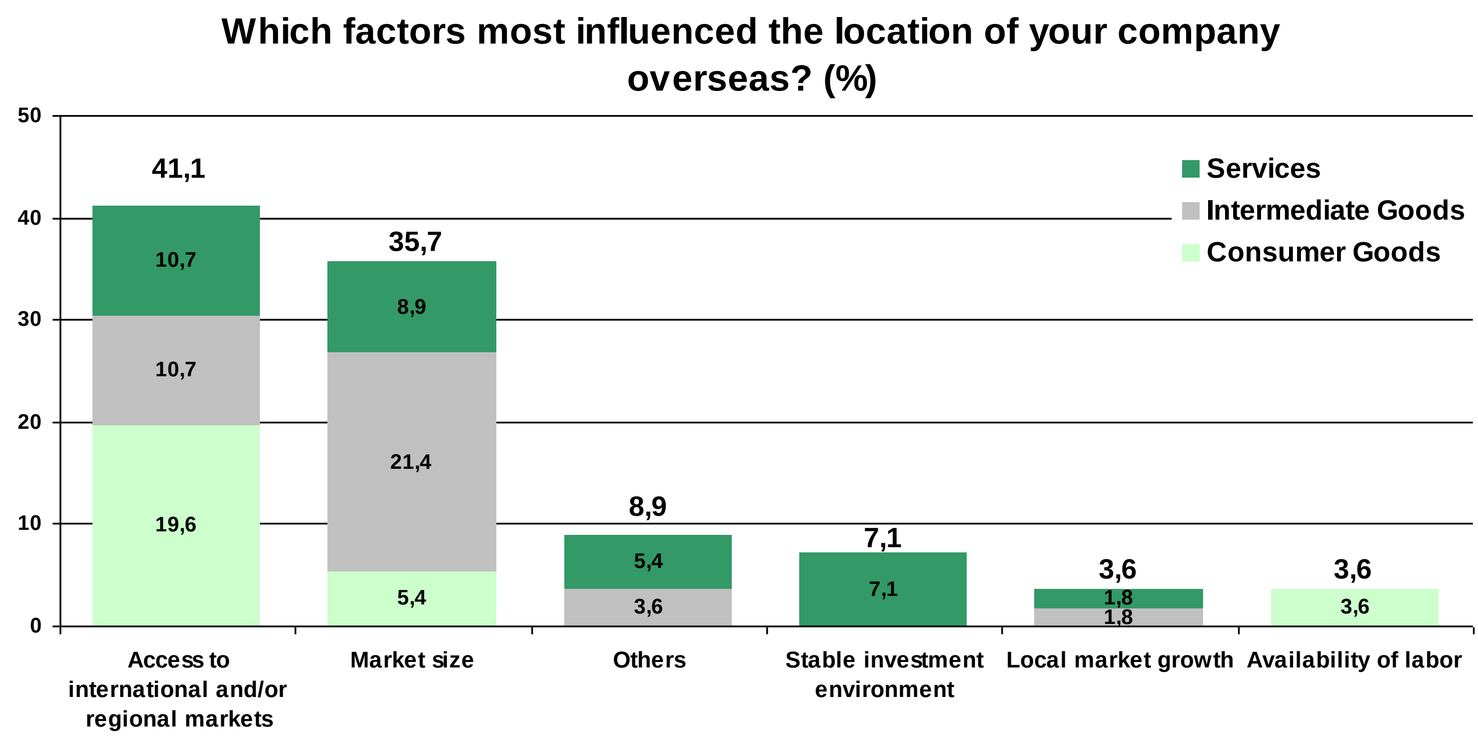
Source: SOBEET-Valor-VCC survey of Brazilian multinationals, 2009.

Annex figure 6:



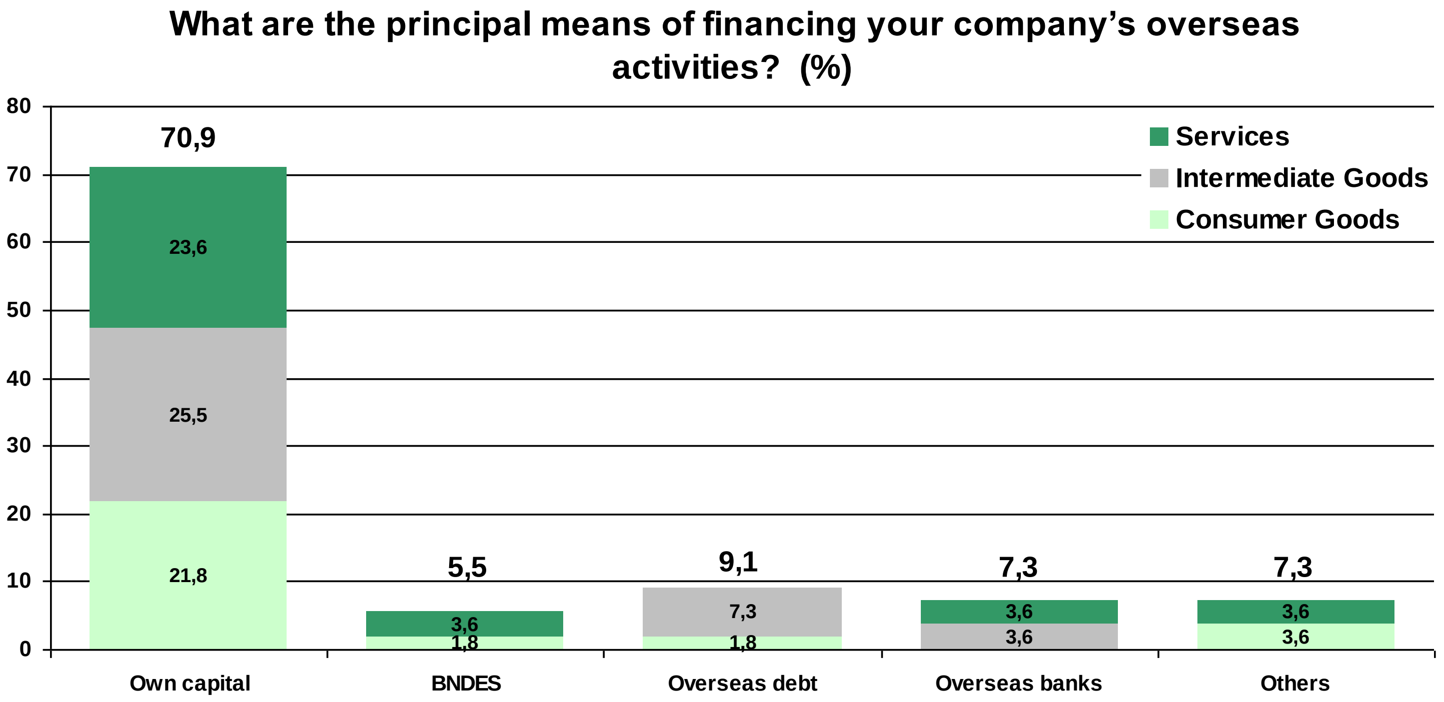
Source: SOBEET-Valor-VCC survey of Brazilian multinationals, 2009.

Annex figure 7:



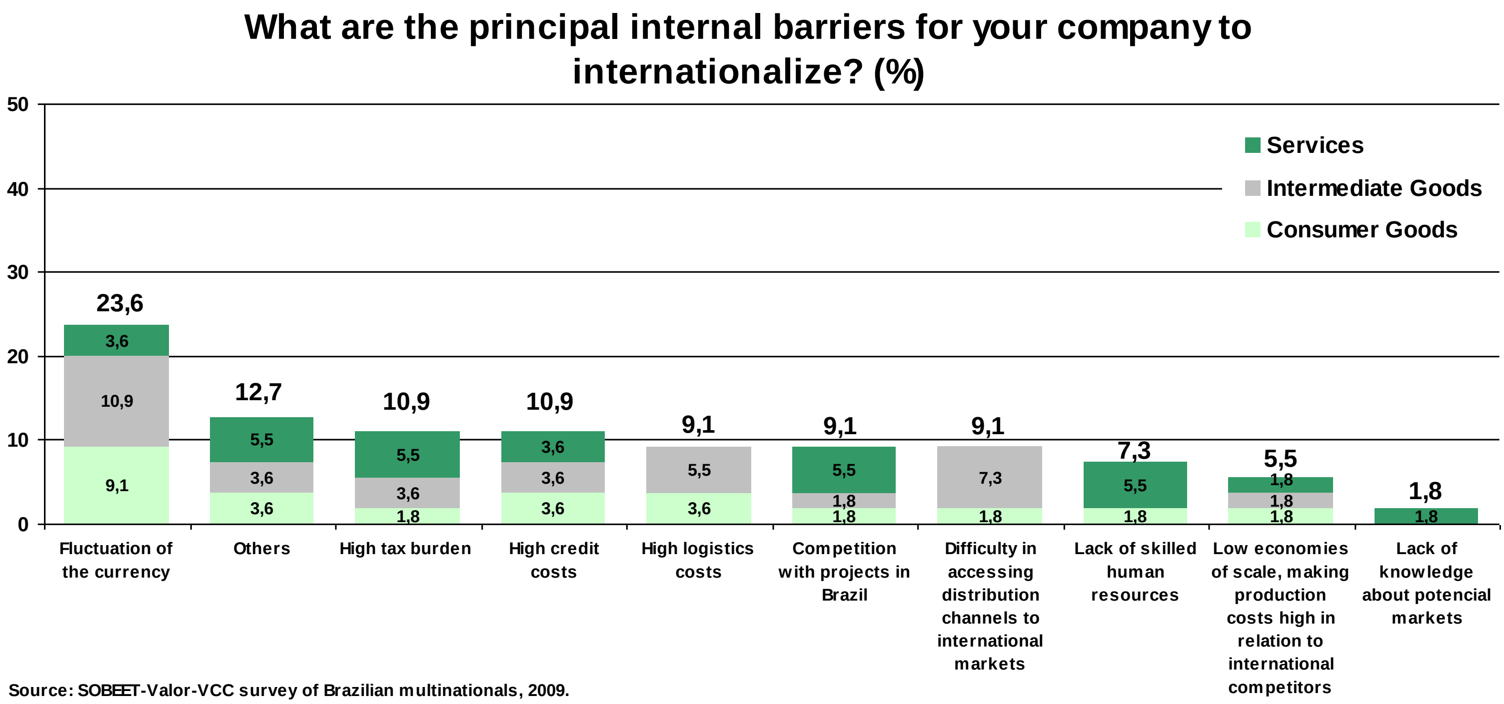
Source: SOBEET-Valor-VCC survey of Brazilian multinationals, 2009.

Annex figure 8:



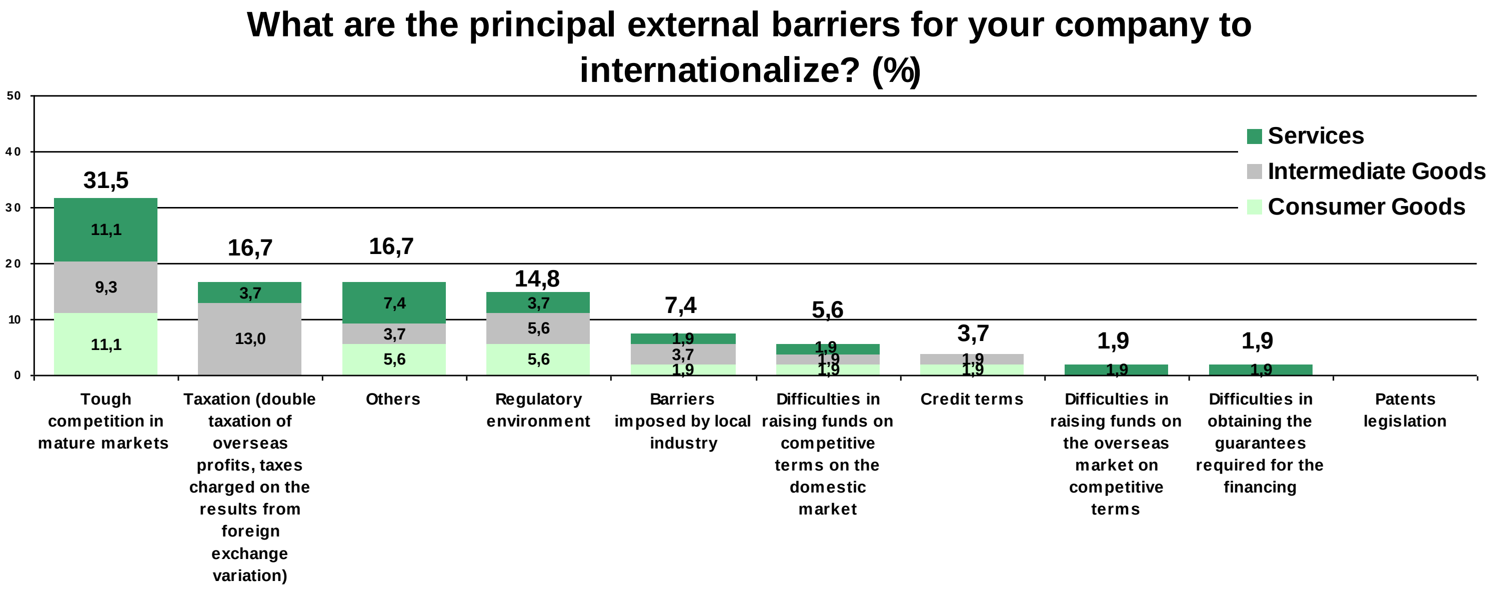
Source: SOBEET-Valor-VCC survey of Brazilian multinationals, 2009.

Annex figure 9:



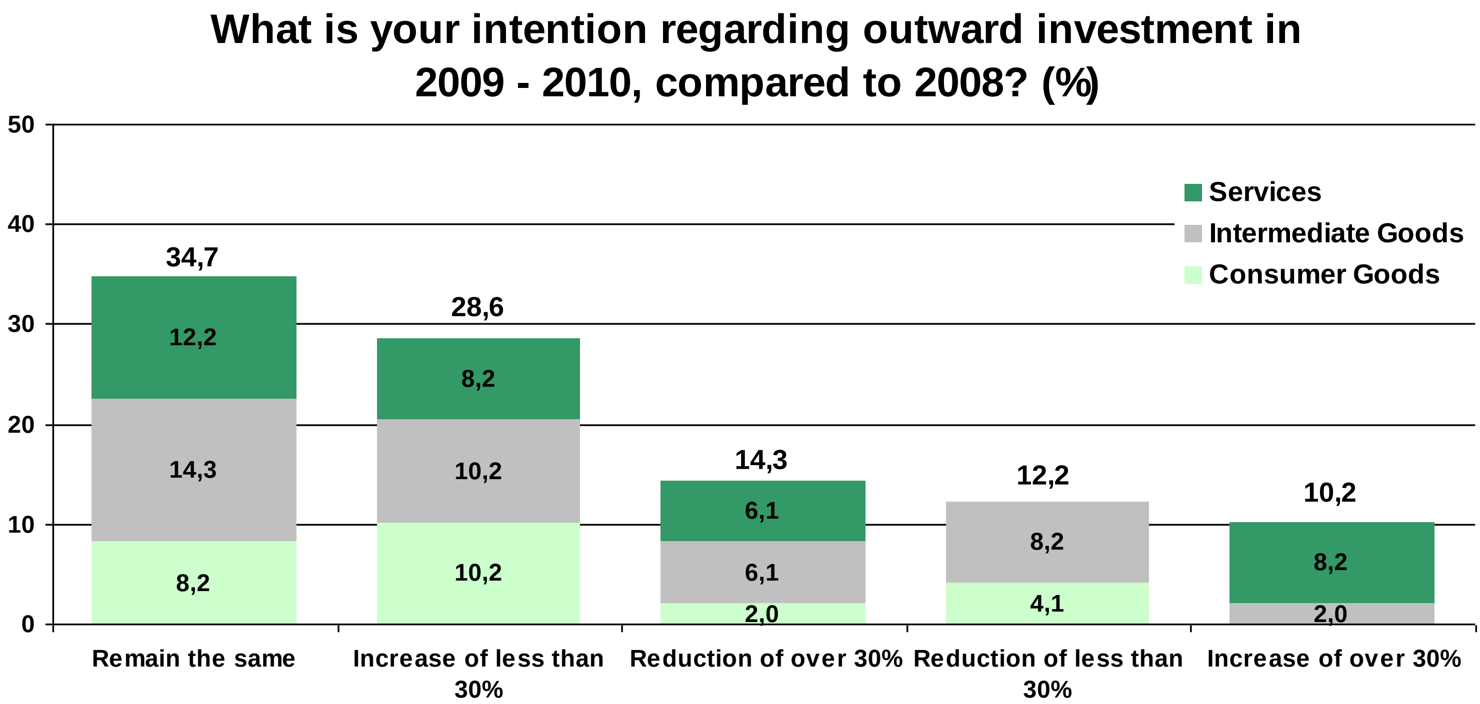
Source: SOBEET-Valor-VCC survey of Brazilian multinationals, 2009.

Annex figure 10:



Source: SOBEET-Valor-VCC survey of Brazilian multinationals, 2009.

Annex figure 11:



Source: SOBEET-Valor-VCC survey of Brazilian multinationals, 2009.

C. Brazilian MNEs positive in 2009 after the global crisis

Luís Afonso Lima[21]

The third survey of Brazilian MNEs, released on December 7, 2010, covers the year 2009. The broader context of the present report is a long-term study of outward investment from emerging markets, led by the VCC, which currently includes 15 countries.

Highlights

The 30 listed Brazilian MNEs together had about US$ 87 billion in foreign assets, nearly US$ 61 billion in foreign sales (*not* including exports), and almost 179,000 foreign employees in 2009 (Annex table 1).

Vale, a mining firm, was first in the ranking by foreign assets, with nearly US$ 35 billion. It alone accounted for 40% of the total foreign assets on the list. The next two firms, Petrobras and Gerdau, between them accounted for a further US$ 30 billion in foreign assets, i.e., just over 34% of the total foreign assets of the top 30.

The highest foreign sales were recorded by JBS-Friboi, a food products firm (nearly US$ 17 billion), which also had about 45% of the total foreign employees (80,000). It came fifth in the ranking by foreign assets, with US$ 5.3 billion in assets held abroad.

Only six other firms had foreign assets exceeding US$ 1 billion. Eleven firms at the bottom of the list had less than US$ 100 million each.

The leading industry on the list (well over half the firms) is manufacturing, although the top two firms are in natural resources (mining and oil & gas). Services accounted for only four firms.

Table 1. Ranking of the top 30 Brazilian MNEs[a] investing abroad, 2009 (US$ million)[b]

Rank by foreign assets	Company	Industry	Status	Foreign assets
1	Vale	Mining of metal ores	Listed	34,934
2	Petrobras	Extraction of crude petroleum and natural gas	Listed	15,937
3	Gerdau	Manufacture of basic metals	Listed	13,916
4	Votorantim	Conglomerate	Unlisted	7,809
5	JBS-Friboi	Crop and animal production	Listed	5,296
6	Camargo Corrêa	Conglomerate	Unlisted	2,161
7	Marfrig	Crop and animal production	Listed	1,529
8	Ultrapar	Extraction of crude petroleum and natural gas	Listed	1,514
9	Embraer	Other manufacturing	Listed	1,378
10	Weg	Manufacture of electrical equipment	Listed	509
11	Brasil Foods	Manufacture os food products	Listed	346
12	Magnesita	Manufacture of other non-metallic mineral	Listed	300

[21] Research and other assistance was also provided by Antonio Félix and Willian Volpato of Valor Econômico and Pedro A. Godeguez da Silva of SOBEET.

		products		
13	Minerva	Manufacture of food products	Listed	233
14	Telemar	Telecommunications	Listed	210
15	Suzano Papele Celulose	Manufacture of paper and paper products	Listed	171
16	Metalfrio	Manufacture of machinery and equipment	Listed	169
17	Coteminas	Manufacture of textiles	Listed	143
18	Itautec	Manufacture of computer, electronic and optical products	Listed	131
19	Natura	Manufacture of chemicals and chemical products	Listed	100
20	Tupy	Manufacture of fabricated metal products	Listed	79
21	Sabó	Manufacture of other transport equipment	Unlisted	56
22	Duratex	Specialized construction activities	Listed	46
23	Iochpe	Manufacture of other transport equipment	Listed	38
24	Artecola	Manufacture of other non-metallic mineral products	Unlisted	34
25	Marcopolo	Manufacture of other transport equipment	Listed	30
26	Indústrias Romi	Manufacture of machinery and equipment	Listed	20
27	Klabin	Manufacture of paper and paper products	Listed	18
28	Totvs	Computer programming, consultancy and related activities	Listed	14
29	Stefanini IT Solutions	Computer programming, consultancy and related activities	Unlisted	14
30	G Brasil	Conglomerate	Unlisted	14
Total				**87,148**

Source: SOBEET-Valor-VCC survey of Brazilian MNEs, 2010.

[a] Note that financial firms (banks, insurance companies, etc.) are not included in the ranking and not covered by this report, except where it is explicitly indicated otherwise.
[b] The survey questionnaire on which this ranking is based was sent to 160 leading Brazilian MNEs, of whom 60 responded. In the case of companies that appeared among the top 20 published in 2009 but did not respond to the present survey, the rankings are based on the companies' financial statements for fiscal 2009.

Profile of the top 30

The role of the private sector. The internationalization of Brazilian companies is dominated by the private sector, although state-owned enterprises also play a role. Just one company in our list of the top 30, Petrobras, is state-controlled.

Distribution by industry. The 30 companies on our list are from 20 different industries. Within manufacturing, we have the following: transport equipment, food products, basic metals, chemicals products, textiles, and electrical equipment. Within services, there are telecommunications, computer programming and consultancy, and specialized construction. In the primary sector, there are crop and animal production, and petroleum and natural gas extraction. Note that the pattern of industry distribution in our list may *not* necessarily be the pattern of distribution of Brazil's outward investment in general, since Central Bank data show current Brazilian FDI abroad as concentrated in the services sector. Caution is in order about these figures, though, as it is difficult in Brazilian outflows to separate authentic FDI from purely financial investment under the guise of FDI. Moreover, since much of Brazil's investment abroad goes into tax havens in the first instance, it is also not easy to know where and in what activity this investment ultimately ends up.

Head office locations. The head offices of 19 of the companies on the list are located in the state of São Paulo, while the rest are based in the states of Rio Grande do Sul (3), Rio de Janeiro (3), Santa Catarina (3), and Minas Gerais (2) (Annex figure 4).

Major outward M&A and greenfield transactions. Annex Tables 2 and 3 show the top 10 M&As and the top 10 greenfield transactions, respectively, undertaken abroad by Brazilian firms over the past three years. Note that the total greenfield value is significantly larger than the total M&A value (US$ 17.3 billion as against US$ 10.2 billion). Both lists are dominated by Vale (three transactions of each kind). Natural resources figure prominently in both lists − four out of the 10 M&As and five out of the 10 greenfield transactions. Most transactions in both lists were undertaken by firms on our list. That 2009 was a problematic year can be seen in both tables. Only two of the top 10 M&As over the past three years were in 2009, one of them in the financial industry, and only two of the top 10 greenfield investments over the past three years were in 2009, both by a firm not on our list.

Impact of the global recovery in 2010[22]. Respondents reported a very positive impact, with 38% noting a recovery in foreign demand and 30% new business opportunities abroad (Annex figure 4). Other responses included recovery in product prices abroad (13%) and greater access to foreign credit (6%). Annex figure 5 indicates the specific business decisions taken in response to the recovery. Nearly 40% of respondents have modified their product mix, while nearly 30% have changed investment destinations and about 15% have acquired foreign assets.

Outward investment plans in 2010-2011, compared to 2009. Nearly half the respondents (49%) declared their intention to increase their investment abroad in 2010-2011. Some 12% of these 49% plan an increase of more than 30%, while the remaining 37% plan a smaller increase. A further 46% of respondents planned to maintain their outward investment at current levels, thus leaving only 5% who intend actually to reduce their investment (Annex

[22] Note that from this point onwards most of what is said in the 'Profile of the top 30' section is not strictly about the top 30 but about the 60 multinationals that responded to the survey.

figure 6). It is interesting to note in this context that Argentina still remains the preferred destination for outward investment from Brazil. Other destinations cited by the respondents were the People's Republic of China, South Africa and India.

Drivers of outward investment. The reason most often mentioned for expansion abroad was the company's international competitive position (26% of respondents). The second most mentioned (with 20% of respondents) was growing world demand. Other motivations include the search for economies of scale (15%) and the desire to reduce dependence on the domestic market and establish export platforms abroad (Annex figure 7).

Operations abroad. One-third of respondents said they had plants manufacturing various goods or establishments providing various services. Almost as many (29%) said their foreign operations consisted of sales offices for exporting goods manufactured in Brazil (Annex figure 8).

Most important factors influencing choice of overseas locations. Some 32% of respondents mentioned market size, while 29% cited access to international or regional markets (Annex figure 9). Local market growth was cited by 18% of respondents.

Principal sources of FDI financing. This question showed the greatest concentration of responses. 58% of respondents indicated their own capital as the main source of funding. It is interesting to note that the answers did not mention domestic commercial bank loans, although 13% of respondents did mention loans from *overseas* banks. The Brazilian Development Bank BNDES (Banco Nacional de Desenvolvimento Economico e Social) was mentioned as a source by 10% of respondents (Annex figure 10).

Barriers to internationalization. A diverse range of factors was mentioned when it came to barriers to outward investment. The barriers were both internal and external. The top-ranking *internal* factor (19% of respondents) was the tax burden in Brazil. Nearly as many mentioned currency fluctuations. Among other internal barriers mentioned was the cost of credit and high logistics costs (Annex figure 11). Among *external* barriers, the top candidate was tough competition in mature markets, with 31% of the respondents mentioning it. In a rather distant second place (14% of respondents) came the regulatory environment of host countries. Other issues, like the lack of double taxation treaties and the lack of access to foreign credit were also mentioned (Annex figure 12).

Changes over 2008-2009. Table 2 below provides a picture of the changes in assets, sales and employment between 2008 and 2009. (Data on 2007 were not available.) Foreign assets as well as foreign sales increased in 2009, by nearly 55% and 28% respectively. However, these increases are to some extent a function of the exchange rates used to calculate these figures[23]. The Brazilian real appreciated significantly in 2009. It was BRL 2.3 to the US dollar in December 2008 and BRL 1.7 to the US dollar in December 2009. Thus, if the real had not appreciated by December 2009, there would actually have been a fall in foreign sales from BRL 109,441 to BRL 103,246 over 2008-2009. Employment, as we can see, fell significantly in 2009, total employment by nearly 18% and foreign employment by nearly 13%. This is in keeping with what is known about the activity of Brazilian MNEs in 2009. Incidentally, both outward FDI flows and (even) outward FDI stock declined in 2009, with

[23] These were the IMF rates of December 31st for each year.

flows going from over US$ 20 billion in 2008 to *minus* US$ 10 billion in 2009 (Annex figures 2 and 3).

Table 2. Snapshot of the top 30 Brazilian MNEs, 2008-2009
(US$ million and number of employees)

	2008	2009	Percentage change, 2008-2009
Assets			
Foreign	56,601	87,148	54.5
Total	257,100	478,593	86.2
Share of foreign in total	22.0%	18.2%	
Sales			
Foreign	47,583	60,733	27.6
Total	247,145	270,228	9.3
Share of foreign in total	19.3%	22.5%	
Employment			
Foreign	204,301	178,787	-12.5
Total	961,505	792,221	-17.6
Share of foreign in total	21.2%	22.6%	

Source: SOBEET-Valor-VCC survey of Brazilian MNEs, 2010.

The big picture

The internationalization of Brazilian companies is a relatively recent phenomenon. From 2000 to 2003, outward FDI from Brazil averaged less than US$ 1 billion a year. Over the four-year period 2004‒2008, this average jumped to nearly US$ 14 billion. In 2008, when global FDI inflows were estimated to have fallen by 15%, outward investment from Brazil almost tripled, increasing from just over US$ 7 billion in 2007 to well over US$ 20 billion in 2008. (As shown in Annex Table 3, *six* of the top 10 greenfield investments overseas took place in 2008, including the largest and the 4th and 5th largest.) In 2009, however, as noted above, net outward investment was *minus* US$ 10 billion. UNCTAD data put the outward stock of Brazilian FDI at US$ 158 billion in 2009 (Annex figure 3), a *decrease* of 3% in comparison to 2008.

In 2009, Brazil was the 7th largest outward investor among emerging markets in terms of FDI stock. In terms of FDI outward stock as a percentage of gross domestic product, the ratio in Brazil, of 10%, is almost twice as high as it was 15 years ago.

Despite its relative novelty, the internationalization of Brazilian companies has achieved a wide geographic spread. Brazilian outward investment can today be found in 86 countries. Admittedly, some destinations matter more than others. The main destinations of outward investment from Brazil today are the United States and Spain, with US$ 10.6 billion and US$ 5.2 billion, respectively. Among emerging markets, Argentina leads, with US$ 3.5 billion, followed by Uruguay, with US$ 2.5 billion.

Internationalization through Brazilian direct investment overseas is not one of the priorities of public policy in Brazil. Among the few initiatives in this area, one might mention the creation by BNDES of a specific facility intended to help companies expand abroad. Furthermore, at the end of 2009, the Foreign Trade Chamber, Câmara de Comércio Exterior or CAMEX, and the Department of Foreign Trade, Secretaria de Comércio Exterior or SECEX, of the Ministry of Development, Industry and Trade (MDIC) launched the *Termo De Referência: Internacionalização De Empresas Brasileiras*[24], which explores the possible public policies for encouraging the internationalization of Brazilian companies.

According to the survey of the internationalization of Brazilian companies undertaken by SOBEET, the tax burden in Brazil is one of the major internal barriers to be overcome by companies seeking to internationalize. Other factors, like exchange-rate volatility and the cost of credit in Brazil also feature among the difficulties encountered (as noted earlier). Along with public policies that overcome internal barriers, it is also important for the Brazilian government to move to increase the number of bilateral investment treaties, of which not even one was signed in the last ten years and none of those signed has been ratified.

Conclusion

As noted above, Brazilian MNEs actually repatriated US$ 10 billion in 2009, the highest such reversal of outflows since 1947. The negative outflow picture is consistent with the results of the SOBEET-Valor-VCC survey of Brazilian MNEs, which found that nearly half of the Brazilian MNEs surveyed (over 47%) opted to reduce the operational costs of their foreign affiliates last year. The results also indicate, however, that the 2009 downturn may have come to an end. The cautious optimism of our respondents is confirmed by the latest data on outward investment: Brazilian direct investment abroad reached US$ 15.6 billion for the first eight months of 2010, again the highest level for any comparable period since 1947. Corporate resilience, a strong currency and increasing foreign demand have all played their part in this recovery.

[24] Available at: http://www.mdic.gov.br/arquivos/dwnl_1260377495.pdf.

Annex figure 1. Brazil: The top 30 MNEs: Key variables - 2009 (US$ million and numbers of employees)

Rank by foreign assets	**Company**	**Industry**	**Assets**		**Employment**		**Sales**[a]		**TNI** (%)
			Foreign	Total	Foreign	Total	Foreign	Total	
1	Vale	Mining of metal ores	34,934	100,907	14,426	60,036	8,440	23,615	31.5
2	Petrobras	Extraction of crude petroleum and natural gas	15,937	198,413	7,967	76,919	12,173	104,904	10.0
3	Gerdau	Manufacture of basic metals	13,916	25,599	18,400	40,000	8,098	15,239	51.2
4	Votorantim	Conglomerate	7,809	35,140	7,479	61,676	2,354	14,642	14.7
5	JBS-Friboi	Crop and animal production	5,296	24,397	80,007	125,000	16,745	19,701	56.9
6	Camargo Corrêa	Conglomerate	2,161	14,811	12,235	57,864	1,669	9,054	18.1
7	Marfrig	Crop and animal production	1,529	6,575	16,904	46,984	2,931	5,524	37.4
8	Ultrapar	Extraction of crude petroleum and natural gas	1,514	6,368	400	9,400	1,103	20,737	11.1
9	Embraer	Other manufacturing	1,378	3,388	901	16,853	1,129	7,614	20.3
10	Weg	Manufacture of electrical equipment	509	3,085	2,091	18,670	999	2,934	20.6
11	Brasil Foods	Manufacture os food products	346	8,767	662	130,166	1,401	15,426	4.5
12	Magnesita	Manufacture of other non-metallic mineral products	300	522	1,394	6,938	491	1,259	38.9
13	Minerva	Manufacture of food products	233	1,190	474	7,774	87	505	14.3
14	Telemar	Telecommunications	210	35,177	37	28,261	114	17,224	0.5
15	Suzano Papel e Celulose	Manufacture of paper and paper products	171	3,997	162	4,024	n.a.	n.a.	4.2
16	Metalfrio	Manufacture of machinery and equipment	169	413	1,402	2,607	153	369	45.3
17	Coteminas	Manufacture of textiles	143	908	2,820	14,800	1,382	1,531	41.7

18	Itautec	Manufacture of computer, electronic and optical products	131	743	398	6,218	274	1,199	15.6
19	Natura	Manufacture of chemicals and chemical products	100	1,566	1,439	6,260	164	2,430	9.5
20	Tupy	Manufacture of fabricated metal products	79	1,327	28	7,481	170	703	10.2
21	Sabó	Manufacture of other transport equipment	56	297	1,190	3,510	142	314	32.8
22	Duratex	Specialized construction activities	46	2,488	151	8,832	75	1,289	3.1
23	Iochpe	Manufacture of other transport equipment	38	799	922	7,365	33	757	7.2
24	Artecola	Manufacture of other non-metallic mineral products	34	114	330	1,553	49	161	27.1
25	Marcopolo	Manufacture of other transport equipment	30	60	4,019	13,715	373	1,182	36.9
26	Indústrias Romi	Manufacture of machinery and equipment	20	30	305	2,601	36	273	30.8
27	Klabin	Manufacture of paper and paper products	18	373	110	7,527	n.a.	n.a.	3.2
28	Totvs	Computer programming, consultancy and related activities	14	694	300	4,300	11	620	3.6
29	Stefanini IT Solutions	Computer programming, consultancy and related activities	14	85	1,671	8,755	43	364	15.6
30	G Brasil	Conglomerate	14	359	163	6,132	96	658	7.0
Total			**87,148**	**478,593**	**178,787**	**792,221**	**60,733**	**270,228**	
Average									**20.8**

Source: SOBEET-Valor-VCC survey of Brazilian MNEs, 2010.

[a] ‘n.a.‘ indicates the non-availability of data.

Annex table 2. Brazil: The top 10 outward M&A transactions, 2007-2009 (US$ million)

Date	Acquirer's name	Target name	Target industry	Target country	% of shares acquired	Value of transaction
01/05/2007	Vale	Inco Ltd	Ferroalloy ores, except vanadium	Canada	13.4	2,316
04/23/2008	Gerdau SA	Quanex Corp	Steel works, blast furnaces, and rolling mills	United States	100.0	1,749
07/11/2007	J&F Participacoes SA	Swift & Co	Sausages and other prepared meat products	United States	100.0	1,458
11/11/2008	Magnesita SA	LWB Refractories GmbH	Brick and structural clay tile	Germany	100.0	943
02/05/2009	Vale	Rio Tinto Ltd-Potash Assets	Potash, soda, and borate minerals	Argentina	100.0	850
02/26/2007	Vale	AMCI Holdings Australia Pty	Coal mining	Australia	100.0	663
03/16/2007	Banco Itau Holding Financeira	BankBoston Uruguay	Banking	Uruguay	100. 0	650
10/23/2008	JBS SA	Smithfield Beef Group Inc	Beef cattle, except feedlots	United States	100.0	565
03/31/2009	Banco Itau Holding Financeira	Banco Itau Europa SA	Security and commodity services	Portugal	89.3	498
03/17/2007	Grupo Votorantim	Acerias Paz del Rio SA	Steel works, blast furnaces, and rolling mills	Colombia	51.9	489
Total						**10,181**

Source: Adapted from Thomson ONE Banker. Thomson Reuters.

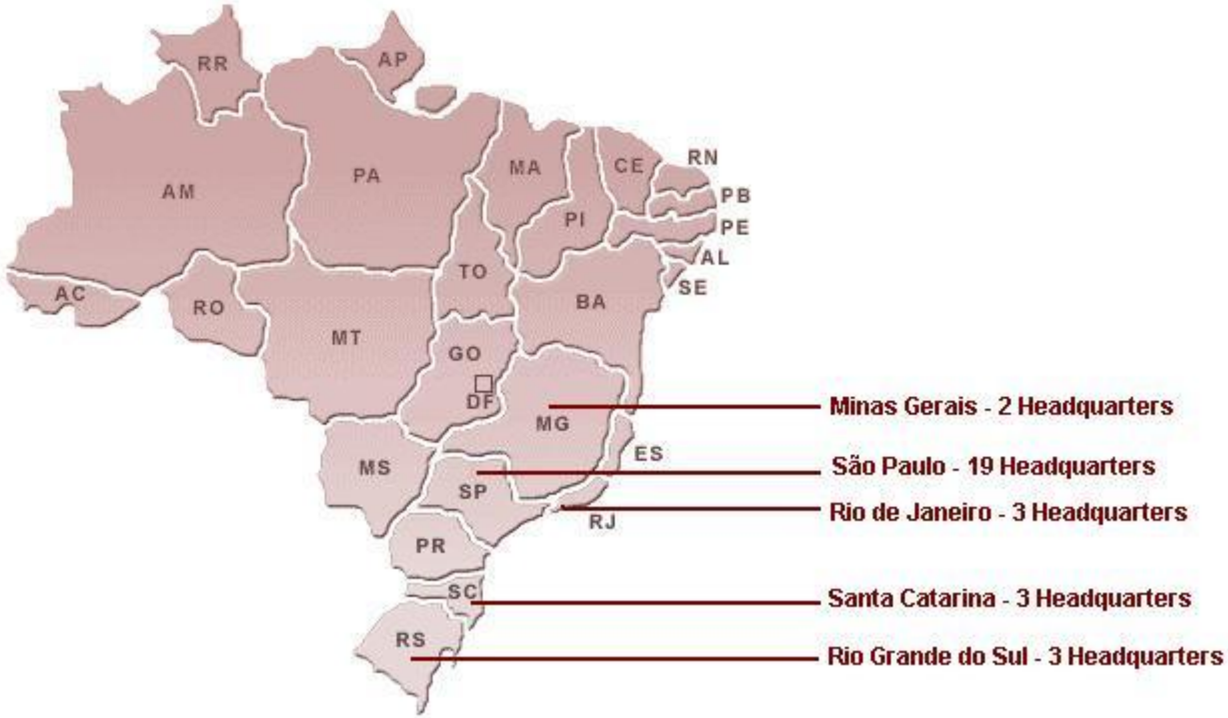
Annex table 3. Brazil: The top 10 outward greenfield investments, 2007-2009 (US$ million)

Date	Company	Destination	Industry	Value
Feb-08	Vale	New Caledonia	Minerals	3,200.0
Nov-09	Braskem	Mexico	Plastics	2,500.0
Jun-09	Braskem	Peru	Plastics	2,500.0
Sep-08	Votorantim Group	Colombia	Metals	1,500.0
Sep-08	Gerdau	Peru	Metals	1,400.0
Feb-07	Braskem	Bolivia	Chemicals	1,400.0
May-08	Vale	Oman	Minerals	1,365.0
Jul-08	Petrobras	Nigeria	Coal, oil and natural gas	1,262.9[a]
Mar-07	Vale	Mozambique	Coal, oil and natural gas	1,200.0
Apr-08	Petrobras	Japan	Coal, oil and natural gas	976.0
Total				**17,303.9**

Source: Adapted from fdiIntelligence, a service from the Financial Times Ltd.

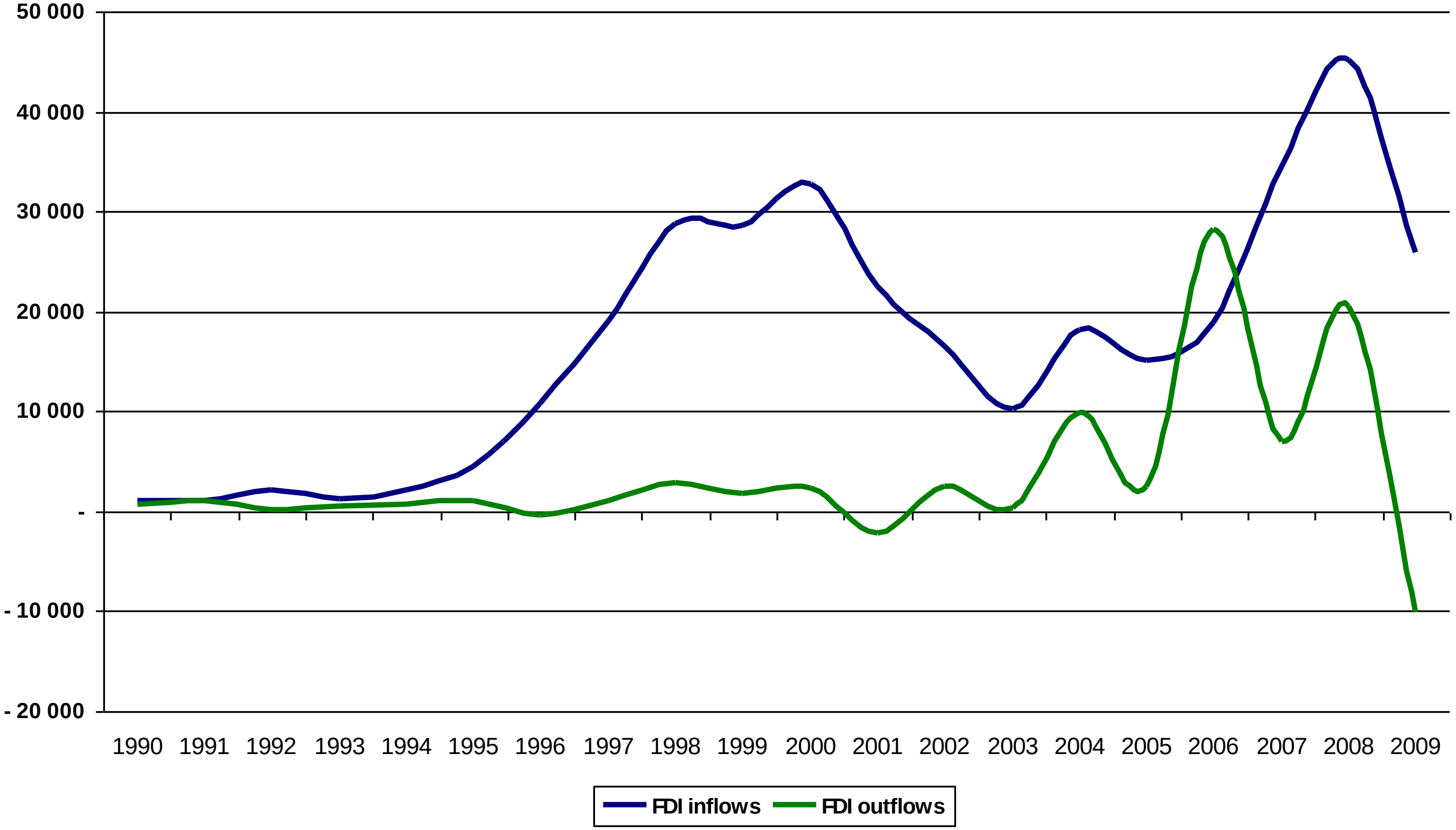
[a] This amount is an estimate.

Annex figure 1. Brazil: Head office locations of the top 30 MNEs - 2009



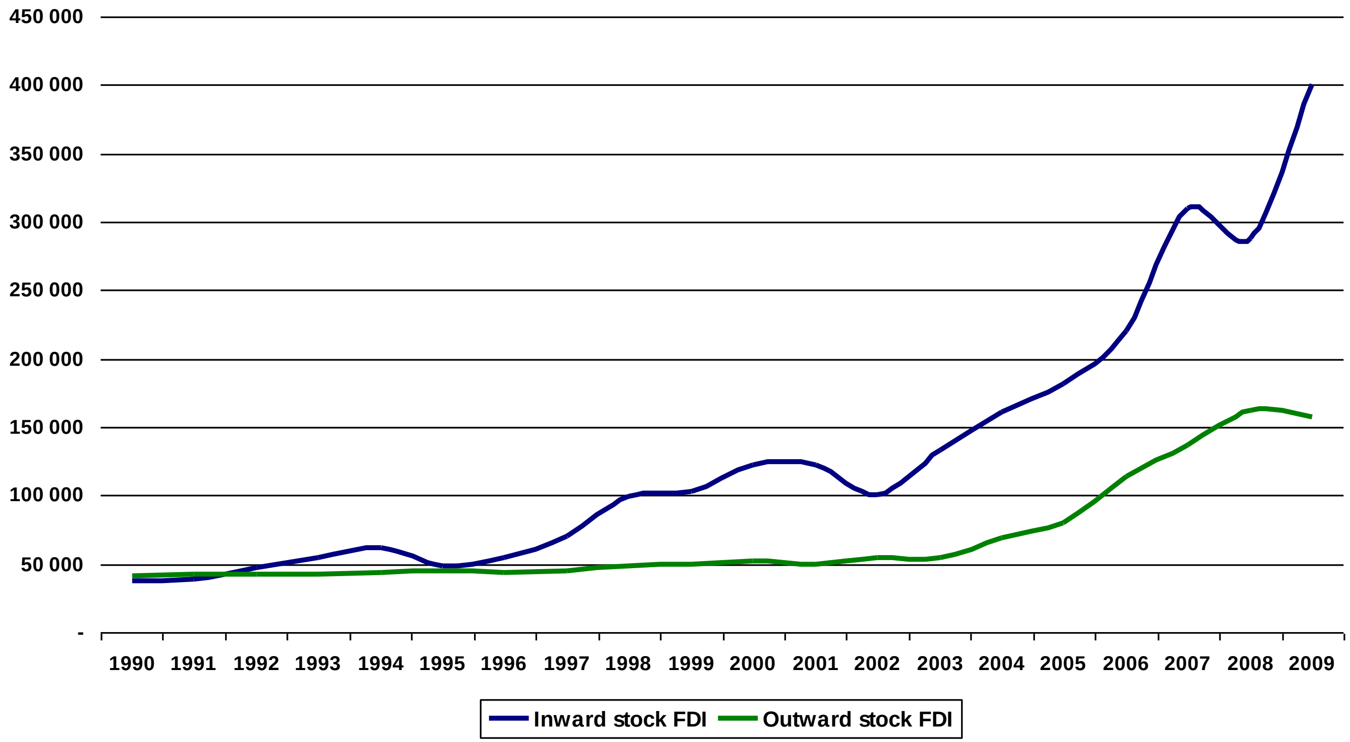
Source: SOBEET-Valor-VCC survey of Brazilian MNEs, 2010.

Annex figure 2. Brazil: Inward and outward FDI flows, 1990-2009 (US$ million)



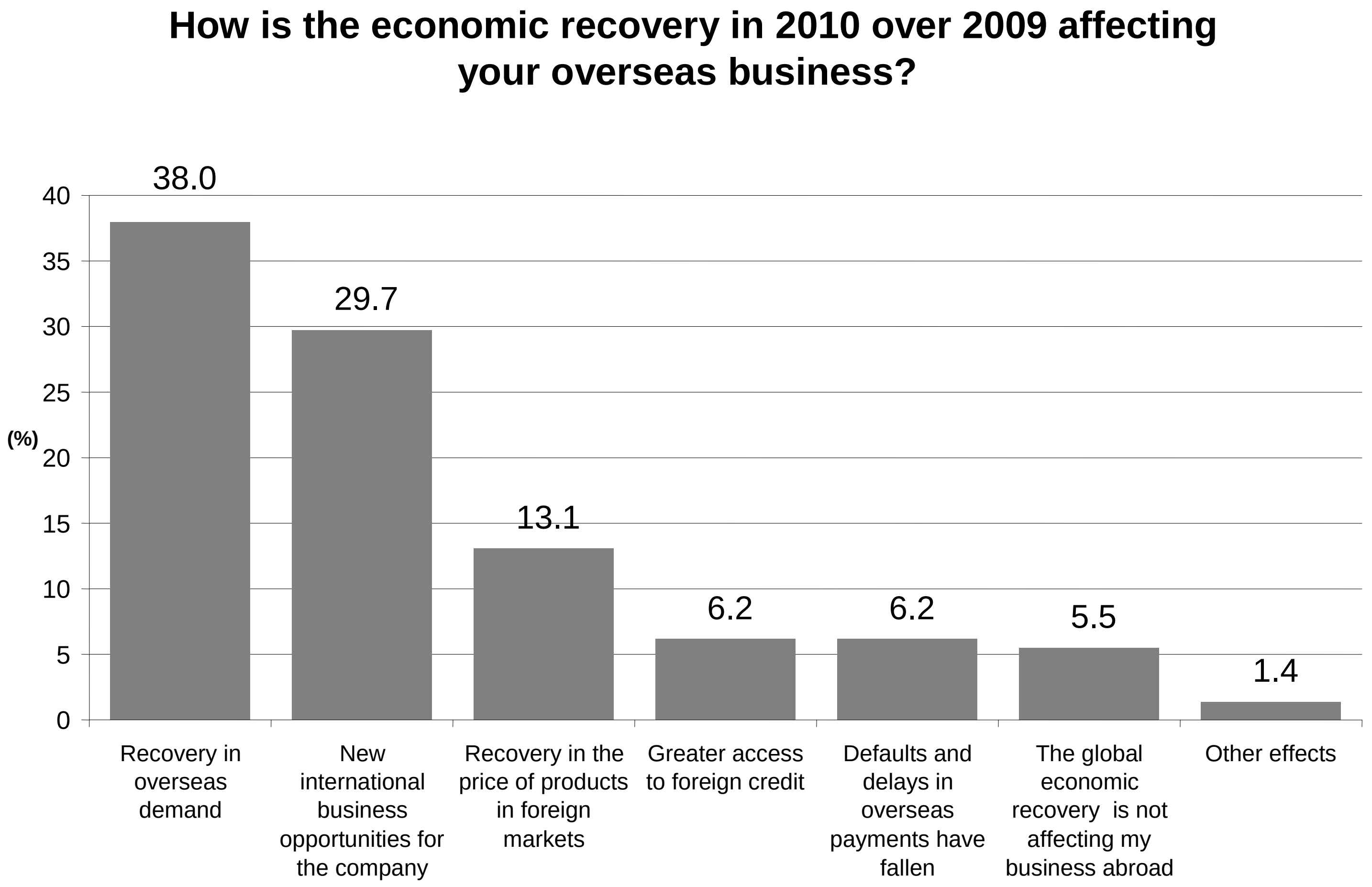
Source: Adapted from UNCTAD, Annex tables to World Investment Report 2010, http://www.unctad.org/Templates/Page.asp?intItemID=5545&lang=1.

Annex figure 3. Brazil: Inward and outward FDI stock, 1990-2009 (USD million)



Source: Adapted from UNCTAD, Annex tables to World Investment Report 2010, http://www.unctad.org/Templates/Page.asp?intItemID=5545&lang=1.

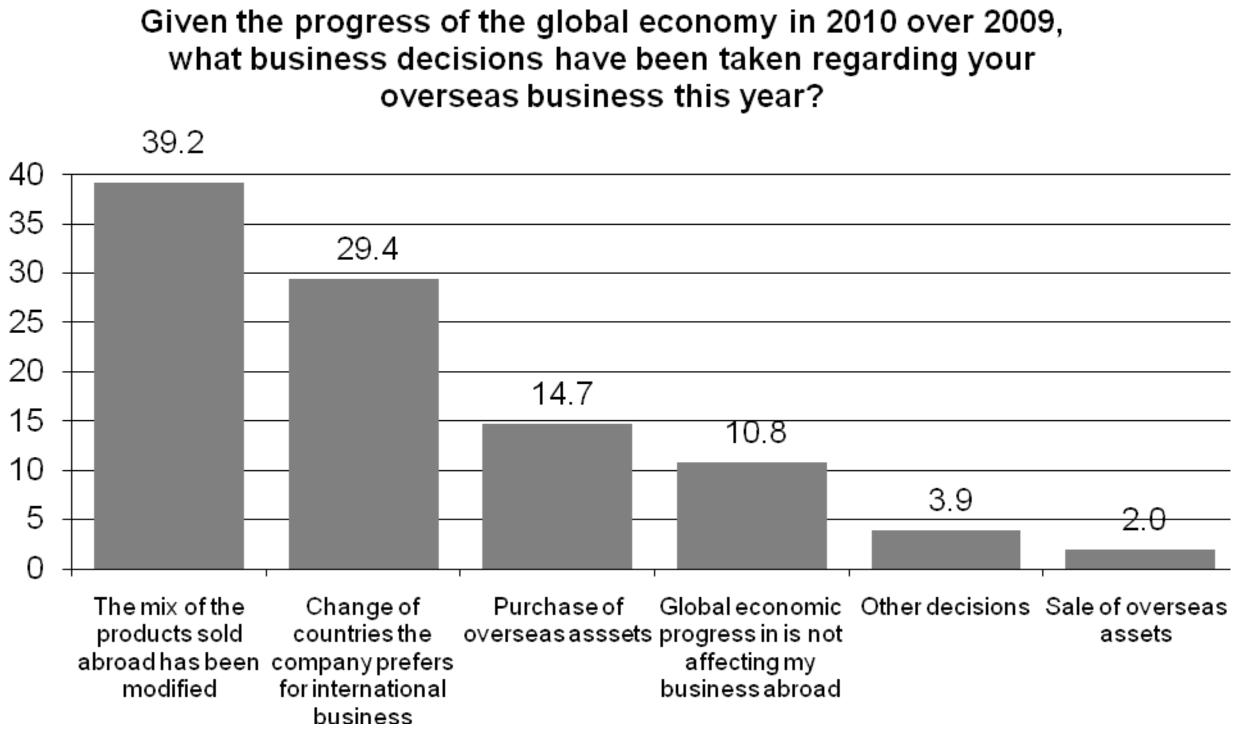
Annex figure 4. Brazil: Impact of global economic recovery on overseas business (percentages)[a]



Source: SOBEET-Valor-VCC survey of Brazilian MNEs, 2010.

[a] The figure shows the percentage of 60 respondents offering a specific answer.

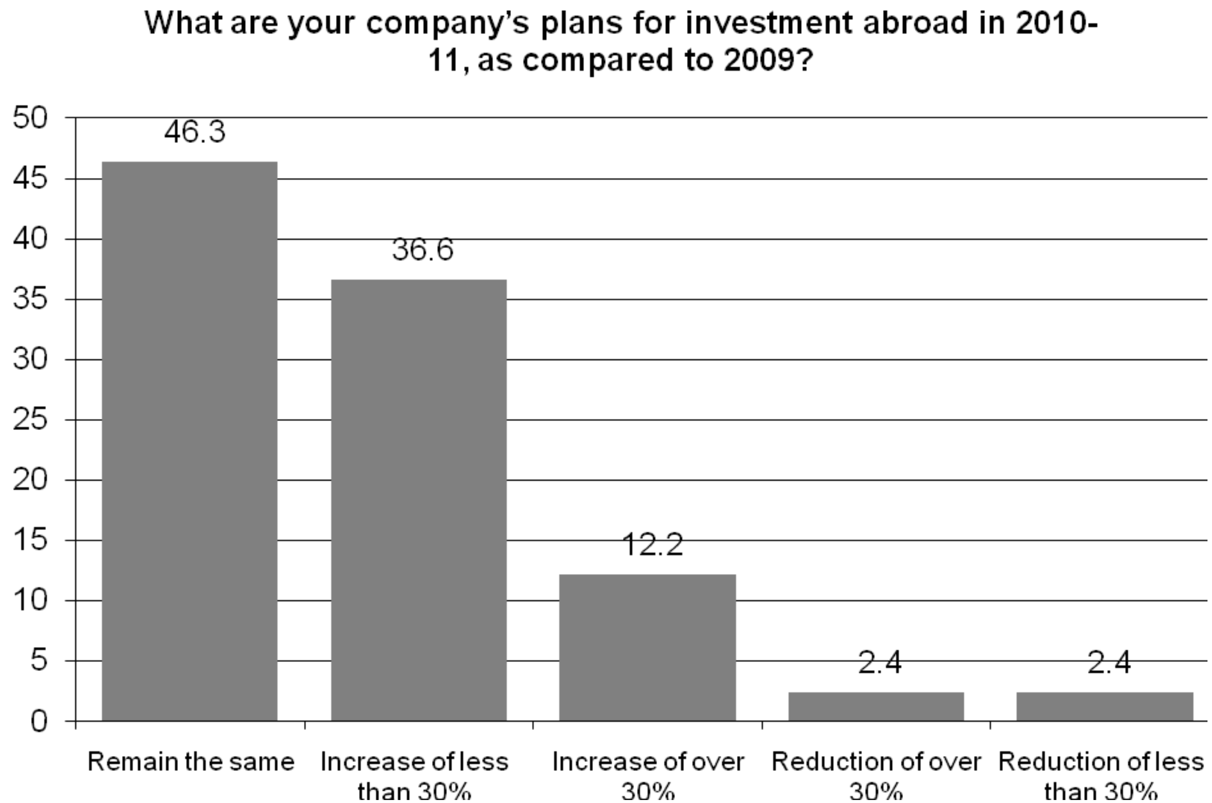
Annex figure 5. Brazil: Response to improvement in global economy in 2010 (percentages)[a]



Source: SOBEET-Valor-VCC survey of Brazilian MNEs, 2010.

[a] The figure shows the percentage of 60 respondents offering a specific answer.

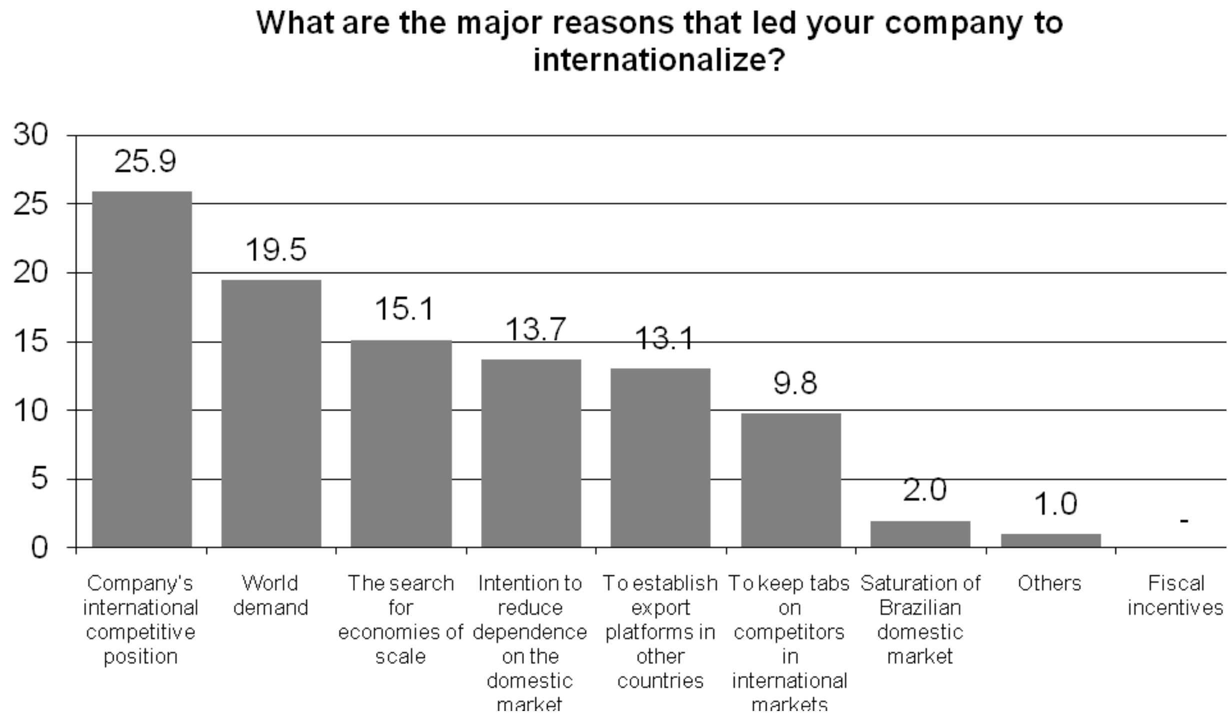
Annex figure 6. Brazil: Plans for investment abroad in 2010-2011, as compared to 2009 (percentages)[a]



Source: SOBEET-Valor-VCC survey of Brazilian MNEs, 2010.

[a] The figure shows the percentage of 60 respondents offering a specific answer.

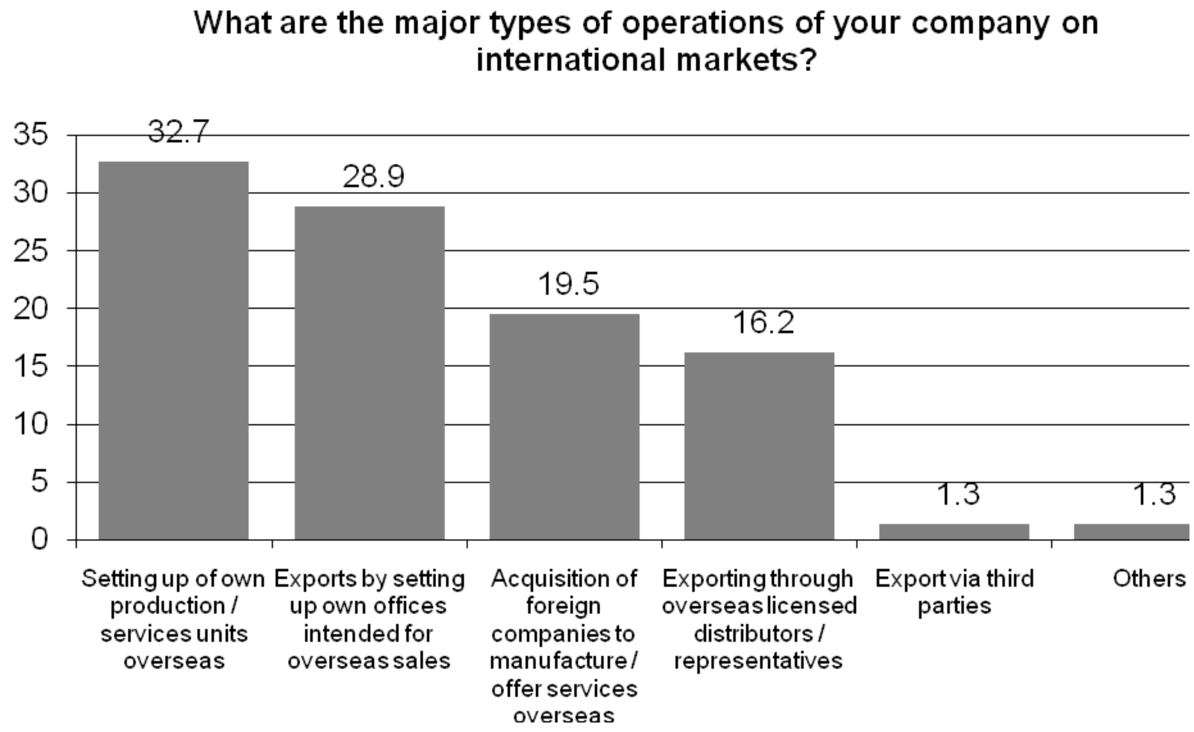
Annex figure 7. Brazil: Drivers of foreign expansion (percentages)[a]



Source: SOBEET-Valor-VCC survey of Brazilian MNEs, 2010.

[a] The figure shows the percentage of 60 respondents offering a specific answer.

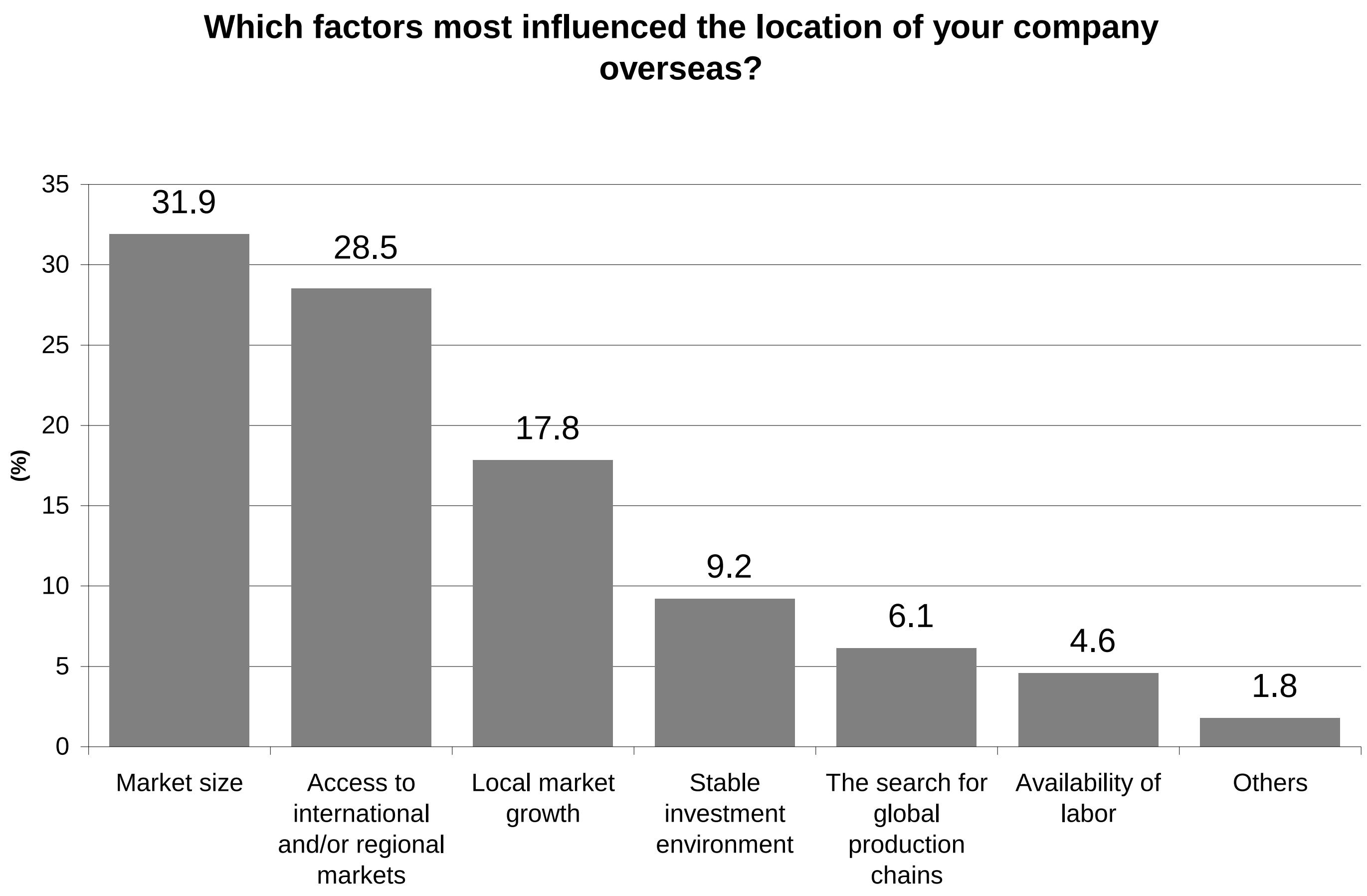
Annex figure 8. Brazil: Types of operations abroad (percentages)[a]



Source: SOBEET-Valor-VCC survey of Brazilian MNEs, 2010.

[a] The figure shows the percentage of 60 respondents offering a specific answer.

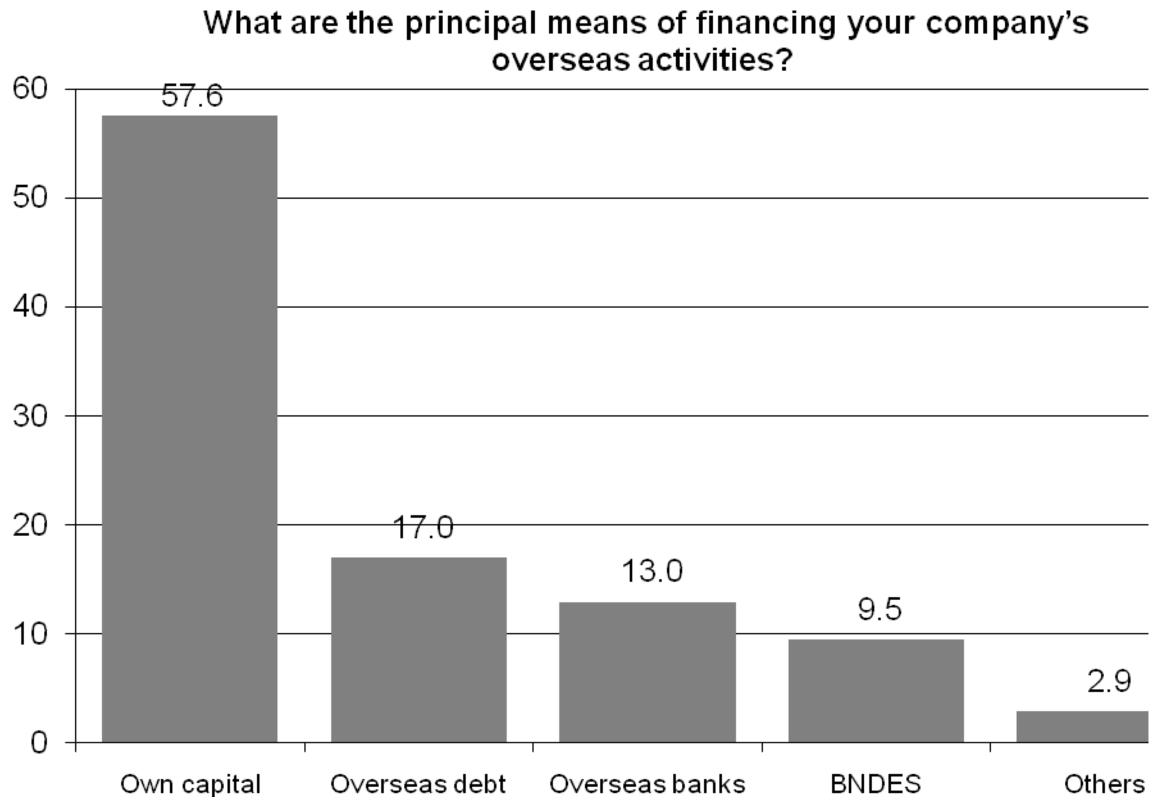
Annex figure 9. Brazil: Most influential factor in choice of foreign location (percentages)[a]



Source: SOBEET-Valor-VCC survey of Brazilian MNEs, 2010.

[a] The figure shows the percentage of 60 respondents offering a specific answer.

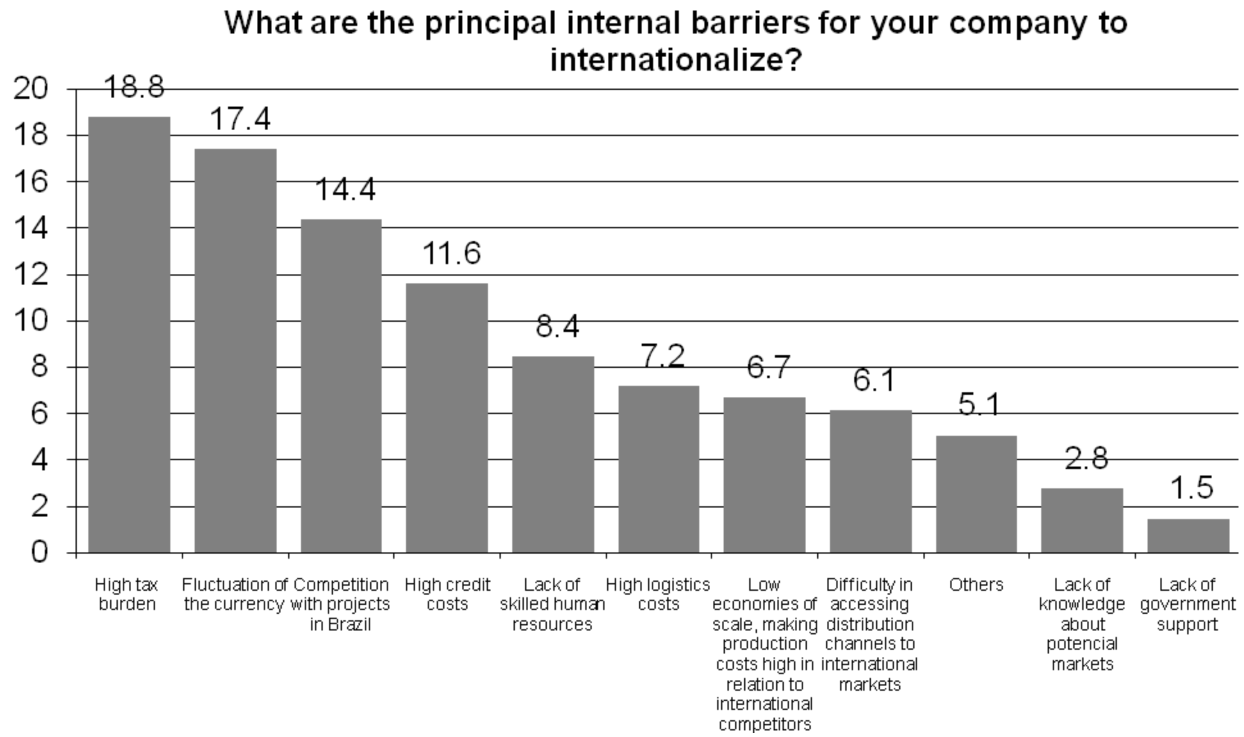
Annex figure 10. Brazil: Means of financing outward investment (percentages)[a]



Source: SOBEET-Valor-VCC survey of Brazilian MNEs, 2010.

[a] The figure shows the percentage of 60 respondents offering a specific answer.

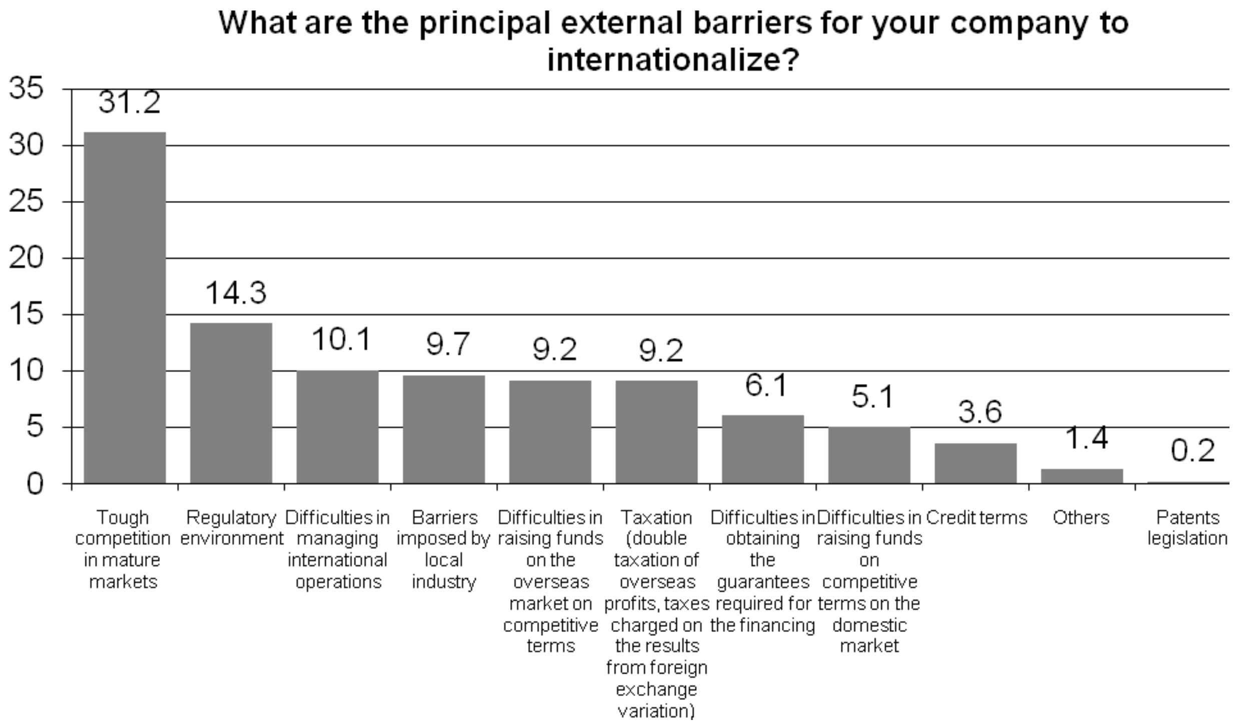
Annex figure 11. Brazil: Internal barriers to outward investment (percentages)[a]



Source: SOBEET-Valor-VCC survey of Brazilian MNEs, 2010.

[a] The figure shows the percentage of 60 respondents offering a specific answer.

Annex figure 12. Brazil: External barriers to outward investment (percentages)[a]



Source: SOBEET-Valor-VCC survey of Brazilian MNEs, 2010.

[a] The figure shows the percentage of 60 respondents offering a specific answer.

Chapter 3 – The People's Republic of China's global players

A. Chinese MNEs make steady progress in 2006

Qiuzhi Xue

The first FUDAN-VCC 2007 ranking of Chinese MNEs was released on October 22, 2008. Its findings indicate that: as of the end of 2006, 18 large Chinese MNEs in terms of foreign assets had at least US$ 79 billion in overseas assets (table 1), employed over 120,000 persons abroad, and had US$ 79 billion 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 the People's Republic of 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.

Table 1. FUDAN-VCC ranking of 18 large Chinese MNE enterprises in terms of foreign assets, 2006[a]
(Million of US$)

Rank	Name	Industry	Foreign assets
1	CITIC Group	Diversified	17,623
2	China Ocean Shipping (Group) Company	Transport and storage	10,397
3	China State Construction Engineering Corp	Construction, real estate	6,831
4	China National Petroleum Corp	Petroleum expl./ref./distr.	6,374
5	Sinochem Corp.	Petroleum and fertilizer	5,326
6	China Poly Group Corporation	Trade, real estate	5,113
7	China National Offshore Oil Corp.	Petroleum and natural gas	4,984
8	Shougang Group	Diversified	4,875
9	China Shipping (Group) Company	Diversified	4,600
10	TCL Corporation	Electrical & electronic equipment	3,875
11	Lenovo Group	Computer and related activities	3,147

12	China Minmetals Corp	Metals and metal products	1,266
13	China Communications Construction Corp	Construction	1,162
14	Shum Yip Holdings Company Limited	Real estate	972
15	Baosteel Group Corporation	Diversified	968
16	Shanghai Automotive Industry Corporation(Group)	Automotives	442
17	China Metallurgical Group Corporation	Diversified	439
18	Haier Group	Manufacturing, telecommunications，IT	394
TOTAL			**78,788**

Source: FUDAN-VCC survey of Chinese MNEs.
[a] 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 MNEs lag behind their foreign counterparts in that:
— Only two of the 18 have over US$ 10 billion 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)
Assets				
Foreign	57	67	79	38
Total	338	405	489	45
Share of foreign in total (%)	17	16	16	
Employment				
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	
Sales(excluding exports)				
Foreign	48	79	79	65
Total	236	283	333	41
Share of foreign in total (%)	21	28	24	

Source: FUDAN-VCC survey of Chinese MNEs.

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 Federation (30%) and Brazilian (18%) MNEs.[1] 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).2

The whole picture

With the encouragement and backing of central and provincial governments, Chinese firms have been accelerating their international expansion. FDI outflows from the People's Republic of China increased from US$ 4 billion in 1992 to US$ 21 billion in 2006 and US$ 23 billon in 2007, making the People's Republic of China the fourth largest outward investor in emerging markets in 2006 in terms of outflows (behind Hong Kong(China), Brazil and the Russian Federation). 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$ 5 billion in 1990 to US$ 73 billion in 2006 and US$ 96 billon in 2007.

Chinese MNEs 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&A's that were made in 2007 represent US$ 28 billion of investment (Annex table 3). Six of these transactions, worth US$ 18 billion, were in financial services, four, representing US$ 2 billion, are in mining & metals, one, US$ 4 billion, is in public utilities (electricity), and one, US$ 4 billion, is in coal and natural gas. Two of the transactions, both in financial services and totaling US$ 8 billon, 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.[3] Besides M&A's, recent years also have witnessed an increase in cross-border greenfield investments. As shown in Annex table 4, US$ 11 billion in greenfield investments were made in 2007 as

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

[2] 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.

[3] 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.

compared to US$ 6 billion in 2006. US$ 4 billion of greenfield investments had been made in just the first two months of 2008. Six of the ten greenfield investments listed, worth US$ 15 billion, are in natural resource-related industries. The remaining investments are in transportation (US$ 3 billion), communications (US$ 2 billion), consumer electronics (US$ 1 billion), and automotive OEM (US$ 1 billion).

Annex Table 1: FUDAN-VCC ranking of 18 Chinese MNEs, key variables, 2006
(Millions of dollars and number of employees)

Ranking		Name	Industry	Assets		Sales		Employment			
Foreign Assets	TNI[a]			Foreign	Total	Foreign	Total	Foreign	Total	TNI (%)	No. of Foreign affiliates
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
		Total		**78,788**	**488,784**	**78,509**	**332,836**	**12 ,670**	**2,062,658**	**15**	**n.a.**

Source: FUDAN-VCC survey of Chinese MNEs, UNCTAD, World Investment Report 2007 and 2008, and various company reports.
[a] 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 MNEs are listed

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

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
10/25/07	Industrial and Commercial Bank of China	Standard Bank of South Africa Ltd.	Bank	South Africa	20	5,460
12/19/07	China Investment Corporation	Morgan Stanley	Investment bank	USA	nearly 10	5,000
12/12/07	State Grid Corporation of China and two Philippines companies	The operation rights of electricity grid systems	Public utility	Philippines	40	3,950
01/15/07	China National Petroleum	South Pars	Coal, oil and natural gas	Iran	100	3,600
05/21/07	China Investment Corporation	Blackstone Group	Special assets management and financial consulting	USA	nearly 10	3,000
07/23/07	China Development Bank	Barclays Bank	Bank	U.K.	3.1	3,000
11/30/07	Ping An Insurance (Group) Company Of China	Fortis SA/NV and Fortis N.V.	Financial service provider	Belgium	4.18	1,657
08/01/07	Aluminum Corporation of China	Peru Copper Inc.	Metals & mining	Canada	91	860
12/06/07	Jiangxi Copper Corporation and China Minmetals Non-ferrous Metals Co. Ltd	Northern Peru Copper Inc.	Metals & mining	Canada	100	497
04/28/07	China Mobile Communications Corporation	Paktel Ltd. Of Pakistan	Telecommunications	Pakistan	100	460
05/20/07	China Special Steel Corporation	Nanyang Mining Resources Co. Ltd	Metals & mining	Indonesia	100	364

02/02/07	Sinochem Corporation(Cayman)	New XCL_China,LLC	Metals & mining	USA	100	228
11/08/07	China Youngor Corporation LTD	Smart Apparel Group Limited and XinMa Apparel International Limited	Apparel	Hong Kong (China)	100	120
10/07/07	China Minsheng Banking Corp. LTD	UCBH Holdings Inc	Bank	USA	9.9	95
06/28/07	China International Marine Containers (Group) Ltd	Burg Industries B.V.	Transportation vehicle	Netherlands	80	74

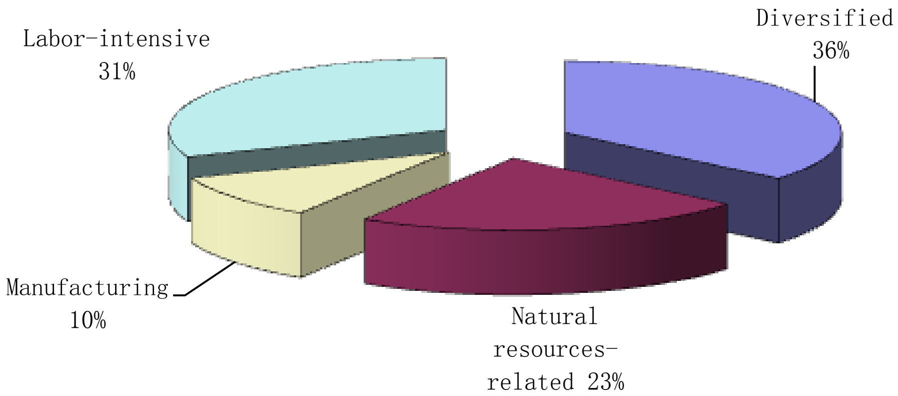
Source: Company information.

Annex Table 4. Top 10 China cross-border greenfield transactions Announced 2006-March 2008 (Millions of US$)

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

Source: FDI Intelligence – Financial Times Ltd.

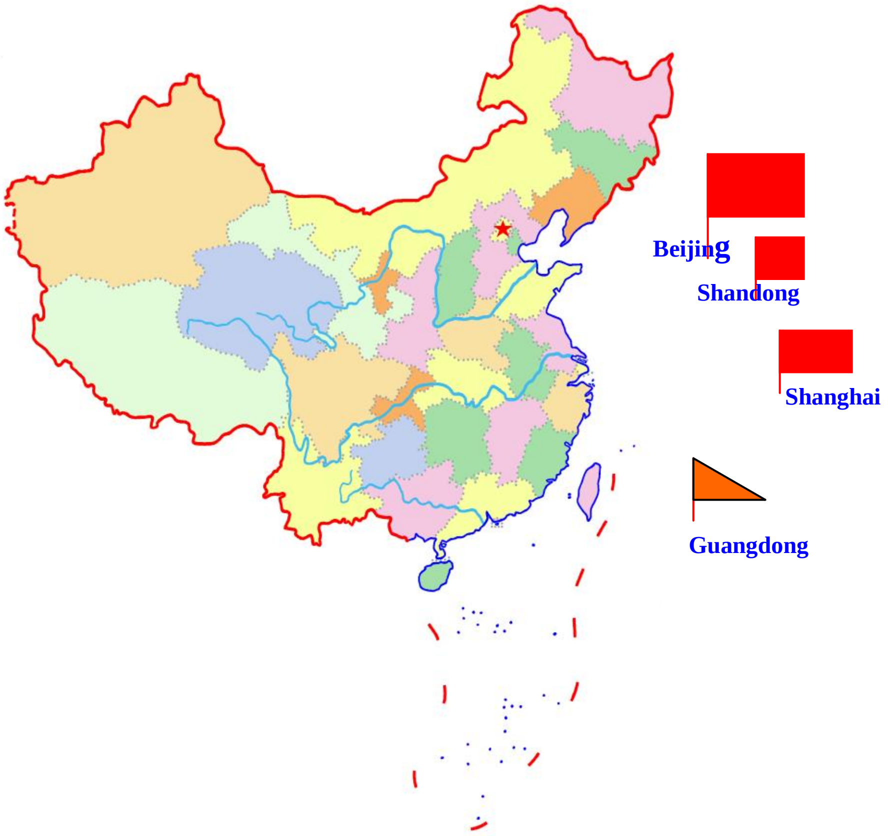
Annex figure 1. Breakdown of the 18 MNEs' foreign assets by industry - 2006



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 MNEs.

Annex figure 2. Headquarter locations of the 18 Chinese MNEs - 2006



Beijin

1. CITIC Group
2. China Ocean Shipping (Group) Company
3. China State Construction Engineering Corp.
4. China National Petroleum Corporation
5. Sinochem. Corp.
6. China Poly Group Corporation
7. China National Offshore Oil Corp.
8. Shougang Group
11. Lenovo
12. China Minmetals Corp.
13.China Communication Construction Co.
17. China Metallurgical Group Corporation

Shanghai

9. China Shipping (Group) Company
15. Baosteel Group Corporation
16. Shanghai Automotive Industry

Shandong

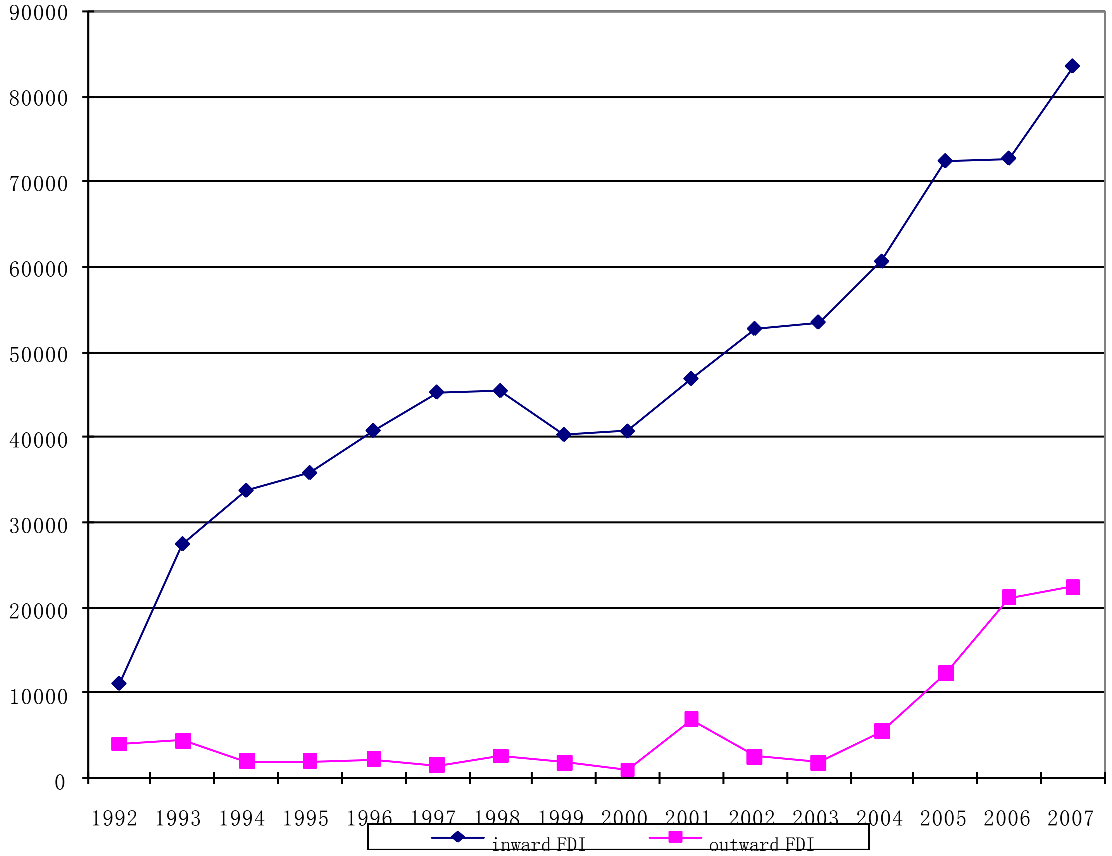
18. Haier Group

Guangdon

10. TCLCorporation
14. Shum Yip Holdings
Company Limited

Source: FUDAN-VCC survey of Chinese MNEs.

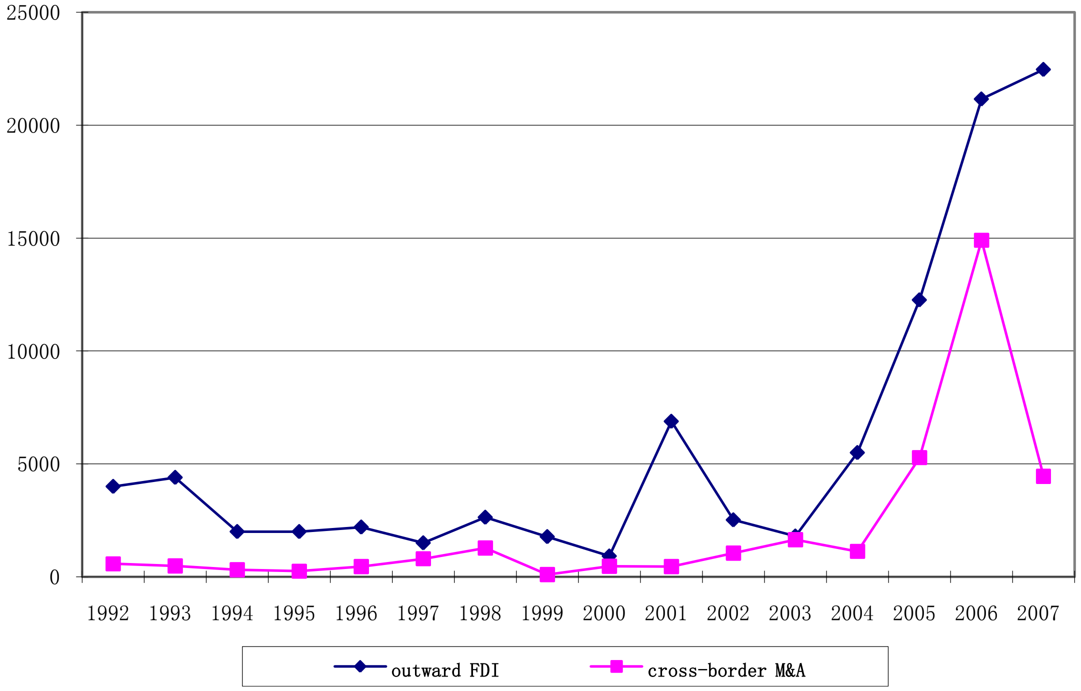
Annex figure 3. FDI outflows from, and inflows into the People's Republic of China, 1992-2007 (Millions of US$)



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

	Inward FDI	**Outward FDI**
	(Millions of US$)	
1992	11,156	4,000
1993	27,515	4,400
1994	33,787	2,000
1995	35,849	2,000
1996	40,800	2,200
1997	45,300	1,500
1998	45,463	2,634
1999	40,319	1,775
2000	40,715	916
2001	46,878	6,884
2002	52,743	2,518
2003	53,505	1,800
2004	60,630	5,498
2005	72,406	12,261
2006	72,715	21,160
2007	83,521	22,469

Annex figure 4. FDI outflows from The People's Republic of Chin and purchases of cross-border M&A by Chinese MNEs (Millions of US$)



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

	Outward FDI	**Cross-border M&A**
	(Millions of US$)	
1992	4,000	573
1993	4,400	485
1994	2,000	307
1995	2,000	249
1996	2,200	451
1997	1,500	799
1998	2,634	1,276
1999	1,775	101
2000	916	470
2001	6,884	452
2002	2,518	1,047
2003	1,800	1,647
2004	5,498	1,125
2005	12,261	5,279
2006	21,160	14,904
2007	22,469	4,452

B. Strong growth in foreign assets in 2007

Qiuzhi Xue, Lijia Zhu and Jun Zhou[28]

The second annual survey of leading Chinese MNEs, released on December 17, 2009, shows that Chinese MNEs are continuing to grow rapidly on the world stage.

The survey draws primarily on data for the year 2007, although some data for 2008 are included as well. It identifies 18 leading outward investors and ranks them on the basis of their *foreign* assets. Its principal findings include the following. As of the end of 2007, the 18 large Chinese MNEs on the Fudan-VCC list had nearly US$ 106 billion in overseas assets (table 1), employed 133,674 persons and had US$ 91 billion in foreign sales (Annex table 1). The top three − CITIC Group, China Ocean Shipping (Group) Company and China State Construction Engineering Corporation − which together had foreign assets of US$ 59 billion – accounted for nearly 56% of the foreign assets controlled by the 18 large MNEs. These are all state-owned enterprises (SOEs), as are 13 others among the remaining 15. SOEs continue to play a dominant role in the international expansion of Chinese firms. In comparison with last year's list, which was based on 2006 data, the aggregate foreign assets and foreign sales of the 18 large MNEs on this year's list increased by 34% and 16%, respectively, in 2007, while foreign employment fell by 4%.

The Chinese government, through its 'go global' policy, has strongly 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.[29] From 2003 to 2008, The People's Republic of China's FDI outflows rose at an annual rate of 96% while global FDI grew by only 25%. These 18 – which are large but not necessarily the largest Chinese MNEs[30] –have played an important role in that expansion, helping make the People's Republic of China the third largest outward investor among emerging markets in 2007 in terms of FDI outflows and the seventh largest in terms of outward FDI (OFDI) stock.

[28] Assistance was also provided by Qian Li, Ming Li and Haiying Wang.

[29] See Qiuzhi Xue and Bingjie Han, 'The role of government policies in promoting outward fdi of emerging markets: China's experience' in *Foreign Direct Investment from Emerging Markets: The Challenges Ahead*, edited by Karl P. Sauvant, with Wolfgang A. Maschek and Geraldine McAllister (New York: Palgrave Macmillan, 2009).

[30] Two rounds of surveys were conducted by Fudan University between April and July of 2009, resulting in primary data from 11 MNEs. These data were supplemented by data from UNCTAD's World Investment Report 2009 (New York and Geneva: United Nations, 2009) and by estimating foreign assets by adding cross-border M&As and greenfield investments to the 2006 foreign asset levels as reported in UNCTAD's World Investment Report 2008 (New York and Geneva: United Nations, 2008). Although the Ministry of Commerce of the People's Republic of China (MOFCOM) publishes a ranking of the 30 largest Chinese MNEs, it 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.

Table 1. FUDAN-VCC ranking of 18 leading Chinese non-financial MNEs in terms of their foreign assets, 2007
(US$ million)

Rank	Name	Industry	Foreign assets
1	CITIC Group[a]	Diversified	25,514
2	China Ocean Shipping (Group) Company	Transport and storage	21,365
3	China State Construction Engineering Corp	Construction and real estate	11,801
4	China National Petroleum Corporation	Oil and gas	6,814
5	China Shipping(Group) company	Transport and storage	5,815
6	Sinochem Group	Oil and gas	4,812
7	China Huaneng Group	Power and power facilities	4,250
8	China National Offshore Oil Corp.	Oil and gas	4,223
9	Lenovo Group	Computers and related products	4,030
10	Sinotrans Corporation	Transport and storage	3,196
11	Shanghai Automotive Industry Corporation(Group)	Automobiles	2,305
12	China Communication Construction Company Ltd.	Construction and real estate	2,134
13	Sinosteel Corporation	Metals and metal products	2,130
14	Sinotruk	Heavy-duty trucks	1,870
15	China Minmetals Corp.	Metals and metal products	1,823
16	ZTE Corporation	Telecom products, services and solutions	1,740
17	Baosteel Group Corporation	Metals and metal products	1,077
18	Haier Group	Manufacturing	768
TOTAL			**105,666**

Source*:* FUDAN-VCC survey of Chinese MNEs.

[a] Although nearly 80% of the total assets of the CITIC Group are in its financial subsidiaries, the Group has moved increasingly into non-financial activities, which supplied more than half the revenue and more than 40% of the profits of the Group by the end of 2006 (http://www.citic.com/wps/portal/citicen/cb).

Profile of the 18 MNEs

Chinese MNEs have retained their relative lead among MNEs from emerging markets:
— Three of the 18 have over US$ 10 billion in foreign assets, and three employ more than 10,000 people abroad (Annex table 1).

—With 11 MNEs each, the People's Republic of China and Singapore tie for third place on the list of the top 100 non-financial MNEs from developing economies, as ranked by UNCTAD in its *World Investment Report 2009 (WIR 09).* The top two economies on the list are Hong Kong (China), with 27 MNEs, and Taiwan Province of China, with 14.

— Three Chinese MNEs, the CITIC Group, the China Ocean Shipping (Group) company and the China State Construction Engineering Corporation are among the top 20 in the WIR 09 list, with CITIC at no. 7.

The foreign assets of the 18 MNEs have grown rapidly. Between 2005 and 2007, foreign assets increased by 67% (compared to an increase in total assets of 56%) from US$ 63 billion to US$ 106 billion (table 2). The growth came mainly from the increase in 2007. As a result, the share of foreign assets in total assets grew slightly from 14.4% to 15.4%.

Table 2. Snapshot of the 18 Chinese MNEs, 2005-2007
(US$ billion and number of employees)

Variable	**2005**	**2006**	**2007**	**% change (2007/2005)**
Assets				
Foreign	63	75	106	67
Total	438	526	685	56
Share of foreign in total (%)	14.4	14.2	15.4	
Employment				
Foreign	136,906	138,987	133,674	-2
Total	2,125,710	2,131,910	2,125,338	0
Share of foreign in total (%)	6.4	6.5	6.3	
Sales(excluding exports)	84	83	91	9
Foreign	297	348	415	40
Total	28.2	23.9	22.0	
Share of foreign in total (%)				

Source: FUDAN-VCC survey of Chinese MNEs.

Foreign sales grew much more slowly than foreign assets. From 2005 to 2007, foreign sales rose by only 9%, as compared to an increase in foreign assets of 67%. This is largely due to two reasons: 1) some newly-added foreign assets took the form of natural resources, which could not be quickly converted into revenues and 2) overseas sales of several firms recorded slow or negative growth.

Because domestic sales grew faster than foreign sales, the share of foreign sales in total sales decreased from 32% to 27% (table 2). This shows that the home market still functions as a solid stronghold for the international expansion of Chinese MNEs.

Because streamlining corporate structures and staff has been a major concern for most large Chinese firms, foreign employment decreased slightly, by 2%, and the share of foreign in total employment dropped just a bit, from 6.4% to 6.3%, between 2005 and 2007.

Sixteen of the 18 MNEs are majority or entirely state-owned; Lenovo and Haier are the exceptions. Among the state-owned firms, thirteen are directly administered by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC). Because of greater profitability, larger scale, and easier access to bank loans and financial markets, state-controlled firms have thus far taken the lead in international expansion. The downside for SOEs is that foreign authorities tend to see their commercial character as compromised by political objectives, even though the firms have become increasingly market-oriented.

The 18 MNEs shows a low degree of transnationality. The transnationality indices (TNI) of the 18 large companies range from 7% to 65% and the weighted average of TNI is around 15% in 2007 (Annex table 1). The average TNI of Chinese MNEs is much smaller than that of UNCTAD's top 100 non-financial MNEs from developing economies. The CITIC Group, for example, which ranks 7th on UNCTAD's list by foreign assets, ranks 92nd by the transnationality index. This reflects two things – the rather recent outward expansion of Chinese companies and their large domestic asset base. Enormous potential thus remains untapped in Chinese firms' overseas growth.

All 18 companies are listed on at least one stock exchange. The stock exchanges are Hong Kong (China), Shanghai, Shenzhen, New York, and Singapore, with 13, 11, 7, 2 and 1 firm listed there, respectively (Annex table 2). With little access to capital markets in developed economies, Chinese MNEs have yet to take full advantage of worldwide financing channels.

The 18 MNEs fall into five broad industry categories –labor-intensive (construction, real estate, transport and storage), 5 firms; natural resources (oil and gas, metal and metal products), 6 firms; manufacturing (computers and related products, automobiles, household electric appliances, heavy-duty trucks, telecom products), 5 firms; public utility (power and power facilities), 1 firm; and diversified, 1 firm. These categories account for 42%, 20%, 10%, 4%, and 24%, respectively, of the list's foreign assets (annex figure 1). The distribution by industry indicates that some Chinese MNEs are exploiting their country-specific advantage (i.e., abundant and inexpensive labor force) to expand into foreign markets and some are securing overseas natural resources to meet the increasing domestic demand.

Twelve of the 18 companies are headquartered in Beijing, 3 in Shanghai, 2 in Shandong, and 1 in Guangdong (annex figure 2).31

The whole picture

FDI outflows from The People's Republic of China took off in 2004 as a result of The People's Republic of China's entry into the WTO and the government's "Go global" policy. Having remained almost unchanged in 1992-2003, they rose from US$ 5.5 billion in 2004 to US$ 22 billion in 2007 and US$ 52 billion in 2008 (annex figure 3), making the People's Republic of China the third largest outward investor in emerging markets in both years in

[31] Lenovo has established a second 'head office' in North Carolina, the purpose of which, however, is to be close to its customer base rather than to serve as a center for strategy and decision-making.

terms of outflows, behind Hong Kong (China) and the Russian Federation. In 2009, although Chinese OFDI fell sharply in the first two quarters (over the first two quarters of 2008), it then *rose* sharply in the third quarter, by 190% over the third quarter of 2008. The net result was that Chinese firms invested a total of nearly US$ 33 billion in 112 countries and regions in the first nine months in 2009, with non-financial outflows increasing by 0.5% over the same period in 2008.[32]

Although there is a general upward trend in OFDI, it is noticeably behind inward FDI (annex figure 3). The ratio of Chinese outward FDI to inward FDI was much lower than the average ratio for all developing countries excluding the People's Republic of China in most of the past years, although 2008 was an exception (annex figure 4). The stock of Chinese OFDI rose from a level of US$ 4.5 billion in 1990 to US$ 73 billion in 2006, US$ 96 billion in 2007 and US$ 148 billion in 2008. Despite the rapid increase in recent years, the People's Republic of China's OFDI stock is still relatively small, accounting for less than 1% of the world total at the end of 2008.

Nonetheless, the People's Republic of China's OFDI has substantial room for growth in the foreseeable future for the following reasons. First, the Chinese government has promoted and will continue to promote its "Go global" policy to provide the needed stimulus for the internationalization of all kinds of enterprises. Second, the increasing demand for natural resources created by the People's Republic of China's economic boom stimulates the relevant firms into securing natural resources abroad. Third, in order to strengthen their firm-specific advantages, many manufacturing firms have strong incentives to acquire strategic foreign assets, such as famous brands, pioneering techniques, and well-established distribution channels. Fourth, to utilize the People's Republic of China's enormous foreign exchange reserves more effectively, the government has relaxed exchange control, thus making it easier for enterprises to obtain foreign reserves to invest abroad. Finally, the currency appreciation of the RMB has given a boost to the People's Republic of China's OFDI.

The internationalization of the People's Republic of China's enterprises has achieved a wide geographic spread. According to MOFCOM figures, the number of destinations with over US$ 100 million in Chinese OFDI reached 17 over the past 9 months, an increase of 4 over the same period last year. The total of cross-border acquisitions (mainly in mining and manufacturing) exceeded US$14 billion, accounting for about 44% of the total 2009 OFDI amount thus far.[33] Chinese OFDI can today be found in 174 countries or regions. By the end of 2008, Asia and Latin America were the most important destinations for the People's Republic of China's OFDI, accounting for about 71% and 18%, respectively, of OFDI stock, followed by Africa (4%), Europe (3%), Oceania (2%), and North America (2%). However, these figures need to be treated with caution, as the three largest destinations, Hong Kong (China), the Cayman Islands, and the British Virgin Islands, absorbed 63%, 11%, and 6%, respectively, of the People's Republic of China's overall OFDI stock to end-2008. It is an open question how much of this is actual investment in these tax havens, because some Chinese firms have probably registered there in order to avoid taxes or make use of the People's Republic of China 's preferential policies for foreign capital (round-tripping) or to invest elsewhere from these tax havens (trans-shipment).

[32] See the MOFCOM website at http://hzs.mofcom.gov.cn/aarticle/date/200910/20091006583953.html.
[33] See the MOFCOM website at http://hzs.mofcom.gov.cn/aarticle/date/200910/20091006583953.html.

The majority of recorded OFDI from the People's Republic of China is from large state-owned enterprises (SOEs). Nonetheless, the percentage of OFDI stock controlled by SOEs has decreased significantly in recent years, from more than 90% in 2002 to 71% in 2007 and 70% in 2008.[34] This suggests that enterprises with private ownership have been increasing their overseas expansion, which is good for competitiveness.

Chinese MNEs have been actively engaging in cross-border M&As over recent years. The main objective has been to acquire critical assets abroad. More recently, the more effective management of The People's Republic of China's very large foreign reserves (over US$ 2 trillion) has also become an increasingly important purpose. In 2006, perhaps more than 70% of FDI outflows took the form of cross-border acquisitions (annex figure 5). Although there was a sharp decrease in M&A activity in 2007, overseas M&A value surged again in 2008 to US$ 37 billion, higher than that of any other emerging market. The top 10 M&As in 2008 represent US$ 11.5 billion in investment (Annex table 3). Seven of these transactions, worth US$ 8.7 billion, were in natural resources. This indicates that Chinese natural resource suppliers have been more proactively engaging in foreign acquisitions of resource reserves in order to safeguard their resource supply. Two transactions, representing US$ 0.3 billion, were in manufacturing; and one, worth US$ 2.5 billion, was in financial services. One of the ten transactions was 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.[35]

[34] See *2008 Statistical Bulletin of China's Outward Foreign Direct Investment*, op. cit., released jointly by the Ministry of Commerce, the National Bureau of Statistics, and the State Administration of Foreign Exchange.

[35] Since financial services companies are not included in the Fudan-VCC ranking lists, this aspect of Chinese FDI will not be reflected in the 2008 list. It is worth noting, however, that the investment activities of the China Investment Corporation, and of similar entities in other emerging markets, are expected to grow in both size and breadth.

Annex Table 1: FUDAN-VCC ranking of 18 Chinese MNEs, key variables, 2007[c]
(US$ million and number of employees)

Ranking		Name	Industry	Assets		Sales		Employment		TNI (%)	No. of affiliates	
Foreign assets	*TNI*			*Foreign*	*Total*	*Foreign*	*Total*	*Foreign*	*Total*		*Foreign*	*Total*
1	9	Citic Group	Diversified	25,514	180,945	3,287	14,970	18,305	107,340	18	n.a.	n.a.
2	4	China Ocean Shipping (Group) Company	Transport and storage	21,365	30,905	10,702	22,973	4,135	69,285	41	314	n.a.
3	7	China State Construction Engineering Corporation	Construction and real estate	11,801	25,533	5,244	25,222	30,303	118,470	31	39	87
4	18	China National Petroleum Corporation	Oil and gas	6,814	191,185	3,246	122,341	22,000	1,167,129	3	n.a.	n.a.
5	6	China Shipping(Group) Company	Transport and storage	5,815	15,839	6,473	11,063	2,964	42,410	34	92	n.a.
6	1	Sinochem Group	Oil and gas	4,812	14,886	24,274	31,412	5,293	6,271	65	n.a.	n.a.
7	17	China Huaneng Group	Power and power facilities	4,250	67,500	1,750	22,500	300	95,000	5	25	35
8	12	China National Offshore Oil Corporation	Oil and gas	4,223	26,057	1,689	10,585	113	3,288	12	n.a.	n.a.
9	2	Lenovo Group	Computers and related products	4,030	7,200	10,226	14,900	6,000	23,000	50	n.a.	n.a.
10	10	Sinotrans Corporation	Transport and storage	3,196	8,114	518	8,622	460	42,000	15	9	n.a.
11	11	Shanghai Automotive Industry Corporation (Group)	Automobiles	2,305	21,340	3,806	23,049	7,177	79,394	12	1	n.a.
12	14	China Communication Constuction Company Ltd.	Construction and real estate	2,134	22,917	4,518	20,617	1,197	87,022	11	n.a.	n.a.
13	8	Sinosteel corporation	Metal and metal products	2,130	10,667	3,652	17,899	5,616	35,674	19	41	n.a.
14	3	Sinotruk	Heavy-duty trucks	1,870	3,098	536	2,730	8,443	13,983	47	n.a.	n.a.
15	13	China Minmetals Corporation	Metal and metal products	1,823	10,833	3,662	22,617	798	44,425	12	n.a.	n.a.
16	5	ZTE Corporation	Telecom products, services and solutions	1,740	5,610	2,750	4,761	14,971	48,261	40	n.a.	n.a.
17	16	Baosteel Group Corporation	Metal and metal products	1,077	32,827	4,039	22,663	159	88,149	7	18	n.a.
18	15	Haier Group	Manufacturing	768	9,565	841	15,977	5,440	54,237	8	15	n.a.
Total				**105,666**	**685,022**	**91,213**	**414,899**	**133,674**	**2,125,338**	**15**	**n.a.**	**n.a.**

Source: FUDAN-VCC survey of Chinese MNEs; UNCTAD, *World Investment Reports 2008 and 2009*; and various company reports.
[c] The transnationality index (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 MNEs are listed

Company name	Stock exchange(s)
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China National Petroleum Corporation	Hong Kong (China), New York, Shanghai
China Shipping (Group) company	Shanghai, Hong Kong (China)
Sinochem Group	Hong Kong (China), Shanghai
China Huaneng Group	Shanghai, Shenzhen
China National Offshore Oil Corporation	Shanghai, Hong Kong (China), New York
Lenovo Group	Hong Kong (China)
Sinotrans Corporation	Hong Kong (China), Shanghai, Shenzhen
Shanghai Automotive Industry Corporation (Group)	Shanghai
China Communication Constuction Company Ltd.	Hong Kong (China)
Sinosteel Corporation	Shenzhen
Sinotruk	Shenzhen, Hong Kong (China)
China Minmetals Corporation	Shanghai, Hong Kong (China)
ZTE Corporation	Shenzhen
Baosteel Group Corporation	Shanghai, Shenzhen
Haier Group	Shanghai, Hong Kong (China)

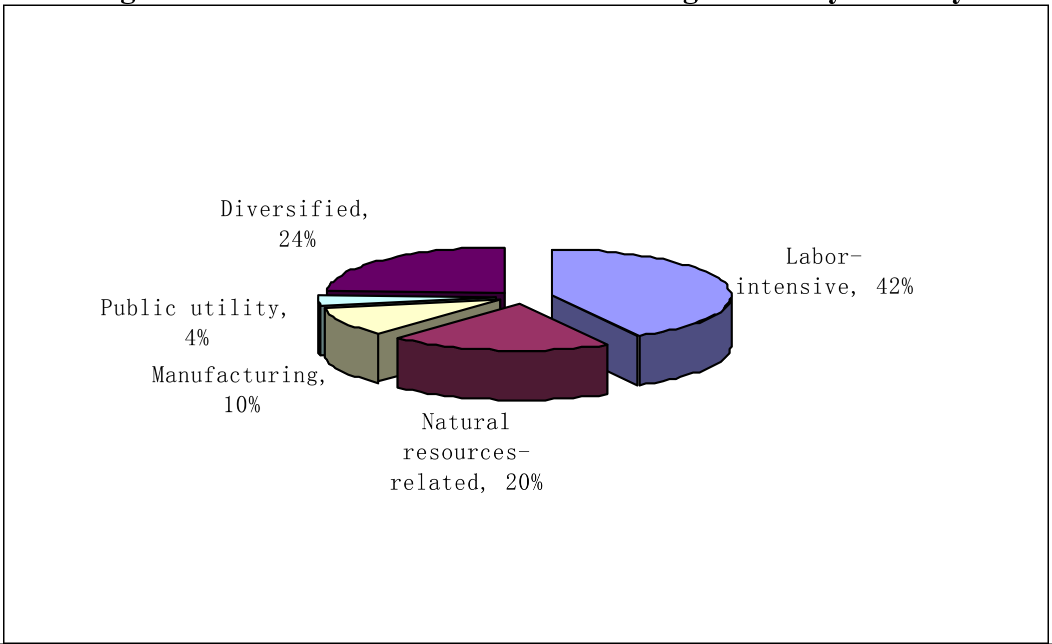
Source: FUDAN-VCC survey of Chinese MNEs and various company websites.

Annex Table 3. Top 10 cross-border merger and acquisition (M&A) transactions - 2008 (US$ million)

Date(s)	Acquiring company	Target company	Target industry	Target economy	% of shares acquired	Value of transaction
Jul-08	China National Oil Offshore Corp.	AWO	Marine well drilling	Norway	100	2,500
May-08	China Merchants Bank	Wing Lung Bank	Bank	Hong Kong (China)	53.12	2,492
Dec-08	Sinopec Corp.	Tanganyika Oil Company Ltd	Oil	Canada	100	1,500
Jun-08	China Investment Corporation	Teck Resources Limited	Metals & mining	Canada	6.7	1,500
Oct-08	Sinopec Corp. and China National Oil Offshore Corp.	Block 32 deep-sea oilfield owned by Marathon Oil Corporation	Oil	Angola	20	1,300
Sep-08	Sinosteel Corporation	Midwest Corp.	Iron ore	Australia	51	1,197
Jun-08	Sinopec Corp.	AED Oil Ltd. （Puffin oil field）	Oil	Australia	60	561
Sep-08	Zoomlion Heavy Industry Science & Technology Development Co., Ltd	CIFA	Machinery and equipment for reinforced concrete	Italy	60	300
Jul-08	Sinochem International	GMG Global	Natural glue	Singapore	51	187
Aug-08	Zhuzhou CSR Times Electric Co.,LTD	Dynex Power Inc	Semiconductors	Canada	75	15.32

Source: FUDAN-VCC survey of Chinese MNEs and other company information.

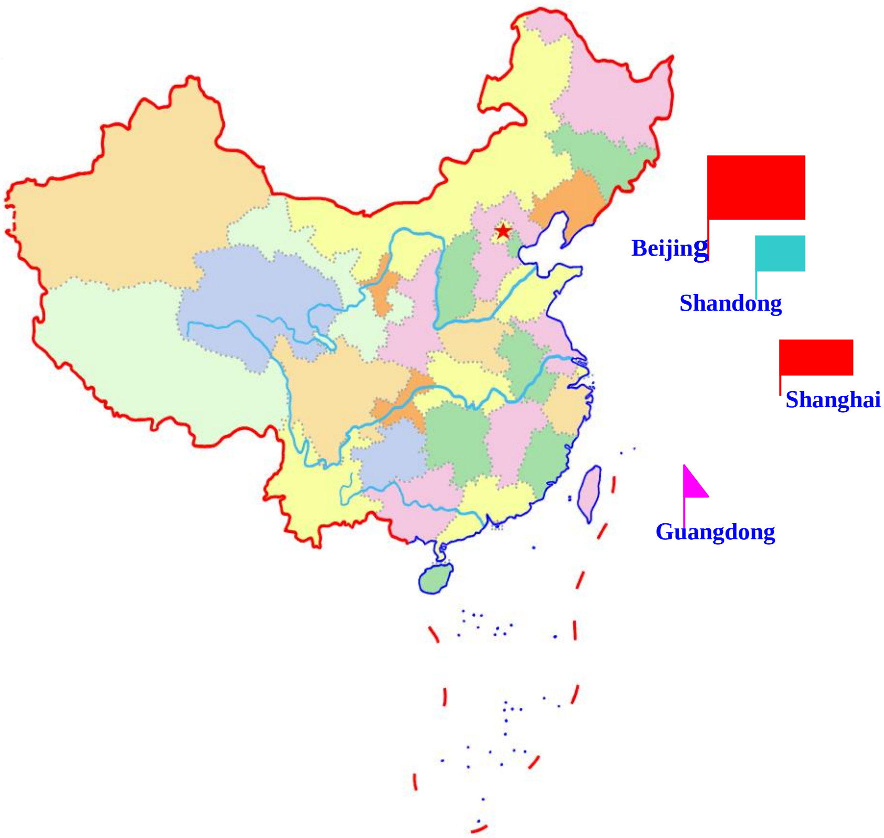
Annex figure 1. Breakdown of the 18 MNEs' foreign assets by industry - 2007



Industry type	**Industries included**	**Foreign assets** (US$ million)	**Number of firms**	**Companies**
Labor-intensive	Transport and storage ,construction, real estate	44,311	5	China Ocean Shipping(Group) Company, China State Construction Engineering,China shipping(Group) Company, Sinotrans corporation, China Communication Constuction Company Ltd.
Natural resource-related	Oil and gas, metal and metal products	20,879	6	China National Petroleum Corporation, Sinochem Corp., China National Offshore Oil Corp, Sinosteel corporation, China Minmetals Corp., Baosteel Group Corporation
Manufacturing	Computers and related products, automobiles, household electric appliance, heavy duty truck, telecom products	10,713	5	Lenovo Group, Shanghai Automotive Industry Corporation(Group), Sinotruk, ZTE Corporation,Haier Group
Public utility	Power and power facilities	4,250	1	China Huaneng Group
Diversified	Project construction, banking, energy and mining, etc.	25,514	1	CITIC Group

Source*:* FUDAN-VCC survey of Chinese MNEs.

Annex figure 2. Head office locations of the 18 Chinese MNEs - 2007



Beijing

1. CITIC Group
2. China Ocean Shipping Group Company
3. China State Construction Engineering Corp
4. CNPC
6. Sinochem Group
7. China Huaneng Group
8. China National Offshore Oil Corp
9. Lenovo
10. Sinotrans corporation
12. China Communication Construction Company Ltd.
13. Sinosteel corporation
15. China Minmetals Corp.

Shanghai

5.China Shipping(Group) company
11.Shanghai Automotive Industry Corporation(Group)
17. Baosteel Group Corporation

Shandong

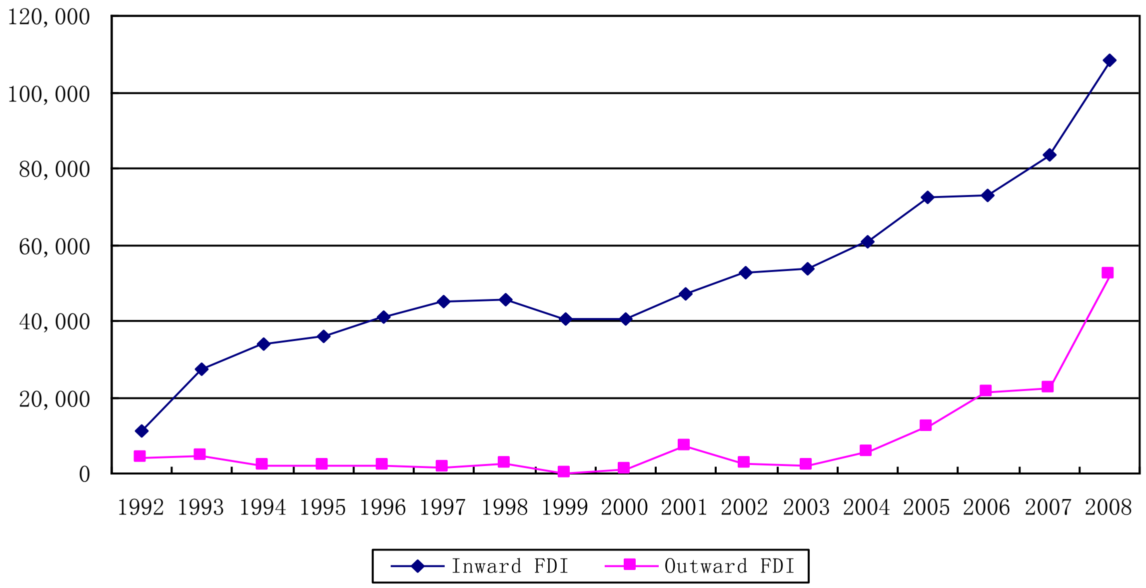
14.Sinotruk
18.Haier

Guangdong

16.ZTE Corporation

Source: FUDAN-VCC survey of Chinese MNEs.

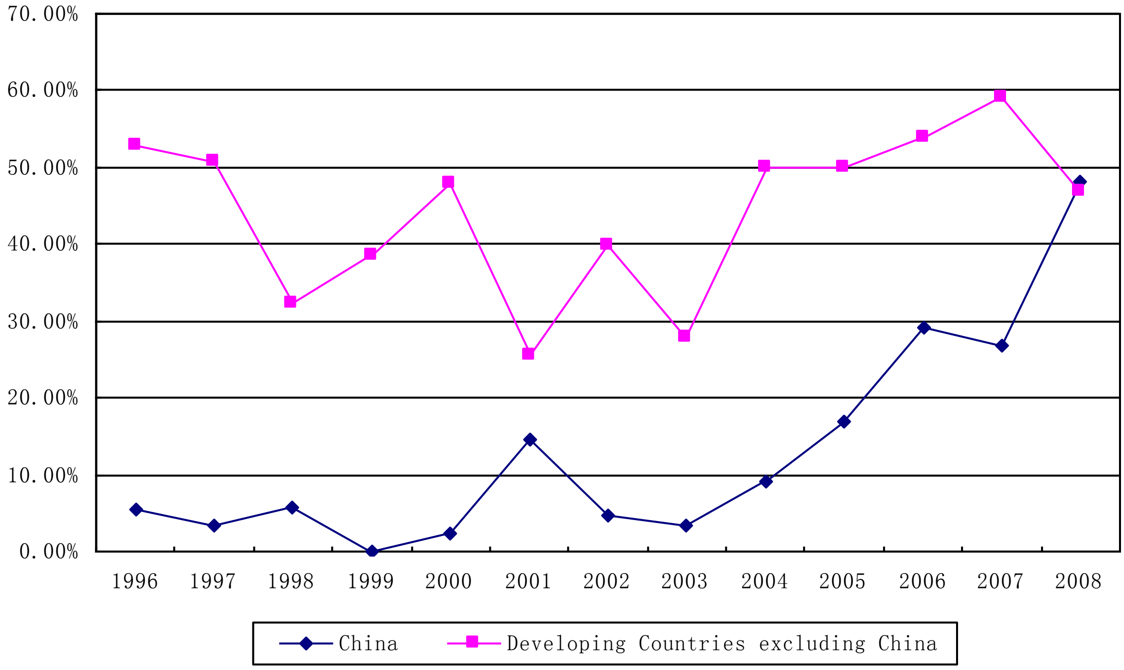
Annex figure 3. FDI outflows from, and inflows into The People's Republic of China, 1992-2008 (US$ million)



Source: UNCTAD, *World Investment Report 2009*, op. cit.

Year	**Inward FDI**	**Outward FDI**
	(US$ million)	
1992	11,156	4,000
1993	27,515	4,400
1994	33,787	2,000
1995	35,849	2,000
1996	40,800	2,200
1997	45,300	1,500
1998	45,463	2,634
1999	40,319	1.775
2000	40,715	916
2001	46,878	6,884
2002	52,743	2,518
2003	53,505	1,800
2004	60,630	5,498
2005	72,406	12,261
2006	72,715	21,160
2007	83,521	22,469
2008	108,312	52,150

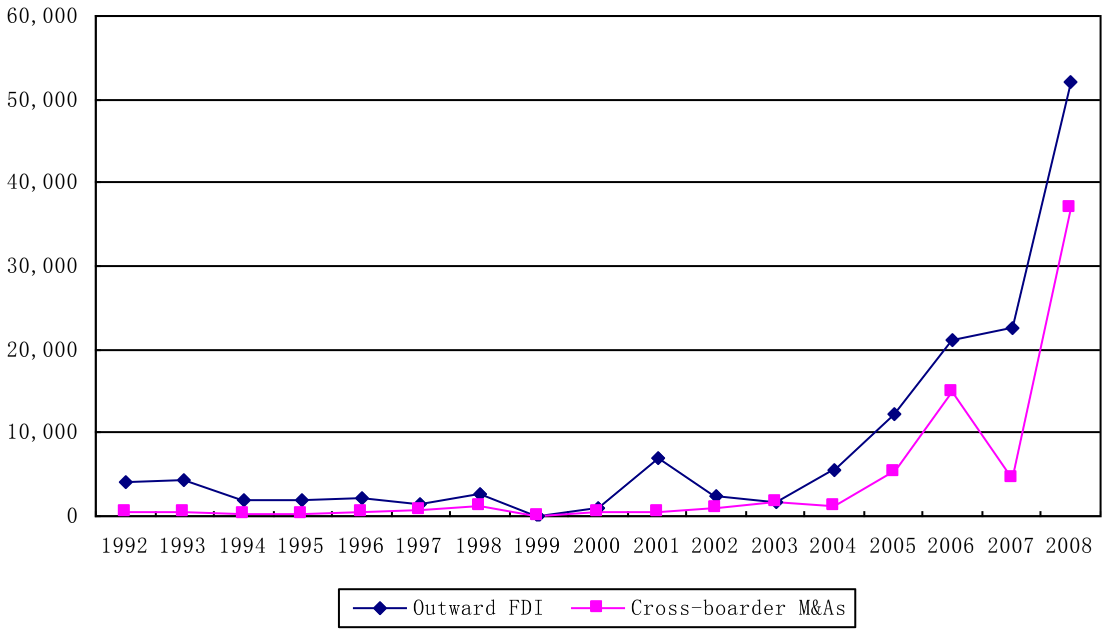
Annex figure 4. The ratio of outward FDI to inward FDI for The People's Republic of China and all developing countries excluding The People's Republic of China, 1996-2008



Source: UNCTAD, *World Investment Report 2009*, op. cit.

Year	**People's Republic of China**	**Developing countries, excluding the People's Republic of China**
1996	5%	53%
1997	3%	51%
1998	6%	32%
1999	0%	39%
2000	2%	48%
2001	15%	26%
2002	5%	40%
2003	3%	28%
2004	9%	50%
2005	17%	50%
2006	29%	54%
2007	27%	59%
2008	48%	47%

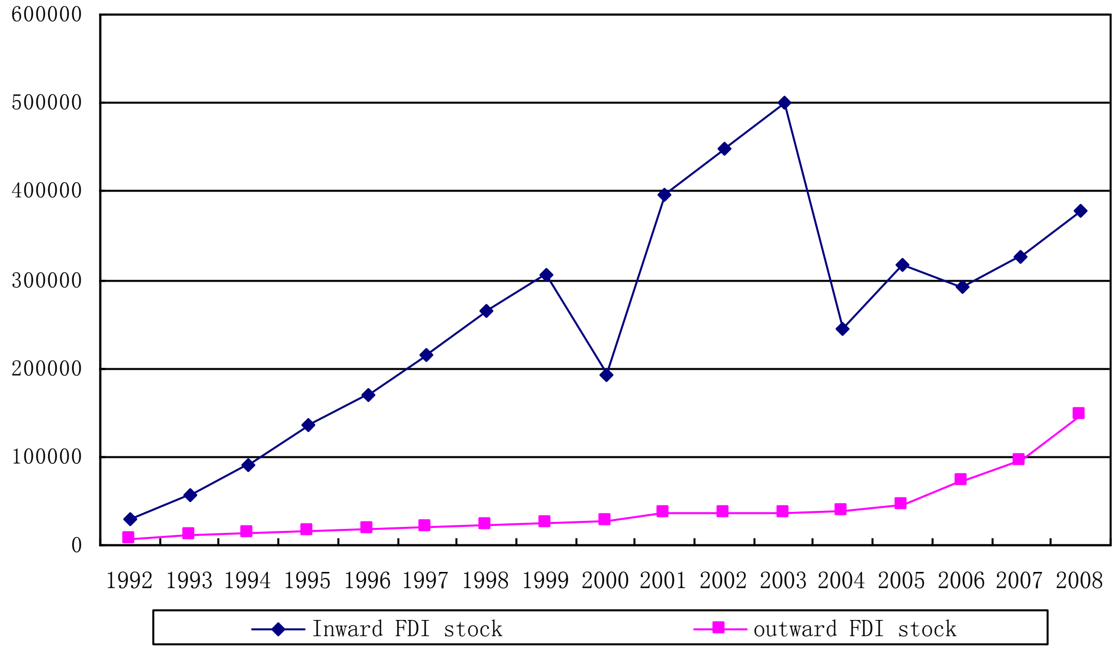
Annex figure 5. FDI outflows from China and purchases of cross-border M&A by Chinese MNEs, 1992-2008 (US$ million)



Source*:* UNCTAD*, World Investment Report 2009,* op. cit.

Year	Outward FDI	Cross-border M&A
	(US$ million)	
1992	4,000	573
1993	4,400	485
1994	2,000	307
1995	2,000	249
1996	2,200	451
1997	1,500	799
1998	2,634	1,276
1999	1,775	101
2000	916	470
2001	6,884	452
2002	2,518	1,047
2003	1,800	1,647
2004	5,498	1,125
2005	12,261	5,279
2006	21,160	14,904
2007	22,469	4,452
2008	52,150	36,861

Annex figure 6. Chinese outward and inward FDI stock, 1992-2008 (US$ million)



Source: UNCTAD, *World Investment Report 2009,* op. cit.

Year	**Inward FDI stock**	**Outward FDI stock**
	(US$ million)	
1992	29,657	7,401
1993	57,172	11,802
1994	90,959	13,802
1995	134,869	15,802
1996	170,202	17,916
1997	215,502	20,416
1998	265,603	23,113
1999	306,003	25,613
2000	193,348	27,768
2001	395,192	35,538
2002	447,966	35,206
2003	501,471	37,006
2004	245,467	38,825
2005	317,783	46,311
2006	292,559	73,330
2007	327,087	95,799
2008	378,083	147,949

C. Chinese MNEs gain further momentum in 2008

Qiuzhi Xue, Lijia Zhu and Jun Zhou[36]

The third annual survey of the leading Chinese MNEs, released on December 9, 2010, indicates that Chinese MNEs are gaining strong growth momentum on the world stage. The survey was conducted in 2010 and covered the year 2008.[37]

Highlights

The survey's principal findings include the following.[38] At the end of 2008, the 18 top Chinese MNEs ranked in table 1 below by their foreign assets had nearly US$ 134 billion in overseas assets, employed almost 172,000 persons abroad and had US$ 112 billion in foreign sales (excluding exports) – see Annex Table 1. The total foreign assets of the 18 MNEs were equivalent to more than 90% of The People's Republic of China's OFDI stock of around US$ 148 billion in 2008.[39] The top four firms – the CITIC Group, the China Ocean Shipping (Group) Company, the China State Construction Engineering Corporation, and the China National Petroleum Corporation − together had foreign assets of US$ 87 billion, accounting for more than 65% of the foreign assets controlled by the 18 firms on the list. These are all SOEs, as are 12 others among the remaining 14. In comparison with last year's list, which was based on 2007 data, the aggregate foreign assets, foreign sales, and foreign employment of the 18 large MNEs increased by 27%, 23% and 39%, respectively, in 2008. Chinese outward investment continues to be dominated by services (e.g., transport and storage, construction and real estate, and wholesale trade), as well as natural resources and related activities.

[36] Assistance was also provided by Qian Li and Qianqian Li.
[37] This broad picture of China's 2009 outward investment that draws on information provided by the Ministry of Commerce of the People's Republic of China (MOFCOM) is sketched in the report. (MOFCOM's information does not include detailed data for individual companies.)
[38] Two rounds of surveys were conducted by Fudan University between April and August of 2010, resulting in primary data from nine multinationals. These data were supplemented by data from UNCTAD's *World Investment Report 2010* (New York and Geneva: United Nations, 2010). Although MOFCOM also publishes a ranking of the 30 largest Chinese multinationals, it provides no data for individual firms, as mentioned above. While there is substantial overlap between the FUDAN-VCC and MOFCOM lists, the ranking of individual firms is quite different.
[39] No implication as to the relation of foreign assets to FDI stock is intended. Indeed, it is normal for the foreign assets controlled by a country's outward investors to be significantly larger than their outward FDI stock.

Table 1. The top[a] 18 Chinese non-financial[b] MNEs, by foreign assets, 2008 (US$ million[c])

Rank	Name	Industry	StatUS$	Foreign assets
1	CITIC Group	Diversified	Multiple listings	43,750
2	China Ocean Shipping (Group) Company	Transport and storage	Multiple listings	20,345
3	China State Construction Engineering Corporation	Construction and real estate	Listed (94%)	13,923
4	China National Petroleum Corporation	Petroleum expl./ref./distr.	Listed (86%)	9,409
5	Sinochem Corp.	Petroleum expl./ref./distr.	Multiple listings	6,409
6	China Shipping (Group) Company	Transport and storage	Listed (46%)	5,962
7	China National Offshore Oil Corp.	Petroleum expl./ref./distr.	Multiple listings	5,247
8	China Communications Construction Co.	Construction and real estate	Listed (70%)	4,010
9	Beijing Enterprises Holdings Ltd.	Diversified	Listed (59%)	3,662
10	Sinosteel Corporation	Metals and metal products	Listed (40%)	3,514
11	China Railway Construction Corporation Ltd	Construction	Listed (63%)	3,146
12	ZTE Corp.	Telecom equipment and networking solutions	Listed (32%)	3,143
13	Sinotrans & CSC Group	Transport and storage	Multiple listings	2,813
14	Lenovo Group	computers and related activities	Listed (Nil)	2,732
15	Shanghai Automotive Industry Corporation (Group)	Automobiles	Multiple listings	2,317
16	China Minmetals Corp.	Metals and metal products	Multiple listings	1,694
17	Shanghai Baosteel Group	Metals and metal products	Multiple listings	1,091
18	Haier Group	Household electric appliances	Listed (Nil)	784
Total				**133,949**

Source: Fudan-VCC survey of Chinese MNEs, 2010, and company websites.

[a] As Chinese MNEs are often reluctant to disclose their data or lack proper documentation for it, it was not possible to obtain data on *all* likely candidates for the top places. As a result, it cannot be said that the 18 MNEs listed here are *the* largest Chinese investors abroad, although many are certainly among them and the others very close to being among them.
[b] Although about 80% of the total assets of the CITIC Group were in its financial subsidiaries at the end of 2008, the Group has moved increasingly into non-financial activities, which have supplied more than half the revenue since 2006.
[c] The exchange rate used in this report is that provided by the IMF for December 31, 2008: US$ 1 = RMB 6.8.
[d] The percentage in parentheses is the percentage of state ownership. This is not provided when elements of a corporate group are individually listed on one or more stock exchange(s). These are the 'multiple listings'.

Profile of the top 18 MNEs

Ranking changes over the past three years

As table 1a shows, rankings by foreign assets over the three-year period of 2006-2008 showed mostly slight changes among the top 18 companies. CITIC Group, China Ocean Shipping (Group) Company, China State Construction Engineering Corporation, and China National Petroleum Corporation retained their top rankings in all three years. The positions of Haier Group, Sinochem Corp., and China National Offshore Oil Corp. showed no or little changes between 2006 and 2008. The rankings of several other firms changed moderately. ZTE corporation, which made its first appearance on the list in 2007, has jumped from the 16th place in 2007 to the 12th in 2008, with the rapid growth of its foreign assets from US$ 1,740 million to US$ 3,143 million. Similar small changes, either up or down, occurred in the rankings of China Communications Construction Co., Sinosteel Corporation, Sinotrans & CSC Group, and China Minmetals Corp.

Table 1a. Ranks by foreign assets of the top 18 MNEs - 2006-2008

Name	2006	2007	2008	Name	2006	2007	2008
CITIC Group	1	1	1	Sinosteel Corporation	n.a.	13	10
China Ocean Shipping (Group) Company	2	2	2	China Railway Construction Corporation Ltd	n.a.	n.a.	11
China State Construction Engineering Corporation	3	3	3	ZTE Corp.	n.a.	16	12
China National Petroleum Corporation	4	4	4	Sinotrans & CSC Group	n.a.	10	13
Sinochem Corp.	5	6	5	Lenovo Group	11	9	14
China Shipping (Group) Company	9	5	6	Shanghai Automotive Industry Corporation (Group)	16	11	15
China National Offshore Oil Corp.	7	8	7	China Minmetals Corp.	12	15	16
China Communications Construction Co.	n.a.	12	8	Shanghai Baosteel Group	15	17	17
Beijing Enterprises Holdings Ltd.	n.a.	n.a.	9	Haier Group	18	18	18

***Source*:** Fudan-VCC surveys of Chinese MNEs, 2008, 2009 and 2010.

Principal industries

The 18 firms in Table 1 fall into four broad industry categories –six firms in labor-intensive service industries (construction, real estate, transport and storage), six in natural resources and related activities (oil and gas, metals and metal products), four in manufacturing (computers and related products, automobiles, electric appliances, telecom products), and two that are diversified.

Labor-intensive service industries

Transport and storage MNEs in our list include China Ocean Shipping (Group) Company, China Shipping (Group) Company, and Sinotrans & CSC Group. These companies were adversely affected by the decline in the global goods trade caused by the global financial and economic crisis. For example, China Ocean Shipping (Group) Company, the People's Republic of China's largest and one of the world's leading firms in global shipping, modern logistics and ship-building and repairing, suffered from a huge decrease in sales and profits in 2009. Since many countries invested in infrastructure in the global crisis, on the other hand, the People's Republic of China's construction and real estate companies − China State Construction Engineering Corporation, China Communications Construction Co., and Sinotrans & CSC Group − were more positively affected.

Natural resources and related activities

The People's Republic of China's MNEs in natural resources and related activities consist of oil and gas companies (i.e. China National Petroleum Corporation, Sinochem Corp. and China National Offshore Oil Corp.) and metal and metal products firms (i.e. Sinosteel Corporation, China Minmetals Corp., and Shanghai Baosteel Group). The global crisis brought opportunities for these firms, as many foreign companies were forced to sell some of their assets at reduced prices.

Manufacturing

The People's Republic of China's manufacturing MNEs include four companies − ZTE Corp. (telecom products), Lenovo Group (computers and related products), Shanghai Automotive Industry Corporation (automobiles), and Haier Group (household electric appliance). Of these, ZTE Corp. has made steady progress in international expansion. Its ratio of foreign to total sales rose from 36% in 2005 to 61% in 2008. Lenovo Group and Shanghai Automotive Industry Corporation, on the other hand, ran into some difficulties, in part because the integration of their foreign acquisitions proved troublesome. On the whole, the financial crisis brought both opportunities and challenges for the People's Republic of China's manufacturing companies. In the short run, their international sales were adversely affected, as demand shrank in many countries. But the global crisis also increased opportunities to acquire foreign technology and expertise, from which they will benefit in the long term.

Diversified

Diversified MNEs consist of two firms, the CITIC Group and Beijing Enterprises Holdings Ltd.
The CITIC group's affiliates are in eight main areas: trade (10 affiliates), IT services (2 affiliates), manufacturing (6 affiliates), energy & resources (5 affiliates), engineering and contracting (3 affiliates), real estate and infrastructure (3 affiliates), investment holdings (3 affiliates), and financial services (6 affiliates).Beijing Enterprises Holdings Ltd's businesses include public utilities and highways, which account for 62.3% of its total assets, the remaining assets being in consumer goods and technology.

Geographic distribution of foreign affiliates

The information available to the Fudan team on the foreign affiliates of the top 18 is quite limited. On the basis of this limited information, it is not possible to do more than indicate broadly the regional outward FDI destinations of some of the firms on our list (Table 1b below). Transport and storage firms seem to be the most widely distributed. Africa is the least popular region and Asia the most popular. Neither of the consumer goods manufacturers in Table 1b, for example, has an African affiliate, suggesting that these firms do not see a significant market for their products on that continent. Natural-resource-related industries, on the other hand, do invest in Africa, as do two out of the three transport and storage firms. It might be noted that Hong Kong (China) (not mentioned in Table 1b), considered as a separate economy from that of the mainland, is an investment destination for all of our top 18 firms, partly because of the low tax rates in Hong Kong (China) and partly perhaps as a case of round-tripping (see footnote 10 below).

Table 1b. The regional destinations of nine of the 18 companies - 2008

Name	Industry	Americas	Asia	Africa	Oceania	Europe
Shanghai Automotive Industry Corp.	Automobiles	none	yes	none	n.a.	n.a.
Haier Group	Household electric appliances	yes	yes	none	yes	yes
China National Offshore Oil Corp.	Petroleum expl./ref./distr.	yes	yes	yes	yes	none
Shanghai Baosteel Group	Metals and metal products	yes	yes	none	yes	yes
Sinosteel Corporation	Metals and metal products	yes	yes	yes	yes	yes
China Shipping (Group) Company	Transport and storage	yes	yes	yes	yes	yes
Sinotrans & CSC Group	Transport and storage	yes	yes	none	yes	yes
China Ocean Shipping (Group) Company	Transport and storage	yes	yes	yes	yes	yes
China State Construction Engineering Corp.	Construction and real estate	none	yes	none	yes	yes

***Source*:** Fudan-VCC surveys of Chinese MNEs, 2010.

Foreign asset distribution by industry

The distribution is as follows (annex figure 1): labor-intensive service industries: 38% of foreign assets (transport and storage, 22%; construction and real estate, 16%); diversified: 35%; natural resources: 20% (oil and gas, 15%; metal and metal products, 5%); manufacturing: 7% (computers and related products, 2%; automobiles, 2%; household electric appliances, 1%; telecom products, 2%).

Transnationality Index (TNI)

The 18 MNEs show a relatively low degree of transnationality. The transnationality indices (TNI) of the 18 large companies range from 3% to 77% and the average is around 15% in 2008 (Annex Table 1). The average TNI of Chinese MNEs is much lower than that of UNCTAD's top 100 non-financial MNEs from developing and transition economies. The average TNI of Chinese MNEs on UNCTAD's list is 39%, lower than the TNIs of firms from the other three BRICs: the Russian Federation (54%), India (41%), and Brazil (40%). However, since the UNCTAD list is not very representative of BRIC MNEs – with only eight Russian Federation, five Indian and three Brazilian firms on it – it may be more useful to compare the average TNIs of the four BRICs provided by the most recent rankings in the Emerging Market Global Players (EMGP) project.[40] Such a comparison makes the contrast between The People's Republic of China and the other BRICs even sharper. Here are the number of firms and the average TNI for each BRIC in the most recent country reports – Brazil: firms 30, TNI 21; the People's Republic of China: firms 18, TNI 15; India: firms 24, TNI 27; and the Russian Federation: firms 20 (data on 16), TNI 33. Part of the explanation is no doubt The People's Republic of China's very large domestic market, which Chinese firms cannot afford to ignore. We can expect the TNI to rise over time, as Chinese MNEs become more aware of opportunities abroad and more able to exploit them effectively.

[40] The EMGP provides the framework within which the Fudan-VCC surveys have been carried out. All EMGP country reports are available at www.vcc.columbia.edu/content/emerging-market-global-players.

Ownership and status

Sixteen of the 18 MNEs are state-owned or state-controlled, with Lenovo and Haier being the exceptions. Among the state- controlled firms, thirteen are directly administered by the State-owned Assets Supervision and Administration Commission of the State Council. Many SOEs have made considerable progress in strategic restructuring and improving governance mechanisms, and have thus become more market-oriented.

All 18 companies are listed on at least one stock exchange. The stock exchanges are Hong Kong (China) (13 firms listed), Shanghai (11), Shenzhen (4), New York (2) and Singapore (1) – see Annex Table 2 for details. With little access to capital markets in developed economies, Chinese MNEs have yet to take full advantage of worldwide financing channels.

Head office locations

Thirteen of the 18 companies are headquartered in Beijing, 3 in Shanghai, 1 in Shandong, and 1 in Guangdong (annex figure 2).

Official language and the nationality of the CEO and the top management

The official language of most firms is Chinese with an exception of Lenovo, which has two languages, Chinese and English. The language used by foreign affiliates varies according to their locations and their top management, but most foreign affiliates are operated by Chinese managers dispatched from the head office. It might also be noted that some Chinese MNEs (e.g. Lenovo and Haier) have made progress in hiring foreign managers to act as the heads of foreign subsidiaries.

The CEO and chairman of the board of all 18 companies are Chinese. The top management of all but Lenovo is also Chinese. Chinese managers account for seven out of 14 of Lenovo's top management team.

Top outward M&A and greenfield transactions

There are interesting similarities as well as striking contrasts among the top 10 outward M&A deals and the top 10 outward greenfield deals undertaken by Chinese firms over the three-year period 2007-2009 (Annex Tables 3 and 4). One similarity is that the amounts involved are very similar, as are the totals. A more interesting similarity is that most transactions took place in 2007 and 2008 (four in each year in each category), while there were only two in each category in 2009, suggesting that the global crisis really caught up with Chinese cross-border investment only in 2009.

The chief contrast is in the industries and locations of the cross-border transactions. The greenfield table rather confirms the widespread view that Chinese FDI abroad is going mainly into natural resources and mainly in developing countries. Metals and oil & gas account for seven of the 10 largest greenfield investments over 2007-2009 (Annex Table 4) and nine of the 10 destinations of greenfield investment in Annex Table 4 are developing countries such as Afghanistan, Angola, Liberia, and Vietnam. (The exception is Australia.) In contrast, the destinations of M&A deals are overwhelmingly among the rich economies, the exceptions being Kazakhstan and South Africa (Annex Table 3). Also in contrast, the leading industry is finance: banks, security brokers and investment advisors account for seven of the top 10 M&A's! Clearly, the more effective management of The People's Republic of China 's very large foreign reserves (around US$ 2.4 trillion) is a factor here. The China Investment Corporation (CIC) was responsible for two of the largest M&A's in 2007-2009, buying a 10% stake in each of Morgan Stanley and the Blackstone Group (Annex table 3). The remaining three M&As over 2007-2009, however, are in natural resources – oil & gas and coal.

Drivers of outward FDI

The motives of Chinese outward FDI are as follows:

Market-seeking. Many Chinese firms are leveraging country-specific advantages (abundant and inexpensive labor) and firm-specific advantages (e.g., expertise in manufacturing and selling standardized goods) to enter foreign markets and improve financial returns.

Natural-resources-seeking. To meet the urgent demand for oil and some mineral resources caused by rapid and extensive growth of Chinese economy, Chinese MNEs, including the China National Petroleum Corporation, Sinochem Corp. and China National Offshore Oil Corp., have been quickening their pace and spending more money acquiring natural resources abroad.

Created-assets[41]-seeking. To compensate for competitive disadvantages in securing long-term growth, Chinese MNEs, in particular those in manufacturing, are going abroad to search for created assets. Some firms are establishing R&D centers in advanced countries to keep up with the latest technological developments, some are forming international learning alliances with foreign giants, and some are implementing M&A strategies to obtain critical technological and managerial assets.

Changes in assets, sales and employment over 2006-2008

The foreign assets of the 18 MNEs have grown rapidly. Between 2006 and 2008, foreign assets increased by 84% (compared to an increase in total assets of 74%), from US$ 73 billion to US$ 134 billion (Table 2 below). As a result, the share of foreign assets in total assets grew slightly from 14.6% to 15.6%. It might also be noted that the trend of change in the ratio of foreign assets to total assets was not obvious, for the ratio changed in a different direction in 2007 and in 2008, which may indicate that Chinese MNEs pay equal attention to domestic and foreign markets. Foreign sales grew more slowly than foreign assets. From 2006 to 2008, foreign sales rose by only 41%, as compared to an increase in foreign assets of 84%. This is largely due to two reasons: 1) some newly acquired foreign assets were in the form of natural resources that could not quickly yield revenue and 2) the overseas sales of several firms recorded slow or negative growth for three types of reasons. First, the global recession slowed the growth of demand in foreign markets. Second, some firms (e.g., the Shanghai Automotive Industry Corporation) suffered from a failure to integrate their cross-border acquisitions. And last, with the People's Republic of China's entry into the WTO and the increase in the strategic importance of the Chinese market, many foreign companies have been paying more attention to this fast-growing market, leading to greater competitive pressure on Chinese MNEs. In order to maintain their competitiveness in domestic markets, some Chinese firms have recently laid more emphasis on their domestic development. Since domestic sales grew somewhat faster than foreign sales, the share of foreign sales in total sales decreased slightly from about 23% to about 22%. Foreign employment grew much faster than total employment did. From 2006 to 2008, the former grew by 34% while the latter rose by only 6%. In consequence, the share of foreign employment in total employment went up by 1.5% during the same period.

[41] Created assets, such as technological and organizational capacity, and skilled and professional labor, represent the intellectual and institutional capital of firms and countries. See Dunning, J. H., Multinational Enterprises and the Global Economy, Reading, Mass.: Addison Wesley, 1993, for further information.

Table 2. Snapshot of the 18 Chinese MNEs, 2006-2008 (US$ billion and number of employees)

Variable	2006	2007	2008	% change 2006-2008
Assets				
Foreign	73	104	134	84.4
Total	494	640	861	74.3
Share of foreign in total (%)	14.6	16.3	15.6	
Employment				
Foreign	128,650	171,528	171,939	33.7
Total	2,193,923	2,238,157	2,316,496	5.6
Share of foreign in total (%)	5.9	7.7	7.4	
Sales (excluding exports)				
Foreign	79	92	112	40.8
Total	351	415	522	49.0
Share of foreign in total (%)	22.7	22.0	21.5	

***Source**:* FUDAN-VCC survey of Chinese MNEs, 2010.

The big picture

Chinese MNEs have maintained their relative lead among MNEs from developing economies. With 13 MNEs each, the People's Republic of China and Taiwan Province of China tie for second place on the list of the top 100 non-financial MNEs from developing economies in 2008, as ranked by UNCTAD in its *World Investment Report 2010.*[42] The top economy on the list is Hong Kong (China), with 16 MNEs. The People's Republic of China and the Republic of Korea both have two firms each on UNCTAD's list of the world's top 100 non-financial MNEs, more than any other developing economy.

On the whole, the 18 MNEs have yet to accumulate strong firm-specific advantages, although their country-specific advantage (abundant and inexpensive labor) has made a great contribution to their international expansion. Manufacturing firms have also accumulated a great deal of experience and skill in making and marketing products at the mature stage of their lifecycle in advanced countries. Some have also improved innovative capabilities and increased their global presence. But Chinese manufacturers still lack their own core technology, a global brand image and the ability to manage global operations effectively and efficiently.

Project contracting firms in the service sector have increased significantly in total size. As many as four Chinese contractors broke into the top 10 in the world in terms of total revenue in 2007, as ranked by *Engineering News-Record.*[43] Still, their foreign sales remain limited. Only one firm made it into the *Engineering News-Record*'s top 20 list: China Communications Construction Co. at no. 18. What is more, Chinese construction firms are in a weaker position than their western counterparts when it comes to bidding for large projects with strict technological requirements. This has been a big

[42] New York and Geneva: United Nations, 2010.
[43] See http://www.enr.com.

stumbling block to Chinese contractors' expansion into foreign markets, especially the markets of advanced countries.

In order to meet the increasing domestic demand for mineral and petroleum resources, Chinese natural-resource firms have recently accelerated their internationalization. However, these enterprises lack strong firm-specific assets, such as expertise in management and technology, strategic resource reserves, and global delivery systems. Given the growing scarcity of some important resources, Chinese natural-resource firms will inevitably face fierce competition and huge political risks in their internationalization, which latter they have already begun to face. Chinese firms' acquisition of natural resources in foreign countries is regarded by some foreign governments as a threat to the safety of their economies, especially as most of these firms are state-owned enterprises. Therefore, more often than not, foreign governments interfere in Chinese MNEs' market-oriented M&As, which sometimes results in the failure of commercially viable deals.

FDI outflows took off in 2004 as a result of the People's Republic of China 's entry into the WTO and the government's 'go global' policy, initiated in 2000. Having remained almost unchanged in the period 1992-2003**,** they rose from US$ 5.5 billion in 2004 to US$ 52 billion in 2008, dropping to US$ 48 billion[44] in 2009 (annex figure 3)[45], making the People's Republic of China the second largest outward investor in emerging markets in 2009 in terms of outflows, behind Hong Kong (China)[46]. In the first three quarters of 2010, Chinese MNEs invested a total of US$ 36.3 billion (more than 10% over the same period the previous year) in 118 countries and regions.[47] By the end of 2009, nearly 12,000 Chinese companies had established about 13,000 overseas enterprises, spreading over 177 countries in all regions. The People's Republic of China has now become one of the most important FDI source countries. Its outward FDI stock was US$ 278 billion by the end of 2009, the third highest among all developing economies and the 15th highest among all economies. Although Chinese outward FDI has been noticeably behind inward FDI, the gap has narrowed in recent years (annex figure 3). Although the ratio of Chinese outward FDI to inward FDI was much lower than the average ratio for all other developing countries in the past, the situation has been reversed since 2008 (annex figure 4).

Today, the People's Republic of China may be said to have entered the third stage of the 'investment development path'.[48] At this stage, its outward FDI may be expected to grow faster than its inward FDI. Several factors contribute to the potentially rapid growth of the People's Republic of China's outward investment. First, the Chinese government has promoted and will continue to promote its "go global" policy, to provide the needed stimulus for the internationalization of all kinds of enterprises. Second, the increasing demand for natural resources created by the People's Republic of China's economic boom stimulates the relevant firms into going abroad to secure natural resources. Third, in order to strengthen their firm-specific advantages, many manufacturing firms have a strong incentive to acquire strategic foreign assets, such as famous brands, pioneering techniques, research and development capabilities, and well-established distribution channels. Fourth, to utilize the People's Republic of China's enormous foreign-exchange reserves (currently around US$ 2.4 trillion) more effectively, the government has relaxed exchange controls, thus making it easier for enterprises to obtain funds to invest abroad. And finally, with the ongoing upgrading of advanced countries' industrial structure, there are likely to be some idle human and technological resources in labor-intensive and capital-intensive industries that may be useful to Chinese MNEs. Besides, many firms in

[44] According to MOFCOM, the FDI outflows of China in 2009 were US$ 56.5 billion.
[45] The global financial and economic crisis reduced the cross-border M&A activities of Chinese multinationals in 2009, resulting in a drop in FDI outflows.
[46] Most of Hong Kong (China)'s outward FDI goes into mainland China for two reasons. First, the two economies are strongly complementary. Second, some capital flows from and to mainland China are a case of 'round-tripping', i.e., investment driven by differences in the treatment of foreign and domestic investors, which can lead some investors to channel funds out of and then back into an economy. See the *World investment Report, 2010* (op. cit.) for further discussion.
[47] See http://www.chinanews.com.cn/cj/2010/11-02/2628739.shtml.
[48] See DUNNING, J. H., "Explaining the international direct investment position of countries: Towards a dynamic and development approach", In Black J. and Dunning J. H., (eds)., *International Capital Movement*, London: Macmillan, 1982.

these countries have been undergoing refocusing and restructuring following the global crisis and some of the assets they divest may represent golden opportunities for Chinese firms to acquire critical foreign assets.

In terms of ownership, there are a number of different kinds of Chinese MNE: state-owned enterprises, limited liability companies, joint stock companies, joint-equity cooperative enterprises, privately owned firms, collective enterprises, foreign investment enterprises, enterprises from Hong Kong (China), Macao and Taiwan Province of China, and other enterprises. These categories of firms accounted for 69.2%, 22.0%, 5.6%,1.0%, 1.0%, 0.3%, 0.5%, 0.1%, and 0.3%, respectively, of Chinese outward FDI stock by the end of 2009. In recent years, there have been some changes in the proportion of outward stock from different types of firms. Although most of the *recorded* outward FDI from The People's Republic of China is undertaken by large SOEs, the percentage of outward stock controlled by SOEs has been falling, from more than 90% in 2002 to 71% in 2007, 70% in 2008 and 69% in 2009. Enterprises with other types of ownership, especially limited liability companies, have been playing a more important role in the People's Republic of China's outward FDI. By the end of 2009, limited liability firms accounted for nearly 60% of all investment entities and 22% of Chinese outward stock.[49]

The recent global crisis had a negative impact on the People's Republic of China's GDP growth and (as mentioned in the discussion of M&A and greenfield transactions earlier) on its outward investment growth. GDP growth slowed in the first two quarters of 2009 and outward FDI decreased in that period on a year-on-year basis. However, the government's strong support of investment and exports through a variety of policies helped growth go up again in the third quarter of 2009. In the same period, supportive policies in fiscal, financial, insurance, foreign exchange and other areas also helped GDP growth recover to 7.7%.

[49] See the 2009 Statistical Bulletin of China's Outward Foreign direct investment, released jointly by the Ministry of Commerce, the National Bureau of Statistics, and the State Administration of Foreign Exchange: http://www.fdi.gov.cn/pub/FDI/wztj/jwtztj/t20100920_126763.htm

Annex Table 1. People's Republic of China: The top 18 Chinese MNEs, key variables, 2008[a] (US$ million and number of employees)

Rank	Name	Industry	Assets		Sales		Employment		TNI[a] (%)
			Foreign	Total	Foreign	Total	Foreign	Total	
1	CITIC Group	Diversified	43 750	238 725	5 427	22 230	18 305	90 650	21.0
2	China Ocean Shipping (Group) Company	Transport and storage	20 345	33 483	12 080	25 762	4 581	67 643	38.1
3	China State Construction Engineering Corp.	Construction and real estate	13 923	29 019	5 482	27 994	30 448	129 068	30.4
4	China National Petroleum Corporation	Petroleum expl./ref./distr.	9 409	264 016	4 384	165 224	20 489	1 086 966	2.7
5	Sinochem Corp.	Petroleum expl./ref./distr.	6 409	19 825	34 218	44 280	225	26 632	36.8
6	China Shipping (Group) Company	Transport and storage	5 962	15 227	5 763	10 116	3 223	45 598	34.4
7	China National Offshore Oil Corp.	Petroleum expl./ref./distr.	5 247	59 917	4 475	28 028	1 739	51 000	9.4
8	China Communications Construction Co.	Construction and real estate	4 010	31 911	5 599	25 740	1 703	93 019	12.1
9	Beijing Enterprises Holdings Ltd.	Diversified	3 662	6 670	2 524	2 530	28 260	37 000	77.0
10	Sinosteel Corporation	Metals and metal products	3 514	13 419	4 541	22 757	5 539	42 363	19.7
11	China Railway Construction Corporation	Construction	3 146	32 204	2 475	31 571	18 613	190 545	9.1
12	ZTE Corp.	Telecom equipment and networking solutions	3 143	7 642	3 860	6 373	19 031	61 350	44.2
13	Sinotrans & CSC Group	Transport and storage	2 813	7 152	609	8 793	389	48 405	15.7
14	Lenovo Group	computers and related activities	2 732	6 308	8 467	14 901	5 201	22 511	41.1
15	Shanghai Automotive Industry Corp.	Automobiles	2 317	21 731	2 214	22 138	7 179	82 336	9.8
16	China Minmetals Corp.	Metals and metal products	1 694	12 454	3 986	25 045	909	52 345	10.4
17	Shanghai Baosteel Group	Metals and metal products	1 091	51 838	4 890	36 300	216	128 408	5.2
18	Haier Group	household electric appliance	784	9 432	1 108	2 400	5 889	60 657	21.4
Total			**133 949**	**860 973**	**112 101**	**522 182**	**171 939**	**2 316 496**	**14.8**

Source: FUDAN-VCC survey of Chinese MNEs, 2010, and UNCTAD, *World Investment Report 2010*.

[a]The transnationality index (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. It is expressed as a percentage – '15' rather than '0.15'.

Annex Table 2. People's Republic of China: Stock exchanges on which the 18 Chinese MNEs are listed

Company	Stock Exchange(s)
CITIC Group	Hong Kong (China)
China Ocean Shipping (Group) Company	Hong Kong (China), Shanghai, Shenzhen, Singapore
China State Construction Engineering Corporation	Hong Kong (China)
China National Petroleum Corporation	Hong Kong (China), New York, Shanghai
Sinochem Corp.	Hong Kong (China), Shanghai
China Shipping (Group) Company	Hong Kong (China), Shanghai
China National Offshore Oil Corp.	Hong Kong (China), New York, Shanghai
China Communications Construction Co.	Hong Kong (China)
Beijing Enterprises Holdings Ltd.	Shanghai
Sinosteel Corporation	Shenzhen
China Railway Construction Corporation Ltd	Hong Kong (China), Shanghai
ZTE Corp.	Shenzhen
Sinotrans & CSC Group	Hong Kong (China), Shanghai, Shenzhen
Lenovo Group	Hong Kong (China)
Shanghai Automotive Industry Corporation (Group)	Shanghai
China Minmetals Corp.	Hong Kong (China), Shanghai
Shanghai Baosteel Group	Shanghai, Shenzhen
Haier Group	Hong Kong (China), Shanghai

Source: FUDAN-VCC survey of Chinese MNEs, 2010, and various company websites.

Annex Table 3. People's Republic of China: Top 10 outward M&A transactions, 2007-2009 (US$ million)

Date	Acquirer's name	Target name	Target industry	Target economy	% of shares acquired	Value of transaction
03/03/2008	ICBC	Standard Bank Group Ltd	Banking	South Africa	20.00	5,616.67
12/28/2007	China Investment Corp{CIC}	Morgan Stanley	Security brokers & dealers	United States	9.90	5,000.00
06/27/2007	China Investment Corp{CIC}	Blackstone Group LP	Investment advisors	United States	9.90	3,000.00
08/14/2007	CDB	Barclays PLC	Banking	United Kingdom	3.10	2,980.07
12/11/2009	Yanzhou Coal Mining Co Ltd	Felix Resources Ltd	Bituminous coal and lignite surface mining	Australia	100.00	2,806.88
11/28/2007	Ping An Ins(Grp)Co of China	Fortis SA/NV	Banking	Belgium	4.18	2,671.98
11/25/2009	Investor Group	OAO MangistauMunaiGaz	Crude petroleum and natural gas	Kazakhstan	100.00	2,603.90
09/30/2008	China Merchants Bank Co Ltd	Wing Lung Bank Ltd	Banking	Hong Kong (China)	53.12	2,473.59
10/27/2008	China Merchants Bank Co Ltd	Wing Lung Bank Ltd	Banking	Hong Kong (China)	44.70	2,081.67
12/19/2008	Sinopec	Tanganyika Oil Co Ltd	Crude petroleum and natural gas	Canada	100.00	2,028.48
Total						**31,263.24**

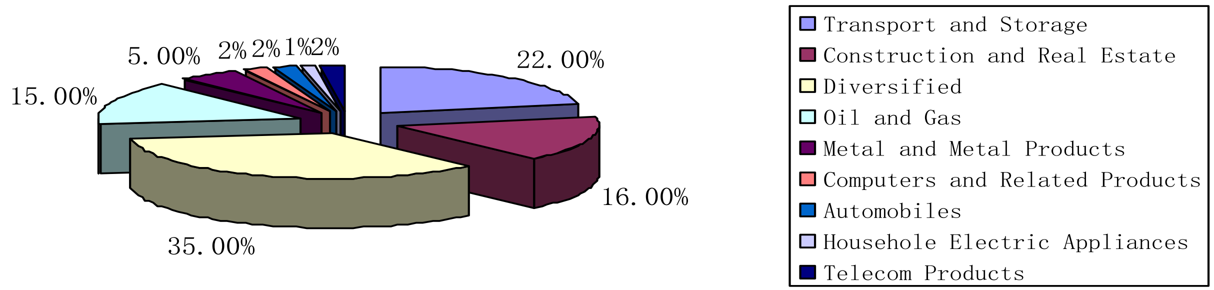
Source*:* Adapted from Thomson ONE Banker. Thomson Reuters.

Annex Table 4. People's Republic of China: Top 10 outward greenfield transactions, 2007-2009 (US$ million)

Date	**Company**	**Destination**	**Industry**	**Value of transaction**
Dec-07	CITIC	Australia	Metals	4,586
Jul-08	China Petroleum and Chemical (Sinopec)	Vietnam	Coal, Oil and Natural Gas	4,500
May-09	Wuhan Iron and Steel Co Ltd (WISCO)	Brazil	Metals	4,000
Jan-07	China National Petroleum (CNPC)	Iran	Coal, Oil and Natural Gas	3,600
Sep-08	CITIC Group	Angola	Real Estate	3,535
Jul-08	Shanghai Electric Power	India	Engines & Turbines	3,000
Oct-07	Aluminium Corporation of China (Chinalco)	Saudi Arabia	Metals	3,000
Jun-07	Cosco	Philippines	Transport	3,000
Jul-09	China Metallurgical Group Corporation (MCC)	Afghanistan	Metals	2,900
Dec-08	China Union	Liberia	Metals	2,600
Total				**34,721**

Source: Adapted from fDi Intelligence, a service from the Financial Times Ltd.

Annex figure 1. People's Republic of China: Breakdown of the 18 MNEs' foreign assets by industry - 2008



Industry type	Industries included	Foreign assets (US$ million)	Number of firms	Companies
Labor-intensive	Transport and storage ,construction, real estate	50,199	6	China Ocean Shipping (Group) Company, China State Construction Engineering Corporation, China Shipping (Group) Company, China Communications Construction Co. , China Railway Construction Corporation Ltd, Sinotrans & CSC Group
Natural resource-related	Oil and gas, metal and metal products	27,364	6	China National Petroleum Corporation, Sinochem Corp. China National Offshore Oil Corp. Sinosteel Corporation China Minmetals Corp Shanghai Baosteel Group
Manufacturing	Computers and related products, automobiles, household electric appliance, telecom products	8,975	4	ZTE Corp., Lenovo Group, Shanghai Automotive Industry Corporation (Group), Haier Group
Diversified	Project construction, banking, energy and mining, wholesaling, etc.	47,411	2	CITIC Group, Beijing Enterprises Holdings Ltd.

Source: FUDAN-VCC survey of Chinese MNEs, 2010.

Annex figure 2. People’s Republic of China: Head office locations of the 18 Chinese MNEs - 2008

Beijing

1. CITIC Group
2. China Ocean Shipping Group Company
3. China State Construction Engineering Corp
4. China National Petroleum Corporation
5. Sinochem Group
7. China National Offshore Oil Corp
8. China Communication Construction Company Ltd.
9. Beijing Enterprises Holdings Ltd.
10. Sinosteel Corporation
11. China Railway Construction

Shanghai

6. China Shipping (Group) Company
15. Shanghai Automotive Industry

Shandong

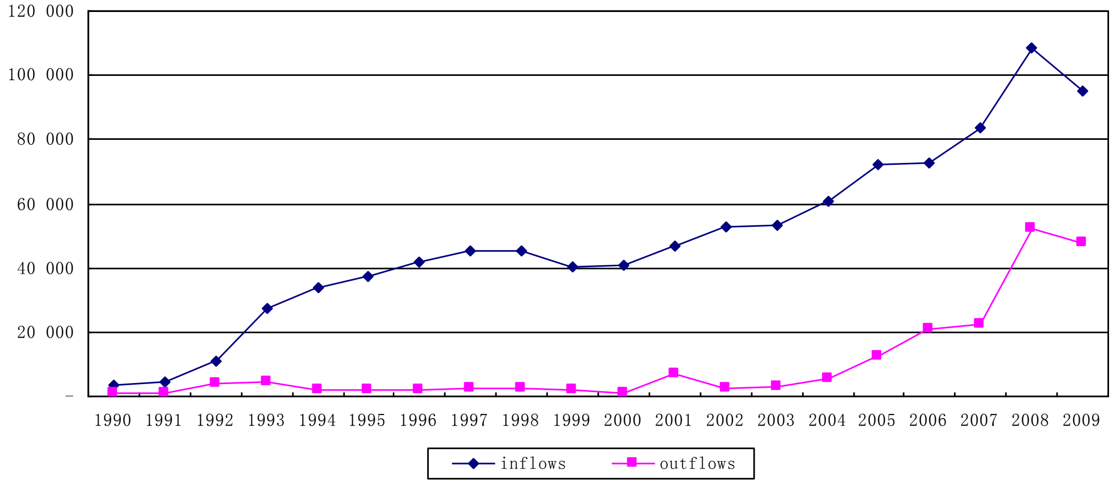
18. Haier Group

Guangdon

12. ZTE Corp.

Source*:* FUDAN-VCC survey of Chinese MNEs, 2010.

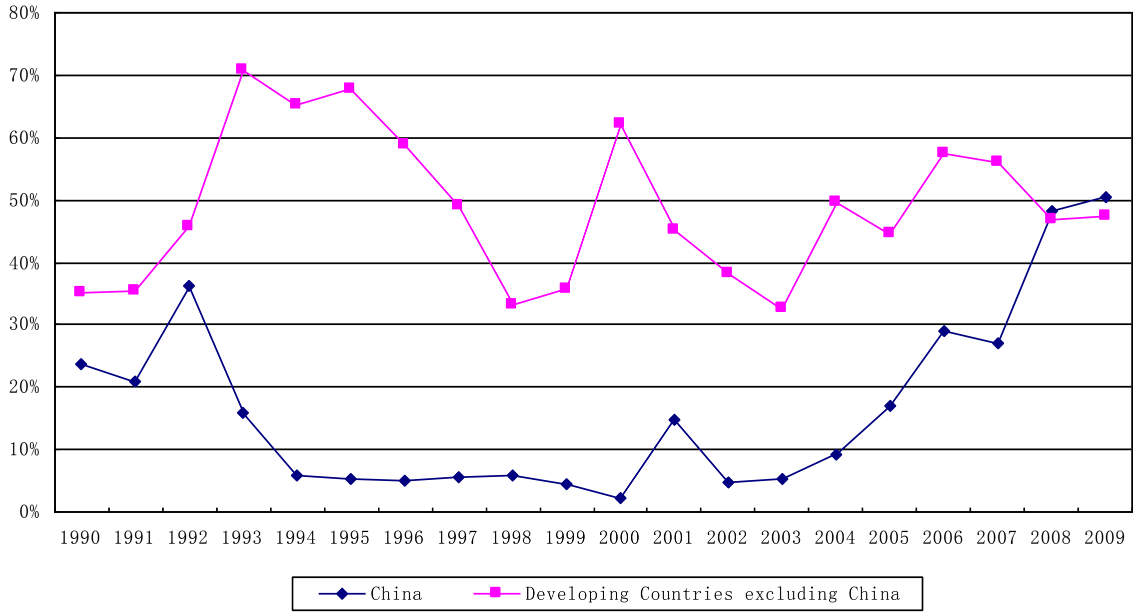
Annex figure 3. People's Republic of China: FDI outflows from, and inflows into The People's Republic of China, 1990-2009 (US$ million)



Year	Inflows	Outflows
1990	3 487	830
1991	4 366	913
1992	11 008	4 000
1993	27 515	4 400
1994	33 767	2 000
1995	37 521	2 000
1996	41 726	2 114
1997	45 257	2 562
1998	45 463	2 634
1999	40 319	1 774
2000	40 715	916
2001	46 878	6 885
2002	52 743	2 518
2003	53 505	2 855
2004	60 630	5 498
2005	72 406	12 261
2006	72 715	21 160
2007	83 521	22 469
2008	108 312	52 150
2009	95 000	48 000

Source: UNCTAD, *World Investment Report 2010*, op. cit.

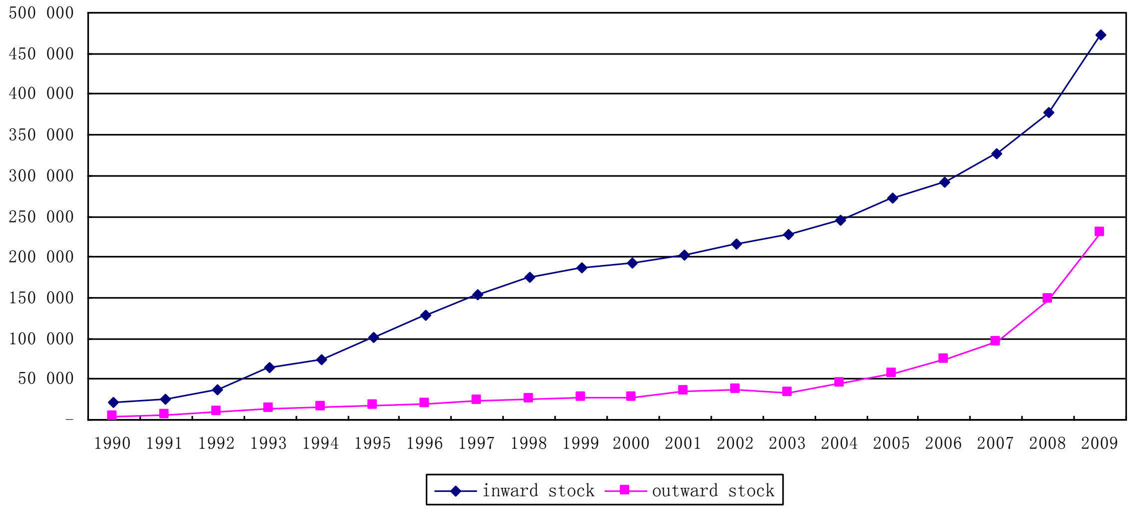
Annex figure 4a. People's Republic of China: The ratio of FDI outflows to inflows for The People's Republic of China and all developing countries excluding The People's Republic of China , 1990-2009



Year	People's Republic of China	Developing Countries excluding People's Republic of China
1990	24%	35%
1991	21%	35%
1992	36%	46%
1993	16%	71%
1994	6%	65%
1995	5%	68%
1996	5%	59%
1997	6%	49%
1998	6%	33%
1999	4%	36%
2000	2%	62%
2001	15%	45%
2002	5%	38%
2003	5%	33%
2004	9%	50%
2005	17%	45%
2006	29%	57%
2007	27%	56%
2008	48%	47%
2009	51%	47%

Source: UNCTAD, *World Investment Report 2010*, op. cit.

Annex figure 5. Chinese outward and inward FDI stock, 1990-2009 (US$ million)



Year	Inward stock	Outward stock
1990	20 691	4 455
1991	25 057	5 368
1992	36 064	9 368
1993	63 579	13 768
1994	74 151	15 768
1995	101 098	17 768
1996	128 069	19 882
1997	153 995	22 444
1998	175 156	25 078
1999	186 189	26 853
2000	193 348	27 768
2001	203 142	34 654
2002	216 503	37 172
2003	228 371	33 222
2004	245 467	44 777
2005	272 094	57 206
2006	292 559	73 330
2007	327 087	95 799
2008	378 083	147 949
2009	473 083	229 600

Source: UNCTAD, *World Investment Report 2010*, op. cit.

Chapter 4 – Hungary's global players

A strong presence in their neighbourhood in 2009

Magdolna Sass and Olivér Kovács

The first survey on outward investors from Hungary, released on January 21, 2011, covers the period 2007-2009.

Highlights

The report includes a ranking of Hungarian multinationals based on their foreign assets (see table 1 below). The 19 multinationals ranked held almost US$ 22 billion in foreign assets in 2009. The top-ranked firm, MOL Group (including TVK, majority-owned by MOL), accounted for more than US$ 19 billion, or almost 89%, of these assets. The top 19 companies together registered foreign sales of more than US$ 10 billion in 2009 and employed more than 40,000 workers abroad (table 2 below). In 2009, Hungary was the 21st outward investor in terms of FDI stock among emerging markets50 and the 22nd largest in terms of outward FDI flows, well below the BRIC countries, but a large investor among the New Member States of the European Union.51 Outward investment by Hungarian companies went primarily into oil and gas exploration and production (mining and quarrying), chemicals and pharmaceuticals. Other investment areas included transport, plastics production, building materials, electronics, food products, and IT and other services. The 19 companies on the list have 149 affiliates in 32 countries, with a strong concentration in Europe, mainly in Central and Western Europe (115 affiliates). These are mainly located in neighboring or geographically close countries, such as Romania (23 affiliates), Slovakia (16), Germany (15), Poland (12) Czech Republic (11), Bulgaria (8) or Ukraine (7). See annex table 2 and annex figure 2 for details.

50 Understood as a group of countries including all developing and transition economies, as well as the 10 former economies in transition (Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia) that the United Nations has reclassified as developed countries after their entry in the European Union.

51 Ranking based on UNCTAD, World Investment Report, 2010 (New York and Geneva: United Nations, 2010) and corrected by deducting Hungarian outward FDI by special purpose entities, which is counted statistically as FDI but does not reflect outward investing activities by Hungarian multinationals.

Table 1. The top 19[a] non-financial Hungarian multinationals, by foreign assets,[b] 2009 (US$ million)[c]

Rank	Name	Industry	StatUS$	Foreign assets
1	MOL (+TVK)	Oil and gas exploration, production, refining and retail	Listed (0.0 %, 1 golden share)	19,301
2	Borsodchem	Chemicals	Unlisted (Nil)	1,341
3	Richter	Pharmaceutical products	Listed (25.12%)	730
4	Waberer's Holding	Transportation	Unlisted (Nil)	95
5	Jász-Plasztik	Plastics production	Unlisted (Nil)	49
6	Masterplast	Building materials	Unlisted (Nil)	45
7	Videoton	Manufacture of electrical equipment	Unlisted (Nil)	38
8	KÉSZ	Construction	Unlisted (Nil)	36
9	Fornetti	Food products	Unlisted (Nil)	33
10	Cerbona	Food products	Unlisted (Nil)	19
11	Kürt	IT services	Unlisted (Nil)	13
12	Abo Holding	Food products	Unlisted (Nil)	10
13	Eurobus-Invest	Professional, scientific and technical services	Unlisted (Nil)	9
14	Synergon	IT services	Listed (Nil)	6
15	Genesis Energy	Manufacture of electrical equipment	Listed (Nil)	6
16	Wallis	Professional, scientific and technical services	Unlisted (Nil)	3
17	Regionális Fejlesztési Vállalat (RFV)	Electricity, gas, steam and air conditioning supply	Listed (Nil)	3
18	PannErgy	Electricity, gas, steam and air conditioning supply	Listed (Nil)	2
19	Interactive Net Design	IT services	Unlisted (Nil)	2
Total				21,741

Source: ICEG-VCC survey of Hungarian multinationals, 2010.

[a] Although we speak of the 'top 19' here, information was not available on *all* likely candidates for the top places, among other things because not all companies responded to our survey. The multinationals on this ranking may thus not be *the* largest outward investors from Hungary but they are certainly *among* the largest.
[b] The foreign assets of a multinational enterprise are the current and fixed assets abroad that it controls. They are usually much larger than the multinational's total outward FDI.
[c] The exchange rate used is the IMF rate of December 31, 2009: US$ 1 = Hungarian Forint 188.07.
[d] The percentage in parentheses is the percentage of shares controlled by the state.

Profile of the top 19

Key drivers. Among the companies surveyed, the primary motive for investing abroad was to find new markets. Thus Hungarian outward investment abroad is mainly of a market-seeking nature. There were a few efficiency-seeking investments that looked for lower factor costs, mainly lower wage costs, of which Videoton is an example. Among the small and medium-sized companies carrying out high-tech activities, there are also knowledge-seeking investments abroad.

High concentration. As noted earlier, the company group in the first position, MOL Group, held almost 89% of the total foreign assets of the top 19. The first two, MOL Group and Borsodchem accounted for almost 95%. Including financial services companies and Hungarian affiliates of foreign multinationals investing abroad from Hungary results in a similarly high level of concentration. Thus while the number of Hungarian companies investing abroad may be as high as 7000, the overwhelming majority of the stock abroad is in the hands of a handful of companies.

Modest size. In size, Hungarian multinationals clearly lag behind some of their emerging-market counterparts. Only the largest foreign investor, MOL Group, had close to US$ 20 billion in foreign assets in 2009 and employed a significant number of people abroad (over 26,000). Besides MOL Group, the OTP Bank in financial services (not on our list) has significant foreign assets and foreign employment – see box 2 below. Richter also had substantial foreign employment of over 5000.

Foreign affiliates and geographic distribution. The 19 companies on the list have 149 affiliates in 32 countries, most of them in Europe (annex figure 2). MOL Group has 36 foreign affiliates, mainly in Central and Western Europe (see box 1 below), followed by Masterplast, which produces building materials and has 34 affiliates, also mainly in Central and Western Europe. Richter in the pharmaceuticals business comes third with 30 affiliates, in Europe and Central Asia. Affiliates of the top 19 are concentrated in 'Other Europe', and inside that in Central Europe (annex figure 2).

Box 1. The leading outward investor: MOL Group

MOL Group is one of the leading companies in Central and Eastern Europe in petroleum and natural gas exploration, production, refining and retail. It is the largest company in Hungary in terms of turnover, operating profits, exports and capital, and the fourth largest in the number of employees. It has a dispersed ownership and there is no controlling owner. As of March 31, 2010, 26.5% of the shares were held by a number of foreign institutional investors and 21.2% by the Russian oil and gas firm Surgutneftegas. Other shareholders, all of whom hold less than 10%, include Oman Oil Ltd. (7%), the Czech group CEZ MH B.V. (7.3%), and Magnolia Finance Ltd. (5.7%) registered in Ireland. The Hungarian Government owns a voting preference share which entitles it to veto certain strategic decisions, including those affecting the ownership changes in the company. None of the shareholders or groups of shareholders may exercise the voting rights of more than 10 %. Thus while the company is 78.7% foreign-owned, all strategic decisions are taken by the company management, which is composed mainly of Hungarian nationals, residing in Hungary. Strategic planning regularly takes place at the Hungarian head office in Budapest. MOL's board of directors has eight Hungarians and three foreigners.

In 2009, MOL Group had majority ownership of 36 foreign affiliates, as indicated in box table 1.1 below.

Box table 1.1. Distribution of MOL Group's foreign affiliates, excluding representative offices, by country

Angola	1	France	2	Kazakhstan	1	Serbia	1
Austria	2	Germany	3	Pakistan	1	Slovakia	4
Bosnia-Hercegovina	1	Kudistan region of Iraq	1	Poland	3	Slovenia	1
Croatia	1	Italy	3	Romania	2	Syria	1
Czech republic	1	Oman	1	Russia	4	Ukraine	2

MOL Group's investment abroad has followed a gradual strategy. Its first two affiliates were established in neighboring Romania and Ukraine in 1994 through greenfield investments, which were followed by other greenfield investments in other neighboring countries. However, there was a clear change in strategy in 2000, when MOL decided explicitly that its main aim should be to become a leading regional multinational. Since then, privatization-related acquisitions have dominated and the size of foreign projects has become bigger. In 2000, the company became the dominant shareholder in Slovnaft, the leading Slovakian oil firm, with the proportion of its shares reaching 98.4% in 2004. MOL Group also owns 47, 15 % of the shares of the Croatian INA, the national oil company. In December 2007, MOL Group concluded an agreement about a strategic alliance with the Czech energy company CEZ and established a joint venture for investment in gas power stations in Central and Eastern Europe. Other affiliates of MOL Group include companies in Asia, the Middle East and Africa, which are smaller in size and focused on exploration and production. Other European affiliates are mainly in distribution and wholesale and retail trade. Thus while in 2000-2005 MOL Group concentrated on acquiring downstream assets, between 2005 and 2010 the company built up a significant upstream exploration portfolio.

As part of the new strategy, MOL Group also acquired a majority stake of 29.8% in the leading Hungarian petrochemical company TVK in 2000, thus establishing a basis for an integrated petrochemical operation. This share has been increased gradually to a direct 86.79% and to an additional indirect 8.1 % (through the Slovakian MOL affiliate, Slovnaft) by further acquisitions. TVK itself is a foreign investor with affiliates in Italy, Great Britain, Germany, France, Poland and Ukraine.

Through its greenfield investments and acquisitions abroad, MOL Group itself became an interesting target for acquisition and ÖMV, the Austrian oil and gas firm that already owned a 21.1% share in MOL Group, launched a series of hostile takeover bids in 2007-8. The effort was abandoned when the European Commission conveyed its disapproval to ÖMV. However, ÖMV then sold its share in MOL Group to the Russian Surgutneftegas in March 2009, an act seen as unfriendly by both the MOL board and the Hungarian authorities.

Source: ICEG-VCC survey of Hungarian multinationals, 2010.

Principal industries. The companies on the list are from 13 different industries. In terms of foreign assets, the industry of the leading company, MOL Group, is the most important, since it accounts for almost 89% of the total assets in table 1 above. MOL Group's activities include oil and gas exploration, production, refining and retail. And petrochemicals through TVK Chemicals and pharmaceuticals come next, with Borsodchem and Richter. In terms of the *number* of firms, food products and IT services are the leading industries, with three firms in each. Two firms operate in professional, scientific and technical services. The group as a whole is distributed fairly evenly between manufacturing and services: there are nine manufacturers and ten service providers.

Box 2. The leading role of financial services

The share of the financial intermediation sector was well over half in Hungarian OFDI stock in 1998. Ten years later, in 2008, it was still close to a quarter (23.3%). This high share can be attributed mainly to the activities of the OTP Bank, and to a lesser extent to the MKB Bank, an affiliate of Bayerische Landesbank (89.79%) and Garancia, an insurance company previously affiliated with OTP Bank but acquired by the French Groupama in 2008. These firms are regional players: they have affiliates in many countries in Central, Eastern and Southeastern Europe: OTP Bank in Bulgaria, Croatia, Montenegro, Romania, Russia, Serbia, Slovakia and Ukraine; MKB Bank in Bulgaria and Romania; and Garancia in Bulgaria, Romania and Slovakia. In their ownership structure, they represent very different types of investors. MKB and now Garancia are completely foreign-owned. As of 30 September 2010, two-thirds (67.3%) of OTP's shares are held by foreigners but they are widely dispersed, with no controlling shareholder. Hungarian shareholders are also numerous and none of the foreign or domestic shareholders own more than 10 per cent of the shares. Hungarian shareholders include the Government (0.4 %), employees and senior officers of OTP Bank (1.7 %), own shares (1.5 %) and other domestic investors (29 %). Thus, strategic decisions about outward investment, among other things, are taken by the Hungarian management, residing in Hungary. In the senior management (CEO and 6 deputy CEOs) and the members of the Board of Directors (3 executive and non-executive members) there are no foreign citizens; nor are there any foreign managers reporting directly to the executive director. The official language of the company is Hungarian. Thus OTP is similar to MOL: while on paper it is majority foreign-owned, all decisions of strategic importance are taken by the Hungarian management.

The outward investment of these financial firms is clearly of a market-seeking nature. Their entry mode is predominantly connected to the privatization of state-owned banks in former transition countries. Their competitive advantage may also be connected to their ability to manage the restructuring and transformation of formerly state-owned banks and enabling them to compete successfully in a market economy.

Source: ICEG-VCC survey of Hungarian multinationals, 2010.; and
https://www.otpbank.hu/static/portal/sw/file/101118_OTP_20103Q_h_final.pdf, p. 49

Distribution by region and industry. Like most of the affiliates of the top 19, most of the industries of these firms are concentrated in Central and Western Europe (annex figure 3). Oil and gas exploration, production, refining and retail (MOL Group) is also to be found in Eastern Europe and Central Asia (6), Middle East and North Africa (4) and Sub-Saharan Africa (1). Another industry which is more 'spread out' is the manufacturing of basic pharmaceutical products (Richter), with affiliates in South Asia (1), Developed Asia & Pacific (1) and Eastern Europe and Central Asia (8).

Dates of opening the first major foreign affiliates. MOL was the first firm among the top 19 to establish a major foreign affiliate, in 1994. Richter followed in 1996 and Abo Mill, Masterplast and Videoton in 1999. The affiliates of all the others were established in the 21st century. See annex figure 7 for details.

Transnationality Index (TNI). A number of Hungarian firms rank relatively high on the TNI, with MOL Group, Borsodchem (chemicals) and Fornetti (food) scoring over 80%, followed by Kürt (IT services, 78%), Masterpalst (building materials, 77%), and Eurobus-Invest (professional services, 65%).

Ownership and status. None of the companies on the list is a state-owned enterprise. However, the state owns a special 'B' share in MOL that gives it special voting rights, as indicated in box 1. The state also has a 25% stake in Richter, which also was privatized through the stock exchange. Of the 19 companies ranked, seven are listed on the Budapest stock exchange. Three are also listed on foreign stock exchanges: MOL on the Luxembourg Stock Exchange and the Warsaw Stock Exchange, Richter on the Luxembourg Stock Exchange, and Genesis Energy on the Frankfurt and Stuttgart Stock Exchanges.

Location of head offices. Ten companies have their head offices in Budapest. The rest are concentrated in a few counties, predominantly in the Eastern part of Hungary, such as Bács-Kiskun (2), Borsod-Abaúj-Zemplén (3), Fejér (2), Jász-Nagykun-Szolnok (1) and Szabolcs-Szatmár-Bereg (1). (See annex figure 4)

Nationality of management. As far as the nationality of the top management is concerned, we can claim with reasonable certainty that all of the 19 companies are led by Hungarian CEOs. The share of foreigners on the board of directors is relatively low (22%). Furthermore, managers reporting directly to the CEOs are overwhelmingly Hungarian (96%).

Official languages. The official language of all companies on the list is Hungarian. However, they use at least one other language (mainly English, in some cases German). In MOL Group for example, most documents are prepared in English and meetings and presentations are also held in English if there is at least one foreigner. In the case of firms offering services to locals, they use the local language as well, though not in intra-firm communication.

Top mergers and acquisitions. The most significant M&A operations in the three-year period 2007-2009 are those involving MOL Group: in 2007, the acquisition of the Italiana Energia e Servizi SpA (Italy), in 2008, the acquisition of a further share in INA (Croatia) and in 2009, of the Pearl Petroleum Company Ltd. (Iraq) for US$ 660 million, US$, 1167 million and US$ 342 million, respectively. From our top 19, Richter Gedeon acquired a 36.8 % stake in a Polish pharmaceutical company for US$ 43 million in 2008. (Annex table 4)

Top greenfield announcements. The four largest greenfield projects over the three-year period 2007-2009 were realized by TriGránit. TriGránit is a special case: see Box 3. MOL Group realized the fifth largest greenfield project in this period, with more than half a billion US dollars invested in Croatia. (Annex table 5)

Box 3. The case of TriGranit

TriGránit is the leading Hungarian greenfield investor abroad. It is better called the TriGránit Group, as at least three companies with cross-ownership among them are responsible for the greenfield investments listed in Annex table 5: Arcadom, Polus and TriGránit. Data on the ownership structure of TriGránit and changes in it are hard to come by. According to the latest available news,[a] Sándor Csányi, President of OTP Bank, holds 10 % and Nathaniel Rothschild (British investor) holds 15 % of the shares. A further 54% is owned by Sándor Demján, President of TriGránit and a Hungarian citizen, though he seems to control the company through some Cyprus-based offshore firms, and 20 % is owned by Peter Munk (Canadian investor and Chairman of Barrick Gold). Thus, on paper, the company is majority foreign-owned, although the ultimate controlling investor seems to be the President of the company, Sándor Demján, who is a Hungarian citizen resident in Hungary. Arcadom and Polus are also controlled by Sándor Demján.

The TriGránit Group is active in real estate management, development and construction mainly in the East-Central, Southeastern and Eastern European regions. Arcadom has foreign operations, including affiliates in Romania, Montenegro, Russia, Serbia and Poland. Outside Hungary, TriGránit has operations in Poland, Slovakia, Romania, Croatia, Slovakia, Montenegro, and Russia. It has offices in Belgrade, Bratislava, Budapest, Cluj, Katowice, Ljubljana, Moscow, Warsaw, and Zagreb. Polus is active mainly on the Russian market.

Because of a lack of data, only a rough estimate of the ranking of the TriGránit Group is possible: it may be among the top three outward investors from Hungary.

Source: ICEG-VCC survey of Hungarian multinationals, 2010.
[a] See Népszabadság (a leading Hungarian daily newspaper) at: http://www.nol.hu/archivum/archiv-374260.

Changes in assets, sales and employment over 2007-2009. The foreign assets of the top 19 increased by 48% between 2007 and 2009 to almost US$ 22 billion (table 2). Both 2008 and 2009 recorded a rise in foreign assets, of 10% and 39%, respectively. Foreign sales grew by 25% over the three-year period, having grown by 117% in 2008 and declined by 42% in 2009. Foreign employment increased by 48%, mainly due to a substantial rise of over 32% in 2009. Note that all these movements are determined by changes in the relevant indicators for MOL Group, the biggest outward investor. Without MOL Group, changes are relatively substantial only in foreign employment (+18.5%), while there is a slight decrease in foreign assets (-6.5%) and no change in foreign sales. Thus, leaving MOL Group out of the reckoning, the foreign expansion of the top 18 came to a halt in the crisis period. Foreign assets and sales as a percentage of the total assets and sales of the ranked companies in 2009 were 74% and 63%, respectively. Foreign employment was 63 % of total employment. Here again, without MOL Group, these shares are significantly lower: 48%, 52% and 46%, respectively.

Table 2. Snapshot of the top 19 multinationals, 2007-2009 (US$ million and number)

Variable	2007	2008	2009	% change, 2007-2009
Assets				
Foreign	14,448	15,897	21,739	48
Total	19,813	22,278	29,430	48
Share of foreign in total (%)	73	71	74	
Sales				
Foreign	8,250	17,911	10,170	25
Total	14,148	24,918	16,075	14
Share of foreign in total (%)	58	72	63	
Employment				
Foreign	27,490	30,764	40,552	48
Total	45,165	47,515	64,122	42
Share of foreign in total (%)	61	65	63	

Source: ICEG-VCC survey of Hungarian multinationals, 2010.

The big picture

Hungary is one of the leading foreign investors among the new member states of the European Union. In per capita terms, only Estonia and Slovenia have higher indicators, while in terms of absolute value, only Poland has a larger FDI stock abroad. Hungary's leading position is based partly on its earlier start in attracting FDI; partly on the government strategy of privatization through the stock exchange, which helped the privatized firms later to become important foreign investors; and, finally, on the organizational or technological advantages built up by strong domestic private firms. There are now even a few ‘born global’ small and medium-sized firms in Hungary in technologically advanced sectors, such as medical precision instruments or software that are expanding abroad. It is worth noting that, although our list is very top-heavy because of MOL Group, which accounts for more than four-fifths of the total foreign assets of the top 19, the estimated number of Hungarian firms that invest abroad is around 7,000.

Hungary’s outward FDI accelerated after 2003. That was the year when outward flows first exceeded US$ 1 billion and they have done so ever since, reaching almost US$ 4 billion in 2006 and 2007 (annex figure 5). The global financial and economic crisis then had a significant impact on outward FDI flows from Hungary, which declined by 21%in 2008 and by 18% in 2009, according to the data of the National Bank (annex figure 5). As for outward FDI stock, it grew till 2008 but declined by 27% in 2009 as Hungarian assets abroad fell in value (annex figure 6). Preliminary data for the first half of 2010 show a modest recovery. Another consequence of the crisis was the halting of large cross-border M&A deals with a few exceptions. This slowdown has resulted partly from the structure of Hungarian outward investment, especially the dominance of horizontal projects that are vulnerable to demand side factors. Anecdotal evidence suggests that some firms had to postpone or reduce planned projects because of financing difficulties, for example, TriGránit in Zagreb, Croatia.

The dominant entry mode of Hungarian companies is acquisitions, especially those related to privatization in neighboring countries. This is understandable, as Hungarian companies have a clear competitive advantage based on their own experience in privatizing and restructuring formerly state-owned firms. More recently, greenfield investments, especially by TriGránit and related companies, have been much larger in value than cross-border M&A deals. While we could not find traces of these significant outward investments in the balance sheets of TriGránit and related companies, we suspect that they are made through the related firms based in Cyprus (see box 3 above).

The leading Hungarian investors abroad are on paper majority-owned by foreigners, as is the case for MOL Group, Richter and Synergon on our list, and also for the OTP Bank. (The government owns a significant amount of shares in Richter, a golden share in MOL and 0.4 % in OTP.) The shares of these companies are listed on the Budapest Stock Exchange. A common feature is that the ownership structure of these companies is dispersed and the Hungarian management takes all strategic decisions. This calls the attention to a more thorough analysis of the nationality of investors and of the added value of the present approach to analysis as the questionnaire used by the EMGP project deliberately addresses certain aspects of this problem. Others on our list represent properly Hungarian-owned firms. There are also a relatively large number of foreign-owned affiliates in Hungary that invest abroad, such as M-Telekom, owned by Deutsche Telekom; MKB, owned by Bayerische Landesbank; and the Hungarian affiliate of Samsung.

In Hungary’s total investment abroad countries that are geographically close dominate: Slovakia, Romania and Croatia. Other countries in the region − such as

Bulgaria, Poland, the Czech Republic, Ukraine, the Russian Federation, Macedonia and Serbia − play an important role as well. The Netherlands, the United Kingdom, Luxemburg, Switzerland and Cyprus act mainly as mediators in investment destined for other locations or else serve a tax optimization purpose. (The Republic of Korea is a major destination due to a single transaction.) The case is similar for outward investment by the 19 firms on our list; the main geographic orientation of the top Hungarian outward investors is mainly the neighboring and geographically close countries, with only a very small number of affiliates operating in other regions.

Services dominated Hungary's outward investment at first. Then the share of manufacturing increased gradually to a more than a third by 2008. The concentrated nature of Hungary's investment abroad can be detected in the sector composition as well: within services, it is financial intermediation, real estate and business services that dominate; while in manufacturing, it is coke, refined petroleum products, and electrical and optical equipment. The share of mining and quarrying (oil and gas exploration) had grown to a relatively significant 7% by 2008, which, together with the high share of manufacturing of coke and refined petroleum, is mainly due to the activities of MOL Group, the top company on our list.

Supporting outward investment has never been a priority of government policy, although the government has not been inactive either. A number of government agencies and institutes offer some assistance to outward investors, mainly in the following three ways. First, information and consultancy services are provided free of charge or at reduced prices to potential investors abroad. These are used mainly by small and medium-sized enterprises (SMEs). Second, assistance is offered in the areas of investment financing and insurance, which is used primarily by the larger companies or by those investing in faraway and relatively risky locations. Third, the government also lobbies for Hungarian investors and investment in foreign countries, although, according to the larger investors, this activity is neither as frequent nor as supportive as that undertaken by the governments of their competitors.

Annex table 1. Hungary: The top 19 multinationals: Key variables, 2009 (US$ million[a] and number)

Rank by foreign assets	Name	Industry	Assets		Sales		Employment		Trans nationality Index (TNI)[b]	Number of foreign affiliates	Number of host countries
			foreign	total	foreign	total	foreign	total			
1	**MOL Group**	Oil and gas exploration, production, refining and retail	19,301	23,612	7,982	11,540	26,635	34,090	82	36	25
2	**Borsodchem**	Chemicals	1,341	1,456	585	852	2,486	2,736	84	3	3
3	**Richter**	Pharmaceutical products	730	2,286	618	1,422	5,248	10,090	42	30	16
4	**Waberer's Holding**	Transportation	95	360	494	651	3,103	3,900	61	8	5
5	**Jász-Plasztik**	Plastics production	49	311	77	387	200	2,981	14	1	1
6	**Masterplast**	Building materials	45	72	163	163	491	712	77	34	17
7	**Videoton**	Manufacture of electrical equipment	38	507	27	409	1,027	6,884	10	3	2
8	**KÉSZ Holding**	Construction	36	265	45	171	49	607	16	7	4
9	**Fornetti**	Food products	33	53	40	57	602	514	83	1	1
10	**Cerbona**	Food products	19	60	27	55	2	380	27	1	1
11	**Kürt**	IT services	13	14	10	10	25	70	78	4	4
12	**Abo Holding**	Food products	10	141	46	166	40	97	25	4	3
13	**Eurobus-Invest**	Professional, scientific & technical services	9	12	1	1	5	7	65	5	1
14	**Synergon**	IT services	6	54	12	94	105	245	22	1	1
15	**Genesis Energy**	Production of solar modules	6	24	0	2	4	12	20	2	2
16	**Wallis**	Professional, scientific & technical services	3	77	3	3	9	25	47	1	1
17	**Regionális Fejlesztési Vállalat (RFV)**	Electricity, gas, steam & air conditioning supply	3	26	4	15	6	62	15	3	2
18	**PannErgy**	Electricity, gas, steam & air conditioning supply	2	92	36	67	450	581	45	3	3
19	**Interactive Net Design**	IT services	2	6	2	10	65	129	36	2	2
Total (average for TNI)			21,741	29,430	10,170	16,075	40,552	64,122	48	149	94

Source: ICEG-VCC survey of Hungarian multinationals, 2010.
[a] The exchange rate used is the IMF rate of December 31, 2009: US$ 1= HUF 188.07. [b] The 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. Hungary: The top 19 multinationals: Regionality Index[a] - 2009

Rank	Company	Middle East & North Africa	Sub-Saharan Africa	East Asia & the Pacific	South Asia	Developed Asia-Pacific[b]	Eastern Europe & Central Asia	Other Europe[c]	Latin America & the Caribbean	North America
1	MOL Group	11%	3%				17%	69%		
2	Borsodchem							100%		
3	Richter				3%	3%	27%	60%	7%	
4	Waberer's Holding							100%		
5	Jász-Plasztik							100%		
6	Masterplast			49%			38%	6%		
7	Videoton						33%	67%		
8	KÉSZ Holding							100%		
9	Fornetti						100%			
10	Cerbona							100%		
11	Kürt	25%						50%		25%
12	Abo Holding						25%	75%		
13	Eurobus-Invest							100%		
14	Synergon							100%		
15	Genesis Energy				50%			50%		
16	Wallis							100%		
17	Regionális Fejlesztési Vállalat (RFV)							100%		
18	PannErgy							100%		
19	Interactive Net Design							100%		

Source: ICEG-VCC survey of Hungarian multinationals, 2010.

[a] The Regionality Index is calculated by dividing the number of a firm's foreign affiliates in a particular region of the world by its total number of foreign affiliates and multiplying the result by 100.
[b] Developed Asia-Pacific' stands mainly for Japan, Australia and New Zealand. [c] 'Other Europe' stands roughly for Western and Central Europe.

Annex table 3. Hungary: The top 19 multinationals: Stock exchange listings, 2009

Rank	**Company**	**Domestic**	**Foreign**
1	MOL Group	Budapest	Luxembourg, Warsaw
2	Borsodchem	*None*	*None*
3	Richter	Budapest	Luxembourg
4	Waberer's Holding	*None*	*None*
5	Jász-Plasztik	*None*	*None*
6	Masterplast	*None*	*None*
7	Videoton	*None*	*None*
8	KÉSZ Holding	*None*	*None*
9	Fornetti	*None*	*None*
10	Cerbona	*None*	*None*
11	Kürt	*None*	*None*
12	Abo Holding	*None*	*None*
13	Eurobus-Invest	*None*	*None*
14	Synergon	Budapest	*None*
15	Genesis Energy	Budapest	Frankfurt, Stuttgart
16	Wallis	*None*	*None*
17	Regionális Fejlesztési Vállalat (RFV)	Budapest	*None*
18	PannErgy	Budapest	*None*
19	Interactive Net Design	*None*	*None*

Source: ICEG-VCC survey of Hungarian multinationals, 2010.

Annex table 4. Hungary: Top 10 outward M&A transactions, 2007-2009 (US$ million)

Date	**Acquirer's name**	**Target name**	**Target industry**	**Target economy**	**% of shares acquired**	**Value of transaction**
17/10/2008	MOL Group	INA	Oil and gas	Croatia	22.2	1,167.5
07/30/2007	MOL Group	Italiana Energia e Servizi SpA	Oil and gas	Italy	100.0	659.8
15/05/2009	MOL Group	Pearl Petroleum Company Ltd.	Oil and gas	Iraq	10.0	341.6
05/18/2007	AIG New Europe Fund	SC Digital Cable Systems	Cable and other pay television services	Romania	n.a.	608
07/17/2008	Gedeon Richter PLC	Grodziskie Zaklady	In vitro and in vivo diagnostic substances	Poland	36.8	43.0
05/07/2008	OTP Bank Nyrt	OOO Donskoy Narodny Bank	Banking	Russia	100.0	41.0
08/10/2007	Investor Group	Strathmann Biotec GmbH & Co KG	Biological products, except diagnostic substances	Germany	n.a.	31.6
11/18/2009	Tech in Central & Eastern	Internet Corp SRL	Miscellaneous publishing	Romania	n.a.	3.0
02/09/2009	Tech in Central & Eastern	Investor BG AD	Computer facilities management services	Bulgaria	16.8	1.7
03/09/2007	EMG Mediacsoport Kft	Boomerang Reklam Kft	Direct mail advertising services	Netherlands	100.0	1.1
07/23/2009	Zenehaz Online Kft	ISH Poland Sp zoo	Information retrieval services	Poland	65.0	0.1
Total						**2,413.3**

Source: Adapted from Thomson ONE Banker. Thomson Reuters. Information on MOL transactions is based on data of fDi Intelligence, a service from the Financial Times Ltd., except for the MOL transactions: MOL Annual Report 2009, p. 56 for the INA transaction, p. 64 for the Pearl transaction, MOL Annual Report 2008, p. 123 for the IES transaction.

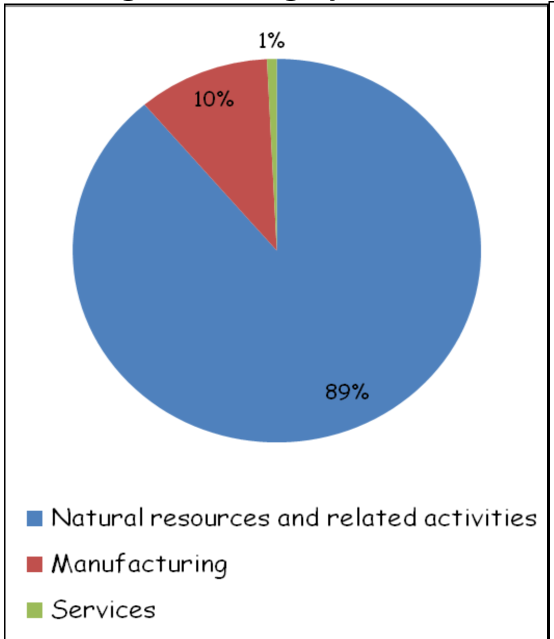
Annex table 5. Hungary: Top 11[a] outward greenfield transactions, 2007-2009 (US$ million)

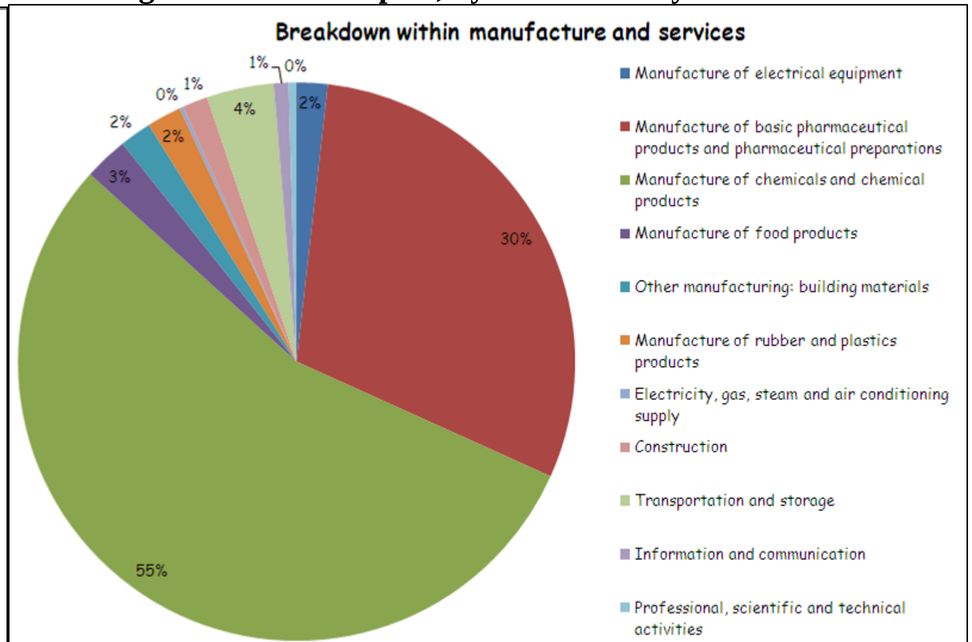
Date	**Company**	**Destination**	**Industry**	**Value of transaction**
Oct-09	TriGranit	Slovak Republic	Real estate	2,230.4
Apr-08	TriGranit	Romania	Real estate	1,573.0
Jan-07	TriGranit	Russia	Real estate	1,000.4
Mar-08	TriGranit	Poland	Real estate	781.8
Nov-09	MOL Group	Croatia	Coal, oil and natural gas	523.8[b]
Nov-07	Central European Estates (CEE)	**Serbia**	**Real estate**	513.3
Sep-08	MOL Group	Slovak Republic	Coal, oil and natural gas	449.5[b]
Sep-08	TriGranit	Croatia	Real estate	311.0
Dec-07	Euroinvest	Russia	Food and tobacco	295.5
Apr-08	TriGranit	Russia	Real estate	289.1[b]
Apr-08	TriGranit	Russia	Real estate	289.1[b]
Total				**8,256.8**

Source: Adapted from fDi Intelligence, a service from the Financial Times Ltd.

[a] The usual number is 10. However, in this case, two investments of equal amounts were tied for 10th place. So both have been included.
[b] This is an estimated amount.

Annex figure 1. Hungary: Breakdown of the foreign assets of the top 19, by main industry - 2009





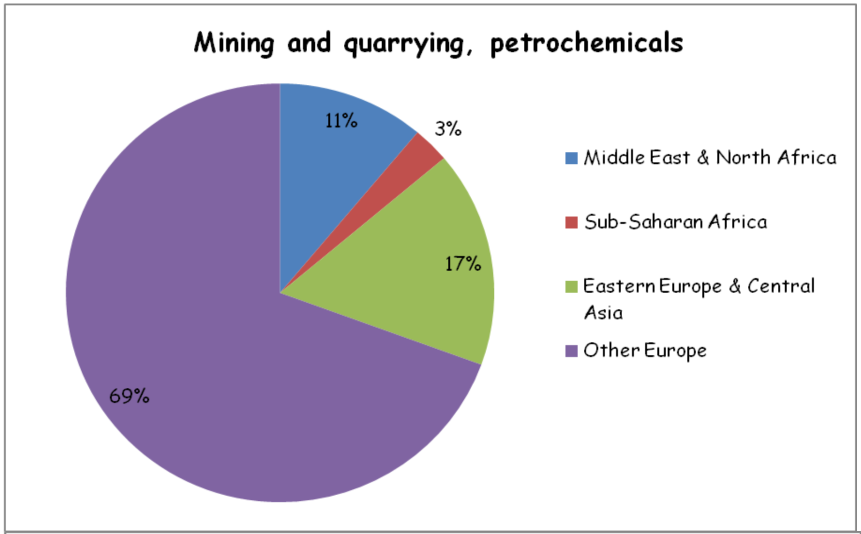
Industry	**Foreign assets (US$ millions)**	**Companies**
Mining, cquarrying, manuf. of oil products, petrochemicals (Oil and gas exploration , production, refining and retail)	19.301	MOL Group
Manufacture of electrical equipment	44	Genesis Energy, Videoton
Manufacture of basic pharmaceutical products and preparations	730	Richter
Manufacture of chemicals and chemical products	1.341	BorsodChem
Manufacture of food products	62	Abo Mill, Cerbona, Fornetti
Other manufacturing: building materials	45	Masterplast
Manufacture of rubber and plastics products	49	Jász-Plasztik
Electricity, gas, steam and air conditioning supply	5	RFV, PannErgy
Construction	36	KÉSZ Holding
Transportation and storage	95	Waberer's
Information and communication	21	Synergon, Kürt, Interactive net design
Professional, scientific and technical activities	11	Eurobus-Invest, Wallis

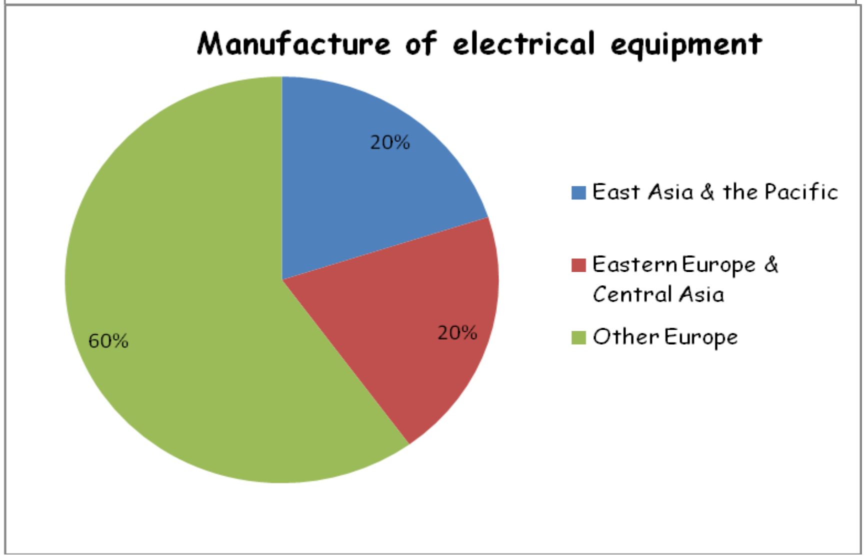
Source: ICEG-VCC survey of Hungarian multinationals, 2010.

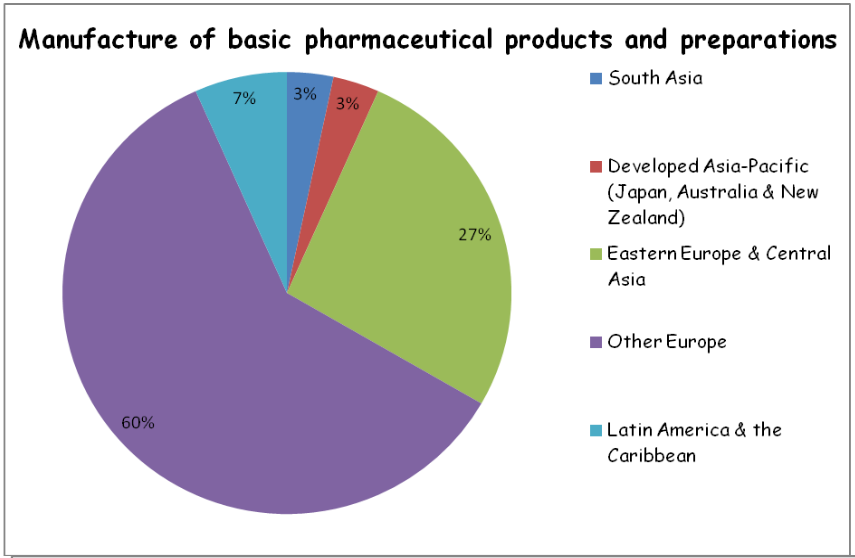
Annex figure 2. Hungary: Foreign affiliates of the top 19, by region, 2009 (number of affiliates)

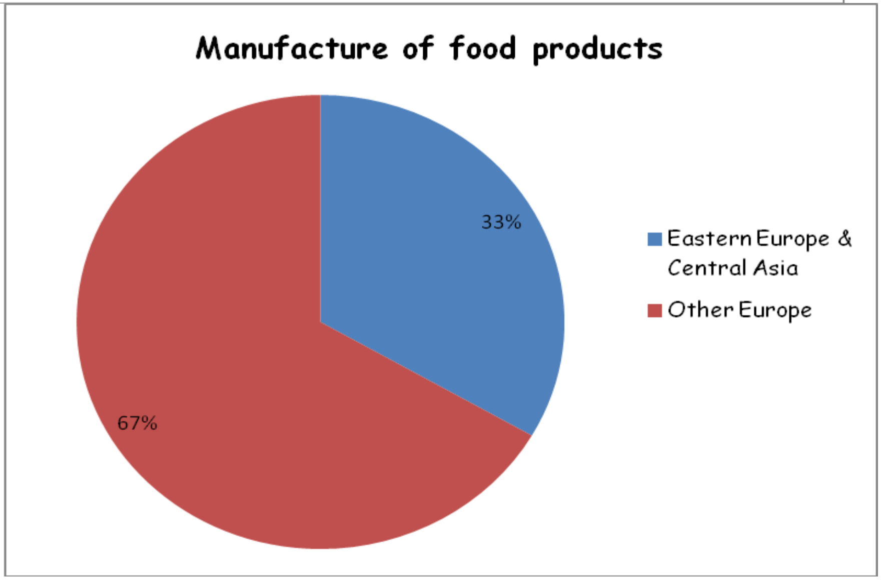
Source: ICEG-VCC survey of Hungarian multinationals, 2010.

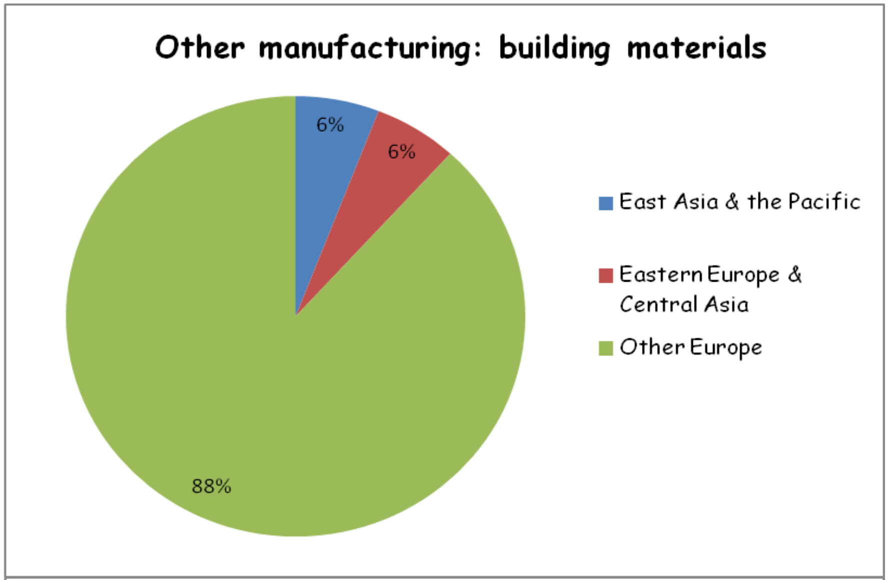
Annex figure 3. Hungary: Geographic distribution of the assets of the top 19 multinationals, by main industry - 2009

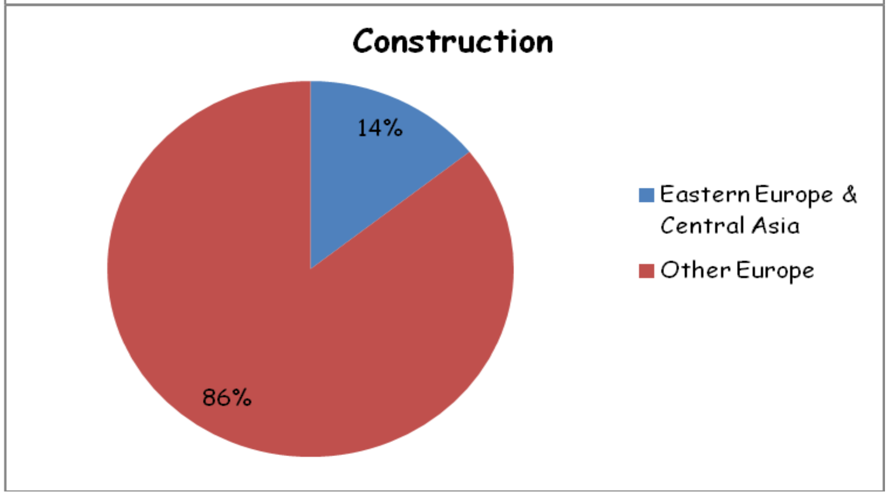


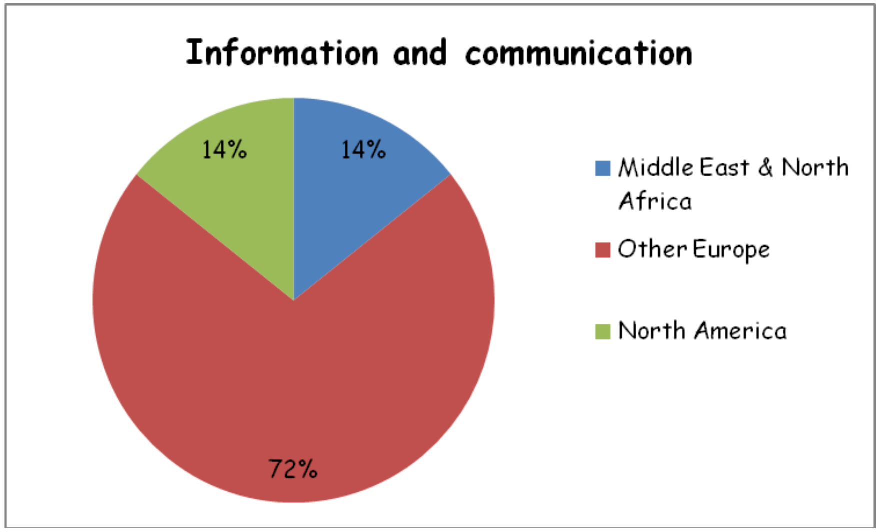



Manufacture of basic pharmaceutical products and preparations
3%
3%
27%
60%
7%
South Asia
Developed Asia-Pacific (Japan, Australia & New Zealand)
Eastern Europe & Central Asia
Other Europe
Latin America & the Caribbean


Manufacture of food products
33%
67%
Eastern Europe & Central Asia
Other Europe


Other manufacturing: building materials
6%
6%
88%
East Asia & the Pacific
Eastern Europe & Central Asia
Other Europe


Construction
14%
86%
Eastern Europe & Central Asia
Other Europe



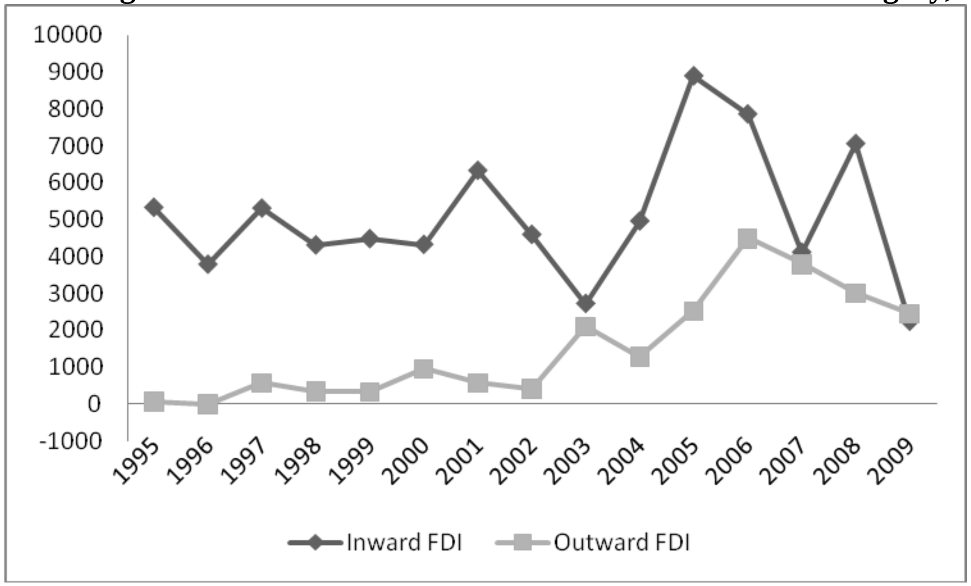
Source: ICEG-VCC survey of Hungarian multinationals, 2010.
Note: The following activities are entirely (100%) in Other Europe: Manufacture of chemicals and chemical products; Manufacture of rubber and plastics products; Electricity, gas, steam and air conditioning supply; Transportation and storage; and Professional, scientific and technical activities. UN Industry Classification codes are used.

Annex figure 4. Hungary: Head office locations of the top 19 - 2009

companies	head office
MOL	Budapest
Borsodchem	Kazincbarcika
Richter	Budapest
Waberer's Holding	Budapest
Jász-Plasztik	Jászberény
Masterplast	Sárszentmihály
Videoton	Székesfehérvár
KÉSZ	Kecskemét
Fornetti	Kecskemét
Cerbona	Székesfehérvár
Kürt	Budapest
Abo Holding	Nyíregyháza
Eurobus-Invest	Budapest
Synergon	Budapest
Genesis Energy	Budapest
Wallis	Budapest
Regionális Fejlesztési Vállalat (RFV)	Budapest
PannErgy	Budapest
Interactive Net Design	Miskolc

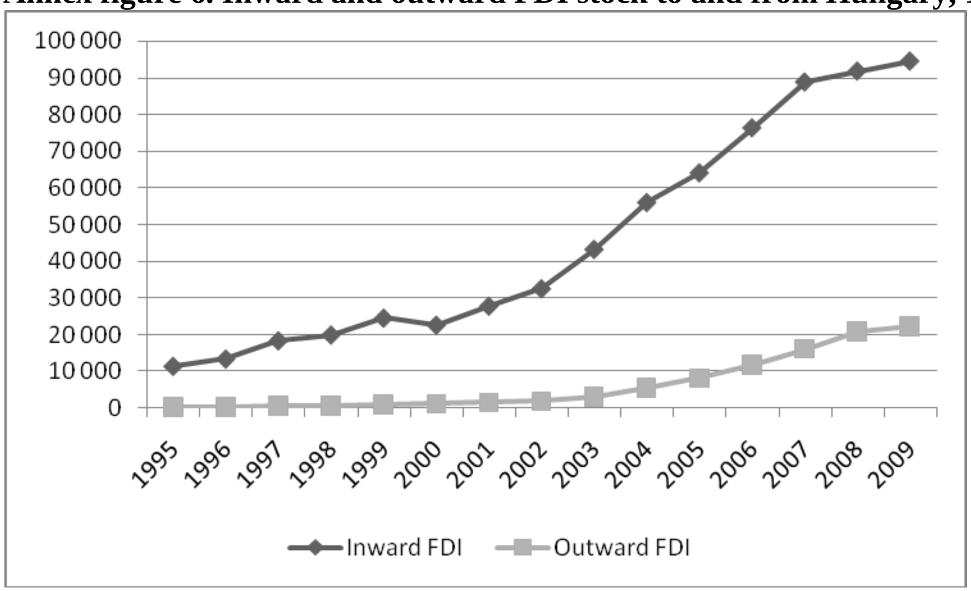
Source: ICEG-VCC survey of Hungarian multinationals, 2010.

Annex figure 5. FDI inward and outward flows to and from Hungary, 1995-2009 (US$ million)



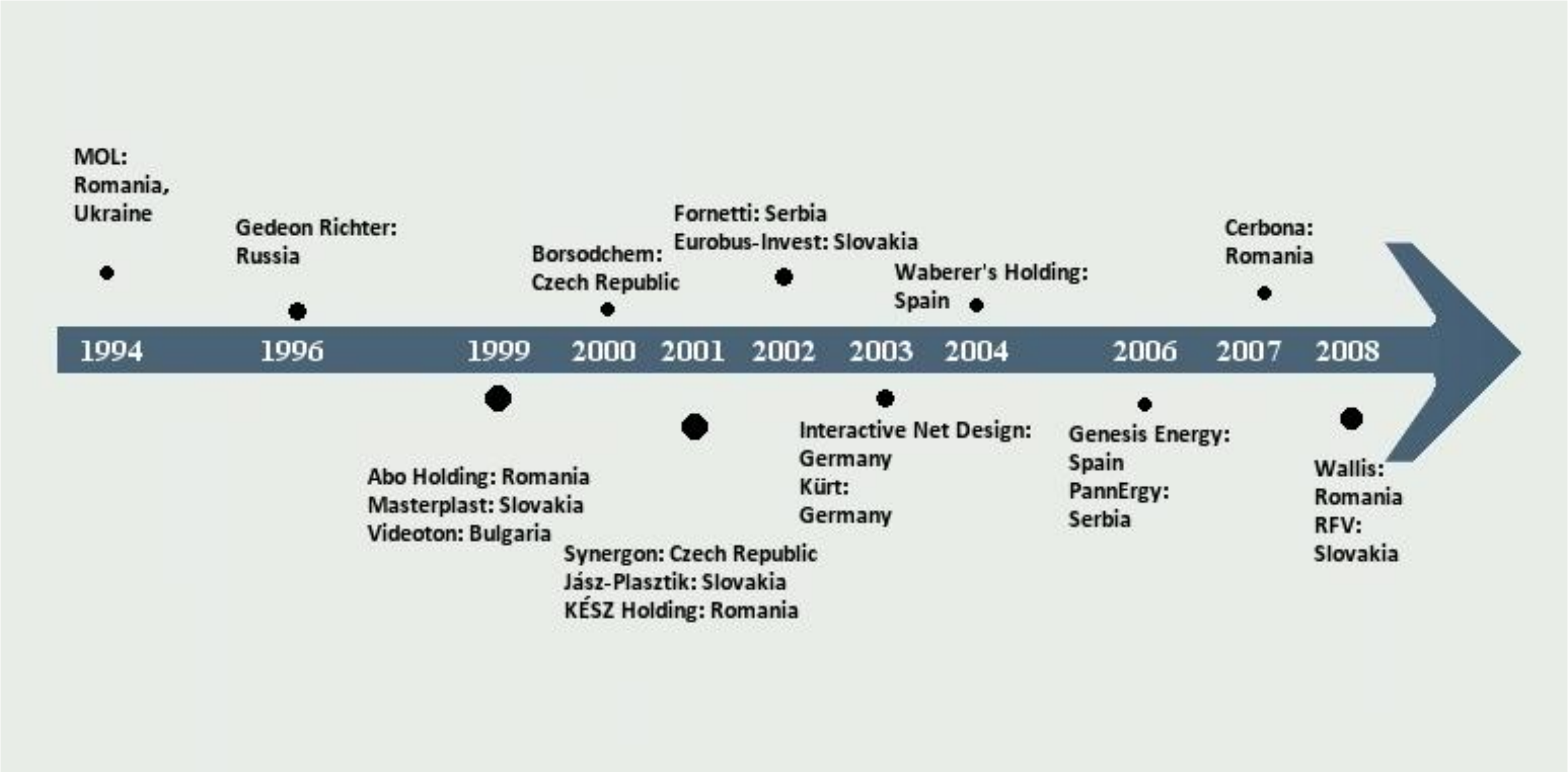
***Source*:** Hungarian National Bank (MNB), data without special purpose entities, see footnote 3 in the main report.

Annex figure 6. Inward and outward FDI stock to and from Hungary, 1995-2009 (US$ million)



Source: Hungarian National Bank (MNB), data without special purpose entities, see footnote 3 in the main report.

Annex figure 7. Hungary: Timeline tracking the opening of the first major foreign affiliate by each of the top 19



Source: ICEG-VCC survey of Hungarian multinationals, 2010.

Chapter 5 – India's global players

The growth story of Indian MNEs in 2006

Rupa Panda and Mudit Kapoor

The first survey of outward-investing Indian MNEs, released on April 9, 2009, documents the growth of Indian MNEs. The Survey starts with 2006 data as a base period.

The survey ranks Indian MNEs on the basis of their foreign assets (Table 1 below). The 24 selected MNEs held over US$ 15 billion in foreign assets in 2006, with the Oil and Natural Gas Corporation (ONGC), which ranked first, accounting for just over US$ 4.7 billion and the Tata Group following with nearly US$ 4.2 billion. Together, these 24 companies had nearly US$ 13 billion in foreign sales in 2006 and employed 60,000 workers abroad. India was the fifth largest outward investor among emerging markets in 2006, after the other three BRIC countries and Hong Kong (China). The focus of India's overseas investment up to 2006 has been on oil and gas, pharmaceuticals, IT and metals.

Table 1 ranks 24 Indian MNEs − companies headquartered in India that have management control over at least one foreign affiliate in another country − by the size of their *foreign* assets. As not all candidate companies responded to the survey and reliable public information was not always available, the 24 listed below cannot be described as the *largest* outward investors from India. However, they are certainly *among* the largest.

Table 1. ISB-VCC ranking of 24 selected Indian MNEs, 2006 (millions of US$) [a]

Rank	Name	Industry	Foreign assets
1	Oil and Natural Gas Corporation (ONGC)	Oil & gas operations	4,724
2	Tata Group of companies	Conglomerate	4,169
3	Videocon Industries Limited	Conglomerate	1,626
4	Ranbaxy Laboratories Limited	Pharmaceuticals	1,077
5	Dr. Reddy's Laboratories Limited	Pharmaceuticals	869
6	HCL Technologies Limited	IT services	777
7	Hindalco Industries Limited	Aluminum manufacturer	581
8	Sun Pharmaceutical Industries Limited	Pharmaceuticals	281
9	Reliance Industries Limited	Oil & gas operations	250
10	Suzlon Energy Limited	Power & energy	135
11	Larsen & Toubro (L&T) Limited	Engineering & construction	130
12	Wipro Technologies	IT services	128
13	Bharat Forge Limited	Auto component solution provider (forging)	106
14	Patni Computer Systems Limited	IT services	81
15	Hexaware Technologies Limited	IT services	69
16	Biocon Limited	Pharmaceuticals	50
17	i-Gate Global Solutions Limited	IT services	49
18	Max India Limited	Conglomerate	37

19	Mahindra & Mahindra Limited	Automobile manufacturer	35
20	NIIT Limited	IT services	31
21	Piramal Healthcare limited	Pharmaceuticals	26
22	Birlasoft (India) Limited	IT services	21
23	Raymond Limited	Fabric manufacturer	18
24	Infosys Technologies Limited	IT services	9
Total			**15,279**

Source: Indian School of Business-Vale Columbia Center ranking of Indian MNEs.

[a] The original list included Satyam Computer Services Limited, indicating foreign assets worth US$ 522 mn. However, due to a lack of certainty about the accuracy of the 2006 data, it has now been omitted.

The principal findings of the survey include the following:

India's 24 selected[52] MNEs – ranked by foreign assets in 2006 – had US$ 15.3 billion (bn)[53] in assets abroad (Table 1), had nearly US$ 13 billion in foreign sales and employed 60,000 persons abroad (Table 2). Foreign assets, sales and employment had increased by 122%, 65% and 43% respectively between 2005 and 2006 (Table 2). The largest concentration of foreign affiliates was in Europe (165 affiliates), representing 37% of all foreign affiliates. The Oil and Natural Gas Corporation (ONGC) contributed 31% of the total foreign assets of the selected 24, while The Tata Group – which includes Tata Steel, Tata Chemicals, Tata Consultancy Services (IT), Tata Motors and Tata Communications (telecoms), among other companies − contributed another 27%. Note that, as a percentage of the US$ 30 billion in foreign stock held by Indian enterprises in 2006 – see Annex Table 7 − the foreign assets of these 24 companies are about 50%.

It remains to be seen what impact the current crisis will have on Indian MNEs. Indian firms in a good financial position may take advantage of the low asset prices in world markets and make strategic acquisitions [3]. Other firms may need to put their foreign expansion on hold or even sell off foreign assets to support their balance sheets. Future surveys will reveal the impact of the crisis.

Profile of the 24

Foreign assets exploded by 122% in 2006. The primary drivers of this rapid accumulation of foreign assets included the search for strategic and complementary locational assets in metals, oil and gas, and other raw materials, and the desire to diversify globally.

Indian MNEs lagged behind their foreign counterparts. Only ONGC and the Tata Group of companies had over US$ 2 billion in foreign assets, and only the Tata Group employed a significant number of people (over 24,600) abroad (Annex Table 1).

Indian MNEs increased their foreign sales by 65%, to approximately US$ 13 billion, from 2005 to 2006, and foreign employment by 43%, from 42,000 to 60,000 people (Table 2).

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[52] The Indian School of Business conducted several rounds of surveys with the largest Indian MNEs. In addition, extensive research was done from publicly available data to determine the level of foreign assets. The companies in this list are those that responded to the surveys or for which reliable public data could be found. As a result, some MNEs which own substantial foreign assets may not appear on the list.

[53] The following Rupee/US Dollar exchange rates, based on the rates of the International Monetary Fund (http://www.imf.org), were used throughout: 44.23 (2006); 45.07 (2005); 43.58 (2004).

[3] For an analysis of the impact of the crisis on FDI flows, see Karl P. Sauvant, "The FDI Recession has Begun", at www.vcc.columbia.edu.

Foreign assets and sales as a percentage of the total assets and sales of these companies were about 21% and 18% respectively, whereas foreign employment represented 13% of total employment (Table 2).

Growth in foreign assets, employment and sales from 2005 to 2006 fueled the increase in total assets, employment and sales of the 24. The US$ 8.4 bn rise in foreign assets represented 53% of the US$ 15.9 bn increase in total assets, and the US$ 5 bn increase in foreign sales accounted for 35% of the US$ 14.4 bn increase in total sales (Table 2).

Table 2. Snapshot of the 24 selected MNEs, 2004-2006 (billions of US$ and thousands of employees)

Variable	2004	2005	2006	% change 2005−2006
Assets				
Foreign	4.4	6.9	15.3	122%
Total	49.3	58.2	74.1	27%
Share of foreign in total (%)	9%	12%	21%	
Employment				
Foreign	27	42	60	43%
Total	306	376	458	22%
Share of foreign in total (%)	9%	11%	13%	
Sales				
Foreign	5.3	7.7	12.7	65%
Total	41.7	54.4	68.9	27%
Share of foreign in total (%)	13%	14%	18%	

Source: Indian School of Business-Vale Columbia Center ranking of Indian MNEs.

The 24 selected companies had 441 foreign affiliates in 75 countries. The Tata Group of Companies was present in 44 foreign countries, with 157 foreign affiliates, followed by Ranbaxy Pharmaceutical Limited, 31 countries and 47 foreign affiliates, and HCL Technologies Limited, 17 countries and 31 foreign affiliates (*Annex Table 1*).

These 441 foreign affiliates were concentrated in Europe (37%), Asia (21%) and North America (19%), as indicated by the Regionality Index (Annex Table 2) and as seen in the distribution of foreign affiliates (annex figure 1). However, since 2006, they have been moving rapidly to markets in Africa, the Middle East, Australia and Latin America.

The geographic distribution of foreign affiliates of the 24 Indian MNEs varied from sector to sector. For example, while Europe had the largest concentration of foreign affiliates in the power and energy sector, it had the smallest concentration in engineering and construction. The Middle East, on the other hand, had the largest concentration of foreign affiliates in the engineering and construction sector but had no foreign affiliates in the power and energy sector (annex figure 2). This diversity in the distribution of foreign affiliates was the result of the various drivers that influence outward FDI (annex figure3).

Most of the investment from India in 2006 was being made by publicly listed companies. The only company in the list of 24 that was not publicly listed was Birlasoft, a private limited company with US$ 20 million in foreign assets. Of the rest, one was a state-controlled company with just over US$ 4.7bn in foreign assets −

ONGC, in which the Indian government holds a 74.1% equity stake. The remaining 22 together accounted for just over US$ 10.5 bn in foreign assets.

The companies on the list were to be found in eight different industries – or nine, if conglomerates are counted as one. Judged by foreign assets, conglomerates dominate, with 37% of the aggregate assets. The oil & gas industry comes next, with 33% of the list's assets, while pharmaceuticals are a somewhat distant third, with 15% (annex figure 4). Judged by *numbers* of companies, IT is the leading industry on the list, with eight companies, followed by pharmaceuticals with five, and then oil & gas and autos/auto parts with two each. Also represented are metals, power and energy, engineering and construction, and textiles. Given the number of IT companies on the list, it is of some interest to note that the conglomerate Tata Group includes Tata Consultancy Services (TCS), India's leading IT firm (2008 revenue US$ 5.7 billion), along with companies in steel, autos, power and telecoms among others. The other large conglomerate on the list, Videocon, has businesses in electronics, home appliances, petroleum and power.

Ten of the 24 selected MNEs were, and continue to be, headquartered in Mumbai; four in Bangalore; and the rest in Aurangabad, Dehradun, Pune, Gurgaon, Noida and New Delhi (annex figure 5).

Two of the 24 selected companies were listed on the London Stock Exchange, eight on the Luxembourg Stock Exchange, four on the New York Stock Exchange and the Singapore Stock Exchange. 23 out of 24 companies were also listed on an Indian Stock Exchange. One company, Birlasoft, was not listed anywhere.

The official language of 23 of the 24 selected companies is English; the official language of ONGC is Hindi.

The big picture

Indian firms have been investing abroad for many years, but it is only since the late 1990s that OFDI flows have risen rapidly, albeit from low levels (*annex figure 6*). Outflows were predicted to stay above US$ 16 billion over 2008 – 2011, but given the worldwide economic difficulties expected in 2009 and beyond, this figure now appears optimistic[4].

As a result of the growth of outflows, the *stock* of outward FDI rose from about US$ 100 million in 1990 to about US$ 2 billion in 2000, and then to US$ 13 billion in 2006 (*annex figure 7*), taking India to 5th place among outward-investing emerging markets. Only Hong Kong (China), the People's Republic of China, Brazil, and the Russian Federation had higher outflows in the year 2006. As evidenced by the high level of 2007 M&A activity (Annex Table 3), Indian MNEs are taking increasing advantage of this mode of market entry. In fact, there was om 2006-2007 a phenomenal rise in outward M&As, surging from US$ 3.7 billion in 2006 to US$ 24.7 billion in 2007, with the Tata Group alone accounting for US$ 15.2 billion (2005-07) and Hindalco another US$ 5.8 billion. Virtually all acquisitions were made in cash. As a result of their investment activity, four companies - Essar Group, United Breweries Limited, JSW Steel Limited and Hindustan Petroleum Corporation Limited (HPCL) − are likely candidates to join the ranks of the top Indian outward investors. Also, several state-owned companies like Krishak Bharati Co-Op and privately owned companies like United Phosphorus, Zee Telefilms Ltd., TransWorks Information Services, Essel Propack, Punj Lloyd, and Reliance Infocomm are most likely to have had, in 2006, foreign assets comparable to those of the 24 selected MNEs. However, due to a lack of information, they could not be included in the present ranking.

[4] Laza Kekic and Karl P. Sauvant, eds., *World Investment Prospects to 2011: Foreign Direct Investment and the Challenge of Political Risk*, at www.vcc.columbia.edu. Inputs from Jaya Prakash Pradhan, author of *Outward Foreign Direct Investments from India: Recent Trends and Patterns (2005)*, are acknowledged.

Greenfield investment (*Annex Table 4*) also surged between 2006 and 2007. With US$ 13.2 billion in projects being announced in 2007, and outward foreign direct investment in 2007/2008 booming, the size of foreign assets owned by India's top MNEs could double.

Annex Table 1. ISB-VCC ranking of the 24 selected Indian MNEs, key variables, 2006 (millions of US$ and number of employees)[a]

Ranking				Assets[f]		Sales[f]		Employment				
By foreign assets	By multi-nationality index[b]	Name	Industry	Foreign	Total	Foreign	Total	Foreign	Total	Multi-nationality Index (%)	No. of foreign affiliates	No.of host countries
1	14	Oil and Natural Gas Corporation	Oil & gas operations	4,724	21,031	1,645	17,115	NA	34,722	16%	4	3
2	9	Tata Group of companies [c]	Conglomerate	4,169	8,199	3,576	9,752	24,682	118,416	32%	157	44
3	2	Videocon Industries Limited	Conglomerate	1,626	2,297	966	1,632	NA	10,000	65%	16	11
4	1	Ranbaxy Laboratories Limited [d]	Pharmaceuticals	1,077	1,566	859	918	NA	11,343	81%	47	31
5	5	Dr. Reddy's Laboratories Limited	Pharmaceuticals	869	1,390	362	549	2,000	7,525	52%	27	14
6	3	HCL Technologies Limited	IT services	777	926	780	1,034	4,032	32,626	57%	31	17
7	16	Hindalco Industries Limited	Aluminum manufacturer	581	4,272	147	2,577	NA	19,593	10%	5	1
8	10	Sun Pharmaceuticals Industries	Pharmaceuticals	281	815	157	393	1,100	5,000	32%	11	9
9	24	Reliance Industries Limited [e]	Oil & gas operations	250	21,901	414	20,560	22	12,540	1%	3	3
10	19	Suzlon Energy	Power & energy	135	918	70	868	227	5,300	9%	14	7
11	21	Larsen & Toubro Limited	Engg. & construction	130	3718	143	3,800	NA	22,175	4%	17	13
12	8	Wipro Technologies	IT services	128	1,465	1,906	2,399	10,005	55,000	35%	14	8
13	7	Bharat Forge Limited	Auto component solns.	106	570	473	682	1,650	5,650	39%	10	6
14	6	Patni Computer Systems Limited	IT services	81	639	587	590	2,795	12,804	45%	5	3
15	4	Hexaware Technologies Limited	IT services	69	145	184	192	1,056	5,829	54%	10	7
16	17	Biocon Limited	Pharmaceuticals	50	291	23	178	2	2,542	10%	1	1
17	12	i-Gate Global Solutions Limited	IT services	49	91	12	144	837	5,152	26%	7	6
18	23	Max India Limited	Conglomerate	37	485	7	348	27	4,127	3%	5	4

19	**22**	Mahindra & Mahindra Limited	Automobile manufacturer	35	883	74	2,061	NA	12,089	4%	26	11
20	**13**	NIIT Limited	IT services	31	115	40	102	183	2,259	25%	9	8
21	**15**	Piramal Healthcare Limited	Pharmaceuticals	26	319	77	358	341	6,931	12%	4	4
22	**11**	Birlasoft (India) Limited	IT services	21	48	NA	133	582	3,248	31%	8	6
23	**20**	Raymond Limited	Fabric manufacturer	18	457	24	318	NA	10,324	6%	6	6
24	**18**	Infosys Technologies Limited	IT services	9	1,590	197	2,153	10,543	52,715	10%	4	4
TOTAL				**15,279**	**74,131**	**12,723**	**68,856**	**60,084**	**457,910**		**441**	

Source: Indian School of Business-Vale Columbia Center survey of Indian MNEs.

[a] As noted earlier, the original list included Satyam Computer Services Limited, indicating foreign assets worth US$ 522mn. However, due to a lack of certainty about the accuracy of 2006 data, it has now been omitted.

[b] The multinationality index 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.

[c] The Tata Group of companies is a conglomerate comprising Tata Steel, Tata Chemicals, Tata Consultancy Services, Titan Industries and Tata Communications, among others.

[d] Ranbaxy acquired Terapia, a generic company in Romania, in June 2006, for US$ 324 million. The company aims to make Romania its manufacturing hub in Europe. Daiichi Sankyo, a Japanese pharmaceutical company, in turn acquired a majority stake in Ranbaxy in 2008.

[e] Reliance Industries Limited operates in oil & gas as well as textiles and retail trade.

[f] INR/US$ exchange rate: 44.23; US$/AUD exchange rate: 0.7913

Annex Table 2. The 24 selected Indian MNEs: Regionality Index[a] - 2006

Companies	Europe	Middle East	Africa	North America	Latin America	Asia	Australia
ONGC Limited	25	-	50	-	-	25	-
Tata Group of companies	36	1	6	12	11	28	6
Videocon Industries Limited	25	6	6	6	38	19	-
Ranbaxy Pharmaceuticals Limited	43	-	9	15	13	19	2
Dr. Reddy's Laboratories Limited	52	-	4	22	15	7	-
HCL Technologies Limited	29	-	6	39	-	16	10
Hindalco Industries Limited	-	-	-	-	-	-	100
Sun Pharmaceuticals Industries Limited	27	-	-	18	45	9	-
Reliance Industries Limited	67	33	-	-	-	-	-
Suzlon Energy Limited	64	-	-	21	-	7	7
Larsen & Toubro Limited	6	35	18	12	-	29	-
Wipro Technologies	43	-	7	36	-	14	-
Bharat Forge Limited	70	-	-	10	-	20	-
Patni Computer Systems Limited	60	-	-	40	-	-	-
Hexaware Technologies Limited	40	-	-	40	10	10	-
Biocon Limited	-	-	-	-	100	-	-
i-Gate Global Solutions Limited	29	-	-	43	-	29	-
Max India Limited	60	-	-	20	20	-	-
Mahindra & Mahindra Limited	38	4	12	23	4	19	-
NIIT Limited	11	-	11	11	11	56	-
Piramal Healthcare Limited	25	-	-	50	-	25	-
Birlasoft (India) Limited	38	-	-	38	-	12	12
Raymond Limited	67	-	-	17	-	17	-
Infosys Technologies Limited	25	-	-	25	-	25	25

Source: Indian School of Business-Vale Columbia Center survey of Indian MNEs.

[a] The Regionality Index is calculated by dividing the number of a firm's foreign affiliates in a particular region of the world by its total number of foreign affiliates and multiplying the result by 100.

Annex Table 3. Top Indian outward merger and acquisition (M&A) transactions, 2005-2007

Rank	Date	Acquiror name	Target name	Target Industry	Target Country	Deal Value (US$ million)	% of shares acquired
1	04/02/2007	Tata Steel Limited	Corus Group PLC	Metals & mining	United Kingdom	12,695	100
2	05/15/2007	Hindalco Industries Limited	Novelis Inc.	Metals & mining	United States	5,766	100
3	06/20/2007	Essar Global Limited	Algoma Steel Inc.	Metals & mining	Canada	1,467	100
4	06/272007	Tata Power Co Limited	Kaltim Prima Coal PT	Metals & mining	Indonesia	1,300	30
5	05/16/2007	United Breweries Limited	Whyte & Mackay Limited	Food and beverage	United Kingdom	1,176	100
6	08/22/2007	JSW Steel Limited	Jindal United Steel Corp	Metals & mining	United States	940	90
7	09/21/2006	Mansarovar Energy Columbia Limited[a]	Omimex de Colombia Limited	Oil & gas	Colombia	850	100
8	09/13/2006	Videocon Industries Limited	Daewoo Electonics Corp.	Electronics	Republic of Korea	729	97.50
9	09/24/2006	Tata Tea Limited	Energy Brands Inc	Food and beverage	United States	677	30
10	09/18/2007	Wipro Technologies	Infocrossing Inc	Computers & peripherals	United States	673	100
11	03/28/2007	Aban Offshore Limited	Sinvest ASA	Financials	Norway	658	50
12	02/17/2006	Dr. Reddy's Labs	Betapharm	Pharmaceuticals	Germany	597	100
13	03/17/2006	Suzlon Energy	Hansen Group	Energy	Belgium	565	NA
14	07/26/2005	HPCL	Kenya Petroleum Refinery Limited	Oil & gas	Kenya	500	NA
15	03/29/2006	Ranbaxy labs	Terapia SA	Pharmaceuticals	Romania	324	96.70
16	02/17/2005	Tata Steel	Natsteel	Steel	Singapore	293	NA
17	06/29/2005	Videocon	Thomson SA	Electronics	France	290	100
18	07/26/2005	VSNL (Now Tata Communications)	Teleglobe	Electronics	Canada	239	50.1

Source: Combined data from Thomson One Banker and ibef.org.

[a] Mansarovar Energy Columbia Limited is a 50:50 joint venture between ONGC Videsh Limited and Sinopec, China.

Annex Table 4. Top 10 Indian outward greenfield investments, 2006-2007 (billions of US$)

Date	Company name	Destination country	Sector	Value
Jul-06	ONGC[a]	Nigeria	Coal, oil and natural gas	6.0
Nov-07	GAIL (India)[b]	Saudi Arabia	Petrochemicals	4.2
Dec-06	National Aluminium Company (NALCO) [b]	Indonesia	Metals	3.0
Jun-06	Jindal Steel and Power	Bolivia	Metals	2.3
Jan-07	Essar Group	Iran	Coal, oil and natural gas	2.0
May-07	Videocon Industries	Poland	Consumer electronics	1.7
Oct-07	Ispat Industries	Philippines	Metals	1.6
Feb-07	Videocon Industries	Italy	Consumer electronics	1.6
Jun-07	Ispat Industries	Serbia & Montenegro	Coal, oil and natural gas	1.1
Aug-07	Reliance Industries	Egypt	Petrochemicals	1.0

Source*: fDi Intelligence, from the Financial Times Limited. Note: NALCO and Jindal Steel and Power had no foreign affiliates as reported in their Annual Report of 2006 (March 2006). Hence, they are not a part of the ranking list.*

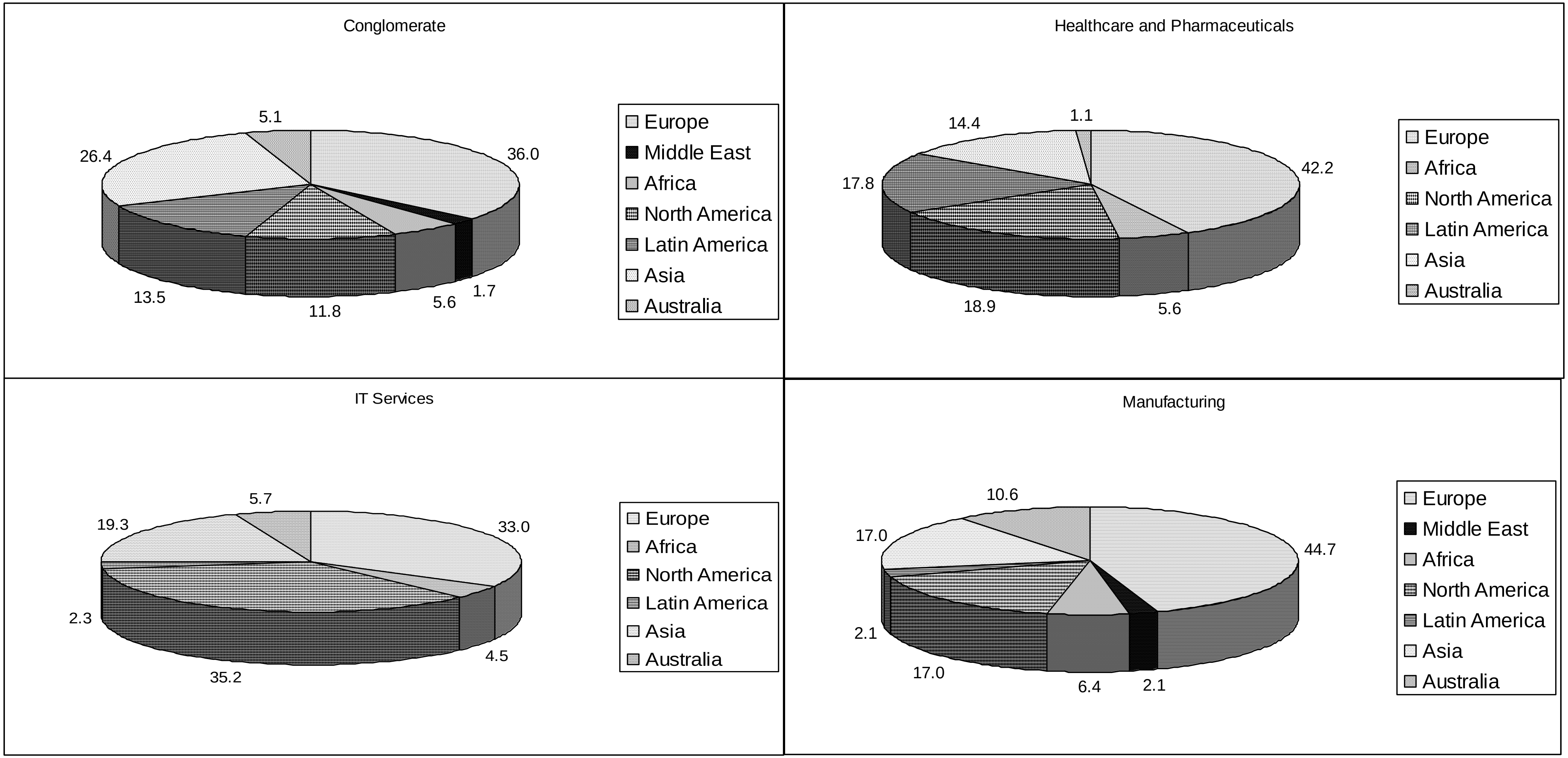
[a] ONGC reported this investment in June 2006. It is, however, not included in the foreign assets shown for ONGC in this report, as there was a lack of clarity about the exact value of ONGC's *actual* investment in 2006.

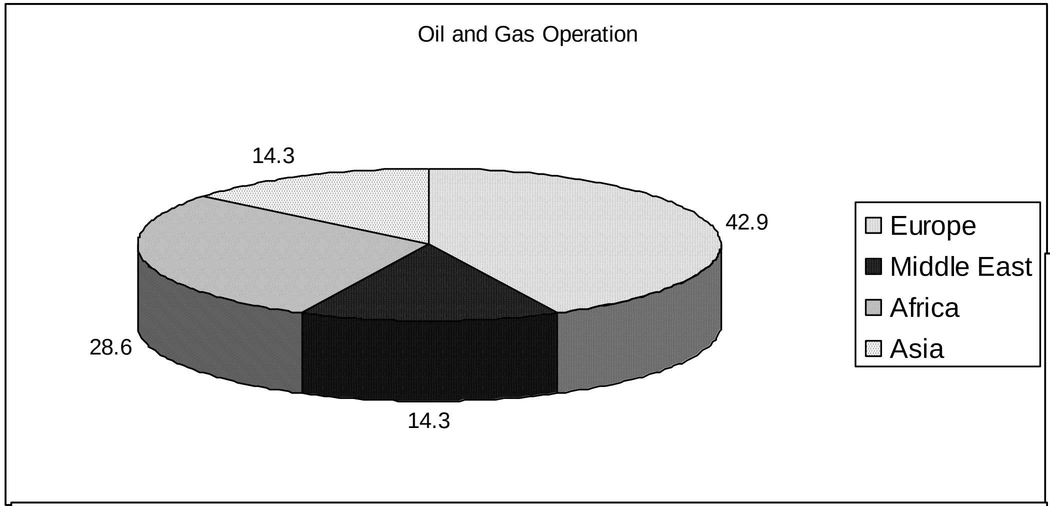
[b] GAIL, formerly Gas Authority of India Ltd, and NALCO are both state-owned enterprises, as of course is ONGC.

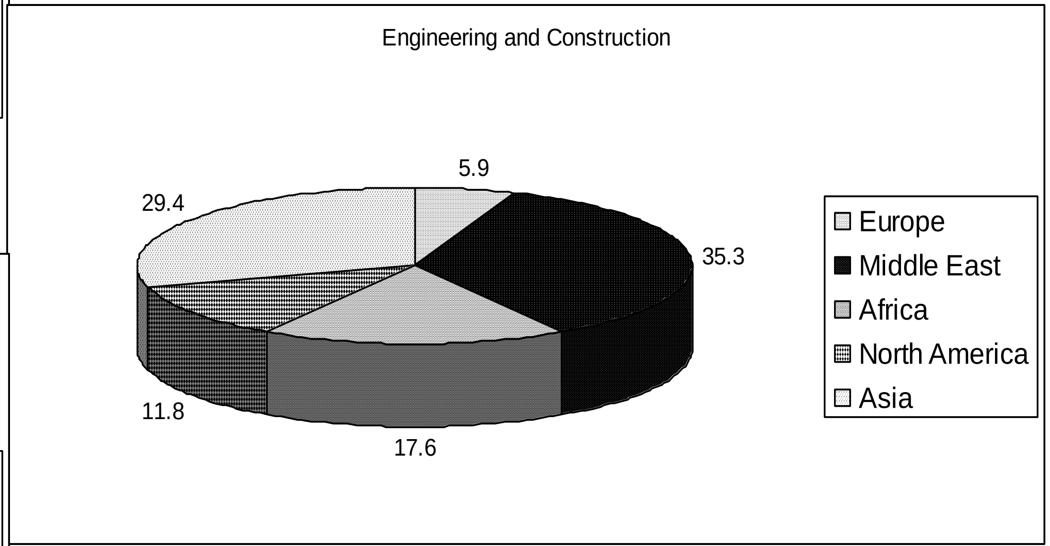
Annex figure 1. Foreign affiliates of the 24 selected Indian MNEs, by region - 2006 (number of affiliates)

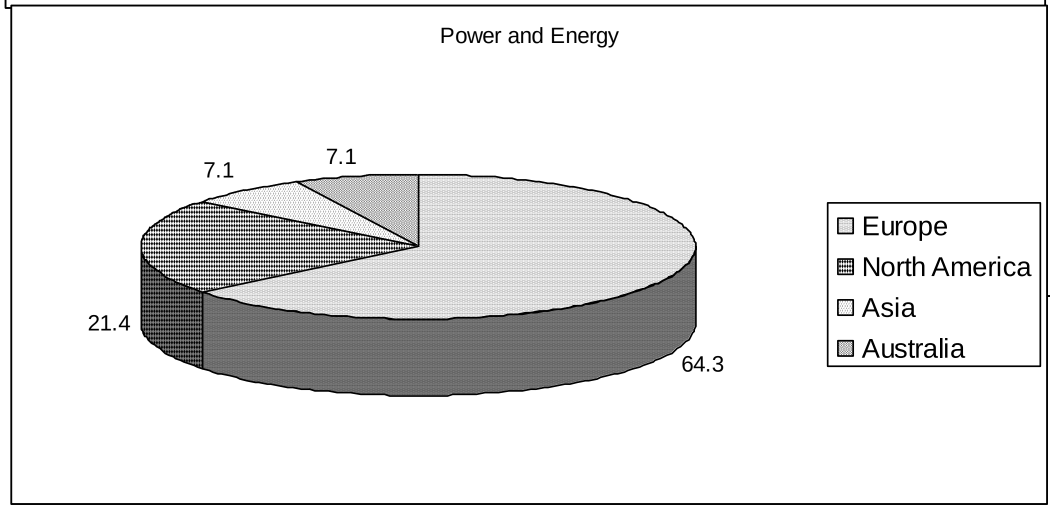
Source: Indian School of Business-Vale Columbia Center survey of Indian MNEs.

Annex figure 2. The geographic distribution of Indian foreign affiliates, by sector - 2006
(Percentage of foreign affiliates)









Source: Indian School of Business-Vale Columbia Center survey of Indian MNEs.

Annex figure 3. The drivers of Indian outward FDI

Market seeking: Investment that aims at either penetrating new markets or maintaining existing ones.

Resource seeking: Investment that seeks to acquire factors of production, mainly in natural resources.

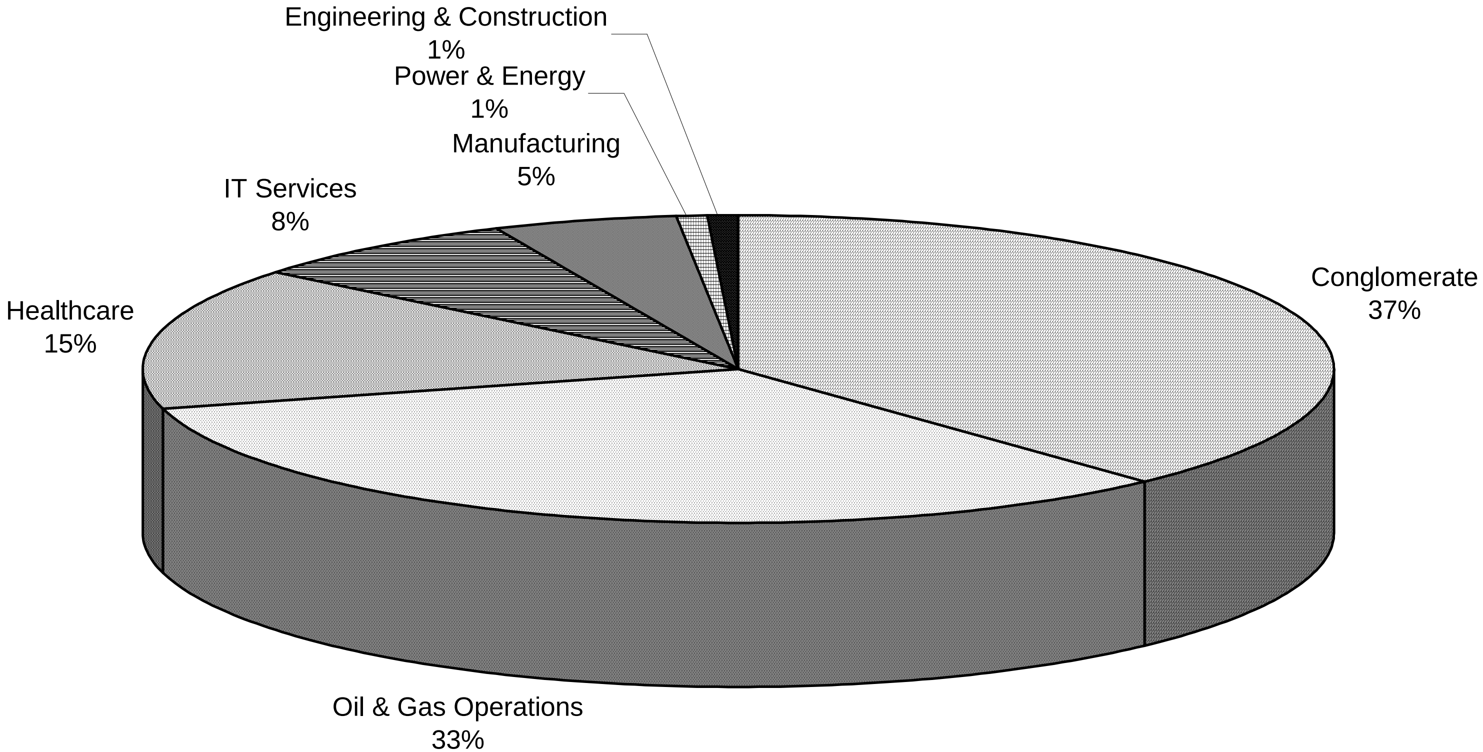
Efficiency seeking: Investment that firms expect will increase their efficiency by, for example, giving them access to cheap labor or exploiting the benefit of economies of scale and scope, and also those of common ownership.

Asset seeking: Investments made to augment or protect existing firm-specific advantages, such as knowledge and skills, trade-marks or R&D facilities.

Sector / Impetus	Market Seeking	Resource Seeking	Efficiency Seeking	Asset Seeking	Companies
Conglomerates	✔	✔	✔	✔	Tata Group, Videocon Industries, Max India
Healthcare & Pharmaceuticals	✔	✔	✔	✔	Ranbaxy, DRL, Sun Pharma, Piramal Healthcare, Biocon,
IT Services	✔	✔		✔	Patni, Hexaware Tech, I-Gate, NIIT, Infosys, HCL, Wipro, Birlasoft
Manufacturing	✔		✔	✔	Mahindra, Raymond Ltd, Hindalco, Bharat Forge
Oil & Gas Operations	✔	✔	✔		Reliance Industries Ltd, ONGC
Engineering & Construction		✔	✔		Larsen & Toubro
Power & Energy	✔	✔	✔	✔	Suzlon Energy

Source: Indian School of Business-Vale Columbia Center ranking of Indian MNEs.

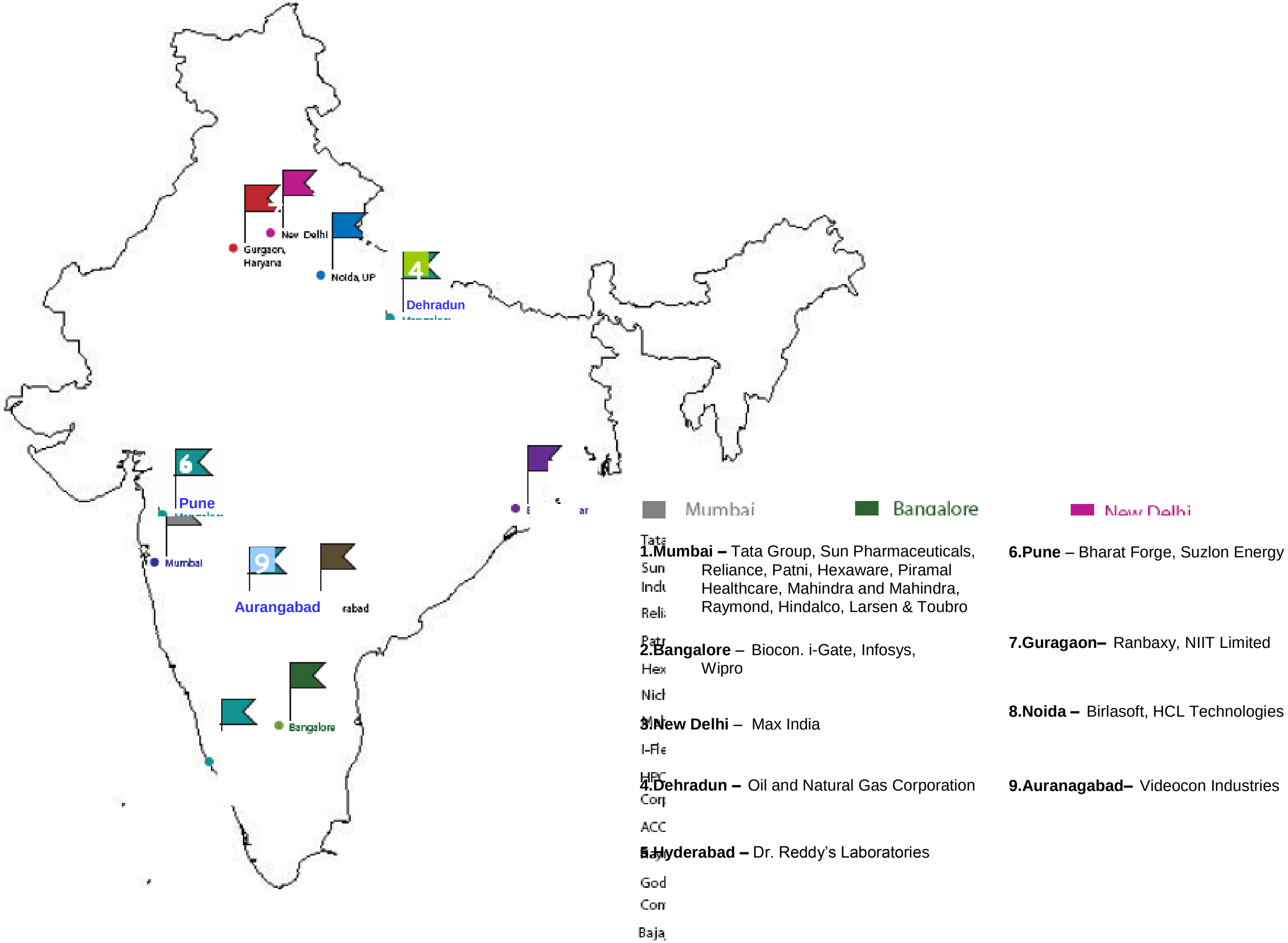
Annex figure 4. Breakdown of the foreign assets of the 24 selected Indian MNEs, by industry, 2006



Industry	Foreign assets US$ mn	Companies
Conglomerates	5,832	(3) Tata Group Of Companies, Videocon Industries Limited, Max India Limited
Oil & gas operations	4,974	(2) ONGC Limited, Reliance Industries Limited
Pharmaceuticals & healthcare	2,303	(5) Ranbaxy Pharmaceuticals Limited, Dr. Reddy's Laboratories, Sun Pharmaceutical Industries Limited, Piramal Healthcare Limited, Biocon Limited
IT services	1,165	(8) Wipro Technologies, Patni Computer Systems, Hexaware Technologies Limited, i-Gate Global Solutions Limited, NIIT Limited, Birlasoft Limited, Infosys Technologies Limited, HCL Technologies Limited
Manufacturing	740	(4) Hindalco Industries Limited, Bharat Forge Limited, Mahindra & Mahindra Limited, Raymond Limited
Power & energy	135	(1) Suzlon Energy Limited
Engineering & construction	130	(1) Larsen & Toubro Limited

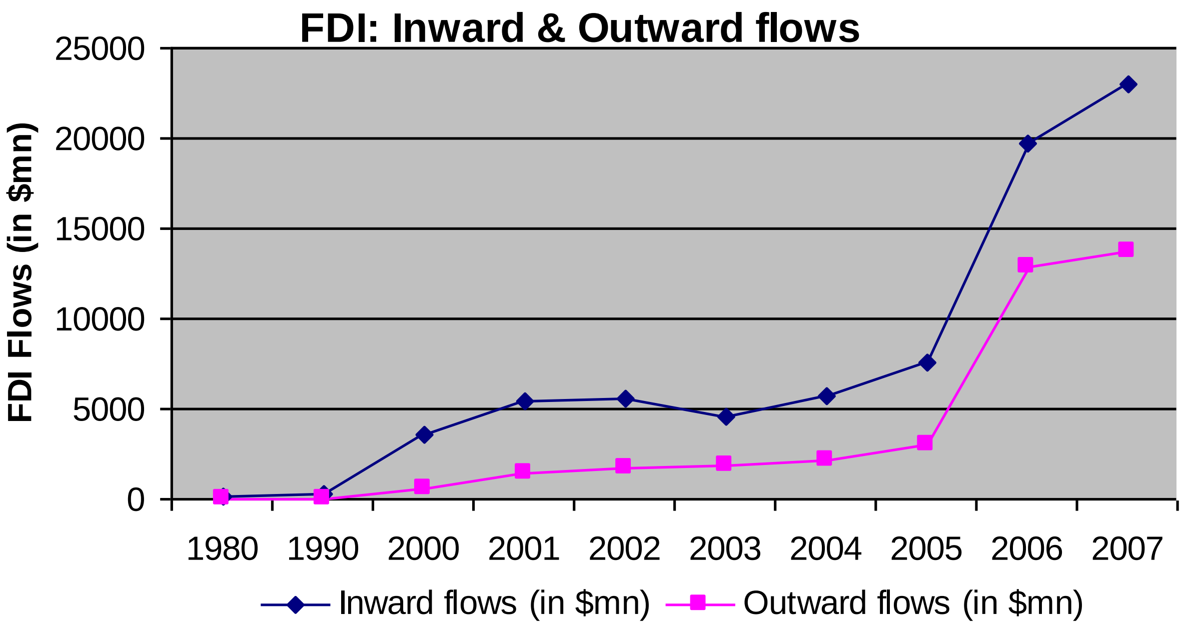
Source: Indian School of Business-Vale Columbia Center survey of Indian MNEs.

Annex figure 5. Head office locations of the 24 selected Indian MNEs - 2006



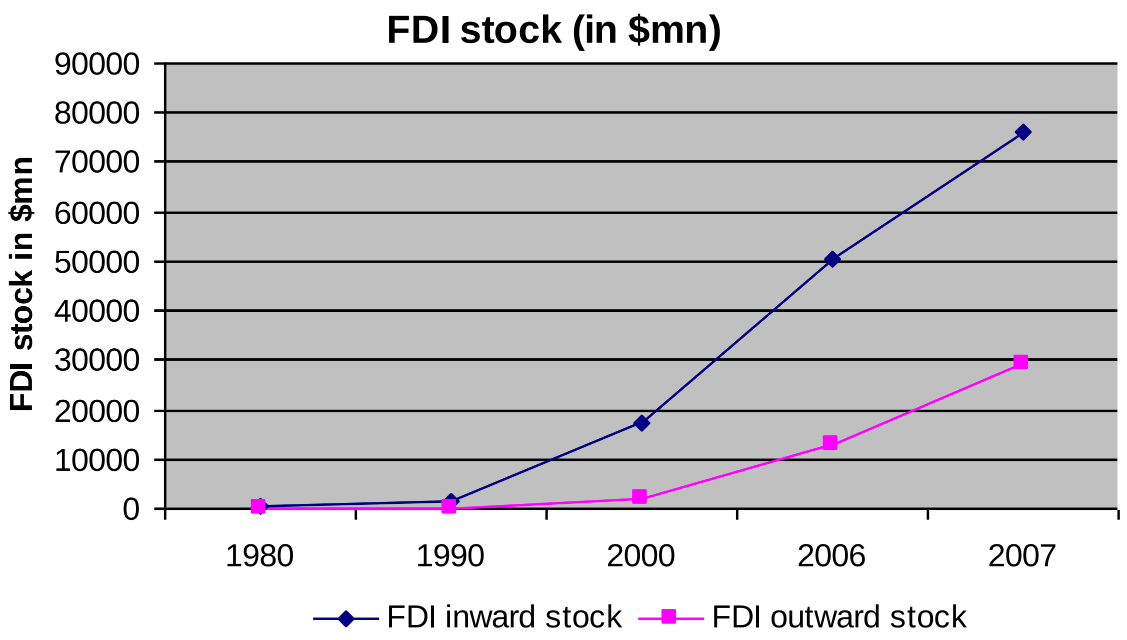
Source: Indian School of Business-Vale Columbia Center survey of Indian MNEs

Annex figure 6. FDI inflows to and outflows from India, 1980-2007 (millions of US$)



Source: UNCTAD, *World Investment Report, 2007*, p. 253, for figures for 2004; and *World Investment Report, 2008*, p. 255, for figures for 2005, 2006 & 2007.

Annex figure 7. Stock of inward and outward FDI, 1980-2007 (millions of US$)



Source: UNCTAD, *World Investment Report, 2008*, p. 259.

Chapter 6 – Israel's global players

A. Israeli MNEs rise in foreign markets in 2006

Seev Hirsch and Niron Hashai[54]

The first survey of Israeli MNEs, released on July 9, 2008, showed that: Israel's Top 15 MNEs – ranked by foreign assets – have US$ 7.5 billion assets abroad (table 1), have over US$ 21 billion in foreign sales (including exports) and employ nearly 63,000 persons abroad. Foreign sales and employment each has increased by 40% since 2004 (table 2). Four firms; Amdocs, Teva, Ormat and Israel Chemicals, together account for 77% of total foreign assets of the Top 15.

Table 1. Ranking of the Top 15 Israeli MNEs, 2006
(Millions US$)

Rank	Name	Main industry	Foreign assets
1	Amdocs	Computer programming	2,099
2	Teva	Pharmaceuticals	1,530
3	Ormat	Power stations	1,153
4	Israel Chemicals	Mining and quarrying	999
5	Makhteshim-Agan	Chemicals	484
6	Strauss Elite	Food products	445
7	CheckPoint	Computer programming	209
8	Ness Technologies	Computer programming	127
9	Audicodes	Computer programming	109
10	Elbit	Electronic and optical products	104
11	Israel Aerospace Industries	Aviation and aircraft maintenance	64
12	Delta Galil	Wearing apparel	57
13	Gilat	Telecommunications	53
14	Orbotech	Electronic and optical products	20
15	Tefron	Wearing apparel	5
TOTAL			7,465

Source: Israeli-Vale Columbia Center ranking of Israeli MNEs.

Profile of the Top 15

Foreign assets of the Top 15 Israeli MNEs represent over 18% of Israel's total outward FDI stock.

Israeli MNEs have yet to reach the size of their foreign counterparts:
Only three have more than US$1 billion of foreign assets, and only two employ over 10,000 people abroad (*Annex Table 1*).
None would make it into the top 100 MNEs from developed countries and only four would make it into the top 100 MNEs from developing countries.[55]

[54] Supported by Ohad Ref

Israeli MNEs are expanding at a high rate: in two years, their aggregate foreign sales (incl. exports) grew by 40%, to US$ 21bn, and foreign employment grew by 40%, to 63,000 people, respectively.[56]

Table 2. Snapshot of Israeli's 15 largest MNEs, 2006* (Billions of US$ and thousands of employees)			
Variable	**2004**	**2006**	**% change 2004 – 2006**
Employment			
Foreign	45	63	*40*
Total	88	113	*25*
Share of foreign in total (%)	*51*	*56*	
Sales (incl. exports)			
Foreign	15	21	*40*
Total	18	25	*38*
Share of foreign in total (%)	*83*	*84*	

Source: Israeli – Vale Columbia Center ranking of Israeli MNEs.
* Data on foreign assets for 2004 were not available.

These growth rates far outpace those of the world's 25 leading MNEs, as well as those of the top 25 MNEs from developing countries.[57] This means that Israeli global players are catching up with international competitors.

International expansion does not impede domestic growth or employment: The Top 15's domestic employment rose by around 16%, and domestic sales grew by around 33% from 2004 to 2006.

Nearly all outward investment from Israel is accounted for by public companies. (Only one out of the Top 15 companies, Israel Aerospace Industries, is owned by the state.)

The industrial composition of Israel's top MNEs reflects the country's resource endowment. High-tech industries, whose output tends to be characterized by intangible products, accompanied by services (e.g. computer programming), represent 35% of the foreign assets of the Top 15 (*annex figure 1*).

Firms in which there is comparatively high investment in R&D (e.g. pharmaceuticals) represent 21% of the foreign assets of the Top 15 (*annex figure 1*).

Traditional industries such as clothing and food products account for a small and diminishing share of Israel's MNEs. Only one firm manufactures natural resource-based products.

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[55] See UNCTAD, *World Investment Report, 2007* (Geneva: UNCTAD, 2007). Data for 2005 are the latest available.
[56] A percentage change in foreign assets from 2004 to 2006 cannot be calculated due to lack of data.
[57] See UNCTAD, *op.cit.*. Data for 2005 are the latest available.

NASDAQ is the preferred stock exchange (seven firms are listed there). Four have dual listings, on the Tel Aviv Stock Exchange (TASE) and either the New York Stock Exchange (NYSE) or NASDAQ. Three are listed only on TASE and two, only on NYSE.

The Top 15 now have 305 foreign affiliates (*Annex Table 1*), implying an average of more than 20 affiliates per firm. Israel chemical firms, with 114 foreign affiliates, followed by Makhteshim-Agan, with 56 foreign affiliates, head this list.

These 305 affiliates are located mostly in Europe (51%) and North America (25%), as revealed in the Regionality Index (Annex Table 2) and the geographic distribution of affiliates (annex figure 2). There are virtually no affiliates in Africa. However, they are gradually moving from these traditional markets to Asia and the Americas.

The nationality of the senior management in the top Israeli MNEs continues to be dominantly Israeli; however Teva and Checkpoint are beginning to internationalize their senior management. Hebrew is the official language used at the parent company and in the affiliates.

The value of the Transnationality Index[58] of the Top 15 is 64% which is much higher than the average for all Israel's firms whose average TNI index barely exceeded 15%.

The whole picture

As a result of the dynamic expansion of Israeli MNEs, FDI *outflows* from Israel rose from very low levels in the early 1990s to US$14bn in 2006, making Israel one of the top 20 countries in terms of outward FDI flows (annex figure *3*).

As a result, the *stock* of outward FDI has risen from US$ 8 billion in 2000 to US$ 41 billion[59] in 2006 (annex figure 4). The outward FDI stock is expected to continue to rise significantly.

A good part of Israel's outward FDI takes the form of cross-border M&As, with Teva's acquisition of the US based firm IVAX for US$7.4bn representing the largest foreign M&A activity of an Israeli MNE (Annex Table 3). Greenfield investments also increased significantly in recent years, rising from 58 investment projects in 2004 to 105 in 2006.[60] Recent greenfield investments are observed especially in real estate (Annex Table 4).

It is noteworthy that the 2006 list of Israel's top MNEs is quite different from what it would have been in 2003. A 2003 list would have included several leading industrial firms such as Iscar (a producer of carbide tools), M-Systems (a producer of data compressing devices), and the software firm Mercury. These firms meet all criteria commonly associated with globalization i.e., they have substantial foreign sales, foreign assets and foreign employees. However, these firms have been acquired by foreign (mostly US based) corporations and therefore are excluded from this list.

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[58] The Transnationality Index is a composite ratio calculated by averaging the relative shares of foreign assets, foreign employees and foreign sales as a percentage of their respective totals. See UNCTAD, *op.cit.*

[59] The FDI stock according to UNCTAD, *op.cit.* is lower and sums up only to $US 34 billion. The US$ 41 billion level comes from the Israel Bureau of Central Statistics, 2006 and is more current.

[60] See UNCTAD, *op.cit.*

The importance of foreign activity to changes in sales and employment is demonstrated in Annex Table 5. All firms reported an increase in sales over the 2004-2006 period, and in most cases growth in foreign sales exceeds that of total sales.[61] Dividing the change in foreign sales into the change in total sales gives a measure of the "elasticity of foreign sales". When elasticity exceeds 1.0, growth is dominated by foreign sales. Overall, Annex Table 5 reveals that, on average, the increase in foreign employment and foreign sales of the top 15 MNEs is larger than the total increase in employment and sales. However, further analysis that we have done suggests that, at least in terms of domestic employment, this growth in multinationality does not impede domestic growth. On average domestic employment grew in 11% between the years 2004-2006 generating about 3,400 new posts in Israel.

[61] Lack of data prevents separating out exports from total foreign sales.

Annex Table 1. Ranking of the Top 15 Israeli MNEs, key variables - 2006
(Millions of US$ and no. of employees)

			Assets		Employment		Sales			
Rank	**Company**	**Industry**	**Foreign**	**Total**	**Foreign**	**Total**	**Foreign**	**Total**	**TNI Index (%)**	**No. of foreign affiliates**
1	Amdocs	Computer programming	2,099	2,120	11548	16,234	2,455	2,480	90	21
2	Teva	Pharmaceuticals	1,530	2,193	21,631	26,670	8,072	8,408	82	26
3	Ormat	Power stations	1,152	1,335	411	774	291	291	80	n.a.
4	Israel Chemicals	Mining and quarrying	999	2,997	4632	9,307	3,050	3,258	59	114
5	Makhteshim-Agan	Chemicals	484	486	1592	3,184	1,672	1,779	81	56
6	Strauss Elite	Food producs	445	852	5000	10106	489	1,220	47	23
7	CheckPoint	Computer programming	209	253	860	1,568	569	575	79	n.a.
8	Ness Technologies	Computer programming	127	238	4085	7,515	247	474	53	19
9	Audicodes	Computer programming	109	120	285	701	135	147	74	7
10	Elbit	Electronic and optical porudcts	104	424	1357	8,030	1,116	1,523	38	12
11	Israel Aerospace Industries	Aviation and aricraft maintenance	64	466	500	14985	2,273	2,813	33	6
12	Delta Galil	Wearing apparel	57	99	8925	11000	647	707	77	12
13	Gilat	Telecommunications	53	130	550	950	248	249	66	n.a.
14	Orbotech	Electronic and optical porudcts	29	575	797	1,596	408	417	51	5
15	Tefron	Wearing apparel	5	77	693	2,086	183	188	46	4
	Total		**7,465**	**12,365**	**62,866**	**114,706**	**21,284**	**24,529**	**64**	**305**

Source: Israeli-Vale Columbia Center survey of Israeli MNEs

Annex Table 2. The Top 15 Israeli MNEs: Regionality Index[a] - 2006

Name	Europe	North America	Latin America+Caribbean	Asia & Australia	Africa
Amdocs	43	47	5	5	0
Teva	42	46	12	0	0
Ormat	n.a.	n.a.	n.a.	n.a.	n.a.
Israel Chemicals	57	15	6	22	1
Makhteshim-Agan	62	7	20	9	2
Strauss Elite	48	48	4	0	0
CheckPoint	n.a.	n.a.	n.a.	n.a.	n.a.
Ness Technologies	58	16	0	26	0
Audicodes	n.a.	n.a.	n.a.	n.a.	n.a.
Elbit	17	75	8	0	0
Israel Aerospace Industries	33	33	17	17	0
Delta Galil	50	42	0	8	0
Gilat	14	29	57	0	0
Orbotech	20	20	0	60	0
Tefron	50	25	0	25	0

Source: Israeli-Vale Columbia Center survey of Israeli MNEs.

[a] The Regionality Index is calculated by dividing the number of a firm's foreign affiliates in a particular region of the world by its total number of foreign affiliates and multiplying the result by 100.

Annex Table 3. The top 10 Israeli outward merger and acquisition (M&A) transactions, 2005 - February 2008 (Millions of US$)

Date	Acquiror's name	Target name	Target industry	Target country	% of shares acquired	Value of transaction
01/26/2006	Teva	IVAX Corp	Pharmaceuticals	United States	100	7,367
04/16/2007	Investor Group	RBS Group PLC-Marriot Hotels	Hotels and motels	United Kingdom	100	2,171
03/02/2007	Delek Real Estate	RoadChef Motorways Ltd	Eating places	United Kingdom	100	734
04/30/2007	Africa Israel Investments	NY Times Bldg, New York, NY	Operators of nonresidential buildings	United States	100	525
02/21/2008	Teva	CoGenesys Inc	Pharmaceutics	United States	100	400
08/14/2007	Israel Chemicals	Supresta LLC	Chemicals	United States	100	352
12/07/2006	Delek Capital	Republic Cos Group Inc	Insurance	United States	100	290
08/30/2007	NICE Systems	Actimize Inc	Prepackaged software	United States	100	279
01/20/2006	Crawford Properties	Hornbach Holding AG-DIY(7)	Hardware stores	Germany	100	267
04/17/2005	Alon Mekel	Neckermann Versand AG-	Catalog and mail-order houses	Germany	100	261

Source: Thomson Financial.

Annex Table 4. The top 10 Israeli cross-border greenfield transactions, announced, 2006- January 2008 (Billions of US$)

Date	Company name	Destination country	Sector	Value
Dec-06	BCD Group	Czech Republic	Real estate	1.00
Nov-06	Africa Israel Investments	the Russian Federation	Real estate	0.95
Apr-06	Fishman Group	the Russian Federation	Real estate	0.90
Dec-07	Elbit Imaging	Romania	Real estate	0.88
Jan-08	Israel Corp (IC)	People’s Republic of China	Automotive OEM	0.80
Jul-07	Africa Israel Investments	the Russian Federation	Real estate	0.47
Dec-06	IDB Group	USA	Real estate	0.40
Mar-07	Gazit Globe	Bulgaria	Real estate	0.26
Jan-08	Teva Pharmaceutical Industries	India	Pharmaceuticals	0.25
Jul-07	SFK	Croatia	Real estate	0.22

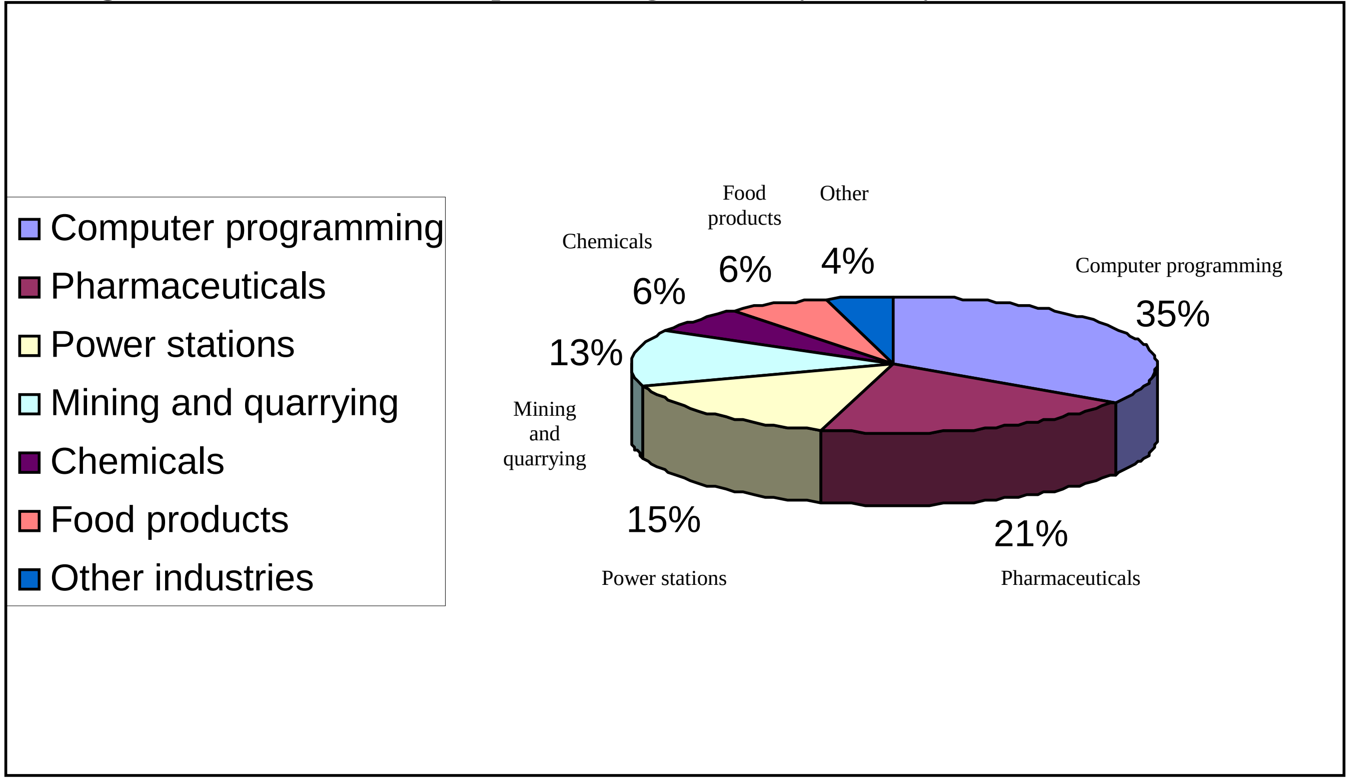
Source: FDI Intelligence – Financial Times Ltd.

Annex Table 5. Changes in sales and employment indicators of the Top 15 Israeli MNEs, 2004-2006 (Thousands of US$ and no. of employees)

Rank	Company	% Change in employment	% Change in foreign employment	Employment elasticity	% Change in sales	% Change in foreign sales	Sales elasticity
1	Amdocs	61	94	1.53	40	40	1.00
2	Teva	93	117	1.26	75	78	1.04
3	Ormat	12	N/A	N/A	21	21	1.01
4	Israel Chemicals	9	20	2.28	20	22	1.08
5	Makhteshim-Agan	5	5	1.00	16	16	1.06
6	Strauss Elite	50	N/A	N/A	55	133	2.42
7	CheckPoint	17	7	0.40	12	12	1.00
8	Ness Technologies	50	70	1.40	56	88	1.58
9	Audicodes	58	128	2.23	78	81	1.04
10	Elbit	39	18	0.46	62	60	0.96
11	Israel Aerospace Industries	N/A	N/A	N/A	27	31	1.16
12	Delta Galil	-23	-20	0.90	8	7	0.91
13	Gilat	-3	-10	3.40	3	3	1.00
14	Orbotech	5	8	1.66	32	32	1.00
15	Tefron	-19	42	-2.23	27	26	0.97
	Total	**25**	**40**	1.58	**35**	**43**	1.23

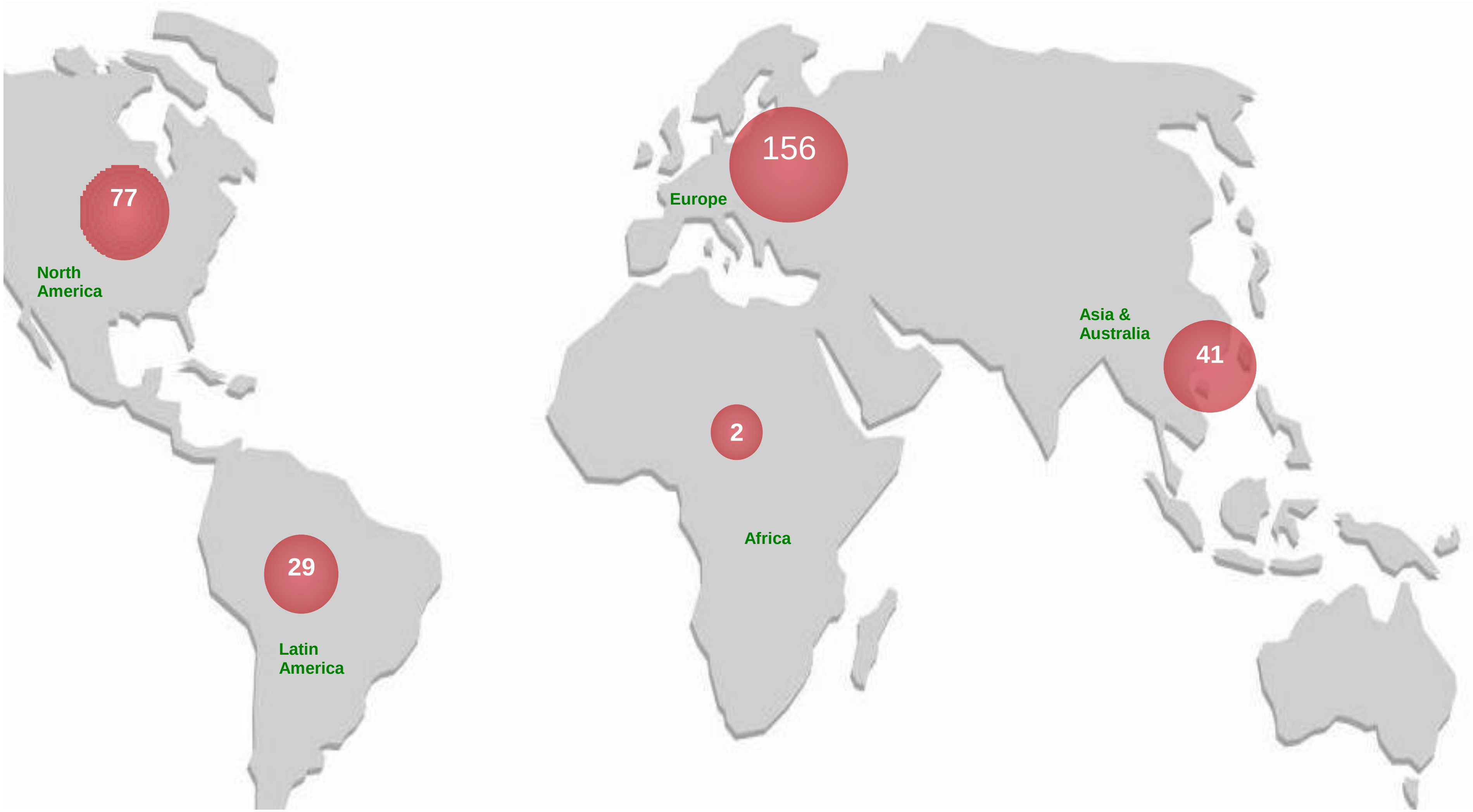
Source: Israeli-Vale Columbia Center survey of Israeli MNEs
* Data on foreign assets for 2004 were not available.

Annex figure 1. Breakdown of the Top 15's foreign assets, by industry - 2006



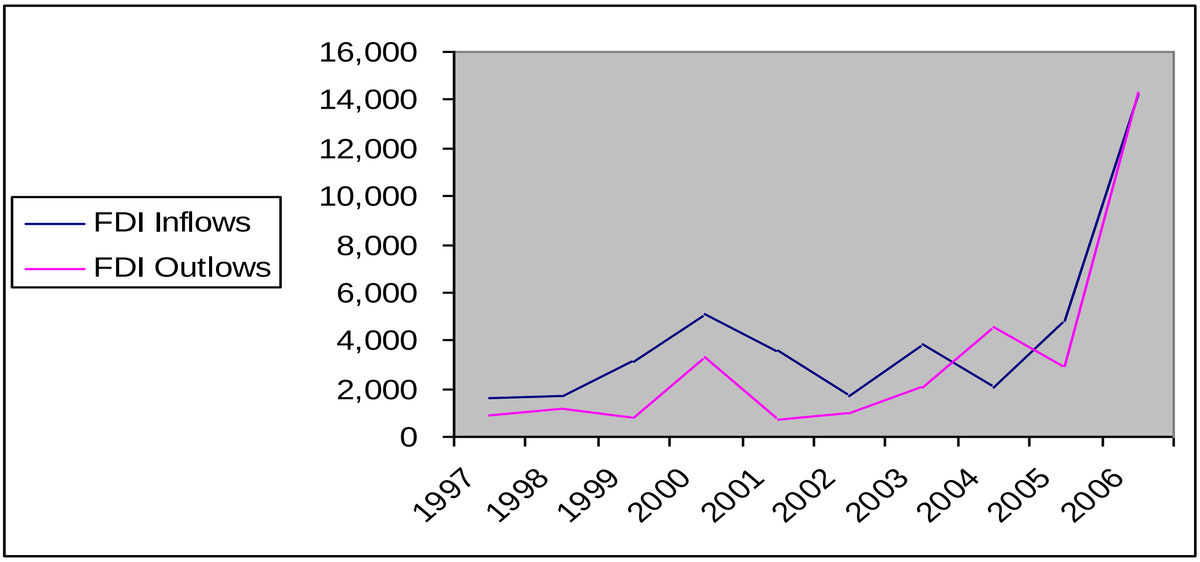
Industry	Foreign assets ($ Millions)	Companies
Computer programming	2,543	Amdocs, CheckPoint, Ness Technologies, AudioCodes.
Pharmaceuticals	1,530	Teva
Power stations	1,152	Ormat
Mining and quarrying	999	Israel Chemicals
Chemicals	484	Makhteshim-Agan
Food producs	444	Strauss Elite
Other industries	313	Elbit, Orbotech, Israel Aerospace Industries, Delta Galil, Tefron, Gilat
Source: Israel-Vate Columbia Center survey of Israeli MNEs.		

Annex figure 2. Foreign affiliates of Israel's Top 15 MNEs, by region, 2006
(Number of affiliates)



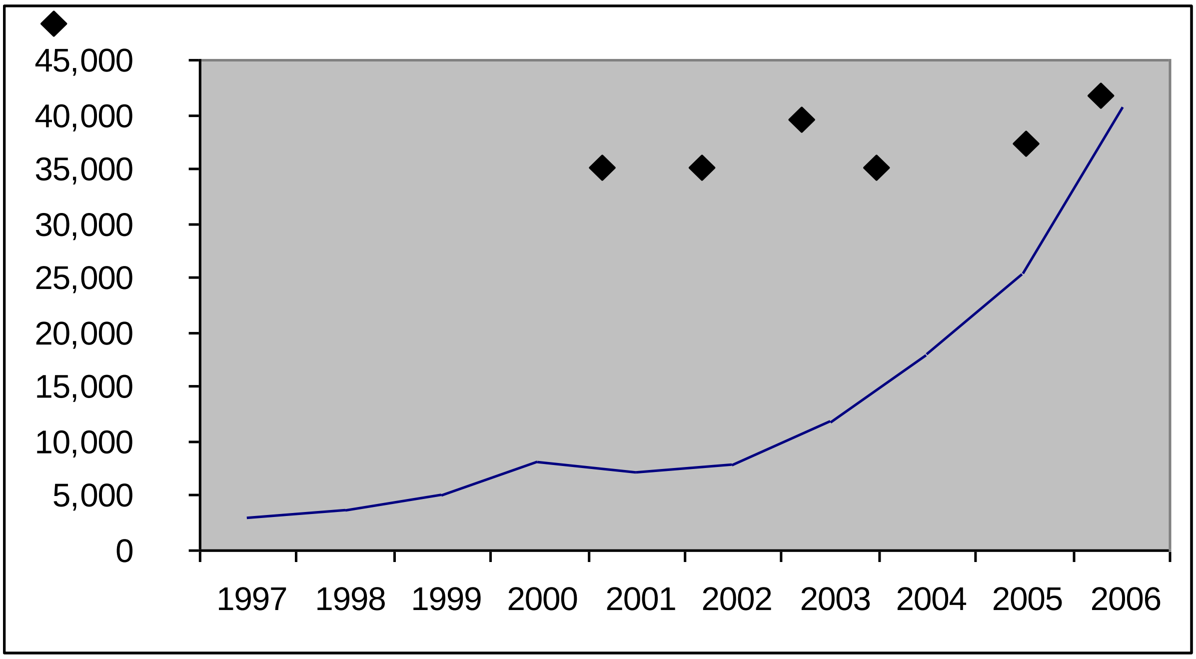
Source: Israel-Vale Columbia Center survey of Israeli MNEs.

Annex figure 3. FDI outflows from, and inflows into, Israel, 1997-2006 (Millions of US$)



Source: Israel Central Bureau of Statistics, 2006.

Annex figure 4. Stock of outward FDI from Israel, 1997-2006 (Millions of US$)



Source: Israel Central Bureau of Statistics, 2006.

B. Small, savvy, high-tech firms preponderate among Israeli MNEs in 2007

Seev Hirsch and Niron Hashai[62]

The second annual survey of Israeli MNEs, released on September 2, 2009, covers the year 2007, although some information on 2008 is also provided.
In 2007, Israel's top 20 MNEs – ranked by foreign assets – had over US$ 12 billion in foreign assets (table 1), over US$ 26 billion in foreign sales (including exports), and employed nearly 68,000 persons abroad. Foreign assets, sales and employment had increased by 33%, 8% and 24%, respectively, since 2006 (table 2). Four firms, Israel Chemicals, Amdocs, Teva and Ormat, together accounted for 60% of the total foreign assets of the top 20.

An important clarification is in order. The report speaks of 'the top 20' for convenience. It is not in fact possible to be certain that the 20 companies listed in table 1 below are *the* largest Israeli investors abroad. Data on all likely candidates, in particular on privately owned firms, were not available. What the researchers are certain of is that these 20 are very close to being the largest.

Table 1. Ranking of the top 20 Israeli MNEs, 2007
(US$ million)

Rank	Name	Main industry	Foreign assets
1	Israel Chemicals	Chemicals	2,405
2	Amdocs	IT services	1,948
3	Teva	Pharmaceuticals	1,723
4	Ormat	Power stations	1,226
5	CheckPoint	IT services	830
6	Strauss Elite	Food products	689
7	Zoran	IT services	664
8	NICE	IT services	546
9	Makhteshim-Agan	Chemicals	546
10	Ness Technology	IT services	486
11	Frutarom	Food products	470
12	Elbit	Electronic and optical products	163
13	Delta Galil	Wearing apparel	137
14	Audiocodes	IT services	114
15	Plasson	Plastic pipes and valves	84
16	Lumenis	Laser technology	76
17	Israel Aviation Industries	Aviation and aircraft maintenance	61
18	Gilat	Satellites	34
19	Orbotech	Electronic and optical equipment	29
20	Tefron	Wearing apparel	8

[62] Supported by Don Catarivas and Omer Katz

TOTAL			**12,239**

Source: Israeli-Vale Columbia Center ranking of Israeli MNEs.

Profile of the top 20

With the exception of Israel Aviation Industries, all 20 firms included in the survey (see table 1) are private-sector firms, listed on one or more stock exchanges, including the Tel Aviv Stock exchange, the New York Stock Exchange and NASDAQ. Israel Aviation Industries is state-owned.

Firms that met the following criteria were included in the survey: firms that had at least one foreign affiliate, had foreign assets in excess of US$ 5 million, and were not themselves owned by foreign corporations. Financial firms, including banks, were excluded, in accordance with the methodology of the project. Privately-owned, i.e., unlisted, firms were excluded because data on these firms were very difficult to get. Conglomerates were excluded to ensure that this year’s and last year's reports followed the same pattern. In the future, however, conglomerates will be included, so as to bring the report into line with the common methodology being used by project partners in other countries. Finally, what are often regarded as some of Israel's leading MNEs − Mercury, Iscar, Scitex Vision and Indigo − had to be excluded because they have been acquired by foreign MNEs.

The size distribution of the twenty leading MNEs is lopsided. Only four firms have foreign assets exceeding US$ 1 billion and only nine have foreign assets exceeding US$ 500 million. Israel Chemicals, which heads the list, is a diversified supplier of agricultural chemicals. Teva, often regarded as Israel's leading MNE, is a global supplier of generic pharmaceuticals, while Ormat is a worldwide leader in the construction and operation of environmentally friendly power stations. Only one of the six suppliers of IT services on the list makes it into the billion-plus group: Amdocs. The foreign assets of the top 20 Israeli MNEs were equal to roughly one quarter of Israel's total outward FDI stock (annex figure 4).

The industrial composition of Israel's top MNEs reflects the country’s resource endowment. High-tech industries (e.g., laser technology) and sophisticated services (e.g. IT services) represent 40% of the foreign assets on the list.

Israel is renowned for its IT services industry. It is consequently hardly surprising that six of the firms included in the top 20 are suppliers of IT services, while several others offer related products and services, including Elbit, which supplies a wide range of defense electronic hardware, Orbotech, which produces computerized inspection equipment, and Gilat, which produces and services communication satellites.

Industries characterized by comparatively high investment in R&D (e.g., IT services and pharmaceuticals) represent 54% of the foreign assets of the top 20 (annex figure 1**).**

Traditional industries such as clothing and food products account for a small share of Israel's MNEs. Only one firm, Israel Chemicals, manufactures natural-resource-based products.

Table 2. Snapshot of Israeli's 20 largest MNEs, 2006-2007 (US$ billion and thousands of employees)

	2006	2007	% change 2006-07
Assets			
Foreign	9	12	33
Total	20	19	-5
Share of foreign in total (%)	45	63	
Employment			
Foreign	63	68	8
Total	113	120	6
Share of foreign in total (%)	56	57	
Sales			
Foreign including exports	21	26	24
Total	25	30	20
Share of foreign in total (%)	84	87	
TNI INDEX	62	69	11

Table 2 contains aggregate data on total and foreign assets, employment and sales in 2006 and 2007 of the twenty firms included in the survey (detailed firm data appear in Annex Table 1) These figures represent the three components of the Transnationalization Index (TNI) employed by UNCTAD to denote the level of globalization, or foreign involvement, of individual firms, entire industries or other groupings of firms. The index, which can theoretically vary between zero and one hundred, is calculated as the non-weighted average of three ratios: foreign to total assets, foreign to total employment, and foreign to total sales. Inclusion of all three ratios in the index makes intuitive sense since no single measure can be claimed to represent, on its own, the concept of foreign involvement, which the Index seeks to capture. The share of foreign value added can be claimed to come closest to representing foreign involvement, but the measure has been rarely used for two reasons: foreign value added ignores exports from the home country, which often accounts for a substantial share of firms' foreign involvement, and the data on value added are notoriously difficult to obtain.

The aggregate TNI index of the surveyed firms, shown at the bottom of the table, has increased from 62 in 2006 to 69 in 2007, the last year before the global economic crisis broke. The highest global involvement is reflected in sales figures, with foreign shares in total sales of 84% in 2006 and 87% in 2007. The share of foreign employment was stable, in the mid-50s, increasing only by about 2%. The highest growth rate was exhibited by the ratio of foreign to total assets, which increased from 45% in 2006 to 63% in 2007. The increase in the ratio of foreign to total assets represents, more than any other single measure, the growing resource commitment by Israeli MNEs to their foreign operations.

Annex Table 3 and Annex Table 4 list the largest individual FDI transactions by Israel-based MNEs during the years 2006, 2007 and 2008. Annex Table 3 contains figures on the top 10 outward merger and acquisitions transactions. The list is headed by the acquisition in January 2006 of the US based IVAX Corporation by Teva, Israel's leading pharmaceuticals company.

The price paid for Ivax, which exceeded US$ 7 billion, accounted for nearly two-thirds of the total M&A value reported in the table. Two years later, Teva spent US$ 400 million on the acquisition of CoGenseys Inc., another US-based pharmaceuticals company. These acquisitions explain why Teva is considered Israel's leading MNE. Acquisitions by Nice Systems and Israel Chemicals are the only others involving Israel's leading MNEs listed in table 1. The remaining acquisitions were made by firms engaged in tourism, travel, real estate, and various other kinds of services.

The top ten Greenfield investments shown in Annex Table 4 (also in the years 2006, 2007 and 2008) exhibit a very different orientation from that exhibited by the M&A transactions shown in Annex Table 3. The transactions are overwhelmingly in real estate operations, in the emerging markets of Eastern Europe. The only transactions in activities other than real estate are Teva's investment in India and the Israel Corporation's investment in the People's Republic of China. These two transactions are also the only greenfield investments made outside Eastern Europe. It is quite likely that the companies shown in Annex Table 4 have been hit particularly hard by the economic crisis of the following years.

The top 20 MNEs have 545 foreign affiliates (Annex Table 2), implying an average of 27 affiliates per firm. Israel Chemicals heads this list, with 191 foreign affiliates, followed by CheckPoint, with 62 foreign affiliates.

These affiliates are located mostly in Europe (51%) and North America (26%), as revealed in the Regionality Index and the geographic distribution of affiliates (annex figure 2). As was the case last year, there are virtually no affiliates in Africa. However, the number of affiliates in Asia has more than doubled, the number in North America nearly doubled, and the number in Europe increased by almost 80%. There has been no change in Latin America and an increase from 2 to 4 in Africa.

FDI flows in both directions reached their peak in 2006, at nearly US$ 15 billion. In 2007, they fell sharply, to US$ 9 billion for inflows and US$ 7 billion for outflows. Surprisingly, this negative trend did not continue in 2008, in spite of the worsening global economic crisis. Instead, incoming FDI increased slightly to almost US$ 10 billion, while outgoing FDI rose to nearly US$ 8 billion (annex figure 3). The stock of outward FDI, which was about US$ 41 billion at the end of 2006, increased to nearly US$ 48 billion in 2007, over US$ 51 billion at the end of 2008 and over US$ 52 billion at the end of the first quarter of 2009. Likewise, the stock of incoming FDI, which was US$ 48 billion at the end of 2006, increased to nearly US$ 56 billion in 2007, and continued to rise during the following year, surpassing US$ 58 billion at the end of the first quarter of 2009 (Annex figure 4).

Annex Table 1. Ranking of the top 20 Israeli MNEs, key variables - 2007 (US$ million and numbers of employees)

			Assets		Employment		Sales			
Rank	**Company**	**Industry**	**Foreign**	**Total**	**Foreign**	**Total**	**Foreign**	**Total**	**TNI Index (%)**	**No. of foreign affiliates**
1	Israel Chemicals	Chemicals	2,405	4,751	4,997	9,914	3,856	4,100	65	191
2	Amdocs	IT services	1,948	2,175	11,390	17,461	2,492	2,836	81	21
3	Teva	Pharmaceuticals	1,723	2,515	22,378	27,912	9,034	9,408	82	30
4	Ormat	Power stations	1,226	1,475	494	494	316	316	94	3
5	CheckPoint	IT services	830	882	1,104	1,901	411	731	69	62
6	Strauss Elite	Food products	689	1,087	6,684	11,134	804	1,458	60	18
7	Zoran	IT services	664	838	924	1,421	479	507	80	11
8	NICE	IT services	546	624	1,249	2,172	367	517	72	19
9	Makhteshim-Agan	Chemicals	546	554	1,725	3,239	1,979	2,081	82	22
10	Ness Technology	IT services	486	693	5,035	8,280	359	562	65	24
11	Frutarom	Food products	470	566	1,095	1,499	328	368	82	37
12	Elbit	Electronic and optical products	163	981	56	1,748	1,573	1,982	33	8
13	Delta Galil	Wearing apparel	137	173	8,058	9,700	575	647	84	18
14	Audiocodes	IT services	114	137	263	688	148	158	72	20
15	Plasson	Plastic pipes and valves	84	335	0	1,219	185	206	38	18
16	Lumenis	Laser technology	76	82	638	948	199	268	78	10
17	Israel Aviation Industries	Aviation and aircraft maintenance	61	473	38	15950	2719	3316	32	8
18	Gilat	Telecommunications	34	110	578	970	40	283	35	7
19	Orbotech	Electronic and optical products	29	571	822	1611	358	361	52	10
20	Tefron	Wearing apparel	8	75	860	2,087	154	159	50	8
	Total		**12,239**	**19,097**	**68,388**	**120,348**	**26,376**	**30,264**	**64**	**545**

Source: Israeli-Vale Columbia Center survey of Israeli MNEs.

Annex Table 2. The Top 20 Israeli MNEs: Regionality Index[a], 2007

Name	Europe	North America	Latin America & the Caribbean	Asia & Australia	Africa	No. of foreign affiliates
Israel Chemicals	55	28	3	13	1	191
Amdocs	47	47	0	6	0	21
Teva	40	50	10	0	0	30
Ormat	33	67	0	0	0	3
CheckPoint	61	12	5	22	0	62
Strauss Elite	56	39	5	0	0	18
Zoran	18	27	0	55	0	11
NICE	44	28	0	28	0	19
Makhteshim-Agan	64	9	27	0	0	22
Ness Technology	62	21	0	17	0	24
Frutarom	74	16	5	5	0	37
Elbit	38	62	0	0	0	8
Delta Galil	39	33	0	17	11	18
Audicodes	30	25	15	30	0	20
Plasson	70	12	6	12	0	18
Lumenis	50	20	0	30	0	10

Israel Aviation Industries	37	37	0	26	0	8
Gilat	14	29	57	0	0	7
Orbotech	50	10	0	40	0	10
Tefron	0	50	38	12	0	8
Total no. of affiliates	**279**	**143**	**29**	**90**	**4**	**545**

Source: Israeli-Vale Columbia Center survey of Israeli MNEs.

[a] The Regionality Index is calculated by dividing the number of a firm's foreign affiliates in a particular region of the world by its total number of foreign affiliates and multiplying the result by 100.

Annex Table 3. The top 10 Israeli outward merger and acquisition (M&A) transactions, 2005 - February 2008 (US$ million)

Date	Acquirer's name	Target name	Target industry	Target country	% of shares acquired	Value of transaction
01/26/2006	Teva	IVAX Corp	Pharmaceuticals	United States	100	7,367
04/16/2007	Investor Group	RBS Group PLC-Marriot Hotels	Hotels and motels	United Kingdom	100	2,171
03/02/2007	Delek Real Estate	RoadChef Motorways Ltd	Eating places	United Kingdom	100	734
04/30/2007	Africa Israel Investments	NY Times Bldg,New York,NY	Operators of nonresidential buildings	United States	100	525
02/21/2008	Teva	CoGenesys Inc	Pharmaceutics	United States	100	400
08/14/2007	Israel Chemicals	Supresta LLC	Chemicals	United States	100	352
12/07/2006	Delek Capital	Republic Cos Group Inc	Insurance	United States	100	290
08/30/2007	NICE Systems	Actimize Inc	Prepackaged software	United States	100	279
01/20/2006	Crawford Properties	Hornbach Holding AG-DIY(7)	Hardware stores	Germany	100	267
Total						**12,385**

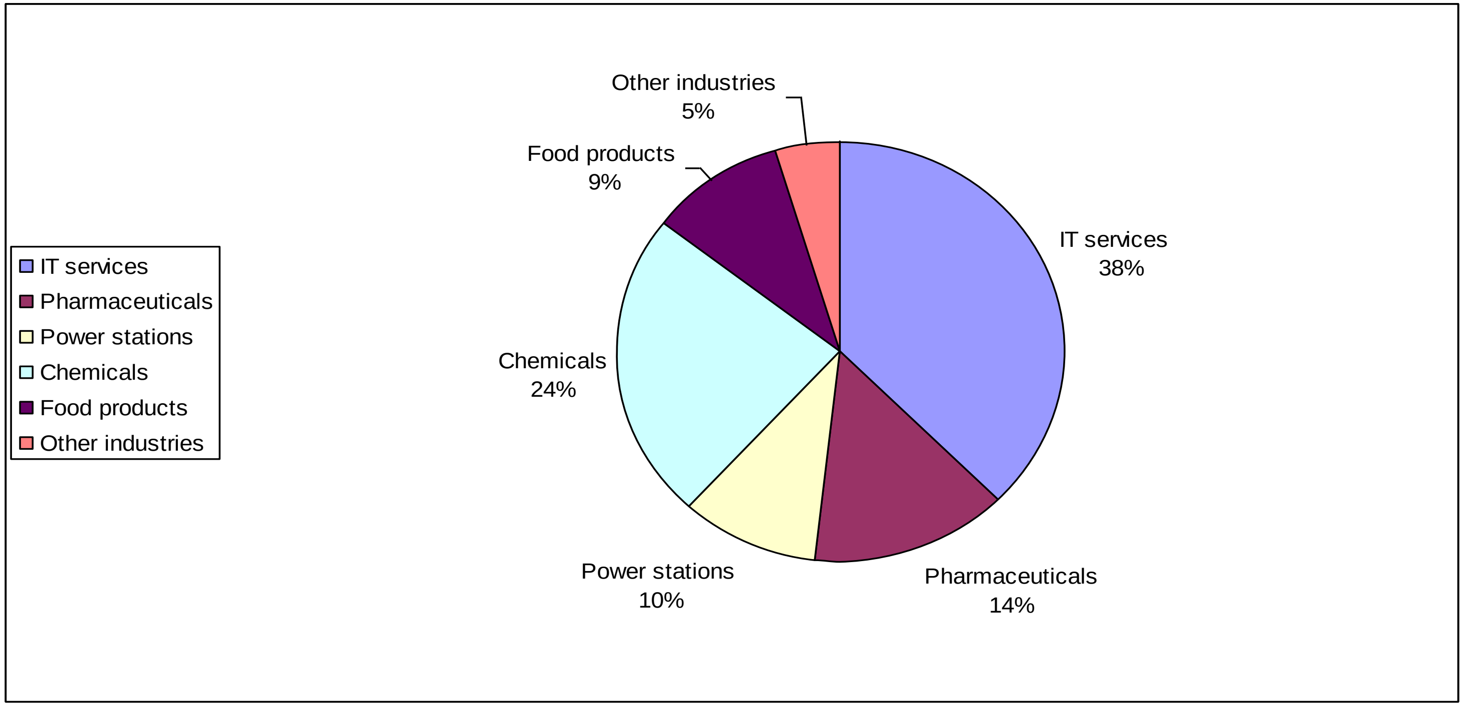
Source: Thomson Financial.

Annex Table 4. The top 10 Israeli cross-border greenfield transactions, announced, 2006- January 2008
(US$ billion)

Date	**Company**	**Destination**	**Industry**	**Value**
Dec-06	BCD Group	Czech Republic	Real estate	1.00
Nov-06	Africa Israel Investments	the Russian Federation	Real estate	0.95
Apr-06	Fishman Group	the Russian Federation	Real estate	0.90
Dec-07	Elbit Imaging	Romania	Real estate	0.88
Jan-08	Israel Corp (IC)	People's Republic of China	Automotive OEM	0.80
Jul-07	Africa Israel Investments	the Russian Federation	Real estate	0.47
Dec-06	IDB Group	USA	Real estate	0.40
Mar-07	Gazit Globe	Bulgaria	Real estate	0.26
Jan-08	Teva Pharmaceutical Industries	India	Pharmaceuticals	0.25
Jul-07	SFK	Croatia	Real estate	0.22
	Total			**6.13**

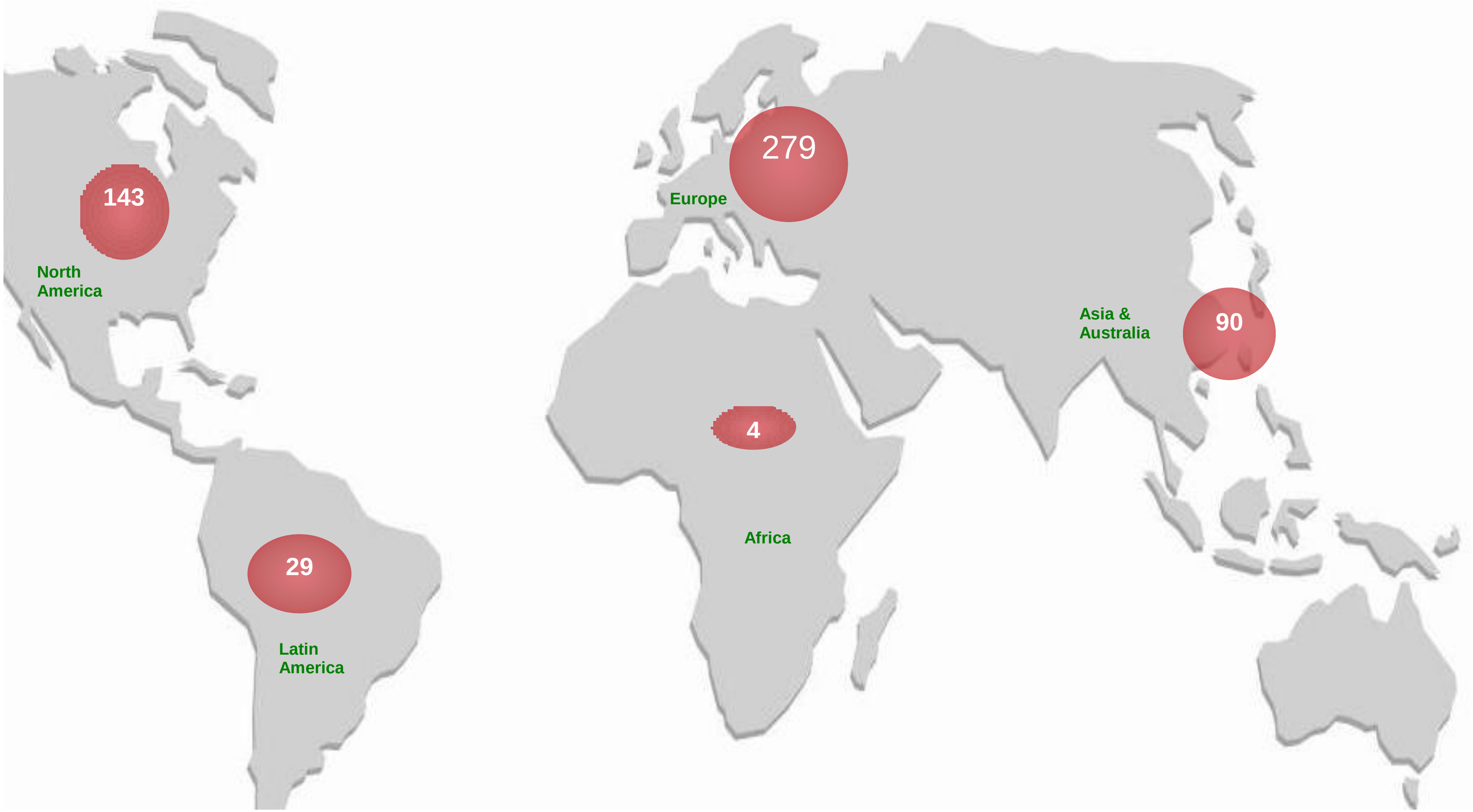
Source*: FDI Intelligence – Financial Times Ltd.*

Annex figure 1. Breakdown of the top 20's foreign assets, by industry – 2007



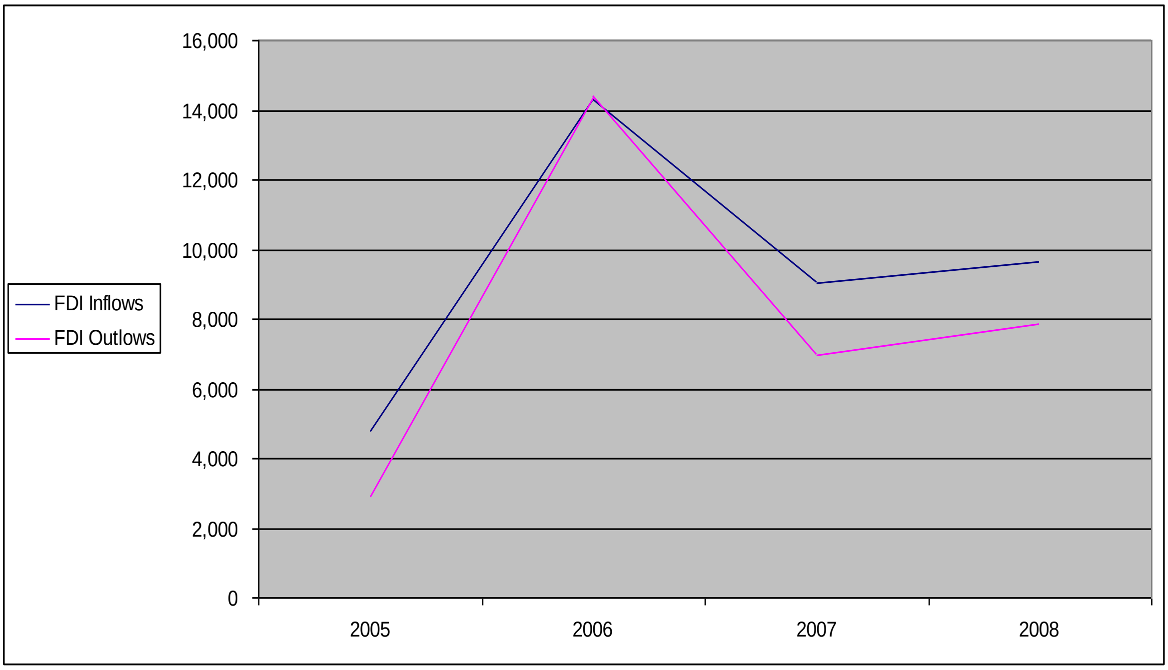
Industry	**Foreign assets** (US$ million)	**Companies**
IT services	4,588	Amdocs, CheckPoint, Ness Technology, Zoran, NICE, Audiocodes
Pharmaceuticals	1,723	Teva.
Power stations	1,226	Ormat
Chemicals	2,405	Israel Chemicals, Makhteshim-Agan
Food products	1,159	Strauss Elite, Frutarom
Other industries	592	Elbit, Delta Galil, Tefron, Gilat, Plasson, Lumenis, Israel Aviation Industries, Orbotech
Source: Israeli-Vale Columbia Center survey of Israeli MNEs.		

Annex figure 2. Foreign affiliates of Israel's top 20 MNEs, by region – 2007 (Number of affiliates)



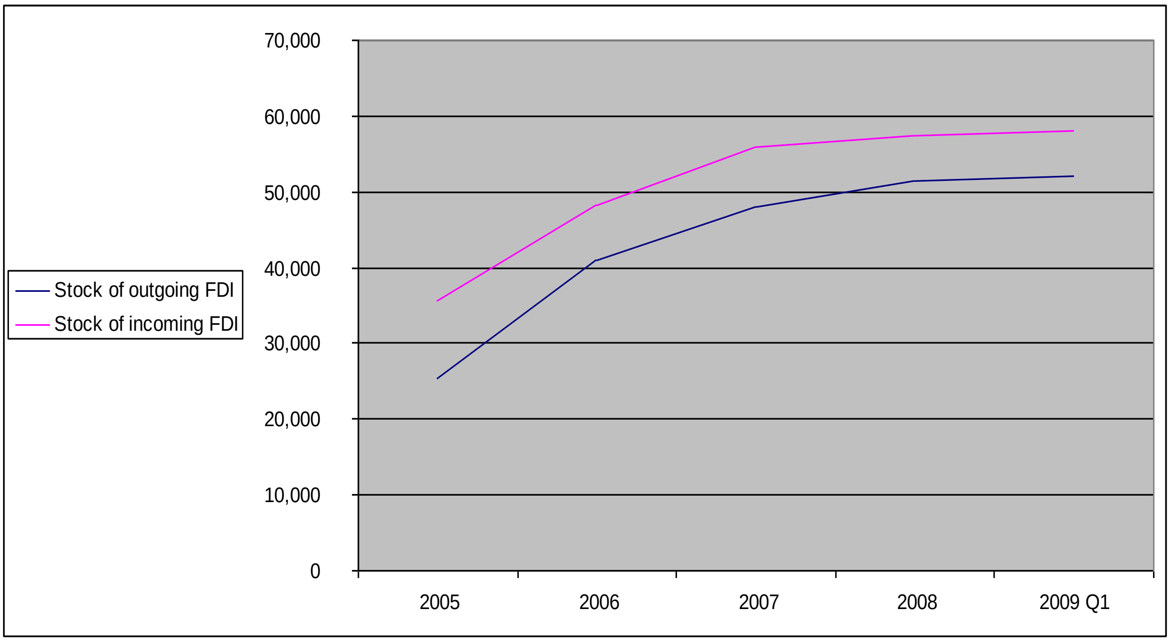
Source: Israeli-Vale Columbia Center survey of Israeli MNEs.

Annex figure 3. FDI outflows from, and inflows into, Israel, 2005-2008 (US$ million)



Source: Accountant General's Office (Ministry of Finance).

Annex figure 4. Israel's outward and inward FDI stock, 2005-2009 Q1 (US$ million)



Source: Accountant General's Office (Ministry of Finance).

C. MNEs continue to expand in 2008 despite the crisis

Seev Hirsch and Niron Hashai[63]

The third annual survey of Israeli MNEs, released on March 31, 1010 covers the year 2008, in which the country's top 25 MNEs – ranked by their foreign assets – had over US$ 18 billion in foreign assets (table 1), about US$ 40 billion in foreign sales (including exports), and employed nearly 93,000 persons abroad. Five firms: Israel Corporation, Elco Holdings, Teva, Amdocs and Ormat together accounted for three-quarters of the total foreign assets of the top 25.

An important clarification is in order. The leading 25 Israeli MNEs listed in this report consist of public firms whose shares are quoted on one or more stock exchanges. A number of other (mainly private) MNEs very likely to belong to this group have had to be excluded because complete information on their activities was unavailable.

Profile of the top 25

Table 1 lists the twenty-five Israeli largest international MNEs, ranked by the dollar value of their foreign assets at the end of 2008. The composition of the list has changed considerably from the previous year. Two firms, Israel Aviation Industries and Tefron, were dropped; one firm, Israel Chemicals, was incorporated into its parent the Israel Corporation; and seven were added.

Table 1. Ranking of the top 25 Israeli MNEs, 2008 (US$ million)

Rank	Name	Main Industry	Foreign Assets
1	Israel Corporation	Conglomerate	4,088
2	Elco Holdings	Conglomerate	3,113
3	Teva	Pharmaceuticals	2,722
4	Amdocs	IT services	2,306
5	Ormat	Power stations	1,549
6	Checkpoint	IT services	792
7	Makhteshim Agan	Chemicals	610
8	Nice	IT services	526
9	Zoran	IT services	504
10	Frutarom	Food products	425
11	Strauss Group	Food products	374
12	Elbit	Electronic and optical products	271
13	Ness	IT services	224
14	Avgol	Textile	173
15	Palram	PVC products	128
16	Delta	Wearing apparel	122
17	Carmel Olefins	Plastic	83

[63] Supported by Guy Ben Shahar

18	Retalix	IT services	48
19	Alliance	Tires	41
20	Plasson	Plastic pipes and valves	41
21	Lumenis	Laser technologies	40
22	Gillat Sattelites	Satellites	35
23	Audiocodes	IT services	26
24	Orbotech	Electronic and optical equipment	21
25	Hod-Assaf	Steel & iron products	11
TOTAL			**18,273**

Source: Israeli-Vale Columbia Center survey of Israeli MNEs.

The change in composition is due in part to an editorial decision, announced in the last report (published September 2009), to include conglomerates and holding companies in future reports, a category excluded from previous ones. The present list includes two conglomerates, Israel Corporation (IC), with foreign assets of over US$ 4 billion, and Elco Holdings, with foreign assets of over US$ 3 billion. As might be expected, these conglomerates are ranked number one and two in table 1. Teva, Amdocs and Ormat which, together with Israel Chemicals, headed the list last year, have now moved further down.

Israel Chemicals, included as a separate entity last year, has now disappeared, as noted earlier. Other major holdings of its parent company Israel Corporation (IC) include ZIM, Israel's leading shipping line; Tower Semiconductors, a producer of electronic chips; and The Oil Refineries Corporation. Israel Chemicals, The Oil Refineries Corporation and ZIM were originally established by the Israel Government. They were partially privatized in the late ‘sixties, when they were incorporated into IC. IC itself was wholly privatized in the 'nineties, when the government sold off its remaining shares.

Elco Holdings (no. 2) is Israel's leading supplier of domestic and industrial air conditioning systems and a major retailer of electrical household goods. Its foreign subsidiaries are engaged in the manufacture, installation and servicing of air conditioning systems, as well as in widely scattered commercial real estate operations.

The inclusion of IC and Elco has resulted in a significant change in the volume of foreign assets contained in this year's report and in its industrial composition. However, it brings the Israeli report methodologically into line with the other country reports in this project.

Other additions to this year's list include Avgol (no.14), a supplier of textile fabrics; Palram (No.15), a manufacturer of PVC based plastic products; Retalix (No.18), a supplier of IT systems to large retailers; Alliance (No. 19), a manufacturer of agricultural and other specialty tires; Hod-Assaf (No.25), which produces and distributes wire and wire mesh products; and Carmel Olefins (No.17), a manufacturer of polypropylene and polyethylene, raw materials for the plastics industry. It should be noted that Carmel Olefins is partly (minority) owned by the Israel Refineries Corporation, a subsidiary of IC. The inclusion of Carmel Olefins in the report may consequently give rise to a certain degree of double counting.

Israel Aviation Industries and Tefron were dropped from the list because of the relative insignificance of their foreign assets. Israel Aviation, a state-owned company, engaged in aircraft maintenance and reconstruction and in the manufacture of private jet aircraft, is in fact one of Israel's leading exporters. The bulk of its operations are, however, in Israel and it has only minor facilities abroad.

The total foreign assets of the 25 leading MNEs exceed US$ 18 billion, an increase of US$ 1 billion over the previous year.[64] The increase is indeed very modest in comparison with previous years. It should, however be borne in mind that 2008 was characterized by a severe global economic crisis. These figures are consistent with the view that Israel's economy may have escaped the worst aspects of the crisis.

The distribution of foreign assets by value is, as might be expected, highly skewed The addition of two conglomerates to the list has had a considerable impact on its size and composition. As noted above, IC and Elco Holdings rank number 1 and 2. Together their foreign assets exceed US$ 7 billion, accounting for nearly 40% of the total. Turning to the five largest MNEs, we note that the foreign assets of each exceed US$ 1.5 billion and that together they account for nearly US$14 billion, i.e., nearly 80% of the foreign assets of Israel's leading MNEs. Companies ranked 1 to 13 accounts for over 95% of the total. Foreign assets of the remaining 12 companies range between US$ 173 million and US$ 11 million, accounting together for about 4% of the total.

The industrial composition of Israel's top MNEs appears to reflect the country's resource endowment, which is said to give it a comparative advantage in knowledge-based industries. Industries with relatively high investments in R&D such as laser technology, power stations, IT services and pharmaceuticals represent almost half of the top 25 MNEs' foreign assets (annex figure 1).

Israel is renowned for its IT services industry. Unlike the also well-known Indian IT industry, Israel's focuses on systems applications rather than business ones. It is thus hardly surprising that seven of the firms included in the top 25 are suppliers of IT services, while several others supply related products and services, including Elbit, which produces a wide range of defense electronic equipment; Orbotech, which produces computerized inspection equipment; Gilat, which produces and services communication satellites; and Lumenis, a supplier of laser-based medical equipment.

Traditional industries such as clothing and food products account for a small share of Israel's MNEs. Only Israel Chemicals, which is not included in this report as a separate entity, manufactures natural-resource-based products.

Table 2 contains aggregate data on total and foreign assets, employment and sales in 2007 and 2008. (Details per firm are shown in Annex Table 1) The figures represent the three components of the Transnationalization Index (TNI), employed by UNCTAD and international business scholars to denote the level of globalization, or foreign involvement, by individual firms, entire industries or other groupings of firms, industries and regions.

The index, which can theoretically vary between zero and one hundred, is calculated as the non-weighted average of three ratios: foreign to total assets, foreign to total employment, and foreign to total sales. Inclusion of all three ratios in the index makes intuitive sense since no single measure can be claimed to represent, on its own, the concept of foreign involvement

[64] Note that, when total comparative figures are provided, the 2007 figures are for the same 25 companies as for 2008.

that the Index seeks to capture. The share of foreign value added can be claimed to come closest to representing foreign involvement, but the measure has been rarely used for two reasons: foreign value added ignores exports from the home country, which often account for a substantial share of firms' foreign involvement, and the data on value added are notoriously difficult to obtain. UNCTAD's annual *World Investment Report* contains data on TNI indices for the world's leading MNEs.

Table 2. Snapshot of Israel's 25 largest MNEs, 2007-2008 (US$ billion and thousands of employees)

	2007	2008	% Change 2007-08
Assets			
Foreign	17	18	6
Total	25	28	12
Share of foreign in total (%)	68	64	
Employment			
Foreign	82	93	13
Total	130	143	10
Share of foreign in total (%)	63	65	
Sales			
Foreign	31	40	29
Total	37	51	38
Share of foreign in total (%)	84	78	
TNI index	72	69	

Source: Israeli-Vale Columbia Center survey of Israeli MNEs.

The aggregate TNI index of the surveyed firms, shown at the bottom of the table, has declined by 3% from 72, in 2007, to 69, in 2008, the year of the global economic crisis. The trend towards slightly lower global involvement was led by the relative change in the share of foreign sales, which declined by 6%, from 84% in 2007 to 78% in 2008. The share of foreign assets also declined, though more modestly from 68% to 64%. In the absence of information about the distribution of foreign sales between exports and sales of foreign subsidiaries, it is impossible to say whether the reduction in the share of foreign sales was due to changes in the relative importance of exports from Israel, or to the decline of sales by foreign subsidiaries. The decline in the share of foreign assets and foreign sales was partially compensated for by a modest increase in foreign employment .This suggests that the decline in foreign involvement was probably triggered by a relative reduction in exports and not in the output of foreign subsidiaries.

It is noteworthy that, while the TNI index declined slightly between 2007 and 2008, the absolute value of every one of its components increased. Foreign employment increased at a higher rate than total employment, while foreign sales and foreign assets also rose, though at lower rates. Thus, foreign and domestic sales, employment and assets increased in the midst of the global economic crisis.

Moreover, the figures in table 2 indicate that the global crisis had only minor effects on Israeli MNEs. The table shows that the total number of persons employed by the 25 leading MNEs increased from 130,000 in 2007 to 143,000 in 2008. During the same period, foreign employment increased from 82,000 to 93,000, accounting for most of the increase in total employment. (Domestic employment of these firms increased by only 2,000, from 48,000 to 50,000, a small increase of 4.2 %.) In fact, the effect of the crisis on the Israeli economy as a whole, and not just its multinational sector, appears to have been quite minor in 2008. Unemployment in Israel declined in 2008 by nearly 15%. Preliminary figures for 2009, however, indicate that countrywide unemployment increased in 2009, rising from 180,400, in 2008 to 229,500, in 2009. It remains to be seen how the multinationals sector was affected.[65]

As noted above, table 2 represents aggregate figures; the ratios are calculated on a basis which gives higher weight to the larger firms. Annex Table 2, which contains data on assets, employment and sales of individual firms, facilitates a more refined analysis of their global involvement.

The average share of foreign employees is 65%, which seems quite high. Foreign Employment at Teva, Delta, Amdocs, and Frutarom exceeds 75%. In fact, foreign employment in 18 out of the 25 firms included in the list' reaches 50% or more of the total. Absolute numbers, however, tell a different story. With over 32,000 employees abroad, Teva is by far the largest foreign employer. The foreign employment of only three companies, namely Teva, Amdocs and Israel Corporation, exceeds 10,000. An additional eight firms have over 1,000 foreign employees each. The remaining 14 firms have fewer than 1,000 foreign employees. Five firms employ fewer than 500 abroad.

The distribution of the sales figures is similarly skewed. Foreign sales of only two firms, IC and Teva, exceed US$ 10 billion. Foreign sales of three more firms, Amdocs, Makteshim-Agan and Elbit exceed US$ 2 billion. The foreign sales of the remaining 20 firms are less than US$ 1 billion each. In fact, the foreign sales of only four of these 20 firms exceed US$ 500 million. Bearing in mind that a high percentage of foreign sales is probably exported from the home country, we conclude that the foreign involvement of Israel's economy is still in its early stages. More could have been said on this phenomenon had data on exports been available separately.

The average (non-weighted) value of the TNI index, which gives equal weight to each of the 25 companies listed in Annex Table 1, is 65. This compares with the weighted average of 69 reported in table 2. The discrepancy is due to the extra weight given to large firms such as IC and Elco Holdings in table 2, whose TNI index is relatively low. The TNI values of individual firms vary between 84 (Teva, Amdocs, Makhteshim Agan) and 14 (Hod-Assaf). Seven firms have an index higher than 80, 12 firms have one higher than 70, while the TNI index of17 firms exceeds 60. Only three firms have TNI indices lower than 50.

Annex Tables 3 and 4 list the largest individual FDI transactions by Israel-based MNEs during 2008. Annex Table 3 contains figures on the top 10 outward mergers and acquisitions. The list is headed by the acquisition, in July 2008, of the US-based Barr Pharmaceuticals by Teva, Israel's leading pharmaceuticals company. The price paid for Barr, which exceeded US$ 8.7 billion, accounted for more than 75% of the total M&A value reported in the table. Teva spent an additional US$ 400 million on the acquisition of CoGenseys and US$ 335 million on the acquisition of Bentley Pharmaceuticals, two other US-based pharmaceuticals companies. These acquisitions explain why Teva is considered Israel's leading MNE. The acquisition by Orbotech of the US firm Photon Dynamics is the

[65] Bank of Israel, 'Main indicators on the Israel Economy.

only other transaction by firms listed in table 1. The remaining acquisitions were made by smaller firms, engaged in real estate, energy and high technology.

The top ten Greenfield investments in 2008 are shown in Annex Table 4 which exhibits a very different orientation from that of the M&A transactions shown in Annex Table 3. The transactions are overwhelmingly in real estate operations, in the emerging markets of Eastern Europe. The only transactions in activities other than real estate are Israel Corporation's automotive OEM investment in the People’s Republic of China, EIG Renewable's renewable energy investment in Macedonia, and Tidhar's group tourism investment in Bulgaria.

The top 25 MNEs have 572 foreign affiliates (Annex Table 2), implying an average of 23 affiliates per firm. IC heads this list, with 102 foreign affiliates; followed by Makhteshim-Agan, with 75 foreign affiliates; and CheckPoint, with 60.

These affiliates are located mostly in Europe (51%) and North America (22%), as revealed in Annex Table 2 and the geographic distribution of affiliates in annex figure 2. As was the case last year, there are virtually no affiliates in Africa. However, the number of affiliates in Latin America has more than doubled, from 29 to 59.

FDI flows in both directions reached their peak in 2006, at nearly US$ 15 billion. In 2007, they fell sharply, to US$ 9 billion for inflows and US$ 7 billion for outflows. Surprisingly, this negative trend did not continue in 2008, in spite of the worsening global economic crisis. Instead, incoming FDI increased slightly to almost US$ 10 billion, while outgoing FDI rose to nearly US$ 8 billion (annex figure 3). The stock of outward FDI, which was about US$ 41 billion at the end of 2006, increased to nearly US$ 48 billion in 2007, over US$ 51 billion at the end of 2008 and over US$ 52 billion at the end of the first quarter of 2009. Likewise, the stock of incoming FDI, which was US$ 48 billion at the end of 2006, increased to nearly US$ 56 billion in 2007, and continued to rise during the following year, surpassing US$ 58 billion at the end of the first quarter of 2009 (annex figure 4).

Table 1. Ranking of the top 21[a] Israeli multinationals, 2009 (USD million)

Rank	Company	Main industry	Status (% of state holdings)	Foreign assets
1	Israel Corporation	Conglomerate	Listed (0%)	4,500
2	Teva	Pharmaceuticals	Listed (0%)	2,682
3	Elco Holdings	Conglomerate	Listed (0%)	2,675
4	Ormat	Power stations	Listed (0%)	1,577
5	Checkpoint	IT services	Listed (0%)	758
6	IDB Holdings	Conglomerate	Listed (0%)	744
7	Nice	IT services	Listed (0%)	578
8	Strauss Group	Food products	Listed (0%)	426
9	Frutarom	Food products	Listed (0%)	420
10	Elbit	IT services	Listed (0%)	254
11	Avgol	Unwoven fabric	Listed (0%)	201
12	Tower	Electronic hardware - electronic & optical equipment	Listed (0%)	167
13	Delta Galil	Wearing apparel	Listed (0%)	115
14	Palram	Plastic products	Listed (0%)	58
15	Retalix	IT services	Listed (0%)	48
16	Plasson	Plastic products	Listed (0%)	47
17	Lumenis	Electronic hardware - laser technologies	Unlisted (0%)	42
18	Gilat Satellite Networks	Electronic hardware - satellites	Listed (0%)	25
19	AudioCodes	IT services	Listed (0%)	23
20	Orbotech	Electronic hardware - electronic & optical equipment	Listed (0%)	15
21	Ness Technologies	IT services	Listed (0%)	15
Total				**15,370**

Source: Israeli-Vale Columbia Center survey of Israeli multinationals.

[a] Although we speak of the 'top 21', an important clarification is in order. All but one of the leading 21 Israeli multinationals identified in table 1 are publicly listed firms. A number of other (mainly unlisted) multinationals, very likely to belong to this group, could not be included because information on their activities was incomplete. So the top 21 in our list are *among* the largest Israeli multinationals rather than *the* largest.

Annex Table 2. The top 25 Israeli MNEs: Regionality index[a] - 2008

Name	Europe	North America	Latin America & The Caribbean	Asia & Australia	Africa	No. of foreign affiliates
Israel Corporation	53	12	15	20	0.5	102
Elco Holdings	74	9	4	13	0	23
Teva	74	13	13	0	0	23
Amdocs	43	48	5	10	0	21
Ormat	3	65	24	8	0	37
Checkpoint	56	12	7	25	0	60
Makhteshim Agan	54	15	21	9	1	75
Nice	42	26	0	32	0	19
Zoran	25	25	0	50	0	12
Frutarom	79	14	4	4	0	28
Strauss Group	55	40	5	0	0	20
Elbit	38	44	6	12	0	16
Ness	63	14	0	23	0	22
Avgol	25	50	0	25	0	4
Palram	18	28	18	28	9	11
Delta	45	30	0	15	10	20
Carmel Olefins	100	0	0	0	0	4
Retalix	36.5	37	0	18	9	11
Alliance	50	50	0	0	0	2
Plasson	62	6	13	19	0	16
Lumenis	42	11	11	37	0	19
Gillat Sattelites	43	30	30	0	0	7
Audiocodes	67	33	0	0	0	3
Orbotech	46	18	0	36	0	11
Hod-Assaf	100	0	0	0	0	6
Total number of affiliates	**291**	**123**	**59**	**94**	**6**	**572**

Source: Israeli-Vale Columbia Center survey of Israeli MNEs.
[a] The Regionality Index is calculated by dividing the number of a firm's foreign affiliates in a particular region of the world by its total number of foreign affiliates and multiplying the result by 100.

Annex Table 3. The top 10 Israeli acquisitions - 2008 (US$ million)

Date announced	**Target name**	**Target macro industry**	**Acquirer name**	**Value, including net debt of target** (US$ million)	**Percentage owned after transaction**
07/19/2008	Barr Pharmaceuticals Inc	Healthcare	Teva Pharm Inds Ltd	8,767.21	100.00
03/21/2008	Meinl European Land Ltd	Real estate	CPI/GazIT Holdings Ltd	779.67	26.31
05/09/2008	Valero Energy Corp-Krotz	Energy and power	Alon USA Energy Inc	433.00	100.00
01/23/2008	CoGenesys Inc	Healthcare	Teva Pharm Inds Ltd	400.00	100.00
04/01/2008	Bentley Pharmaceuticals Inc	Healthcare	Teva Pharm Inds Ltd	335.26	100.00
06/27/2008	Photon Dynamics Inc	High technology	Orbotech Ltd	218.70	100.00
05/20/2008	Jazz Technologies Inc	High technology	Tower Semiconductor Ltd	171.18	100.00
05/22/2008	Leumi Card Ltd	Financials	Azrieli Group	108.70	20.00
01/16/2008	Elk Resources Inc	Energy and power	Delek Energy Systems US Inc	95.00	100.00
05/02/2008	Colne Valley Retail Park	Real estate	Ravad Ltd	89.07	70.00
Total				**11,397.79**	

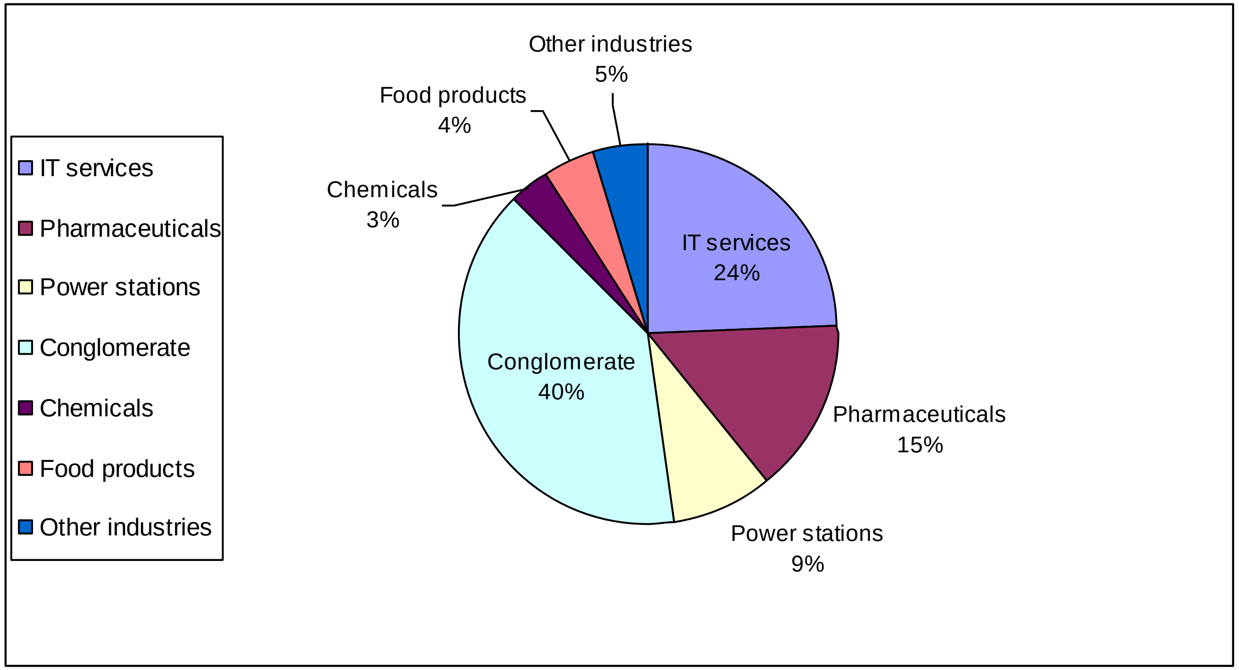
***Source*:** Thomson ONE Banker, Thomson Reuters.

Annex Table 4. The top 10 Israeli cross-border greenfield transactions, 2008 (US$ million)

Date announced	**Company name**	**Source country**	**Destination country**	**Investment** (US$ million)	**Sector**
October-08	Fishman Group	Israel	Russian Federation	1,800	Real estate
May-08	Fishman Group	Israel	Russian Federation	1,500	Real estate
September-08	EngelInvest	Israel	Vietnam	1,100	Real estate
January-08	Israel Corp (IC)	Israel	People's Republic of China	803	Automotive OEM
July-08	EIG Renewables	Israel	Macedonia	564	Alternative/renewable energy
December-08	Fishman Group	Israel	Belarus	500	Real estate
June-08	ELCO Holdings	Israel	Bulgaria	473	Real estate
August-08	EngelInvest	Israel	Russian Federation	400	Real estate
September-08	Tidhar Group	Israel	Bulgaria	360	Hotels & tourism
March-08	Africa Israel Investments	Israel	Romania	357	Real estate
Total				**2,090**	

Source**:** FDI Markets - Global Investment Database, Financial Times.

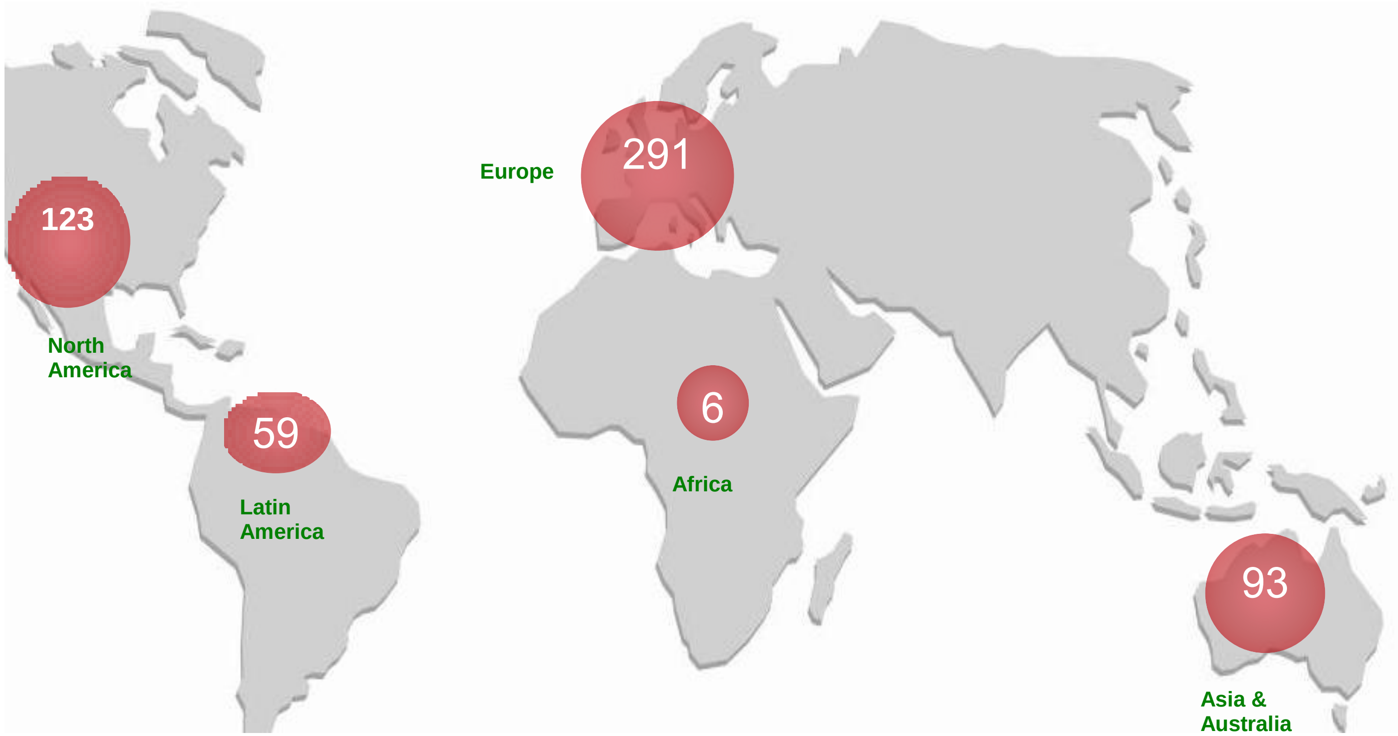
Annex figure 1. Breakdown of the top 20's foreign assets by industry - 2008



Industry	**Foreign assets** (US$ million)	**Companies**
IT services	4,426	Amdocs, Checkpoint, NICE, Ness, Zoran, Audiocodes,Retalix
Pharmaceuticals	2,722	Teva
Power stations	1,549	Ormat
Conglomerate	7,201	Elco Holdings, Israel Corporation
Chemicals	610	Israel Chemicals, Makhteshim-Agan
Food products	799	Strauss Group, Frutarom
Other industries	883	Elbit, Delta, Avgol, Alliance, Gilat, Plasson, Lumenis, Orbotech, Palram, Had-Assaf, Carmel Olefins

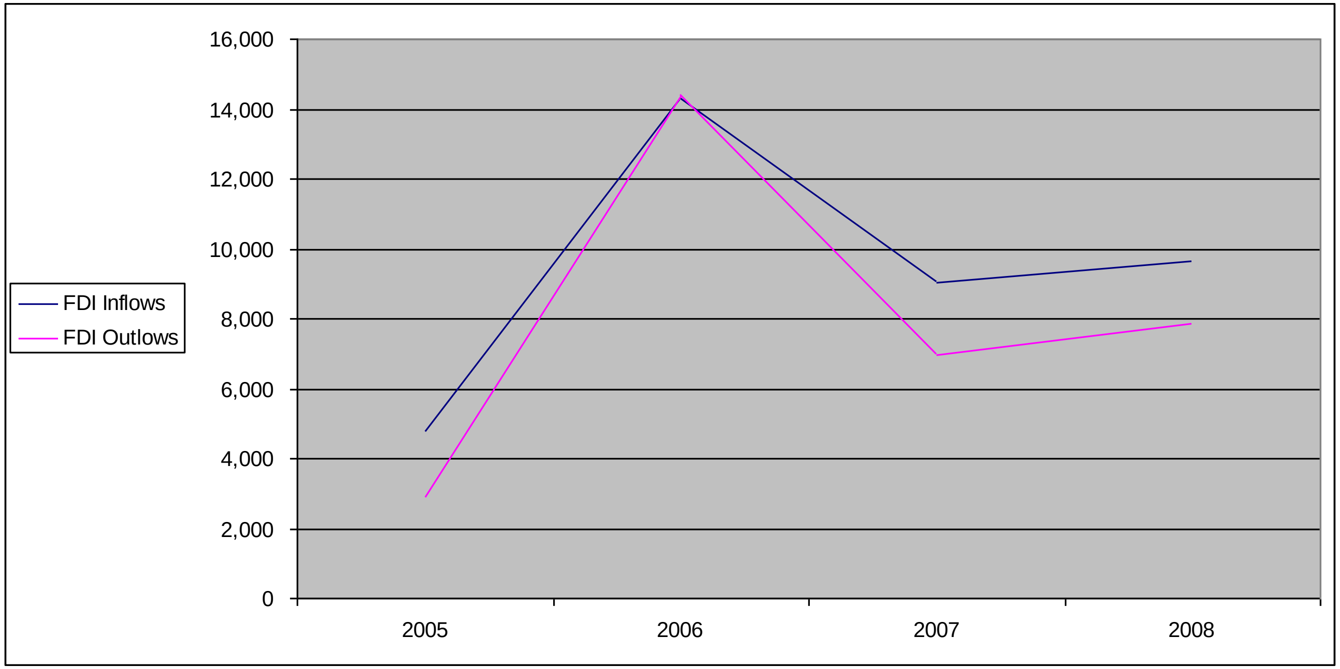
Source*:* Israeli-Vale Columbia Center survey of Israeli MNEs.

Annex figure 2. Foreign affiliates of Israel's top 20 MNEs, by region - 2008 (Number of affiliates)



Source: Israeli-Vale Columbia Center survey of Israeli MNEs.

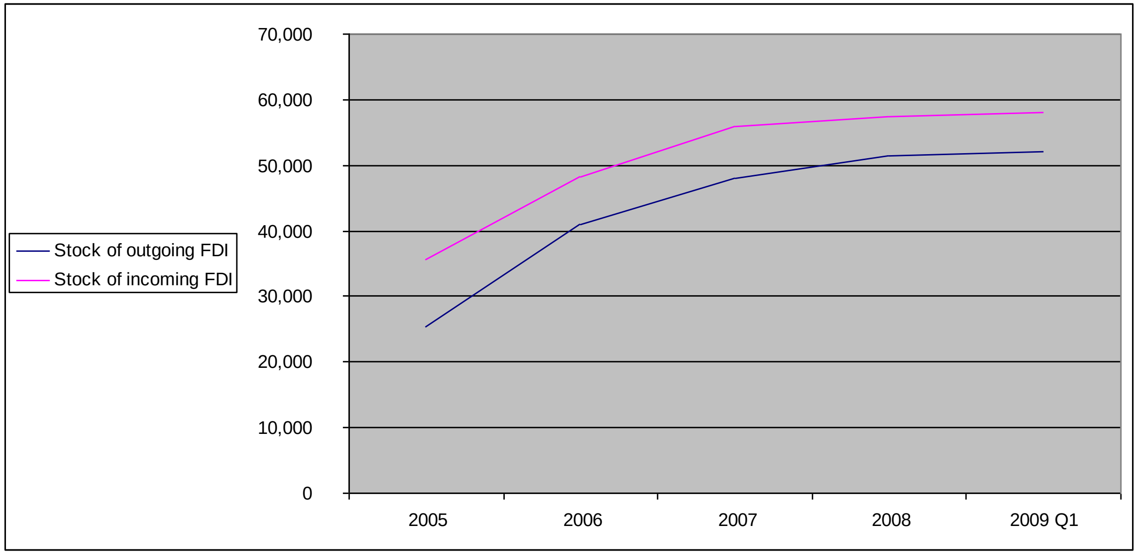
Annex figure 3. FDI outflows from, and inflows into, Israel, 2005-2008 (US$ million)



Source: Accountant General's Office (Ministry of Finance).

Annex figure 4. Israel's outward and inward FDI stock, 2005-2009Q1 (US$ million)

Source*:* Accountant General's Office (Ministry of Finance).



Chapter 7 – The Republic of Korea's global players

MNEs show solid recovery in 2009 after the global crisis

Hwy-Chang Moon[66]

The first annual report on leading Republic of Korea MNEs, released on November 16, 2010, was prepared in 2010 and covers the period 2007 to 2009.[67]

Highlights

The Republic of Korea, the 11th largest economy in the world, has now become one of the leading investors abroad. The number and the size of the corporate giants that dominate the economy have increased over the years, boosting and diversifying their investments around the world. The Republic of Korea's MNEs ranked by their foreign assets (see table 1 below) show about US$ 93 billion in assets held abroad.[68]

Samsung Electronics Co., Ltd. (SEC), a member of a leading Republic of Korean conglomerate, ranked 1st with slightly over US$ 18 billion, followed by another top conglomerate member, LG Electronics, with over US$ 10 billion dollars. Hyundai Heavy Industries Co., Ltd, and DSME Co., Ltd, had foreign assets of over US$ 8 billion each and LG Display had over US$ 6 billion. The top five firms together accounted for just over half of the total foreign assets of the top 20 companies.

Foreign sales (including exports) of the top 20 were about US$ 246 billion and 12 of the 20 firms together had 139,715 employees abroad. (Figures on foreign employment were available for only 12 companies. See Annex Table 1 and the immediately following tables 1a, 1b and 1c for details regarding assets, sales and employment.) The top 20 list includes only one state-controlled firm: Korea Electric Power Corp. (KEPCO). The rest are privately controlled, even though some have small stakes held by state enterprises. Most of the other companies on this list belong to business groups known as *chaebol* − see box 1 on 'Common governance among the top 20' below. Following the progressive liberalization of outward investment policy since the 1980s, The Republic of Korea's largest firms have become progressively more internationalized in recent decades.

[66] Assisted by Jimmyn Parc and Sohyun Yim.

[67] The research for this report was carried out under the direction of Hwy-Chang Moon, in association with the Institute of International Affairs. Professor Moon was assisted by Jimmyn Parc and Sohyun Yim.

[68] The exchange rates used to calculate all figures for the years 2007-2009 are those provided by the International Monetary Fund for December 31st of the relevant year.

Table 1. Ranking of the top 20 Republic of Korean MNEs investing abroad, 2009[a] (US$ million)

Rank	Name of company	Industry	Status (% of state ownership)[b]	Foreign assets[c]
1	Samsung Electronics Co., Ltd.	Conglomerate	Listed (Nil)	18,093
2	LG Electronics	Conglomerate	Listed (Nil)	10,467
3	Hyundai Heavy Industries Co., Ltd.	Conglomerate	Listed (Nil)	8,221
4	DSME Co., Ltd.	Ship & boat building & repairing	Listed (19.11%)	8,087
5	LG Display	Conglomerate	Listed (Nil)	6,257
6	Hyundai Motors	Conglomerate	Listed (Nil)	5,983
7	Samsung Heavy Industries Co., Ltd.	Conglomerate	Listed (Nil)	5,797
8	SK Energy	Conglomerate	Listed (Nil)	4,874
9	POSCO	Iron & steel foundries	Listed (5.08%)	4,774
10	Hynix Semiconductor Inc.	Semiconductors & related devices	Listed (Nil)	4,107
11	KIA Motors	Conglomerate	Listed (Nil)	2,826
12	S-Oil	Petroleum refining/wholesaling & petroleum products	Listed (Nil)	2,065
13	Samsung C&T Corp.	Conglomerate	Listed (Nil)	2,021
14	Doosan Heavy Industries & Construction	Conglomerate	Listed (Nil)	1,677
15	Korea Electric Power Corp. (KEPCO)	Electricity	Listed (51.07%)	1,425
16	Daewoo International Corp.	Conglomerate	Listed (Nil)	1,353
17	Lotte Shopping Co., Ltd.	Conglomerate	Listed (Nil)	1,282
18	Hyundai Merchant Marine Co., Ltd.	Conglomerate	Listed (Nil)	1,245
19	Hyundai Mobis	Conglomerate	Listed (Nil)	1,179
20	LG Chem. Ltd.	Conglomerate	Listed (Nil)	1,126
Total				**92,859**

Source: GSIS-VCC research on leading Republic of Korean MNEs, 2010, drawing on Korea Information Service, Inc. (www.kisline.com) and individual auditor's reports.

[a] The table shows results for the top 20 non-financial MNEs in 2009. All data are based on auditors' reports. For additional data on each MNE, see annex I, table 1 and the tables that follow. Annex II contains a brief narrative profile of each company on the list.

[b] The percentage of state ownership shown in parentheses covers direct state holdings as well as indirect holdings through state-controlled enterprises.

[c] Foreign assets were calculated by adding together capital invested in foreign affiliates, foreign currency assets, and foreign trade receivables. (Neither corporate annual reports nor auditors' reports mention foreign assets directly.)

Profile of the top 20

Ranking changes over the past three years

As table 1a shows, rankings by foreign assets over the three-year period 2007-2009 showed mostly moderate changes among the top 20, barring a case like that of Samsung Heavy Industries, which went from 13th place in 2007 to 28th in 2008 and then all the way up to the 7th in 2009. This was a result of the global crisis (see further discussion below under Shipbuilding). Samsung C&T, the builder of the world's tallest tower in Dubai, received more than US$ 11 billion in orders from the U.A.E. in 2009, including refineries and power plants, though the company stopped work on a US$ 350 million bridge after a unit of Dubai World halted payments. Daewoo International Corp., on the other hand, kept a steady course, increasing exports of manufactured goods and increasing greenfield investment abroad in 2009. Lotte Shopping improved its ranking from 30th in 2007 to 17th in 2009 mainly due to its acquisitions of PT Makro Indonesia and the Chinese supermarket chain Times Ltd. Its foreign assets increased by 158% in just a year, from US$ 500 million in 2008 to US$ 1,292 million in 2009. Through heavy investments in Australia, Canada, the People's Republic of China , Hong Kong (China), Philippines and Nigeria, KEPCO successfully increased its foreign assets by 64% in 2009, when it ranked 15th. Hyundai Merchant Marine Co., Ltd. increased its investment in the Netherlands and expanded its branches in Malaysia, Thailand, the U.A.E., and Vietnam, thus improving its ranking from 24th in 2008 to 18th in 2009. Finally, LG Chemical successfully entered into several new contracts in foreign markets, particularly in battery cells, including the US and the Netherlands. It also increased its investments, particularly in green technologies, in collaboration with firms such as Hyundai Mobis to increase its foreign sales and assets.

Table 1a. Ranks by foreign assets of the 2009 top 20, 2007-2009

Firm	2007	2008	2009	Firm	2007	2008	2009
Samsung Electronics Co., Ltd.	1	1	1	KIA Motors	11	10	11
LG Electronics	7	5	2	S-Oil	12	14	12
Hyundai Heavy Industries Co., Ltd.	5	2	3	Samsung C&T Corp.	14	11	13
DSME Co., Ltd.	9	3	4	Doosan Heavy Industries & Construction	22	18	14
LG Display	2	7	5	Korea Electric Power Corp. (KEPCO)	19	19	15
Hyundai Motors	4	4	6	Daewoo International Corp.	18	16	16
Samsung Heavy Industries Co., Ltd.	13	28	7	Lotte Shopping Co., Ltd.	30	26	17
SK Energy	3	6	8	Hyundai Merchant Marine Co., Ltd.	20	24	18
POSCO	6	8	9	Hyundai Mobis	23	21	19
Hynix Semiconductor Inc.	8	9	10	LG Chem. Ltd.	16	15	20

Source: GSIS-VCC research on leading Republic of Korean MNEs, 2010, drawing on Korea Information Service, Inc. (www.kisline.com) and auditors' reports.

Principal industries (see Annex figure 1)

Electrical & electronic equipment, including semiconductors

The recent financial crisis had a large impact on firms in the Republic of Korea. However, with strong government support to boost outward FDI, many companies expanded abroad and increased their foreign assets and sales. Samsung Electronics increased its foreign assets by increasing the number of foreign affiliates and their size in foreign markets. The growth of its capital assets came mainly from the increased net profit of its foreign affiliates. LG Electronics also invested aggressively in foreign markets, especially in the BRICs, Indonesia, Canada, Poland, and the United States, achieving tremendous success in home appliances, home entertainment and mobile communications, resulting in a 133% increase in foreign assets in 2009. (See its steady rise in the top 20 ranking in table 1a below.)

During the financial crisis, in early 2009, LG Display was close to hitting the panic button but in the end the company was able to expand its international operations and increase investments in the People's Republic of China, Taiwan Province of China and Poland. It also made new investments in the United States to develop technologies for large-sized organic light-emitting diode (OLED) screens for televisions, solar cells and flexible displays. As a result, the company's foreign assets increased by roughly 68% in 2009. Hynix Semiconductor Inc. also bounced back to profit in the fourth quarter of 2009, after a record loss in the previous year, as sales surged and prices for its mainstay computer memory chips increased.

Automobiles and auto parts

Although the world automobile market shrank due to the global credit crunch, Hyundai Motors increased its market share by 12% and recorded the highest sales in its history. The company invested heavily in 2009 in both its sales and its production facilities in the People's Republic of China, the Czech Republic, the Russian Federation, Poland, Spain, Germany, and the United States In particular, it increased its investment by 42% in Hyundai Motors America (HMA), from US$ 1,295 million in 2008 to US$ 1,848 million in 2009. Hyundai Motors' affiliate, Kia Motors, also invested in its production facilities for manufacturing parts and components, mainly in the People's Republic of China.

As these two automobile makers in the Republic of Korea expanded their market shares in the People's Republic of China, India and the Czech Republic, Hyundai Mobis, the largest Republic of Korean auto parts company, established new production facilities in these countries as well, increasing its foreign assets by 39.1% in 2009. Indeed, the financial crisis actually helped the sales of Hyundai Mobis, as car-owners delayed purchases of new vehicles and thus boosted demand for replacement components.

Shipbuilding

In early 2009, the shipbuilding industry ranked 1st in the Republic of Korea's exports for the first time in history, outpacing exports of automobiles and semiconductors. Hyundai Heavy Industries, DSME and Samsung Heavy Industries are the main shipbuilders among the top 20 MNEs in the Republic of Korea. While maintaining and upgrading production facilities for high-value ships in the Republic of Korea, they actively invested in the People's Republic of China to produce low-value ships. To reduce risks deriving from the financial crisis and external economic uncertainties, these Republic of Korea firms have also expanded their businesses to related sectors such as ship engines and to other sectors such as natural resources and new energy-related activities.

As table 1a shows, Samsung Heavy Industries displayed the greatest volatility over the past three years. Because of the global financial and economic crisis, the company faced huge drops in global ship orders. There were practically no new orders in 2008. With capital flows failing to live up to expectations, corporate bonds were issued for the first time in seven or eight years. The other two shipbuilding firms were also in a similar situation but Samsung Heavy Industries, in particular, had to issue a larger number of bonds totaling US$ 700 billion. Its foreign assets were the smallest among the top 20 MNEs in 2008. But it was able to pick up quickly in 2009, mainly due to its heavy investments in the People's Republic of China, Brazil, and India (see Annex Table 1a).

Petrochemicals and steel

Amid continued concerns over a volatile business environment and the global economic slowdown, SK Energy invested in Australia and Brazil to secure oil and gas fields for its own production. Its domestic rival, S-Oil, also increased its foreign assets through investment in oil and gas fields. POSCO adopted an aggressive strategy to secure coal, iron and ore mining facilities in Australia and Brazil when the price was low. The company invested in Macarthur Coal Ltd. in Australia and Nacional Minerios S.A. in Brazil, and expanded its investment in Nippon Steel and in its subsidiary in Chennai, India.

Geographic distribution of foreign affiliates

The geographic distribution of the foreign affiliates varies from industry to industry. More than 43% of the foreign affiliates of the top 20 as a group are located in Asia and the Pacific, followed by 25% in Europe and just under 20% in North and South America (see Annex Table 2 and annex figure 2). Though the percentage of foreign affiliates in the Middle East and Africa is low, there is rising interest in these regions among firms in the Republic of Korea, particularly in the manufacturing and petrochemical industries.

Foreign asset distribution by industry

As noted in an earlier section, most MNEs in the Republic of Korea are to be found in five main industries − electrical and electronic equipment, including semiconductors; autos and auto parts; shipbuilding; steel; and petrochemicals. About 42% of the foreign assets of the top 20 are in the electrical and electronic industry (annex figure 1). Foreign assets in shipbuilding add up to a further 24%, with another 11% invested in autos and auto parts. Foreign assets in the petrochemical and oil refining industries were only about 9%, wholesale & retail trade 4% and construction 3%.

Transnationality Index (TNI)

Since information on foreign employment was only available for 12 of the top 20, the TNI proper could only be calculated for these 12 firms.[69] Annex Table 1 gives a TNI figure for each of the top 20 but, in eight of the cases, this does not include the foreign to total employment ratio. Bearing this in mind, we may note that the highest TNI is recorded for DSME Co., 79.56%, followed by LG Display at 67% and LG Electronics at 66.16%. SEC, the largest company by foreign assets, ranked 9th for TNI, whereas KEPCO, the only state-owned company included in the top 20, ranked the lowest.

Ownership and status

All 20 firms in table 1 are listed on the Seoul stock exchange. Sixteen of the 20 are also listed on foreign stock exchanges, nine of them on more than one. (See Annex Table 3 for details.) KEPCO is the only state-controlled enterprise among the top 20, with 21.12% of direct state ownership and a further 29.95% owned indirectly through the Korea Finance Corporation (KoFC), which is in turn a wholly state-owned enterprise. DSME Co. and POSCO also have a state stake but it is a minority one. The shares of all other firms on the list are privately held.

Six of the top 20 Republic of Korean MNEs has substantial foreign shareholdings. These are: Samsung Electronics Co., Ltd (47.71%), Hyundai Motors (33.49%), SK Energy (around 30.00%), POSCO (50.07%), S-Oil (47.35%) and Hyundai Mobis (35.95%). In the case of POSCO, various factors − including the existence of several ‘strategic stake swaps’ (or ‘white squire’ holdings), the largest shareholder being Republic of Korean, and so forth − have led us to conclude that POSCO is a Republic of Korean company suitable for inclusion in this report.

Box 1: Common governance among the top 20

An important characteristic of the Republic of Korea’s top 20 is that most of them belong (or until recently belonged) to what are known as *chaebol*. A *chaebol* is a loosely organized family-controlled business group, rather like the Japanese *keiretsu* (formerly *zaibatsu*), except that it is not centered on a bank. The *chaebol* were strongly encouraged and supported by the government, beginning in the 1960s, and played a key role in the Republic of Korea’s emergence as one of the ‘newly industrializing economies’ or ‘NIEs’, as they came to be called around 1980. Relations between the government and the *chaebol* changed after the Asian crisis of 1997, which exposed a variety of weaknesses in the *chaebol* system.

Fourteen of the top 20 belong to one of eight of these groups (in italics below) and three others (last paragraph) belonged to one or another but are now independent.

Samsung Group: Samsung Electronics Co., Ltd., Samsung Heavy Industries Co., Ltd., and Samsung C&T Corp.
Hyundai Group: Hyundai Merchant Marine Co., Ltd.
Hyundai-Kia Motors Group (former Hyundai Group): Hyundai Motors, KIA Motors, Hyundai Mobis
Hyundai Heavy Industries Group (former Hyundai Group): Hyundai Heavy Industries Co., Ltd.
LG Group: LG Electronics, LG Display, and LG Chem. Ltd.
Doosan Group: Doosan Heavy Industries & Construction
SK Group: SK Energy
Lotte Group: Lotte Shopping Co., Ltd.

[69] The twelve firms are: SEC, LG Electronics, Hyundai Motors, Hynix Semiconductor Inc., Kia Motors, S-Oil, Samsung C&T Corp., Doosan heavy Industries & Construction, KEPCO, Lotte Shopping Co., Ltd., Hyundai Mobis and LG Chem. Ltd.

DSME Co., Ltd. and Daewoo International Corp. originally belonged to the Daewoo Group but became an independent companies specializing in shipbuilding and in international trading and investment in 2003.
Hynix Semiconductor Inc. was a part of the LG Group prior to the 1997 Asian economic crisis. It then became a part of the Hyundai Group and was finally spun off as an independent firm in 2001.

Source: GSIS-VCC research on leading Republic of Korean MNEs, 2010.

Head office locations

The headquarters of all companies are located in the Republic of Korea and most of them are located in Seoul (annex figure 4). SEC's headquarter is located in Suwon. The others are located in the southeast of the country; the head office of POSCO is situated in Pohang, Hyundai Heavy Industries Co., Ltd. in Ulsan, Doosan Heavy Industries & Construction in Changwon, and DSME Co., Ltd. in Geoje.

Official language and the nationality of the CEO and the top management

The official language of all firms is Korean, with the CEO, top management and most of the employees being Korean as well. The language used by foreign affiliates varies according to their locations and their top management, but most affiliates are controlled by the head office and are operated by Republic of Korea managers dispatched from the head office.

Top mergers and acquisitions

The most significant M&A transaction by value carried out by a Republic of Korea MNE in the past three years was the investment made by Doosan Infracore Co., Ltd (an affiliated company of the Doosan Group which is not among the top 20) which bought the Bobcat, Utility Equipment and Attachments Business Units from Ingersoll-Rand, a US firm, for nearly US$ 5 billion (Annex Table 4). The only firm from the top 20 to figure in the top 10 M&As of 2007-2009 was Doosan Heavy Industry & Construction, which bought a Czech company in the turbine and turbine generator business for nearly US$ 660 million (Annex Table 4).

Top greenfield investments

In sharp contrast to the M&A story, the top 11 outward *greenfield* transactions over 2007-2009 (Annex Table 5) were mostly carried out by firms from the top 20, even though the largest of them involved the Deaesung Engineering Corp. (DSECO), which is not on our list. It is followed by a transaction undertaken by LG Electronics in the People's Republic of China, a US$ 4 billion investment in electronic components. Samsung Electronics also made an investment in the same field in the People's Republic of China, but it was only half the amount of the LG Electronics one. POSCO's investments in India and Vietnam ranked 3rd and 4th respectively. SK energy and Hynix Semiconductor also invested in the People's Republic of China, whereas DSME Co., Ltd. invested in the Russian Federation.

Drivers of Republic of Korea's outward FDI

A lack of natural resources, along with cost disadvantages and a saturated home market were key drivers of Republic of Korea's outward FDI. Companies such as POSCO and Samsung C&T Corp. invested abroad to get access to natural resources and to overcome a volatile commodities market and price fluctuations at home. To reduce production costs, Republic of Korean firms have targeted the People's Republic of China, in particular; for example, LG Electronics has established more than ten production subsidiaries there.

Firms from the Republic of Korea also went abroad to meet foreign demand. At the initial stage of outward FDI, Republic of Korea firms chose developed countries for their relatively large market size. Later, they expanded into developing countries as well. For example, LG

Electronics moved to Taiwan Province of China and modified its products to improve quality, whereas Samsung Electronics invested in Vietnam to meet the Vietnamese government requirement of establishing production facilities to gain market access.

There were other drivers as well − for example, moving abroad to acquire new technologies or to overcome competitive disadvantages at home. In some cases, Republic of Korea's firms have expanded into specific locations (e.g., Germany or Malaysia) to boost regional sales or infiltrate neighboring markets.

Changes in assets, sales and employment over 2007-2009

Table 2 below offers a snapshot of changes in the assets, sales and employment of the top 20 over 2007-2009, while Annex Tables 1a, 1b and 1c provide details for individual companies over the same three-year period. Both assets and sales of the top 20 fell in 2008, although the fall in *foreign* assets and sales was slight (by just over 2% and 1% respectively) in comparison with *total* assets and sales (by about 10% and 4% respectively), as the Republic of Korea's economy became vulnerable to foreign capital flight, depreciating the won dramatically.. However, both assets and sales picked up quickly in 2009. The growth in foreign assets and sales was stronger (in the case of assets, much stronger) than the growth in total assets and sales, as Republic of Korea's firms invested heavily abroad, increasing foreign assets and sales in larger proportions than total assets and sales. The former grew by 53% and 18% respectively, while the latter grew by only 17% and 12%. Total employment increased in both 2008 and 2009, although the increase was slight (somewhat over 1%) in the former year as against the latter (18%).

Table 2. Snapshot of the top 20 Republic of Korea MNEs, 2007-2009 (US$ million and numbers of employees)

Variable	2007	% change	2008	% change	2009	% change, 2007-2009
Assets						
Foreign	62,255	-2.31	60,819	52.68	92,859	49.2
Total	379,892	-10.04	341,749	16.95	399,692	5.2
Share of foreign in total (%)	16.39		17.8		23.23	
Sales						
Foreign	210,351	-1.26	207,693	18.64	246,425	17.1
Total	341,350	-3.91	327,996	12.11	367,700	7.7
Share of foreign in total (%)	61.3		63		67.02	
Employment						
Foreign[a]	-	-	-	-	-	-
Total	367,089	1.47	372,482	18.18	440,230	19.9
Share of foreign in total (%)	-	-	-	-	-	-

Source: GSIS-VCC research on leading Republic of Korean MNEs, 2010, drawing on Republic of Korea Information Service, Inc. (www.kisline.com), auditor's reports and interviews by telephone.

[a] Foreign employment figures were unavailable for eight out of 20 firms, so none have been included in this table. See Annex Table 1 for foreign employment numbers of 12 firms.

The big picture

The Republic of Korea's first outward investment took place as early as 1959, when a Republic of Korea company invested in real estate in New York. The non-real estate activities, however, began ten years later, in 1968, when the Korea Southern Area Development Company invested in an Indonesian forestry development project. From the 1960s to the mid-1980s, Republic of Korea’s FDI abroad remained negligible and limited to mining, forestry and trading businesses. Both investment and trade were focused on securing natural resources, as domestic production was not enough to meet domestic demand.

The period from 1980 to 1984 accounted for only about 0.4% of total outward investment made during the past three decades. The trend remained similar during the period 1985 to 1990 − just 1.2 % of total investment over the period. From the year 1990, outward FDI increased on account of several factors, including the appreciation of the won, the liberalization of government policy, local wage increases and trade conflicts, which often involved anti-dumping measures. During the period 1995 to 1999, large investments took place despite the 1997 Asian financial crisis and accounted for 14.4% of the total investment between 1980 and 2009. After the Asian financial crisis, the government adopted a floating exchange rate, thus making it possible for small and medium-sized enterprises as well as individuals to invest abroad.

Indeed, the main obstacle to Republic of Korea’s outward FDI until the 1980s was the government's strict controls on foreign exchange. It was only after the 1985 Plaza Accord that the government started liberalizing foreign exchange regulations. The appreciation of the won in subsequent years played a significant role in boosting outward FDI. From the 1960s to the 1980s, the Republic of Korea was focused on economic development, mainly through boosting exports, and the exchange rate was an important instrument in keeping exports competitive. In 1989, the government attempted to adopt a floating exchange rate for the first time. However, this was a ‘managed float’, severely restricting the range of fluctuation. The range was enlarged in 1995 and, after the 1997 Asian financial crisis, a free-floating exchange rate was adopted in December 1997 (see annex figure 8).

After the initial modifications of foreign exchange and FDI policies in the 1980s, Republic of Korea firms started exploring Southeast Asian markets, which offered both opportunities for market expansion and access to cheaper labor. Since then, Republic of Korea’s FDI in the region has increased continuously except during the period of the Asian financial crisis from 1997 to 1998 and during the recent global financial and economic crisis.

The recent crisis had a negative impact on the Republic of Korea’s GDP growth, which slowed in the first quarter of 2009. However, the government’s strong economic policies to support investment and exports helped growth pick up in the second quarter of 2009. In the third quarter of 2009, record low interest rates and other stimulus measures helped return the economy to its pre-crisis condition.

Annex Table 4a lists significant individual transactions by Republic of Korea MNEs in major *regions* in 2009, while Annex Table 4b lists transactions in main *industries* from 2005 to 2009. (Both M&A and greenfield transactions are covered by these tables.) Although financial firms are not included in the list of the top 20, these tables do include firms and investments in finance and insurance, such as an investment made in Hong Kong (China) in 2009. Canada received more investment than the US in North America, whereas the UK and the Netherlands were the biggest recipients of the Republic of Korea's FDI among European countries. The investment in real estate in the UK (an increase of 778.8%) increased the total in Europe by 61.5% over 2008. Caribbean territories such as the tax haven Cayman Islands also feature among the locations chosen by Republic of Korea investors in recent years.

The more restrictive labor and environmental regulations recently imposed by the Chinese government have led to a decline in Republic of Korea's manufacturing investment in the People's Republic of China . As we can see from Annex Table 4b, which is broadly representative of outward FDI from the Republic of Korea as a whole, annual manufacturing investment in the People's Republic of China peaked in 2007 at US$ 3,754 million, which was about seven times larger than the *total* invested in real estate and six times larger than the total in mining. In 2008, FDI in manufacturing in the People's Republic of China had fallen by nearly 40% to US$ 2,311 million; in 2009, it fell a further 30% to US$ 1,652 million.

By 2009, the largest outward FDI transactions (both M&A and greenfield) were led by mining, followed by manufacturing, with real estate gaining rapidly. Investment in the mining sector increased by over 40% in 2009, because of large investments in Canada, the Netherlands and Madagascar. The largest amount invested in the real estate sector was in the UK, where the Republic of Korea's national pension agency acquired the HSBC Tower, which led to a near 40% increase in overall Republic of Korea investment in foreign real estate. Also noticeable in Annex Table 4b is a large shift towards locations in Europe and North America in the IT services industry, beginning in 2007.

Total outward FDI flows from the Republic of Korea have risen fairly steadily over most of the past decade, with some exceptions − a small drop in 1997, 1999 and 2002 according to the Export Import Bank of Korea, and a larger drop in 2001 and a small dip in 2005 according to UNCTAD (see annex figure 7 for both sets of figures since 1980). Then in 2009 there was a big drop of 44% according to UNCTAD but a relatively small one of 15% according to the Exim Bank. Both sources agree, however, that 2009 saw a decline in outward FDI flows.[70] Table 3 below relates investment to investor size. At least in 2009, a clear pattern emerges: the smaller the investor, the greater the drop in investment over 2008, ranging from under 1% for large MNEs to 65% for individuals. Since over 80% of the investment is made by large firms, it is natural that the final drop in total outward FDI in 2009 is relatively small.

The number of new affiliates also dropped in 2009, from 4,022 in 2008 to 2,483 in 2009 (see Annex Table 7). The biggest drop was in Asia: from 2,744 in 2008 to 1,588 in 2009.

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[70] The difference is partly a matter of different sources, UNCTAD' data having come from the Ministry of Knowledge and Economy, which is not the main Republic of Korea institution dealing with FDI. In addition, UNCTAD received the most up-to-date data too late to include it in its *World Investment Report 2010*. The EXIM Bank data presented in this report are thus more reliable.

Table 3. Outward FDI amounts, by size[a] of investor (US$ million)

Investor type	**2005**	**2006**	**2007**	**2008**	**2009**	**% change, 2008-2009**
Large firms	3,935	7,283	14,110	15,912	15,772	-0.9
Medium-sized firms	2,445	3,336	5,989	6,003	3,339	-44.4
Small firms	123	136	164	91	43	-53.1
Individuals	564	875	1,045	858	297	-65.4
Others (NGOs, etc.)	11	0	116	50	0	-100
Total	**7,078**	**11,631**	**21,423**	**22,914**	**19,451**	**-15.1**

Source: Overseas Investment Statistics, the Export Import Bank of Korea.

[a] In the relevant Republic of Korean legislation (say on foreign exchange or on SMEs), there are no standard criteria of 'size' that apply across industries. Thus, a 'large' manufacturing firm must have at least 300 employees or more than 8 billion won in *capital*, while a firm in the movie industry must have more than 200 employees or more than 20 billion won in *sales*.

About 30% of total outward FDI was in the form of cross-border M&As. Annex Table 8 shows the Regionality Index of M&As. The percentage of investment in North America was 42%, the largest among all regions in 2009 (data covering period until September only). Asia, which accounted for 47% in 2008, declined to 26% of total M&As, falling to 2nd place.

Though inward FDI was more sensitive to economic fluctuations in the Republic of Korea, outward FDI, both flows and stock, rose dramatically after 2005 (annex figures 5 and 6), with flows reaching nearly US$ 19 billion in 2008. Outward FDI stock remained well below inward stock, however, until 2008 (annex figure 6). Inward FDI flows peaked in 1999, at nearly US$ 10 billion but fell sharply thereafter to reach US$ 3.4 billion in 2002. They went up again in 2004 to US$ 9 billion and dropped to US$ 2.6 billion in 2007, the same level as at the time of the 1997 Asian financial crisis. The reasons included the rise of the People's Republic of China as a competitor and the appreciation of the Republic of Korean won.

Box 2: The development of outward FDI policies

The Republic of Korea's outward FDI policies have changed in keeping with the country's economic development and the changes in its external environment. In 1968, the Bank of Korea first authorized private foreign investment but under quite severe restrictions: first, it had to be approved and, second, it had to be related to developing natural resources, securing raw materials or boosting exports. In 1981, the advance authorization requirement was scrapped and qualifications for investing abroad were made less stringent.

During the 1980s, wage increases at home and trade conflicts abroad led Republic of Korea's firms to consider off-shoring and the government helped by liberalizing outward investment policies. The pre-authorization system gave way to the reporting system, particularly in labor-intensive industries. Moreover, the positive specification of acceptable investment areas was dropped in favor of a 'negative system', which specified the few forbidden industries. Investment procedures were also much simplified.

After becoming an official member of the OECD in 1996, the Republic of Korea reduced restrictions further but it was the 1997 Asian financial crisis that really forced the government, as part of the conditionality agreement with the International Monetary Fund, to take major further steps. A number of changes were made to both inward and outward FDI policies. Changes in outward FDI policies made at this point included the introduction of a deferred payment system, increased and liberalized financial support for investing in developing countries, and collateral insurance and mortgage systems. In order to strengthen ties with and secure natural resources from developing countries, the Economic Development Cooperation Fund (EDCF) and the Korea International Cooperation Agency (KOICA) were established in 1987 and 1991, respectively. They were enhanced after the financial crisis to support international demand for Republic of Korean investment and support resource development projects abroad. As noted above, the post-crisis period also saw the adoption of a floating foreign-exchange regime.

In 2003, a new enforcement ordinance in foreign trade law was established, which went beyond reducing and removing restrictions to providing positive support for investment abroad. The main supportive measures in place today include financial support, exemption on taxes paid overseas, institutional services providing information and administrative help, and special attention to small and medium-sized firms that wish to invest abroad. In addition, investment insurance services are also now provided to protect firms against losses through expropriation, war, and other such contingencies.

Source: GSIS-VCC research on leading Republic of Korean MNEs, 2010.

The future of Republic of Korea's outward investment

The Republic of Korea's investment abroad has increased notably during the past two decades and is expected to rise further, given the improvements in the regulatory environment in the Republic of Korea described in box 2 above. Nonetheless, some key challenges remain. First, Republic of Korean FDI overseas is mainly concentrated in the People's Republic of China and needs to be diversified to other countries and regions. Second, although investment in mining, real estate and so forth has increased in recent years, Republic of Korea's investment is still concentrated in manufacturing industries. Investment needs to be diversified into high-value-added sectors, including R&D and certain kinds of services. Third, given the differences in the motivations of different firms, they need to be careful about selecting the appropriate market entry strategies that fit their specific motivations and goals. And, finally, the government needs to keep an eye on the vulnerabilities of small and medium-sized companies in volatile circumstances and stand ready to provide additional support as needed.

Annex Table 1. Republic of Korea: The top 20 MNEs: Key variables, 2009 (US$ million[a] and number of employees)[b]												
Rank by foreign assets	**Firm**	**Assets**			**Sales**			**Employment**			**TNI (%)[c]**	**Number of foreign affiliates**
		Foreign	**Total**	**Foreign/ total**	**Foreign**	**Total**	**Foreign/ total**	**Foreign**	**Total**	**Foreign/ total**		
1	Samsung Electronics. Co., Ltd.	18,093	73,676	24.56	64,062	76,887	83.32	29,097	85,085	34.20	47.36	94
2	LG Electronics	10,467	18,480	56.64	20,425	26,133	78.16	52,308	82,136	63.68	66.16	77
3	Hyundai Heavy Industries Co., Ltd.	8,221	21,302	38.59	16,298	18,107	90.01	n.a.	24,982	n.a.	(64.30)	35
4	DSME Co., Ltd.	8,087	12,964	62.38	10,309	10,656	96.74	n.a.	12,245	n.a.	(79.56)	13
5	LG Display	6,257	16,174	38.69	16,423	17,231	95.31	n.a.	23,934	n.a.	(67.00)	17
6	Hyundai Motors	5,983	30,358	19.71	13,525	27,286	49.57	33,692	55,984	60.18	43.15	47
7	Samsung Heavy Industries Co., Ltd.	5,797	17,290	33.53	10,417	11,215	92.88	n.a.	12,623	n.a.	(63.20)	13
8	SK Energy	4,874	18,554	26.27	18,126	30,685	59.07	n.a.	5,391	n.a.	(42.67)	18
9	POSCO	4,774	34,252	13.94	8,093	23,085	35.06	n.a.	16,458	n.a.	(54.07)	19
10	Hynix Semiconductor Inc.	4,107	11,498	35.72	6,213	6,442	96.44	5,160	17,175	30.04	54.07	31
11	KIA Motors	2,826	14,510	19.48	9,817	15,772	62.25	10,368	32,755	31.65	37.79	28
12	Sn.a.Oil	2,065	7,751	26.64	9,016	14,923	60.41	2	2,521	0.08	29.04	1
13	Samsung C&T Corp.	2,021	11,892	16.99	5,024	9,548	52.62	2,509	9,774	34.53	34.71	106
14	Doosan Heavy Industries & Construction	1,677	7,859	21.35	3,254	5,378	60.51	250	5,868	4.26	27.28	42
15	Korea Electric Power Corp. (KEPCO)	1,425	59,940	2.38	4,830	28,850	16.74	79	20,177	0.39	6.50	18
16	Daewoo International Corp.	1,353	3,327	40.66	5,024	9,548	52.62	n.a.	1,502	n.a.	(46.64)	67
17	Lotte Shopping Co., Ltd.	1,282	15,980	8.03	6,690	9,879	67.72	345	9,092	3.79	26.51	4
18	Hyundai Merchant Marine Co., Ltd.	1245	7144	17.42	5,238	5,238	100.00	n.a.	2,079	n.a.	(58.71)	180
19	Hyundai Mobis	1,179	9,583	12.31	4,965	9,107	54.52	253	6,460	3.92	23.58	35
20	LG Chem. Ltd.	1,126	7,159	15.72	8,676	11,729	73.97	5,652	13,989	40.4	43.37	40
Total		**92,859**	**399,692**		**246,425**	**367,700**			**440,230**		**n.a.**	**885**

Source: GSIS-VCC research on leading Republic of Korean MNEs, 2010, drawing on Korea Information Service, Inc. (www.kisline.com), auditors' reports and interviews.

[a] As indicated earlier, all calculations use exchange rates provided by the IMF for December 31 of the reporting year. For 2007, 2008 and 2009, these were KRW 938.2, 1,257.5 and 1,167.6, respectively, per US$ 1. [b] 'n.a.' indicates the non-availability of data. [c] The TNI percentage appears in parentheses where it has been calculated *without* including the foreign-to-total employment ratio.

Annex Table 1a. Republic of Korea: Foreign and total assets of the top 20 MNEs, 2007-2009 (US$ million)[a]

Rank	Firm	2007 Foreign	2007 Total	2008 Foreign	2008 Total	2009 Foreign	2009 Total
1	Samsung Electronics Co., Ltd.	11,270	69,522	11,246	57,669	18,093	73,676
2	LG Electronics	3,676	15,281	4,759	13,788	10,467	18,480
3	Hyundai Heavy Industries Co., Ltd.	5,198	17,905	6,495	20,104	8,221	21,302
4	DSME Co., Ltd.	3,341	8,833	5,801	12,687	8,087	12,964
5	LG Display	6,023	14,277	3,929	13,123	6,257	16,174
6	Hyundai Motors	5,233	31,536	5,305	25,581	5,983	30,358
7	Samsung Heavy Industries Co., Ltd.	2,125	11,256	347	20,743	5,797	17,290
8	SK Energy	5,728	16,734	4,648	17,857	4,874	18,554
9	POSCO	4,040	32,501	3,779	29,450	4,774	34,252
10	Hynix Semiconductor Inc.	3,570	15,846	2,647	10,496	4,107	11,498
11	KIA Motors	2,661	13,700	2,580	12,288	2,826	14,510
12	S-Oil	2,587	10,082	1,404	6,088	2,065	7,751
13	Samsung C&T Corp.	1,550	10,583	1,631	8,966	2,021	11,892
14	Doosan Heavy Industries & Construction	695	5,949	965	7,888	1,677	7,859
15	Korea Electric Power Corp. (KEPCO)	829	69,967	919	53,175	1,425	59,940
16	Daewoo International Corp.	964	2,307	1,037	2,127	1,353	3,327
17	Lotte Shopping Co., Ltd.	22	12,729	525	10,579	1,282	15,980
18	Hyundai Merchant Marine Co., Ltd.	805	6,145	701	6,586	1,245	7,144
19	Hyundai Mobis	652	7,224	897	6,162	1,179	9,583
20	LG Chem. Ltd.	1,284	7,514	1,204	6,391	1,126	7,159
Total		**62,255**	**379,892**	**60,819**	**341,749**	**92,859**	**399,692**

Sources: GSIS-VCC research on leading Republic of Korean MNEs, 2010, drawing on Korea Information Service, Inc. (www.kisline.com) and auditors' reports.

[a] As indicated earlier, all calculations use exchange rates provided by the IMF for December 31 of the reporting year. For 2007, 2008 and 2009, these were KRW 938.2, 1,257.5 and 1,167.6, respectively, per US$ 1.

Annex Table 1b. Republic of Korea: Foreign and total sales of the top 20 MNEs, 2007-2009 (US$ million)[a]

		2007		2008		2009	
Rank	**Firm**	**Foreign**	**Total**	**Foreign**	**Total**	**Foreign**	**Total**
1	Samsung Electronics Co., Ltd.	54,404	67,337	47,234	58,014	64,062	76,887
2	LG Electronics	18,100	25,050	16,854	21,979	20,425	26,133
3	Hyundai Heavy Industries Co., Ltd.	14,660	16,556	14,291	15,870	16,298	18,107
4	DSME Co., Ltd.	7,455	7,573	8,592	8,807	10,309	10,656
5	LG Display	14,002	15,096	11,771	12,616	16,423	17,231
6	Hyundai Motors	18,719	32,637	15,823	25,598	13,525	27,286
7	Samsung Heavy Industries Co., Ltd.	8,290	9,080	7,843	8,481	10,417	11,215
8	SK Energy	8,450	15,841	21,478	36,372	18,126	30,685
9	POSCO	7,141	23,669	7,840	24,368	8,093	23,085
10	Hynix Semiconductor Inc.	8,792	8,989	5,002	5,165	6,213	6,442
11	KIA Motors	11,827	16,999	9,040	13,028	9,817	15,772
12	S-Oil	9,747	16,233	11,574	18,290	9,016	14,923
13	Samsung C&T Corp.	4,413	8,331	4,818	8,784	5,024	9,548
14	Doosan Heavy Industries & Construction	2,139	4,359	2,941	4,540	3,254	5,378
15	Korea Electric Power Corp. (KEPCO)	n.a.	30,893	n.a.	25,068	4,830	28,850
16	Daewoo International Corp.	4,413	8,331	4,818	8,784	5,024	9,548
17	Lotte Shopping Co., Ltd.	n.a.	10,412	n.a.	8,357	6,690	9,879
18	Hyundai Merchant Marine Co., Ltd.	5,427	5,427	6,364	6,364	5,238	5,238
19	Hyundai Mobis	5,325	9,050	4,432	7,454	4,965	9,107
20	LG Chem. Ltd.	7,046	9,486	6,979	10,056	8,676	11,729
Total		**210,351**	**341,350**	**207,693**	**327,996**	**246,425**	**367,700**

Source: GSIS-VCC research on leading Republic of Korean MNEs, 2010, drawing on Korea Information Service, Inc. (www.kisline.com) and auditors' reports.

[a] As indicated earlier, all calculations use exchange rates provided by the IMF for December 31 of the reporting year. For 2007, 2008 and 2009, these were KRW 938.2, 1,257.5 and 1,167.6, respectively, per US$

Annex Table 1c. Republic of Korea: Total employment of the top 20 MNEs, 2007-2009 (number of persons)

Rank	**Firm**	**2007**	**2008**	**2009**
1	Samsung Electronics Co., Ltd.	84,734	84,471	85,085
2	LG Electronics	29,503	28,415	82,136
3	Hyundai Heavy Industries Co., Ltd.	25,484	25,248	24,982
4	DSME Co., Ltd.	10,950	11,815	12,245
5	LG Display	15,359	19,024	23,934
6	Hyundai Motors	55,638	56,029	55,984
7	Samsung Heavy Industries Co., Ltd.	11235	12,107	12,623
8	SK Energy	5,086	5,639	5,391
9	POSCO	17,322	16,721	16,458
10	Hynix Semiconductor Inc.	18,274	18,018	17,175
11	KIA Motors	33,120	32,859	32,755
12	S-Oil	2,433	2,464	2,521
13	Samsung C&T Corp.	4,275	4,622	9774
14	Doosan Heavy Industries & Construction	5156	5,456	5,868
15	Daewoo International Corp.	1550	1,546	1,502
16	Korea Electric Power Corp. (KEPCO)	21,012	20,884	20,177
17	Lotte Shopping Co., Ltd.	8551	9,783	9,092
18	Hyundai Merchant Marine Co., Ltd.	2024	2,116	2,079
19	Hyundai Mobis	4595	4,560	6,460
20	LG Chem. Ltd.	10,788	10,705	13,989
Total		**367,089**	**372,482**	**440,230**

Source: GSIS-VCC research on leading Republic of Korean MNEs, 2010, drawing on Korea Information Service, Inc. (www.kisline.com) and auditors' reports.

Annex Table 2. Republic of Korea: The top 20 MNEs: Regionality Index[a] (right, %) and number of affiliates (left) - 2009											
Rank	**Firm**	**Middle East & North Africa, Sub-Saharan Africa**		**East Asia & the Pacific, South Asia, Developed Asia-Pacific**		**Eastern Europe & Central Asia, Other Europe**		**Latin America & the Caribbean, North America**		**Total**	
1	Samsung Electronics. Co., Ltd.	13	13.8	41	43.6	22	23.4	18	19.2	**94**	**10.6**
2	LG Electronics	12	15.6	24	31.2	26	33.8	15	19.5	**77**	**8.7**
3	Hyundai Heavy Industries Co., Ltd.	5	14.3	14	40.0	9	25.7	7	20.0	**35**	**4.0**
4	DSME Co., Ltd.	3	23.1	4	30.8	4	30.8	2	15.4	**13**	**1.5**
5	LG Display	0	0.0	9	52.9	3	17.7	5	29.4	**17**	**1.9**
6	Hyundai Motors	7	14.9	17	36.2	11	23.4	12	25.5	**47**	**5.3**
7	Samsung Heavy Industries Co., Ltd.	1	7.7	5	38.5	4	30.8	3	23.1	**13**	**1.5**
8	SK Energy	1	5.6	9	50.0	4	22.2	4	22.2	**18**	**2.0**
9	POSCO	0	0.0	15	79.0	0	0.0	4	21.1	**19**	**2.2**
10	Hynix Semiconductor Inc.	0	0.0	12	38.7	9	29.0	10	32.3	**31**	**3.5**
11	KIA Motors	1	3.6	6	21.4	15	53.6	6	21.4	**28**	**3.2**
12	S-Oil	0	0.0	0	0.0	1	100.0	0	0.0	**1**	**0.1**
13	Samsung C&T Corp.	13	12.3	58	54.7	23	21.7	12	11.3	**106**	**12.0**
14	Doosan Heavy Industries & Construction	8	19.1	17	40.5	6	14.3	11	26.2	**42**	**4.8**
15	Korea Electric Power Corp. (KEPCO)	7	38.9	8	44.4	1	5.6	2	11.1	**18**	**2.0**
16	Daewoo International Corp.	14	20.9	30	44.8	13	19.4	10	14.9	**67**	**7.6**
17	Lotte Shopping Co., Ltd.	0	0.0	3	75.0	1	25.0	0	0.0	**4**	**0.5**
18	Hyundai Merchant Marine Co., Ltd.	18	10.0	68	37.8	62	34.4	32	17.8	**180**	**20.3**
19	Hyundai Mobis	2	5.7	14	40.0	11	31.4	8	22.9	**35**	**4.0**
20	LG Chem. Ltd.	0	0.0	28	70.0	4	10.0	8	20.0	**40**	**4.5**
Total		**105**	**11.9**	**382**	**43.2**	**229**	**25.9**	**169**	**19.1**	**885**	**100.0**

Source: GSIS-VCC research on leading Republic of Korean MNEs, 2010, drawing on company websites.

[a] The Regionality Index is calculated by dividing the number of a firm's foreign affiliates in a particular region of the world by its total number of foreign affiliates and multiplying the result by 100.

Annex Table 3. Republic of Korea: The top 20 MNEs: Stock exchange listings – 2009

Firm	Domestic	Foreign
Samsung Electronics Co., Ltd.	Seoul	Berlin, Frankfurt, Hamburg, London, Luxembourg, Stuttgart,
LG Electronics	Seoul	Berlin, London, Munich, Stuttgart,
Hyundai Heavy Industries Co., Ltd.	Seoul	Hamburg
DSME Co., Ltd.	Seoul	London
LG Display	Seoul	Berlin, Frankfurt, Munich, Stuttgart,
Hyundai Motors	Seoul	Berlin, Dusseldorf, Frankfurt, Hamburg, Munich, London, Luxembourg, Stuttgart
Samsung Heavy Industries Co., Ltd.	Seoul	Hamburg
SK Energy	Seoul	Berlin, Sydney,
POSCO	Seoul	Berlin, Frankfurt, London, Munich, New York (NYSE), Stuttgart,
Hynix Semiconductor Inc.	Seoul	Frankfurt, London, Luxembourg,
KIA Motors	Seoul	Luxembourg
S-Oil	Seoul	*None*
Samsung C&T Corp.	Seoul	Luxembourg
Doosan Heavy Industries & Construction	Seoul	*None*
Korea Electric Power Corp.(KEPCO)	Seoul	Berlin, Frankfurt, Munich, New York (NYSE), Stuttgart
Daewoo International Corp.	Seoul	*None*
Lotte Shopping Co., Ltd.	Seoul	Berlin, Frankfurt, London, Munich
Hyundai Merchant Marine Co., Ltd.	Seoul	Hamburg
Hyundai Mobis	Seoul	*None*
LG Chem. Ltd.	Seoul	London

Source: GSIS-VCC research on leading Republic of Korean MNEs, 2010, drawing on auditors' reports and Yahoo Finance (http://uk.finsearch.yahoo.com).

Annex Table 4. Republic of Korea: Top 10 outward M&A transactions, 2007−2009 (US$ million)

Date	Acquiror's name	Target name	Target industry	Target economy	% of shares acquired	Value
11/30/2007	Doosan Infracore Co., Ltd	Ingersoll-Rand Co Ltd-Bobcat,	Ball and roller bearings	United States	100.0	4,900.0
12/22/2009	KNOC	Harvest Energy Trust	Crude petroleum and natural gas	Canada	100.0	3,936.6
02/01/2008	Korea Investment Corp	Merrill Lynch & Co Inc	Security brokers, dealers & flotation companies	United States	8.5	2,000.0
03/31/2007	Investor Group	China Network Systems Co Ltd	Cable and other pay television services	Taiwan Province of China	100.0	1,503.0
08/05/2008	LS Cable Ltd	Superior Essex Inc	Drawing and insulating of nonferrous wire	United States	100.0	903.2
02/06/2009	Investor Group	Petro-Tech Peruana SA	Crude petroleum and natural gas	Peru	100.0	892.8
10/22/2007	STX Corp	Aker Yards ASA	Ship building and repairing	Norway	39.2	800.0
08/21/2008	STX Corp	Aker Yards ASA	Ship building and repairing	Norway	52.1	734.0
12/07/2009	Doosan Heavy Inds & Constr Co.	Skoda Power AS	Turbines and turbine generator sets	Czech Republic	100.0	658.4
12/31/2008	Kookmin Bank	Bank TsentrKredit	Banks	Kazakhstan	30.0	640.6
Total						**16,968.5**

Source: Adapted from Thomson ONE Banker. Thomson Reuters.

Annex Table 4a. Republic of Korea: Significant FDI transactions[a] in major regions, 2009 (US$ million)			
	Economy	**Industry**	**Amount**
Asia	Hong Kong (China)	Financial and insurance activities	632.4
	Myanmar	Petroleum and natural gas	151.9
	Hong Kong (China)	Ship and boat building & repairing	100
	Hong Kong (China)	Establishment of non-financial affiliate company	88.8
North America	Canada	Petroleum and natural gas	2,282.70
	US	Petroleum and natural gas	496.1
	US	Financial and insurance activities	200
	US	Establishment of non-financial affiliate company	184.2
Europe	UK	Real estate	1,242.80
	Netherland	Petroleum and natural gas	361
	Ireland	Establishment of non-financial affiliate company	198.7
	Netherland	Power generation	194.7
South America and the Caribbean	The Cayman Islands	Financial and insurance activities	150
	Panama	Shipping and delivery service	39.1
	Brazil	Petroleum and natural gas	13.6

Source: Adapted from Overseas Investment Statistics, The Export Import Bank of Korea, March 2010.
[a] Both M&A and greenfield transactions are included.

Annex Table 4b. Republic of Korea: Significant FDI transactions[a] in main Industries - 2009[b] (US$ million)

	Economy	2005	2006	2007	2008	2009
Mining	Canada	7	294	26	53	2,381
	US	20	86	321	1,379	622
	Netherlands	4	51	65	31	392
	Madagascar	0	29	134	108	285
	France	0	0	0	0	243
	Australia	3	25	72	533	162
	Total	**34**	**485**	**618**	**2,104**	**4,085**
Manufacturing	People's Republic of China	2,252	2,795	3,754	2,311	1,652
	US	232	533	455	972	687
	Vietnam	178	296	621	663	317
	Russian Federation	18	41	112	265	261
	Hong Kong (China)	102	279	322	485	222
	India	81	82	261	135	216
	Total	**2,863**	**4,026**	**5,525**	**4,831**	**3,355**
Real estate	UK	8	0	6	0	1,539
	US	123	46	232	126	249
	Hong Kong (China)	4	235	14	546	157
	Cambodia	11	59	331	239	90
	Panama	132	73	0	19	86
	Total	**278**	**413**	**583**	**930**	**2,121**
Retail and wholesale trade	US	403	620	1,105	1,435	836
	Netherlands	7	5	149	284	196
	People's Republic of China	1	227	198	531	150
	United Arab Emirates	1	1	5	2	112
	Russian Federation	0	57	29	12	99
	Total	**412**	**910**	**1,486**	**2,264**	**1,393**
IT services	US	14	36	765	594	612
	Ireland	0	0	762	39	517

	Hong Kong (China)	82	116	204	385	239
	Luxembourg	39	0	101	19	128
	Norway	0	0	792	486	102
	Total	**135**	**152**	**2,624**	**1,523**	**1,598**

Source: Adapted from Overseas Investment Statistics, The Export Import Bank of Korea, March 2010.
[a] Both M&A and greenfield transactions are included.
[b] Note that Annex Table 4a lists transactions in major countries whereas 4b lists them in major industries. The two tables have different criteria, which explain why Madagascar shows up in 4b but not in 4a.

Annex Table 5. Republic of Korea: Top 11[a] outward greenfield transactions, announced, 2007-2009 (US$ million)

Date	Company	Destination	Industry	Value
08-May	DSECO	UAE	Real estate	4,002
09-Aug	LG	People's Republic of China	Electronic components	4,000
07-May	Pohang Iron & Steel (POSCO)	India	Metals	3,700
08-Jan	Pohang Iron & Steel (POSCO)	Vietnam	Metals	3,500
09-Aug	Samsung	People's Republic of China	Electronic components	2,210
07-Nov	Hanjin Group	Philippines	Non-automotive transport OEM	2,000
08-May	SK Energy	People's Republic of China	Chemicals	2,000
09-Aug	Daewoo	Myanmar	Coal, oil and natural gas	1,700
07-Jul	Hanjin Heavy Industries and Construction	Philippines	Non-automotive transport OEM	1,684
09-Oct	Daewoo Shipbuilding and Marine Engineering	Russian Federation	Non-automotive transport OEM	1,500
07-Jul	Hynix Semiconductor	People's Republic of China	Semiconductors	1,500
Total				**27,796**

Source: Adapted from fdiIntelligence, a service from the Financial Times Ltd.

[a] The usual number in these tables is 10. In this case, however, there were two transactions tied for 10th place, with a value of US$ 1,500 million each, so both have been included.

Annex Table 6. Republic of Korea: Outward FDI flows by region (US$ million and percentages)[a]					
	2005	**2006**	**2007**	**2008**	**2009**
Asia	4,160	6,320	10,990	11,590	6,360
	18.2%	52.2%	73.9%	5.4%	(-45.2%)
North America	1,290	2,200	3,610	5,290	5,980
	(-10.9%)	69.7%	64.2%	46.7%	13%
Europe	660	1230	4,420	3,060	4,940
	(-10.2%)	87.1%	259.9%	(-30.8%)	61.5%
South America	650	1,310	1,460	1,680	920
	5.2%	103.2%	11.3%	14.9%	(-45.1%)
Others (Pacific, Middle East, and Africa)	330	570	940	1,290	1,260
	103.7%	74.4%	65%	37.4%	(-2.7%)
Total	**7,080**	**11,630**	**21,420**	**22,910**	**19,450**
	9.3%	**64.3%**	**84.2%**	**7%**	**(-15.1%)**

Source: Adapted from Overseas Investment Statistics, The Export Import Bank of Korea.
[a] The second row under each region for each year shows the percentage change over the preceding year.

Annex Table 7. Republic of Korea: The number of new affiliates - 2005-2009					
	2005	**2006**	**2007**	**2008**	**2009 (data to September)**
Asia	3,010	3,484	3,786	2,744	1,588
North America	1,102	1,343	1,314	808	534
Europe	141	168	254	196	133
South America	57	77	101	91	85
Pacific	80	97	113	101	58
Africa	19	21	32	30	33
Middle East	16	36	86	52	52
Total	**4,425**	**5,226**	**5,686**	**4,022**	**2,483**

Source: Adapted from Overseas Investment Statistics, The Export Import Bank of Korea

Annex Table 8. Republic of Korea: M&A Regionality Index (percentages)[a]						
	2007		2008		2009 (data to September)	
Region	**By invested amount**	**By number of new enterprises**	**By invested amount**	**By number of new enterprises**	**By invested amount**	**By number of new enterprises**
Asia	30.2	51.8	46.5	56	25.5	48.3
Middle East	0.2	0.7	0.2	0.9	0.8	1.7
North America	24.7	31.2	24.8	27.8	42.3	34.1
Europe	34.9	8.7	17.1	5.7	12.1	8.6
South America	6.1	3.8	2.8	5.2	7.8	3
Africa	2.9	0.9	2	1.1	10.5	0.4
Pacific	0.9	3	6.6	3.3	1	3.9
Total (%)	**100**	**100**	**100**	**100**	**100**	**100**

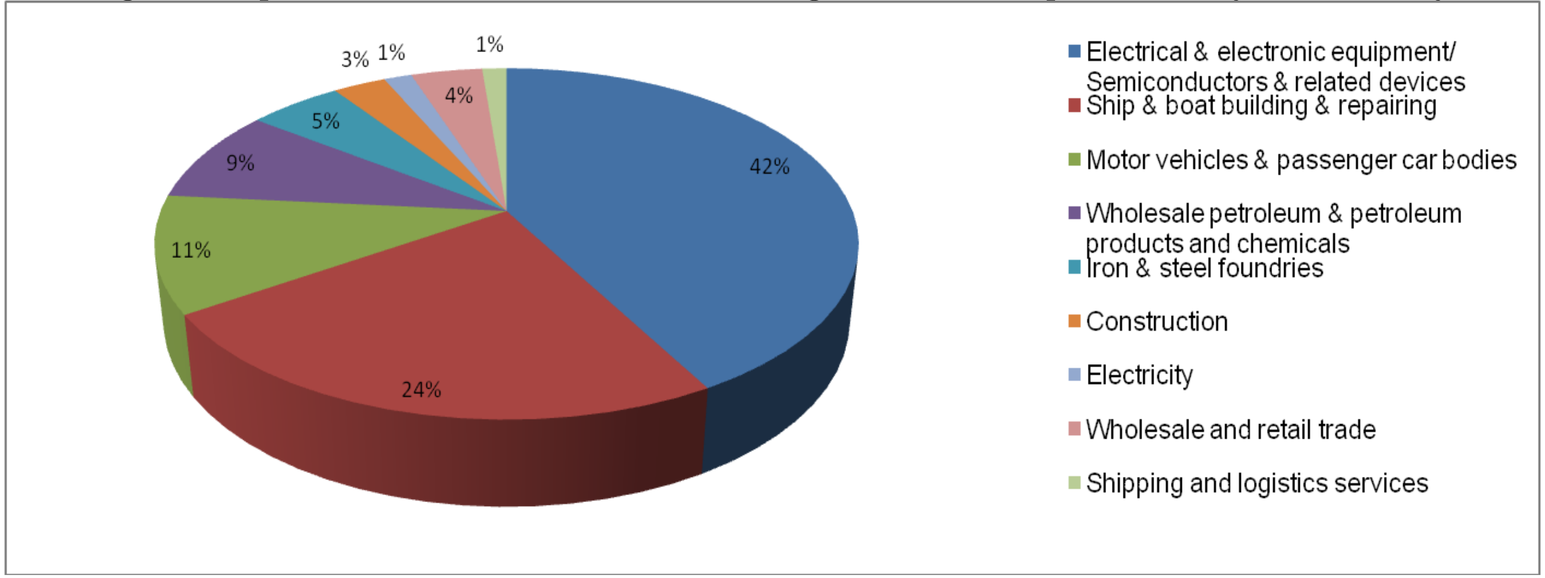
Source: Adapted from Overseas Investment Statistics, The Export Import Bank of Korea.

[a] The Index is calculated by dividing the number of M&As in a particular region of the world by the total number of M&As and multiplying the result by 100.

Annex Table 9. Republic of Korea: M&As by industry, 2007-2009 (numbers and US$ million)						
Industry	**Total number of M&As**	**Invested amount**	**Total number of M&As**	**Invested amount**	**Total number of M&As**	**Invested amount**
Agriculture, forestry, and fishing	105	358	137	801	148	1,295
Mining and quarrying	212	1,128	266	2,062	229	955
Manufacturing	54	239	56	230	44	911
Services (other than trade & finance)	776	1,484	815	1,570	545	723
Wholesale and retail trade	81	1,629	103	554	113	652
Financial and insurance activities	830	807	1,005	1,559	686	575
Total	**2,058**	**5,645**	**2,382**	**6,776**	**1,765**	**5,111**

Source: Adapted from Overseas Investment Statistics, The Export Import Bank of Korea.

Annex figure 1. Republic of Korea: Breakdown of the foreign assets of the top 20 MNEs, by main industry - 2009

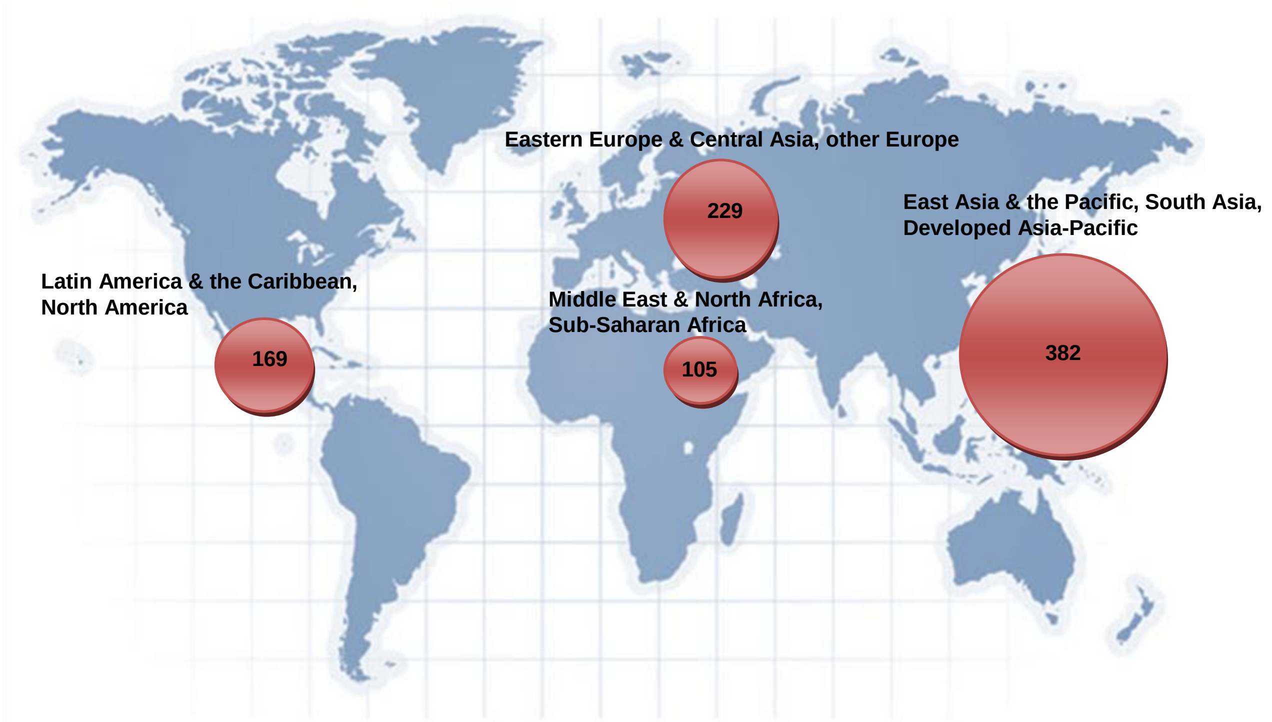


The top MNEs by main industry, 2009

Industry	**Foreign Assets (US$ million)**	**Companies**
Electrical & electronic equipment/ Semiconductors & related devices	38,924	Hynix Semiconductor Inc., LG Display, LG Electronics, Samsung Electronics Co., Ltd.
Ship & boat building & repairing	22,105	DSME Co., Ltd., Hyundai Heavy Industries Co., Ltd., Samsung Heavy Industries Co., Ltd.
Motor vehicles & passenger car bodies	9,988	Hyundai Mobis, Hyundai Motors, KIA Motors
Wholesale petroleum & petroleum products and chemicals	8,065	LG Chem. Ltd., SK Energy, S-Oil
Iron & steel foundries	4,774	POSCO
Construction	2,687.5	Doosan Heavy Industries & Construction, Samsung C&T Corp.[a]
Electricity	1,425	Korea Electric Power Corp. (KEPCO)
Wholesale and retail trade	3,645.5	Daewoo International Corp., Lotte Shopping Co., Ltd., Samsung C&T Corp.[a]
Shipping and logistics services	1,245	Hyundai Merchant Marine Co., Ltd.

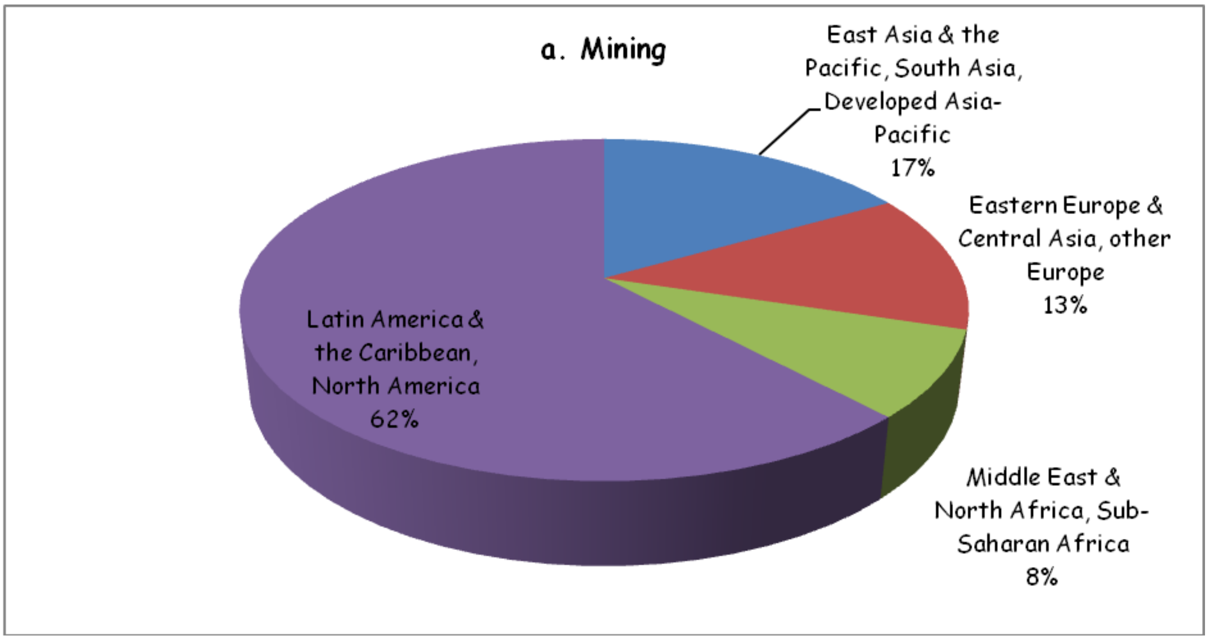
Source: GSIS-VCC research on leading Republic of Korean MNEs, 2010, drawing on Korea Information Service, Inc. (www.kisline.com) and auditors' reports.
[a] Half of Samsung C&T Corp.'s foreign assets are included in construction and the other half in wholesale & retail trade, as the exact division of assets is unclear.

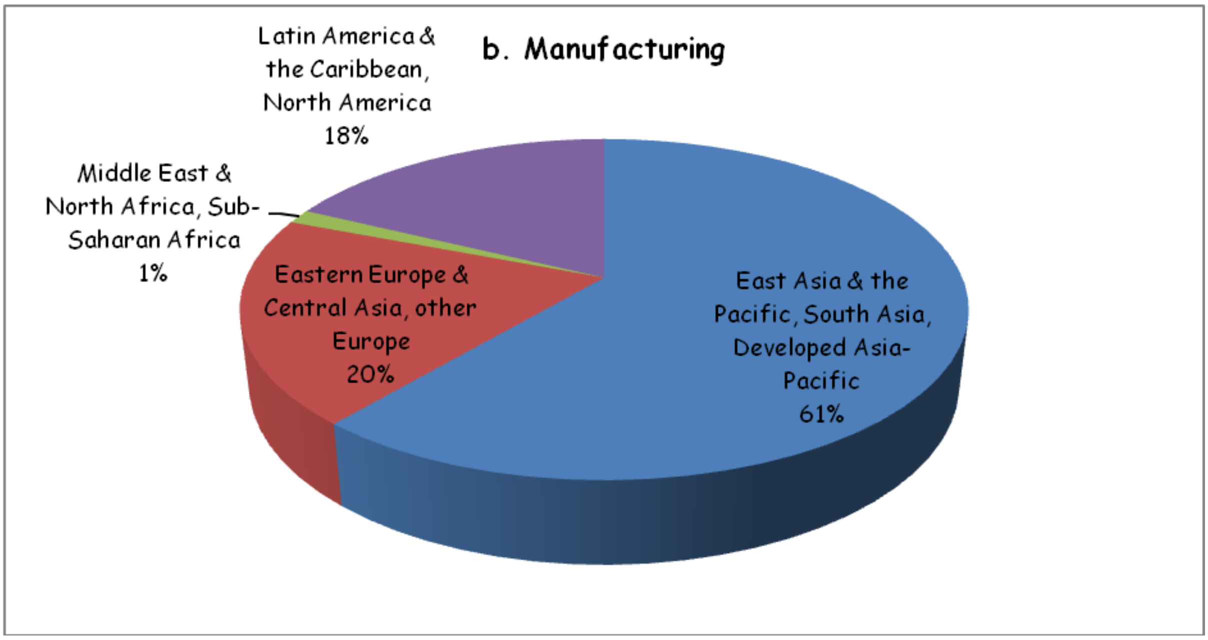
Annex figure 2. Republic of Korea: Foreign affiliates of the top 20 MNEs, by region - 2009 (number of affiliates)

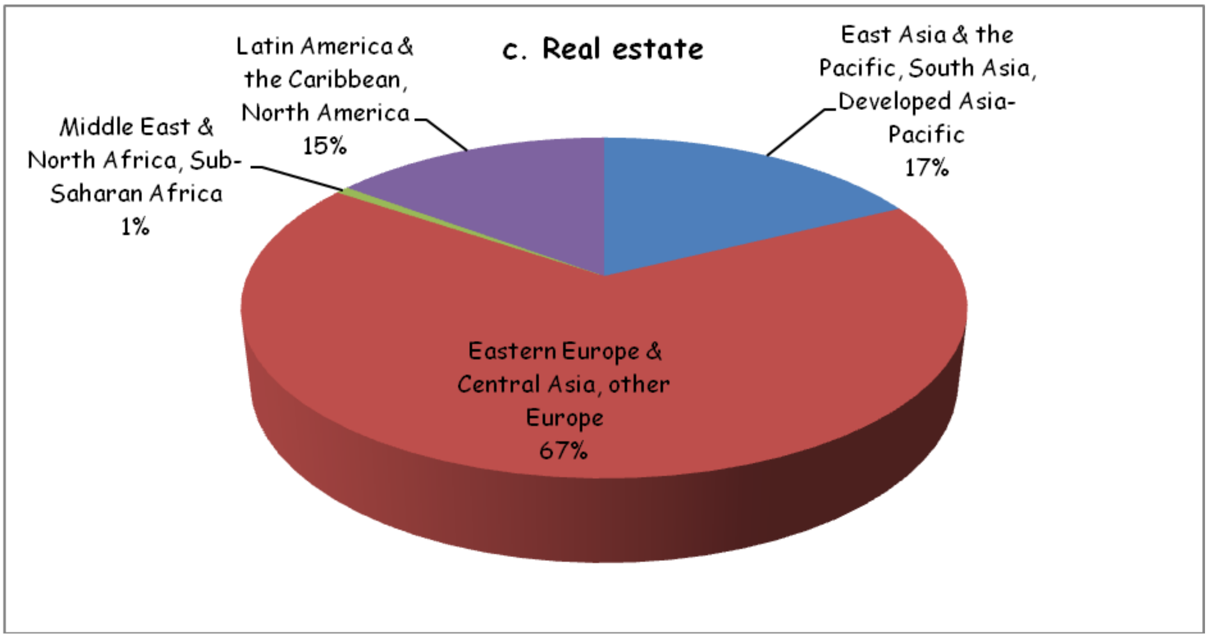


Source: GSIS-VCC research on leading Republic of Korean MNEs, 2010, drawing on company websites.

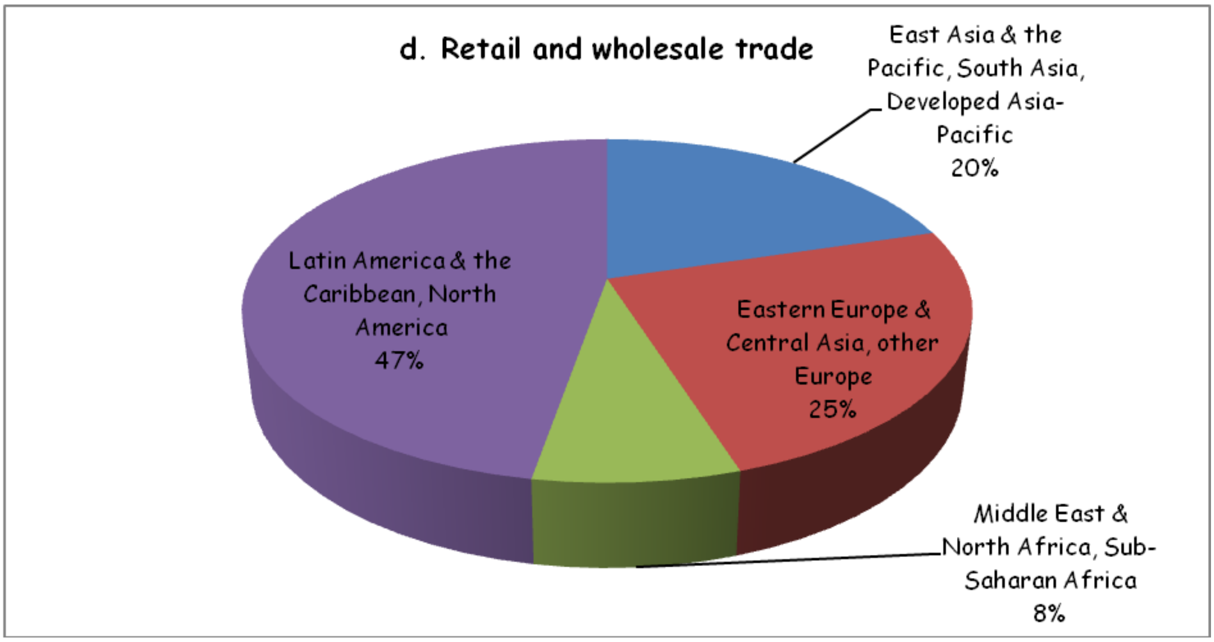
Annex figure 3. Republic of Korea: Geographic distribution of the assets of total outward FDI, by main industry - 2009[a]



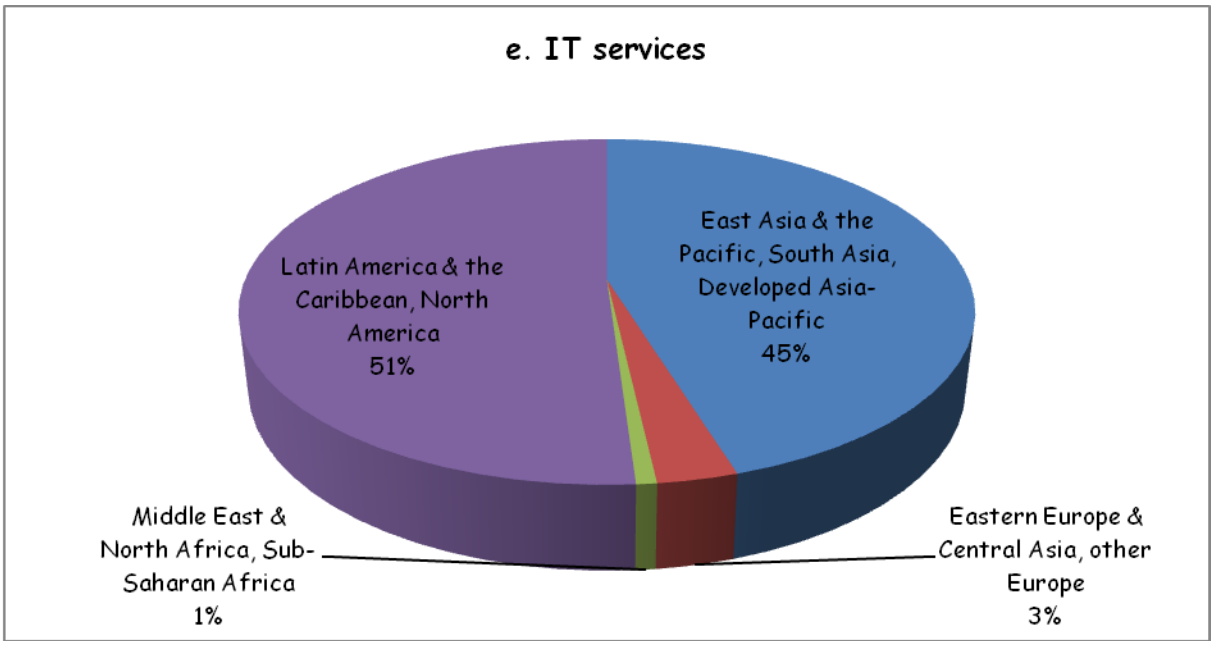




c. Real estate
Latin America & the Caribbean, North America 15%
Middle East & North Africa, Sub-Saharan Africa 1%
East Asia & the Pacific, South Asia, Developed Asia-Pacific 17%
Eastern Europe & Central Asia, other Europe 67%



d. Retail and wholesale trade
East Asia & the Pacific, South Asia, Developed Asia-Pacific 20%
Latin America & the Caribbean, North America 47%
Eastern Europe & Central Asia, other Europe 25%
Middle East & North Africa, Sub-Saharan Africa 8%



Source: Adapted from Overseas Investment Statistics, The Export Import Bank of Korea.

[a] Data on the geographic distribution of the assets of the top 20 by main industry were unavailable. The distribution for *total* outward FDI in 2009 is provided instead.

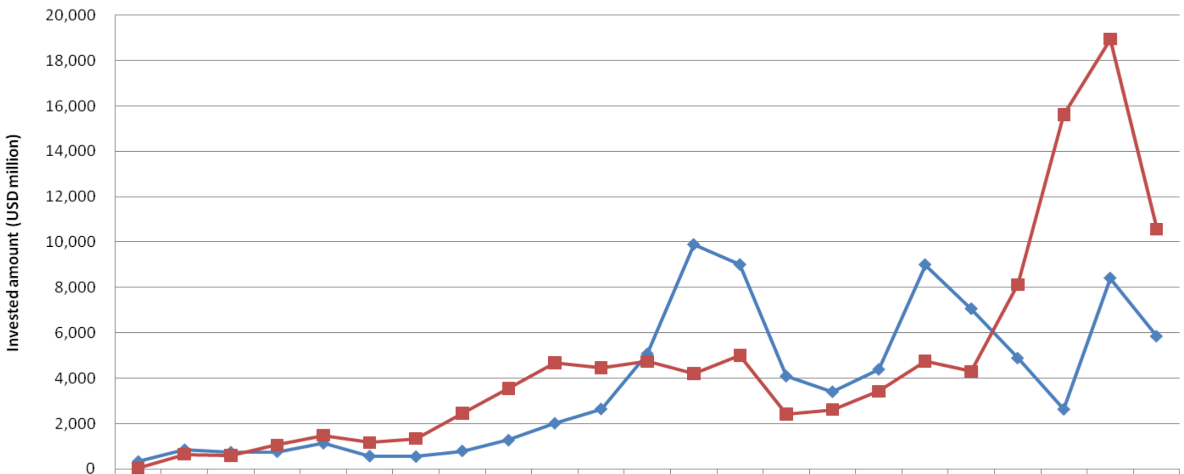
Annex figure 4. Republic of Korea: Head office locations[a] of the top 20 MNEs - 2009

1	Samsung Electronics Co., Ltd.
2	LG Electronics
3	Hyundai Heavy Industries Co., Ltd.
4	DSME Co., Ltd.
5	LG Display
6	Hyundai Motors
7	Samsung Heavy Industries Co., Ltd.
8	SK Energy
9	POSCO
10	Hynix Semiconductor Inc.
11	KIA Motors
12	S-Oil
13	Samsung C&T Corp.
14	Doosan Heavy Industries & Construction
15	Daewoo International Corp.
16	Korea Electric Power Corp. (KEPCO)
17	Lotte Shopping Co., Ltd.
18	Hyundai Merchant Marine Co., Ltd.
19	Hyundai Mobis
20	LG Chem. Ltd.

Sources: GSIS-VCC research on leading Republic of Korean MNEs, 2010, drawing on company websites.

[a] Companies whose numbers do *not* appear on the map have their head offices in Seoul.

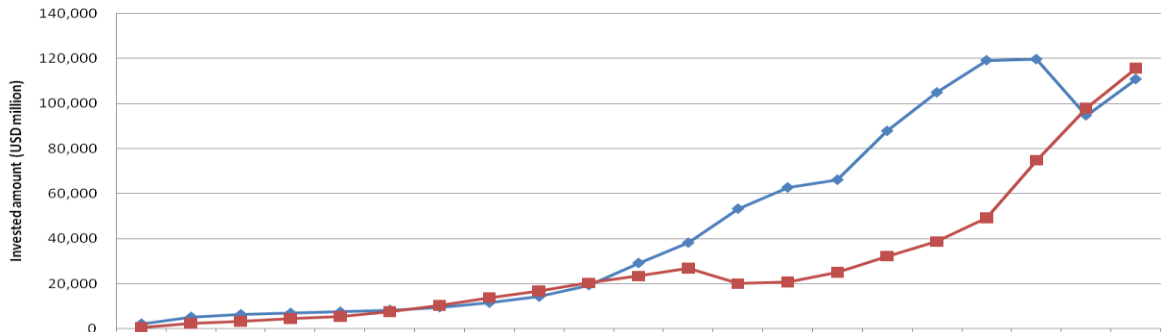
Annex figure 5. Korea: Inward and outward FDI flows, 1990 - 2009



	1980	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Inflow	330	848	737	759	1,133	567	546	795	1,270	2,012	2,641	5,072	9,883	9,004	4,086	3,399	4,384	8,997	7,055	4,881	2,628	8,409	5,844
Outflow	33	643	598	1,052	1,489	1,162	1,340	2,461	3,552	4,670	4,449	4,740	4,198	4,999	2,420	2,617	3,426	4,759	4,298	8,127	15,62	18,94	10,57

Source: Adapted from UNCTAD, Annex Tables to *World Investment Report 2010*, http://www.unctad.org/Templates/Page.asp?intItemID=5545&lang=1.

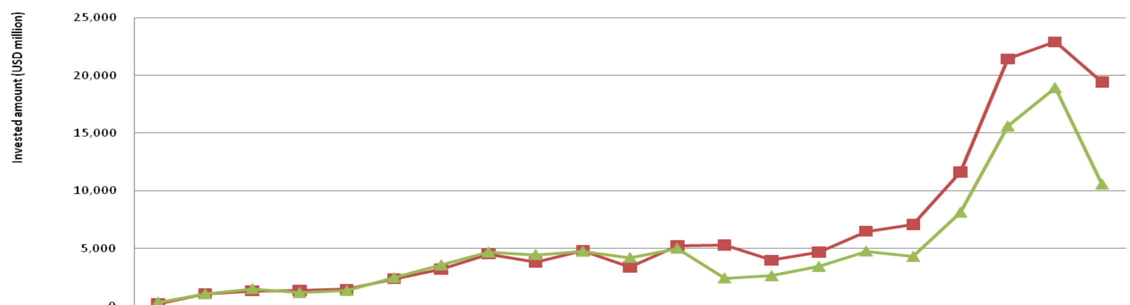
Annex figure 6. Korea: Inward and outward FDI stock, 1990 - 2009



	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Inflow	2,181	5,186	6,318	6,885	7,432	8,227	9,497	11,51	14,15	19,22	29,10	38,11	53,21	62,66	66,07	87,77	104,8	119,1	119,6	94,68	110,7
Outflow	438	2,301	3,328	4,425	5,441	7,471	10,23	13,82	16,82	20,29	23,33	26,83	19,97	20,73	24,99	32,17	38,68	49,19	74,78	97,91	115,6

Source: Adapted from UNCTAD, Annex Tables to *World Investment Report 2010*, http://www.unctad.org/Templates/Page.asp?intItemID=5545&lang=1.

Annex figure 7. Korea: Outward FDI flows, 1980[a] and 1990-2009, from different sources[b]

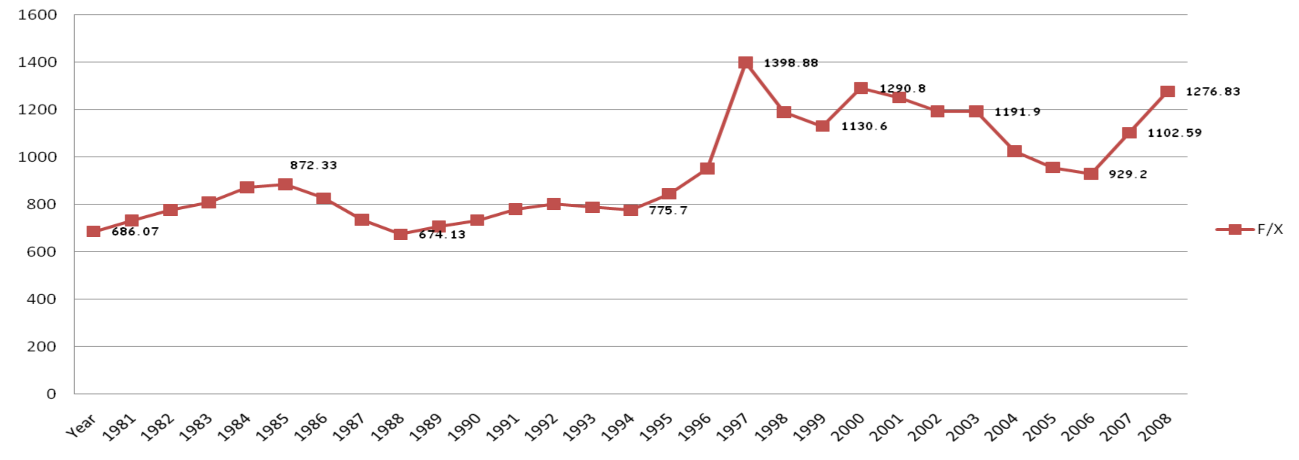


	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total OFDI- EXIM Bank of Korea*	216	1,068	1,318	1,352	1,450	2,366	3,215	4,512	3,798	4,780	3,374	5,219	5,290	3,974	4,685	6,474	7,071	11,621	21,421	22,904	19,437
Total OFDI - UNCTAD**	334	1,052	1,489	1,162	1,340	2,461	3,552	4,670	4,449	4,740	4,198	4,999	2,420	2,617	3,426	4,759	4,298	8,127	15,620	18,943	10,572

Sources: *The Export Import Bank of Korea
** UNCTAD (http://stats.unctad.org/fdi/ReportFolders/reportFolders.aspx), accessed on June 25. 2010.
[a] The amounts indicated for 1980 are the average amounts from 1980 to 1989.
[b.] Some discrepancies were found between the data from the Export Import Bank of Korea and from UNCTAD. Data from the two sources were similar until the year 2000 but showed a significant gap from year 2001. Differences in OFDI trends can also be seen in 2001, 2002, and 2005. The differences are partly a matter of different sources, UNCTAD'

data having come from the Ministry of Knowledge and Economy, which is not the main Republic of Korean institution dealing with FDI. In addition, UNCTAD received the most up-to-date data too late to include it in its *World Investment Report 2010*. The EXIM Bank data presented here are thus more reliable.

Annex figure 8. Korea: Annual average exchange rates[a]



Source: Bloomberg, L.P.

[a]. The 1981 figure was calculated from data for April to December of 1981.

No. 1: Samsung Electronics Co., Ltd. (SEC)

From its inception as a small export business in Daegu, Republic of Korea, SEC has grown to become one of the worlds leading electronics companies, specializing in digital appliances and media, semiconductors, memory, and system integration. It was founded on March 1st, 1938 with an investment of KRW 30,000. SEC has diversified and expanded its core businesses globally since the late 1970s and has won the top global market share for 13 products, including semiconductors, TFT-LCDs, monitors and CDMA mobile phones. Samsung Life holds the largest share (6.5%), followed by Samsung C&T Corp. with 4.02%. The largest individual shareholder is Lee Gun-Hee, the chairman of Samsung Group, with 3.42%. Overall, foreigners hold 47.71%**,** domestic firms hold 15% and SEC's subsidiaries hold 13% of the total shares. The Samsung website is at: http://www.samsung.com.

No. 2: LG Electronics (LGE)

LG Electronics, Inc. is a global leader and technology innovator in consumer electronics, mobile communications and home appliances, employing more than 80,000 people working in over 115 affiliates around the world. LGE comprises five business units - Home Entertainment, Mobile Communications, Home Appliance, Air Conditioning and Business Solutions. The firm was established in 1958 and has led the way into the advanced digital era. It is now the world's second-largest manufacturer of television sets and the third-largest producer of mobile phones. LG Corp. owns 31% of its total shares, whereas foreign and domestic investors hold 27% and 42% respectively. The LG website is at: http://www.lge.com.

No. 3: Hyundai Heavy Industries Co., Ltd. (HHI)

Chung Ju-yung, the founder of the Hyundai Group, created Hyundai as a construction company in 1947. He then decided, without any experience, capital or technology, to enter the shipbuilding industry in the 1970s. Despite these challenges, the company started its shipbuilding operation in Ulsan in March 1972, which is now the world's largest shipyard. It has since set several world records, including the building of one ship every four days on average, and has around 15% of the global market share in shipbuilding. HHI has six business divisions: shipbuilding, offshore engineering, industrial plant engineering, engines & machinery, electro electric systems, and construction equipment. Major shareholders who hold more than 5% of HHI shares are Mong-Joon Chung, the chairman of Hyundai Group; the KCC Corporation; and the Hyundai Mipo Dockyard. The Hyundai website is at: http://www.hhi.co.kr.

No. 4: Daewoo Shipbuilding & Marine Engineering Co., Ltd (DSME)

DSME, established in 1973 at Okpo Bay, Geoje Island,in the Republic of Korea, has developed into the world's premium specialized shipbuilding and offshore contractor that builds offshore platforms, drilling rigs, floating oil-production units, submarines, destroyers and other ships. DSME employs approximately 1,500 design and R&D personnel and more than 15,000 skilled workers. Reborn as an independent company (after having been a part of Daewoo) in October 2000, it seeks to become the world's integrated heavy industry leader. Private institutions own

31.27% of DSME, while the state and state-controlled institutions own 19.11%. The Daewoo website is at: www.dsme.co.kr.

No. 5: LG Display

LG display was established in January 1985 under the name of Geumsung Software (changed to LG Display in 2008). It started developing TFT-LCD in 1987 and launched LCD modules for the first time in 1995. Since then it has been leading the world's display industry. Recently, it has become the world's no. 1 company even in the area of eco-friendly technology by expanding its business to the thin film solar cells related to display technology. LG Electronics holds 37.9% of LG Display and foreign and domestic investors hold 33.7% and 28.4%, respectively. The LG website is at: http://www.lgdisplay.com.

No. 6: Hyundai Motors

Hyundai Motors was founded under the Hyundai Group in 1967 and has grown into a world-class automaker. Despite the volatility in the currency exchange markets and the rising oil and commodity prices, Hyundai Motors cemented its global position by posting worldwide sales of 2.6 million units in 2007, through its 6,000 dealerships in over 196 countries. With 10 manufacturing plants, 11 research centers, and more than 6,000 sales networks throughout the world, Hyundai Motors has now truly become a global company. Foreign investors hold the largest share of the company with 33.49%, followed by related parties with 25.98% and institutional investors with 20%. The Hyundai website is at: http://worldwide.hyundai.com.

No. 7: Samsung Heavy Industries Co., Ltd.

Samsung Heavy Industries, established in 1974, has the world's largest market share in the high-tech and high-value shipbuilding sectors. Its main businesses are shipbuilding, offshore engineering, construction, and wind power. The largest shareholders are SEC, Samsung Life (an insurance affiliate of the Samsung Group), and Samsung Electro-Mechanics (another affiliate of the Group). Foreigners own 20.39% of the total share. The Samsung website is at: http://www.shi.samsung.co.kr/Eng/default.aspx.

No. 8: SK Energy

SK Energy was founded in December 1962 as Korea Oil Corp. and started operating an oil refinery in 1964. It became a member of the SK Yukong Group in 1980 and began to take the challenging steps that would turn it into a world-class general energy and chemical company. Today, the company is exploring oil in 51 blocks in 24 countries and has recently launched the ZIC line of lubricants. In 2006, it became the Republic of Korea's first refinery company to exceed the US$ 11 billion mark in the exports of petroleum, chemicals and lubricants. The firm holds 33.40% of its total shares. Other major shareholders are Templeton (6.29%) and the National Pension Service (5.58%). The SK Energy website is at: http://eng.skenergy.com.

No. 9: POSCO

With the support of the government, the founder, Tae-Joon Park, established the company on April 1st, 1968, with 39 employees. The first production line, manufacturing 1 million tons of crude steel, was completed in 1973. Pohang Works, with a 9 million ton production line, was established in 1983. The company also forged and established strong connections between industry, academics, and research centers with the founding of Pohang University of Science and technology and the R&D Center for Industrial Science and Technology, in addition to an institute solely devoted to the development of its independent technologies. POSCO was privatized in 2000. In recent years, it has been expanding its production base in countries such as Vietnam and India. The POSCO website is at: http://www.posco.co.kr.

No. 10: Hynix Semiconductor Inc.

Hynix started as a member of the Hyundai Group in February 1983. It developed the world's first 256M SDRAM in 1995 and the 1G synchronous DRAM in 1997. In 1999, it merged with LG Semiconductor Co., Ltd. and in 2001 became an independent firm under the name of Hynix Semiconductor Inc. Today, Hynix offers a full range of products from 4M to 1 GB with DDR, DDR2 and DDR3 interfaces, as well as a wide range of memory modules for PCs, notebooks and servers. Through its global manufacturing and sales support network, Hynix has strengthened its status as a leading semiconductor company in many regions including the People’s Republic of China, now the biggest semiconductor market in the world. Around 17% of its shares are foreign-held. The Hynix website is at: http://www.hynix.co.kr.

No. 11: Kia Motors

From its humble beginnings as a manufacturer of bicycle parts − by hand − on the outskirts of Seoul in 1944, Kia Motors has emerged as one of the leading automobile manufacturers in the world. It produced the Republic of Korea’s first automobile, the K-360 truck, in 1962 and became the first automobile exporter in 1975. It later merged with Hyundai, forming the Hyundai-Kia Group in 1999. Its accumulated exports reached 5 million units in 2005. Today, Kia has a network of distributors and dealers covering 172 countries around the world. Hyundai Motors own 34.58% of KIA’s stock, individual investors own 21.96% and foreigners own 19.55%. The Kia wesite is at: http://www.kia.co.kr.

No. 12: S-Oil

S-Oil was founded in 1976, after the Republic of Korea suffered two separate oil shocks in the 1970s, to ensure the stable import of crude oil and the steady supply of petroleum products. The construction of an oil refinery began inside an industrial complex located in Ulsan in 1976. By January 1981, full-scale operation of the oil-refining and lubricant-producing system was in place. Today, among other operations, S-OIL runs a crude oil refinery with a capacity of 580,000 barrels/day. The Saudi Aramco Overseas Company (AOC) owns 35% of S-OIL stock and Hanjin Energy owns 28.41%. The S-Oil website is at: http://www.s-oil.com.

No. 13: Samsung C&T Corp.

Samsung C&T Corp. was founded in 1938 and is the origin of the Samsung Group. With its merger with Samsung E&C in December 1995, Samsung C&T now has two wings: the engineering & construction group and the trading & investment group. The former of these was responsible for the construction of the world's tallest building, the Burj Khalifa in Dubai, completed in late 2009. Samsung C&T has more than 100 overseas offices in 45 countries. About 30% of its stock is held by domestic institutions and 19% by foreigners. The Samsung website is at: http://www.samsungcnt.co.kr.

No 14: Doosan Heavy Industries & Construction

Doosan Heavy Industries & Construction's products include castings and forgings, which are basic materials for industry; nuclear reactor vessels, boilers, turbines, generators and other components for the power industry; sea-water desalination systems, water treatment plants and other water-related facilities; and material-handling equipment. The company was founded in 1962, with government support, and accounted for the Republic of Korea's first industrial complex in Changwon. It renamed itself 'Hanjung' in 1980 and integrated domestic power and engine industries (Hyundai Heavy Industries and Samsung Heavy Industries) into Hanjung in 1999. After going public in 2000, it renamed itself 'Doosan Heavy Industries & Construction'. The company ranks 1st in the global desalination market. Its largest shareholder is Doosan Co., Ltd., which holds 48.63% of the stock. The Doosan website is at: http://www.doosanheavy.com.

No. 15: Korea Electric Power Corporation (KEPCO)

Although its history reaches back to 1898, the modern Korea Electric Power Corporation was founded in 1961 and started the transmission of electricity in 1964. It had achieved nationwide rural electrification by 1979. KEPCO was listed on the New York Stock Exchange in 1994 and won the bid to operate the Malaya Power Plant in the Philippines in 1995, its first overseas project. Its current overseas operations cover a wide range of countries, including the People's Republic of China, the Philippines, Saudi Arabia and Nigeria. On December 27, 2009, KEPCO won a landmark contract to build a nuclear power plant valued at US$ 18.6 billion in the UAE. The state and the state-controlled Korea Finance Corporation between them own just over 51% of KEPCO stock. The KEPCO website is at: http://www.kepco.co.kr.

No. 16: Daewoo International Corporation (DIC)

The Daewoo International Corporation is one of the surviving companies in the Daewoo Group, a major chaebol that ran into difficulties after the Asian financial crisis and collapsed in 1999. Its business interests are diversified and include trading, manufacturing and the development of natural resources in a number of countries, including Australia, Mexico, Myanmar and Uzbekistan. The Daewoo website is at: http://www.daewoo.com.

No. 17: Lotte Shopping Co., Ltd.

Lotte Shopping opened its first Lotte Department Store in 1979. Today, it has 29 stores, including three Young Plazas (mainly for young people), two outlet malls, and a variety of department stores, discount stores, and movie theaters in the Republic of Korea. The company retails clothing, household goods, food products and other items. It has only recently begun to branch out into overseas markets. In 2008, its Singapore affiliate, Lotte Shopping Holdings (Singapore) bought PT Makro Indonesia for US$ 212.6 million. It has also recently bought the Chinese supermarket chain, Times Ltd., for US$ 629 million. In addition, it has established a department store in Moscow (in 2007) and one in Beijing (in 2008). The Lotte website is at: http://www.lotteshopping.com.

No. 18: Hyundai Merchant Marine Co., Ltd. (HMM)

Hyundai Merchant Marine Co., Ltd. provides shipping and logistics services. Its principal activity is to provide marine transport. Its fleet includes full container carriers, LNG carriers, oil tankers, bulk carriers, and so forth. HMM was first established as Asia Merchant Marine on March 25th, 1976, with a capital of KRW 200 million. Today, it has formed a global business network with four international headquarters, 28 subsidiaries, 76 branches, six overseas offices and 10 liaison offices. It was the first conventional liner service opened between the Far East and the Middle East: in 1978. The major shareholders are Hyundai Elevator (19.3%), Hyundai Heavy Industries (17.6%), and Hyundai Engineering & Construction (8.3%). The Hyundai website is at: http://www.hmm21.com.

No. 19: Hyundai Mobis

Hyundai Mobis was established in July 1977 as Hyundai Precision Industry. It grew into the top container manufacturer in the world and then, in the 1990s, switched to the automobile business. It produced finished automobiles (four-wheel drivers like Galloper and Santamo) until the 1997 Asian financial crisis, after which it ceded its automobile division to Hyundai Motors and its railway cars division to the Korea Rolling Stock Technology Corporation, as part of a restructuring process. With the production of chassis modules in late 1999, the company transformed itself into an integral auto parts company and formalized this transformation by renaming itself Hyundai Mobis. In 2002, by ceding its plants and heavy machinery business to the Rotem Company, Hyundai Mobis emerged as the largest Republic of Korean auto parts company with A/S parts sales, auto parts exports, and module parts manufacture as its operating areas. Major shareholders are KIA Motors, with 16.8% of stock; followed by Mong-Ku Chung, the former Chairman of Hyundai Group, with about 6.96%; and Hyundai Steel, with 5.66%. Foreign investors hold 35.92% of HM shares. The Hyundai Mobis website is at: http://www.mobis.co.kr/eng.

No. 20: LG Chem. Ltd.

LG Chem. Ltd. is the largest Republic of Korean chemical company. It manufactures a wide range of products from petrochemicals to high-value-added plastics and high-performance industrial materials. Its businesses operate in three major areas: chemicals and polymers; industrial materials; and information technology and electronic materials. The company recently reoriented its investment away from general chemical products to organic light-emitting diodes (OLED) and other display-related materials. Its main shareholders are Republic of Korean institutional and individual investors (39.15%) and the LG Group (33.53%). Of the remaining shares, nearly all (26.78%) are owned by foreign investors. The LG Chem website is at: http://www.lgchem.co.kr.

Chapter 8 – Mexico's global players

A. Great diversity of outward-investing industries in 2008

Jorge Basave Kunhardt and María Teresa Gutiérrez-Haces[71]

The first survey of Mexico's outward-investing firms, released on December 10, 2009, focuses on data for the year 2008.

Highlights of the report

The foreign assets of the 19 companies ranked in table 1 below totaled about US$ 97 billion in 2008. Their overseas sales were about US$ 58 billion and the number of their employees abroad was around 190,000.[72]

The company in first place, Cemex, is ranked 45th among the 100 largest non-financial MNEs in the world that UNCTAD's *World Investment Report* presented in its 2009 edition.[73] In this same report, in addition to CEMEX, another four Mexican companies appear among the 100 largest non-financial MNEs of developing countries.[74]

The most common industries among the 19 Mexican companies on the list are food and beverages (four firms) and non-metallic minerals and telecommunications (three each). The oldest company in the ranking is Cervecería Cuauhtémoc (today FEMSA), founded in 1890. All companies in table 1, with the exception of PEMEX, are privately owned and all, with the exceptions of XIGNUX and PEMEX, trade on stock markets.

Three companies on the list include banks among their Mexican subsidiaries: GRUMA with Banorte, Grupo ELEKTRA with Banco Azteca, and Grupo Carso with Banco Inbursa and Casa de Bolsa Inbursa.

The year 2008 was one of great dynamism in outward foreign direct investment (OFDI) for several of the listed companies. However, some have adopted austerity measures to face the

[71] Supported by Carmen Uribe, Rocío Tapia, and Carmen Irene Rodríguez.

[72] The foreign sales and jobs figures exclude three companies in the ranking for which data was unavailable.

[73] UNCTAD, *World Investment Report, 2009* (New York and Geneva: United Nations, 2009), pp. 228-230. In UNCTAD's *World Investment Report 2008*, Cemex ranked first among the top 15 TNCs from developing economies ranked by the number of host economies of their affiliates (p. 30).

[74] They are América Móvil, FEMSA, Gruma, Teléfonos de México S.A. de CV (*World Investment Report, 2009,* pp. 231-233). The last of these companies, Teléfonos de México S.A. de CV, does not appear in our list in table 1 because a large part of it, Carso Global Telecom, was spun off since the UNCTAD report went to press.

world economic crisis: In Corporación Durango[75] and XIGNUX,[76] there was divestment of their international assets.

The geographical map of the OFDI of the listed companies reveals that the main destinations for their investment flows are the United States, especially the southern states, and Central and South America, followed by Europe.

Table 1. Ranking of Mexican MNEs – 2008 (US$ million) [a]

Rank	**Name**	**Industry**	**Foreign assets**
1	Cemex	Non-metallic minerals	40,334
2	America Movil	Telecommunications	23,610
3	Carso Global Telecom	Telecommunications	11,768
4	Grupo FEMSA	Beverages	3,508
5	Grupo ALFA	Diversified	3,439
6	Grupo México	Mining	2,850
7	PEMEX	Oil & gas	2,090
8	Gruma	Food products	1,986
9	Grupo BIMBO	Food products	1,850
10	Grupo Televisa	Television, motion pictures, radio & telecommunications	1,614
11	Cementos de Chihuahua	Non-metallic minerals	952
12	Industrias CH	Steel & metal products	790
13	Mexichem	Chemicals & petrochemicals	730
14	Xignux	Diversified	723
15	Grupo ELEKTRA	Retail trade	520
16	Corporación Durango	Paper & paper products	250
17	Interceramic	Non-metallic minerals	151
18	San Luis Corp.	Automobile parts	114
19	Accel	Food products	48
Total			**97,327**

Source: IIEc-VCC survey of Mexican MNEs and consolidated company reports and websites.
[a] The exchange rate used is the IMF rate of December 31, 2008: US$ 1 = Pesos 13.8325. In discussing events that happened before or after December 31, 2008, the exchange rates used may be different from the IMF rate of December 31, 2008.

[75] Its subsidiary, McKinley Paper Co., sold its conversion plant to US Corrugated Co.

[76] In December 2008, divestment began of the joint venture with Yazaki in XIGNUX-Yazaki in Brazil and Argentina.

Table 2: Snapshot of the 19 selected Mexican MNEs - 2008 (US$ million and number of employees)

Variable	**2008**
Assets	
Foreign	97,327
Total	253,923
Share of foreign in total (%)	38.32
Sales	
Foreign	58,408
Total	206,772
Share of foreign in total (%)	28.24
Employment	
Foreign	195,583
Total	747,206
Share of foreign in total (%)	26.17

Source: IIEc-VCC survey of Mexican MNEs and company reports and websites.

The big picture

Evolution of Mexican business groups and outward investment

The first OFDI cycle for Mexican business groups occurred in the 1970s, after several decades of expansion of the Mexican economy. During that decade, some of the largest manufacturing firms in Mexico developed a broad strategy of purchasing competitor companies inside the country and diversifying their businesses, which in some cases included the acquisition of banks and other financial companies. They also embarked on an incipient process of internationalization through exports and OFDI.

This OFDI cycle during the 1970s coincided with that of several developing economies with high growth rates during that and the preceding decade. Other developing countries with important OFDI flows were India, Hong Kong (China), Brazil, and Argentina.

The peculiarity of the Mexican case was that, while in the other economies OFDI flows went into countries with common borders and/or similar or lower levels of economic development, a good part of Mexican OFDI was undertaken as south-north investment, in a market that was both much bigger and much more developed: the United States.

These flows were abruptly cut off with the foreign debt crisis of the 1980s. Companies even divested their entire international investment assets as part of a policy to strengthen their finances.

The second OFDI cycle occurred at the beginning of the 1990s, following (and feeding) the Mexican export boom. The actors were the country's largest business groups (as they had been in the 1970s) and, in several cases, also the oldest, dating back to the first quarter of the 20th century and even earlier. This second expansion, which is still continuing, has taken place mainly through cross-border acquisitions and the main target areas have been the United States and Central and South America.

Some of the investments in the United States, such as those undertaken by food and television-programming companies, have taken advantage of the market niches opened up by the growing Latino population in that country.

In the case of investments by steel, auto parts, and glass manufacturing companies, their linkages with multinational auto and beverage companies located in the United States and in South America have been decisive.

The impact of the global economic crisis

The strong downturn of the U.S. economy that began in 2007 and accelerated in 2008 translated into, among other effects, a rapid fall in Mexican exports, which plummeted 58% in the case of oil and 21% for manufactured goods. The contraction in U.S. consumption also severely affected the Mexican tourism sector. At the same time, revenue from remittances sent by Mexicans who work in the United States also began to fall in 2008.

The global economic crisis had a deeper impact on Mexico than on other Latin American countries. On average, Mexican companies saw their earnings drop 45% in 2008.

All these factors have unquestionably had an impact on Mexico companies' performance, not only inside the country, but also abroad. Even when most Mexican MNEs showed a trend toward growth in their foreign investments, several of them have been forced to undergo a restructuring in the process.

Given that the epicenter of the economic crisis emerged in the United States, and that Mexico has a strong dependence on the U.S. market, some Mexican companies with a traditionally outstanding performance in their operations abroad were displaced by other Latin American companies, particularly by Brazilian firms.

The sustained growth that all of the Mexican MNEs had experienced since the 1990s had also led to considerable leverage that, with the fall in sales and earnings, has forced them to engage in urgent renegotiations with their lenders.

One major case of the consequences of the crisis is the financial situation of *CEMEX*, the Mexican cement company with the highest ranking in foreign sales up to 2007. In 2008, it lost its leading international position, due to the bad results it posted in the United States, Spain, and Great Britain, countries where its operations were very substantial and where they were also very much affected by the crisis.

In June 2009, the company put its operations in Australia up for sale to the Swiss giant Holcim for US$ 1.86 billion. The transaction involves 249 concrete plants, 83 aggregate quarries, and 16 plants that produce concrete tubes in Australia. The company's current debt of US$ 14.5 billion has been renegotiated.

In the case of America Movil, the recession that many economies are facing is likely to limit the company's growth.[77] In October 2009, the most significant move that the company has carried out occurred with the placement of a debt bond for US$ 750 million with a 5.105% yield, 185 basis points above comparable U.S. Treasury instruments. For the rest of 2009, America Movil has covered the financing that it requires. Through CitiGrupo, it has coordinated long-term loans[78] equivalent to US$ 1.5 billion with export credit agencies from Finland and Sweden between November and March. In addition, the company has requested export financing that involves a € 500 million credit from Finnvera, as well as an additional EUR€ 300 million and US$ 471.5 million from the Swedish agencies Exportkreditnämnden and AB Svensk. These credits were obtained through CitiGrupo with an 8.5-year maturity, with an average life of 5 years, and will finance the purchase of telephone equipment.

The global economic environment in 2008 led Grupo Alfa to post considerable declines due to the fall in automobile production, with losses reaching almost US$ 791 million dollars, as its businesses include auto-parts manufacturing. In 2009, the group has faced various problems with its auto-parts subsidiary, Nemak,[79] since it has had to extend the maturities of Nemak's debts (amounting to US$ 1.23 billion) with its bank creditors. The payment of the debt has been extended up to 2017.[80] However, despite these problems, in the first six months of the year, the group posted profits of about US$ 3.9 billion dollars.

A paradoxical case is that of the baking company BIMBO, which is number one in the food sector for Latin American sales. A good part of its excellent performance can be attributed to the production in its overseas plants and not that much to its activities in Mexico. However, BIMBO currently has a debt of US$ 2.30 billion with six banks[81] for the purchase of Weston Foods Inc, (the US unit of a Canadian company) in December 2008, a deal which made BIMBO the leading coast-to-coast baking company in the United States, displacing the Japanese company Yamazaki. The Standard & Poor rating agency currently has a question mark over *BIMBO* on account of the

[77] Growth projections remain moderate. It is estimated that the company will boost its earnings between 7.5% and 8% to around 2.53 billion dollars. Analysts predict sales growth of around 10% to 6.78 billion dollars, due to the recession in the countries in which the company operates.

[78] Previously, the company, the largest cellular phone carrier in Latin America, had reported that it had obtained a 10-year credit line for US$ 1 billion with the China Development Bank (CDB) and had placed bonds in the Chilean debt market for an additional US$ 145 million.

[79] Nemak produces high-tech aluminum components such as cylinder heads, engine blocks and transmission parts for the automotive industry and has plants in Mexico, the United States, Europe, and China.

[80] Nemak's total debt, represents 51% of Alfa's total net debt.

[81] Bank of America, BBVA, BANAMEX/Citigroup, HSBC, ING, and Santander.

future amortization of its debt. The company expects to refinance its bridge loan for US$ 600 million and reduce its leverage in the next two years.[82]

Mexican MNEs not included in the ranking

For the four companies in table 3 below, it was not possible to find precise data on their assets held abroad. However, it is clear that they have important direct investments outside the country. Taken together, during 2008, they reported foreign sales of US$ 2.9 billion, which suggests that they would have been on our list of the top 20 Mexican MNEs had data on foreign assets been available, especially in the cases of Grupo Carso, Grupo Kuo, and Grupo Vitro. We thus consider it worthwhile to present the available data that show their multinational character.

Table 3. Companies excluded from the ranking due to lack of data (US$ million and number of employees)

No.	**Name**	**Industry**	**Assets**		**Sales**		**Employment**		**Number of Foreign affiliates**	**Number of Host countries**
			Foreign	**Total**	**Foreign**	**Total**	**Foreign**	**Total**		
1	Grupo Carso	Diversified	NA	6,586	1,044	5,430	NA	76,674	21	14
2	Grupo KUO	Diversified	NA	1,498	981 [a]	2,042	NA	15,300	NA	9
3	Grupo VITRO[b]	Non-metallic minerals	NA	2,462	697	2,097	NA	19,385	NA	9
4	AHMSA	Steel & mining	NA	3,816	202 [a]	2,582	NA	18,961	5	2

Source: IIEc-VCC survey of Mexican MNEs and consolidated company reports and websites.
[a] Foreign affiliates include industrial plants and in some cases distributors.
[b] In 2008 Comegua, the Central and South American subsidiary, was deconsolidated.

[82] *Expansión*, July 2009, pp. 96-97.

Annex 1: Tables and figures

Annex Table 1. Ranking of the 19 Mexican MNEs listed, key variables - 2008
(US$ million[a] and number of employees)

Rank	Name	Industry	Assets		Sales		Employment		Number of foreign affiliates	Number of host countries
			Foreign	Total	Foreign	Total	Foreign	Total		
1	Cemex	Non-metallic minerals	40,334	45,084	14,572	17,582	41,586	56,791	27	21
2	America Movil	Telecommunications	23,610	31,481	15,244	24,989	36,351	52,877	30	17
3	Carso Global Telecom	Telecommunications	11,768	24,085	5,414	14,324	12,381[e]	56,624[e]	29	6
4	Grupo FEMSA	Beverages	3,508	13,377	3,859	12,147	35,647[e]	132,000	27	8
5	Grupo ALFA	Diversified	3,439	8,023	4,460	10,411	13,605	50,992	30	19
6	Grupo México	Mining	2,850	8,491	2,880	5,820	3,678	18,928	3	3
7	PEMEX[b]	Oil & gas	2,090	89,415	1,711	96,074	1,700	143,743	1	1
8	Gruma	Food products	1,986	3,212	2,299	3,239	11,792	19,060	13	14
9	Grupo BIMBO	Food products	1,850	4,230	2,125	5,951	25,000[g]	108,000	22	17
10	Grupo Televisa	Television, motion, pictures, radio & telecommunications	1,614	8,881	491	3,468	1,660	25,423	2	2
11	Cementos Chihuahua	Non-metallic minerals	952	1,429	437	650	NA	2,892[d]	18	2
12	Industrias CH	Steel & metal products	790	2,590	1,623	2,838	1,790	5,648	7	2
13	Mexichem	Chemicals & Petrochemicals	730[h]	2,354	1,108[h]	2,216	NA	NA	NA	14
14	Xignux	Diversified	723	1,659	1,196[i]	2,234	NA	18,668	4	4
15	Grupo ELEKTRA	Retail trade	520	7,423	348	3,055	6,862	37,121	7	7
16	Corporación Durango	Paper & Paper products	250	1,118	226	739	200	8,500	3	1
17	Interceramic	Non-metallic minerals	151[c]	417	161	408	724	3,885	5	3
18	San Luis Corp.	Automobile parts	114	511	163	503	1,294	4,122	3	2
19	Accel	Food products	48	143	91	124	1,313	1,932	2	1
Total			**97,327**	**253,923**	**58,408**	**206,772**	**195,583**	**747,206**	**670**	**144**

Source: IIEc-VCC survey of Mexican MNEs and company reports and websites.
[a] The exchange rate used is the IMF rate of December 31, 2008: US$ 1 = Pesos 13.8325.
[b] PEMEX is a fully state-owned firm.
[c] Approximately one-fourth of the assets are industrial plants and the remainder are distributors.
[d] Not including Bolivian employees.
[e] As of 2007.
[f] Includes Telefonos de México 2007.
[g] Minimum estimated.
[h] CEPAL: "La inversión extranjera en América Latina y el Caribe", Naciones Unidas, Comisión Económica para América Latina,2008, pag 49.
[I] Mexican exports included.

Annex Table 2. Transnationality Index[a]

Ranking	Name	Assets F / T	Sales F / T	Employment F / T	Transnationality Index
1	Cemex	0.89	0.83	0.73	0.82
2	America Movil	0.75	0.61	0.69	0.68
3	Carso Global Telecom	0.49	0.38	0.22	0.36
4	Grupo FEMSA	0.26	0.32	0.27	0.28
5	Grupo ALFA	0.43	0.43	0.27	0.37
6	Grupo México	0.34	0.49	0.19	0.34
7	PEMEX	0.02	0.02	0.01	0.02
8	Gruma	0.62	0.71	0.62	0.65
9	Grupo BIMBO	0.44	0.36	0.23	0.34
10	Grupo Televisa	0.18	0.14	0.07	0.13
11	Cementos de Chihuahua	0.67	0.67	NA	NA
12	Industrias CH	0.31	0.57	0.32	0.40
13	Mexichem	0.31	0.50	NA	NA
14	Xignux	0.44	0.54	NA	NA
15	Grupo ELEKTRA	0.07	0.11	0.18	0.12
16	Corporación Durango	0.22	0.31	0.02	0.18
17	Interceramic	0.36	0.39	0.19	0.31
18	San Luis Corp.	0.22	0.32	0.31	0.29
19	Accel	0.34	0.73	0.68	0.58

Source: IIEc-VCC survey of Mexican MNEs and consolidated company reports and websites.
[a] The transnationality Index 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 3. Host Countries of the listed Mexican MNEs

Source: IIEc-VCC survey of Mexican MNEs and consolidated company reports and websites.

	HOST COUNTRIES	COMPANIES BY RANKING 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	1	2	3	4
North America	Canada					●							●											
	United States	●	●			●	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	●
Central America	Costa Rica	●		●					●	●				●									●	
	El Salvador		●			●			●	●				●		●					●			
	Guatemala		●	●					●	●				●		●		●			●		●	
	Honduras		●						●	●				●		●					●			
	Nicaragua		●	●					●	●				●							●			
	Panama	●		●		●								●		●		●			●		●	
Caribbean	Bahamas	●																						
	Bermuda	●																						
	Cayman Islands	●																						
	Haiti	●																						
	Jamaica		●																					
	Puerto Rico		●																					
	Dominican Republic	●	●			●															●			
	Trinidad and Tobago	●																						
South America	Argentina	●	●	●	●	●				●				●			●				●			
	Bolivia											●											●	
	Brazil	●	●	●	●	●				●				●	●	●			●		●			
	Chile	●	●	●			●			●				●							●			
	Colombia	●	●	●	●					●				●	●						●		●	
	Ecuador		●	●										●							●			
	Paraguay		●							●											●			
	Peru		●	●		●	●			●				●		●					●			
	Uruguay		●							●														
	Venezuela	●			●				●	●				●										
Europe	Germany					●																		
	Austria					●				●														
	Belgium					●																		
	Slovakia					●																		
	Spain	●				●			●	●	●										●	●	●	
	France																						●	
	Netherlands								●															
	Hungary					●				●														
	United Kingdom								●															
	Italy					●			●															
	Poland					●																		
	Portugal																						●	
	Czech Republic					●				●														
	Sweden					●																		
Asia	China	●				●			●	●														
	Philippines	●																						
	Malaysia								●															
	India														●									
	Indonesia	●																						
	Israel																							●
	Thailand	●																						
Oceania	Australia	●							●															
Africa	Egypt	●																						

Annex Table 4. The listed Mexican MNEs: Regionality Index[a] - 2008[b]

Company	North America	Central America	Caribbean	South America	Europe	Asia	Oceania	Africa
Cemex	5	10	29	24	5	19	5	5
America Movil	6	22	17	44	—	—	—	—
Carso Global Telecom	—	40	—	60	—	—	—	—
Grupo FEMSA	—	—	—	100	—	—	—	—
Grupo ALFA	11	11	5	16	53	5	—	—
Grupo México	33	—	—	67	—	—	—	—
PEMEX	100	—	—	—	—	—	—	—
Gruma	7	36	—	7	29	14	7	—
Grupo Bimbo	5	26	—	42	21	5	—	—
Grupo Televisa	50	—	—	—	50	—	—	—
Cementos de Chihuahua	50	—	—	50	—	—	—	—
Industrias CH	100	—	—	—	—	—	—	—
Mexichem	7	43	—	50	—	—	—	—
Xignux	25	50	25	—	—	—	—	—
Grupo ELEKTRA	—	67	—	33	—	—	—	—
Corporación Durango	50	—	—	50	—	—	—	—
Interceramic	33	67	—	—	—	—	—	—
San Luis Corp.	50	—	—	50	—	—	—	—
Accel	100	—	—	—	—	—	—	—

***Source*: IIEc-VCC survey of Mexican MNEs and consolidated company reports and websites.**

[a]**The Regionality Index is calculated by dividing the number of a firm's foreign affiliates in a particular region of the world by its total number of foreign affiliates and multiplying the result by 100.**

[b]Note that this table assigns one foreign affiliate per host country to each company, since the exact number of foreign affiliates was not available for all companies. The regionality Index given here is thus no more than an approximation.

Annex Table 5. The listed Mexican MNEs in stock markets

Company	Stock market
Cemex	Bolsa Mexicana de Valores New York Stock Exchange
America Movil	Bolsa Mexicana de Valores New York Stock Exchange Mercado de Valores Latinoamericanos (Latibex) de la Bolsa de Madrid, España
Carso Global Telecom	Bolsa Mexicana de Valores
Grupo FEMSA	Bolsa Mexicana de Valores New York Stock Exchange
Grupo ALFA	Bolsa Mexicana de Valores Mercado de Valores Latinoamericanos (Latibex) de la Bolsa de Madrid, España
Grupo México	Bolsa Mexicana de Valores [a]
PEMEX	Bolsa Mexicana de Valores New York Stock Exchange
Gruma	Bolsa Mexicana de Valores New York Stock Exchange
Grupo Bimbo	Bolsa Mexicana de Valores
Grupo Televisa	Bolsa Mexicana de Valores New York Stock Exchange
Cementos de Chihuahua	Bolsa Mexicana de Valores
Industrias CH	Bolsa Mexicana de Valores American Stock Exchange
Mexichem	Bolsa Mexicana de Valores
Xignux	Bolsa Mexicana de Valores
Grupo ELEKTRA	Bolsa Mexicana de Valores Mercado de Valores Latinoamericanos (Latibex) of the Madrid stock Exchange
Corporación Durango	Bolsa Mexicana de Valores
Interceramic	Bolsa Mexicana de Valores
San Luis Corp.	Bolsa Mexicana de Valores
Accel	Bolsa Mexicana de Valores

Source: IIEc-VCC survey of Mexican MNEs and consolidated company reports and websites.
[a] Southern Copper Corporation, a subsidiary of GMéxico, trades on the Bolsa de Valores de Lima and the New York Stock Exchange under the ticker symbol PCU.

Annex Table 6. Major cross-border mergers and acquisitions – 2008 (US$ million)

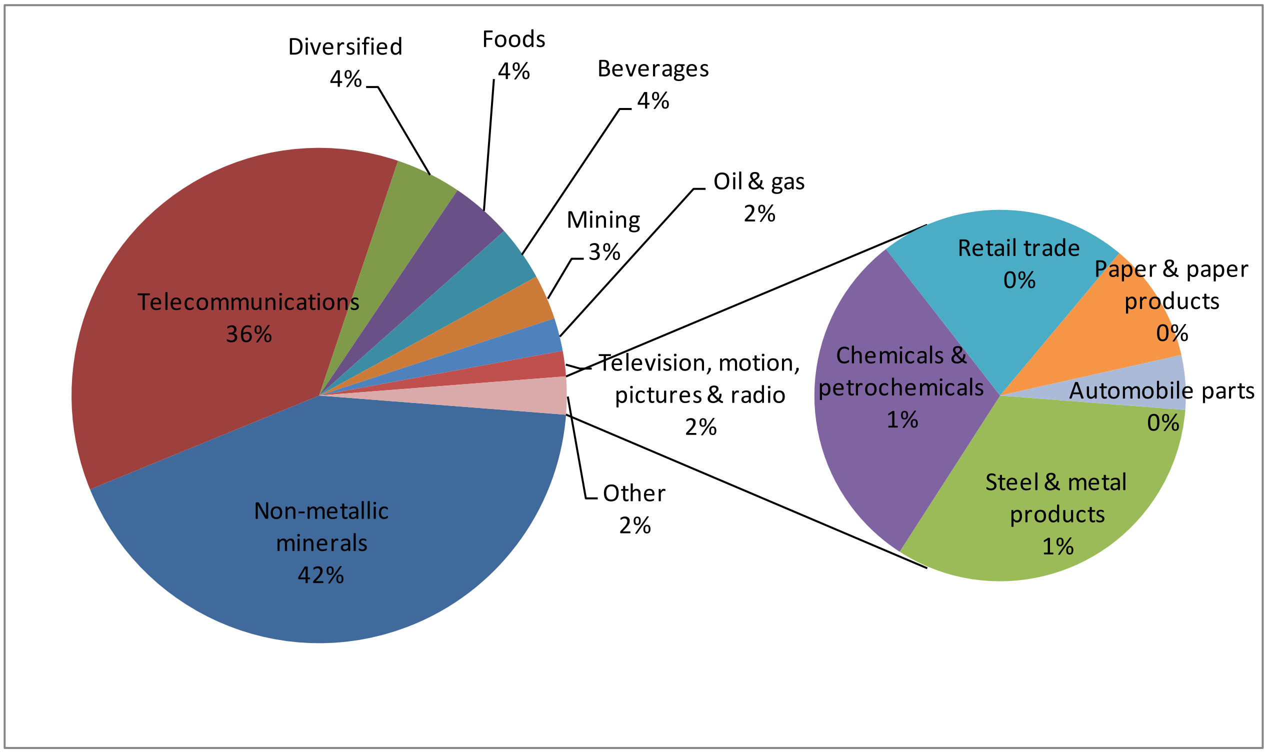
Date	Acquiring company	Target company	Target industry	Target country	% of equity acquired	Value of transaction
21 December	Xignux	IndoTech	Manufacturer of Transformers	India	54.35	
7 to 8-December	Grupo Bimbo	Dunedin Holdings S.a.R.L. subsidiary of George Weston Limited (Canada)[a]	Food products	United States	100	2.3
28-November	Mexichem	Colpozos	Pumping equipment	Colombia		
7-August	América Móvil	Estesa Holding Corporation	Telecommunications	Nicaragua	100	47.8
July	Grupo ALFA	Braedt	Cold cuts producer	Peru	100	
20-June	Mexichem	Bidim	Geotextiles	Brazil	100	
30-April and 16-June	Grupo Bimbo	Nutrella Alimentos S.A.	Food products	Brazil	75	114.2
11-June	Mexichem	Geotextiles of the Peru	Geotextiles	Peru	100	
May	Grupo FEMSA	Refrigerating agents Minas Gerais (REMIL)	Bottling	Brazil	100	364.1
2-April	Grupo Bimbo	Plucky, CORP.	Food products	Uruguay	100	8.8
25-March	Grupo Bimbo	Lido Pozuelo, CORP.	Food products	Honduras	100	16.4
17-March	Cementos de Chihuahua	The Bosshart Company Inc.	Cement	United States	100	16.9
March	Cemex	Lime & Stone Production Company Ltd[b]	Cement	Israel	100	41
21-February	Grupo Bimbo	Firenze	Food products	Brazil	100	13.3
30-January	Mexichem	Dripsa	Irrigation equipment	Argentina	100	
25-January	Cementos de Chihuahua	American Cement Corporation, Inc	Cement	United States	100	11.8
23-January	Mexichem	Plastubos	PVC Pipe	Brazil	70	
17-January	Xignux	Consulting Services	Engineering services	Panama	100	
15-January	Cementos de Chihuahua	Alliance Concrete Inc.	Cement	United States	100	80.8
2-January	Grupo Bimbo	Panificio Laura, Ltda.	Food products	Brazil	100	14.6
Total						732

Source: IIEc-VCC survey of Mexican MNEs and consolidated company reports and websites.

[a] WFI, located in the East Coast of the United States, geographically and commercially complements the operations that Grupo Bimbo had acquired in 2002: George Weston Inc. on the west coast of the United States.

[b] During the second quarter of 2008, the remaining 50% of L&S was acquired. On December 31, 2008, Cemex Holdings (Israel) Ltd became the 100% owner of the Lime & Stone Production Company.

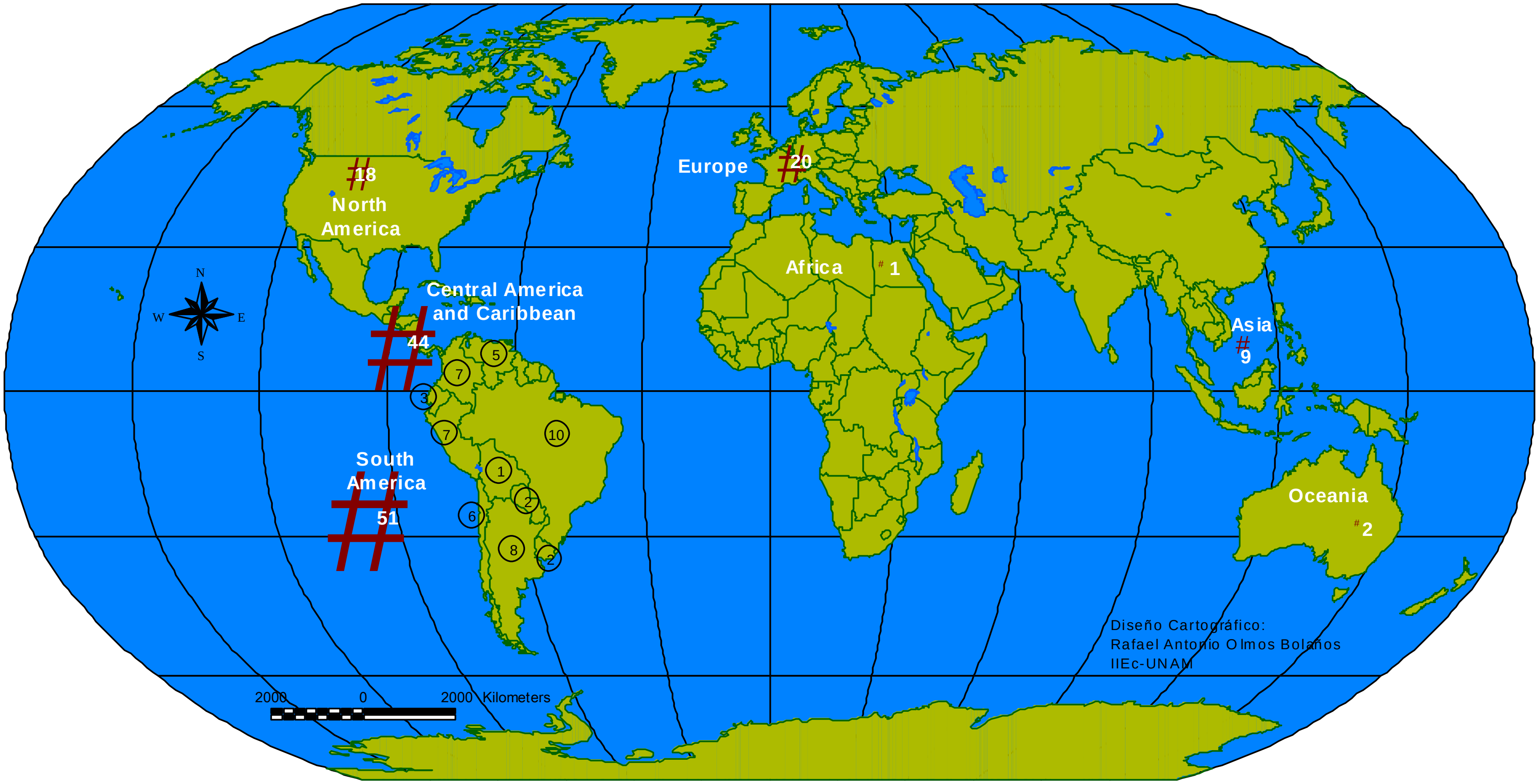
Annex figure 1. Breakdown of the foreign assets of the listed Mexican MNEs by main industry - 2008



Industry	Foreign assets (US$ million)	Number of companies	Companies
Non-metallic minerals	41,437	3	CEMEX, Cementos de Chihuahua, interceramic
Telecommunications	35,378	2	America Movil, Carso Global Telecom
Diversified	4,162	2	Grupo ALFA, Xignux
Foods	3,884	3	Gruma, Bimbo, Accel
Beverages	3,508	1	Grupo Femsa
Mining	2,850	1	Grupo Mexico
Oil & gas	2,090	1	PEMEX
Television, motion, pictures, radio& telecommunications	1,614	1	Grupo Televisa
Steel & metal products	790	1	Industrias CH
Chemicals & petrochemicals	730	1	Mexichem
Retail trade	520	1	Grupo Elektra
Paper & paper products	250	1	Corporación Durango
Automobile parts	114	1	San Luis Corp
Total	**97,327**	**19**	

Source: IIEc-VCC survey of Mexican MNEs and consolidated company reports and websites.

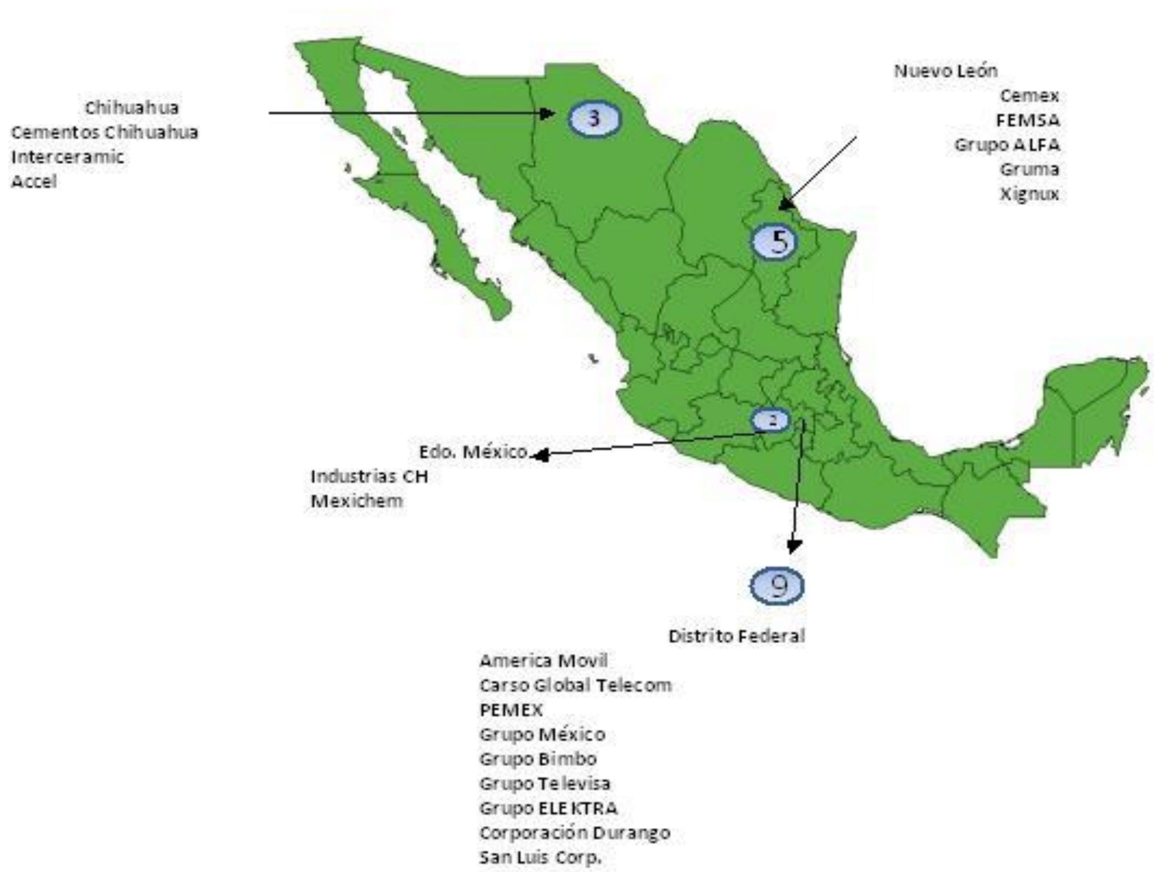
Annex figure 2. Foreign affiliates of the listed Mexican MNEs by region - 2008[a]
(number of affiliates)



Source: IIEc-VCC survey of Mexican MNEs and consolidated company reports and websites.

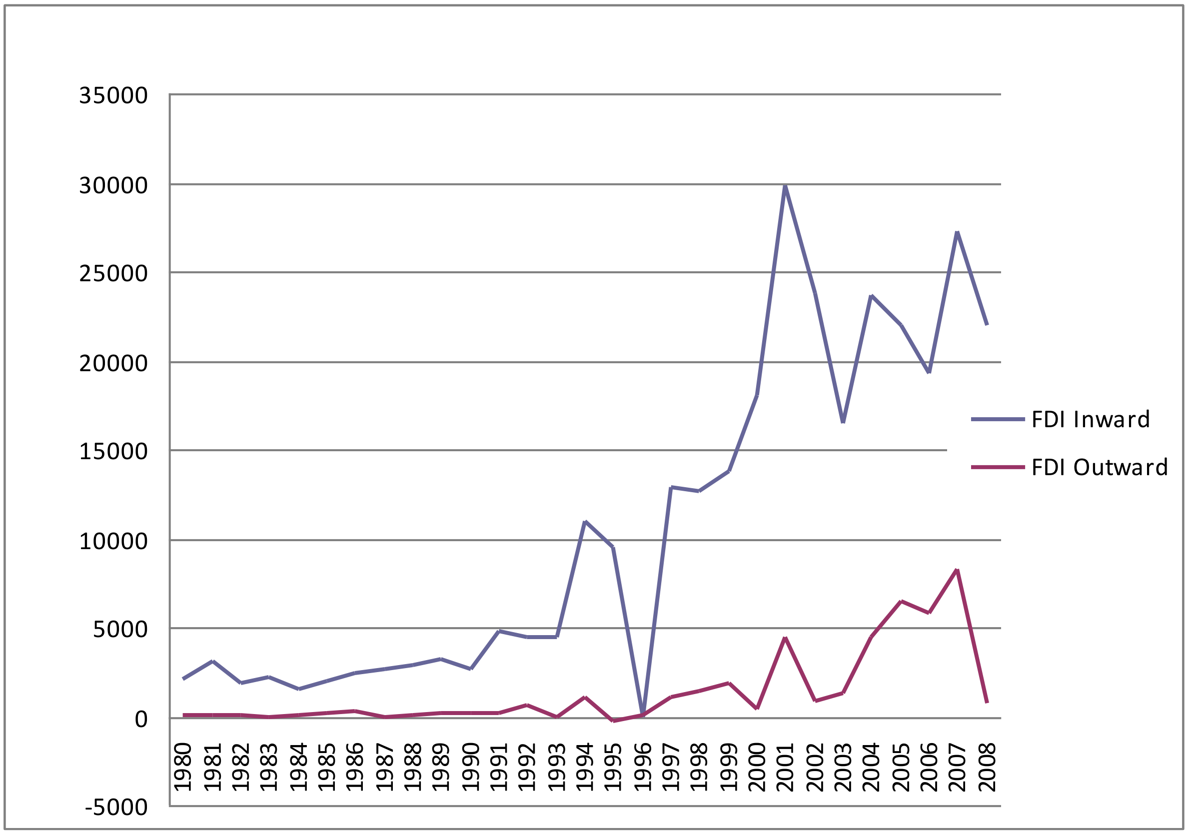
[a] The number of affiliates is taken to be one per host country, as the actual number was not available for all companies.

Annex figure 3. Head office locations of the 19 selected Mexican MNEs - 2008



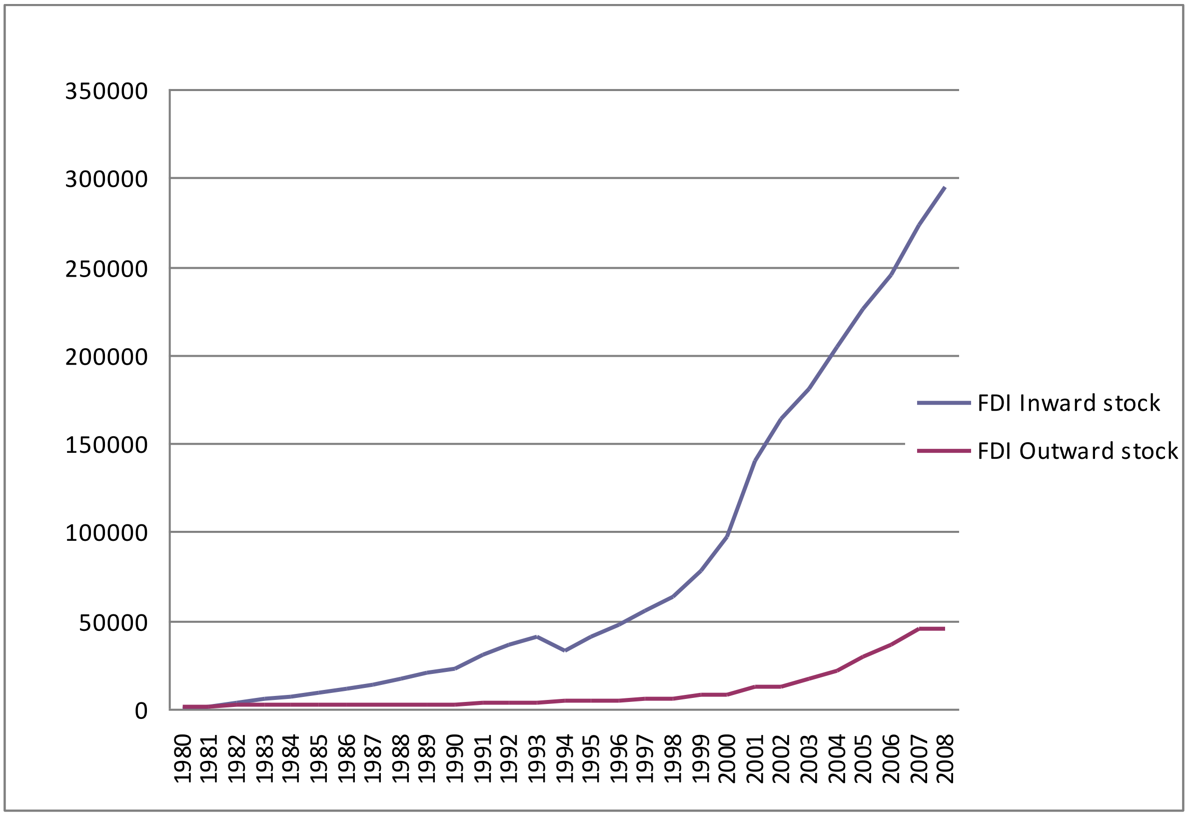
Source: IIEc-VCC survey of Mexican MNEs and consolidated company reports and website.

Annex figure 3. FDI inflows and outflows, 1980-2008 (US$ million)



Source: United Nations Conference on Trade and Development (UNCTAD), *FDI STAT On-line database* (Geneva: United Nations Conference on Trade and Development), http://stats.unctad.org/FDI/ReportFolders/reportFolders.aspx, accessed November 17, 2009.

Annex figure 4. Inward and outward FDI stock, 1980-2008
(US$ million)



Source: United Nations Conference on Trade and Development (UNCTAD), *FDI STAT On-line database* (Geneva: United Nations Conference on Trade and Development), http://stats.unctad.org/FDI/ReportFolders/reportFolders.aspx, accessed November 17, 2009.

Profiles of the top Mexican MNEs

I. Profiles of the top 19

CEMEX[83]

Cemex, founded in 1906 under the name Cementos Mexicanos, has been in operation for over 100 years. Since the merger with Cementos Portland Monterrey in 1931, the growth of what is today the world's third largest cement company[84] has been constant. In 1973, CEMEX purchased Cementos Portland del Bajio, located in central Mexico, and three years later the company began to trade on the Bolsa Mexicana de Valores (BMV), the Mexican stock exchange, and also acquired Cementos de Guadalajara. Subsequently, it began to trade on the New York Stock Exchange (NYSE).

Through co-investments with U.S. companies, CEMEX was able to launch export operations in 1986. Its expansion continues the same year through the acquisition of Cementos Anáhuac and two years later Cementos Tolteca.

At the beginning of the 1990s, the company's growth allowed it to expand to the European market through the purchase of the Spanish companies Valenciana and Sanson. In 1994, CEMEX's operations expanded to the Western Hemisphere. In 1995, CEMEX acquired Cementos Nacionales in the Dominican Republic, Venceremos in Venezuela, Cementos Bayano in Panama, and Balcones in the United States. In 1996, it acquired Cementos Diamante and Semper in Colombia, in 1997 Rizal Cement, and one year later APO Cement in the Philippines. By 1999, it had initiated operations in Africa with the purchase of Assiut Cement Company in Egypt. That same year it acquired Cementos del Pacífico in Costa Rica.

In 2000, its growth continued with the purchase of Southdown, Inc. in the United States and the following year the Saraburi Cement Company in Thailand and the Puerto Rican Cement Company in Puerto Rico. In 2005, it acquired RMC in the United Kingdom and,two years later, the Australian cement company Rinker. The company's main shareholder is the Zambrano family

America Movil S.A de C.V.

America Movil's main activity is cellular telephones and international telecommunications. It has close to 183 million subscribers in Mexico, Latin America, and the United States. It is the largest provider of wireless telecommunication services in Latin America and the third largest cellular phone company in the world. America Movil was created in September 2000 as a spin-off from Telefónos de México (Telmex),[85] controlled by the businessman Carlos Slim. Most of the international investments remained in America Movil.

[83] All information about this company was obtained from the CEMEX website (www.cemexmexico.com).
[84] After Lafarge and Holcim.
[85] Originally state-controlled but privatized in 1990.

In the following year, the new company's stocks were distributed among Telmex shareholders. The company has subsidiaries and joint investments in the telecommunications sector in the United States, eight South American countries, seven Central American and Caribbean ones, and of course Mexico.[86]

By 2005, America Movil already had over 93 million users of wireless telecommunications. Its main shareholder remains Carlos Slim Helú.

Carso Global Telecom

Carso Global Telecom was originally part of Telefónos de México (Telmex), a company under government control that was privatized in 1990.

In 2007, Telmex separated its operations in Latin America to give birth to Carso Global Telecom. In turn, Carso Global Telecom is a shareholder in Telmex Internacional (73.9%), with AT&T as its partner (22.2%).

Grupo FEMSA[87] S.A. de C.V.

Originally known as Cervecería Cuauhtémoc, the company has been operating as FEMSA since 1980, specializing in the production of beer and soft drinks.

It is the integrated beverage company with the highest sales volume in Latin America. In operation since 1890 - when Cervecería Cuauhtémoc was founded - in 1918 it created a company to promote the educational and economic development of its personnel and their families, which led to the founding in 1943 of the Monterrey Technological Institute of Higher Education, one of the country's most prestigious institutions in this field. In 1954, it incorporated Cervecería Tecate in Baja California and, in 1978, entered the retail trade business through its Oxxo convenience stores. In 1979, it acquired a Coca-Cola franchise, which led to the acquisition of Coca-Cola in Buenos Aires, Argentina. In 2003, FEMSA acquired bottling companies in Central and South America and became Coca-Cola's largest bottler in the region. In 1985, it acquired Cervecería Moctezuma, which made it Mexico's second largest brewery and one of the biggest exporters of beer to the United States. Its main shareholder is the Garza Lagüera family.

Grupo Alfa

Grupo Alfa has its origin in a series of companies founded in the 1940s: Hojalata y Lámina S.A. (steel) and Celulosa y Derivados S.A., Nylon de México S.A. and Fibras Químicas S.A. (chemicals).

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[86] In Mexico, America Movil operates under the Telcel trademark and has 36 million users and nearly four-fifths of the market share. See CNNexpansión Ficha general; http://www.cnnexpansion.com/empresas/america-movil-s-a-de-c-v.

[87] Fomento Económico Mexicano.

The group was founded in 1967 and, in 1973, took the name Grupo Alfa. At present it is comprised of four business divisions: aluminum auto parts, petrochemicals, telecommunications, and food products.

The group currently has plants in the United States, Germany, Canada, Costa Rica, El Salvador, the Czech Republic and Slovakia. Its exports go to 45 countries worldwide.

The group's operations are conducted through its subsidiaries: Alpek, in petrochemicals; Sigma, in refrigerated food products; Nemak, in aluminum and autoparts; and Onexa, which functions as the shareholder of the Mexican part of the Alestra telephone company. In addition, Alfa owns Terza and Colombin Bel, companies specializing in the production of carpets and polyurethane foam rubber. Its main shareholder is the Garza Sada family.

Grupo Mexico

This company originated as American Smelting and Refining, which in 1956 established ASARCO Mexicana and in 1978 created the Grupo Industrial Minera México holding company. The subsidiary that encompasses the group's mining operations is MEDIMSA. Since 1988, it has participated in public bidding processes, acquiring Minera de Cobre and Minera Cananea from the federal government. Among the minerals and chemicals that the company produces are copper (more than 50%), molybdenum, silver, zinc, sulfuric acid, gold, and lead.

The company has operations in Mexico and Peru (Southern Copper Corporation). In 1997, its subsidiary Infraestructura y Transportes de México, created the company Grupo Ferroviario Mexicano that acquired, through public bidding, total equity control in Ferrocarril Pacífico- Norte (currently Ferrocarril Mexicano).

Grupo México is listed on the BMV and its products trade on the London Metal Exchange and the New York Mercantile Exchange.

Petróleos Mexicanos (PEMEX)

The Mexican oil monopoly, PEMEX, founded in 1938 as a result of the nationalization of the oil industry, is the only state-owned company in the ranking, being 100% owned by the federal government.

Pemex contributes a third of the public treasury's revenue and it is one of the main suppliers of crude to the United States.

The company is organized in business divisions focused on exploration, refining, petrochemicals, and international activity. It exports around 80% of its crude oil production to the United States. One of its international divisions, PEMEX International Group, is a shareholder in PMI Norteamérica, which in turn is a 50% partner with Shell Oil Co. in the ownership of the Deer Park refinery in the state of Texas.

In the second quarter of 2008, the state-owned enterprise's oil exports averaged 1.410 million barrels per day (bpd), although this represents a 18.3% fall over the same period of the previous year.

Since 2008, Pemex has seen a decline in production at its gigantic but old Cantarell oil field, where output is now at one million bpd, half the level produced in its peak period in 2004. It does not trade on the stock market.

Gruma, S.A. de C.V

Founded in 1949, GRUMA is the world's largest producer of corn flour and tortillas. It mainly specializes in the production, marketing, distribution, and sale of corn flour, packaged tortillas, and wheat flour. It mostly operates through the following subsidiaries: Gruma Corporation, which produces corn flour and tortillas in the United States and Europe, and is 100% owned by GRUMA; Grupo Industrial Maseca (GIMSA), which produces corn flour in Mexico; Molinera de México, a wheat flour producer in Mexico; Gruma Centro América, based on Costa Rica; and Productos y Distribuidora Azteca, which produces packaged tortillas with operations in northern Mexico. In addition, GRUMA produces corn and wheat flour in Venezuela through MONACAand has operations in Europe, Asia, and Australia. The company has more than 19,000 employees and 74 industrial plants. About 43% of its sales are in the United States and Europe.

GRUMA owns 10% of the BANORTE bank. Its main shareholder is the González Barrera family.

Grupo Bimbo S.A. de C.V.

Grupo Bimbo is the world's third largest baking company. Founded in 1945 in Mexico City, it enjoyed such rapid growth that by 1978 it had 12 plants and had launched the operation of the company "Pasteles y Bizcochos" which would later change its name to "Productos Marinela". At the same time, the company launched the first production plants for "Ricolino" candies and chocolates and "Barcel" salted snack foods, and acquired "Controladora y Administratora de Pastelerías", which operates the "El Globo" pastry shop chain.

Grupo Bimbo began its international expansion in 1990, with exports of its products to the United States and the opening of its plants in Argentina, Brazil, Chile, Peru, Uruguay, Venezuela, Austria, the Czech Republic, and, recently the People's Republic of China . Its sales force tops 40,000 employees who cover more than 20,000 routes and attend to approximately 550,000 points of sale. Grupo Bimbo's main shareholder is the Servitje family.

Grupo Televisa S.A.

Originally known as Telesistema Mexicano, the company was founded in 1955, when the Azcárraga and O'Farrill families were granted concessions to operate the TV channels 2 and 4 in Mexico City as well as several stations elsewhere in the country. Grupo Televisa is a pure holding company whose subsidiaries are focused on the entertainment and media industry, making it the largest company in the sector in the Spanish-speaking world. Through its subsidiaries and strategic associations, Grupo Televisa operates television channels 2, 4, 5 and 9 in the Mexico City metropolitan area, in addition to 220 relay stations and 33 local channels. It produces and transmits television programs, operates restricted TV signals, distributes television programs for the domestic and international markets, develops and operates direct satellite TV services for home viewing, operates publishing houses and the distribution of publications, provides cable TV, produces and broadcasts radio programs, promotes sporting events and special events, produces and distributes movies, and operates a horizontal web page. In Spain, the company owns slightly more than half of Radiópolis in a joint investment with the Spanish Grupo Prisa. Emilio Azcárraga Jean is the majority stockholder.

Grupo Cementos de Chihuahua

Founded in 1941, Grupo Cementos de Chihuahua produces, distributes, and markets Portland gray cement, mortar, premixed concrete, concrete cinder blocks, plaster and other building materials in Mexico and the United States, and has a 47% equity stake in Boliviana de Cemento, acquired in 2005. The company's annual production capacity is 4.0 million tons and it has more than 2,800 employees. In 2006 it acquired 100% of the equity in the American companies The Hardesty and Alliance Transportation, known as Midco, which joined the ranks of the company's plants in South Dakota, Colorado, and Minnesota.

Industrias CH

The company's origin dates back to 1934, when it was known as Herramientas S.A., specializing in the production of hand tools. In 1938, its name was changed to Campos Hermanos S.A. but it was not until 1960s that it entered its current activity. In 1991, the company was acquired by the current management.

Industrias CH produces and processes steel. It is the main producer of special steels in Mexico and the market leader in seamed pipe, steel structural profiles and commercial profiles. In July 2005, ICH, together with its main subsidiary, SIMEC, acquired 100% of the equity of Pav Republic, company leader in the special steels market in the United States. Through Pav Republic, ICH and SIMEC are now present in the world's largest automotive market. In terms of production capacity and sales volume, it has been one of the fastest-growing Mexican steel companies in the past few years. It has 15 plants in Mexico, the United States, and Canada that employ more than 5,600 workers. Industrias CH's main shareholder is the Vigil González family.

Mexichem

Mexichem is a pure holding company, with two productive chains involving vinyl-chloride and fluorine. The company is a 100% Mexican group, comprised of chemical and petrochemical companies that are leaders in the Latin American market, and it exports to more than 50 countries. It is present in a wide variety of sectors such as construction, coolants, and auto. Mexichem had its origins in a company known as Cables Mexicanos, founded in 1953. In 1978, the Grupo Industrial Camesa holding company was created, which originally held equity control of Cables Mexicanos. In that same year, the company began to trade on the Bolsa Mexicana de Valores. In 1986, it incorporated Companía Minera Las Cuevas, a company that produced fluorite. In December 2003, it increased its equity stake in Subsidiaria Mexichem, previously owned by the French company Grupo Total, from 50.4% to 93.79%.

The company has developed an expansion strategy that integrates its operations vertically and horizontally. Mexichem is the main producer of PVC resin in Latin America (40% of the market) and PVC pipes (30% of the market). Its main shareholder is the Del Valle family.

Xingnux

Originally Conductores Monterrey, Xingnux was founded in 1956. It is comprised of three business divisions: electric cables, electric transformers, and food products. Its main shareholder is the Garza Herrera family. Xingnux does not trade on any stock market.

Grupo Elektra

Originally known as the Salinas y Rocha department store, the company was founded in 1906. Since 1950, it has specialized in the production of household appliances. Its first operations involved the production and marketing of radio transmitters in 1957, the year in which it opened the first Elektra store, a Grupo Salinas company. Its catalog of products and services has expanded to furniture, minor household products, and household and electrical appliances. In 2002, it received authorization from the Finance Ministry to operate a multiple banking institution, Banco Azteca, which was followed by an insurance company and a Pension Fund Manager. In addition to Mexico, Elektra has a presence in Central and South America with more than 1,000 stores. Its main shareholder is Ricardo Salinas Pliego.

Corporación Durango

The origins of the company date back to a merger between a forest product transportation company and a regional wholesaler of construction materials in 1975.

Codusa is currently the country's largest producer of paper for packaging and corrugated boxes with 1.9 million short tons and more than 8,000 employees. It controls companies that operate in the lumber, cellulose, paper, and paper products industries. Its main products are kraft paper, sawed wood, chemical by-products, kraft cellulose, ctp cellulose, corrugated packaging, and paper bags. Among its main subsidiaries is the newsprint producer Pipsamex with an annual production of 142,000 short tons. Its main shareholder is the family Rincón.

Interceramic

Founded in 1978, Interceramic is a company dedicated to the production and sale of enameled ceramic tile for floors and coverings and related products for their installation. It has four plants, three in Chihuahua and one in Garland, Texas, whose production is earmarked for the Mexican and U.S. markets. With operations dating back to 1978, today Interceramic has an installed capacity of 33 million square meters a year and employs more than three thousand workers in eight subsidiaries. Its main shareholder is the Almeida family.

San Luis Corporación, S.A. de C. V.

In 1929, Rassini, the first company of the current group began operating in Mexico City. In 1967, Minas de San Luis was listed on the BMV. In 1979, a group of Mexican investors -headed by Antonio Madero Bracho- acquired most of the equity of Minas de San Luis, establishing Industrias LUISMIN as the holding company. In 1988, Minas de San Luis acquired Rassini, which already had a plant in Xalostoc; two others in Piedras Negras, Coahuila, and a design, engineering, and customer service office in the Detroit, Michigan area. In 1990, the expansion of the steel coil plant and the springs and torsion bar plant began operating, positioning itself as the world's largest manufacturing of such items with more than 10 million parts annually. In 1994, San Luis Corporación acquired a plant located in San Martin Texmelucan, Puebla, now known as Rassini-Frenos. In 2002, the holding company sold its mining division in order to concentrate on the auto parts business, which represents 88% of its revenue. Its main shareholder is the Madero family.

Accel S.A.

Originally incorporated as Ponderosa Industrial S.A., the company emerged as a spin-off from Grupo Chihuahua in 1991. It is a group of companies largely focused on providing storage, logistics, real estate, and distribution services and producing candies. One of its two divisions offers solutions in the handling of both refrigerated and dry merchandise in warehouses, providing services for inventory management, freight consolidation and deconsolidation, platform crossing, selection and packaging, and marketing distribution and services. Accel has approximately 186,000 square meters for storage and distribution. The manufacturing division is comprised of Elamex, S.A. de C.V., a company with manufacturing operations and real estate activities in Mexico and the United States. Candy production takes place in Ciudad Juárez, Chihuahua, with a plant of nearly 17,000 square meters. The preparation, packaging, distribution, and sale of dried fruits and nuts (peanuts, almonds, pecans, pistachios, etc.) is carried out in the company's own facilities with a surface area of some 17,000 square meters in El Paso, Texas. Accel's main shareholder is the Vallina family. The company trades on the Mexican stock exchange.

II. Profiles of the four excluded from the top 19 owing to a lack of data

Grupo Carso S.A. de C.V.

The company was established in 1980 as Grupo Galas. It emerged from a series of companies acquired by Casa de Bolsa Inbursa, controlled by Carlos Slim Helú between 1982 and 1988. The company acquired most of the equity in Cigatam, Artes Gráficas Unidas, Fábricas de Papel Loreto y Peña Pobre, Galas de México, Sanborn´s Hermanos, FRISCO, Industrias Nacobre, and Porcelanite. In 1990, the company absorbed Corporación Industrial Carso through a merger, changing its name to Grupo Carso. In that year, in alliance with Southwestern Bell International Holding, France Cables et Radio and other investors, the company acquired control of Teléfonos de México (Telmex) through a public bidding process. Subsequently, Grupo Carso and Telmex separated. In 1991, Grupo Carso acquired 35% of Euzkadi and in the following years it invested in Condumex, Grupo Aluminio, General Tire de México, Sears Roebuck de México, Conductores Latincasa, Controladora y Operadora de Pastelerías, FerroSur, CompuSA, JC Penney México, Pastelerías Monterrey, and Dorians. It also created Carso Infraestructura y Construcción and MixUp music and video stores. The group sold Euzkadi and General Tire, Controladora y Administradora de Pastelerías, Ferrosur, and Arte Gráficas Unidas.

This diversified business conglomerate is currently engaged in the tobacco, auto parts, aluminum, copper, mining, rubber, telecommunications, construction, and retail sectors. Its main shareholder is Carlos Slim Helú.

Grupo KUO

Previously known as Grupo DESC, the company was founded in 1973. It has three industrial divisions: auto, chemicals, and consumer goods.

It is currently one of the country's most important industrial groups. Together its divisions control or maintain a majority interest in around 85 companies. About 40% of its sales correspond to the chemicals business, 35% to food products, 10% to the car parts branch, and 15% to its real estate division.

Its main shareholder is the Senderos Mestre family.

Grupo VITRO S.A de C.V.

Founded in 1909 and originally known as Vidriera Monterrey, the company is one of the world's largest glass-producing conglomerates (for the most part containers for beverages, liquor, and the pharmaceutical industry, and sheet glass for the auto and construction industries). It is an export-oriented company that ships its products to more than 70 countries worldwide

Grupo Vitro's subsidiaries conduct business operations in the entire Western Hemisphere, with installations and distribution centers in countries located throughout the hemisphere and in Europe.

Vitro's companies produce articles for multiple markets that include glass for motor vehicles and construction; glass bottles for wine and liquor, cosmetics, pharmaceuticals, foods and beverages. Vitro also produces raw materials and machinery and equipment for industrial use, which are vertically integrated in the container business division.

Grupo Vitro's subsidiaries do business throughout the entire Western Hemisphere, with installations and distribution centers in eight countries, in North, Central and South America, and in Europe. Its main shareholder is the Sada family.

AHMSA

The company, founded in 1942 as Altos Hornos de México, was under state management[88] until it was privatized in 1991. It was acquired by Grupo Acerero del North S.A de C.V with the coal and iron mine operations being incorporated into the steel company.

AHMSA specializes in steel production. In Mexico, its market share is 16.3% for steel, 32% for flat products, and 13.3% for exports of finished steel products. It has several subsidiaries[89] that operate eight mines. The iron mines are operated by Minera del Norte S.A. and Cerro de Mercado S.A. Its other two subsidiaries, Minerales Monclova S.A. and Minera Carbonifera Río Escondido S.A., operate four coal mines whose production of thermal coal is used in electric power generation.

[88] In the first year of the company's operations (1944), its annual capacity was 140,000 tons of steel liquid, which had risen to 2,000,000 tons by the end of 1960.

[89] As of May 25, 1999, the company and its subsidiaries had suspended payments after having accumulated more than US$ 800 million in debt and it was not until 2006 that it was able to rectify this situation.

B. The impact of the global crisis on Mexican MNEs varies by industry in 2009

Jorge Basave Kunhardt and María Teresa Gutiérrez-Haces[90]

The second annual of Mexican MNEs, released on December 14, 2010, focuses on data for the year 2009.

Highlights

In 2009, the 20 companies listed in table 1 below posted about US$ 117 billion in foreign assets, 63 billion in foreign sales, and had 227,484 employees in their overseas operations. The top three companies on the list are CEMEX, America Movil, and Carso Global Telecom, which together controlled US$ 86 billion in foreign assets, which was 73% of the total on the list. The leading sectors on the list are food and beverages (4 firms), non-metallic minerals (4 firms), and telecommunications (2 firms).

In keeping with the tradition in Mexican OFDI, most of the investments were undertaken in Latin America and the Caribbean and in North America − specifically the United States. These regions were followed in importance by Western Europe. Mexican outward FDI has now also begun to appear in China, India, and Australia.

The shares of all companies ranked in table 1 are publicly traded, with the exception of PEMEX, which is 100% state-owned, and Xignux, which is a privately held family-owned firm.

Table 1. The top 20[a] Mexican MNEs, by foreign assets, 2009 (US$ million)[b]

Rank	Company	Industry	Status[c]	Foreign assets
1	CEMEX	Non-metallic minerals	Listed (Nil)	39,607
2	America Movil	Telecommunications	Listed (Nil)	29,470
3	Carso Global Telecom	Telecommunications	Listed (Nil)	16,891
4	Grupo México	Mining	Listed (Nil)	7,742
5	Grupo FEMSA	Beverages	Listed (Nil)	5,222
6	Grupo Bimbo	Food products	Listed (Nil)	4,816
7	Grupo ALFA	Diversified	Listed (Nil)	2,759
8	PEMEX	Oil & gas	Unlisted (100%)	2,090

[90] With technical support provided by Carmen Uribe, Iris Velasco, and Carmen Irene Rodríguez.

9	Gruma	Food products	Listed (Nil)	2,056
10	Grupo Televisa	Television, motion pictures, radio & telecommunications	Listed (Nil)	1,565
11	Mexichem	Chemical & Petrochemicals	Listed (Nil)	1,520
12	Cementos Chihuahua	Non-metallic minerals	Listed (Nil)	1,312
13	Xignux	Diversified	Unlisted (Nil)	735
14	Industrias CH	Steel & metal products	Listed (Nil)	574
15	Grupo VITRO	Non-metallic minerals	Listed (Nil)	397
16	Grupo ELEKTRA	Retail trade	Listed (Nil)	246
17	San Luis Corp.	Automobile parts	Listed (Nil)	122
18	Interceramic	Non-metallic minerals	Listed (Nil)	98
19	Accel	Food products	Listed (Nil)	87
20	Corporación Durango	Paper & paper products	Listed (Nil)	76
Total				**117,385**

***Source*: IIEc-VCC survey of Mexican MNEs and company reports and websites.**

[a] Although we speak of the 'top 20' Mexican MNEs here, it was not possible to obtain information about other likely candidates for the bottom half of the list. For further details, see the third paragraph under 'Profile of the top 20' below.
[b] The exchange rate used is the IMF rate of December 31, 2009: US$ 1=Pesos 13.0659.
[c] The percentage in parentheses is the percentage of shares controlled by the state.

Profile of the top 20

Changes in the composition of the list and in rankings

There were no dramatic changes in the ranking between 2008 and 2009. The top three companies in the ranking remained where they were, accounting in 2009 for 61% and 73% of the foreign sales and assets of the list. CEMEX has been the most important global Mexican MNE for nearly two decades. America Movil and Carso Global Telecom are more regional players, with a fairly recent but very strong expansion in Latin America (annex table 2).

The most notable change was the addition of Grupo Vitro to the list (15th place); this is a conglomerate with extensive glass-manufacturing operations. The biggest change was a decline: Corporación Durango fell from the 16th place in the 2008 ranking to 20th in 2009 – unsurprisingly, since its assets fell simultaneously from US$ 250 million to US$ 76 million.[91] Other changes involved the following firms: Grupo México, which rose from 6th to 4th place due to strong investment[92] that enabled it to recover control of the US company ASARCO; Grupo Bimbo, which went from 9th to 6th place as a result of the purchase of Weston Foods in the United States; and Mexichem, which went from 13th to 11th place by acquiring two petrochemical companies in Brazil and Colombia (annex tables 4 and 5).

It has not been possible to obtain data on the overseas assets or numbers of workers employed abroad for two publicly traded companies with important levels of outward investment, Grupo Carso and Grupo KUO (diversified).[93] Three other MNEs, Grupo Lala (food products), MABE (furniture), and Grupo Proeza (auto parts)[94] are unlisted, family-owned firms,that do not publish or provide financial information. It has thus not been possible to consider any of these five companies in the 2009 report.

Drivers of outward FDI

With the opening up of the Mexican economy at the end of the 1980s, the main motives behind Mexican investment abroad were market diversification and the need for companies to raise their competitiveness in response to the opening of the domestic market. Mexican companies also wanted to take advantage of the opportunities offered by economic liberalization in Latin America and their background as exporters of manufactured goods. In Central America, they exploited low labor costs and, in the United States and Europe, they exploited input quality and skilled labor. More recently, the strength of the Asian markets has begun to attract investment from some Mexican MNEs.

Ownership and status

PEMEX is the only state-owned Mexican MNE (with100% state control) on our list and one of two companies on the list (the other being Xignux) that do not trade on any stock exchange. Of the other 18, all are listed on the Bolsa Mexicana de Valores and nine are also listed on a foreign stock exchange, most often the New York one (annex table 3).

Regional and global MNEs

Twelve of the 20 MNEs have expanded on a regional level, while eight have acquired a global projection. Although there is no clear pattern of differences between the regional and

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[91] The data used in 2008 came from the company's website and had not been audited. Durango´s foreign assets as given in our 2008 report were thus probably overvalued. The data for 2009 come from the IIEc-VCC survey.

[92] With a cash contribution of US$ 720 million and having obtained financing for US$ 1.5 billion, Grupo México recovered equity control of ASARCO, which it had lost in 2005 due to proceedings under chapter 11 of the US Bankruptcy Code as a consequence of the subsidiary having incurred in environmental, fiscal, and financial liabilities that led to the bankruptcy.

[93] If such data were available, these two companies would almost certainly form part of the ranking, since they posted overseas sales of US$ 787 million and US$ 696 million respectively in 2009.

[94] These three firms are not as large as Grupo Carso and Grupo KUO but, judging by recent press information, they may have investments abroad that are large enough to make them candidates for the bottom quarter of our ranking.

the global, it is obvious that the most globalized firms are CEMEX, Bimbo, ALFA, Gruma, and Mexichem (annex table 2).

Transnationality Index

The transnationality index (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. It is expressed as a percentage (i.e., '79' rather than '0.79'). CEMEX has the highest TNI: 79. The TNI of half the MNEs exceeds 40, with most of them to be found in the top half of the ranking. Considering the TNI by industry, we note that all firms in the food products business have a TNI over 50 (annex table 1).

Top 10 M&A deals in 2007-2009

The greatest number of acquisitions occurred in 2007, with the most important among them being the purchase of the Rinker Group (Australia) by CEMEX. In 2009, the leading transactions were the recovery of ASARCO by Grupo México and the purchase of the US-based Weston Foods by Grupo Bimbo, which latter transaction made Grupo Bimbo the largest producer of breads and pastries in the US. In 2009, there was a slowing of the pace of expansion of telecommunications companies (see the 'Big picture' section below and annex tables 4 and 4a).

Divestments, 2009

The global crisis especially affected the construction sector, which led CEMEX to sell some of its production plants in Austria and the United States in 2008. Conditions worsened in 2009, when CEMEX was forced to sell its subsidiary in Australia to the Holcim Group (annex table 4b).

Top greenfield investments, 2007-2009

In this category, two companies with the largest number of affiliates stand out in terms of their investments: CEMEX and America Movil (see the 'Big picture' section below and annex table 5).

Principal industries

The two industrial sectors that have a dominant position in Mexican investment abroad are telecommunications (40%) and non-metallic minerals (35%). The latter, together with the food and beverage sector (10%), have traditionally been the industries that have accounted for most outward FDI, until the tremendous recent expansion of America Movil and Carso Global Telecom into Latin America, which has made telecommunications the most dynamic sector in this regard (annex figure 1).

Geographical distribution of foreign subsidiaries

Of the total of 271 foreign affiliates of Mexican MNEs, the largest number are located in Latin America and the Caribbean (137), followed by North America with 80 (annex figure 2).

Location of headquarters

The country's capital (the Federal District) and three states (Nuevo León, Chihuahua, and the State of Mexico) are home to all the head offices of the 20 companies (annex figure 3).

Top management of the top 20

The official language of all 20 companies is Spanish. In all of them, the CEO is a Mexican citizen. In eight companies, between 50% and 100% of the members of their boards of directors pursued their postgraduate studies abroad.

Changes in assets, sales and employment over 2008-2009

As table 2 below indicates, foreign assets and sales of the 20 companies grew by 23% and 10% respectively over 2008.[95] The growth rates were above those of their total assets and sales (15% and 9%), demonstrating the advantages of market diversification. However, the crisis had different impacts on different companies, as a function primarily of the industries in which they operate. About 40% of the 20 companies experienced reductions in their total sales and another 40% (not necessarily the same ones) reported a fall in their foreign sales (see the 'Big picture' section below). The main contrast was in employment. While the total employment of the 20 companies fell by 13%, their foreign employment grew by 15%, thus increasing the share of foreign in total employment by 9%.[96] Grupo BIMBO is in first place in this regard, with 40,000 overseas jobs: it is the largest Mexican employer in the United States (appendix 1, table 1).

Table 2. Snapshot of the top 20 MNEs, 2008-2009 (US$ million)[a]

Variable	2008	2009	% change, 2008-2009
Assets			
Foreign	95,237	117,385	23.3
Total	164,508	188,680	14.7
Share of foreign in total (%)	57.89	62.2	

[95] Excluding Pemex for reasons explained in Table 2.

[96] The main reasons for this growth were: increases in the foreign employment of several firms − Grupo Bimbo 60%, Carso Global Telecom 84%, Grupo México 77% − and the inclusion of Grupo Vitro in the 2009 ranking.

Sales			
Foreign	56,697	62,517	10.3
Total	110,698	120,897	9.2
Share of foreign in total (%)	51.22	51.71	
Employment			
Foreign	195,583	225,784	15.4
Total	725,646	633,173	-12.7
Share of foreign in total (%)	26.95	35.66	

Source: IIEc-VCC survey on Mexican MNEs and company reports and websites.

[a] PEMEX is excluded from all three variables in order to avoid distortions due to the considerable weight that it represents in the aggregate data. (If it is included, the share of foreign assets in total would be 38.32% in 2008 and 40.39% in 2009). In the case of employment, Mexichem and Xignux are also excluded in 2008 and Cementos de Chihuahua in both years because information on their foreign employment was unavailable.

The big picture

Evolution of Mexican business groups and outward investment

The first outward investment cycle for Mexican business groups occurred in the 1970s, after several decades of expansion of the Mexican economy. During that decade some of the largest manufacturing firms in Mexico developed a broad strategy of purchasing domestic competitors inside the country and diversifying their businesses,[97] which in some cases included the acquisition of banks and other financial companies. They also embarked on a process of internationalization through exports and investment abroad.

This investment cycle during the 1970s coincided with that of several developing economies with high growth rates during that and the preceding decade. Other developing countries with important outward flows in the 1970s were Hong Kong (China), India, Singapore, Brazil, and Argentina.[98]

The peculiarity of the Mexican case was that, while in the other economies outflows went into countries with common borders and/or similar or lower levels of economic development, a good part of Mexican investment abroad was undertaken as south-north investment, in a country that was both much bigger and much more developed: the United States. These flows were abruptly cut off with the foreign debt crisis of the 1980s. Companies even divested all their foreign assets as part of a policy to strengthen their finances.

The second foreign expansion cycle occurred at the beginning of the 1990s, following (and feeding) the Mexican export boom. The actors were the country's largest business groups

[97] This included the purchasing of foreign affiliates in the case of the mining industry.

[98] See.Sanjaya Lall, *The New Multinationals: the Spread of Third World Enterprises,* New York; John Wiley & Sons; 1983, and Louis Wells, *Third World Multinationals: the Rise of Foreign Investment from Developing Countries,* London; MIT Press, 1983.

(as they had been in the 1970s) and, in several cases, also the oldest, dating back to the first quarter of the 20th century and even earlier. This second expansion, which is still continuing, has taken place mainly through cross-border acquisitions and the main target areas have been Central and South America and, again, the United States.

Some of the investments in the United States, such as those undertaken by food and television-programming companies, have taken advantage of the market niches opened up by the growing Latino population in that country. In the case of investments by steel, auto parts and glass manufacturing companies, their linkages with multinational auto and beverage companies located in the United States and in South America have been decisive.

The growth in Mexican OFDI occurred following the liberalization of the Mexican economy, along with that of all the other Latin American economies, and it has been steady, except in 2001 and 2008. The opening of the economy also brought along with it a spectacular increase in inward flows and stock (annex figures 4 and 5).

In addition to the 20 companies ranked in this report, there are other Mexican companies with outward investment that are either not publicly traded or do not provide enough financial information to be included in this ranking.

The policy scene

Mexico, like most developing countries, has linked its policy on foreign investment inflows to its economic development goals. Up to 1986, IFDI operated within a protectionist regulatory framework. In 1994, the North American Free Trade Agreement (NAFTA), which contains a chapter on the protection of foreign investment, was adopted. This trade agreement brought about important legislative changes related to inward investment. The inclusion in NAFTA of a mechanism for resolving extraterritorial disputes offered companies stronger guarantees and protection. Mexico has also negotiated a number of bilateral investment treaties (BITs) since 1996 (table 3 below). Finally, in 2007, Mexico became a member of the Multilateral Investment Guarantee Agency (MIGA).

Table 3 Bilateral investment treaties signed by Mexico (1996-2008)

Country	**Date of signature**	**Date of entry into force**
Argentine	November 13, 1996	July 22, 1998
Australia	August 23, 2005	July 18, 2007
Austria	June 29, 1998	March 26, 2001
Belarus	September 4, 2008	-------
Belgium/Luxembourg	August 27,1998	March 19, 2003
China	July 11, 2008	June 6, 2009
Cuba	May 30, 2001	March 29, 2002
Czech Republic	April 4, 2002	March 14, 2004
Denmark	April 13, 2000	September 23, 2000
Finland	February 22, 1999	August 21, 2000

France	November 12, 1998	October 11, 2000
Germany	August 25, 1998	February 23, 2001
Greece	November 30, 2000	September 17, 2002
Iceland	June 24, 2005	April 28, 2006
India	May 21, 2007	February 23, 2008
Italy	November 24, 1999	December 4, 2002
Korea	November 14, 2000	June 28, 2002
Netherlands	May 13, 1998	October 1, 1999
Panama	October 11, 2005	December 14, 2006
Portugal	November 11, 1999	September 4, 2000
Slovak	October 26, 2007	April 8, 2009
Spain	October 10, 2006	April 4, 2008
Sweden	October 3, 2000	July 1, 2001
Switzerland	July 10, 1995	March 11, 1996
Trinidad and Tobago	October 3, 2006	September 16, 2007
United Kingdom	May 12, 2006	July 25, 2007
Uruguay	June 30, 1999	July 1, 2002

Source: Government of Mexico, Department of Economic Studies, *Database on BITs*, http://www.economia.gob.mx/swb/es/economia/p_APPRIs_Suscritos.

While the government has made serious efforts to develop policies designed to attract and promote inward investment in Mexico, it has made few such efforts to promote outward investment by Mexican companies. Since 1986, the Mexican government has focused its efforts on promoting exports, with the result that its economic strategy has leaned toward negotiating instruments such as NAFTA. The priority has been foreign trade, not investment abroad.

The expansion of Mexican MNEs can thus be attributed more to their efforts to compete in the global economy, to increase their competitiveness in the Mexican internal market, and to take advantage of the opening of the economies south of its borders − rather than to any specific policies on the part of the Mexican government.

The impact of the crisis on the Mexican economy and outward investment generally

The effects of the world crisis were very severe in 2009. The Mexican economy, due to its trade dependence on the US economy and other structural deficiencies − including the lowest ratio of fiscal revenue to GDP among the OECD countries, one of the most complex and time-consuming sets of procedures to start a new business, and the lack of sufficient bank loans to SMEs − was the most affected among the larger countries in Latin America. Mexican GDP posted a 6.5% fall, while aggregate demand dropped 9.5%, fixed investment declined 10.1%, total exports decreased 14.8%, and oil exports, with the added difficulty of the fall in international crude prices, plummeted 24%.[99]

[99] Banco de México, 2009 Annual report.

FDI inflows in 2009 (US$ 12.5 billion) were less than half of those in 2008, while FDI outflows (US$ 7.6 billion) increased massively over the previous year's US$1.1 billion (annex figure 4).

The impact of the crisis on Mexican MNEs has varied greatly, depending on the industries they operate in. It has also varied according to the region of their operations. Thus, for example, the impact was felt less keenly by companies with their assets mainly in Latin America, which has been one of the regions least affected by the crisis, than by companies that depend on recovery in the US market, as is the case for those with activities related to construction. The outlook for these companies is the most uncertain.

In 2009, Mexican OFDI flows were fed primarily by an expensive international acquisition by Bimbo and the exceptional investment made by Grupo Mexico to recover its subsidiary ASARCO (annex table 4). However, the uncertainty over a possible lengthening of the recession fed by the crisis could lead to the spread of a much more conservative investment attitude of the kind exemplified by one of the leading Mexican telecommunications MNEs, America Movil.

The impact of the crisis on the companies in the ranking

As a result of the crisis, the total sales of the top 20 fell 2.2% in relation to the previous year, but if we exclude the state-owned enterprise PEMEX to avoid the distorting weight it represents in the aggregate data, the result is not negative but a 9.2% increase.

A more precise analysis can be obtained by observing the individual performances of the MNEs, which vary considerably, depending on their industry. As noted earlier, 40% of the top 20 experienced a reduction in total sales and 40% also felt their foreign sales decline (although this did not always involve the same firms).

The companies most affected are in activities tied to the construction industry (CEMEX, Industrias CH, Xignux, and Vitro), in mining (Grupo México), in oil (PEMEX), and in autos and auto parts (San Luis Corp. and ALFA's automotive division). In the case of CEMEX,[100] a global company that offers services and products in more than 50 countries worldwide and that is in third place in the world in cement and clinker sales, it should be noted that in 2009, as in 2008, the company had to divest foreign assets, specifically, its operations in Australia, which it sold to the Holcim Group.[101]

CEMEX indefinitely postponed a bond placement for US$ 500 million until market conditions turn more favorable. The company – which has faced large losses in Venezuela following the expropriation of its plants − also began talks with its main creditor banks to restructure US$14.5 billion in debt. Thanks to its corporate strength, CEMEX has managed to deal with important international lawsuits filed against it in Poland, USA and Spain.

[100] Its annual estimated production capacity is 97 million tons of cement.

[101] The sale to Holcim involved 249 cement plants, 83 aggregate quarries, and 16 production plans for cement tubes, all of them located in Australia.

Perhaps one of the lessons that flow from what transpired in 2009 in relation to Cemex is that the geographical expansion of Mexican companies should be conducted more cautiously in the future, in the light of the manner in which governments are reacting to the role of foreign companies in increasing market concentration.

The crisis had no major effect on companies in telecommunications (America Movil[102] and Carso Global Telecom) or on those in the food and beverage business (FEMSA, Bimbo, Gruma and Accel), which increased their total and foreign sales. The most noteworthy cases were those of the latter four companies, which boosted their *total* sales with regard to the previous year by 24%, 50%, 19%, and 75% respectively and increased their *foreign* sales by 47%, 120%, 22%, and 97% respectively.

Nevertheless, in response to the crisis, America Movil adopted more conservative policies and reduced the pace of its expansion, as evidenced by its M&A and greenfield investments.

Grupo México had falls in foreign and total sales of 17% and 14% respectively. But the near future looks brighter for this MNE, as it fully controls ASARCO and all its assets, which include the Ray, Mission and Silver Bell mines in Arizona and several refining and smelting plants in Texas and Arizona.

Despite an adverse world economic environment, FEMSA exceeded its initial expectations, with its total consolidated revenues increasing by 17.3% and all its operations – soft drinks, beer, and retail sales – contributing positively to this growth. Remarkably, at the end of 2009, FEMSA announced that an agreement had been reached with Heineken to sell the Cervecería Cuauhtémoc Moctezuma brewery, which has been an emblem of Mexican industry for the past 120 years.[103]

Grupo Bimbo registered the best performance in its history in 2009, thanks to the successful integration of Weston Foods Inc, for which it paid US$ 2.5 billion dollars.[104] Its expansion strategy has also included the purchase of small plants in Colombia and Beijing.[105]

[102] In Mexico, America Movil operates under the 'Telcel' name and has more than 36 million users and a 77% share of the market. Is the largest supplier of wireless telecommunications services in Latin America and the third largest cell phone company in the world. It is the first Mexican company to receive a US$ 1 billion loan from the China Development Bank for the purchase of cellular network equipment to be used for the expansion of its infrastructure in Latin America. The company has 186.6 million subscribers in Latin America**,** including Mexico, followed by the Spanish company Telefónica with 124.7 million. Thanks to a strategic alliance with Wal-Mart Stores, the company plans to reach 200 million users at the end of the year. http://www.cnnexpansion.com/negocios/200911/05.

[103] Meanwhile, according to 2009 SEC reports, the founder of Microsoft, Bill Gates, consolidated his position as a shareholder in Coca-Cola-FEMSA by increasing his equity stake from 2.93% to 3.1%. The Bill & Melinda Gates Foundation, which has been investing in FEMSA since 2008, now holds 17.4% of the stock..

[104] With this acquisition, BIMBO became the first coast-to-coast bakery in the United States, with 35 plants and 7,000 distribution routes. It is now the largest Mexican employer in the United States.

[105] Bimbo's Beijing Food Company has one production plant and 11 distribution centers.

Because of the crisis and the recession, the external sales (including exports) of the diversified Grupo Alfa fell in 2009, especially in its auto parts division. The company nonetheless maintained its geographical distribution (the highest number of affiliates, 53%, in North America) and product segment distribution (49% of assets in petrochemicals), both similar to the previous year. Grupo Alfa also refinanced its debt, extending the average maturity from 1.8 to 4.2 years.

Severe decrease in crude prices during 2009 had a significant effect on PEMEX total sales, which fell by 10%.

During 2009, GRUMA[106] faced problems with the Venezuelan government, which expropriated its subsidiary MONACA; on the other side of the ledger, GRUMA inaugurated a new plant in Melbourne, Australia.

In contrast with CEMEX, the company Cementos de Chihuahua posted very positive results in its operations both in Mexico as well as abroad. It was the only one of the four companies in the non-metallic minerals sector in the ranking that increased total and foreign sales over 2008. Even though its sales in Mexico fell by 18%, the sales of its subsidiaries in the United States and Bolivia increased by 3% and 53%, respectively. Cementos de Chihuahua also restructured its bank debt with a final maturity date in 2015.

[106] Gruma produces corn flour and tortillas and is the largest of its kind in the world. About 43% of its sales are in the United States and Europe.

Annex I: Tables and figures

Annex table 1. Mexico: The top 20 MNEs: Key variables, 2009 (US$ million [a] and number of employees)

Rank	Name	Industry	Assets		Sales		Employment		TNI (%)	Number of foreign affiliates	Number of host countries
			Foreign	Total	Foreign	Total	Foreign	Total			
1	Cemex	Non-metallic minerals	39,607	44,565	11,954	15,139	32,419[b]	47,624	79	25	23
2	America Movil	Telecommunications	29,470	34,671	19,314	30,209	36,314	53,661	72	22	17
3	Carso Global Telecom	Telecommunications	16,891	28,201	6,724	16,037	22,827	77,715	44	23	8
4	Grupo México	Mining	7,742	13,187	2,381	4,980	6,498	23,026	45	5	2
5	Grupo FEMSA	Beverages	5,222	16,156	5,673	15,080	35,647[c]	127,179	33	3	3
6	Grupo BIMBO	Food products	4,816	7,402	4,666	8,905	40,000[b]	102,000	52	23	17
7	Grupo ALFA	Diversified	2,759	8,273	3,169	8,850	12,109	52,384	31	24	16
8	PEMEX	Oil & gas	2,090[c]	101,948	[d]	83,417	1,700	147,294	**n.a**	1	1
9	Gruma	Food products	2,056	3,365	2,805	3,864	11,825	19,083	65	14	14
10	Grupo Televisa	Television, motion pictures radio & telecommunications	1,565	9,687	595[e]	4,007	1,856	24,362	13	6	3
11	Mexichem	Chemical & Petrochemicals	1,520	3,084	1,491	2,350	6,527	9,372	61	44	20

12	Cementos Chihuahua	Non-metallic minerals	1,312	2,011	516	701	n.a.	2,762	**n.a**	19	2
13	Xignux	Diversified	735[b]	1,730	1,121[e]	2,116	5,000[b]	18,298	41	5	4
14	Industrias CH	Steel & metal products	574	2,476	602	1,697	1,654	5,109	30	7	2
15	Grupo VITRO	Non-metallic minerals	397	2,499	480	1,836	3,205	16,807	20	29	11
16	Grupo ELEKTRA	Retail trade	246[f]	9,125	427	3,277	6,583	37,498	12	7	7
17	San Luis Corp.	Automobile parts	122	546	171	418	1,180	3,220	33	4	2
18	Interceramic	Non-metallic minerals	98	367	157	427	622	3,886	26	4	3
19	Accel	Food products	87	186	179	217	1,313[c]	1,787	68	2	1
20	Corporación Durango	Paper & paper products	76	1,149	92	787	205	7,400	07	4	1
Total (average for the TNI percentage)			**117,385**	**290,628**	**62,517**	**204,314**	**227,484**	**780,467**	**41** [g]	**271**	**157**

Source: IIEc-VCC survey of Mexican MNEs and company reports and websites.

[a] The exchange rate used is the IMF rate of December 31, 2009: US$ 1= Pesos 13.0659.
[b] Minimum estimated.
[c] Includes 50% of its associate, Deer Park Refining Ltd., which is a 50−50 joint venture with Shell Oil Co.
[d] The foreign sales of Pemex's subsidiary, Deer Park Refining Ltd. (Texas), a 50−50 joint venture with Shell Oil Co., is accounted under the equity method and therefore reported as a loss.
[e] Exports included.
[f] Includes 44% of its foreign assets. Remaining 56% are financial assets and therefore not included.
[g] TNI average of 18 firms, excluding PEMEX and Cementos Chihuahua. The 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. It is expressed as a percentage (i.e., '41' rather than '0.41').

Annex table 2. Mexico: The top 20 MNEs: Regionality Index 2009

Company	Middle East & North Africa	Sub-Saharan Africa	East Asia & the Pacific	South Asia	Developed Asia Pacific	Eastern Europe & Central Asia	Other Europe	Latin America & the Caribbean	North America
Cemex	12		16			20	28	20	4
America Movil								95	5
Carso Global Telecom								96	4
Grupo México								40	60
Grupo FEMSA								100	
Grupo Bimbo			9				17	48	26
Grupo Alfa			4			17	29	29	21
PEMEX									100
Gruma			14		7		21	50	7
Grupo Televisa							17	50	33
Mexichem			2		2		7	80	9
Cementos de Chihuahua								5	95
Xignux				20				40	40
Industrias CH									100
Grupo Vitro							14	24	62
Grupo ELEKTRA								100	
San Luis Corp.								50	50
Interceramic								50	50
Accel									100
Corporación Durango									100

Source: IIEc-VCC survey of Mexican MNEs and company reports and websites.
[a] The regionality index is calculated by dividing the number of a firm's foreign affiliates in a particular region of the world by its total number of foreign affiliates and multiplying the result by 100.

Annex table 3. Mexico: The top 20 MNEs: Stock exchange listings, 2009

Company	Domestic	Foreign
Cemex	Bolsa Mexicana de Valores	New York Stock Exchange
America Movil	Bolsa Mexicana de Valores	Mercado de Valores Latinoamericanos (Latibex) de la Bolsa de Madrid, España; New York Stock Exchange
Carso Global Telecom	Bolsa Mexicana de Valores	New York Stock Exchange
Grupo México	Bolsa Mexicana de Valores	
Grupo FEMSA	Bolsa Mexicana de Valores	New York Stock Exchange
Grupo Bimbo	Bolsa Mexicana de Valores	
Grupo Alfa	Bolsa Mexicana de Valores	Mercado de Valores Latinoamericanos (Latibex) de la Bolsa de Madrid, España
Gruma	Bolsa Mexicana de Valores	New York Stock Exchange
Grupo Televisa	Bolsa Mexicana de Valores	New York Stock Exchange
Mexichem	Bolsa Mexicana de Valores	
Cementos de Chihuahua	Bolsa Mexicana de Valores	
Industrias CH	Bolsa Mexicana de Valores	American Stock Exchange
Vitro	Bolsa Mexicana de Valores	
Grupo ELEKTRA	Bolsa Mexicana de Valores	Mercado de Valores Latinoamericanos (Latibex) de la Bolsa de Madrid, España
San Luis Corp.	Bolsa Mexicana de Valores	
Interceramic	Bolsa Mexicana de Valores	
Accel	Bolsa Mexicana de Valores	
Corporación Durango	Bolsa Mexicana de Valores	

Source: IIEc-VCC survey of Mexican MNEs and company reports and Websites.

Annex table 4. Mexico: The top 10 outward M&A transactions, 2007-2009 (US$ million)

Date	Acquirer's name	Target company	Target industry	Target country	% of shares acquired	Value of transaction
07/2007	CEMEX	Rinker Co.	Non-metallic minerals	Australia	100	14,285
03/2008	America Movil	Estesa Holding Co.	Telecommunications	Nicaragua	100	4,300
01/2009	Grupo Bimbo	Weston Foods Inc.	Food	USA	100	2,500
06/2009	Grupo México	ASARCO	Mining	USA	100	2,200
03/2007	America Movil	Telpri	Telecommunications	Puerto Rico	100	1,890
04/2007	Mexichem	Petroquímica Colombiana	Petrochemicals	Colombia	100	736
03/2007	ALFA	Teksid Aluminum	Auto parts	USA	100	485
03/2007	Carso Global Telecom	Compañía de TV Cable	Telecommunications	Peru	100	393
06/2008	FEMSA	Refrigerantes Minas Gerais Ltda.	Beverages	Brazil	100	364
03/2007	ALFA	Hydro Aluminum	Auto parts	Norway	100	298
Total						**27,451**

Sources: Consolidated company reports and websites.

Annex table 4a. Mexico: Top outward M&A transactions - 2009 (US$ million)

Date	Acquirer's name	Target company	Target industry	Target country	% of shares acquired	Value of transaction
01/2009	Grupo Bimbo	Weston Foods Inc.	Food	USA	100	2,500
06/2009	Grupo México	ASARCO	Mining	USA	100	2,200
05/2009	Xignux	Indo-Tech Transformers Ltd.	Equipment and machinery	India	20[a]	102
04/2009	Carso Global Telecom	Eidon Software	Software	USA	51	18
01/2009	Mexichem	DVG Industria e comercio	Petrochemicals	Brazil	30[b]	18
01/2009	Grupo Bimbo	Beijing Food Co.	Food	China	100	14
01/2009	Mexichem	Geo Andina	Petrochemicals	Colombia	50[b]	13
04/2009	Carso Global Telecom	Yellow Pages USA Inc.	Information Services	USA	20[b]	8
Total						**4,873**

Source: Consolidated company reports and websites.

[a] This increased the acquirer's stake in the target firm to 75%.
[b] This increased the acquirer's stake in the target firm to 100%.

Annex table 4b. Mexico: Top outward divestments - 2009 (US$ million)

Date	Company	Company sold	Industry	Buyer	Buyer's country	Value of transaction
06/2009	CEMEX	CEMEX Australia Pty Ltd.	Non-metallic minerals	Holcim Group	Australia	1,770
05/2009	Gruma	Monaca	Food	[a]	Venezuela	245 [b]
02/2009	Xignux	Yazaki Do Brasil Ltd	Auto parts	Yasaki Corp.	Brazil	64
		Yazaki Argentina SRL	Auto parts	Yasaki Corp.	Argentina	
Total						**2,079**

Sources: Consolidated company reports and websites.

[a] Expropriated by the Government of Venezuela.
[b] Estimated value.

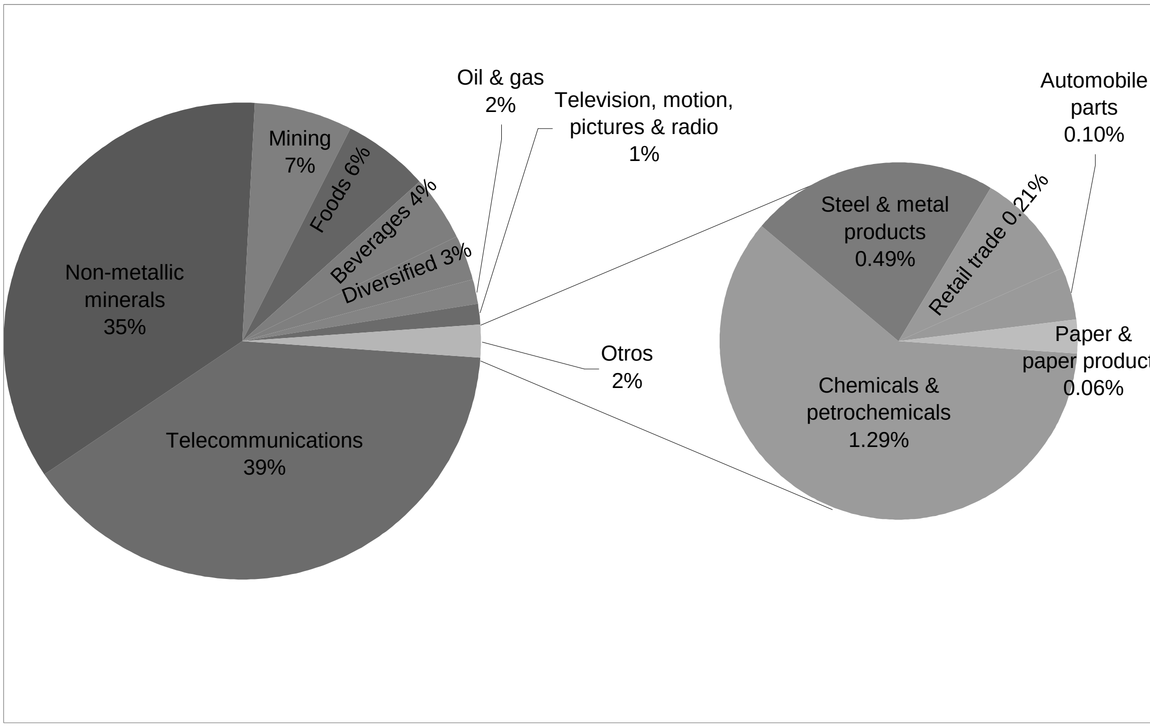
Annex table 5. Mexico: Top 10 outward greenfield transactions, announced, 2007-2009 (US$ million)

Date	Company	Destination	Industry	Value of transaction
Jun-09	Grupo Mexico	Peru	Metals	600.0
Feb-09	Cemex	Poland	Building & Construction Materials	514.1
Sep-07	Cemex	United States	Building & Construction Materials	400.0
Mar-08	America Movil	Argentina	Communications	273.0
Oct-07	Cemex	Panama	Building & Construction Materials	270.0
Feb-07	Cemex	Poland	Building & Construction Materials	260.3
Mar-07	Control Administrativo Mexicano	United States	Building & Construction Materials	200.0
Sep-09	Gruma	Australia	Food & Tobacco	168.1[a]
Mar-07	Gorditas Doña Tota	United States	Leisure & Entertainment	160.5[a]
Feb-07	America Movil	Honduras	Communications	150.0
Total				**2,996.0**

Source: Adapted from fDi Intelligence, a service from the Financial Times Ltd.

[a] This is an estimated amount.

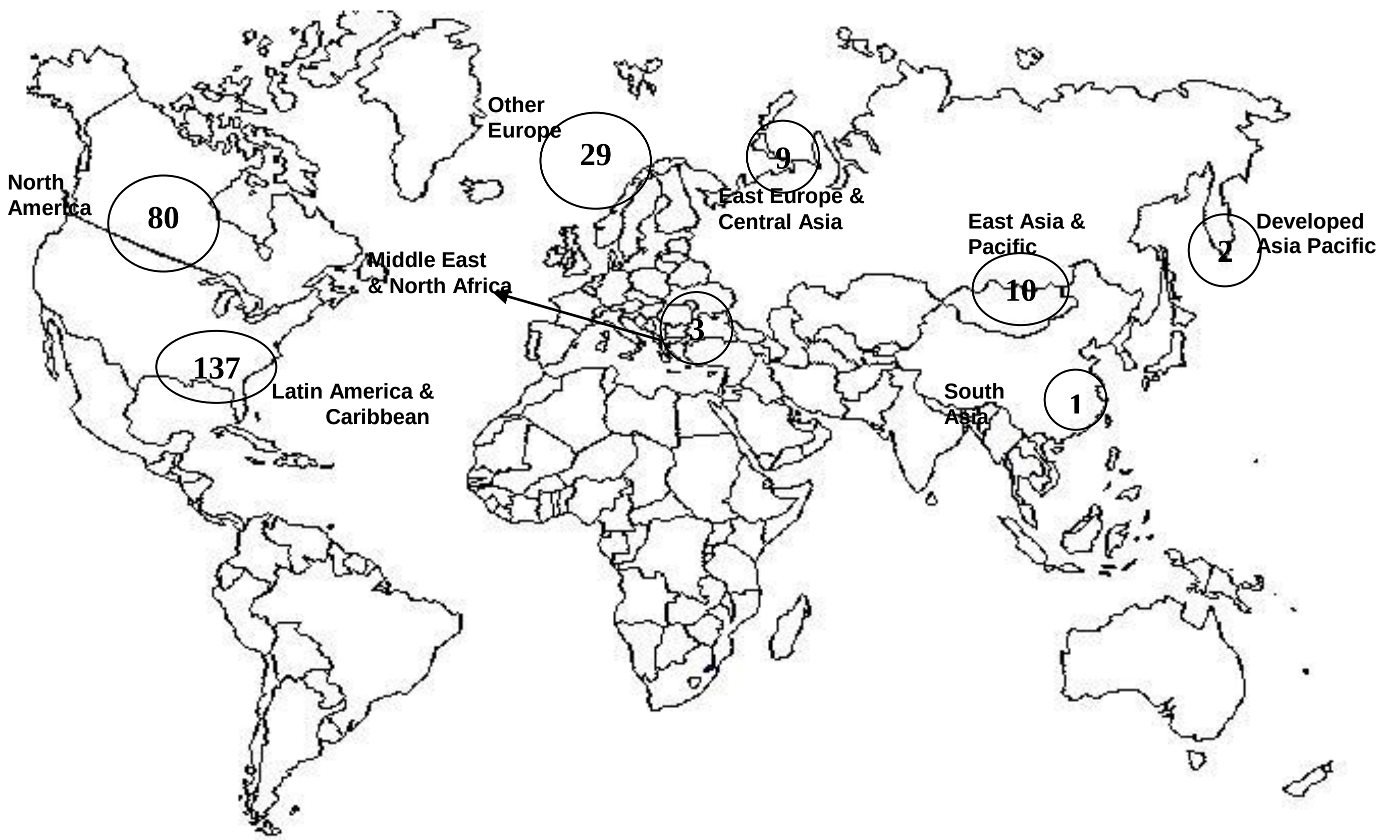
Annex figure 1. Mexico: Breakdown of the foreign assets of the top 20 MNEs, by main industry - 2009



Industry	**Foreign assets (US$ million)**	**Number of companies**	**Companies**
Telecommunications	46,361	2	America Movil, Carso Global Telecom
Non-metallic minerals	41,414	4	CEMEX, Cementos de Chihuahua, interceramic, VITRO
Mining	7,742	1	Grupo Mexico
Foods	6,959	3	Gruma, Bimbo, Accel
Beverages	5,222	1	Grupo Femsa
Diversified	3,494	2	Grupo ALFA, Xignux
Oil & gas	2,090	1	PEMEX
Television, motion, pictures & radio	1,565	1	Grupo Televisa
Chemicals & petrochemicals	1,520	1	Mexichem
Steel & metal products	574	1	Industrias CH
Retail trade	246	1	Grupo Elektra
Automobile parts	122	1	San Luis Corp
Paper & paper products	76	1	Corporación Durango
Total	**117,385**	**20**	

Source: IIEc-VCC survey of Mexican MNEs and consolidated company reports and websites.

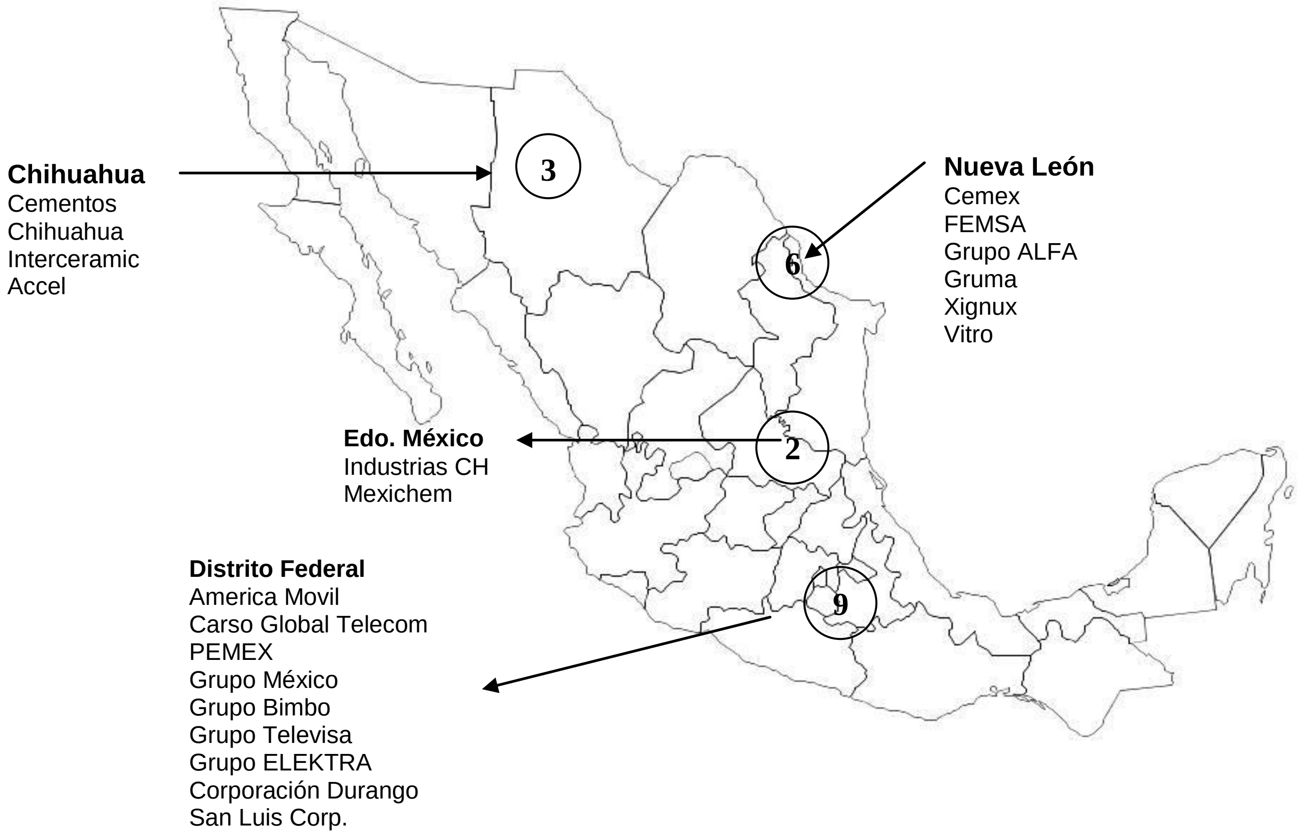
Annex figure 2. Mexico: Foreign affiliates of the top 20 MNEs, by region - 2009[a]



Source: IIEc-VCC survey of Mexican MNEs and consolidated company reports and websites.

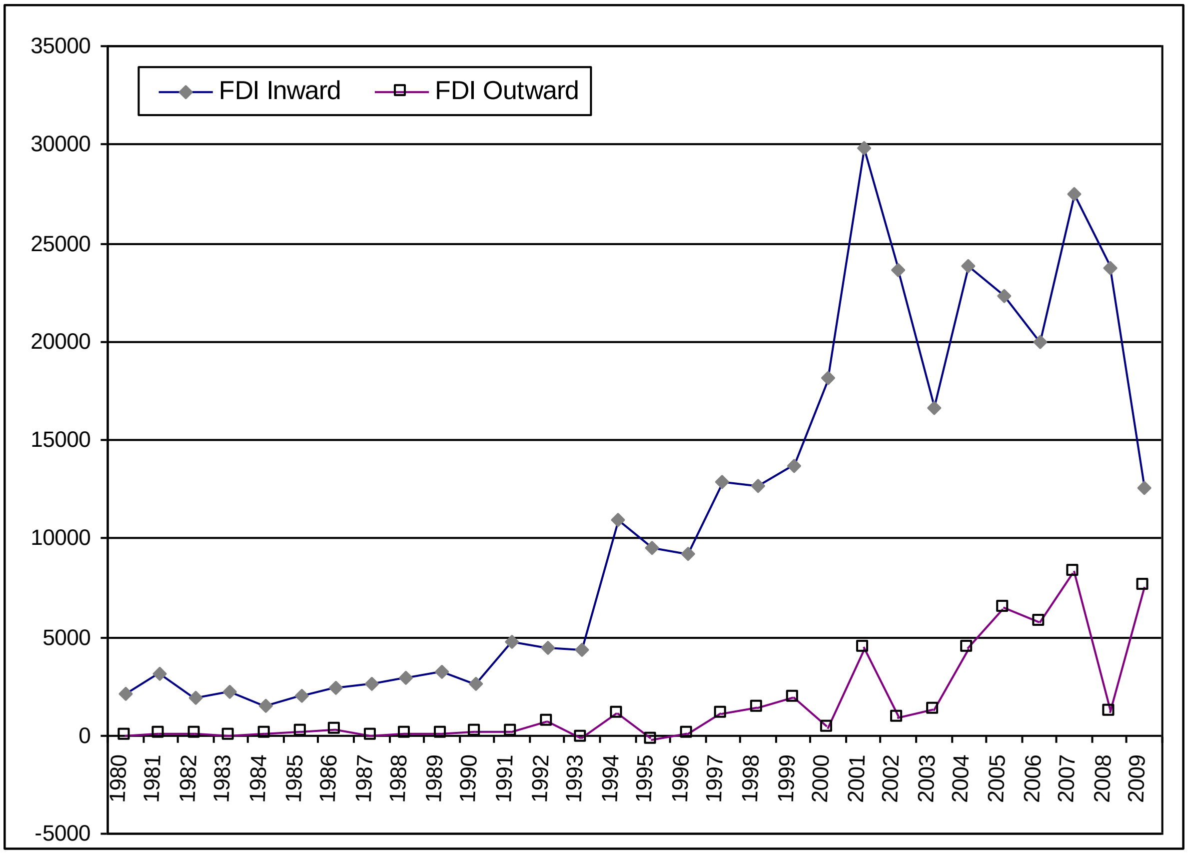
[a] The total number of affiliates is 271.

Annex figure 3. Mexico: Head office locations of the top 20 MNEs - 2009



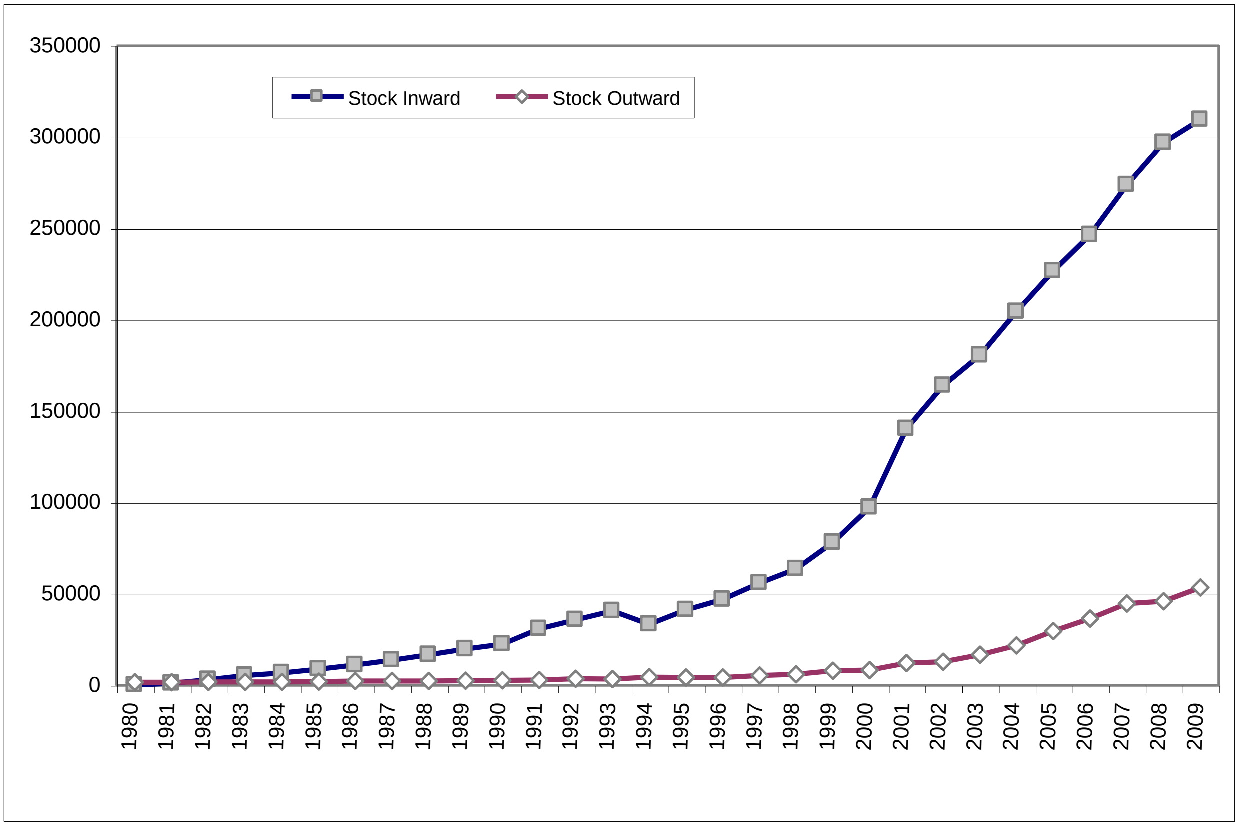
Source: IIEc-VCC survey of Mexican MNE and consolidated company reports and websites.

Annex figure 4. Mexico: Inward and Outward FDI flows, 1980-2009 (US$ million)



Source: UNCTAD, FDI STAT On-line database (Geneva: United Nations Conference on Trade and Development), http://stats.unctad.org/FDI/TableViewer/tableView.aspx?ReportId=4031,

Annex figure 5. Mexico: Inward and Outward FDI stock, 1980-2009 (US$ million)



Source: UNCTAD, FDI STAT On-line database (Geneva: United Nations Conference on Trade and Development), http://stats.unctad.org/FDI/TableViewer/tableView.aspx?ReportId=4031,

Annex II. Brief company profiles (in the order of the ranking)

CEMEX[107]

Founded in 1906 under the name Cementos Mexicanos, CEMEX is a producer of building materials: cement, ready-mix concrete and related products like crushed stone and gravel. It is today the world's third largest cement company[108] and is listed on the Bolsa Mexicana de Valores (BMV), the Mexican stock exchange, as well as on the New York Stock Exchange (NYSE).

Cemex has grown through M&As, both in Mexico and abroad. Among its foreign acquisitions are the Spanish companies Valenciana and Sanson, which it acquired in the early 1990s, followed by a number of acquisitions in the Americas in 1995: Cementos Nacionales in the Dominican Republic, Venceremos in Venezuela, Cementos Bayano in Panama, and Balcones in the United States. It has since expanded to the Philippines, Thailand and Egypt, among other countries.

Lorenzo Zambrano, Chairman of the Board and Chief Executive Officer of CEMEX is currently the North American Deputy Chairman at the Executive Committee of The Trilateral Commission.

The company's main shareholder is the Zambrano family.

America Movil S.A de C.V.

America Movil's main activity is cellular telephones and international telecommunications. It is the largest provider of wireless telecommunication services in Latin America and the third largest cellular phone company in the world. It was created in September 2000 as a spin-off from Telefónos de México (TELMEX),[109] controlled by the businessman Carlos Slim. Most of the international investments remained in America Movil. The following year, the new company's shares were distributed among Telmex shareholders. The company has subsidiaries and joint investments in the telecommunication sector in Mexico, the United States, eight South American countries, and eight Central American and Caribbean countries. By 2005, America Movil had approximately 93.3 million users of wireless telecommunications.

Its main shareholder is Carlos Slim Helú.

Carso Global Telecom

Carso Global Telecom was originally part of Telefónos de México (Telmex), a company under government control that was privatized in 1990. In 2007, Telmex separated its

[107] All information on this company was obtained from the CEMEX website: www.cemexmexico.com.

[108] After the French Lafarge and the Swiss Holcim.

[109] Originally state-controlled but privatized in 1990.

operations in Latin America to give birth to Carso Global Telecom. In turn, Carso Global Telecom is a shareholder in Telmex Internacional (73.9%), with AT&T as its partner (22.2%).

Its main shareholder is Carlos Slim Helú.

Grupo México

This company originated as American Smelting and Refining, which in 1956 established ASARCO Mexicana and in 1978 created the Grupo Industrial Minera México holding company. The subsidiary that encompasses all of the group's mining operations is MEDIMSA. Since 1988, it has participated in public bidding processes, acquiring Minera de Cobre and Minera Cananea from the state. Among the minerals and chemicals that the company produces are copper (more than 50%), molybdenum, silver, zinc, sulfuric acid, gold, and lead.

The company has operations in Mexico and Peru (Southern Copper Corporation). In 1997, its subsidiary Infraestructura y Transportes de México created the company Grupo Ferroviario Mexicano, which acquired, through public bidding, total equity control in Ferrocarril Pacífico-Norte (now Ferrocarril Mexicano).

Grupo México is listed on the BMV and its products trade on the London Metal Exchange and the New York Mercantile Exchange.

Grupo FEMSA[110] S.A. de C.V.

Founded as Cervecería Cuauhtémoc in 1890, the company has been operating as FEMSA since 1980, specializing in the production of beer and soft drinks.

In 1918, FEMSA created a company to promote the educational and economic development of its employees and their families, which led in 1943 to the founding of the Monterrey Technological Institute of Higher Education, one of Mexico's most prestigious institutions in this field. In 1954, it incorporated Cervecería Tecate in Baja California and, in 1978, entered the retail trade business through its Oxxo convenience stores. In 1979, it acquired a Coca-Cola franchise and went on to acquire Coca-Cola in Argentina. In 2003, after acquiring various bottling companies in Central and South America, FEMSA became Coca-Cola's largest bottler in the region. In 1985, it acquired Cervecería Moctezuma, which made it Mexico's second largest brewery and one of the biggest exporters of beer to the United States. In 2009, it sold Cervecería Cuauhtemoc Moctezuma to its competitor Heineken.

FEMSA's main shareholder is the Garza Lagüera family.

[110] Fomento Económico Mexicano.

Grupo Bimbo S.A. de C.V.

Grupo Bimbo is the world's third largest baking company. Founded in 1945 in Mexico City, it had 12 plants by 1978 and had launched the company Pasteles y Bizcochos (later Productos Marinela). A the same time, the company launched the first production plants for Ricolino candies and chocolates, and Barcel salted snacks, and acquired Controladora y Administradora de Pastelerías, which operates the El Globo pastry shop chain.

In 1990, Grupo Bimbo began its international expansion with the export of its products to the United States and the opening of plants in Argentina, Brazil, Chile, Peru, Uruguay, Venezuela, Austria, the Czech Republic, and recently China. Its sales force tops 40,000 employees who cover more than 20,000 routes and attend to approximately 550,000 points of sale.

Grupo Bimbo's main shareholder is the Servitje family.

Grupo Alfa

Grupo Alfa had its origin in a series of companies founded in the 1940s: Hojalata y Lámina S.A. (steel) and Celulosa y Derivados S.A., Nylon de México S.A. and Fibras Químicas S.A. (chemicals). The group took the name Grupo ALFA 1973. At present, it is comprised of four business divisions: aluminum auto parts, petrochemicals, telecommunications, and food products. It has installations in the United States, Germany, Canada, Costa Rica, El Salvador, the Czech Republic and Slovakia. Its exports are sold in 45 countries worldwide.

The group's operations are conducted through its subsidiaries: Alpek, in petrochemicals; Sigma, in refrigerated food products; Nemak, in aluminum and autoparts; and Onexa, which functions as the shareholder of the Mexican part of the Alestra telephone company. In addition, Alfa owns Terza and Colombin Bel, companies specializing in the production of carpets and polyurethane foam rubber.

Dionisio Garza, Honorary President and Member of the Board of Alfa, is a member of the North American Group of The Trilateral Commission.

Alfa's main shareholder is the Garza Sada family.

Petróleos Mexicanos (PEMEX)

The Mexican oil monopoly, PEMEX, founded in 1938 as a result of the nationalization of the oil industry, is the only state-owned (100%) company in the ranking. It contributes a third of the public treasury's revenue and is one of the main suppliers of crude oil to the United States. (Some 80% of the company's crude oil production goes to the US.)

The company is organized in business divisions focused on exploration, refining, petrochemicals, and international activity. One of its international divisions, PEMEX International Group, is a shareholder in PMI Norteamérica, which in turn is a 50% partner with Shell Oil in the Deer Park refinery in the state of Texas.

Since 2008 PEMEX has seen a decline in production at its gigantic but old Cantarell oil field, where output is now at one million bpd, half the level produced at its peak in 2004.

Gruma, S.A. de C.V

Founded in 1949, GRUMA is the world's largest producer of corn flour and tortillas. It mainly specializes in the production, marketing, distribution, and sale of corn flour, packaged tortillas, and wheat flour. It mostly operates through the following subsidiaries: Gruma Corporation, which produces corn flour and tortillas in the United States and Europe, and is fully owned by GRUMA; Grupo Industrial Maseca (GIMSA), which produces corn flour in Mexico; Molinera de México, a wheat flour producer in Mexico; Gruma Centro América, based in Costa Rica; and Productos y Distribuidora Azteca, which produces packaged tortillas in northern Mexico. It also has operations in Europe, Asia, and Australia. The company has more than 19,000 employees and 74 industrial plants. About 43% of its sales are in the United States and Europe.

GRUMA owns 10% of the BANORTE bank.[111] Its main shareholder is the González Barrera family.

Grupo Televisa S.A.

The company had its origins when the Azcárraga and O'Farrill families were granted concessions to operate TV channels 2 and 4 in Mexico City as well as several stations elsewhere in the country. In 1972, they created the company Televisa, producer and marketer of programs for their television channels.

Grupo Televisa is a holding company whose subsidiaries are focused on the entertainment and media industry, making it the largest company in the sector in the Spanish-speaking world. Through its subsidiaries and strategic associations, Grupo Televisa operates television channels 2, 4, 5 and 9 in the Mexico City metropolitan area, in addition to 220 relay stations and 33 local channels. It produces and transmits television programs, operates restricted TV signals, distributes television programs for the domestic and international markets, develops and operates direct satellite TV services for home viewing, provides cable TV services, produces and broadcasts radio programs, and produces and distributes movies. In Spain, the company owns slightly more than half of Radiópolis in a joint investment with the Spanish Grupo Prisa.

Emilio Azcárraga Jean is the majority stockholder.

Mexichem

Mexichem is a holding company, comprised of chemical and petrochemical companies that are leaders in the Latin American market, and it exports to more than 50 countries. It is present in a wide variety of sectors such as construction, coolants, industrial, and auto.

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[111] Not consolidated in its financial statements.

Mexichem had its origins in a company known as Cables Mexicanos, founded in 1953. It has traded on the Bolsa Mexicana de Valores since 1978. In 1986, it incorporated Companía Minera Las Cuevas, which produced fluorite. In December 2003, it increased its equity stake in Subsidiaria Mexichem, previously owned by the French company Total, from 50.4% to 93.79%.

Mexichem has developed an expansion strategy that integrates its operations vertically and horizontally. This performance has guided the company's expansion. Mexichem is the main producer of PVC resin (40% of the market) and PVC pipes (30% of the market) in Latin America.

Its main shareholder is the Del Valle family.

Grupo Cementos de Chihuahua

Founded in 1941, Grupo Cementos de Chihuahua produces, distributes and markets Portland gray cement, mortar, pre-mixed concrete, concrete cinder blocks, plaster and other building materials in Mexico and the United States. It has a 47% equity stake in Boliviana de Cemento, acquired in 2005. The company's annual production capacity is 4 million tons and it has more than 2,800 employees. In 2006, it acquired 100% of the equity in the US firms The Hardesty Co. and Alliance Transportation, which expanded the company's presence in the United States, where it already had plants in South Dakota, Colorado, and Minnesota.

Xingnux

Xingnux was founded in 1956 as Conductores Monterrey. It is comprised of four business divisions: electric cables, electric transformers, infrastructure, and food products. It has 25 production facilities and a number of distribution centers in Latin America, the United States and India. Xingnux currently exports over half its production to more than 30 countries. It does not trade on any stock exchange.

Its main shareholder is the Garza Herrera family.

Industrias CH

The company's origin dates back to 1934, when it was known as Herramientas S.A. and specialized in the production of hand tools. In 1938, its name was changed to Campos Hermanos S.A. but it was not until the 1960s when it entered steel production. In 1991, the company was acquired by the current management.

Industrias CH produces and processes steel. It is the main producer of special steels in Mexico and the market leader in seamed pipes, steel structural profiles and commercial profiles. In July 2005, ICH, together with its main subsidiary SIMEC, acquired 100% of the equity of Pav Republic, a leader in the special steels market in the United States. Through Pav Republic, ICH and SIMEC are now present in the world's largest automotive market. It has been one of the Mexican steel companies posting the highest growth in the past few years. Today, Industrias CH has 15 plants in Mexico, the United States and Canada, which employ more than 5,000 workers.

Its main shareholder is the Vigil González family.

Grupo VITRO S.A de C.V.

Originally known as Vidriera Monterrey, the company was founded in 1909 and is today one of the world's largest glass-producing conglomerates. Grupo Vitro's subsidiaries do business throughout the entire Western Hemisphere, with installations and distribution centers in eight countries in North, Central and South America, and Europe, and they export their products to more than 70 countries worldwide.

Grupo Vitro produces articles for multiple markets. These include sheet glass for motor vehicles and construction; glass bottles for wine and liquor; and containers for cosmetics, pharmaceuticals, foods and beverages. The company also produces raw materials and machinery and equipment for industrial use, which are vertically integrated in the container business division.

Its main shareholder is the Sada family.

Grupo ELEKTRA

Originally known as the Salinas y Rocha department store, the company was founded in 1906. Since 1950, it has specialized in the production of household appliances. Its first operations involved the production and marketing of radio transmitters in 1957, the year in which it opened the first Elektra store, a Grupo Salinas company. Its catalog of products and services has since expanded to furniture, minor household products, and household and electrical appliances. In 2002, it received authorization from the Finance Ministry to operate a banking institution, Banco Azteca[112], which was followed by an insurance company and a pension fund manager. In addition to Mexico, Elektra has a presence in Central and South America with more than 1,000 stores.

Its main shareholder is Ricardo Salinas Pliego.

San Luis Corporación, S.A. de C. V.

San Luis Corporación is an industrial group that manufactures automotive parts − mainly suspension and brake system components. Rassini, the first company of the current group, began operating in Mexico City In 1929. In 1967, Minas de San Luis was listed on the BMV. In 1979, a group of Mexican investors -headed by Antonio Madero Bracho- acquired most of the equity of Minas de San Luis, establishing Industrias LUISMIN as the holding company. In 1988, Minas de San Luis acquired Rassini, which already had a plant in Xalostoc, State of Mexico; two others in Piedras Negras, Coahuila; and a design, engineering, and customer service office in the Detroit, Michigan area. In 1990, the expansion of the steel coil plant and

[112] Included in the consolidated total assets of Grupo Elektra but excluded from its foreign assets. See annex table 1, note f.

the springs and torsion bar plant began operating, positioning itself as the world's largest manufacturer of such items with more than 10 million parts annually. In 1994, San Luis Corporación acquired a plant located in San Martin Texmelucan, Puebla, now known as Rassini-Frenos. In 2002, the holding company sold its mining division in order to concentrate on the auto parts business, which today represents 88% of its revenue.

Antonio Madero, Chairman of the Board and Chief Executive Officer of San Luis Corporacion, and actually a member of the Trilateral Commission.

The main shareholder of the San Luis Corporación is the Madero family.

Interceramic

Founded in 1978, Interceramic is a company dedicated to the production and sale of enameled ceramic tile for floors, and coverings and related products for their installation. It has four plants, three in Chihuahua and one in Garland, Texas, whose production is earmarked for the Mexican and US markets. With operations dating back to 1978, Interceramic today has an installed capacity of 33 million square meters a year and employs more than 3,000 workers in eight subsidiaries.

Its main shareholder is the Almeida family.

Accel S.A.

Originally incorporated as Ponderosa Industrial S.A., the company emerged as a spin-off from Grupo Chihuahua in 1991. It is group of companies largely focused on providing storage, logistical, real estate, and distribution services. It also produces candy and dried fruit and nuts. One of its two divisions offers solutions in the handling of both refrigerated as well as dry merchandise in warehouses, providing services for inventory management, freight consolidation and deconsolidation, platform crossing, selection and packaging, and marketing and distribution services. Accel has approximately 186,000 square meters for storage and distribution. The manufacturing division is comprised of Elamex, S.A. de C.V., a company with manufacturing operations and real estate activities in Mexico and the United States. Candy production takes place in Ciudad Juárez, Chihuahua, with a plant of approximately 16,722 square meters. The preparation, packaging, distribution, and sale of dried fruit and nuts (peanuts, almonds, pecans, pistachios, etc.) is carried out in the company's own facilities with a surface area of approximately 17,187 square meters in El Paso, Texas.

Accel's main shareholder is the Vallina family.

Corporación Durango

The origins of the company date back to 1975, to a merger between a forest product transport company and a regional wholesaler of construction materials.

Corporación Durango is today the largest paper and paper products manufacturer in México and among the 50 largest industrial companies in the country. The company has operations in

Mexico and the United States and is listed on the BMV. Its combined annual sales exceed US$ 1.2 billion and it has over 8,000 direct employees and nearly 4,000 indirect ones. Its main products are kraft paper, sawed wood, chemical by-products, corrugated packaging, and paper bags. Through its subsidiary Pipsamex, it also produces newsprint, with a production capacity of over 250,000 tons per year.

Its main shareholder is the Rincón family.

Chapter 9 – The Russian Federation's global players

A. MNEs bullish on foreign markets in 2006

Alexander Mansilya-Cruz[113]

The first survey of MNEs from the Russian Federation, released on December 11, 2007, reveals a dramatic transnationalization of Russian Federationn firms.

Its principal findings include: the Russian Federation's Top 25 MNEs – ranked by foreign assets – have US$ 59 billion[114] assets abroad (table 1), have nearly US$ 200 billion in foreign sales (including exports) and employ 130,000 persons abroad. Foreign assets, sales and employment each have more than doubled since 2004. Foreign assets are concentrated in Europe. Four oil/gas firms, led by Lukoil and Gazprom, and nine metals/mining firms, led by Severstal and Rusal, together account for 78% of the total foreign assets of the Top 25.

The Top 25 have played a key role in making the Russian Federation the third largest outward investor among emerging markets in 2006 in terms of foreign direct investment (FDI) outflows and the second largest in terms of outward FDI stock. Like their competitors from other countries, Russian Federation firms invest abroad to acquire a portfolio of locational assets, which are increasingly important as a source of their international competitiveness.

Table 1. SKOLKOVO-CPII ranking of the Top 25 Russian Federation MNEs, in terms of foreign assets, 2006
(Millions of US$)

Rank	Name	Industry	Foreign assets
1	Lukoil	Oil/gas	18,921
2	Gazprom	Oil/gas	10,572
3	Severstal	Metals/mining	4,546
4	Rusal	Metals/mining	4,150
5	Sovcomflot	Transport	2,530
6	Norilsk Nickel	Metals/mining	2,427
7	AFK Sistema	Telecoms/retail	2,290
8	VimpelCom	Telecoms/retail	2,103
9	Novoship	Transport	1,797
10	TNK-BP	Oil/gas	1,601
11	Evraz	Metals/mining	1,322
12	FESCO	Transport	1,074
13	PriSCo	Transport	1,055
14	Novolipetsk Steel	Metals/mining	964
15	RAO UES	Electricity	514

[113] Assisted by Elena Morenko.
[114] The following RUB/US$ exchange rates, based on XE.com Universal Currency Converter (http://www.xe.com/ucc/), were used throughout: 26.3255 (2006); 28.7415 (2005); 27.7696 (2004).

16	TMK	Metals/mining	490
17	Eurochem	Agri-chemical	456
18	GAZ	Manufacturing	366
19	OMZ	Manufacturing	354
20	Alrosa	Metals/mining	294
21	ChTPZ (Arkley Capital)	Metals/mining	244
22	Alliance Oil	Oil/gas	211
23	Acron	Agri-chemical	200
24	Euroset	Telecoms/retail	147
25	Mechel	Metals/mining	116
TOTAL			**58,744**

Source: SKOLKOVO-CPII survey of Russian Federation MNEs.

The profile of the Top 25

The foreign assets of the Top 25 Russian Federation MNEs represent 38% of the Russian Federation's total outward FDI stock.

Russian Federation MNEs have yet to outgrow their foreign counterparts:
Only two have over $10bn in foreign assets, and only four employ over 10,000 people abroad (*Annex Table 1*).
Only one would make it into the top ten MNEs from developing countries.[115]

Russian Federation MNEs are expanding at an astonishing rate: in two years, their aggregate foreign assets grew 2.5 times, to nearlyUS$ 60 billion, and their foreign sales (incl. exports) and foreign employment more than doubled to US$ 200 billion and 130,000 people respectively (*table 2*).

Table 2. Snapshot of the Russian Federation's 25 largest MNEs, 2006 (Billions of US$ and thousands of employees)

Variable	2004	2005	2006	*% change 2006/2005*
Assets				
Foreign	23	38	59	54
Total	274	366	463	26
Share of foreign in total (%)	8	10	13	
Employment				
Foreign	57	90	130	44
Total	1,718	1,858	2,107	13
Share of foreign in total (%)	3	5	6	
Sales (incl. exports)				
Foreign	90	143	199	39

115 See UNCTAD, *World Investment Report 2007* (Geneva: UNCTAD, 2007). Data for 2005 are the latest available.

Total	163	236	315	33
Share of foreign in total (%)	55	61	63	

Source: SKOLKOVO-CPII ranking of Russian Federation MNEs.

These growth rates far outpace those of the world's 25 leading MNEs (whose foreign assets showed zero growth in 2005 vs. 64% growth for the Russian Federation's Top 25), and even those of the top 25 MNEs from developing countries (only +20% in 2005)[116]. This means that Russian Federation global players are catching up with international competitors quickly.

In most cases, international expansion does not impede domestic investment, growth or employment: the Top 25's domestic assets and domestic sales have both grown by around 60% from 2004 to 2006, and their domestic employment by 20%.

Most of the investment from the Russian Federation is being made by private companies. (Only five out of the Top 25 companies, accounting for about 27% of the aggregate foreign assets, are majority-owned by the state.)

The foreign affiliates of the Russian Federation's global players are concentrated in Europe (now 63% of their aggregate foreign assets), as revealed by the Regionality Index (Annex Table 2). However, they are moving from these well-known markets to Asia, Africa and the Americas.

Reflecting the country's resource endowments, Russian Federation MNEs belong to extractive industries: 53% of the aggregate foreign assets of the Top 25 belong to four oil & gas companies and 25% to nine metal & mining firms (annex figure 1). This compares to 59% and 13%, respectively, for 2004 (for the same 25 companies).

Telecom & retail companies are also present and expanding dynamically. They now own 8% of the Top 25's aggregate foreign assets, and shipping operators own 11% (annex figure 1), compared to 6% and 19% in 2004.

Seventeen of the Top 25 are headquartered in Moscow (annex figure 2).

The Top 25 now have 630 foreign affiliates (annex figure 3) in 70 countries, for an average of 25 affiliates and an average of 9 countries (Annex Table 1). Lukoil is present in 43 countries (with 182 foreign affiliates), followed by Gazprom in 32 (with 105 foreign affiliates).

Russian Federation MNEs are young: out of the Top 25, 18 established their first foreign affiliate after 1999.

The aggregate Transnationality Index[117] of the Top 25 has risen from 27% to 30%; this relatively slow growth rate reflects the fact that domestic operations have also grown rapidly.

Nine of the Top 25 are also listed on the London Stock Exchange, and two additional ones are on the New York Stock Exchange; eight companies are not listed anywhere.

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[116] See UNCTAD, op. cit. Data for 2005 are the latest available.

[117] The Transnationality Index is a composite ratio calculated by averaging the relative shares of foreign assets, foreign employees and foreign sales as a percentage of their respective totals. See UNCTAD *op. cit.*.

The whole picture

As a result of the dynamic expansion of Russian Federation MNEs, FDI *outflows* from the Russian Federation rose from very little in the early 1990s to US$ 18 billion in 2006, making the Russian Federation the third largest outward investor from emerging markets that year in terms of outflows (after Hong Kong (China) and Brazil) (annex figure 4). Outflows are predicted to stay above US$ 20 billion over each of the next four years.[118]

As a result, the *stock* of outward FDI has risen from US$20bn in 2000 to US$157bn in 2006 (annex figure 5), making the Russian Federation the second largest emerging market in terms of outward FDI stock (behind Hong Kong (China)). The outward FDI stock is expected to continue to rise significantly.

A good part of the Russian Federation's outward FDI takes the form of cross-border M&As (Annex Table 3), notably in the metals & mining sector. But there are also significant greenfield investments, especially in the metals industry (*Annex Table 4*).

[118] *World Investment Prospects to 2011: Foreign Direct Investment and the Challenge of Political Risk*, at www.cpii.columbia.edu.

Annex Table 1: SKOLKOVO-CPII ranking of the Top 25 Russian Federation MNEs, key variables, 2006 (Millions of US$ and no. of employees)

Ranking				Assets		Sales		Employment				
Foreign assets	Trans-nationality Index	Name	Industry	Foreign	Total	Foreign	Total	Foreign	Total	Trans-nationality Index (%)	No. of foreign affiliates	No. of host countries
1	4	**Lukoil**	Oil/gas	18,921	48,237	56,706	67,684	22,000	148,000	46	182	43
2	12	**Gazprom**	Oil/gas	10,572	204,228	66,909	82,774	5,470	432,000	29	105	32
3	11	**Severstal**	Metals/mining	4,546	18,806	7,519	12,423	8,000	99,700	31	9	5
4	5	**Rusal**[a]	Metals/mining	4,150	14,200	10,790	13,000	10,900	100,000	41	19	15
5	1	**Sovcomflot**[b c]	Transport	2,530	2,601	489	511	164	3,542	66	4	3
6	8	**Norilsk Nickel**	Metals/mining	2,427	16,279	10,569	11,550	1,600	83,600	36	13	9
7	22	**AFK Sistema**	Telecoms/retail	2,290	20,131	2,537	10,863	11,700	92,000	16	25	9
8	16	**VimpelCom**	Telecoms/retail	2,103	8,437	468	4,870	7,630	21,300	23	12	4
9	2	**Novoship**[b c]	Transport	1,797	1,999	503	561	0	4,980	60	6	5
10	13	**TNK-BP**	Oil/gas	1,601	23,600	24,092	35,512	4,000	70,000	27	1	1
11	17	**Evraz**	Metals/mining	1,322	8,522	4,075	8,292	4,400	110,000	23	9	5
12	7	**FESCO**[b]	Transport	1,074	1,685	n.a.	577	500	3,800	38	102	12
13	3	**PriSCo**[b]	Transport	1,055	1,093	150	200	0	1,000	57	2	2
14	14	**Novolipetsk Steel**	Metals/mining	964	8,717	3,572	6,045	5,252	71,000	26	17	7
15	25	**RAO UES**	Electricity	514	58,619	1,119	32,979	16,000	469,300	3	16	9
16	20	**TMK**	Metals/mining	490	3,548	1,076	3,384	4,700	49,670	18	12	10
17	10	**Eurochem**	Agri-chemical	456	1,850	1,452	1,964	1,170	26,400	34	6	4
18	24	**GAZ**	Manufacturing	366	2,162	885	4,512	900	110,000	12	10	7
19	9	**OMZ**	Manufacturing	354	913	356	667	1,965	16,990	35	12	7
20	19	**Alrosa**	Metals/mining	294	7,556	1,912	3,584	20	35,814	19	7	7
21	23	**ChTPZ (Arkley Capital)**	Metals/mining	244	1,978	509	2,632	1,800	25,000	13	2	2
22	15	**Alliance Oil**	Oil/gas	211	1,144	370	1,677	2,700	8,400	24	20	3
23	6	**Acron**	Agri-chemical	200	1,073	650	897	4,000	13,150	40	8	6
24	21	**Euroset**	Telecoms/retail	147	896	488	2,970	7,050	34,300	18	11	11
25	18	**Mechel**	Metals/mining	116	4,449	2,112	4,397	8,424	76,566	21	20	12
TOTAL				**58,744**	**462,722**	**199,308**	**314,523**	**130,345**	**2,106,512**		**630**	

Source: SKOLKOVO-CPII survey of Russian Federation MNEs. *RUB/US$ exchange* *26.3255* *rate:*

a. The numbers for 2006 refer to the United Company RUSAL. Its creation, by merging the aluminium assets of Basic Element, Renova and Glencore, was announced on October 9, 2006.

b. Ships ultimately belonging to Russian federation shipping companies but registered abroad are considered as foreign assets. However, the sailors are counted as Russian Federation employees.

c. As this press release is being published, Novoship is in the process of being merged into Sovcomflot (both companies are controlled by the state).

Annex Table 2. The Top 25 Russian Federation MNEs: Regionality Index[a], 2006

Name	CIS	Europe	Middle East	Africa	North America	Latin America	South-East Asia	*Offshores*[b]
Lukoil	15	59	3	2	7	1	1	12
Gazprom	12	76	1	-	2	1	1	7
Severstal	11	22	-	-	22	-	-	44
Rusal	16	32	-	11	-	16	5	21
Sovcomflot	-	50	-	-	-	-	-	50
Norilsk Nickel	-	31	-	-	15	-	31	23
AFK Sistema	20	20	-	-	16	-	-	44
VimpelCom	8	17	-	-	-	-	-	75
Novoship	-	33	-	17	-	-	-	50
TNK-BP	100	-	-	-	-	-	-	-
Evraz	-	22	-	33	44	-	-	-
FESCO	13	2	-	-	11	-	7	68
PriSCo	-	50	-	-	-	-	-	50
Novolipetsk Steel	-	88	-	-	6	-	-	6
RAO UES	50	44	-	-	-	-	-	6
TMK	17	58	-	-	8	-	8	8
Eurochem	-	50	-	-	-	-	-	50
GAZ	80	10	-	-	-	-	-	10
OMZ	25	42	-	-	-	-	-	33
Alrosa	-	29	29	14	14	-	14	-
ChTPZ (Arkley Capital)	50	50	-	-	-	-	-	-
Alliance Oil	100	-	-	-	-	-	-	-
Acron	25	38	-	-	13	-	-	25
Euroset	73	27	-	-	-	-	-	-
Mechel	10	40	-	-	5	-	-	45

Source: SKOLKOVO-CPII survey of Russian Federation MNEs.

[a] The Regionality Index is calculated by dividing the number of a firm's foreign affiliates in a particular region of the world by its total number of foreign affiliates and multiplying the result by 100.

[b] Countries and territories listed as offshore zones by the Central Bank of Russia, such as the Bahamas, Cyprus, Liechtenstein and the Marshall Islands.

Annex Table 3: Top 10 Russian Federation outward merger and acquisition (M&A) transactions, 2005-November 2007 (Millions of US$)

Date	Acquiror name	Target name	Target industry	Target country	% of shares acquired	Value of transaction
14-Aug-07	OAO MMC Norilsk Nickel Group	LionOre Mining Intl Ltd	Metals & mining	Canada	100	6,287
12-Jan-07	Evraz Group SA	Oregon Steel Mills Inc	Metals & mining	United States	91	2,088
6-Dec-05	Lukoil Overseas Holding Ltd	Nelson Resources Ltd	Metals & mining	United Kingdom	100	2,000
28-Nov-05	Alfa Group	Turkcell Iletisim Hizmetleri	Wireless	Turkey	13	1,602
20-Sep-07	RusPromAvto (affiliated to GAZ)	Magna International Inc	Automobiles & components	Canada	18	1,537
20-Dec-06	Novolipetsk Steel OJSC {NLMK}	Steel Invest & Finance SA	Other financials	Luxembourg	50	805
31-Oct-06	OAO SeverStal	Lucchini SpA	Metals & mining	Italy	51	700
14-Jul-06	Investor Group	Highveld Steel & Vanadium Corp	Metals & mining	South Africa	50	681
20-Apr-05	OAO SeverStal	Lucchini SpA	Metals & mining	Italy	62	579
21-May-07	Basic Element Co	Hochtief AG	Construction & engineering	Germany	7	525

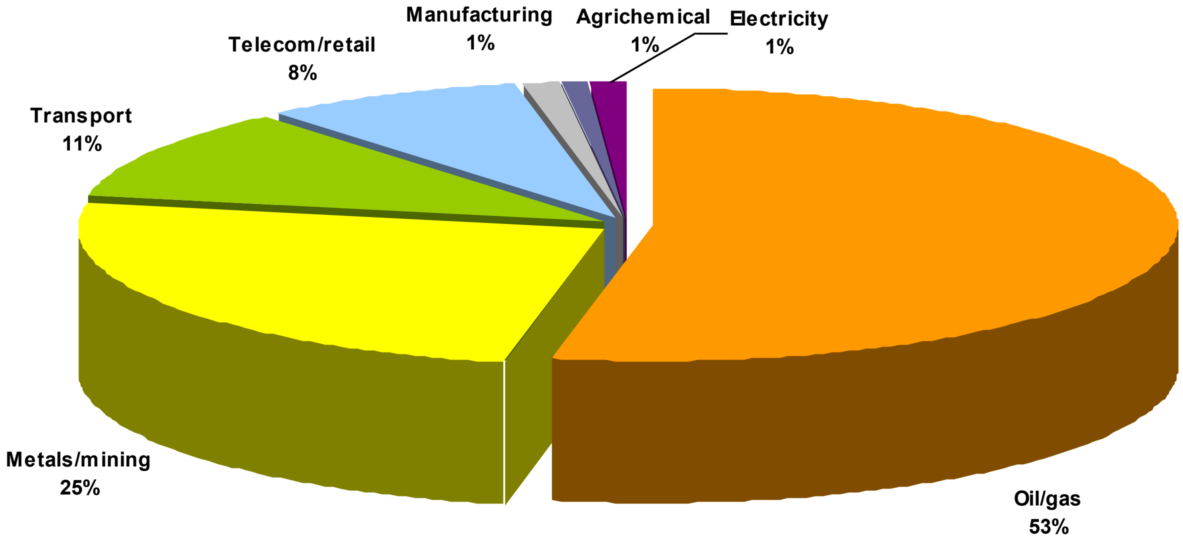
Source: Thomson Financial.

Annex Table 4: Top 10 Russian Federation cross-border greenfield transactions, announced, 2006-October 2007
(Billions of US$)

Date	Company name	Destination country	Sector	Value
Feb-06	Gazprom	Serbia & Montenegro	Metals	2.0
Mar-06	Rosneft	People's Republic of China	Warehousing & storage	2.0
Jun-07	Gazprom	Armenia	Metals	1.7
Dec-06	SUAL	Kazakhstan	Metals	1.5
May-06	Russkiy ugol (Russian Coal)	Viet Nam	Metals	1.5
Jan-07	Rosneft	Algeria	Coal, oil and natural gas	1.3
May-07	MMK	Turkey	Metals	1.1
Sep-06	Renova	South Africa	Automotive	1.0
Jul-07	MMK	USA	Warehousing & storage	1.0
Jun-07	Itera Group	Turkmenistan	Transportation	0.6

Source: OCO Monitor, www.ocomonitor.com

Annex figure 1. Breakdown of the Top 25's foreign assets by industry - 2006



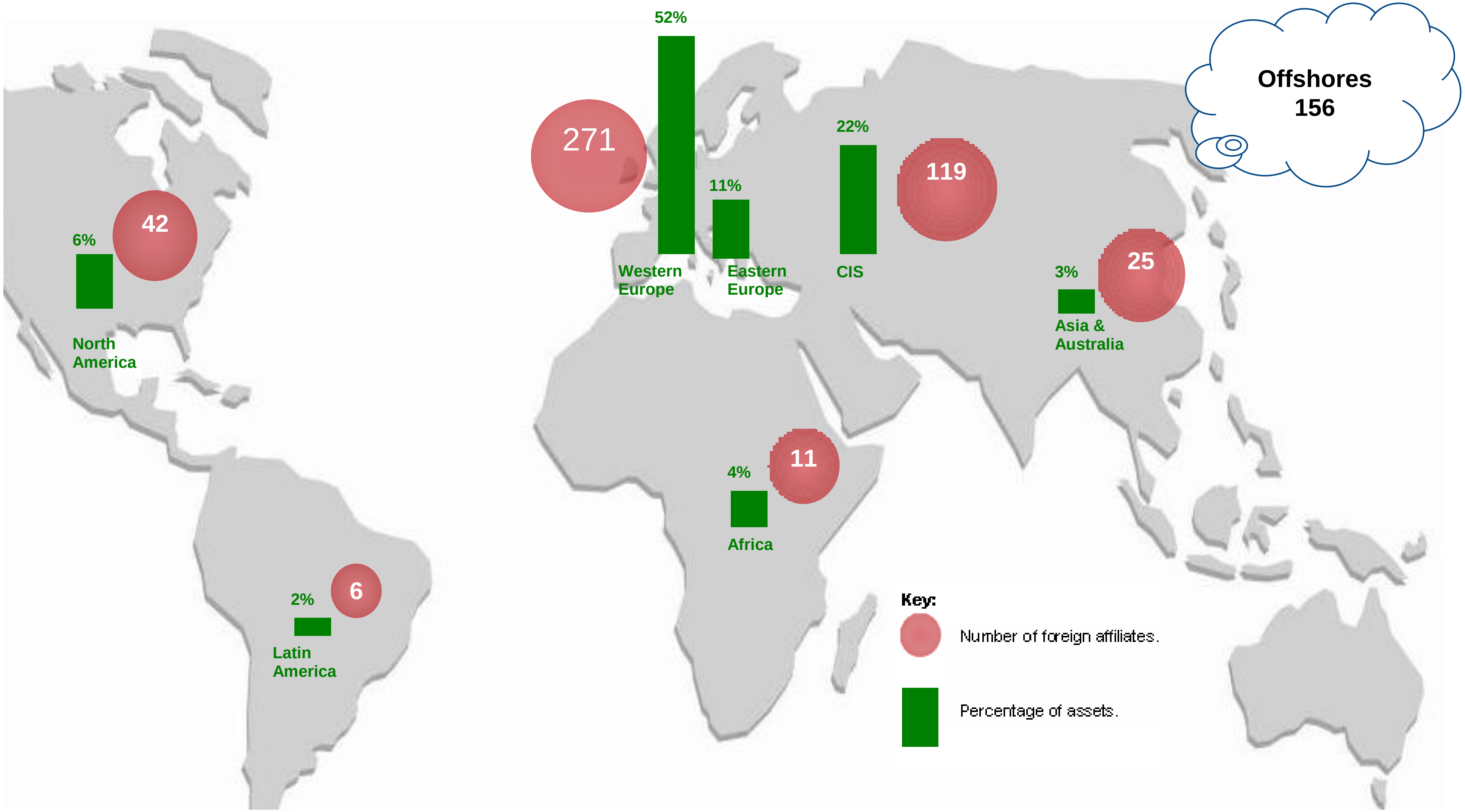
Industry	Foreign assets US$ million	Companies
Oil/gas	31,305	(4) Lukoil; Gazprom; TNK-BP; Alliance Oil
Metals/mining	14,553	(9) Severstal; Rusal; Norilsk Nickel; Evraz; Novolipetsk Steel; TMK; Alrosa; ChTPZ (Arkley Capital); Mechel
Transport	6,456	(4) Sovcomflot; Novoship; FESCO; PriSCo
Telecom/retail	4,541	(3) AFK Sistema; VimpelCom; Euroset
Manufacturing	720	(2) GAZ; OMZ
Agrichemical	656	(2) Eurochem; Acron
Electricity	514	(1) RAO UES

Source: SKOLKOVO-CPII survey of Russian Federation MNEs.

Annex figure 2. Headquarter locations of the Top 25 Russian Federation MNEs – 2006

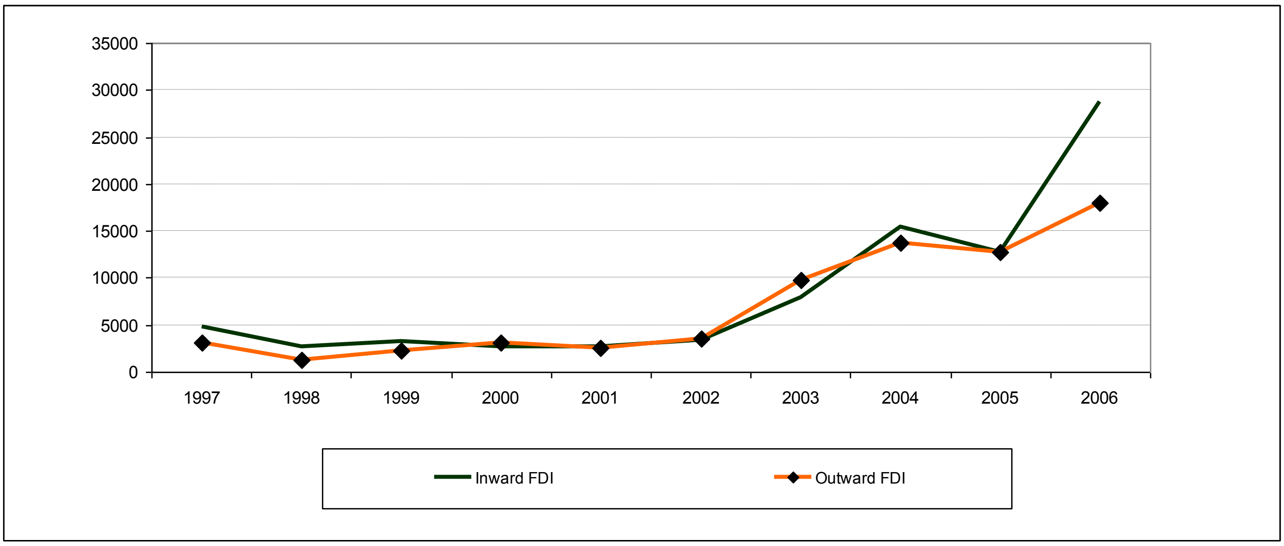
Source: SKOLKOVO-CPII survey of Russian Federation MNEs

Annex figure 3. Foreign assets and foreign affiliates of the Top 25 Russian Federation MNEs, by region - 2006
(Number of affiliates and percentage of foreign assets)



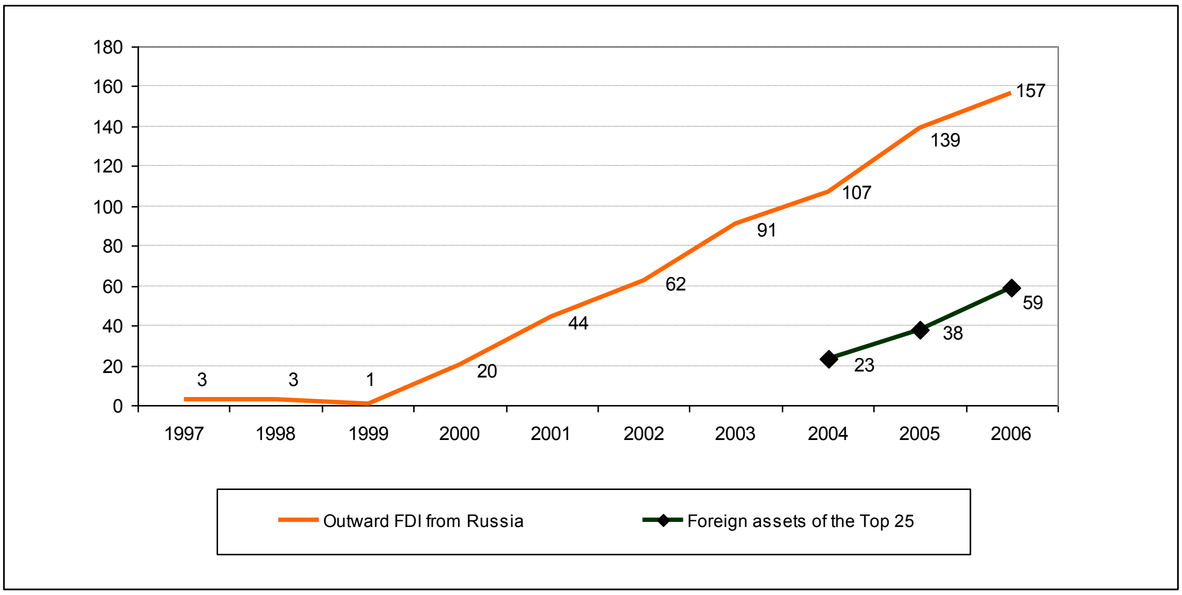
Source: SKOLKOVO-CPII survey of Russian Federation MNEs.

Annex figure 4. FDI outflows from, and inflows into, Russia, 1997-2006 (Millions of US$)



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

Annex figure 5. Stock of outward FDI from Russia, 1997-2006
(Billions of US$)



Source: UNCTAD, World Investment Report, op. cit., and SKOLKOVO-CPII survey of Russian Federation MNEs.

B. Despite the crisis, Russian Federation MNEs continue their outward expansion in 2008

Alexey Kuznetsov and Anna Chetverikova[119]

The 2009 survey of outward investors from the Russian Federation was released on December 2, 2009.

Several years ago the Russian Federation became one of the leading outward foreign direct investors in the world. Foreign assets of Russian Federation MNEs began to grow very rapidly and only People's Republic of China , including Hong Kong (China), could be compared to Russia. As the results of our survey show, Russian Federation non-financial MNEs have remained significant actors of world economy in spite of the global crisis that began in 2007. The foreign assets of the 20 leading Russian Federation MNEs were about US$ 118 billion at the end of 2008 (table 1).

Table 1. Ranking of 20 top Russian Federation MNEs
By their foreign assets, end of 2008 (US$ million)

Rank	Name	Main industries	Foreign assets
1	LUKOIL	Extraction of oil & gas / refined petroleum products and chemicals / petroleum products retail	23,577
2	Gazprom	Extraction of oil & gas / gas distribution / electricity production	21,408
3	Severstal	Iron & steel / mining of metal ores and coals	~ 12,198[a]
4	Evraz	Iron & steel / mining of metal ores and coals	11,196
5	RENOVA	Conglomerate	~ 8,500[a]
6	Basic Element	Conglomerate (non-ferrous metals dominate)	~ 6,200[a]
7	Novolipetsk Steel (NLMK)	Iron & steel / mining of metal ores	4,985
8	Sovcomflot	Sea transport	~ 4,642[a]
9	Norilsk Nickel	Non-ferrous metals / mining of metal ores	4,600
10	VimpelCom	Telecommunications	4,386
11	Sistema	Conglomerate (telecommunications dominate)	3,804
12	TMK	Metal tubes	2,361
13	Mechel	Iron & steel / mining of metal ores and coals / electricity production	2,315
14	Zarubezhneft	Extraction of oil / refined petroleum products	~ 1,900[a]
15	INTER RAO UES	Electricity production and supply	1,374
16	Koks	Iron & steel / mining of metal ores and coals	1,073
17	Eurochem	Agrochemicals	1,015
18	ALROSA	Mining of diamonds / jewelry production and trade	860
19	OMZ (Uralmash-Izhora Group)	Electric power machines / iron & steel	714
20	FESCO	Sea and railway transport	~ 707[a]
Total			**117,815**

Source: IMEMO-VCC survey of Russian Federation MNEs.

[a] The symbol '~' indicates that the amount is an estimate by the IMEMO team. In these cases, company reports did not provide an exact official figure and the companies themselves either did not respond to the survey or asked the team to use its own estimates.

[119] Research assistance was provided by Anna Gutnik, Sergei Khavronin, Ilya Darmanov, and Natalia Toganova.

Their foreign sales were US$ 266 billion and they had more than 190,000 employees abroad. The top 20 list includes state-controlled firms as well as private ones, although private firms under oligarchs'[120] control dominate. Resource-based MNEs form the clear majority, although there are a number of services firms as well. Successors of Soviet MNEs can be seen side by side with companies which began their internationalization only in the past few years. It is perhaps worth noting that, although the firms at the top of the list (LUKOIL and Gazprom) are much larger in asset size than most of the others, the list is nothing like as lopsided as some of the others published by the VCC this year. Only three of the 20 firms have less than US$ 1 billion in foreign assets.

Profile of the 20 firms on the list

Growth of foreign assets. Despite a significant decrease in their total assets, the 20 listed Russian Federation MNEs showed some growth in foreign assets even during the global crisis. Thus, although there was a 7% drop in these MNEs' *total* assets between 2007 and 2008, there was a 13% rise in their *foreign* assets over the same year (table 2). If one takes the period 2006-2008, the rise was far larger: 79%. (For details of foreign asset changes in individual companies, see Annex Table 6.)

Foreign sales expansion. With rare exceptions, all Russian Federation MNEs are large exporters. Export revenues usually supply the necessary finance for Russian Federation investments abroad. At the same time, the turnover of new foreign subsidiaries increases the total volume of the foreign sales[121] of Russian Federation MNEs. Moreover, in many cases, foreign direct investment (FDI) supports exports. The foreign sales of the 20 MNEs on the list increased by 58% between 2006 and 2008 to US$ 266 billion, at a slightly higher rate than the growth of total sales (table 2).

Continued growth in foreign employment. The 20 MNEs on the list had begun significant domestic staff reductions even before the peak of the crisis in 2009, but their foreign employment grew not only in 2007 but also in 2008. It should be noted that the employment statistics of Russian Federation MNEs are less than transparent and that this is probably not an accident. Although Russian Federation trade unions are weak, the government is most anxious about unemployment, especially during the economic crisis.

Development of transnationalization. All components of the listed MNEs' *transnational index (TNI)* increased during 2007-2008. The aggregate TNI for these companies is 34%, which hides large variations among the components. Thus, while the share of foreign sales in total sales is 70%, the share of foreign assets in total assets is only 21% and the share of foreign employment in total employment is even lower at 11%. It is also important to note that several large Russian Federation companies begin making their first outward investment foray every year. As a result, almost all Russian Federation large industrial and service companies will probably become MNEs in a short while.

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[120] The chosen ways of privatization in the Russian Federation did not reduce a high level of monopolization in the Russian economy. A number of persons founded financial and industrial groups that came to control the principal Soviet industrial assets. These billionaires are usually both the main owners and the top managers of large companies within their conglomerates. Russians usually call such persons "oligarchs" on account of the special relations they established with the federal government in the 1990s.

[121] Foreign sales of Russian multinationals consist of exports from their Russian affiliates and total sales of their foreign affiliates (excluding their exports to Russia).

Table 2. Overview of the 20 listed Russian Federation MNEs, 2006-2008

Variable	2006	2007	2008	% Change, 2006-2008
Assets, US$ billions				
Foreign	66	104	118	+ 79%
Total	422	610	569	+ 35%
Share of foreign in total (%)	16%	17%	21%	
Sales, US$ billions				
Foreign	168	214	266	+ 58%
Total	246	314	380	+ 54%
Share of foreign in total (%)	68%	68%	70%	
Employment, millions				
Foreign	0.11	0.17	0.19	+ 73%
Total	1.73	1.78	1.72	- 1%
Share of foreign in total (%)	6%	10%	11%	

Source: IMEMO-VCC survey of Russian Federation MNEs.

Distribution by industry. Companies in the oil and gas, steel and non-ferrous metals sectors control the majority of Russian Federation's foreign assets (annex figure 1). These industries represent the areas of Russian Federation specialization in the world economy. However, many other Russian Federation industries have also begun investing abroad. Companies in machinery, chemicals, electricity supply, transport, and telecommunication are also to be found on the list of the top 20. Many other MNEs, too small to make it on to the list, are to be found in such industries as retail, food, building materials, and paper.

Types of Russian Federation MNEs. It would be a misleading simplification to divide Russian Federation MNEs only into state and private companies, among other things because of some of the unusual features of privatization in the 1990s and the special problems of creating a competitive business environment in the Russian Federation. In reality, the situation is quite complex. Among state-controlled firms, one can find both effective and market-oriented companies and clumsy giants that could hardly function without state backing. Similarly, among privately-owned firms, there are both dynamic business groups and rent-seeking empires of the oligarchs. Although nowadays it is mainly the classic MNEs that dominate among leading Russian Federation MNEs, some companies with significant foreign assets do have features of other types. For example, Zarubezhneft and, in some aspects, Gazprom can be seen as successors of Soviet MNEs. There are a lot of questions around Gazprom, which bears the stigma of being the Kremlin's arm. Most of its foreign assets consist of current assets (as against fixed assets) because Gazprom is a large exporter of resources. It has also invested heavily in the development of new export and distribution infrastructure because some transit countries in Eastern Europe are unreliable partners. Then there are companies which exploit transnational economic ties within the old Soviet area − INTER RAO UES and perhaps Eurochem. Sovcomflot and FESCO, with their fleets in Cyprus and some other countries that offer flags of convenience, have some of the features of pseudo-MNEs. The steel firms Severstal, Evraz and NLMK prefer to invest in the most developed markets but nobody knows exactly whether they have assets-seeking strategies and intend to transfer new technologies into their Russian Federation enterprises, or whether their investment is only a new form of legal 'capital flight'.

Drivers. The motives of Russian Federation outward investment also vary significantly. The typical outward FDI motives of Russian Federation MNEs are the search for markets and resources. Their investment can also be strategic-asset-seeking but it is rarely efficiency-seeking. Sometimes, it is driven as well by image-building or insurance motives. Illustrations of various FDI motives can be seen in top Russian Federation outward deals (see Annex Table 3). For example, Norilsk Nickel and ALROSA have been trying to broaden their resource bases, while LUKOIL, VimpelCom and Sistema have been trying to strengthen their positions in foreign markets, and RENOVA trying to acquire modern foreign technologies for use in Russia.

Capital markets. The shares of only six companies from the top 20 list are not listed on any stock exchange. The most popular stock exchanges are the Russian Federation RTS and MICEX, but shares or ADR / GDR of some Russian Federation MNEs can be bought also on the LSE (nine companies), the FSE or other German stock exchanges (four companies) and the NYSE (VimpelCom and Mechel) – see Annex Table 2.

Localization. Almost all companies on the list have either their head office or their second principal office in Moscow. However, several head offices are situated in other cities and towns, viz., Cherepovets in the Vologda Region (Severstal), Lipetsk (NLMK), St. Petersburg (Sovcomflot), Kemerovo (Koks), Mirny in the Republic of Sakha (ALROSA) and Vladivostok (FESCO) – see annex figure 2. Some companies have their head offices in the Russian Federation capital but they are not registered formally in Moscow (for example, Norilsk Nickel in Dudinka in the north of Krasnoyarsk Krai and Evraz in Luxembourg, i.e. abroad).

Local management. In all 20 companies, the CEO is a Russian Federation citizen. Moreover, there are no foreigners among top managers in several Russian Federation MNEs. Foreigners have a majority on the board only of VimpelCom, while their share is 50% on the boards of Severstal and Eurochem. Several companies have no foreigners on their board (Annex Table 2).

Acquisitions versus greenfield projects. The rapid growth of Russian Federation assets abroad is powered mainly by cross-border acquisitions of large companies in steel and non-ferrous metal industries. There are some significant greenfield projects but brownfield investments are more popular. Russian Federation companies usually take over cheap old plants or new service companies and then make huge investments in their development – see Annex Tables 3 and 4.

The geography of Russian Federation MNEs. Nowadays some Russian Federation MNEs have affiliates almost all over the world. For example, the largest Russian Federation MNE LUKOIL has subsidiaries in the main industries of its specialization in 35 countries, as well as some service and financial affiliates in several additional countries. Nevertheless, the effects of neighbourhood and cultural ties are still evident in the geographical distribution of Russian Federation assets abroad. For instance, the foreign production of Koks is concentrated in Slovenia, while OMZ owns foreign plants only in the Czech Republic. At the end of 2008, Russian Federation MNEs on the list had 49% of their foreign assets in Western and Central Europe. The share of the CIS was 23% and the share of North America was 17% (annex figure 3 and Annex Table 5). As far as other regions are concerned, Russian Federation investors still seem wary − for example, of Latin America, which is seen as a far-away underdeveloped region, with institutional barriers such as the lack of bilateral double taxation and investment treaties. Many African countries are also *terra incognita* for Russian Federation MNEs, although Angola is the main field of ALROSA's foreign expansion while non-ferrous metal producers have subsidiaries in parts of West Africa and Southern Africa. India has already attracted Sistema, while People's Republic of China has received small investments from a few companies (see annex box 1).

The big picture

The investment expansion of Russian Federation companies dates from the beginning of the twentieth century, mainly in satellites of the Russian empire (for instance, in Persia) but some affiliates were founded in Western countries. For example, the oldest Russian company abroad is the Moscow Narodny Bank in London (nowadays VTB Capital plc.). It was in 1919 as a successor to a bank of Russian cooperators, established in 1912, and then this bank became a subsidiary of Vneshtorgbank (see box 1). After the Bolshevik Revolution of 1917, the internationalization of Russian business came to an abrupt end. Only a few Soviet MNEs appeared, given the absence of a market economy, ideological barriers at home and political barriers abroad. There were several service companies (mainly in developed countries) which supported Soviet exports and several mining enterprises (especially in Vietnam and Mongolia). Despite terrible social consequences (collectivization of rural society, political repressions and so on), the industrial power of the Soviet Union grew significantly and new competitive advantages appeared. According to recent estimates by IMEMO, GDP per capita in the Russian Soviet Federal Socialist Republic, in purchasing power parity terms, was US$ 13,000 in 1990 (in 2005 dollars), which was about 40% of the US level and just over 50% of German, Italian or French levels. Thus there was a great latent capacity for internationalization in the USSR.

In the 1990s Russian Federation output fell substantially. However, after the difficult post-communist reforms the rapid growth of the Russian Federation economy finally began. During the privatizations of the 1990s, large private industrial groups and conglomerates were established on the basis of famous Soviet giants in oil, steel, non-ferrous metals and some other industries. Some industries remained mainly under state control but also became more market-oriented. As a result, all competitive sectors of the Russian Federation economy started internationalizing. In the 2000s, the major Russian Federation exporters acquired the financial resources to narrow the large gap between the Russian Federation and other European countries in the level of outward FDI. In recent years, the majority of competitive Russian Federation companies have become real MNEs (see Annex Table 1).

Box 1. Russian Federation transnational banks

Our report does not cover financial services. Moreover, the Russian Federation banking sector is not globally competitive. Nevertheless, an internationalization process can be seen in the Russian Federation financial sector as well. For example, all five leading banks (as well as some other Russian Federation financial institutions) have foreign subsidiaries or affiliates in several countries:

1. Sberbank owns subsidiaries in Kazakhstan (since 2006) and Ukraine.
2. VTB (former Vneshtorgbank) works in 18 countries: the UK, France, Germany, Cyprus, Austria, Namibia, Angola, Ukraine, Georgia, Belarus, Armenia, Azerbaijan, Kazakhstan, Singapore, India, People's Republic of China , Vietnam and (since the beginning of 2009) the UAE. Banks in London (since 1919), Paris (since 1925), as well as in Germany, Cyprus and Austria originally belonged to Vneshtorgbank of the USSR, which was transformed into Vnesheconombank (VEB) in 1988.
3. Gazprombank has business in Belarus (since 1998), Armenia and Switzerland.
4. Alfa-bank has established banks and financial companies in the Netherlands (since 1994), USA, UK and Kazakhstan.
5. The Bank of Moscow has founded subsidiaries or taken over local banks in Belarus (since 2000), Ukraine, Latvia, Estonia and Serbia.

Sources: Banks' annual reports.

The specialization of Russian Federation MNEs − with their focus on oil & gas, steel, and non-ferrous metals − is best explained by the history of large-scale forced industrialization, which occurred mainly from the 1930s to the 1950s, and the lopsided nature of scientific and technical progress in the Soviet Union, with its focus on defense-related activities. As a result, competitive industries are today mainly those related to natural resources and the development of military, nuclear and aerospace technology. The top 20 list has many examples of natural-resource-based companies. Finally, some other latent possibilities were realized in mass telecommunication in the 1990s, as a consequence of which VimpelCom and Sistema are among the top 20 Russian Federation MNEs listed, as well as OMZ with its nuclear machinery plants. The possibilities of investment expansion for defense-related or aerospace activities are naturally limited. Nevertheless, there is the Military-Industrial Corporation NPO Mashinostroyenia, which owns 49.5% of the joint venture BrahMos in India. Another example is the S.P. Korolev Rocket and Space Corporation Energia, which has its main foreign assets in California, Kazakhstan and launch sites in the Pacific Ocean. Although these assets are substantial, they are not large enough to bring these companies into the top 20 list, as well as the leading Russian Federation MNE in traditional civil machinery Concern Tractor Plants (foreign assets of this company are US$ 194 million).

The comparison of foreign assets with FDI data is difficult. For one thing, foreign assets can be financed from sources other than FDI; for another, FDI statistics can include not only FDI proper but also pseudo-FDI via offshore jurisdictions. Thus, in discussing Russian Federation investment expansion, one needs to take separately into account both foreign assets data and FDI data, the latter of which can be found in the Central Bank's publications (see Annex Table 5). It can be seen that Russian Federation FDI outflows in the second half of 2008 were smaller than in the first half of the year but there is clear growth in comparison with 2007. In 2009, the influence of the global crisis is stronger but FDI expansion continues, although at a slow pace.

Some additional comments on the country destinations for Russian Federation outward FDI might be appropriate. Cyprus is the main offshore jurisdiction for Russian Federation MNEs and its investment relations with the Russian Federation are strongly dependent on the whole situation in Russian Federation and the world economy. The United Kingdom and Netherlands are also very popular for Russian Federation pseudo-FDI, along with many other small offshore centers. The United States and Canada, on the other hand, have become the main recipients of real Russian Federation FDI (especially from the steel industry), while Ukraine and Germany have become less important. In Belarus, Gazprom is the only significant Russian Federation investor. India and the UAE are rather new areas for Russian Federation business interests, while Uzbekistan and Armenia, as well as the Czech Republic and Bulgaria, are the best examples of the neighborhood effect and the role of cultural ties in outward investment.

Finally, the global financial and economic crisis has not left Russian Federation MNEs unaffected, but the consequences have not been severe, as one can see by looking at outward FDI flows in annex figure 4. When it comes to outward stock, there was indeed a significant decline in 2008 (annex figure 5). But the main reason was a decline in asset prices; there were very few significant divestments. Moreover, during the first six months of 2009, for example, LUKOIL spent US$ 1,565 million for acquisitions abroad and invested US$ 661 million in the development of its foreign subsidiaries. In February, the company spent about US$ 1,050 million for finishing the ISAB deal in Italy, while in April it made the second payment (US$ 150 million) for almost 700 petroleum stations, some infrastructure items and a small plant in Turkey (the Akpet deal). In February, Gazprom became the owner of 51% of the equity in Serbian NIS with its two refineries (its investment was about US$ 560 millions) and increased its share in Beltransgas to 37.5% for US$ 625 millions. On the other hand, the metal giants (especially Norilsk Nickel and Rusal from the conglomerate of Basic Element) suffered the first consequences of the global crisis, made some divestment or postponed their new deals in 2009. Severstal, NLMK, and some other steel companies, however, were more successful in their foreign expansion. The same is true of Russian Federation MNEs in telecommunications, as VimpelCom and MTS (from the conglomerate Sistema) are expanding their business into new emerging markets in 2009. Thus, all in all, the global crisis has not been destructive for Russian Federation MNEs.

Annex Table 1. Ranking of the 20 Russian Federation MNEs listed, key variables - 2008 (US$ million and thousands of employees)

Rank	Company	Assets		Sales		Employment		TNI
		total	foreign	total	foreign	total	foreign	
1	LUKOIL	71,461	23,577	107,680	87,677	152.5	23.0	32
2	Gazprom	284,047	21,408	123,150	79,412	376.3	~ 8.0[a]	25
3	Severstal	22,480	~ 12,198[a]	22,393	13,514	92.0	~ 14.0[a]	43
4	Evraz	19,448	11,196	20,380	12,805	134.0	29.5	47
5	RENOVA	~ 20,000[a]	~ 8,500[a]	~ 17,000[a]	9,150	~ 100.0[a]	31.2	n.a.
6	Basic Element	~ 20,000[a]	~ 6,200[a]	21,400	n.a.	~ 300.0[a]	n.a.	n.a.
7	NLMK	14,065	4,985	11,699	7,138	70.1	5.9	35
8	Sovcomflot	5,727	~ 4,642[a]	1,634	n.a.	5.0	~ 1.0[a]	n.a.
9	Norilsk Nickel	20,823	4,600	13,980	10,355	88.0	3.9	34
10	VimpelCom	16,760	4,386	6,115	1,520	38.4	10.3	26
11	Sistema	29,159	3,804	16,671	3,983	80	11.0	17
12	TMK	7,071	2,361	5,690	2,302	48.5	4.1	27
13	Mechel	12,010	2,315	9,951	4,609	83.1	7.9	25
14	Zarubezhneft	2,433	~ 1,900[a]	774	n.a.	2.6	0.7	n.a.
15	INTER RAO UES	3,467	1,374	2,358	1,594	~ 15.0[a]	~ 13.0[a]	65
16	Koks	2,817	1,073	2,609	2,091	24.6	3.5	44
17	Eurochem	4,162	1,015	3,818	3,168	21.5	1.1	37
18	ALROSA	9,553	860	3,100	1,472	38.1	3.1	22
19	OMZ	1,275	714	1,175	588	16.5	1.1	38
20	FESCO	2,164	~ 707[a]	1,247	75	10.1	~ 1.0[a]	16

Source: IMEMO-VCC survey of Russian Federation MNEs. [a] The symbol '~' indicates that the amount is an estimate by the IMEMO team.

Annex Table 2. Supplementary indicators of Russian Federation MNEs

Company	Stock exchanges (shares, ADR and GDR)	Foreigners of board, 31.12.2008	CEO na-tion-ality	Govern-ment control	Number of countries with foreign affiliates in main industries of specialization
LUKOIL	RTS, MICEX, LSE, FSE & other German exchanges	20%	RUS	–	35
Gazprom	MICEX, LSE + RTS, IXSP, FSE	10%	RUS	50%	22 (without Wintershall AG)
Severstal	RTS, MICEX, LSE	50%	RUS	–	11
Evraz	LSE	40%	RUS	–	6
RENOVA	–	–	RUS	–	5
Basic Element	–	n.a.	RUS	–	19
NLMK	RTS, MICEX, LSE	33%	RUS	–	6
Sovcomflot	–	14%	RUS	100%	4
Norilsk Nickel	RTS, MICEX, LSE, BBSE	15%	RUS	–	5
VimpelCom	RTS, NYSE	56%	RUS	–	8
Sistema	RTS, MICEX, LSE	30%	RUS	–	11
TMK	RTS, MICEX, LSE	30%	RUS	–	3
Mechel	RTS, MICEX, NYSE	22%	RUS	–	4
Zarubezhneft	–	–	RUS	100%	4
INTER RAO UES	RTS, MICEX	–	RUS	66%	7
Koks	RTS, MICEX	–	RUS	–	1
Eurochem	–	50%	RUS	–	2
ALROSA	–	–	RUS	92% (federal: 51%)	3
OMZ	RTS, MICEX, LSE, BBSE & other German exchanges	11%	RUS	–	1
FESCO	RTS, MICEX	22%	RUS	–	10

Source: IMEMO-VCC survey of Russian Federation MNEs.

Annex Table 3. Top Russian Federation outward acquisitions, 2006-2008

Rank	End of acquisition	Acquirer name	Target name	Target industry	Target country	Real payment and deal value, US$ million [a]	% of shares
1	2007, June & Aug.	Norilsk Nickel	LionOre Mining	Mining of ores	Australia, Botswana, S. Africa	**5,865**	100
2	2008, June	Evraz	IPSCO Inc.	Iron & steel	Canada (US part was resold to TMK)	**4,250** (2,450 in Canada, the rest was resold to TMK till 2009, Jan.)	100
3	2007, Jan.	Evraz	Oregon Steel Mills	Iron & steel	USA	**2,276**	100
4	2008, April & Sept.	Evraz	Palmrose	Iron & steel, coke and mining of ores	Ukraine	**2,108**	100
5	2006, July (first payment)	RENOVA	Oerlikon	High-tech	Switzerland	**More than 1,500** (from stock exchange)	45
6	2008, Oct.	Mechel	Oriel Resources	Mining of ores	UK	**1,440** (assets in Kazakhstan and Russia)	100
7	2007, June & 2008, Feb.	Gazprom	Beltransgas	Gas transportation	Belarus	**1,250** The total for 50% will reach US $ 2,500 million in 2010	25
8	2007, Dec.	Gazprom	Wintershall Gas GmbH	Gas supply	Germany	**1,218** (change of assets with BASF)	15
			Wintershall AG	Gas production			49
9	2008, Aug.	Severstal	Esmark	Iron & steel	USA	**978**	100
10	2008, Nov.	Severstal	PBS Coals	Mining of coal	USA	**877**	100
11	2006, Dec.	NLMK	Steel Invest and Finance	Iron & steel	Italy, USA, France, Belgium	**805**	50
12	2008, May	Severstal	Sparrows Point	Iron & steel	USA	**770** (originally 818)	100
13	2008, Dec.	LUKOIL	ISAB	Oil refinery	Italy	**762** (1st payment) The whole sum of 1,811 was paid in 2009	49
14	2007, Oct.	RENOVA	Sulzer	Machinery	Switzerland	**720**	31
15	2007, March	RENOVA	Energetic Source	Electricity	Italy	**700**	80
16	2008, March	LUKOIL	SNG Holdings	Gas production	Uzbekistan	**578**	100
17	2006, Nov. & 2007, Apr.	VimpelCom	ArmenTel	Telecommunications	Armenia	**501**	100
18	2008, July	Severstal	WCI Steel	Iron & steel	USA	**443**	100
19	2007, June	LUKOIL	376 stations of ConocoPhillips	Petroleum marketing	Seven European countries	**442**	100
20	2008, Jan.	Evraz	Claymont Steel	Iron & steel	USA	**420**	100
Total						**27,900 (approximate)**	

Sources: M&A Journal Database (http://www.ma-journal.ru) and information from annual and financial reports of companies. [a] Without acquisitions of 30% Strabag's shares (US$ 1 700 million) and 18% Magna's shares (US$ 1 500 million) by Basic Element, because in 2007 borrowed means were used and both stakes were sold during the crisis.

Annex Table 4. Major recent Russian Federation outward greenfield and brownfield[a] investments

Years	Company	Country	Value at the end of 2008, US$ million	Project
2007-2015	Sistema	India	367 (including 103 for first 51% of shares) + guarantees (additional 520) *(~ 5,500 total planned)*[b]	Development of mobile communications in India within former Shyam Telelink
2004-2009	INTER RAO UES & Russian Federation Government	Tajikistan	More than 500	Construction of Sangtudin-1 hydroelectric power station
2005-2007	Severstal	USA	462	Construction of steel plant SeverCorr in Columbus
2007-2010	Magnitogorsk Iron & Steel Works	Turkey	More than 200 *(~ 550 – 1,100 total planned)*[b]	Construction of two steel works and infrastructure by joint company MMK Atakaş (first objects were ready in 2008)
Since 2002	Sistema	Belarus	237 (including 161 in 2006-2008)	New mobile company MTS-Belarus, where Sistema has 49% of equity
Since 2004	LUKOIL	Saudi Arabia	227	Exploration of gas fields (control over 80% of LUKSAR). Investments can be significantly increased for gas production
Since 2005	ALROSA	Angola	209	LUO-project for mining of diamonds (ALROSA has 45%)
2005-2011	Gazprom	Austria	More than 100 *(~ 350 total planned)*[b]	Construction of 2 blocs of gas-holder Heidach (first one was ready in 2007)
2006-2010	Metalloinvest	UAE	*~ 100*[b] *(160 – 200 total planned)*	Construction of steel plant Hamriyah Steel
Since 2002	LUKOIL	Colombia	98	Exploration of Kondor oil fields

Sources: Press releases, and annual and financial reports of companies. [a] The first two projects are cases of a kind of brownfield FDI that is a wide-spread phenomenon in emerging markets, in which a MNE buys a weak local company (or a part of it) to receive an entry ticket to the local market and then begins to build what is in effect a new plant. Thus, in the first project in the table, Sistema took over an Indian company that did not have a mobile network and began to build one. All projects in the table other than the first two are classic greenfield FDI. [b] The symbol '~' indicates that the amount is an estimate by the IMEMO team.

Annex Table 5. Destinations of non-financial FDI outflows from the Russian Federation (US$ million)

Rank	Destination	Jan.– June 2007	July – Dec. 2007	Jan.– June 2008	July – Dec. 2008	2007-2008
1	Cyprus	10,775	3,856	7,836	- 409	22,058
2	Netherlands	9,170	3,332	1,234	1,384	15,120
3	USA	330	644	6,307	1,369	8,650
4	UK	1,100	1,354	4,502	970	7,926
5	Canada	13	168	57	6,667	6,905
6	Bermuda	1,049	1,639	1,927	2,141	6,756
7	Switzerland	404	1,001	1,155	1,305	3,865
8	Luxembourg	516	- 19	1,365	1,235	3,097
9	Ukraine	491	1,111	530	234	2,366
10	Germany	253	420	944	457	2,074
11	Gibraltar	309	578	419	538	1,844
12	Belarus	707	58	708	- 37	1,436
13	UAE	44	857	126	114	1,141
14	Uzbekistan	307	47	201	186	741
15	Spain	92	167	202	256	717
16	Cayman Islands	25	28	- 47	647	653
17	Czech Republic	76	172	177	141	566
18	Bulgaria	58	110	164	224	556
19	Armenia	101	168	38	240	547
20	Ireland	147	80	149	143	519
21	Austria	87	143	92	161	483
22	France	115	143	85	132	475
23	Turkey	32	151	147	125	455
24	Hungary	15	- 27	450	12	450
25	India	0	13	443	- 43	413
Top 25		**26,216**	**16,194**	**29,211**	**18,192**	**89,813**
Total		**27,462**	**17,749**	**31,190**	**19,550**	**95,951**

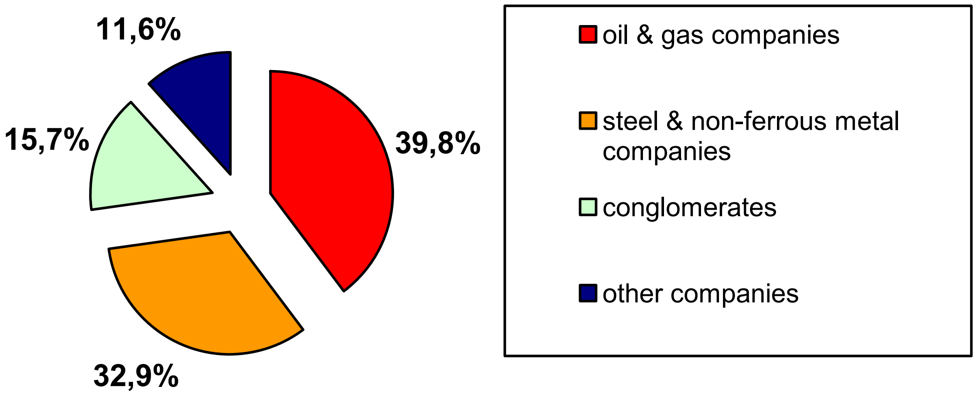
Source: Central Bank of Russia.

Annex Table 6. Development of Russian Federation companies' internationalization

Rank	Company	Foreign assets, US$ million			Share of foreign assets in total assets, %		
		2006	2007	2008	2006	2007	2008
1	LUKOIL	18,921	20,805	23,577	39.2	34.9	33.0
2	Gazprom	15,452	16,769	21,408	6.8	5.4	7.5
3	Severstal	5,252	6,411	12,198	34.4	36.4	54.3
4	Evraz	2,836	9,824	11,196	33.3	52.7	57.6
5	RENOVA	n.a.	8,700	8,500	n.a.	35.1	n.a.
6	Basic Element	4,600	8,300	6,200	20.0	18.4	n.a.
7	NLMK	909	1,594	4,985	10.4	12.2	35.4
8	Sovcomflot	3,646	4,214	4,642	79.3	79.9	81.1
9	Norilsk Nickel	3,855	12,843	4,600	23.7	36.0	22.1
10	VimpelCom	2,124	3,067	4,386	24.5	28.0	26.2
11	Sistema	2,290	3,572	3,804	11.3	12.6	13.0
12	TMK	490	606	2,361	13.8	13.0	33.4
13	Mechel	116	207	2,315	2.6	2.2	19.3
14	Zarubezhneft	n.a.	1,800	1,900	n.a.	79.1	78.1
15	INTER RAO UES	1,116	1,284	1,374	67.2	40.6	39.6
16	Koks	12	1,013	1,073	0.9	32.6	38.1
17	Eurochem	453	902	1,015	24.5	34.1	24.4
18	ALROSA	879	863	860	10.9	8.8	9.0
19	OMZ	354	554	714	35.2	44.3	56.0
20	FESCO	701	687	707	61.7	33.8	32.7

Source: IMEMO-VCC survey of Russian Federation MNEs.

Annex figure 1. Breakdown of foreign assets of Russian Federation MNEs listed, by main industry, 2008

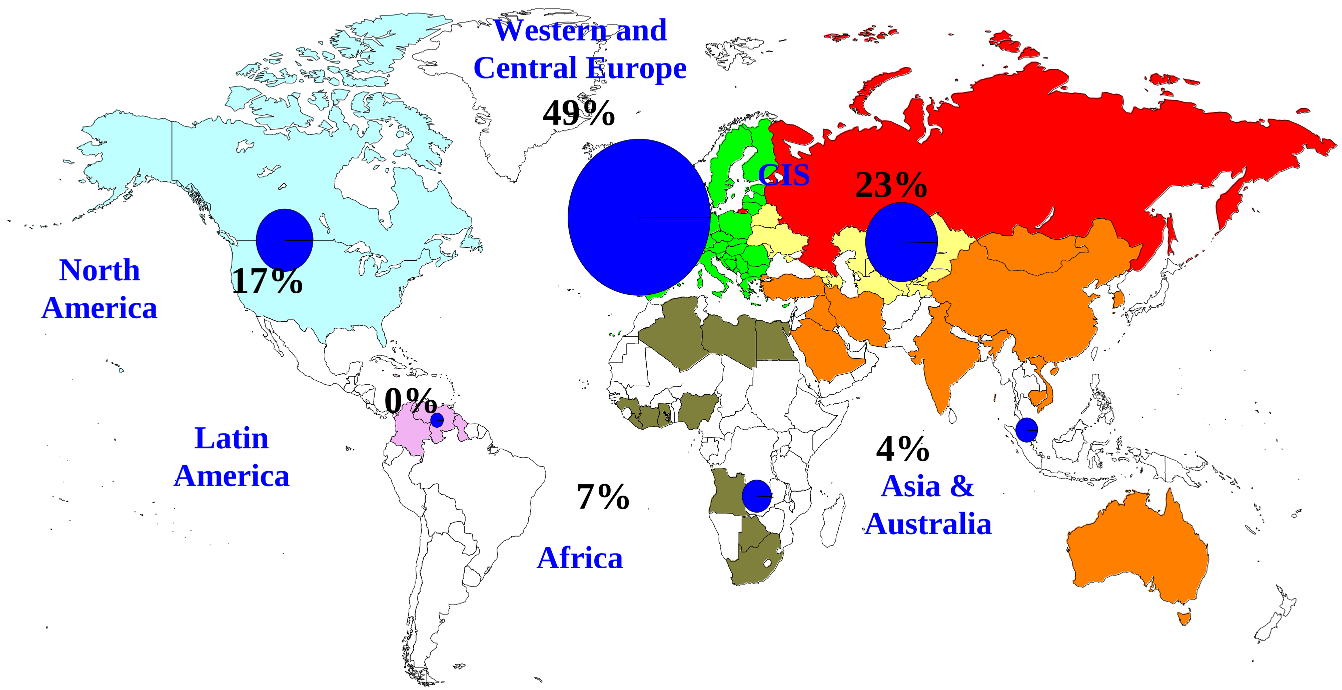


Source: IMEMO-VCC survey of Russian Federation MNEs.

Annex figure 2. Head office locations of Russian Federation MNEs listed - 2008

Source: IMEMO-VCC survey of Russian Federation MNEs.

Annex figure 3. Geographical distribution of foreign assets of Russian Federation MNEs listed - 2008



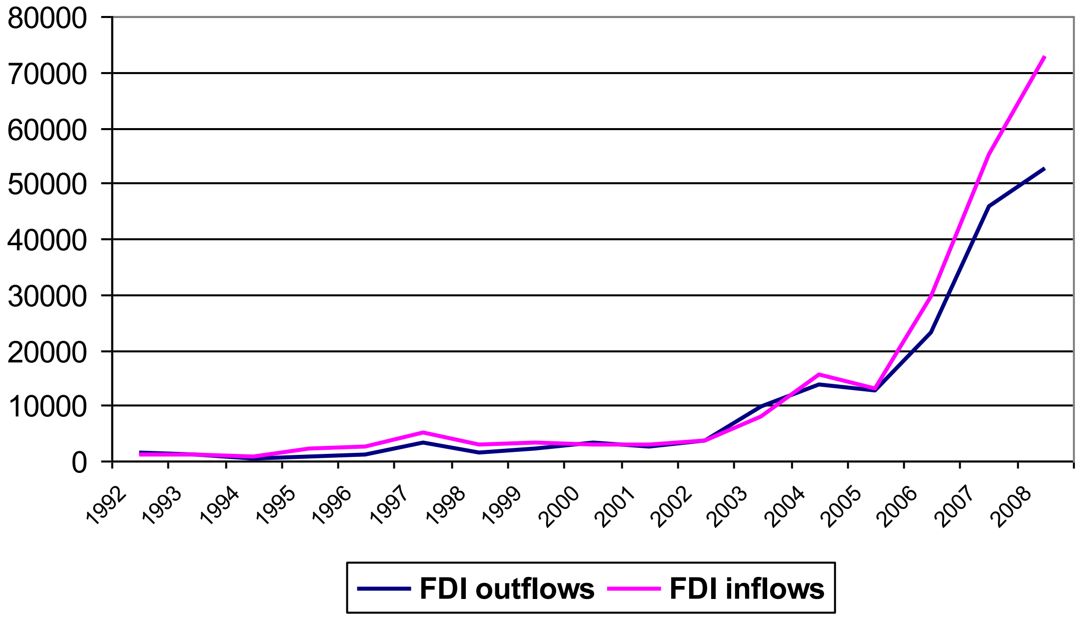
Source: IMEMO-VCC survey of Russian Federation MNEs.

Annex box 1. Acron as the leader of Russian Federation's weak expansion into the People's Republic of China

Although People's Republic of China is popular among many foreign investors, Russian Federation MNEs are cautious in expanding their business into their largest eastern neighbor. Only a few companies from the top list of Russian Federation MNEs have at least trade subsidiaries in People's Republic of China. There are only two industrial enterprises: Rusal from the Basic Element conglomerate controls Shanxi RUSAL Cathode (since 2006) and FESCO has 49% of the equity in International Paint (East Russia) Limited in Hong Kong (China). However, the largest Russian Federation plant in People's Republic of China belongs to a company not on the top 20 list. It is Acron from Veliky Novgorod (http://www.acron.ru/eng), which specializes in mineral fertilizer production. In 2008, its total foreign assets were US$ 332 million, which would give it the 21st or 22nd place among Russian Federation MNEs. Because of its too huge agriculture sector, People's Republic of China became one of the main markets for Acron and received US$ 211 million in foreign assets. In 2002, Acron acquired control over the Hogri Acron factory in Shandong province. Today, Acron owns 50.5% of this producer of complex fertilizers and methanol, and has over 3,000 employees. Acron also has trade subsidiaries in People's Republic of China as well as in some other countries. The other assets of Acron are concentrated in Estonian export terminals and a Canadian mining project.

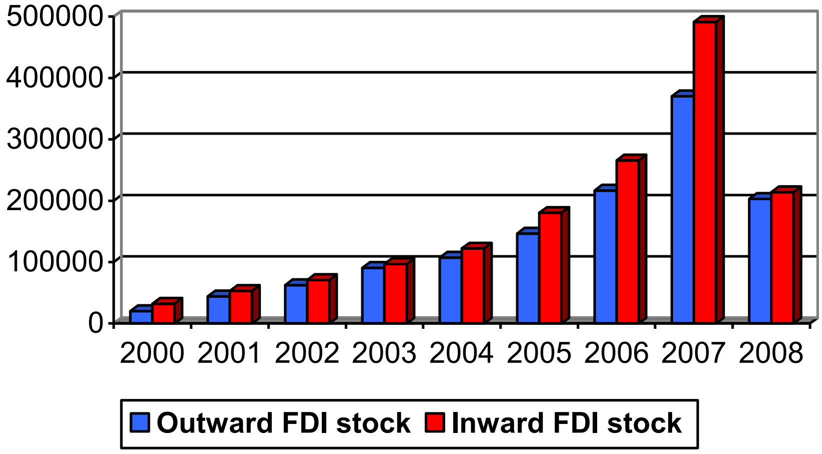
Source: IMEMO-VCC survey of Russian Federation MNEs.

Annex figure 4. Russian Federation FDI inflows and outflows, 1992-2008 (US$ millions)



Source: Central Bank of Russia.

Annex figure 5. Russian Federation outward and inward FDI stock, 2000-2008 (US$ millions)



Source: Central Bank of Russia.

Annex 2. Corporate profiles of the top 20

No. 1: LUKOIL

LUKOIL is the largest Russian Federation private oil company. The main activities of the company are the exploration and production of oil & gas, the production of petroleum products and petrochemicals, and the marketing of these outputs. LUKOIL has around 1.1% of global oil reserves and 2.3% of global production. A state-owned oil concern “LangepasUraiKogalymneft” (LUKOIL) was set up by the resolution of the USSR Council of Ministers No.18 of November 25, 1991. After a few years the company was privatized. Its main shareholders are LUKOIL’s President Vagit Alekperov (20.6%) and Vice-President Leonid Fedun (9.25%), and the US MNE ConocoPhillips (20%). LUKOIL’s shares blue chips stock on the Russian Federation exchanges RTS and MICEX. At the same time LUKOIL’s ADRs and GDRs are also traded in the United States and Europe. Most of the company's exploration and production activity is located in Russia. Its main resource base is in Western Siberia while its largest refineries are situated in Nizhny Novgorod, Perm and Volgograd. However most of LUKOIL’s output is sold on the international market. This fact is behind the company’s rapid internationalization.

LUKOIL began its investment expansion abroad in the middle of the 1990s. LUKOIL has acquired participating interests in the exploration of oil & gas fields or oil production in Azerbaijan (several projects since 1994), Egypt and Kazakhstan (several projects since 1995), Iraq (1997), Colombia (2002), Iran (2003), Saudi Arabia and Uzbekistan (2004), Venezuela (2005), Ivory Coast (2006), and Ghana (2007). In 1998, LUKOIL started its expansion in global refinery business with the acquisition of Petrotel in Romania. Then the company acquired and modernized refineries in Bulgaria and Ukraine (1999). Since 2008, LUKOIL has owned two refineries in Italy. It also has petrochemical plants abroad (in Ukrainian Kalush and Bulgarian Burgas, as well as small plants in Belarus and Finland). Nearly 70% of LUKOIL's 6,700 petroleum stations are located in 24 foreign countries, mainly in the United States (1,524 at the end of 2008), Turkey (777), Finland (456), Romania (319), Ukraine (285), Bulgaria (209), Serbia (184), Belgium (157), Lithuania (120), and Poland (106). The LUKOIL website is at: http://www.lukoil.com.

No. 2: Gazprom

Gazprom is the largest Russian Federation company and one of the world's leading energy companies with around 18% of global gas production. The Gazprom Group is also the world's leader in natural gas reserves. Its major business lines are the exploration, production, transportation, storage, processing and marketing of hydrocarbons as well as the generation and marketing of heat and electric power. The Gazprom State Gas Concern was established in 1989 on the basis of the USSR Gas Industry Ministry. In 1993, the Concern laid the foundation for setting up the Gazprom Russian Federation Joint Stock Company, which was renamed the Gazprom Open Joint Stock Company in 1998. Nowadays Gazprom's shares are traded on MICEX and other Russian Federation stock exchanges, as well as on the LSE, NYSE and FSE in the form of GDRs and ADRs. Russian Federation state and state-owned companies control over 50% of Gazprom's share capital. The geography of the Group's business is vast. The key resource bases are situated in the Yamal Peninsula and other northern areas but Gazprom has gas production in many other Russian Federation regions. It also holds a leading position in gas distribution all over the country and the gasification of Russia's regions is a major current target of the Group. Rather recently, Gazprom became a diversified energy company with its own oil production, oil and gas refineries, and electricity companies in many regions of the Russian Federation. Nevertheless, gas exports remain very important to Gazprom.

Since the technological specifics of natural gas transport and distribution require significant investment in export infrastructure, Gazprom was forced to begin its expansion abroad in the early 1990s. Currently the Group's main foreign assets are concentrated in Germany, Ukraine, Poland, Belarus, the Baltic States and some other European countries. Gazprom has organized several greenfield projects with its European partners, as well as tried to buy companies in highly profitable distribution segments also its state connections have often aroused resistance. In the 2000s, Gazprom started investing abroad in gas exploration and production, beginning with Central Asia and moving on to Vietnam, Latin America and some Arab countries. A significant impulse in this business was an exchange of assets with the German firm BASF (Gazprom received 49% of the famous Wintershall AG). Gazprom also controls an electric power station in Lithuania (since 2003) and has built a new power-generating unit in Armenia. The Gazprom website is at: http://www.gazprom.com.

No. 3: Severstal

Severstal is the largest Russian Federation vertically-integrated steel company and among the top 15 in the world in steel production. In addition to steel and rolled metal, Severstal also produces coal and non-ferrous metal products. The company was founded in 1993 in Cherepovets (Vologda Region), where one of the largest Soviet steel mills began to work in 1955. Alexey Mordashov is its CEO and main owner and he has more than 82% of the equity. Severstal is listed on the Russian Federation RTS, MICEX, as well as on the LSE. Its key enterprises in the Russian Federation are located in the northwest of the country, viz. in the Vologda Region, the Murmansk Region, Republic the of Karelia, Komi the Republic and St. Petersburg. This rather narrow Russian Federation geography is supplemented with foreign assets located throughout the world.

Severstal began its investment expansion outside the Russian Federation in the early 2000s, starting with the key market of the United States in 2004. Its foreign affiliates produce mostly steel and rolled metal. Severstal has been trying to broaden its activities over the past two years through foreign enterprises in the coal industry and the non-ferrous metal industry. Current production facilities abroad are located in the United States, Italy, France, the UK, Poland, Ukraine, Kazakhstan and also Liberia, Burkina Faso and some other countries. The Severstal website is at: http://www.severstal.com.

No. 4: Evraz

The Evraz Group is a vertically-integrated company which mainly produces cast iron, steel and rolled metal. The Group's businesses also include the mining of iron ore, coal production and a vanadium unit. The company was founded in 1992 and specialized in metal production trading. Nowadays it is one of the largest steel producers in Russia. More than 70% of the Group's equity is held by Lanebrook Ltd., which is controlled by Roman Abramovich's Millhouse, Evraz CEO Alexander Frolov and Evraz Chairman Alexander Abramov (who founded EvrazMetal, the predecessor of Evraz). Since 2005, Evraz Group has been listed on the LSE. The base of the company's activity consists of three steel plants located in the Kemerovo and Sverdlovsk Regions since the Soviet period. The Group's mining businesses (coal, vanadium) are located in Siberia and Ural.

Active foreign expansion began only four years ago (2005) with the acquisition of two European producers of steel and rolled metal – the Italian Palini and the Czech Vitkovice Steel. The foreign assets of Evraz have been supplemented in recent years not only with enterprises that produce steel and rolled metal but also enterprises that produce vanadium, coke and iron ore. The geography of Evraz's activity abroad includes the US, Canada, EU countries, South Africa and Ukraine. The Evraz website is at: http://www.evraz.com/

No. 5: RENOVA

The RENOVA Group is a conglomerate that owns and manages assets in many sectors of the economy, including electric power, housing services, construction, transport, telecommunications, chemicals, non-ferrous metals and machinery. The group was founded in 1990 by Victor Vekselberg who has continued to play a key role in the management and development of the group. RENOVA is a private company and not listed on any stock exchange. Because of the diversity of its interests, the geography of its activities is vast. Its enterprises are located in many Russian Federation regions from Central Russia to the Far East.

The Group's foreign expansion is of very recent origins, having started only in 2005. The largest expansion was in 2006-2007, when assets from Switzerland, Italy, Belarus and some other countries were added to RENOVA's. The RENOVA website is at: http://www.renova.ru.

No. 6: Basic Element

Basic Element is the second conglomerate on the list and includes such big Russian Federation companies as Rusal and the GAZ Group. Basic Element's enterprises are to be found in non-ferrous metals (mainly aluminum and copper), transport machinery & services, coal, petroleum, pulp and paper, construction, power, financial services and other areas. The conglomerate was established in 1997 under the name of Siberian Aluminum Company. One of Basic Element's constituent companies, Rusal, is the largest producer in the world of aluminum (11% of world production) and alumina (13%). The conglomerate is not listed yet either in the Russian Federation or in other countries. The unchallenged leader and the owner of the conglomerate is Oleg Deripaska. Basic Element's enterprises in the Russian Federation are mainly of Soviet heritage and are to be found in many parts of the country.

The breadth of its businesses is typical of the conglomerate outside of the Russian Federation too, not only because of its multi-sectoral structure but also its relatively early foreign expansion (from 2000). A set of foreign metal enterprises was developed in the early 2000s through the acquisition of assets in Armenia, Guinea, Rumania and Ukraine. Later foreign projects included enterprises in transport machinery (the UK and Canada) and construction (Austria and Switzerland). Its expansion of 2006-2007 was interrupted by the world crisis, as a result of which the conglomerate turned down several acquisition prospects. As of now, Basic Element owns enterprises in countries on all five continents, including Australia, Guyana, Mongolia, Nigeria, Sweden, Jamaica, and some other countries. The Basic Element website is at: http://www.basel.ru/en.

No. 7: Novolipetsk Steel (NLMK)

Novolipetsk Steel is a producer of cast iron, steel, rolled metal, iron ore and coke. NLMK, which was created in the 1990s, like other Russian Federation metal companies, now has a strong position in Russian Federation as well as world industry. The company produces 15% of all Russian Federation steel. Its share in the world market of slab is more than 11% and in the world market of transformer rolled metal is more than 16%. Fletcher Group Holding Ltd. has more than 77% of share capital and its main beneficiary is the chairman of NLMK's Board Vladimir Lisin. The company has been listed on the LSE since the end of 2005. It is also listed on the Russian Federation RTS and MICEX. The key enterprise of the company is Novolipetsk Iron and Steel Works, located in the Lipetsk Region since 1934. Only a few assets of Novolipetsk Steel are located in Central Russia, Ural and Western Siberia.

NLMK's foreign expansion does not have a wide geography. It began in 2005, when NLMK bought the Danish producer of steel and rolled metal DanSteel A/S. The expansion has since continued with acquisitions of steel companies in the US, Belgium, Italy, France and some other countries. The NLMK website is at http://www.nlmksteel.com.

No. 8: Sovcomflot

Sovcomflot, which is part of the SCF Group, is the largest Russian Federation shipping company. The SCF Group is a fully integrated shipping company, specializing in the sea transportation of energy. It is the owner of the world's largest ice-fleet and has its headquarters in St. Petersburg. The consolidation of the commercial operations of Sovcomflot and another large shipping company Novoship (from Novorossiysk) has allowed the SCF Group to become a leading provider to the market of tonnage in the Aframax and

Suezmax tanker sectors since 2008. The Group's fleet comprises more than 130 vessels of an aggregate 9.4 million tonnes dwt. The average age of the tanker fleet is 6 years – one of the youngest in world shipping. The provision of port-related services, including the operation of oil terminals and tugs, have also recently became an important part of the Group's activities. The SCF Group became the technical operator of new terminals near and in the Sakhalin Region. Sovcomflot was established as a commercial enterprise in 1988 on the basis of the USSR Ministry of Merchant Marine and transformed into a joint stock company in 1993. It remains fully state-owned.

The foreign investments of Sovcomflot are mainly of the pseudo-FDI type with fleet registrations under the flags of Cyprus and other countries with lax shipping regulations. However, in 2006, Sovcomflot and Novoship bought a middle-sized shipping company, Marpetrol, in Spain. The Sovcomflot website is at http://www.scf-group.com.

No. 9: Norilsk Nickel

Norilsk Nickel is a company in the non-ferrous metal industry, specializing in the production of platinum, palladium, nickel, copper, gold and other non-ferrous metals. It is the largest world producer of nickel (21.4% of world production) and palladium (44.8%), one of the top five producers of platinum (10.7%), and a significant producer of copper (2.7%). The company was founded in the mid-1990s by Vladimir Potanin who still owns 25% of the share capital. Rusal from the conglomerate of Oleg Deripaska owns another 25%. Norilsk Nickel is represented widely on the world's stock exchanges, including the LSE, the Russian Federation RTS and MICEX, and the Berlin-Bremen Stock Exchanges. The activities of the company in the Russian Federation are concentrated in two key regions – in Krasnoyarsk Krai, where its basic industrial complex and its source of raw materials are located (since the 1930s), and in the Murmansk Region.

Norilsk Nickel's foreign expansion has been geographically limited. A limited number of deals have been made, beginning in 2003, when the company bought a US producer of platinum and palladium, Stillwater Mining. Norilsk Nickel's foreign affiliates are located now in Australia, Botswana, the US, Finland and South Africa. It also has trade subsidiaries in the UK, People's Republic of China and Switzerland. The Norilsk Nickel website is at: http://www.nornik.ru/en.

No. 10: VimpelCom

VimpelCom (Vimpel-Communications) is one of the leading Russian Federation companies in the field of mobile communications, with over a quarter of the national market. The VimpelCom Group provides voice and data services through a range of mobile, fixed and broadband technologies under the "Beeline" brand. The company was founded in 1992 by engineer Prof. Dmitriy Zimin and was the first Russian Federation company to list its shares on the NYSE (November 1996, using ADR). It is also listed on the Russian Federation RTS. A new stage of the company's development began with the acquisition of large stakes by Norwegian Telenor (in 1998) and Russian Federation Alfa-Group in 2001. Currently, they have 29.9% and 44% of shares respectively.

Companies of the VimpelCom Group are now operation in Kazakhstan (since 2004, with 43% of the national market), Ukraine and Tajikistan (since 2005), Uzbekistan, Georgia and

Armenia (since 2006), and Vietnam and Cambodia (since 2008). The VimpelCom website is at: http://www.vimpelcom.com.

No. 11: Sistema

Sistema (Joint-Stock Financial Corporation Sistema) is a conglomerate with assets in telecommunications, the media, oil production and refining, the high-tech sector, and the business unit “consumer assets” (tourism, retail, insurance, etc.). Sistema's ownership structure was generally formed in 1993-1996. The largest company of the Group is MTS. Sistema owns 54% of the mobile communications producer, which is the main competitor of VimpelCom and accounts for more than 60% of Sistema’s turnover. Sistema also controls Comstar-OTS (53%), Shyam (74%) and CMM (100%) in the telecommunications segment. Main companies in the high-tech segment are the telecom equipment producer Sitronics (71% of shares) and the military concern RTI Systems (100% of shares). The most famous company in other business units of the Group is the largest Russian Federation travel agency Intourist (66% of shares). Sistema is the only Russian Federation public conglomerate. Its shares are listed on the RTS and MICEX as well as on the LSE (since 2005). However, the founder and chairman of the board, Vladimir Evtushenkov owns 62.1% of Sistema’s share capital.

The company began its foreign expansion in 2002 when MTS established a subsidiary in Belarus and Sitronics took over STROM telecom in the Czech Republic. Nowadays MTS has subsidiaries in five CIS countries – in Belarus, Ukraine (since 2003), Uzbekistan (2004), Turkmenistan (2005) and Armenia (2007). Sitronics then continued its foreign investments and bought 51% of Kvazar-Micro in Ukraine in 2004 and 51% of Intracom Telecom in Greece in 2006. In 2007, Sistema started its mobile telephone business in India, where it took over Shyam Telelink. The main company in the traditional telephone business in Moscow is Comstar-OTS, which has subsidiaries in the Internet segments of Ukraine and Armenia (since 2006). In 2008, RTI Systems and Intourist also made significant acquisitions abroad (in Austria and Turkey respectively). The Sistema website is at: http://www.sistema.com.

No. 12: TMK

TMK is a steel company that produces pipes. It ranks second in the world market by volumes of steel pipes. Its share of the Russian Federation market is more than 27%. The main owner of TMK, which was founded only in 2001, is Dmitriy Pympyanskiy, who owns about 75% of share capital. Other shares are listed on the RTS, MICEX and the LSE. The key Russian Federation enterprises of TMK are located in the Sverdlovsk, Volgograd and Rostov Regions and were built in the period of the Russian Empire or the Soviet Union.

TMK is not active in foreign acquisitions, in spite of its first steps in foreign markets at the beginning of the 2000s. Its main enterprises abroad include producers of pipes and sales affiliates. The key acquisition of TMK is a purchase of the US pipe company IPSCO in 2008. Nowadays the enterprises of the company are located in Romania (since 2002), the US and Kazakhstan (2008). The TMK website is at: http://www.tmk-group.com .

No. 13: Mechel

The main businesses of Mechel are in iron, steel, rolled metal and hardware. But the company also mines coal and iron ore, produces nickel, and owns power assets. The market share of

Mechel in Russian Federation steel production is around 8-10%, in coking coal its share is more than 20%. The company was established at the beginning of 2000 and is under control of Igor Zyuzin (66.76% of share capital). The shares of Mechel are listed on the NYSE, RTS and MICEX. The key company facilities in the Russian Federation are a mill in the Chelyabinsk Region, which began its production in 1943, and coalmining facilities in the Kemerovo Region. However, the geography of its business in general is vast: from the Republic of Sakha (Yakutia) to the Republic of Karelia.

The foreign expansion of Mechel began in 2002 and is still limited to the EU and the CIS. The main foreign enterprises are located in Romania (four steel mills), Lithuania (steel plant since 2003), Bulgaria (49% of power station since 2007) and Kazakhstan (chrome and nickel mines since 2008). The Mechel website is at: http://www.mechel.com.

No. 14: Zarubezhneft

Zarubezhneft is the oldest company in Russia's oil & gas industry, with wide experience of business activities in different parts of the world. It was established in 1967 under the USSR Ministry of Oil Industry. In 2004, Zarubezhneft was transformed into a public joint stock company with 100% shares held in federal ownership. Since it was established, Zarubezhneft has been engaged in preparing and implementing integrated projects for the exploration and development of oilfields abroad, constructing oilfield facilities, carrying out projects for oil recovery enhancement, as well as supplying equipment and materials for oil and gas facilities in the Middle East, South East Asia, Africa and Latin America, particularly in Algeria, Vietnam, India, Iraq, Iran, Yemen, Lybia, Syria and Cuba. Only recently Zarubezhneft has begun to develop its Russian Federation subsidiaries, which participate in the oil business and in scientific research.

Zarubezhneft's most effective project abroad is the joint venture Vietsovpetro, established in 1981 on a 50-50 basis with the Vietnamese Oil and Gas Corporation Petrovietnam under an Intergovernmental agreement. In October of 2007, the stake in Vietsovpetro was finally added to the charter capital of the company. Zarubezhneft also has another subsidiary in Vietnam in partnership with Japanese investors (since 2002) and small projects in Kazakhstan and Turkemistan (since 2001). In 2007, Zarubezhneft took over two refineries and petrol stations in Bosnia and Herzegovina and then began their radical reconstruction. The Zarubezhneft website is at: http://www.nestro.ru.

No. 15: INTER RAO UES

INTER RAO UES is a fast growing power supplier. It was established as a closed joint-stock company within the RAO UES Group in 1997. In 2001, INTER RAO UES started projects of trading with non-Russian Federation electric power in foreign markets. In 2002, it began exporting of electric power from the Russian Federation as well as generating power in Russia. In 2003, 40% of the company's shares were sold to the Rosenergoatom Concern. As a result, INTER RAO UES became a unified export and import operator of two of the largest producers of electric power in the country. During the recent reform of the Russian Federation power industry, INTER RAO UES was merged with the Sochinskaya power station and several other electricity producers in various Russian Federation regions in 2007. Before April 2008, the name of new company was Sochinskaya TES. The new open joint-stock company is listed on the Russian Federation RTS and MICEX but is still under state control because state-owned Rosatom, Energoatom and Gazprom own 66.3% of its share capital.

INTER RAO UES started the active purchase of electric power assets abroad with expansion in Georgia and Armenia in 2003. In 2004, its subsidiary trading company became one of the major business entities in Finland. In 2005, INTER RAO UES acquired control over power stations in Moldova and Kazakhstan began building a power station in Tajikistan and started its business in Turkey. In 2007, the company took over a distributor of electricity in Lithuania. The INTER RAO UES website is at: http://www.interrao.ru/eng.

No. 16: Koks

Koks specializes in traditional iron & steel production as well as in coal mining and nickel production. Koks as a core company of Industrial Metallurgical Holding was established in the 2000s but its main plant was build in 1924. The company's shares are listed on RTS and MICEX, although Boris Zubitskiy and his sons own 93.7% of share capital. The key Koks's enterprises in the Russian Federation are factories located in the Kemerovo and Tula Regions. Some facilities are located also in the Ural.

Koks began to buy foreign assets only in pre-crisis 2007. Currently, the main foreign assets of the company are plants in Slovenia that produce steel and steel products. The Koks websites are at: http://kokc.kem.ru/eng and http://www.metholding.ru/en.

No. 17: Eurochem

The EuroChem Mineral and Chemical Company (Eurochem) is the largest manufacturer of mineral fertilizers in Russia. It ranks among the top three European and the top ten world leaders in the sector. Moreover, it is the only chemical company in the Russian Federation that incorporates mining and processing enterprises as well as logistics companies and distribution networks in various regions. Its main plants are situated in the Stavropol Krai, Krasnodar Krai, Tula, Murmansk and Leningrad Regions. Several leading producers of nitric and phosphoric fertilizers were consolidated within EuroChem by the MDM Group in 2001. After the break-up of that group, Andrey Melnichenko became the main owner of Eurochem. Currently MCC Holding Ltd. from Cyprus (in which Melnichenko has 95% equity) owns 99.99% of Eurochem's share capital.

The largest foreign subsidiary of Eurochem is Lifosa. The company bought 94.8% of the largest Lithuanian producer of phosphoric fertilizers in 2005. Eurochem also owns several trade and service companies abroad. In 2008, it also acquired 56.3% of a producer in Kazakhstan. The Eurochem website is at: http://www.eurochem.ru.

No. 18: ALROSA

ALROSA is the largest Russian Federation company specializing in the mining and processing of diamonds. It mines approximately 95% of Russian Federation diamonds. ALROSA has a 20% share of the global market (or 25% in value terms). The Russian Federation state is the main shareholder of the company: the federal share is more than 50%, while regional and local governments own 41%. ALROSA is not listed on any stock exchange. The company has a very narrow geography of business – the key region is the Republic of Sakha (Yakutia) that contains the main production assets.

By Russian Federation standards, ALROSA has had a presence in foreign markets for a long time – from the mid-1990s. However, its presence abroad is not extensive. The only diamond mining facilities are in Angola and there are some trading subsidiaries in the global centers of the diamond business, especially in Antwerp in Belgium. The ALROSA website is at: http://eng.alrosa.ru.

No. 19: OMZ

OMZ (the Uralmash-Izhora Group) is the largest heavy industry company in Russia. It specializes in the engineering, production, sales and maintenance of equipment and machines for the nuclear power, oil and gas, and mining industries, and also in the production of special steels and equipment for other industries. The company was founded in 1996 in Yekaterinburg, where it controls the famous Ural Machine-Building Plants (was built in the 1930s). In 1999, Izhorskie Zavody became part of the company, which was renamed Objedinennye Mashinostroitelnye Zavody (Uralmash-Izhora Group) (OMZ). OMZ is listed on the Russian Federation RTS and MICEX. Its shares are also traded through depository receipts on the LSE, NYSE and some German stock exchanges. At the end of 2006, OMZ's founder Kakha Bendukidze and his partners sold 42.2% of share capital and nowadays the main shareholder is the closed joint-stock company Forpost-Management (44.4%), but in fact Gazprombank.

The only foreign country with OMZ production facilities is the Czech Republic. The company bought Skoda Steel and Skoda JS in 2004, and CHETENG Engineering joined OMZ in 2008. The OMZ website is at: http://www.omz.ru/eng.

No. 20: FESCO

FESCO is the largest private intermodal transportation group in Russia, providing a full range of logistical solutions through a combination of shipping, rail, trucking and port services. The Far East State Shipping Company (FESSCO) was founded in 1935 as a successor to the Volunteer Fleet Agency ("Dobroflot") which was incorporated in Vladivostok in 1880. It was privatized in the 1990s and FESCO became a diversified transport group under the control of Sergey Generalov and others. FESCO has been listed on RTS since 2004 and MICEX since 2008.

The main part of the FESCO fleet is registered in Cyprus, Marshall Islands and some other countries with lax shipping regulations. In 1995, the company set up its first foreign agency in Australia. Then FESCO established subsidiaries in New Zealand and Hong Kong (China) (in 1997), the US (in 1999) and People's Republic of China. It also owns 49% of a producer of paints for vessels in Hong Kong (China) and has significant stakes in transport firms in the Republic of Korea and Uzbekistan. The FESCO website is at: http://www.fesco.ru/en.

Chapter 10 – Slovenia's global players

A. Slovenian MNEs: small but growing rapidly in 2006

Andreja Jaklič and Marjan Svetličič

The first report on Slovenian MNEs, released on March 18, 2008, reveals dynamic OFDI activity by Slovenian firms. FDI outflows from Slovenia have surpassed FDI inflows in three of the past four years, as Slovenian firms look to expand in foreign markets.

The principal findings of the survey are that, in 2006, Slovenia's Top 25 MNEs, ranked by foreign assets, had nearly US$ 4 billion[122] in assets abroad (*table 1*); had nearly US$ 4 billion in foreign sales (including exports); and employed 23,616 persons abroad. Their foreign assets and employment each more than doubled since 2004, while foreign sales increased 60%. Foreign assets are concentrated in Europe. The top three firms – Mercator, Gorenje, Krka – account for more than half of the total assets of the Top 25, and the top five firms account for 68% of the Top 25's total foreign assets.

Slovenian MNEs are not large when compared to their counterparts in Brazil and the Russian Federation[123] (the foreign assets of the Top 25 are roughly 5% of the Top 25 in the Russian Federation and the Top 20 in Brazil), but they play a vital role in Slovenia's economy.

Table 1. CIR-CPII ranking of the Top 25 Slovenian MNEs, in terms of foreign assets, 2006
(Millions of US$)

Rank	Name	Industry	Foreign assets
1	Mercator	Retail trade	954
2	Gorenje	Electricity supply, manufacturing	668
3	Krka	Manufacturing	439
4	Droga Kolinska[a]	Manufacturing	352
5	Petrol	Oil supply	307
6	Merkur	Retail trade	203
7	Intereuropa	Transportation	127
8	Helios	Manufacturing	121
9	Iskra Avtoelektrika	Manufacturing	80
10	Elan	Manufacturing	75
11	Unior	Manufacturing	66
12	Lesnina	Retail trade	66
13	Kolektor Group	Manufacturing	59
14	Prevent	Manufacturing	50
15	Trimo	Manufacturing	46
16	Viator & Vektor	Transportation	40

[122] The following EUR/US$ exchange rates, based on XE.com Universal Currency Converter (http://www.xe.com/ucc/), were used throughout: 1.31954 (2006); 1.18395 (2005); 1.35338 (2004).
[123] The ranking lists for Brazilian and Russian MNEs were released in December 2007 (see www.cpii.columbia.edu).

17	HIT	Entertainment	37
18	JUB	Manufacturing	35
19	Hidria	Manufacturing	33
20	Perutnina Ptuj	Manufacturing	32
21	Kovintrade	Manufacturing	28
22	ERA	Retail trade	22
23	ETI Elektroelement	Manufacturing	21
24	Alpina	Manufacturing, retail trade	20
25	Kompas	Travel and related activities	20
TOTAL			3,903

Source: CIR - CPII survey of Slovenian MNEs.
[a] Droga and Kolinska merged in 2004.

The profile of the Top 25

The foreign assets of the Top 25 Slovenian MNEs represent 86% of Slovenia's total outward FDI stock.

Slovenian MNEs are small compared to their foreign counterparts:
Only five have over US$300 million in foreign assets, and only four employ over 2,000 people abroad and four of them have fewer than 500 employees (Annex Table 1).
None of the Slovenian Top 25 makes it into the top 50 MNEs from developing countries.[124]
One of the Top 25 started its early development as a foreign-owned firm and became a 100% Slovene firm a few years ago (see *annex case box 1* on Kolektor).

Slovenian MNEs are expanding dynamically: between 2004 and 2006, their aggregate foreign assets doubled to nearly US$4bn, their foreign sales grew by more than 50% to US$7.3bn (comprising more than half of the Top 25's total sales), and foreign employment doubled to 23,616 people (table 2).

Table 2. Snapshot of Slovenia's 25 largest MNEs, 2004 - 2006 (Millions of US$ and no. of employees)

Variable	2004	2005	2006	*% change 2006/2005*
Assets				
Foreign	2,068	2,680	3,903	31
Total	9,061	9,407	11,777	12
Share of foreign in total (%)	23	28	33	16
Employment				
Foreign	11,699	18,972	23,616	24
Total	69,655	77,027	81,349	6
Share of foreign in total (%)	17	25	29	18

124 See UNCTAD, *World Investment Report 2007* (Geneva: UNCTAD, 2007). Data for 2005 are the latest available.

Sales				
(incl. exports)				
Foreign	4,730	5,093	7,256	*28*
Total	11,497	11,045	13,885	*13*
Share of foreign in total (%)	*41*	*46*	*52*	*13*

Source: CIR - CPII survey of Slovenian MNEs.

Foreign expansion is the engine of growth of the Top 25. Domestic sales of the Top 25 were 59% of total sales in 2004, but their relative share dropped to only 48% of total sales in 2006. For the top two manufacturing firms, foreign sales amounted to 86% of their total sales.

This foreign growth does not come at the expense of existing home country employment, investment and sales, but is complementary. Domestic sales and employment have both remained stable. The Top 25 remain among the most important domestic employers, while home country assets of the Top 25 have grown by around 15% from 2004 to 2006.

The aggregate Transnationality Index[125] of the Top 25 has risen from 36% to 45% from 2004 to 2006, which reflects the rapid growth of international operations. The Slovenian Top 25 does not lag much behind the largest companies in the world in terms of their degree of transnationality, and they are more transnationalized than firms from other transition economies. The most internationalized Slovenian company is JUB – a manufacturer of chemical products – with a Transnationality Index of 77%.

The overwhelming share of outward investment from Slovenia is being made by private companies. Only one out of the Top 25, accounting for about 2% of aggregate foreign assets, is majority-owned by the state.

The Top 25 now have 286 foreign affiliates (annex figure 1) in 53 different countries, for an average of 11.5 affiliates in an average of 9 countries (Annex Table 1). Gorenje is present in 26 countries (with 41 foreign affiliates), followed by Unior and Hidria in 17 countries each (with 21 foreign affiliates each).

Many of the Slovenian Top 25 are regional MNEs. The foreign affiliates of Slovenian MNEs are concentrated in Europe, as revealed by the Regionality Index (Annex Table 2). More than 80% of foreign affiliates are located in Europe, and nine of the Top 25 MNEs are based exclusively in Europe. The Western Balkans is the most important location for affiliates, although Slovenian firms show a growing interest in Russia, People’s Republic of China and other Asian locations.

Manufacturing (food and beverages, chemical and pharmaceutical products, machinery and equipment, electrical equipment, sport apparel, etc.) is by far the most important sector of the Top 25, with 16 of the 25 MNEs (54% of foreign assets). The next largest sector, with five MNEs, is retail trade (32% of foreign assets). Other activities are: transportation (4% of foreign assets), electricity supply, oil supply, entertainment, travel, and related activities (Annex Table 3 and annex figure 2).

[125] The Transnationality Index is a composite ratio calculated by averaging the relative shares of foreign assets, foreign employees and foreign sales as a percentage of their respective totals. See UNCTAD *op. cit.*.

Only eight of the Top 25 is headquartered in the country's capital, Ljubljana, a reflection of a decentralized type of development strategy that dates back to when Slovenia was a socialist economy. Three out of the top 5 are located outside Ljubljana.

With the exception of one, all Top 25 MNEs were established years before the transition to a market economy had begun.

The Top 25 include old and young MNEs: seven firms have pre-transition experience in outward investment (some, like Gorenje, invested in the 1960s. Krka established a pharmaceutical firm near Nairobi in the mid 1970s, and Elan produced skis in Sweden[126], also in the 1970s.) Nine made their first investment abroad in the mid-1990s, and nine others established their first foreign affiliate after 1999.

Ten of the Top 25 are listed on the Ljubljana Stock Exchange, but no other stock exchange; fifteen companies are not listed anywhere.

All MNEs use the Slovenian language as their official language; however 15 out of 25 also use foreign languages. Ten out of 25 top MNEs use Slovenian and English as official languages, two companies use 3 official languages (Slovenian, English and German), while one of them uses 5 official languages (Slovenian, English, German, Russian, and Croatian).

The **internationalization of management** is relatively low; except for one[127], all other CEOs are Slovenian. Top management is more internationalized in eight out of the Top 25 companies (in three cases 40% of top managers are foreign, two cases with 30%, two cases with 20%, and one with 10% foreign management), while in 17 companies the management is entirely Slovenian.

Slovenia's outward FDI

Slovenian companies were early birds in outward investment among ex-socialist countries — they started investing abroad even before inward investment was allowed. Originally, outward FDI was mostly focused on trade promotion. Many MNEs turned this sequential strategy into a leapfrogging type of transnationalization.

Essentially, "system escape" investment in the pre-transition period has been replaced by market-seeking, efficiency-seeking and recently also strategic-asset seeking investment. As a result, Slovenia's *outward FDI stock* rose from a low base of US$ 300 million in the early 1990s, to US$4.5bn in 2006 (annex figure 3).

Investment activity abroad was most intense at the end of the 1990s (although government policy was actually discouraging outward FDI until 1999) and has continued after 2000. Outward FDI stock is expected to continue to rise significantly. FDI outflows have outstripped FDI inflows during four of the past five years (annex figure 4), a situation that is predicted to remain for each of the next four years.[128] However government privatization plans (in insurance and telecommunications) may result in higher inward than outward FDI in the next few years.

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[126] The famous Sweden skier Ingemar Stenmark used Elan skies for racing.

[127] The CEO of Droga Kolinska, Slobodan Vucicevic, is Serbian.

[128] Laza Kekic and Karl P. Sauvant, eds., World Investment Prospects to 2011: Foreign Direct Investment and the Challenge of Political Risk, at www.cpii.columbia.edu.

For Slovenian firms, outward FDI has been a frequent survival strategy. Initially state-owned Ljubljanska Banka (now NLB, see annex case box 2) facilitated internationalization by establishing its first foreign office abroad in 1968 in Germany and later elsewhere. Trade companies followed to facilitate trade. Companies from manufacturing industries (with a much longer tradition and export propensity) followed later.

While greenfield investments were prevalent during the 1990s, mergers and acquisitions activity intensified after 2000 (Annex Table 4). Larger acquisitions were undertaken in the financial sector, chemicals (particularly pharmaceuticals), retail trade, electrical appliances and the food industry (annex case box 3). Early internationalization made the Slovenian transition less painful, particularly after Yugoslavia was lost as a market when Slovenia became independent. It also facilitated internationalization by knowledge accumulation and the early creation of an internationally experienced management.

Today, more than 2% (around 950) of the almost 50,000 corporations in the Slovenian corporate sector are involved in outward investment activity. However, the vast majority (almost 75%) of these 950 MNEs can be classified as small and medium-sized enterprises.

Annex Table 1. CIR-CPII ranking of the Top 25 Slovenian MNEs, key variables - 2006 (Millions of US$ and no. of employees)

Ranking				Assets		Sales		Employment				
Foreign assets	**Trans-nationality Index**	**Name**	**Industry**	**Foreign**	**Total**	**Foreign**	**Total**	**Foreign**	**Total**	**Trans-nationality index**	**No. of foreign affiliates**	**No. of host countries**
1	20	**Mercator**	Retail trade	954	2,456	585	2,725	5,892	19,539	30	5	5
2	6	**Gorenje**	Electricity supply, manufacturing	668	1,194	1,254	1,466	2,109	10,556	54	41	26
3	7	**Krka**	Manufacturing	439	1,160	759	881	2,113	5,759	54	14	12
4	2	**Droga Kolinska**	Manufacturing	352	577	315	446	2,605	3,577	68	11	6
5	24	**Petrol**	Oil supply	307	1,112	354	2,561	363	2,768	18	6	5
6	23	**Merkur**	Retail trade	203	1,153	464	1,318	661	4,075	23	8	7
7	13	**Intereuropa**	Transportation	127	383	194	290	1,018	2,310	48	12	10
8	3	**Helios**	Manufacturing	121	340	416	342	920	2,211	66	21	13
9	17	**Iskra Avtoelektrika**	Manufacturing	80	223	199	261	443	2,534	43	12	11
10	4	**Elan**	Manufacturing	75	161	145	162	337	1,267	54	7	6
11	19	**Unior**	Manufacturing	66	513	255	376	645	3,796	33	21	17
12	12	**Lesnina**	Retail trade	66	129	94	182	303	683	49	6	2
13	10	**Kolektor Group**	Manufacturing	59	235	302	327	1,110	2,879	52	10	9
14	11	**Prevent**	Manufacturing	50	285	468	435	1,143	3,817	52	5	5
15	5	**Trimo**	Manufacturing	46	162	231	222	278	979	54	12	12
16	15	**Viator & Vektor**	Transportation	40	289	322	315	549	2,554	46	11	9
17	25	**HIT**	Entertainment	37	400	25	300	236	2,548	9	3	3
18	1	**JUB**	Manufacturing	35	68	84	116	136	342	77	9	9
19	18	**Hidria**	Manufacturing	33	238	182	243	330	2,400	34	21	17
20	21	**Perutnina Ptuj**	Manufacturing	32	249	98	219	625	2,289	28	5	3
21	16	**Kovintrade**	Manufacturing	28	146	166	235	134	294	45	10	9
22	22	**ERA**	Retail trade	22	91	12	107	163	371	27	2	2
23	14	**ETI Elektroelement**	Manufacturing	21	83	84	94	431	1,745	47	10	10
24	8	**Alpina**	Manufacturing, retail trade	20	80	62	75	866	1,625	54	8	7
25	3	**Kompas**	Travel and related activities	20	51	152	216	206	431	52	16	16
TOTAL				3,903	11,777	7,256	13,885	23,616	81,349		286	53

Source: CIR-CPII survey of Slovenian MNEs.

Annex Table 2. The Top 25 Slovenian MNEs: Regionality Index[a] - 2006

Name	Europe	CIS	Middle East	Africa	North America	Latin America	South-East Asia	Australia
Mercator	100	-	-	-	-	-	-	-
Gorenje	98	-	2	-	-	-	-	-
Krka	79	14	-	-	7	-	-	-
Droga Kolinska	100	9	-	-	-	-	-	-
Petrol	100	-	-	-	-	-	-	-
Merkur	100	-	-	-	-	-	-	-
Intereuropa	83	17	-	-	-	-	-	-
Helios	81	19	-	-	-	-	-	-
Iskra Avtoelektrika	42	17	8	-	8	8	17	-
Elan	71	-	-	-	14	-	14	-
Unior	71	-	-	-	5	-	19	5
Lesnina	100	-	-	-	-	-	-	-
Kolektor Group	50	-	-	-	20	10	20	-
Prevent	40	-	-	-	-	20	20	-
Trimo	75	25	-	20	-	-	-	-
Viator & Vektor	91	9	-	-	-	-	-	-
HIT	100	-	-	-	-	-	-	-
JUB	89	11	-	-	-	-	-	-
Hidria	67	5	-	-	5	14	10	-
Perutnina Ptuj	100	-	-	-	-	-	-	-
Kovintrade	100	-	-	-	-	-	-	-
ERA	100	-	-	-	-	-	-	-
ETI Elektroelement	80	-	-	-	-	-	20	-
Alpina	63	13	-	-	13	-	13	-
Kompas	88	6	-	-	6	-	-	-

Source: CIR-CPII survey of Slovenian MNEs. [a] The Regionality Index is calculated by dividing the number of a firm's foreign affiliates in a particular region of the world by its total number of foreign affiliates and multiplying the result by 100.

Annex Table 3. Breakdown of the Top 25's foreign assets, by industry[a] - 2006

Industry	No. of firms	Foreign assets (Millions of US$)	Share in the total foreign assets of the Top 25 Slovenian MNEs (Percentage)
Manufacturing	16	2,125	54
Retail trade	5	1,265	32
Transportation	2	167	4
Electricity supply	1	668	17
Oil supply	1	307	8
Entertainment	1	37	1
Travel and related activities	1	20	1

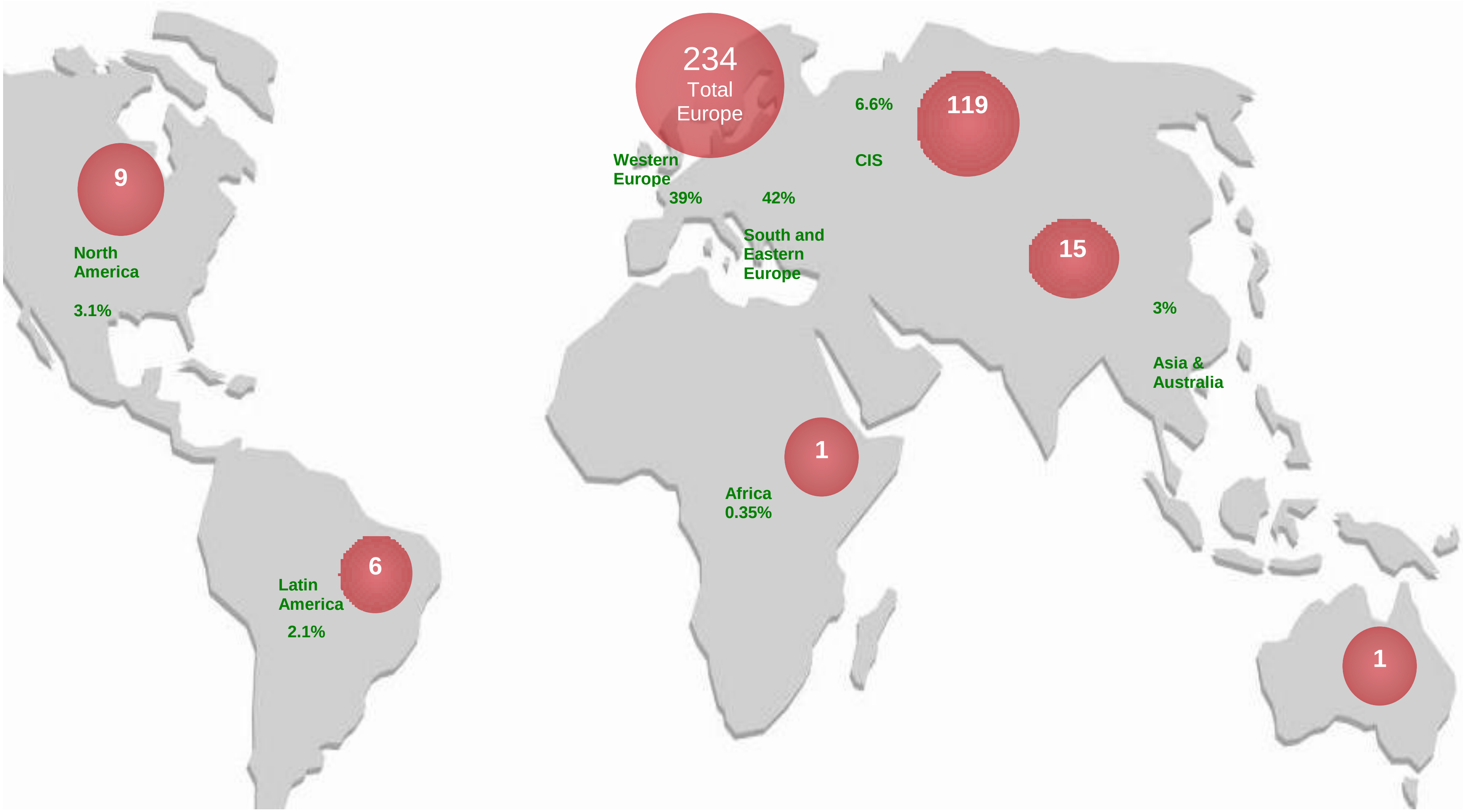
Source: CIR-CPII survey of Slovenian MNEs. [a] *Some of the firms engage in manufacturing and retail trade at the same time.*

Annex Table 4. The top 10 Slovenian outward merger and acquisitions, 2005 - January 2008 (Millions of US$)

Date	Acquiror name	Target name	Target industry	Target economy	% of shares acquired	Value of transaction
Oct-2006	Mercator	Rodić Trgovina	Retail	Serbia & Montenegro	100	198
6-Jul-05	Nova Ljubljanska Banka dd	Continental Banka	Banking	Serbia & Montenegro	98.43	59
Jun-2007	Mercator	Presoflex, d.o.o	Retail	Croatia	100	51
24-Apr-07	Telekom Slovenije dd	Gibtelecom	Telecommunications	Gibraltar	50	50
28-Aug-07	Holding Slovenske Elektrarne	Toplofikatzia Ruse EAD	Electricity and heating	Bulgaria	100	47
7-Nov-07	Adria Mobil doo	Sun Roller SA	Mobile homes	Spain	80	14
19-Oct-06	Pozavarovalnica Sava dd	Polis Osiguranje	Life insurance	Serbia & Montenegro	100	14
27-Mar-06	Investor Group	MAIB	Banking	Moldova	19.66	10
5-Jan-07	Pozavarovalnica Sava dd	Tabak Osiguranje	Life insurance	Macedonia	53.65	9
20-Mar-06	Telekom Slovenije dd	On.net	Internet service provider	Macedonia	76	6

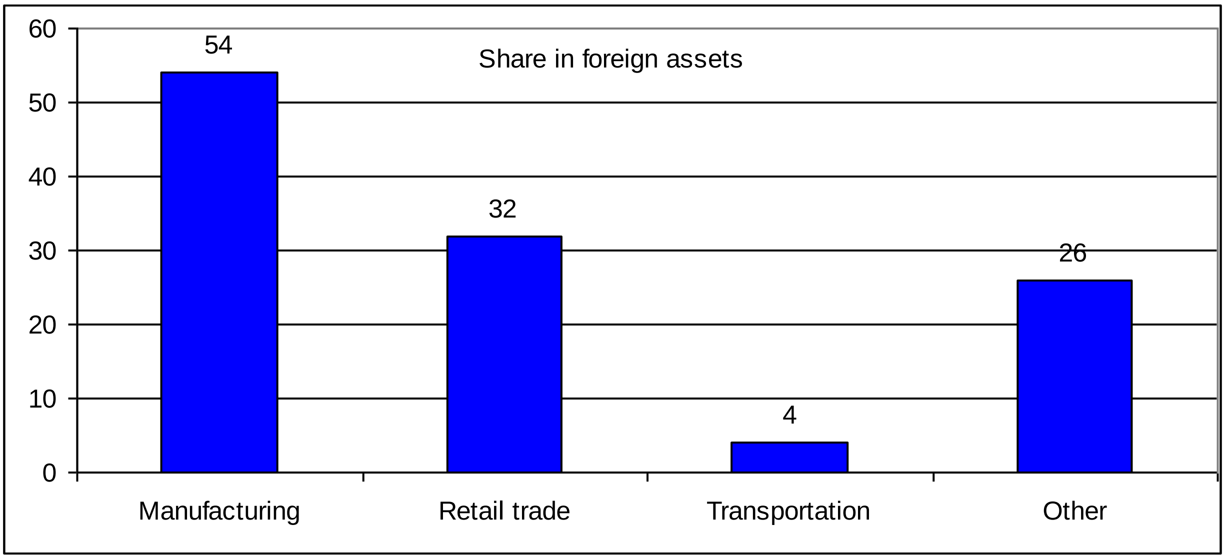
Source: Thomson Financial and SEO net.

Annex figure 1. Foreign affiliates of the Top 25 Slovenian MNEs, by region - 2006
(Number of foreign affiliates and percentage of foreign assets)



Source: CIR-CPII survey of Slovenian MNEs.

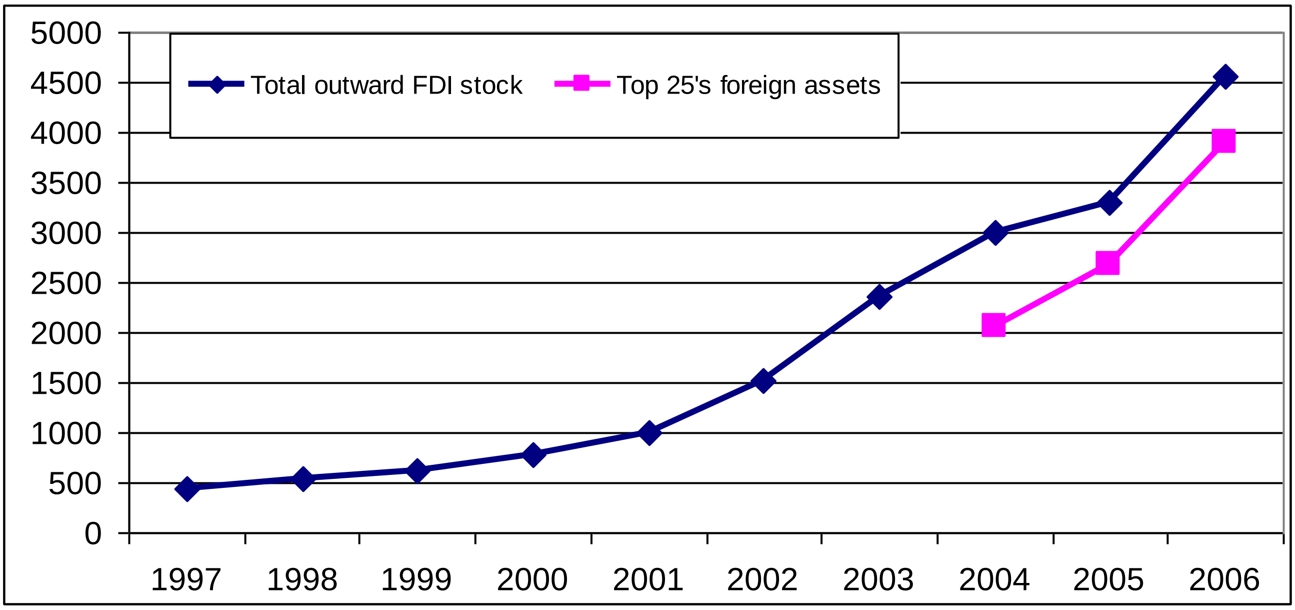
Annex figure 2. Breakdown of the Top 25's foreign assets, by industry[a] - 2006 (Percentage)



Source: CIR-CPII survey of Slovenian MNEs.

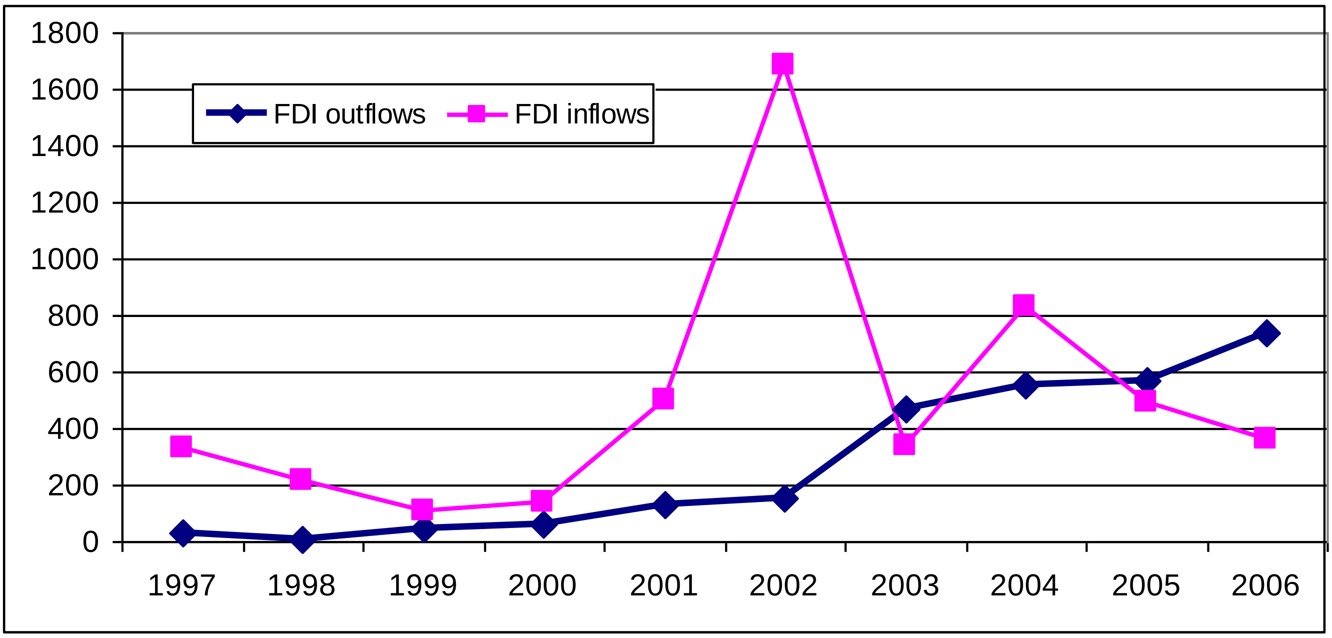
[a] *As some of the firms engage in manufacturing and retail trade at the same time, the sum of percentages exceeds 100.*

Annex figure 3. Stock of outward FDI from Slovenia, 1997-2006 (Millions of US$)



Source: Bank of Slovenia, and CIR-CPII survey of Slovenian MNEs.

Annex figure 4. FDI outflows from, and inflows into, Slovenia, 1997-2006
(Millions of US$)



Source: UNCTAD, World Investment Report.

Annex case box 1. Kolektor: from local, to foreign owned, to a Slovene MNE

Kolektor, now a leading producer of commutators in the world (20% of worldwide and over 50% of European demand), started as a small Slovene company in 1963. It entered into a joint venture agreement with a German firm, Kautt & Bux, in 1968. In 2002, Kolektor bought out its parent firms and acquired the K&B factory in Germany, becoming a Slovene multinational enterprise. It started transnationalizing production in 2000. Now it is producing commutators in a number of major markets: Germany, USA, China (one greenfield, one joint venture), the Republic of Korea, Brazil, and Iran. Cost considerations also have motivated the relocation of production to Bosnia and Herzegovina.

Annex case box 2. NLB Group among the largest Slovene MNEs

If banks were included in the ranking list, the second largest MNE in terms of employees abroad and the third in terms of invested capital abroad (probably the first if investment by its firms abroad were included) would be Slovenia's largest bank, NLB Group. NLB is partially owned (34%) by KBC (Belgium) and EBRD (5%). NLB Group's total assets (2006) were US$25 billion, and it employed abroad 3,009 (38%) out of a total 8,009 employees. Its transnationalization began in the 1970s when it was 100% Slovene. It now has 40 affiliates in 16 countries. Sixteen of the 40 are banks in which US$624 million was invested by the parent firm, mostly by way of acquisitions in 2003-2007. Most of them are located in South East and other Central and Eastern countries, but also in the EU. NLB aims to become one of the leading financial groups in its target markets.

Annex case box 3. Selected recent M&A purchases by Slovenian firms

Slovene firms have been on a buying spree abroad. Larger acquisitions were undertaken in the financial sector, pharmaceuticals, retail trade, electrical appliances, and the food industry. They include:

- NLB acquired a 91.5% stake in a Montenegro bank, 80.3% of Euromarket bank (Montenegro), 65.6% stake in Tutunska bank (Skopje), 65.6% stake in LHB Bank Beograd; 98.4% stake in Continental bank Novi Sad; 100% stake in CBS Bank Sarajevo; 63.5% stake in LHB Banka; and an 81% stake in Nova Tuzlanska Bank. An agreement was signed in August 2005 for the acquisition of a 92.4% stake in Nova Razvojna banka (all 3 in Banja Luka), 24.5% stake in the West East Bank, Sofia, 56% stake in LHB Frankfurt and 28.5% stake in Adria bank Vienna (2005).

- Mercator took over Sloboda (2000) and Era's (a trading company) in Croatia to become the second largest retailer in the host country (2005).

- Gorenje bought Mora Moravia in the Czech Republic (2004).

- HIT acquired Hotel Maestral in Montenegro for US$24 million (2006).

- Istrabenz expanded into the energy sector through Entrade Energetika in Bosnia and Herzegovina (2005).

- Triglav insurance increased its share in Lovčen insurance (Montenegro), adding to the network in Montenegro, Croatia, B&H and Czech Republic (2005, 2006).

- Other Slovenian companies such as Mobitel had jointly bid with local firms such as Mobikos in Kosovo to be the second mobile operator in the host country. Telekom is bidding for a 51% share in Telekom Montenegro. Petrol is planning an expansion in S&M and B&H following the privatization of the oil sector in these countries (transactions pending).

Source: Media reports.

B. Slovenian MNEs: small, vulnerable, but flexible and increasingly international in 2008

Andreja Jaklič and Marjan Svetličič[129]

The second survey of MNEs from Slovenia was released on December 7, 2009.

The results of the survey reveal increased internationalization of the largest Slovenian MNEs. MNEs on the CIR-VCC list (table 1 below) were among the first to face the consequences of the global financial crisis, but also the front-runners in strategic response. Their reaction has been mostly proactive, enhancing and consolidating internationalization, even though aggregate figures on foreign direct investment (FDI) reveal a decrease in FDI outflows from Slovenia from € 1,316 million in 2007 to € 932 million in 2008 and then a further decline in the first eight months of 2009 to € 398 million (Annex Table 3) compared to € 713.5 million in the first eight months of 2008.

The first reaction to the global economic crisis among top Slovenian MNEs was cost-cutting and increasing sales activity. Sales promotion includes, in particular, focusing on key customers, maintaining good relations with main business partners and rationalizing the product portfolio. Internationalization, however, remained the strategic priority.

Besides more emphasis given to sales promotion by the ever broader network of affiliates, the other response to the crisis has been keeping and/or increasing the diversification of markets. Entry into new and more distant markets is increasing not only among large but also among medium-sized and small outward investors. Expansion into the BRICs is demonstrated by the number of affiliates and representative offices established in BRIC countries in 2007/2008.

As noted earlier, this is the second ranking of the top 23 MNEs in Slovenia.[130] One-third of the enterprises on this year's list were not on the list last year but the majority of those that were have retained their positions. There were no big changes among the top five Slovenian MNEs.

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[129] This report was prepared in cooperation with the Slovenian business newspaper *Finance*.

[130] Most of the companies included in last year's ranking (available at http://www.vcc.columbia.edu/projects/#Emerging) are also included here. Among those not on this year's list are companies that did not respond to our survey. Reluctance to report can have many reasons. They include changes in ownership or/and governance, internal structural problems, the lack of timely restructuring or bad strategic decisions in the past (such as late reactions to globalization; for example the delayed relocation of traditional production given rising wages in Slovenia), or other, mostly Slovenian market- or policy-related issues.

Table 1. CIR-VCC ranking of the top 23 Slovenian MNEs, by foreign assets, 2008 (€ million)			
Rank	**Name**	**Industry**	**Foreign assets**
1	Mercator	Retail trade	1,012
2	Gorenje	Electricity supply, manufacturing	668
3	Krka	Manufacturing	613
4	Petrol	Oil supply	447
5	Merkur	Retail trade	328
6	Splošna plovba	Shipping	313
7	Droga Kolinska[a]	Manufacturing	301
8	ACH	Trade	161
9	Helios	Manufacturing	144
10	Perutnina Ptuj	Manufacturing	91
11	Unior	Manufacturing	67
12	Impol	Manufacturing	57
13	Trimo	Manufacturing	49
14	HIT	Entertainment	46
15	Kolektor Group	Manufacturing	42
16	Hidria	Manufacturing	30
17	Kovintrade	Manufacturing	29
18	Jub	Manufacturing	22
19	Alpina	Manufacturing	18
20	Gen-I	Electricity supply	17
21	HSE	Electricity supply	15
22	Valkarton	Manufacturing	11
23	Iskra	Manufacturing	n.a.
TOTAL			**4,536**

Source: CIR - VCC survey of Slovenian MNEs. [a]Droga and Kolinska merged in 2004.

The profile of the top 23

The foreign assets of the top 23 Slovenian MNEs are equal to 80% of Slovenia's outward FDI stock of €5,661 million (Annex Table 3).

Slovenian MNEs are small compared to most of their emerging market counterparts:
Only seven have over € 300 million in foreign assets, only four employ over 2,000 people abroad, and three have fewer than 500 employees (Annex Table 1).
None of the Slovenian top 23 makes it into the top 100 non-financial MNEs from developing countries listed by UNCTAD.[131]

Slovenian MNEs are expanding dynamically: from 2007 and 2008, their aggregate foreign assets increased by 30% to more than € 4.4 billion, their foreign sales grew by 18% to € 7 billion (comprising nearly half of the top 23's total sales), and foreign employment increased by 20% to 29,125 persons (table 2).

[131] See UNCTAD, *World Investment Report 2009* (New York and Geneva: United Nations, 2009), pp. 231-233. Data for 2007 are the latest available.

Table 2. Snapshot of Slovenia's largest MNEs, 2007 - 2008[132]
(€ million and number of employees)

Variable	**2007**	**2008**	**% change 2008/2007**
Assets			
Foreign	3,425	4,480	30.8
Total	11,773	13,678	16.2
Share of foreign in total (%)	*29.1*	*32.8*	
Employment			
Foreign	24,187	29,125	20.4
Total	82,945	86,117	3.8
Share of foreign in total (%)	*29.2*	*33.8*	
Sales			
Foreign	6,009,	7,070	17.7
Total	12,901	14,984	16.1
Share of foreign in total (%)	*46.6*	*47.2*	

Source: CIR - VCC survey of Slovenian MNEs.

Foreign expansion is the engine of growth for the top 23. Domestic sales of the Top 23 were 53 % of total sales in 2007, and remain the same share in total sales in 2008. For seven of the top 23 firms, foreign sales amounted to 80% or more of their total sales. In some cases, foreign sales amount to as much as 99% (Splosna plovba).

Foreign growth has not come at the expense of existing home country investment and sales, but has complemented them. Domestic sales increased by 14%, and their domestic assets have grown by around 10% from 2007 to 2008. Domestic employment was on the contrary reduced by 3% and 1,776 jobs terminated from 2007 to 2008 among ranked enterprises. The top 23 however remain among the most important domestic employers

Twelve enterprises reduced the total number of employees from 2007 to 2008. Cumulatively, the number of newly employed people exceeds the number of people laid off. Most of the top 23 Slovenian MNE increased the number of employees abroad,[133] while ten enterprises reduced it. Together, they added 4,938 jobs abroad.

The aggregate Transnationality Index[134] of the Top 23 has risen to 41%. The most internationalized aspect is sales (59%) followed by employment (36%) and assets (30%). The most internationalized Slovenian company is Splošna plovba Piran – a shipping firm – with a Transnationality Index of 96%.

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[132] 25 in 2007 and 23 in 2008.
[133] Some of them increased the number of employees abroad in spite of decreasing sales.
[134] The Transnationality Index 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. See UNCTAD, op. cit., endnote 22, p. 39.

The overwhelming share of outward investment from Slovenia is being made by private companies. The state has shares (or is owner of stocks through its Pension Fund Management (PFM) and Slovene Restitution Fund (SRF)) in ten MNEs out of the top 23. Four are majority-owned by the state (HSE and GEN are 100% owned; in HIT and Unior the shares of PFM and SRF exceed 50 %). In three, the state share is approximately 25% and in the remaining three below 20%.

The top 23 now have 331 foreign affiliates (annex figure 1) in 52 different countries. The average number of affiliates is 14 in 10 countries (Annex Table 1). Gorenje is present in 31 countries (with 61 foreign affiliates), followed by Unior in 20 countries (with 23 foreign affiliates) and Hidria in 19 countries (20 affiliates).

Many of the Slovenian top 23 are regional MNEs. Their foreign affiliates are concentrated in Europe, as revealed by the Regionality Index (Annex Table 2). More than 77% of foreign affiliates are located in Europe, and 10 of the top 23 MNEs are based exclusively in Europe. The Western Balkans is the most important location for affiliates, although Slovenian firms have recently shown a growing interest in Russia, the People's Republic of China and various Asian locations.

Manufacturing (food and beverages, chemicals and pharmaceuticals, machinery and equipment, electrical equipment, sports apparel, etc.) is by far the most important sector among the top 23, with 15 of the 23 MNEs (49% of foreign assets). The next largest sector, with three MNEs, is trade and retail trade (32% of foreign assets). Other activities are: electricity supply (15% of foreign assets), transport (7%), oil supply, entertainment, travel, and related activities (11%, see annex figure 2).

Only eight of the top 23 are headquartered in the country's capital, Ljubljana, a reflection of a decentralized type of development strategy that dates back to the socialist period. Such decentralization was not a characteristic of the development of other socialist countries. Three out of the top five are located outside Ljubljana.

With three exceptions, all listed MNEs were established long before the transition to a market economy had begun.

The top 23 include old and young MNEs: nine firms have pre-transition experience in outward investment. Seven made their first investment abroad in the mid-1990s, and seven others established their first foreign affiliate after 1999.

Five of the top 23 are listed on the Ljubljana Stock Exchange, two are listed on Beogradska borza and one on Borza Skopje; seventeen companies are not listed anywhere.

All MNEs use the Slovenian language as their official language; however, 14 out of the 23 also use other languages. Ten out of the 23 use Slovenian and English as official languages; two use Slovenian, English and German; while one firm uses *five* official languages: Slovenian, English, German, Russian and Croatian.

The internationalization of management is relatively low; except for one,[135] all CEOs are Slovenian. The board of directors is multinational in two cases. Yet senior management below the CEO level is increasingly internationalized, since 13 out of the top 23 companies have multinational management (as against only eight in the 2007 ranking).

Response to the global economic crisis

Central and Eastern European economies experienced the most radical (40%) fall in FDI in the crisis period (from end 2007 to end 2008, according to FDI Intelligence) and Slovenia was no different. Slovenian MNEs have, however, responded to the crisis in distinctive ways, in both timing and type.

Some MNEs initially followed a “wait and see” approach, since Slovenian banks have been only modestly contaminated by bad investments in US banks. The first impression was that Slovenian firms would therefore be less affected. Later, when it became obvious that the crisis was moving into the real sector, firms started thinking about their strategic response.
Although the response has not been uniform[136] most Slovenian MNEs have not divested[137] or substantially curtailed their internationalization process. The response was proactive; although not without “bread and butter” survival issues (cost cutting, operational efficiencies, reducing employment). The emphasis was on the consolidation of the existing international network. More emphasis was given to the implementation of the strategy within the existing business model rather than rethinking the fundamentals of the way business was being done. Some MNEs have even broadened their international expansion through new acquisitions.
As the crisis escalated, firms were also forced to undertake cost reductions, focusing on cash flow and business efficiency, downsizing, centralizing decision making but not significantly changing the business model. Laying off workers has been seen as the last resort.
Such a response is reflected also in outward investment flows; they contracted in 2008 and 2009 compared to the 2007 peak, but still outperformed inward flows. Since inward FDI almost stalled in 2009, Slovenia is now a net outward investor in spite of the crisis (see Annex Table 3).
There are two major lessons of the crisis. First, Slovenian MNEs that had already, *before* the crisis, increased the geographic spread of their operations fared much better *during* the crisis. Secondly, it seems that Slovene MNEs managers take the long view and do not reduce international operations except as a last resort.

There are some specific characteristics of Slovenian enterprises response to the crisis.

Slovenian MNEs are not disheartened by a crisis, since they have a good deal of experience with crises − the disintegration of Yugoslavia, the collapse of the Eastern Bloc, the Russian Federation crisis of 1998, and so forth. They survived these and thus face the current crisis more optimistically.

Similarly, Slovenian executives are looking for new markets as their crisis exit strategy – because they have done this before. They successfully made up for the loss of the Yugoslav

[135] The CEO of Droga Kolinska, Slobodan Vucicevic, is Serbian.
[136] An MNE’s reaction to the crisis depends on its type of activities, type of affiliates (in place or planned), and of course host countries (which were affected in different ways by the crisis).
[137] A few firms did divest but for strategic reasons unrelated to the crisis.

market in less than two years. Expansion into BRICs is demonstrated by the growing number of affiliates established there, the majority having been established in the last three years. Slovenian affiliates abroad have also been given additional functions, including the adding of new production lines. Some have started offering higher-value products to keep their return on investment constant or to raise it.

Finally, Slovenian managers (especially the older ones) are good at improvising, since this was a required skill in the unpredictable environment of the socialist economy.

Annex Table 1. CIR-VCC ranking of the top 23 Slovenian MNEs, key variables - 2008
(€ million and number of employees)

Ranking				**Assets**		**Sales**		**Employment**				
Foreign assets	**Trans-nationality Index**	**Name**	**Industry**	**Total**	**Foreign**	**Total**	**Foreign**	**Total**	**Foreign**	**Trans-nationality index**	**No. of foreign affiliates**	**No. of host countries**
1	11	**Mercator**	Retail trade	2,540	1,012	3,111	1.192	21,636	8497	39	9	16
2	23	**Gorenje**	Electricity supply, manufacturing	1,258	668	1,331	1057	11,323	2804	52	61	7
3	3	**Krka**	Manufacturing	1,271	613	950	845	7,602	3543	61	16	9
4	7	**Petrol**	Oil supply	1,209	447	2,950	594	3,536	955	28	14	5
5	17	**Merkur**	Retail trade	1,158	328	1,267	369	5,102	1358	28	14	8
6	18	**Splošna plovba**	Transportation	319	313	214	214	770	696	96	4	11
7	15	**Droga Kolinska**	Manufacturing	481	301	378	291	2,953	2257	72	24	12
8	13	**ACH**	Trade	556	161	735	400	2,857	525	34	21	6
9	2	**Helios**	Manufacturing	377	144	354	285	3,075	1,590	57	23	20
10	22	**Perutnina Ptuj**	Manufacturing	326	91	233	44	3,158	1,636	33	8	4
11	4	**Unior**	Manufacturing	544	67	299	238	4,023	737	37	22	19
12	16	**Impol**	Manufacturing	308	57	446	393	1,759	727	49	6	9
13	1	**Trimo**	Manufacturing	165	49	213	158	1222	675	53	18	10
14	9	**HIT**	Entertainment	398	46	233	33	2,870	436	14	5	19
15	14	**Kolektor Group**	Manufacturing	198	42	241	155	2,395	644	37	12	11
16	12	**Hidria**	Manufacturing	233	30	215	168	*2,511*	*283*	34	20	11
17	5	**Kovintrade**	Manufacturing	135	29	238	146	369	177	44	10	11
18	20	**Jub**	Manufacturing	69	22	83	63	455	205	51	10	8
19	10	**Alpina**	Manufacturing	76	18	60	44	1,680	1,026	53	12	7
20	21	**Gen-I**	Electricity supply	89	17	378	57	49	7	16	7	1
21	6	**HSE**	Electricity supply	1,748	15	873	247	3,897	2	10	7	18
22	8	**Valkarton**	Manufacturing	64	11	64	14	965	305	24	1	8
23	19	**Iskra**	Manufacturing	154	-	120	63	1,910	40	18	7	7
TOTAL				13,676	4,480	14,984	7,070	86,117	29,125		331	52

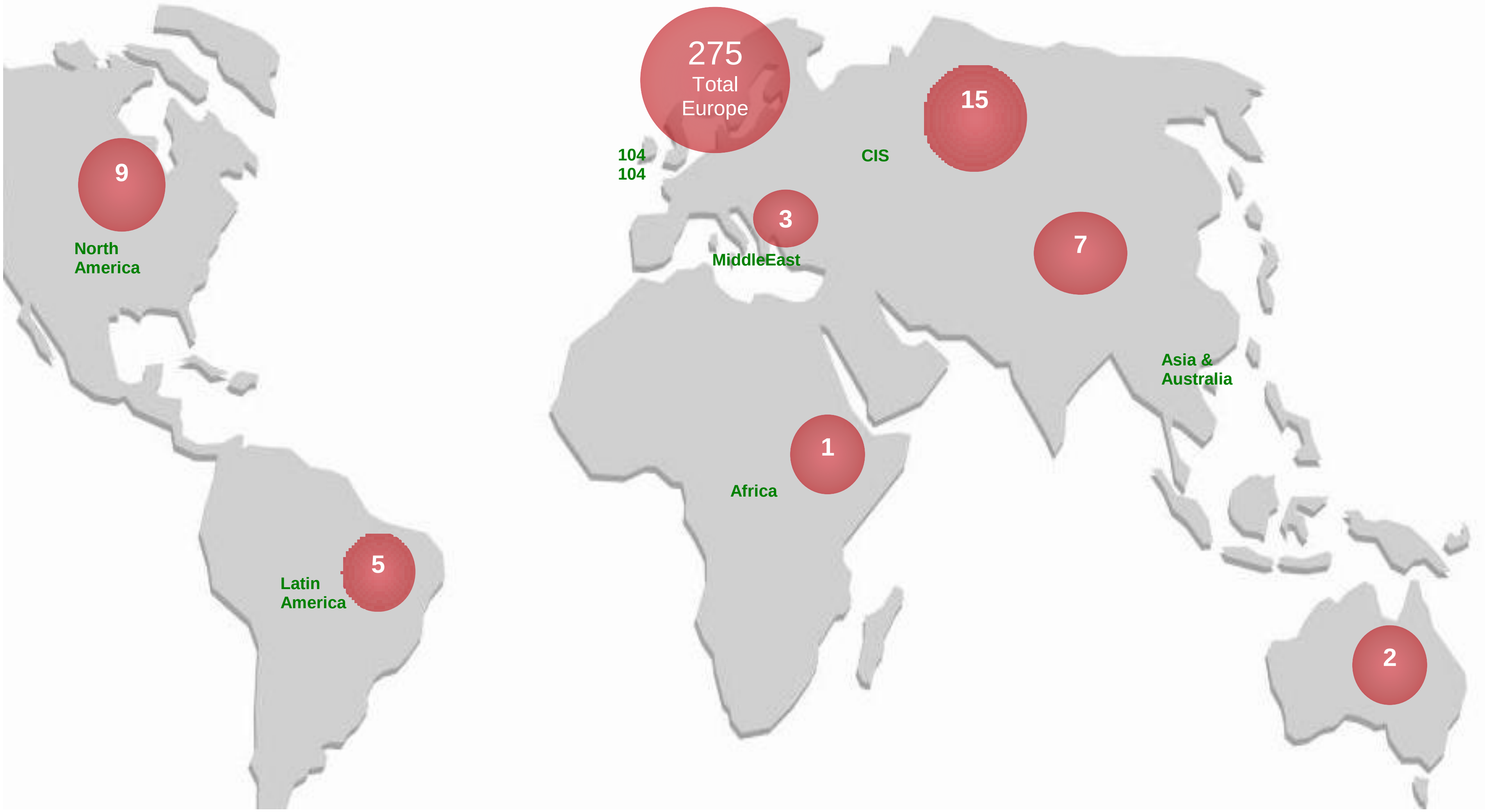
Source: CIR-VCC survey of Slovenian MNEs.

Annex Table 2. The top 23 Slovenian MNEs: Regionality Index[a] - 2008

	EVROPE	CIS	Middle East	Africa	North America	Central and South America	Asia	Australia
Mercator	100%							
Gorenje	95%	3%	2%					
Krka	81%	13%			6%			
Petrol	100%							
Droga Kolinska	96%	4%						
Merkur	100%							
Splošna plovba	0%		25%		25%	25%	25%	
Helios	91%	9%						
ACH	100%							
Impol	83%				17%			
Unior	78%	9%					9%	4%
Perutnina Ptuj	100%							
Trimo	83%	11%	6%					
Kolektor Group	67%					8%	17%	
HSE	100%							
Hidria	55%	5%			15%	15%	5%	5%
Kovintrade	100%							
HIT	100%							
Jub	90%	10%						
Gen-I	100%							
Valkarton	100%							
Iskra	71%	14%			14%			
Alpina	75%	8%			8%		8%	

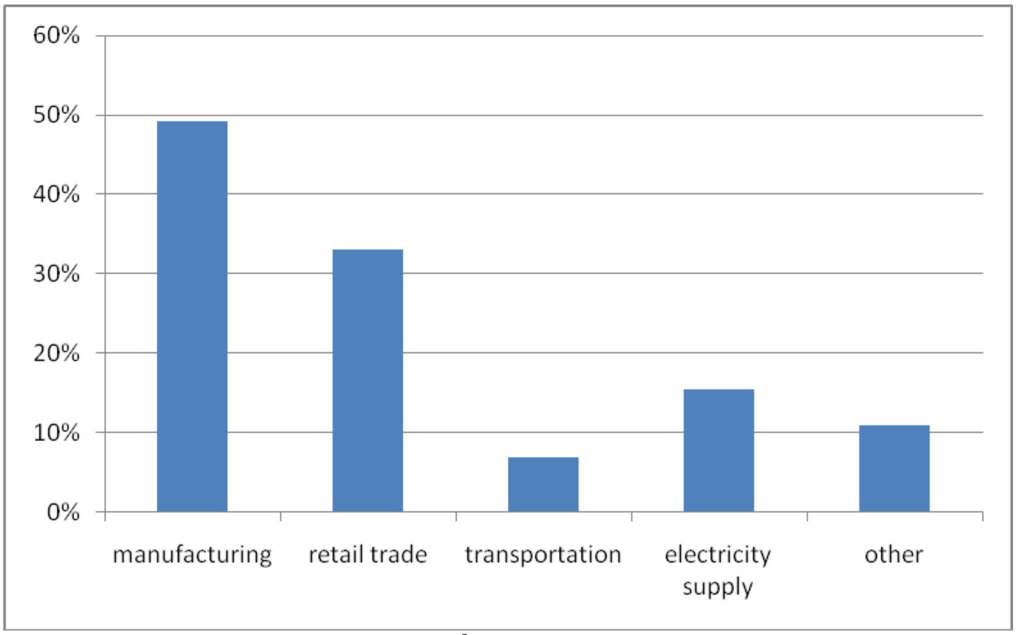
Source: CIR-VCC survey of Slovenian MNEs.
[a] The Regionality Index is calculated by dividing the number of a firm's foreign affiliates in a particular region of the world by its total number of foreign affiliates and multiplying the result by 100.

Annex figure 1. Foreign affiliates of the top 23 Slovenian MNEs, by region - 2008
(Number of foreign affiliates)



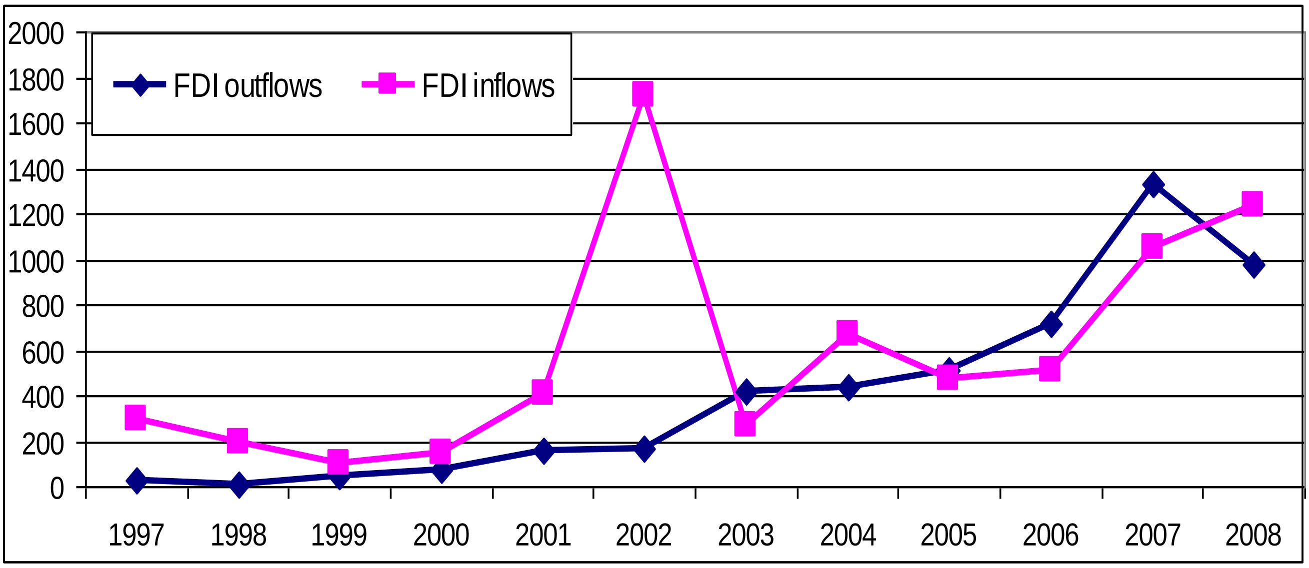
Source: CIR-VCC survey of Slovenian MNEs.

Annex figure 2. Breakdown of the top 23's foreign assets by industry[a] - 2008 (percentages)



Source: CIR-VCC survey of Slovenian MNEs. [a] *Some of the firms engage in manufacturing and other activities at the same time.*

Annex figure 3. FDI outflows from, and inflows into, Slovenia - 1997-2008 (€ million)



Source: Bank of Slovenia.

Annex Table 3: FDI outflows from, and inflows into, Slovenia, 1997-2008 (€ million)

	2006	2007	2008	2009 (first 8 months)
Inward FDI stock	6,822	9,765	10,996	n.a.
Inward FDI flows	513	1,106	1,313	8.0
Inward FDI reinvested earnings	196	84	- 62	41
Outward FDI stock	3,452	4,917	5,661	n.a.
Outward FDI flows	687	1,316	932	398
Outward FDI reinvested earnings	99	125	1.4	34.8

Source: Bank of Slovenia Bulletin, October 2009; p. 53.

Chapter 11 – Turkey's global players

A. Crisis badly hits outward investment by Turkish MNEs after 2007

Sedat Aybar, Samet İnanır, Hilmi Songur, and Nihan Yelutas

The first survey of outward-investing Turkish MNEs, released on December 3, 2009, shows that the current global economic contraction has had a severe negative impact on Turkey's OFDI. This can be seen by looking at aggregate OFDI data as of September 2009, which reflects a decline in absolute terms since 2008. Turkish outflows in the first nine months of 2009 fell by 62% from the first nine months of 2008, to US$ 853 million from US$ 2,255 million. Future surveys will establish the nature of the effects of the global downturn upon Turkish MNEs more comprehensively.

This survey ranks Turkish MNEs on the basis of their foreign assets (table 1 below). The 12 selected MNEs held just over US$ 15.7 billion in foreign assets in 2007, with ENKA İnşaat ve Sanayi A.Ş. (ENKA), which ranked first, accounting for almost US$ 3.9 billion and Turkcell İletişim Hizmetleri A.Ş. (Turkcell Communication Services PLC.) following with just over US$ 2.3 billion. Together, these 12 companies had nearly US$ 12 billion in foreign sales in 2007 and employed over 72,000 workers abroad.

Table 1: KHU-DEIK-VCC ranking of selected Turkish MNEs - 2007 (US$ million)

Rank	Name	Industry	Foreign Assets
1	Enka Construction	Infrastructure	3,877
2	Turkcell	Communication	2,331
3	Çalık Holding	Conglomerate[a]	2,002
4	Koç Holding	Conglomerate[a]	1,742
5	Anadolu Group	Conglomerate[a]	1,629
6	Turkish Petroleum Corporation (TPAO)	Oil & gas operations	1,121
7	Şişecam A.Ş.	Glass manufacturing	977
8	Tekfen Holding	Conglomerate[a]	751
9	Sabancı Holding	Conglomerate[a]	640
10	Eczacıbaşı Holding	Conglomerate[a]	266
11	Borusan Holding	Conglomerate[a]	223
12	Zorlu Enerji Group	Energy	152
Total			**15,711**

Source: Kadir Has University, DEİK-Vale Columbia Center survey of Turkish MNEs.

[a]Conglomerates (also known as *holdings*) are large family-owned companies similar to *chaebol* in the Republic of Korea, *keiretsus* in Japan or *grupos* in Chile. The main operating sectors of the selected conglomerates are reported in table 3 below.

The principal findings of the survey include the following:

The 12 listed[138] MNEs – ranked by foreign assets held in 2007 – had US$ 15.7 billion[139] in assets abroad (table 1), had just over US$ 11.9 billion in foreign sales and employed 72,334 persons abroad (table 2). Foreign assets, sales and employment had increased by 32%, 17% and 37% respectively between 2006 and 2007 (table 2). The largest concentration of foreign affiliates was in Europe (188 affiliates), representing 72% of all foreign affiliates. ENKA contributed approximately 25% of the total foreign assets of the selected 12, while Turkcell contributed another 15%. Note that, as a percentage of the US$ 12.2 billion in foreign stock held by Turkish enterprises in 2007 (annex figure 5), the foreign assets of these 12 companies were about 129%.

It remains to be seen what broad impact the current crisis will have on Turkish MNEs. Turkish firms in a good financial position may take advantage of the low asset prices in world markets and make strategic acquisitions. Other firms may need to put their foreign expansion on hold or even sell off foreign assets to support their balance sheets.

Profile of the 12

Foreign assets increased by 32% between 2006 and 2007.

Turkish MNEs lagged behind their counterparts in many emerging markets. Only ENKA, Turkcell and the Çalık Group had over US$ 2 billion in foreign assets, and only ENKA employed a significant number of people (33,676) abroad (Annex Table 1).

Between 2006 and 2007, Turkish MNEs increased their foreign sales by 37%, to nearly US$ 12 billion, and foreign employment by 17%, to just over 72,000 people (table 2).

Foreign assets and sales as a percentage of the total assets and sales of these companies were about 10% and 13% respectively in 2007, while foreign employment represented 27% of total employment (table 2). These percentages held fairly steady over the period 2005−2007.

Between 2006 and 2007, foreign assets grew at a slightly lower rate than total assets, while foreign sales grew at a slightly higher rate. Foreign employment, however, grew at more than twice the rate of total employment in the same period. The US$ 3.8 billion rise in foreign assets represented just over 9% of the US$ 41.3 billion increase in total assets, and the US$ 3.2 billion increase in foreign sales accounted for 14.6% of the US$ 22 billion increase in total sales (table 2).

[138] Kadir Has University and DEİK together conducted several rounds of surveys with the largest Turkish MNEs. In addition, extensive research was done from publicly available data to determine the level of foreign assets. The companies in this list are those that responded to the surveys or for which reliable public data could be found. As a result, some MNEs which own substantial foreign assets do not appear on the list.

139 The following TL/US$ exchange rates, based on the rates of the Central Bank of the Republic of Turkey (http://www.tcmb.gov.tr) for December 31, were used throughout: per US$ 1, TL 1.1666 (2007); 1.4145 (2006); 1.3503 (2005).

Table 2: Snapshot of the 12 selected MNEs, 2005-2007
(US$ million and thousands of employees)

Variable	**2005**	**2006**	**2007**	**% change 2006-2007**
ASSETS				
Foreign	10,578	11,927	15,711	32
Total	99,347	120,146	161,517	34
Share of foreign in total (%)	11	10	10	
EMPLOYMENT				
Foreign	59,312	61,920	72,334	17
Total	230,857	252,229	270,391	7
Share of foreign in total (%)	26	25	27	
SALES				
Foreign	7,488	8,733	11,937	37
Total	47,220	69,350	91,349	32
Share of foreign in total (%)	16	13	13	

Source: Kadir Has University, DEİK and Vale Columbia Center survey of Turkish MNEs.

The 12 selected companies had 248 foreign affiliates in 61 countries. Koç Holding led with 55 foreign affiliates in 28 countries, followed by ENKA with 42 foreign affiliates in 9 countries, and Sabancı Holding, with 33 foreign affiliates in 7 countries (Annex Table 1).

These 248 foreign affiliates were concentrated in Europe (76%), and Asia & Australia (17%), as indicated by the Regionality Index (Annex Table 2) and as seen in the distribution of foreign affiliates (annex figure 1).

Most of the outward investment from Turkey by 2007 had been made by publicly listed companies. The two companies on the list that were not publicly listed were the Çalık Group, a conglomerate with US$ 2 billion in foreign assets, and the Turkish Petroleum Corporation, a state-controlled company with just over US$ 1.1 billion in foreign assets in which the Turkish government holds a 100% equity stake. The remaining ten together accounted for US$ 12.58 billion in foreign assets.

The companies on the list were to be found in six different industries, if conglomerates are counted as one. Judged by foreign assets, conglomerates dominate, with 46% of the aggregate assets. The infrastructure industry comes next, with 25% of the list's assets, while communication is third, with 15% (annex figure 2). Conglomerates are the leading group on the list, with seven companies. The other sectors represented are infrastructure, communication, oil & gas operations, glass manufacturing, and energy.

Table 3: Main operating industries of the listed conglomerates

Conglomerate	Main industries
Anadolu Endüstri Holding A. Ş.	Food & beverages, automotive, finance, stationary, and health
Borusan Holding	Steel, distribution, energy, logistics and telecommunications.
Çalık Holding A.Ş.	Textiles, energy, construction, finance, logistics, and media.
Eczacıbaşı Group	Building products, healthcare, consumer products, finance, information technology, and welding technology.
Hacı Ömer Sabancı Holding A.Ş.	Banking, tire, tire reinforcement materials and automotive, retail, cement, energy, and insurance
Koç Holding	Energy, automotive, consumer durables, and finance
Tekfen Holding Inc.	Contracting, agro-industry, real estate development, banking, investment, and insurance

Source: Kadir Has University, DEİK and Vale Columbia Center survey of Turkish MNEs.

Ten of the 12 selected MNEs were, and continue to be, headquartered in Istanbul; one in Bursa; and one in Ankara (annex figure 3).

Ten of the 12 selected companies were listed on the Istanbul Stock Exchange. Turkcell İletişim Hizmetleri A.Ş. is also listed on the New York Stock Exchange, Anadolu Endüstri Holding A.Ş. on the London Stock Exchange and Eczacıbaşı Group on the Frankfurt and Dusseldorf Stock Exchanges. Two companies, Çalık Group and the Turkish Petroleum Corporation, were not listed anywhere.

The official language of all companies on the list is Turkish. Two companies, Enka and Eczacıbaşı, also use English as an official language.

The big picture

The new surge in Turkey's OFDI has been caused by both economic and political factors. The domestic economic crisis of the early 2000s, rising unit labor costs and a dynamic private sector energetically chasing profits are the main economic factors that led to an increase in Turkish OFDI. The emergence of newly independent Turkic republics in Central Asia after the collapse of the USSR can be singled out as the most significant external political development that helped the rise of Turkish OFDI.

The source of the rise in OFDI can be traced back even further to 1980, when Turkey decided to reverse its economic misfortunes by embracing a more open economy and replace its developmental strategy of import substitution with an export orientation. Since then, Turkey's foreign trade has grown in both volume and value, and the customs union with the European Union in 1996 has increased it even more. Although Turkey's inward and outward FDI performance has been unsatisfactory when set beside that of comparable developing countries, the Turkish economy appears to have reached a stage where it can take full advantage of globalization through OFDI.

Although Turkish firms have been investing abroad for many years, it is only since the late 1990s that OFDI flows have risen rapidly, although from very low levels (annex figure 4). As a result of the growth of outflows, the *stock* of OFDI rose from about 1 billion US$ in 1990 to about US$ 3.7 billion in 2000, and then to US$ 12.2 billion in 2007 (annex figure 5), taking Turkey to the 72nd place among all outward-investing countries in 2007. Turkey also began attracting IFDI after carrying out rigorous economic reforms which included an aggressive privatization of state-owned enterprises, a reduction in the chronically high rates of inflation to single digits, and an increase in the economic growth rate in the early 2000s. All of these gains, however, are neutralized if not reversed by the current global economic contraction.

As a result of economic crises in November 2000 and February 2001, Turkey was encouraged to improve its FDI environment as part of the conditionality for the IMF's financial assistance, a condition absent in the earlier Stand-by Agreements. The Turkish FDI regime and environment have been improved by dealing with issues relating to employment, company registration and reporting, the location and operation of foreign companies, the tax, trade and customs regimes, ex-post monitoring and site inspections, and the strengthening of intellectual and industrial property rights.

Since November 2002, Turkey has recognized the importance of inward FDI as a contributor to the country's economic development. The major achievement of the government has been the enactment of the new FDI law, Law 4875, in June 2003, to replace the old FDI law, Law 6224, which dated back to 1954. The new law put in place an approval and screening mechanism with a notification and registration system, banned expropriation without fair compensation, introduced guarantees of equal treatment to foreign investors, removed performance requirements and restrictions on FDI in any sector, eliminated the old minimum capital requirements, granted foreign investors full convertibility in their transfers of capital and earnings, allowed them to own property without any restrictions, and recognized their right to international arbitration.

In the case of OFDI, Turkish companies evolved into MNEs after their home country advantages eroded with greater openness and increased international competition. Challenged on their home turf, they began to search for markets and technology to compete successfully in the global economy. It seems that the origins of OFDI by Turkey's largest conglomerates are a mixture of defensive and offensive factors. Turkish companies and the home economy can both benefit from OFDI; though there exist some concerns in Turkey that OFDI means unemployment, particularly during an economic downturn.

Annex Table 1. KHU, DEİK and VCC ranking of the 12 selected Turkish MNEs, key variables, 2007 (millions of US$[a] and number of employees)[a]												
Ranking				**Assets**		**Sales**		**Employment**				
By foreign assets	**By multi-nationality index[b]**	**Name**	**Industry**	**Foreign**	**Total**	**Foreign**	**Total**	**Foreig n**	**Total**	**Multi-nationality Index (%)**	**No. of foreign affiliates**	**No.of host countries**
1	**1**	Enka Construction	Infrastructure	3,877	7,853	2,719	5,888	33,676	34,486	64	42	9
2	**7**	Turkcell	Communication	2,331	8,469	1,742	6,329	2,477	9,000	18	10	4
3	**2**	Calık Holding	Conglomerate	2,002	3,336	757	1,262	9,134	15,223	60	15	6
4	**12**	Koç Holding	Conglomerate	1,741	51,180	1,500	44,085	2,882	84,687	2	55	28
5	**4**	Anadolu Group	Conglomerate	1,629	6,343	1,114	3,772	6800	17,500	31	30	15
6	**3**	Turkish Petroleum Corporation (TPAO)	Oil & gas operations	1,121	2,690	1,248	2,164	46	4,965	34	6	4
7	**6**	Sisecam AS	Glass	977	4.455	459	2.767	4.646	17.028	22	24	9
8	**5**	Tekfen Holding	Conglomerate	751	2,075	840	1,625	6,915	16,838	27	14	7
9	**11**	Sabancı Holding	Conglomerate	640	68,001	939	16,579	3,932	57,263	4	33	17
10	**9**	Eczacıbaşı Holding	Conglomerate	266	4,120	290	3,519	1,265	9.274	9	4	2
11	**8**	Borusan Holding	Conglomerate	223	2,025	325	2,958	516	4,692	11	12	8
12	**10**	Zorlu Enerji Group	Energy	152	968	4	403	45	537	8	3	3
TOTAL				**15,711**	**161,517**	**11,937**	**91,349**	**72,334**	**270,391**	**32**	**248**	

Source: Kadir Has University, DEİK and Vale Columbia Center survey of Turkish MNEs.

[a] TL/US$ exchange rate used is US$ 1 = TL 1.1666.

[b] The multinationality index 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. The 12 selected Turkish MNEs: Regionality Index[a] - 2007

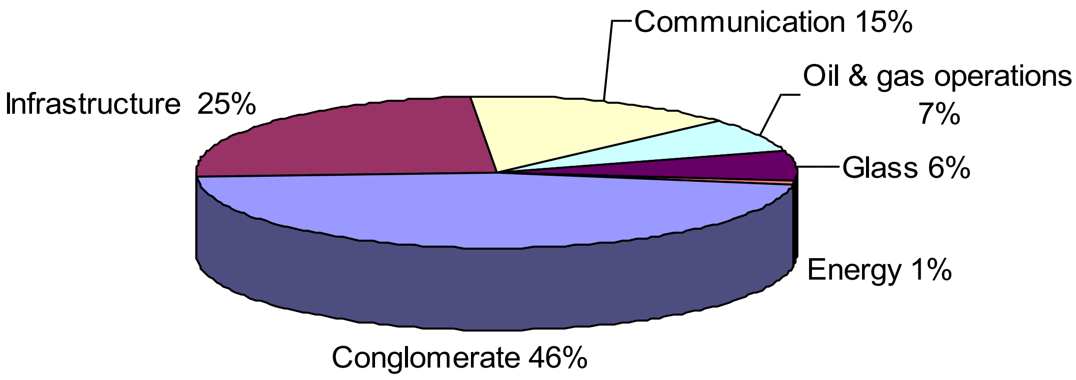
Companies	Europe	Africa	North America	South America	Asia & Australia	No. of Foreign Affiliates
Enka Construction	93	0	0	0	7	42
Turkcell	90	0	0	0	10	10
Çalık Holding	27	7	13	0	53	15
Koç Holding	89	0	0	2	9	55
Anadolu Group	57	0	0	0	43	30
Turkish Petroleum Corporation	33,3	0	0	33,3	33,3	6
Sisecam AS	92	4	0	0	4	24
Tekfen Holding	79	0	7	0	14	14
Sabancı Holding	64	9	3	9	15	33
Eczacıbaşı Holding	100	0	0	0	0	4
Borusan Holding	67	8	0	0	25	12
Zorlu Enerji	67	0	0	33	0	3
TOTAL No. of Affiliates	**188**	**6**	**5**	**6**	**43**	**248**

Source: Kadir Has University, DEİK and Vale Columbia Center survey of Turkish MNEs.
[a] The Regionality Index is calculated by dividing the number of a firm's foreign affiliates in a particular region of the world by its total number of foreign affiliates and multiplying the result by 100.

Annex figure 1. Foreign affiliates of the 12 selected Turkish MNEs, by region - 2007 (number of affiliates)

Source: Kadir Has University, DEİK and Vale Columbia Center survey of Turkish MNEs.

Annex figure 2. Breakdown of the foreign assets of the 12 selected Turkish MNEs, by industry - 2007



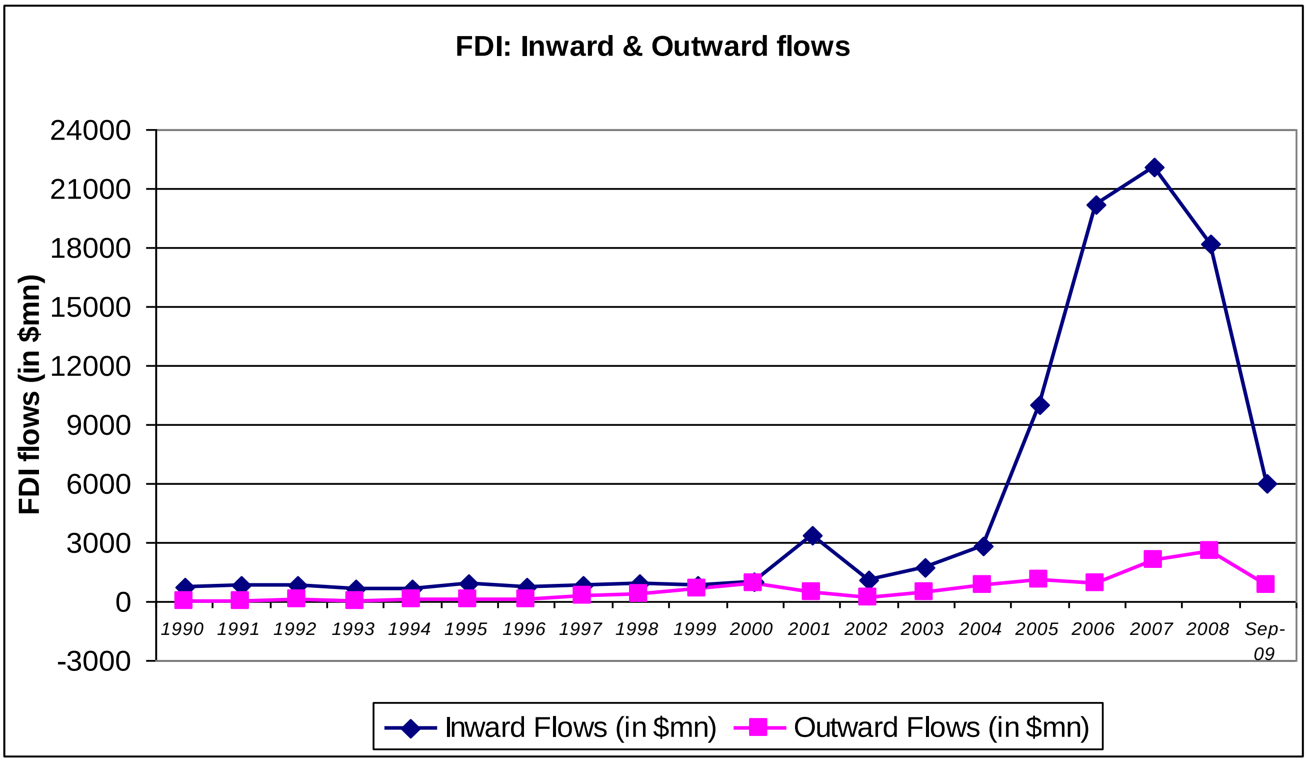
Industry	**Foreign assets (**US$ mn)	**Companies**
Conglomerates	7,253	(7) Çalık Holding A.Ş. , Koç Holding, Anadolu Endüstri Holding A. Ş. , Tekfen Holding Inc**.**, Hacı Ömer Sabancı Holding A.Ş., Eczacıbaşı Group, Borusan Holding
Infrastructure	3,877	(1) Enka Construction & Industry Co. Inc.
Communication	2,331	(1) Turkcell İletişim Hizmetleri A.Ş.
Oil & gas operations	1,121	(1) Turkish Petroleum Corporation (TPAO)
Glass manufacturing	977	(1) Sisecam AS
Energy	152	(1) Zorlu Enerji Group

Source: Kadir Has University, DEİK and Vale Columbia Center survey of Turkish MNEs.

Annex figure 3. Head office locations of the 12 Selected Turkish MNEs - 2007

Source: Kadir Has University, DEİK and Vale Columbia Center survey of Turkish MNEs.

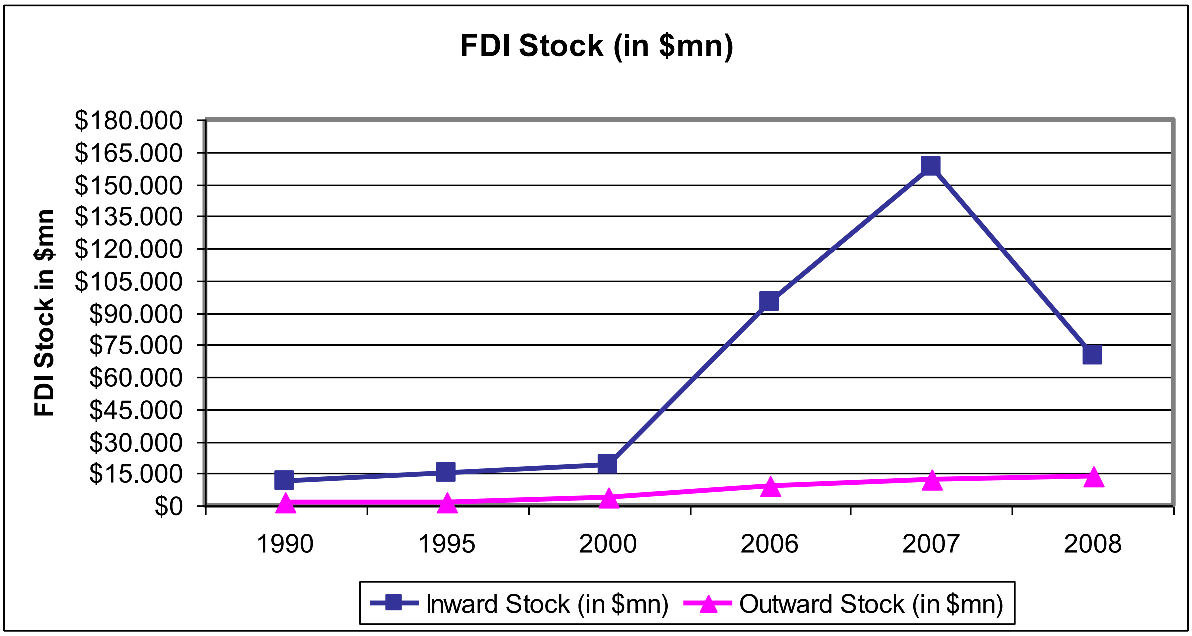
Annex figure 4. FDI inflows to and outflows from Turkey, 1990-2009 (Millions of US$)



Year	Inward flows (US$ million)	Outward flows (US$ million)
1990	684	-16
1991	810	27
1992	844	65
1993	636	14
1994	608	49
1995	885	113
1996	722	110
1997	805	251
1998	940	367
1999	783	645
2000	982	870
2001	3,352	497
2002	1,082	143
2003	1,702	480
2004	2,785	780
2005	10,031	1,064
2006	20,185	924
2007	22,046	2,106
2008	18,198	2,585
09 /2009	6.021	853

Source: United Nations Conference on Trade and Development (UNCTAD), *World Investment Report, 2009* (New York and Geneva: United Nations, 2009), and the Central Bank of the Republic of Turkey, provisional data.

Annex figure 5: Stock of inward and outward FDI, 1990-2008 (millions of US$)



Year	Inward stock (US$ million)	Outward stock (US$ million)
1990	11,189	1,157
1995	14,972	1,425
2000	19,204	3,668
2006	95,078	8,866
2007	157,649	12,210
2008	69,817	13,865

Source: United Nations Conference on Trade and Development (UNCTAD), *World Investment Report, 2009* (New York and Geneva: United Nations, 2009).

B. Turkish MNEs steady on their course despite crisis in 2009

Sedat Aybar, Samet İnanır, Abdulkadir Kahraman, Hilmi Songur, Ceren Sümer, Ferruh Tunç, Tuğçe Uygurtürk, and Mehmet Özgür Yaran

The second report on Turkey's outward-investing companies, released on January 31, 2011, is based on data for the year 2009.

Table 1 lists the top 19 Turkish MNEs on the basis of their foreign assets. There have been changes in the list compared to the one published in December 2009. The number of companies listed has increased from 12 to 19. Two firms, Nuh Çimento and Anadolu Group, have been dropped and nine others have been added. Among the nineteen companies, only four are not listed on a stock exchange and only one (TPAO) is state-owned.

The top 19 firms together held more than US$ 31 billion in foreign assets in 2009, with the top-ranked Sabancı Holding accounting for US$ 8 billion and the second-ranked Doğuş Group accounting for more than US$ 6 billion. The collective foreign assets of these 19 firms were more than twice as large as the total outward foreign direct investment (FDI) stock held by Turkish enterprises in 2009, which was just under US$ 15 billion (annex figure 6). Together, the 19 companies had nearly US$ 15 billion in foreign sales in 2009 and employed almost 90,000 workers abroad in 396 foreign affiliates on five continents. Only three firms (Enka Construction, TAV Holding and Çalık Holding) employed more than 10,000 people abroad (annex table 1).

Table 1: The top[a] 19 Turkish non-financial MNEs, by foreign assets, 2009 (US$ million[b])

Rank	Company	Industry	Status	Foreign assets
1	Sabancı Holding	Conglomerate[c]	Listed	8,051
2	Doğuş Group	Conglomerate[c]	Listed	6,357
3	Enka Construction	Infrastructure	Listed	3,195
4	Turkcell	Communication	Listed	2,996
5	Çalık Holding	Conglomerate[c]	Unlisted	2,633
6	Turkish Petroleum Corporation	Oil & gas operations	Unlisted (100% state-owned)	1,254
7	Koç Holding	Conglomerate[c]	Listed	1,160
8	Şişecam A,Ş,	Glass manufacturing	Listed	1,129
9	Tekfen Holding	Conglomerate[c]	Listed	1,003
10	Doğan Holding	Conglomerate[c]	Listed	801
11	Alarko Group	Conglomerate[c]	Listed	636
12	TAV Holding	Conglomerate[c]	Listed	571
13	Zorlu Enerji Group	Energy	Listed	459
14	Orhan Holding	Conglomerate[c]	Unlisted	293

15	Eczacıbaşı Holding	Conglomerate[c]	Listed	262
16	Borusan Holding	Conglomerate[c]	Listed	235
17	Yıldız Holding (Ulker)	Food & beverage	Listed	165
18	Eroğlu Holding	Textiles	Unlisted	106
19	Çelebi Holding	Conglomerate[c]	Listed	95
			Total	**31,401**

Source: KHU−KPMG-T−DEIK−VCC survey of Turkish MNEs, 2010.

[a] Although we speak of the 'top 19' here, information was not available on *all* likely candidates for the top places, among other things because not all companies responded to our survey. The MNEs on this ranking may thus not be *the* largest outward investors from Turkey but they are certainly *among* the largest.
[b] The exchange rate used is the IMF rate of December 31, 2009: US$ 1 = Turkish Lira 1.5057.

[c]Conglomerates (also known as *holdings*) are large family-owned companies similar to *chaebol* in South Korea, *keiretsu* in Japan or *grupos* in Chile. The main operating sectors of the selected conglomerates are reported in table 1a below.

Profile of the top 19

Drivers of outward investment

The opening up of the Turkish economy in 1980 and the deregulation, trade liberalization and privatization that followed led to slow growth in inward FDI. This growth was strengthened by the signing of a Customs Union treaty with the European Union (EU) that came into force in 1996. Inward FDI helped outward FDI grow in several ways, for example, by making Turkish firms more competitive through knowledge spillovers and by giving them an incentive to explore foreign markets by increasing competition in the domestic market. The aims of outward investors have varied by region. They have wanted to access technology and skills in the European Union and low-cost labor in Africa and Asia. They have also sought natural resources in the newly independent Turkic countries of Central Asia and responded to growing demand in the emerging markets of Asia and Africa.

Foreign affiliates and their distribution

The 19 selected companies had 396 foreign affiliates. Doğan Holding led with 91 foreign affiliates in 20 countries, followed by Koç Holding with 55 affiliates in 28 countries and Enka Construction with 42 affiliates in 9 countries (annex table 2). These 396 foreign affiliates were concentrated in Europe (70%) and the Middle East & Africa (17%), as indicated by the Regionality Index (annex table 2) and as seen in the distribution of foreign affiliates (annex figure 2). Europe had 277 foreign affiliates of Turkish MNEs, while the Middle East and Africa increased their weight among Turkish affiliates from only six in 2007 to 69 in 2009.

Ownership and status

All but one of the leading outward investors from Turkey in 2009 were privately-owned firms. The Turkish Petroleum Corporation (TPAO) is the only state-owned enterprise in the list, with about US$ 1.3 billion in foreign assets. Of the remaining 18, which together accounted for US$ 30 billion or over 95% of the total foreign assets on the list, 15 were listed on at least one stock exchange. All were listed on the Istanbul Stock Exchange, with two firms also being listed on foreign stock exchanges: Turkcell İletişim Hizmetleri A.Ş. on the

New York Stock Exchange and Eczacıbaşı Holding on the Frankfurt and Dusseldorf stock exchanges (annex table 3).

Head office locations

Out of the 19 firms on our list, 17 are headquartered in Istanbul, one in Ankara (TPAO) and one in Bursa (Orhan Holding) (annex figure 4).

Official language and executive nationality

The official language of all companies on the list is Turkish. Two companies, ENKA and Eczacıbaşı, also use English as an official language. All of the CEOs of these companies are Turkish nationals.

Principal industries

The companies on the list were to be found in eight different industries, if conglomerates are counted as single companies. Judged by foreign assets, conglomerates dominate, with 70% of the aggregate assets. The infrastructure and construction industry comes next, with 10% of total assets, and communication is third, with 10% (annex figure 1). Conglomerates are also the leading group in numbers, with 12 firms on the list. The other sectors represented are oil & gas operations, glass manufacturing, energy, food & beverage, and textiles.

Conglomerates

The impact of the recent global economic downturn has been severe on the foreign sales of Turkish MNEs. But this is not true for all of the markets in which Turkish investment is to be found. For instance, in the EU, specifically in France and Germany, Turkish MNEs' sales have increased. Tight budgetary controls and cuts in expenditure have enabled most Turkish conglomerates operating in the EU to stay afloat. Turkish firms responded to the crisis mainly by drawing down their stocks and slowing down production. Product diversification, accompanied by regional diversification, was also an important strategy and a way to turn the crisis into opportunity. Respondents to the survey indicated that they wish to improve their presence in foreign markets, particularly in Africa, the Middle East and the Balkans. This is in line with Turkey's broader political strategy of becoming a regional power. Most of the respondents use a mixture of external funding and their own capital for their investments. They also express dissatisfaction with the availability of credit for foreign investment projects. The main operating industries of the listed conglomerates can be found in table 1a below.

Table 1a: Main operating industries of the listed conglomerates, 2009

Conglomerate	Main industries
Sabancı Holding	Financial services, energy, retail, cement, auto parts, and tire and tire reinforcement materials.
Doğuş Group	Textiles, energy, construction, finance, logistics, and media.
Çalık Holding	Construction, energy, textiles, finance, telecommunications and media.
Koç Holding	Energy, automotive, consumer durables, and finance
Tekfen Holding	Contracting, agro-industry, real estate development, banking,

	investment, and insurance.
Doğan Holding	Media, oil production & distribution.
Alarko Group	Manufacturing, trading, engineering contracting, tourism, land development, construction and energy.
TAV Holding	Construction of buildings, civil engineering, and airport construction.
Zorlu Group	Energy, electricity, construction, natural gas, textile, electronics.
Orhan Holding	Auto parts, textiles, construction, tourism, and insurance.
Eczacıbaşı Group	Building products, healthcare, consumer products, finance, information technology, and welding technology.
Borusan Holding	Steel, distribution, energy, logistics and telecommunications.
Çelebi Holding	Logistics, food, tourism, security, and leasing.

Source: KHU−KPMG-T−DEIK−VCC survey of Turkish MNEs, 2010.

Services

The services on the list include construction, communication and energy supply, as represented mainly by Enka Construction and Turkcell, although Alarko and Zorlu are also in part service suppliers. Financing for service firms has come from own capital and long-term project financing. Given the nature of the services sector, the biggest constraint appears to be technical support in the initial stages of investment and the shortage of workforce skills in later stages both at home and in host countries. The construction sector has proved to be the locomotive of OFDI as Turkish MNEs have secured large contracts in sub-Saharan Africa and Central Asia.

Among service firms, the communications firm Turkcell was relatively unaffected by the world economic downturn. Turkcell responded to the crisis with managerial adjustments and achieved modest sales growth. Quality of service was improved in the domestic market and foreign market share was expanded through the introduction of new products. Turkcell's revenue grew by nearly 20% in local currency terms in 2009. The firm's priority appears to be the expansion of its existing investments in North Africa, the Middle East and the Balkans.

Manufacturing

The global economic downturn had a negative impact on the production side of the Turkish textiles sector. This was mainly due to the shrinking of the credit markets on which textile firms were heavily dependent. Larger firms like Eroglu Holding adopted a competitive pricing strategy by using foreign exchange management and financial derivatives. Shrinking domestic supply and poor demand have been two of the drivers for Eroglu to search for opportunities abroad, particularly in Egypt. The company is planning to expand its foreign presence by entering new markets.

Oil, gas and energy

This sector was not much affected by the global economic crisis. TPAO, a state-owned firm, is engaged in prospecting for, extracting, refining, and distributing both oil and natural gas. It also builds pipelines to carry these products. The Zorlu Group responded to the crisis by delaying some of its projected investments. It has exploited the Group's accumulated knowledge for investing in the domestic market as well.

Major outward M&A and greenfield transactions

Annex tables 4 and 5 show the top 10 M&A and the top 10 greenfield transactions, respectively, carried out by Turkish firms in foreign countries over the past three years. Three of the top 10 M&As (including the largest) and four of the top 10 greenfield transactions were undertaken by firms on our list. The value of the greenfield transactions (US$ 5,131 million) is substantially larger than that of the M&As (US$ 3,071 million) over the 2007-2009 period. Note, however, that the greenfield transactions are given as 'announced' and the amounts specified may thus not have actually been invested in full. The fact that the outward investment flows from Turkey during those three years totaled just over US$ 6 billion (table accompanying annex figure 5) suggests as much. Perhaps this also explains why only *one* of the top 10 M&As in table 4 (and a small one at that) took place in 2009, while *five* of the top 10 greenfield transactions were undertaken in 2009. The industries represented by the M&As are somewhat more varied than those among the greenfield transactions, which have four real estate transactions, including the largest.

Outward FDI flows declined from $2.6 bn in 2008 to $1.6 bn in 2009 (annex figure 5). This was mainly due to the global economic crisis, which led many firms to adopt a wait-and-see policy. On the other hand, some firms decided to use the slowdown as an opportunity to acquire new partners abroad and to update and re-equip their workforce for the new economic environment.

The response of the Turkish firms to the crisis has varied depending on the sectors they are operating. Construction sector firms were particularly harmed by the global crisis. Turkish MNEs chose to resist the crisis by adopting a strategy of postponement of their investment commitments and financial strengthening of their balance sheets. The impact of the global crisis also varied according to the regions Turkish MNEs operate in.

Changes in assets, sales and employment in 2007-2009

The foreign assets of the firms listed in this report grew by 22% between 2007 and 2009, with the growth coming mainly in 2009 (see table 2). This is partly due to the positive growth rates in 2009. On the other hand, over the three-year period, the foreign sales of Turkish MNEs fell by 4% (they fell by 10% in 2008 before recovering by 7% in 2009). Foreign employment grew by only 1% in 2007-2009, to nearly 90,000 people. The rate of unemployment in Turkey at this time was high due to the poor domestic market. The fall in sales was due to the contraction of markets where demand was hit by the crisis. The attention of Turkish firms turned to new markets and they began investing more in neighboring countries. The government's recently announced foreign policy of "zero problem with neighbors" paved the way for this development.

Foreign assets and sales as a percentage of the total assets and sales of these companies were about 14% and 18% respectively in 2009, while foreign employment grew by 1% when comparing to the pre-crisis level of 2007. This is in stark contrast to a contraction of 7% in their total employment (table 2).

Between 2007 and 2009, foreign assets grew faster (by 22%) than total assets (which grew 1%). Foreign sales over the same period fell by 4%, while total sales fell by 23%. The reason for this was a fall in aggregate demand caused by increased unemployment. Foreign employment in the meanwhile went up and down, while total employment fell steadily as companies chose to achieve efficiency by upgrading their capital stock. This labor-saving move helped firms' competitiveness in external markets.

Table 2: Snapshot of the top 19 MNEs, 2007–2009 (US$ million and number of employees)[a]

Variable	2007	2008	2009	% change 2007-2009
Assets				
Foreign	25.668	26.466	31.402	22%
Total	223.925	209.926	226.876	1%
Share of foreign in total (%)	11%	13%	14%	
Sales				
Foreign	15.283	13.757	14.725	-4%
Total	105.783	90.924	81.761	-23%
Share of foreign in total (%)	14%	15%	18%	
Employment				
Foreign	88.618	101.885	89.946	1%
Total	326.456	317.000	302.401	-7%
Share of foreign in total (%)	27%	32%	30%	

Source: KHU−KPMG-T−DEIK−VCC survey of Turkish MNEs, 2010.
[a] The IMF exchange rates of December 31 of the reporting year were used throughout: US$ 1 = TRY 1.1666 (2007), 1.5314 (2008) and 1.5057 (2009).

The big picture

Turkish outward investment surged in recent years. After crossing the US$ 1 billion mark for the first time in 2005, outward FDI fell a little to US$ 924 million in 2006 but then jumped to US$ 2.1 billion in 2007 and US$ 2.6 billion in 2008. There was a fall again in 2009 but, at US$ 1.6 billion, investment abroad was still substantially higher than before 2007. (See annex figure 5 for details of inward and outward FDI over the past 20 years). The surge has both domestic and international causes. The ultimate domestic cause, as noted earlier, is the opening of Turkey to inward investment in the 1980s, a liberalization further strengthened by the conditionalities of IMF financial assistance in the economic crises of the early 2000s.[140] These inflows, in conjunction with rising labor costs, intensified competition for Turkish firms in the domestic market and forced them to look abroad for profitable opportunities. As for the international aspect, there was the creation of a customs union with the EU, which came into effect in 1996.[141] There was also a significant external political development: the emergence of newly independent Turkic republics in Central Asia.

[140] Turkish government measures to improve the environment for inward investment include the enactment of the new FDI Law 4875 in June 2003, which replaced the old FDI Law 6224, passed in 1954. The new law eased restrictions on inward FDI in all sectors, eliminated minimum capital requirements, granted foreign investors full convertibility in transfers of capital and earnings, allowed them to own property without restrictions, and recognized their right to international arbitration.

[141] The customs union agreement was restricted to industrial and processed agricultural products.

It would appear that the origins of Turkish outward investment, especially by its largest conglomerates, are a mixture of both defensive and offensive strategies. Also, in Turkey, as elsewhere, there is public concern over the activities of Turkish MNEs, as their foreign ventures are seen as transferring jobs abroad, a concern that tends to intensify during an economic downturn.

Although a variety of factors such as those mentioned have prompted Turkish firms to turn their attention to external markets, this sphere of economic activity has been broadly neglected by Turkish policy-makers. Outward FDI is still seen as "capital flight" and perceived as an activity that "steals jobs from Turks." There is no insurance coverage for companies investing abroad. Nor is there a government body providing information about local conditions in host countries to firms venturing abroad. The general attitude of the government towards Turkish FDI abroad can best be described as inattentive.

Nevertheless, some measures taken by the government can be seen as beneficial to Turkish MNEs, for example the amended regulation governing holding companies ("or HoldCos"[142]) put in place in 2006. Most Turkish investment abroad is made through holding companies. The new structure provides HoldCo with 'participation gains' in the form of an exemption from corporate tax for dividend income received from their foreign affiliates if certain conditions are met. The new structure also makes gains derived from the sale of shares in foreign affiliates exempt from taxation, again if certain conditions are met. To benefit from this exemption, 75% of the assets (excluding cash) of the holding company must consist of shares in foreign affiliates, these shares must amount to at least 10% of the paid-capital of the foreign affiliates, and the shares must have been held for at least two years before being sold.

The government has also initiated a program that aims to develop "trade marks" in specific areas of production ranging from textiles and food processing to electronics and the automotive sector. This program is known as "Turkquality" and about one hundred firms are participating in it with the hope that they will achieve global competitiveness by improving their knowledge of production, industrial organization, marketing, and servicing. Although the program is not explicitly designed to promote outward investment, its efforts to help participating firms build global management strategies and increase efficiency can reasonably be expected to encourage more Turkish firms to consider investing abroad.

It is also expected that the recently introduced new tax regime concerning the Turkish holding firm and adoption of the international accounting and reporting standards will have some positive spillover effects over the FDI regime in the country. These changes will help doing international business centered in Turkey.

[142] A Turkish HoldCo is a corporation that meets certain conditions such as a minimum of 10% shareholding in the paid-capital of a foreign affiliate and a holding period of at least one year before receiving dividend income.

Annex table 1. Turkey: The top 19 MNEs: Key variables, 2009 (US$ million[a] and number)

Ranking		Name	Industry	Assets		Sales		Employment		TNI[b] (%)	No. of foreign affiliates	No. of host countries
By foreign assets	By TNI[b]			Foreign	Total	Foreign	Total	Foreign	Total			
1	**17**	Sabancı Holding	Conglomerate	8,051	74,300	1,319	12,175	5,982	55,201	11	34	18
2	**12**	Doğuş Group	Conglomerate	6,357	28,507	1,158	5,193	6,244	28,000	22	21	12
3	**4**	Enka Construction	Infrastructure	3,195	7,045	2,030	5,261	14,116	18,550	53	42	9
4	**9**	Turkcell	Communication	2,996	9,284	2,185	5,935	2,103	10,447	30	18	5
5	**2**	Çalık Holding	Conglomerate	2,633	4,500	861	1,511	13,585	19,263	62	13	8
6	**10**	Turkish Petr. Corp.	Oil & gas operations	1,254	3,629	882	2,079	27	4,498	26	6	4
7	**19**	Koç Holding	Conglomerate	1,160	75,016	1,756	29,775	4,423	71,221	5	55	28
8	**11**	Şişecam A.Ş.	Glass manufacturing	1,129	4,442	480	2,420	5,158	16,837	25	22	6
9	**3**	Tekfen Holding	Conglomerate	1,003	1,842	940	1,559	7,619	11,366	61	14	7
10	**13**	Doğan Holding	Conglomerate	801	6,339	745	6,852	4,652	12,429	20	91	20
11	**7**	Alarko Group	Conglomerate	636	1,172	214	594	907	3,344	39	22	14
12	**1**	TAV Holding	Conglomerate	571	585	781	809	14,184	14,600	97	9	9
13	**14**	Zorlu Enerji Group	Energy	459	1,382	11	328	127	695	18	3	3
14	**5**	Orhan Holding	Conglomerate	293	407	249	634	1,550	3,367	52	14	9
15	**16**	Eczacıbaşı Holding	Conglomerate	262	3,435	347	2,574	1,531	9,122	13	9	4
16	**15**	Borusan Holding	Conglomerate	235	2,439	444	2,415	624	5,676	13	12	8
17	**18**	Yıldız Holding	Food & beverage	165	1,813	94	1,030	513	4,492	10	5	3
18	**6**	Eroğlu Holding	Textile	106	511	191	410	3,030	6,010	39	1	1
19	**8**	Çelebi Holding	Conglomerate	95	227	37	207	3,571	7,283	36	5	2
Total (average for TNI)				**31,401**	**226,875**	**14,724**	**81,761**	**89,946**	**302,401**	**33**	**396**	

Source: KHU−KPMG-T−DEIK−VCC survey of Turkish MNEs, 2010.
[a] The exchange rate used is the IMF rate of December 31, 2009: US$ 1 = Turkish Lira 1.5057.
[b]The transnationality index (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. Turkey: The top 19 MNEs: Regionality Index,[a] 2009

Companies	Middle East & North Africa, Sub–Saharan Africa	East Asia & the Pacific, South Asia, Developed Asia-Pacific (Japan, Australia & New Zealand)	Eastern Europe & Central Asia, Other Europe	Latin America & the Caribbean, North America	Total number of foreign affiliates
Sabancı Holding	6	12	65	18	34
Doğuş Group	20		80		21
Enka Construction	83	17			42
Turkcell			100		18
Çalık Holding	46	8	38	8	13
Turkish Petroleum Corporation			50	50	6
Koç Holding		16	80	4	55
Şişecam A.Ş.	10		90		22
Tekfen Holding	14		79	7	14
Doğan Holding	4		92	3	91
Alarko Group	5	14	73	9	22
TAV Holding	100				9
Zorlu Enerji Group				100	3
Orhan Holding		7	64	29	14
Eczacıbaşı Holding			100		9
Borusan Holding	33		67		12
Yıldız Holding			100		5
Eroğlu Holding			100		1
Çelebi Holding			100		5
Total number of affiliates	**69**	**25**	**277**	**25**	**396**

Source: KHU−KPMG-T−DEIK−VCC survey of Turkish MNEs, 2010.
[a] The Regionality Index is calculated by dividing the number of a firm’s foreign affiliates in a particular region of the world by its total number of foreign affiliates and multiplying the result by 100.

Annex table 3. Turkey: Stock Exchange Listings

	Company	Domestic	Foreign
1	Sabancı Holding	Istanbul Stock Exchange	-
2	Doğuş Group	Istanbul Stock Exchange	-
3	Enka Construction	Istanbul Stock Exchange	-
4	Turkcell	Istanbul Stock Exchange	New York Stock Exchange
5	Çalık Holding	-	-
6	Turkish Petroleum Corporation	-	-
7	Koç Holding	Istanbul Stock Exchange	-
8	Şişecam A,Ş,	Istanbul Stock Exchange	-
9	Tekfen Holding	Istanbul Stock Exchange	-
10	Doğan Holding	Istanbul Stock Exchange	-
11	Alarko Group	Istanbul Stock Exchange	-
12	TAV Holding	Istanbul Stock Exchange	-
13	Zorlu Enerji Group	Istanbul Stock Exchange	-
14	Orhan Holding	-	-
15	Eczacıbaşı Holding	Istanbul Stock Exchange	Frankfurt & Duseldorf Stock Exchanges
16	Borusan Holding	Istanbul Stock Exchange	NASDAQ
17	Yıldız Holding (Ulker)	Istanbul Stock Exchange	-
18	Eroğlu Holding	-	-
19	Çelebi Holding	Istanbul Stock Exchange	-

Source: KHU−KPMG-T−DEIK−VCC survey of Turkish MNEs, 2010.

Annex table 4. Turkey: The top 10 outward M&A transactions, announced, 2007-2009 (US$ million)

Date	Acquirer's name	Target name	Target industry	Target country	% of shares acquired	Value of transaction
03/18/2008	Yildiz Holding AS	Godiva Chocolatier Inc	Chocolate and cocoa products	United States	100.0	850.0
06/24/2008	Investor Group	Razi Petrochemical Co	Nitrogenous fertilizers	Iran	100.0	694.6
11/30/2007	Enka Insaat ve Sanayi AS	Ramenka LLC	Department stores	Russia	50.0	544.1
04/02/2007	Hurriyet Invest BV	Trader Media East Ltd	Advertising agencies	Netherlands	67.3	369.0
02/11/2008	Azertel AS	Azercell Telekom BM	Telephone communications, except radiotelephone	Azerbaijan	35.7	180.0
09/28/2007	Investor Group	Albtelecom	Telephone communications, except radiotelephone	Albania	76.0	161.1
02/13/2009	Van Et Ticari Yatirimlar Gida	Metro Turizm Seyahat	Local and suburban transit	Cyprus	99.4	70.3
07/05/2007	Orhan Holding AS	Dana Corp-Non-Core Fluid Prod	Fluid power valves and hose fittings	United States	100.0	70.0
11/20/2007	Bankpozitif Kredi ve Kalkinma	Demir Kazakhstan Bank	Banks	Kazakhstan	100.0	70.0
12/18/2007	Beko Elektronik AS	Grundig Multimedia BV	Offices of holding companies, nec	Netherlands	50.0	61.8
					Total	**3,070.9**

Source*:* Adapted from Thomson ONE Banker. Thomson Reuters.

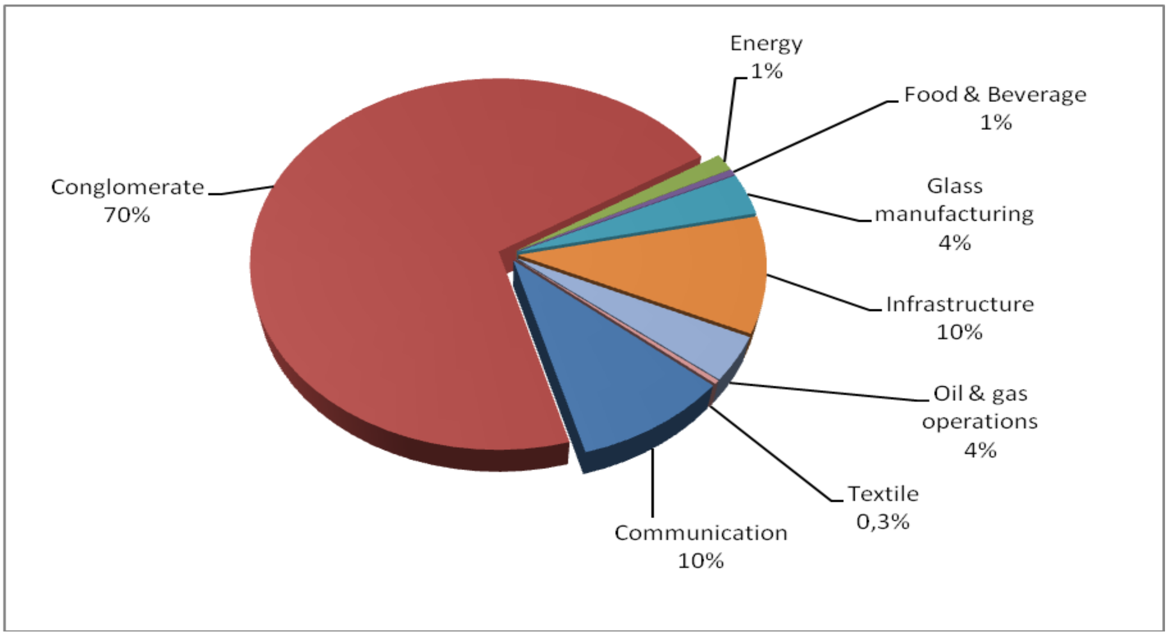
Annex table 5. Turkey: The top 10 outward greenfield transactions, announced, 2007-2009 (US$ million)

Date	Company	Destination	Industry	Value
Sep-07	Opus Project & Development	Romania	Real estate	956.1
Oct-08	Zorlu Holding	Pakistan	Alternative/renewable energy	949.6[a]
May-08	Enka Insaat ve Sanayi	Russia	Coal, oil and natural gas	508.8
Oct-09	TAV Airports Holding	Tunisia	Real estate	500.0
Apr-09	Petkim Petrokimya Holding	Iran	Chemicals	488.7[a]
Feb-09	Hayat Holding	Russia	Wood products	385.0
Jul-09	Polimeks	Turkmenistan	Real estate	373.2[a]
May-08	Aral Group	Azerbaijan	Real estate	362.3[a]
Feb-09	Sisecam	Russia	Ceramics & glass	325.0
Mar-08	Polimeks	Turkmenistan	Building & construction materials	282.2
Total				**5,130.9**

Source*:* Adapted from fDi Intelligence, a service from the Financial Times Ltd.

[a] This amount is an estimate.

Annex figure 1. Turkey: Breakdown of the foreign assets of the top 19 MNEs, by industry - 2009



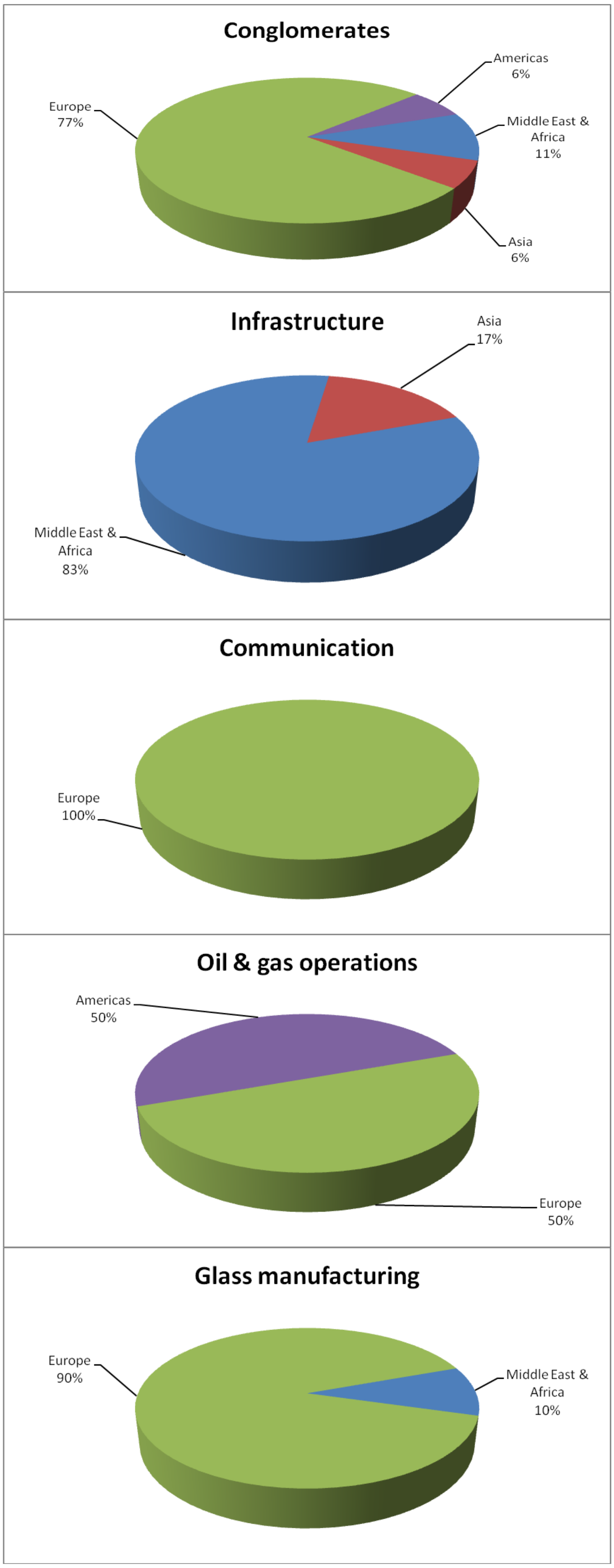
Industry	**Foreign assets (**US$ mn)	**Companies**
Conglomerates	22,098	(12) Doğus Group, Koç Holding, Alarko Group, TAV Holding, Doğan Holding, Sabancı Holding, Çalık Holding, Tekfen Holding, Eczacıbaşı Holding, Borusan Holding, Orhan Holding, Çelebi Holding
Infrastructure	3,195	(1) Enka Construction & Industry Co. Inc.
Communication	2,996	(1) Turkcell İletişim Hizmetleri A.Ş.
Oil & gas operations	1,254	(1) Turkish Petroleum Corporation (TPAO)
Glass manufacturing	1,129	(1) Sisecam AS
Energy	459	(1) Zorlu Enerji Group
Food & Beverage	165	(1) Yıldız Holding
Textile	106	(1) Eroğlu Holding

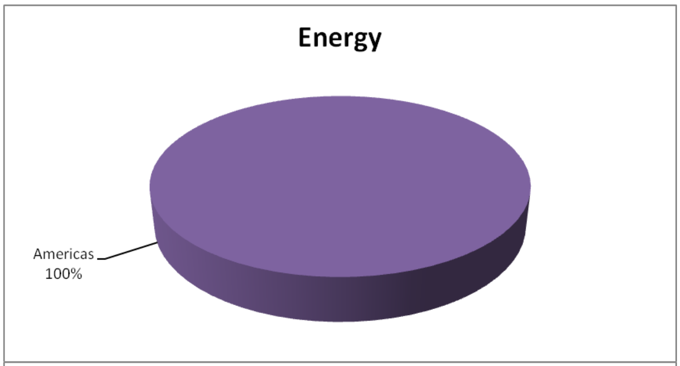
Source: KHU–KPMG-T–DEIK–VCC survey of Turkish MNEs, 2010.

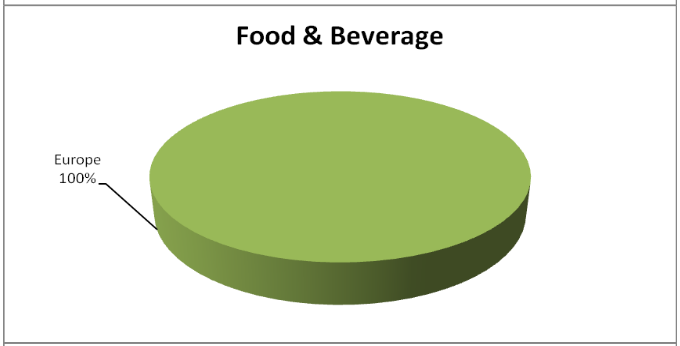
Annex figure 2. Turkey: Foreign affiliates of the top 19 MNEs, by region - 2009 (number of affiliates)

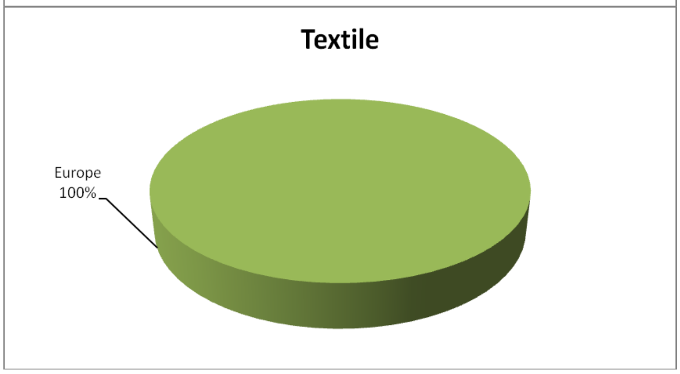
Source: KHU−KPMG-T−DEIK−VCC survey of Turkish MNEs, 2010.

Annex figure 3. Geographic distribution of the assets of the top 19 MNEs, by main industry - 2009









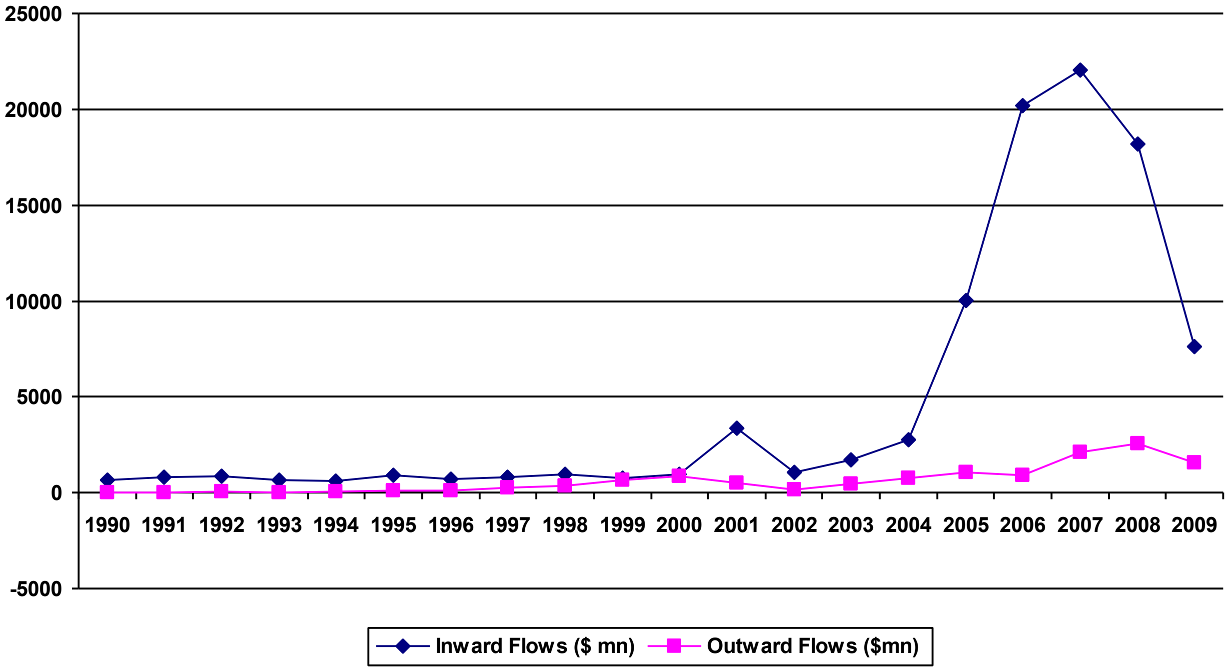
Industry	Middle East & North Africa, Sub–Saharan Africa	East Asia & the Pacific, South Asia, Developed Asia-Pacific (Japan, Australia & New Zealand)	Eastern Europe & Central Asia, Other Europe	Latin America & the Caribbean, North America	Total foreign assets
Conglomerate	2,359	1,330	16,994	1,414	22,097
Infrastructure	2,652	543	0	0	3,195
Communication	0	0	2,996	0	2,996
Oil & gas operations	0	0	627	627	1,254
Glass manufacturing	113	0	1,016	0	1,129
Energy	0	0	0	459	459
Food & Beverage	0	0	165	0	165
Textile	0	0	106	0	106
Total assets	**5,124**	**1,873**	**21,904**	**2,500**	**31,401**

Source: KHU−KPMG-T−DEIK−VCC survey of Turkish MNEs, 2010.

Annex figure 4. Turkey: Head office locations of the top 19 MNEs - 2009

Source: KHU−KPMG-T−DEIK−VCC survey of Turkish MNEs, 2010.

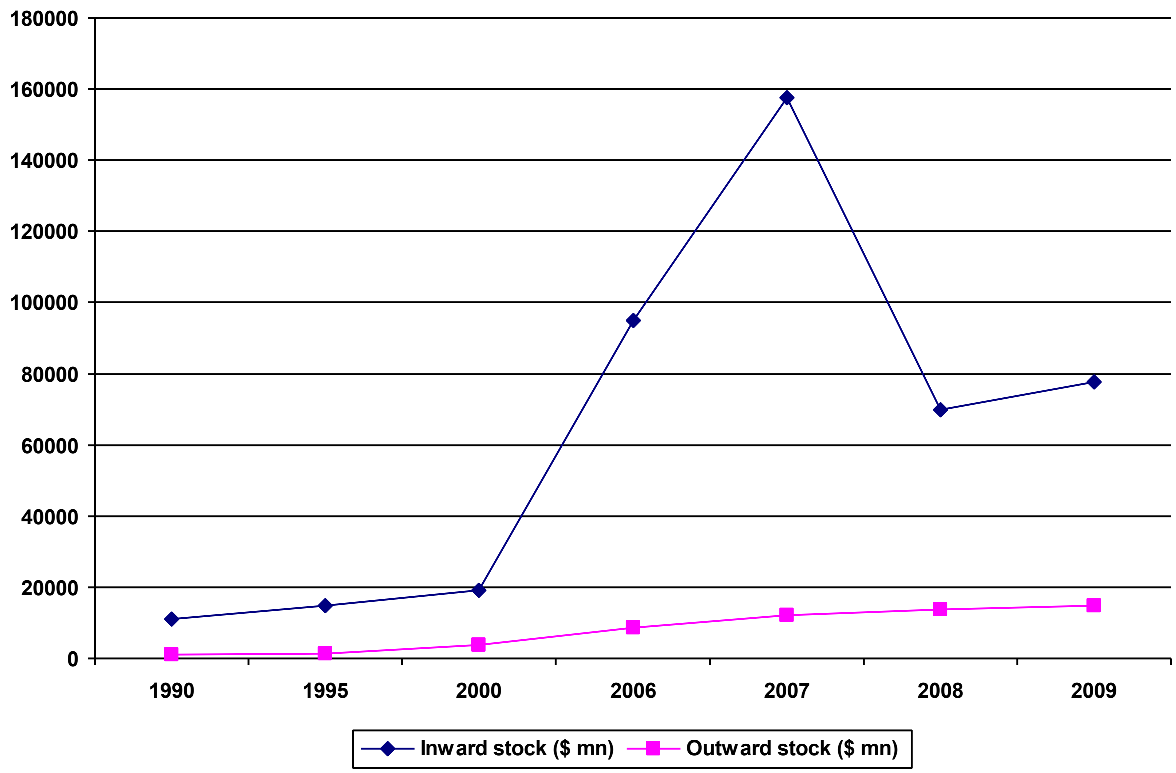
Annex figure 5. Turkey: Inward & outward FDI flows, 1990-2009 (US$ million)



Year	Inward flows	Outward flows
1990	684	-16
1991	810	27
1992	844	65
1993	636	14
1994	608	49
1995	885	113
1996	722	110
1997	805	251
1998	940	367
1999	783	645
2000	982	870
2001	3,352	497
2002	1,082	143
2003	1,702	480
2004	2,785	780
2005	10,031	1,064
2006	20,185	924
2007	22,046	2,106
2008	18,198	2,585
2009	7,611	1,551

Source*:* United Nations Conference on Trade and Development (UNCTAD), *World Investment Report, 2010* (New York and Geneva: United Nations, 2010) and the Central Bank of the Republic of Turkey, provisional data.

Annex figure 6: Turkey: Inward & outward FDI stock, 1990-2009 (US$ million)



Year	Inward stock	Outward stock
1990	11,189	1,157
1995	14,972	1,425
2000	19,204	3,668
2006	95,078	8,866
2007	157,649	12,210
2008	69,817	13,865
2009	77,729	14,790

Source*:* United Nations Conference on Trade and Development (UNCTAD), *World Investment Report,*
2010 (New York and Geneva: United Nations, 2010).

Corporate profiles of the top 19[143]

SABANCI

http://www.sabanci.com/

Sabancı Holding is the parent company of the Sabancı Group, Turkey's leading industrial and financial conglomerate. Sabancı Holding's main business units include financial services, energy, retail, cement, automotive, and tire and tire reinforcement materials. Listed on the Istanbul Stock Exchange (ISE), Sabancı Holding has a controlling interest in 11 companies also listed on the ISE. Sabancı companies currently operate in 18 countries and market their products in various parts of Europe, the Middle East, Asia, North Africa, and North and South America. Sabancı Holding's multinational business partners include such prominent companies as Aviva, Bridgestone, Carrefour, Citigroup, Dia, Heidelberg Cement, Hilton International, International Paper, Mitsubishi Motor Co., Philip Morris, and Verbund. In 2009, the consolidated revenue of Sabancı Holding was US$ 12.2 billion, with an EBITDA of US$ 2.6 billion. The Sabancı Family is holds 60.6% of the Holding's share capital.

DOĞUŞ GRUBU

http://www.dogusgrubu.com.tr/en/

Doğuş Group was founded in 1951 and the company is active in seven core businesses: financial services, the automotive industry, construction, media, tourism, real estate, and energy. The Group has 111 companies and a workforce of over 28,000. The Group has created synergies with many global giants including the following: General Electric in finance and real estate; Volkswagen AG and TÜVSÜD in the automotive industry; Alstom and Marubeni in construction; MSNBC, CNBC and Condé Nast in media; and Hyatt International Ltd., Starwood Hotels & Resorts, Worldwide Inc., HMS International Hotel GmbH (Maritim) and Aldiana GmbH in tourism.

ENKA

http://www.enka.com

ENKA's history begins in 1957 with a partnership between Şarık Tara and the late Sadi Gülçelik. The range of its earliest projects included the construction of industrial plants, docks, marine slipways, shipyards, grain silos, bridges, roads and piers, all in the İstanbul area. Thus far, ENKA has completed more than 130 projects in Russia and the CIS, ranging from buildings, hospitals and industrial plants to oil and gas projects. The firm currently generates approximately 30 billion kwh of electricity per year. Its international construction projects continue to be its engine of growth, with a current backlog

[143] Companies are profiled in the order of their ranks by foreign assets. Most of the information in this annex has been adapted from company websites, which are provided for all companies.

exceeding US$ 7 billion. These include a mega-highway project in Romania, a brand new city in Oman, a new terminal at Moscow's Sheremetyevo Airport, a football stadium in Donetsk, Ukraine, a Toyota car factory in St. Petersburg, Russia, and oil field infrastructure on Sakhalin Island, also in Russia.

TURKCELL

http://www.turkcell.com.tr/en

GSM-based mobile communication began in Turkey when Turkcell started its operations in February 1994. By June 2010, Turkcell had invested US$ 8.7 billion in Turkey. With its 33.9 million subscribers, Turkcell is not only the leading operator in Turkey but also the third largest GSM operator in Europe. Turkcell's shares have been traded on the Istanbul Stock Exchange (IMKB) and the New York Stock Exchange (NYSE) since July 2000 and it is the only Turkish company ever to have been listed on the NYSE. Turkcell's operations in Azerbaijan, Kazakhstan, Georgia and Moldova (through Fintur) had reached 14.6 million subscribers as of June 2010. The Astelit Company, majority-owned by Turkcell in Ukraine, began operating in February 2005. Its brand Life had reached 11.7 million subscribers by June 2010.

ÇALIK

http://www.calik.com/

Çalık Holding focuses on the following business lines: construction, energy, textiles, finance, telecomunications and the media. It has nearly 20,000 employees, including employees abroad. The firm has set a target of US$ 3 billion in revenue in 2011.

TPAO

http://www.tpao.gov.tr/v1.4/

TPAO was founded in 1954 by Law No. 6327, with the responsibility for undertaking hydrocarbon exploration, drilling, production, refining and marketing activities as Turkey's national oil company. Until 1983, as an integrated oil company, it was engaged in all oil industry activities, from exploration to production, refining, marketing and distribution. Today, TPAO is involved only in upstream activities: exploration, drilling, well completion and production.

KOÇ

http://www.koc.com.tr/en-us/

Koç Ticaret A.Ş. was established in 1938. The Koç Group is today Turkey's largest industrial group in terms of revenue, exports, share in the Istanbul Stock Exchange, and number of employees. Koç Holding, as the driving force of the Turkish economy and the world's 273th largest company, continues to fortify its strong position in the global league with the awards granted in the domestic and international platforms. Its core sectors are energy, finance, the automotive industry, and consumer durables.

ŞİŞECAM

http://www.sisecam.com/

Şişecam, which first made glass in 1935 has since substantially increased its production facilities both in Turkey and abroad in the flat glass, glassware, chemical and glass packaging divisions. Şişecam produces according to international standards with 17000 employees and five of its companies are traded on the İstanbul Stock Exchange.

TEKFEN

http://www.tekfen.com.tr/english/

The foundation for the company was laid by three entrepreneurs, Feyyaz Berker, Nihat Gökyiğit and Necati Akçağlılar in 1956. The Tekfen Group is a publicly traded corporation consisting of 49 companies and seven partnerships operating in the areas of contracting, agri-business, real estate development, and banking. Tekfen's annual revenue is around US$ 1.6 billion and its employees number nearly 16,000.

DOGAN

http://www.doganholding.com.tr/

Chairman Aydın Doğan registered with the Mecidiyeköy Tax Office in 1959 and officially commenced business. He founded his first company, in the automotive industry, in 1961. This venture marked the very beginning of Doğan Şirketler Grubu Holding A.Ş. Having established strategic alliances with 11 international business concerns, Doğan Group has operations in 18 countries. The Group has nearly 25,000 employees and stakeholders through its direct participations, strategic alliances and commercial representative offices. Nine members of the Group are listed on the Istanbul Stock Exchange.

ALARKO

http://www.alarko.com.tr/indexeng.asp

Beginning in a single room with two employees in 1954, the ALARKO Group of companies is today one of Turkey's foremost enterprises, employing more than 6,000 people. The Group's activities are to be found in manufacturing, trading, engineering contracting, tourism, land development, construction and energy.

TAV

http://www.tav.aero/indexen.html

TAV was established in 1997, as a joint venture between the Tepe and Akfen Groups following their successful bid for the Istanbul Atatürk Airport International Terminal contract. TAV Airports Holding operates a number of airports, including the Istanbul Atatürk, Ankara Esenboğa, Izmir Adnan Menderes and Antalya Gazipasa airports in Turkey; the Tbilisi and Batumi airports in Georgia; the Monastir Habib Bourguiba International Airport and the Enfidha Zine Abidine Ben Ali Airport in Tunisia; and Skopje Alexander the Great Airport and Ohrid St Paul the Apostle International Airport in Macedonia. TAV also operates duty-free stores, food and beverage services, ground handling services, information technologies, and security services. TAV Airports serve 375,000 flights for approximately 300 airlines and 42 million passengers on average per year. The company shares have been listed on the Istanbul Stock Exchange since February 23, 2007, under the name of "TAVHL".

ZOREN

http://www.zoren.com.tr/EN/INDEX/

The Zorlu Energy Electricity Generation Co. Inc. was set up to meet the electricity and steam needs of industrial firms belonging to the Zorlu Group in 1993. The Zorlu Energy Group, with its 16 companies (11 in Turkey and 5 abroad), currently commands a distinctive place in the energy sector with a presence in each stage of energy production, from project designing to construction and from operation to maintenance of power plants. In addition to Turkey, the firm provides services throughout Europe, Asia and the Middle East.

ORHAN HOLDING

http://www.orhanholding.com/

Orhan Holding established its first foreign partnership in 1989 with General Motors (GM). Thank to partnerships with other international firms like Aunde (Germany), Faurecia (France) and Magnetti Marelli (Italy), the Holding has had the opportunity to keep up with current trends. Orhan Holding works on production, sales, distribution and technical services in the automotive, textile, construction, tourism, and insurance sectors. Among other things, it proudces automotive seat components and metal and fluid products for such firms as Renault, Dacia, Peugeot-Citroen, Ford, BMW, Fiat, GM, and Chrysler.

ECZACIBAŞI

http://www.eczacibasi.com

Eczacıbaşı inaugurated the first modern Turkish pharmaceutical plant on 23 November 1952 in Levent, Istanbul. Over the next four decades, it had expanded its production capacity to include the full range pharmaceutical products. Eczacıbaşı's core sectors are building products, healthcare products and consumer products. In addition, the Group is active in finance, information technology, welding technology, property development and mining. Internationally, Eczacıbaşı is best known for its flagship Vitra brand, a contender in the global bathroom and tile markets. It is also a major exporter of tissue paper, welding electrodes, electronic smart cards and industrial raw materials such as clay and feldspar. The company has nine international joint ventures and numerous cooperation agreements with leading international enterprises.

BORUSAN

http://www.borusan.com.tr/en-us/

The origins of Borusan date back to 1944. Its primary business interests include steel, distributorships, logistics, energy, and telecommunications. In all business areas in which Borusan is actively engaged, management has set a target of becoming a market leader or a close follower. In 2006, the Group signed the United Nations' Global Compact and it supports and adheres to the principles of 'good corporate governance' and 'sustainability' as prerequisites of long-term success.

YILDIZ

http://www.ulker.com.tr/en/

Yıldız Holding, currently operating principally in the food business with more than 65 companies, began production in 1944 with the Ülker brand. The Kalbim Benecol brand was born as a result of collaboration with the Finnish firm Raisio. At the end of 2007, Yıldız Holding took a major step in the way of globalization by acquiring Godiva Chocolatier. Yıldız has also formed a 50/50 joint venture with Gumlink to operate in the field of non-chocolate confectionery and chewing gum in 2009. It is expected to form a partnership with the German tea company LHS.

EROĞLU HOLDING

http://www.eroglu.com/en/

Eroğlu Clothing was established in İstanbul in 1983 and began coat and duffle coat production with a team of 15 employees. Eroğlu Holding is today producing some 20 million units of sportswear with the Colin’s and Loft brands, which are for sale in its own 167 stores and in a further 3.000 retail points at home and abroad. The total number of employees working in Turkey and abroad is over 5,500. Eroğlu has now also entered the construction sector. The projects of the Group in this sector currently involve residential and retail projects with 350,000 square meters of indoor area in Tekirdağ, İstanbul Ümraniye, Merter, and the Golden Horn in Turkey, and Moscow and Kazan (Tartarstan) in Russia.

ÇELEBİ

http://www.celebi.com.tr/en/

Çelebi Hava Servisi was founded in Ankara On 1 February 1958. Çelebi Holding coordinates the financial and administrative functions of the companies operating under its umbrella, which are active in a wide range of fields including aviation ground handling services, terminal and port management, private security services, food services, travel agency services, and vehicle fleet leasing.

For further information, please visit our website:

http://www.vcc.columbia.edu