

Investment and Technology Transfer of Multinational Corporations in China

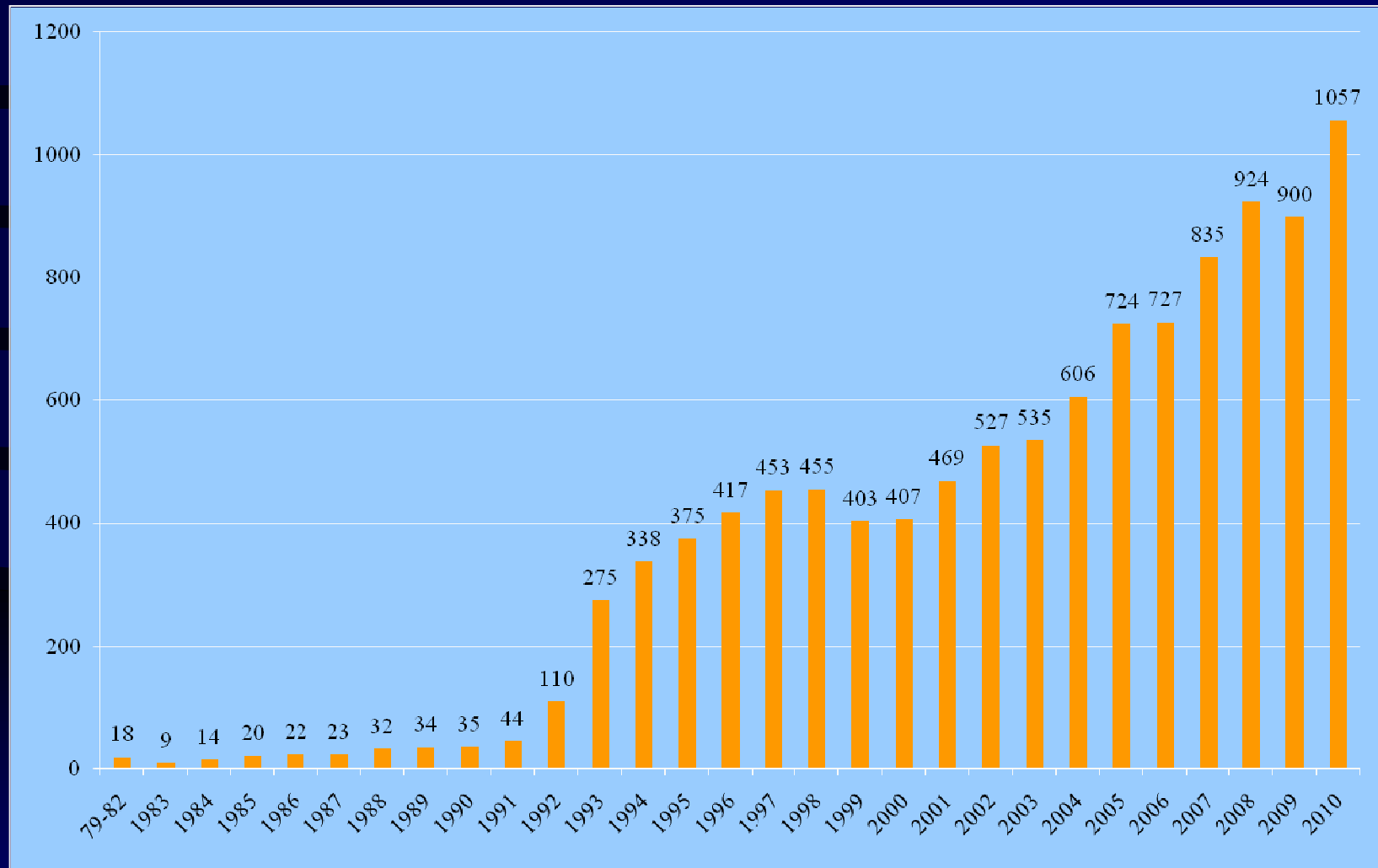
Wang Zhile

Researcher, China Academy on International Trade and Economic Cooperation, Ministry of Commerce
President, Beijing New Century Academy on Transnational Corporations

一，外资问题上两种思维的博弈
**new controversy upon utilization
of foreign investment**



1, TNCs Investment Trend in China



Three stages for TNC's development in China

2002-

- Comprehensive Chinese market entry (from the east to west)
- Multi-industries (in open service sectors)
- Multi-modes (equity investment)

1992-2001

- Large-scale, systematic FDI
- Multiple-source Foreign Investment
- Mainly invest in secondary Industries (manufacturing)

1979-1991

- Small-scale, experimental investment
- Foreign investment mainly from overseas Chinese
 - Concentrated in technology transfer in manufacturing and assembling

2, new controversy upon utilization of foreign investment

1) Does China need to further utilize foreign investment?

The objective for foreign investment used to be ‘capital, technology and management’

But now the conditions have been fundamentally changed:

Chinese enterprises are no more short of money after 30 years of reform,

The market has been offered to foreign investment but ‘technology has not been acquired’

M&A by foreign investment has injured local enterprises and affected China’s economy security

Question: does China need to further utilize foreign investment after 30 years’ of reform and opening?

2) What's the definition for 'independent innovation' products?

	Exposure draft 2010	Notification 2009
Application subject	Business entity operated in China including foreign invested enterprises	Not identified
Intellectual property	Can enjoy intellectual property or tenure in China without contest or dispute	The disposal for secondary development to intellectual property is not restricted by the third party overseas
brand	Applicant will legally own exclusive right to use registered trade mark or right to use the trade mark to the product	The inception of the trade mark should be inside China, and should not be constrained by relevant overseas brands

There is 'imperfection' in the notification 2009 statement that would arouse misunderstanding, therefore, amendments were made in the notification 2010.

TNCs' 'complaints' about China's investment environment

GE CEO Jeffrey Immelt complained at a private dinner party late last month in Rome that it is harder and harder for foreign companies to do business in China.

At the meeting involving Chinese and German business executives and the two prime ministers in Xi'an

BASF chairman Jurgen Hambrecht complained that foreign companies are in the difficult position of 'being forced to disclose their technology' for the business in China.

Siemens CEO Peter Loescher commented in the meeting that German companies want fair treatment in Chinese market with voluntary transfer of technology and enhanced protection to intellectual property. He also appealed for the reduction to the restriction upon foreign investment in China's automobile and finance industries.

Arrangement by State Council upon better and further job to foreign investment

Dec. 30, 2009 State Council routine conference studied and arranged the job for better and further utilization of foreign investment. **Apr. 6, 2010 No. 9** document from the State Council

Utilization of foreign investment is the major content of China's opening policy, foreign invested enterprises have become part of the important formation of China's national economy... Create a more open and upgraded investment environment, continuously improve the quality of foreign investment utilization; To better play the positive role of foreign investment in the area of technology innovation, industry upgrading and regional balance development.

Play the positive role of transnational corporations into full use

- Transnational corporations are the growth engine of China's economic development. In 2007, the investment of foreign-funded enterprises accounts for 5% of all the investment in fix-assets, their industrial value account for 31% of the national figure, the tax revenues account for 20%. Foreign-funded enterprises have employed 54 million Chinese people.
- Meanwhile, investment of transnational corporations is also the activator for China's economic reform, operational model change and the development of modern enterprises and industries.
- Transnational enterprises have also been part of the alliance for China's peaceful development.

二，跨国公司在华面临的新机遇

New opportunities faced by TNCs in China



Opportunities brought by 5 trends (5 ..tions) in Chinese economy development

industrialization

internationalization

marketization

**informatization: (now 500 million internet users and 800 million
mobile phone users)**

urbanization	urbanization rate	urban population
1978	17.9%	172 million
1992	27.5%	322 million
2001	37.7%	481 million
2008	45.7%	607 million
2010	49.7%	666 million

**20 million would be the annual urban population increase in the
future**

China is still an important platform for TNCs' globalization development

**TNCs need to integrate optimized global resources
to build global industrial chain**

China is a huge and developing market

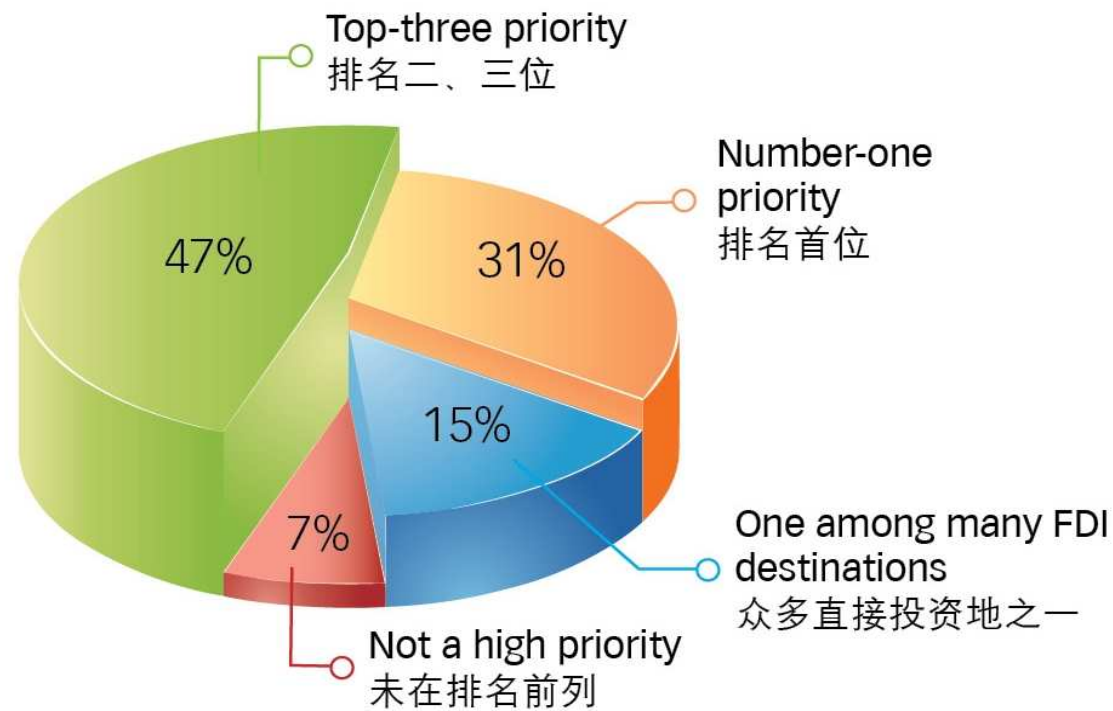
**China is continuously providing cheap labor force
with comprehensively improved quality**

**China provides important resources to TNCs for
global integration**

中国是美国跨国公司投资首选地



How does China rank in your company's near-term global investment plans?
中国市场在企业近期全球投资计划中的排名



TNCs in China after the financial crisis

Most famous TNCs continue to increase their investment in China

GM、VW、BMW、Hundai、Daimler

Sisco、IBM、Siemens

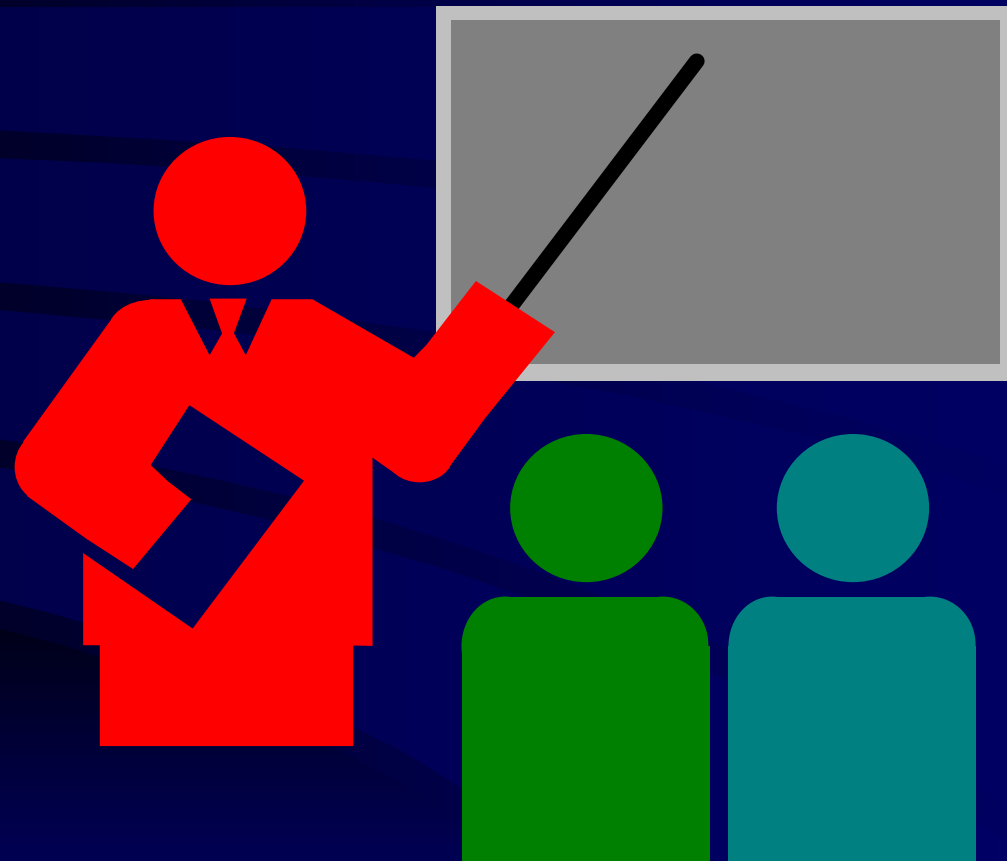
BASF、Novartis

SK、ABB

Coca Cola、Pepsi

Meanwhile most of the leading TNCs are actively motivating low-carbon development through energy saving and emission reduction

三，案例研究 Case Study



【Case】 Joint Innovation of China Samsung with Chinese Enterprises

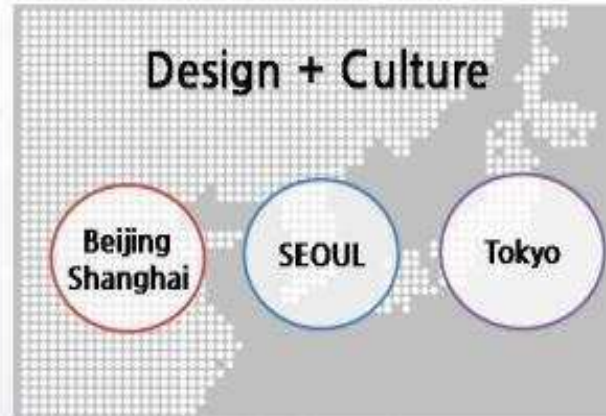
- **Launched the world's first TD-SCDMA commercial terminals, promoting industrialization of 3G standards in China**
- **Participate in the drafting of national standards for communications**
- **Actively cooperate with domestic corporations, to promote the success of industrialization of independent mobile phone TV standards in China**
- **Fully participate in success of industrialization of China independent audio and video codec standards**

China Samsung Design

highly emphasized on cultural design

U+U design Pan Asia's design of the future - Cultural Design

- Design and culture is the core means of new BeSeTo Line.
- Through national cooperation, to become an economic and cultural center



■ Using cultural and geographical conditions, we must develop into a new design hub

- Relying on original splendid traditional culture and emerging technologies, the core resort of the new BeSeTo line should be culture design.
- Such a design strategy must be founded on national cooperation, through which to enable Pan-Asia to become the economic and cultural center rapidly.
- Currently, we also believe that we need to cooperate actively with utilization of these advantages on culture and geographic location, to become the new global design HUB.

谢 谢
THANK YOU

王志乐

TEL: 010—64259598

13910845068

E-MAIL: wzltncn@yahoo.com.cn

跨国公司中国网: www.tncchina.org.cn