

Zheng: Multinationals and transformation

Editor's note: The following is the speech of the fifth Multinational Corporations Leaders' Roundtable by Zheng Wantong, vice-chairman of the 11th National Committee of the Chinese People's Political Consultative Conference, president of China International Council for the Promotion of Multinational Corporations and chairman of the Multinational Corporations Leaders Roundtable Organizing Committee.

Ladies and Gentlemen,
Good afternoon.

This year the Round Table Conference added a private session for presidents of multinational corporations, which provided a platform for us to better understand each other and find opportunities for cooperation.

Today, we from various multinational corporations, international business organizations, the UN and Chinese enterprises sit together and talk about grand prospects brought by the China's 12th Five-Year Plan (2011-2015). I believe that this day is of great significance and value.

Yesterday, Jia Qinglin, member of the Standing Committee of the Political Bureau of the Communist Party of China Central Committee and chairman of the National Committee of the Chinese People's Political Consultative Conference, spoke at the opening ceremony.

He analyzed the impact of multinational corporations on global economic development and human social improvement. He analyzed multinational corporations' contributions to the development of the world economy and to the advance of humanity.

He also explained how collaboration between multinational corporations and Chinese local enterprises is imperative for forward advancement in the current economic climate. His speech was a great inspiration for the private session and I would like to express my opinions on the development and innovation of multinational corporations in China.

First, multinational corporations are in a key period of modernization and opportunity. The international financial crisis has stepped into its fifth year and each country is actively seeking ways to get out of the crisis and resume growth — through ways from pumping liquidity into the market, to pushing forward "reindustrialization", to implementing an innovation strategy.

It becomes a common view and trend to almost every main economic entity that creative resources should be pushed to the high-end of the industry chain. We Chinese have an old saying: "Fortune and misfortune are neighbors," a phenomenon seen several times during the world economic crisis.

Severe economic crises in the past have shown that the powerful innovative impetus forced out by crises can bring about new technological revolutions, which in turn produce a batch of sustainable new industries with huge potential.

These enterprises can usually power major transformation in the economic development mode and economic structure, pushing the economy to regain balance before going to an even higher level. Now facing the eve of the world's sixth science and technology reform, we have seen the dawn of new capabilities and some key science and technology fields have presented breakthroughs.

These take form in material sciences, energy and resource sciences, information technology and life science. That is to say, whoever is the first to achieve breakthroughs will stand on top in this new economic and technology competition.

Of global enterprises, multinational corporations own 93 percent of the intellectual property and have 75 to 80 percent of the total technology research funds. They gather first-class technology talent that accounts for the

core power to lead the world's science and technology innovation.

What's more, with years of global management experience, multinational corporations have a close relationship with the world market and have obtained accurate strategic observations. As is known to us, innovative multinational corporations, represented by Intel, Microsoft, Cisco, IBM and Apple, promoted the fifth science and technology reform — namely, information reform — all over the world. Therefore, science and technology innovation is not only an essential method for multinational corporations to cope with the crisis, but a necessary way to achieve self-development and strength.

Second, multinational corporations should spearhead the evolution of the global industrial system. After the global financial crisis, the world enters a new round of industrial restructuring and revolution. On one hand, developed countries intensified their support to traditional manufacturing and the real economy and actively pushed forward "reindustrialization".

In 2011, the United States launched the Advanced Manufacturing Partnership, while Britain decided to realize a rebalance from the financial to the manufacturing industry.

Emerging economies and developing countries, including Brazil and India also issued new manufacturing policies to speed up their pace in manufacturing. High-end manufacturing has become the new orientation for global industry restructuring.

On the other hand, major economies began to implement strategies on emerging industries, investing more in technology and science, industry and marketing to seize future developmental opportunities.

In general, the global economic structure has been in an adjustment phase, but science and technical innovation as well as industrial transformation are still in incubation stage with coexisting of surplus production capacity in traditional industries and uncertainties in the development of new industries.

The new dominating industry and international division of labor haven't yet formed. During void in the global industrial system, multinational corporations, the important dominant force of economic globalization, should shoulder major responsibility and play a leading role in the restructuring and evolution of global industrial system.

China has formed a large-scale and comprehensive industrial system after more than 30 years of rapid development, which plays an important role in global industrial division.

Yet China is confronted with a hard situation in realizing fundamental shifts in economic development due to its unreasonable industrial structure and overall low-level industry.

Over the long term, powerful technical support and management innovation are needed to upgrade China's traditional manufacturing industry; the expansion of new strategic industries, like new energy, new materials, energy-saving and environment-protection as well as biological medicine; and the accelerated development of modern service industries such as finance and logistics, trade and exhibitions, technical and business services.

This provides multinational corporations more market opportunities for deep cooperation with China. It is estimated that by 2015, sales revenue of China's high-end equipment manufacturing industry will exceed \$6 trillion; the output value of environmental protection industry will reach \$2 trillion; the total export-import volume in China's service industries will surpass \$1.25 trillion in the next five years.

I sincerely hope that multinational corporations can attach great importance to and intensifying mutual

beneficial cooperation with China in the global industrial revolution and adjustment, as well as play a more significant role in China's industrial restructuring and the evolution of global industrial system.

Third, multinational corporations should expand space for development to meet China's push for coordinated urban and rural development. China is a vast country with a large population and imbalanced development between rural and urban areas. Since the go-west strategy was put forward, the government has actively guided funds and human resources to western, central China and rural areas to promote a coordinated development.

I, at the CPPCC, have led several teams of experts for on-site investigations at the Guangxi Beibu Gulf opening and development, the integration of economy and society in Chengdu and Chongqing, the Wuhan city circle, the Changsha-Zhuzhou-Xiangtan city group constructions, Yunnan's opening to Southeast Asian countries, and the Dabie Mountains old revolutionary base development. The policy suggestions we put forward got the attention of the Party and the government, with some even becoming national strategies.

According to these surveys, I am convinced that the leaders and people in these areas have strong development desires and these areas are equipped with a good political landscape, investment environment and markets. Thanks to improving transport infrastructure, low labor costs, abundant energy resources and strong policy support, western and central China have the huge potential for growth and can lead China's sustainable and sound development.

The government of China proposed that by 2020 western China would be an important energy base, deep resource processing base, equipment manufacturing industry base, and strategic new industry base with sound infrastructure and complete modern industrial system.

As a result the government carried out the "Industry Guidance Directory of Foreign Investment" to encourage foreign investment in competitive industries and infrastructure construction in western China, and stimulate the service trade in western China to open wider to the outside world.



Closed meeting of China presidents of foreign multinational corporations.

China is developing a unique path of urbanization suited to its realities, which provides great opportunities for multinational corporations. During the 12th Five-Year Plan period (2011-2015), around 9 million people from rural China will have moved into urban areas.

For China to enter the stable stage of urbanization, 200 million to 300 million people from rural areas are expected to move into urban areas. The process will increase domestic demand substantially and become the engine of economic growth. China is supporting the development pattern for development of big and medium cities as well as small towns. Spreading and numerous second- and third-tier cities will receive migrant workers so that the demands of investment, consumption and industries will be remarkably considerable. These cities will be the potential markets for the multinational corporations.

You will see clearly that China is embarking on a road of better coordination between rural and urban areas, better balance among different regions, and more comprehensiveness. If multinational corporations are able to combine their own global strategic layout, industry development and technology research and development with China's coordinated regional development and urbanization, they will win more opportunities and gain more returns.

The present world is an open one, and today's China is also open. After years of mutually beneficial cooperation, multinational corporations and China have become intertwined, both dedicated to promoting scientific and technical innovation for a higher-level development. In the context of a gloomy global economy and global industrial restructuring, deep cooperation between multinational corporations and China is helpful for the two parties to take advantage of each other's strengths and achieve a win-win situation.

Let's work together to implement scientific and technological innovation, deepen mutual beneficial cooperation and make contributions to the expansion of transnational corporations, fast and steady development of the Chinese economy, as well as a sustained world economic recovery.

Finally, I wish the private session success.

Thank you.



Experts and company representatives from home and abroad at the fifth Multinational Corporations Leaders' Roundtable.

PHOTOS PROVIDED TO CHINA DAILY

CPPCC head: Opportunities abound

CEOs, officials discuss the global economy and China

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China is providing a broad market and plenty of development opportunities for multinational enterprises, Chairman of the National Committee of the Chinese People's Political Consultative Conference Jia Qinglin told a gathering of CEOs last week in Beijing.

At the opening ceremony of the fifth International CEO Roundtable of Chinese and Foreign Multinational Corporations, Jia, who also a member of the Standing Committee of the Political Bureau of the CPC Central Committee, said the Chinese government "has made efforts to create good policies for the economy to increase

stably and relatively fast".

Thirty CEOs from the world's top 500 companies, as well as more than 400 delegates of companies from both home and abroad, participated in the meeting that discussed the latest topics in the economies of both China and the world.

"China's reform and opening-up is the process of multinational companies collaborating and developing with the Chinese economy. Cooperation between multinational companies and their Chinese counterparts has been expanding and producing more profits," Jia said.

During a closed-door CEO meeting on multinationals in China on June 23, Zheng Wantong, vice-chairman of the CPPCC and chairman of

the organizing committee, said China has established large-scale and completed industrial categories after 30 years of fast development.

He added that "China still has plenty of market opportunities for cooperation with multinational companies because the country's overall level is not that advanced" and needs further modernization and transformation over the long term.

A range of opportunities are available in strategic emerging industries including new energy, new materials, energy saving, environmental protection and biomedicines. Rich potential is also available in modern service industries including finance, logistics, exhibitions, technological services and business and trade services.

By the year of 2015, China's high-end equipment manufacturing industry are projected to have sales revenues surpassing 6 trillion

yuan (\$942.6 billion), with the environmental protection industry expected to reach 2 trillion yuan.

Over the next five years, imported service revenues are projected to surpass \$1.25 trillion.

Zheng said he anticipates that multinational companies can boost bilateral cooperation to achieve more mutual benefits and play a greater role in China's industrial restructuring.

Support for foreign investment

The State Council has recently released guidelines on further implementing foreign investment that encourage foreign investment to focus on high-end manufacturing, high-tech, modern services, new energy and environmentally friendly industries.

Foreign investment is also encouraged for central and western regions rather than

already flourishing coastal areas where multinational companies are concentrated and fiercely compete with each other.

The guidelines also stipulate that procedures for foreign investors in China should be simplified to cut costs and increase efficiency.

All levels of local governments have also been tasked with creating a favorable environment including supporting policies and more convenient services to better utilize foreign investment.

Jia said he hopes the meeting with its influence will make greater contributions to the world economy and the sustainable human development.

The meeting also had themed seminars on multinational companies' corporate social responsibilities, and closed-door meetings on food and medicine safety, and between CEOs from China and South Korea.

Corporate responsibility highlight of roundtable

UN secretary-general Ban Ki-moon notes need for sustainable growth

I am pleased to greet the fifth Multinational Corporations Leaders' Roundtable. Business has been among the drivers of globalization and has brought the world closer together. Your focus on corporate responsibility can be equally important in securing our future.

From the global economic crisis to climate change and the impact of natural disasters, governments, businesses and societies have all arrived at the same conclusion: sustainability matters. It matters for peace and security; it matters for global markets; it matters, above all, for our development as a human family.

Government leadership will be crucial in harnessing the tremendous power for change that exists within the business community. But without the knowledge, technologies and innovation that companies offer, our prospects remain limited on a planet that is on an unsustainable course.

Through corporate responsibility, the private sector can help reverse this trend. Companies that are already doing this — including a growing number of Chinese enterprises — are finding that investing in people is simultaneously good for business.

In China and around the world, the United Nations continues to forge strong partnerships with the private sector, including through initiatives such as the UN Global Compact.

Earlier last week, at the UN Conference on Sustainable Development in Rio de Janeiro, nearly 3,000 business leaders and others from more than 100 countries, including China attended the Corporate Sustain-



Ban Ki-moon, UN secretary-general

ability Forum, a Global Compact initiative. The participants generated about 200 new ideas and commitments, with clear targets as well as promises to report annually on progress.

Our challenge now, on the road from Rio+20, is to sustain this momentum, bring corporate sustainability to the next level, and ensure that companies everywhere deliver value not just financially but also in social, environmental and ethical terms — the quadruple bottom-line.

I welcome the collaboration between the private sector and the United Nations on energy, climate change, water, food, health, education, employment, anti-corruption, women's empowerment and our efforts to achieve the Millennium Development Goals.

At the same time, there is still a long way to go before we will see the full potential of corporate sustainability. I therefore urge you to take bold steps commensurate with your status as leading global enterprises. Together, we can build the future we want. Please accept my best wishes for a productive and successful meeting.



Heinrich Hiesinger, chairman of the executive board, ThyssenKrupp AG, gives a speech at the fifth Multinational Corporations Leaders' Roundtable.

Top insights: Responsibility, markets and the road ahead

Editor's note: The fifth Multinational Corporations Leaders' Roundtable was held in Beijing on June 22 and 23 with the theme of "Promote Multinational Corporations' Investment, Strengthen Corporate Social Responsibility and Facilitate Sustainable Development". Participants share their views on the high-level conference.

Li Yizhong, vice-chairman of the Subcommittee for Economic Affairs at the CPPCC and former minister of Industry and Information Technology

As the world has entered an era of profound changes, the internal and external environment of China's foreign trade faces changes too. It is difficult to continue the traditional mode that propels export growth. Adjustment and transition in the growth mode of foreign trade are imminent. I put forward the following suggestions to Chinese enterprises: improve the industry chain; broaden sales channels; promote e-commerce; explore international markets; enhance awareness on social responsibilities.

Gao Hucheng, international trade negotiation representative and vice-minister, Ministry of Commerce

In recent years, along with its own development and rising national strength, China has actively implemented a "go-out" strategy, encouraging its enterprises to enter international markets. Chinese enterprises have become a mainstay in global investment and cooperation. This in turn brings new opportunities and broad prospects for investment cooperation between China and foreign countries. Statistics indicate that at the end of 2011 overseas direct

investments from China totaled \$380 billion. With overseas assets approaching \$1.6 trillion, Chinese overseas investment is now in 178 countries and involves 18,000 Chinese enterprises.

Quan Zhezhu, vice-minister, United Front Work Department of the CCCPC

China's private enterprises now have a strong desire to go to international markets and the time is ripe. At the same time, they should be fully aware of the risks ahead to better cope with potential risks in international markets, which are increasingly complex and full of uncertainties. Back at home, the Chinese economy is facing many obscure problems and its growth will slow. Chinese enterprises should contemplate all these factors before setting foot in international markets.

Heinrich Hiesinger, chairman of the executive board, ThyssenKrupp AG

To realize our goals in energy and environmental protection, governments and enterprises must carry out effective cooperation. This is the case in both Germany and China. I believe the European Union and China should enhance bilateral cooperation and tap the potential in this regard. One thing is very important: Foreign enterprises should be treated as equals before the law in China and granted with an equitable environment for competition.

Zhou Zhongshu, president, China Minmetals Corporation

Many Chinese enterprises have stepped up efforts to merge or purchase advanced technologies and name brands overseas. But the comprehensive strength of a

company's brand will not necessarily be upgraded simply with the technologies purchased. This is because the competitive edge of a first-class conglomerate is propelled by an integrated management system and its continuous R&D capability. Such core capability cannot be acquired through a single purchase or merger. Chinese enterprises should continue to temper themselves at home and build themselves stronger to fare better in competition in international markets.

Wang Yusuo, chairman of the board, ENN Group

Last June I had a long talk with the governor of the state of Nevada in the United States. When I was asked for proposals based on China's experience in economic development, my answers were two words only: opening up. It is known to all that thanks to reform and opening-up policies, China has sustained fast growth for many years. Under the current adverse world economic situation, countries in the world should actively promote free trade and investment with an open mind and combat protectionism in all forms.

Li Xiaohua, chairman, Huada International Holding Group

As a businessman that has grown up along with China's reform and opening-up policy, our generation is lucky as we jumped on the good opportunity. I deeply feel that the best way to achieve development is for Chinese enterprises to go to international markets and introduce foreign companies to do business in China. A nation that is willing to open up is a great nation. It will have the strength to march

forward too. Wish our friends in the business sector even greater success in their course to embrace the world.

Steve Orlins, president, National Committee on US-China Relations

Chinese investment in the US boosts economic growth and creates American jobs, one of the most important issues for Americans today, especially in this election year.

Municipal and state leaders are hungry for investment, and Chinese companies should go directly to these state and local leaders. This will help Chinese companies expand their global brand recognition while simultaneously bolstering the American economy and improving relations. But this openness must be a two-way street. Let us work together to make sure the door remains open on both sides of the Pacific so we can help build constructive relations between these two great nations.

Christophe Bahuet, country director, the UNDP in China

The United Nations Development Program realizes the importance of enterprises' social responsibilities and promotes that in our programs. For example, the United Nations Global Compact aims to improve social responsibilities of the governments and enterprises. We notice that China has made great progress in this field. The Chinese government has urged enterprises to take more on social responsibilities.

Du Keping, vice-president, Sinochem Group

Sinochem's overseas projects are mainly located in Africa, South America and the

Middle East. In the light of mutual benefits and win-win cooperation, Sinochem has made efforts to promote localization. At the same time, the group tries to improve social development of the regions where the projects are located through localization of employees and purchasing, as well as providing aid to medical treatment, education and construction of infrastructure. We also highly emphasize harmonious coexistence between humans and the natural environment.

Sean Maloney, executive vice president, Intel Corporation

At Intel, social responsibilities mean we need to create common values together with the entire society, which include technology and social innovation. These three innovations are three core values of Intel's social responsibilities. We grow with China and we think the future of China depends on whether it can generate the next generation of innovators.

Our educational programs benefit 1.9 million teachers and 200 million students in China. More than 65 percent of our 9,000 employees in China participate in community and social service every year. It's our honor to participate in China's economic growth.

Jeffery Moon, vice-president, Cisco Systems Inc.

We have our own strategies to develop responsible enterprise operation and improve sustainable development. We combine our social responsibility programs with our global development strategy. And we cooperate with communication compa-

nies to enhance rewards to the community in innovative ways.

We develop innovative projects to accelerate economic growth and meet human needs, especially in medical treatment and education. Five thousand employees at Intel have participated in these social responsibility programs since 1995. It not only makes better use of various resources but also boosts their morale. They are always willing to take social responsibilities.

Michael Jiang, global vice-president, Motorola Solutions, Inc.

As one of the first transnational corporations in China, we are glad to share a piece of good news with you: This year marks the 25th anniversary of Motorola in China. In addition to adhering to our China strategy, being a good citizen in Chinese society is also an important part of development at Motorola in China. We'd love to work together with other enterprise, make more contributions to build an harmonious society and achieve sustainable development in China.

Ian Chang, global vice-president, Boeing Co

We encourage scientific research including scientific and technological research projects in Chinese universities.

We commit ourselves to enhancing learning with high quality, including education research in fields of mathematics, technology and environment protection. We cooperate with 450 schools in Beijing and Xi'an. Through a series of projects at different levels, Boeing is trying to shoulder our social responsibilities and strengthen innovation.