

CCG Special Report

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Ten Features and Trends of World Chinese Entrepreneurs

—Executive Summary of Report on Development of World Chinese Entrepreneurs (2018)



Abstract

Chinese entrepreneurs constitute a crucial economic force in the world, for their long history, wide geographic distribution and profound impact that any other business groups in the world cannot compare with. Rooted in Chinese culture and exposed to international environment, they are world-class talents capable of thinking from both Chinese and Western perspectives.

World Chinese entrepreneurs play an integral role in China's economic development, as so-called the "second largest force". As China enters into a new era, their role has become increasingly important and prominent. Nowadays, the Chinese economic circle, composed of Chinese businessmen both at home and abroad, acts as a major propeller for economic globalization and driving force to implement the Belt and Road Initiative.

This report will provide an overview of the current status and trends of Chinese entrepreneurs' development, including geographical distribution, business operation sectors, and capital stock. The report highlights the new trend such as their business diversification and transformation as well as new opportunities to participate in the Belt and Road Initiative. A total of 10 features are identified in the report, based on extensive studies of worldwide Chinese entrepreneurs.

Moreover, CCG employs its strength in Chinese enterprises globalization and talent globalization as well as global governance to establish a rating system and presents the lists of the world's most influential top 10 Chinese enterprises, and the world's most influential top 10 Chinese entrepreneurs.

First part: Ten features and trends of world Chinese entrepreneurs development

1. Geographically, overseas Chinese entrepreneurs are widely located around the world but particularly concentrated in some regions, such as Southeast Asia, North America and Europe

Nowadays, the overseas Chinese population has exceeded 60 million, equivalent to the size of population in some developed countries in Europe such as Italy, Britain and France, and many of them own and run business, which forms a large Chinese entrepreneurs community around the world. Asia, especially in Southeast Asia, is a global hub for overseas Chinese enterprises, such as Thailand's CP group, Indonesia's Sinar Mas Group, and Singapore's Royal Golden Eagle Group, etc.

In Europe, Chinese entrepreneurs are widely distributed and their overall economic strength is not quite strong. Most of them operate business in restaurants, leather product manufacturing, clothes production, trade, and other traditional sectors. However, as the number of new Chinese immigrants increases, their business sectors are becoming more diversified. Currently, there are about 2.55 million Chinese nationals in Europe, including 1.71 from the new generation of Chinese immigrants.

Chinese entrepreneurs in Americas are mainly based in the United States and Canada. According to the latest figures, the population of Chinese immigrants has reached 4.52 million in the United States and 1.8 million in Canada. Latin America homes another 1.2 million. They have built successful business in a wide range of sectors, including farming, breeding, restaurant, clothes production, retailing, oil, chemical, building materials, real estate and finance.

The business of Chinese entrepreneurs in Africa is highly concentrate in the sectors that require less capital and lower technical skills, such as restaurant, trade and export-oriented processing and manufacturing, and have small margin of profits.

2. Overseas Chinese entrepreneurs' business sectors are highly concentrated but their capital highly dispersed; there are a large number of SMEs that operate business in restaurant, retailing and wholesale sectors

A large number of SMEs owned by overseas Chinese entrepreneurs around the world are running their business in labor-intensive industrial sectors such as restaurant, clothes production, retailing, wholesale, and import & export that have less capital and technical input and stay at the lower end of value chain. Most of them lack innovation capabilities. Very few of them are hi-tech companies.

This phenomenon is particularly prominent in the restaurant industry. Statistics show that there are more than 400,000 restaurants abroad owned by overseas Chinese, and they are especially widely dispersed in Europe. Most Chinese restaurants are family-owned and -run small business with low capital input.

The same phenomenon is also reflected in retailing. In the recent years, a large number of Chinese shopping malls have mushroomed into foreign countries around the world, gathering many Chinese entrepreneurs working in retailing and wholesale business. This is the case particularly in Europe, where we have seen the establishment of China Mall in Paris, Prato European Mall in Italy, China Trade City in Sweden, and Chinatown market and the Wenzhou mall in Budapest.

3. Overseas Chinese entrepreneurs in Southeast Asia have more asset; many of large-scale overseas Chinese enterprises are located in this region

The majority of large-scale enterprises owned by overseas Chinese entrepreneurs are located in Southeast Asia, mainly in Singapore, Indonesia, Malaysia, Thailand and the Philippines. Among all, Singaporean Chinese entrepreneurs are the strongest in terms of value of asset. Study shows that the asset of the Chinese entrepreneurs from these five countries combined account for 95 per cent of the total in the region. They are the best example to demonstrate the economic power, strength in a variety of industrial sectors and great impact on global and regional markets

that Southeast Asian Chinese entrepreneurs have. On the ranking list of the “2016 World’s Top 1000 Chinese entrepreneurs” by *Yazhou Zhoukan* magazine, among 53 from outside of China, 52 of them are from Singapore, Malaysia, Thailand, the Philippines, Indonesia. The other one is from the United States. Among the five ASEAN countries, Malaysia has 15 entrepreneurs on the list, followed by Singapore, 12, Philippines, 9, Thailand 9, and Indonesia, 7. The 12 Singaporean Chinese entrepreneurs on the list have the highest value of asset, which was \$56.73 billion on average, followed by Malaysian (\$19.31 billion), Thailand entrepreneurs (\$27.68 billion), the Philippines (\$11.59 billion) and Indonesian (\$11.24 billion).

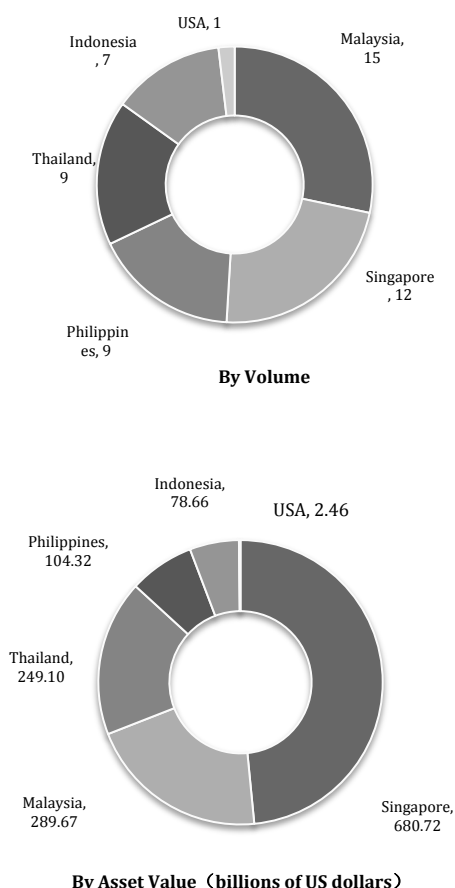


Figure 1: Distribution of Overseas Chinese Entrepreneurs on *Yazhou Zhoukan* magazine’s “World’s Top 1000 Chinese Entrepreneurs” List by Volume and Asset Value

Source: *Yazhou Zhoukan*

4. Chinese entrepreneurs entered into a new era in which their business became more diversified and more high-tech driven

Overseas Chinese entrepreneurs expanded their business from traditional sectors such as cooking, sewing and haircutting to higher-end industries including textile and clothes production, banking, hotels, and real estate. Nowadays, they further upgraded the business sectors to pharmaceutical, aviation, information technology, e-commerce, medical services, telecommunications, waste water treatment and investment.

The United States, Canada, Australia and other foreign countries that attracted a lot of new Chinese immigrants have witnessed emergence of tech innovation-driven companies owned by Chinese entrepreneurs. For example, one-thirds of the companies in the Silicon Valley are owned or operated by Chinese entrepreneurs. However, more efforts are still needed to enhance innovation capacity of the Chinese entrepreneur community and upgrade their business, to catch the strong momentum of world science tech innovation and thrive in the new era of technology revolution featuring Internet industrialization and industry intellectualization.

2007 年	2017 年
Textile and clothes production	Food production
Food production	Electronic products manufacturing
Machine manufacturing	Construction
Electronic products manufacturing	Agriculture
Construction	Real estate
Agriculture	Finance
Real estate	Retail
Finance	Culture and entertainment
Retail	Internet information
Culture and entertainment	Transportation
Internet information	Petrochemical
New energy	Pharma
	Consumer goods production
	Restaurant
	Telecommunication

Figure 2: Change of Large-scale Chinese Enterprises’ Business Sectors (2007 - 2017)

5. Business transformation and upgrading is a main priority for Chinese entrepreneurs in the future, which can be achieved through asset integration, development of high-tech industries, and aligning their business with Chinese enterprises "going global" and other economic development strategies

The business structure of overseas Chinese entrepreneurs have been through three times of major transformation in history, becoming more diversified at each time. However, it is still heavily concentrated on several industries such as restaurants, clothes production, leather processing, retailing, import and export, while its presence in high-tech and emerging industries is still very limited.

Overseas Chinese entrepreneurs can achieve transformation and upgrading through various ways, including: (1) integrating the assets of many small companies owned by Chinese entrepreneurs in the same industrial sector, to make them bigger and stronger. For example, the Dutch Chinese Entrepreneurs Group formed an alliance of Chinese restaurants to unify and coordinate their development for resource integration and sharing; (2) moving towards high-tech industry and accelerating the application of more advanced technological tools to upgrade traditional industries, while gradually transforming business model from being labor-intensive to technology-intensive; (3) aligning the business with the industrial upgrading strategies of those Chinese companies going abroad, and capitalizing on the opportunities presented in China's economic development, especially the investment opportunities in the fields of advanced manufacturing, infrastructure building and hi-tech innovation.

6. Chinese entrepreneurs have a unique advantage in cross-border e-commerce business, which can be a new approach for their business transformation and upgrading

Many overseas Chinese entrepreneurs have extensive experience in retailing, wholesale and trade, and abundance warehouse, logistics and marketing resource.

Therefore, they are in the best place to link China, the world manufacturing powerhouse and biggest market, with global market. Nowadays, cross-border e-commerce has entered into a phase of rapid growth, and China become a global e-commerce hub. In 2016, the value of China's cross-border e-commerce business transaction has reached RMB 6.3 trillion.

Cross-border e-commerce business present new opportunities for Chinese entrepreneurs to transform and upgrade their business. They can cooperate with China's homegrown companies to build a complete industrial chain and ecosystem. At present, many Chinese entrepreneurs are marching into the cross-border e-commerce business or planning to expand their business to this sector, and building cooperative and complementary relations with domestic companies in China.

Domestic e-commerce companies can provide sample products, brand licensing, and online marketing channels. In return, overseas Chinese entrepreneurs can contribute their distribution networks, retail stores and warehouse, all key resources needed by domestic e-commerce companies to launch their business abroad.

7. Overseas Chinese entrepreneurs are a main source of foreign investment in China, while China's economic power is a key driving force for their business growth

Overseas Chinese entrepreneurs have intrinsic advantage to play a part in China's economic development. They are a key channel of Chinese product export and major source of foreign direct investment in China. According to the Ministry of Commerce, the amount of China's FDI in actual use reached \$126 billion in 2016, a yoy growth of 4.1%. Among all, \$87.18 billion was from Hong Kong, accounting for 69.2% of the total amount; and \$6.18 billion was from Singapore, accounting for 4.9%. Most of the investment in China's mainland has been made mainly by Chinese entrepreneurs in Hong Kong and Singapore. Those from Southeast Asia also prefer to invest in mainland China through Hong Kong and Singapore.

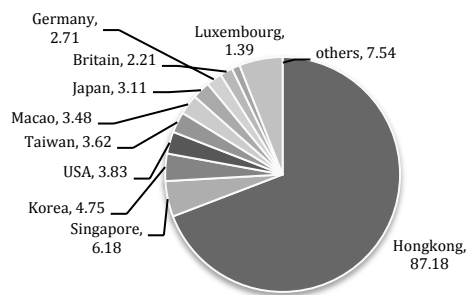


Figure 3: Top 10 Sources of China's FDI in 2016 (unit: billion US\$)

Source: Ministry of Commerce of China

On the other hand, China's economy has performed as an engine for overseas Chinese entrepreneurs' business expansion, since the beginning of the 21st century. Especially, after the global financial crisis broke out in 2008 and the world economic development was slowed down, overseas Chinese entrepreneurs formed a stronger bond with their homeland. Currently, China's economy is going through transition, replacing outdated production capacity with new one and upgrading economic structure, which present tremendous opportunities for overseas Chinese entrepreneurs. For example, China is building industrial clusters and innovation bases exclusively for overseas Chinese entrepreneurs, which is called "Qiaomengyuan" (meaning "Dream Garden for overseas Chinese"). By far, there have been 16 Qiaomengyuan established in Beijing-Tianjin-Hebei region, Yangtze River delta and Pearl River delta as well as other places many overseas Chinese are originally from to provide policy support and service for overseas entrepreneurs.

Overseas Chinese entrepreneurs will continue to benefit from China's economic development as the government is rolling out more open and inclusive policies. The 19th National Congress of the Communist Party of China (CPC) has reaffirmed the commitment to building a community of shared future for mankind and a new type of international relations based on mutual respect, fairness, justice and win-win cooperation. Meanwhile, China will more proactively participate in and push forward economic globalization, build an open economy at a higher degree, and adopt more policies to facilitate trade and investment.

China has attached more importance to overseas Chinese, for their crucial role in China's economic development, and vowed to provide better services to address their needs. As the 19th CPC National Congress work report emphasizes, it is important to unite overseas Chinese and returnees to work together for the "great rejuvenation of the Chinese nation". Either for China's development or for building a community of shared future for mankind, overseas Chinese are considered a crucial force.

8. The companies from China's mainland have made investment in more than 80% of the countries and regions around the world; overseas Chinese entrepreneurs can benefit a lot from working with Chinese companies going abroad to expand globally

The recent years have witnessed a growing momentum in China outbound investment and cooperation. According to China's Ministry of Commerce, by the end of 2016, the investors from China's mainland have used FDI to set up 37,200 overseas companies in 190 countries and regions around the world. The coverage in Asia, in particular, has expanded to 97.9% of the total area.

Geographically, the overseas companies are fairly concentrated in some areas. Among all, nearly 21,000 are located in Asia, accounting for 55.8% of the total. They are mostly based in Hong Kong, Singapore, Japan, Vietnam, South Korea, Indonesia, Laos, the United Arab Emirates, Thailand, Cambodia, Malaysia, and Mongolia. Hong Kong alone homes nearly 12,000 overseas enterprises, or 30% of the total, and therefore is the most preferable place to set up overseas companies.

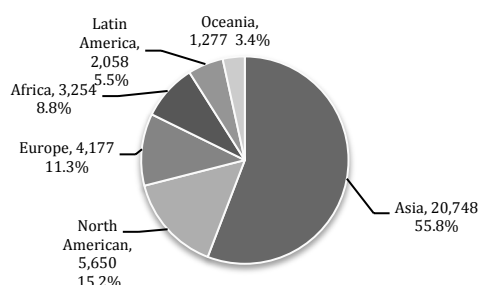


Figure 4: Geographic Distribution of Chinese Oversea Companies by Number (till end of 2016)

Source: Ministry of Commerce of China

Overseas Chinese entrepreneurs have great potential to help the companies from China's mainland make investment abroad, and can also benefit from it. They have been playing an important role in attracting more foreign investment to China, and will now help Chinese companies go out, by, for example, being their partners in targeting markets. Cross-border e-commerce is one of the sectors to establish such partnership. Another promising sector is manufacturing. In 2013, Chia Tai Group and SAIC Motor jointly established a company in Thailand, focusing on higher-end auto production, to break into Thailand and ASEAN auto markets that have been dominated by Japanese cars.

9. The Belt & Road Initiative provides a golden opportunity for Chinese entrepreneurs to grow their business; they are expected to play a constructive and important role in the implementation

First of all, overseas Chinese entrepreneurs can facilitate communications, exchanges and trust building with the countries along the route, because they understand the political, economic, social and legal environment in both sizes and have the capabilities to establish a policy communication and coordination mechanism to promote the Belt & Road Initiative.

Second, overseas Chinese entrepreneurs can help expand industrial cooperation with the countries along the route. Using their industrial capacity and political and business networks there, they can bring the industries that have more advanced technology and more competitiveness to the Belt & Road countries.

Third, overseas Chinese entrepreneurs can help strengthen the cooperation in trade and finance with the Belt & Road countries. They are familiar with trade norms and rules in both countries, and also have the trade channels and capital that the Belt & Road Initiative needs for its implementation.

China's overseas economic and trade cooperation zone is an important platform for Chinese entrepreneurs abroad to participate in the Belt and Road Initiative. By far, China has built 56 overseas economic and trade cooperation zones in 20 Belt and Road countries, with a

total of 1,082 companies and \$18.55 billion of investment. Meanwhile, Southeast Asia, which homes more than 40 million Chinese, is a key area on the roadmap of the Belt and Road Initiative. Overseas Chinese entrepreneurs can explore more opportunities for industrial cooperation in this area.

10. The Belt & Road Initiative, as an international win-win solution for globalization, will provide an opportunity for overseas Chinese entrepreneurs to work together with China to reshape international rules and accelerate globalization process

In the past decades, globalization has drawn world economies closer than ever. Despite the emergence of de-globalization tendency, it is an unswerving trend to continue with globalization process and bring it to a higher level.

The new type of globalization we aim to push forward is to achieve global development on an equal, open, cooperative basis, through which all parties can share the benefit. The Belt & Road Initiative, as an international cooperation win-win solution for global governance and global development under the principle of "achieving shared growth through discussion and collaboration", will serve as a main platform for the new type of globalization.

Overseas Chinese entrepreneurs are an important force to push forward the new type of globalization, as they have played a key role in building China's export-oriented economy and helping integrate China into the world economy before. They are located all over the world and can help bridge and connect China with the rest of the world. They are not only the earliest foreign investors in China, but also the catalyst to attract more investment to China. Furthermore, they can facilitate Chinese companies to go abroad and promote communications and trust-building between two peoples. The 60 million overseas Chinese, including overseas Chinese entrepreneurs, can create a most effective platform for China to participate in international rule setting and push forward the new type of globalization.

Second part: CCG ranking

CCG is committed to the research of the Chinese entrepreneurs across the world, using its academic strength in the study of Chinese enterprise globalization, talent globalization, and global governance. With an aim to promote the exchange and development of the world’s Chinese entrepreneurs, CCG developed a set of indicators and designed an evaluation system to rank the Chinese enterprises and Chinese entrepreneurs based on their influence, as a reference for the Chinese entrepreneurs studies in the future.

The world's most influential top 10 Chinese enterprises

(The companies below are listed alphabetically)

Enterprise	Headquarter location
Alibaba Group	Mainland, China
CK Hutchison Holdings	Hongkong, China
Fuyao Group	Mainland, China
Hon Hai Precision Industry Co. Ltd	Taiwan, China
Huawei Technologies Co. , Ltd.	Mainland, China
Sinar Mas group	Indonesia
Royal Golden Eagle Group	Singapore
Tencent	Mainland, China
Charoen Pokphand Group	Thailand
China State Construction Engineering Corporation	Mainland, China

The world's most influential top 10 Chinese entrepreneurs

(People below are listed alphabetically based on the pinyin of their names)

Name
Cao Dewang
Chen Qizong
GuoHenian
Guo Taiming
Li Jiacheng
Ma Huateng
Ma Yun
Ren Zhengfei
Xie Guomin
Xu Jiayin

(For more details, please refer to the *Report on Development of World Chinese Entrepreneurs (2018)* published by Social Sciences Academic Press (CHINA) of Chinese Academy of Social Science.)

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Introduction of Report on Development of World Chinese Entrepreneurs (2018)

This report is a subsequence of the “Report on Development of World Chinese Entrepreneurs (2017)” released by CCG and an outcome of the systemic study on Chinese Entrepreneurs. The editorial board brings together multiple scholars and experts in this field. It will be published by Social Sciences Academic Press of Chinese Academy of Social Sciences.

The report consists of five chapters, which are Executive Summary, Evaluation Reports, Special Issue Reports, Regional Reports and Case Studies. The Executive Summary will lay out our key findings about the current status and trend of Chinese entrepreneurs development, with a focus on the role of China’s economy and the opportunities and challenges the Belt & Road Initiative will present. It also includes the suggestion to facilitate the development of Chinese entrepreneurs in the new era. The Evaluation Reports chapter is focused on the ranking lists of Chinese entrepreneurs compiled using CCG’s evaluation system and indicators. The Special Issue Reports and Regional Reports chapters provide analysis about the Chinese entrepreneurs in various sectors and countries/regions. The Case Studies chapter includes the successful practice and experience in global expansion of selected Chinese enterprises around the world.

ABOUT CCG

The Center for China and Globalization (CCG) is a leading Chinese independent think tank based in Beijing. It is dedicated to the study of Chinese public policy and globalization. Boasting a strong research team, it enjoys an impressive record of publications and events with broad public policy impact. CCG's research agenda centers on China's growing role in the world, drawing from issues of global migration, foreign relations, international trade and investment, homegrown MNCs and other topics pertaining to regional and global governance.

According to the "2016 Global Go To Think Tank Index" by the University of Pennsylvania Think Tank and Civil Society Program (TTCSP), CCG ranked 111th of the top think tanks worldwide and was one of the world's top 40 independent think tanks. The TTCSP along with several Chinese academic institutions rank CCG as China's premier independent think tank.

