Sean Chen and his fiancée, Joy Chen, moved to Atlanta to set up shop for General Protecht Group, an electrical parts company. (John Amis/The Associated Press)

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The newest Chinese export: Companies

By Justin Pritchard
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Amid the torrent of clothes, electronics and toys surging out of China comes a little-noticed export: international companies.

For centuries, individual Chinese have sought their fortunes abroad, creating Chinatowns around their restaurants and shops.

Now Chinese companies are going global, pushed by a government turned capitalist, pulled by untapped markets and armed with bundles of money from a thriving economy back home.

Automobile factories are popping up in Latin America. A sprawling commodity bazaar promises new life for a provincial Swedish city. A car parts distributor is acquiring troubled companies in the United States, a television factory is busy in South Africa, and a high-technology company is winning contracts to overhaul telecommunication networks in the Gulf.

Just as Japanese companies changed U.S. manufacturing in an earlier era, Chinese companies could eventually influence the ways in which their Western rivals approach innovation, competition and business itself.

"We not only consider ourselves pioneers," says Sean Chen, who at 26 is overseeing the construction of a $100 million electrical parts factory and industrial park in the southern United States. "We also consider ourselves explorers."

Chen and his fiancée, Joy Chen - both took American first names - moved from Shanghai to Atlanta to set up shop for General Protecht Group, a company controlled by his father. While the goal is profit, Sean Chen and his father view the venture almost as a social experiment - its aim, he said through an interpreter, is to marry the best Chinese and U.S. work practices.

"I want to have the efficiency and execution normally shown by the American employees and the brotherhood that a Chinese company normally shows," Sean Chen said. "There are capitalists and there are socialists and I want to see whether they can get along."

The Chinese corporate presence is still small overseas, but it is growing fast.

Chinese companies invested more than $30 billion in foreign companies from 1996 to 2005, nearly $10 billion in 2004 and 2005 alone, according to an analysis by Usha Haley, a professor of international business at the University of New Haven. Lenovo helped start the frenzy in December 2004 by announcing it would acquire IBM's personal computer unit for $1.75 billion.

In the United States and Canada, Chinese companies now have about 3,500 investment projects, compared to 1,500 five years ago, according to an estimate by Ping Deng, a professor at Maryville University. Large state-owned companies jumped ahead; medium and small private companies are catching up.

Total investment in the United States is $4 billion to $7 billion, Ping said. In Europe, Chinese acquisitions last year totaled $563.3 million, according to the research company Dealogic.

Last year, 29 Chinese companies made their debut on U.S. stock exchanges, compared with 27 for the previous three years combined, according to the Bank of New York Mellon.

The number of U.S. visas issued to Chinese executives and managers who transferred to U.S. jobs within their companies nearly doubled to 2,043 between the 2004 and 2007 fiscal years. The current fiscal year is on pace to top that number, according to U.S. State Department data.

Chinese businesses are not just establishing offices and factories overseas. They also are developing and selling products under their own brands, rather than simply supplying Western companies in search of cheap manufacturing.

The competition may make it harder for U.S. and European companies to milk early profits from cutting-edge products before reducing prices and releasing them to the mass market. Vulnerable sectors include high-definition televisions, portable DVD players, medical technology and perhaps even cars, said Peter Williamson, a professor of international management at the University of Cambridge.

At the Detroit Auto Show in January, a midsize sports utility vehicle from China with features including a leather interior was priced at just $14,000 - less than half of what many comparable cars cost. Models could be available by early next year in nine U.S. states.

Chinese companies can use their low-cost manufacturing advantage to add features. And they can do that by copying influential Western companies, circumventing the expense of product development. If the quality is high enough, the strategy can be devastating.

"It will pull to pieces the profit models of their competitors," Williamson said. "It's a classic case of attacking your competitor where you know they're reluctant to respond, because it's very costly."

The dynamic recalls how Japanese automakers forced their U.S. competitors to make options such as power windows and air conditioning standard.

Unlike the Japanese, whose high-profile arrival in the United States in the 1980s was at first greeted as a threat, Chinese businesses are being courted by states including Michigan, California, Illinois and Georgia.

Not that all arms are open.

Congressional scrutiny has focused on several investments, including the billions of dollars that government-owned funds are investing in top Wall Street institutions. National security concerns have scuttled several deals, including the attempted 2005 purchase of the oil giant Unocal and a $2.2 billion bid to buy the tech company 3Com in February.

In the Swedish coastal city of Kalmar, labor union and media criticism has been the backdrop for delayed Chinese plans to open a hotel and wholesale warehouse for Chinese-made commodities.

"China is developing very quickly and so people work very fast and don't plan very far ahead," said Angie Qian, the project manager. "In Sweden everything takes a much longer time."

The project, going up on the site of a shuttered chocolate factory and costing $160 million, could help revive a city abandoned by Volvo and the r Bombardier Transportation.

It would not be the first project of its kind. Dubai boasts an enormous Dragon Mart shopping mall and residential complex; Chinese centers with other backers have opened in Eastern Europe, Italy, England and Russia.

But the Kalmar project faces problems.

Fanerdun Group, the company bankrolling the project, has reportedly not received Chinese government approval to transfer funding from China to Sweden. The company has said it will pay wages of Chinese workers into Chinese bank accounts instead of Swedish accounts.

The national construction workers' union and local media have criticized Fanerdun for not paying some of the Chinese workers who helped prepare the site at all. The issue has delayed construction.