

“Capitalist tools in socialist hands”?

China Mobile in the Global Financial Networks

Abstract

The paper analyses the evolution of China Mobile – one of China’s pioneer ‘national champions’, and one of the world’s largest telecom companies – through the lens of Global Financial Networks, focusing on the role of advanced business services, financial centres, and offshore jurisdictions in economic development. It demonstrates that despite being a domestic company, China Mobile is plugged firmly into the Global Financial Networks, with incorporation in Hong Kong, cross-listing in Hong Kong and New York, and opaque offshore companies registered in the British Virgin Islands. Global advanced business services firms, with Goldman Sachs in the lead, have been instrumental in the very conception of China Mobile in 1997, and its subsequent expansion, thus helping the Chinese government consolidate and modernize the whole telecom sector. The case study highlights the position of Hong Kong as an onshore-offshore financial centre intermediating between global financial markets and Mainland China, and underwriting the reputation of China’s ‘national champions’. The analysis also points to the advantages of Beijing over Shanghai as a command centre of state owned and controlled enterprises, acting as a magnet for advanced business services. The relevance of the GFNs to China, a latecomer on the stage of financial globalization, highlights the scope for applying the

concept to the rest of the world, and its potential contribution to economic geography.

Key words: China, Global Financial Networks, Global Production Networks, financial centres, advanced business services, offshore finance

Introduction

China Mobile Ltd (CM) is a state owned enterprise (SOE) created in 1997 as part of the reform of the Chinese telecom sector. Its initial public offering on the Hong Kong and New York stock exchanges raised over \$4bn, then the largest amount of capital ever raised by an Asian company, turning CM into the pioneering Chinese megadeal on international capital markets and one of the first 'national champions'. CM is the world's largest mobile phone operator according to the number of subscribers (767m at the end of 2013), and the world's largest telecom company according to market capitalization (over \$190bn at the end of 2013). Fortune Global 500, ranking firms according to revenues, placed CM at number 8 among Chinese firms and number 55 worldwide in 2013. The advertising firm WPP considered CM one of the the most valuable Chinese brand, worth over \$50bn. In short, CM is a giant at the heart of the telecom industry with strategic significance for mass media, ideology and national security in China.

Where is CM? This basic question turns out to be surprisingly difficult to answer. The 2013 Annual Report states that the company is incorporated in Hong Kong, but does not mention the location of its headquarters. The 2013 20F form, filed

with the US Securities and Exchange Commission, states that CM has an executive office in Hong Kong and regional headquarters in each of the Chinese provinces, but does not mention central headquarters either. The FT Global 500 ranking assigns CM to Hong Kong as its home country. In contrast, Fortune Global 500 lists the company under the name China Mobile Communications and assigns its headquarters to Beijing. Presumably this refers to China Mobile Communications Corporation, a state owned parent company of CM. However, to add to the confusion, the Fortune Global 500 listing uses financial figures of CM and contains a link to its website. The geographical scope of CM's activities also presents a puzzle. While no reports mention CM selling its services outside of Mainland China and Hong Kong, the Ministry of Commerce (2010) ranks the company as the 10th largest Chinese non-financial transnational corporation according to the value of foreign assets, and the 19th largest according to the value of outward stock of foreign direct investment. The only reason for these FDI accolades of CM seem to be legal entities within its corporate structure registered in tax havens with the British Virgin Islands in the lead – a surprising association for an SOE.

The historical and strategic significance of CM in Chinese political economy, as well as the puzzles concerning its geographical structure, make CM an important and intriguing case for studying the evolution, structure, and globalization of China's 'national champions' – globally significant SOEs and the products of industrial policy introduced in 1990s. As Lin and Milhaupt (2013, 697) claim "the national champions are the fullest expression of state capitalism in China – the global face of China Inc." This is justified given that in 2011 "more than 60% of

China's largest 500 enterprises, and all of its 30 largest enterprises were SOEs" (ibid, 702). As such 'national champions' are key to understanding the Chinese corporate sector and its globalization. Arguably, the slowdown of Chinese economic growth in the wake of the US subprime crisis of 2007-9 and the ongoing Eurozone crisis has affected the Chinese private sector and small and medium-sized firms more than SOEs and 'national champions' in particular, as the latter have enjoyed privileged access to government economic stimulus funding and state-owned banks (Lardy, 2012). Not surprisingly, the globalization of Chinese firms has attracted research in international business studies, economics, and economic geography. Existing studies focus on the determinants of Chinese foreign direct investment (Buckley *et al.* 2007), internationalization strategies of Chinese firms (Nolan 2001), political economy of China's industrial policy (Yeung and Liu 2008), and regional development outcomes (Yeung 2009; Wei *et al.* 2007). The common shortcoming however, is that these studies pay little attention to the financial actors and practices shaping the transformation of the Chinese corporate sector and political economy.

The paper uses the case study of China Mobile to shed light on the emergence and evolution of China's 'national champions'. In order to focus on the financial aspects of these processes we use the concept of Global Financial Networks (GFNs), defined as networks of the financial and business services firms (FABS) and their activities linking financial centres, offshore jurisdictions, and the rest of the world. Financial centres concentrate financial trading and secondary markets, while offshore jurisdictions are used to register financial vehicles, such as investment funds or holding companies. FABS play a key part in intermediating

relationships between lead firms in global production networks and territories, from supranational to local. The term GFNs has been coined in an agenda-setting paper by Coe, Lai and Wójcik (2014), and this is the first empirical paper that applies the concept. Analysing the case of CM through the lens of GFNs offers multiple contributions to the literature. While existing case studies of Chinese companies focus mainly on manufacturing, this paper highlights interactions between two strategic sectors of China's 12th five-year development plan - telecom and FABS. It sheds light on the key 'triangle' of Chinese 'foreign' investment, with Mainland China, Hong Kong, and the British Virgin Islands (Haberly and Wójcik 2013). Finally, while there are studies of Chinese financial centres (Lai 2012), FABS in China (Daniels 2012), and the geography of Chinese capital markets (Wójcik and Burger 2010; Karreman and van der Knaap 2012); the GFNs concept offers a platform to connect these literatures with each other and with an investigation of the emerging Chinese global production networks.

The paper uses secondary and primary sources of data. To track the development of CM, including the role of OJs within its corporate structure, we have used CM's annual reports and filings with the US Securities and Exchange Commission. To investigate the involvement of FABS in CM's development, in addition to annual reports, we have studied hundreds of pages-long prospectuses prepared for CM's initial and secondary public offerings. To help interpretation of publicly available information and look beyond it, 24 interviews were conducted in 2012-4, with former and current officers at CM (3 interviews), its services providers in investment banking, legal services, and accountancy (4), as well as experts in telecom, corporate law, accounting, and finance (17), based

in Hong Kong (12), Beijing (8), London (3) and Singapore (1). Finally, to put CM in context, we have compiled data on other leading SOEs using annual reports available on their websites.

The structure of the paper follows the logic of the GFNs. This is first fleshed out in the context of literature on the globalization of Chinese companies in section 2. Section 3 introduces the case study charting the evolution of CM since its inception in 1997, and its rise to the status of a ‘national champion’, under tight control of the Chinese government. Sections 4 through to 6 analyse the engagement of CM with the building blocks of the GFNs: FABS, financial centres, and offshore jurisdictions. The last section concludes and presents implications for understanding the transformation of the Chinese economy.

The main finding of the paper is that CM is plugged firmly into the GFNs. The global FABS firms—KPMG, Linklaters, Sullivan & Cromwell, and above all Goldman Sachs—were instrumental in the very conception of the company in 1997, when it was sewn together from the assets of two regional telecom organisations in southern China, and in its expansion ever since. FABS firms helped the Chinese government plug CM into the GFNs, through registration in Hong Kong, cross-listing in Hong Kong and New York, and creation of offshore entities in the British Virgin Islands. For the Chinese government these operations were the means of consolidating and modernizing the telecom sector, without relinquishing control over it. Developing CM into a ‘national champion’ has therefore been in the interest of the Chinese government as well as the FABS firms, promoting CM internationally as a nationwide entity. The question, however, with regard to CM as well as other ‘national champions’ remains about

the tension between the GFNs functioning as ‘a capitalist tool in socialist hands’, and the power of the GFNs to transform the Chinese corporate sector and political economy beyond the control of the Chinese government.

China in the global production and financial networks

In order to develop a theoretical framework for analyzing the emergence and evolution of CM, we briefly review literature on the globalization of Chinese corporations, with a particular focus on the rise of ‘national champions’.

The development of ‘national champions’ has to be seen in the context of Chinese economic reform. During the “reform without losers” phase of 1978-1992, the central government gradually relaxed its control over SOEs in a broader move to decentralize authority and resources to create space for development driven by market forces. While SOEs were still subject to the central plan, they could trade goods and services on the market, after satisfying the requirements of the plan. Under the pressure of competition from private and collective enterprises, with Township and Villages Enterprises in the lead, and without freedom to downsize their employment and welfare functions, SOEs experienced a dramatic decline in profitability, from 14% of gross domestic product in 1978 to less than 1% by 1996. As the insolvent SOEs represented a major drain on government resources, a pressure arose for a more radical approach to restructuring SOEs, and contributed to the second phase of economic reform, often referred to as “reform with losers”, and focused on state-sector downsizing, regulatory reform, and recentralization of resources (Naughton, 2006).

As observed by Nolan (2001b, 16) “By the early 1990s, a key economic policy slogan had become ‘grasp the large, let go of the small’. The determination to build a group of globally competitive large, multi-plant corporations stemmed from deep study of the development experience of successful late-coming industrializing countries and from close observation of the industrial structure of advanced capitalism”. As Vice-Minister Wu Banguo stated in 1998: “our nation’s position in the international economic order will be to a large extent determined by the position of our nation’s large enterprises and groups” (cited in Nolan, 2001b, 17). By letting the small go, “policy-makers were giving local governments much greater authority to restructure their own firms and, in particular, to privatize or close down some of them” (Naughton, 2006, 156). The policy of building large, centrally-controlled corporations was also a response to problems resulting from partial plant- and enterprise-level autonomy of the first phase of economic reform. The most successful of these enterprises attempted to grow through the market, taking over weaker competitors and merging with other strong companies. This however represented a threat to central administration. If local and regional companies could grow national from the bottom-up, through market mechanisms, this could undermine the influence of central administration. Instead, by the mid 1990s, central administration took the building of ‘national champions’ into their own hands, with the aim to conduct industrial consolidation on their own terms.

Motivation for the creation of ‘national champions’ was political as well as economic. As Yeung and Liu (2008, 61) put it “Since the second half of the 1990s, the central state has intensified its efforts to re-regulate the national space-

economy in order to curb the spread of Chinese style federalism". According to McGregor (2010), following the decomposition of communist regimes worldwide, spreading from Central and Eastern Europe, and the Tiananmen massacre, the Communist Party of China realized it needed much larger financial resources to maintain its power. Commercialisation of strategic industries under state-control would help generate such resources. Eventually, out of thousands of SOEs the State Council in two batches (1991 and 1997) selected a 'national team' of 120 large enterprise groups in strategic sectors such as coal mining, electricity generation, aerospace, and telecommunication (Nolan, 2001). The selected SOEs benefited from preferential policies in terms of taxation, access to government contracts and funding from state-owned banks, and eligibility for stock exchange listing. By 2003 the size of the 'national team' grew to 198 enterprise groups (Lin and Milhaupt, 2013).

A new impetus came from China's accession to the World Trade Organisation in 2001, and the 16th Congress of the Communist Party of China in 2002, when the leadership announced a strategy of encouraging Chinese companies to "step out" into the global economy by investing overseas, expressing a desire to create world-class companies and brands. As China was partially opening its door to foreign transnational companies, it encouraged its own 'national champions' to become transnational companies. In April 2003 the State Asset Supervision and Administration Commission was created with the mandate to transform SOEs under its control into 50 global TNCs featured in Fortune Global 500 (Pamlin and Long 2007, cited in Yeung and Liu 2008). The Commission orchestrated a consolidation of SOEs under its supervision, bringing their number down to 109

by 2013. Foreign listings proved instrumental in the project as a way to raise equity in hard currency and establish international image and reputation. These listings also helped Chinese companies pursue outward investment in general, and through cross-border mergers & acquisitions in particular, as publicly traded stocks can be used as a means of payment for equity in foreign companies. The use of mergers & acquisitions instead of greenfield investments by Chinese firms has been referred to as a “fast lane” to developing ‘national champions’ (Warner, Ng, Xu 2004). These mergers & acquisitions are often highly controversial, due to the state control of China’s emerging transnationals and their opaque governance. Many of these mergers & acquisitions have been driven by the strategy to seek natural resources abroad to maintain growth at home (Yang and Stoltenberg 2008). To help Chinese firms internationalize in 2005 China’s State Administration of Foreign Exchange issued new regulations that facilitated the establishment of offshore holding companies as a prelude to foreign fundraising. In addition, for the first time Chinese firms were expressly allowed to exchange their equity for the equity of foreign publicly listed companies in mergers & acquisitions, all while Chinese accounting standards have moved towards international accounting standards.

Legal foundations for the ‘national champions’ policy were laid by the Company Law adopted in 1994. The Company Law “provided a framework for “corporatizing” SOEs, that is, converting traditional SOEs into the legal form of the corporation, more appropriate to a market economy” (Naughton, 2006, 161). A common pattern for corporatization of centrally controlled sectors, such as telecom or electricity generation, was to transfer assets from a ministry or

ministries to a state owned holding (parent company) in order to separate regulatory from commercial functions. In a second step, typically more than one SOE would be carved out from the parent company with a view to avoid monopolies. The creation of SOEs would typically involve the consolidation of a loose collection of local and regional enterprises. As these enterprises had often enjoyed some autonomy since the 1980s, they would sometimes oppose the consolidation, as was the case in the power equipment sector (Nolan, 2001). To make the new enterprises attractive to investors, welfare functions, such as kindergartens or hospitals, would be left under the administration of the parent company, and not transferred to SOEs. Table 1 presents the top ten 'national champions', defined as the ten largest Chinese companies according to revenues in 2013 that are on the list of central SOEs controlled by the State-owned Assets Supervision and Administration Commission. The list does not include SOEs in the financial sector, which are controlled by other authorities. For each 'national champion', the table lists the state-owned holding (parent company) as well as the main listed subsidiary.

To develop a theoretical framework for the case study we distill three major insights from the literature. First we have to look at the economic geography of CM as political-economic geography. As Yeung and Liu (2008, 57) concluded "the Chinese state is strategically and intricately enmeshed with the corporate interests of its leading business firms". Second, we have to apply a multi-scalar approach, as the political-economic influence of the home country on the internationalization of its firm can be analysed at both national and local scales (Yeung 2000). This is particularly important in the context of re-centralisation of

the Chinese economy since the mid-1990s. Finally, we need to take finance more seriously. While initial public offerings, mergers & acquisitions and accounting standards are considered in existing research as financial instruments of consolidation and internationalization, the agency and transformative power of finance involved is given short shrift. Alon and McIntyre's edited volume on the globalisation of Chinese enterprises, for example, does not even feature the word finance in the index (2008).

In contrast to most literature, Walter and Howie's book (2011) offers a bold account of the role of finance in the transformation of the Chinese corporate sector. The authors worked as finance professionals in Mainland China and Hong Kong since the early 1990s, so theirs is an insider account. They argue that by the mid 1990s the Chinese government ran out of large nation-wide enterprises attractive to international investors, so in order to continue building the 'national team', the government had to engage leading global FABS firms in creating 'national champions' from scratch. According to Walter and Howie CM was the first and successful case of such engagement, paving the way for other companies, including in the energy and financial sectors. In their view "China of the twenty-first century is a creation of the Goldman Sachs and Linklaters & Paines of the world, just as surely as the Cultural Revolution flowed from Chairman Mao's Little Red Book" (2011, 159). Surprisingly, barring their book and a case study by Lovelock (1999), there are no papers that focus on CM.

With Walter and Howie's book as an inspiration, our objective is to explore the case study of CM, including the role of the FABS, through the lens of the GFNs (Coe, Lai, Wójcik 2014). The concept is grounded in financial geography, which

distinguishes between the following principal building blocks of finance: financial instruments, from simple tangible and intangible assets, through credit and securities, to sophisticated derivatives; trading of financial instruments; and financial vehicles, such as investment funds or holding companies, representing containers of financial instruments, subject to laws and regulations in particular jurisdictions, in and out which these instruments are traded (Wójcik 2013).

The building blocks of finance translate into a map. While financial instruments originate from productive assets and wealth, distributed, albeit unevenly, around the world, trading tends to be concentrated in financial centres, which offer tacit information, deep and large labour pools, as well as infrastructures and amenities attractive to trading and traders (Wójcik 2011). Financial vehicles have a distinctive geography, as their promoters, corporate and individual, tend to register them in offshore jurisdictions, outside of their own home countries, for reasons related to taxation, regulation, and secrecy. Offshore jurisdictions can be sovereign states, like Switzerland, overseas/dependent territories like the Cayman Islands, or even jurisdictional enclaves like Delaware in the USA (Palan et al. 2010). The glue in the GFNs is provided by the FABS. The extensive networks of FABS connect financial centres, in which FABS maintain command and control centres, with the world of corporate and household wealth (Taylor 2004). Through offshore services, including tax management, FABS connect financial centres and the rest of the world with offshore jurisdictions (Wainwright 2011). Financial firms constitute the core of the FABS, but others, with law and accountancy in the lead are crucial as well, since financial

instruments, and particularly financial vehicles are legal and accounting abstractions superimposed on financial constructs.

The GFNs concept structures the rest of the paper along the following lines of enquiry. First, what has been the role of FABS in the evolution of the company? Second, what are the interactions of CM with financial centres forged by the FABS, and what impact could these interactions have on financial centres themselves? Third, what has been the role of offshore jurisdictions in the evolution of the company? Put together, these questions will help us evaluate the formative and transformative power of the GFNs in the evolution of the Chinese economy.

The evolution of China Mobile

CM was incorporated in Hong Kong in September 1997 under the name of China Telecom (Hong Kong) Ltd. The latter was renamed to China Mobile (Hong Kong) Ltd in 2000, and to China Mobile Ltd (CM) in 2006. To avoid confusion, in the paper we refer to the company as CM irrespective of the period of time concerned. In 1997, the assets of the company were made up of two provincial companies Guangdong Mobile and Zhejiang Mobile, transferred to CM by the Ministry of Post and Telecommunications. Only seven weeks after incorporation 24.9% of shares in the company were offered to investors through a cross-listing on the Hong Kong Exchanges and the New York Stock Exchange. The initial public offering was an enormous success, raising \$4.2bn and oversubscribed 30 and 20 times in Hong Kong and New York respectively. What contributed to the success was a growing appetite of foreign investors for Chinese stocks and excitement about telecom, as the dot.com bubble was building up in the USA. To

be sure the world had seen many telecom privatisations by 1997, from Chile to Eastern Europe (Lovelock 1997). CM's initial public offering, however, raised more capital in international markets than any Asian company had done before, despite the fact that the Chinese government retained over 75% of its ownership.

CM has expanded in a spectacular fashion (figure 1). Using the proceeds from the initial public offering, it acquired mobile phone operators in Jiangsu in 1998, and in Fujian, Henan and Hainan in 1999. With acquisitions in Liaoning, Beijing, Tianjin, Hebei, Shandong, Shanghai and Guangxi in 2000, CM established itself all over the Chinese coast. In 2002 it ventured inland, with acquisitions in Anhui, Jiangxi, Chongqing, Sichuan, Hubei, Hunan, Shaanxi and Shanxi. Finally, purchases in 2004 in Northern and Western China meant that CM operated in all 31 mainland provinces. Consecutive rounds of acquisitions were funded with internally generated funds and further equity and debt offerings. Since 2004 the company has consolidated its position, tripling its assets, revenues, and profits in real terms, and doubling employment to 197 thousand by 2013. In 2013, CM's market share in Mainland China was 62%. In addition to mobile telecommunications services offered in Mainland China and Hong Kong, CM offers Internet access through wireless local area networks in Mainland China. In 2013 the parent company of CM was granted permission to authorize CM to operate fixed-line telecommunications services in Mainland China (China Mobile, 2014, 17-18).

The engagement of CM with international markets goes beyond capital markets. The main providers of telecom equipment to CM in late 1990s were foreign companies, including Eriksson and Siemens. With time, foreign companies in the

sector established operations in China, while Chinese companies Huawei and ZTE have caught up to become the dominant providers. In 2000 CM formed a joint venture Aspire with Vodafone, later joined by Hewlett Packard, to develop wireless data and internet applications. In 2009, China Mobile Communications Corporation – the parent company of CM – bought an 89% stake in Pak Tel, a mobile phone company in Pakistan, signaling the first indirect step of CM to expand overseas, beyond Mainland China and Hong Kong. In April 2013 CM attempted to buy 12% of EasTone Telecoms Company. If successful, it would have represented the first investment by a Chinese SOE in Taiwan in six decades. The Taiwanese government, however, blocked the transaction.

The control over CM remains in the hands of the Chinese government. At the end of 2013, China Mobile Communications Corporation owned 74.08% of shares in CM, and all executive directors of CM were also executives of the parent company. The government control over CM, and over the telecom sector in general, however, seems far from monolithic, with bargaining relationships at the central and regional levels as well as between them. The creation and listing of CM was accompanied by a fierce, protracted struggle with “intense bureaucratic infighting to attempt to capture the stream of rents stemming from the limited number of licenses and the absence of multinational competition” (Nolan 2001, 801). From the very start of the reform of the telecom sector, the Chinese government aimed at creating more than one service provider. The creation of CM by the Ministry of Post and Telecommunications, was preceded by the establishment of China Unicom by the Ministry of Electronics Industry together with the Ministry of Railways and other partners, and followed by China Telecom

created in 2002 by the Ministry of Information Industry, itself the product of a merger between the Ministry of Post and Telecommunications, the Ministry of Electronics Industry and other ministries (Yu *et al.* 2004). Today, China Unicom and China Telecom are the main competitors of CM in the market for mobile telecom services.

In CM, as in most 'national champions' the central government, and in practice the Communist Party of China retains the power to appoint top executives (Naughton, 2006). Events in 2004 and 2008 served as reminders of this power. In 2004 the government orchestrated a three-way swap of executives at CM, China Unicom, and China Telecom, bringing the chief executive officer of China Unicom to CM, with the chief executive officer of the latter sent to China Telecom. This move was not consulted with the public shareholders of CM. 2008 brought another reshuffle, with the conversion of China Unicom and China Telecom into full-service telecoms offering both fixed-line and mobile services, in a move to strengthen them in relation to CM - the dominant player in the sector (Harwit 2008). In short, the telecom sector in China could be described as a state-controlled oligopoly. Although, following China's World Trade Organisation accession in 2001, foreign mobile phone companies are allowed to take up to 49% stake in joint ventures in the sector, and operate nationwide, and China has agreed to pro-competitive regulatory principles, thus far there has been very little competition from foreign companies (Voon and Mitchell 2010).

What complicates governance at CM further is a significant level of autonomy at the regional level. 31 provincial mobile phone companies that constitute CM are separate legal entities, not branches of CM. The parent company of CM itself is

also organized on a provincial basis, and thus the overlap between CM and its parent operates at both central and regional levels, with regional executives of the parent company acting as the executives of regional CM companies. CM's Board of Directors includes some former executives of regional companies. 20F reports, which CM submits annually to the US Securities and Exchange Commission, seem to emphasise the regional level of governance by mentioning the existence of regional headquarters in each of China's provinces in addition to an executive office in Hong Kong. It also appears that regional companies have autonomy in negotiating deals with telecom equipment providers and other suppliers as well as corporate customers (Lovelock 1997). Thus, although the map in figure 1 paints a premeditated and centrally-planned process of consolidation, proceeding from the wealthiest provinces with most profit potential to the poorest, suggesting little if any opposition from regional authorities, it does not necessarily imply that regional companies lost their autonomy in the process.

The spectacular rise to the status of the world's largest telecom company notwithstanding, CM faces major challenges. In 2011 one of its top executives was given a suspended death sentence for taking bribes, suggesting that the company has not escaped the problem of corruption endemic in the Chinese corporate sector (McGregor 2010). With mobile phone penetration in China exceeding 80%, the growth of revenues and profits has slowed down. Even in the absence of significant foreign competition, CM's market share fell to 62% in 2013 from 66.5% in 2011, mainly due to competitive pressure from China Unicom and China Telecom. Meanwhile, the baggage of state control represents a liability in

terms of gaining market share abroad. While the company is connected to the global supply chains of telecom equipment, and global capital markets supplying it with capital, it does not yet operate outside of China. Limited operations in Pakistan are controlled by its parent company, while an attempt to expand into Taiwan failed due to political reasons – a typical barrier facing the international expansion of Chinese SOEs. Foreign governments may leave their domestic telecoms sectors to private companies, but they still recognize the strategic importance of telecoms and would find it difficult to approve a Chinese SOE gaining significant stakes in the sector.

In summary, with the creation of CM, the Chinese government built a ‘national champion’, which conquered the Fortune Global 500 and other corporate rankings, becoming one of the pioneers of China’s ‘national team’ of globally significant corporations. The evolution of CM represents a process of centralization and consolidation, but it has also involved a tricky balancing act between the interests of the centre and those of regions; as well as between sustaining the international status of CM and preventing it from establishing a monopoly. Modernisation, domestic expansion and international status would not have been achieved without plugging the company into international capital markets through listing on Hong Kong and New York exchanges, which provided CM with much needed capital, as well as international recognition and incentives for commercialization, including the use of stocks as part of executives’ remuneration. In this respect CM is a pioneer but not an exception. Most ‘national champions’, including 8 out of 10 largest SOEs sold shares to the public, with the government retaining controlling ownership (table 1). Four out of the

top 8 listed their shares in New York in addition to Hong Kong. The following sections delve into the details of the initial public offering process to highlight the role of FABS firms in the development of CM.

The FABS team

With the objective of finding investors for a company issuing shares, an initial public offering involves heavy intermediation (Wójcik 2011). An investment bank assesses the value of the company, advises on the issue price, drafts an initial public offering prospectus (detailing opportunities and risks facing investors), and promotes the issue to potential investors. In addition, an investment bank typically underwrites an initial public offering, whereby any shares unsold to investors are bought by the bank itself at a predetermined price. Key assistants of investment banks in the process are law and accountancy firms. Lawyers assure that the issuer, the initial public offering, and the newly issued shares comply with all laws and regulations of the jurisdictions where the shares are listed and to which they are sold. Accountants make sure that financial statements of the issuer included in the prospectus present a fair and true view of the company, and comply with accounting standards of the host market.

Dual listing, unprecedented size, and state control of the issuer meant that the initial public offering of CM was particularly complex. The key intermediary in the transaction was Goldman Sachs (Asia) LLC, the world's leading investment bank, which acted as the global coordinator of the offering. While it shared this role, as well as the role of the largest underwriter, with China International Capital Corporation, a Beijing based investment bank created by Morgan Stanley and Chinese banks, the latter lacked an international network and played a

nominal part in the process. The underwriting team for the initial public offering consisted of 13 other institutions, 12 US and European investment banks and Bank of China International (China Telecom, 1997). Legal work was divided between Sullivan & Cromwell, key legal advisers to Goldman Sachs, responsible for compliance with US laws and regulations (as stipulated by the New York Stock Exchange and the Securities and Exchange Commission among others); and Linklaters, one of world's largest law firms, responsible for compliance in Hong Kong and internationally, outside of the USA. KPMG conducted due diligence and audit. The initial public offering generated hefty fees for the advisers involved, with underwriting fees estimated in excess of \$200m, with lawyers and accountants charging \$millions. This disproportionately high remuneration of investment bankers underscores the pecking order in FABS. The ultimate point of an initial public offering is financial, with law and accountancy performing necessary but secondary functions. It is the investment bankers who develop the closest relationships with the top executives of an issuer, and work together on strategic issues, while lawyers and accountants do the 'paperwork'.

An initial public offering typically serves as a starting point of long-term relationships between an issuer and its FABS providers, and in this respect CM is no exception. The company has hired Goldman Sachs as chief advisor on its subsequent equity and debt offerings, as well as acquisitions of provincial telecom companies. According to CM's annual reports, Linklaters acted as CM's main legal advisor until 2011, the role since taken over by Sullivan&Cromwell. KPMG has recently been replaced by PwC as CM's auditor. There are good

reasons for such long-term relationships. An initial public offering involves an intensive exchange of tacit, commercially sensitive information, requiring trust and representing a large intangible investment, which is best capitalized on through repeat interactions. To be sure, while serving issuers, FABS firms also have to cultivate their good reputation among investors, which can lead to difficult judgment calls, particularly in the Chinese context. How well should investors be informed about who controls CM? Both the prospectus and consecutive 20F forms stress that China Mobile Communications Corporation as the ultimate parent of CM may have interests that conflict with those of CM, but the role of the Communist Party of China in nominating top management is never mentioned. Auditors assure investors of the quality of CM's financial information, but realize that the working papers produced while auditing the company in Mainland China are subject to state secret laws and their disclosure to investor protection authorities in Hong Kong or US would violate Chinese laws.

Considering that CM was incorporated only weeks before its initial public offering, and consisted only of the assets of two regional mobile operators, what was sold so successfully to international investors was the idea, the promise of a 'national champion'. As Walter and Howie put it "American investment bankers created China Mobile out of poorly managed assortment of provincial post and telecom entities and sold the package to international fund managers as a national telecommunications giant" (2011, 10). In other words, FABS firms, with Goldman Sachs in the lead, co-created CM with the Chinese government, advising the latter on what should be included in the package to make it attractive to international investors. Walter and Howie go even further, claiming that

“Goldman Sachs aggressively lobbied Beijing using the very simple but powerful idea of creating a truly national telecommunications company. Such a company it was argued, could raise sufficient capital to develop into a leading global communications technology company” (159). To be sure, the ‘national champions’ policy was the Chinese government’s own, so it is questionable how much lobbying was required. Goldman Sachs and other FABS firms however helped to operationalize the policy, providing expertise and networks not available in Mainland China. In this respect CM is not an exception. As table 1 illustrates almost all initial public offerings in Hong Kong or New York involved US or European investment banks as lead managers. All of the top ‘national champions’ listed in Hong Kong or New York employ US or European firms as advisers, and all of the listed companies in the table are audited by one of the Big 4 companies (Deloitte, Ernst&Young, KPMG, PwC). It is not an exaggeration to state that China’s ‘national team’ would not be possible without the ‘FABS team’.

Financial centres

Intermediating between CM and international investors, FABS firms have also nurtured financial centres as nodes in the networks of FABS and loci of their interactions with CM. Financial centres are not treated here as agents in the evolution of ‘national champions’. Rather they require attention because the interactions between FABS firms and ‘national champions’ have crucial implications for their own development. To explore the geography of these interactions, we first need to ask where the FABS firms involved come from. While Goldman Sachs is headquartered in New York, Linklaters in London, and KPMG in Amsterdam, in charge of CM’s initial public offering were their Hong

Kong offices. In the case of Goldman Sachs, many bankers working on the transaction were flown in from New York and London. Sullivan&Cromwell, responsible for US compliance, did not have an office in Hong Kong and operated out of their New York headquarters, focusing on relations with the New York Stock Exchange and the Securities and Exchange Commission. The actual work of Goldman Sachs, KPMG, and Linklaters on the offering was carried out both in Hong Kong and Mainland China. Accountants, in tens or hundreds, coming mainly from KPMG Hong Kong office, carried out most of their work in Guangdong and Zhejiang, the locations of CM's assets. Investment bankers and lawyers would sometimes accompany accountants in Guangdong and Zhejiang, but spent most of their time travelling between Hong Kong and Beijing. CM was incorporated in Hong Kong, with its chief executive, financial, and operating officers working at least partly in Hong Kong and partly in Beijing. As the CM was controlled by the Ministry of Post and Telecommunications in Beijing, however, investment bankers and lawyers needed to work for long periods in Beijing. In 1997, neither Goldman Sachs nor Linklaters or KPMG had an office in China's capital.

While Hong Kong was never the real decision-making centre or headquarters of CM, its role diminished even further with time. As the company was close to completing its domestic expansion, by 2003, chief executive, financial, and operating officers ceased working from Hong Kong. The executive office reduced employment from approx. 50 in the late 1990s to 35 in 2013, and focused on investor relations, with Company Secretary as the most senior employee of the office. Most meetings of the board of directors still take place in Hong Kong as do

conferences for financial analysts. The company has 3 non-executive directors who live in Hong Kong, but all 6 executive directors work and live in Beijing. The location of the real headquarters of CM is somewhat disguised in corporate documents. 20F forms mention the executive office in Hong Kong and regional headquarters in each Chinese province. Neither the 20F nor annual reports refer to the company having central headquarters. Ironically, addresses give away some of the real geography. CM's executive office is at 60/F The Centre, 99 Queen's Road Central, occupying one floor. China Mobile Communications Corporation, the parent of CM, is located at 29 Financial Street, Beijing, occupying a whole block, with a couple of thousands of employees – an unsurprising number given that it constitutes the real decision making centre of a giant company.

Over time Beijing has gained as a locus of interactions between CM and its FABS team. Partly due to customers like CM, Goldman Sachs, KPMG, Linklaters and Sullivan&Cromwell now all have offices in the capital. For investment bankers, Beijing matters as the home of decision-makers of CM and other SOEs. For accountants and lawyers what matters, in addition to the proximity to decision-makers, is the availability of original documentation (such as property deeds). In 2013 Goldman Sachs employed approx. 1300 people in Hong Kong - the Asian headquarters of the company - and only approx. 200 in Beijing, with another 200 in Shanghai and Shenzhen. The Chairman of Goldman Sachs Asia lives and works from Beijing, positioning himself close to the sources of political power. Of approx. 200 professionals working for Linklaters in China, over 100 are based in Hong Kong, but Beijing is the second largest office, ahead of Shanghai. KPMG

have 11 offices in Mainland China. The Beijing office has nearly 2000 staff, being larger than the Shanghai office, and growing much faster than the Hong Kong office with 2200. The Chairman of KPMG China alternates between the Beijing and Hong Kong offices.

However, the continued role of Hong Kong as the financial centre key to the functioning of CM must not be underestimated. In addition to hosting the executive office, the listing and trading of the company on Hong Kong Exchanges generates jobs and revenues in the city's securities industry. In addition, public shareholders in CM (mainly institutional investors owning less than 1% of its shares each) are mostly Hong Kong institutions or Hong Kong-based subsidiaries of American or European investment funds. Through incorporation and listing in Hong Kong, CM is subject to Hong Kong laws and regulations, which are closer to those found in London and New York than those in Beijing. Put differently, Hong Kong is a finance savvy world city, and with its laws, regulations, and reputation it underwrites the reputation of CM, and many of China's 'national champions' registered and listed there, acting as a bridge between international financial markets and corporate China. It should also be noted that many professionals working with Chinese corporations in Beijing are employed by Hong Kong offices, commute from Hong Kong, and have families there.

The case of CM illustrates how the creation of 'national champions' has implicated China in the evolution of the network of financial centres (Lai 2012, Zhao, Zhang and Wang 2004). As existing research demonstrated the most important connections of Hong Kong in this network are those with New York, London, and Beijing (Taylor *et al.* 2011). CM is a great example of this pattern.

Offshore Jurisdictions

The evolution of CM to the status of a 'national champion' has implicated the company in the network of FABS and financial centres, but it has also implicated it in the network of offshore finance. Figure 2 presents the organizational structure of CM based on information in the 2012 20F report, published in 2013. China Mobile Communications Corporation - the parent of CM - is controlled by the State-owned Assets Supervision and Administration Commission, controlled in turn by the State Council. The Commission appoints directors of China Mobile Communications Corporation. However, the latter does not own CM directly, but via China Mobile Hong Kong Group incorporated in Hong Kong, which in turn owns China Mobile BVI incorporated in the British Virgin Islands. Thus, the direct owner of over 74% of CM is a British Virgin Islands company. To complicate things further CM owns all provincial operating companies indirectly via China Mobile Communication Ltd incorporated in the British Virgin Islands, an investment holding company, the capital of which is made of 1 share with a nominal value of 1 USD. Via this company CM co-owns Aspire, a joint venture with Vodafone and Hewlett-Packard incorporated in the Cayman Islands, which owns a technology development platform operating in Shenzhen. Other subsidiaries that CM owns via China Mobile Communications Ltd are incorporated in Mainland China, Hong Kong and the British Virgin Islands and include: China Mobile Hong Kong (a mobile telecom operator in Hong Kong); technology development platforms (one of which is co-owned by Nokia); and China Mobile Group Finance (delivering financial services to group companies).

Explaining the presence of CM in offshore jurisdictions is difficult. Existing literature on connections between the Chinese corporate sector and offshore jurisdictions is inconclusive. As table 1 shows almost all top 'national champions' have entities incorporated in the British Virgin Islands and/or Cayman Islands. Bankers and accountants interviewed did not want to comment on the issue and deferred to lawyers, while comments from the latter were limited. While explanations suggested here are speculative, it is necessary to present them, given their commonality in the structures of 'national champions', and the integral part offshore jurisdictions play in GFNs.

To start with, CM and many other entities in its corporate structure are incorporated in Hong Kong due at least partly to the offshore character of the latter. Hong Kong is an attractive jurisdiction for domiciling financial vehicles due to its common law, enforced through an effective legal system, and furnished with flexible regulation and relatively low tax levels. Mainland China offers none of these features. The question remains about the purpose of China Mobile Hong Kong Group, placed between China Mobile Communications Corporation and CM. The reason here may be purely historical. In early 1997 China Mobile Hong Kong Group bought fixed line operations in Hong Kong, but it was later decided that the listed company to be controlled by China Mobile Communications Corporation would only have a mobile license.

While Hong Kong offers some offshore benefits, the Cayman Islands and the British Virgin Islands are more offshore than Hong Kong, offering common law and political stability, but also secrecy, and close to no taxation. The reason given for Aspire's domicile in the Cayman Islands was that it allowed a cheap potential

listing of the joint venture in Hong Kong and the USA. The justification given for the existence of China Mobile BVI was that it helps CM avoid Hong Kong stamp duty charged on the potential transfer of ownership in shares. Any changes in the ownership of shares in CM attract stamp duty, but changes of ownership in China Mobile BVI, which indirectly change ownership of CM, do not. Another possible explanation for China Mobile BVI is that it introduces a legal and symbolic distance between CM and China Mobile Communications Corporation and the Chinese government, although it is hard to imagine that any foreign investors in CM do not know who controls the company (Maurer and Martin 2012). The function ascribed to China Mobile Communications Ltd by interviewees has to do with regulation. As the direct owner of provincial companies, China Mobile Communications Ltd can enter into contracts with entities in China and abroad on behalf of provincial companies, without a long and uncertain process of seeking regulatory approval in Beijing. British Virgin Islands entities may also be related to round-tripping, whereby capital leaves Mainland China via Hong Kong and other offshore jurisdictions to return to Mainland and enjoy tax incentives afforded to foreign investment. Although tax changes introduced in 2008 were supposed to eliminate incentives for round-tripping, arguably they have not completely removed them (Vlcek 2010). Finally, as British Virgin Islands entities do not publish any reports, they can serve as conduits for any transactions between CM and its ultimate controllers in Beijing as well as the actual operations in the provinces. We may expect dividends to flow from CM, through the British Virgin Islands and Hong Kong entities to the State-owned Assets Supervision and Administration Commission. Information on

how much flows upwards, how much is retained at each level, and the funds flowing in the opposite direction, is not publicly available.

While explaining the use financial vehicles registered in offshore jurisdictions remains challenging, it is without doubt that FABS firms were key to their creation. All British Virgin Islands entities in the structure of CM use Linklaters and/or Sullivan&Cromwell as their law firms. In addition, CM pays a Hong Kong based specialized offshore finance company for servicing these entities. Thus, FABS connect CM through Hong Kong to other offshore jurisdictions, more offshore than Hong Kong itself. The second observation is that CM is representative of the geography and contradictory nature of Chinese foreign direct investment. The British Virgin Islands represent the second largest source and destination of Mainland Chinese foreign direct investment (after Hong Kong), the second largest source of foreign direct investment into Hong Kong (after Mainland China), and the largest destination of foreign direct investment from Hong Kong. Thus, the three jurisdictions form the key triangle of Chinese FDI. However, as in official Chinese statistics CM features as a leading foreign direct investment player (MoC 2010), this highlights that a bulk of Chinese investment is neither foreign nor direct, as the flows and stocks recorded as foreign direct investment are pure legal and accounting constructs, with no real flows of investment, production or provision of services involved. As such, the CM case highlights that statistics on Chinese foreign investment have to be interpreted with great caution.

Conclusions and implications

The objective of the paper was to study the creation and evolution of CM – one of China’s ‘national champions’ and one of the world’s largest telecom companies – through the lens of Global Financial Networks, focusing on the role of FABS, financial centres, and offshore jurisdictions. This strategy was used to shed light on globalization of the Chinese economy, a context in which the role of financial actors and practices has been understudied and rarely combined with the analysis of globalization.

The main finding of the paper is that CM would not have existed, never mind become a ‘national champion’ without being plugged into the GFNs, with Goldman Sachs, Hong Kong and the British Virgin Islands as the lead FABS firm, financial centre, and offshore jurisdiction respectively. The articulation of CM in the GFNs may be surprising given that the company, although a giant in the sector, is restricted in its operations to a domestic market. CM does not follow the typical scenario, whereby a mature company enters international financial markets, as it expands internationally and seeks additional capital. The GFNs have assisted the very conception of CM, as well as its domestic expansion. In addition, while official Chinese statistics portray CM as major player in FDI, lending the company a GPN status, the latter is an illusion created through offshore jurisdictions involved in the GFNs. Vlcek (2010, 135) concluded his study of relationships between China and offshore finance stating that “China’s economy is as firmly integrated in global finance as OECD economies, US, UK or Japan”. Our paper supports this claim, and proposes the GFNs as a lens for studying this process of integration and its outcomes.

While from an ideological standpoint, firms like Goldman Sachs and offshore jurisdictions like the British Virgin Islands may seem unlikely partners of the Communist Party of China and the Chinese government, pragmatic reasons bring them together. By plugging CM and other ‘national champions’ into the GFNs, the Chinese government has ‘borrowed’ institutions and expertise lacking in Mainland China in order to modernize its strategic industries. The Chinese government limits the influence of global financial markets on ‘national champions’, as foreign owners of companies like CM remain minority shareholders, with no real influence on corporate governance. At the same time, state ownership and control become a liability in the globalization of ‘national champions’ as CM’s experience in Taiwan demonstrates. Western FABS firms helped restructure the Chinese state sector into giant companies globally significant in terms of size, but when it comes to significance in foreign markets for products and services, ‘national champions’ have enjoyed little success. This observation is relevant to the debate on whether China, including its corporations, is ‘buying the world’. As Nolan argued “multinational firms occupy key positions in large areas of the Chinese economy” (2012, 50). Our paper lends support to this statement, highlighting the position of multinational FABS firms in the heart of the Chinese economy.

The case study sheds light on the financial geography of China and the evolution of Chinese financial centres. Plugging CM in the GFNs, the Chinese ‘national champions’ policy has nurtured the global financial centres of London (through Linklaters), and particularly New York (through Goldman Sachs, the New York Stock Exchange, and Sullivan&Cromwell). It has privileged Beijing over Shanghai

as a financial centre offering proximity to China's corporate-political decision-makers. Finally, it has reinforced the role of Hong Kong as go-between Mainland China and international financial markets, and between Beijing and the New York-London axis in particular. Beijing as well as Shanghai may in the future challenge Hong Kong's attractiveness as a financial centre, but the 'one country, two systems' principle makes Hong Kong (at least until 2047) an onshore-offshore financial centre, underpinned by rule of law, which Beijing or Shanghai cannot offer. While Beijing and Shanghai may become larger centres for accounting services than Hong Kong, its 'offshoreness' will remain an advantage, particularly for international law firms. To be sure, Hong Kong positioning between Beijing and New York-London is profitable but risky, as Hong Kong functions as a reputation intermediary for the Chinese corporate sector, with its 'national champions' in the lead. The Hong Kong and New York listings and the Hong Kong audit of CM open the company to public insight, and bring into light the existence of offshore entities within its structure. Beijing-controlled China Mobile Communications Corporation, however, as well as the functions of the British Virgin Islands and other offshore entities, remain a black box for the public. For the time being foreign investors may trust the FABS involved and Hong Kong, but given the prevailing opacity, the foundations of this trust are fragile.

While our paper could only focus on one company to unravel the complexities of its evolution, we have presented some evidence that the story of CM is not unique, but represents general patterns in the development of 'national champions' and their engagement with the GFNs. We suggest three avenues to

advance this research. First is the question of whether Chinese firms will gradually replace foreign FABS firms as providers of key services. Domestic FABS firms partnering leading foreign FABS in transactions on ‘national champions’ could upgrade their expertise in the process, strengthening domestic FABS, recognized as an important ingredient of modern urban economies by the 12th 5-year development plan. This question is particularly pertinent as the era of mega-deals involving Chinese ‘national champions’, for which CM’s initial public offering acted as a trail-blazer, may be coming to an end. Smaller companies and deals are more likely to be serviced by domestic FABS firms. Second, there are important analogies between the current situation of the Chinese corporate sector and that of the US economy in the late 19th and early 20th c.. As noted by Lin and Milhaput “China’s present system of national champion capitalism bears some similarity to the US baron era: China’s economy is dominated by large, politically connected conglomerates operating in a weak institutional environment without robust antitrust scrutiny” (2013, 703). FABS, with Goldman Sachs in the lead, have helped the Chinese government consolidate the Chinese telecoms sector, just as investment banks (often of foreign, mainly British, origin), collaborating with the Carnegies, Rockefellers, and others, were the great consolidators in the US industry of the late 19th c. (Geisst 1997). Third, we should ask about the impact of foreign FABS firms on the internal practices of Chinese firms. By equipping Chinese executives with stocks and stock options, for example, they have nurtured a class of more independent managers. By 2008 CM’s executives cashed in options worth \$1.5bn (McGregor 2010). This was against the recommendation of the Communist Party of China, but it seems that people involved preferred money to promotion in party ranks. This is a reminder

that even without significant foreign ownership, financial practices driven by FABS firms may produce results unwelcome or uncontrollable by the Chinese government.

The relevance of the GFNs to China, a latecomer on the stage of financial globalization, highlights the scope for applying the concept to the rest of the world, and its potential contribution to economic geography. The FABS sector is a major force in the urbanisation of emerging and developing economies. Cities in China and beyond compete fiercely to host leading FABS firms, and the impact of this process on inequality between and within cities should be of most interest to future research. In this sense, the GFNs concept is largely compatible, and complementary with the World City and Global City research agendas. It is also compatible with financialisation studies. Indeed, in the light of the GFNs, financialisation could be described as the growing significance of FABS, financial centres, and offshore jurisdictions in the world economy. Overall, the ambition of the GFN framework is to map finance, place it on the map of the world economy, and analyse the latter in a dynamic framework accounting for the forces of globalisation and financialisation.

<i>Parent company</i>	<i>HQ</i>	<i>Listed subsidiary</i>	<i>IPO year</i>	<i>IPO location</i>	<i>IPO lead managers</i>	<i>Legal advisers</i>	<i>Auditors</i>	<i>Use of BVI or CI</i>
China Petrochemical Corporation	Beijing	Sinopec	2000	Hong Kong, New York, London	Morgan Stanley, China International Capital Corporation	Haiwen&Partners, Herbert Smith Freehills, Skadden Arps	PwC	BVI and CI
China National Petroleum Corporation	Beijing	PetroChina	2000	Hong Kong, New York	Goldman Sachs, China International Capital Corporation, Bank of China, HSBC	Freshfields, Shearman&Sterling, King&Wood Mallesons	KPMG	BVI and CI
State Grid Corporation of China	Beijing	Not listed				King&Wood Mallesons	Ruihua	BVI and CI
China Mobile Communications Corporation	Beijing	China Mobile	1997	Hong Kong, New York	Goldman Sachs, China International Capital Corporation	Sullivan&Cromwell	PwC	BVI and CI
China State Construction Engineering Corporation	Beijing	CSCEC	2009	Shanghai	China International Capital Corporation	Dacheng Law offices, Jingtian&Gongcheng, JT&N	PwC	CI
China National Offshore Oil Corporation	Beijing	CNOOC	2001	Hong Kong, New York	Merrill Lynch, Credit Suisse First Boston, Bank of China	Stikeman Elliott, Davis Polk&Wardwell, Akin Gump	Deloitte	BVI and CI
China Railway Construction Corporation	Beijing	China Railway Construction	2008	Hong Kong, Shanghai	CITIC Securities	Baker&McKenzie, DengHeng Law Offices	Ernst&Young	CI
China Railway Group	Beijing	China Railway	2007	Hong Kong, Shanghai	UBS, Bank of China	Jiayuan Law Offices, Zhonglun Law Firm	Deloitte	Neither
Sinochem Group	Beijing	Sinochem	2000	Shanghai	HuaXia Securities	Tian Yuan Law Firm	Ernst&Young	CI
China Southern Power Grid Co. Ltd	Guangzhou	Not listed				Everwin Law Office, ETR Law Firm	Ruihua	Neither

Table 1 Top ten ‘national champions’ from outside the financial sector

Note: The table presents the ten largest Chinese companies according to revenues in 2013 that are on the list of central State Owned Enterprises controlled by the State-owned Assets Supervision and Administration Commission. The list does not include SOEs in the financial sector, which are controlled by other authorities. HQ refers to the headquarters of the parent company. Information on the initial public offering (IPO) refers to the listed subsidiaries. Information on legal advisers, auditors, and the use of British Virgin Islands (BVI) or Cayman Islands (CI) is valid for the end of 2013, and refers to the listed subsidiary (with the exception of State Grid and China Southern Power, for which it refers to the parent, as they do not have a listed subsidiary). The company is considered as using BVI or CI if its annual report or stock exchange filing mentions registration of the company or any of its subsidiaries in the BVI or CI.

Source: Authors based on data from annual reports, stock exchange filings, <http://fortune.com/global500/> and <http://www.sasac.gov.cn/n2963340/n2971121/n4956567/index.html> accessed on 14 July 2014.

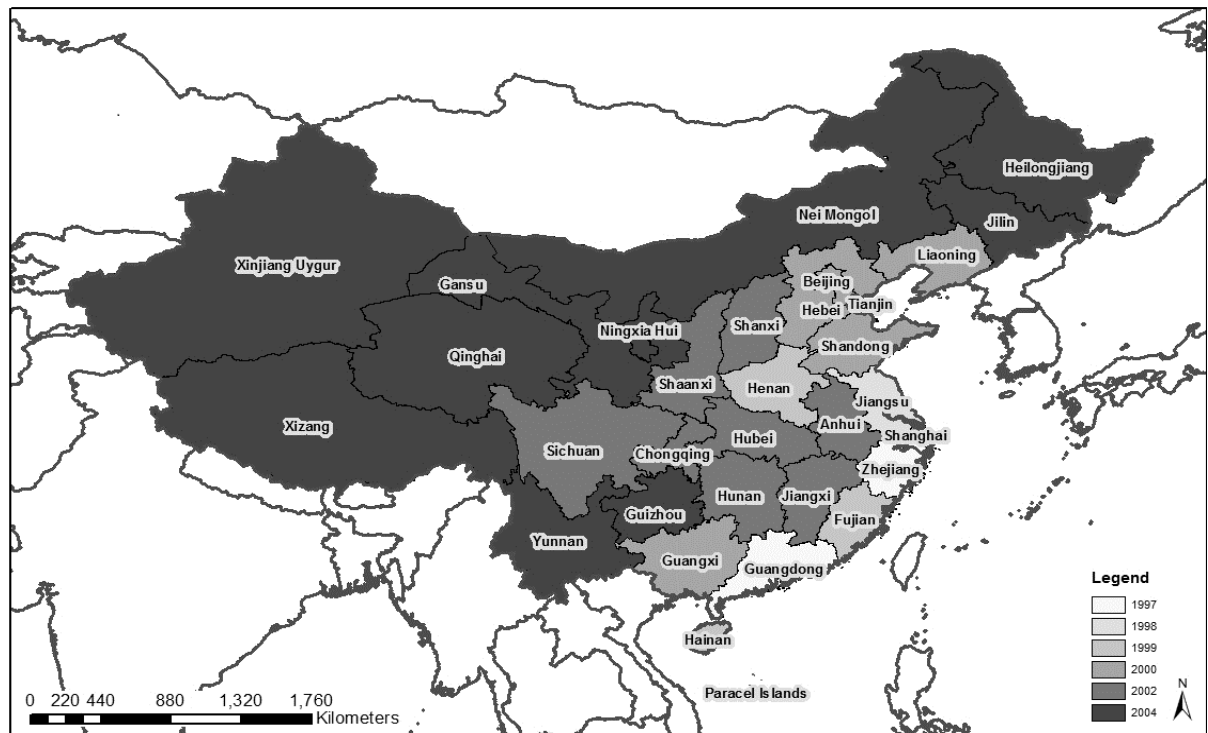


Figure 1 Geographical expansion of China Mobile

Source: Authors, based on data from China Mobile 20f forms 1998-2004

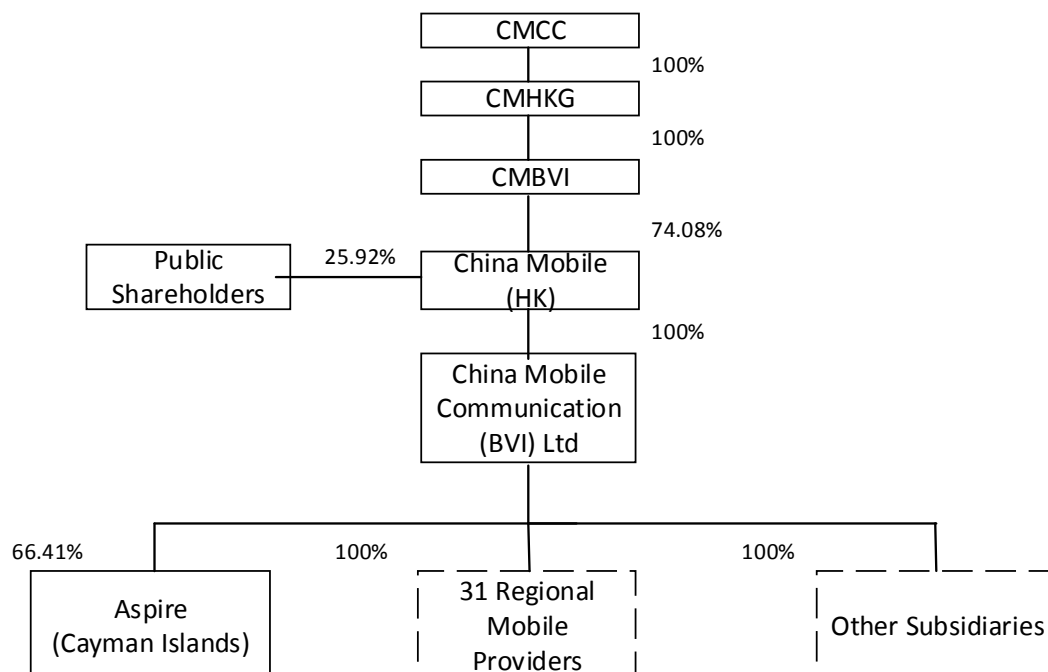


Figure 2 The corporate structure of China Mobile

Source: Authors, based on information in China Mobile 20f form 2012

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