STATE-OWNED MULTINATIONAL COMPANIES[*]

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INTRODUCTION

SOMNCs have received renewed attention in the international business literature in the 2010s (there was an early literature analyzing SOMNCs like Aharoni, 1986; Anastassopoulos, Blanc, and Dussauge, 1987; Mazzolini, 1979; Vernon, 1979; but then a relative large gap until more recent studies like Buckley et al., 2007; Cui and Jiang, 2012; Knutsen, Rygh, and Hveem, 2011; Shapiro and Globerman, 2012; and the papers in Cuervo-Cazurra et al, 2014). This is thanks in part to the rapid expansion of emerging market multinationals (EMNCs) (see reviews in Cuervo-Cazurra and Ramamurti, 2014) and the realization that many of these new competitors have some form of state backing that has helped their foreign expansion. However, SOEs have changed in nature from the traditional view of the fully state-owned multinationals of the 1970s. The privatization processes of the 1980s and 1990s, the creation of sovereign wealth funds, and the implementation of active policies of promotion of outward foreign direct investment have changed both the nature of the SOMNCs and their behavior abroad.

Hence, to contribute to a better understanding of the new reality of SOMNCs, in this essay I first provide a brief summary of the logic explaining SOEs and the changing nature of these firms with pro-market reforms, which has resulted in a wide typology of firms influenced by the state. I then move on to discuss the internationalization of the different types of SOEs, review some statistics on SOMNCs and explain how foreign investments by SOEs challenge the traditional explanations of their existence.

STATE OWNED ENTERPRISES: EXISTENCE AND TYPOLOGY

I briefly review the logic of SOEs to set the basis for the understanding of SOMNCs.

The Logic of SOEs

There are two traditional explanations for the existence of SOEs: an economic one that centers on the solution of market imperfections, and a political one that centers on the ideology and political strategy of government officials regarding the private ownership of particular productive assets.

Market Imperfections. In economics, state ownership of firms tehds to be justified as one solution to market failures. When markets are unable to efficiently allocate products or resources to the most welfare-enhancing use, government officials are compelled to intervene to address these inefficiencies using an array of instruments such as taxation, regulation, or direct ownership; the latter instrument results in the creation of SOEs (see Levy, 1979; Lindsay, 1976; and a review in Lawson, 1994). Market failures can take several forms: public goods; positive and negative externalities; information asymmetries, which result in moral hazard and adverse selection problems; incomplete markets; and natural monopolies.

A government can address market failures via several mechanisms (see a review in Laffont and Tirole, 1993). It can tax behavior, either with direct subsidies to promote the behavior or with additional

[*] Much of the text in this summary is coming directly from Cuervo-Cazurra, Inkpen, Musacchio and Ramaswamy (2014). This is a summary of the ideas that will be presented at the conference, not a separate paper.

taxes to discourage it. It can regulate behavior by limiting the actions of companies or mandating that companies take certain actions. It can also choose to be the provider of the goods to society. This third mechanism may result in the creation of SOEs, as the government may choose to supply the good directly instead of via an SOE. The selection of the best option among the mechanisms is rarely clear-cut and will depend on the complexity of the market failure as well as the ability of the state apparatus to monitor and implement the mechanism. Governments suffer from government failures (Le Grand, 1991), which can take the form of state capture, lack of technical capacity to run firms, and crowding out, ultimately limiting their ability to effectively manage SOEs.

Ideologies and Political Strategies. An alternative to the market failure explanation takes a political point of view and explains the existence of SOEs as a result of the ideology of government officials regarding private ownership of productive assets. We can distinguish four types: communism, nationalism, social, and strategic. First is the economic communist ideology, which justifies the creation of SOEs and the nationalization of private firms as a response to the accumulation of wealth in the hands of private owners at the expense of workers and the need for the government to address this injustice, as delineated by Marx (1906) and Marx and Engels (1893). A milder version is socialism, which induces the creation of SOEs alongside the regulation of private enterprise. Second is the economic nationalist ideology, which argues that the government needs to create SOEs to speed up the development of the country and address the inability of private enterprise to achieve this. Within this, the import substitution models of development (Bruton, 1998) indicates that government intervention is a mixture of a desire to reduce dependence on imports and foreign companies (Prebisch, 1950; Vernon, 1979). Additionally, there is the idea of the need for the government to control the "commanding heights," that is firms with important backward and forward linkages (Jones and Mason, 1982; Rodrick, 2007) because local entrepreneurs do not have the capacity, interest, or foresight to invest in these projects. Third is an economic social ideology that proposes that the government needs to invest in SOEs to facilitate the achievement of socially desirable objectives, such as education, healthcare, or poverty reduction. In such cases, the political strategy of the government promoted redistribution and questioned the ability of private entrepreneurs to achieve social objectives. Fourth is the economic strategic ideology that justifies the creation of SOEs as being strategic for the country, such as defense. The definition of which industries have strategic merit and require SOEs varies across countries based on the particular perspectives and political strategies of governments and politicians.

The Changing Landscape of SOEs

The historical perception of SOEs is rooted in the view that these organizational forms were solely created by state capital, managed by political appointees, and chartered to serve the collective good of the country at large (Shleifer and Vishny, 1998). Many of these SOEs confined their operations to their home countries and usually internationalized via exports, especially of raw materials or energy products, to provide foreign exchange to the home governments (Aharoni, 1986; Anastassopoulos, Blanc, and Dussauge, 1987; Vernon, 1979).

However, as countries embraced pro-market reforms (Yergin & Stanislaw, 1998), many prototypical SOEs were radically redesigned. The privatization processes of the late 20th century resulted in a reduction in SOE numbers, through full privatization of many such firms, and in the transformation of others into partially privatized firms. In many instances governments privatized control and kept minority stakes with so-called "golden shares," which gave them veto rights over major decisions such as mergers and acquisitions. These privatization processes resulted in a large interest in the literature that tended to justify their privatization by arguing that SOEs were less efficient than private companies (see reviews in Megginson and Netter, 2001; Vickers and Yarrow, 1988). However, the privatization processes did not spell the end of state ownership of companies. While some firms became fully independent private companies or were sold to private investors, in many other cases governments kept a portion of the equity in the privatized firms or kept control of such firms, sharing ownership with a variety of institutional and individual investors via joint ventures or via partial sales in the stock market. Additionally, some governments maintained majority and minority equity positions in firms through holding companies, state-owned pension funds, development banks, or sovereign wealth funds (SWFs) (Musacchio and Lazzarini, 2014). Other SOEs simply went out of business and their assets were sold. Despite all these changes, SOEs are still important. Table 1 provides some statistics on majority-owned SOEs in OECD countries.

*** Insert Table 1 about here ***

Types of SOEs and Their Internationalization

Table 2 introduces a typology of organizations under government ownership based on three criteria: the legal existence of the firm, how state ownership is exercised, and the degree of state ownership in the firm. Among the types, we define SOEs as legally independent firms with direct ownership by the state.

*** Insert Table 2 about here ***

This classification is important not only for clarifying the multiple ways in which the government may own firms, but also for understanding patterns of their potential internationalization strategies. Building on the classification system we have presented above, and notwithstanding particular governance structures of specific SOEs, we propose that the most likely types of SOEs that would seek to internationalize would be the ones that are effectively wholly-owned or majority owned by the state. In these firms both government officials and SOE managers have the incentive to internationalize the firm, although possibly for conflicting reasons: SOE managers may seek international markets to strengthen and grow the firm, while government officials may be focused on international political objectives independent of SOE competitive outcomes. As the state dilutes its effective ownership and influence over firms, we would expect to find firms following strategies and actions that are more likely to focus on financial performance over any other social or political objectives. Hence, fully owned and majority owned firms are more likely to pursue non-business objectives than minority owned firms because external shareholders act as a counterbalance to the imposition of non-business objectives in the firm. Nevertheless, these firms will not function fully as private firms since the government may still exert influence over them. For instance, when the government holds only a golden share, it can block crucial internationalization efforts perceived as detrimental to its interests even though such efforts might be deemed profitable by shareholders.

In contrast to SOEs, firms that are indirectly owned by the government via SWFs, state pension funds, or state banks are likely to follow similar behaviors to private firms in their internationalization because the government has a limited ability to direct their behavior; the government is not a direct owner. In fact, it is possible that these firms may even have advantages over private firms to internationalize as they may have access to subsidized capital from the government that they can use to purchase subsidiaries or open new operations abroad. Moreover, these firms are likely to be more focused on achieving high levels of performance than other state-owned firms because the government intermediaries have the mandate to achieve a return on their investments.[3] For instance, SWFs need to ensure the future wealth of the country; state-owned pension funds need to ensure the future payment of pensions; and state-owned banks need to ensure the repayment of loans. As a result, these shareholders are more likely to demand that the company achieve superior performance than what would be expected of firms that are directly owned and controlled by the government. Finally, state agencies are not likely to engage in international markets because, as they are not independent companies, they are not able to contract independently from the state. At most they may be able to import to supply their operations.

STATE-OWNED MULTINATIONAL COMPANIES: CHALLENGING THE LOGIC

Statistics on SOMNCs

An SOMNC is a legally independent firm with direct ownership by the state that has value-adding activities outside its home country. By 2010, there were at least 650 SOMNCs with more than

8,500 foreign affiliates, of which about 44% were from advanced economies. Even if such number seems small compared to the over 100,000 MNCs in the world, SOMNCs are extremely large in size; in 2010 there were 19 SOMNCs among the 100 largest MNCs in the world (UNCTAD, 2011: 28). SOMNCs that appear among the 200 largest non-financial MNCs in the world had invested abroad US$1.8 trillion (Sauvant and Strauss, 2012). Foreign investments by Sovereign Wealth Funds (SWFs) have emerged as yet another vehicle for channeling state investments in the global arena (Sauvant, Sachs, and Schmit Jongbloed, 2012).

Table 3 provides a snapshot of the largest SOMNCs by foreign assets in 2010. This is a limited list of the largest firms because there is no readily available ranking of the largest SOMNCs akin to the Fortune Global 500 or Forbes Global 2000 rankings of publicly traded firms. SOMNCs were extremely large firms and, contrary to the view of SOEs in the privatization literature, they were actually profitable and highly internationalized, with an average of 46 percent of revenues coming from foreign operations. An additional way to gauge the importance of SOMNCs is to look at the Fortune Global 500 list of largest firms by revenues. Of the Top 100 firms in 2012, 27 are SOEs and 23 are SOMNCs. The 23 SOMNCs among the 100 largest firms in the world seem to be relatively profitable firms, with an average ROA of 3.44 percent and an operating margin of 14 percent. Using data from Fortune Global 500 and S&P, Capital IQ, their performance seems more impressive if we consider that the top 73 private firms in the world have an average ROA and operating margin of 3.19 and 5.7 percent, respectively.

*** Insert Table 3 about here **

SOMNCs: Extending the Explanations on SOEs and MNCs

Although there are clear logics that explain the existence of SOEs, the logics that explain the internationalization of these firms and their transformation into SOMNCs is less obvious. The study of SOMNCs can extend our understanding of the SOE literature using insights from the MNC literature and also extend our comprehension of the MNC literature by using insight from the SOE literature via two arguments: the extraterritoriality argument and the non-business internationalization argument. Table 4 summarizes them.

*** Insert Table 4 about here ***

The extraterritoriality argument: How the MNC dimension of SOMNCs extends the SOE literature. The twin logics of the existence of SOEs (market imperfections and ideology/political strategy) work well in a domestic setting, where the government has the right to impose rules and regulations and the incentive to promote citizens' welfare. However, SOMNCs' foreign investments pose a dilemma to these logics because such investments are made in locations outside the territory in which the home government can pass laws and regulations, which questions the premise that the government acts to help its citizens. We call this the extraterritoriality argument.

The multinationality dimension of the SOMNC requires us to rethink the existence of market imperfections in the home country as the logic for SOEs and consider extraterritorial market imperfections, in addition to traditional factor and market imperfections that drive both private and SOEs to internationalize as we discuss below. The standard market imperfection logic of the SOE solving market imperfections at home to support the wellbeing of its citizens is less applicable when the SOMNC invests abroad. When the SOE invests abroad, the government is, in effect, increasing the welfare of citizens of another country by addressing market imperfections there, replacing the host country government as the solver of such imperfections. This requires an extraterritorial view of the government owning firms to address market imperfections. Moreover, a common government view about foreign direct investment by domestic companies is that such investments are detrimental to the home country because they are made at the expense of domestic investment and taxes (Stevens and Lipsey, 1992). Therefore, the government should not encourage foreign direct investment by domestic firms (Feldstein, 1994), although this view that foreign direct investment is undertaken at the expense of domestic investment has been challenged (Desai, Foley, and Hines, 2005). One can view market imperfections in a global context, especially in the case of global public goods, that require extraterritorial state ownership to ensure the protection of such global public goods and the solutions of these global market imperfections (Kaul, Grunberg, and Stern, 1999). This idea would lead to the existence of firms owned by multiple governments rather than one. It is not clear why one particular government would assume the responsibility for solving global market imperfections via ownership when other governments are reaping the benefits. However, depending on the size of the imperfection and how it affects citizens at home, governments of large countries may decide to address the global market imperfections by themselves without waiting for other governments to contribute to the solution. Alternatively, there may be market imperfections across borders that limit the welfare of citizens at home and induce the government to invest abroad to reduce them, such as ensuring the adequate supply of products or services by foreign providers when there are incomplete markets.

The ideological/political strategy explanation of the existence of SOEs can be extended with the analysis of SOMNCs. Politicians in a country, especially those who are democratically elected, have the ability and right to pass laws in line with their ideology and can decide to have SOEs in the economy. However, direct foreign investments by SOEs add an extraterritorial dimension to the ideology logic, with the government of one country imposing its ideology towards SOEs in the economy of another government. Thus, SOEs could become an indirect extraterritoriality mechanism to transfer an ideology or policy predilection of high intervention in the economy. This extraterritoriality depends, of course, on the relative size of the home and host countries, with governments of larger home countries being more able to impose their ideologies and political preferences via their SOEs on governments of smaller countries because they can exercise more political and economic clout to support their SOMNCs.

We propose that the use of SOEs to implement ideologies and political strategies has different impacts depending on the particular ideology or political strategy followed. In the case of governments following an economic communist ideology, the use of SOMNCs may be in line with the logic of replacing private with state ownership for means of production, with SOMNCs doing so in another country. Although the communist logic induced governments to directly impose it via invasion or supporting a revolution, a milder instrument could be the use of SOMNCs as a means of transferring a communist ideology. However, such investments may clash with host governments that follow a different ideology, and the host government may resort to blocking investments with such objectives (Globerman and Shapiro 2009). In contrast, if the home government has an economic nationalism ideology, promoting SOMNCs may not conflict with the desires of the host government. Inducing SOEs to invest abroad can be done to obtain raw materials needed for the home country or to reduce the dependence of the home country on imports by private companies. Economic nationalism does not carry the desire to impose the ideology in the host country. Rather, it can be achieved when the host country does not have an economic nationalistic ideology that would induce it to limit control by foreign firms.

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The non-business internationalization argument: How the SOE dimension of SOMNCs extends the MNC literature. The existence of SOMNCs can help extend the logic of MNCs discussed in the international business literature. This literature tends to assume profit-maximizing private companies becoming multinationals to increase their profitability as they seek markets, natural resources, strategic assets, or efficiency (Dunning, 1993). Even if some SOMNC investments may be made with the profitability and market-seeking motives in mind akin to those pursued by private MNCs, in some occasions the governments that own or control the firms may, alternatively, induce them to invest abroad to achieve political rather than profitability objectives. Thus, unlike MNCs that measure the success of foreign investments based on their contribution to firm profitability metrics such as return on investment, in SOMNCs the existence of multiple and possibly conflicting demands from citizens, politicians, and managers complicates the definition of success and thus the actions that are taken to achieve such success.

We call this the non-business internationalization argument and explain it by analyzing the sequence of decisions a manager has to undertake when considering internationalizing the firm: the decision to internationalize, the selection of the country in which to internationalize, and the selection of the method of entry.

The internationalization decision at its core represents a trade-off between the benefits of accessing a wider market for the firm's products and services or gaining new sources of competitive advantage that can be deployed elsewhere, and the costs incurred to capture such benefits (Hymer, 1976). Although this conceptualization is logical and widely accepted among companies that are founded on private capital, it tends to break down when applied to an examination of SOMNCs' motivations to internationalize because it does not account for non-value-adding objectives or, at the extreme, even value-destroying motives. Although SOMCs may behave like private firms in their internationalization, in many occasions SOMNCs may internationalize to achieve political or economic security objectives that have little to do with the business of the firm or performance gains, such as facilitating political relationships between countries, obtaining foreign exchange for the home country, or improving the sphere of influence exercised by the home country government. For example, the Russian state-owned gas company Gazprom moved to consolidate its position among the COMECON countries and the Central Asian Republics, many of which were originally aligned with the Soviet Union before its collapse. This was seen mostly as a blocking strategy that would prevent Western powers from forming lucrative alliances with these countries that would diminish Russian influence.

Having decided to internationalize, the next step entails the choice of a particular country in which to invest. Traditionally, the firm selects the country in which its resources and capabilities can more easily be transferred and used, achieving higher profitability from resources and capabilities it has already developed. Alternatively, it will select a country in which it can obtain resources and capabilities that are better than those available in the home country, to increase the profitability of its operations (Dunning, 1993). In the realm of SOMNCs, at times the choice of investment location might not be quite so driven by profitability. Reasons such as realizing the foreign policy aims of the home government or expanding its zone of influence among global peers might be deemed more valuable than merely capturing competitive benefits or leveraging comparative factor cost advantages. For example, some of the Chinese SOMNCs in the infrastructure and mining sectors have arguably targeted markets in the African continent as a means of increasing Chinese government influence there and support relationships between the Chinese and local governments.

Once the location for the foreign investment has been determined, the focus shifts to identifying the appropriate mode of entry and the type of operations the firm establishes (see a review in Datta, Herrman, and Rasheed, 2002, and a criticism in Shaver, 2013). Traditional models argue that the firm selects the entry mode that enables it to reduce risks and exposure in the country or that facilitates obtaining resources needed to operate efficiently there (Johanson and Vahlne, 1977). A wealth of literature in transactions cost economics has yielded significant insights into factors that help an organization choose between various forms of entry ranging from licensing to joint ventures and alliances (Anderson and Gatignon, 1986). Much of the received wisdom in this regard focuses on observable criteria that have clear economic implications. In contrast, SOMNCs may select modes of entry and operations that enable them to achieve the political objective of the government even if such methods and operations are risky or require large commitments to the country and do not enable the firms to achieve profitability. The mode of entry decision may very well be a product of political calculation rather than economic consideration. For example, the Indian oil and gas company ONGC floated a foreign arm solely to bid for overseas resources as a means of securing the country's energy future. Many of the acquisitions came at very high prices that were economically disadvantageous. The government nevertheless chose to pursue such opportunities solely to ensure energy security, an objective that would not have been captured in the cost versus benefits calculus of prevailing models of internationalization.

CONCLUSION

SOMNCs continue to evolve as governments privatize companies but keep majority and minority stakes, while new forms of state ownership in the form of SWFs, state-owned pension funds, and state-owned banks have emerged. The analysis of SOMNCs helps extend traditional arguments of both SOEs and MNCs, leading us to introduce the extraterritoriality and the non-business internationalization arguments, which can help better understand the international expansion of SOMNCs.

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Table 1. Majority-owned SOEs in OECD countries

	Majority owned listed entities			Majority owned non-listed enterprises			Statutory corporations			Total[1]		
	N° of enter-prises	N° of employees	Market value of enterprises (bn. USD)	N° of enter-prises	N° of employees	Book equity value of enterprises (bn. USD)	N° of enter-prises	N° of employees	Book equity value of enterprises (bn. USD)	N° of enter-prises	N° of employees	Value of enterprises (bn. USD)
Australia[2]	0	0	0.0	7	8 283	4.2	10	40 562	13.4	17	48 845	17.6
Austria	2	28 741	8.2	6	50 459	7.8	1	5	0.4	9	79 205	16.4
Belgium	1	17 371	13.2	7	74 990	44.6	0	0	0.0	8	92 361	57.8
Canada	0	0	0.0	33	105 296	21.6	0	0	0.0	33	105 296	21.6
Chile	1	156	0.2	9	5 559	2.7	24	46 013	10.2	34	51 728	13.1
Czech Republic	1	33 000	25.3	82	38 200	9.9	41	95 400	8.7	124	166 600	43.9
Denmark	0	0	0.0	11	8 680	8.3	2	9 828	2.5	13	18 508	10.7
Estonia	0	0	0.0	32	16 261	2.9	22	9 574	0.5	54	25 835	3.4
Finland	3	24 844	29.4	28	61 187	16.3	5	5 758	10.9	36	91 789	56.6
France	2	176 347	116.1	30	120 386	41.6	19	541 841	..	51	838 574	..
Germany[3]	0	0	0.0	57	66 419	22.9	2	4 650	18.8	59	71 069	41.7
Greece	7	39 421	15.8	72	..	..	..	..	..	..	..	..
Hungary	0	0	0.0	346	150 528	6.7	12	2 447	0.8	358	152 975	7.5
Israel	0	0	0.0	29	50 264	43.2	..	..	..	29	50 264	43.2
Italy[4]	0	0	0.0	25	289 329	105.4	0	0	0.0	25	289 329	105.4
Japan	1	49 665	35.8	..	..	..	..	..	..	..	..	..
Korea	8	39 599	38.3	48	81 056	139.4	0	0	0.0	56	120 655	177.6
Mexico[5]	0	0	0.0	45	..	2.2	23	..	..	68	..	..
Netherlands	0	0	0.0	28	60 355	74.1	0	0	0.0	28	60 355	74.1
New Zealand[2]	1	10 726	0.5	17	17 107	9.1	1	4 019	9.1	19	31 852	18.8
Norway	3	74 723	104.7	33	50 479	18.3	10	104 993	8.0	46	230 195	131.0
Poland[6]	13	184 079	59.5	573	542 082	34.0	..	..	..	..	..	..
Portugal	0	0	0.0	42	81 465	16.6	51	99 112	1.7	93	180 577	18.3
Slovenia	3	3 048	0.9	33	22 276	3.1	..	..	..	..	..	..
Spain[6]	0	0	0.0	115	106 963	36.3	36	53 566	44.3	151	160 529	80.7
Sweden[7]	0	0	0.0	43	143 253	66.1	4	4 879	1.6	47	148 132	67.7
Switzerland	1	19 813	19.8	1	7 534	0.7	2	72 781	12.8	4	100 128	33.3
United Kingdom[8]	1	160 900	50.7	12	202 668	5.5	8	14 730	11.2	21	378 298	67.4
Total OECD	*48*	*862 433*	*518.4*	*1 764*	*2 361 079*	*743.6*	*273*	*1 110 158*	*154.8*	*2 085*	*4 333 670*	*1416.8*

Source: Christiansen (2011)

Table 2. Types of State Investment in Companies

	State agency	Sovereign Wealth Funds invested firm	State pension fund invested firm	State bank loaned firm	State owned firm	State majority owned firm	State minority owned firm
Legally separate firm	No	Yes	Yes	Yes	Yes	Yes	Yes
Budget	No separate budget	Separate budget	Separate budget	Separate budget	Separate budget	Separate budget	Separate budget
Ownership	Direct ownership	Indirect via ownership by sovereign wealth fund	Indirect via ownership by state-owned pension fund	Indirect via convertible loan by state-owned bank	Direct ownership	Direct ownership	Direct ownership
Level of ownership	Full ownership	Minority investment in private firm by Sovereign Wealth Fund	Minority investment in private firm by state pension fund	Minority investment in private firm via convertible loan by state-owned bank	Full ownership	Majority ownership	Minority ownership and/or golden share in private company
Types of managers	Civil servants	Professional managers	Professional managers	Professional managers	Civil servants/ professional managers	Civil servants/ professional managers	Professional managers
Level of government influencing firm	Central/ federal	Central/federal	Central/federal; province/state; municipal/city	Central/federal; province/state; municipal/city	Central/federal; province/state; municipal/city	Central/federal; province/state; municipal/city	Central/federal; province/state; municipal/city
					State owned enterprises we analyze in this article		

Source: Cuervo-Cazurra et al. (2014)

Table 3. Largest Non-Financial SOMNCs in 2010 ranked by Foreign Assets

SOMNC	Economy	Industry	Total assets (US$ mn)	% foreign assets	Total revenues (US$ mn)	Foreign revenues (as a % of total sales)	Home government ownership stake (as a % of voting equity)[a]
Government as a majority shareholder							
Électricité de France	France	Utilities	321,431	51%	86,311	39%	84.51
Vattenfall AB	Sweden	Electricity, gas and water	80,694	67%	29,632	76%	100.00
Statoil AS	Norway	Natural resources	109,728	46%	87,144	22%	67.00
CITIC	China	Diversified	315,433	14%	30,605	36%	100.00
Petroliam Nasional Berhad (Petronas)	Malaysia	Natural resources	145,099	27%	76,822	45%	100.00
Japan Tobacco Inc.	Japan	Food/processing	43,108	73%	72,273	43%	50.00
China Ocean Shipping	China	Transportation and storage	36,287	77%	27,908	66%	100.00
Singapore Telecommunications Ltd	Singapore	Telecommunications	27,151	83%	11,814	64%	54.46
Qatar Telecom	Qatar	Telecommunications	23,335	79%	6,600	77%	55.00
Petroleo Brasileiro SA	Brazil	Natural resources	200,270	7%	115,892	25%	66.00
Abu Dhabi National Energy Company	UAE	Utilities	25,009	57%	4,590	67%	100.00
Petróleos de Venezuela SA	Venezuela	Natural resources	149,601	8%	74,996	43%	100.00
China National Petroleum	China	Natural resources	325,327	4%	178,343	3%	100.00
Oil and Natural Gas Corporation	India	Natural resources	37,223	28%	21,445	14%	74.14
DP World Limited	UAE	Transport and storage	18,961	49%	2,929	40%	80.45[b]
Axiata	Malaysia	Telecommunications	10,847	83%	3,719	52%	97.72
Sinochem Group	China	Natural resources	25,132	32%	35,577	77%	100.00
China Resources Enterprises	HK/ China	Natural resources	9,731	80%	8,273	89%	51.38
China National Offshore Oil Corp.	China	Natural resources	75,913	9%	30,680	16%	100.00
Sime Darby Berhad	Malaysia	Diversified	10,061	43%	8,827	69%	51.93
China Railway Construction Corporation	China	Construction	41,444	9%	50,501	6%	100.00
China Minmetals Corp.	China	Natural resources	18,889	12%	24,956	16%	100.00
Neptune Orient Lines Ltd.	Singapore	Transportation and storage	5,341	41%	6,516	75%	68.00
Government as a minority shareholder							
Volkswagen Group	Germany	Automobile	266,426	63%	168,046	77%	20.00
GDF Suez	France	Utilities	246,736	62%	111,891	63%	36.50
EnelSpA	Italy	Electricity, gas and water	224,548	54%	95,289	57%	31.24
Eni Group	Italy	Natural resources	176,189	61%	130,494	51%	30.30
Deutsche Telekom AG	Germany	Telecommunications	170,780	61%	82,677	56%	32.00
Eads	Netherlands	Defense	111,153	63%	60,599	90%	22.40[c]
General Motors	USA	Automobile	138,898	50%	135,592	42%	32.00
France Telecom	France	Telecommunications	125,970	50%	60,269	41%	26.97
Veolia Environnement SA	France	Electricity, gas and water	68,829	77%	46,075	64%	13.74
Vale SA	Brazil	Mining	129,139	38%	46,481	82%	39.70[d]
Deutsche Post	Germany	Transportation and storage	50,458	77%	68,187	68%	30.50
Renault	France	Automobile	93,676	35%	51,617	67%	17.86
TeliaSonera AB	Sweden	Telecommunications	37,342	83%	14,788	66%	37.30
Zain	Kuwait	Telecommunications	19,863	96%	8,054	85%	49.20
Tata Steel Ltd	India	Metal and metal products	24,419	64%	21,580	74%	15.74
MTN Group Limited	South Africa	Telecommunications	21,170	68%	13,344	64%	17.63
Capital and Limited	Singapore	Construction and real estate	21,495	48%	2,033	67%	40.90
First Pacific Company Limited	HK/China	Electrical/electronic equipment	9,397	97%	3,926	100%	10.37
Sasol Limited	South Africa	Chemicals	18,977	35%	21,676	36%	30.00[e]
Steinhoff International Holdings	South Africa	Diversified	7,194	70%	5,636	62%	14.89
Sappi Limited	South Africa	Wood and paper products	7,297	66%	5,369	78%	11.90
Lenovo Group	China	Electrical/electronic equipment	8,956	44%	16,605	52%	42.00[f]
VimpelCom	Russia	Telecommunications	15,725	24%	10,117	15%	36.36[g]
Agility Public Warehousing Company	Kuwait	Construction and real estate	6,221	54%	5,976	58%	15.00
ZTE Corporation	China	Telecom and manufacturing	10,173	30%	8,823	50%	32.45
TPV Technology Limited	China	Wholesale trade	4,155	64%	8,032	70%	35.06

Sources: Sauvant and Strauss (2012), created with data from UNCTAD (2011), and Musacchio and Lazzarini (2009), Table 7-2 and Figure 9-1.
Notes:
a) Most of the ownership stakes represent the percentage of voting equity the government controls; in other instances the figures represent a percentage of total capital, depending on availability.
b) Owned by the Government of Dubai.
c) SOGEADE is controlled by SOGEPA, a wholly-owned SOE under the control of the French government.
d) The Government of Brazil controls only 6.9% of equity in Vale, through its investment arm BNDESPAR. However, the firm that controls Vale with 53.9% of voting shares, Valepar, is controlled by BNDESPAR (21.2%) and Litel (49%), which in turn are controlled by a consortia of pension funds from SOEs. See Musacchio and Lazzarini (2014), Chapter 9.
e) Out of which 13.3% is held by the Government Employees Pension Fund.
e) The Chinese government holds 36% of Legend Holdings, the controlling shareholder of Lenovo.
f) Shares held by Telenor, a telecommunications company controlled by the Government of Norway.

Table 4. SOMNCs: Extending the Literatures on SOEs and MNCs

The extraterritoriality argument: (How the MNC dimension of SOMNCs extends the SOE literature)		**The non-business internationalization argument:** (How the SOE dimension of SOMNCs extends the MNC literature)	
Traditional explanation of SOE behavior	**Extension of traditional explanation by the MNC dimension of the SOMNC**	**Traditional explanation of MNC behavior**	**Extension of traditional explanation by the SOE dimension of the SOMNC**
Economic efficiency: Solve market imperfections in the country and maximize social welfare for citizens	Solve extraterritorial market imperfections in other countries or across borders	**Why invest abroad?** To benefit from the comparative advantage of another country by internalizing cross border relationships	To benefit from achieving the political objectives of the home government
Political ideology/strategy: Achieve ideological objective of control over economy by politicians	Extraterritorial application of the ideology/political strategy in other countries	**Where to invest abroad?** Select the country in which resources and capabilities are more easily applicable to achieve higher profitability	Select the country in which the government wants to achieve influence or diplomacy even if it offers limited business benefits
		How to invest abroad? Select the entry method that reduces risk and commitment	Select the entry method that enables the achievement of the political objective even if it is high commitment or risky

Source: Cuervo-Cazurra et al. (2014)