Globalization of Chinese Enterprises

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Editor, International Journal of Emerging Markets
Editor, European Journal of International Management
China Goes Global (2006-Present)

www.chinagoesglobal.org
Why Study Chinese FDI?

• China is among the world’s largest investors
• China’s OFDI growth is exponential
  – Chinese OFDI is small as a percentage of GDP
  – Chinese share of global investment position
  – OFDI is part of the Chinese policy of going global
• Good testing ground for generalizability of FDI theories
  – Do Chinese investors follow the same pattern as their western counterparts?
  – Do the assumptions of OFDI theories hold for the Chinese?
Mercator’s Chinese OFDI Stock Projections

China’s Global Investments Projected to Triple by 2020
Assets in China’s international investment position based on assumption of fully convertible capital account by 2020
USD trillion
Why are the Chinese interested in FDI?

Mudambi (2017), JIBS
Theories of Chinese/EM multinationals

- Ravi Ramamurti
- Marshall Meyer
- Alan Rugman
- Child & Marinova
- Simon Collinson
- Yadong Luo
- Jean-Francois Hennart
- Dunning and Lundan
- Ilan Alon
Ravi Ramamurti

- Why Chinese firms internationalize, before having strong international competitive advantage (ex., Geely, Lenovo)?
  - Chinese do have a comparative advantage

- Why Chinese internationalize in the «wrong way»?
  - Too fast, high equity, wrong countries
  - Not following the Uppsala model
    - Incremental internationalization
Some Answers
Different Investment Paradigm

• External Environment
  – Global context of internationalization
  – Chinese investment is in mature industries
  – **Assumption:** strong political and institutional environment at home
  – **Reality:** Leverage home country advantage
  – Many “go out” to overcome domestic institutions

• Internal Environment
  – Stage of evolution of EMM/China
  – **Assumption:** “Going out” to signal strength
  – **Reality:** Chinese companies buy competitive strengths
  – New business models, access to resources

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Domestic Market Barriers
Marshall Meyer Theory

Figure 1. Revised model of internationalization
Firms between A and national border internationalize before occupying domestic space.
Figure 2. Model of internationalization with new ICTs
Firms between C and national border internationalize before occupying domestic space.
Rugman’s Review


This is one of the first books to analyze the nature and extent of Chinese outward foreign direct investment (FDI). As FDI depends upon the strategic decisions of multinational enterprises (MNEs) the editors correctly identify the need for application of the resource-based view (RBV), along with versions of institutionalization theory, based upon the thinking of Nobel Prize-winning economist, Douglass North.

In general, authors of the 16 chapters in this book exhibit greater command of the institutional framework (a country level of analysis) than they do of the RBV (a firm level of analysis). Possibly this is because the theory of the MNE, namely Internalization Theory, predates the RBV (having been developed by Buckley and Casson in 1976) in explaining how intangible knowledge assets are the drivers of MNE activity. This work has then been further developed by John Dunning in his eclectic paradigm to suggest four motives for outward FDI, namely: natural resource seeking, market seeking, efficiency seeking, and asset seeking. Somewhat unfortunately, Dunning’s classifications are only discussed in the concluding chapter of McIntyre.

In contrast, the opening chapter by Alon concludes that “traditional Western theories of international business need to be adapted to the Chinese context, or new theories altogether are necessary”. As several chapters in the book indeed appear to demonstrate that traditional international business theories are inadequate, I shall focus upon this incorrect assessment of the literature.
Rugman’s 2x2 Model/Theory

<table>
<thead>
<tr>
<th>Country-Specific Advantages</th>
<th>Firm-Specific Advantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weak</td>
<td>Weak</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Strong</td>
<td>Strong</td>
</tr>
<tr>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>
Deconstructing Country Specific Advantages

CSAs
Land, labor, nat resources, climate, location

GSAs
Infrastructure, human capital, business climate, industrial policy

FSAs
Brands, technology, distribution, oper. expertise, etc.

EMNE
Competitive Advantage

Deconstructing Firm-Specific Advantages
Simon Collinson on FSAs

<table>
<thead>
<tr>
<th>FSA’s</th>
<th>Assets</th>
<th>Capabilities</th>
<th>Connections</th>
<th>Reputation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource-seeking</td>
<td>Patents, licenses, IPR.</td>
<td>Low-end (maintenance) to high-end (blue-sky R&amp;D) expertise</td>
<td>Strategic alliances. Buyer &amp; supplier links. R&amp;D networks / global capability inputs</td>
<td>Credibility, trust, track record, recognition</td>
</tr>
<tr>
<td>Market-seeking</td>
<td>Own, valued brands, logos, trademarks, awards etc..</td>
<td>Brand management protection, development expertise</td>
<td>Formal co-branding. Supplier or buyer, distribution and retailing affiliations</td>
<td>Reputation for quality, price, innovation etc.. Market positioning, brand recognition; market presence</td>
</tr>
</tbody>
</table>
Classifying Firms by Ownership and Organization

Yadong Luo: Ownership-Diversification Matrix

中国国际企业/跨国公司的类型：所有权-多样化矩阵

- Non-state owned (非国有的)
  - World-stage Aspirant (世界舞台进取者)
  - Niche Entrepreneur (小而精的创业者)
- State owned (国有的)
  - Transnational Agent (跨国代理)
  - Commissioned Specialist (委托专家)

高 International Diversification（高国际多样化）

低 International Diversification（低国际多样化）
## A Critique of OLI

**JF Hennart: Theory of EMM**

<table>
<thead>
<tr>
<th></th>
<th>Intangible held by technology owner</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Weak bargaining power (many substitutes)</td>
</tr>
<tr>
<td>Complementary local resource held by local firm</td>
<td>Weak bargaining power (many substitutes)</td>
</tr>
<tr>
<td></td>
<td>Strong bargaining power (few substitutes)</td>
</tr>
</tbody>
</table>

Host Market Investment Motivations
Dunning and Lundan

Natural resource
- Physical resources: minerals, natural resources
- Unskilled/semi-skilled labour: seeking lower costs
- Knowledge type resources: skills and capabilities

Market
- Following suppliers or customers
- Adapting to local conditions
- Economising on transportation costs
- Following competitors

Efficiency
- Through differences in factor endowment
- Through economy of scale and scope

Strategic asset
- Acquisition of strategic asset that would enhance long-term competitiveness

All these with assumption that these FDI are self-contained in each market
Largest SOE Motivations for OFDI

Motivation for Current Chinese ODI

- Business potential/expansion: 4
- Overall importance of target country as a market: 3.68
- Access to natural resources: 3.54
- Government assistance: 3.52
- Transparent and fair regulatory environment: 3.43
- Tax system: 3.4
- Security of Investment: 3.36
- Access to skilled labour: 2.96
- Access to international standard management practices: 2.92
- Local labour union support: 2.88
- Access to advanced technology and R&D: 2.88
- Membership in a regional free-trade agreement: 2.68
- Access to low cost labour: 2.61
- Similar to the Chinese Culture: 2.5
- Acquisition of established brands: 2.33
- Use of target country as base for exports to third country: 2.22

A review of the internationalization of Chinese enterprises

Ilan Alon¹ • John Anderson² • Ziaul Haque Munim¹ • Alice Ho¹

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Abstract  This article reviews the scholarly research on the internationalization of Chinese enterprises (ICE) through bibliometric citation analysis. We do so through a data visualization technique and analysis of 206 articles which are authored by 382 scholars in 72 different journals published between 2003 and 2016. The results reveal four research streams in the context of ICE: (1) testing traditional FDI theory, (2) location choice, (3) entry mode choice, and (4) drivers and motivations of internationalization. While international business (IB) journals, such as the Journal of World Business, the Journal of International Business Studies, and International Business Review, have taken a lead role in pushing the ICE literature stream forward, geographically focused general management journals, such as the Asia Pacific Journal of Management and Management & Organization Review, have also made a singular contribution. The impact of perspective, in terms of author and institution affiliation, on the literature set is also examined. Finally, issues related to data, methodological rigor and theoretical underpinnings are highlighted. To advance the ICE literature, we proposed a holistic framework of drivers and motivations of Chinese outward FDI and present some promising future research areas.
Table 2  Ranking of 20 most productive and influential journals (sorted by TLC/t)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Journal</th>
<th>ABS Rank*</th>
<th>TLC/t</th>
<th>TGC/t</th>
<th>P_{ICE}</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Journal of World Business</td>
<td>4</td>
<td>37.73</td>
<td>103.30</td>
<td>16</td>
</tr>
<tr>
<td>2</td>
<td>Journal of International Business Studies</td>
<td>4*</td>
<td>21.99</td>
<td>88.01</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>Asia Pacific Journal of Management</td>
<td>3</td>
<td>10.99</td>
<td>27.79</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>International Business Review</td>
<td>3</td>
<td>10.46</td>
<td>35.80</td>
<td>28</td>
</tr>
<tr>
<td>5</td>
<td>Management and Organization Review</td>
<td>3</td>
<td>7.00</td>
<td>22.81</td>
<td>7</td>
</tr>
<tr>
<td>6</td>
<td>China and World Economy</td>
<td>1</td>
<td>4.37</td>
<td>6.00</td>
<td>10</td>
</tr>
<tr>
<td>7</td>
<td>Journal of International Management</td>
<td>3</td>
<td>3.91</td>
<td>17.70</td>
<td>6</td>
</tr>
<tr>
<td>8</td>
<td>Management International Review</td>
<td>3</td>
<td>3.47</td>
<td>10.69</td>
<td>3</td>
</tr>
<tr>
<td>9</td>
<td>Global Strategy Journal</td>
<td>3</td>
<td>3.25</td>
<td>15.70</td>
<td>4</td>
</tr>
<tr>
<td>10</td>
<td>China Economic Review</td>
<td>2</td>
<td>2.92</td>
<td>4.25</td>
<td>10</td>
</tr>
<tr>
<td>11</td>
<td>Asian Business &amp; Management</td>
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<td>4.71</td>
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<tr>
<td>12</td>
<td>International Journal of Management Reviews</td>
<td>3</td>
<td>1.80</td>
<td>3.20</td>
<td>1</td>
</tr>
<tr>
<td>13</td>
<td>Eurasian Geography and Economics</td>
<td>2</td>
<td>1.65</td>
<td>4.22</td>
<td>2</td>
</tr>
<tr>
<td>14</td>
<td>International Marketing Review</td>
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<td>1.43</td>
<td>4.86</td>
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<td>15</td>
<td>Asia Europe Journal</td>
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<td>1.33</td>
<td>4.00</td>
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<td>China Quarterly</td>
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<td>17</td>
<td>Pacific Economic Review</td>
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<td>19</td>
<td>Business Horizons</td>
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<td>1.00</td>
<td>2.22</td>
<td>2</td>
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<td>20</td>
<td>Management Decision</td>
<td>2</td>
<td>.93</td>
<td>4.47</td>
<td>4</td>
</tr>
</tbody>
</table>

TLC/t Average local citations received per year; TGC/t Average global citations received per year; P_{ICE} Number of articles published related to Internationalization of Chinese enterprises

* Based on ABS Academic Journal Guide 2018
Fig. 4 Internationalization of Chinese enterprises (ICE) citation mapping TLC
**Country (macro) level**
- Host country factors
  - Host market size and growth
  - Natural resources endowment
  - Institutional environment
    - Political risk
    - Economic risk
    - State intervention
  - Ethnic Chinese in the host population
  - Geographical distance from China
  - Foreign exchange rate
  - FDI policy
- Home country factors
  - GDP per capita
  - Investments in human capital
  - Export growth
  - Inward FDI
  - Chinese government policy
    - Government ownership
    - Liberalization of Chinese FDI policy

**Industry (meso) level**
- Home/host country factors
  - Industry competition
  - Industrial support policies
  - Industrial R&D

**Firm (micro) level**
- Home country factors
  - Firm size
  - Firm ownership
    - Ownership advantages
  - Technological and management capabilities
  - Assets seeking motivation
    - Intangible assets
    - Tangible assets
  - Home country network ties
  - Global strategic motivation

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**Fig. 5** A holistic view of the CMNEs internationalization drivers and motivations
Dynamic Embeddedness in Chinese Firm Internationalization

By
Christoph Lattemann
Ilan Alon
Francesca Spigarelli
Svetla Trifonova Marinova

This article presents a multilevel framework to analyze the motivations and location choices of Chinese OFDI. We contribute to theory integration on Chinese OFDI flows and patterns by suggesting a framework that combines country-, industry- and firm-level analyses and by reflecting aspects from the resource-based view (firm-specific advantages), institutional-based view (push/pull home- and host-country factors), and network-based view (network relations). We also explicitly incorporate “time” as a variable into our framework by introducing and explaining the concept of dynamic embeddedness as an interaction dimension to reflect the inherent dynamics on all levels and actors. © 2017 Wiley Periodicals, Inc.
<table>
<thead>
<tr>
<th>Level of Analysis</th>
<th>Main Body of Literature Involved</th>
<th>Theoretical Basis Used and Brought Forward</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country-level analysis</td>
<td>• Country context (Child &amp; Marinova, 2014; Ramamurti, 2012)</td>
<td>Institution-based view Network-based view</td>
</tr>
<tr>
<td>Industry-level analysis</td>
<td>• Industry specificity (Lu et al., 2010; Lv &amp; Spigarelli, 2014, 2015, 2016; Panibratov, 2015; Wang et al., 2012; Yang et al., 2009)</td>
<td>Institution-based view Network-based view</td>
</tr>
<tr>
<td>Firm-level analysis</td>
<td>• Previous FDI network (Hertenstein et al., 2015; Yiu et al., 2007)</td>
<td>Resource-based view Network-based view</td>
</tr>
<tr>
<td></td>
<td>• Link, Leverage, Learn (Mathews, 2006)</td>
<td></td>
</tr>
<tr>
<td>Interaction dimension</td>
<td>• Context and firm perspective (Child &amp; Marinova, 2014; Morck et al., 2008)</td>
<td>Resource-based view Institution-based view Network-based view</td>
</tr>
<tr>
<td></td>
<td>• Institutional context (Hertenstein et al., 2015; Lu et al., 2010)</td>
<td></td>
</tr>
</tbody>
</table>
**FIGURE 1 Multiple Dimensions of Analysis**

<table>
<thead>
<tr>
<th>Level of analysis</th>
<th>Push/Pull Factors</th>
<th>Dynamic Embeddedness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
<td>• Government endowment (Buckley et al., 2007)</td>
<td>• Political relations (Alon et al., 2011)</td>
</tr>
<tr>
<td></td>
<td>• Government specific advantages</td>
<td>• Economic diplomacy (Lv &amp; Spigarelli, 2015)</td>
</tr>
<tr>
<td></td>
<td>• Institutional environment</td>
<td>• Bilateral FOI networks (Hertenstein et al., 2015)</td>
</tr>
<tr>
<td></td>
<td>• Political stability (Child &amp; Marinova, 2014)</td>
<td>• Psychic &amp; cultural proximity (Hofstede, 1980; Kogut &amp; Singh, 1988; Vaccarini et al., 2015)</td>
</tr>
<tr>
<td></td>
<td>• Institutional maturity (Child &amp; Marinova, 2014)</td>
<td></td>
</tr>
<tr>
<td>Industry</td>
<td>• Level of innovation, competitiveness (Lv &amp; Spigarelli, 2015; Wang et al., 2012)</td>
<td>• Level of integration in trade &amp; FOI (Hertenstein et al., 2015; Rugman et al., 2014)</td>
</tr>
<tr>
<td></td>
<td>• Industrial support policies (Lv &amp; Spigarelli, 2014, 2015, 2016; Yang et al., 2006)</td>
<td>• Sectorial interdependencies</td>
</tr>
<tr>
<td></td>
<td>• Include ‘going global’ (Child &amp; Rodrigues, 2005; Zeng &amp; Williamson, 2003)</td>
<td>• Integration into supply chains</td>
</tr>
<tr>
<td></td>
<td>• Government control &amp; support of specific industry</td>
<td></td>
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<tr>
<td></td>
<td>(Gammeltoft et al., 2012; Luo et al., 2010; Ramamurti, 2012)</td>
<td></td>
</tr>
<tr>
<td>Firm</td>
<td>• Firm specific advantages (Buckley et al., 2007; Collins &amp; Rugman, 2008; Govindarajan &amp; Ramamurti; Ramamurti, 2009, 2011; Madhok &amp; Keyhani, 2012)</td>
<td>• Preexisting network ties with target firms, host industry, host country (Hertenstein et al., 2015; Johannisson et al., 2002; Michelson, 2007; Png &amp; Luo, 2000)</td>
</tr>
<tr>
<td></td>
<td>• Experience in international expansion (e.g., exporting, non equity contracts, FOI)</td>
<td>• Trust, perceived distance (Vaccarini et al., 2015)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Learning, experiences</td>
</tr>
</tbody>
</table>
Political Risk and Chinese Outward Investment

• Studies maintain that Chinese are attracted or indifferent to political risk
• Political risk predicts the opposite
• Survey data suggests otherwise
### Motivation for Current Chinese ODI

<table>
<thead>
<tr>
<th>Motivation</th>
<th>Rank</th>
</tr>
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<td>Business potential/expansion</td>
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<tr>
<td>Use of target country as base for exports to third country</td>
<td>2.22</td>
</tr>
</tbody>
</table>

Data Problems

• Chinese statistics of OFDI (see next page article)
  – Most past studies use official data (MOFCOM) which does not take the use of tax havens into account.
  – ~80% of all Chinese FDI is routed through tax havens.
  – Official data states 30% of all FDI into Europe goes to Luxemburg.
  – Commercial data, which uses ultimate beneficiary ownership has this number at 0.1%.
  – A more candid picture of private MNE investment than official data. Several drawbacks to commercial data such as many missing or estimated values, only includes M&As of greater than $1 million and greenfield investments of more than $500,000, smaller overall sample size.

• Political risk measures
  – **Heritage Foundation** measures economic freedom more than political risk – these two are not the same
  – **World Bank** aggregates data from (30) secondary sources and then shapes their data.
  – **PRS Group** collects and analyzes their own data. The biggest drawback is that these data measure country risk more than political risk.
The Pitfalls of Using Foreign Direct Investment Data to Measure Chinese Multinational Enterprise Activity

Dylan Sutherland* and John Anderson†

Abstract
The growth of Chinese multinational enterprises (MNE) has stimulated great interest in their outward foreign direct investment (FDI) strategies, particularly among academics in business and management studies. To date, however, serious methodological shortcomings plague empirical studies in these disciplines. Specifically, the vital issue of how Chinese MNEs use and route FDI via tax havens and offshore financial centres is not adequately dealt with. These practices have created large geographical, industrial composition and volume biases in Chinese outward FDI data. Using a sample of 100 Chinese MNEs, we illustrate how the use of tax havens and offshore financial centres has created these biases, and examine the implications for understanding Chinese MNE activity.

Keywords: Chinese MNEs; outward foreign direct investment; special purpose entities; tax havens; offshore financial centres; FDI biases
Methods and Results

- We construct comparison models using:
  1) MOFCOM data and commercial data which take ultimate global ownership into account and
  2) different measures for the political risk variable across data sources

Results
- Models using MOFCOM data are generally the same as what is found in past literature
- Models using commercial data we generally find CMNEs are significantly drawn to locations with low levels of political risk. This relationship is strongest for the World Bank data.
- World Bank data results generally conform to traditional theory (i.e. CMNEs are risk adverse)
- PRS Group data results generally conform to theory in the case of commercial data, but not in the case of official data
- Heritage foundation data reveal a U-shaped relationship between CMNE FDI and risk
How Chinese FDI is measured is important – Chinese FDI data from MOFCOM are likely to yield non-significant results regardless of political risk variable. This is in line with findings from past studies – Chinese FDI data which take ultimate investment destinations into account (i.e. commercial data) are likely to yield positive and significant results (i.e. Chinese FDI is drawn to locations with low political risk).

How political risk is measured is important – Heritage Foundation data are likely to yield positive significant results regardless of Chinese FDI data source – but this relationship is curvilinear. Political stability and rule of law variables are likely to yield non-significant results regardless of Chinese FDI data source – World Bank political risk data are more likely to yield positive significant results than PRS data when using commercially available FDI data – Corruption and regulatory quality proxies are likely to have a positive relationship with Chinese FDI regardless of data source. This relationship is positive and significant in the case of commercial FDI data – Government accountability proxy is likely to have a negative relationship with Chinese FDI. This relationship is negative and significant in the case of MOFCOM data.

Heritage Foundation Results
Theoretical and Policy Implications

Traditional political risk theory:
• The State in China mediates the risk though de-facto political risk insurance to selected locations with specific interest. BRI is an example of such policy.

Chinese FDI and political risk:
• Chinese private investment prefers politically stable locations.
• Chinese state owned enterprises are risk takers or perceive risk differently in selected markets.
• Governments with good governance are more likely to attract M&A activity even from China.

Chinese multinationals:
• Micro political risk model for China is needed.
• Chinese state enterprises possess special ownership advantages which mitigate some of the political risk.
  – Consider the Belt and Road Initiative.
Vexing Research Questions

• Is Chinese investment counter cyclical?
• Decomposing the firm- and country- specific factors
• Boundary conditions for theoretical adaptation
• Policy Question
  – Is China a strategic threat or opportunity?
  – Ban or Welcome? Regulate? How? Chinese retaliation?
ing China the leading global economy in almost every important sector. But how and why Chinese firms go abroad is still a mystery to many casual observers. Recent growth of Chinese OFDI has been nothing less than remarkable.

America, $56.4 billion in Sub-Saharan Africa, $43.7 billion in the Arab countries, and $38.4 billion in Australia. Each region has attracted Chinese investments for different reasons. Australia, Latin America, and Africa,

The financial crisis of 2008 was a strategic opportunity for China to go on an acquisition spree throughout the world.

OFDI was a central component of China’s going-out (zou chuqu) policy in its Tenth and Eleventh Five-Year Plans for National Economy and Social Development (2001–2010). Since then, for example, provide natural resources to fuel Chinese economic growth and modernization efforts. In contrast, Chinese investments in Europe and North America focus on the acquisition
depend solely on firm-specific advantages. Country-specific advantages and disadvantages also have an effect on international success. China has strong country-specific advantages, particularly government support, political stability, and economic growth. 25 In addition, China has advantages in terms of factor-endowment (people, natural resources, money) and in terms of governmental incentives to interna-

China has strong **country-specific advantages**, particularly government support, political stability, and economic growth. 25 In addition, China has advantages in terms of factor-endowment (people, natural resources, money) and in terms of governmental incentives to interna-

field investments due to a preference for Washington Consensus policies. This set of policies, which prefers free markets and an important role for the private sector, contrasts with the Chinese Beijing Consensus (sometimes called the China model), which prefers an important role for government in the economy. 28 Because of these competing positions, home-country advantages in China (such as govern-

Chinese Operational Difficulties Due to Inexperience
Karl Sauvant: Why Chinese Firms Have Difficulty in the USA?

• How to navigate corridors of **power in Washington**
• **Transparency** both for its SOE sector and for privately-owned businesses
  – Are China’s regulations and legal frameworks compatible with Chinese multinationals operating in OECD economies?
• Dealing with **institutional and cultural differences** (subjective standards)
  – How you do business, how you get permission to do certain things
  – Established vs. evolving institutions

Source: Conversation between Karl Sauvant and Thilo Haneman quoted in *Asia Times Online*, July 11, 2011.
Conditions for Theoretical Adaptation

- When institutions matter (dometic or foreign or their interactions)
- When government influence is relevant
- When culture is relevant
- When phenomena is indigenous

Boundary Conditions Vary

- **Chinese Firms Motivations Show Similarities**

- **Corporate Governance, Local Institutions, and CSR Show Differences**
Cost-Benefit of Chinese Investment

The Rise of Chinese Multinationals
A Strategic Threat or an Economic Opportunity?

Christoph Lattemann & Ilan Alon

The Rise of Chinese Multinationals: A Strategic Threat or an Economic Opportunity
C Lattemann, I Alon, Georgetown Journal of International Affairs 16 (1), 168-175
One Belt, One Road, One Circle, and One Sky
China’s New Shipping Frontier

How the new Northern Sea route compares to the traditional Suez Canal route

**NORTHERN SEA ROUTE**
- Travel time: 35 days
- Dangers: Icebergs
- Travel window: July to November
- Container-carrying vessels: One this year

**SUEZ CANAL ROUTE**
- Travel time: 48 days
- Dangers: Access to Suez Canal under question with upheaval in Egypt
- Travel window: Year-round
- Container-carrying vessels: 17,000 last year

Sources: Northern Sea Route Information Office; National Snow and Ice Data Center; Cosco; Lloyd’s List

The Wall Street Journal
Questions and Answers