Original Article

Chinese firms 'going global': Recent OFDI trends, policy support and international implications

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Abstract This article analyzes Chinese foreign direct investment. First, recent empirical trends are explicated, showing that Chinese firms 'going global' has taken off, with significantly rising investment even in developed economies. Analyzing the specifics of Chinese outward foreign direct investment (OFDI) also shows that the motives of Chinese firms going abroad are mostly economic. Second, the role of policy support in Chinese OFDI is elucidated, showing that Chinese style internationalization differs from liberal role models. This is explained by the domestic structure of China's political economy. However, the prevalent image in the West that the internationalization of Chinese firms is mostly policy-driven is erroneous. Thus, third, the role of fragmentation and competition in China's 'going global' strategy is elucidated. In the outlook, it is exemplified that the growing significance of Chinese firms results in a restructuring of global competitive relations, which some Western governments and firms regard with suspicion.
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Introduction

Over the last decades, the People's Republic of China (PRC) has become the emerging global investment powerhouse. Recently, it has also become a surging source of outward foreign direct investment (OFDI) into both developing and developed markets. China thus transforms itself from a major exporter of goods into a major exporter of capital.

Observers are divided over the consequences of this transformation. Broadly speaking, we can distinguish two basic positions: Some authors warn of the coming 'challenge' and/or 'confrontation' that Chinese firms represent. They assume that China's dramatic rise in OFDI over the past years is the effect of strategic government campaigns guiding Chinese firms' overseas activities for political motivations. Sometimes, this position expresses a deep-seated suspicion of the Chinese Communist Party in the West (see Deng, 2001; Bremmer, 2010; Wu, 2010; Yan, 2010; Szamosszegi and Kyle, 2011; Meunier, 2012).

Other authors foresee Chinese firms integrating themselves into the international economic system in largely cooperative ways. Those analysts who stress their dependency on both the major OECD markets and China's pragmatic orientation to economic growth tend to see a development of cooperative partnerships with the West as more likely. From this perspective it is argued that China's international corporations would benefit by integrating into the global system (see Rumbaugh and Blancher, 2004; Wei, 2007; Ikenberry, 2008; Wang and Rosenau, 2009; Wang, 2011; Lieberthal and Wang, 2012).

The objective of this article is to create a nuanced picture of Chinese foreign direct investment. In the following, I inquire into four spheres: *First*, recent empirical trends in Chinese OFDI are explicated, showing that China 'going global' has taken off recently, with significantly rising investment even in developed economies. By tapping into a rich base of technology, brands and human capital, Chinese state, hybrid and private firms are now among the world's six leading global investors with respect to OFDI flows. The analysis of the specifics of Chinese OFDI also shows that the motives of Chinese firms going abroad are not state-driven, but mostly economic.

Second, the role of policy support in Chinese OFDI is elucidated. It is shown that, on the one hand, the state plays a significant proactive role in developing Chinese firms into major global players. Chinese style internationalization thus differs from liberal role models, which allow only very limited state involvement. On the other hand, I illustrate that the prevalent image in the West that China's 'going global' strategy is mostly policy-driven ('China Inc.') is erroneous. China's drive to internationalize stems to a large degree from the developmental ambition, not to solely act as the 'workshop of the world' any longer, but to 'move up the value chain' into higher value-added products.

Third, I inquire into the role of fragmentation and competition in China's going global strategy by demonstrating that Chinese firms are less subject to central control in Beijing than media commentators often believe. The PRC is neither a monolithic entity that is 'buying the world' – especially when compared to other developed economies with significantly larger OFDI stocks – nor is it steering the internationalization drive of its firms according to any, all-encompassing general plan. In contrast, Chinese firms going abroad even encounter each other as competitors.

Fourth, in the outlook of this article, I exemplify that the growing global significance of Chinese firms results in a restructuring of global competitive relations with some tension-filled effects. Because of that, and moreover, because economic actors under capitalism base their decisions largely on expectations – and currently everyone expects China to continue ‘going global’ – the internationalization of Chinese firms and the proactive policies of the Chinese state are seen with mistrust in the West.

To analyze the development of Chinese OFDI, I adopt theoretical insights from ‘second image’ approaches in International Political Economy (IPE). In contrast to conventional, business-centered perspectives on foreign investment, this sort of approach foregrounds domestic socio-economic issues as well as their connections to political dimensions (see the Introduction in this special issue by Andreas Nölke; also see Katzenstein, 1976; ten Brink, 2013). By looking at both firm strategies and policymaker’s preferences resulting from China’s domestic development model, a nuanced understanding of how China’s firms are actually emerging on the world stage is possible. By referring to comparative capitalism research, this development model is understood here as a non-monolithic, that is heterogeneous and competition-driven State-permeated Market Economy (SME), characterized by intimate connections between private and state actors, a sharp orientation towards growth, and an assertive national focus on foreign economic policy that includes proactive state promotion and support of OFDI (see McNally, 2012; ten Brink, 2013; May *et al*, 2014).

The article is structured as follows. First, I begin by explicating basic trends and characteristics of China’s firms ‘going global’ and analyzing the motives for its recent drive to internationalization. Second, I explain the importance of Chinese state agencies in supporting most emerging Chinese multinationals. Third, I delve into the reality of the non-monolithic form of China’s capitalism by demonstrating that Chinese firms are less subject to central control in Beijing than commonly assumed and that they even encounter each other as competitors. In the last section, I summarize the findings and exemplify some tension-filled effects of Chinese firms going abroad.

Chinese Firms Go Global: Recent Trends

In the following, I show that recently Chinese firms are increasingly ‘going global’, with a focus on Asia and other emerging economies, yet also with significantly rising investment even in developed economies. In addition, I differentiate three different *types* of Chinese firms going global and I elaborate on *motives* for Chinese firms to invest abroad.

In the last few years, there has been a significant increase in OFDI by state-invested, hybrid and private firms from the PRC (Luo *et al*, 2010, pp. 75–77). Indeed, this is no longer solely based on low wages. What began as comparative advantage based on low factor costs is now evolving into more knowledge-intensive forms of competitiveness, even in emerging technology areas such as wind power generation. As Nahm and Steinfeld note, ‘the ability of Chinese firms to contribute critical knowledge to the commercialization of new-to-the-world innovation suggests a more pivotal role for China in the global division of labour than simply being the world's preferred manufacturing location' (2012, p. 16). In addition, large and protected domestic markets serve as a stepping stone for emerging multinationals, especially in medium-tech sectors (Nölke, 2013).

Nowadays, Chinese OFDI comprises a variety of elements, from international contracts, joint ventures (JVs) or foreign subsidiaries to mergers and acquisitions (M&A) and the purchase of equity. After having created international links through direct sales, Chinese firms often positioned overseas contractual arrangements (for example in infrastructure projects) and finally invested abroad. Firms thereby follow the path to economic development laid down by other companies from emerging economies that went global.

From the year 2004 onwards, Chinese OFDI rose considerably (see Figure 1). The Chinese OFDI stock grew to 118 billion USD in 2007 and in contrast to the global decline in foreign investment after 2008, Chinese OFDI further increased. In 2013, the Chinese OFDI stock already amounted to 614 billion USD.[1] China's OFDI stock remains tiny compared to the global aggregate, yet in terms of OFDI flows, China in the past years rose to rank No. 3 among world's six leading global investors (see Figure 2). And as analysts notice, the trend line change is what matters most.

Chinese corporations typically concentrate their investment on Asia and other emerging markets, which is partly why they were less noticed in Europe or in the United States for a long time (see Table 1). Chinese OFDI thereby resembles the development stage of its domestic economy in that foreign investment largely concentrates on the manufacturing sector, mining and wholesale and retail trade.

The goal for Chinese corporations, however, remains to operate in the biggest OECD economies as well. Building an export base for greater access to the North

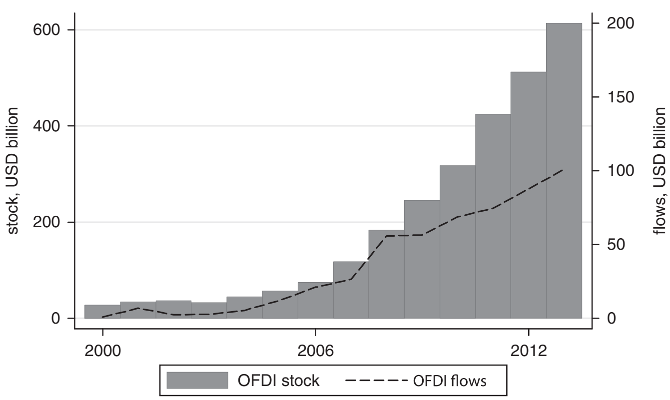

Figure 1: Chinese OFDI, 2000–2013.
Source: UNCTAD, 2014.

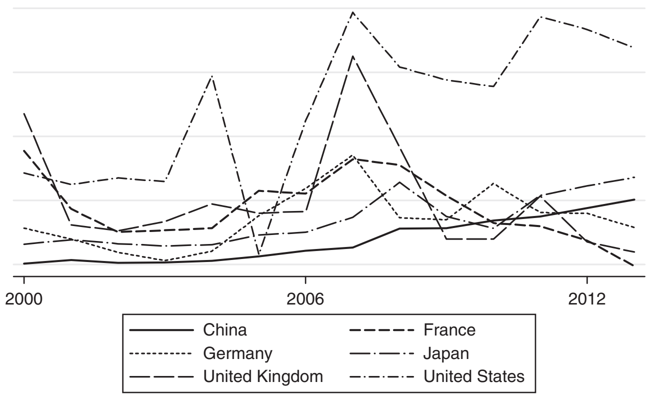

Figure 2: OFDI flows, 2000–2013.
Source: UNCTAD, 2014.

Table 1: China's outward FDI stock by region and exemplary countries in million USD

Country/Region	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*
Total	44 777	57 206	75 026	117 911	183 971	245 755	317 211
Asia	33 480	40 954	47 978	79 218	131 317	185 547	228 146
Kazakhstan	25	245	276	610	1402	1516	1591
Pakistan	36	189	148	1068	1328	1458	1828
Africa	900	1595	2557	4462	7804	9332	13 042
Nigeria	75	94	630	—	796	1026	1211
South Africa	59	112	702	—	3049	2307	4153
Europe	677	1273	4459	—	5134	8677	15 710
Germany	129	268	472	845	846	1082	1502
UK	108	108	202	950	838	1028	1358
Latin America	8268	11 470	19 694	24 701	32 240	30 595	43 876
Brazil	79	81	130	190	217	361	924
Peru	126	129	130	137	194	285	654
North America	909	1263	1587	3241	3660	5185	7829
Canada	59	103	141	1255	1268	1670	2603
USA	665	823	1238	1881	2390	3338	4874

Data for 2004–2006 include only non-financial outward FDI stock. Note that large OFDI numbers are channeled via Hongkong or the Caymen Islands, distorting the final destination of investments.
Source: Statistical Bulletin of China's Outward Foreign Direct Investment, 2010.

American market, for example, is an important motivation for increasing Chinese activities in Latin America. As can be seen in Table 1, in the past years, a trend towards more investment in OECD countries (Germany, UK, Canada, USA) is observable.

Among those internationally expanding firms, several types can be distinguished (Williamson and Zeng, 2007; Yeung and Liu, 2008). For the purpose of this article three types stand out:

- *Focused export firms* use a single product or a single market sector to gain footing. Private firms such as Galanz or Midea, for example, have become leading manufacturers of medium-tech products (in this case, microwave and air condition appliances), and serve as prototypes for this category. In the past years, they moved forward to building production capacities abroad. In the food industry, the Bright Food Group represents another example, which completed four major international buyouts in the past years and helped the firm to gain an established British brand (He, 2013).
- *Technological leaders* are enterprises that have become internationally competitive in high-tech sectors – such as TCL in television production, Lenovo in the computer industry, and Huawei and ZTE in telecommunications. Part of their success is based on their ability to rely on the support of domestic research institutions (Fan, 2011).
- *Resource-oriented corporations* have the securing of raw materials as their goal. The three big Chinese oil companies (Sinopec, Petrochina, CNOOC) are active in oil and natural gas projects in multiple countries, among them geopolitically sensitive ones such as Iraq and Iran (Jiang and Sinton, 2011). Ranked by OFDI stock, they belong to the top five emerging non-financial Chinese multinationals.

The motives of Chinese firms going abroad are mostly all economically ranging from structural economic developments to the strategies of opening new markets and technological upgrading.

Regarding structural economic developments, on the one hand, the speed of economic growth, the expansion of heavy industry and the need for large-scale physical infrastructure all drove the surge in *resources demand*. Resource-oriented corporations thus strengthened their efforts to secure raw materials. On the other hand, since the 1990s corporate restructuring imposed greater pressure on firms in the resource sectors (mostly state-invested enterprises) to improve *profitability*. In the case of Sinopec, Petrochina and CNOOC, 'profits at home were tanking' and overseas investments 'in upstream oil and gas assets were one way to escape the margin squeeze at home' (Hanemann and Rosen, 2012, p. 23; see, for other industrial sectors, Schmidt and Heilmann, 2012).

Other motives are related to entrepreneurial desire by focused export firms and technological leaders to open new markets, realize reverse technological spillovers, and improve the efficiency of operations, for example by buying strategic assets or building channels for the distribution of Chinese products. Interestingly, just '20% of Chinese companies choose to set up a completely Chinese-owned company for doing business overseas' (Gong, 2012, p. 9). JVs or consortiums with foreign firms are often more useful for Chinese firms (note that thereby, foreign firms also try to get better access to the domestic market in China). Sometimes, prosperous Chinese firms such as the private car producer Geely were able to acquire famous technology-intensive Western companies (that is Volvo), as for instance the global crises hit many established multinational corporations (MNCs) in the OECD world.

The strategy of technological upgrading and to 'move up the value chain' is reflected in national data on OFDI flows. According to the 2010 Statistical Bulletin of China's OFDI, between 2004 and 2010, the yearly outward FDI flows in the category 'Scientific Research, Technical Service and Geologic Prospecting' rose from 18 million USD to 1019 million USD. In the category 'Information Transmission, Computer Service and Software' the yearly outward FDI rose from 31 million USD to 506 million USD. Although the OFDI stock of these two categories is still small (3.9 billion USD and 8.4 billion USD, respectively) compared to the manufacturing sector (17.8 billion USD), mining (44.6 billion USD), and wholesale and retail trade (42.0 billion USD), it is indeed gaining in importance. This is also exemplified by resource-oriented corporations such as China's big oil corporations. In the 2000s, they concentrated their OFDI largely in countries such as Kazakhstan, Nigeria or Sudan. In recent years, they also started to invest heavily in industrial countries and high technology sectors. In 2012, CNOOC took over Nexen, a Canadian expert on oil-sands, shale gas and deep water drilling, which represented the yet biggest Chinese overseas acquisition with a volume of 15 billion USD.

As indicated by the last example, Chinese firms are additionally trying to integrate themselves into global markets through cross-border M&A. Regarding the structure of OFDI, in 2011, 44 per cent of China's OFDI involved M&A, while 55 per cent was in Greenfield investment (EUCCC, 2013, p. 89; Morrison, 2013, p. 18). In 2012, mainland Chinese firms conducted 191 overseas mergers, and transactions hit a record high of 65.2 billion USD, surging over 50 per cent up from 42.4 billion USD in 2011 (*ChinaTimes*, 2013).

In the next section, it is shown that those efforts to 'move up the value chain' are in the interest of China's economic policy makers. However, these are not the sole driving force behind China 'going global'. Particular business interests add to the developmental goals of the state: Although China's main competitive advantages still lie in medium-technological consumer products, those segments often have relatively low profit margins. Hence, Chinese firms strengthen their strategy to 'branch out from midstream manufacturing activities […] to capture more of the value added in […] more profitable segments' (Hanemann and Rosen, 2012, p. 28). In order to produce high-tech products, the incentive to go beyond China's borders becomes even bigger. This latest trend line change is elucidated by the fact that both the United States and EU are on track to receive substantial capital flows of Chinese origin and that more and more Chinese investment comes from technology-intensive industries (see Figure 3). Between 2011 and 2013, Chinese firms have made the United States a prime target in M&A (although in 2014, the numbers fell somewhat). In the EU, 'a telling shift is underway from natural resources and trade facilitation toward a far

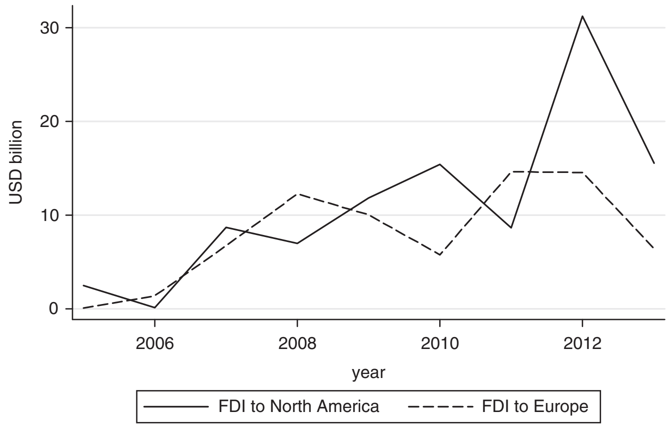

Figure 3: FDI flows by large Chinese firms, 2005–2013.
Source: Heritage Foundation, 2014.

broader range of industries and assets […]. In number terms, communication equipment and services, industrial machinery and renewable energy attracted the largest Chinese investment values’ (Hanemann and Rosen, 2012, pp. 32, 40; compare EUCCC, 2013). Some of them (for example Huawei) already established R&D facilities in the West.

Last not least, akin to other emerging economy firms going global, a key strategic asset that Chinese firms are trying to pursue is the establishment of global brand names. TCL, the fourth-largest television producer globally in 2012, is an exemplary case. TCL was one of the first Chinese companies to compete with large MNCs on the world stage. In the 2000s, the strategy of this listed company was to seek JVs with leading foreign producers and cross-border acquisition. In 2002 and 2003, it acquired Schneider, an insolvent German corporation and the United States-based Go Video Company. More importantly, in 2004, TCL established a joint-venture with the large French-based electronics manufacturers Thomson and Alcatel, in which TCL held 67 and 55 per cent of equity share, respectively (Hong and Sun, 2006, p. 626). Up until now, TCL operates under a multi-brand strategy (TCL, Thomson, Alcatel), and spreads its production and sales network to numerous countries, partly also because of the established bases and distribution channels of its JVs.

The Role of Policy Support

In order to understand the significance of policy support in China’s internationalization drive one has to look at the domestic structures of its economy. As has been shown in the comparative capitalisms literature, China's current political economy can be interpreted as a heterogeneous, competition-driven SME (a much more extended discussion can be found in McNally, 2012; ten Brink, 2013). It takes the form of extensive state intervention – the legacy of a bureaucratic command economy, the ruling party and the role of late industrial development – and a pro-business policy stance supportive of national economic development. However, far from being a command economy, the increasing significance of market institutions in economic life and economically competing local governments is by now indisputable. New forms of mostly listed, profit-oriented and competition-driven 'state-owned enterprises' (SOEs) have emerged, although a better definition would be that they are state-invested, not state-run. In addition, private firms and hybrid, public-private economic entities such as Huawei or Lenovo have also been able to play a significant role in Chinese economic dynamics (ten Brink, 2012).

The importance of policy support in the efforts of Chinese firms going global stems to a large degree from a pro-business developmental ambition to move into high-technology market segments. And not only SOEs are being supported. Nowadays, large non-state firms are also seen as 'national champions' by state managers, which deserve and receive policy backing. An additional motive for China's policy makers to back the going global strategy has to do with problematic socio-economic dynamics in the country (Naughton, 2011). One of the most important problems the government identified in the 2000s was that they were only competitive through their low-wage regime. Thus, like previous emerging economies, China wanted to move up the value chain and to develop more mature and endogenous sources of innovation (NDRC, 2011; World Bank, 2012). Extensive efforts were made to integrate entrepreneurial creativity with the capacities of the state, such that China itself could become a motor of industrial and technological innovation. The drive to support internationalizing firms stems to a large degree from these 'upgrading' efforts – and, apparently, they are supported with even more vigour than in other large emerging countries that also encourage home enterprises to go global (Nölke, 2014).

In order to reach the aims of this development strategy, since the early to mid-2000s, the state promotes the global search for profitable investments and promising new markets through specific foreign economic policies (Breslin, 2010; Luo *et al*, 2010; Schmidt and Heilmann, 2012). Political institutions provide support for internationalizing state-invested, large hybrid and private firms, as a legitimate action to help compensate for late developers' competitive disadvantages and organizational deficiencies (Luo *et al*, 2010; CPG, 2012).

Different state policies can be distinguished. These include support for implementing foreign investments, using formal diplomacy to facilitate economic relations and bargaining with host country governments in order to establish bilateral investment treaties.[2] As a result, state managers are interested in maintaining close connections to production facilities and markets: 'An interesting reflection of this trend is the fact that virtually every overseas trip by a senior Chinese official now includes a visit to the local Huawei subsidiary' (Williamson and Zeng, 2007, p. 99).

Chinese firms can also make use of direct or indirect state financial support, including fiscal incentives, financial guarantees, and credits from state-owned banks or sovereign wealth funds, for instance to initiate raw material extraction projects or the acquisition of technologically intensive foreign companies (Nölke, 2013). The Chinese State Council, and certain ministries (for example the trade ministry MOFCOM, and the National Development and Reform Commission NDRC) have additional regulatory mechanisms at their disposal to stimulate internationalization. Firms investing abroad also get support through international information networks (worldwide data collections, research connections) or risk-safeguard mechanisms (insurance assistance, mutual protection agreements). Currency policy represents another feature of this strategy (see the article by McNally in this special issue).

In contrast to many Western multinationals, most Chinese firms are less dependent on international capital markets. Instead, they rely more on loans from state banks and internally generated funds. Especially in the years of global turbulence after 2007/2008, this allowed them to build up resource reserves. The Export–Import Bank of China (EXIM) takes on a special role in this respect as the bank offers insurance, credit and guarantee programs to Chinese corporations (Luo *et al*, 2010, p. 75). In addition, firms can get preferential credits for their outward investments, especially when they are active in 'key areas' such as resource exploration projects, overseas R&D centers to utilize internationally advanced technologies and M&A that could enhance the international competitiveness of Chinese enterprises.

Sometimes, large enterprises even put pressure on the government to strengthen already established promotional as well as monitoring policies. Ge Junjie for instance, Vice-President of Bright Food Group, China's second largest food company, and deputy of China's National People's Congress, demands to use more foreign exchange reserves to bolster international expansion and establish a better public service platform 'to offer investment policy briefings and guidance about industry trends, as well as measures for risk control' (He, 2013).[3]

All in all, from the perspective of Chinese economic policy makers, in order to develop and upgrade the economy national firms (be they state-invested or not) 'must be nursed and nurtured to fulfil the functions that foreign affiliates are less likely to undertake' (Amsden, 2012, p. 84). Note that this policy stance originated from a strategy to primarily develop the *domestic* economy: The argument is that if Chinese corporations become globally competitive, they invest more in home markets, continue to join forces with state managers and diversify into more technology-intensive production. The anticipated result is both upgrading the economy and preventing foreign MNCs from taking full control over domestic industrial sectors (ten Brink, 2013). And in the past years, this strategy largely proved to be successful.

Fragmentation and Competition in China's 'Going Global' Strategy

So far, I suggested that Chinese firms 'going global' further the country's national developmental goals. In order to support this, different state administrations play a much more proactive role than liberal economists would allow. Resembling, if in a refurbished way, other state-driven economic developments such as Japan's or Korea's, the goal of creating 'national champions', which increasingly take on transnational influence, is politically shielded and supported.

Nonetheless, it has to be added that Chinese firms are less subject to central control in Beijing than media commentators often believe. This is again related to China's domestic economic structure. Far from being planned, the political economy of China constitutes a combination of central and decentralized power, representing a fragmented system of multi-level-governance in which central policy directives are often not applied uniformly (see McNally, 2012; ten Brink, 2012, 2013). It is thus impossible to understand the Chinese economy without reference to the diverse fragmentation below the level of the central state, and the role of competition between Chinese corporations, even SOEs.

Related to the non-monolithic, heterogeneous form of Chinese state-permeated capitalism, policy makers typically do not directly steer big enterprises (including SOEs) according to any Central Committee's master plan.[4] Although the central government sets broad 'guidelines' for supporting OFDI with favorable investment support when firms comply with these guidelines (CPG, 2012), a range of firms work outside of this framework. Furthermore, in recent years, the responsibility of the NDRC and the MOFCOM (which themselves have differing and sometimes competing roles in OFDI-related policies) for conceiving authorization for OFDI projects has been relaxed (EUCCC, 2013, p. 26). A lot of projects are also supervised on the subnational level where local governments compete with each other economically.

The foreign economic policy decision-making process with regard to OFDI is therefore considerably more complex (and also leads to contradictory signals, policies and bureaucratic immobility) than commonly assumed (also see Schmidt and Heilmann, 2012). In contrast to the widely held notion of a monolithic process for determining policy in China, the fragmentation of the Chinese state into a complex governance system has led to a situation in which competitive conflicts break out not only between the central ministries responsible for foreign policy and commerce, but also between the central state and local governments.

As illustrated by the fight for foreign contracts and/or in patent disputes between SOEs in automobiles, between nationally controlled SOEs in resources, or between hybrids in telecommunication, large Chinese firms often compete with one another (Schmidt and Heilmann, 2012, p. 83). This diversity of interests within the Chinese economy can be exemplified by the relationship between the two hybrid telecommunication giants Huawei and ZTE: In 2011, Huawei sued ZTE in Germany, France and Hungary for the infraction of its patents on 4G LTE (a standard for wireless communication) and data card technology. Huawei also accused ZTE of the illegal use of registered trademarks. ZTE denied the accusations and announced that it 'will definitely take vigorous legal action in situations like this to protect its interests and those of its customers worldwide' (Hille, 2011). ZTE also took legal actions to contest the validity of Huawei patents in various countries (including China). In 2013, a German court prohibited the sale of various ZTE products on the German market. According to ZTE, Huawei's legal action was beyond normal litigation.

China's three largest national oil companies (Sinopec, Petrochina, CNOOC) represent another example for state-invested, yet profit-driven enterprises encountering each other as competitors. On the one hand, they get considerable support by different governmental institutions, including financial resources for international investments, which leads Western CEOs to complain about unfair competition. Similarly, foreign investments by the Chinese state, for example in infrastructure, are often linked to political agreements in the commodity sector. A 2 billion USD low-interest loan by EXIM to Angola was probably the reason for Sinopec and not Shell and India's Oil and Natural Gas Corporation Ltd. to receive a share of one of the most important Angolan oil-fields (Downs, 2007). On the other hand, Sinopec, Petrochina or CNOOC are not state-run. Their relationship with the Chinese government is complex and they often have divergent interests. As a recent study summarizes, while the large oil companies portray their global OFDI activities in terms of support for national energy security objectives, their 'actions appear mainly to be driven by commercial incentives to take advantage of available opportunities in the global marketplace' (Jiang and Sinton, 2011, p. 7). Consequently, they do not behave substantially different from Western oil firms, competing with each other for market shares or tenders. Their autonomy stems from the sheer size of their companies, that is their relative strength towards the central government's energy bureaucracy, as well as their internationally listed subsidiaries, which gives them additional financial leeway. Although the government has the power to appoint and dismiss the companies' general managers, ownership does not always equal control.

In addition, Chinese oil companies rarely cooperate with each other, as in the PetroDar pipeline project in Sudan. On many occasions, the three companies prefer international partners (for example Petrochina with ExxonMobil, BP, Petronas and Total; CNOOC with Turkish Petroleum Corp.; Sinopec with Addax, all in Iraq). At a recent tender for a Brazilian offshore field, it was only the Brazilian Government that forced the Chinese companies to join their bids (Fick, 2013).

For this reason, the analysis of China's heterogeneous capitalism that entails competing firms and state institutions on various administrational levels should not lead to the overly simplistic conclusion that the Chinese government pursues a full-blown, all-encompassing strategy to conquer the world.

Summary and International Implications

In the following, I summarize the findings. Subsequently, I inquire on the international implications of Chinese corporations 'going global', focusing especially on the tensions created in this process.

As this article shows, Chinese OFDI has taken off in recent years. On the basis of 'second image' approaches and comparative capitalism research, focusing on both firms' strategies and policy maker's preferences resulting from China's domestic economic development model, understood here as a heterogeneous SME, several economic motives have been identified as causes for 'going global'. Striving to tap into a rich base of markets, technology and brands, large Chinese state-invested, hybrid and private firms are now among the leading global investors, with significantly rising investment also in developed economies.

This is also the trend line with regard to policy support. Although some resource-based OFDI are complemented by geopolitical motives, economic motives prevail over (geo)political considerations in the internationalization drive of Chinese firms. All in all, from the perspective of the Chinese economic policy makers, encouraging OFDI can be best understood as an economic development strategy to primarily develop the domestic economy. The main reason is not to get more influence over host economies but to 'move up the value chain' and to develop industrial upgrading. Combined, close connections between private and state actors in China, a sharp orientation towards growth, and an assertive focus on foreign economic policy, lead to dynamic internationalization efforts. Although far from being an unrestricted, overall success – for example with respect to set-backs or other challenges Chinese firms face such as translating their economic power into reputation – it would be interesting to compare this state-assisted internationalization drive with other emerging market experiences in more detail (Nölke, 2013). The question as to why China seems to be especially effective in OFDI policies would make for interesting future research.

Thus, a nuanced analysis of the internationalization of Chinese capitalism is necessary, in order to avoid the pitfalls of describing Chinese OFDI as mostly policy-driven. The PRC is neither a monolithic entity that is 'buying the world' nor is it steering the internationalization drive of its firms according to any, all-encompassing general plan. Even with respect to state firms, governmental ownership does not always equal control. As was shown by the examples of the biggest oil companies, they are better defined as state-invested, not state-run.

All in all, by 'going global', emerging Chinese multinationals become serious competitors for established firms. Because Chinese style internationalization will probably rise over the next years and thus penetrate the markets of established MNCs also in high-tech segments, this increasingly leads to a restructuring of global competitive relations. This development already led to criticism in the West (including Japan). Here, Chinese OFDI promotion and support is often criticized as being a distortion of free competition and thus a challenge to Anglo-Saxon liberal capitalism – with some state actors backing up this charge. Chinese firms, so goes the argument, have access to cheaper finance along with other favorable cost structures and may outcompete established firms from Western countries in an unfair manner. This argument was for instance already central to US congressional objections about CNOOC's proposed acquisition of Unocal in 2005. In addition, some authors argue that the 'distortions in China's domestic marketplace could not only threaten fair competition among firms, but also the global market-based pricing system. Most countries are price takers: even if they distort their home markets, they are too small to affect world prices. However, there are concerns that China is large and influential enough to be a price maker, whose state interventions will distort world prices and markets. For the time being, China's FDI outflows are not nearly large enough to distort global asset prices in the aggregate, but this will change in the years ahead' (Hanemann and Rosen, 2012, p. 57).

In many cases, the trend line of Chinese corporations 'going global' leads to rising competitive constraints. It should therefore come as no surprise that MNCs such as BP or ExxonMobile (in energy, with respect to Sinopec, Petrochina or CNOOC), Hewlett-Packard or Dell (in IT, with respect to Lenovo), Ericsson, Nokia Siemens Networks or Cisco (in telecommunications infrastructure, with respect to Huawei or ZTE) or Caterpillar and Japan's Komatsu (in construction machinery industry, with respect to Sany, which recently acquired a 90 per cent stake in Germany's renowned Putzmeister Group) worry about future developments. A future in which Chinese firms might become capable of going head-to-head with them and, at the same time, become more independent from Western dominated global production networks (Forbes, 2012; Nahm and Steinfeld, 2012; Schmidt and Heilmann, 2012, p. 87). Furthermore, they fear to lose the struggle to acquire major orders from other flourishing emerging countries.

By pointing to the significant role of policy support for Chinese firms, this makes for a politically charged setup. Still, it should not be forgotten that this is only a very recent development. It was not until the late 2000s, when for instance the big Chinese oil firms emerged as major players in oil and gas M&A, and were able to compete with the established firms from North America or Europe. In IT, firms such as Huawei have become big players in emerging markets and have begun to move into European markets. It must be pointed out that Western admonishments for Chinese firms to act according to the 'rules of the game' have typically less to do with any genuine concern for universal codes of conducts (as if for example 'distortion of competition' would be alien to the Western world), and more to do with reinforcing their position of preeminence within global capitalism. However, overall, this constellation might produce conflict on the level of international institutions or between China and foreign governments. Indeed, the new competitors from China 'have already faced market access restrictions in several countries, and these tensions are likely to rise' (World Bank, 2012, p. 61). Although Chinese investment is mostly welcomed by businessmen, some state managers – with an eye on the overall macroeconomic development as opposed to microeconomic interests of single businesses – respond by creating (potential) barriers to FDI and markets. Even if some regulations on FDI provide government agencies with the power to review and revoke acquisitions when those are considered to be a 'threat to national security' are rare and hence problematic for just a few Chinese firms, other indirect threats exist: In 2012, for instance, US investigations of the Chinese telecom firms Huawei and ZTE certainly had negative effects on Chinese firms' reputation in markets. Cisco, a main rival of Huawei and ZTE, added fuel to the case of Huawei's alleged use of its technology to help Beijing expand its global spying operations by lobbying congressional offices to increase scrutiny of Huawei. Moreover, many Chinese investors complain about how hard US and EU market entries are.

China 'going global' is thus fraught with tension. On the one hand, Chinese firms going abroad and beginning to compete in the same product space as Western MNCs or companies from other emerging countries add increasing competitive pressures on world markets already plagued by overcapacities. On the other hand, as China's foreign economic and currency policy reflects state-permeated and developmentalist elements of its non-liberal form of capitalism, it is seen in the West with considerable suspicion. But this only reinforces the need for a balanced analysis of the international rise of the Chinese companies – both to avoid the pitfalls of either describing Chinese OFDI as mostly policy-driven or downplaying the risk of disputes in the fields of investment.

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Notes

1 Chinese OFDI stock does not include Hong Kong OFDI stock.
2 Especially in developing markets, Chinese investors can often apply pressure to local government to guarantee the accomplishment of their economic interests.
3 All in all, however, foreign economic policy seems to have sufficient independence to evade being captured by short-term economic interests of firms – as was also central in other successful state-assisted catch-up processes (see Evans, 1995).
4 In addition, although Chinese OFDI promotion and support represents a relatively successful form of industrial policy, it should not be forgotten that many international buy-outs and M&A have also suffered setbacks. The failure of a contract to build a motorway in Poland or the failed effort by Chinalco to buy into Rio Tinto's mines in Australia are just renowned examples of this.

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