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ORIGINAL ARTICLE

China's overseas investment policy: evolution and characteristics

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Abstract

This article aims to challenge the view in the existing literature that China's outward foreign direct investment (OFDI) is guided by the Chinese government in a planned, purposeful, and unified way. By analysing the characteristics of the four stages of China's OFDI policy, it is argued that China's OFDI policy has gradually shifted from political opposition to selective approval and then enthusiastic encouragement, and policy relaxation has been pushed forward against the resistance of some government departments with conflicting interests. The evidence shows that the impact of China's OFDI policy on its OFDI is not always as clear, unified, and purposeful as commonly believed, but tends to appear increasingly incoherent, disorganised, and disordered over time. In addition, Chinese enterprises usually aim to maximise their own commercial interests when investing overseas, rather than always following the policy guidance, giving priority to national interests, and achieving so-called strategic goals.

Keywords China · Outwards foreign direct investment · Overseas investment policy · OFDI · SOE · POE

Introduction

China's outward foreign direct investment (OFDI) has grown exponentially to the point where China is now one of the world's largest investors with a cumulated OFDI stock of over US$2.58 trillion by 2020 (Textor 2021). Most studies related to China's OFDI mainly believe that China's OFDI has developed under the guidance of unified Chinese policies with precise goals (see examples: Liou 2009; Bath 2012; Meunier 2014; Ma and Overbeek 2015; Brink 2015; Wrobel 2019). However, these studies ignore the influence of various policy actors with different departmental

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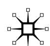


interests on the outcome of China's OFDI. This article explores this topic by tracing the overall development of China's OFDI policy, to offer a more nuanced understanding of China's overseas investment.

The fragmented authoritarianism (FA) model is employed, which is an analytical framework that focuses on decision-making authority and interagency bargaining behaviours (Lampton 1987; Lieberthal and Oksenberg 1990; Lieberthal and Lampton 1992). According to the FA model, authority in China is fragmented, and decisions are made by a loosely coordinated group of policy actors after considerable competition and many rounds of interagency negotiations. By using the FA model, China's OFDI behaviours can be understood as influenced by a group of loosely coordinated actors. The interests of these actors are often in conflict, and they frequently prioritise their own interests, resulting in a fragmented process. Based on the degree of influence and mode of participation in China's OFDI, the traditional policy actors can be divided into two categories: the main actors such as Ministry of Commerce (MOFCOM) and National Development and Reform Commission (NDRC), as well as less influential but still significant ones like People's Bank of China (PBOC), Policy Banks, State Administration of Foreign Exchange (SAFE), Ministry of Foreign Affairs (MFA), Ministry of Finance (MOF), and state-owned enterprises (SOEs). Additionally, the economic reforms have created non-traditional policy actors such as private enterprises who now have more incentives and opportunities to influence the outcome of China's OFDI.

This article adopts two methods: trend line fitting and content and document analysis. The former is used to analyse the overall trend of China's OFDI data from a macro perspective, with the aim of clarifying whether national policies effectively guide its overseas investment. The latter method scrutinises relevant materials such as government policies, reports, official documents, and media reports to unveil the specific impacts of different policy actors on the decision-making process and trends in China's OFDI from a micro perspective. By examining both the macro and micro aspects, a more precise understanding of China's OFDI can be attained.

By investigating the origins, changes in objectives, policy evolution, and development of China's OFDI, it argues that China's OFDI policy has gradually shifted from political opposition to selective approval and then enthusiastic encouragement and the promotion of policy relaxation has been resisted by some government departments with competing interests. Therefore, contrary to most of the existing literature, the impact of China's OFDI policy on its OFDI is not always clear, unified, and purposeful, but tends to show growingly incoherent, disorganised, and disordered with time. The evidence demonstrates that China's OFDI policies often stem from the interests and competition of bureaucrats, instead of fully top-down efforts. In addition, not only is the behaviour of China's private enterprises inconsistent with China's OFDI policy in their overseas investment projects, but even SOEs do not always behave in line with China's national preferences. Therefore, the Chinese government has a certain influence on its OFDI, such as encouraging or restricting enterprises to invest abroad at the macro level. However, in most cases, Chinese enterprises usually enjoy great autonomy in the making decisions of their OFDI projects. In general, it is inaccurate to view that China's OFDI is mainly policy-driven and usually has a special strategic purpose in some existing literature.

OFDI as a strict control object: 1978–1984

Following the three years of socialist reform from 1949 to 1952, China formally initiated and established a centrally planned economy under the leadership of Mao Zedong until his death in 1976. In the planned economy, a 'large share of the country's economic output was directed and controlled by the state, which set production goals, controlled prices, and allocated resources throughout most of the economy' (Morrison 2013). Because the central government controlled most of the management and operation of the economy, there was no market mechanism to allocate resources effectively. As a result, companies, workers, and farmers had little incentive to increase productivity or care about the quality of their production. After nearly three decades of mostly self-imposed economic self-reliance, the Chinese government decided to reform its economy according to free-market principles and open up trade and investment with the outside world in the hope of boosting economic growth and standards of living.

In 1978, the introduction of the open-door policy (*duiwai kaifang zhengce*) marked the beginning of a gradual but fundamental program of economic reform in China (MacFarquhar 1997). This policy sought to achieve economic growth by gradually transitioning to a more market-based economy and simultaneously opening China up to the outside world. As part of these economic reforms, China's OFDI was officially identified as necessary to sustain economic growth, as it could help secure the supply of natural resources, bring technology and management skills into the country, and enhance exports (Morrison 2013, pp. 4–5). In 1979, the State Council stipulated that Chinese companies could 'go abroad to set up the business' in Article 13 of the Fifteen Measures on Economic Reform (*guanyu jingji tizhi gaige shiwu xiang cuoshi*). A significant event in the history of China's OFDI was the establishment of a joint venture in Japan between Beijing Friendship Commercial Service Corporation and Japan Business Group Corporation in November 1979, based on the pursuit of mutual benefits and profit (Cheng and Stough 2008, pp. 3–16).

However, during this period, two key issues held back China's efforts to invest abroad. One issue is that China's leaders had different opinions on whether a foreign direct investment, inward and outward, was beneficial for the Chinese economy, and whether it contributed to social welfare or indicated a departure from China's socialist ideology (Buckley et al. 2008; Zhang 2003, pp. 62–63). Before 1978, ideological opposition to and political condemnation of OFDI was strong because of the view that transnational corporations were instruments of economic exploitation and imperialism, and manifestations of neo-colonialism within an unreasonable international economic order (Cheng and Stough 2008). As a result, between 1949 and 1978, there were only a few overseas economic projects, most of which were undertaken by small branches of domestic trading companies in attempts to promote exports (Lu 2001). After 1979, ideological prejudice and political bias against OFDI began to give way, although they did not fully disappear until the late 1980 s. Despite a growing political consensus that multinational corporations were no longer an instrument for capitalist exploitation and

could serve China's sustainable development goals in a changing global economy, ideological scepticism continued, often based on classical socialist doctrines. This opposition led to extensive restrictions on the development of OFDI during this period. Notably, ongoing debates about the role of OFDI and its compatibility with contemporary socialism in this period led to a lack of enthusiasm by Chinese enterprises (Cheng and Stough 2008).

Another issue holding back China's OFDI was a practical problem: a severe shortage of foreign exchange reserves, with only US$0.84 billion available in 1979. Since the 1970 s, Chinese macroeconomic policy had prioritised the accumulation of foreign exchange earnings (Lin and Schramm 2003). Foreign exchange transactions could only be conducted according to the national foreign exchange plan, which focused on internal development strategies and put strict controls in place. The national foreign exchange plan was both indirectly and directly administered by the central government agencies, namely, the Ministry of Foreign Economic Relations and Trade (MFERT), MOF, SAFE, PBOC, State Planning Commission (SPC), and the State Council. To avoid 'unnecessary' outflows of hard currency, companies that sought to earn foreign exchange were permitted to possess a certain amount of foreign exchange for overseas investments (Liew 2014). These restrictions and shortages of foreign exchange had limited the extent to which China's OFDI could grow during this period.

The strict controls of OFDI were embodied in two aspects. On the one hand, reform had been constrained by an emphasis on state ownership and control of industrial production, and the reluctance of bureaucrats to weaken the power of the SOEs they regulated (Buckley et al. 2008). The development of the private sector was a serious challenge for those who were sceptical about developing corporate reform. From a political perspective, corporate reform was in sharp conflict with the Communist Party of China's (CPC) ideology. From an economic perspective, the authorities had become increasingly uneasy about the mechanism for coordinating the private and public sectors, as the government did not intend to fundamentally reform the processes by which capital, human resources and natural resources were allocated (Huan 1986). Consequently, during this period, Chinese enterprises had very limited operational autonomy, domestically and internationally.

On the other hand, the regulatory framework for China's OFDI had developed slowly and was still ambiguous. The MFERT could approve projects with an overseas investment value of less than US$10 million while all others had to be approved by the SPC. However, there were no specific requirements for the approval of OFDI projects; as such, Chinese government agencies and companies were unclear as to the criteria that companies needed to meet to invest abroad. The MFERT and SAFE only gradually established a standardised regulatory system for Chinese overseas investments after 1984 (Yuan and Tsai 2000; Guo, Lu and Guo, 2018). Moreover, the use of foreign exchange needed not only to be approved by SAFE but also by the SPC or the MFERT. However, these authorities' approval criteria were unclear. Prior to 1984, the regulatory system was ambiguous, which reflected the lack of enthusiasm for the development of China's OFDI.

In this unfavourable institutional environment, only a few large SOEs were allowed to invest overseas. In particular, the state-owned import and export

enterprises under the authority of the MFERT and the state-owned provincial and municipal enterprises engaged in international economic and technological cooperation under the supervision of the Foreign Economic Relations and Trade Commission (FERTC) were permitted to invest abroad (Tan 1999). Their OFDI activities were strongly linked with the government's political strategy for national economic development (Alon et al., 2009, p. 146). This period was mainly dominated by trade-related OFDI to improve exports and earn foreign exchange.

At the end of the 1970 s, according to an official Chinese source, China's annual OFDI was insignificant—a negligible amount of approximately US$0.53 million in 1979, however, this amount increased from US$30.9 million in 1980 to US$80.9 million in 1984 (Cai 1999). There had been an increase in the number of companies investing outside China from 4 in 1979 to 37 in 1984 (see Table 1). The scale of China's OFDI was small, and its types of investments were not diverse, mainly focusing on trade-oriented projects, such as transport services, engineering contracts, catering services, and financial insurance (Wang, Wen and Han, 2012).

From strict control to gradual liberalisation: 1985–1998

Increasing liberalisation: 1985–1991

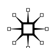
In this period, a positive and legitimate role for China's OFDI gained support thanks to another development: the official Chinese development strategy changed from one of import-substitution to export-led growth. In 1988, China opened 14 coastal cities and four special economic zones to participate in international competitions in 1988. This made it necessary for Chinese enterprises to conduct international operations, including OFDI, to harness international cooperation and division of labour and, thus, to promote domestic economic growth (Cheng and Stough 2008). For the first time, the overseas investments of China's largest SOEs were included on the national economic reform agenda, and the Chinese government began to relax its OFDI policy to allow more SOEs to invest abroad (Alon et al. 2009, pp. 148–149). However, for some reasons, such as limited foreign exchange reserves and inexperience in overseas investment, China's restrictions on overseas investment during this period also remained.

Table 1 China's outward foreign direct investment, 1979–1984

Years	1979	1980	1981	1982	1983	1984
Number of enterprises	4	13	13	13	33	37
Cumulative number of enterprises	4	17	30	43	76	113
Chinese OFDI flow (US$ million)	0.53	30.9	2.56	3.18	8.7	80.9
Chinese OFDI stock (US$ million)	0.53	31.4	34.00	37.00	46.00	127.00

OFDI outward foreign direct investment

Source: Almanac of China's foreign economic relations and trade



1985 was a historical point in the relaxation of China's OFDI policy. In February 1985, the MFERT issued a new policy, the Approval Procedures and Management Methods for Setting Up Non-Trade Joint Ventures Abroad (*guanyu zai guowai kaishe fei maoyi xing qiye de shenpi chengxu he guanli fangfa*), which began the liberalisation of China's restrictive OFDI system. Although several ministries and departments were concerned with OFDI, such as the SPC, MOF, and SAFE, the MFERT was the leading agency. MFERT was responsible for setting up comparatively transparent regulations, such as those regarding the management and planning of regional and sectoral distributions of China's OFDI, as well as studying and solving problems encountered by Chinese enterprises in the course of their overseas investments (Wall 1997). Previously, only specific state trading corporations under the authority of the MFERT, and provincial and municipal international economic and technological cooperation enterprises under the FERTC had been allowed to invest abroad. MFERT's 1985 directive liberalised this regime by extending the right to apply for permission to invest abroad to any corporate entity—private-owned enterprises (POEs) as well as SOEs—if they had sufficient capital, technology, and business knowledge and had formed alliances with appropriate overseas joint venture partners (Tan 1999). The 1985 directive was also the first central government document that regulated China's OFDI, representing the transformation of OFDI policy from a case-by-case examination and approval system to a standardised examination and approval one.

Later, the 1985 MFERT directive was supplemented by a series of other measures. In particular, SAFE published the Regulations on Foreign Exchange Administration of Overseas Investment (*jingwai touzi waihui guanli banfa*) in March 1989 and Rules for Implementation of Measures on Foreign Exchange Control in Investment Abroad (*jingwai touzi waihui guanli banfa shishi xize*) in June 1990, both of which introduced more detail into the use of foreign exchange for OFDI (Wall 1997, p. 45). Additionally, a series of tax incentives provided a preferential policy to support enterprises when investing abroad, especially in the natural resources and trading sectors (Wall 1997, pp. 19–20). These regulations improved the transparency of the documents required in the OFDI approval process and also clarified the direction in which overseas investments were encouraged—technology, natural resources and overseas markets.

Although policies were relatively relaxed compared with the previous stage, China's OFDI was still restricted in two main ways. Firstly, POEs were still subject to government restrictions and, thus, were not allowed to invest abroad. It was questionable whether POEs were explicitly included in the 1985 MFERT directive. The government recognised POEs as complementary entities of SOEs for the first time in 1982, but POEs did not appear in official documents—the Provisional Regulation of Rural and Urban Business People Registration and Management (*chengxiang geti gongshang hu guanli zhanxing tiaoli*) and the Provisional Regulations of the People's Republic of China on Private Enterprises (*zhongguo renmin gongheguo siying qiye zhanxing tiaoli*)—until 1987. They were not described as an 'important component' of the Chinese economy until 1997 (Heberer 2003, pp. 18–19). The legal status of POEs was officially strengthened in 1999 (Steinfeld 2004), and a directive issued in 2003 arguably legitimised their participation in OFDI for the first time

(Yin et al. 2003). As such, the 1985 directive affected only SOEs—POEs were still not able to invest abroad.

Secondly, while OFDI involving China's large SOEs was included on the economic reform agenda for the first time (Choosin 2018, pp. 121–128), SOEs were only encouraged to invest in a few specialised industries. Such industries had to be firmly related to the government's political considerations—securing natural resources and technology and expanding international trade relationships (Wu and Chen 2001). It was difficult for SOEs, which preferred to invest abroad in other industries, to obtain adequate foreign exchange and preferential policy support, even if they had government approval. Therefore, SOEs still did not enjoy sufficient freedom to make overseas investments.

OFDI was restricted by the Chinese government during this period, not only because of considering enterprises without enough overseas investment experience but also because of insufficient foreign exchange reserves. The SPC pointed out that Chinese enterprises were not adequately qualified to invest overseas on a large scale. Moreover, to further regulate the application process, approval, and use of foreign exchange for OFDI, detailed rules were clarified in August 1991, in the SPC's Opinion of the State Planning Commission on the Strengthening of the Administration of Overseas Investment Projects (*guojia jihua weiyuanhui guanyu jiaqiang haiwai touzi xiangmu guanli de yijian*) forwarded to the State Council in March 1991, clearly stated this:

> At the present, our country does not have the conditions for large scale overseas investment. Overseas investment by enterprises should be conducted according to our nation's needs, focusing on utilising overseas technologies, resources and markets so as to overcome our domestic shortages, and on the basis of mutual benefit strengthening 'South–South' cooperation and thus enhancing the development of our friendly cooperative relationship with the Third World (Chen 2008, pp. 873–874).

It can be clearly seen from the 1991 Opinion that China's OFDI was still restricted by the Chinese government to some extent as only a few areas were allowed by the government to invest abroad.

Moreover, to further regulate the application process, approval, and use of foreign exchange for OFDI, detailed rules were clarified in August 1991, in the SPC's Regulations on Examination and Approval of Project Proposal and Feasibility Report on FDI Projects (*guanyu bianzhi, shenpi jingwai touzi xiangmu de xiangmu jianyishu he kexing xing yanjiu baogao de guiding*). The 1991 Regulations, which were largely supported by the State Council, established stringent and restrictive rules for China's OFDI through complex procedures and funding limitations (Chen 2008, pp. 71–72). According to one study, the 1991 Regulations largely discouraged China's OFDI (Cheng and Zhou 2007).

Essentially, the MFERT relaxed China's restrictions on OFDI in 1985, allowing more enterprises to pursue overseas investment opportunities. However, the SPC expressed concerns about the limited international experience of these enterprises and insufficient foreign exchange reserves, leading to opposition against large-scale OFDI. Subsequently, in 1991, the SPC issued the 1991 Regulations to restrict OFDI.

This reflected the bureaucratical bargaining between the MFERT and the SPC in the OFDI policy-making process. While the MFERT aimed to further liberalise the regime, the SPC advocated for moderate control. This inter-agency policy contestation shaped the transformation of China's OFDI management system from the mid-1980 s to the early 1990 s.

That said, despite continuing restrictions on OFDI, the shift towards regulatory transparency and liberalisation combined with preferential policies caused OFDI to increase somewhat during this period, but not yet on a significant scale (Alon et al., 2009). The number of Chinese foreign subsidiaries for OFDI increased from 113 in 1985 to 577 in 1990 (Guo 1984; Wu and Chen 2001). Furthermore, the scope of China's OFDI expanded, with Chinese companies in more than 90 countries and economies participating in an extensive range of industries, including minerals, chemicals, electronics, transportation, finance, medicine, and tourism. Chinese transnational corporations became more diverse and sprawling than previously, with larger SOEs involved in OFDI, such as the China National Metals and Minerals Import and Export Corporation and the China National Chemical Import and Export Corporation (Guo 1984).

Expansion and regulation: 1992–1998

In early 1992, the former Chinese leader, Deng Xiaoping formally proposed the 'socialist-market economic system' (*shehui zhuyi shichang jingji*) when he visited southern China, ending the debate over which development path China should choose (Li, 2007). This milestone journey strengthened the position of reformists in the CPC and bureaucrats in government departments (Buckley et al. 2010). In November 1993, the Third Plenary Session of the 14th Central Committee of the Communist Party of China (CCCPC) adopted a decision on several issues concerning the establishment of a socialist market economic system. Since then, China had officially further embarked on economic reforms, in which the development of China's OFDI had also improved greatly at this stage.

China's socialist-market reform reinforced the need for a more liberal OFDI policy. In October 1992, the Chinese president and the general secretary of the CPC, Jiang Zemin, formally stated that 'we should encourage enterprises to expand their investment abroad and their transnational operations' (Shi 2009). This was the first time that China's OFDI had been officially incorporated into China's national development strategy and acknowledged by the Chinese government as one of the forces driving the integration of China into the global economy. The main reason for encouraging China's OFDI was to further enhance the competitiveness of Chinese companies and to reduce trade discrimination in host countries (Wall 1997, pp. 3–16). Also, the Chinese government had four main objectives in supporting OFDI: acquiring proprietary technology, securing raw material supplies, increasing foreign exchange earnings through export sales, contracts for turnkey projects and construction contracts, and diversifying business interests (Wall 1997, p. 24).

This time, national support for China's OFDI was also reflected at the local level. The support and encouragement of the MFERT at the national level were

paralleled by the support given by the FERTC at the municipal and provincial levels. Local and provincial government departments increasingly engaged in overseas business and encouraged more companies to set up overseas branches. For instance, Shanghai-based enterprises, encouraged by the Shanghai government, established 414 overseas subsidiaries (199 of which were trade-related), representing about 9.1 per cent of all of China's overseas enterprises in 1994 (Wall 1997, p. 21).

It is evident that the enthusiasm of Chinese companies to go abroad was ignited by liberalised OFDI policies. By the end of 1992, China's OFDI had extended to over 120 different countries and regions, with more than 1360 overseas enterprises, and the total amount of OFDI by Chinese companies reached almost US$9.4 billion, increasing to US$13.8 billion in 1993 (see Fig. 1). In 1992, approval was given for 355 enterprises to invest overseas, making this the year with the fastest growth in the number of companies established abroad (Wu and Chen 2001).

While encouraging OFDI, the Chinese government eventually elected to improve its supervision and approval processes after it became obvious that this was necessary. Without specific supervision and management systems, a growing number of overseas investment companies had started to pursue their interests at the cost of the government's interests. It was only after this irregulated OFDI began to proliferate that the government realised it needed to take control. Although the early 1990 s witnessed rapid growth in China's OFDI, this expansion resulted in the loss of state-owned assets and foreign currencies and the emergence of various illegal activities. Some overseas investment losses were caused by poor operational efficiency of large and medium SOEs; some because of illegal behaviours, such as the illegal transfer of assets overseas (Poncet 2010). In this situation, government agencies—especially the MFERT (renamed as Ministry of Foreign Trade and Economic Co-operation in 1993, MOFTEC for short)—began to improve the approval requirements and procedures for OFDI projects while encouraging OFDI in general. For instance, in March 1992,

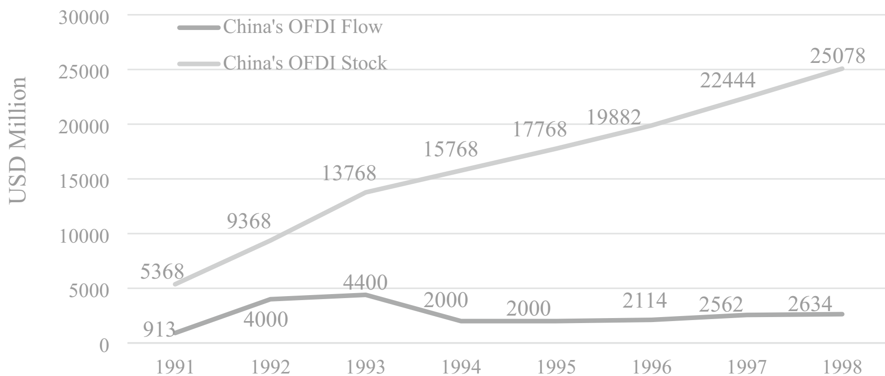


Fig. 1 China's outward foreign direct investment: inward and outward flows and stock, 1991–1998. *Note*: *OFDI* outward foreign direct investment. *Source*: United Nations Conference on Trade and Development

MOFTEC published the Regulations on Approval and Management for Establishing Non-trade Overseas Companies (*guanyu zai jingwai juban fei maoyixing qiye de shenpi he guanli guiding*) to strengthen its supervision over non-trade companies engaged in overseas investments (Huang and Wilkes 2011).

Besides MOFTEC, other government departments also issued policies concerning the regulation and supervision of OFDI (Ministry of Commerce of the People's Republic of China 2016). Moreso than before, relevant departments were concerned about improving the supervision of China's OFDI. These concerns partly reflected the great importance the Chinese government attached to the development of China's outbound investment. Thus, in May 1992, the State Administration of State Property (SASP), the MOF and the National Bureau of Administration for Commerce and Industries published the Temporary Measures for the Registration and Management of Property Rights of State-owned Assets (*guoyou zichan chanquan dengji guanli shixing banfa*), and then, in October 1992, the SASP issued the Interim Measures for the Administration of the Registration of Property Rights of Overseas State-owned Assets (*jingwai guoyou zichan chanquan dengji guanli zhanxing banfa*) to strengthen the supervision of overseas state-owned assets.

Further reforms involved regulations concerning foreign exchange earnings and the use of Renminbi. For example, the foreign exchange reserve system and the swap market were abolished in January 1994 and replaced with a buyer–seller market (Guo 1984). Before 1994, only Chinese companies with international trading rights could earn foreign exchange and use it to fund OFDI projects; therefore, companies without trading rights were restricted in their international investment activities (Zhang 2003). With the liberalisation of the use of foreign exchange in 1994, the Chinese government shifted from 'earn-to-use' to a 'buy-to-use' foreign exchange policy. Foreign exchange allowances could be purchased from SAFE to fund OFDI projects, regardless of whether the applicant had previously earned foreign exchange through trade. This was a crucial development for Chinese OFDI because investment approvals always started with the investigation of foreign exchange. Liberalisation allowed more Chinese companies to finance their OFDI projects by converting Renminbi into foreign currency.

While China's OFDI had become more strictly regulated by the Chinese government, the government still supported and encouraged the development of OFDI. Limited authority to approve OFDI was decentralised to some selected local governments. In general, the government agencies responsible for approving OFDI were redefined: MOFTEC and the SPC were now responsible for OFDI projects up to US$30 million while the State Council was responsible for any OFDI project valued above US$30 million (Zhan 1995). Moreover, in 1995, the value threshold for the approval of foreign exchange in OFDI projects was adjusted upwards. Before 1995, applications for OFDI projects valued at less than US$1 million were handled by local SAFE offices, while projects valued at more than US$1 million were addressed by SAFE at the national level. In 1995, SAFE branches from 14 selected provinces and municipalities were delegated the right to approve OFDI projects valued at more than US$3 million for the use of foreign exchange (Voss 2011).

In 1998, the process of liberating OFDI activities was further defined by the Chinese government in the Ninth National People's Congress Government Work

Report. It was first necessary to promote the development of China's OFDI. The formulation of government policies needed to comply with the requirements of capital flows in the international market and the basic orientation of domestic economic development. Then, the Chinese government needed to make guiding recommendations for the adjustment of OFDI policies in countries and regions, and develop and expand overseas investment markets. President Jiang Zemin pointed to the importance of SOEs at the Second Plenary Session of the 15th CCCPC:

> While actively expanding our exports, we should step by step organise and support a number of powerful and advantageous SOEs to go abroad, mainly to Africa, Central Asia, the Middle East, Central Europe and South America, etc., to invest and to establish factories (Yu and Zhao 2014).

It is obvious that, at this time, the Chinese government intended to strengthen the overall development of OFDI.

In short, during this period, the Chinese government had officially included OFDI as part of its national economic development strategy, had actively improved its supervision and regulation of OFDI, and boosted OFDI overall. However, in the absence of government supervision, some enterprises acted in ways that were inconsistent with the interests of the government, leading to the disorganisation of China's OFDI behaviours. After disorganised OFDI behaviours occurred in large numbers, the Chinese government began to attach importance to the regulation and supervision of OFDI. Obviously, a bargaining issue emerged between enterprises pursuing their own interests and governments safeguarding national interests during the process of China's OFDI. Enterprises frequently attempt to circumvent government oversight in their pursuit of profitability, potentially engaging in actions that undermine national interests. In response, the government swiftly enhanced supervision and approval procedures to regulate corporate behaviours and safeguard the overall welfare of the country.

OFDI as an object of encouragement: 1999–2012

Implementation of the 'Going Out' investment policy: 1999–2001

A turning point in the history of China's OFDI was the introduction of the 'going out' (*zou chu qu*) investment policy (or GOIP) in 1999. Then, in 2001, the GOIP—the investment-related element of this strategy—was included into the Outline of the Tenth Five-Year Plan for National Economic and Social Development (*guomin jingji he shehui fazhan di shi ge wu nian jihua gangyao*), which was officially supported by President Jiang Zemin and Premier Zhu Rongji (Zhu 2001). Importantly, although it was very general with few details, the GOIP actively called for the establishment of favourable policies and coordinated schedules for Chinese enterprises to invest abroad (Chen, 2008, p. 876).

The essence of the GOIP was to speed up the adjustment of industrial structure and transfer overseas technology. Specifically, the government proposed to encourage strong enterprises with rich experience to invest overseas, to promote the export

of domestically produced equipment, technology, materials and semi-finished products and to expand foreign trade—all at the same time. There were five strategic objectives of the GOIP: obtaining markets, acquiring technology, seeking resources, optimising resource allocation and upgrading the industry (Zhang 2003). The government identified 520 SOEs as of key importance for achieving those goals and receiving policy support (Wu and Sia, 2002).

The implementation of the GOIP was an important historical moment in the promotion and development of China's OFDI. Since the announcement of the GOIP, China's specific OFDI policy has indeed become significantly more relaxed, and Chinese enterprises have begun investing and operating abroad extensively. Partly because of the GOIP, POEs became considered important and legitimate parts of the national economy and were encouraged to invest overseas. A clause in a report of the Fifteenth Party Congress in 1997 but reflected in a Constitutional amendment of March 1999 stating that 'the individual and private economy is a supplement to the socialist public economy' was omitted (Kanamori and Zhao 2004, p.11), which partly enhanced the rightful status of the individual and private economy in China. Since 1999, POEs have gradually enjoyed greater freedom to invest abroad.

Under the encouragement of the GOIP, the spatial distribution of China's OFDI began to change considerably in terms of value compared with the previous period. By the middle of 2001, there were investments in the light industry, natural resources, forestry, ocean fisheries, and agricultural and manufacturing sectors (Wong and Chan 2013). The distribution of these projects also changed substantially due to the support of this policy. By the end of 2001, Chinese OFDI had spread to over 149 countries and economies around the world, with its investment focus gradually shifting from Hong Kong, Macao, and North America to Asia, the Pacific, Europe, Africa, and Latin America. Overall, the geographical distribution of OFDI became more balanced.

Reforms after China's entry into the world trade organisation: 2002–2012

After China entered the World Trade Organisation in 2001, the environment changed tremendously for Chinese businesses. China was required to gradually open its once-protected domestic market to comply with the accession protocol and 'most favoured nation' rules (Procurement 1998). Because of these rules, Chinese enterprises were subjected to increased competition from domestic and foreign-invested enterprises and foreign importers. Many Chinese companies—especially non-state-owned ones, which lacked domestic political protection—began to invest overseas because of the increasing domestic competition as they could also access other markets of other signatories (Buckley et al. 2008). Further, China's accumulation of foreign exchange reserves increased significantly, with reserves reaching US$853.7 billion in late February 2006 (against Japan's US$850.1 billion) (Zheng and Yi 2017). This caused China to surpass Japan and become the world's largest holder of foreign exchange. China continued to accumulate a huge foreign exchange reserve, reaching US$1.2 trillion in 2007, almost doubling by the end of 2009 to almost US$2.4 trillion. In 2012, the reserve reached US$3.1 trillion (Wang 2010).

In the context of abundant foreign exchange reserves and fierce international competition, the Chinese government started a series of reform measures to promote the development of its OFDI. Firstly, the government further transformed the functions of OFDI-related government agencies and adjusted institutional settings in line with the market-oriented economy (Shen 2013). In 2003, China's administrative system underwent a series of reforms under the leadership of Wen Jiabao. Notably, the State Development Planning Commission, previously known as the SPC, was merged with the State Council Office for Restructuring the Economic System and part of the State Economic and Trade Commission (SETC) to create the new NDRC. This agency was tasked with developing policies for economic and social development, carrying out aggregate balances and guiding reform of the overall economic structure. Meanwhile, MOFTEC merged with part of the SETC, creating the new MOFCOM, to promote reform of the circulation system (Guo 2009). This was also when the State-owned Assets Supervision and Administration Commission (SASAC) was set up to guide the reform and restructure of SOEs, and the China Banking Regulatory Commission was created to strengthen financial supervision and ensure the safe, stable, and efficient operation of financial institutions. As a result of these reforms, the word 'planning' completely disappeared from China's administrative system—the role of the Chinese government had gradually shifted from controlling/planning to facilitating/regulating its OFDI (Maschek, McAllister and Sauvant, 2010, p. 318).

Secondly, the central government further delegated authority concerning China's OFDI to local governments. The conditions for approval of projects by various departments were liberalised and clarified. In 2004, the NDRC delegated its powers of verification and approval to provincial government agencies responsible for commerce; however, it retained control of SOEs' OFDI rights (Chen 2008, p. 878). Following the changes, the NDRC was only responsible for verifying and approving non-resources projects worth over US$10 million and resources-related projects above US$30 million. The State Council reserved the right to review and approve investments of more than US$50 and US$200 million for non-resources and resources projects, respectively.

Concurrently, SAFE issued a series of foreign exchange measures that delegated certain approval powers to local authorities and relaxed the examination of funding sources. These interim measures were issued by SAFE in 2003 to transfer authority to regional SAFE departments (Chen 2008, pp. 876–878). In addition, SAFE issued the Circular on Enlarging the Reform Pilots Regarding the Administration of Foreign Exchange for Overseas Investment (*guanyu kuoda jingwai touzi waihui guanli gaige shidian youguan wenti de tongzhi*) in May 2005. The 2005 Circular increased the amount of foreign exchange that the national SAFE body could approve for OFDI from US$3.3 billion to US$5 billion and the amount local SAFE branches could approve from US$3 million to US$10 million. Soon after, SAFE's Circular on Revision of Certain Foreign Exchange Control Policies Relating to Overseas Investments (*guanyu tiaozheng jingchang xiangmu waihui guanli zhengce de tongzhi*) completely removed the cap of US$5 billion for OFDI funds. This decentralisation of foreign exchange approval authority served to promote China's OFDI.

Thirdly, several changes were made to OFDI policy and regulations. In July 2004, the State Council issued a Decision on the Reform of the Investment System (*guowuyuan guanyu touzi tizhi gaige de jueding*, 2004 Decision hereafter) to provide a basis for subsequent reforms. In essence, the 2004 Decision was designed to abolish the old management system for controlling investments that had followed the implementation of the 1978 open-door policy. The 2004 Decision replaced that system with two new investment approval systems—'verification and approval' and 'filing-for-record'—based on the principle of 'whoever invests decides and whoever takes profit assumes risks'. Based on the 'verification and approval' system, a wide range of administrative authorities, including MOFCOM and the NDRC, would no longer review project proposals, feasibility studies, or reports regarding the commencement of projects. Instead, these bodies would review OFDI project applications in terms of 'economic security, the appropriate use of natural resources, environmental protection, optimal industrial distribution, the protection of the public interest; and, the prevention of monopolies' (Chen 2008, p. 877). This reform increased the transparency of the OFDI application system. For this purpose, a List of Investment Projects subject to Government Verification and Approval was attached to the State Council's 2004 Decision, making the 'verification and approval' system reasonably transparent.

Then, in July 2004, MOFCOM and the MOF jointly issued a Guide Catalogue of Countries and Industries for Investment Abroad (*duiwai touzi guo bie chanye daoxiang mulu,* Guide Catalogue hereafter). The two ministries requested that other relevant government departments attach great importance to OFDI by encouraging, supporting, and guiding enterprises to take full advantage of domestic and foreign markets, and by promoting the development of Chinese goods, technologies, and services (Bernasconi-Osterwalder, Johnson and Zhang, 2021, p. 38). Subsequently, in December 2004, the NDRC supplemented the Guide Catalogue and responded to the 2004 Decision by publishing the Reporting System for Operational Barriers in Individual Countries (*guo bie touzi jingying zhang'ai baogao zhidu*).

Although many Chinese government agencies responded positively to the 2004 Decision, the reform was somewhat hampered by the NDRC. Due to the ongoing decentralisation of China's economic system, the NDRC's functions were gradually changing—and being regularly reduced—with its authority for small-scale intervention weakened. As such, the NDRC conservatively conducted the liberalisation of OFDI policy so that it could retain some of its micro-level authority. Wang Feng, a worker in the CPC office, spoke in defence of the NDRC:

> I've heard complaints about the NDRC being overly powerful, mainly due to its power to grant approvals for investments. The NDRC's importance needed to be fully recognised, arguing that only the central government could come up with effective measures when faced with a sudden economic crisis (Li and Zuo 2013).

This statement pointed to the NDRC's desire to be as influential as possible in China's OFDI by issuing a set of comparatively conservative policies, thus strengthening its bureaucratic status in the decision-making process.

In particular, although the NDRC moved towards further liberalisation of China's OFDI regime following the 2004 Decision, it retained the right to control the allocation of OFDI funds. In October 2004, the NDRC and China Exim Bank jointly issued the Notice on the Supportive Credit Policy on Key Overseas Investment Project Encouraged by the State Council (*guanyu dui guojia guli de jingwai touzi zhongdian xiangmu jiyu xindai zhichi youguan weiti de tongzhi*), which stated that China Exim Bank would allocate specific funds for OFDI projects with at least a 2 per cent interest rate discount and possibly other preferential lending terms (OECD, 2009, p. 91). According to this notice, OFDI projects needed to meet one of the following criteria to receive support from China Exim Bank:

> Resource development projects that address a shortage of domestic resources; manufacturing or infrastructural projects that promote the export of domestic technology, products, equipment and labour; R&D [research and development] projects that utilise international advanced technology, managerial experience and expertise; and M&A projects to enhance the international competitiveness and market development of Chinese firms (Chen 2008, pp. 879–880; Yu and Hwang 2005).

However, OFDI projects that had to meet some criteria to receive support from China Exim Bank were in the minority, as this restrictive policy was developed based on political considerations, rather than profit-seeking (Maschek, McAllister and Sauvant, 2010, pp. 175–220). Consequently, this policy enhanced the NDRC's ability to control OFDI but dampened the enthusiasm of many Chinese enterprises to invest abroad.

The State Council continued to lead the reform of China's OFDI. In October 2006, it issued the Opinions on the Encouragement and Standardisation of the Domestic enterprises to Invest and Cooperate abroad (*guanyu guli he guifan woguo qiye duiwai touzi hezuo de yijian*), which aimed to strengthen policy guidance, promote interdepartmental coordination, regulate the market's order, distribute products rationally, prevent disorderly competition and protect national interests (Yu 2006). At the same time, various government agencies had continued to relax the administration and regulation of China's OFDI with a range of policies (see Table 2). With the implementation of these reforms, it appeared that, on paper, the transformation of the approval system from 'control' to 'guidance' had been completed, although further reforms were still required.

Following the 2004 reforms, China's OFDI continued to grow. The flow of China's OFDI grew from US$5.5 billion in 2004 to US$74.7 billion in 2011, then US$82.8 billion in 2012. China's OFDI stock reached US$531.9 billion in 2012, well over 14 times greater than the US$37.2 billion recorded in 2002 and much greater than the negligible US$26.9 billion recorded in 1999 (UNCTAD 2013). In 2012, China moved up from being the sixth-largest investor in the world to the third-largest, behind only the US (US$329 billion) and Japan (US$123 billion) (UNCTAD 2013). Moreover, by the end of 2012, 16,000 Chinese multinational enterprises had established 22,000 foreign affiliates in 179 countries and territories and the coverage rate stood at 76.8 per cent (Ministry of Commerce of China Department of Foreign Investment and Economic Cooperation 2013). In contrast to almost all other major

Table 2 Key implementation measures regarding general approval and support of outward foreign direct investment, 2006–2009

Issuer	Date	Regulation
MOFCOM, NBS	January 2007	Notice on the statistical system of direct overseas investment *(duiwai zhijie touzi tongji zhidu)*
MOFCOM	December 2007	Adjusting the Relevant Matters on the Examination and Approval of Overseas Investment *(guanyu tiaozheng jingwai touzi hezhun youguan shixiang de tongzhi)*
MOFCOM	March 2009	The Administrative Measures on Outward Investment *(duiwai touzi guanli banfa)*
SAFE	July 2009	Administrative Measures on Foreign Exchange Used by Domestic Organisations for Outward Investment *(jingnei jigou jingwai zhijie touzi waihui guanli guiding)*

MOFCOM Ministry of Commerce, *NBS* National Bureau of Standards, *SAFE* State Administration for Foreign Exchange

Source: Chen 2008, pp. 880–883; Buckley et al. 2008, pp. 28–29

investors in the world, SOEs accounted for a significant share of China's OFDI flows and stocks. Although approximately 13,500 Chinese financial and non-financial enterprises had set up about 18,000 foreign subsidiaries in 177 host economies by the end of 2011 (Ministry of Commerce of People's Republic of China et al. 2012), 113 central SOEs alone accounted for 66 per cent of China's OFDI flow and 76 per cent of its stock (Sauvant and Nolan 2015).

During this period, as China's economic reforms deepened and microeconomic activities proliferated, there was a need for more flexible and relaxed market regulation. Concurrently, the authority of the NDRC diminished, while other departments experienced an increase in power. To maintain its influence at the microeconomic level, the NDRC adopted a relatively conservative policy towards OFDI. This practice partially reflected interdepartmental dynamics characterised by a struggle for interests and power, resulting in the emergence of bureaucratic bargaining. As the NDRC's conservative policy negatively impacted Chinese enterprises' enthusiasm for overseas investment, the State Council had to directly intervene and lead the OFDI reform, ensuring the smooth implementation of overarching policies.

The belt and road initiative and 'Irrational' outward foreign direct investment: 2013–the present

The belt and road initiative

In October 2013, during a visit to Kazakhstan and Indonesia, Chinese President Xi Jinping outlined China's new national economic and strategic plan: the Belt and Road Initiative (BRI). The BRI aims to enhance connectivity between China and Europe, bridging the 'infrastructure gap' in Asia for further economic cooperation while solving China's overcapacity-related issues (Wang 2016). The BRI is comprised of two main components: the Silk Road Economic Belt, intended to stretch from Xi'an in western China across Central Asia to the Middle East, Russia and Europe, while the other is the Maritime Silk Road—intended to link the South China Sea to the Indian Ocean, East Africa, the Red Sea and the Mediterranean Ocean.

On 28 March 2015, MOFCOM, the NDRC and the MFA jointly issued a plan for the BRI: Vision and Proposed Actions Outlined on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road. This significant development plan sought to promote the further development of regional and interregional cooperation—especially among countries along the proposed BRI routes—with the intention of enhancing orderly free flows of economic factors and the effective allocation of resources. It was also intended to further integrate markets and establish a framework for regional economic cooperation. It set out five major goals for the BRI: policy coordination, connectivity of facilities, unimpeded trade, financial integration and people-to-people bonding. However, the initiative looks more like an ambitious declaration from a dozen government departments. Without clear and specific goals and guidelines, each department would like to go its own way.

That said, it remains questionable whether Chinese enterprises will be able to achieve the overseas investment goals of the BRI. Based on China's previous

experiences of institutional reform, it may take a long time for government agencies to fully support the construction of the BRI. Further, in the absence of a central coordination mechanism, the conflicts caused by different motivations, institutions and cultures in China and its host countries continue to create barriers for the BRI (Kang et al. 2018).

Specifically, due to intense competition in foreign investment environments, Chinese companies are increasingly inclined towards pursuing profitability as their primary objective. Based on past experiences of failed overseas investments by SOEs, it has been difficult for enterprises to survive only by following national guidelines. As stated in the Deloitte report titled '"One Belt, One Road" The Internationalisation of China's SOEs', China's SOEs have matured in their decision-making processes and are now more inclined to independently determine their future development paths rather than blindly adhering to national policy guidance. Approximately 40% of the surveyed SOEs expressed that they would not overly prioritise the BRI when determining their future development direction. Some other interviewed SOEs indicated that even when mandated by the Chinese government to invest overseas, SOEs no longer blindly comply with government instructions; instead, they engage international intermediaries who adhere to international standards for conducting comprehensive due diligence, risk assessments, pre-and post-investment planning as well as implementation consulting services before making decisions (Sze and Wu 2016). This report obviously demonstrates that SOEs place greater emphasis on enterprises' interests rather than national interests in OFDI decisions; even while following policies for overseas investments, corporate profitability and development remain key prerequisites.

On the other hand, according to the Implementation Measures for Comprehensive Performance Evaluation of Central Enterprises (*zhongyang qiye zonghe jixiao pingjia shishi xize*) implemented by SASAC in October 2006, profitability is one of the key performance indicators used in the assessment. Due to the strong correlation between profitability and performance appraisal, decision-makers in SOEs often prioritise enhancing market competitiveness and profitability to ensure that the enterprise achieves outstanding performance in evaluations and gains recognition and support from higher authorities. Consequently, to some extent, this evaluation system encourages decision-makers to prioritise commercial interests over national political and economic agendas (such as the BRI) when engaging in overseas investments.

Moreover, in the absence of state endorsement, Chinese private enterprises are more likely to prioritise their own interests when investing abroad. One of the most exemplary instances of Chinese private enterprises interpreting the BRI to serve their own interests is Landbridge Group's bid for the lease of Darwin Port in Australia (Zu 2022). Following the successful acquisition of the port lease, Landbridge Group made a daring decision to turn towards high-yield shadow banking within China, which subsequently led to severe financial difficulties. Consequently, the company sought low-interest loans from various Chinese policy banks as a means to address these financing challenges (Grigg 2017). However, due to market access and financing restrictions, China's policy environment heavily favours SOEs. In this context, Landbridge Group endeavoured to associate the Darwin Port deal with

the BRI in hopes of securing more favourable financing terms from China's policy banks. It becomes evident that integrating the BRI with the Darwin Port deal was an initiative undertaken by Landbridge Group not originally intended to support the BRI but rather aimed at safeguarding its own interests.

The aforementioned discussions largely demonstrate that both state-owned and private enterprises widely perceive the BRI as serving rather than guiding their overseas investment projects. When seeking support from the BRI, they are willing to link their investment projects with it, and vice versa. Certainly, some SOEs still take the BRI guidance into consideration when making OFDI decisions, but its impact on corporate decision-making is limited. Commercial interests remain the core driving factor for most SOEs' overseas investments (Sze and Wu 2016). In general, both state-owned and private enterprises enjoy significant autonomy; at the same time, their strategies and motivations for OFDI are becoming increasingly similar, prioritising profit over policy guidance.

The emergence of 'Irrational' outward foreign direct investment

Under China's increasingly relaxed OFDI policies, a large number of POEs have carried out foreign investment activities alongside SOEs. In 2006, POEs only accounted for 19 per cent of China's OFDI stock, but this increased to 49.6 per cent in 2015, while the percentage of OFDI stock made by SOEs fell from 81 per cent to 50.4 per cent in the same period (see Fig. 2). In 2015, the number of overseas investments made by POEs almost equalled that of SOEs; however, this increase caused the emergence of what the Chinese government has called 'irrational' overseas investment activities. The government has begun a campaign against this trend.

Since 2015, some Chinese enterprises—especially POEs—have invested heavily in the real estate, cultural, sports, and entertainment industries, leading to foreign exchange losses. Capital outflows were particularly excessive between 2015 and 2016, resulting in downward pressure on the currency and the loss of US$1 trillion in reserves (Dollar 2017). As of late 2016, the Chinese central government has

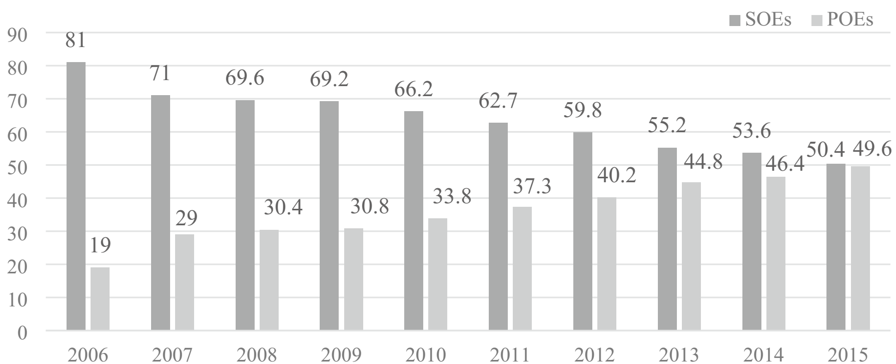


Fig. 2 Chinese state-owned and private enterprises in outward foreign direct investment stock, 2006–2015 (Percentage of Total). *Note*: *SOEs* state-owned enterprises, *POEs* privately-owned enterprises. *Source*: MOFCOM and National Bureau of Statistics of China

sought to address this new phenomenon and clarify its opposition to ‘irrational’ acquisitions of assets in these industries. Even some of the biggest investors were scrutinised after the government described the rampant OFDI as a ‘national security matter’. This included well-known companies like the Wanda Group, Anbang Insurance Group and the HNA Group, each of which had involvement with high-profile hotels, cinemas and sports clubs (Tang 2017).

Since November 2016, government officials have expressed their intentions to control risks by checking the authenticity and compliance of overseas investments (Aikman 2016). Later, on 18 August 2017, the General Office of the State Council forwarded the New Guidance Regarding the Regulation of Outbound Investment (*guanyu jingyibu jindao he guifan jingwai touzi fangxiang de zhidao yijian*). According to one NDRC official, the 2017 Guidance was based on an ‘encouraged development plus negative list’, in that it outlined an explicit list of ‘banned, encouraged and restricted’ areas for overseas investment (An 2017). This guidance had been proposed in a notice of ‘guiding opinions’ from the NDRC, MOFCOM, PBOC, and MFA to relevant government authorities throughout China. Its purpose was to introduce a new taxonomy of ‘encouraged’, ‘restricted’ and ‘prohibited’ categories of outbound investment transactions (China’s State Council, 2017). Consequently, after reaching US$196.1 billion in 2016, China’s OFDI declined to US$124.6 in 2017 (see Fig. 3), which mainly existed in the real estate sector (Zhou 2018).

As happened previously, especially between 1992 and 1998, an absence of strict government regulation has meant that some Chinese OFDI behaviours are inconsistent with the government’s expectations. The most obvious example is the emergence of so-called irrational investments, which have undermined China’s national interests. The disorganisation of China’s OFDI has primarily occurred because the government only started to regulate OFDI after the problem emerged, rather than planning to regulate investments in advance. Following regulatory enforcement, there has been a decline in transactions using Chinese capital for overseas investments in real estate, entertainment, and sports. That trend is likely to continue as long as the current guidelines and restrictions are in place. That said, although the revised guidelines include banned ‘irrational’ investments, it is unclear whether this

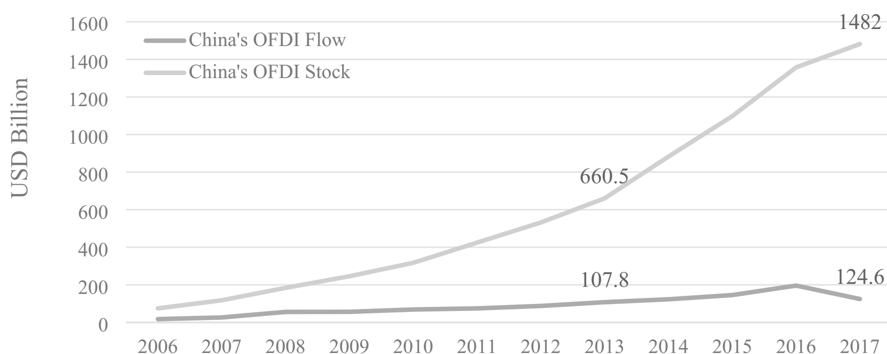


Fig. 3 China’s outward foreign direct investment: inward and outward flows and stock, 2000–2017. *Note*: *OFDI* outward foreign direct investment. *Source*: United Nations Conference on Trade and Development

guidance will be followed in the future, or whether there will be other OFDI behaviours that are contrary to the country's economic development. It can be observed that, with the increasing number of actors involved in OFDI, it is more and more difficult for the Chinese government to predict and control the future OFDI behaviours of China's enterprises.

In this period, it can be observed that within the context of China's economic reforms, companies enjoy increased autonomy and flexibility, particularly in terms of foreign investment. This implies that companies can make decisions based on market demand and business interests without being constrained by government guidance or intervention. Such enhanced autonomy can result in quicker response times and greater adaptability to market changes, thereby bolstering a company's competitiveness. However, this enhanced autonomy can also lead to a disconnect between companies and national strategies, resulting in what is often referred to as 'irrational' investments. When such 'irrational' investment reaches a certain level and impacts the overall direction of the country's development, it will be regulated by the government.

Conclusion

Tracing the development of China's OFDI policy over time allows for reflection and draws some conclusions. China's top leadership has played an important role in promoting and allowing OFDI to become part of China's national economic development. Since the 1978 economic reforms, China's top leaders have provided a framework for China's OFDI, under which relevant government departments formulate relevant policies based on their bureaucratic departmental interests. However, the development of China's OFDI policy is not as straightforward as it seems. According to the FA model proposed by Kenneth Lieberthal and David Lampton, China's decision-making involves a wide variety of actors, each of whom can exert a greater or lesser influence on policy outcomes. Therefore, different government departments pursue their own and at times divergent interests, which sometimes negatively impact the development of China's OFDI. For example, in 2004, the NDRC maintained its departmental power by retaining the right to control the allocation of OFDI funds. Additionally, Chinese companies, especially SOEs, sometimes put their interests first rather than government directives; however, this kind of behaviour is inconsistent with national goals and can pose a threat to the interests of the Chinese government. The most striking demonstration of this was the way that China's SOEs aggressively expanded their overseas investment projects in the early 1990 s, resulting in the loss of state-owned assets and foreign currencies and the emergence of various illegal activities.

In sum, the findings counter most of the previous works that advocate for interpreting China's OFDI policy as a clear, coherent, and unified guiding policy. Instead, this article argues that China's OFDI policy has evolved gradually over a protracted period, with its foundations based on the governments' departmental interests in developing and safeguarding their administrative power under the general framework put forward by China's top leadership. In other words, since the economic

reforms of 1978, China's political environment has been defined by further decentralisation that has resulted in a vertically and horizontally decentralised, multilevel governance system in which various government agencies can exert varying degrees of influence over China's OFDI behaviours. Additionally, the diversified ownership of China's OFDI has become more and more significant. Alongside SOEs, POEs have come to be seen by Chinese policy-makers as essential players in pursuit of the GOIP's objectives, and have received policy backing and state financial support. With an increasing number of POEs investing abroad over the past few years, they can increasingly influence China's OFDI behaviours on an individual basis. The processes of China's OFDI involve various loosely coordinated state and non-state actors, rather than a rational, unitary one.

The findings presented in this article have strategic implications for understanding China's OFDI in two aspects. Firstly, when understanding China's macro OFDI policies, such as the GOIP and the BRI, it is most important to view them as guiding directions for general development, rather than as means of controlling investment behaviours for specific strategic purposes. In other words, even though there is a general policy—the GOIP—encouraging China's OFDI, there is a lack of specific decisions and policies to address OFDI-related issues or direct OFDI projects in practice. Secondly, not only do Chinese POEs behave differently in their OFDI projects but even SOEs do not always behave in line with China's national preferences. The Chinese government has some influence over its OFDI, but in most cases, Chinese enterprises (including both SOEs and POEs) usually enjoy a great deal of autonomy in making decisions regarding their OFDI projects.

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Declarations

Conflict of interest None.

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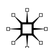

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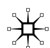

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