

Evolution of China's Outward Foreign Direct Investment Regime: Implications for South and East Asia under the Belt and Road Initiative (BRI)

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Abstract

Assessment of the likely impact of Chinese OFDI on the South and East Asian members of the Belt and Road Initiative (BRI) requires understanding of the evolution of Chinese policy, regulations and institutions. Utilising recent developments in institutional theory this dissertation examines the interplay between China's OFDI regulations and enterprises supportive policies. Consistent with the theorising there is evidence of an increasing level of Chinese OFDI since 2003, and of a larger share attracted to the BRI group, particularly South and East Asian countries.

Keywords: BRI; OFDI; China; Institutions; South and East Asia

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Attestation of Authorship

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgments), nor material which to a substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning.

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Abbreviations and Country Groupings:

BRI:	The Belt and Road Initiative
CCP:	The Chinese Communist Party
M&As:	Mergers and Acquisitions
MFTEC:	The Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China (PRC), preceding Ministry of Commerce (MOFCOM) of PRC
MOFCOM:	The Ministry of Commerce of PRC
NDRC:	The National Development and Reform Commission of PRC
OFDI:	Outward Foreign Direct Investment
OAs:	Ownership Advantages
POEs:	Private Owned Enterprises
SOEs:	State Owned Enterprises
SMEs:	Small and Medium Enterprises
SASAC:	The State-Owned Assets Supervision and Administration Commission of PRC
SAFE:	The State Administration of Foreign Exchange of PRC
SDRC:	The State Development and Reform Commission of PRC

East Asian countries covered under BRI: Brunei, Burma, Indonesia, Kampuchea, Laos, Mongolia, Malaysia, Philippines, Singapore, Thailand, and Vietnam

South Asian countries covered under BRI: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka

Chapter 1: Introduction

In the global economy, businesses face fierce competition from home and abroad with accelerated cross-border movement of goods and capital (Nolan, Sutherland, & Zhang, 2002). Developing countries, especially emerging economies, which once acted as passive observers of cross-border investment, have now become active players in expanding their international markets and seeking advanced technology (Nolan et al., 2002). This is evident with Multinational Enterprises (MNEs) from emerging economies continuing to accelerate their internationalisation process (Yeung, 2000). Globalization works as a catalyst for increasing Outward Foreign Direct Investment (OFDI) from emerging economies since it offers huge opportunities for latecomers to take advantage of the worldwide inter-firm connections and facilitate their learning processes through engagement with global value chains (Mathews, 2006).

Over the past several decades, China has evolved to become an important source for OFDI in the world economy (United Nations Conference on Trade and Development, 2018). China's OFDI was near zero in the 1970s and early 1980s. It started to develop in 1990s, grew fast in the early 2000s, and expanded rapidly after 2008. In 2015 and 2016, China's OFDI surged to US\$128 billion and US\$183 billion and become the third and second largest FDI source country in respective year. In 2017, China ranked third in its OFDI in the world economies with \$125 billion which reversed for the first time since 2003 (United Nations Conference on Trade and Development, 2017, 2018). Figure 1 illustrates the value of China's OFDI from year 1990 to 2017.

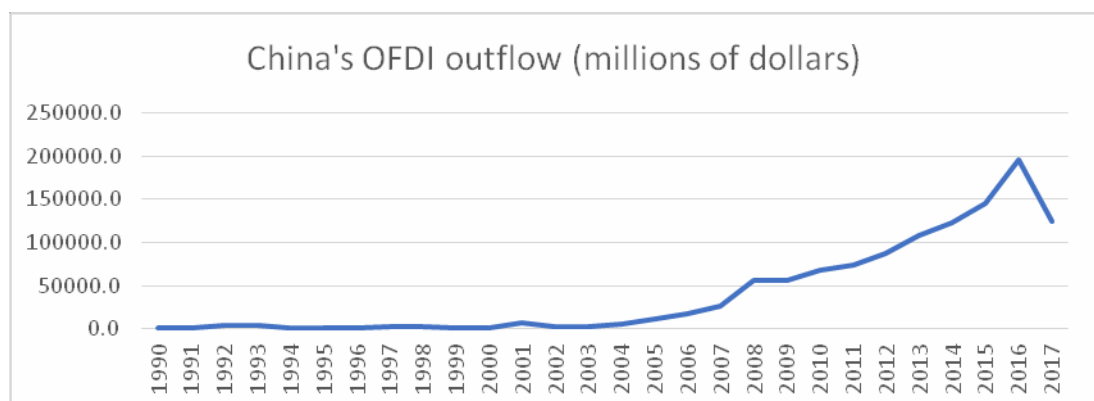


Figure 1. China's OFDI outflow, 1990-2017. Data retrieved from the United Nations Conference on Trade and Development, World Investment Report: Annex Tables

The process of internationalization of latecomer firms from emerging economies is not easy due to their relative lack of capital and of global operational experience (Li, 2007; Mathews, 2002).

In such situations, home country governments and institutions may serve an important role in supporting the internationalization of their enterprises (Gaur, Ma, & Ding, 2018; Li, 2007). This is particularly true for China, with extant literature stressing the crucial role that the Chinese government plays in shaping the structure and pattern of Chinese overseas investment policies (Child & Rodrigues, 2005; Wang, Hong, Kafourous, & Boateng, 2012).

Chinese social structure and development trends are quite distinct from Western conceptualizations. China is commonly recognized as a state capitalist model, or authoritative capitalism with Chinese characteristics. State capitalism, as an extension of Marx's model, refers to a system where the state plays a predominant role in overseeing the economy (Zhao, 2015). As U.S. China Economic and Security Review Commission (2016, p. 99) explains "the hallmark of Chinese style state capitalism is an ecosystem in which the government is at the centre of the economy and everybody else caters to the government's needs". Indeed, the Chinese authorities act as an ensemble of capitalists to ensure that the institutional arrangements are consistently stabilized and legitimized, and search to maximize its own economic benefits through its policies and regulations (Zhao, 2015). Despite the development of a market system, China remains a political economy characterized by active government involvement in business, both through ownership and regulation (Davies, 2013).

China's development model is shaped by strong "Chinese characteristics", with the Chinese Communist Party (CCP) as the authoritarian regime which sustains strong government power, with significant government influence and enforcing an administrative bureaucratic system at the national level (Luo, Xue, & Han, 2010).

The Chinese government is able to use its considerable influence as a powerful 'visible hand' to quickly enact and amend OFDI policies to direct Chinese firms' internationalization decisions in support of the country's economic imperatives (Scott, 2002). An important implication of this is the likelihood that as China's policies on international engagement evolve, their impact on host economies also changes. The most recent manifestation of this evolving international engagement is the Belt and Road Initiative (BRI), announced in 2013. An overview of this latest stage in China's recent OFDI evolution is provided in Chapter 2.

The aim of this dissertation is to assess the challenges and opportunities that South and East Asia is likely to experience with the implementation of the BRI, the most recent stage in China's

embryonic internationalization model. The research question of this dissertation is: What are the implications of the BRI for the region, and South and East Asian nations in particular, since its announcement in 2013?

The key argument is that as a state-influenced economy a primary determinant of China's OFDI is government policy exercised through evolving institutional arrangements (Dau, 2012; Del Sol & Kogan, 2007; Luo & Wang, 2012). Effective assessment of the likely impacts of the BRI necessitates understanding the evolution of underlying institutional pressures and government directives that Chinese enterprises experience. That is, analysis of changes in the country's OFDI policy present only a partial picture of the forces that firms respond to.

Simultaneously, the Chinese authorities may be expected to also implement a range of supportive policies in complementary areas that contribute to the competitiveness or reduce the liabilities of foreignness (Gaur, Kumar, & Sarathy, 2011), that domestic firms face. The analysis draws on institutional theory (North, 1990; Scott, 1995) and more recent analyses encompassing dynamic sources of home country advantage (Cuervo-Cazurra, Luo, Ramamurti, & Ang, 2018), 'institutional work' (Yan, Zhu, Fan, & Kalfadellis, 2018), and institutional open access (Sun, Peng, Lee, & Tan, 2015) to provide a conceptually grounded examination of the likely impacts of the BRI on the region.

This dissertation makes three main contributions. First, it highlights the evolutionary nature of institutional arrangements in an emerging economy like China, and how such changes are likely to affect the volume and location of OFDI. The evolution of China's OFDI regime also makes clear the wide range of supportive activities that the state undertakes to facilitate firm internationalization. The dissertation identifies and develops four key areas of government-led support and how these have facilitated internationalization. Second, the discussion enables the development of several simple propositions regarding the changing nature of Chinese OFDI under the BRI. There is support for these through a tentative application of secondary data. Finally, the research uses the conceptual underpinning offered by institutional theory to identify the key challenges and opportunities that South and East Asian economies are likely to experience under the BRI.

The dissertation is organized around eight main chapters. Following this introduction is a brief overview of the BRI, highlighting its scale and significance. Chapter 3 sets out the characteristics that distinguish Chinese OFDI from that of other source countries, including other emerging economies. The evolution of China's OFDI policy over the past four decades is discussed in Chapter 4. Chapter 5 sets out the underlying institutional theory and its value in understanding

China's evolving OFDI regime. This chapter analyses four key policy influences on the internationalisation of Chinese firms through their effects on country of origin advantages, liabilities, competitive advantages, and institutional advantages. This discussion also allows the development of propositions on trends in Chinese OFDI. Chapter 6 tests these propositions using official Chinese OFDI data between 2003 and 2017. The seventh chapter offers a discussion of the key challenges and opportunities that South and East Asia are likely to face as the BRI becomes the central component in China's international engagement. Concluding thoughts and suggestions for further research are provided in the final chapter.

Chapter 2: Background- What is the BRI?

China's Belt and Road Initiative (BRI) is a massive strategic alliance announced by the Chinese leadership as a new direction for development of the world economy. It serves multiple ends in that it could help stimulate a flagging Chinese economy, increase China's trading security, affect the balance of global domination and offer an alternative to the recent wave of Western-led globalisation.

The BRI comprises two components: a belt and a road. The belt component refers to the "Silk Road Economic Belt" which encompasses overland corridors linking inner China to Eastern and Western Europe through Central Asia and Russia, to the Persian Gulf and the Mediterranean through Central Asia and West Asia, and to Southeast Asia and Indian Ocean through Pakistan. The Road component stands for the "21st century Maritime Silk Road", the maritime route corridor aims to connect China's east coast to South Asia to East Africa and Europe through the South China Sea, the South Pacific Ocean, and the Indian Ocean area. The two concepts combined form the so-called Belt and Road Initiative (BRI) (Belt and Road Portal, 2018). Please refer to figure 2 for the tentative map of the BRI route (Kuo & Kommenda, 2018).

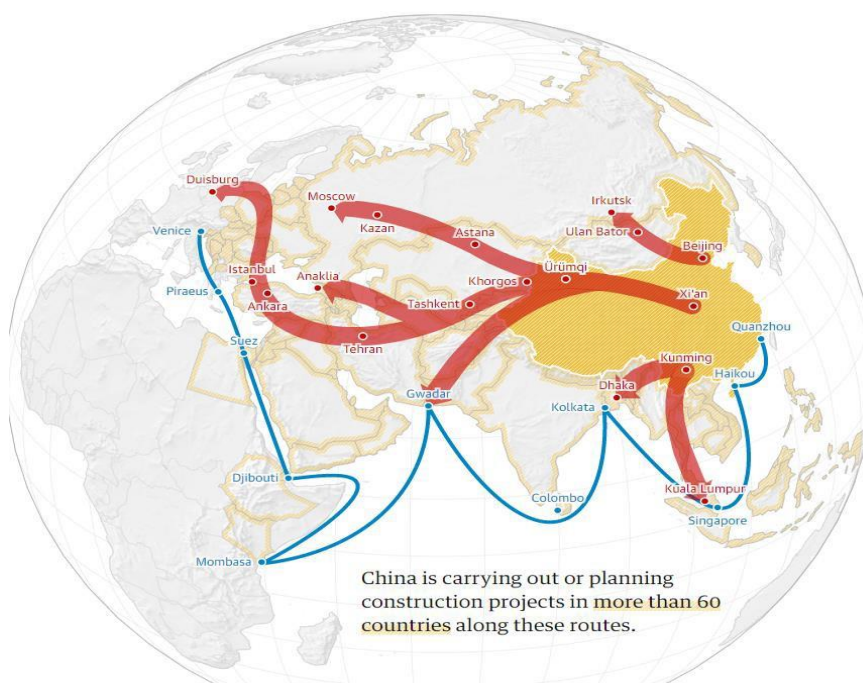


Figure 2 Screenshot of the tentative map of the "road" of overland corridors and a sea-based "road" of shipping lanes from "What is China's Belt and Road Initiative," by Kuo, L & Kommenda, N., 2018, Retrieved 2018, September 19, from <https://www.theguardian.com/cities/ng-interactive/2018/jul/30/what-china-belt-road-initiative-silk-road-explainer>

The BRI contains a Chinese commitment to building the infrastructure connectivity by investing heavily in a wide variety of infrastructure projects in order to strengthen the economic capacity and integration within the belt-road region and with China's western regions (Du & Zhang, 2018). The initiative involves a huge amount of funding and massive infrastructure construction effort to develop roads, railways, ports, airport, natural gas pipelines, communication systems, and other infrastructure related projects to improve physical connectivity for countries along the Belt and Road route (Zhao, Alon, & Lattemann, 2018).

It is expected that inter-regional connectivity will promote freer flow of economic activities with highly efficient resource allocation to encourage investment and boost trade, grasp market potential with inclusive participation, stimulate economic growth and achieve economic cooperation and integration in the Belt and Road region (The State Council of the People's Republic of China, 2015).

Its scale is unprecedented: 71 countries covering about 65 percent of the global population and coverage of almost of a quarter of the world GDP (Deng 2017). It undoubtedly is the most ambitious development campaign that China has proposed to date, signifying China's endeavours towards its great economic cooperation vision (Zhao et al., 2018). Also considerable is the likely cost, in excess of US\$1 trillion, with much of that focused on countries within Asia. It is an open-ended initiative which no declared time limits.

The BRI as the largest project raised by a single nation, has the potential to alter global governance and reset the global trading system (Enderwick, 2018). Chinese President Xi Jinping has billed the BRI as the 'project of the century' to achieve regional economic integration amongst Asia, Europe and Africa (Chan, 2017). The financing of the BRI is hugely reliant on China with funds mainly sourced from the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (Zhao et al., 2018). In 2013, China initiated the creation of the AIIB, a multilateral financial institution to source finance and allocate funding for infrastructure projects across Asia, primarily in the form of loans. Currently, AIIB has 80 member states worldwide who have agreed to raised US\$100 billion for bank capital (National Development and Reform Commission, 2015). In 2014, the Chinese government established a new Silk Road fund with capital of US\$440 billion (Chan, 2017). And finance for the BRI is estimated to come from various sources, including the AIIB, the Asian Development Bank (ADB), the World Bank, as well as private sectors (National Development and Reform Commission of PRC, 2015).

It is expected that the BRI will strengthen China's mutual beneficial collaborations with countries in the region, which will empower China to further expand its opportunities in the three continents of Asia, Africa and Europe by deepening its opening-up strategy (Zhao et al., 2018).

The scale and likely impact of the BRI has raised concerns within participant countries. Malaysia, Pakistan and Sri Lanka have all expressed fears about their ability to service and repay loans.

The initiative is also more than simply hard infrastructure and is expected to include soft infrastructure such as telecommunications and institutional solutions including international courts. A concern is the overseas spread of Chinese values and objectives which could be imposed on increasingly dependent countries.

Chapter 3: Literature Review- Chinese Firm Internationalization

The internationalization processes of Chinese firms are substantially affected by the country's unique institutional factors (Luo et al., 2010). The institution-based view argues that a home country government's regulatory policies can accelerate firm internationalization if they are supportive and transparent, especially for a home country with close government-business ties (Gaur et al., 2018). This is evidenced by finding that China's regulatory policies can significantly advantage firms enabling them to overcome resource constraints, leverage their economic and political positions against competitors, and aid success in overseas markets (Rugman, 1990; Sauvant, 2005; Scott, 2002).

Despite the increasing adoption of a market system, China remains a political economy characterized by active government involvement in business through state embeddedness in state-owned enterprises (SOEs) and other leading social groups like non-SOEs (Davies, 2013).

3.1 China's SOEs

State embeddedness is manifested in the corporate ownership structure of SOEs and state officials hold top positions in SOEs' governance which ensures direct influence over SOEs' strategic goals (Alon, 2010). Every Chinese SOE has a parallel authority structure to the company's board of directors called the "Party Committee", which has the power to appoint or remove directors of the company, who are typically chosen from the party committee itself. More importantly, the "Party Committee" works for, and relays orders from, the organisational department of the Chinese Communist Party (CCP) (Alon, 2010). Other senior management roles are mostly appointed by the State-Owned Assets Supervision and Administration Commission (SASAC), a commission under the direction of the State Council. Similar patterns hold for the regional SOEs within China (Morck, Yeung, & Zhao, 2008). Moreover, the membership of the Chinese Communist Party (CCP) and government officials overlap although they are separate institutions with their own organizational structures. Senior state officials always hold concurrent senior party positions (Charlton, 2017).

The central government sets an overall policy framework, and managers of SOEs are rewarded in career advancement for advancing government policy and goals (Tsoi & Zhang, 2018). Being aligned with the central policy also grants SOEs privileged access to state deals and state development initiatives, providing some industries, with distinct advantages (Alon, 2010), such as with readily available loans and faster approvals (Tsoi & Zhang, 2018)

From 1997 SOEs went through a wide range of reforms that resulted in a weakening of state of the market. The Chinese Communist Party (CCP) reasserts its governance over the market through leading social groups like non-SOEs. For example, whenever three or more Chinese Communist Party members are present, a Party Group should be formed within an organization (Oxford Analytica, 2013). As an example, in 2017, the Chinese Communist Party Central Committee and the State Council issued a joint statement to urge closer guidance to entrepreneurs and demanded that entrepreneurs have patriotic quality (Charlton, 2018). Hundreds of stock-markets listed SOEs responded asserting consultation with the Chinese Communist Party Committees on major decisions (Charlton, 2017).

Today, China's SOEs remain the driving force for the fundamental sectors of the Chinese economy and have a commanding position in China's key industries, for example large state monopolies in sectors like raw materials, automotive, electronics, petrochemicals and much of the financial sectors (Zhao, 2015). The production of Chinese SOEs makes up a disproportionally large share of the country's economic output. For example, in 2014, the industrial production of all China's SOEs accounted for 42.7 percent of gross domestic product (GDP) in that year (U.S. China Economic and Security Review Commission, 2016).

The Chinese government uses SOEs as a tool to pursue its social, industrial, and foreign policy objectives, with direct and indirect measures and incentives to influenced SOEs' business decisions and help to achieve the authority's goal (U.S. China Economic and Security Review Commission, 2016). China's SOEs were wholly owned by the state until early 1990s. From the 1990s, SOEs went through several decades of reform to downsize and restructure aimed at improving competition, creating a favourable innovation environment, and promoting efficient asset deployment (Ralston, Terpstra-Tong, Terpstra, Wang, & Egri, 2006). Since 1998, the government has created business groups dominated by state monopolies in strategic sectors such as petroleum, petrochemicals, energy, telecommunication, aviation, maritime transport and mining (Zhao, 2015). The emergence of private owned enterprises (POEs), the increasing growth of the foreign-controlled enterprises, and direct foreign competition after China jointed the World Trade Organization (WTO) has created unprecedented challenges to SOEs. Therefore, the changes to the SOEs that the Chinese government sought focused primarily on developing a more market -based, external orientation for the SOEs (U.S. China Economic and Security Review Commission, 2016). Beside, SOEs have been encouraged to adopt Western management style with the objective of creating organizations that can compete in the global marketplace (Bai & Enderwick, 2005). Recent SOEs' reform, for example, in 2015, China's State Council released a high-level document stating the objective of SOEs' reform is to help SOEs become "bigger and stronger" rather than reducing the size of the state sectors (Jefferson, 2016). In 2016, China's 13th Five-Year-Plan highlighted that one of SOEs' key reform priorities are to strength the state control of SOEs, also highlighted the increasing power of the

Chinese Communist Party committees over SOEs (Central Committee of the Communist Party of China, 2016).

Empirical studies found that Chinese SOEs have indeed evolved from traditional hierarchical and bureaucratic structures to more viable economic entities more consistent with what Chinese government sought (Granrose, Huang, & Reigadas, 2000). The changes to create more market-oriented and competitive Chinese SOEs are expected to dynamically lead the Chinese economy in the new era (Ralston et al., 2006).

The powerful Chinese SOEs are not only dominating many key areas of the economy but also providing the major source of Chinese OFDI (Den, 2003). Government officials may have convergent motives to push wholly owned or majority owned state sectors to internationalize due to their desire to strengthen the country's position and power in the international arena (Cuervo-Cazurra, Inkpen, Musacchio, & Ramaswamy, 2014). On the other hand, governments can develop world-class multinational corporations that can transfer the advanced foreign market knowledge to the domestic economy which in turn leverages the country's competitiveness (Cuervo-Cazurra et al., 2014). Literature also reveals that emerging market SOEs' internationalization is a means of addressing competitive disadvantages through seeking and acquiring strategic assets such as brands, knowledge and managerial experience from developed economies (Child & Rodrigues, 2005; Den, 2003).

Historically, Chinese OFDI was dominated by SOEs. However, in recent years, SOEs have been of declining importance in China's OFDI. In 2006, China's SOEs accounted for 82 percent of China's total accumulated OFDI value. In 2011, SOEs' OFDI dropped to 55.1 percent of the total accumulated Chinese OFDI value. By the end of 2013, SOEs comprised 43.9 percent of the total Chinese OFDI value (Ernst and Young Global Limited, 2015).

3.2 Mergers and Acquisitions (M&As)

There has been a rising trend of Chinese OFDI through M&As investing in sectors of natural resources and energy in advanced economies since the late 1990s (Hong & Sun, 2006). In recent years, China's OFDI in the form of M&As is shifting from acquiring production factors such as natural resources toward seeking advanced technology and acquiring consumption-oriented sectors for a global strategic presence (Deng, 2009). It widely accepted in the literature that firms' internationalization behaviour is shaped by home country government policy (Liu,

Tang, Chen, & Poznanska, 2017). Government influence not only affects firms' willingness and capability to invest overseas, but also the investment location and types of investment that firms choose (Wang et al., 2012). The increasing trend of China's outbound M&A was directed by the Chinese government planning (Tsoi & Zhang, 2018). The entry mode of M&As can provide immediate access to local networks of suppliers, marketing channels as well as other skills that give rapid access to advanced technology and R&D capabilities (United Nations Conference on Trade and Development, 2000).

China, as a latecomer to the global economy, is eager to supplant its competitive weakness and try to close the gap that separates them from advanced markets with the aim of being able to compete on a global scale (Alon, 2010). Chinese firms, especially SOEs engage in M&As through close association with their established counterparts in mature markets to obtain needed competencies that cannot be produced in the domestic market (Rui & Yip, 2008). Chinese firms increasingly engaged in acquiring advanced foreign technologies, managerial know-how, distributional networks, brand names and other strategic assets in developed economies (Globerman & Shapiro, 2009). As an example, in 2010, energy and mining comprised about 61 percent of the total value of Chinese companies' M&A deals, but this was reduced to 16 percent in 2014. Conversely, the share of technology, media and telecommunication (TMT) sector's M&A deals rose from 6 percent in 2010 to 21 percent in 2014 (Ernst and Young Global Limited, 2015).

Between 2000 and 2005, the volume of Chinese firms' overseas acquisitions increased nearly 20-fold, the acquired firms are largely in advanced economies such as the U.S. and Europe and often are encountering financial difficulties. These acquisition deals are concentrated in resources and energy, electronics, machinery, automobiles and telecommunications (Rui & Yip, 2008). There was rapid growth of China's M&As from US \$49 billion in 2010 to US \$227 billion in 2016. As an example, in 2015, Chinese enterprises spend around 0.9 percent of GDP on their overseas acquisitions (Cogman, Gao, & Leung, 2017). Since 2010, China's OFDI into the U.S. and the E.U. were increased consistently. In 2014, Chinese investment in the U.S. increased to 23.9 percent while investment into the E.U. almost doubled (Ernst and Young Global Limited, 2015). However, since 2016 China's M&As have slowed, in 2017, the value of China's M&A dropped by 11 percent compared to 2016. In the first half of 2018, China's M&A dropped by 18 percent in value term compared to the second half of 2017 (PwC, 2018a, 2018b).

The Chinese authorities put restrictions on OFDI in late 2016 and started to restrain some specific sectors such as real estate, hotel and entertainment, with the government's aim to optimize the Chinese OFDI structure as well as reduce associated risks (Hanemann & Huotari, 2018).

Chapter 4: Literature Review- Evolution of OFDI Policy

As a result of diverse policies China's economy and international engagement have evolved, gradually reducing direct command and control of the economy and creating new institutions to manage and guide economic development while retaining a regulatory state logic (Bach, Newman, & Weber, 2006). Majone (1997) explains that a regulatory state develops capabilities to set market rules and direct market dynamics and maintain an arm's-length relationship between state and market through its regulatory agencies, commissions and administrative procedures.

With China's gradual economic transformation and altering international participation, Chinese OFDI policies have experienced evolutionary change throughout different phases, reflecting the government's continuing pursuit of national interests in the recent decades (Buckley, Cross, Tan, Voss, & Liu, 2006; Voss, 2011).

China's initial response to globalization was mostly passive: from the 1970s to the beginning of this century, China adopted a strict examination and approval system for foreign direct investment; from 1999 onward, with the gradual improvement of China's comprehensive economic strength and the deepening of reform and opening up, the restrictive OFDI policy changed, and the government began to encourage OFDI. Since the BRI was announced in 2013, China has further loosened controls on OFDI and simplified the OFDI approval process to stimulate enterprise internationalization (Li, 2016). There have been four key phases in Chinese OFDI development since 1978, each phase will be discussed below.

4.1 Phase One: Gradual Opening with Great Scrutiny, 1978-1991

In the late 1970s, China began transition to a state-led market-based economy and initiated a 'Open Door' policy, also known as 'Reform and Opening Up' policy, the policy had a huge impact on China's overseas investment (Tingley, Xu, Chilton, & Milner, 2015). Following the introduction of 'Open Door' policy in 1978, the Chinese government cautiously promoted OFDI in pursuit of certain national economic goals through integrating the country into the global economy to support the exports of state-owned manufacturers and help to supply domestically scarce raw materials and natural resources (Sauvant, 2005). In 1979, China allowed its companies to establish businesses abroad for the first time, and provided policy guarantees for OFDI. However, during the 1980s, tight centralised control over OFDI was reemployed because the government feared a loss of control over state property held overseas due to the cost of

supervision at a distance and the inexperience of Chinese enterprises in international competition (Ding, 2000). At this time, only a few selected SOEs like China International Trust and Investment Corporation (CITIC) were granted permission to expand overseas as 'experimental' MNEs (Zhang, 2003).

Between 1984 and 1990, China's OFDI application process was very strict. Foreign exchange regulations limited the extent of Chinese firms' internationalization. The approval of all OFDI projects was made by the central government- the State Council or the National Planning Commission (NPC). The investment value of OFDI projects was capped at US\$10 million and all profits earned abroad had to be remitted back to China (Luo et al., 2010)

In 1991, the State Planning Commission proposed strengthening the management of overseas investment projects suggesting that China did not have the conditions for large-scale OFDI. This opinion became the guiding ideology of China's overseas investment at that time, and restricting foreign investment also become the main tenet of China OFDI at that time (Li, 2016).

From 1986 to 1991, only 891 projects were granted approval with a total investment value of about US\$1.2 billion (Buckley, Cross, Tan, Xin, & Voss, 2008). According to United Nations Conference on Trade and Development (2018), China's OFDI experienced a very slow increase from 1982 to 1991 with annual flows never exceeding US\$1 billion (the earliest available year of China's OFDI outflow record is 1982). Table I outlines the key regulations or policies during the gradual opening from 1978 to 1991.

Table I. *Key Regulations and Policies in Phase One, 1978-1991*

Time issued	Regulation/Policy	Key content	Enunciator
May 1984	China's first regulation on OFDI	Set up administrative principles for opening up and approval authorities for non-trade Joint Ventures overseas (Ding, 2000).	The Ministry of Foreign Trade and Economic Cooperation (MFTEC), the predecessor of Ministry of Commerce (MOFCOM)
Jul 1985	Circular on approval procedures of overseas investment	Establish the principles for OFDI regulations (Wu & Chen, 2014).	The Ministry of Foreign Trade and Economic Cooperation (MFTEC), the predecessor of

			Ministry of Commerce (MOFCOM)
Mar 1989	Measure concerning foreign exchange control relating to overseas investment	The State Administration of Foreign Exchange (SAFE) were responsible for evaluating the foreign exchange risk and source of fund for overseas investment; firms had to deposit 5% of their OFDI sum to a special account; profit earned abroad must be remitted back to China (Yu, Chao, & Dorf, 2005).	The State Administration of Foreign Exchange (SAFE)
Mar 1991	Publication on administration of overseas investment projects	A key document throughout the 1990s, stipulates the direction of Chinese OFDI indicating the OFDI should focus on using overseas' technologies, resources, and markets; a feasibility report must be provided in the OFDI application; projects relating to state-owned assets must be approved by the State Council; OFDI projects valued above US\$30 million must be approved by the State Council; project sum exceeding US\$1 million must be approved by National Planning Commission (NPC) (Wong & Chan, 2003).	The National Planning Commission (NPC)
Aug 1991	Provisions on Chinese enterprises' overseas investment	Allow Chinese firms to invest in Hong Kong, Macao, the Soviet Union and eastern Europe to establish or participate in non-trading projects by means of investment or stock purchase, and do not allow Chinese enterprises to make overseas investment in other countries or regions (Li, 2016).	the National Planning Commission (NPC)

4.2 Phase Two: Expansion and Regulation, 1992-1999

From the early 1990s, China's government implemented a string of reforms to cautiously encourage OFDI and promote reforms of SOEs attempting to establish market mechanisms in its previously planned economy, while carefully managing its engagement with global markets (Bach et al., 2006).

China's National Planning Commission (NPC) announced in 1991 that Chinese OFDI should focus on using overseas' technologies, resources, and markets to leverage domestic firms'

capabilities (Luo et al., 2010). In early 1992, China's *de facto* Paramount Leader from the late 1970s to early 1990s, Deng Xiaoping travelled to Southern China in an endeavour to express his support for economic reform and opening up (Naughton, 1993). This was a landmark journey that revived the country's economic reform process and strengthened liberalization of politics in Chinese Communist Party (CCP) and bureaucrats in government agencies (Sauvant, 2005). As a result of the liberalisation momentum, OFDI officially became part of China's national economic development plan and was publicly advocated by the General Secretary of the Chinese Communist Party and president of China from 1993 to 2003, Jiang Zemin (Zhang, 2003).

The newly gained liberalisation measures in the domestic market pushed sub-national level authorities (local and provincial government authorities) to become increasingly involved in international business activities by allowing corporate OFDI under their supervision (Voss, 2011). The first big surge of Chinese OFDI emerged in 1993 following this liberalization momentum, with the annual outflows jumping to US\$4.4 billion (United Nations Conference on Trade and Development, 2000).

China's 15th National Congress of the Chinese Communist Party (CCP) held in 1997 proposed to make better use of domestic and foreign markets and resources to encourage foreign investment that can strengthen China's comparative advantage (Ding, 2000). However, the Asian financial crisis in 1997 and subsequent collapse of big companies impeded OFDI liberalization (Ding, 2000). The Chinese government worried about defaulting of state assets and foreign exchange leakage through questionable internationalization and foreign exchange management in the wake of the financial crisis (Ding, 2000). As a result, OFDI policies changed, the screening and monitoring process for OFDI projects became more rigorous and approval procedures were increasingly stricter (Lin & Schramm, 2003). Consequently, in 1998, the number of OFDI projects declines, despite an increase of total OFDI investment value of US\$1.2 billion (Lin & Schramm, 2003). Table II summarises key regulations and policies in Phase Two: expansion and regulation period from 1992 to 1998.

Table II. *Key Regulation and Policies in Phase Two, 1992-1998*

Time issued	Regulation/Policy	Key content	Enunciator
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Mar 1992	Administration of the approval and examination of non-trading overseas	OFDI projects valued above US\$30 million had to be evaluated by the State Council (Zhan, 1995); approval for investment projects under US\$30 million were made by Ministry of Commerce (MOFCOM) and National Development and Reform Commission (NDRC) (Zhan, 1995).	The Ministry of Commerce (MFTEC), preceding MOFCOM
Sep 1993	Procedural and approval standards on foreign exchange risk and capital resources of fund for outward investments	Source of fund for outward investment, foreign exchange risk and capital resources had to be evaluated by State Administration of Foreign Exchange (SAFE) (Yu et al., 2005).	The State Administration of Foreign Exchange (SAFE)
Sep 1995	Supplemental provisions to the administration measures on foreign exchange for OFDI	Prior to 1994, foreign currencies were restricted to firms that had been granted international trading rights (Luo et al., 2010). From 1994, firms could buy exchange entitlement from SAFE to finance their OFDI regardless of whether or not the company had previously earned foreign exchange through trade, enabling more Chinese firms to finance international investment (Luo et al., 2010).	The State Administration of Foreign Exchange (SAFE)
May 1997	Interim Provisions on the establishment of overseas trading companies and trade representative offices	The provision stipulates that Chinese enterprise can set up trading companies in overseas regions other than Hong Kong, Macao and Taiwan; enterprises applying for the establishment of trading companies in unapproved countries or regions must report to local Ministry of Foreign Trade and Economic Cooperation (MOFTEC) office for approval (Ding, 2000).	The Ministry of Foreign Trade and Economic Cooperation (MFTEC), preceding Ministry of Commerce (MOFCOM)
Feb 1998	Measures on tightening OFDI approval procedures and foreign exchange	Projects valued at US \$1 million or more were required to be examined by the State Planning Commission and State Administration of Foreign Exchange (SAFE), prior to final approval with referral to Ministry of Commerce (MFTEC) (Luo et al., 2010).	The Ministry of Foreign Trade and Economic Cooperation (MFTEC), preceding Ministry of Commerce (MOFCOM), State Administration of Foreign Exchange (SAFE) and its local offices

4.3 Phase Three: 'Go Global' Policy and Accession to WTO, 1999-2009

In 1999, the government instigated the 'Go Global' ('zou chu qu') policy (Zhang, 2005). This policy was formally initiated in 2000 and announced in China's 10th Five Year Plan (FYP) in 2001 (Voss, 2011). The key initiative of this plan was to push SOEs to 'Go Global' (Wu & Sia, 2002). And the policy was issued to encourage Chinese firms' internationalization with the aim of improving their international competitiveness of domestic companies through OFDI as well as supporting the country's economic development (Sauvant, 2005).

More importantly, the 'Go Global' policy sets a strong institutional environment with national public endorsement that fostered OFDI (Child & Rodrigues, 2005). And the 'Go Global' policy contributed to the rising trend of Chinese OFDI subsequently (Wang & Zhao, 2017). In compliance with accession of the WTO in 2001, China gradually opened its once protected markets (Qin, 2007). The business environment for Chinese firms changed dramatically. Domestic markets experienced stronger competition forcing Chinese firms to seek new markets both within China and abroad (Taylor, 2002; Von Keller & Zhou, 2003).

From 2000, in support of its 'Go Global' policy, the Chinese government officially shifted its policy focus from examination and approval to investment supervision and assistance. From early 2003, the OFDI management system gradually changed from strict examination and approval system to the approval and filing system in order to provide convenience to Chinese firms' internationalization (Li, 2016). In light of the promotion of the country's OFDI, the Chinese government relaxed foreign exchange controls and eased international funds movement (Zhao, 2005).

At the same time, the Chinese government retained an active role in shaping and directing OFDI across all types of firms. The macro-management of Chinese OFDI was through the country's two principal regulatory bodies, the National Development and Reform Commission (NDRC) which regulates domestic industry, and the Ministry of Commerce (MOFCOM) that oversees the international business activities of Chinese firms (Luo et al., 2010). In 2004, the two regulatory bodies jointly published the periodic Outbound Foreign Investment Catalogue, the catalogue classifies the overseas investment of industry segments for their investment purpose as 'encouraged', 'restricted' or 'prohibited' (Gallagher, 2002).

The catalogue enabled Chinese authorities to carefully manage the country's engagement with the global economy within their strategic priorities (Yao & Sutherland, 2009). For example, overseas investments that fall into sectors within the encouraged category obtained special

such as tax reductions; for foreign investment projects in the restricted category, they must be made through a joint venture, with the Chinese partners holding a controlling stake; for some sectors, overseas investment is prohibited altogether; for investment not listed in the catalogue, foreign investment is allowed but no special benefits are provided (Yao & Sutherland, 2009; Yao, Sutherland, & Chen, 2010). The Outbound Foreign Investment Catalogue is updated at the discretion of the Chinese government in accordance with their strategic priorities, reflecting the authority's continuing efforts to upgrade its economy (Fung, Lizaka, & Tong, 2004). Table III illustrates the key regulations and policies in Phase Three- the 'Going Global' policy and accession to WTO period from 1999 to 2009.

Table III. *Key Regulations and Policies in Phase Three, 1999-2009*

Time issued	Regulation/Policy	Key content	Enunciator
Feb 1999	The Opinions on Chinese enterprises carrying out overseas processing business	Support Chinese enterprises to 'Go Global' in the form of overseas processing trade (Li, 2016).	The Ministry of Foreign Trade and Economic Cooperation (MFTEC), preceding Ministry of Commerce (MOFCOM), Ministry of Finance, National Economic and Trade Commission
Oct 2000	Measures of capital support for Small-and Medium Enterprises' internationalization	Formulates support to Small and Medium sized enterprises (SMEs) for their overseas investment; establish the SMEs' international market developing fund (Luo et al., 2010).	The Ministry of Commerce (MOFCOM)
Oct 2002	Measures for joint annual inspection of OFDI projects	Provides evaluations for post investment of OFDI (Zhang, 2003).	The Ministry of Commerce (MOFCOM) and State Administration of Foreign Exchange (SAFE)
Dec 2002	Provisions on statistical report of Chinese OFDI	Gains the first-hand data on Chinese OFDI; provides training to firms in terms of preparing for overseas investment and how to report correctly (Luo et al., 2010).	The Ministry of Commerce (MOFCOM)

May 2003	Notice on offering credit support to key OFDI projects	Offers a lower lending rate credit funds to OFDI projects engaging natural resource-seeking which China is lacking, manufacturing which enhances technologies, products and equipment, export and involving R&D that could leverage China's technologies, managerial experience, etc (Luo et al., 2010).	The State Development and Reform Commission (SDRC)
Nov 2003	Notice on setting up the OFDI Data Bank	Establishes an information bank for enterprises intending OFDI to provide guidance and coordination (Yu & Hwang, 2005).	The Ministry of Commerce (MOFCOM)
Jul 2004	Decisions on investment system reform	A major reform for approval process, simplified assessments for OFDI projects; clearly defined OFDI management system transition from examination-based to approval-based (Yu et al., 2005).	The State Council
Oct 2004	Interim Administrative Measures for overseas investment project approval	Further decentralizes the National Development and Reform Commission (NDRC)'s authority for overseas examination and approval. Investment projects above more than US\$200 million must be reviewed by NDRC and then submit to the State Council for approval (Li, 2016).	The National Development and Reform Commission (NDRC)
Nov 2004	Decisions on establishing annual report system on OFDI obstacles in major target countries	Uses annual reports from OFDI enterprises to collect all kinds of obstacles and problems that Chinese enterprises experienced (Yu et al., 2005).	The Ministry of Commerce (MOFCOM)
Dec 2005	Notice on offering special funds for foreign economic cooperation	Provides special funds to promote Chinese enterprises' OFDI; offers subsidies to support foreign economic cooperation (Luo et al., 2010).	The Ministry of Commerce (MOFCOM)
Jul 2006	Guidance policy for overseas investment industries and Guidance catalogue for overseas investment	Further stipulate incentive projects and prohibited projects for overseas investment; gives greater support to encourage OFDI, e.g. financial support, tax incentives, foreign exchange support, customs convenience and information provision on making overseas investment (Li, 2016).	The National Development and Reform Commission (NDRC)

May 2007	Opinions on encouraging and guiding foreign investment cooperation for non-SOEs	Stipulates the eligibility of non-SOEs can apply for Small and Medium enterprises (SMEs) international market development funds, overseas processing trade loan interest subsidy and foreign economic and technological cooperation special funds (Li, 2016).	The Ministry of Finance, Ministry of Commerce (MOFCOM) and the People's Bank of China
Aug 2008	Regulations on foreign exchange	Stipulates the foreign exchange management system will be converted from compulsory sale and purchase of foreign exchange settlement to voluntary sale and purchase of foreign exchange settlement (Li, 2016).	The State Council
Mar 2009	Measures for the administration of overseas investment	Continue to promote Chinese firms' overseas investment; improve the convenience of foreign investment; decentralize the approval authority for overseas investment with less than US\$ 100 million to the provincial Ministry of Commerce office (MOFCOM) (Luo et al., 2000).	The Ministry of Commerce (MOFCOM)

4.4 Phase Four: 2010 onward

China's 18th National Congress of the Chinese Communist Party (CCP) in 2012 proposed accelerating the 'Go Global' process to enhance Chinese enterprises' ability to operate internationally and cultivate a group of multinational companies at the global level (Li, 2016). The BRI was announced in 2013 which has provided strategic support for Chinese enterprises' going global and opened up a vast world for Chinese firms' overseas investment (Li, 2016). In late 2014, China initiated the creation of the Asian Infrastructure Investment Bank (AIIB) to provide funds for BRI projects. The third session of the 12th National people's Congress in 2015 sought to integrate the BRI into regional development and China's opening up (Zhai, 2018). The 3rd Plenary Session of the 18th Central Committee of the Chinese Communist Party (CCP) held in 2013 proposed that Chinese firms adapt to the new situation of economic globalization, better integrating and promoting internal and external opening up, accelerate the participation in global economic cooperation and competition (Li, 2016).

In 2014, foreign investment supervision has been relaxed. The State Council, the National Development and Reform Commission (NDRC), the Ministry of Commerce (MOFCOM) and Foreign Exchange Bureau have successively issued a series of regulations and policies related

to overseas investment, further simplifying the process of approval and supervision of Chinese enterprises' internationalization (Li, 2016). In 2015, the 5th Plenary Session of the 18th Central Committee of the CCP adopted the 13th Five-Year Plan for national economic and social development over the period from 2016 to 2020 (KPMG, 2016). The plan identifies that China's transition into a high value-added economy, stressing on improving innovations for industry upgrading and developing advanced technology with closer international collaborations (KPMG, 2016). The Plan proposed to continue the relaxation of overseas investment controls, push Chinese enterprises to actively participate in global operations and deepen involvement in global industrial chains, logistics chains and value chains, and further cultivates a number of Chinese big enterprises to compete in global market (KPMG, 2016).

However, from the end of 2016, the Chinese government introduced restrictions on OFDI with further regulations and guides, aiming to optimize the foreign investment structure and improve authenticity and compliance of OFDI while effectively reducing various risks (Hanemann & Huotari, 2018; Ministry of Commerce of People's Republic of China, National Bureau of Statistics of People's Republic of China, & State Administration of Foreign Exchange, 2018). Consequently, in 2017, the value of Chinese OFDI reversed for the first time since 2003 (United Nations Conference on Trade and Development, 2018). Table IV illustrates the key regulations and policies in Phase four, after 2010.

Table IV. *Key Policies and Guidance in Phase Four, 2010 onward*

Time issued	Regulation/Policy	Key content	Enunciator
Dec 2013	The Catalogue of Government-approved investment projects	Decentralizes the approval authority of the National Development and Reform Commission (NDRC); for overseas investment of less than US\$1 billion and does not involve in sensitive areas or regions, no longer need to be submitted to NDRC for approval. Just submit the form for filing (Li, 2016).	The National Development and Reform Commission (NDRC); Ministry of Commerce (MOFCOM) and the State Administration of Foreign Exchange (SAFE)
Apr 2014	Measures for the administration, approval and filing of overseas investment projects	Establishes a new management mechanism of 'recording as the mainstay and approval as the supplement' for the purpose of simplifying the process; stipulates filing is the main approval process for most overseas investment (Xiong, 2015).	The National Development and Reform Commission (NDRC)

Dec 2014	Revised the Measures for the administration, approval and filing of overseas investment projects	Stipulates overseas investment involving sensitive countries and regions and industries must be approved by the National Development and Reform Commission (NDRC); overseas investment above US \$2 billion must be approved by the NDRC and submit an audit opinion to the State Council (Xiong, 2015).	The National Development and Reform Commission (NDRC)
May 2015	Opinions of the central committee of the Communist Party of China (CPC) on building a new open economy system	Proposed to study and formulate overseas investment regulations; speed up the establishment of a high-quality domestic investor system, relax overseas investment restrictions, and further simplify overseas investment management (Xiong & Mallesons, 2015).	The State Council
Dec 2016	Notice for New OFDI guidelines with a set of rules designed to enhance the approval and filing requirements for OFDI	Further explain the control policy for OFDI from Dec 2016; irrational overseas investments e.g. real estate, sports clubs, and the entertainment industry will be scrutinized and limited; large investments with value above US \$1 billion that are not related to the core business of Chinese investor will be regulated (The state Council of the People's Republic of China, 2017).	The People's Bank of China, the State Administration of Foreign Exchange (SAFE), the Ministry of Commerce (MOFCOM) and the National Development and Reform Commission (NDRC)
Dec 2017	Administrative measures for overseas investment of enterprises	Strengthen the macro guidance of overseas investment, optimize the comprehensive investment of overseas investment; improve the supervision of OFDI and promote sustainable healthy development of OFDI (National Development and Reform Commission of PRC, 2017).	The National Development and Reform Commission (NDRC)
Dec 2017	Code of conduct for private enterprises' OFDI	Stress the needs to improve the quality of overseas operations of private firms; standardizes overseas investment and management behaviour of private enterprises; improves the quality of 'Going Global' (The State Council of the People's Republic of China, 2018).	The People's Bank of China, the State Administration of Foreign Exchange (SAFE), the Ministry of Commerce (MOFCOM) and the National Development and Reform Commission (NDRC)

Overall, according to Li (2016), China's OFDI incentive policy has gone through two stages: the first stage, 1998-2005, used encouraged policy which was mainly funds-related; the second stage, from 2006 to the present, used encouragement policy based on system support, reflecting government efforts towards providing a stable, transparent and predictable investment environment for firm internationalization. The systemic support mainly includes the guidance and support such as financial support, tax incentives, foreign exchange support, customs convenience, and information provision provided for all types of overseas investment, helping to smooth firm's internationalization processes and assist in resolving overseas operation difficulties, conflicts and emergencies that Chinese enterprise might encounter (Li, 2016).

With the improvement of China's economic strength and opening up to the world, Chinese overseas investment has been gradually shifting from secondary industry to tertiary industry, e.g. customer-related and other high-value added sectors (Xiong & Mallesons, 2015). This confirms that China is adopting a different growth model for the next stage of its economic development, and the government is undertaking a structural adjustment process that will also make alterations to the country's international investment position (Lardy, 2012). The structural adjustment at home has put pressure on Chinese firms to improve productivity and move up the global value chain by increasingly investing in developed economies for higher value-added manufacturing and services operations, such as research and development (R&D), customer services, retail, communications equipment and technology (Rosen & Hanemann, 2014).

Chapter 5: Theory and Propositions

Institutional Theory and a Framework for Understanding the Impact of OFDI

It is now accepted that market exchange does not occur in isolation: it is underpinned by a variety of institutional arrangements that both constrain and encourage human interactions. Such institutions can be informal (sanctions, customs and traditions), or formal (laws, regulations, property rights) (North, 1990). Formal institutions at the level of the nation state issue or enforce laws and regulations consistent with the economic system they are part of (Peng, Wang, & Jiang, 2008). Key to China's OFDI policy are regulative institutions that control the behaviour of agents (firms) through largely coercive mechanisms. Traditionally, research has focused on the influence of firm-, industry- and host market conditions on firm internationalization, with, until recently, less consideration given to home country considerations (but see Journal of World Business Special Section 2018). The institutional perspective suggests that it is simplistic to believe that OFDI activities are influenced only by regulative agencies charged with the oversight of OFDI. Rather, the Chinese state has strengthened the international competitiveness of its firms in a variety of ways (Ramamurti & Hillemann, 2018).

Three strands of recent work in institution theory are relevant to the discussion. The first is the notion of institutional open access. This is based on the idea that institutional reform serves to increase the relative importance of formal over informal institutions through a consolidation of formal rules emphasising market-driven decisions (Sun et al., 2015). Crucial to institutional open access is liberalisation of legal and financial markets. Reform of legal rules provides emerging market firms with experience of operating in more advanced economies, reducing the uncertainty they face (Wu & Chen, 2014). Regulatory freedom needs to be coupled with financial market opening if firms are to have the resources to pursue autonomous internationalization strategies. For example, capital was limited in China by onerous approval processes that favoured SOEs, and constrained the use of initial public offerings (IPOs) by private firms. Many private firms were forced to turn to overseas exchanges to raise capital. The value of institutional open access thinking is that it recognizes that irrespective of the level of state pressures for firm internationalization, this will require the enactment of complementary institutional changes. It also offers guidance on the direction of policy and institutional reform, suggesting greater convergence with advanced, market economies.

A second important concept is provided by 'institutional work', the idea that institutional reform is neither a smooth, nor simply a top-down, process. Rather, a complex interplay exists whereby regulatory innovation, such as the BRI, is inspired from the top, but interpreted at national and provisional levels, challenged by firms seeking to ensure their legitimacy, maintained by relevant agencies, and continually refined in the light of experience (Yan et al., 2018). Such a

view helps explain the success of complex institutional reform on a ‘trial and error’ basis as well as why Chinese firms have been willing to embrace often quite radical institutional changes. These concepts illustrate that firm ‘support’ within China is multifaceted, enabling clear state-direction but ensuring agent buy-in through an assurance of both involvement, and acceptance, of the direct of change.

The third strand examines the diversity of supportive policies from the perspective of firm competitiveness. A useful framework for analysing the sources of internationally supportive policies is provided by Cuervo-Cazurra et al. (2018). This is used to explore four key ways in which the state helps its firms to augment ownership advantages, or to overcome uncertainty and the liabilities of foreignness.

The framework is summarised in Table V and identifies four principal sources of advantage influenced by government policy. These relate to country of origin advantages and liabilities, competitive advantage, and institutional advantage. State policies in these areas impact firm internationalization in two key ways: by increasing ownership advantages; and/or reducing uncertainty. Both are positively associated with firm internationalization (Hilmerston & Jansson, 2012; Ramamurti, 2012; Williamson & Wan, 2018). Each of these will be explored in more detail.

Table V. *Government Policies Supporting Chinese Firm Internationalization*

Nature of advantage	Influence on firm Internationalization	Form of Government influence	Impact on firm Internationalization
Country of origin advantages	Reducing uncertainty	Government promotion of key sectors e.g. infrastructure. Development of new technologies. Prestigious investments showcasing technology e.g. smart cities. Provision of an alternative development model.	Creates positive perception in host markets. Expectation of positive spillovers. Facilitates host market acceptance and legitimacy. Contributes to ownership advantages (OAs).
Competitive advantage	Increasing efficiency	Contribution to the creation of OAs through policies encouraging upgrading. Learning from IFDI. Public investment in innovation. Firm level initiatives to overcome market and institutional voids. Permissive competitive policy to facilitate scale.	Contributes to the upgrading of OAs. Upgrading and expansion of OAs. Upgrading and expansion of OAs. Private capture of internationally transferable IPRs. Advantages of scale,

		Creation of national champions.	resources and experience. Benefits of state support.
Institutional advantage	Increasing efficiency	Variety of institutional arrangements Allowing 'institutional work' that optimises OFDI policies. Institutional advantage resulting from variety of arrangements and pace of reform. Focus on pro-market reforms offering an internationally transferable template.	Institutional knowledge as an OA. Enables optimisation of OFDI and supporting policies. Enables entry into a variety of markets. Geographical focus on markets at diverse stages of reform.
Country of origin liabilities	Reducing uncertainty	Reform of SOEs. Campaigns to deny close government/firm links and strong diplomatic responses. Overcoming claims of excessive value extraction. Perception of obtaining 'assets in crisis'	Reducing negative perceptions. Targeting institutionally similar economies. Encouraging use of PPPs, JVs, and soft funding. Pressures to increase greenfield FDI.

Source: Based on Cuervo-Cazurra et al. (2018).

5.1 Country of Origin Advantages

In the case of country of origin advantages, policies are used to buttress a perception in overseas markets of economic capability and performance in the home market (China). This can be achieved in a number of ways including government funding of prestigious projects such as smart cities, key investments in areas of interest to potential host markets such as advanced infrastructure (high speed rail for example), and the creation of a world leading capability in new technologies such as artificial intelligence and alternative energies. China has been highly successful in all of these areas and is now a dominant producer of a number of products including wind and solar technologies, electric vehicles, and personal mobility devices. As industry has moved up the value chain the perception of China as an assembler and exporter of labour-intensive manufactured products has declined (Ernst and Young Global Limited, 2015). As a result of rapid growth, the country has made massive investments in infrastructure which have contributed to an overseas image of modernization.

Also, of relevance is the promotion of the BRI package as an alternative development model. Part of the appeal of the BRI is that it targets areas of the world that have not greatly benefitted from the recent globalization wave, particularly parts of West Asia and Central Europe. Furthermore, the BRI model offers an alternative to the Western view of Globalization that emphasizes privatisation, liberalisation and democratisation. The Chinese version of infrastructure and trading investments may hold considerable appeal for a number of BRI participant nations.

The effect of these policies is to reduce investor uncertainty and increase likely acceptance of investing firms in host economies. Source country prestige could increase firm acceptance and legitimacy, facilitating a positive perception amongst local stakeholders (Gorodnichenko, Svejnar, & Terrell, 2014). Such perceptions could also be reinforced by the likelihood that investing firms enjoy stronger ownership advantages as a result of their involvement in domestic upgrading. In turn, this could offer higher levels of positive spillovers in the host market as investing firms could contribute technological and marketing capability (Gorodnichenko et al., 2014; Lu, Tao, & Zhu, 2017).

5.2 Competitive Advantages

A second area of policy influence occurs through home market economic development and the augmentation of firm-level ownership advantages. Much of the literature on emerging market multinationals focuses on the competitive weaknesses of these firms and their need to augment advantages (Hennart, 2018; Narula, 2012), often through asset-seeking internationalization (Luo & Tung, 2018). While this belief of the need for catch-up is widespread, the reality is that China's rapid development and supporting industrialisation policies have created a number of sectors where Chinese firms already enjoy a strong competitive position (World Economic Forum, n.d.) In some of these sectors highly targeted policies are used to ensure rapid upgrading of firm capabilities. For example, in the electric vehicle industry subsidies are provided to manufacturers and consumers by both central and local governments. In 2017, at an average vehicle cost of US\$10,000 the total value of subsidies exceeded US\$7.7 billion (Perkowski, 2017, 2018). Support for the industry goes beyond direct subsidy. For example, a number of cities guarantee licenses to electric vehicles and preferential use of carpool lanes. An indication of 'institutional work' is offered by recent announcements to shift the costs of supportive policies to vehicle producers. The new policy focus offers a combination of credits and disincentives through a credit trading scheme based on vehicle efficiency and battery density, effectively rewarding the most efficient and innovative producers, while eliminating marginal competitors.

Chinese producers also enjoy opportunities for competitive upgrading as a result of the significant amount of inward investment that China has enjoyed over the last forty years, and the positive spillovers that local firms have captured from this (Lin, Liu, & Zhang, 2009). The government insistence in the early years on joint ventures and other collaborative forms, facilitated knowledge transfer accelerating domestic upgrading (Buckley, Cross, & Tan, 2004). This is readily apparent in the automotive industry for example (Zhao, 2005).

Chinese firms have also benefited from the growing level of public investment in innovation that complements expenditure by private firms (Center for Strategic and International Studies, 2019). China is now the second largest spender on R&D and has increased R&D spending from 0.72 percent of GDP in 1991 to 2.13 in 2017. This compares with 2.7 percent for the U.S. Almost three-quarters of China's spending on innovation is undertaken by business (Center for Strategic and International Studies, 2019). China enterprises are able to upgrade their competitive advantages both directly through their own expenditures, and indirectly, as beneficiaries of public investments.

Advantages have also been created through the responses of Chinese firms to widespread market and institutional failures that are characteristic of emerging markets (Khanna & Palepu, 1997). For example, China's social media giants Alibaba and Tencent have both used private data they have compiled to create credit scoring businesses, services that did not previously exist in China (Abkowitz, 2018). They have also been successful in overcoming the lack of trust in e-commerce transactions through the use of escrow payment facilities.

The formation of ownership advantages by Chinese firms has also benefitted from lax competition policy which has allowed the creation of dominant market positions in a number of sectors including banking, social media, and telecommunications. This has enabled a number of enterprises to benefit from advantages of scale and rapid growth, while enjoying protection from foreign competition. Research has indicated the considerable benefits of creating national champions that are associated with above average growth rates in emerging economies (McKinsey & Co, 2018). As an example, in China, the banking sector is highly concentrated, and the financial markets are dominated by state-owned banks. The state-owned banks create additional capital to foster the existence and development of SOEs (Zhao, 2015). In some cases, the Chinese government even provides large SOEs with internal banks used to finance their overseas projects. For example, the State Council transferred the China Investment and Trust Corporation (CITIC), previously under the Ministry of Commerce (MOFCOM) to the Sinochem group, giving great support to finance their international market participation (Zhang, 2003).

These policies contribute to the creation and upgrading of competitive advantages possessed by Chinese firms facilitating internationalization (Ramamurti, 2012). In some cases (technology, cost advantages, brand) these advantages are similar to those employed by most MNEs, in other cases (propriety advantages based on exploiting institutional voids for example), they are quite distinct, supporting calls for widening the search for sources of ownership advantages within emerging market firms (Contractor, 2013; Hennart, 2012).

5.3 Institutional Advantage

A third area of government support occurs through the diverse institutional arrangements, and their rapid evolution, characteristic of many emerging economies. Exposure to a variety of institutions, with formal institutions often weaker than those found in developed economies, provides a valuable learning opportunity for emerging market firms given the tremendous differences in institutional patterns across the world (Jackson & Deeg, 2008). Knowledge of institutional diversity and evolution provides a novel source of advantage, institutional advantage (Martin, 2014). Knowledge of a diverse set of institutions increases the likelihood of successfully entry into a variety of overseas markets (Cuervo-Cazurra, 2018; Cuervo-Cazurra et al., 2018), as exemplified by the BRI participants.

The direction of China's institutional development is also noteworthy. The move towards a more market-based economy system (open access) offers a template that has considerable value elsewhere, particularly in later reforming economies, again characteristic of a number of BRI nations. This enhances the international transferability of institutional knowledge as a proprietary asset.

Recognition that 'institutional work', that is the development of regulations and policies through a constructive interaction of institutions, government departments, and firms, facilitates accommodative policy that meets the needs of potential investors, increases both the likelihood of internationalization, as well as success following establishment (Duanmu, 2014; Luo & Rui, 2009). Where policies are vague, ambiguous or rapidly evolving (Luo & Zhang, 2016), the opportunity to influence their final form can be highly valuable. Policies that encourage institutional learning increase the likelihood of internationalization through the development of novel sources of advantage, as well as locational preference by increasing capability to prosper a wide range of institutional settings.

5.4 Country of Origin Liabilities

The distinctive characteristics of Chinese OFDI can also be a liability in overseas markets. The three enduring traits, state-directed investment, a significant role for SOEs, and a high incidence of entry through mergers and acquisitions (M&As), have all raised concerns in overseas markets (Cuervo-Cazurra, 2018; Dobson, 2014; Tingley et al., 2015).

The distinct government-related advantages of SOEs cause liability of foreignness in their internationalization process that has been well studied in the literature (Nachum, 2003; Porter, 1990). Chinese SOEs develop distinct structures and behaviours based on China's non-market economy which is characterised by incomplete markets and underdeveloped institutions. In this case, ideological inconsistencies are likely to appear from host countries with free market ideologies which limits government's interference in business (Meyer, Ding, Li, & Zhang, 2018). Advanced economies often view Chinese SOEs quite adversely with concerns over that some unwanted Chinese features will be transferred to the host country during the investment process. Further, SOEs can act as a vehicle to deliver their home country's values and ideology to the host country (Enderwick, 2017), creating fears of loss of sovereignty (Brennan, 2015) and reviving the interests in state capitalism and nationalism as alternatives to Western consumers when receiving large amounts of investment from Chinese SOEs (Hanemann, 2014).

Cuervo-Cazurra (2018) highlights the substantial government support from Chinese government that enables Chinese SOEs to outcompete their market-oriented competitors, which is viewed as detrimental to the global market (Salidjanova, 2011). With soft budget constraints, SOEs are more likely to make risky investments, for example, investing in countries with weaker institutional environments and higher corruption levels (Klaver & Trebilcock, 2011). SOEs can be patient investors and may pursue government strategic goals rather than just profit-maximizing goals (Cuervo-Cazurra et al., 2014).

In addition, Chinese investment and its SOEs have been concentrated in global strategic sectors such as defence, petroleum, telecommunications and automobiles. The ultimate rationale for these investments has created a perception that firms with state ownership or control may act as political agents for their home country government and investments seek to fulfil political and strategic goals rather than simple commercial goals (Jackson, 2013; Wang et al., 2012).

Firms suspected of close government links have been perceived as a threat to host nation security and have been targeted in a number of cases, most notably Chinese tech giant Huawei, one of the world's biggest suppliers of network gear used by phone and internet companies, which has faced a strong backlash from advanced economies with fears that its technology could be used by Chinese military or security services (Hellard, 2019). Concerns of the West around Huawei technology is that the founder and chairman of Huawei, Ren Zhengfei has ties to the Chinese political party as he previously served as an officer in the People's Liberation Army (Hellard, 2019). Recently, Huawei has been denied telecommunications contracts in countries including the United States, Australia, and New Zealand, with Japan likely to follow (Al Jazeera News, 2018; Pullar, 2019).

SOEs also have a reputation for being less transparent and adopting business practices with more bureaucratic organization structures and limited public information available which creates concerns and suspicions by host countries' stakeholders when acquiring businesses in advanced economies (Meunier, 2012). With China's growing economic power and increased OFDI, the internationalization of China's SOEs, especially in advanced economies, has been challenging (Globerman & Shapiro, 2009; Jacoby, 2014).

Further, Chinese firms suffer from a perception that they fail to share value creation when undertaking overseas projects, with a disproportionate share of materials and even labour, sourced from China. This criticism has been most strongly expressed in Africa (Adisu, Sharkey, & Okoroafo, 2010). A preference for acquisitions has also been seen Chinese firms accused of underpaying for assets, particularly when targeting distressed firms and industries in a downturn.

The Chinese authorities have begun to step up their campaign to reduce such perceptions. One strategy has been to provide development loans to potential hot countries, reducing risk, increasing access to resources, and lowering the likelihood of political conflict (Shapiro, Vecino, & Li, 2018). A second strategy has been reform of SOEs and the introduction of incentives to encourage their innovativeness (Ralston et al., 2006). Third, following a sharp increase in OFDI into North America and Europe, the Chinese authorities in 2018 restricted investment into what were termed 'sensitive' sectors including real estate, hotels, sport clubs and entertainment (Baker McKenzie, 2018). The BRI increases the likelihood that Chinese investors will be entering economies that have similar economic ideologies and structure, particularly the transition economies of Central Asia. Involvement in infrastructure projects also encourages the use of greenfield entry and the sharing of value through public-private partnerships and joint ventures with local firms. Overall, the BRI nations represent a group that is likely to have fewer negative perceptions of Chinese investment either as a result of familiarity (South and East Asia), the opportunity to attract much needed funds (Central Asia), or because of anticipated trade stimulus (Europe).

This discussion allows us to put forward the first proposition:

P1: Increasing liberalisation of China's OFDI regime has resulted in an increase in both the volume of Chinese OFDI and OFDI as a percent of China's GDP.

In 2012, the 18th national Congress of the Chinese Communist Party (CCP) proposed accelerating the 'Going Global' process to enhance Chinese enterprises' ability to operate internationally, and to create a group of successful global companies. The 2013 BRI announcement provided strategic support for Chinese enterprises going global and opened up vast new opportunities for overseas investment. Since the announcement of BRI, the Chinese government has introduced a series of supportive policies to promote investment in infrastructure in participating countries (Zhai, 2018). In 2015, the 3rd session of the 12th National People's Congress proposed to integrate the BRI into regional development and China's opening up as a national strategy (Zhai, 2018).

China is adopting a different growth model for the next stage of its economic development, undertaking structural adjustment processes that will also later the country's international investment position (Lardy, 2012). New markets are needed for the export of commodities such as glass, steel and cement which suffer from overcapacity. Increased investment into the BRI markets, particularly in the short term, will facilitate domestic economic restructuring by reducing adverse adjustment pressures on these declining industries (Lardy, 2012).

In the light of this discussion we offer two further propositions:

P2: The growing emphasis placed by the Chinese authorities on the BRI countries means that OFDI to these countries will increase in both monetary terms and as a percent of total Chinese OFDI.

P3: Because of the comparatively low institutional distance between mainland China and the BRI economies of South and East Asia, these two areas will dominate Chinese OFDI to BRI nations.

These propositions are tested in the following chapter.

Chapter 6: Theory Testing

Is Chinese OFDI Increasingly Targeting the BRI Countries and, in particular, South and East Asia?

This chapter considers the relevant data examining the geographical focus of Chinese OFDI between 2003 and 2017, using it to provide a basic assessment of the propositions. This period is sufficiently long to reveal trends and to overcome any distortions likely to be attributable to the global financial crisis of 2007-2008. The period is broken down into three-yearly sub-periods, with the data averaged over each of these periods to reduce the effect of marked fluctuations on a yearly basis in the value of investment projects. Data was compiled for each BRI participant country as well as total Chinese OFDI for each year. Participant countries were also coded geographically, for example, South, East or West Asia. All data are drawn from the China's OFDI Statistical Bulletin. The Chinese authorities identify nineteen economies as comprising Asia (see page 7).

Table VI provides a summary of the data relevant to this research. This strong growth in the value of Chinese OFDI over the past 15 years is apparent from the first row, which shows average annual OFDI flows increasing from under US\$7 billion in 2003-2005, to more than \$155 billion in 2015-2017. This is a more than twenty-two-fold increase over the period and helps explain why China was one of the top three capital exporters in 2016 and 2017 (United Nations Conference on Trade and Development, 2018). It is also apparent that Chinese OFDI has also increased as a percentage of GDP. These findings support proposition P1.

Table VI. Chinese OFDI and Belt and Road Countries, 2003-2017

	2003-2005	2006-2008	2009-2011	2012-2014	2015-2017
Annual average total Chinese OFDI flows US\$ million	6871.3	33349.1	66664.48	106255.7	155482.2
Annual average Chinese OFDI flows as a % of GDP	0.35	0.94	1.07	1.1	1.35
Annual average total Chinese OFDI flows into BRI countries US\$ million	419.06	3002.84	7430.10	13235.69	18341.62
Average annual BRI					

investment flows as % of total Chinese OFDI	6.1%	9.0%	11.2%	12.5%	11.8%
Average annual Chinese investment flows into South and East Asia as % of total BRI FDI	47.9%	63.1%	68.8%	64.0%	76.3%

Source: Statistical Bulletin of China's OFDI (various)

The third row shows that capital flows to the BRI countries have also increased strongly over the period. Indeed, the growth of Chinese investment into these countries has increased at double the rate for total Chinese OFDI. As a result, the share of Chinese OFDI targeting BRI countries has doubled over the period to reach almost 12 percent by 2015-2017. This means that about one-eighth of Chinese outward investment flows are now attracted to the BRI economies. Also noteworthy is the growing importance of South and East Asia as recipient countries. While this group of nineteen countries accounted for almost half of Chinese investment into the BRI group in 2003-2005, by 2015-2017, their share exceeded three-quarters. These data suggest that the South and East Asian economies are major recipients of the BRI initiative and may be well placed to benefit from the additional investment.

While there is some variation in the data trends, particularly in the period 2015-2017 which saw a sharp increase in Chinese investment targeting high-technology acquisitions in Europe and the United States (Meunier, Burgoon, & Jacoby, 2014; Rosen & Hanemann, 2014), enterprise commitment to the BRI initiative appears strong.

Chapter 7: Discussion

Opportunities and Challenges of the BRI for South and East Asia

Given that the BRI is still at a very early stage, and that its full effects may take 50 years to realise, any discussion of benefits and challenges for a particular region must be considered tentative (Enderwick, 2018). However, it is possible to identify a number of areas that present both opportunities and challenges for the economies of South and East Asia.

7.1 Opportunities

In terms of opportunities the BRI participant economies of South and East Asia appear to enjoy a number of advantages. They benefit from strong existing economic links with China, and in many cases, historical and cultural ties. This integration is also reflected in low institutional distance between home (China) and potential host countries in several cases. Not surprisingly, due to the high level of regional integration, simulations of the impact of the BRI suggest that South and East Asia is likely to be a principal beneficiary (Villafuerte, Corong, & Zhuang, 2016). This expectation is reinforced by other work suggesting that the South and East Asian nations will benefit from the current US-China trade war (The Economist Intelligence Unit, 2018).

The region is also likely to benefit from its location, and in particular, its centrality to a number of new transport links that China would like to expand. This suggests that South and East Asia may be an early beneficiary of OFDI as new ports and transport hubs are developed. For example, considerable investment has been targeted at port development in Singapore (Chin & Chan, 2017).

Complementarity of competitive advantage between China and other parts of South and East Asia will ensure that both upstream and downstream trade and production linkages are likely to be strengthened under the BRI. China's domestic restructuring will see continuing demand for high-tech intermediate parts and services from Korea, Taiwan and Singapore as output increasingly targets the home market.

Industries that are losing their advantage in resource and labour cost arbitrage, such as footwear and clothing and garments, are likely to be increasingly relocated to emerging economies such as Vietnam, Cambodia and Myanmar. In the longer term a number of Asian economies including Indonesia, Malaysia, Vietnam and the Philippines have the scale and growth potential to be major markets of the future.

A further area of mutual economic stimulation, and one that receives little attention in discussions of the BRI, is the need for complementary investments in 'soft' infrastructure. While the early stages of the BRI emphasise hard infrastructure such as roads, ports and railways, this must be integrated and coordinated through digital capabilities in finance, telecommunications and e-commerce, and is likely to drive a second wave of BRI related investment. China is well placed to take the lead in this area with some of the world's leading banks, major telecoms equipment (Huawei and ZTE) and service providers (China Mobile, China Telecom and China Unicom) and e-commerce and social media giants (Baidu, Alibaba and Tencent). However, investments in these areas will raise concerns regarding dependency, data privacy, and national security. It is likely that the leading Chinese enterprises may wish to pioneer investments into economies where they already enjoy recognition and legitimacy.

Investments into the South and East Asian region may also benefit from more effective governance. As China liberalises, its investors will become more familiar with undertaking market transactions and an early focus on South and East Asia will enable them to design, monitor and enforce contracts in economies with which they have some familiarity. In contrast, they are likely to experience much higher levels of corruption, opacity and government intervention in other regions of the BRI. In addition, Chinese enterprises improved their management of overseas investments during the 'Go Global' phase and are now less likely to overpay for assets or to invest in poor performing activities (Zhang & Ebberts, 2010).

7.2 Challenges

While the BRI brings huge economic opportunities, it also carries significant challenges. Its sheer scale and massive time scale are obvious characteristics that could result in delays, disputes and derailments. Our discussion also highlights that the political and economic context is continually developing. While the BRI may be the key external initiative, China is also managing complex domestic restructuring on a scale that no other country has ever experienced before. Key domestic challenges include growing regional disparities, increasing debt level, the restructuring of heavy industry, and the need to tackle environment concerns. While the BRI may contribute to tackling some of these issues, they could still divert significant policy resources.

China will need to address the considerable diversity of the constituent countries to the BRI. They vary in terms of income levels, in terms of infrastructure potential as measured by land mass, population, road, and rail density and in levels of trade links, with China having much lower trade rates with South, Central, and Western Asia, when compared with South and East

Asia. Obstacles to doing business also vary across the region with problems arising from administrative delays and poor quality infrastructure (World Economic Forum, 2016).

Policy coordination is also likely to be adversely affected by differences in policy approaches and institutional quality between BRI participants. A number of participant countries are prone to economic and political instability and widespread corruption. The financing model of private-public partnerships will also be affected by the credit worthiness and sovereign risks found in member countries. However, any move by Chinese investors towards more market based transactions and to market-seeking motives, will disproportionately favour South and East Asia.

The impact of the BRI initiative will depend on the effective governance of the proposed projects. Funding misdirected to wasteful projects renders any assessment based on plausible multiplier effects futile, so that ensuring sound governance is critical. This is particularly true for a funding model based on private-public partnerships that requires transparency, effective cross-border regulation, and adherence to something close to market principles. Participant nations within the BRI scheme also vary in terms of effective governance. Cross-national governance is further complicated by the reality of difficult political relationships between China and a number of BRI countries resulting from territorial disputes. These may need to be resolved at a fairly early stage.

A fourth challenge is the fact that the monetary cost and value of projects may be misleading when significant productivity or efficiency effects occur. The heavy involvement of the private sector in infrastructure projects is likely to reduce the public debt burden, encourage knowledge sharing, and the adoption of best practice. Efficiency is also subject to synergistic integration of the many constituent projects proposed, since interdependency is a key characteristic of the BRI scheme. In other words, the routes, and their transaction costs, are only as effective as the weakest link. We might anticipate significant productivity enhancing effects when experienced Chinese contractors take on the majority of the work because of weaknesses within the private sector of many participant economies.

However, the scale and interdependency of the BRI scheme also raises fears within a number of nations of Chinese domination and growing dependency on Chinese controlled resources (Balding, 2018). Chinese firms have undoubtedly learned from their experiences in parts of Africa where their practices and a perception that the benefits of investments were not being shared, creating significant opposition (Klaver & Trebilcock, 2011). Optimising the benefits of the scheme will entail effective and transparent governance.

Chapter 8: Conclusions

This dissertation has argued the need to understand the evolution of China's OFDI policy when evaluating the likely impacts of the BRI on South and East Asian economies. Recent theory has provided insights that reveal regulatory and institutional reform as a complex and multifaceted process. For China, it is an iterative process, constructed through the interplay of diverse interests, while following state-directed development towards a more open, market-based economy. The internationalization of Chinese firms will likely follow this evolution with an increasing proportion of OFDI attracted to the BRI nations. Within this group, South and East Asian economies offer particular attractions and are the target for a rising proportion of foreign investment.

Such investment is not simply the result of FDI liberalisation: it is bolstered by a range of supporting policies designed to facilitate Chinese enterprise internationalization. A template of 'institutional open access' is equipping Chinese firms to compete in sophisticated economies in Europe for example. At the same time, past institutional knowledge is not 'unlearned', enabling these firms to compete successfully in a range of institutional arrangements as exemplified by the BRI group. Their growing competitiveness has important implications for host nations that will face strong competitive pressure from the growing presence of Chinese investors. Asian nations may benefit from Chinese domestic restructuring as areas of declining comparative advantage are relocated, and industries suffering overcapacity seek to shift capacity. At the same time the BRI presents significant challenges in areas such as transparency, effective governance and financing. The research arguments highlight the need to interpret Chinese OFDI flows in a dynamic context, with recognition that such firms are being strongly supported by a determined and increasingly well-resourced state. In theoretical terms, they also offer a possible integration of resource- and institutional perspectives, two approaches to explaining emerging market firm internationalization that have, to date, been largely separated. The research has examined an important consideration in the evaluation of FDI impacts, but must be seen as simply a starting point.

8.1 Implications for Theory

The discussion has three principal implications for international business theory. The first is the value of the institutional models utilised here, particularly institutional open access and institutional work. These models, still relatively new to the literature, receive support in this discussion. The broad scope and interpretation of the BRI is consistent with institutional open access suggesting a growing influence of formal over informal rules. We find support for this in both the recent restrictions on OFDI in what the Chinese authorities perceive to be 'undesirable'

sectors such as property and sports teams, and in the broadening of support for desirable OFDI. These models, which enable researchers to move to more detailed theorising on the evolution of institutional arrangements, are a worthy addition to the international business literature.

A second implication is the reality of policy shaping, encapsulated by institutional work. For a complex economy such as China engaged in targeted industry support and upgrading, the precise form of policy is likely to be the outcome of discussions between key players (the state, businesses and government agencies), at a variety of levels (national, regional and city). This complex process makes it difficult to anticipate the precise nature of evolving policy but suggests that while state direction is paramount, consideration will also be given to the competitive position of Chinese businesses. For example, where technological 'catch-up' is desired, policy is likely to accommodate complementary cross-border acquisitions or strategic alliances. Institutional work also helps explain the Chinese preference for a high level of competition within leading sectors: in part this helps curb the power of business and their influence on policy determination.

A third implication is the role of policy and the BRI within the continuing evolution of 'Factory Asia'. Factory Asia describes a series of regional production networks linking facilities producing parts and components, assembling and then shipping to mainly advanced markets around the world (Ando & Kimura 2005). These networks which are driven primarily by East Asian economies, form part of global and regional value chains. As costs have risen within China, the scope of Factory Asia has increased with more economies and factories becoming involved. Technically, the region is led by Japan and South Korea, but outsourcing from China is increasing significantly as upgrading occurs. The policy direction set within the evolving BRI has considerable implications for this area of conceptualisation within the 'flying geese' paradigm (Kojima, 2000).

8.2 Limitations

This study, like any piece of research, suffers limitations which should be noted. The topic of the BRI is a large and extremely complex one and this research is limited in that it has examined just one aspect of this. Work on the BRI also has to recognise other significant constraints.

First, the BRI will evolve over a significant time-frame, between 50 and 100 years in some estimates, and current data and experience reflect the fact that this is still a very early part of the process. This obviously limits the amount and comprehensiveness of available data as well as empirical studies of its likely impact. As the BRI unfolds it may well change in nature, complicating the evaluation process.

Second, the scale and scope of the BRI means that it will have economic and non- economic impacts. This study has focused on the former and has not considered the wider political and spatial effects that might be anticipated.

Third, the nature of the BRI adds to research challenges. In creating alternative trade routes and partnerships across the globe there is obvious interdependency. Infrastructure investment in one location may be dependent on investment in other, complementary, locations. This makes evaluation of likely impacts, as well as assessment of challenges extremely difficult. In reality, the full impacts may only be observable when the whole initiative is completed, and clearly that makes any assessment at this stage, highly tentative.

Finally, because of its infancy, data on the BRI is very limited. While this study has been limited to using Chinese national statistics on OFDI, and additional, and more robust, data is needed. OFDI data does not always distinguish between proposed and completed projects. Data that distinguishes investor industry would also be helpful enabling work to be undertaken on the sequencing of investments, for example if infrastructure investments precede supporting services. Also of interest is more detailed data on project funding and the extent to which the BRI is increasing national debt obligations. A project offering a strong return is likely to have a greater positive impact than one that simply adds to debt obligations. More detailed investor project cases would also help discover the extent to which China is using local resources such as labour and materials or whether these projects are simply benefiting Chinese construction companies to export materials and labour. This criticism is one that Chinese firms have faced in other locations such as Africa.

8.3 Future Research

More analysis will be required as the BRI unfolds: its geographical spread, time scale, and interdependency mean that assessments need to be continually updated. Conceptually, these ideas would benefit from further refinement, examining the changing profile of Chinese FDI by location, industry and firm type, for example, and case studies of the internationalization of specific enterprises. Institutional theory also has application at a provincial or regional level (J. Li, Xia, Shapiro, & Lin, 2018) and could explain differential rates of OFDI from different regions with the expectation that higher rates or levels of investment might be expected from more open regions. There is also the interesting question of whether all facets of OFDI are impacted in the same way by supportive policies, or whether there might be differences in terms of location, entry mode, number, or scale of investment. These are all questions worthy of further research effort. The BRI is a topic likely to attract a vast amount of additional research over the next few decades.

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Appendices

China's OFDI flows (millions of Dollars)

	BRI countries	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Central Asia	Kazakhstan	2.94	2.31	94.93	46.00	279.92	496.43	66.81	36.06	581.60	2,995.99	811.49	-40.07	-2,510.27	487.70	2,070.47
Central Asia	Kyrgyzstan	2.44	5.33	13.74	27.64	14.99	7.06	136.91	82.47	145.07	161.40	203.39	107.83	151.55	158.74	123.70
Central Asia	Tajikistan	0.00	4.99	0.77	6.98	67.93	26.58	16.67	15.42	22.10	234.11	72.33	107.20	219.31	272.41	95.01
Central Asia	Turkmenistan	0.00	0.00	0.00	-0.04	1.26	86.71	119.68	450.51	-383.04	12.34	-32.43	195.15	-314.57	-23.76	46.72
Central Asia	Uzbekistan	0.72	1.08	0.09	1.07	13.15	39.37	4.93	-4.63	88.25	-26.79	44.17	180.59	127.89	178.87	-75.75
Central Europe	Croatia	0.00	0.00	0.00	0.00	1.20	0.00	0.26	0.03	0.05	0.05	0.00	3.55	0.00	0.22	31.84
Central Europe	Czech Republic	0.00	0.46	0.00	9.10	4.97	12.79	15.60	2.11	8.84	18.02	17.84	2.46	-17.41	1.85	72.95
Central Europe	Hungary	1.18	0.10	0.65	0.37	8.63	2.15	8.21	370.10	11.61	41.40	25.67	34.02	23.20	57.46	65.59
Central Europe	Poland	1.55	0.10	0.13	0.00	11.75	10.70	10.37	16.74	48.66	7.50	18.34	44.17	25.10	-24.11	-4.33
Central Europe	Slovakia	0.00	0.00	0.00	0.00	0.00	0.00	0.26	0.46	5.94	2.19	0.33	45.66	0.00	0.00	0.68
Central Europe	Slovenia	0.00	0.00	0.12	1.40	1.40	1.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	21.86	0.39
East Asia	Brunei	0.00	0.00	1.50	0.00	1.18	1.82	5.81	16.53	20.11	0.99	8.52	-3.28	3.92	142.10	71.36
East Asia	Burma	0.00	4.09	11.54	12.64	92.31	232.53	376.70	875.61	217.82	748.96	475.33	343.13	331.72	287.69	428.18
East Asia	Indonesia	26.80	61.96	11.84	56.94	99.09	173.98	226.09	201.31	592.19	1,361.29	1,563.38	1,271.98	1,450.57	1,460.88	1,682.25
East Asia	Kampuchea	21.95	29.52	5.15	9.81	64.45	204.64	215.83	466.51	566.02	559.66	499.33	438.27	419.68	625.67	744.24
East Asia	Laos	0.80	3.56	20.58	48.04	154.35	87.00	203.24	313.55	458.52	808.82	781.48	1,026.90	517.21	327.58	1,219.95
East Asia	Mongolia	4.43	40.16	52.34	82.39	196.27	238.61	276.54	193.86	451.04	904.03	388.79	502.61	-23.19	79.12	-27.89
East Asia	Malaysia	1.97	8.12	56.72	7.51	-32.82	34.43	53.78	163.54	95.13	199.04	616.38	521.34	488.91	1,829.96	1,722.14
East Asia	Philippines	0.95	0.05	4.51	9.30	4.50	33.69	40.24	244.09	267.19	74.90	54.40	224.95	-27.59	32.21	108.84
East Asia	Singapore	-3.21	47.98	20.33	132.15	397.73	1,550.95	1,414.25	1,118.50	3,268.96	1,518.75	2,032.67	2,813.63	10,452.48	3,171.86	6,319.90
East Asia	Thailand	57.31	23.43	4.77	15.84	76.41	45.47	49.77	699.87	230.11	478.60	755.19	839.46	407.24	1,121.69	1,057.59
East Asia	Vietnam	12.75	16.85	20.77	43.52	110.88	119.84	112.39	305.13	189.19	349.43	480.50	332.89	560.17	1,279.04	764.40
East Europe	Belarus	0.00	0.00	0.00	0.00	0.00	2.10	2.10	19.22	8.67	43.50	27.18	63.72	54.21	160.94	142.72
East Europe	Lithuania	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	5.51	0.00	0.00	2.25	0.00
East Europe	Moldova	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
East Europe	Russia	30.62	77.31	203.33	452.11	477.61	395.23	348.22	567.72	715.81	784.62	1,022.25	633.56	2,960.86	1,293.07	1,548.42
East Europe	Ukraine	0.06	1.20	2.03	1.83	5.65	2.41	0.03	1.50	0.77	2.07	10.14	4.72	-0.76	1.92	4.75
East Europe	Georgia	0.00	4.84	0.00	9.94	8.21	10.00	7.78	40.57	0.80	68.74	109.62	224.35	43.98	20.77	38.46
North Europe	Estonia	0.00	0.00	1.26	1.26	1.26	1.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.12
North Europe	Latvia	1.58	0.00	0.00	0.00	-1.74	0.00	-0.03	0.00	0.00	0.00	0.00	0.00	0.45	0.00	0.08
South Asia	Afghanistan	0.30	0.00	0.00	0.25	0.10	113.91	16.39	1.91	295.54	17.61	-1.22	27.92	-3.26	2.21	5.43
South Asia	Bangladesh	1.41	0.76	0.18	5.31	3.64	4.50	10.75	7.24	10.32	33.03	41.37	25.02	31.19	40.80	99.03
South Asia	Bhutan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
South Asia	India	0.15	0.35	11.16	5.61	22.02	101.88	-24.88	47.61	180.08	276.81	148.57	317.18	705.25	92.93	289.98
South Asia	Maldives	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.55	0.72	0.00	33.41	31.95
South Asia	Nepal	0.00	1.68	1.35	0.32	0.99	0.01	1.18	0.86	8.58	7.65	36.97	45.04	78.88	-48.82	7.55
South Asia	Pakistan	9.63	1.42	4.34	-62.07	910.63	265.37	76.75	331.35	333.28	88.93	163.57	1,014.26	320.74	632.94	678.19
South Asia	Sri Lanka	0.23	0.25	0.03	0.25	-1.52	9.04	-1.40	28.21	81.23	16.75	71.77	85.11	17.47	-60.23	-25.27
South Europe	Albania	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.08	0.00	0.00	0.56	0.00	0.00	0.01	0.21
South Europe	Bosnia and Herzegovina	1.46	0.00	0.00	0.00	0.00	0.00	1.51	0.06	0.04	0.06	0.00	0.00	1.62	0.85	0.00
South Europe	Bulgaria	0.35	0.35	1.72	0.00	0.00	0.00	-2.43	16.29	53.90	54.17	20.69	20.42	59.16	-15.03	88.87
South Europe	Macedonia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.15	14.94	3.87	10.72	11.37	1.04
South Europe	Montenegro	0.00	0.00	0.00	0.00	0.32	0.32	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16.65
South Europe	Romania	0.61	2.68	2.87	9.63	6.80	11.98	5.29	10.84	0.30	25.41	2.17	42.25	63.32	15.88	15.86
South Europe	Serbia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.10	0.21	2.10	11.50	11.69	7.63	30.79	79.21
West Asia	Armenia	0.00	0.00	1.25	1.25	1.25	1.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.95
West Asia	Azerbaijan	0.35	0.20	2.65	10.92	10.19	9.53	1.73	0.37	17.68	0.34	-4.43	16.83	1.36	-24.66	-0.20
West Asia	Bahrain	0.05	0.00	0.07	-1.92	0.00	0.12	0.00	0.00	0.00	5.08	-5.34	0.00	0.00	36.46	36.96
West Asia	Cyprus	0.00	0.00	0.00	0.00	0.30	0.00	0.00	0.00	89.54	3.48	76.34	0.00	1.76	5.25	603.41
West Asia	Egypt	2.10	5.72	13.31	8.85	24.98	14.57	133.86	51.65	66.45	119.41	23.22	162.87	80.81	119.83	92.76

West Asia	Greece	0.00	0.20	0.00	0.00	0.03	0.12	0.00	0.00	0.43	0.88	1.90	0.00	-1.37	29.39	28.57
West Asia	Iran	7.82	17.55	11.60	65.78	11.42	-34.53	124.83	511.00	615.56	702.14	745.27	592.86	-549.66	390.37	-368.29
West Asia	Iraq	0.00	0.00	0.00	0.35	0.36	-1.66	1.79	48.14	122.44	148.40	20.02	82.86	12.31	-52.87	-8.81
West Asia	Israel	0.32	0.00	6.00	1.00	2.22	-1.00	0.00	10.50	2.01	11.58	1.89	52.58	229.74	1,841.30	147.37
West Asia	Jordan	0.00	0.00	1.01	-6.18	0.60	-1.63	0.11	0.07	0.18	9.83	0.77	6.74	1.58	6.13	15.16
West Asia	Kuwait	0.00	1.69	0.00	4.06	-6.25	2.44	2.92	22.86	42.00	-11.88	-0.59	161.91	144.44	50.55	175.08
West Asia	Lebanon	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.42	0.00	0.00	0.68	0.09	0.00	0.00	0.00
West Asia	Oman	0.00	0.00	5.22	26.68	2.59	-22.95	-6.24	11.03	9.51	3.37	-0.74	15.16	10.95	4.62	12.73
West Asia	Palestine	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.02	0.00	0.00	0.20	0.00
West Asia	Qatar	1.00	0.80	0.00	3.52	9.81	10.00	-3.74	11.14	38.59	84.46	87.47	35.79	140.85	96.13	-26.63
West Asia	Saudi Arabia	0.24	1.99	21.45	117.20	117.96	88.39	90.23	36.48	122.56	153.67	478.82	184.30	404.79	23.90	-345.18
West Asia	Syria	0.00	0.00	0.20	0.13	-11.26	-1.17	3.43	8.12	-2.08	-6.07	-8.05	9.55	-3.56	-0.69	0.53
West Asia	The United Arab Emirates	9.37	8.31	26.05	28.12	49.15	127.38	88.90	348.83	314.58	105.11	294.58	705.34	1,268.68	-391.38	661.23
West Asia	Turkey	1.53	1.58	0.24	1.15	1.61	9.10	293.26	7.82	13.50	108.95	178.55	104.97	628.31	-96.12	190.91
West Asia	Yemen	0.03	3.43	35.16	7.61	43.47	18.81	1.64	31.49	-9.12	14.07	331.25	5.96	-102.16	-413.15	27.25
Total Chinese FDI in BRI countries by year		201.79	382.42	672.96	1203.63	3261.95	4542.93	4528.32	7743.25	10018.72	13331.12	12725.87	13650.08	18906.21	15330.36	20788.28
Total Chinese OFDI		2,854.70	5,498.00	12,261.20	17,634.00	26,506.10	55,907.20	56,529.00	68,811.30	74,654.00	87,803.50	107,843.70	123,119.90	145,667.20	196,149.40	124,630.00
Share of Chinese OFDI		7.07%	6.96%	5.49%	6.83%	12.31%	8.13%	8.01%	11.25%	13.42%	15.18%	11.80%	11.09%	12.98%	7.82%	16.68%

Note: Data retrieved from Statistical Bulletin of China's OFDI, 2003-2017

China's OFDI flows (millions of Dollars)

	BRI countries	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Central Asia	Kazakhstan	2.94	2.31	94.93	46.00	279.92	496.43	66.81	36.06	581.60	2,995.99	811.49	-40.07	-2,510.27	487.70	2,070.47
Central Asia	Kyrgyzstan	2.44	5.33	13.74	27.64	14.99	7.06	136.91	82.47	145.07	161.40	203.39	107.83	151.55	158.74	123.70
Central Asia	Tajikistan	0.00	4.99	0.77	6.98	67.93	26.58	16.67	15.42	22.10	234.11	72.33	107.20	219.31	272.41	95.01
Central Asia	Turkmenistan	0.00	0.00	0.00	-0.04	1.26	86.71	119.68	450.51	-383.04	12.34	-32.43	195.15	-314.57	-23.76	46.72
Central Asia	Uzbekistan	0.72	1.08	0.09	1.07	13.15	39.37	4.93	-4.63	88.25	-26.79	44.17	180.59	127.89	178.87	-75.75
Total Chinese OFDI in central Asia		6.1	13.71	109.53	81.65	377.25	656.15	345	579.83	453.98	3377.05	1098.95	550.7	-2326.09	1073.96	2260.15
Total Chinese OFDI		2,854.70	5,498.00	12,261.20	17,634.00	26,506.10	55,907.20	56,529.00	68,811.30	74,654.00	87,803.50	107,843.70	123,119.90	145,667.20	196,149.40	124,630.00
Share on Chinese OFDI		0.214%	0.249%	0.893%	0.463%	1.423%	1.174%	0.610%	0.843%	0.608%	3.846%	1.019%	0.447%	-1.597%	0.548%	1.813%

South Asia	Afghanistan	0.30	0.00	0.00	0.25	0.10	113.91	16.39	1.91	295.54	17.61	-1.22	27.92	-3.26	2.21	5.43
South Asia	Bangladesh	1.41	0.76	0.18	5.31	3.64	4.50	10.75	7.24	10.32	33.03	41.37	25.02	31.19	40.80	99.03
South Asia	Bhutan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
South Asia	India	0.15	0.35	11.16	5.61	22.02	101.88	-24.88	47.61	180.08	276.81	148.57	317.18	705.25	92.93	289.98
South Asia	Maldives	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.55	0.72	0.00	33.41	31.95
South Asia	Nepal	0.00	1.68	1.35	0.32	0.99	0.01	1.18	0.86	8.58	7.65	36.97	45.04	78.88	-48.82	7.55
South Asia	Pakistan	9.63	1.42	4.34	-62.07	910.63	265.37	76.75	331.35	333.28	88.93	163.57	1,014.26	320.74	632.94	678.19
South Asia	Sri Lanka	0.23	0.25	0.03	0.25	-1.52	9.04	-1.40	28.21	81.23	16.75	71.77	85.11	17.47	-60.23	-25.27
Total Chinese OFDI in South Asia		11.72	4.46	17.06	-50.33	935.86	494.71	78.79	417.18	909.03	440.78	462.58	1515.25	1150.27	693.24	1086.86
Total Chinese OFDI		2,854.70	5,498.00	12,261.20	17,634.00	26,506.10	55,907.20	56,529.00	68,811.30	74,654.00	87,803.50	107,843.70	123,119.90	145,667.20	196,149.40	124,630.00
Share of Chinese OFDI		0.411%	0.081%	0.139%	-0.285%	3.531%	0.885%	0.139%	0.606%	1.218%	0.502%	0.429%	1.231%	0.790%	0.353%	0.872%

East Asia	Brunei	0.00	0.00	1.50	0.00	1.18	1.82	5.81	16.53	20.11	0.99	8.52	-3.28	3.92	142.10	71.36
East Asia	Burma	0.00	4.09	11.54	12.64	92.31	232.53	376.70	875.61	217.82	748.96	475.33	343.13	331.72	287.69	428.18
East Asia	Indonesia	26.80	61.96	11.84	56.94	99.09	173.98	226.09	201.31	592.19	1,361.29	1,563.38	1,271.98	1,450.57	1,460.88	1,682.25
East Asia	Kampuchea	21.95	29.52	5.15	9.81	64.45	204.64	215.83	466.51	566.02	559.66	499.33	438.27	419.68	625.67	744.24
East Asia	Laos	0.80	3.56	20.58	48.04	154.35	87.00	203.24	313.55	458.52	808.82	781.48	1,026.90	517.21	327.58	1,219.95
East Asia	Mongolia	4.43	40.16	52.34	82.39	196.27	238.61	276.54	193.86	451.04	904.03	388.79	502.61	-23.19	79.12	-27.89
East Asia	Malaysia	1.97	8.12	56.72	7.51	-32.82	34.43	53.78	163.54	95.13	199.04	616.38	521.34	488.91	1,829.96	1,722.14
East Asia	Philippines	0.95	0.05	4.51	9.30	4.50	33.69	40.24	244.09	267.19	74.90	54.40	224.95	-27.59	32.21	108.84
East Asia	Singapore	-3.21	47.98	20.33	132.15	397.73	1,550.95	1,414.25	1,118.50	3,268.96	1,518.75	2,032.67	2,813.63	10,452.48	3,171.86	6,319.90
East Asia	Thailand	57.31	23.43	4.77	15.84	76.41	45.47	49.77	699.87	230.11	478.60	755.19	839.46	407.24	1,121.69	1,057.59
East Asia	Vietnam	12.75	16.85	20.77	43.52	110.88	119.84	112.39	305.13	189.19	349.43	480.50	332.89	560.17	1,279.04	764.40
Total Chinese OFDI in East Asia		123.75	235.72	210.05	418.14	1164.35	2722.96	2974.64	4598.50	6356.28	7004.47	7655.97	8311.88	14581.12	10357.80	14090.96
Total Chinese OFDI		2,854.70	5,498.00	12,261.20	17,634.00	26,506.10	55,907.20	56,529.00	68,811.30	74,654.00	87,803.50	107,843.70	123,119.90	145,667.20	196,149.40	124,630.00
Share of Chinese OFDI		4.335%	4.287%	1.713%	2.371%	4.393%	4.870%	5.262%	6.683%	8.514%	7.977%	7.099%	6.751%	10.010%	5.281%	11.306%

West Asia	Armenia	0.00	0.00	1.25	1.25	1.25	1.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.95
West Asia	Azerbaijan	0.35	0.20	2.65	10.92	10.19	9.53	1.73	0.37	17.68	0.34	-4.43	16.83	1.36	-24.66	-0.20
West Asia	Bahrain	0.05	0.00	0.07	-1.92	0.00	0.12	0.00	0.00	0.00	5.08	-5.34	0.00	0.00	36.46	36.96
West Asia	Cyprus	0.00	0.00	0.00	0.00	0.30	0.00	0.00	0.00	89.54	3.48	76.34	0.00	1.76	5.25	603.41
West Asia	Egypt	2.10	5.72	13.31	8.85	24.98	14.57	133.86	51.65	66.45	119.41	23.22	162.87	80.81	119.83	92.76
West Asia	Greece	0.00	0.20	0.00	0.00	0.03	0.12	0.00	0.00	0.43	0.88	1.90	0.00	-1.37	29.39	28.57
West Asia	Iran	7.82	17.55	11.60	65.78	11.42	-34.53	124.83	511.00	615.56	702.14	745.27	592.86	-549.66	390.37	-368.29

West Asia	Iraq	0.00	0.00	0.00	0.35	0.36	-1.66	1.79	48.14	122.44	148.40	20.02	82.86	12.31	-52.87	-8.81
West Asia	Israel	0.32	0.00	6.00	1.00	2.22	-1.00	0.00	10.50	2.01	11.58	1.89	52.58	229.74	1,841.30	147.37
West Asia	Jordan	0.00	0.00	1.01	-6.18	0.60	-1.63	0.11	0.07	0.18	9.83	0.77	6.74	1.58	6.13	15.16
West Asia	Kuwait	0.00	1.69	0.00	4.06	-6.25	2.44	2.92	22.86	42.00	-11.88	-0.59	161.91	144.44	50.55	175.08
West Asia	Lebanon	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.42	0.00	0.00	0.68	0.09	0.00	0.00	0.00
West Asia	Oman	0.00	0.00	5.22	26.68	2.59	-22.95	-6.24	11.03	9.51	3.37	-0.74	15.16	10.95	4.62	12.73
West Asia	Palestine	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.02	0.00	0.00	0.20	0.00
West Asia	Qatar	1.00	0.80	0.00	3.52	9.81	10.00	-3.74	11.14	38.59	84.46	87.47	35.79	140.85	96.13	-26.63
West Asia	Saudi Arabia	0.24	1.99	21.45	117.20	117.96	88.39	90.23	36.48	122.56	153.67	478.82	184.30	404.79	23.90	-345.18
West Asia	Syria	0.00	0.00	0.20	0.13	-11.26	-1.17	3.43	8.12	-2.08	-6.07	-8.05	9.55	-3.56	-0.69	0.53
West Asia	The United Arab Emirates	9.37	8.31	26.05	28.12	49.15	127.38	88.90	348.83	314.58	105.11	294.58	705.34	1,268.68	-391.38	661.23
West Asia	Turkey	1.53	1.58	0.24	1.15	1.61	9.10	293.26	7.82	13.50	108.95	178.55	104.97	628.31	-96.12	190.91
West Asia	Yemen	0.03	3.43	35.16	7.61	43.47	18.81	1.64	31.49	-9.12	14.07	331.25	5.96	-102.16	-413.15	27.25
Total Chinese OFDI in West Asia		22.81	41.49	124.21	268.52	258.43	218.77	732.72	1099.92	1443.83	1452.84	2221.63	2137.81	2268.83	1625.26	1246.80
Total Chinese OFDI		2,854.70	5,498.00	12,261.20	17,634.00	26,506.10	55,907.20	56,529.00	68,811.30	74,654.00	87,803.50	107,843.70	123,119.90	145,667.20	196,149.40	124,630.00
Share of Chinese OFDI		0.799%	0.755%	1.013%	1.523%	0.975%	0.391%	1.296%	1.598%	1.934%	1.655%	2.060%	1.736%	1.558%	0.829%	1.000%
East Europe	Belarus	0.00	0.00	0.00	0.00	0.00	2.10	2.10	19.22	8.67	43.50	27.18	63.72	54.21	160.94	142.72
East Europe	Lithuania	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	5.51	0.00	0.00	2.25	0.00
East Europe	Moldova	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
East Europe	Russia	30.62	77.31	203.33	452.11	477.61	395.23	348.22	567.72	715.81	784.62	1,022.25	633.56	2,960.86	1,293.07	1,548.42
East Europe	Ukraine	0.06	1.20	2.03	1.83	5.65	2.41	0.03	1.50	0.77	2.07	10.14	4.72	-0.76	1.92	4.75
East Europe	Georgia	0.00	4.84	0.00	9.94	8.21	10.00	7.78	40.57	0.80	68.74	109.62	224.35	43.98	20.77	38.46
Total Chinese OFDI in East Europe		30.68	83.35	205.36	463.88	491.47	409.74	358.13	629.01	726.05	899.93	1174.70	926.35	3058.29	1478.95	1734.35
Total Chinese OFDI		2,854.70	5,498.00	12,261.20	17,634.00	26,506.10	55,907.20	56,529.00	68,811.30	74,654.00	87,803.50	107,843.70	123,119.90	145,667.20	196,149.40	124,630.00
Share of Chinese OFDI		1.075%	1.516%	1.675%	2.631%	1.854%	0.733%	0.634%	0.914%	0.973%	1.025%	1.089%	0.752%	2.100%	0.754%	1.392%
North Europe	Estonia	0.00	0.00	1.26	1.26	1.26	1.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.12
North Europe	Latvia	1.58	0.00	0.00	0.00	-1.74	0.00	-0.03	0.00	0.00	0.00	0.00	0.00	0.45	0.00	0.08
Total Chinese OFDI in North Europe		1.58	0.00	1.26	1.26	-0.48	1.26	-0.03	0.00	0.00	0.00	0.00	0.00	0.45	0.00	0.20
Total Chinese OFDI		2,854.70	5,498.00	12,261.20	17,634.00	26,506.10	55,907.20	56,529.00	68,811.30	74,654.00	87,803.50	107,843.70	123,119.90	145,667.20	196,149.40	124,630.00
Share of Chinese OFDI		0.055%	0.000%	0.010%	0.007%	-0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Central Europe	Croatia	0.00	0.00	0.00	0.00	1.20	0.00	0.26	0.03	0.05	0.05	0.00	3.55	0.00	0.22	31.84
Central Europe	Czech Republic	0.00	0.46	0.00	9.10	4.97	12.79	15.60	2.11	8.84	18.02	17.84	2.46	-17.41	1.85	72.95
Central Europe	Hungary	1.18	0.10	0.65	0.37	8.63	2.15	8.21	370.10	11.61	41.40	25.67	34.02	23.20	57.46	65.59
Central Europe	Poland	1.55	0.10	0.13	0.00	11.75	10.70	10.37	16.74	48.66	7.50	18.34	44.17	25.10	-24.11	-4.33
Central Europe	Slovakia	0.00	0.00	0.00	0.00	0.00	0.00	0.26	0.46	5.94	2.19	0.33	45.66	0.00	0.00	0.68
Central Europe	Slovenia	0.00	0.00	0.12	1.40	1.40	1.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	21.86	0.39
Total Chinese OFDI in central Europe		2.73	0.66	0.90	10.87	27.95	27.04	34.70	389.44	75.10	69.16	62.18	129.86	30.89	57.28	167.12
Total Chinese OFDI		2,854.70	5,498.00	12,261.20	17,634.00	26,506.10	55,907.20	56,529.00	68,811.30	74,654.00	87,803.50	107,843.70	123,119.90	145,667.20	196,149.40	124,630.00

Share of Chinese OFDI		0.096%	0.012%	0.007%	0.062%	0.105%	0.048%	0.061%	0.566%	0.101%	0.079%	0.058%	0.105%	0.021%	0.029%	0.134%
South Europe	Albania	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.08	0.00	0.00	0.56	0.00	0.00	0.01	0.21
South Europe	Bosnia and Herzegovina	1.46	0.00	0.00	0.00	0.00	0.00	1.51	0.06	0.04	0.06	0.00	0.00	1.62	0.85	0.00
South Europe	Bulgaria	0.35	0.35	1.72	0.00	0.00	0.00	-2.43	16.29	53.90	54.17	20.69	20.42	59.16	-15.03	88.87
South Europe	Macedonia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.15	14.94	3.87	10.72	11.37	1.04
South Europe	Montenegro	0.00	0.00	0.00	0.00	0.32	0.32	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16.65
South Europe	Romania	0.61	2.68	2.87	9.63	6.80	11.98	5.29	10.84	0.30	25.41	2.17	42.25	63.32	15.88	15.86
South Europe	Serbia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.10	0.21	2.10	11.50	11.69	7.63	30.79	79.21
Total Chinese OFDI in South Europe		2.42	3.03	4.59	9.64	7.12	12.30	4.37	29.37	54.45	86.89	49.86	78.23	142.45	43.87	201.84
Total Chinese OFDI		2,854.70	5,498.00	12,261.20	17,634.00	26,506.10	55,907.20	56,529.00	68,811.30	74,654.00	87,803.50	107,843.70	123,119.90	145,667.20	196,149.40	124,630.00
Share of Chinese OFDI		0.085%	0.055%	0.037%	0.055%	0.027%	0.022%	0.008%	0.043%	0.073%	0.099%	0.046%	0.064%	0.098%	0.022%	0.162%

Note: Data retrieved from Statistical Bulletin of China's OFDI, 2003-2017