THE INTERNATIONALIZATION OF CHINA'S ENTERPRISES

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EAI Background Brief No. 906

Date of Publication: 3 April 2014

Executive Summary

1. China launched a "Go Global" (*zou chu qu*) strategy in 2000. This strategy was to create areas of comparative advantage for Chinese firms by promoting multinational operations and actively developing and utilizing overseas resources.

2. The increase in China's foreign direct investment (FDI) outflow enhances China's political and economic leverage. After the Third Plenum of the 18th Communist Party of China's Central Committee, China unveiled in November 2013 an aggressive reform package including signing more bilateral and multilateral investment agreements for boosting China's overseas investment.

3. Chinese multinational companies (MNCs) have played an important role in outward FDI activities. Once an insignificant outward FDI country, China has since grown to become an important source of global investment.

4. China's overseas investment is dominated by state-owned enterprises, unlike that of developed countries such as the European nations, the USA and Japan. State-owned enterprises are believed to be able to take political risks better than private enterprises.

5. Political and diplomatic motivations are still important determinants of China's overseas investment decisions. China hopes to make use of overseas investments to enhance China's international economic and political influence.

6. Like MNCs of developed countries, China's MNCs capitalize on their technological advantages and set up factories in neighboring countries. Final products are then exported to a third country.

7. These Chinese enterprises hope to penetrate international markets to establish their global reach in order to reduce production costs, maximize earnings, and expand their scale of operations.

8. The exact form that the overseas investment takes depends on the capabilities of the individual firm, the industry it belongs, and the strategy it adopts.

9. Chinese companies are now engaged in transnational mergers and acquisitions to acquire resources, technology and advanced R&D capabilities.

10. Chinese buyers target Canada, USA, Australia and the UK. China's state-owned enterprises were mostly in the energy sector, while private enterprises are in the industrial technology and consumer goods sectors.

11. Most of China’s large corporations are state owned or state-owned holding companies. The systemic drawbacks of unclear ownership that are part of their governance structure has retarded their efficiency and international competitiveness.